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October 2013

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- 42 Korea Business Centers Supporting Foreign Investors Worldwide

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<th>Nation</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>PARK IANSU</td>
<td>Canada</td>
<td>Financials, insurance</td>
</tr>
<tr>
<td>DK CANADA TRADING LTD</td>
<td>Canada</td>
<td>Wholesale, retail (distribution)</td>
</tr>
<tr>
<td>QINGDAO XINHAIYUAN FANGDICHAN KAFA YOUSHUAN GONGS</td>
<td>China</td>
<td>Real estate</td>
</tr>
<tr>
<td>JIANG FUTAI</td>
<td>China</td>
<td>Real estate</td>
</tr>
<tr>
<td>HONG RI</td>
<td>China</td>
<td>Transportation, warehouse (logistics)</td>
</tr>
<tr>
<td>SHANGDI GUANQUN INVESTMENT CO., LTD.</td>
<td>China</td>
<td>Wholesale, retail (distribution)</td>
</tr>
<tr>
<td>BEHR HOLDING INTERNATIONAL GMBH</td>
<td>Germany</td>
<td>Machinery, equipment</td>
</tr>
<tr>
<td>CHRISTIAN DIOR COUTURE S.A.</td>
<td>France</td>
<td>Wholesale, retail (distribution)</td>
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<tr>
<td>HYCON HOLDINGS LIMITED</td>
<td>Hong Kong</td>
<td>Machinery, equipment</td>
</tr>
<tr>
<td>SKY VISION INVESTMENTS (INT’L) LIMITED</td>
<td>Hong Kong</td>
<td>Wholesale, retail (distribution)</td>
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<tr>
<td>SC LOWY FINANCIAL (HK) LIMITED</td>
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<td>Financials, insurance</td>
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<tr>
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<tr>
<td>RAFAEL ADVANCED DEFENSE SYSTEMS LTD.</td>
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<tr>
<td>LINE CORPORATION</td>
<td>Japan</td>
<td>Business service</td>
</tr>
<tr>
<td>SBI HOLDINGS, INC.</td>
<td>Japan</td>
<td>Business service</td>
</tr>
<tr>
<td>DAIWA PI PARTNERS CO. LTD.</td>
<td>Japan</td>
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<tr>
<td>STMPLEX CORPORATION</td>
<td>Japan</td>
<td>Financials, insurance</td>
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<tr>
<td>JAPAN TRUSTEE SERVICES BANK, LTD.</td>
<td>Japan</td>
<td>Manufacturing</td>
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<tr>
<td>MIZUNO CORPORATION</td>
<td>Japan</td>
<td>Electricity, electronics</td>
</tr>
<tr>
<td>CBC CO., LTD</td>
<td>Japan</td>
<td>Electricity, electronics</td>
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<tr>
<td>TDK KOGYO CORP</td>
<td>Japan</td>
<td>Business service</td>
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<tr>
<td>KIOI OPEN INNOVATION FUND L.P.</td>
<td>Japan</td>
<td>Business service</td>
</tr>
<tr>
<td>FELDA KORIA MALAYSIA SDN BHD</td>
<td>Malaysia</td>
<td>Food product</td>
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<tr>
<td>CAVENDISH SQUARE HOLDING B.V.</td>
<td>Netherlands</td>
<td>Business service</td>
</tr>
<tr>
<td>HHPS INTERNATIONAL HOLDINGS IV B.V.</td>
<td>Netherlands</td>
<td>Real estate</td>
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<tr>
<td>OFFICE DEPOT (OPERATION) HOLDINGS B.V.</td>
<td>Netherlands</td>
<td>Wholesale, retail (distribution)</td>
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<tr>
<td>SHUTTLE HOLDING B.V.</td>
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<td>Financials, insurance</td>
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<tr>
<td>WELFERRUM PRIVATE LIMITED</td>
<td>Singapore</td>
<td>Special trade construction</td>
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<tr>
<td>GUNNIBO HOLDING AB</td>
<td>Sweden</td>
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<tr>
<td>SANDAS WILLIAM</td>
<td>UK</td>
<td>Machinery, equipment</td>
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<tr>
<td>MORGAN STANLEY INTERNATIONAL HOLDINGS INC.</td>
<td>USA</td>
<td>Financials, insurance</td>
</tr>
<tr>
<td>WEA INTERNATIONAL INC.</td>
<td>USA</td>
<td>Wholesale, retail (distribution)</td>
</tr>
<tr>
<td>ACCESS BIO, INC.</td>
<td>USA</td>
<td>Machinery, equipment</td>
</tr>
</tbody>
</table>

### FOREIGN COMPANY NEWS

**STATS ChipPAC Korea to Establish R&D Center in Yeongjong Island**

STATS ChipPAC Korea, a semiconductor packaging service provider headquartered in Singapore, will establish a research and development (R&D) center near Incheon International Airport in Yeongjong Island.

Incheon City recently announced that STATS ChipPAC Korea, based in Incheon, will invest KRW 236.6 billion (USD 220.3 million) to construct a semiconductor manufacturing facility and an R&D center on a 110,000 m² site in the Incheon International Airport Free Trade Zone’s (FTZ) Phase-2 Complex, and that construction will be completed in September of 2015.

STATS ChipPAC established STATS ChipPAC Korea through acquiring a 100 percent stake in the semiconductor division of Hyundai Electronics Industries.

STATS ChipPAC Korea, which generates annual sales of KRW 700 billion, originally planned to relocate to Shanghai after the Shanghai Municipal Government offered incentives such as the free lease of a factory site for 50 years and tax reduction and exemption. However, Incheon Metropolitan City and the Incheon International Airport Corporation convinced the company to move to Yeongjong Island.

According to an official from Incheon Metropolitan City, more than 75 percent of STATS ChipPAC Korea’s sales come from exports, and all of its exports are distributed through air cargo. The company’s move to Incheon Airport Logistics Park is expected to add 300 new jobs annually and generate the direct and indirect employment of 10,000 people.

### IK NEWS

**KOTRA, ECCK Introduce Grow Together**

The Korea Trade-Investment Promotion Agency (KOTRA), of which Invest KOREA (IK) is a part, and the European Chamber of Commerce in Korea (ECCK) held a welcoming ceremony last month for Grow Together, a group of university student volunteers who move to improve the perception of foreign investment through corporate social responsibility activities with the cooperation of foreign investment promotion agencies. This year, 50 outstanding university students, from the Seoul metropolitan area as well as Daejeon, Daegu, Gwangju, Busan and other cities, were selected.

Grow Together allows students to actively plan and suggest activities, according to Pyo Sehyung, a student at Dongguk University. In fact, the program required participants to submit volunteer activity plans. The secretariat of Grow Together observed among the students great passion and willingness to contribute socially through document screenings and interviews.

KOTRA, the ECCK and Grow Together will select volunteer activities suggested by the students to support vulnerable groups until November, and IK will provide the students with continuous volunteer opportunities that help grow agencies, companies, students and regional societies.

### Invest KOREA Holds Press Conference

Four global companies operating successfully in Korea named outstanding workers and an innovative environment as Korea’s advantages during a press conference held by Invest KOREA last month.

Twenty-five members of the foreign press attended, and the leaders of GE Healthcare, Solvay and other global companies in Korea presented their success stories to promote the country’s excellence as an investment destination.

Andre Nothomb, Chief Financial Officer of Solvay Korea’s Special Chemicals Global Business Unit, noted that the unit relocated to Korea and that its R&D center was also established in Korea, as the country has leading industries with an outstanding workforce. He added that Korea is the optimal place to find an innovative counterplan for future trends in the chemical industry.

ChanWoo Kim, Administrative and Relationship Manager of the Kimberly-Clark Global Innovation Center (GIC) Korea, said the GIC based in Seoul is one of four GICs around the world and the first to be built outside the United States. He also said that Korea’s domestic market may be small, but that Korean consumers are innovative and sensitive to small changes, adding that the Korean government focuses on and supports innovation.

Solvay’s Nothomb also noted that troubled Asian emerging countries will have a limited impact on investment in Korea, adding that two crises, in 1998 and 2008, served as opportunities for his company.
Korea’s FDI Ranked 13th in the World Last Year

Despite the worldwide decline in foreign direct investment (FDI) last year, Korea’s FDI increased, coming in 13th globally.

According to a report on global FDI trends in 2012 released by the Export-Import Bank of Korea last month, Korea’s FDI outlook in 2012 increased by 13.7 percent YoY to reach USD 32.9 billion.

In 2012, global FDI declined by 17 percent YoY to USD 1.391 trillion, due to the contraction in investor confidence amid the European financial crisis and global economic slowdown.

In the 2012 global FDI ranking, the U.S. topped the list by investing USD 328.8 billion, followed by Japan (USD 122.5 billion), China (USD 84.2 billion), Hong Kong (USD 83.9 billion), U.K. (USD 71.4 billion), Germany (USD 66.9 billion) and Canada (USD 53.9 billion).

Korea’s FDI ranked 16th globally in both 2011 (USD 28.9 billion) and 2010 (USD 28.3 billion). In 2012, Korea’s investment portion by region was 57.1 percent in emerging countries, 41.6 percent in advanced countries and 1.3 percent in transition countries.

Korea’s FDI inflow last year decreased by 3.3 percent YoY to USD 9.9 billion and ranked 31st in the world, moving up five steps from 36th in 2011.

Korean Government Deregulates to Attract Investment

The Korean government finalized a measure to lift regulations as much as possible to ensure companies free business activities and increase investment at a recent national policy coordination meeting.

The Office for Government Policy Coordination reviewed 1,845 regulations on business activities with the cooperation of related agencies to lift or deregulate laws.

Out of 1,845 regulations, 1,650 were adjusted. The number of lifted regulations reached 597 (32 percent), 228 regulations (12 percent) were deregulated and 825 will be regularly reviewed for maintenance and improvement.

The Korean government will revise related legislations in association with 978 improvement initiatives this year, and the other 176 pieces of legislation will be revised by 2014 to lift unnecessary regulations.

In related news, the Small and Medium Business Administration (SMA) announced last month that it will alleviate most regulations concerning small-and medium-sized enterprises (SMEs) and apply the sunset law to facilitate the investment of SMEs.

The SMBA will deregulate 18 regulations by 2014 and apply the sunset law to review 42 regulations. The sunset law requires regular reviews of regulations that need to be adjusted considering environmental changes.

To facilitate start-ups, recognition of investment duty for start-up investment companies and start-up investment associations and the expansion of boundaries for solitary start-ups were promoted in the first half of the year.

The deregulation of investment activities by start-up investment associations and criteria for production facilities to confirm direct production will be promoted by the second half of the year.

Korea plans to start a KRW 150 billion private equity fund to strengthen support for SMEs. The government will provide SMEs with support measures as well for marketing, expanding into foreign countries, finding employees and more.

The government will also designate about 200 companies whose exports surpass USD 20 million and come up with a support system customized for their needs.
A Creative Economy Through the High-Value-Added Tourism Industry

With high-value-added tourism, Korea is poised to become one of the world’s top tourism destinations.

In addition, as a desire to be happier has shifted to improving overall living standards, many consumers are increasingly interested in healing mental fatigue and spending money on emotional satisfaction. All of this has led to an increase among Koreans in domestic travel. Their total and per capita spending on domestic travel has risen 11.0 percent and 4.1 percent, respectively, from 2008 to 2012.

In particular, as for the high value-added tourism sector, namely medical tourism, MICE (meetings, incentives, conventions and exhibitions) and cruise tours, Korea’s competitiveness has been remarkably strengthened over the last five years. To build on this achievement, the government has designated six tourism industries (MICE, medical, Korean Wave, cruise, experience of tradition and history, leisure sports) as the key focus of its tourism policies and has implemented various facilitation measures, including deregulation.

There are three main categories of tourism that are attracting attention in Korea this year. The first is cruise tours. For example, Busan was chosen as the host of the All Asia Cruise Convention 2014, the largest international cruise convention in Asia. It aims to invite international shipping companies to use the Busan Port as a home port. The convention will lay a foundation for Busan to solidify its presence both in Northeast Asia, which is a rapidly growing market, and in the world. The second is the MICE industry. The Korean government is supporting various promotion activities to nurture MICE as a key strategic industry, understanding its importance as a high-value-added tourism resource. In particular, in 2013, it allocated KRW 21.5 billion (USD 20 million), up 29.5 percent from the previous year, to MICE, enhancing related facilities in major regions such as Seoul, Busan, Gyeonggi Province and Jeju Island and providing various support measures. The last category is medical tourism. As the government has implemented various measures to support this new growth engine, the number of foreign patients doubled (60,000 people) and revenues tripled (KRW 56.5 billion → KRW 182.2 billion) between 2009 and 2011. On top of this, the government is examining the construction of medical tourism complexes dedicated to medical tourists. In addition, the Korean government is planning to enhance infrastructures to combine medical tourism with other aspects of travel such as transportation or shopping. Based on these efforts, the growth potential of Korea’s medical tourism is expected to be continually strengthened.

High-value-added tourism will brand Korea as one of the most attractive tourism destinations not only in Northeast Asia, but also throughout the world. At the same time, Korea will continue nurturing the tourism and leisure industry as a new growth engine.

Recently, the tourism and leisure industry has been facing a new paradigm of convergence thanks to changes in technologies, and the convergence of tourism with various other industries. The cultural power of Korea, such as its world heritages and the global popularity of its pop culture, will also help realize the strong growth potential of Korea’s tourism industry.

In the past, the Korean tourism and leisure industry followed a “catch-up” model, but it is now shifting to a “leading-up” model. Accordingly, the government and companies are improving their fundamentals and developing traditional cultural contents into globally attractive contents. These efforts are expected to attract more foreigners to the country and expand the market for domestic travel at the same time. The high value-added tourism industry will facilitate the establishment of the creative economy as well.

By Gyung Yeol Park, Ph.D.
Principal Researcher
Korea Culture & Tourism Institute

Table 1. International Tourist Arrivals and Tourism Receipts of Korea

<table>
<thead>
<tr>
<th>Year</th>
<th>International Tourist Arrivals</th>
<th>Tourism Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5,847</td>
<td>7,589</td>
</tr>
<tr>
<td>2003</td>
<td>7,879</td>
<td>9,785</td>
</tr>
<tr>
<td>2004</td>
<td>11,143</td>
<td>12,450</td>
</tr>
</tbody>
</table>

Note: The method of measuring the number of domestic travelers was changed in 2009, so the figures of that year in the statistics decreased.

Source: Tourism Knowledge Information System (http://www.tour.go.kr)

Table 2. Number of Domestic Travelers / Spending on Domestic Travel

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Domestic Travelers</th>
<th>Spending on Domestic Travel</th>
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<tbody>
<tr>
<td>2006</td>
<td>38,805</td>
<td>345</td>
</tr>
<tr>
<td>2007</td>
<td>365</td>
<td>405</td>
</tr>
<tr>
<td>2008</td>
<td>392</td>
<td>465</td>
</tr>
<tr>
<td>2009</td>
<td>389</td>
<td>405</td>
</tr>
</tbody>
</table>

Note: As a desire to be happier has shifted to improving overall living standards, consumers are increasingly interested in healing mental fatigue and spending money on emotional satisfaction. All of this has led to an increase among Koreans in domestic travel. Their total and per capita spending on domestic travel has risen 11.0 percent and 4.1 percent, respectively, from 2008 to 2012.

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International tourist arrivals in Korea first exceeded 10 million in 2012. The number of international tourists and tourism receipts have more than doubled over the past decade, with particularly rapid growth of 12.5 percent in 2012, increasing 7.0 percent compared to the previous year. The figure is much larger than the world average growing very rapidly — faster than the rapid growth of 12.5 percent in 2012. The number of international tourist arrivals in Asia-Pacific recorded 233.6 million in 2012, increasing 7.0 percent compared to the previous year. The figure is much larger than the world average growing very rapidly — faster than the rapid growth of 12.5 percent in 2012.

In particular, as for the high value-added tourism sector, namely medical tourism, MICE (meetings, incentives, conventions and exhibitions) and cruise tours, Korea’s competitiveness has been remarkably strengthened over the last five years.

To build on this achievement, the government has designated six tourism industries (MICE, medical, Korean Wave, cruise, experience of tradition and history, leisure sports) as the key focus of its tourism policies and has implemented various facilitation measures, including deregulation.

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By Gyung Yeol Park, Ph.D.
Principal Researcher
Korea Culture & Tourism Institute
Successful Investors

Innovation Central
The Kimberly-Clark Global Innovation Center Korea connects the dots between industries and ideas to meet changing consumer needs

“Every product that you can imagine [Kimberly-Clark] makes, in some way we are working on it in Korea,” said Nair.

With Korean consumers known for being highly selective as well as early adopters of technology, Kimberly-Clark was drawn to how demanding they are in their performance requirements — “You cannot fool the Korean consumer into thinking ‘This is good enough,’” said Nair — and to how they do their research.

The managing director is constantly surprised by the depth of Korean consumers’ knowledge when it comes to a product’s technical features.

“As a leader in innovation, I think it’s amazing because all the great technologies you’re putting in the products, consumers are actually seeing it and talking about it,” he said. “Which makes [Korean consumers] a great fertile ground to do research with.”

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

Did you know?
- Kimberly-Clark products are used in more than 190 countries.
- One area in which the Kimberly-Clark Global Innovation Center Korea is leading innovation is wet wipes.

Investing in an Ever-Growing Market
With changing customer needs, DuPont Korea continues to innovate in new areas

In just 35 years, DuPont Korea has gone from being a liaison office for the American chemical company DuPont to an innovation pioneer for the group. In 2011, DuPont chose Korea to be the home of its first innovation center, of which there are now 12 worldwide.

Why Korea? Important and diverse customers, the fact that innovation is a crucial element of success here and strong core industries including electronics and automobiles.

“So this is really a very, very successful story we have in Korea,” said Jeong Taik Rim, President of DuPont Korea Inc.

In fact, the story of DuPont Korea has been one of consistent growth and milestones.

DuPont first started doing business in Korea in the 1970s, during a period of significant economic growth. It made its first sizable investment in 1985, officially establishing DuPont Korea, which, at the time, focused on manufacturing connecters for the electronics industry.

More investments followed in the late 80s and early 90s — for the manufacture of photomasks for semiconductors and a safety film for the glass of automobiles.

Having sold the connector and photomask businesses, DuPont Korea focuses today on the advanced materials business unit of DuPont, manufacturing mostly performance materials, performance chemicals and electronics materials for industries including automotive, electronics, electronics and construction.

DuPont has two other business units globally — biomaterials and agricultural & food industries.

A provider of science and engineering solutions through products, materials and services for more than 200 years, DuPont introduces thousands of new products and patent applications annually, serving everything from the agriculture and nutrition to the transportation and apparel markets.

At its manufacturing site in Uhan, DuPont Korea produces engineering polymers, Butacite® interlayer film for laminated glass and Corian® solid surfaces. The company’s other manufacturing site, SD Flex in Gumi, is one of a joint venture with Korea’s Cheil Industries, an affiliate of the Samsung Group. Here they produce copper-laminate type products for mobile phones.

The DuPont Korea Innovation Center, located in Bundang, is used mostly as a facility in which to connect with customers and the advanced materials business unit of DuPont, manufacturing mostly performance materials, performance chemicals and electronics materials for industries including automotive, electronics, electronics and construction.

DuPont has two other business units globally — biomaterials and agriculture & food.

A provider of science and engineering solutions through products, materials and services for more than 200 years, DuPont introduces thousands of new products and patent applications annually, serving everything from the agriculture and nutrition to the transportation and apparel markets.

So “we can connect with all of them and focus on the specific issues and innovation projects,” said Rim.

Through these facilities, plus DuPont Korea’s Seoul headquarters, Rim and his staff of about 400 people serve the major players of many industries in Korea, including Samsung, LG, Hyundai and Kia, selling products to their tier 1 tier 2 suppliers.

Revenue in 2012 reached about USD 700 million, which put DuPont Korea at 11th among DuPont’s more than 90 offices worldwide in terms of revenue. The Korea operations is also one of the fastest growing businesses in Asia for DuPont, which has invested a total of about USD 300 million in Korea and continues to invest in the country to improve its processes and facilities.

While the company focuses on advanced materials, it is also expanding its agriculture and biomaterials business units along with the global DuPont’s heightened focus on agriculture & food value chains and alternative energy. Korea’s big food companies are now customers of DuPont Korea, as are Korean energy companies interested in biofuels. DuPont Korea is also applying its industrial biotechnology capabilities to differentiate its advanced materials, such as polymers, electronics and alternative energy.

“We are now here to support our customers, so that they can grow,” said Rim. “So as a materials supplier, we continuously develop new material and introduce that to our customers so that they can improve their products in terms of quality and applications.”

By Young Chang
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Did you know?
- DuPont started out as a gunpowder manufacturer in the United States in 1802.
- DuPont Korea received the best Employers in Korea 2009 distinction from Hewitt.

Successful Investors

October 2013

08
Putting the Spotlight on Ordinary Wages

The Foreign Investment Ombudsman has been actively voicing concerns about an issue that could significantly affect foreign-invested companies: ordinary wages.

Over the past few months, many Koreans as well as foreign-invested companies, including GM Korea, had expressed their concerns to Foreign Investment Ombudsman Dr. Ahn Choong Yong about the issue of ordinary wages, saying how it is resolved will decide whether they will continue doing business in Korea. Some even hinted at the possibility of discontinuing business. Undoubtedly, the ongoing controversy on the scope and scale of ordinary wages will have a tremendous impact on the business environment of not only foreign-invested companies but also domestic companies, including automobile, shipping and construction companies and even small- and medium-sized companies.

The ordinary wage guarantees workers the minimum average wage and is a benchmark ordinary wage will have a tremendous impact on the business environment of not only foreign-invested companies but also domestic companies, including automobile, shipping and construction companies and even small- and medium-sized companies.

The ordinary wage guarantees workers the minimum average wage and is a benchmark for calculating statutory allowances for work-related matters. So far, there have been two important amendments to the leniency application process and benefits of leniency, among other related matters. So far, there have been two important amendments to the leniency application process and benefits of leniency, among other related matters. So far, there have been two important amendments to the leniency application process and benefits of leniency, among other related matters. So far, there have been two important amendments to the leniency application process and benefits of leniency, among other related matters.

Leniency

The KFTC has a history of aggressively targeting cartels. Not surprisingly, such level of activism has resulted in massive administrative surcharges and frequent case referrals by the KFTC to the prosecutors’ office for criminal prosecution.

Leniency programs are a very effective means of detecting and deterring cartels, and for this reason, they are widely used in many jurisdictions. Under the current leniency program in Korea, a cartel participant that is first to apply for leniency can receive full immunity from surcharges and/or corrective measures as well as criminal prosecution, and the second to apply for leniency can receive a 50 percent reduction in surcharges and full immunity from criminal prosecution.

Amendments to the KFTC’s Notification on Implementation of Cartel Leniency Program

The KFTC’s Notification on Implementation of Cartel Leniency Program (Notification) sets out procedural and substantive elements of the leniency application process and benefits of leniency, among other related matters. So far, there have been two important amendments to this Notification and the most notable changes are as follows.

1. First Amendment (July, 2011)

First, the KFTC can revoke a leniency applicant’s status even after an applicant qualifies for such status. Prior to the amendment, the confirmation given by the KFTC’s Secretary General of an applicant’s status could not be revoked by the KFTC. This amendment, however, has empowered the KFTC to revoke the confirmation given by the Secretary General.

Second, the scope of the evidentiary materials that can be submitted as part of a leniency application has been broadened to include any evidentiary materials “that can evidence the unreasonable concerted act in question when viewed comprehensively in light of the relevant facts.” To the extent there were companies that opted against leniency filings because of a lack of evidentiary materials, this amendment is expected to create an incentive to apply for leniency.

Third, an applicant can submit evidentiary materials even after the expiration of the 75-day supplementary period following the initial filing of its leniency application. This amendment stemmed from criticisms on the inadequacy of the 75-day period in the cases of international cartels and other cases where the process of collecting, translating and/or submitting massive amounts of documents is overly time-consuming.

2. Second Amendment (January, 2012)

Pursuant to the amendment to the Enforcement Decree of the MRF TA near the end of 2011, the KFTC’s Notification was revised to prohibit repeat offenders who previously engaged in cartels from receiving additional leniency benefits within a specified period.

The amendment to the KFTC’s Notification provides that a leniency applicant would not be eligible for leniency if:

(i) within five years after the initial imposition of corrective measures and surcharges, it violates such corrective measures; or

(ii) after having been granted leniency for its previous participation in a cartel, it engages in another cartel within five years.

Prior to the amendment, a cartel participant had “unlimited” opportunities to obtain a reduction in or exemption from surcharges through the leniency program. Now, a repeat offender cannot obtain additional leniency benefits within five years from the date of its initial leniency application. Thus, it has become more important for companies to strengthen their internal compliance procedures to prevent and avoid cartel activities well in advance.

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Recent Changes to Cartel Leniency Program in Korea

The main antitrust laws in Korea are the Monopoly Regulation and Fair Trade Act (MRFTA), the Enforcement Decree of the MRFTA (Enforcement Decree) and the notifications issued by the Korea Fair Trade Commission (KFTC) pursuant to the relevant enabling clauses in the Enforcement Decree.

Similar to antitrust laws in other jurisdictions, the Korean antitrust laws regulate traditional anti-competitive behaviors such as abuse of market dominance, cartels and anti-competitive business combinations, with the KFTC acting as the sole antitrust agency in charge of developing competition policy and enforcing the MRFTA.

The discussion below will focus on key developments and changes to the cartel leniency program in Korea in recent years.

The Korea Times. These pieces drew considerable public attention, not to mention, positive responses from the government, working public and foreign-invested companies. Chairman of Chambers of Commerce in Korea, including Patrick Gaines, Chairman of the American Chamber of Commerce in Korea, Tae Wook Nakajima, Chairman of the Seoul Japan Club, Michael Reed, Chairman of the British Chamber of Commerce in Korea, David Pierre Jallon, Chairman of the French-Korean Chamber of Commerce and Industry, and Thilo Halter, President of the European Chamber of Commerce in Korea, expressed gratitude to Dr. Ahn for speaking on behalf of foreign-invested companies. They asked that he work closely with them to resolve the issue.

The hope is that the cartel leniency will reach a reasonable ruling based on a national consensus and that the government and National Assembly will enact a new labor standard law to minimize confusion and uncertainties in the investment environment in the pursuit of a predictable business environment.

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

October 2013
Tax Incentives for Foreign Engineers

Experts from the Investment Consulting Center tackle your frequently asked questions, one inquiry at a time.

Q. Are foreign engineers eligible for earned income tax reduction or exemption?

A.

1. A foreign engineer (as prescribed by Article 16 of the Enforcement Decree of the Restriction of Special Taxation Act) employed by a Korean national in Korea is eligible for earned income tax reduction equal to 50/100 of the tax amount from the first day of providing service (or before Dec. 31, 2014) to the month on which the second year of such date belongs.

2. In the case that a foreign engineer provides high technology to a foreign-invested company under a technology introduction contract (as prescribed by the Foreign Investment Promotion Act) and receives earned income in return, an amount equal to 50/100 of the earned income tax shall be reduced for income incurred from the date of providing service (or before Dec. 31, 2014) to the month on which the second year of such date belongs. In this case, the foreign-invested company should be engaged in a business eligible for reduction or exemption of corporate income tax, etc. in accordance with Article 121-2 [1] of the Restriction of Special Taxation Act. Also, the technology should meet the conditions set forth in Article 116-2 [2] of the Enforcement Decree of the said act and should also fall under high technology granted eligibility for tax reduction/exemption by the Minister of Strategy and Finance.

For reference: Special taxation for the earned income of foreign employees

- The tax for foreign employees’ earned income paid on or before Dec. 31, 2014 may be equal to the amount calculated by multiplying the higher earned income by 1/100. In this case, the income Tax Act and its provisions on income tax reduction and exemption shall not apply.

Additional Information

- Earned income tax reduction for foreign engineers

- The earned income tax reduction/exemption shall not apply.

- The tax for foreign employees’ earned income paid on or before Dec. 31, 2014 may be equal to the amount calculated by multiplying the higher earned income by 1/100. In this case, the income Tax Act and its provisions on income tax reduction and exemption shall not apply.

By Minkyung Kim

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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 the one-stop service offered foreign investors by Invest KOREA. She previously worked at Samil PricewaterhouseCoopers.

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An Introduction to the Investment Information Team

The Investment Information Team of Invest KOREA is a research-driven team that is responsible for compiling, managing and analyzing information about foreign direct investment (FDI). The ten members of the team survey and examine the investment trends of foreign-invested companies as well as analyze the effects of FDI policies. In short, we work as a think tank of sorts for Invest KOREA.

Main research themes for this year include job creation through foreign investment, increasing the amount of high-quality foreign investment into Korea, development of a Korean economic contribution index of foreign-invested companies and development of an evaluation index for high-quality investment attraction.

In addition to researching and publishing material, the Investment Information Team also hosts events and plays a key part in creating national investment-relations (IR) materials.

In the way of events, the team hosts the Global Investment Forum and the Foreign Investment Specialist Conference every year. Participants of both events come from the Korea Trade-Investment Promotion Agency (KOTRA), of which Invest KOREA is a part, the Ministry of Trade, Industry & Energy (MOTIE), academia and various industries. The conferences serve as ideal opportunities for participants to freely share about trends and other information regarding FDI. Many of the ideas for policies and research themes are found during these meetings, where participants also evaluate policies already in place.

As for the development of national IR material, the Investment Information Team creates visuals for presentations given both domestically and abroad through the use of Perzi, Keynote and other presentation programs. Typically given by the Commissioner of Investment Promotion Programs. Typically given by the Commissioner of Invest KOREA, the presentations feature the benefits and opportunities of Korea’s investment environment.

On a more regular basis, we publish the Global FDI Briefing for the Korean government, municipalities, free economic zones, academic organizations and more. This biweekly publication includes FDI-related news gathered from Invest KOREA’s 42 overseas branches, investment trends and the policies of other countries. Through this briefing, which we have published since 2011, we can better identify FDI-related implications and issues and recommend improvements.

We also publish summarized translations of the World Investment Report from UNCTAD and FDI statistics with the collaboration of Invest KOREA’s Investment Consulting Center and MOTIE. The team compiles a report every year as well on the previous year’s foreign investment trends and predictions for the following year.

To stay on top of global FDI insights and discussions, a team member also attends the APEC Investment Experts Group meeting three times a year and the OECD Working Group on International Investment Statistics meeting twice a year as the Korean representative. We take into account information and results from FDI-related discussions at these events when creating FDI policies.

With an ever-changing business landscape, there is always plenty of exciting research brewing on the Investment Information Team.

Yoo In-hong is the Director of the Investment Information Team. He has worked at KOTRA’s Korea Business Centers worldwide, including in the Philippines (1994-1997), United Kingdom (2000-2004), Croatia (2006-2008) and Sweden (2010-2013).

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1. Article 18 of the Restriction of Special Taxation Act

2. Article 18-2 of the Restriction of Special Taxation Act

October 2013

Meet the Teams

FDI Q&A
Chungbuk Free Economic Zone

Located at the center of Korea, which, in turn, is at the center of Northeast Asia, the Chungbuk Free Economic Zone (FEZ) is a strategic hub for transportation and logistics. It is within two hours of anywhere else in Korea and the air route is also wide open through Cheongju International Airport.

The Chungbuk FEZ also has sound infrastructures for the bio, IT and PV industries, accommodating many global and domestic businesses at affordable land prices and providing a business-friendly environment.

Based on these infrastructures, the FEZ plans to develop an Environment-Friendly BIT Convergence Business Hub that will span 9.08 km² by 2020. It will consist of three districts for the bio, IT and PV industries, providing a business-friendly environment. Businesses at affordable land prices and provisions for research and development for five national projects will also move in.

Bio Valley: Six state-run medical organizations, including the Ministry of Food and Drug Safety and the Korea Centers for Disease Control and Prevention, have moved in to Bio Valley (4.41 km², Osong-eup, Chungcheongbuk-do). Other bio-medical facilities, such as the Institute of Health and Medical Sciences, have also moved in.

Bio Valley is the best venue in Northeast Asia for the bio industry, as 59 pharmaceutical and medical equipment industries have settled in there, including CJ and LG Life Sciences. All of these advantages will help develop new biologic drugs and nurture the medical equipment industry through convergence with IT, making Bio Valley a global bio-medical hub.

Aeropolis: Aeropolis is adjacent to Cheongju International Airport, which serves as a hub airport of the central part of Korea and as a gateway to Sejong City. The district (0.47 km², Naesu-eup, Cheongwon-gun) will be developed into a complex for aviation maintenance, repair and overhaul (MRO). Aeropolis boasts ideal conditions for minimizing processing periods and was designated an industrial complex for aviation maintenance (2009, Ministry of Land, Transport and Maritime Affairs) and an MRO hub (2010, Ministry of Knowledge Economy). Accommodating various companies specializing in aviation, Aeropolis is poised to be a center of the aviation MRO industry for Northeast Asia.

Ecopolis: Ecopolis (4.20 km², Gageum-eup, Cheongju-si) boasts an metropolitan traffic network, providing abundance resources, such as infrastructure for water, leisure sports and different types of hot springs. Ecopolis is expected to become a home for the autoparts and bio-leisure industries.

The Chungbuk FEZ will provide all administrative and financial support to help minimize costs and maximize satisfaction for foreign investors through cash support, a variety of deregulations as well as improvements of living conditions.

Come to the Chungbuk FEZ and open a new door to greater business success.

Korea by the Numbers

Index: The Bank of Korea