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R&D projects for the next three years, and Solvay will invest EUR 1 million in Ewha Womans University. The university signed a USD 215 billion industry-academia cooperation agreement with the Belgian chemical company in May of 2011. It has since focused on attracting Solvay’s R&D center and establishing a R&D relationship.

The university held an opening ceremony last month for the industry-academia cooperation center, which is expected to provide infrastructure for the global R&D network. The new joint agreement will enable both parties to carry out their fourth joint R&D project.

More European automakers operating car sales businesses in Korea have begun to invest in R&D areas.

While the automakers benefited from Korea’s booming car market, more and more companies are expected to use Korea’s advanced information technology and develop the technological infrastructure necessary to penetrate the global electric device market, which is regarded as the new growth engine for the auto industry.

According to industry sources last month, Mercedes-Benz Korea will invest EUR 70 million over the next two to three years to establish an auto parts distribution center, a training center and an R&D center in Korea. The company will conduct R&D on telematics technology in Korea, a country with strong IT capabilities.

BMW Korea also plans to establish a new R&D center in Korea this year. A group of about 15 researchers will be dispatched to the center and focus on developing “infotainment systems,” such as in-vehicle audio systems and navigation systems.

Analysis shows that such investments in R&D are closely related to the efforts of global auto companies to develop new automotive operating systems by converging new information technologies.

“Although European automakers possess unparalleled engine and safety technologies, they fall behind when it comes to technological convergence between car production and IT,” said an anonymous industry official. “They intend to gain such technologies in Korea.”
Gunsan to Develop Shipbuilding & Marine Leisure Cluster in Saemangeum

The city of Gunsan last month signed an investment treaty with the Saemangeum Development Agency, North Jeolla Province and 38 companies in the shipping and marine leisure industries to develop a shipping and marine leisure cluster within the Saemangeum Industrial Complex.

Under the agreement, 38 companies will invest a total of KRW 165 billion to build a 360,000 m² factory to foster the shipping and marine leisure industries.

The city of Gunsan and North Jeolla Province will provide financial and administrative support. The Korea Rural Community Corporation, which oversees the construction of the industrial complex, will provide land. The Korea Industrial Complex Corp. will support factory establishment and business activities. Also, Gunsan National University, the Korea Marine Equipment Research Institute and the Jeonsuk Saemangeum Industry-University Convergence Center will support exports and R&D.

The Saemangeum Development Agency is set to develop infrastructure, including roads and railways, for the smooth establishment of the cluster.

“The project will make a tremendous contribution to the development of the shipping industry,” said a city official.

Korea to Australia Sign FTA

Korea and Australia signed a free trade agreement (FTA) last month. The deal’s conclusion comes after seven rounds of negotiations that began in 2009.

Korean President Park Geun-hye and Australian Prime Minister Tony Abbott also agreed to strengthen security and defense cooperation between Korea and Australia, with the countries adopting a joint “Vision Statement on a Secure, Peaceful and Prosperous Future.”

The FTA is the 11th of its kind for Korea, with Australia being Korea’s 48th FTA partner country. The pact is expected to significantly increase trade and investment between Korea and Australia. Korea’s automobile industry is among those expected to see strong benefits from the deal.

Korea Sees Increase in Labor Productivity in 2013

The labor productivity index of Korea saw a 1.1 percent increase in 2013 from the previous year, reaching 99.5, according to a formula that divides total industrial output by total labor input, with the index of 2010 being a baseline of 100. It is the first time in three years Korea has seen an on-year increase.

Korea’s overall industrial output increased by 1.6 percent while labor input saw a 0.4 percent increase, according to the Ministry of Trade, Industry & Energy, which credited the labor productivity increase in part to that of the construction industry.

Exports Jump in March

Korea’s exports jumped to the second-highest level on record in March due to an increase in shipments to the United States and other countries. Outbound shipments that month recorded a 5.2 percent increase on-year, at USD 49.76 billion. Korea’s trade surplus was USD 4.19 billion, as imports saw a 3.6 percent increase on-year.

An increase in demand from advanced nations was part of the reason for the export increase, according to the Ministry of Trade, Industry & Energy. Korea’s shipments to the United States rose 17 percent on-year while those to the European Union rose 15.2 percent. Shipments to China jumped 5.4 percent on-year.

Mobile communication devices, automobiles and semiconductors saw especially high increases in exports.

GOVERNMENT & POLICY

Minister Calls for More Investments from U.S.

Minister of Trade, Industry & Energy Yoon Sang-joon held a lunch-meeting with governors of the American Chamber of Commerce in Korea (AMCHAM Korea) in Seoul last month and called for further investment in Korea.

The meeting was attended by ten AMCHAM Korea governors including AMCHAM Korea’s Chairman James Kim and President Amy Jackson and other officials including Choi Kyoung-il, Assistant Vice Minister of Trade of the Ministry of Trade, Industry & Energy.

“The ministry is set to make Korea a ‘global business hub’ by creating a better investment environment for both domestic and international companies,” said Yoon. “Conducting regulatory reforms is one of the ministry’s approaches to vitalizing corporate investment.”

Yoon added that the ministry will actively proceed with reforms by reexamining current regulations and find and improve “bulky regulations” and “regulations on inter-ministerial integration.”

Regarding the free trade agreement signed between Korea and the United States two years ago, the minister said that it “has shown strong results and brought mutual benefits for the two nations” and “is expected to enhance economic cooperation through tariff reduction and a more open business environment.”

The Ministry of Trade, Industry & Energy revised the Enforcement Decree of the Framework Act on Small and Medium Enterprises last month in an effort to improve the criteria for defining foreign-invested companies as small- and medium-sized enterprises (SMEs).

Under the current Framework Act on Small and Medium Enterprises, which applies to both domestic companies and foreign-invested companies (FIC), an FIC is not considered an SME if the total assets of its overseas parent company are KRW 500 billion or more.

In such a case, severe fluctuations in exchange rate can lead to a fluctuation in the asset value of an FIC’s parent company, resulting in the failure to be considered an SME. To resolve this, the average exchange rate of the last five years will be applied in the asset valuation of an FIC’s parent company. (Article 7-2 (3) of the Enforcement Decree of the Framework Act on Small and Medium Enterprises)
The Korean government has supported automakers in developing advanced vehicle technologies since the early 1990s through the G7 project (1992-2001). The government initiated the Next Generation Engine Project from 2003 to 2007 and started the New Generation Engine Project in 2009 to develop eco-friendly vehicles. It set a long-term development and commercialization plan for electric vehicles. The development plan development and commercialization plan for BEVs in the early stage of commercialization. The government has been supporting the construction of fast and slow charging infrastructures, and it has a 3-stage installation strategy to expand the distribution of charging stations from metropolitan areas to the provinces. The first stage involves the construction of 30 charging stations, including one fast and five slow chargers per station. The second stage involves the construction of fast charger stations in the provinces and metropolitan areas. The third stage calls for the expansion of charging stations.

The government will nurture electric vehicle-related service companies and emphasize that the revenue generation of charging businesses is more important for the survival of service companies. The government initiated the Smart Place and Transportation Project on Jeju Island in September of 2010. By December of 2013, there were 409 charging points and 250 BEVs on Jeju Island. Nine proving areas are being expanded: Seoul, Busan, Gwangju, Daegu, Ulsan, Jeju, Jeju Island, and Pohang. The number of charging points in those areas numbered 130 in 2010. The MOE added 100 public fast chargers in 2013.
Cisco Chooses to Be Smart in Songdo

Cisco’s Global Center of Excellence in Korea develops smart city solutions for the Internet of Everything era

The world is changing. And fast. Korea is an innovative country, fast moving and open to the world with many assets: its people, their talents, their dedication to work, the location in Northeast Asia and its capacity to transform scientific innovations into business realities.

In order to promote more efficiently Korea, the Honorary Ambassador needs to better understand the economic and industrial strategy of the main Korean chaebols in order to organize more high-level meetings between the decision makers of the two countries. We need to have, at least once or twice a year, real strategic meetings with interested Korean chaebols and certain officials to put them in contact with French decision makers. I am convinced that strategic partnerships and alliances could be started this way with investments in Korea, in France or elsewhere in the world, in Africa or in the Middle East, for example.

According to the Bloomberg Innovation Index 2014, Korea is the most innovative country in the world. How does Korea appeal to French investors as a base of innovation? I agree. Korea is a very innovative country and this plays a role in attracting FDI in high-tech fields. Moreover, the French high-tech sector is interested in Korea as a platform to attack Northeast Asia, including China, since Korea is building an FTA network and has IP laws. As a Senior International Advisor at the CEA Tech, I am convinced that this is a field of mutual interest and convergence.

What sector or industry in your country is most likely to invest in Korea, and why?

France is a very strong country in different fields: sustainable development (water management, PPP, waste management, renewable energy, etc.), infrastructures, urban development, agro-business industries, luxury goods, fashion, tourism and cultural industries. All these sectors are likely to invest in Korea if we develop the right connections, trust and confidence among business leaders. I know personally most French business leaders, but I don’t know enough the Korean counterparts. If we want to be more efficient, we need to create a real high-level network.

What can Korea improve to bring in more investment?

My vision is that the driving force is the big corporates. Korea should be more focused on B2B meetings between major French and Korean companies. We could use more cultural events to help organize these business meetings. Korea could rely on an existing network to arrange such meetings, but we need to have more Korean decision makers coming to France and vice versa.

Korea should use more the Honorary Ambassadors to define the best strategy for each country. In fact, Honorary Ambassadors could help set up a strategic plan with local KIC’s defining actions and the budget to attract more FDI in Korea.

How do you envision Korea in the next five years?

Very positively. Korea will continue to develop, surfing on its dynamism and innovation capacities. Korea has challenges to face but I’m very optimistic about Korea’s future. Korea has always found ways to overcome its difficulties and integrate itself in globalization. In five years’ time, I would not be surprised if Korea figures among the top 10 nations in the world.

By Young Chang young.chang@kotra.or.kr

Q&A With Jean-Daniel Tordjman

J e a n - D a n i e l T o r d j m a n has been an Honorary Ambassador of Foreign Investment for Korea since 2011. The France native is also the former chairman of the Korean Investors Club and an Ambassador-at-Large, Special Representative of France for International Investment. Also the CEO of Astart International, Mr. Tordjman boasts a distinguished career in government and business. We talked with him about his work as an ambassador for business in Korea.

How has the ambassador experience been thus far?

Very well indeed, it is a great honor for me having been appointed Honorary Ambassador since 2011. The official visit of Korean President Park Geun-hye in France was a major moment. I work in close relation with the Paris Korea Business Center (KBC) and its Director General M. Choel Kihyung. Creating the new function of Honorary Ambassadors is a remarkable idea of Korea to promote from inside the Korean investment environment, and my contacts are happily surprised to see that a French ambassador can be in such a position. It shows the creativity and the openness of Korean minds.

How did you start becoming interested in Korea and business in Korea?

I have a very international career being the first French Ambassador-at-Large for International Investment and then in charge of French Fleets. I visited Korea on an official mission for the first time in 1992 and since then, I have had many opportunities to appreciate the dynamism, the creativity and the energy of Korean companies and Korean citizens where I have several good personal friends. When I was invited by the Korean Foundation to visit Korea, I asked to understand more the roots of its culture and civilization.

What is Korea’s greatest advantage as an investment destination, and what would be the best way to promote it to French investors?

The world is changing. And fast. Korea is an innovative country, fast moving and open to the world with many assets: its people, their talents, their dedication to work, the location in Northeast Asia and its capacity to transform scientific innovations into business realities.

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Meet the Ambassador

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Did you know?

- Cisco defines “Internet of Everything” as “bringing together people, process, data, and things to make networked connections more relevant and valuable than ever before, turning information into actions that create new capabilities, rich experiences, and unprecedented economic opportunity for businesses, individuals, and countries.”

- At the GCoE in Songdo, you can check out several of Cisco’s smart systems and solutions, including the Integrated Operations Center, which allows multiple agencies to work together via a single system and dashboard, the Smart Media System, which lets you do everything from ask questions to a virtual concierge to locate your car by entering your license plate number, and various “smart+connected” solutions.
FOREIGN INVESTMENT OMBUDSMAN DR. AHN CHOONG YONG PARTICIPATED IN THE MEETING TO UNDERSCORE THE NEED TO AVOID FOREIGN DIRECT INVESTMENT (FDI), EXPLAIN HOW EXCESSIVE RED TAPE HAS HINDERED FOREIGN-INVESTED COMPANIES AND SUGGEST IMPROVEMENTS.

A long last, Korea has a free trade agreement with Australia (the "KAFTA"). The two countries signed the document on April 8, 2014 after seven rounds of negotiation, which began in May of 2009. The KAFTA has commentators believing it to be a "world-class" comprehensive agreement that will serve as a catalyst for the expansion of the current USD 32 billion bilateral trade relationship between the two economies. It comprises 23 chapters covering the trade of goods and cross-border services, investment, government procurement, intellectual property rights, etc. Korea is the world’s 12th largest economy, with a GDP of USD 1.57 trillion. The Australian economy is dominated by service industries and the Australian government has factored the KAFTA in their exporting and investing strategy.
For how long are customs duties, etc. exempted for capital goods imported by foreign-invested companies that are eligible for tax reduction or exemption?

A. Customs duties, etc., are exempted for capital goods for which import declaration has been completed for five years from the date of foreign investment notification.

Additional Information

- Capital goods exempt from customs duties:
  - Capital goods that a foreign-invested company brings in with a foreign or domestic means of payment it has obtained as equity investment from a foreign investor
  - Capital goods that a foreign investor brings in as objects of investment falling under Article 2 (1) 8 of the Foreign Investment Promotion Act

Documents required

- For a foreigner to be eligible for exemption from customs duties, etc., he/she should obtain an approval from the Ministry of Strategy and Finance.
- To become exempt from customs duties, etc., the following documents should be submitted to the customs collector before the acceptance of import declaration:
  - Application for customs duties, individual consumption tax and value-added tax
  - Documents certifying that the business is subject to exemption from corporate tax, etc. (a copy of certification of tax reduction or exemption decision)
  - Documents certifying that the capital goods are imported with cash invested by a foreign investor (a copy of the foreign investmentnotification certificate, a copy of the certificate of foreign currency purchase, etc.)
  - Confirmation certificate of the specification of the imported capital goods

Application procedure

- For a foreign-invested company to be eligible for exemption from customs duties, etc., when importing capital goods, an application for tax reduction or exemption should be submitted to the Ministry of Strategy and Finance. Afterwards, a confirmation certificate of the specification of imported capital goods should be issued from a delegated agency (a foreign exchange bank or KOTRA) and an application for customs duties exemption should be submitted when importing equipment.

Busan Metropolitan City, a Supportive Partner in Your Success

Busan offers an ideal business environment with its young, creative and outstanding professionals, splendid natural environment, social infrastructures as well as financial and administrative support. In Busan Metropolitan City, you will find everything you need.

Logistics & Industrial Hub

Busan seeks to establish a global production and logistics hub in West Busan. Central to this project is the Busan-Jinhae Free Economic Zone, where large-scale industrial sites such as the Busan Science & Industrial Park, Noksan Industrial Complex, Shinho Industrial Complex, Mieum Industrial Complex and Myoungdong International City are located. The construction of Busan New Port & West Busan Logistics Complex and the expansion of Gimhae International Airport are expected to greatly upgrade Busan’s logistics capacity.

Mieum Foreign Investment Zone

The Mieum Foreign Investment Zone is at the center of Korea’s Southeastern Economic Belt, linking Busan with Ulsan, Changwon and Goseong, which together account for 90 percent of the nation’s shipbuilding industry and 45 percent of Korea’s automobile production. Located in the Busan-Jinhae Free Economic Zone (BJFEZ), the 331,910 m² Mieum Foreign Investment Zone is mostly for high-tech, auto parts, mechatronics, marine equipment and other businesses. This area is perfectly situated to benefit from the excellent logistics infrastructure of Busan and creates synergy with other industrial sites.

Finance Hub

Busan is also known as an international financial center, ranking 27th among 83 cities worldwide on the Global Financial Centers Index 15, published by Z/Yen last March. Since the government’s designation of Busan as a financial center specializing in maritime and derivatives finance in January of 2009, much effort has been made to develop the Busan International Finance Center (BIFC), an international financial district, in downtown Busan. With a 63-story landmark tower and other premises, the BIFC will open in June of 2014 and be home to many financial institutions by year’s end. A planned financial cluster is expected to comprise public financial institutions including the Korea Exchange, Korea Asset Management Corporation, the Consolidated Maritime Finance Center, which includes the ship finance parts of policy institutions (KEXIM, K-Sure, KDB), and private financial firms. The BIFC offers a global-standard environment for financial businesses along with opportunities to reap benefits. Posed to be a ship finance and derivatives finance hub of Northeast Asia, the BIFC is already a Busan landmark.

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Minkyung Kim is a certified public accountant of Korea and a tax accountant. She works at the Foreign Investor Support Office of the Investment Consulting Center, part of Invest Korea’s one-stop service. Prior to joining Invest Korea, she worked at Samil PricewaterhouseCoopers for 10 years.
Tofu, a Superfood

A beloved staple food and ingredient in Korea, tofu is anything but just a substitute for meat. It’s funny how a word can change so much in connotation and ring depending on the place.

When I lived in the United States, tofu was the stuff of tofurkey and faken (tofu turkey and tofu bacon), the weird go-to food for weirdly healthy people. Here in Korea, tofu is a mainstream favorite; a food thought of not as off-putting for being so nutritious, but as delicious. Comforting, even.

Made by coagulating soymilk, which is made by soaking dry soybeans and grinding them with water, and then pressing the curds that form into soft blocks, tofu is high in protein and calcium while low in fat and carbohydrates. There is something quite beautiful about a simple meal of the day.

Soy milk is really quite good. As described above, it’s not milk at all — it just looks like it — and has about the same proportion of protein as cow’s milk. It tastes wonderfully nutty and goes well with everything from cereal to coffee.

Soy pulp, is used to make a person-soft tofu stew is one of the most popular Korean dishes to tofu with stir-fried kimchi. Pair a square of by pan-frying tofu and braising it in a soy sauce-based sauce that includes sugar, chopped green onions, garlic and red chili flakes. It goes great with rice, at any meal of the day.

Dubu jorim (tofu with stir-fried kimchi) is one of more popular Korean dishes to use tofu as a main ingredient. It’s made with anchovy stock and ingredients including beef or pork, red pepper flakes, mushrooms and short neck clams. It’s topped, when sizzling, with a raw egg.

Dubu kimchi (sof tofu stew) is one of the most popular Korean dishes to be considered a favorite of mine — ground soybean stew.

Tofu is high in protein and calcium while low in fat and carbohydrates. There is something quite beautiful about a simple meal of the day.

Did you know?

Soy milk is really quite good. As described above, it’s not milk at all — it just looks like it — and has about the same proportion of protein as cow’s milk. It tastes wonderfully nutty and goes well with everything from cereal to coffee.

Korea spent about 3.7 percent of its GDP on R&D in 2011, according to the Global Trade Forecast Report published by the British investment bank HSBC last month. The country’s expenditure was ranked the highest among 25 key trading nations around the world.