<table>
<thead>
<tr>
<th>Company</th>
<th>Nation</th>
<th>Sector</th>
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<td>Metal</td>
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<td>China</td>
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<tr>
<td>RAO XINGFENG</td>
<td>China</td>
<td>Real estate, lease</td>
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<td>France</td>
<td>Food</td>
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<td>LABORATOIRE FRANCAIS DU FRACTIONNEMENT ET DES BIOTECHNOLOGIES SA</td>
<td>France</td>
<td>Pharmaceuticals</td>
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<td>France</td>
<td>Financials, insurance</td>
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<td>Germany</td>
<td>Chemical engineering</td>
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<td>SC LOWY FINANCIAL (HK) LIMITED</td>
<td>Hong Kong</td>
<td>Financials, insurance</td>
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<td>Indonesia</td>
<td>Machinery, equipment</td>
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<td>TENQVA S.P.A.</td>
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<td>DAISO INDUSTRIES CO.</td>
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<td>Wholesale, retail (distribution)</td>
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<td>CHANG SOO YOUNG</td>
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<td>YAMAMOTO KATSUJI</td>
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<td>SHP DEVELOPMENT B.V.</td>
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<td>INALFA ROOF SYSTEMS GROUP B.V.</td>
<td>Netherlands</td>
<td>Transportation machinery</td>
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<td>ABENGIA BOENERGA</td>
<td>Spain</td>
<td>Chemical engineering</td>
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<tr>
<td>CHEMTURA EUROPE GMB</td>
<td>Switzerland</td>
<td>Chemical engineering</td>
</tr>
<tr>
<td>AGMAN HOLDINGS LIMITED</td>
<td>UK</td>
<td>Transportation, warehouse (logistics)</td>
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<td>PACIFIC DUNLOP HOLDINGS (EUROPE) LIMITED</td>
<td>UK</td>
<td>Textile, fabric, clothing</td>
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<tr>
<td>WILLIAM GRANT &amp; SONS INVESTMENTS LIMITED</td>
<td>UK</td>
<td>Wholesale, retail (distribution)</td>
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<td>WORLDLINK, INC.</td>
<td>USA</td>
<td>Business service</td>
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<td>SOMETECH CORPORATION</td>
<td>USA</td>
<td>Machinery, equipment</td>
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<td>GENERAL MOTORS ASIA INC.</td>
<td>USA</td>
<td>Metal</td>
</tr>
<tr>
<td>TPA HANAM UNION SQUARE HOLDINGS LP</td>
<td>USA</td>
<td>Wholesale, retail (distribution)</td>
</tr>
</tbody>
</table>

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**FOREIGN COMPANY NEWS**

**Dow Corning to Increase Investment in Korea**

Robert Hansen, president and CEO of Dow Corning, the world’s largest silicone manufacturer, visited Korea last month to celebrate the 30th anniversary of the company’s Korea branch.

Hansen said the Dow Corning plant in Jincheon has the largest and most advanced LED production lines among the company’s plants worldwide and that Dow Corning will increase its investment in Korea to meet the demands of Korean companies.

The oldest joint venture in the United States, Dow Corning was established in 1945 by the chemical company Dow Chemical and glass manufacturer Corning, which invented silicone. It is equally owned by both parties.

The company’s history-changing commercialized silicone is widely used today in electronic devices, automotive application components and construction materials, not to mention in the construction of the world’s tallest building — the Burj Khalifa in Dubai — and landmarks in Korea including the new Seoul City Hall building and Sagam World Cup Stadium in Seoul.

Dow Corning Korea was established in 1983 and ranked 5th last year among the global company’s 45 branches worldwide in terms of sales.

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**BASF to Open Asia-Pacific R&D Center in Korea in 2014**

The German chemical company BASF plans to open a new research and development center in Korea next year at Sungkyunkwan University in Suwon, near Seoul.

About 40 people will work at the center, which will be an integrated hub for research in the electronic materials sector for the Asia-Pacific region and offer a broad range of solutions.

BASF, the world’s largest chemical company, signed a letter of intent last month in Brussels in the presence of Yoon Sang-jick, Korea’s Minister of Trade, Industry & Energy.

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**Praxair Korea Gets Creative About Giving Back**

Praxair Korea, a provider of industrial gases, will hold an art exhibit Dec. 11 to 17 at the Kyung-In Museum of Fine Art in Seoul showcasing the works of its president and CEO, Sungbok Seo.

Seo will sell 40 of his paintings to Praxair employees domestically and worldwide; to Praxair affiliates and others, as the works will also be sold online. The Praxair Foundation will match the profits generated from the sale of the paintings and proceeds will be donated to charity. Funds will go toward low-income individuals, people with disabilities and female immigrants in Korea.

Praxair Korea was started in 1975 and has seven plants nationwide in addition to its Seoul headquarters. A main area of focus is manufacturing industrial gases for the production of semiconductors and LCDs. Corporate social responsibility has long been part of the company’s strategy for success, and its employees make two types of periodic monetary donations: university scholarships for low-income students and living expenses for low-income families and families with disabilities.

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**Appeal of Investing in Korea Draws Major Foreign Investors to FIW 2013**

Foreign Investment Week 2013 (FIW), Korea’s largest foreign investment attraction event, was held at Lotte Hotel World on October 30. Hosted by The Ministry of Trade, Industry & Energy and organized by the Korea Trade-Investment Promotion Agency (KOTRA), of which Invest KOREA is a part, the 9th annual event included a grand opening, industrial forum and welcome reception on October 30 and investment consulting and site tours to Ulsan and Saemangeum on October 31.

Participants of the grand opening included Park Jus-hyang, vice president of KOTRA, Yoon Sang-jick, Minister of Trade, Industry & Energy, and 600 major foreign investors and officials from academia, the government, free economic zones and domestic companies. Amy Jackson,
dent volunteers, last month at four bus terminals in Seoul. "buckle-up" campaign with Grow Together, a group of university students and Korea Transportation Safety Authority held a traffic safety outreach, including "The Times," "Le Figaro" and "Asahi Shimbun," participated.

Despite global economic uncertainties, FIW drew 309 companies from 24 countries, which is an increase of 12.1 percent from last year. Foreign investors numbered 398, and global companies long targeted by KOTRA’s 42 overseas offices — including GE Healthcare, BASF, Intel Capital, Curtius-Wright, Mapletter and SUTL — participated to search for growth opportunities in the business hub that is Korea.

Also invited to FIW were members of the media from all over the world, the aim being to promote Korea’s economy, industry and investment environment globally. Journalists from 17 countries and 23 media outlets, including “The Times,” “Le Figaro” and “Asahi Shimbun,” participated.

The campaign was held at the Seoul Express Bus Terminal, Central City Bus Terminal, Nambu Bus Terminal and Dong Seoul Bus Terminal to encourage all passengers to wear seatbelts in buses. Participants included employees and members of KOTRA and the ECCK and 50 Grow Together members, who held up banners and picket signs bearing creative slogans that they came up with.

“KOTRA and the ECCK will adopt some of Grow Together’s volunteer activity suggestions to pursue sustainable CSR activities,” said Kwon Han, the Commissioner of Invest KOREA. “Grow Together members and foreign-invested companies will work together to further expand CSR activities. We hope that this will help organizations, businesses, students and the local community to grow together.”

Investors visiting FIW this year expressed great interest in a variety of business opportunities and in an investment environment rooted in Korea’s strong industrial base and expansive free trade agreement network.

Korean government agencies including KOTRA, the European Chamber of Commerce in Korea (ECCK) and Korea Transportation Safety Authority held a traffic safety "buckle-up" campaign with Grow Together, a group of university student volunteers, last month at four bus terminals in Seoul.

Governor of South Jeolla Province Promotes Foreign Investment Into Korea in U.S.

The governor of his delegation visited New York and Washington, D.C. to enter into agreements with state governments. The visit by the governor was his third foreign investment-related activity this year, following visits to Japan and China.

The delegation focused on attracting investment in Korea’s island development industry, such as a yacht town, marine technology and industries including medical, bio and new & renewable energy. American companies showed great interest in entering the province’s island development and medical industries, as they offer comparative advantages compared to those of other local governments. The investment expectations of South Jeolla Province are high.

Solvay plans to build a 66,000 sq. chemical products plant in the second zone of the Saemangeum Industrial Complex between 2014 and 2016.

The first investment agreement, with Toray Industries, was concluded in October. Toray, the world’s leading carbon fiber manufacturer, plans to build a 215,000 m² plant with integrated production systems with a KRW 300 billion (USD 283.4 million) investment. This investment is expected to generate 150 direct and about 1,700 indirect employment opportunities and contribute to the development of relevant industries.

The Saemangeum Agency plans to push ahead with various licensing procedures and expand additional infrastructure to support the operations of businesses. It will also prepare consumer-oriented development initiatives and provide various incentives to induce investment from the private sector.

BMW Group Korea announced last month that it has concluded a memorandum of understanding (MOU) with the City of Incheon and Bavarian & Co. to build a BMW multiple complex in the Songdo area of the Incheon Free Economic Zone.

Bavarian Motors, an official dealer of BMW Group Korea, jointly established Bavarian & Co. with BMW Group for the BMW multiple complex project. Bavarian Motors and BMW Group Korea will invest 20 percent and 80 percent of the investment amount, respectively. This is the first investment by BMW Group for its service center in Asia.

A total of KRW 44 billion will be invested in Songdo’s High-tech Industrial Cluster to build the complex on a 13,223 m² site. The complex will comprise a large-scale service center, industrial-educational cooperative training center, children’s traffic culture center and museum and event rooms for newly released cars.

According to the MOU, the German carmaker plans to build a BMW culture center and service center by the end of 2015 and expand its service center by 2018.

Korea’s business environment was ranked 7th by the World Bank partly as a result of its efforts to streamline business operation regulations last month. The ranking is one level higher than that of the previous year, marking the third straight year Korea has been in the ranking’s top 10.

The World Bank analyzed the business environments of 189 countries through 10 broad categories, from the beginning to the end of the business life cycle. Singapore was first in the Doing Business ranking, followed by Hong Kong, New Zealand, the United States and Denmark.

Korea climbed from 26th to 18th for construction permits. It rose from 30th to 25th in the taxation category.

Korea aims to develop the offshore plant industry as a new growth engine that will generate more than 10,000 new jobs by 2017.

The government plans to jointly invest about USD 848 million with the private sector by 2017 to generate more than 10,000 jobs. It will also implement policy initiatives through close cooperation among relevant departments.

The global market for offshore plants is forecast to grow at an average of 6.4 percent a year, according to the Ministry of Trade, Industry & Energy.

In the first eight months of the year, Korea secured 39.5 percent of global orders for offshore plants, but China’s global market share is growing fast. To strengthen its global competitiveness, Korea aims to localize most parts and equipment for offshore plants.
The world’s top three medical tourism destinations are Thailand, Singapore and India — are seeing a steady increase in medical tourists every year. The growth of the global medical tourism industry can be attributed to lower medical costs and shorter patient waiting time, enhanced mobility across borders, the advancement of information technology, expansion of the international medical service certification system, establishment of a medical tourism network and companies specializing in medical tourism and growing interest in leisure and relaxation.

In Korea, the globalization of medical tourism, the inclusion of medical tourism in the government’s 17 new growth driver industries, oversupply of medical resources in Korea and the need to nurture high value-added industries were some of the reasons for nurturing the medical tourism business. In January of 2009, the government designated 17 new growth driver industries, which included medical tourism. In May, the Medical Act was amended to attract more foreign medical tourists, and 60,201 foreign medical tourists visited Korea that year. In the following years, the number of foreign medical tourists to Korea increased significantly, doubling from 81,789 in 2010 to 155,672 in 2012, according to the Korea Health Industry Development Institute. The government’s goal is to attract 300,000 foreign medical tourists by 2015 and 1 million by 2020.

Among the foreign patients that visited Korea in 2012, Chinese patients made up the largest group, followed by those from the United States, Japan, Russia and Mongolia. Notably, the number of patients from Mongolia, Kazakhstan and the Arab Emirates recorded the most significant year-on-year (YoY) growth. The YoY increase rate of Chinese patients remained steadily high, and China replaced the United States as the top sender country. Medical tourists from Russia also steadily increased, and Russia is expected to replace Japan as the 3rd biggest sender country in 2013. On the other hand, the number of Japanese medical tourists sharply by 17.9 percent YoY in 2012, and its portion among total medical tourists dropped as well. With medical tourism on the rise, U.S., Chinese and Japanese nationals no longer account for the majority of medical tourists, as Korea is welcoming patients from a greater variety of countries. In fact, the number of countries sending 100 patients or more to Korea per year increased to 49 in 2012. According to the Korea Tourism Organization, the most-visited clinical department in 2012 was internal medicine (22.3 percent).

The competitiveness of Korea’s medical tourism industry lies in its advanced medical techniques, competitive costs and fast service. Korea’s advanced medical techniques are recognized by the international medical community, and Korea particularly excels in the treatment of cancer (stomach cancer, uterine cancer, liver cancer, etc.) and cardiovascular diseases, plastic surgery, skin care and dental treatment. Korea’s medical services are also cost competitive. More specifically, in terms of medical expenses, when putting Korea at 100, the rate would be 338 in the United States, 149 in Japan, 105 in Singapore and 53 in India. Korea also boasts great accessibility. A total of 61 cities with a population of 1 million or more are located within a three-hour flight from Korea, and the major countries targeted for patient attraction are China, Japan, Russia and Mongolia.

The economic effects of medical tourism are growing as well, as evident in Table 2. And with the medical tourism industry’s employment multiplier being higher than that of other industries, the job creation effects of the industry are expected to increase significantly.

The number of medical tourists to Korea jumped from 60,201 in 2009 to 155,135 last year, and per-capita medical spending rose from KRW 940,000 (USD 887) in 2009 to KRW 1.62 million in 2012. In addition, total revenue from medical tourism surged from KRW 54.7 billion in 2009 to KRW 726.6 billion in 2012.

The medical tourism industry is a convergence of medical service and tourism, which is a high-value-added industry and an area of business with great potential to lead the growth of the country’s tourism industry. In addition, the medical tourism industry will create a synergy effect with related businesses such as medical service providers, medical tourism agencies, travel agencies, hotels & lodging, culture & performance, hair & makeup, spa & aesthetics and shopping. The Korean government considers medical tourism a core new growth driver industry and endeavors to establish laws and regulations to promote the industry. In this regard, the future of Korea’s medical tourism industry looks very bright and the industry is expected to grow.

By Kim Hee-Young
Executive Director
Korea Medical Tourism Association

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**Table 1. Medical Tourists to Korea by Nationality**

<table>
<thead>
<tr>
<th>Nationality</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>YoY growth (%)</th>
<th>Avg. annual growth since 2009</th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>4,725</td>
<td>11.0</td>
<td>12,789</td>
<td>19.4</td>
<td>19,222</td>
<td>18.9</td>
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<td>USA</td>
<td>13,976</td>
<td>32.6</td>
<td>21,338</td>
<td>32.4</td>
<td>27,529</td>
<td>27.1</td>
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<tr>
<td>Japan</td>
<td>12,997</td>
<td>30.3</td>
<td>11,035</td>
<td>16.8</td>
<td>22,491</td>
<td>22.1</td>
</tr>
<tr>
<td>Russia</td>
<td>1,735</td>
<td>4.1</td>
<td>5,098</td>
<td>7.7</td>
<td>9,651</td>
<td>9.5</td>
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<tr>
<td>Mongolia</td>
<td>850</td>
<td>2.0</td>
<td>1,860</td>
<td>2.8</td>
<td>3,266</td>
<td>3.2</td>
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<tr>
<td>Vietnam</td>
<td>327</td>
<td>0.8</td>
<td>921</td>
<td>1.4</td>
<td>1,336</td>
<td>1.3</td>
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<tr>
<td>Philippines</td>
<td>356</td>
<td>0.8</td>
<td>957</td>
<td>1.5</td>
<td>1,178</td>
<td>1.2</td>
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<tr>
<td>Kazakhstan</td>
<td>128</td>
<td>0.3</td>
<td>346</td>
<td>0.5</td>
<td>732</td>
<td>0.7</td>
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<tr>
<td>Saudi Arabia</td>
<td>218</td>
<td>0.5</td>
<td>380</td>
<td>0.6</td>
<td>920</td>
<td>0.9</td>
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<tr>
<td>Uzbekistan</td>
<td>113</td>
<td>0.3</td>
<td>298</td>
<td>0.5</td>
<td>491</td>
<td>0.5</td>
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<tr>
<td>Indonesia</td>
<td>183</td>
<td>0.4</td>
<td>283</td>
<td>0.4</td>
<td>424</td>
<td>0.4</td>
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<tr>
<td>Arab Emirates</td>
<td>17</td>
<td>0.0</td>
<td>54</td>
<td>0.1</td>
<td>158</td>
<td>0.2</td>
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</table>

Source: Korea Tourism Organization

**Table 2. Economic Effects of Medical Tourism in Korea**

<table>
<thead>
<tr>
<th>Inducement coefficient</th>
<th>Unit</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2015</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Production inducement</td>
<td>1.736</td>
<td>KRW 100 mil.</td>
<td>1,859</td>
<td>3,163</td>
<td>12,610</td>
<td>17,548</td>
<td>29,021</td>
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<td>Added value inducement</td>
<td>0.856</td>
<td>KRW 100 mil.</td>
<td>917</td>
<td>1,560</td>
<td>6,220</td>
<td>8,656</td>
<td>14,315</td>
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<tr>
<td>Income inducement</td>
<td>0.424</td>
<td>KRW 100 mil.</td>
<td>454</td>
<td>773</td>
<td>3,080</td>
<td>4,287</td>
<td>7,089</td>
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<tr>
<td>Employment inducement</td>
<td>19.1</td>
<td>(per KRW 1 bl.)</td>
<td>No. of employees</td>
<td>1,617</td>
<td>2,751</td>
<td>6,251</td>
<td>8,699</td>
</tr>
<tr>
<td>Medical service tourism</td>
<td>19.9</td>
<td>(per KRW 1 bl.)</td>
<td>No. of employees</td>
<td>1,617</td>
<td>2,751</td>
<td>6,251</td>
<td>8,699</td>
</tr>
<tr>
<td>Total</td>
<td>19.5</td>
<td></td>
<td>No. of employees</td>
<td>1,617</td>
<td>2,751</td>
<td>6,251</td>
<td>8,699</td>
</tr>
</tbody>
</table>

Source: Korea Tourism Organization.

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1) The employment multiplier measures the amount of direct, indirect and induced jobs created (or lost) in the area.
Providing TRU Technologies & Services

TRUMPF Korea has grown over the past 15 years as a supplier of machine technologies.

The Korean unit of TRUMPF — pronounced “Tröumpf” — engages in sales, services, research and development (R&D) and regional training. Customers include pretty much all large companies that require steel or metal applications and hundreds of small and medium-sized enterprises.

“We have a very strong team in technologies, which is covering R&D and application knowhow and all relevant consulting support for the customers,” said Stockinger.

The goal behind the company’s R&D is to understand the needs of its domestic customers better. In fact, this is TRUMPF’s investment strategy in general for Korea. With operations in more than 40 countries, the company has focused from the beginning on being close to the Korean market and to globally leading sectors including semiconductor, flat panels and steel. TRUMPF’s total investment in Korea reaches 10 million euros.

“(Korea) is a place where we learn what our customers need in the future. So to understand the need of Samsung in the future,” said Stockinger, citing one company as an example. “We have to be here.”

ONE OF THE ADVANTAGES FOR TRUMPF KOREA OF DOING BUSINESS IN KOREA IS THE FAST-PACED DOMESTIC ECONOMY, SAID STOCKINGER, AND HOW QUICK KOREA IS TO DISCERN AND MEET MARKET NEEDS.

TRUMPF Korea applied for a plot of land in Digital Media City, a high-tech complex for digital technologies, in 2003 with the City of Seoul. The company and its investment partners built what is now called the TRUTEC Building — the “TRU” is for the first half of “TRUMPF” — and moved in in 2007. The building’s tenants include other companies.

One of the advantages for TRUMPF Korea of doing business in Korea is the fast-paced domestic economy, said Stockinger, and how quick Korea is to discern and meet market needs.

“We have the most complete portfolio of healthcare products,” said Rotival. “So when we do research and think about the next generation of solutions, we have a unique ability to help our customers develop new protocols, new solutions, to care for patients.”

With seven facilities, GE Healthcare Korea engages in sales, engineering, manufacturing, marketing and service. The company serves most of the hospitals, clinics and specialty centers in Korea, as well as pharmaceutical companies.

GE Healthcare Korea is advancing into new medical segments and innovating with Korea.

I n an age where speed and innovation are requisites for success, Korea provides an ideal ecosystem for developing competitive products, according to Laurent Rotival, President and CEO of GE Healthcare Korea.

You have the physical proximity between engineers, customers, suppliers and partners, as they are often located within 100 kilometers of the center of Seoul. You’ve got the quick-quick nature of Koreans. And then you have a culture that encourages taking risks and creating prototypes.

“It doesn’t mean you’re going to be successful, but the odds that you will find something faster,” said Rotival.

Established in 1984 in Seoul, GE Healthcare Korea today focuses on three main areas — Healthcare Systems, information technologies and life sciences. It also has a medical diagnostics unit that supplies contrast media products used in medical imaging.

“Our main competitive differentiation is that we’re not just an MRI company or an IT company or a contract media company,” said Rotival. “But actually, what our customers need... is somebody who has the expertise to optimize the use of all these technologies so that when you bring them together, we provide them with the optimal configuration and the optimal usage protocols for certain specialties.”

The Healthcare Systems part of GE Healthcare Korea focuses on diagnostic imaging, ultrasound and life care solutions, such as monitoring solutions. In the information technologies segment, GE offers workflow solutions that allow for the integration as well as filtering of medical information and, therefore, better collaboration between the departments of a hospital.

A Team Approach to Healthcare

GE Healthcare Korea is advancing into new medical segments and innovating with Korea.

From the most sophisticated R&D hospitals all the way to the single-physician clinic,” said Rotival.

One of the company’s most successful units is its ultrasound business in Seongnam, Korea, which is the largest of the United Kingdom-based GE Healthcare’s seven ultrasound centers worldwide. The Seongnam business has grown by 30 percent annually since 2009, and 95 percent of what is produced is exported overseas. The center works with 120 local vendors that act as global suppliers. The volume of products GE Healthcare Korea has purchased from the 120 local vendors has doubled in the last couple years.

“There’s very little that’s imported for assembly,” said Rotival. “[The vendors] supply the ultrasound factory, but they also supply other GE factories around the world. So it’s a double benefit.”

Last May, GE Healthcare Korea invested more than USD 9 million to expand the ultrasound facility. The success of the business has also led the company to consider growing other technology areas in the medical device space, including mammography. GE Healthcare Korea acquired the mammography asset of a Korean company called Rayence, a subsidiary of Vatech EWO Ltd, two months ago.

“The time for Korea has come,” said Rotival. “We have developed a level of trust and confidence and mutual collaboration not only locally but globally. It’s a great time to accelerate.”

Did you know?

- GE Healthcare Korea has invested USD 5 million every year in R&D since 1984.
- GE Healthcare is the first GE business unit headquartered outside the United States.
The Foreign Investment Ombudsman resolved a situation in which a company faced double standards trying to resume business after a tragedy

The Ombudsman’s Office

Unfair Standards Tarnish Korea’s Investment Climate

The Foreign Investment Ombudsman after encountering problems and compromise the public to dump the business for being a foreign company. Inaccuracies peppered broadcast coverage of the story, which led the Mountainous District Management Committee to withhold the permission renewal.

Three days before the committee’s final decision was to be made, an executive of Company A came to Foreign Investment Ombudsman Dr. Ahn Choong Yong as a last resort. He explained in detail the restoration measures being taken and lamented the fact that Company A’s efforts were unacknowledged. Yet more regretful, he said, was the prejudiced claim by some environmental groups and citizens that the company would not fail to handle the situation responsibly because it is a foreign firm.

This grievance resolution case gave Dr. Ahn opportunity to pause on whether a double standard is applied to foreign-invested companies. While it is the task of an environmental organization to strictly monitor business activities and shed light on wrongdoings, it is unacceptable to distort the truth with intimidation and target foreign companies. We must remember that Korean companies doing business abroad could face the same sort of prejudice and hardship. Only with the elimination of media distortions and administrative measures that adhere to a double standard can we achieve a favorable investment climate.

By Ahn Choong Yong, Ph.D.
Foreign Investment Ombudsman
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WHILE IT IS THE TASK OF AN ENVIRONMENTAL ORGANIZATION TO STRICTLY MONITOR BUSINESS ACTIVITIES AND SHEED LIGHT ON WRONGDOINGS, IT IS UNACCEPTABLE TO DISTORT THE TRUTH WITH INTIMIDATION AND TARGET FOREIGN COMPANIES.

2014 Proposed Tax Amendments: Part I

On September 30, the Korean Ministry of Strategy and Finance submitted to the National Assembly the government’s proposed tax law amendments (the “Proposal”) for 2014. Below is an overview of two of the six major Proposal items that may affect foreign-invested companies or foreign corporations conducting business in Korea. The remaining four items will be reviewed in next month’s article. The Proposal, following revisions necessitated during the legislation process, is expected to be enacted by the National Assembly by the end of this month.

The Proposal focuses on tax reform that expands the tax base in order to secure revenues for the realization of welfare pledges of the Park Geun-hye administration. In connection with this, the key features of the Proposal include a reduction in the scope of tax incentives for foreign investment and reinforcement of provisions to supplement a preventive regime for offshore tax evasion and aggressive tax avoidance.

1. Discontinuance of tax exemptions on dividends received by a foreign investor from a foreign-invested corporation that received approval of tax incentives

A foreign-invested corporation that received approval of tax incentives for its investment in Korea usually receives 100 percent exemption of its corporate income tax for three to five years and 50 percent exemption of the same tax for the next two years. In addition, a foreign investor that is a shareholder of the foreign-invested corporation may receive tax exemptions on the dividends from the foreign-invested corporation that has won approval for tax incentives.

However, the government pointed out that no country of the Organisation for Economic Co-operation and Development other than Korea exempts tax on dividends of a foreign investor and raised the issue that such tax exemptions on dividends provide excessive benefits to foreign investors. Consequently, the Proposal discontinues the above tax benefits on the dividends a foreign investor receives. (The provision providing for the benefit has been deleted).

The amendment applies to foreign-invested corporations that have obtained approval for tax incentives after January 1, 2014. However, foreign investors may still receive tax exemptions on dividends relating to the existing tax incentives the foreign-invested corporations obtained prior to January 1, 2014 in accordance with the provisions currently in effect.

Therefore, it would be advantageous from a tax perspective for a foreign-invested corporation considering new investment or capital injection into Korea to receive approval of tax incentives from the Ministry of Strategy and Finance before December 31, 2013.

2. Elimination of tax incentives for foreign investment from a country without a tax treaty with Korea

The Proposal adds the case where foreign investment is made through a country or region with neither a tax treaty nor a bilateral investment treaty with Korea to the list of cases in which tax incentives for foreign investment are not permitted. In addition, the Proposal requires an additional submission of a list of the substantive shareholder(s) of a foreign investor as part of the documents required to be submitted for application of the tax incentives.

The amendment may be understood as a measure to prevent the abuse of the tax incentives regime given to foreign-invested corporations committed by Koreans who disguise their investments as foreign investments. That being said, the Proposal appears to have failed to take into consideration the fact that a multinational enterprise may conduct business by establishing subsidiaries in many countries or regions and invest in Korea through a subsidiary established in a country without a tax treaty with Korea to carry out a valid business purpose. Therefore, if a foreign corporation is seeking to invest in Korea for the purpose of obtaining tax incentives afforded to foreign investments, it should carefully review its choice of subsidiary through which the investment will be made.

The proposed change will be applicable to the applications for tax incentives filed after January 1, 2015. However, the obligation to submit the list of substantive shareholder(s) of the foreign corporation will be applicable to applications for tax incentives filed after January 1, 2014.

By Kyung Geun Lee
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An Introduction to the Investment Aftercare Division

As part of the Office of the Foreign Investment Ombudsman, the Investment Aftercare Division was created within the Korea Trade-Investment Promotion Agency (KOTRA) to help improve the investment environment of Korea and promote the success of foreign-invested companies here by helping resolve their business- and daily-life-related grievances.

Since 1999, this office has helped improve Korea’s investment environment through resolving an average of 576 foreign investment grievance cases annually, including 92 annual cases of system improvements and administrative intervention.

In detail, the functions of the Investment Aftercare Division include:

1. Assigning Home Doctors to foreign-invested companies and providing support in grievance resolution efforts
2. Resolving grievances through cooperation with the government and related government agencies and proposing relevant policies
3. Encouraging system improvements and legal amendments
4. Inducing reinvestment by foreign-invested companies
5. Taking preemptive measures to prevent future grievances and improving Korea’s investment environment

To enhance the quality and effectiveness of aftercare services, the Investment Aftercare Division operates the Home Doctor system, whereby specialists in fields including labor, taxation, finance and construction provide foreign-invested companies with on-site support and assistance based on knowhow and expertise accumulated for more than 15 years. As non-government officials specializing in diverse fields, the Home Doctors take a friendly and objective approach to the grievances of foreign-invested companies, which leads to increased credibility among foreign investors.

Grievance Resolution Process

Besides addressing investors’ grievances, our office holds annual events to better provide investors with tailored solutions. Since 2006, we have held the Job Fair for Foreign-Invested Companies every year to help foreign-invested companies find qualified employees. In 2011 we launched the new On-Campus Recruiting Expo for Local Foreign-Invested Companies. Then there is the CEO Forum for Foreign-Invested Companies, which offers investors a great chance to network and better get to know Korea’s business community.

Foreign business leaders have praised our services as being the most effective form of investment support. And as a widely benchmarked system, international organizations including UNCTAD, APEC and the World Bank have lauded it as a model for other countries.

Our goal is to help foreign investors engage in reasonable business in Korea and to prevent problems. Whatever assistance you may need, contact us and we will be on your side.

By YOUJUNG KIM
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Q. Can won-currency funds received by a foreigner through capital decrease for value be recognized as an object of investment?
A. Yes.

Additional information

- Capital decrease for value is performed by returning part of the share value to the shareholder or by canceling the company’s stocks. In this regard, capital decrease for value is considered a disposal of stocks.
- In accordance with the Foreign Exchange Transaction Regulations, when funds from foreigners’ disposal of stocks and real estate are converted to foreign currency and remitted, the funds qualify as an object of investment as prescribed by the Foreign Investment Promotion Act. In this regard, funds from the disposal of stocks and funds from capital decrease for value are treated equally as objects of investment.

Re-investment of Won-Currency Funds & Residual Liquidated Assets

Q. Can the residual liquidated assets from a foreign-invested company’s dissolution be used as an object of investment to acquire new or existing stocks of a domestic company?
A. It is considered possible.

Additional information

- Generally, the residual liquidated assets (in won currency) from the dissolution of a domestic company can be used to acquire both new and existing stocks. However, in the case that a domestic branch or office is closed down and converted to a domestic corporation, only the newly issued stocks of the newly established domestic corporation can be acquired with the residual liquidated assets (in won currency).
- Residual liquidated assets (in won currency) cannot be recognized as an object of investment if a branch or office is not converted into a domestic corporation after closure. Residual liquidated assets can only be recognized as an object of investment — a means of international payment — when the funds in won currency are exchanged to foreign currency and deposited in an external account.

By James Rhee, Executive Consultant
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James Rhee is an Executive Consultant at the Investment Consulting Center, part of the one-stop service offered to foreign investors by Invest KOREA.
Located in southeast Korea, Ulsan is the biggest industrial city in the country and one of the four largest manufacturing cities in Asia. It is home to Korea’s leading conglomerates, including Hyundai Motor, Hyundai Heavy Industries, Hyundai Mipo Dockyard Co., Samsung, LG and SK Energy. Additionally, 128 top global enterprises from 25 nations, including Solvay, BASF, DuPont and BP, are successfully operating in Ulsan.

A World-class Industrial Cluster for Automobiles, Shipbuilding and Petrochemicals

In 2012, the total production amount of Ulsan’s 270 automobile-related companies reached USD 32.3 billion while their exports recorded USD 19.3 billion, making Ulsan the fifth-largest auto city globally. Ulsan also aims to develop eco-friendly cars, including hydrogen-fueled vehicles, hybrid vehicles and electric cars.

Ulsan’s shipbuilding industry became the world’s largest in 2012, with exports reaching USD 23.6 billion, which accounted for about 18 percent of the global shipbuilding production. The city now concentrates on fostering offshore plants.

In the petrochemical industry, the export volume of Ulsan’s 183 petrochemical-related companies reached USD 45.7 billion in 2012. The city aims to foster future high-tech industries including bio-chemical, synthetic-chemical and nano-chemical industries.

Toward a Global Industrial City with New Growth Engine Industries

Ulsan is fostering the battery and energy industries as new growth engines. The city will also build an attractive investment environment by developing, as new growth engines, the Ulsan Free Trade Zone, Northeast Asian Oil Hub Project and Techno Industrial Complex and by promoting the nuclear material and IT industries. Under a “No business, no Ulsan” slogan, the city endeavors to create an ideal and distinctive investment environment.

Overview

- Population / Area: 1,200,000 / 1,060 km²
- Export volume: USD 101.5 billion (2011, No. 1 in Korea)
- GRDP / person: USD 56,430 (2011, No. 1 in Korea)
- Production volume: KRW 228.545 trillion (2011, No. 2 in Korea)
- Cargo volume: 197 million tons (2012, No. 2 in Korea)
- Industrial complexes: Two national industrial complexes and 16 general industrial complexes

National industrial complexes: Ostnan National Industrial Complex, Ulsan Mipo Industrial Complex

- General industrial complexes: Shimsan, Gilcheon, Bonggay General Industrial Complex

Ulsan Free Trade Zone

- Location: Ostnan-eup, Ulsan-gun and Cheongnyang-myeon
- Size: 837.502 ha
- Project period: 2009-2014
- Target industries: Metal fabrication, electricians, electronics, machines, automotive, biotechnology, mechanics
- Incentives: Low factory rent fees of KRW 145/m² (Rent exemption, permission for offshore production, value-added tax exemption for foreign-invested companies investing more than USD 100 million), customs tariff exemption, permission for offshore production, value-added tax exemption
- Lease period: Land or factories etc. can be leased up to 50 years. (Renewal possible)

Northeast Asian Oil Hub Project

- Two national industrial complexes and 16 general industrial complexes

Northeast Asian Oil Hub Project

- Location: Ulsan Sinhang (Ulsan New Port area)
- Size: KRW 399.000 m² (1st phase: 295,000 m² / 2nd phase: 640,000 m²)
- Scale: 29.4 million barrels (1st phase: 8.9 million barrels / 2nd phase: 18.5 million barrels)
- Total cost: KRW 1.64 trillion (1st phase: KRW 644.8 billion - private sector / 2nd phase: KRW 994.9 billion)

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Ulsan, the Industrial Capital of South Korea

Korea by the Numbers

According to the World Bank’s Doing Business 2013 Report, Korea was ranked 7th for its business environment among 189 countries, up 1 spot from last year.