When it comes to innovation and creativity, there’s no place like Korea. With the country’s ratio of research and development (R&D) spending to GDP ranking first place, a number of foreign companies have established research centers in Korea. One of these companies is Toray Advanced Materials Korea (TAK), an affiliate of Japan’s Toray Group. Since 1999, the company has been a leading chemical materials supplier in Korea, producing everything from basic household items to industrial components. Thanks to the country’s optimum R&D environment, TAK set up a technology research center in 2000, only one year after the company was founded. In 2004, it established the Advanced Materials Research Center (AMRC) to spur technological innovation.

Despite being the undisputed leader in advanced materials, the company has its eye on a far bigger market. In July, TAK built the world’s first integrated production line in Saemangeum Industrial Complex, capable of producing 8,600 tons of polyphenylene sulfide (PPS) resin and 3,300 tons of compound per year. The company also has been running three plants for polyester films, highly functional processed films for IT, carbon fibers, spunbond nonwovens, polyester filaments and resins in Gumi, North Gyeongsang Province.

In a recent interview with Hae Sang Jeon, TAK’s Vice President and Chief Operating Officer (COO), we find out more about the company’s future vision as an innovation leader.

**What are some of the strengths of the Korean market when it comes to doing business?**

From the initial review stage, we look into various factors and think about the value chain before doing business in a country. Since Korea is home to a number of world-class companies, it provides abundant opportunities for mutual cooperation and joint development. This brings huge benefits for both the supplier and consumer.
Greetings From Invest KOREA

Dear Readers,

We have less than two months to go until 2017, but things at Invest KOREA have been busier than ever. A few weeks ago we recently held the ‘Job Fair for Foreign-invested Companies 2016’. This event took place to increase employment opportunities and introduce highly qualified Korean talent to major foreign companies, including 30 Fortune 500 companies. I’m happy to say this was the country’s largest and most successful international job fair ever.

I then flew to Paris with some of Korea’s most promising startups in the IoT sector. These businesses had the chance to pitch their ideas and projects to venture capitals, and I got to see firsthand just how innovative our country can be. With over 30,000 startups, Korea’s entrepreneurial scene is becoming one of Asia’s most exciting. No wonder Bloomberg has ranked the country as the most innovative in the world!

But we’re more than just about talking business and statistics. Giving back to the community is another important priority on our agenda for this year. That’s why we’re holding ‘Get to Know Korea 2016’, a biannual event that gathers foreign investors and their families to help them feel more at home. This time, we’ll learn how to make kimchi, the spicy side dish loved by Koreans and foreigners alike. Then we’ll head to a social welfare center in Seoul to make kimchi for those in need. Corporate social responsibility has long been at the core of our company culture and we’re always happy to build a better quality of life for those living in Korea.

Although 2016 is coming to a close, we’ll continue to show you why Korea is a great place for business and a wonderful place to call home.

Sincerely,

Yong Kook Kim
Head of Invest KOREA
In Brief

Invest KOREA News

KOTRA HOSTS 2016 JOB FAIR FOR FOREIGN-INVESTED COMPANIES

From Oct.17 to 18, the Korea Trade-Investment Promotion Agency (KOTRA), which Invest KOREA is a part of, hosted the Job Fair for Foreign-Invested Companies 2016 to increase employment opportunities and alleviate the shortage of Korean employees in foreign-invested companies.

Many leading global companies, including 30 Fortune 500 companies, participated in the nation’s largest-ever international job fair. At the event, 14,000 job-seekers had the opportunity to participate in job seminars and consultations with recruiters.

The Job Fair for Foreign Companies has been organized by the Ministry of Trade, Industry and Energy together with KOTRA since 2006.

IK HOSTS IOT INVESTMENT PROMOTION STRATEGY FORUM

On Oct. 21, Invest KOREA hosted the Internet of Things (IoT) Investment Promotion Strategy Forum for KOTRA employees and Free Economic Zone personnel to discuss IoT trends and investment promotion plans.

Officials from the Korea IoT Association and the LGU+ IoT Strategy Team held lectures on domestic and international IoT Trends. Representatives from the Korea Electronics Technology and Gachon University also presented on topics dealing with IOT health and power trends.

A panel discussion on investment promotion strategies for the development of the Korean IoT market was held after the lectures in a bid to brainstorm investment plans for this promising industry.

Korea News

S. KOREA TO POUR 14.7 TLN WON TO IMPROVE SEAPORTS BY 2020

South Korea will inject KRW 14.7 trillion (USD 13.4 billion) to upgrade its seaport facilities and strengthen logistics functions by 2020 as part of its long-term plan to deal with intensifying competition in the global shipping market.

The country’s 30 international trade ports and 29 coastal ports will be subject to the master plan released by the Ministry of Oceans and Fisheries.

Under the plan, the government will expand docks and wharves to house more container carriers and build a wider road network to beef up logistics infrastructure for export-oriented industries, including those dealing with petrochemicals, automobiles and steel.

Commercial and residential complexes will also be built to facilitate the seaports.

S. KOREA TO INVEST 500 BLN WON TO FOSTER ROBOT INDUSTRY IN THE NEXT 5 YRS

In a meeting with businessmen on Oct. 11, South Korea’s Trade Minister Joo Hyung-hwan said the government will spend a total of KRW 500 billion (USD 450 million) in the next five years to foster the robot industry as a new growth engine for Asia’s fourth-largest economy.

The public and private sectors will invest a combined KRW 350 billion (USD 306.3 million) in R&D to localize a few key fundamental technologies in the next five years, with more than KRW 100 billion (USD 87.5 million) to be poured in funding corporate R&D centers to foster robot experts and researchers.

The South Korean government has recently focused on the potential of robot technology as a new growth engine for the country’s future.

Foreign Company News

GLOBAL HEALTH CARE FIRMS EYE S. KOREA AS NEW HUB

Global health care companies are ramping up their R&D investment in South Korea as the country emerges as a new global biotech and medical industry hub.

In an effort to cultivate talent in the industry, GE Healthcare Korea plans to build the first APAC Fast Trak Center in Songdo in the western port city of Incheon, investing a total of USD 20 million by 2020.

The company said the center is aimed at addressing the challenges in the human resources sector, which many of the leading bio players are facing. The center will help bio pharmaceutical companies improve production efficiency and reduce costs as well.

Merck KGaA, a Germany-based leading science and technology company, also opened a biotech center in Songdo.

The Biotech Training Center, dubbed “M-Lab,” will support other major local pharmaceutical firms in production and R&D.

The center will act as a catalyst for the firm to join forces with local drug makers to expand their global presence in the field.

JAPAN’S TORAY BSF COMPLETES PRODUCTION LINES FOR MOBILE AND EV BATTERIES

On Oct. 12, Toray Battery Separator Film Korea Limited (Toray BSF Korea) completed construction of two production lines for lithium-ion battery separators at the Gumi National Industrial Complex No.4 in Gumi City, North Gyeongsang Province.

A total of KRW 110 billion (USD 96.3 million) was invested in the construction of additional production lines.

With the investment, the annual separator production capacity of the company will increase from the current 40 million m² to over 60 million m².

Toray BSF Korea is a foreign-invested company wholly owned by Japan’s Toray BSF and an affiliated company of Toray Industries Inc.

The company decided to expand its production facility in Gumi to meet growing demand for batteries used in mobile devices and electronic vehicles in Asia.
Emergence of New Distribution Channels and the Changing Industrial Eco-system

Changing consumer patterns caused by mobile phones are transforming the distribution market in tech-crazed Korea.

Due to the sluggish economy and declining consumer confidence, the recession has left quite an impact on Korea’s distribution industry. As a result, the industry’s growth rate dropped 1.4 percent annually since 2013. Department stores and large-scale supermarkets are showing only moderate growth and recorded negative growth in 2014, overshadowing their past glory as the engines of growth. Among the main reasons for this decline is the implementation of laws limiting the number of new department stores, as well as the enforcement of compulsory closures of department stores on weekends.

On the one hand, external factors such as weak domestic demand are to blame. On the other, the lack of growth momentum in the industry itself is the main culprit behind such lackluster performance. For instance, large discount stores and online shopping malls sprang up in the mid-1990s and the early 2000s, advancing the distribution industry in terms of size and structure. Now, offline retailers and online shopping malls have lost their vitality and are showing stagnant growth. Department stores’ sales growth, for example, has continued to decline from 2010 to 2013, and posted -1.6 percent growth with KRW 29 trillion (USD 25.7 billion) in 2014. The good news, though, is that mobile shopping channels are growing rapidly and are serving as new sources of hope for Korea’s distribution market.

The reasons behind the rapid growth in the mobile shopping market can be attributed to the widespread penetration of mobile devices, technological advancements and changes in consumption patterns. We all know that smart phones, tablet PCs and other mobile devices have already become part of our daily lives, especially in Korea. According to McKinsey & Company, the country has the highest smartphone penetration rate in the world: more than two-thirds of South Koreans own one.

The wireless Internet and advanced forms of mobile payment have made it even easier to shop on the go. One-person households and dual-income families who prefer mobile shopping to save time are increasing in number. Consequently, from 2012, the transaction volume of mobile shopping increased approximately 600 percent to KRW 13 trillion (USD 11.4 billion) in 2014 and KRW 24.5 trillion (USD 21.7 billion) in 2015. Mobile shopping, thus, is not just an additional distribution channel, but a significant driver of growth as it brought about major structural changes across the industry, as well as new changes in consumption patterns.

The most notable advantage of mobile devices is its portability. With mobile devices, consumers can go shopping whenever and wherever they go. Even if they don’t make a purchase, they can still learn about the products and be updated on latest information at their fingertips. This has caused distributors to become much closer to the consumers. Consumers can also easily switch between different shopping channels. For instance, one can buy a product online after looking at it in the offline store, or conversely, buy a product offline with a discount coupon offered by the online web site. Lotte is one such company that offers shoppers with real-time notification of promotion deals on their phones as soon as they enter one of its department stores.

The rise of mobile shopping has two implications for the distribution industry. First, it means mobile e-commerce is jump-
starting the distribution industry in the midst of stagnant economic growth. Second, it means that multi-channel shopping is becoming more commonplace. As mobile devices give way to easy research, purchase, and payment for a product, more customers are using different channels to compare prices in real time, tearing down the barriers that were once there between distribution channels.

Against this backdrop, major distributors in Korea quickly came up with their own mobile shopping channels. However, the result was not what they had initially expected. While they achieved growth in mobile sales, their total sales remained stagnant and profits rather declined. Three television home shopping companies, which actively introduced mobile shopping channels, are good examples. While their total sales increased only slightly, they had to endure profit losses due to steep price discounts, low commission fees and high marketing fees of mobile shopping. For some companies, the sales of television home shopping shrank because of their new mobile channel. This means that instead of new customers flowing into the mobile channel, existing customers moved from television to mobile shopping. If this trend goes on, the existing distribution channels will continue to lose their ground.

Overseas large distributors, who learned this lesson earlier, began deploying omni-channel strategies, or cross-channel business models that companies use to increase customer experience. Their purpose is to prevent profit losses and to quickly respond to changing consumption trends. That is because omni-channels can lessen competition between distribution channels by ensuring an organic convergence of online and offline distribution channels, and satisfy customers with a multi-channel shopping experience while securing their loyalty with quality services.

Under such circumstances, the emergence of mobile shopping can help increase the size of the distribution industry, while the omni-channel can improve internal efficiency. Therefore, it is necessary to recognize the importance of mobile shopping and omni-channels, and how they can lay the groundwork for further growth of the distribution market in Korea.

As mentioned, due to online and offline distributors’ efforts to expand their mobile shopping business, sales in this area saw rapid growth. But so far, this growth is more attributed to the shift of existing consumers from offline stores and PC to mobile channels, and not the result of new customers or revenue. In order to go beyond this simple shift between channels, more efforts need to be made at the corporate and government levels. First, corporations should not only adopt the mobile shopping platform but devise new distribution strategies that can create synergy and not competition. Second, the government should establish a mobile shopping environment that boosts reverse overseas direct purchases. In case of the United States, mobile shopping took up more than 50 percent of Internet shopping transactions made during the Thanksgiving holiday in 2014. In China, mobile shopping increased rapidly from 1.5 percent in 2011 to 9.1 percent in 2013. As China launched its 4G services last year, the mobile shopping market will only grow faster.

As such, the pie for mobile shopping is growing globally, and we need to prepare measures on how to expand this industry to foreign markets. To this end, the online payment system for foreigners needs to be urgently improved. Domestic online and mobile shopping malls are, at present, poorly equipped for one-click payment process. Although there are discussions for the introduction of a simple payment system, various regulations are still getting in the way. Against this backdrop, the government should act swiftly in order not to lag behind in the fast-changing market.

In addition, the increasing share of mobile shopping in the distribution industry can negatively affect the sales of small and mid-sized shopping mall operators and traditional market merchants that do not have their own mobile applications. The sales of traditional markets has decreased from KRW 27.3 trillion (USD 24.3 billion) in 2005 to KRW 19.9 trillion (USD 17.8 billion) in 2013. 60.1 percent of mobile shopping customers use mobile applications to buy products, and this trend will only get stronger. This is the reason why traditional market merchants and small, mid-sized shopping malls can lose their competitiveness as they find it difficult to come up with their own mobile apps.

As the distribution industry is quickly being transformed by mobile platforms, traditional market owners and small and mid-sized shopping malls will more likely fall behind if they fail to adapt to new changes. That is why the government should coordinate among small stores and business operators while developing free mobile apps for them so that the distribution industry can develop more equitably.

On Sept. 28, 2016, the ‘CSR Forum of Foreign-Invested Companies’ was held in Seoul to raise awareness about corporate social responsibility (CSR) of foreign-invested companies and foreign investors in Korea. The CSR Forum was part of Foreign Investment Week (FIW) 2016, which was co-organized by the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA). At this year’s FIW, the Office of the Foreign Investment Ombudsman (OFIO) decided to host the forum to promote various community improvement programs being carried out by foreign firms.

337 investors from 291 companies participated in FIW in hopes to seek local partners and opportunities to invest in Korea. In addition to these possible business opportunities, multinational companies no longer merely focus on making profits; they’re seeking out long-term ways to make an impact on the community.

On this note, Ombudsman Jeffrey Kim said, “Amid public fury over a wave of recent corporate scandals involving foreign companies in Korea, foreign companies are concerned with anti-foreign sentiment directed at them.” He added, “However, there are about 17,000 foreign companies here contributing 20 percent of the country’s total exports and 6 percent of the employment in this country. The CSR Forum will likely help improve the public sentiment toward foreign companies here.”

Kim, who resolves grievances facing foreign-invested companies in Korea, kicked off the forum with an opening speech. Subsequently, the forum continued with the growing importance of CSR and current trends in Korea. Most notably, Solvay Asia Pacific, Intel Korea and GM introduced their activities and plans in Korea, and held fruitful discussions on ways to further implement their CSR activities in the future.

“A large number of companies implement CSR activities related to their vision, which is more effective than simply donating or carrying out charity activities that have nothing to do with their work,” said Professor Jung Jin-sup of Chungbuk National University during the forum. Jung cited CSR practices by IBM Korea, BASF Korea, and B. Braun as exemplary cases of CSR activities run by multinational companies. Tech giant IBM Korea, for instance, utilizes IT and consulting skills as part of their CSR activities.

Andre Nothomb, Head of Government and Public Affairs of Solvay Asia-Pacific, said the company will continue to further strengthen their CSR implementation in the future. Since the 1970s, the Belgium chemical company has been running various CSR programs, including emergency response drills and scholarships under the theme of inclusive growth.

Many multinational companies engage in CSR practices for different reasons: it can build a positive corporate image and trust among customers, maximize long-term profits, enhance the morale of employees, increase their long-term productivity and significantly reduce market uncertainty.

Under these circumstances, stakeholders of foreign firms want to see more CSR practices occurring in Korea. Having sensed this, many foreign companies have extended their CSR activities. Foreign firms have actively engaged in CSR in recent years and are expected to further increase their involvement in the community.

Our Ombudsman Office hopes that this will ultimately help create a more foreigner-friendly environment, facilitating the government’s efforts to attract more foreign direct investment in Korea.

By Dr. Jeffrey I. Kim
Foreign Investment Ombudsman
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During Foreign Investment Week (FIW) 2016, Korea's largest national investment event, Foreign Investment Ombudsman Dr. Jeffrey I. Kim provided his professional insight into numerous issues and questions raised by foreign investors doing business in Korea. In particular, foreign embassies in Korea showed keen interest in the recent amendments to the Foreign Legal Consultant Act. In this regard, we offer you some of their key concerns in regards to the Act.

As a keynote speaker, the Ombudsman was invited to the ‘AustCham Seminar with Korea’s Foreign Investment Ombudsman’, which was held on Sept. 29 in conjunction with this year’s FIW. This seminar, organized by AustCham Korea and sponsored by the Ministry of Trade, Investment and Energy, provided an ideal platform for foreign investors to bring their concerns to our attention. On this occasion, participants also included government officials from the International Legal Affairs Division and the Ministry of Justice. It was encouraging to see that among many of our participants, government officials from the Ministry of Justice were in attendance to carefully listen to various issues related to foreign investment and the Ombudsman’s insight regarding these matters.

At the seminar, foreign chambers of commerce in Korea have expressed their regulatory concerns regarding the new provisions to the Act. Some of these concerns included the limiting of foreign equity in joint ventures to 49 percent, prescribing foreign firms to operate joint ventures only with South Korean entities in existence for three or more years, and limiting the scope of practice.

Foreign embassies raised some questions regarding the Act, including whether the recent amendments to the Act seem to run counter to the FTA spirit and the Korean government’s focus on deregulation. Regarding this issue, the Ombudsman stated that the amendments do not violate the FTA, as they have reflected various stakeholders’ opinions and the process of deliberation by the Amendments to the FLCA Committee. At the discretion of the Korean government, the amendments were passed pursuant to the provisions of the FTA.

Embassies also asked if the process of opening the Korean legal market will be sped up. The Ombudsman stated there are many things to consider when facilitating the legal liberalization: the position of foreign-invested companies, the changing trends of the legal services market and the market response, among others. In this regard, under the leadership of the Ombudsman, providing such an ideal platform for various stakeholders to better communicate with one another can lay the foundation for garnering mutual trust. Our office believes that the implementation of the FTA and opening of the Korean legal services market must proceed at a steady pace to proceed without any issues. On this solid foundation of trust, regulatory improvements will continue to be made so that regulations can serve the interest of various stakeholders.

New Provisions in the Amendments to the Foreign Legal Consultant Act

Article 35-16 (Shares) (1) No foreign participant in a joint venture shall hold shares in the joint-venture law firm in excess of 49/100…

Article 35-8 (Joint Venture Participants) (1) A local joint-venture participant that establishes a joint-venture law firm, shall satisfy the following requirements:

1. It shall have been normally operated for at least three years since it was duly established under the Attorney-at-Law Act…

(2) A foreign joint-venture participant that establishes a joint-venture law firm, shall satisfy each of the following requirements:

1. It has been operated normally for at least three years since it was duly established under the Act of a party country to a free trade agreement, etc...

Article 35-19 (Scope of Services) A joint-venture law firm may perform services, excluding all of the following, to the extent they do not conflict with this Act or other statues:

4. Representation of services for the sole purpose of acquiring, losing, or changing a right to real estate, intellectual property right, mining right, and other rights which shall be constituted or serve as requirement for prevailing against upon the registration with an administrative agency, and preparation of documents for such purposes…

Provided by the Office of Foreign Investment Ombudsman
Interview

Thinking Big Picture (cont.)

Korea’s manufacturing sector is highly competitive, boasting world-class industries in the areas of display, mobile phones, electronics and automobiles. Such manufacturing prowess is attributed to strong chemical, component and steel industries because high-quality materials make quality finished goods. That’s why Korea is a significant market for material suppliers like us.

It’s very easy to expand to other international markets thanks to the country’s vast FTA network, which covers 75 percent of the global economy. Korea is also located near accessible markets with a high potential for demand. A well-educated and highly qualified workforce is another compelling reason to do business in Korea.

Is there something Korea can do to be a more ideal place for investment and business?

The contribution of foreign investment to the Korean economy is increasing every year; case in point, this year’s foreign investment reached a record high, according to a media report. This is a clear testament that Korea’s business environment is improving.

But there’s still room for change. We hope the government’s drive to reform the labor market will create jobs and enhance labor market flexibility and in turn, make businesses more competitive.

This is particularly important when the Korean economy is burdened by rising production costs, strict labor market regulations and increasing infrastructure expenses. As Korea is highly dependent on exports, there is growing concern that such increase in costs may drag down the country’s competitiveness.

How is Toray strengthening business partnerships with domestic companies?

Toray Group takes a long-term approach in conducting business in Korea and wants to contribute to industrial development and technology advancement. As such, we’ve been building strong partnerships based on trust with Korean businesses.

The material industry doesn’t develop in a vacuum. It grows in a chain of cooperation connecting the front-end and back-end industries. We value our partnerships because we firmly believe that new industries and new markets can be created only when raw material suppliers, equipment and materials manufacturers and producers of finished goods all work together.

What are your future plans for the Korean and Northeast Asian market?

Toray Advanced Materials Korea will step up efforts to further sharpen our competitive edge and concentrate our investment on high value-added materials.

Through additional investment, we aim to double our annual production capacity of PPS from the current 8,600 tons a year. Our ultimate target is to hold more than 50 percent of market share in Korea. We also want to enhance our market dominance by fully utilizing the FTA network in Northeast Asia.

In a bid to secure new growth engines, we broke ground for Gumi Plant 4 at the Gumi High-tech Valley National Industrial Complex in North Gyeongsang Province on October 19, 2016. A total of KRW 425 billion (USD 374.9 million) will be injected by 2021 to further expand our business. We will mainly focus on new materials but also plan on building manufacturing facilities for nonwovens, carbon fiber composite materials and PET films.

Toray has recently built a new plant in Saemangeum. Why did you choose Saemangeum as a business site?

By building a production facility in Saemangeum, we can reduce logistics cost by sourcing basic ingredients of PPS from nearby cities like Gusan and Yeosu. We can also forge strategic partnerships with a large number of auto part makers in the area, our prospective clients for light-weight materials. We were also attracted to the excellent talent pool available in the region.

Geographically, Gusan can serve as a business hub because it’s centrally located among Korea, Japan and China. The FTA between Korea and China provides another reason for doing business there. As the Korea-China FTA became effective at the end of last year, tariffs, which stood at 6.5 percent before the conclusion of the FTA, will be reduced by 1.3 percent every year; by 2019, tariffs will be completely eliminated. Along with such favorable conditions, Saemangeum is located very closely to China, which cuts time and cost for businesses.

Additionally, there are various benefits for companies moving into the foreign investment zone, such as free land leases and tax exemptions.

What do you want to tell foreign companies who look to tap into the Asian market?

Korea is an attractive investment destination which has a broad range of strategic partnerships with multinational companies, an extensive FTA platform and excellent human resources. Supportive central and local governments are ready to help foreign companies and provide various incentives for investment. Ever since Toray Group extended its reach to Korea in 1963, we have continuously expanded our business here because we are confident about Korea’s potential for future growth.

By Esther Oh
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By Esther Oh
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The Dwindling Middle Class and the Role of the Government

The role of the government becomes increasingly important as it must resolve challenges facing the country’s middle class.

One of the key reasons for the dwindling middle class is the shortage of sufficient jobs. Labor income from jobs critically determines one’s status of being the middle class or not.

A dwindling middle class has significant social implications for any society. First of all, the fall of the middle class means the loss of jobs and work. Secondly, it can cause social dissatisfaction and uneasiness, especially among the majority forming the middle class. This can ultimately lead to some friction among the middle and upper class, as well as among politicians and bureaucrats. One of the classic examples of such friction is in the retail industry, where smaller retail stores have been accusing the big retail chains for absorbing their customers. Another example is the operation of a chain of bakery shops by large Korean companies, which caused some tension among smaller family-owned bakeries.

While this kind of friction between small and big retail stores is known as ‘horizontal’ friction, there is ‘vertical’ friction between firms intertwined in production or business channels. One such case is the age-old conflict between small shops and giant credit card companies for charging large fees. Another example is the monopolistic business practices in purchasing, subcontracting or merchandising with big players. Such strain between businesses led to the reform of Korea’s economic and business environment, most notably under the slogan of “economic democracy” during the 2012 presidential election.

The role of the government in these matters is becoming increasingly important. In the United States, for example, as soon as President Barack Obama took office in 2009, his immediate action was to establish the Middle Class Task Force (MCTF) under the American Recovery and Reinvestment Act of 2009. Two of the most important components making up the Act and MCTF were the promotion of education for improved social mobility and more disposable income through tax cuts. The UK took similar action, emphasizing education and social mobility to solve the middle class problem. More specifically, the UK implemented a 60 percent increase in the budget for education, endorsed the New Deal of Welfare-to-Work program and reinstated the minimum wage system.

As pointed out earlier, income is the most important and decisive factor determining the middle class. Therefore, job creation has always been the most urgent task for the government and policy makers. On this note, the Korean government has been focusing more on deregulation, especially when it comes to removing regulations for foreign direct investment. Although much work still remains, the government is showing signs of restructuring the private sectors, most notably by training and educating individuals in promising industries like technology development.

By Professor Se Don Shin
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Former Senior Economist,
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Zone

The Economic Hub of Northeast Asia, Saemangeum

As a premier destination for foreign investment, Saemangeum is the center of global trade

The Saemangeum project is undergoing development in Seocheon, the west coast of South Korea with an aim to create 291 km² of land and 118 km² of water, covering a total area of 409 km² (two-thirds the size of Seoul).

Initially established in 1991 as a food production base, Saemangeum has revised and improved its master plan according to social development, and now incorporates multiple functions including industry research, tourism and leisure and international cooperation. By combining the strengths of new industries, Saemangeum is expected to become an ideal ecosystem for a creative economy.

As a special economic zone run directly by the government, Saemangeum’s advantages include tailored support for businesses as well as strategic location, and efficient transportation infrastructure connecting port, airport, railway, and expressway. The region is located in the heart of the West Coast tourism belt and industrial belt, so Saemangeum is easily accessible from any corner of the country.

Global companies like Japan-based advanced materials company Toray Industries and the Belgian chemical company Solvay S.A., as well as domestic companies like OCI and its subsidiary OCISE have agreed to invest and move into Saemangeum and some of their plants are already up and running.

Saemangeum is also in the middle of pursuing the "Korea-China Economic Cooperation Complex (SECC)”, which was appointed in July 2014 as part of the national policy agenda. At the forefront of the development of the SECC is the establishment of the Korea-China Industrial Cooperation Complex (SICC), which was designated in October 2015 as Korea-China's only official joint economic pilot project.

The Korean and Chinese governments designated the SICC as an industrial complex to promote the two countries’ industries in accordance with the bilateral free trade agreement (FTA) to provide various policy benefits and to maximize the FTA effect. In addition to Saemangeum, Yantai City, Yancheng City and Huizhou have also been appointed as industrial cooperation complexes in China. To be specific, there will be three China-Korea Industrial Cooperation Complexes in China, and one Korea-China Industrial Cooperation Complex in Korea; and that is what makes Saemangeum even more unique and special because SICC is the only state-level cooperation complex situated in Korea.

The SICC is expected to increase bilateral industrial cooperation and investment, enhance cooperation through the convergence of advantageous industries and develop a strong foundation for free trade and investment by utilizing the Korea-China FTA.

Saemangeum Development and Investment Agency (SDIA) has two major roles which are development and investment promotion. Saemangeum is an ongoing project and we are working on major infrastructure systems, but at the same time, we are promoting investment especially focusing on already reclaimed Saemangeum Industrial Complex Lot 1 and 2, which are available for immediate development.

With bilateral cooperation model gradually taking its shape, Chinese companies have been showing a growing interest in Saemangeum—ChengDuSilverplow Cold-Chain Warehouse & Logistics Public Limited Company signed an investment MOU last December while BGX Group Co. Ltd. followed suit in June.

SDIA works hard to promote Saemangeum worldwide so that it becomes an attractive investment destination, and as part of our efforts, we hold investment seminars on Korea-China Industrial Cooperation Complex both at home and abroad, promote foreign investment benefits and cooperation for both sides and exchange information with Yancheng, Yantai and Huizhou industrial cooperation complexes, among other things.

The government has currently pushed forward its deregulation initiative to make Saemangeum a “global economic cooperation complex.” If SICC project succeeds, Saemangeum will surely become a strategic base to the global market for many Chinese companies who can benefit from Korea-China FTA, and a gateway to China for global companies who are keen to advance into a massive Chinese market with its 1.3 billion population.

By Lee Byoung-gook, Saemangeum Development and Investment Agency (SDIA) Administrator
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 November issue, we take a look at one of Korea’s most promising manufacturing companies.

Jaewoo Housing Tech produces and supplies high-quality cases, housings and other mechanical parts for advanced bearing performance. Through constant research in the field of bearing housing, the company produces revolutionary products every year, including bearing cases, plunger blocks, tension control machines and other specialized bearing houses. It is also closely involved in all stages of the manufacturing process, from design production to aftercare customer service.

With its own research and development center, Jaewoo Housing Tech is making sure that their customer needs and demands are reflected in each one of their products. Its production department is comprised of highly-skilled technicians who guarantee reliable products. It also boasts a world-class quality management system to make sure that their bearing houses are up to par with strict ISO standards.

Economic Indicators

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<td>1,611,273</td>
<td>1,640,377</td>
<td>1,685,033</td>
<td>1,748,777</td>
</tr>
<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>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, October 2016

<table>
<thead>
<tr>
<th>GDP Per Capita</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal</td>
<td>25,998</td>
<td>27,989</td>
<td>27,222</td>
<td>27,632.8</td>
</tr>
<tr>
<td>PPP</td>
<td>33,824</td>
<td>35,436</td>
<td>36,612</td>
<td>37,948</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund, October 2016

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>555,214</td>
<td>547,870</td>
<td>559,632</td>
<td>572,665</td>
<td>526,757</td>
<td>363,126</td>
</tr>
<tr>
<td>Imports</td>
<td>524,413</td>
<td>519,584</td>
<td>515,856</td>
<td>525,515</td>
<td>436,499</td>
<td>295,293</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>30,801</td>
<td>28,285</td>
<td>44,047</td>
<td>47,150</td>
<td>90,258</td>
<td>67,832</td>
</tr>
</tbody>
</table>

Source: Korea International Trade Association, October 2016

<table>
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</thead>
<tbody>
<tr>
<td>1,156.3</td>
<td>1,108.1</td>
<td>1,126.9</td>
<td>1,095.0</td>
<td>1,053.2</td>
<td>1,140.2</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, October 2016

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>18,655.8</td>
<td>50,835.0</td>
<td>81,148.2</td>
<td>84,373.0</td>
<td>105,870.7</td>
<td>64,055.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Bank of Korea, October 2016
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Publisher. Kim Jae Hong | Chief Editor. Yong Kook Kim | Director. Park Eunah | Contributors. Esther Oh
Designer : Lee Yeon Seo | Printed by Hwasin Munhwa Printing Co., Ltd

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