Why Korea? Its dynamic growth and consumption are expected to improve in the second half of the year. As a result, many powder metallurgy part makers in Korea are poised to open the door to the one-robot, one-person era and therefore needs new and high-quality technologies.

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Last January, Korea became home to the most modern mixing plant of the world’s largest producer of powdered metals. Why Korea? Its dynamic growth and consumption are expected to improve in the second half of the year. As a result, many powder metallurgy part makers in Korea are poised to open the door to the one-robot, one-person era and therefore needs new and high-quality technologies.

Höganäs made its first investment in Korea in 1991, experiencing a post-Olympics boom and more people started buying cars. Today the company considers Korea the best location to support not only the auto industry of Korea, but also that of Southeast Asia, said Song.

The Foreign Investment Ombudsman promptly tackled the grievance of a foreign-invested company in Korea. Ombudsman’s Office

A Stitch in Time Saves Nine
The Foreign Investment Ombudsman promptly tackled the grievance of a foreign-invested company in Korea.

Another key factor that led Höganäs to choose Korea -- specifically, Busan -- for its new powder metallurgy mixing plant of the world's supply hub for Asia is Höganäs' energy and natural resources, which is in line with Höganäs' vision. "Many powder metallurgy part makers in Korea are highly innovative and consider environmental friendly products," said Frank Song, Country Manager of Höganäs Korea Ltd. Based in Sweden, Höganäs develops and markets powders for the metallurgical industries, with its products and services focusing on sintered components, brazing, electromagnetic applications, surface coating and other powder applications including additive manufacturing and welding.

With a new plant in Busan, Höganäs Korea aims to become a subsidy hub for Asia.

Meet the Ambassador

Q&A With Bernd Reckmann
Honorary Ambassador of Foreign Investment for Korea Bernd Reckmann shares his thoughts on Korea's strengths and potential to be a “first mover”.

The Sewol ferry disaster caused a stamp in consumption, but growth and consumption are expected to improve in the second half of the year.

Economic Analysis

Domestic Economic Trends in the Aftermath of the Sewol Ferry Disaster
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Industry

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Interview

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Commissioner’s Greeting

Dear Readers,

It is a pleasure to introduce you to the “Invest Korea Express,” a monthly publication devoted to foreign investment-related news, features, analysis and more. Longtime readers of our work have probably caught the one-word difference between the title of last month’s publication and this one. We have revamped the “Invest Korea Bulletin” to bring you the information you want, the way you want it. Fast-paced times call for fast reads, for content that can be digested on the go. That’s why we’ve trimmed where necessary and enhanced the sections you love most. We’ve also added the word “Express” to our name, it’s a fitting change, considering Korea’s reputation for business efficiency.

This makeover is also indicative of Korea’s ongoing effort to improve its business environment, to better support foreign investors. Last month, I attended the Foreign Investment Advisory Council meeting in Seoul. Organized by KOTRA’s Office of the Foreign Investment Ombudsman, the meeting is held twice a year to hear the grievances and recommendations of Korea’s foreign business community. Nine representatives of chambers of commerce in Korea, 13 CEOs of foreign-invested companies here and government officials attended. We discussed setting up a formal communication channel between the foreign business community and government, to be used in the deregulation process. Some CEOs also mentioned that the Korean government should implement policies to boost the competitiveness of Korea’s financial service industry. Their feedback will be used to create better policies.

I also had the opportunity last month to meet with the managing directors of Temasek, an investment company owned by the government of Singapore, and present on why they should invest in Korea. I emphasized our high-potential growth industries, including contents and the Korean Wave, fashion and healthcare.

Another highlight of May was our ongoing Friends of Invest Korea program, through which we cultivate undergraduate and graduate-level foreign supporters of Korea’s business environment. Through two all-day workshops that took them to four foreign-invested companies, the students, who hail from about 20 countries, learned why global corporations continue to invest and grow in Korea. You can check out what they learned through visiting Invest Korea’s Facebook page at facebook.com/investkorea.

The next workshop will be held this month.

Sincerely,

Kiwon Han
Commissioner of Invest Korea

In Brief

GM Korea Opens Upgraded Design Center

GM Korea held an opening ceremony for an upgraded design center in Incheon late April. The event was attended by GM Vice President of Global Design Edward Welburn, GM Korea CEO Sergio Rocha, other GM Korea employees and Minister of Trade, Industry & Energy Yoon Sang-jick.

The U.S.-based carmaker invested KRW 40 billion (USD 39.2 million) in the center, doubling its size from 7,640 m² to 16,640 m² and making it GM’s third-largest global design center. The state-of-the-art facility is designed to provide 200 designers and modelers with support for digital modeling, studio engineering and exterior and interior auto design.

“The GM design center in Korea has played a key role in GM’s global design network,” said Welburn.

Air Liquide Builds Factory in Gyeonggi

Air Liquide, the world leader in market share for industrial gases, has built a factory at the Jangan I Advanced Industrial Complex in Hwasung, Gyeonggi Province. The French company invested KRW 13 billion in the factory.

Air Liquide held a completion ceremony for the center last month that was attended by Nam Choong-hee, Vice Governor for Economic Affairs of Gyeonggi Province, French Ambassador to Seoul Jerome Pasquier and Mok Kwong Weng, Air Liquide Vice President for Asia & Pacific.

The Korean government will remove nearly a third of its regulations on trade and foreign investment and ease 10 restrictions that hamper investment, according to the Ministry of Trade, Industry & Energy (MOTIE) last month.

MOTIE held the second hearing on trade and foreign investment regulations at the Korea International Trade Association in early May. Regarding trade, the ministry decided to eliminate Article 25 of the “Action the Development of Exhibition Industry” and Article 22 of the “Electronic Trade Facilitation Act” while allowing free trade for some export-import restricted items.

The ministry decided to simplify procedures for foreign direct investment (FDI). Foreign investors will no longer be required to notify changes in FDI notification details, and when a foreign-invested company notifies a tax office of closure of business in accordance with the Value Added Tax Act, business registration will be canceled automatically.

In the June 2014 issue of Invest Korea, new items were added to the Foreign Company News section, including features, regional sections, and an enhanced interactive platform on the Invest Korea website. The Foreign Company News team is committed to showing the world why Korea is an ideal country in which to invest. The “Invest Korea Express” is a go. That’s why we’ve trimmed where necessary and enhanced the sections you love most. We’ve also added the word “Express” to our name, it’s a fitting change, considering Korea’s reputation for business efficiency.

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It’s a Robot World

Korea’s growing robot industry is poised to open the door to the one-robot, one-person era

Robots in the Manufacturing Industry

The size of the robot market for the manufacturing industry, which accounts for 75 percent of the total robot market, stood at KR₩1.6184 trillion in 2012, with 140 companies involved. According to the International Federation of Robotics (IFR), Korea shipped 19,000 units of robots for the manufacturing industry in 2012, which placed it at the no. 4 spot in the world following Japan (29,000 units), China (23,000 units) and United States (22,000 units). Robotics is considered a key strategy to revive the manufacturing industry in advanced countries such as the United States and European Union. Moreover, emerging countries such as China and Thailand, which are experiencing difficulties, such as rising wages and a shortage of skilled technical manpower, are actively supporting the introduction, development and dispersion of robots as well to continue its high growth.

In keeping with such trends, Korean manufacturers of industrial-use robots are actively seeking entry into global markets and exporting products not only to Asian countries such as China, India and Thailand, but also to Germany, the Czech Republic and Russia, although the volume is not yet large.

Moreover, the Korean government implemented the Distribution of Robots for Small - Medium Manufacturers project to promote the use of robots in basic industries such as casting, molding and welding, which are used as “process technology” for manufacturing in other industries. The project contributed greatly not only to the improvement of productivity and quality in the robot-applying enterprises but also to the production and export of supply robot manufacturers. Launched this year was the second phase of the project to transform the vulnerable processes of small- and medium-sized manufacturers into high value-added manufacturing processes creatively converged with the robot-applying processes but also to the production and export of supply robot manufacturers.

Service Robots

The size of the service robot market was KR₩331.4 billion in 2012. Its growth is led by residential cleaning robots (KR₩190 billion) and educational robots (KR₩58.7 billion). The residential cleaning robot market has been growing by 94.7 percent annually on average for the past three years due mostly to increased exports to the EU and China. As such, the global market shares of Korean companies have sharply increased. According to Wintgerezen Research (June 2012), the global cleaning robot market grew from USD 400 million in 2009 to USD 600 million in 2012. It is expected to grow further, to USD 1 billion, in 2015. As such, the export of Korean products, which have been coming rays for their practicality, design and efficiency, is expected to increase greatly.

Development of Regional Robot Industries

In addition to R&D and support for commercialization, the Korean government has been trying to jointly develop regional infrastructure with local municipalities to develop regionally specialized robots linked with regional industries. The government established KIRIA, the world’s only public agency for the promotion of the robot industry, in 2010. It supports the construction of Robot Land, a large theme park centered on robots, in Gyeongnam and Incheon. It also developed infrastructure such as the Busan Marine Robot Center (KITech in Busan), Micro Medical Robot Center and Home Appliance Robot Center (Gwangjig Technopark in Gwangju) and the Underwater Robot Base Center (KIRO in Gyeongbuk). The development of robot enterprises linked with regionally specialized industries is expected to contribute significantly not only to the development of entire robot industries, but also to the improvement of regionally specialized industries.

Forecast and Policy Direction

In 2012, the Korean government announced a future robot strategy, with its vision being to become “A Country That Best Uses Robot Technology for Improving Citizens’ Quality of Life” by 2022. The strategy presented the goal of a KR₩25 trillion Korean robot market by 2022. It also predicted that the one-robot, one-person era would arrive once the man-robot community is developed.

The government is preparing the 2nd Intelligent Robot Master Plan (2014 - 2018), which will present various projects based on the main policy of securing early leadership in the market for robot technologies by focusing on and establishing a converged composite, open robot industry ecosystem and developing the government-wide, interregional cooperation/coordination system. When the policy is successfully implemented, Korea will lead the global robot markets, and the competitiveness of Korean industries will significantly improve.
A Stitch in Time Saves Nine

The Foreign Investment Ombudsman promptly tackled the grievance of a foreign-invested company in Korea

Foreign-invested companies in Korea have encountered a variety of operation-related difficulties. While it would be ideal to prevent grievances, swift action must be taken if they occur, to keep them from snowballing. As they say, it’s best to repair a dam when the job can be done with just a hoe.

In April, the president of a major foreign industrial company in Korea (“Investor”) and his executives visited my office, the Office of the Foreign Investment Ombudsman, requesting a consultation. I could detect a sense of urgency. Their grievance was that a district office was about to take an administrative measure that would suspend the company’s business for four months based on a questionable legal interpretation of a disposition. The Investor stated it would file an appeal against the district office.

I judged the situation to be quite serious, as a four-month business suspension would cause massive damage to the Investor and create serious safety hazards related to public transportation. Furthermore, I did not think the issue was subject to an administrative disposition. I arranged a meeting between the Investor and public officials of the relevant division under the Ministry of Security and Public Administration, after speaking to the Vice Minister of Security and Public Administration on the phone. As the issue needed to be resolved through a face-to-face meeting between the Investor and the local government in charge of the administrative disposition, I relayed the Investor’s position to the head of the district office and arranged a meeting. I asked one of my principal consultants, Yoo Young Yeol, who is also the Home Doctor assigned to the Investor, to meet with the head of the district office and take issue with his advising it to pursue administrative litigation in court if it had objections.

I told the Investor that it has always been my highest priority, as the Foreign Investment Ombudsman, to extinguish fires immediately. I looked into the situation the day of the meeting.

The global Investor operates offices nationwide. An employee of a local office had been under police investigation for providing an improper payment to a private customer. The employee was charged with a criminal offense, but the police and prosecution concluded there was no evidence against the Investor (as a company) to hold them culpable for the improper payment. Nonetheless, a public servant of the district office in question was inclined to order a four-month business suspension against the Investor based on his broad interpretation of the penal provision, regardless of the decision by the local police and prosecutor who investigated the matter. The Investor had communication problems with the public servant and took issue with his advising it to pursue administrative litigation in court if it had objections.

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Höganas’ first business activities with Korea date back to the 1970s, when it worked with Korea’s welding consumable makers in the shipbuilding industry, which is number one globally today.

The company has two entities in Korea – the main Höganas Korea office in Seoul and the Busan plant, called Höganas Korea Production Ltd. Both are managed by Song and will be combined into one company next year. Sales for the Seoul office reached USD 8 million last year. The sales forecast for 2015, for the two companies combined, is USD 40 million.

The main customers of Höganas’ Korea operations are some of the nation’s best-known automotive system and component suppliers, including Sinteron, Halla Stackpole, Korea Sintered Metal, Hyundai Welding, Kiewel and Chosun Welding.

“We have worked in Korea many years and we learned Korea has big potential to be a world leader in many areas,” said Song. “Global trends have clearly shown that the next growing area is Asia, and Korea has been a leader in many industrial areas, so we can grow in Korea and it is also strategically the best location to serve Asia.”

The speed and efficiency with which Korea’s engineers develop applications also makes Korea an important market for Höganas.

“I heard many times my colleagues say that Korea is one of the best countries to communicate and faster, because good communication makes it move faster,” said Song.

“This makes Höganas Korea stand front in many development within Höganas group. This is one of the reasons why we built the plant.”

With the launch of the Busan facility has come the transfer of an important process from Sweden to Korea. In the past, the company’s headquarters would take care of the full metal-powder manufacturing procedure and then mix the product with other alloy elements to improve component performance. Now, the mixing happens in Busan. Höganas Korea Production imports raw metal powder from Sweden and produces the mixes locally.

“We already have mixing plants in China and Japan. But we think Korea is the best location,” said Song.

Though Höganas Korea currently supplies only for the Korean market, it plans to start exporting its products to the Asian region in three years.

“Höganas Korea will serve as a gateway for Taiwan, Thailand, Malayasia, Indonesia and Australia,” said the country manager, citing the Busan plant’s logistical advantages.

In the short term, Höganas Korea aims to become a strategic partner of Korean companies and help them save on logistics-related costs and increase efficiency through supplying all products through the Busan plant.

“Our long-term goal is to be a great supplying hub in Asia,” said Song.

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

Did you know?

- Powdered metal is found in everything from cars and home appliances to the ion titration of food.
- Höganas was founded as a coal mine in 1797.
- Höganas is headquartered in Höganas, Sweden.
Meet the Ambassador

Q&A With Bernd Reckmann

Honorary Ambassador of Foreign Investment for Korea Bernd Reckmann shares his thoughts on Korea’s strengths and potential to be a “first mover”

I was mostly impressed by the strong “can-do” attitude of the Korean people. With their energy and dedication basically everything is possible and if not it will be made possible. The diligence, working ethics, good education and curiosity to always try something new have impressed me very much. In addition, I experienced them as very friendly, passionate and also warm-hearted.

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

Korea is an attractive economy with a lot of world-leading companies. The Korea-EU Free Trade Agreement creates opportunities for investments and business. Despite this, Korea is a hidden champion as an investment destination, where he sees the country in five years and more.

How has the ambassador experience been thus far?

I feel extremely honored. I have enjoyed living in Korea and have strongly appreciated the Korean culture and people. In addition, my company has significant business and investments in Korea and it is my pleasure to share our positive experiences and try to help other companies to build-up or expand their activities in Korea.

You lived in Korea when you were the president of Merck Korea. What’s the first thing you say when people ask you, what was Korea like?

You are a former Head of Strategic Innovation for Merck. According to the Bloomberg Innovation Index 2014, Korea is the most innovative country in the world. How does Korea appeal to German investors as a base of innovation?

Korean people are addicted to innovation. The people are smart, incredibly hard-working and well-educated. The perceived risk of new technologies, which slows down a lot of innovations in Germany, is not present in Korea. Innovation is appreciated as an opportunity to improve the future. In addition, a positive framework for growth generated by the government helps. Korean companies on their way to becoming world leaders. This success story of innovation in Korea is well known to Germans by Korea’s successful products, especially consumers’ electronics and cars.

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

Based on the strong automotive companies in Korea and the leading semiconductor & display companies, it is very attractive for suppliers to these industries. Biotechnology could become a new field of activity and also attract German investment. In addition, a lot of business may explore Korea as an Asian hub because of its location and the existence of several free trade agreements.

What can Korea improve, to bring in more investment?

Korea should offer more room for small- and medium-sized companies in technology, manufacturing and services. A good balance between the speed of change and predictability and stability is important for foreign investors. This is especially valid for stability in the legal, tax and regulatory environment.

How do you envision Korea in the next five years?

I have strong faith in Korea’s future. I expect that society will develop also in line or following the new technological developments. Topics like gender diversity, flexible working models, work-life balance and an aging society will drive changes in society. Korea may transform from an industrial-focused “fast follower” to a “first mover” in many areas. This also could enable a flourishing of technology start-ups and SMEs, which could become more independent from large conglomerates and go global.

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

Domestic Economic Trends in the Aftermath of the Sewol Ferry Disaster

The Sewol ferry disaster caused a slump in consumption, but growth and consumption are expected to improve in the second half of the year

The Sewol ferry disaster has taken a toll on the Korean economy, weakening consumer sentiment and causing a rapid slowdown in domestic sales. Various indicators point to a clear slowdown in domestic consumption. Signs of a cut down in spending are evident across society, and trips and gatherings have been cancelled while entertainment events and concerts have been postponed. In the culture, leisure and tourism industries, revenue from credit sales has dropped, and the retail industry’s sales declined from the same period last year. The service industry has suffered the biggest blow from dwindling domestic consumption, and this has hit small business and shop owners particularly hard.

Because the disaster deeply wounded the national psyche, the economic impact has been particularly grave. The consumption slump is expected to have a visible effect on second quarter earnings, and there are concerns that prolonged social anxiety and self-imposed abstention on spending will dampen the economy, which had just started to show signs of recovery.

However, it seems that the Sewol ferry accident will not completely reverse the economy’s recovery trend. The negative impacts of major disasters have proven to rapidly dissipate with time. For example, the negative economic impacts caused by the Seohae ferry accident, the Sampoong Department Store collapse and the Daegu subway fire were all short-lived. While it is obvious that the after-effects of the Sewol ferry accident will be more serious than other major disasters Korea has experienced, the economic impact will be significantly weaker in the second half of the year. In fact, department stores and large retail outlets saw sales recover during the May holiday season.

Although the pace of economic growth in the second quarter may slow, the growth trend will resume in the second half, driven mostly by exports. More specifically, Korea will benefit from the steady upward trend in global durable goods consumption, which will drive Korea’s export of finished durable goods and IT components.

Domestic consumption will improve in the second half as well. The financial market will stabilize as economic entities become more immune to the effects of the U.S. Federal Reserve’s tapering of quantitative easing. Positive signs in the job market, such as the increase in employment, will also drive up consumer buying power. The upward trend in real estate and asset prices is also a positive sign for consumption. Domestic demand and export will equally drive growth this year, and the economy is expected to post an annual growth rate of almost 4 percent. This is lower than the pre-global financial crisis average growth rate, which stood at a mid-4 percent range, but is still higher than last year’s 3.0 percent.

There are several prerequisites for the Korean economy to maintain a sustainable recovery. First, the government should take proper measures to prop up consumer sentiment and mitigate the economic fallout from the Sewol disaster. Second, to revive the local economy, local government agencies should refrain from canceling all local festivals and events and group tours. Another important condition for sustaining economic recovery is that the rapid appreciation of the won should not hurt exports too much.

By Geun Tae Lee
Senior Research Fellow
LG Economic Research Institute
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Haengjusanseong Fortress
With summer just around the corner, Haengjusanseong Fortress – the site of the victorious Haengju Battle – is a relaxing and educational landmark to visit on the weekend.

Haengjusanseong Fortress on Deokyangsan Mountain is a major attraction of the city of Goyang. The fortress commands a beautiful view of the Han River and the surrounding urban and rural landscapes. Built in the Three Kingdoms Period, the mud fortress is also famous for being where General Gwon Yul pulled off a major victory against the Japanese in 1931 (26th year of King Seongjo’s reign). On the south side of the fortress is the Han River, and the Changneungcheon stream flows around the southeast side of the fortress. Together they form a natural moat. The fortress boasts a strategically important location: nearby is a waterway that leads to the West Coast, and the fortress lies at a central point of transportation and logistics that connects to Seoul. A unique feature about the fortress is that there are no fortress walls.

A new year’s festival is held there on the first day of the new year and draws 20,000 - 30,000 visitors annually. Major cultural festivals hosted by the City of Goyang, such as the Haengju battle memorial ceremony and the Goyang Haengju Culture Festival, are held at the fortress every year as well. The road that leads to the fortress peak, where a monument is erected to commemorate the victory of the Haengju battle, is not too steep and well paved, so families with strollers can easily enjoy the walk. Popular as both a historical site and place to relax, with its lush trees and fresh air, the fortress gets crowded on the weekends. It is also known for its beautiful night views, so it stays open until late from July to September.

A statue of General Gwon Yul stands near the main gate of the fortress, where you can find a temple enshrining a portrait of the general, a memorial hall exhibiting relics from the Haengju battle, stone monuments, a video screening hall and pavilions (Deokyangjeong and Jingangjeong). Near the fortress used to be a military fence along the Han River, but this was replaced by a 3.7 km walking trail. The observation tower along the trail commands a great view of the Han River.

Nearby Attractions - Haengju Seowon

Places to Eat - Jangeo Maeul
Eel restaurant Jangeo Maeul stands at the foot of Haengju Fortress and offers a great view of the Han River. The restaurant’s specialties are tender charcoal-grilled eel marinated in a special sauce made with fruits, vegetables and herbs. Other nutritious menu items include ginseng chicken soup (samgyetang), seafood soup and spicy fish soup. This memorial hall was built to honor General Gwon Yul and his patriotic spirit. It houses a stone monument about the victory of the Haengju battle.

Haengju Catholic Church
Haengju Catholic Church was built 100 years ago and bears the history of Korean Catholicism, which contributed to Korea’s independence from Japanese rule.

Numerically Speaking
The competitiveness of Korea’s scientific infrastructure rose a notch to 6th globally, according to a 2014 report by Switzerland’s International Institute for Management Development.

Eat, Visit, Enjoy

Economic Indicators

<table>
<thead>
<tr>
<th>GDP</th>
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<th>2010</th>
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<td>1,222,400</td>
<td>1,304,300</td>
<td>1,359,447</td>
</tr>
<tr>
<td>Nominal (USD millions)</td>
<td>1,295,333</td>
<td>1,393,872</td>
<td>1,486,322</td>
<td>1,525,754</td>
<td>1,599,447</td>
</tr>
<tr>
<td>GDP Growth Rate (Y-o-Y) (%)</td>
<td>3.0</td>
<td>3.2</td>
<td>2.3</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, May 2014

Economic Indicators

<table>
<thead>
<tr>
<th>GDP per Capita</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal</td>
<td>20,540</td>
<td>22,386</td>
<td>22,588</td>
<td>23,837</td>
</tr>
<tr>
<td>PPP</td>
<td>29,717</td>
<td>30,912</td>
<td>31,949</td>
<td>33,155</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund, October 2013

<table>
<thead>
<tr>
<th>Foreign Trade</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>333,533</td>
<td>444,304</td>
<td>555,214</td>
<td>547,670</td>
<td>559,648</td>
</tr>
<tr>
<td>Imports</td>
<td>323,085</td>
<td>425,212</td>
<td>524,413</td>
<td>519,584</td>
<td>515,560</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>40,448</td>
<td>41,172</td>
<td>30,801</td>
<td>28,286</td>
<td>44,068</td>
</tr>
</tbody>
</table>

For more information on Goyang City, please visit http://www.visitgoyang.net/.