Korean President Park Geun-hye said during a luncheon meeting with business leaders of foreign companies in Korea last month that she confidently recommends Korea as the most promising investment destination. Business leaders at the meeting emphasized they will increase investment in Korea.

“The importance of GM Korea as an export base to the global GM is evident, and we will continue our investment in Korea,” said Sergio Rocha, President and CEO of General Motors Korea (GM Korea), during the luncheon meeting with the president. Senior presidential press secretary Lee Jung-hyun said Rocha also denied the rumor that GM Korea will pull out of the Korean market.

Rocha expressed his thanks to the Korean government for creating a business environment of harmonious labor-management relations and swiftly lifting regulations related to car production.

Kim Jong-kap, Chairman and CEO of Siemens Korea, said, “We are pushing forward our headquarters relocation process, and no government has ever supported our company like the current government does. It is like we are receiving support from 20 officials of the government and Korea Trade-Investment Promotion Agency (KOTRA), free of charge.”

Andre Nothomb, Representative Director of Solvay Korea, said, “We built the special chemistry headquarters in 2011 and recently formed a research and development center on the campus of Ewha Womans University... President Park announced a new business plan for the Saemangeum Reclamation Area during her visit to Belgium and we plan to establish a new investment plan.”

Business leaders of Japanese companies also joined the luncheon meeting and called for close economic cooperation amid the tense atmosphere between Korea and Japan.

Mahindra Group to Increase Investment in Korea

Mahindra Group, an Indian company with a controlling stake in Korea’s SsangYong Motor, pledged last month to invest about KRW 1 trillion (USD 933.9 million) in Korea over the next four years.

Anand Mahindra, Chairman of Mahindra & Mahindra, met with Korean President Park Geun-hye during her visit to India last month and told her that SsangYong Motor is finally back on track. During the meeting, Park asked for more investment in Korea, and Mahindra responded, “The Group will invest about KRW 1 trillion in Ssangyong Motor over the next four years to develop new models and hire more employees.”

“The investment in SsangYong Motor is not just for maximizing profits,” said Mahindra. “We hope to promote Korean cars in the world market. We will make the most of ‘made in Korea’ to encourage SsangYong Motor to enter the United States and other markets, and actual negotia-

options are underway to pave the way for SsangYong Motor to enter the U.S. market.”

Mahindra Group signed a memorandum of understanding (MOU) in 2010 for the acquisition of SsangYong Motor, and took over the Korean automaker by investing KRW 570 billion to acquire a 69 percent stake in 2011. Last year, the group increased its stake to 72 percent with an additional KRW 80 billion investment.

Invest KOREA Hosts Investment Strategy Forum

Invest KOREA, the investment promotion arm of KOTRA, hosted the 2014 Global Investment Attraction Strategy Forum last month at the Invest Korea Plaza. About 125 representatives of local governments, free economic zones and businesses and more than 30 people from KOTRA participated.

KOTRA employees gave presentations on investment attraction prospects for 2014, investment attraction strategies for the manufacturing and service industries, investment promotion trends when it comes to Japan and China and growth strategies of local governments and foreign-invested companies.

All Foreign-Invested Companies in Saemangeum to Receive Tax Incentives

Starting July, all large-scale foreign-invested companies in Saemangeum will receive tax incentives.

Currently, only foreign-invested companies in Saemangeum’s free economic zone receive tax incentives, but the Saemangeum Development Agency announced last month that it has decided to expand the tax incentives to all areas in Saemangeum.

Based on this decision, all large-scale foreign-invested companies in Saemangeum will become eligible for corporate tax and income tax reduction for five years (100 percent reduction for the first three years,
50 percent reduction for the following two years). They will also receive customs duty exemption on capital goods directly used in businesses eligible for corporate tax and income tax reduction. The types of businesses eligible for tax reduction and the tax reduction criteria will be finalized through a revision of the Enforcement Decree of the Restriction of Special Taxation Act. The Saemangeum Development Agency expects that the decision to expand tax incentives will help attract more investment into Saemangeum’s multifunctional city and new and renewable energy hub.

This year, three more foreign universities will open their campuses on the Songdo Global University Campus in Incheon’s Songdo International City. George Mason University in Washington D.C., which ranks among the top 80 universities in the world, obtained the Ministry of Education’s approval and will open their campus branch in March. It will offer two majors, management and economics, and recruit 80 students for each major.

In September, the University of Utah and Ghent University in Belgium will also open a campus branch in Songdo. The University of Utah, which is particularly strong in medicine and nursing, will offer undergraduate degrees in communication, psychology and social work at its Asia campus. The Ghent University in Belgium, one of the top universities in Europe, will offer study programs in food technology, environmental technology and molecular biotechnology at its Songdo campus. Ghent University is expected to supply skilled manpower to biotechnology companies near the campus. The Ministry of Education is currently conducting due diligence on the home campuses of the three universities and expected to approve their Songdo campuses soon.

The Incheon Free Economic Zone Authority (IFEZA) said it will attract more foreign universities that rank among the world’s top 50. IFEZA is currently in talks with the College of Hotel Administration at the University of Nevada, Las Vegas, Georgia Institute of Technology, the Russia St. Petersburg State Conservatory and the Bolshoi Ballet Academy regarding the opening of a branch campus in Songdo.

Korea, China to Jointly Establish Leisure Complex in Anseong

A large-scale leisure & tourism complex will be established in Anseong, Gyeonggi Province.

Korea’s Seohai Construction and China’s Shenyang Wanshunda Group signed an MOU to establish a tourism complex in Juksan, Anseong at the Gyeonggi provincial government building in the presence of Kim Moon-soo, governor of Gyeonggi Province, Hwang Eunsung, mayor of Anseong City, and others.

The tourism complex in Juksan will be constructed on a 1.46 million m² site in Juksan-myeon, Dangmok-ri. A camping ground and recreational forest will be formed inside the complex, and a healing center, waterpark and 9-hole golf course will also be built in phases. The construction project will begin in late 2015 and is scheduled to be completed in 2022. After the opening of condominiums and a healing center in 2018, a water park and golf course will open for business as well.

The project will cost a total of KRW 700 billion, of which Seohai Construction will cover KRW 400 billion and Shenyang Wanshunda Group, the remaining KRW 300 billion.

“We will construct a leisure and tourism complex that offers fun, leisure and relaxation for visitors of all ages — children, adults and the elderly,” said Kim Young-chun, Chairman of Seohai Construction. “Our goal is to attract more than 2 million visitors per year.”

The Shenyang Wanshunda Group is the subsidiary of the largest agricultural product distributor in China. Gyeonggi Province and Anseong City expect the investment to create more than 10,000 jobs and increase annual local tax revenue by KRW 9.2 billion.

Korean Economy to Grow 3.9 Pct This Year

The Korean economy is forecast to grow 3.9 percent in 2014 following last year’s 2.8 percent growth, according to the finance ministry in December during an announcement about Korea’s economy management plan for 2014 with other related ministries.

The government will also maintain its expansionary fiscal and monetary policy for now, with an emphasis on stimulating the private sector for a widespread economic recovery effect.

The predicted growth represents the first time in four years that the rate would be greater than the International Monetary Fund’s global growth outlook, which is 3.6 percent for 2014.
The state-run Korea Development Institute think tank forecast 3.7 percent growth for Korea while the country’s central bank and the Organisation for Economic Co-operation and Development predicted 3.8 percent growth.

Korea Among Six Countries to Be Attractive to Investors

Korea was chosen as one of six countries that will be attractive to global investors for at least the next five years by the latest edition of the United States’ “Foreign Affairs” magazine for its size, recent performance and economic potential. The other countries were Mexico, Poland, Turkey, Indonesia and the Philippines.

Korea and Poland have benefited from “smart leadership and proximity to bigger players; indeed, both have grown so rapidly in recent decades that they no longer fully qualify as ‘emerging,’” the magazine said. “But both remain more volatile than established, fully developed states, making their manufacturing-driven economies especially appealing for investors.”

Korea Expects USD 50 Bn Petrochemical Exports in 2014

Korea’s exports of petrochemical products are expected to surpass USD 50 billion this year for the first time.

The Korea Petrochemical Industry Association (KPIA) said during a New Year’s greeting ceremony at The Plaza in Seoul that the petrochemical industry is likely to record USD 50.3 billion in exports and a trade surplus of USD 32.3 billion. Also, it predicted a 3.1 percent rise in domestic demand.

Last year, the industry recorded USD 48.3 billion in exports and a trade surplus of USD 31.4 billion.

“The industry must cut the production of low-margin products and expand investment to produce high value-added products,” said Kim Jae-Hong, Vice Minister of Industry and Technology at the Ministry of Trade, Industry & Energy.

“The ministry will improve the environmental regulations and optimize the inspection activities of import control to help the petrochemical industry achieve sustainable growth,” he said.

“We will expand the market and increase employment by diversifying our market and focusing on high value-added products,” said Bang Han-Hong, Chairman of the KPIA.

Govt. to Increase Incentives for Foreign Firms, Investors

The Korean government announced new and extended incentives last month in a bid to attract foreign investment that would boost the local economy.

Aiming to attract the headquarters of foreign-invested companies to Korea and create more jobs through foreign investment, the government will set the income tax rate at 17 percent for all foreign employees of headquarters regardless of the amount of their income, according to the Ministry of Trade, Industry & Energy.

Additionally, the maximum visa duration for foreign employees of headquarters in Korea will be extended from three years to five. Also, among other measures, while foreign companies now have KRW 10 million deducted from their taxable income for each local employee hired, the government will increase the tax break up to KRW 20 million.

The National Assembly of Korea has approved the revised Foreign Investment Promotion Act after a tough tug-of-war during the budget review for the fiscal year of 2014. The revised bill was passed by a vote of 168 in favor, 66 against and 20 abstained.

Korean President Park Geun-hye urged that the bill be addressed in a speech last November, saying that “the promotion act will attract KRW 2.3 trillion in investments and generate about 14,000 employment opportunities.” As a result, the government and ruling Saenuri Party made the passing of the promotion act a priority, to vitalize the economy.

However, the main opposition Democratic Party argued that the government’s intention was to provide excessive privileges to conglomerates such as SK and GS Group. The party also said that the job creation effect was overstated and that revising the Monopoly Regulation and Fair Trade Act was the appropriate way to attract foreign investment.

The stalled negotiations over the promotion act and the National Intelligence Service Act finally reached an agreement after the two parties agreed to discuss reforming the public prosecutors’ office, which includes introducing the standing special prosecution and special inspection provision, in the National Assembly session this month.

The revised promotion act aims to reinforce the preclearance requirements of investments by subsidiary companies.

The act allows a subsidiary of the conglomerate to establish a joint venture with foreign investors if the company owns more than 50 percent of the shares of a joint venture and the individual foreign investment owns more than 30 percent.

If a subsidiary of a holding company owns the shares of a joint venture, it is required to go through a deliberation process and meet the requirements of the Korea Fair Trade Commission of the Republic of Korea. The requirements are established by the minister of Trade, Industry & Energy as prescribed by presidential decree. After it fulfills the requirements, the company also needs approval from the Foreign Investment Committee.

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