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LEADING THE CONVERSATION

Safran Korea is driving progress through
sustained investment in partnership and innovation

Alexis de Pelleport Chief Executive Officer **Safran Korea**



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Dear Readers,

The year 2017 has kicked off with new hopes and dreams. On that note, I am delighted to extend my warmest greetings to you through KOTRA Express.

In 2016, Korea's trade and investment was faced with a number of challenges like the global economic slowdown, protectionism and political uncertainty. These factors brought about declining exports. However, there was a silver lining. Although the total export amount has dipped, small and medium-sized enterprises have increased their shares in exports and diversified their market. Now our export structure, once largely dependent on conglomerates and concentrated in a handful of regions, is seeing drastic improvements. We also witnessed recovery in exports, which signifies positive momentum.

Likewise, foreign direct investment (FDI) is recording strong numbers. The United Nations Conference on Trade and Development (UNCTAD) projected that the world's FDI in 2016 will drop 10 to 15 percent. But this did not apply to Korea, as its solid economic foundation, extensive FTA network and well-established industrial infrastructure helped the country attract a record-breaking 21 billion dollars.

Based on such favorable conditions, KOTRA will strive to expand your business opportunities and be your link to success in 2017. We will do so by reaching out to a larger number of international buyers and introducing them to Korea's high-quality products and services. For investors, we promise to be there in every step of the investment process—from the planning stage to post-investment management.

2017 is the year of the rooster, according to the Chinese zodiac. A rooster, an animal known to be trustworthy and hardworking, is traditionally believed to get rid of darkness and bring in good luck. Ushering in the year of the rooster, I wish all the best to you and your family.

Sincerely,

A handwritten signature in black ink, which appears to read '김재홍' (Kim Jaehong).

Jaehong Kim / President & CEO of KOTRA

KOTRA AND CJ E&M CREATE NEW MOMENTUM FOR SME GROWTH

In a bid to help Korean SMEs enter the global market, the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA) held a large-scale export consultation on the occasion of CJ E&M's 2016 Mnet Asian Music Awards (MAMA) on December 2.

The event took place to converge the capacity of SMEs with CJ E&M's cultural prowess and large overseas network. Most notably, it offered a new shift in

cooperation which enables local SMEs to work with large conglomerates more intimately. At the event, USD 6.68 million worth of contracts were signed.

"By holding this event on the back of MAMA, we hope to create new momentum for our domestic SMEs, especially those seeking to enter the Chinese and Southeast Asian market," said Doo Young Kim, Executive Vice President of Strategic Marketing at KOTRA.

KOREAN SMES SHOWCASE GOODS AT KOREAN EXPO IN INDIA

On Dec. 19, MOTIE and KOTRA held 'Korean Expo 2016 in Mumbai' to expand economic cooperation with India, one of the world's fastest emerging markets. During the two-day event, Korean SMEs showcased a variety of premium products, including household goods, beauty and fashion products, electronic items and machine equipment. Approximately 600 international buyers from India, Egypt, Russia and Uzbekistan attended the event to network with Korea's most promising SMEs.

KOTRA also showcased Korea's high-quality goods at its Premium Pavilion to



promote the excellence of 'Made in Korea' products. Participants had the chance to get a glimpse of the country's vibrant art and cultural scene at the pavilion, as companies displayed products that combined art with function.

KOREA'S HI-TECH SMES AND VENTURE CAPITALS FORGE NEW NETWORKS

To provide opportunities for Korea's promising hi-tech companies in the North American market, KOTRA and Seoul Business Agency (SBA) provided an investor relations event from Dec. 6 to 9 in Silicon Valley and Los Angeles, California.

In attendance were 10 Korean companies from the fields of gaming, autonomous vehicles, clean energy and augmented reality. These businesses had the opportunity to pitch their products to some of the

world's largest venture capitals and investment companies, including Google, Rubicon Venture Capital, Altos Ventures and Oracle.

A forum outlining investment attraction strategies also took place on the sidelines of the event, with Venrock's Steve Goldberg and NewGen Capital's Homan Yuen presenting on the current status of the investment landscape in Silicon Valley.

KOTRA WORKS TO BOLSTER KOREA-JAPAN RELATIONS AT BUSINESS FORUM

On Dec. 2, the 'Next Generation Korea-Japan Cooperation Business Forum' took place in Tokyo, Japan to strengthen Korea-Japan economic cooperation and spur investment in both countries. The forum was comprised of sessions on Japan and Korea's promising sectors for investment. In the case of Korea, advanced materials, bio-pharmaceuticals and ICT were some of the country's fastest emerging industries.

Along with the Embassy of Korea in

Japan, KOTRA also held a seminar on strengthening people-to-people exchange. Human resource professionals from 100 Japanese companies attended the seminar to learn about how they can expand their business by hiring Korean workers.

Jaehong Kim, President of KOTRA, stated, "We'll continue to provide opportunities like this so that both Japan and Korea's economy will advance one step further in the future"

Trade News

KOREA-CHINA FTA MARK FIRST ANNIVERSARY

The Korea-China FTA marked its first anniversary on December 20. This year's export volume between the two countries increased 11.4 percent compared to last year. Most notably, the export of fishery products increased 24.9 percent, while textile products increased 17.1 percent. The export of agricultural products also saw an increase of 2.8 percent.

In the investment sector, China's investment towards Korea increased 8.5

percent, while countries wishing to enter the Chinese market through the Korea-China FTA also increased their investment to Korea. According to the Ministry of Trade Industry and Energy (MOTIE), these investments previously centered on the real estate and finance industries, but the scope of investment expanded to include cultural content, entertainment, electric vehicles and aerospace technologies.

KOREA-VIETNAM FTA BOOSTS IMAGE OF KOREAN COSMETICS

On the occasion of the first anniversary of the Korea-Vietnam FTA, KOTRA's Ho Chi Minh Business Center conducted a survey about Korea's image. On December 18, the center reported that 46 percent of respondents in Vietnam said Korea is the first country that came to their mind when thinking about cosmetics. The United States and Japan followed with 16 percent and 13 percent, respectively.

Thanks to the FTA, import tariffs on

Korean cosmetics, which once stood between 10 to 15 percent, have disappeared. As a result, the export volume of beauty products is expected to increase significantly.

Vietnam is the third largest exporter to Korea, following China and the United States. Although the global export market has been seeing slow growth, Korean exports to Vietnam in 2016 increased 13 percent compared to the previous year thanks to the FTA.

AUTOMOBILES AND TELEVISIONS BENEFIT FROM THE KOREA-AUSTRALIA FTA

According to MOTIE, automobiles and televisions benefitted the most from the Korea-Australia FTA, especially as tariffs on automobiles were reduced or abolished in the third year of the trade agreement. Moreover, Australia's reliance on foreign cars will increase in 2017 and the demand for Korean auto parts, batteries and tires will further increase. Demand

for trucks and heavy construction equipment also increased because of various large-scale infrastructure projects in Australia.

In addition, the demand for televisions made in Korea is quickly increasing thanks to the abolishment of tariffs on televisions after the ratification of the Korea-Australia FTA.

Government & Policy

COMPETITIVENESS OF KOREAN CIVILIAN AIRCRAFT PARTS TO BOOST THANKS TO NEW COMPLIANCE STANDARDS

To boost the competitiveness of electrical appliances in Korean civilian aircrafts, new electromagnetic compliance standards will be implemented starting this year. According to the National Radio Research Agency, the standards were updated at the request of Korea Aerospace Industries and have adopted the same standards as those of the United

States and Europe.

The standards include regulations to prevent the malfunction of aircraft parts and will ensure the safety of aircraft appliances against lightening and electromagnetic waves. Experts also expect that the new standards will significantly save costs and time used for certification.

KOREA AND FRANCE SEEK TO EXPAND COOPERATION IN AEROSPACE INDUSTRY

On Dec. 12, the Ministry of Science, ICT and Future Planning held the 'Korea-France Space Forum' to support the strengthening of ties between the two countries in the aerospace industry.

The forum covered the latest aerospace policies, the impact of climate change and the fostering of professionals in the field. Officials from aerospace and

defense companies also discussed ways to strengthen partnerships with their South Korean counterparts.

At the event, Minister Choi Yang-hee stated, "France is one of South Korea's biggest partners in the aerospace sector. I hope this event will further strengthen ties between the governments and research institutions from both sides."

Just like in 2016, there is a high possibility that political instability in the nation will continue in 2017. It is also reasonable to assume that such political uncertainty will serve as an obstacle to growth, especially as a new transition of power will take place with the early presidential election. But despite instability in the political arena, there are several positive signs for economic growth.

First, the global economy and international trade are expected to regain vitality. Many research institutes prospect that the global economy, particularly the US economy, will pick up next year, which will in turn lead to increased trade volume overall. If such prospects prove right, this will increase the growth rate of the Korean economy because it is heavily dependent on exports. Despite the potential lag in time, the effects of increased exports will eventually spill over to domestic demand as well. However, Korean exports will not see a boost right away because the Chinese economy, which accounts for 30 percent of Korean exports, is expected to maintain its “medium growth” policy for the time being.

Second, global corporations are set to increase their production capabilities after several years of postponed investments. In recent years, corporations made minimum investments to maintain or supplement existing production lines due to prolonged period of slow growth and the resultant demand shortages. Because of notably low demand, companies could meet the market demands by merely adjusting their inventories. However, demand is gradually increasing in the global market, while the number of shipments is climbing up again. There is also increasing demand for new products, which will put pressure on corporations to make new capital investments.

Third, there will be a soft landing for the private debt problem. Currently, there are many constraints when it comes to private consumption. The most worrisome is private debt, which surpassed KRW 1.4 quadrillion (USD 1.2 billion) as of the end of 2016. This amounts to approximately 80 to 90 percent of the GDP. In particular, experts predict that if the bubble of the real estate market goes bust, it will trigger a financial crisis in the private sector because the significant portion of the private debt is linked with the



Prospects for the Korean Economy in 2017

real estate market. Worse yet, domestic interest rates will likely increase in the future with the US federal interest hike. This will lead to a heavier financial burden of families to repay their debt as well as their reduced consumption power. Therefore, properly managing private debt can revive private consumption. It is fortunate that the private sector as well as the government is well aware of the seriousness of the problem. The government is carefully monitoring the market situations and it is carrying out various measures to contain risks. The financial sector also understands the severity of the problem, and is accelerating efforts to manage related risks.

Fourth, the Korean economy is going through a transitional period for its overall industrial structure. For instance, the country is reforming structures of its key industries, nurturing the service industry and developing newly-rising industries. In terms of the structural reform of key industries, the focus is being put on developing high value-added industries. Although the structural reform can reduce production in the short term, the high value-added industries will create much more value in the long term. The government is also actively nurturing the service industry and increasing its size. Moreover, not only the government, but corporations are actively looking for a new growth engine. At the center of such efforts is the fourth industrial revolution. It is safe to say that no other country is more interested in this revolution than

Korea, as the country is heavily investing in infrastructure.

In my view, the recent political scandal can serve as an opportunity for Korean society to make another leap forward, depending on how the Korean people respond to it. In the peaceful demonstrations staged in Gwanghwamun Square, we could feel the mature citizenship of the Korean people. The Korean people could act in such a way because they deeply care about their country and firmly believe that the country can overcome corruption to become a more transparent society. Rather than being outraged by the corrupt political circle, the majority of Korean people are calmly performing their role in their daily lives. In addition, all of society's systems are functioning properly. This is proof that the Korean society and the Korean economy are healthy.

Some figures show that Korean economic situations will not significantly improve in 2017. However, the positive factors mentioned above can bring about a qualitative change to the Korean economy. I am certain that Korea will continuously make utmost efforts to overcome slow growth and restore economic vitality once again.

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Over 300 international buyers gathered in the city of Ilsan on November 30 to participate in Boom-up Korea 2016, a business partnering event held by the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA). To prop up the nation's export performance and forge strong business partnerships, Boom-up Korea provided a wide range of opportunities for foreign companies to network with almost 1000 Korean SMEs.

KOTRA Holds Boom-up Korea to Bolster Nation's Export Performance

MOTIE and KOTRA ramp up efforts to help Korean SMEs enter the global market

Building partnerships

The main event of Boom-up Korea consisted of 1:1 business partnering events, inviting prospective buyers to talk to some of Korea's most promising small and medium enterprises (SMEs). The meetings were divided into four major sections: consumer goods, services, parts and materials and IT technology. A total of 234 contracts and MOUs worth USD 206.7 million were signed as a result.

As Korea is the leader in industries like manufacturing and automobiles, a number of world-renown companies attended the event to expand their business circle. "There is increasing demand for luxury and electronically-equipped automobiles in the Chinese auto market so I came to Korea to find a partner with advanced technologies. I hope that I can meet with a suitable Korean company during the event," said Shang Xiao, the inspector general of China's Jinbei Automobile.

The National Customs Service, K-Sure,



Agro-Fisheries & Food Trade Corp., Korea Testing & Research Institute, Korea International Trade Association and other relevant government organizations also provided consulting for SMEs on matters of FTA tax reduction, export-import insurance and acquisition of overseas certification. These booths aimed to carry out the vision of 'Government 3.0', a paradigm that aims to make the Korean government more transparent, competent and service-oriented.



Customized approach

On the sidelines of the 1:1 business meetings, a seminar was held to inform participants on various promotion strategies for local companies seeking to enter the global market. Heads of KOTRA's Business Centers from seven different countries, including the United States, China, India and Brazil, presented on Korea's new export promotion strategies for their respective markets. In response to the possible changes of U.S. trade poli-



cy after Donald Trump's victory, Jonggun Lee, Director General of KOTRA Washington DC, stated that it was time for Korean companies to shift from the traditional product-based approach to a more complex project-based approach. According to Lee, this approach converge high-value added products with sophisticated design and advanced technologies. He also provided a detailed analysis on which industries are likely to do well under the Trump administration—construction, heavy equipment and air defense technologies—since he is likely to ramp up efforts to strengthen infrastructure.

In the case of China, Hanjin Park of KOTRA Taipei touched upon the seven promising products expected to grow thanks to the Korea-China FTA. These include clothing, cosmetics, outdoor sports products, electronics, food, baby products and household goods. Park advised that domestic companies target China's so-called "wired consumers", especially since the country has the world's largest e-commerce market. China's annual online-retail sales passed those of the United States in 2013 and Korean companies can thus take full advantage of the FTA to export their products.

Jaehong Kim, President and CEO of KOTRA, pointed out, "It's true that the world's export performance is sagging, but there are also many opportunities in the export market. Even if it means just one more deal, KOTRA will do its best to sign more export deals."

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Buyer Interview



*On the occasion of Boom-up Korea,
KOTRA Express sat down with one of our foreign buyers,
Dr. Maher Bayoumi, General Manager of Med Care Egypt.
Here's what he had to say about the event.*

Please introduce us to your company.

Med Care Egypt is one of the most famous and trusted names in the medical device field since 1989. We act as an importer to suppliers and engage in direct sales from our warehouse to the end-user. We also promote products of our suppliers to the end-users. In both cases, Med Care Egypt installs instruments, train customers for operation and conduct service after warranty. The company is located in Cairo, Egypt.

What are some of the advantages of working with Korean companies?

There are several advantages of working with Korean companies. First, Korean companies make very high-quality products. Second, their products are cost efficient. Third, Korean companies possess state-of-the-art facilities.

What are your thoughts on Boom-up Korea?

It's our first time at Boom-up Korea and I think these kinds of events provide great opportunities for companies like us to meet manufacturers and other businesses. We appreciate that manufacturers come to us because it makes the process easier for us.

At today's event, you signed a contract with All Medicus Korea, a Korean company that makes glucose monitor systems. How did this partnership come about?

Our company has been working closely with All Medicus Korea since 2005. We've reached USD 1 million in contracts with this company and we hope to increase this amount. We plan on going to more events like these to strengthen our partnership.



Aerospace Industry to Lead Fourth Industrial Revolution

Korea's aerospace industry will likely show revolutionary development in the future

The theme of the 2016 World Economic Forum held in Davos, Switzerland was the fourth industrial revolution. In retrospect, the first industrial revolution was led by the steam engine. The second industrial revolution occurred with the development of electricity, which later led to mass production. With the advent of computers and the internet, the third industrial revolution was then driven by the automated production system. At the turn of the 21st century, people now live under the influence of the fourth industrial revolution, which is characterized by the ubiquitous mobile internet, cheaper, smaller, yet stronger sensors and “smart” products. As such, the fourth industrial revolution will significantly change consumption, production and employment patterns. Thus, it is time for corporations, governments and individuals to realize such changes and respond more proactively.

Advanced countries around the world are making reliable investments in large-scale public technologies, especially in the fields of aerospace, nuclear fusion and accelerators, regardless of external economic or political influences. In particular, the aerospace industry can greatly increase public interests as its technology can be applied to other industries, evenly distributing the benefits of science and technology development to ordinary people.

The aerospace industry is an integrated industry that combines advanced technologies in various segments, such as machinery, electronics, materials and IT. It is therefore an industry indicative of a nation's level of technological development and industrial capabilities. The industry creates many jobs and completed aerospace goods can create much higher added-

value compared to the input of raw materials. It has also far-reaching implications for other industries. According to the National Statistics Agency's 2013 data, the aerospace industry's value-added ratio stood higher at 43 percent than the railway industry's 36.7 percent and the auto industry's 30.1 percent. In the BOK's 2013 list of production inducement coefficients, the aerospace industry showed a higher percentage of 3.83 percent than the auto industry's 3.65 percent and the shipbuilding industry's 3.61 percent. It provides the basis for national strategic industries, such as the defense and space industries, because it enhances defense capability and its component technologies can be utilized for the space industry. Despite a long product development cycle and high market entry barriers, successful entry ensures stable and long-term (more than 20 years) revenue generation.

In the global aerospace market, large global corporations such as Boeing and Airbus are maintaining oligopoly and the verticalization of the aerospace parts industry is becoming more evident. The global supply chain is also going through a change as the Risk Sharing Partnership, in which major component suppliers share costs and profits in developing civilian aircrafts, and global outsourcing is increasing in number. The global aerospace market was worth USD 547.8 billion in 2015, and the size of the market is expected to reach USD 739.1 billion by 2024. The civilian aircraft market will continue to grow at an average annual growth rate of 3.5 percent, from USD 254.1 billion in 2015 to USD 346.3 billion. Although the military aircraft market has little potential to grow, it is diversifying into different sub-markets. In the military aircraft market, high-performance

aircrafts, including unmanned aircrafts, are emerging. The component equipment market and the MRO (maintenance, repair and overhaul) market are also seeing stable growth. The sales of the MRO market is expected to increase as the aircraft manufacturing market is expanding and the number of maintenance outsourcing for existing aircrafts is increasing.

The domestic aerospace industry is also seeing continuous development. In the 1970s to 1980s, Korea manufactured aircrafts by assembling parts and introducing foreign technologies. Since 2006, it has started to independently develop a supersonic speed trainer aircraft and jointly developed civilian aircrafts with other countries. In 2015, production and exports of the domestic aerospace industry increased greatly compared to the previous year. Domestic production was worth USD 4.9 billion, a 12.5 increase from the previous year, thanks to the expanded outsourcing from global corporations and increased demand for completed aircrafts such as the T-50.

Export and Import

Program		2014			2015			2016		
		Export	Import	Trade Balance	Export	Import	Trade Balance	Export	Import	Trade Balance
Aircraft	Finished	198	2,347	2,149	183	3,055	2,872	189	2,750	2,561
	Parts	1,837	1,609	228	1,952	1,749	203	2,097	1,803	294
Space parts		119	94	25	38	88	50	39	94	55
Total		2,154	4,050	1,896	2,173	4,892	2,719	2,325	4,647	2,322

The country's trade deficit, which decreased up until 2013 and increased starting in 2014, is a result of the growing purchase of civilian transportation aircrafts. Despite increasing exports to Boeing, Airbus and T-50, FA-50 military aircraft could not narrow the trade deficit compared to the previous year. The domestic aircraft industry is expected to pick up speed due to the export of T-50s, FA-50s and internationally co-developed parts. In domestic production by demand, dependence on military demand was 59 percent and the commercial sector occupied 41 percent. This ratio is still far from that of the global market

Production by Demand

Demand	2014			2015			2016		
	Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
Military	1,981	467	2,448	1,977	901	2,878	2,388	1,093	3,481
Commercial	377	1,518	1,895	346	1,662	2,008	404	1,844	2,248
Total	2,358	1,985	4,343	2,323	2,563	4,886	2,792	2,937	5,729

Since 2010, Korea's aerospace production and exports increased 15 percent and 21 percent annually. As of 2014, Korea ranked among the top 15 countries in terms of aerospace technology. Despite rapid growth, however, there is a considerable gap between Korea and other advanced countries—Korea's global market share stands at a mere 0.9 percent. Therefore, in order for Korea to become a global player, the country needs to increase its competitiveness in high value-added sectors such as new materials, and lay the groundwork

for the development of small and medium-sized enterprises. In Korea, three major companies, such as KAI (Korea Aerospace Industries), Korean Air and Hanwha Techwin, account for 83 percent of total sales in the aerospace industry. In the aerospace component market, airframe structure took up 64 percent of sales, engine components 19 percent, avionics 10 percent, and airframe accessory 7 percent as of 2015.

The domestic aerospace industry is driven by the exports of civilian products as well as SMEs which directly win bids for overseas component supplies. Exports of completed military aircrafts, such as T-50s, are also increasing. The Ministry of Trade, Industry and Energy is providing support for production and exports of the domestic aerospace industry, particularly in terms of R&D, infrastructure, and marketing support. The ministry is also fostering an optimum environment for aircraft performance examinations. This includes the Sacheon Aerospace Special Industrial Complex, Yeongcheon and Jinju flight test facilities and Goheung National Comprehensive Flight Test Center. The government is also promoting the aerospace industry through global business partnering. For instance, KOTRA's overseas trade centers identify the needs of global corporations, introduce Korean companies to them and help Korean companies improve their technological capability and product/service quality through events like trade fairs.

For the aerospace industry, Korea set up a number of goals, including strengthening ongoing development and utilization of artificial satellites. It also hopes to become one of the top seven countries in the aerospace industry. Up until now, Korea developed 13 artificial satellites and is operating four of them. Multi-purpose working satellite number six and seven, next-generation small and medium satellites and geostationary multi-purpose satellites are currently being developed. Not only that, the country has begun to advance projects on moon exploration to expand its space exploration activities. It is also undertaking a performance test for the engine combustion of the domestically-developed space launch after its 75-ton class engine is assembled. Thus, Korea is increasing investment in future technologies such as space exploration, space stations and geostationary orbit launches.

Klaus Schwab, author of *The Fourth Industrial Revolution*, said, "The gap is widening between those who embrace change and those who resist it." Since the size, speed, and scope of the fourth industrial revolution will be of a formidable change that we have never experienced before, individuals and organizations alike should brace themselves for the change. While the fourth industrial revolution challenges the aerospace industry and technology, it can also provide new opportunities like never before.

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Chief Executive Officer **Safran Korea**



Despite their geographical distance, Korea and France have enjoyed one of the strongest partnerships across the globe. Since establishing diplomatic ties in 1886, the two countries have maintained solid relations in a wide range of sectors. And to celebrate the 130th anniversary of Korea-France ties, the two governments launched the “Years 2015-2016 of Korea-France Bilateral Exchanges” to spur bilateral exchange. But it’s not only the private sector that is bolstering this long-spanning partnership—companies like Safran are as much about defining the future of Korea-France ties as its past.

Safran, a leading international high-technology group, has leadership positions in its three core businesses of aerospace, defense and security. Operating worldwide, this French company has 70,000 employees and generated sales of EUR 17.4 billion (USD 18.2 billion) in 2015. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. In an interview with Alexis de Pelleport, Chief Executive Officer of Safran Korea, we find out more in detail about how the company is leading the pack in the world’s aeronautics and defense industries.

What kind of operations does Safran run?

For aerospace, Safran covers the entire life cycle of engines powering fixed and rotary-wing civil and military aircrafts:

design, production, testing, sales and support. It also provides systems and equipment for civil and military fixed and rotary-wing aircrafts. Our products are used on most current and upcoming regional and business aircrafts, single-aisle and widebody mainline jets. We draw on our broad-based technological expertise to offer complete packages to aircraft manufacturers and operators, including integrated propulsion systems (engine and nacelle), complete aircraft electrical systems and landing systems.

For the defense field, we offer a complete range of systems and equipment for both civil and military applications in the key areas of optronics, avionics, navigation, electronics and safety-critical software. Our solutions facilitate the work of homeland security and police forces, customs, and maritime and mountain rescue teams. They enhance the efficiency of armed forces – air, land and sea – in many countries around the world.

In the security business, Safran spans a number of applications and technologies, including detection of explosives and

illicit substances, multibiometric identification, secure ID documents and online transactions, and much more.

Our solutions help ensure the safety and security of people, businesses and countries. They guarantee the security of transport, high-risk infrastructures and transactions and enhance the protection of people and goods.

Safran established Safran Korea in Seoul a few years ago. What made the company expand its business here?

Safran has been in business with South Korea for more than 30 years through some of our subsidiaries.

This relationship, built on mutual trust, could not materialize without a local presence of Safran, that’s why the Group has decided to open a company, which I am honored to be the first CEO.

The Korean people never cease to amaze us with their production capacity and their ability to progress both technologically and in terms of manufacturing process. This industrial capacity makes

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Safran Korea is driving progress through sustained investment in partnership and innovation



Korea a high potential partner for a large industrial group of high technology like Safran. Korea's aerospace and defense industry has a bright future.

Since Safran Korea launched not too long ago, there must have been some challenges it faced while trying to set up shop here.

Even though some Safran's subsidiaries are well known in Korea (Turbomeca, Sagem, Snecma, Messier Bugatti Dowty, Labinal Power Systems), the brand Safran itself is still not very well-known, and a lot of Korean companies, or governments, are not aware that those companies were 100 percent owned

by Safran.

However, our Group has decided to place all of its subsidiaries under a single banner and brand name – Safran – to bolster its position as a global industrial leader and accelerate its international growth. The Safran logo therefore becomes the sole emblem representing all Group companies.

Safran has taken a major step forward in terms of its brand image, for the benefit of all stakeholders: customers, partners, shareholders and employees. Operating under a single brand will enable Safran to further improve its recognition across all markets and publics in Korea. It will also guarantee the

enhanced visibility of its businesses and the products and services it offers.

Korea and France have seen positive growth, especially between businesses. What is Safran doing to further bolster business partnerships between the two countries?

Safran already equips the three Korean Armed Forces with optronic systems, inertial navigation system (INS), helicopter engines and landing gears. Most of those programs have been conducted in partnership with local companies.

For example, we have a partnership with Hanwha Defense for INS, Hanwha Techwin for helicopter engines and Huneed for the helicopter flight controls.

In the field of security, Safran provides Incheon and Busan airports with luggage explosive detection systems.

Regarding civilian aeronautical industry, we also have some commercial plane engines flying in Korea.

Our relationship with Korea is not new and we are confident that given the potential of Korea and the capacity of Korean people to move forwards and progress, there are great things to do together in the future. We are only at the beginning of a fruitful partnership.

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Upcoming KOTRA Events

From Jan. 10-12, KOTRA will hold the 2017 Meeting on Global Market Entry Strategies in Seoul. The event, which is celebrating its 17th anniversary this year, will provide Korean exporters with the prospects of next year's global economy and market. The session will update participants on important issues pertaining to each major region so that export strategies can be set up for next year.

On the first day of the event, the head of KOTRA's foreign branches, including North America, Africa, China and the Middle East, will speak on local market strategies at InterContinental

Seoul COEX. Presentation topics include "America under Trumpism: The Market of New Opportunities", "Chinese Market Entry Strategy in the Era of Firm Landing" and "New Power to Fuel the 'Korea Locomotive' in the CIS Market". As a sideline event, KOTRA will set up consultation booths, along with promotional pavilions of relevant institutes.

On Jan. 11 (Wed.), a second meeting on export strategies will be held at KOTRA headquarters. Approximately 200 experts in the field will participate to explain export strategies for the

Chinese and American markets. More specifically, China's changing tariff, certification and accounting systems, as well as the strategies to respond to such changes, will be discussed. In addition, the meeting will cover ways the Korean market should respond to changes with the launch of a new administration in the US.

On the last day of the event, the introductory meeting will be held in cities outside of Seoul, including Busan, Daegu, Daejeon, Gwangju and Wonju.

Korea's Economy Unlikely to Be Affected by Political Instability

Foreign investors in Korea are expressing confidence
in the nation's economy, despite ongoing political controversy



Since my childhood, I have often heard people say “Honesty is the best policy”. This now famous quote is believed to have been said by Benjamin Franklin. But this phrase does not just apply to people on a personal level, but on a national scale as well.

Recently, some foreign investors doing business in Korea have expressed their concerns about Korea's current political situation. They may think that the Korean economy is losing its steam due to political instability taking place throughout the country. Many others, however, have expressed strong confidence in the long-term viability of the Korean economy. That's because they started their business in Korea not just for short-term profits, but for long-term business opportunities.

With the exception of the US and a few other nations, most countries are having a hard time dealing with political and economic uncertainties and risks. Korea is not an exception. Foreign correspondents understand that Korea's current political instability is a cyclical phenomenon. Every five years, the Korean president suffers from a “lame duck” period a year before the next presidential election.

Nevertheless, many people are concerned about the gravity of this year's situation. In particular foreign investors are worried that Korea may be hit with an economic crisis.

An economic crisis refers to a situation in which a country experiences shrinking GDP and sharp inflation. Such an event is usually triggered by a crisis in currency. Under free capital mobility, short-term speculative capital funds move in and out of the country whenever profit conditions change. Their capital size is so huge that their move immediately affects the foreign currency markets in the host country. The sudden outflow of huge capital lowers the value of the local currency. If the supply of foreign currency is depleted, it will face a foreign currency crisis. If the debtor country fails to pay the payment of principal and interests, it will face a foreign debt crisis. But Korea is not going to experience a foreign currency crisis or a foreign debt crisis, as it has been a trade surplus country for years and has consequently accumulated enough foreign currency reserve holdings. Now, the country holds more than USD 370 billion.

According to a recent report released by the government authorities, a financial

crisis is not likely to occur because the financial status of commercial banks is sound. Thanks to the strict imposition of LTV (Loan to Value) ratio and DTI (Debt to Income) ratio, the banks' balance sheet looks good. In the eyes of loan officers, both LTV and DTI are important factors in determining their mortgage lending but they put even heavier weight on the borrower's personal credit score.

For Korea, however, the commercial banks have been strict in applying the LTV and DTI ratios. Every time the housing market was being overheated, the financial authorities immediately lowered the LTV ratio to sufficient levels. This ratio used to be kept at a low within the 40-60 percent range for many years. In terms of the soundness of the balance sheet, the commercial banks are quite alright. So the chance of a financial crisis occurring are slim.

Nevertheless, Korea is undergoing a political turbulence in the absence of presidential leadership. Political and opinion leaders thus should make utmost efforts to shorten the lengthy and overheated controversy. Officials should be more honest with each other and prioritize stabilizing the economy over anything else. They should also encourage business people to make long-term investments. The entire world is watching Korea with extreme interest. Let us show them we are weathering the current political situation well and thus, the economy will prosper even more in the future.

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Sacheon City Set to Soar on Global Stage

Sacheon City is quickly becoming the nexus of Korea's aerospace industry

Earlier this year, KOTRA, the South Gyeongsang provincial government, the Ministry of Trade, Industry and Energy and the Korea Aerospace Industries Association hosted "KORUS Aero Partnering 2016," an event where Korean aviation part suppliers discuss their cutting-edge technologies and high-quality aviation parts. The event was attended by about 50 Korean companies and garnered the attention of major aerospace companies from North America such as Bombardier, Triumph and Nordam. The impressive turnout to the forum was no coincidence.

South Korea's exports of aerospace parts have grown 17 percent on average over the past three years, a growth surpassing the world's annual average of 4 to 5 percent. Last year, South Korea exported USD 871 million worth of military equipment — up from USD 73 million in 2009. The aerospace industry is also expected to be a new growth engine in Korea, along with semiconductors, steel, shipbuilding and the auto industry. And at the heart of Korea's rapidly developing industry is Sacheon City.

Location

Sacheon City is located in the southern tip of South Gyeongsang Province. Although best known for its scenic landscapes and fresh seafood, it is also the up-and-coming center of the aerospace industry.

Sacheon is accessible by Sacheon Airport, the Korean National Railroad and the Namhae Expressway. Sacheon Airport provides daily domestic flights to Gimpo Airport in Seoul, and serves as the base of the the Korea Aerospace Industries (KAI). The Namhae Expressway connects the city to Yeongam, Suncheon, Gwangyang, Jinju, Changwon and Busan. Sacheon also has bus terminals that serve local and regional destinations such as Jinju, Masan and Busan.



Korean Aerospace Industries (KAI) Museum

Furthermore, Sacheon is close to the Changwon Industrial Complex and other free trade zones in Masan, Gunsan, Ulsan and Gimje. The Korean government provides a variety of tax benefits for foreign firms and foreigners, as well as simplified regulations, an optimum living environment and a wide array of administration services geared for foreigners.

Korea Aerospace Industries (KAI)

Appointed as the official defense industry vendor by the Korean government in 1999, Sacheon-based Korea Aerospace Industries Ltd. is the country's only aircraft manufacturer. KAI posted KRW 2.90 trillion (USD 2.41 billion) in sales and KRW 285.7 billion (USD 244.27 million) in operating income last year, up 26 percent and 77 percent on-year, respectively. Its new orders amounted to KRW 10 trillion won (USD 8.55 billion), a whopping 416 percent rise from a year ago. Furthermore, KAI's exports accounted for 62 percent of its total sales last year, in stark contrast to its domestic sales representing 86 percent of the total in 2000.

KAI's Sacheon factories, produces four to five planes every month, including military planes. International buyers have included the Philippines, Iraq, Thailand and Indonesia. KAI also exports key parts

such as wing ribs and bodies to major civic airplane manufacturers.

Gyeongnam Technopark (GNTP)

As the headquarter of KAI, Sacheon is also part of the Gyeongnam Technopark (GNTP). The GNTP was founded as a technological belt for the establishment of technology-intensive corporations and the technical advancement of local industries as well as a way to build cooperative relations among industry, academia, research institutes and the government in the South Gyeongsang Province.

The Aerospace Center, one of the key centers to develop the province into the center of the aerospace industry in Northeast Asia, is located in Sacheon City. With state-of-the-art equipment and resources for research and development of aviation parts, the center has provided multilateral support for resident companies, aerospace firms and related institutes, while striving to build an aerospace industry cluster.

*For more information,
visit Sacheon's official website at
sacheon.go.kr/english.web*

Did you know?

Operated by KOTRA, buyKOREA (www.buyKOREA.org) is Korea's premier e-marketplace.

Through buyKOREA, you can check out a wide range of Korean products, including cosmetics, electronics, furniture and pharmaceuticals. You can also make quick and easy online transactions with your credit card. The latest Korean products are uploaded on to the website daily. If you can't find the Korean product that you're looking for, you can post a buying offer and a representative will contact you shortly.

buyKOREA also supports online video conferences with Korean companies, making it even more convenient for you to do business wherever you are. Thanks to buyKOREA, making online purchases has never been easier.



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Each month, KOTRA Express introduces one Korean SME that seeks to expand its network. In the January issue, we take a look at one of Korea's most promising aerospace companies.



Korea's aerospace industry has been showing great signs of growth over the last several decades, and one company is working to raise the bar in the market: KIPCO.

Since 1989, KIPCO has been producing top quality aircraft and defense parts. By investing in new projects and innovation, the company is well on its way of becoming Korea's representative system solutions provider. Most notably, its ISR (Intelligence, Surveillance and Reconnaissance)/PGM (Precision Guided Munitions) R&D Center houses a talented workforce that is more than capable of meeting the exact needs of clients.

KIPCO is continuing to develop its stability control systems, including its sensory interfaces and servomechanisms. Thus, the company is able to offer competitive prices to its customers because it designs and produces its own products. By continuing to develop its state-of-the-art technology, KIPCO is well on its way of becoming a key player in Korea's aerospace industry.



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Economic Indicators

GDP	2011	2012	2013	2014	2015
Nominal (USD million)	1,202,700	1,222,400	1,305,400	1,411,000	1,377,500
PPP (USD million)	1,559,447	1,611,273	1,640,377	1,685,033	1,748,777
GDP Growth Rate (Y-o-Y) (%)	3.7	2.3	2.9	3.3	2.6

Source: The Bank of Korea, December 2016

GDP Per Capita	2013	2014	2015	2016
Nominal	25,998	27,989	27,222	27,632.8
PPP	33,824	35,436	36,612	37,948

(Unit: USD)

Source: International Monetary Fund, December 2016

Foreign Trade	2011	2012	2013	2014	2015	Jan.-Nov. 2016
Exports	555,214	547,870	559,632	572,665	526,757	450,471
Imports	524,413	519,584	515,586	525,515	436,499	367,648
Trade Balance	30,801	28,285	44,047	47,150	90,258	82,823

(Unit: USD million)

Source: Korea International Trade Association, December 2016

KRW-USD Foreign Exchange Rate	2010	2011	2012	2013	2014	December 2016
	1,156.3	1,108.1	1,126.9	1,095.0	1,053.2	1,161.6

(Unit: KRW)

Source: The Bank of Korea, December 2016

Balance of Current Account	2011	2012	2013	2014	2015	Jan.-Sept. 2016
	18,655.8	50,835.0	81,148.2	84,373.0	105,939.6	73,196.7

(Unit: USD million)

Source: The Bank of Korea, December 2016



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