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.

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 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.

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 their outstanding corporate social responsibility (CSR) activities.

DHL Korea, Wilo Pumps, FRL Korea, Renault Samsung Motors, Pernod 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 global 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. Pernod Ricard Korea was awarded the grand prize of innovation. It focused on CSR activities to promote a healthy drinking culture and educate the general public to stop drunk driving. L’Oreal Korea offered constant and long-term CSR activities to support people in the areas of science and education and the underprivileged, and hence was awarded the grand prize of growth.

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

The headquarters of the Green Climate Fund (GCF) and the Korean office of the World Bank were officially opened in a ceremony last month in Songdo International City, according to the City of Incheon.

The GCF, known as the “World Bank of the environmental world,” is the first international organization to be hosted by Korea. The launch of the GCF is forecast to improve Incheon’s status as an international city pursuing green growth. Fewer than 40 workers are working in the Songdo office, but the number is expected to increase into the hundreds as the organization gets on track. The GCF plays a pivotal role in raising funds worldwide to help developing countries tackle climate change.

Some developed countries contributed USD 30 billion from 2010 to 2012 to the fund and plan to raise USD 30 billion between 2013 and 2015. Starting from 2020, the GCF board will raise USD 100 billion annually.

The Korean office of the World Bank will support a broad range of issues including information exchange, development finance and investment guarantee. It will also perform the functions of the International Finance Corporation and the Multilateral Investment Guarantee Agency to boost development cooperation projects. The World Bank office is expected to have 20 employees.

“The GCF and World Bank are expected to create a synergy effect in the area of fund management and development cooperation projects. The opening ceremony, which caught the world’s attention, is also expected to increase Incheon’s brand value,” said an Incheon official.

The Gwangyang Bay Area Free Economic Zone (FEZ) last year signed an investment agreement worth USD 20 million with a Chinese real estate development company.

The company was established in 1991 in Hong Kong, and has taken part in real estate development projects in eight cities in China, including Beijing and Nanjing. After touring the Gwangyang Bay Area FEZ, this company will expand its investment.

“We will actively promote the FEZ’s strengths in order to draw investment from more Chinese companies,” said Hee-Bong Lee, Commissioner of the Gwangyang Bay Area FEZ.
Global investment banks (IBs) forecast last month that the Korean economy will advance faster this year than it did in 2013. Seventeen large IBs projected 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 forecast 3.9 percent.

Korea’s central bank, however, revised its growth forecast for this year for Korea 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.

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) Merrill Lynch, the worldwide popularity of K-pop has made the task of attracting foreign investors easier.

According to BoA Merrill 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’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.

The government announced three investment promotion measures last year, but from now on will draw up and announce the measures every quarter, said Choo Kyung-ho, Vice Minister of Strategy and Finance, at the World Women Economy Forum 2013 in Seoul last November.

“Although the Korean economy is seeing signs of recovery backed by an employment increase, we are facing risks such as sluggish investment caused by external and internal uncertainties, and long-term downward pressure due to a low birth rate and an aging population. The economy is at a critical point, where it could either enter a sustained recovery phase or fall into the trap of low growth after a short-lived recovery,” Choo said.

He added that the government plans to revitalize the economy to sustain growth, and is implementing various policies to enhance the economy’s fundamentals. He explained government policies such as a roadmap to achieving a 70 percent employment rate, expansion of work hour-based jobs and measures to create a virtuous cycle in the venture start-up fund sourcing ecosystem.

Choo also said the government will strengthen support for businesses owned by women and women entrepreneurs so that they can grow into small but strong global companies.

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.