BRINGING HEALTH TO THE COMMUNITY

Leading healthcare services provider Zuellig Pharma works to get patients in Korea what they need.

Zuellig Pharma Korea is in the business of connecting the dots.
That’s why the staff here spends a lot of time thinking about what their business continuity plan would be in the event of a crisis or disaster, when circumstances make the dots hard to connect. During the Fukushima nuclear disaster after the 2011 earthquake and tsunami in Japan, the experts at Zuellig Pharma Korea considered how they would get people the medicines and services they need if there were a radioactive cloud over Korea.

During the outbreak of the Middle East Respiratory Syndrome (MERS) in Korea last year, the company did what they could to make sure patients got not only the drugs they needed, but also information, printing 60,000 leaflets with data about MERS from the Centers for Disease Control and Prevention and distributing them at pharmacies nationwide, especially those in remote areas, to combat the problem of misinformation and lack of information.

“We want to bring health to the community,” said Christophe Piganiol, President of Zuellig Pharma Korea. “So what it means is, not only do we distribute products. What is it we can do to better the health outcome for patients? That’s the big vision.”
Greetings From Invest Korea

Dear Readers,

As part of my job, I get to meet many foreign businesses that are eager to extend their reach in the booming Asian market. Although these companies vary in industry, they all agree on one thing: that Korea is well on its way of becoming an Asian powerhouse. Despite the good news, however, we know that the country still has room for improvement on the world stage. And that's where Invest Korea comes in. In an effort to further support foreign investors in the country, the agency is holding a number of events to create a more business-friendly environment.

One such event was 2016 China Week, held during the last week of April. The event received overwhelming support from over 130 Korean companies seeking to attract foreign investment and 60 Chinese investors wanting to expand their business in Korea, most notably in the areas of food and distribution, cultural content, luxury goods, resort complex, energy and healthcare. Invest Korea made it easier for Chinese investors to engage with Korean SMEs at the event, arranging one-on-one consultations. The program also included seminars on Korea’s current investment climate and business roundtables that further enhanced Korea-China cooperation.

China Week is just the beginning, as we have many more events planned throughout the year to assist the growth of foreign-invested companies. Through such efforts, Invest Korea hopes to make Korea a more fertile ground for foreign businesses to flourish. Whether it’s the country’s ideal geographic location, state-of-the-art infrastructure or talented workforce, Korea is no doubt a place full of endless possibilities.

Sincerely,

[Signature]

Yong Kook Kim
Head of Invest Korea
Invest Korea News

GLOBAL M&A SUPPORT OFFICE, GMAP OPEN M&A DEAL SOURCING PLAZA

On April 21, Invest Korea, the investment promotion arm of the Korea Trade-Investment Promotion Agency (KOTRA), held the Global M&A Forum in cooperation with the Global M&A Partners (GMAP) at the Seoul Grand Intercontinental Hotel. GMAP, one of the world’s leading partnerships of independent M&A firms, were invited to discuss M&A strategies covering various regions and industries.

Out of 37 international GMAP branches, 20 visited Korea for this event in addition with the Ministry of Trade, Industry and Energy (MOTIE) and 150 Korean companies interested in M&A.

2016 CHINA WEEK FURTHER BOOSTS KOREA-CHINA TIES

From April 25 to 27, Invest Korea held the highly-anticipated 2016 China Week, an event that provided opportunities for Korea’s SMEs to network with Chinese investors in the industries of food and distribution, cultural content, luxury goods, resort complex, energy and healthcare.

In addition, the agency held seminars on Korea’s current investment climate and arranged business roundtables that further enhanced Korea-China cooperation.

The event received overwhelming support from over 130 Korean companies seeking to attract foreign investment and 60 Chinese investors seeking to expand their business in Korea.

Korea News

FDI PLEDGES JUMP 19.3 PCT ON-YEAR IN Q1

New foreign direct investment (FDI) pledged to South Korea jumped 19.3 percent in the first three months of the year due to a sharp rise in investment from the European Union and China.

Fresh FDI committed to the country in the January-March period came to USD 4.24 billion, up from USD 3.55 billion a year earlier, according to the Ministry of Trade, Industry and Energy.

Meanwhile, new FDI pledges from the EU surged more than five-fold to USD 1.76 billion during the January to March period from a year earlier, while FDI commitments from China also skyrocketed seven-fold to USD 380 million.

DRUGMAKERS’ TECH EXPORTS TOP 10 TLN WON IN 2015

South Korean pharmaceutical and bio companies saw exports of their drug-manufacturing technologies exceed KRW 10 trillion (USD 8.64 billion) in 2015 thanks to their efforts to tap into overseas markets.

According to the data by the Korea Drug Research Association, industry leader Hanmi Pharmaceutical Co. and other pharmaceutical companies clinched a combined 26 deals on technology exports and out-licensing last year.

The value of 20 agreements, whose financial terms were disclosed, came to KRW 9.29 trillion (USD 8.19 billion), the association said, adding the figure probably surpassed KRW 10 trillion (USD 8.71 billion) if the remaining six deals were included.

KOREAN WAVE INDUCES PRODUCTION EFFECT WORTH 15.6 TLN WON

Korean pop culture and its growing popularity on the global stage had an induced production effect worth KRW 15.6 trillion won (USD 13.5 billion) last year.

The estimated production effect from the Korean wave was up 9.2 percent from a year ago, according to the report compiled by KOTRA and the Korean Foundation for International Culture Exchange.

The figures were based on its analysis of the impact of Korean pop culture in games, tourism, movies and many other areas.

Government & Policy

S. KOREA, NORWAY TO BOLSTER COOPERATION IN SHIPBUILDING

On April 15, South Korean President Park Geun-hye and Norwegian Prime Minister Erna Solberg agreed to strengthen cooperation in building eco-friendly ships and offshore plants.

The two sides signed a memorandum of understanding in 2012 that calls for, among other things, cooperation in building eco-friendly ships, according to South Korea’s presidential office.

Ships account for more than 90 percent of South Korea’s exports to Norway and bilateral trade between the two reached a record high of USD 7.4 billion last year, compared with USD 1.7 billion in 2006.

S. KOREA TO DEREGULATE BIOTECH SECTOR, BOLSTER ‘SCIENCE DIPLOMACY’

At the 33rd Presidential Advisory Council on Science & Technology, the South Korean government announced that the country will ease regulations in its biotech industry and develop ways to use carbon elements as an alternative energy source.

It also plans to bolster “science diplomacy” to meet the country’s stature as a science and technology power.

In particular, the government will seek to remove some regulations on “biobanks” that share human tissue or blood samples for stem cell research purposes.

It will also push for the abolition of the limit to the scope of gene treatment research and promote the digital health industry, while lowering the barrier for commercializing new medical devices.

In the energy field, the government will redouble efforts to deal with a drastic reduction in greenhouse gas emissions.

On science diplomacy, the government will try to take the initiative in various international research projects on global affairs and strengthen partnerships with other countries in the field.
Korean pharmaceutical companies set to expand their presence in the global market

Pharmaceutical companies in the country are rapidly expanding investment to develop new groundbreaking drugs recently, Korea’s new drug pipe lines in phase 1 through 3 are increasing in number.

The best case scenario is that Hannmi Pharmaceutical and other major pharmaceutical companies will develop blockbuster drugs and emerge as global players in the next 15 years.

Change in profit structure of Korean pharmaceuticals

In 2015, major pharmaceutical companies spent more money on R&D, sacrificing their operating profit. This trend will continue in 2016 as more money will be spent to strengthen R&D infrastructure rather than to increase operating profit. This money will be used to form a strategic alliance with biopharmaceutical start-ups in the form of equity investment to acquire new drug pipe lines, and to conduct more clinical trials at a global scale. As many companies will boldly make R&D investment, the operating profit of major pharmaceutical companies will likely decrease for the next one or two years.

New global drugs developed by major companies

Last year, Hannmi Pharmaceutical made large-scale R&D investment and closed six out-licensing deals for its pipe line technologies. The six deals, as a whole, posted USD 60.6 million in deposits, USD 6.4 billion for milestone payments, and a double-digit royalty.

Dong-A ST released Sivextro on the global market through an out-licensing deal with Triaus Therapeutics (now acquired by Cubist). This may be the first commercial hit on the global market. Its diabetic neuropathy (DA-9801) drug will also be commercially successful if it proves satisfactory in its safety and efficacy after phase 3 clinical trials of the U.S. FDA clinical research.

Meanwhile, Green Cross is waiting for the FDA to grant a new drug license for its immunoglobin IVIG-SN. Its drug for Hunter syndrome was approved by the U.S. FDA as a rare disease medicine in 2013, and is currently scheduled to begin phase 1 clinical trials.

SK Chemicals out-licensed its anti-hemophilic drug (NBP601) technology to an Australian company CSL, and applied for the US FDA approval. It is highly likely to become a commercial success as a global drug.

A subsidiary of SK Holdings Co., Ltd., SK Biopharmaceuticals is developing its own anti-epileptic drug (YPK3089) which already passed phase 2 clinical trials of the U.S. FDA as the first of its kind in the world. SK Biopharmaceuticals is also developing anti-narcotic and acute repetitive seizure treatments as global new drugs.

Global drug development by Korean pharmaceutical companies

Three years after the chemical substance patent system was first introduced in 1987, Korea developed its first drug, embarking on a long journey of development. More than 25 years have passed since then and the country is developing drugs not only for its own market, but for overseas markets as well. If such trends continue on, Korea will be known as a strong global player in the pharmaceutical industry.

So far, Korean pharmaceutical companies made profits by exporting their technologies to international pharmaceutical companies. In the future, however, Korean companies will earn profits by developing their own drugs through invested funds. Over time, these pharmaceutical companies will become more capable of developing new drugs on their own.

The history of drug development in Korea dates back to 1991 when SK Chemicals’ platinum complex anti-cancer agent (Sumplα) was approved as the first new drug in Korea. In 2003, LG Life Sciences managed to receive the US FDA’s approval for its quinolone antibiotic Factive, and released it as a new drug. It unfortunately did not reach commercial success. In 2014, Dong-A ST’s super antibiotics Sivextro was approved by the US FDA as a new global drug through an out-licensing deal, and it is well on its way of reaching a major breakthrough. More
Furthermore, JW Pharmaceutical Corporation’s Wnt anti-cancer agents (treatment for acute myeloid leukemia) have almost reached phase 1 completion of clinical trials in the US.

ViroMed’s gene medicine (VM202) is going through phase 3 clinical trials as a treatment for lower limb ischemia and diabetic neuropathy. Yuhan Corporation’s degenerative disc drug (YHI4618) is also going through phase 2 clinical trials.

“Open innovation” to be actively utilized

It is estimated that many Korean pharmaceutical companies will utilize the research capabilities of foreign companies more actively when it comes to developing new drugs, although they can sometimes start from scratch by finding new chemical substances themselves. Hammi Pharmaceutical, for example, has been emphasizing the importance of “open innovation.” In fact, Hammi has been actively cooperating with biotechnology startups through various cooperative models. It now plans to secure a new engine of growth by developing next-generation drugs and innovative biopharmaceutical technologies. Open innovation will thus help expedite drug development and reduce development costs.

For instance, Hammi Pharmaceutical secured the shares of Allegro by investing USD 20 million as of January 2015 and is jointly developing Luminate. In August 2015, it developed a promising drug substance Repobody, an artificial antibody platform, in collaboration with a biotechnology start-up Repugen. It is expected that Hammi will continue to acquire shares of biotechnology start-ups.

On this note, in March of this year, Yuhan Corporation invested USD 10 million to form a joint venture company (JVC) called ImmuneOncia Therapeutics, LLC, with biopharmaceutical company Sorrento Therapeutics in the United States. Yuhan has expanded its equity investment in other biopharmaceutical companies such as Bioneer and TheraGen Etex. It is expected that Yuhan will continue to invest not only in R&D but also in acquisition of shares to expand its pipeline or secure more licenses based on its sufficient cash reserve worth KRW 557.1 billion (USD 485.2 million).

In May 2015, Green Cross Holdings invested USD 7.5 million in a US-based biopharmaceutical startup Juventas Therapeutics, jointly with POSCO Venture Capital. Ildong Pharmaceutical also signed a joint development agreement with Cellivery Therapeutics for the development of Parkinson’s treatment ICP-parkin. The agreement will allow the two companies to jointly develop a drug candidate ICP-Parkin by utilizing the macromolecule intracellular transduction technology (MITT), Cellivery’s original technology. ICP-Parkin treats the loss of dopaminergic neurons, the fatal symptom of the Parkinson’s Disease.

Government’s determination to nurture pharmaceutical industry

In its meeting with President Park Geun-hye this year, the Ministry of Health and Welfare announced its plan to push the biopharmaceutical industry as a new engine of growth for the Korean economy. The industry is expected to create 760,000 jobs and KRW 65 trillion (USD 56.7 billion) in added value in 2016. It also announced that the market size of Korea’s bio-health industry will increase to become the world’s 7th largest by 2017. To create more success stories similar to Hammi’s, the Ministry promised to invest KRW 150 billion (USD 130.8 million) in global healthcare funds to provide subsidies for Korean new drugs going global, to strategically nurture precision and regenerative medicine industry including stem cell bank, and to provide KRW 115.5 billion (USD 100.7 million) worth of financial support for research and development of medical devices. It’s clear that the government is well aware of the importance of the biopharmaceutical industry and its potential for growth. Whether the government accomplishes its goal this time or not, it will continue to nurture a world-class pharmaceutical industry.

Growth of Korean pharmaceutical companies on the world stage

Korean pharmaceutical companies have significantly invested in developing new drugs over the last 25 years. As such, 2015 was a notable year for Korean companies with many of them making a mark on the global pharmaceutical market with successful out-licensing deals. It is now time for new drug pipeline lines of Korean companies to take center stage on the international level.

Over the next ten to fifteen years, Hammi Pharmaceutical and Green Cross are likely to emerge as strong global players. Other major pharmaceutical companies are also making much progress as they will focus on overseas markets. From 2020 to 2025, there is a high chance that “true Korean” drugs that are domestically tested and approved by the FDA will emerge. As Korea does not have its own distribution channel, these new drugs will be distributed through licensing agreements with global pharmaceutical companies. From 2025 to 2030, the independent distribution channels of Korean companies can be established, through which new global drugs developed in the country can be sold to customers around the world. By this time, Korean companies will most likely have accumulated sufficient funds and global marketing know-how for establishing their own global distribution networks. If this scenario holds true, Korean pharmaceutical companies will become global players both in name and reality.

By Tae Gi Ha
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Individual countries are entering into a double taxation avoidance treaty, which is a treaty signed between governments to avoid double taxation in order to promote the exchange of goods and services, increase flows of capital and people, and prevent tax avoidance or evasion. However, the increasing number of double taxation avoidance treaty cases have resulted in a surge of paper companies simultaneously enjoying tax benefits from their home countries and those from such treaties.

The OECD and G20 have already agreed to strengthen the practice of transfer pricing documentation to prevent Base Erosion and Profit Shifting (BEPS), which refers to tax planning strategies by multinational corporations that exploit the gaps and mismatch between different countries’ tax treaties or taxation systems to shift profits to low-tax countries.

As a result, the signatories to BEPS consented to implement the transfer pricing documentation. The practice will ensure taxation transparency among multinational corporations and allow the tax authorities of the participating countries to obtain transfer pricing information on a timely basis, as the system incorporates a master file, local file and country-by-country report.

A tighter implementation of transfer pricing documentation will lead to multinational corporations to maintain their financial transparency and consistency and will manage transfer pricing policy and its operation more systematically. There are still multinational corporations that have yet to establish any transfer pricing policy and those that have such policy already in place, but do not monitor the outcomes. As such, it has become necessary for these corporations to establish and implement a transfer pricing policy and build a new system to monitor the results.

In Korea, the Adjustment of International Taxes Act (the “Act”) in December 2015 was amended as part of the effort to be in line with international norms. Under the amended Act, it has become necessary to provide information on the international transactions performed by multinational corporations. Since a number of foreign-invested companies now need to prepare the international related party transaction integrated report, the Office of the Foreign Investment Ombudsman (OIO) has decided to provide necessary information in order to correctly prepare such reports.

Under the Act, any domestic corporation, or any foreign corporation with permanent establishments in Korea conducting foreign related-party transactions of an amount above a certain threshold (i.e., annual combined amount of transactions regarding services, goods and loans or borrowings exceeding KRW 50 billion (USD 43.75 million) and involving a certain amount of sales (i.e., over KRW 100 billion (USD 87.5 million)) must submit the international related party transaction integrated report.

The report shall accompany an integrated corporate report as the master file, and an individual corporate report as the local file. The integrated corporate report shall contain such information as the organization structure, items of business, intangible assets, capital raising activities and financial status, among others, while the individual corporate report shall contain information on the description of the organization or business of individual corporations within an affiliated group, transaction details with persons with a special relationship, calculation of the transfer price of relevant transactions and financial status.

Corporations required to prepare an integrated corporate report must prepare a consolidated financial statement that includes taxpayers. If the number of such consolidated financial statement including taxpayers is two or more, the report shall be prepared by the corporation responsible for the preparation of the consolidated financial statements at the highest level.

The international related party transaction integrated report shall be submitted to the head of the competent tax office by the deadline for filing of the corporate tax return. The individual corporate report may be submitted in Korean, but the integrated corporate report may be submitted in English subject to the condition that a Korean translation version shall follow in one month.

Failure to submit the said reports within the due date shall be subject to a penalty surcharge of KRW 30 million (USD 26,250). However, the period may be extended by up to one year if applicable.

The purpose of the amendment to the Adjustment of International Taxes Act is to prevent tax evasion by improving transparency in cross-border transactions by multinational corporations. Please note that the application of the Act begins with the cases that require a submission of the international related party transaction integrated report on the tax year commencing from January 1, 2016, and make sure to allow sufficient time for its preparation.

Should there be any questions in relation to the preparation and submission of the report, please contact Mr. Tong-Wha Oh, Executive Consultant specializing in the area of tax and accounting at the Office of the Foreign Investment Ombudsman (02-3497-1687).

By the Office of the Foreign Investment Ombudsman
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Regulatory Information Update

The Office of the Foreign Investment Ombudsmans provides the latest updates on Korea’s foreign investment regulations.

Amendment to the 2016 Foreign Investment Promotion Act

The Foreign Investment Promotion Act (the “Act”) was amended on January 27, 2016, and will take effect as of July 28, 2016. The amendment has contributed to regulatory easement by combining the various provisions governing foreign investment reports that are currently regulated separately for each type of investment, and abolishing the requirements of stock transfer report, licensing agreement report and capital goods disposition report, among others.

The amendment also aims to remedy legal imperfections, as it adds civil petitions to be handled in bulk for the purpose of management efficiency and conveniences for the addressees of the legislation. It also newly allows trustees to cancel registration or revoke permission of foreign capital-invested companies, imposes penalty surcharges against cases of exceptional negotiated contracts and sets forth other matters. With the pre-announcement of legislation planned in March or April for the Enforcement Decree and the Enforcement Rule of the Act to prepare for the implementation on July 28, please do not hesitate to let the Ombudsman Office know, should there be any opinions otherwise in connection with the amendment.

Foreign Investment Promotion Act

[Enforced on July 28, 2016] [Act No. 13854 partially amended on January 27, 2016]

A. Combination of the provisions on foreign investment report; separation of the provisions on foreign investment permission for defense industry companies

(Article 2(1), Article 5, Article 6)

- Foreign investment reports that previously varied depending on investment types are now combined to allow reporting with a single form, while the provisions regulating foreign investment permission are separated for defense industry companies with different characteristics to enhance convenience of the addressees of the legislation.

B. Improvement of follow-up management of foreign investments

(Article 21(3)(4), Article 22, Article 37)

- Improvements are made to stipulate registration of changes and allow canceling registration or revoking permission of a foreign capital-invested company after verifying related information within the government, in the cases where a foreign capital-invested company reports business closure under the Value-Added Tax Act, or a foreign investor transfers or reduces his/her entire stock holdings, or pretend as if the payment of the object of investment is made, while providing the grounds for the Minister of Trade, Industry and Energy to request verification of the information in question from the Minister of Justice and the Commissioner of the National Tax Service. Other improvements include rational follow-up management such as imposing penalty surcharges against transferring, lending, etc. of registration certificates.

C. Abolition of requirement of report in relation to disposition of capital goods subject to tax reduction and exemption

(Article 22(1)(2) deleted, Article 21(3))

- Disposition of capital goods was previously subject to a report by a trustee and also a report under the Tax Act. The amendment improves such redundant regulation by making the report under the Tax Act the only requirement, and lets foreign capital-invested companies register changes only in cases where the capital goods fall under the requirement of such registration, thereby enhancing the efficiency in the course of follow-up management.

D. Abolition of Foreign Investors’ Stock Transfer Report System and supplement of related procedures

(Article 23 deleted, Article 3(4), Article 21(3), Article 22(1))

- The requirement of reporting stock transfers by foreign investors is to be abolished and replaced by such requirements as a foreign investment report and registration of changes, and notification of the stock transfer to the relevant Ministry. In addition, the amendment delegates that the Enforcement Decree shall determine the procedures of inducing convenience in fund repatriation for the addressees of the legislation.

E. Abolition of Licensing Agreement Report System

(Applicable provisions in Article 25, Article 26 and Article 28 deleted)

- Regulation is eased by abolishing the requirement concerning reporting on licensing agreements that lack effectiveness, and the reporting and investigation system with regards to those who have introduced technology into Korea.

F. Reasonable improvement of civil petitions to be handled in bulk and addition of related affairs

- The amendment aims to comprehensively refer to the provisions of individual laws so that the Foreign Investment Promotion Act may automatically reflect any expanded civil petitions affairs to be handled in bulk as a result of an amendment to individual laws. At the same time, it aims to include parts of the affairs other than those set forth in individual laws into the civil petitions that must be handled in bulk, in consideration of the characteristics of each license affair.

G. Reasons for exception in negotiated contracts to be reflected in upper-level laws; imposition of penalty surcharges against their non-performance

(Subpara-graphs under Article 13(2) newly inserted, Article 37(13))

- The amendment stipulates exceptional cases of any negotiated contract in legislations to ensure predictability and sets forth the imposition of penalty surcharges in the case of their non-performance to secure effectiveness in performing the laws and decrees.
A leading healthcare services provider in Asia with operations in 14 countries, the Hong Kong-based Zuellig Pharma offers services related to the distribution of pharmaceuticals, medical devices and clinical trial materials, sales and marketing outsourcing, patient-centered programs, payer solutions and other retail pharmacy services.

Started in 1922 by a Swiss doctor who emigrated to the Philippines, Zuellig Pharma today is exclusively in the Asia-Pacific region and serves more than 350,000 doctors, hospitals, pharmacies and clinics.

The company entered the Korean market in 1997 when a consortium of local and multinational partner companies here asked Zuellig Pharma to help them consolidate business, improve standards for distribution and work together to address market needs. Zuellig Pharma considered Korea an attractive market with a high development rate and growth potential. They opened their doors in Seoul and started providing companies with quality service that focused on cold chain and pharmaceutical management. Today, Zuellig Pharma Korea distributes 25 percent of Korea’s drugs and has developed a number of new services that go beyond distribution.

“For some of these services, Korea has been the incubator and we have been at the source of many best practices in the group,” said Pignoli.

These include high standards in warehousing and distribution services, a system of serializing and tracking over 120 million packs of medicine. Zuellig Pharma Korea handles a year, a product affordability program based on the socioeconomic background of patients and a human resources practice in which employees are evaluated and guided in terms of career development via panel reviews.

“We have a more stable population in terms of our employees than some of the other countries because the Korean work structure is a bit more stable,” said Pignoli, of why Korea was the first country within the Zuellig Pharma group to try this human resources practice.

Taking advantage of Korea’s high-tech environment, the company has also incubated its e-commerce service in Korea, creating not only transactional platforms, but online education programs and order-by-web phone apps for pharmacies. These services will be offered at Zuellig Pharma’s other locations in the near future.

With 12 offices in Korea – six sales offices and six warehouses – the company’s 250-person local operation continues to grow. In 2014, Zuellig Pharma Korea added a new entity called the Specialty Solutions Korea that comprises 45 people and includes both marketing and patient care segments.

Furthermore, a major achievement in 2015 was Zuellig Pharma’s exclusive licensing agreement with Korea’s Boryung Pharmaceutical, to launch and market an anti-hypertensive drug called Kambin in 13 Southeast Asian countries.

“What you have potential for is some smart innovations coming out of Korea to be able to be exported,” said Pignoli.

Two factors will significantly affect the extent to which Zuellig Pharma Korea partners with exporting local companies: Korea’s many free trade agreements, including those with the United States and European Union, and the Korean government’s Pharma 2020 Vision to develop Korea’s pharmaceutical industry as one of the world’s best through, among other measures, supporting the overseas expansion of local pharmaceutical companies.

Pignoli names top standards and excellent human resources as other reasons Korea is an important market for Zuellig Pharma.

“The standards of work, technology, the level of development is high, so you can help use those standards to create new best practices,” he said.

As for the people, the president cites their quality, work ethic and training to be especially impressive, saying, “The ability to execute and to execute fast is amazing in Korea.”

By Young Chang
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Did you know?

- Zuellig Pharma Korea travels to remote areas of Korea in their trademark pink trucks to educate people about breast cancer.
Economic Analysis

Korea Ramping Up Efforts to Improve Investment Environment

The Korean government is doing its part in getting rid of obstacles facing foreign investors.

Analysts have pointed out for a long time that Korea has enormous potential for attracting more foreign investment, but the country’s performance in this category is rather lackluster as it has yet to tap into its full potential. In fact, Korea ranked high in regards to FDI potential in the World Investment Report released by UNCTAD in 2011, but its performance index failed to rank in the top 100 UN member states.

Korea’s FDI Performance and Potential Ranking

According to the World Bank’s Doing Business Report 2016, Korea placed 4th among 189 countries for Ease of Doing Business, but ranked 40th when it came to registering property and 42nd in getting credit. The country also recorded a similar pattern in the World Competitiveness Yearbook 2015 by the International Institute for Management Development. In this report, Korea ranked 25th among 61 countries overall, but it placed in the bottom in the categories of price (52nd), business legislation (45th) and management practices (53rd).1

The reports published by Korean institutes point to the same problems as the ones overseas. In the 2015 KOTRA Report on Grievance Resolution for Foreign-Invested Companies, foreign investors were found to be relatively satisfied in the categories of land environment (49.2 percent) and logistics (42.7 percent), but less content with its taxation (22.5 percent), labor (22.8 percent), protection of intellectual property rights (20.2 percent) and regulations (22.1 percent).2

In the Survey of Foreign Companies’ Perception on Korea’s Investment Environment conducted by the Korea Chamber of Commerce and Industry, foreign companies cited policy inconsistency (32.5 percent), volatile economic variables (27.0 percent) and excessive regulations (23.4 percent) as major obstacles to foreign investment.

In other words, foreign investors generally have a good impression of Korea’s business and investment climate, but certain legal and institutional challenges are hampering the growth of foreign investment attraction. As such, the Korean government is seeking to address such issues in various ways. In 2014, the government made its policies and regulations more predictable, attracted headquarters and R&D centers of global companies to Korea, enacted and implemented the Foreign Investment Promotion Measures that aim to improve the foreign investment incentive system and living environment for such investors. Last year, the government pursued foreign investment regulatory reform in line with global standards, attracted promising businesses through tailored regulatory reforms, and carried out the Foreign Investment Regulatory Reform, which seeks to prevent grievances of foreign-invested companies through effective communication channels.

Some of the policies have not yet been implemented, but most of them were carried out by relevant ministries, resulting in significant changes to Korea’s investment environment. The government has also opened a channel for communicating its policies with foreign investors, and foreign investment officers designated by 21 ministries attended the Foreign Investment Advisory Council in the first half of 2015 to facilitate communication with foreign investors.

As such, the Korean government is making continuous efforts to improve its regulatory environment so that grievances of foreign-invested companies can be resolved. Korea’s investment climate will soon improve not just in numbers, but foreign investors will be able to actually experience the changes firsthand.

By Kim Hyuk-Hwang
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1 Considering that many countries less wealthy than Korea are not included in the World Competitiveness Yearbook, Korea’s ranking is deemed to be high.

2 Multiple responses were allowed.
Daegu-Gyeongbuk Free Economic Zone: The Heart of Korea’s Medical Industry

Established in 2008, the Daegu-Gyeongbuk Free Economic Zone (DGFEZ) offers customized facilities and infrastructure in manufacturing, R&D and logistics to companies operating in the Korea and Asia-Pacific market. The DGFEZ has eight sites located in the heart of three major manufacturing and R&D clusters. Daegu also has superior healthcare infrastructures, being home to nearly 20 percent of Korean medical professionals. The region is consequently poised to become the center for the biotech and medical industry, with four districts dedicated to the field.

**Sinseo Meditech District**

The Sinseo MediValley is a government-led medical cluster worth USD 4.3 billion that is helping companies develop new drugs and design cutting-edge medical devices. The keystone to the site is the Daegu Gyeongbuk Medical Innovation Fund (DG-MIF), which provides access to drug labs, device testing, and lab trials. The DG-MIF is a world-class venue for not only conducting research, but also hosting national and international conferences with a communications center. It also provides access to relevant regulatory bodies such as the Korea Food & Drug Administration (KFDA) and the Korea Institute of Toxicology. Apart from the Fund, there are also specialized research centers in neurosurgery, oriental medicine and 3D convergence technologies.

**Suseong Medical District**

Suseong Medical District is well on its way of becoming the leading free economic district for high-quality healthcare services, medical R&D, software and information-technology industries in Korea and Northeast Asia. The district is expected to attract top-tier international medical centers, medical research laboratories and premier hotels, among others. With Daegu International Airport and Gimhae International Airport located nearby, major Asian cities such as Tokyo, Beijing and Shanghai can be reached within two hours by plane.

**Daegu Technopolis**

Daegu Technopolis was developed to work closely with local industries nearby to become a research and business development center for all of Northeast Asia. Some of the successful industrial investments include automotive manufacturers, machinery tool fabrication, and diesel engine manufacturers. These are well supported by industrial-focused R&D carried out by both public and private centers. They include the Daegu-Gyeongbuk Institute of Science & Technology (DGIST), the Electronics and Telecom-unications Research Institute (ETRI), and the Korea Institute of Industrial Technology (KITECH).

**Gyeongsan Knowledge Industry District**

Upon completion in 2018, the Gyeongsan Knowledge Industry District will provide state-of-the-art research and development facilities. The area will also manufacture construction equipment, automotive parts, shipbuilding equipment, medical equipment and materials. In order to enhance R&D advancements, the Gyeongsan Knowledge Industry District will work in cooperation with Suseong Medical District and the Daegu Gyeongbuk National High Tech Medical Complex or MediValley, which are within close proximity.

Visit the Daegu-Gyeongbuk Free Economic Zone Authority’s website (http://www.dgfze.go.kr/eng/index.htm) for more information.
Introducing Korea’s SMEs

Each month, Invest Korea Express introduces one Korean SME that seeks to expand its network with foreign investors looking to do business in the country. In the May issue, we take a look at one of Korea’s most promising pharmaceutical companies.

Alteogen Inc.

Founded in Daejeon in 2008, Alteogen Inc. is a biopharmaceutical company devoted to developing next generation biobetters. The company is currently staffed with highly-talented and experienced R&D professionals and boasts state-of-the-art technology.

Alteogen is working with a number of internationally renowned companies, establishing licensing agreements with Brazil’s Cristalia, the US’ Biocrea Pharma, China’s 3S Bio and Japan’s KISSEI Pharmaceuticals. Most notably, the company was selected by the Ministry of Knowledge Economy as the country’s ‘Local Star Business’ in 2011, the ‘Global Strong SME’ in 2013 and the ‘IP Star Company’ in 2014. It was also listed on the Korean stock market (KOSDAQ) starting in 2014.

On this note, Alteogen seeks to further develop and market its biobetters and biosimilars by establishing more partnerships with global pharmaceutical companies.

Economic Indicators

<table>
<thead>
<tr>
<th>GDP</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Nominal (USD million)</td>
<td>1,202,700</td>
<td>1,222,400</td>
<td>1,305,400</td>
<td>1,410,000</td>
<td>1,377,500</td>
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<tr>
<td>PPP (USD million)</td>
<td>1,559,447</td>
<td>1,601,229</td>
<td>1,661,723</td>
<td>1,683,898</td>
<td>1,677,500</td>
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<tr>
<td>GDP Growth Rate (Y-o-Y, %)</td>
<td>3.7</td>
<td>2.3</td>
<td>2.9</td>
<td>3.3</td>
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Source: The Bank of Korea, December 2015

<table>
<thead>
<tr>
<th>GDP Per Capita</th>
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<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Nominal</td>
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<td>27,970</td>
<td>27,195</td>
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<td>PPP</td>
<td>33,829</td>
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Source: International Monetary Fund, April 2015

<table>
<thead>
<tr>
<th>Foreign Trade</th>
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<tr>
<td>Exports</td>
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<td>547,870</td>
<td>559,632</td>
<td>572,665</td>
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<td>Imports</td>
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<td>519,584</td>
<td>515,586</td>
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Source: International Monetary Fund, April 2015

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<tr>
<td>2010</td>
<td>1,156.3</td>
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Source: Bank of Korea

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<td>84,373.0</td>
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Source: Bank of Korea, April 2015
### NORTH AMERICA

<table>
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<tr>
<th>Location</th>
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<th>Phone</th>
<th>Website</th>
<th>Email</th>
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<tbody>
<tr>
<td>New York, USA</td>
<td>USA</td>
<td>(212) 826-0900</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Los Angeles, USA</td>
<td>USA</td>
<td>(213) 954-9500</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Chicago, USA</td>
<td>USA</td>
<td>(312) 644-4323</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Dallas, USA</td>
<td>USA</td>
<td>(972) 243-9300</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Washington D.C., USA</td>
<td>USA</td>
<td>(202) 857-7919</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Silicon Valley, USA</td>
<td>USA</td>
<td>(408) 432-5000</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Detroit, USA</td>
<td>USA</td>
<td>(248) 619-1601</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
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<tr>
<td>Vancouver, Canada</td>
<td>USA</td>
<td>(604) 663-1820</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
</tr>
<tr>
<td>Toronto, Canada</td>
<td>Canada</td>
<td>(416) 368-3399</td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
<td><a href="mailto:kotra@kotraamerica.com">kotra@kotraamerica.com</a></td>
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### EUROPE

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<tbody>
<tr>
<td>Frankfurt, Germany</td>
<td>Germany</td>
<td>(49-69) 2429-920/9</td>
<td><a href="mailto:kotra@kotra.co.uk">kotra@kotra.co.uk</a></td>
<td><a href="mailto:kotra@kotra.co.uk">kotra@kotra.co.uk</a></td>
</tr>
<tr>
<td>Hamburg, Germany</td>
<td>Germany</td>
<td>(49-40) 340-740</td>
<td><a href="mailto:kotra@kotra.de">kotra@kotra.de</a></td>
<td><a href="mailto:kotra@kotra.de">kotra@kotra.de</a></td>
</tr>
<tr>
<td>Munich, Germany</td>
<td>Germany</td>
<td>(49-19) 2424-2430</td>
<td><a href="mailto:kotra@kotra.de">kotra@kotra.de</a></td>
<td><a href="mailto:kotra@kotra.de">kotra@kotra.de</a></td>
</tr>
<tr>
<td>Paris, France</td>
<td>France</td>
<td>(33-1) 5535-8888</td>
<td><a href="mailto:kotra@kotra.fr">kotra@kotra.fr</a></td>
<td><a href="mailto:kotra@kotra.fr">kotra@kotra.fr</a></td>
</tr>
<tr>
<td>Madrid, Spain</td>
<td>Spain</td>
<td>(34-91) 556-6241</td>
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<td><a href="mailto:kotra@kotra.es">kotra@kotra.es</a></td>
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### ASIA & OCEANIA

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<tbody>
<tr>
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<td><a href="mailto:kotra@kotra.or.jp">kotra@kotra.or.jp</a></td>
</tr>
<tr>
<td>Osaka, Japan</td>
<td>Japan</td>
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<td><a href="mailto:kotra@kotra.or.jp">kotra@kotra.or.jp</a></td>
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<td><a href="mailto:kotra@kotra.or.jp">kotra@kotra.or.jp</a></td>
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<td>Fukuoka, Japan</td>
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<tr>
<td>Shanghai, China</td>
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<tr>
<td>Guangzhou, China</td>
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<tr>
<td>Qingdao, China</td>
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<td>Hong Kong, China</td>
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<tr>
<td>Taipei, Taiwan</td>
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### MIDDLE EAST

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