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**FOREIGN COMPANY NEWS**

**Mercedes-Benz to Open R&D Center in Korea**

Mercedes-Benz will open a small research and development (R&D) center and further expand its corporate social responsibility (CSR) activities in 2014 by raising a social contribution fund with its dealers.

Dieter Zetsche, Chairman of Daimler AG, of which Mercedes-Benz is a division, held a press conference last year at Seoul FKI Tower and announced the company’s business plans.

“Korea possesses expertise in the field of telematics, which will enable the company to quickly respond to the sophisticated needs of Korean clients,” said Zetsche regarding the establishment of the R&D center.

Korea is the 13th largest market for Mercedes-Benz in terms of sales. With a growing presence in the international market, the company considers tailored research development plans necessary for domestic customers.

Mercedes-Benz will consider using the R&D center in various ways, as there are many companies with world-class IT technology in Korea. The initial research team will include three to five members, and the amount of investment for construction is undecided.

The company also plans to begin its CSR activities in Korea by raising a social contribution fund with its official dealers. Mercedes-Benz Korea, Daimler Trucks Korea, Mercedes-Benz Financial Services Korea, and other official dealers in the country will participate in fundraising activities.

**GE Healthcare to Build R&D and Production Center in Korea**

General Electric Healthcare (GE Healthcare) will set up an R&D and production center for mammography in Korea.

The Ministry of Trade, Industry & Energy announced last month that Tom Gentile, President and CEO of GE Healthcare Systems, and Yoon Sang-jick, Minister of Trade, Industry & Energy, signed a memorandum of understanding (MOU) at the JW Marriott Hotel Seoul on December 17.

GE Healthcare will invest KRW 200 billion (USD 190 million) to build the R&D and production center for mammography and generate about 80 employment opportunities over the next five years. The company expects to establish a strategic partnership with Korea through the MOU and nurture the country as a hub of mammography.

“We hope that the investment will encourage the expansion of cooperation between domestic small- and medium-sized enterprises and the global GE,” said Yoon. “The government will actively provide support to strengthen the competitiveness of the ecosystem of Korea’s healthcare industry.”

**Invest KOREA Holds Foreign CEO Forum**

Invest KOREA held the CEO Forum for Foreign-Invested Companies 2013 on November 28 in Seoul. Organized by the Korea Trade-Investment Promotion Agency (KOTRA), of which Invest KOREA is a part, the forum served as an opportunity to review foreign investment in Korea in 2013 and discuss relevant policies.

About 200 people attended, including Kim Jae-hong, Vice Minister of Trade, Industry & Energy, Pat Gaines, former chairman of the American Chamber of Commerce in Korea, other chairmen of foreign chambers of commerce in Korea and diplomatic delegations.

Government officials briefed guests on the country’s foreign investment policies and asked for additional investment.

Reinvestment by foreign companies in Korea has continued to rise, recording USD 6.77 billion in 2010, USD 6.94 billion in 2011 and USD 7.48 billion in 2012. Reinvestment accounted for nearly half of the entire foreign direct investment (FDI) in Korea in 2012.

“The Ministry will work hard to arrange more opportunities to communicate with foreign companies to resolve problems and create an attractive investment environment,” said Kim.

**Foreign-Invested Companies Awarded for CSR**

KOTRA held the Foreign-Invested Companies CSR Award ceremony on December 12 in Seoul.
Despite positive contributions to the country’s job creation and economic growth, there have been negative perceptions of foreign-invested companies in Korea. The ceremony aimed to promote foreign-invested companies contributing to the country by awarding outstanding corporate social responsibility (CSR) activities.

DHL Korea, Wilo Pumps, FRL Korea, Renault Samsung Motors, Pemod Ricard Korea and L’Oreal Korea were awarded the grand prize in six categories.

DHL Korea fully used its global network for international volunteer activities. After the war in Iraq ended in 2003, the company participated in an emergency medical support team and transported medical supplies and devices at no cost. The company also works with relevant authorities, including the United Nations Children’s Fund and Beautiful Store, to deliver relief supplies at no charge to regions that have suffered disasters and casualties. DHL Korea was awarded the grand prize for its performance in the global community.

Wilo Pumps was awarded the grand prize of contribution for its “Wilo Liebe” contribution to the local community. “Wilo Liebe,” a volunteer team comprising the company’s employees and their families, visits social welfare facilities for those with disabilities and the elderly.

FRL Korea received the grand prize of customer care for UNIQLO Recycle, a campaign that collects unwanted clothes from customers and redistributes them to people in need. Renault Samsung Motors carried out activities and a campaign to promote traffic safety. Pemod Ricard Korea was awarded the grand prize of innovation. It focused on CSR activities and a campaign to promote traffic safety. Pernod Ricard Korea offered constant and long-term CSR activities. After the war in Iraq ended in 2003, the company participated in an international medical support team and transported medical supplies and devices at no cost. The company also works with relevant authorities, including the United Nations Children’s Fund and Beautiful Store, to deliver relief supplies at no charge to regions that have suffered disasters and casualties. DHL Korea was awarded the grand prize for its performance in the global community.

The ceremony was joined by Invest KOREA Commissioner Kiwon Han and officials of prize-winning companies.

KOREA NEWS

Korea’s Economy to Grow Faster in 2014

Global investment banks (IBs) forecast last month that the Korean economy will advance faster this year than it did in 2013. Seventeen large IBs projecting that Korea’s GDP will grow 3.54 percent this year compared to the 2.77 percent estimated for last year, according to data from Bloomberg.

The highest growth projection for 2014 came from Barclays, at 4.1 percent, followed by Nomura (4 percent), BNP Paribas, Deutsche Bank and Moody’s forecasted 3.9 percent.

Korea’s central bank, however, revised its growth forecast for this year to 3.8 percent, its previous estimate was 4 percent. The Organisation for Economic Co-operation and Development said in a report last November that the Korean economy is expected to grow 3.8 percent this year.

K-Pop and TV Dramas Help Korea Attract FDI: WSJ

Korean pop (K-pop) and television dramas are making significant contributions to the nation’s foreign investment attraction efforts, reported the Wall Street Journal (WSJ) last month.

Korean bond issuers now have two conversation topics that are guaranteed to attract the attention of foreign investors, according to the WSJ’s Korea Real Time, a blog that offers information and analysis on Korea. The article also states that K-pop and Korean television dramas help break the ice at negotiation tables.

While it is difficult to evaluate the impact of the popular culture products of Korea on bond yields, the WSJ quoted the director of global capital markets at Bank of America (BoA) Merryl Lynch, the worldwide popularity of K-pop has made the task of attracting foreign investors easier.

According to BoA Merryl Lynch, Korean companies sold USD 29.3 billion through 167 issuances last year, which is down from USD 35 billion and 175 issuances the previous year.

However, Korean bonds account for the majority (27 percent) of the Asia ex-Japan bonds maturing this year, followed by China’s 15 percent and the Philippines’ 13 percent.

Korea-China FTA Would Make Korea’s FTA Territory World’s Largest

Korea’s free trade agreement (FTA) with China could make Korea’s free trade territory the world’s largest, said officials last month.

The total global GDP of Korea’s bilateral or multilateral FTA partners now reaches 57.7 percent. With an FTA with China, the combined GDP of Korea’s FTA network would reach 74 percent of the world’s GDP.

Korea recently concluded negotiations for a bilateral trade pact with Australia, and the two countries plan to sign the agreement early this year. Korea is also working on FTA negotiations with Canada.

Korea Aims to More Than Double Industrial Parts & Materials Exports by 2020

Korea aims to more than double its outbound shipments of industrial parts and materials by the year 2020, according to the Ministry of Trade, Industry & Energy in late November. The government and private sector will invest KRW 2 trillion by 2016 to develop 10 world premier materials. This sum stands out in comparison with the KRW 3.6 trillion that was invested over the past 13 years.

Among other measures, the government plans to build an industrial cluster for chemical material manufacturers. These measures are a follow-up to the Vision 2020 announced in 2011, through which the government aimed to boost the competitiveness of SMEs.

In 2012, Korea shipped USD 253.4 billion in industrial parts and materials, with a surplus reaching USD 91 billion. The latest measures will help increase Korea’s exports to USD 450 billion in 2016 and USD 650 billion in 2020, which would improve the country’s trade deficit in the industrial parts and materials sector.
Parts Make the Whole

The growing competitiveness of Korea’s parts and materials industry contributes significantly to Korea’s strong trade performance.

The market and signal systems, other synthetic resins and not on the list in 2012. Instead, electric alarm list of top 10 trade surplus items in 2005, were synthetic fabrics, which were included in the industry and capital- and technology-intensive added values, the industry accounts for 62.9 percent of the overall manufacturing sector. In terms of production of the parts and materials industry has decreased until 2009, but bounced back as the global economy started to recover in 2010. The industry’s share in the number of companies and employees of the overall manufacturing sector has remained over the past several years. Production of the parts and materials industry amounted to KRW 680 trillion (USD 647 billion) in 2011, compared to KRW 413 trillion in 2007, accounting for 45.3 percent of the overall manufacturing sector. In terms of added values, the industry accounts for 62.9 percent of the whole, proving that it is now driving the growth of manufacturing. Production of the parts and materials industry has contributed largely to Korea’s trade surplus and achieving a trade volume of USD 1 trillion since 2000. With such rapid development, Korea has seen the shift of its industrial structure to a highly value-added one with the strong heavy chemical industry and capital- and technology-intensive industries.

Cards for computers, chemical fibers and synthetic fabrics, which were included in the list of top 10 trade surplus items in 2005, were not on the list in 2012. Instead, electric alarm and signal systems, other synthetic resins and storage batteries have newly appeared. Thanks to the rapidly increasing surplus in trade of liquid crystal display (LCD) and other auto parts, the trade surplus of the top 10 items increased two-fold, from USD 44.9 billion in 2005 to USD 85.5 billion in 2012. There are 24,339 parts and materials companies in Korea (with 10 or more employees) as of 2011, accounting for 38.6 percent of the overall manufacturing sector. The number of employees is 1.38 million, accounting for 51.3 percent of the overall manufacturing sector.

Due to the 2008 global financial crisis, the number of companies and employees in the parts and materials industry decreased until 2009, but bounced back as the global economy started to recover in 2010. The industry’s share in the number of companies and employees of the overall manufacturing sector has remained over the past several years. Production of the parts and materials industry amounted to KRW 680 trillion (USD 647 billion) in 2011, compared to KRW 413 trillion in 2007, accounting for 45.3 percent of the overall manufacturing sector. In terms of added values, the industry accounts for 62.9 percent of the whole, proving that it is now driving the growth of manufacturing. Production of the parts and materials industry has contributed largely to Korea’s trade surplus and achieving a trade volume of USD 1 trillion since 2000. With such rapid development, Korea has seen the shift of its industrial structure to a highly value-added one with the strong heavy chemical industry and capital- and technology-intensive industries.

Parts and materials industry has contributed largely to Korea’s trade surplus and achieving a trade volume of USD 1 trillion since 2000. With such rapid development, Korea has seen the shift of its industrial structure to a highly value-added one with the strong heavy chemical industry and capital- and technology-intensive industries.

Comparing to Japan, its major rival, Korea’s parts and materials industry has advantages in prices and disadvantages in technologies. Compared to China, another major rival, it has disadvantages in prices and advantages in technologies. Korea’s competitiveness is much higher than China’s 74.6, at 94.1.

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January 2014

The dramatic growth of Korea’s parts and materials industry has contributed largely to Korea’s trade surplus and achieving a trade volume of USD 1 trillion since 2000. With such rapid development, Korea has seen the shift of its industrial structure to a highly value-added one with the strong heavy chemical industry and capital- and technology-intensive industries.

• Foreign Direct Investment Foreign direct investment (FDI) in Korea’s parts and materials industry has increased between 2005 and 2011, from USD 2.11 billion to USD 5.28 billion, and decreased for two consecutive years, amounting to USD 3.95 billion in 2012 (notified amount). During the same period, investment in the overall manufacturing sector increased from USD 318 billion to USD 610 billion and further rose in 2012, showing that interest by foreign investors in Korea’s parts and materials industry is weakening.

Korea’s share in global parts and materials exports rose from 3.4 percent in 2001 to 4.6 percent in 2009, and its ranking in terms of export volume also went up from 10th in 2001 to 6th in 2009, outperforming France and Italy. These figures show that Korea has emerged as a global supplier of parts and materials.

Trade Competitiveness of Korea’s Parts and Materials

The parts and materials industry has steadily increased, from USD 22.7 billion in 2005 and USD 77.9 billion in 2010 to USD 90.9 billion in 2012, illustrating the industry’s growing competitiveness. The surplus from parts trade rose from USD 5.6 billion in 2005 to USD 21.8 billion in 2012, while the surplus from materials trade soared from USD 17.1 billion to USD 69.1 billion over the same period, showing that the competitiveness of materials is increasing more rapidly than that of parts. The trade specification index of the parts and materials industry is also improving, from 0.10 in 2005 and 0.20 in 2010 to 0.22 in 2012. The index of the parts sector is improving more rapidly than that of the materials sector.

• Technology & Price Competitiveness

According to a survey of parts and materials companies, the competitiveness of the Korean parts and materials industry has been rapidly strengthened since 2000. Average technological innovation index increased at about 70 percent of that of the United States in 2001 but rose to 94 percent in 2010. In particular, design technologies and product development technologies, which were about 60 percent of the U.S. technology level, rose to 92 percent by 2010.

Compared to Japan, its major rival, Korea’s parts and materials industry has advantages in prices and disadvantages in technologies. Compared to China, another major rival, it has disadvantages in prices and advantages in technologies. Korea’s competitiveness is much higher than China’s 74.6, at 94.1.

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January 2014
A Model of Japanese Investment

Material technology manufacturer Dongwoo Fine-Chem has grown alongside Korea’s emergence as an IT powerhouse.

Dongwoo Fine-Chem strives to be a leader in the 3Es — electronics, energy, and the environment.

When it comes to electronics, the manufacturer of material technology that is applicable to ultrasonic processes has become a total provider in Korea in the field of IT materials. In fact, Dongwoo Fine-Chem’s domestic commercialization of chemicals for semiconductors and LCD and LCD materials has helped Korea become a global IT leader, as the country previously relied on imports for such materials.

As for energy, the company strives to develop the functional materials needed to increase the efficiency of power.

And Dongwoo Fine-Chem’s goals in the environment sector back to its roots — to why its parent company, Japan’s Sumitomo Chemical, was established in the first place. More than 400 years ago, the Sumitomo Group had been refining copper in Japan, and with the mass production of copper came emissions of hazardous gas. So Sumitomo Group set up a chemical unit to collect the gas and produce fertilizer, which preceded the foundation of Sumitomo Chemical in 1913.

Today, Dongwoo Fine-Chem is focused on research and development (R&D) for environmentally friendly materials and green technology and aims to minimize its impact on the ecosystem.

Among Sumitomo Chemical’s operations in 110 countries, Dongwoo Fine-Chem is one of its top-performing companies overall.

“We are proud that we are the good model case for Japanese investment in Korea,” said Moon Heechul, Vice Chairman of Dongwoo Fine-Chem. “So since then, many Japanese companies benchmarked us. Then they start more aggressively investing in Korea.”

It was established in 1991, Dongwoo Fine-Chem has contributed significantly to the development of Korea’s semiconductor industry. It has an optical materials research center in Pyeongtaek and an electronic materials research center in Icheon. Main clients include Samsung, with whom Dongwoo Fine-Chem has long maintained a partnership of mutual growth. LG Display and Hyundai. As these conglomerates grew, so did Dongwoo Fine-Chem in both product variety and scope.

Direct and indirect employees together number 4,180, with 500 of them being researchers. Sales, which have grown consistently over the years, reached USD 2.05 billion in 2012.

Dongwoo Fine-Chem’s business comprises the manufacture of color filters for LCDs, touch sensors, polarizer films, light guide plates and diffuser plates. Last year, the company started manufacturing sapphire for LED and plans to start producing high-purity alumina for batteries early next year.

Moon credits five factors for his company’s success in Korea — its early entry into the high-growth information and electronic materials industry, strategic relationships with major Korean clients, a localized management team, local government support and timely investment decisions. Sumitomo Chemical has invested more than USD 2 billion in Dongwoo Fine-Chem.

“Sumitomo’s investment strategy for Korea is basically display and item-related. And most important thing is speed,” said Moon, referring to customers who want a quick response, whether it’s in the development phase or R&D.

With this investment strategy, Dongwoo Fine-Chem has become an essential part of Sumitomo Chemical’s global operations.

KOREA’S SOPHISTICATED INFORMATION TECHNOLOGY (IT) STRUCTURE — “YOU MAY NOT FIND MANY COUNTRIES WHERE YOU CAN WATCH TV ON THE SUBWAY OR IN THE BUS” — MAKES FOR AN INTERESTING ENVIRONMENT WHERE YOU CAN CONVERGE IT WITH THE ENVIRONMENT AND OTHER INDUSTRIES TO ACHIEVE INNOVATION, THE PRESIDENT ADDITED.

A key word for the business of Mitsui & Co., Ltd. is partnership. When it comes to the big global projects of the Japanese general trading company, be they in the Middle East or Africa, almost 99 percent of its partners are Korean construction companies.

“Korea is a neighbor country of Japan,” said Toru Nakajima, president and CEO of Mitsui & Co. Korea Ltd, a subsidiary of Mitsui. “We have been thinking Korea as a big potential market to start with and also an important partner for business portfolio globally.”

With six business divisions — IT & performance chemicals, energy, basic chemicals, project & machinery, mineral & metal resources and iron & steel — Mitsui Korea last month celebrated its 20th year here. But Mitsui’s business history with Korea goes back to 1967, when Mitsui became the first large Japanese trading company to set up an export/trading branch office in Korea.

The importance of Korea in the overall business of the global Mitsui is evident in the fact that while the company’s Asia headquarter in Singapore, Mitsui Korea reports directly to Tokyo. The company’s export volume is USD 100 million annually, with imports reaching a similar level.

Mitsui & Co., Ltd. is partnership. When it comes to the big global projects of the Japanese general trading company, be they in the Middle East or Africa, almost 99 percent of its partners are Korean construction companies.

“Korea has been important and is important and will be important,” said Nakajima.

In the last two decades, turnover and profits for Mitsui Korea have increased about ten-fold while the number of employees has increased from less than 70 to 110 people today. Korea’s extensive network of free trade agreements has contributed to the growth of Mitsui Korea, as the company’s trade with India, Turkey and Europe has seen clear benefits through Korea’s well-designed trade pacts.

Mitsui Korea’s main focus is on exporting products from Korea, globally. A majority of business is with chemical companies, considering the competitiveness of Korea’s upstream chemical products, and Mitsui Korea provides material for semiconductors and advanced plastic for smartphones. In the steel division, Mitsui Korea has gone from focusing on importing steel products from Japan for Korean customers to exporting Korean steel products through Mitsui’s sales channels globally.

“So as far as steel is concerned, Korea is becoming one of the very important supply sources for our global business,” said Nakajima.

Business in the energy, mineral & metal resources, project & machinery and basic chemicals divisions is also varied and growing.

Mitsui Korea currently has three main projects underway with Korean companies, one of which is the construction of a coal-based power plant in Morocco. A “meaningful investment” is on the horizon for this year, said Nakajima, explaining that it won’t just be a matter of buying shares of a company.

Also coming up this year for Mitsui Korea will be the establishment of a new division to focus on the creative economy.

“Everybody thinks the creative economy is just a story and dream, but for me it’s real,” said Nakajima. “It is something we are going to do and we have to use our brain to create something from nothing, but [from a] few ideas and put together to materialize the business.”

Korea’s sophisticated information technology (IT) structure — “You may not find many countries where you can watch TV on the subway or in the bus” — makes for an interesting environment where you can converge IT with the environment and other industries to achieve innovation, the president added.

Having started out as a venture business 135 years ago, it’s not surprising that Mitsui’s motto is “challenge and innovation.”

“In that sense, Korea is not just important, but a very attractive country,” said Nakajima.

Mitsui Korea used to have a branch office in Busan and Pohang, but excellent mid-market logistics led the company to concentrate business in Seoul.

Mitsui has 151 offices in 67 countries.
The CEO Forum for Foreign-Invested Companies 2013

The Foreign Investment Ombudsman emphasized transparency, consistency and predictability of government policies to attract FDI at the CEO Forum. The Ministry of Trade, Industry & Energy and the Korea Trade-Investment Promotion Agency (KOTRA) held the 8th CEO Forum for Foreign-Invested Companies 2013 on November 28 at the Ritz-Carlton Hotel in Seoul. The event drew about 200 participants from government, chambers of commerce in Korea and foreign companies, including Kim Jae-hong, Vice Minister for Industry and Technology; Park Jin-hyung, Vice President of KOTRA; Patrick Gaines, Chairman of the American Chamber of Commerce in Korea; Toru Nakajima, Chairman of the Seoul Japan Club; and Sergio Rocha, President and CEO of GM Korea.

Government officials from the Bureau for Economic Regulatory Reform of the Prime Minister’s Office and the Immigration Policy Division of the Ministry of Justice introduced Korea’s regulatory and immigration policies as related to foreign direct investment (FDI) at the forum. Through their presentations, they joined KOTRA’s efforts to build a network among foreign-invested companies and attract investment.

In his opening remarks, Vice Minister Kim emphasized the high-quality inbound FDI of foreign companies that have contributed to the Korean economy. He stressed that the government will do its utmost to create a favorable investment environment for foreign firms. He added that the government will strive to resolve difficulties foreign firms may face while doing business in Korea and raise awareness about the role and importance of foreign-invested companies.

Yoon Sun-hee, Director of Economic Regulatory Reform at the Prime Minister’s Office, spoke about regulatory reform in Korea, introducing the regulatory reform system and cases of regulatory improvement. Kim Jong-min, Director of the Immigration Policy Division at the Ministry of Justice, presented on the direction and detailed goals of immigration policies. Also, Bradley Buckwalter, President & Regional General Manager of ADT Korea and a long-time resident of Korea, talked about the Korean expression of “jeong” (closeness, affection and affinity), the dynamic and passionate people of Korea and their inclination to work hard as Korea’s key strengths in a presentation titled “Understanding Korean Culture.”

The forum wrapped up with a presentation by Foreign Investment Ombudsman Dr. Ahn Chong Yong that focused on the services of the Foreign Investment Ombudsman. Dr. Ahn underscored the great need for FDI in Korea in the pursuit of sustainable economic growth, as the outbound FDI of domestic companies has been on the rise and the global value chain has expanded. With reinvestment in Korea, on an arrival basis, reaching almost 80 percent of the country’s total inbound FDI, aftercare services for foreign investors play a key role in encouraging reinvestment.

Dr. Ahn highlighted the need for sustained transparency, consistency and predictability of government policies to create a friendly business environment for foreign investors. Predictability of policies, in particular, plays a decisive role in building trust for foreign investors, he said, emphasizing that government officials should heed the voices of foreign-invested companies when adopting new regulations or enforcing regulations. Dr. Ahn stressed that proactive grievance resolution is crucial to preventing investor-state disputes, which have grown with the increase in cross-border investment.

Dr. Ahn also conveyed the government’s strong dedication to improving the investment climate and FDI promotion policies with the aim of boosting growth potential, achieving a creative economy and creating quality jobs. He also pledged, as the Foreign Investment Ombudsman, to provide a channel for communication between government agencies and foreign investors as well as to enhance Korea’s FDI environment through deregulation.

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Tax Amendments for 2014: Part II

Last month, we looked at two of the six major points in the government’s tax law amendments (the “Amendment”), which was submitted to the National Assembly by Korea’s Ministry of Strategy and Finance on September 30. Below is an overview of the four remaining major Amendment items that may affect foreign-invested companies or foreign corporations conducting business in Korea.

1. Stricter application procedures for claiming a withholding tax exemption treatment under the Korean tax treaties

According to the withholding tax procedures in effect since July 1, 2012 (Article 98-6 of the Corporate Income Tax Law (the “CITL”)), which stipulate the procedures necessary for foreign corporations to claim reduced withholding tax rates under the tax treaties, the foreign corporation that substantially owns the Korean source income (the “Substantive Owner”) must submit an “Application for Reduced Treaty Rate on Korean Sourced Income” to the withholding agent in order to claim the reduced withholding tax rates. In addition, where Korean source income is paid through an investment vehicle established overseas (“Overseas Investment Vehicle” or “OIV”), the OIV must collect the Application for Reduced Treaty Rate on Korean Sourced Income from the Substantive Owners and, in turn, submit the “Report of Overseas Investment Vehicle” and “Details of the Substantive Owners” to the withholding agent for the withholding agent to apply the reduced withholding tax rate.

Similar to the withholding tax procedures discussed above, the Amendment includes a new provision that requires the Substantive Owner to submit a tax exemption application to the tax office that has jurisdiction over the payor in order to claim a tax exemption on the tax exempt Korean source income under the tax treaties (such as capital gains from stocks). Furthermore, where the income is paid through an OIV, the Amendment also introduces a new provision that requires the OIV to collect the Application for Reduced Treaty Rate on Korean Sourced Income from the Substantive Owners and, in turn, submit the “Report of Overseas Investment Vehicle” and “Details of the Substantive Owners” to the tax office that has jurisdiction over the payor. The Amendment is effective with income paid after January 1, 2014.

2. Amendment of special income tax regime for expatriate workers

Before the amendment of the law, expatriate workers could receive the benefit of a special income tax that has a flat tax rate of 17 percent (18.7 percent including 10 percent local income surtax). However, according to the Amendment, the above special income tax regime will only apply for five years from the date of employment in Korea, and expatriate workers related to the employer (e.g., a family member of that employer) will be excluded from the benefits of the above regime. The Amendment is effective with income arising on or after January 1, 2014.

3. Expanded scope of exchange of financial information under tax treaties

Until recently, only taxpayers’ financial information specifically identified by the local tax authority in Korea was subject to the exchange of information and exchanged with the foreign tax authority with which Korea had a tax treaty. However, according to the Amendment, a group of taxpayers’ financial information not specifically identified by the local tax authority may be exchanged with foreign tax authorities under the tax treaties. For example, local financial institutions in Korea must provide relevant information on all holders of a particular financial product to Korean tax authorities, which would then be exchanged with relevant foreign tax authorities upon their request. Pursuant to the information exchange tax treaty, in the event of a non-compliance with the request for information, a non-compliant financial institution will be subject to a penalty of up to KRW 30 million.

4. Extension of period to offset losses for funds investing in foreign assets

Under the previous regulation, losses related to share transactions or securities valuation incurred by funds having invested in foreign assets during the tax-exemption period (June 1, 2007 through December 31, 2009) could be offset only against the profits derived between 2010 and 2013. However, the Amendment extends the period by one year to 2014.

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FDI Q&A

Changes in Foreigner Registration Matters That Require Notification & Notification of Change of Sojourn Place

Q. When a foreigner’s passport is reissued, is notification required?
A. Yes. In the case that a foreigner’s passport number, passport issuance date or date of expiration has changed, he/she should notify the immigration control office within 14 days of the date on which the new passport was issued.

Additional Information
- In addition to the reissuance of a passport, the following changes are subject to notification to the immigration control office.
  - Change in name, sex, date of birth or nationality
  - Change in D-1, D-2, D-4 visa holders’ organization (including change in organization’s name)
  - Change in D-3, D-6, D-7, D-8 or D-9 visa holders’ organization name
- The above changes should be notified within 14 days of the date of occurrence.
- Documents required for notification of change: passport and foreigner registration certificate, notification form, documents certifying that changes have been made
- A registered foreigner should notify changes in foreigner registration matters to the immigration control office within 14 days of the date on which such changes occur. Failure to make a notification within the deadline is a violation of Article 35 of the Immigration Control Act and shall result in a fine.

Q. If a foreigner changes his/her place of sojourn, is a notification of change of address required?
A. Yes.

Additional Information
- A registered foreigner who has changed his/her place of sojourn should notify the immigration control office having jurisdiction over the sojourn place or the head of the relevant Si/Gun/Gu office within 14 days.
- Deadline for notification: Within 14 days of the change of place of sojourn
- Documents to submit: Passport, foreigner registration certificate, notification form, lease contract
- Failure to make a notification within 14 days of the date on which a change in place of sojourn has occurred is a violation of Article 36 of the Immigration Control Act and shall result in a fine of up to KRW 1 million.

Gumi, Where Investment Leads to Success

Located in the heart of Korea and home to the country’s largest inland industrial complexes, Gumi is a leader in the Korean economy, accounting for 6 percent and 79 percent of national exports and trade surplus, respectively.

About 2,900 companies are operating in Gumi’s industrial complexes, including such top global companies as Samsung Electronics, LG Electronics, Cheil Industries, Hyundai and 45 foreign-invested companies from six countries, including Asahi Glass and Toray.

In particular, Gumi provides tax reductions and exemptions for 15 years for companies investing in a foreign investment zone within the 4th national industrial complex. Currently, about 17 foreign-invested companies receive various tax and lease benefits.

Along with the 4th complex, the 5th complex, dubbed the Gumi High-tech Valley, is now under construction and designed to create a state-of-the-art mecca for the electronics and information industries. Land in the 5th complex will be leased in advance to prospective companies beginning this year, and Gumi is prepared to be both a reliable and responsible administrative partner to businesses establishing themselves in the city.

Also, with a population of 420,000, and as a youthful city with an average age of 34, Gumi prides itself on annually cultivating 100,000 graduates from 28 nearby universities who are ready to join the workforce.

The city also endeavors to resolve unexpected business complaints and grievances using a one-on-one system while promoting constant interactive communication. About 1,600 cases have been reported thus far and 97 percent of them have been resolved. Gumi works to strengthen the industrial competitiveness of small- and medium-sized enterprises in the region as well by taking full advantage of research and development infrastructure, such as the Gumi Electronics and Information Technology Research Institute and Gumi Techno Valley.

In addition to its outstanding industrial infrastructure, Gumi offers prospective investors a wide range of administrative assistance. As part of a one-stop service for companies in the region, Gumi has set up the Business Support TF Team with 10 public institutions, including Gumi City Office, the fire department and K-Water Corporation, to provide full administrative support from the set-up to the plant completion phase.

Gumi City is ready to offer a variety of administrative assistance including tax benefits and other business incentives for business success.

Gumi National Industrial Complexes

- Complexes: 24.4 km²
  - Complex 1: Textile and Electronics Industries
  - Complex 2: Semiconductor and Related Industries
  - Complex 3: Advanced Electronics Industry
  - Complex 4: New and Renewable Advanced Technologies

- Additional Complexes: 16.5 km²
  - 5th Gumi National Industrial Complex (High-tech Valley): 9.34 km² (2009 - 2014)
  - Gumi Free Economic Zone (Gumi Digital Industry District): 4.7 km² (2008 - 2020)
  - Expanded Complex: 2.46 km²

By Um So-yeon, Executive Consultant

Um So-yeon is an Executive Consultant at the Investment Consulting Center, part of the one-stop service offered to foreign investors by Invest KOREA.
common concern among foreign investors moving to Korea for business is, what about the kids? Where will they go to school?

The choices are many. They don’t call Korea an education mecca for nothing.

With 55 foreign and international schools in Korea, the options span the gamut whatever your preferred region, language or age. I’ve heard of cases where the parents will move to the suburbs of Korea for work but leave their children in Seoul because of school. But with more than half of the foreign schools in Korea being outside of Seoul, there’s no reason to split up the family.

There are two main types of schools that offer a foreign education: foreign schools and international schools. The former limits the number of ethnic Korean students that can enroll, the latter does not.

The majority of the schools offers an American or British curriculum, with courses taught primarily in English and some schools offering the International Baccalaureate program. There are, however, schools like the Lycée Français de Seouol and the Deutsche Schule Seoul International, where the instructional language is non-English — in this case, French and German, respectively.

The number of students at a school can range anywhere from 20 to more than 500, and the levels go from pre-school all the way through high school. Of course, there are types of foreign institutions that reach the university (undergraduate and graduate) levels as well.

As a former student of Seoul Foreign School here in Seoul, I can tell you that life there was pretty much like going to school in the United States. Most of the teachers were American or otherwise foreign, the varied extracurricular activities mirrored those of the United States and we had everything from bake sales to dances — yes, prom and homecoming, too. We had lockers, sports games, Model United Nations, Parent Teacher Association meetings, even cafeteria food that tasted the distinct way American cafeteria food does.

To offer a bit of technical background — a foreign school is defined as “a school established to educate children of foreigners in Korea and Koreans who have lived abroad for more than three years,” according to the International School Information website (www.isi.go.kr). Some examples of foreign schools in Korea are the aforementioned Seoul Foreign School, Seoul International School, Busan International Foreign School, Pyeongtaek International Christian School and Korea Kent Foreign School.

According to the Korean Ministry of Education, 70 percent of the students of foreign or international schools must be foreign nationals. The eligibility requirements of the students can include that at least one of a student’s parents have non-Korean citizenship and that the student has lived abroad for three or more years. When it comes to admissions, some schools have academic requirements as well.

Another type of foreign school in Korea is the foreign educational institution, which is “an educational institution that is established in Korea by a foreign state, a foreign local government or a foreign non-profit organization, which owns and runs the institution under the provision of the legislation from the originating country,” according to the International School Information website. Examples of foreign educational institutions in Korea are Daegu International School and the State University of New York (SUNY), Korea.

The drawbacks of sending your child to a foreign or international school in Korea is that you tuition can be steep. And the academic environment is competitive, as many of the students aim to go on to top universities and colleges around the world. But if you’re looking to give your children an international education — to not let the move to Korea detract from the educational opportunities they would have gotten back home — Korea’s foreign/international schools are at the head of the class.

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The Korean economy is forecast to grow 3.9 percent this year, according to the Korean government.

Korea by the Numbers