FOREIGN COMPANY NEWS

Fairchild Korea’s Semiconductor Plant Begins Operations

Fairchild Korea has begun operations in an expanded production line at its Bucheon plant following a construction-completion ceremony last month. The new 8-inch semiconductor line will produce 700,000 wafers annually. Gyeonggi Province and Fairchild signed an agreement in 2010 for the installation of the line.

According to Fairchild Semiconductor CEO Mark Thompson, the company saw the need to enhance its production and research and development (R&D) capabilities to meet increasing demand in Asia. The newly expanded production line is expected to create jobs in the area and enable technology transfer.

Fairchild Korea, which specializes in TV, LCD and mobile semiconductors, is a major business in Bucheon and has 1,600 employees.

Denso Poongsung Electronics Breaks Ground for New Plant

Denso Poongsung Electronics broke ground last month for a new plant in an urban high-tech industrial complex exclusively for Denso. The city of Changwon and Denso Group jointly held the groundbreaking ceremony at the complex, located in Wosun-dong, Changwon-si. Denso Poongsung Electronics will build an electronic auto parts plant and R&D center on 82,803 m² of land by June of 2014 and hire 500 new employees.

More than 400 people attended the groundbreaking ceremony, including Denso Group President Nobuaki Katoh, Denso Poongsung Electronics Representative Director Kim KyungSub, Changwon Mayor Park Wan-su, Gyeongsangnam-do Provincial Council Chairman Kim Ohyoun and local citizens.

Kim KyungSub vowed to establish a high-tech plant using Denso Group’s advanced technology and build an eco-friendly plant. He also expressed Denso’s determination to contribute to Korea’s auto industry as a respected and exemplary company.

IK NEWS

The Friends of Invest KOREA visited an Air Liquide Korea plant in Dangjin and 3M’s Customer Technical Center in Hwaseong last month as a part of their third workshop. Organized by Invest KOREA, Friends of Invest KOREA is a program through which 34 foreign students from universities and graduate programs serve as ambassadors of Korea.

Through visits to foreign-invested companies and various online activities, they promote Korea’s investment environment.

The young ambassadors learned about the Korean journey and success of the France-based Air Liquide, a world leader in gases for industry, health and the environment that invested in Korea for the growth potential of its dynamic market. Air Liquide Korea aims to create synergy for R&D, production and technology in Korea, a leader in the semiconductor market.

The group then visited 3M Korea’s Customer Technical Center, where they learned about the United States-based 3M’s work as a manufacturer of 55,000 products. 3M collaborated with Korea’s Doosan Group in 1977 to establish 3M Korea, with 3M acquiring all shares in 1996. Last year, 3M Korea recorded total sales of KRW 1.35 billion (USD 1.2 billion), operating profit of KRW 170.1 billion and exports of KRW 350 billion. With its global sourcing capacity, 3M Korea plans to outsource safety gear and tape for industrial use.

Invest KOREA Hosts Investment Consultation Session for Mobile Content Start-ups

Invest KOREA’s Service & Financial Industry Investment Promotion Team hosted an investment consultation session for top Korean mobile content start-ups at the InterContinental Seoul COEX last month.

Participants included 45 top Korean mobile game and application start-ups, eight teams awarded at Start-up Battle Korea 2013 and 21 digital content investors from the United States, Europe and Asia, including Tech Coast Angels, the largest angel investment organization in Southern California; Soft-World, Taiwan’s No.1 game and application
Global M&A Center Holds Korea PE Insight 2013

As part of its foreign investment promotion efforts, the Global M&A Center at the Korea Trade-Investment Promotion Agency (KOTRA), of which Invest KOREA is a part, held Korea PE Insight 2013 in London and New York City in June. The event brought together representatives from Korea’s leading private equity and venture capital firms, giving participants an opportunity to learn about Korea’s private equity industry, meet with fund managers and investors and make connections with industry professionals.

Korea PE Insight 2013 featured panel discussions by Korean fund managers who shared strategies and talked about recent issues relevant to the industry. In 11 meetings, Korean managers and investors candidly discussed their individual investment strategies and insights. Both events featured networking luncheons as well.

Participating firms included Korea’s National Pension Service, Korea Investment Corporation, Aju IB Investment, KTB Private Equity and Q Capital Partners.

Korea Sees Trade Surplus in June

Korea reached a trade surplus for the 17th consecutive month in June, according to the Korea Customs Service. Exports totaled USD 467.1 billion that month, down 1 percent on-year, while imports dropped 3 percent on-year to USD 407.1 billion, leading to a trade surplus of USD 6 billion.

Total trade volume for the first half of 2013 reached USD 533.2 billion, which is 1.1 percent less than it was for the same period last year. Korea’s cumulative trade surplus for the January-June period reached USD 20 billion, marking a significant increase from the USD 10.9 billion from the same period in 2012.

Foreign Investment Incentives to Focus on Employment Effects

The Korean government will focus on employment effects while drafting a new set of foreign investment incentive improvements within the year. Thus far, employment effects, the introduction of high technology and investment scale, have been granted equal consideration. However, the government is expected to prioritize employment effects given the current economic situation.

Government & Policy

Employment Effects

The current incentive system for foreign investment was established in the aftermath of the Asian financial crisis, and has since been modified several times, said a source from the Ministry of Trade, Industry and Energy. “Although the government does not intend to ignore the effects of high technology and investment scale, it will shift the focus to how many good quality jobs a foreign investment can create when granting incentives.”
Korea’s Ministry of Health and Welfare last month announced the first five-year plan to support the country’s pharmaceutical industry. Part of the plan is to establish a KRW 500 billion (USD 448.7 million) fund by 2017 to foster not only a global pharmaceutical industry in Korea, but the world’s 7th largest pharmaceutical powerhouse by 2020.

The global pharmaceutical market is one of the world’s most rapidly growing markets, standing at USD 942.2 billion as of 2011 and expected to reach USD 1.2 trillion by 2016. It recorded an annual average growth rate of 6.1 percent between 2007 and 2011 despite a global economic downturn. The industry is showing strong performance in emerging markets in particular, including Latin America and Asia. This trend is expected to continue thanks to a rapidly aging society, longer life expectancy and growing interest in healthy living. These trends are proven also by the increased number of approvals for new drugs. In 2012, two new drugs were approved, pushing the number of approved new drugs to 19. Remsima, an antibody biosimilar newly developed in Korea, was approved for the first time in the world (Korea: July 2012; Europe: June 2013); and Caritime, a cell-therapy product for degenerative arthritis, and Cupistem, treatment for Crohn’s disease, have been approved as well. Moreover, orphan drugs, namely Hunterase (Hunter syndrome) and Abcertin (Gaucher’s disease), were granted approvals for the first time. This is especially remarkable considering local companies have depended solely on imports for orphan drugs.

Korean companies have been showcasing their growth potential in the development of new drugs and orphan drugs. In 2012, 12 new drugs were developed in Korea, and their output reached KRW 82.4 billion, increasing 26 percent compared to the previous year. In addition, the output of new drugs developed more recently is jumping more rapidly, illustrating the huge potential of locally developed drugs. These developments show that while government policies, including the reduction of drug prices, seem to have had a negative impact on the industry in the short term, they ultimately improve the fundamentals of local companies so they can concentrate on new drug development and raise their global competitiveness. And with the support of the Korean government, technological developments and investment in biosimilars will continue to grow.

In terms of companies, Korea’s domestic players showed strong growth in 2011 compared to the top 20 global pharmaceutical companies. Looking at the average annual sales growth rate for the past five years, global pharmaceutical companies posted 6.2 percent. However, Korean pharmaceutical companies did better, with 10.1 percent, and KOSDAQ-listed companies performed even better, with 19.1 percent.

Korean companies are well on their way to achieving its goal by 2020. Though the growth of Korea’s pharmaceutical market grew 5.9 percent annually on average from 2007 to 2011, accounting for 1.8 percent of the global market at KRW 18.94 trillion, Korea is well on its way to achieving its goal by 2020. Considering the fact that Korea’s pharmaceutical market grew 5.9 percent annually on average from 2007 to 2011, accounting for 1.8 percent of the global market at KRW 18.94 trillion, Korea is well on its way to achieving its goal by 2020. These recent trends of Korea’s pharmaceutical industry are poised for more growth and innovation.

**LOOKING AT THE AVERAGE ANNUAL SALES GROWTH RATE FOR THE PAST FIVE YEARS, GLOBAL PHARMACEUTICAL COMPANIES POSTED 6.2 PERCENT. HOWEVER, KOREAN PHARMACEUTICAL COMPANIES DID BETTER, WITH 10.1 PERCENT, AND KOSDAQ-LISTED COMPANIES PERFORMED EVEN BETTER, WITH 19.1 PERCENT.**

It is also noteworthy that part of the government’s five-year plan is to increase the overseas exports of new medicine and new products, which are to serve as a new growth engine. The plan includes the following five core initiatives: To achieve open innovation with enhanced research and development, to integrate pharmaceuticals with finance, to foster specialized talents, to provide strategic export support and to establish advanced infrastructure.

With the global pharmaceutical industry expected to be more focused on biologics and more consumer-centered, Korean businesses will be able to take advantage of more opportunities in the future, especially considering their great potential for new and innovative drugs tailored to niche markets.

**By Moon Hye-seon Associate Research Fellow Growth Engine Industry Research Division Korea Institute for Industrial Economics and Trade**

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**Recent Trends of Korea’s Pharmaceutical Industry**

<table>
<thead>
<tr>
<th>Year</th>
<th>Output</th>
<th>Exports</th>
<th>Imports</th>
<th>Domestic Market Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12,596,208</td>
<td>13,893,810</td>
<td>14,788,387</td>
<td>13,569,588</td>
</tr>
<tr>
<td>2008</td>
<td>14,788,387</td>
<td>15,569,588</td>
<td>15,440,251</td>
<td>15,440,251</td>
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<tr>
<td>2009</td>
<td>17,722,147</td>
<td>17,701,059</td>
<td>17,853,493</td>
<td>17,853,493</td>
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<tr>
<td>2010</td>
<td>19.7</td>
<td>9.8</td>
<td>19.7</td>
<td>9.8</td>
</tr>
<tr>
<td>2011</td>
<td>12.4</td>
<td>6.6</td>
<td>12.4</td>
<td>6.6</td>
</tr>
</tbody>
</table>

**Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharmaceuticals</th>
<th>Generics</th>
<th>Small-molecule drugs</th>
<th>Biologics</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>USD 59 billion</td>
<td>USD 20.3 billion</td>
<td>USD 8.1 billion</td>
<td>USD 9.6 billion</td>
</tr>
<tr>
<td>2011</td>
<td>USD 65.2 billion</td>
<td>USD 18.3 billion</td>
<td>USD 8.2 billion</td>
<td>USD 8.2 billion</td>
</tr>
</tbody>
</table>

**Source:** The Global Use of Medicine: Outlook Through 2016, May 2012, IMS
Successful Investors

August 2013

Opportunities in the Air

Air Liquide Korea, a provider of gases for industry, health and the environment, has experienced consistent growth.

In its 17 years, Air Liquide Korea (ALK) has established multiple production plants on 12 sites in Korea. As numbers go, that’s pretty impressive. Then again, considering the founders of Air Liquide invented the air separation process at the turn of the 20th century, it’s no surprise their successors are still innovating worldwide today.

ALK, part of Air Liquide Group, a world leader in the manufacture of industrial gases, was established in Korea in 1996. The France-based Air Liquide was drawn to the growth potential of Korea’s industries and made its first investment in Gumi, to supply products to a local electronics manufacturing company. ALK has since invested in new facilities every year, with its flagship plants being in Dangjin and Yeosu.

The company reported sales of KRW 438 billion (USD 383 million) in 2012. Their largest customers are in the electronics, chemicals and steel markets, three of Korea’s largest and fastest-growing.

“If you can think of an industry in Korea or anywhere globally, chances are you’re going to find at least one of our products is used to support those industries,” said Christopher Clark, President and Representative Director of ALK. “So there are very diverse applications for our products.”

In the last couple years, ALK has seen significant new developments. The company last year opened its first research facility in Korea. Located on the Yonsei University campus, the center will focus on the development of advanced precursors (innovative molecules used in the manufacture of semiconductors) for the electronics market. New production facilities are also slated for startup in 2013. At its Dangjin plant, ALK supplies gaseous products to an adjacent major steel company customer and also makes liquid oxygen, liquid nitrogen and liquid argon. These liquid gases are distributed to customers ranging from the medical and pharmaceutical to construction industries.

At its Yeosu facility, ALK makes and supplies hydrogen, carbon monoxide and steam for various industries in a local industrial complex. The company constructed pipelines for these gases that run throughout the Yeosu basin.

“The fact is, the products that we make, with few exceptions, really don’t travel very far. We can’t make our products let’s say, in one location and then transmit and distribute it all the way over here in another location. We have to supply those products to the local economy,” said Clark.

Major customers for ALK include BASF Korea, KPX Fine Chemicals, Samsung, SK Hynix, LG Chem, GS Caltex, Kmbroh-Mitsubishi Chemicals, Dongbu Steel and YK Steel.

Through an affiliate called Vitilaira, Air Liquide also provides respiratory care products and services to more than 3,000 patients in the home healthcare market. This service is particularly important considering Korea’s rapidly aging population.

By providing a reliable supply of gases and diverse services, ALK has helped customers enhance their competitiveness in the global market, said the president. Of course, the company has also helped create jobs in Korea, especially for engineers.

“We still see a lot of dynamic growth in Korea, and we’re very pleased to be able to help our customers in Korea develop, because when our customers grow, we expand with them,” said Clark.

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

Did you know?

- Air Liquide Korea has factories in 12 cities: Bucheon, Icheon, Cheonan, Dangjin, Sangju, Gimcheon, Gumi, Busan, Gunsan, Iisan, Jeonju and Yeosu.
- Air Liquide Group posted KRW 653 billion (USD 17.3 billion) in revenue in 2012.
- Air Liquide Group has 50,000 employees in 80 countries.

Investing in a Business Base

A longtime partner of Korea, Siemens will soon establish the regional headquarters of its Energy Solutions Business in Seoul.

Hone to 40 regional headquarters and 150 research and development (R&D) centers of top foreign-invested companies, Korea is a lucrative business hub for Asia and beyond. In May, Siemens became the latest company to establish a regional headquarters for one of its major business units in Korea, proving once again, in the words of Siemens Ltd. Seoul Chairman and CEO Kim Jong-Kap, that “Korea can do it.”

Indeed, since the 1950s, when Siemens participated in reconstruction projects here after the Korean War, the Korea operations of the Germany-based Siemens has shown it is one of the electrical engineering and electronics powerhouse’s most important markets.

Last year, Siemens Ltd. Seoul ranked 7th in terms of new international business orders among Siemens’ 193 global operations and recorded KRW 1.6 billion (USD 1.4 billion) in revenue. Having invested a total of USD 200 million in Korea, Siemens has continuously increased its presence in the country and has 18 facilities nationwide today.

Its greatest milestone to date is the pending establishment of the regional headquarters of Siemens’ Energy Solutions Business in Korea. Scheduled to open in October in Siemens Seoul’s Seodaemun location, the regional headquarters will be responsible for providing comprehensive solutions for the supply of power plants, including complete turnkey solutions, throughout Asia and the Middle East.

Siemens Ltd. Seoul provides state-of-the-art products, solutions and services in the areas of industry, infrastructure & cities, healthcare and energy, the largest area in Korea. The company offers a wide variety of products, solutions and services for the energy sector, enabling customers to generate, transmit and distribute electrical power and to produce, convert and transport oil and gas.

The Energy Solutions Business’ Asia headquarters, which is Siemens’ second regional headquarters, the first being in the United States, is expected to create more than 500 jobs by 2017 and to draw the eco-friendly power plant design knowhow of experts from Germany and elsewhere. The business is expected to have considerable ripple effects on domestic manufacturing, design and construction companies in terms of job creation and revenue generation.

“We are becoming more important for our headquarters,” said Kim.

Korea was chosen to host the regional headquarters for its expansive free trade agreement network, which includes trade pacts with the United States and European Union; excellent human resources, including the 60,000 new engineers who come out of Korea annually; commitment to R&D, which Siemens was drawn to, having invested 5.4 percent of its total revenue in R&D in fiscal year 2012; policies by the Park Geun-hye administration that aim to improve the business environment; and collaborations with Korean engineering, procurement and construction companies.

“I think Siemens Korea will continue to become an important location for Siemens’ operations worldwide,” said Kim.

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

Did you know?

- Kim Jong Kap, Chairman and CEO of Siemens Ltd. Seoul, is Chairman of the Global Investment Forum, sponsored by the Ministry of Trade, Industry and Energy, and a member of the Special Committee on Creative Economy of the Federation of Korean Industry.
- The Siemens Environmental Portfolio, which consists of energy-efficient products and systems, enabled customers to cut their CO2 emissions by 332 million tons in 2012.
- Siemens was established in 1847, when founder Werner von Siemens invented the pointer telegraph to allow long-distance message delivery.
Championing an Ombudsman System Worldwide

Russia recently celebrated the 1-year anniversary of its ombudsman system, which benchmarks Korea’s

Korea’s Foreign Investment Ombudsman system has drawn global attention as a benchmarking target. UNC-TAD-WAIPA presented the WAIPA Award to KOTRA in 2007 for its excellence in providing post-investment care services to the ombudsman system. Officials from countries around the world have visited Korean Ombudsman to learn about it. Among them has been Russia.

In 2009, a benchmarking delegation of representatives from 11 countries and led by a Russian representative visited Korea for a week to learn about our Foreign Investment Ombudsman and Home Doctor mechanism mainly through grievance resolution cases. In June of 2012, benchmarking Korea’s ombudsman system, the president of Russia appointed the first Commissioner for Entrepreneurs’ Rights Protection, a supporter of both domestic and foreign companies operating in Russia.

In June, Russia hosted the International Economic Forum in Saint Petersburg, which included a roundtable meeting themed “Commissioner for Entrepreneurs’ Rights Protection — Results of the First Year” to celebrate the first anniversary of the system’s introduction. Russia, the chair of the upcoming 2013 G-20 Summit, held the forum as a sideline event to the G-20. Dr. Ahn Chong Yong, the Foreign Investment Ombudsman of Korea, was the only foreign participant invited to the meeting by the Russian government.

Dr. Ahn attended a panel discussion to present on investors’ rights protection and on Korea’s grievance resolution body and its activities. The roundtable was moderated by Mr. Dimitry Afanasiev, Co-Founder and Chairman of Egorov Puginsky Afanasiev & Partners, and participated in by many high-level Russian officials including Mr. Boris Titov, Presidential Commissioner on the Entrepreneur’s Rights, and Mr. Igor Zubov, Deputy Minister of Internal Affairs of the Russian Federation. Dr. Ahn was the only foreign attendee to deliver on overseas cases.

Introducing Korea’s Foreign Investment Ombudsman system, Dr. Ahn said that the Foreign Investment Ombudsman must think and act from foreign investors’ point of view in line with global best practices and do its best to continuously improve transparency in terms of investment conditions and incentives. He also introduced the Home Doctor system and the investment aftercare activities that have proven highly effective in preventing investor-state disputes, which occur frequently when making cross-border investments. He emphasized the need to build formal and informal dialogue channels with foreign-invested companies to identify their grievances and provide meaningful support. Dr. Ahn also addressed why grievances continue to be raised by foreign businesses despite aftercare efforts.

After the presentation, the ombudsman held a separate luncheon meeting with the Russian Commissioner for Entrepreneurs’ Rights Protection, where they agreed on the need to form a private-level investment consultative forum between Korea and Russia, an idea that had been informally suggested by the Korean government. The Russian Commissioner acknowledged that he should continuously promote mutual cooperation and exchange with the ombudsman of Korea, as Korea’s case will serve as a stimulus for the Russian government to pursue more business-friendly policies. The meeting concluded with Russia’s promise to propose a cooperative initiative with Korea in the near future.

Recently, the Russian government has been implementing special policies to facilitate domestic and foreign corporate investments, pushing ahead with various initiatives to encourage entrepreneurship, and carrying out large-scale projects to build infrastructure such as roadworks to boost the economy. In order to induce foreign direct investment, the Russian government has designated special and free economic zones.

Dr. Ahn stressed that the ombudsman’s role is to be a candid and trustworthy dialogue partner of foreign investors, one who listens to them from their perspective, works to resolve their grievances and improve the business environment in the process. He expressed his wish for the ombudsman system to take root in Russia and succeed as it has in Korea.

By Ahn Chong Yong, Ph.D. Foreign Investment Ombudsman Distinguished Professor, Chung-Ang University

August 2013

Preventing Bribery of Foreign Public Officials in Korea: China Eastern Airlines Case

In February 2013, the Seoul High Court affirmed the lower court’s decision, finding two individuals who bribed the CEO of the Korean subsidiary of China Eastern Airlines (the “Company”) not guilty in Korea’s first-ever trial under the Act on Preventing Bribery of Foreign Public Officials in International Business Transactions (FBPFA). This case is noteworthy for addressing the scope of “foreign public official” for purposes of the FBPFA.

Article 2 of the FBPFA defines “foreign public official” similarly with the OECD Convention on Bribery, encompassing not only government officials but the individuals performing a public function such as employees of government-controlled companies or state-owned enterprises.

Specifically, the FBPFA defines “foreign public official” to include:

An [executive or employee of a company] in which a foreign government contributed more than 50% of the paid-in capital or with respect to which a foreign government exercises of facto control over its overall management including major business decisions and the appointment or dismissal of its executives (however, this sub-paragraph shall not be applicable if a company conducts business on a competitive basis with other private-sector companies without receiving preferential subsidies or other benefits from the government).

The lower court found that even though there is some evidence to show that the CEO would fall within the definition of a “foreign public official” under the FBPFA, the evidence presented did not meet the burden of proof.

On appeal, the prosecution sought to prove that the CEO was a foreign public official for purposes of the FBPFA by arguing that the

Chinese government exercises of facto control over the Company on the grounds that (i) a company wholly owned by the Chinese government owns more than 50 percent of the Company’s capital and (ii) the Chinese government appoints and dismisses the CEO of the Company.

The prosecution also presented facts to show that the Company does not conduct business on a competitive basis with private-sector companies.

Nevertheless, the appellate court affirmed the lower court’s holding without providing any additional reasoning on the issue.

This case reveals an interesting parallel between the FBPFA and the United States’ Foreign Corrupt Practices Act (FCPA), which defines “foreign official” to include, inter alia, “any officer or employee of a foreign government or any department, agency, or instrumentality thereof . . .”

The FCPA does not define “instrumentality” [ies] of a foreign government. Specifically, uncertainty remains as to the exact percentage of government ownership or voting rights required for state-owned/controlled enterprises to constitute an instrumentality within the meaning of the FCPA.

With regard to this issue, United States v. Exquisite, a recent FCPA case currently on appeal, sheds some light. In determining whether Haiti’s national telecommunications company (HTelco), which received illegal payments from a U.S. company, was a “government instrumentality” under the FCPA, the trial court instructed jurors to consider the following factors, among others:

1. Whether H-Telco’s key officers and directors are government officials or are appointed by government officials and

2. The extent of Haiti’s ownership of H-Telco, including whether the government owns a majority of the company’s shares or provides financial support, including subsidies and tax breaks.

As seen from above, the exact definition and scope of foreign public official is yet to be delineated in both countries. Needless to say, the standards should be clarified so that companies that engage in business transactions with foreign counterparts can do so without fear of prosecution.

In the case of Korea, it should be noted that the courts in the China Eastern Airlines case relied against the prosecution not because the CEO does not constitute a “foreign public official” but because the prosecution had not met its evidentiary burden of proof. Furthermore, as the courts acknowledged that “there is some evidence that the Company might be an enterprise within the meaning of the FCPA,” it remains to be seen how the Supreme Court of Korea will decide on this case.

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August 2013
Social Insurance, Retirement Allowance & Statutory Holidays

Q. What are the types of social insurance an employer must provide employees?
A. A company employing more than one employee should offer national pension, health insurance, employment insurance and industrial accident compensation insurance.

Additional information
The employer should make monthly contributions to the four types of insurance as follows: Employees’ contributions shall be deducted from their wages.
- National pension: Standard monthly income × 9% (Employer’s contribution: 4.5%)
- Health insurance: Monthly wage × 5.89% (Employer’s contribution: 2.945%)
- Employment insurance: Average monthly wage × 1.1% (Employer’s contribution: 0.55%). The employer shall make additional contributions for employment security and vocational skill development programs, with an insurance premium rate of 0.25% for businesses employing less than 150 employees¹.
- Industrial accident compensation insurance: Average monthly wage × 0.006 – 0.34 (contribution rate differs by business sector).

Q. Should an employer pay retirement allowance to a retiring employee?
A. An employer should provide a retiring employee with 30 days’ average wage if the employment contract is terminated due to the employee’s resignation or death, arrival of the retirement age or the company’s extinction.

Additional information
- Retirement benefit scheme: With the introduction of the retirement benefit scheme on Dec. 1, 2005, all employers are required to adopt either retirement annuity or a lump-sum retirement benefit. If any employer intends to decide on a type of retirement benefit scheme, the employer shall, if a majority trade union exists at the business concerned, obtain the consent of the union, and if no such trade union exists, obtain the consent of a majority of workers.

Q. What are the statutory holidays for employees?
A. Under the Labor Standards Act, the statutory holidays are weekly holidays and Labor Day (May 1).

Additional information
- Weekly holidays: An employer shall grant a weekly holiday with pay at least once a week on average, provided that the employee concerned has worked all of the contractual working days (as determined in the rules of employment, etc.) for the preceding week. An employer who has worked on a weekly holiday shall be paid an additional 50 percent of the ordinary wage rate for the hours worked.
- Contractual holidays: Contractual holidays refer to holidays other than the statutory holidays provided by the employer specified in a collective agreement or rules of employment. Examples are company foundation day or public holidays. Whether the additional holidays will be paid or unpaid will be determined by an agreement between the employer and employees.

By Sunny Lee, Executive Consultant
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An Introduction to the Investment Administration Team

I

vest KOREA's Investment Administration Team is where the administrative and planning-related heavy lifting happens.

The two main goals of the team are to devise foreign direct investment (FDI) strategies and to govern general Invest KOREA affairs. This means they are responsible for Invest KOREA’s annual plan, the budget, human resources and everything else required to run the organization. And that’s only one component of their work. The team is also responsible for the annual Foreign Investment Week (FIW), one of KOTRA and Invest KOREA’s largest annual events. Last year it attracted about 355 investors, which resulted in investment notification of over USD 800 million. The event included industrial seminars covering green energy, the parts and materials industry, regional development projects, etc. and one-on-one business meetings where investors were able to meet with local Korean companies and business partners. Last year, the Private Equity and Venture Capital Forum was held during FIW and the two events will be held in conjunction this year as well. The team is currently in the planning stage for the 9th annual FIW, to be held Oct. 29-31 in Seoul.

While the largest event of the year, it isn’t the only one the Investment Administration Team is responsible for. The team also hosts and participates in various events, expositions and seminars designed to promote the investment promotion activities of local governments. The team provides Korea’s 25 local governments with information regarding investors. They set up investment missions, send project management professionals and evaluate local governments’ investment promotion activities. In addition, they hold an IK Local Government Workshop each quarter designed to update local governments on the investment situation at home and overseas, focusing up on investment projects and providing advice as well as assistance.

Another service the team provides is the Red Carpet Service for foreign investors. The service focuses on “nic” projects, which are considered tangible within six months to one year. Last year, 32 projects were selected by the project evaluation committee for the service. Since 2011, the investment notification has been USD 160 million from projects selected to be recipients of the Red Carpet Service.

All of the activities, projects, events and tasks listed above are conducted by half of the Investment Administration Team. The other half of the team works at Invest Korea Plaza (IKP). These team members focus on managing IKP and supporting the tenants.

With the relatively new Park Geun-hye administration in office, the Investment Administration Team is where the focus on managing IKP and supporting the tenants.

Of course, on a more everyday level, this is the team you want to contact if you are an investor or from a government or organization needing information on FDI in Korea. The staff is ready to serve as a liaison for your business needs.

By Nob Chul
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Meet the Teams

I
North Jeolla Province: A Business Hub of Asia

In the southwestern part of the Korean peninsula, North Jeolla Province is located in such a way that you can reach any part of the country from it in just half a day. It is also home to Gunsan Port, which is geographically nearest Qingdao Port in China.

With the Saemangeum reclamation project, which aims to secure 40,100ha of new land, North Jeolla Province is poised to lead Korea’s industries in the near future. The area offers attractive incentives for foreign-invested companies, low industrial costs and wages and a healthy labor-management culture that contributes to the growth of enterprises. The province also boasts advanced traffic infrastructure and excellent research and development infrastructure.

In short, with our population of 2 million people, breathtaking landscapes and wonderful flavors, North Jeolla Province offers an ideal living and business environment.

Here are some of our highlights:

123 In 2012, we attracted 123 new companies, and our business environment is constantly improving.

4.7 % We are the Korean province with the nation’s third-highest real growth rate, at 4.7 percent.

34 % The Asia-Pacific region holds a 34 percent share of global logistics.

60 From North Jeolla Province, you can reach 60 cities with a population of over 2 million within a 2-hour flight.

4 We have four industrial complexes for foreigners.
- Saemangeum Industrial Complex
- Gimje Free Trade Zone
- Iksan Industrial Complex
- Wanju Techno Valley Industrial Complex

Korea by the Numbers

With the opening last month of the Korea Business Center in Ulaanbaatar, Mongolia, KOTRA now has 120 overseas branches.