

## FLYING HIGH

As one of the safest and longest-operating airlines in the world, Finnair is securing its foothold in Korea and beyond

**Dong-Hwan Kim** General Manager  
Finnair Korea



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### *Dear Readers,*

I'm Sun Seog ki, KOTRA's Executive Vice President for Customer Service. It's my pleasure to greet all our readers through *KOTRA Express*.

As a global business platform, KOTRA connects foreign companies with promising Korean enterprises, opening up new channels for cooperation. Most notably, our customer service department works closely with 10,000 small and medium Korean enterprises, serving as an important focal point for their business operations. We serve as an overseas branch office for Korean companies that lack the resources to operate internationally and provide support for their logis-

tics services. We're also carrying out our mission by dispatching trade delegations on more than 200 occasions and hosting Korean Pavilions in over 150 international exhibitions every year.

One of the services that our department is especially proud of is buyKOREA, Korea's global B2B e-marketplace. This online platform offers plenty of opportunities for global firms to find and meet a wide range of Korean business partners. Thanks to a new partnership with Facebook and Paypal, it's now easier than ever for both buyers and sellers to use buyKOREA's services.

Since August is the best time to go on vacation, this month's *KOTRA Express* sheds light on Korea's vibrant tourism and leisure industry. It also contains an interview with the rising Finnish airliner Finnair and an informative piece on Cheongju Aeropolis—the heart of Korea's aerospace industry. Finally, readers can get an up-close and personal look at KOTRA's events, including the recent National Day of Korea at the Astana Expo and the Korea Brand & Entertainment Expo.

In closing, I hope that *KOTRA Express* will help deepen your understanding of KOTRA and the country so that your business operations with Korean companies will be more fruitful.

**Sincerely,**

**Sun Seog Ki**

Executive Vice President for Customer Service/KOTRA

## KOTRA MAKES WAY FOR KOREAN BUSINESSES TO EXPAND CONSUMER BASE IN POLAND

On June 29, the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Trade-Investment Promotion Agency (KOTRA) kicked off Korea Expo 2017 in Warsaw, Poland to help Korean companies enter the European market.

The two-day event connecting Korean firms and global buyers was the largest of its kind since 1989, when Korea and Poland established diplomatic relations. It convened a total of 450 buyers from 25 countries and 62 Korean small and medium enterprises specializing in cosmetics, food products, daily goods and medical

devices. A variety of programs were offered, including one-on-one business meetings, a Korea-Poland business partnership forum and a corporate social responsibility (CSR) session. Most notably, the forum explored ways to facilitate cooperation in trade and investment between the two countries.

Poland is currently Korea's largest export market in Eastern Europe, thanks to the growing popularity of Korean products. In 2016, Korea's exports to Poland recorded USD 2.91 billion, up 3.7 percent from a year earlier.

## KOTRA PUBLISHES COLLECTION OF FOREIGN-INVESTED COMPANY SUCCESS CASES

On July 4, KOTRA published its 2017 Collection of Foreign-invested Company Success Stories. The book is a collection of interviews with companies that were first published in KOTRA's monthly English magazine, *KOTRA Express*, for the past three years.

The companies in the collection noted that Korea is one of the best locations to manufacture world-class products. Moreover, with a free trade agreement network covering 75 percent of global territory, the businesses were using Korea as a bridgehead to advance into major mar-

kets around the world. Some of the companies that were interviewed include TUV SUD Korea, Panasonic Korea and Toray Advanced Materials Korea.

"Foreign-invested companies take up only 2.1 percent of the businesses in Korea, but they play a significant role in the local economy, accounting for 21 percent of all exports and 5.8 percent of employment," said Kim Yong Kook, head of Invest KOREA. "I hope the collection will help Koreans see foreign-invested companies in a new light by highlighting their positive effects."

## KOREA BRAND & ENTERTAINMENT EXPO UTILIZES KOREAN WAVE TO ATTRACT HONG KONG BUYERS

From July 12 to 14, the Korea Brand & Entertainment Expo (KBEE) was held at the Asia World Expo in Hong Kong. Hosted by MOTIE and organized by KOTRA, the event invited 350 foreign buyers interested in working with Korean companies specializing in products and services in the Korean cultural industry.

Thanks to growing demand for Korean products in Hong Kong, over 103 Korean companies met with buyers to showcase their cultural goods during special pitching

events. Nine MOUs were also signed during the expo.

A number of events took place on the sidelines of the event, including K-pop performances and business consultation sessions to help prospective exporters enter the Hong Kong and Chinese market. Participants also had the opportunity to learn more about Korea's beauty and fashion products through hands-on programs and art collaboration exhibitions.

## KOREAN SMES SEEK TO JOIN WALMART'S SUPPLY CHAIN

KOTRA held the Walmart Power Vendor 1:1 Business Meeting in Bentonville, Arkansas, to help Korea's promising consumer goods companies enter the retail supply chain of the United States.

During the event held on July 18, KOTRA provided opportunities for 12 Korean suppliers to have in-depth business meetings with nine Walmart vendors. Walmart selected these Korean participants out of 70 applicants, based on price, quality and innovation. Business consultation services were also offered for a variety of sectors, including food and beverage, beauty products, household essentials

and packaging supplies.

In particular, Walmart buyers were especially interested in innovative Korean products ranging from new packaging materials, foldable plastic boxes for long-term use and heated lunch boxes.

In regards to the event, Joonhwa Bin, director general of KOTRA's Korea Business Center in Dallas, said that KOTRA is slated to assist the expansion of Korean companies in the American retail market by hosting additional export consultations with Central Market, the largest gourmet grocery store chain in Texas owned by HEB Grocery Company.



### Trade News

#### EXPORTS TO CONTINUE TO DRIVE S.KOREA'S GROWTH IN H2

South Korea's exports rose for the eighth consecutive month in June helped by surging oil prices and recovery in worldwide trade. This is a turnaround following two years of minus growth in 2015 and 2016, when oil prices fell dramatically.

Outbound shipments rose 15.8 percent to USD 279.4 billion for the first six months this year from a year earlier, while imports soared 21 percent to USD 233.6 billion during the same time span.

Buoyed by surging exports, which

account for over 40 percent of South Korea's gross domestic product, the Bank of Korea recently upgraded its growth forecast for the country to 2.6 percent from 2.5 percent.

Barclays, HSBC and Nomura Securities Co. expected in separate reports that South Korea's exports will continue to grow in the second half of the year despite slowing exports in ships and the receding of the low base effect, according to the Korea Center for International Finance (KCIF).

#### LEADERS OF S.KOREA AND VIETNAM AGREE TO BOOST BILATERAL TRADE

South Korean President Moon Jae-in and Vietnamese Prime Minister Nguyen Xuan Phuc agreed to further expand the countries' bilateral trade and economic relations while also developing their strategic partnership.

In a meeting held on the sidelines of the Group of 20 summit in Hamburg on July 7, both Moon and Phuc noted that the countries' bilateral trade and investment continued to expand with the trade volume between the two countries coming to USD 45 billion. The leaders also agreed to work together to achieve a goal of USD 100 billion in trade by 2020.

Moon expressed hope for increased

opportunities for South Korean firms to take part in Vietnam's infrastructure projects, especially in the energy and construction sectors, while proposing joint efforts to develop Vietnam's industrial materials and parts industry.

The Vietnamese leader expressed hope for increased cooperation in the infrastructure sector, noting increased exchanges between the countries' small and medium-sized firms will be in line with his country's policy to build a modernized, industrial nation. Phuc also expressed hope to meet Moon again at the upcoming Asia-Pacific Economic Cooperation forum to be held in Vietnam in November.

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### Government & Policy

#### S.KOREA TO BOOST PUBLIC SECTOR HIRING OF YOUNG PEOPLE

President Moon Jae-in's policy advisory panel announced on July 4 the government will expand hiring of young people in the public sector, the latest in a series of efforts to create jobs.

Currently, public companies and other public agencies are required by law to employ a set number of unemployed youths each year. The government will raise the mandatory ratio of hiring of unemployed youths in the public sector to 5 percent, beginning next year, according

to the State Affairs Planning Advisory Committee. The unemployment rate for young people, aged between 15 and 29, was 9.3 percent in May, much higher than the overall jobless rate of 3.6 percent, according to government data.

Most notably, government will provide up to KRW 60 million (USD 52,000) to a small firm in promising sectors so they can pay for the wages of their employees for three years.

#### NEW ICT MINISTER VOWS TO PUSH FORWARD TOUGH REFORM

During his inauguration ceremony on July 11, South Korea's new chief ICT policymaker You Young-min said that he will push forward tough reforms as the country meets challenges under the fourth industrial revolution.

"The Ministry of Science, ICT and Future Planning (MSIP) should be reborn so that it can prepare for the future amid the changes," said You. He also noted that the ministry will work with other related agencies while operating the budget for research and development (R&D) in the science and technology field.

Earlier, the State Affairs Planning Advisory Committee announced that the MSIP will be the main government body to coordinate plans for the next five years.

The ministry also stated that it will spend KRW 1.52 trillion (USD 1.3 billion) in 2018 on various science and technology R&D projects, subject to parliamentary endorsement later this year.

You, with nearly 30 years of experience in the software sector, said he plans to transform the country so it will become a leader in this critical field.



# What Would the Nullification of the Korea-U.S. FTA Mean for the United States?



One of the major topics discussed at the summit meeting between South Korean President Moon Jae-in and U.S. President Donald Trump in June was, of course, the Korea-U.S. Free FTA. Trump has expressed his discontent for the FTA, saying that it was “a really bad deal” because it was creating U.S. deficit. Trump argues that the bilateral trade deficit has taken place since the inception of the agreement in 2012. So what choice can the United States take? Theoretically, it has three options: bring the Korea-U.S. deficit issues to the dispute settlement process (DSP), try to amend the agreement or nullify the agreement.

According to the articles and provisions of the FTA, there are four cases that either party can bring to the DSP: disputes involving interpretation/application of the agreement (Art.22.4), introduction of measures violating the agreement (Art.22.4 (a)), failure to obey the obligation, of the agreement (Art 22.4 (b)) and denial of the benefits guaranteed by the agreement (Art 22.4 (c)).

If the United States believes that Korea has committed one of the four above-mentioned infringements, then the case could be brought in writing to the DSP. But the DSP is a very lengthy and tedious course which can take up 570 days or more. First, the issue has to be brought to the Joint Committee, and then transferred to the

Dispute Settlement Panel (or the 'Panel', hereafter) if the issue is not resolved by the Joint Committee within 60 days. It could take as much as 126 days just to form the three-member Panel and another 225 days to file a final report. If a party does not agree on the final report of the Panel, then it can file a complaint within 45 days and further negotiations. Considering how long this process is, a DSP would be very unappealing for the Trump administration, which would seek a very fast and powerful solution to any incurring problems.

Another option for the United States may be an amendment to the FTA. Article 24.2 stipulates that parties may agree, in writing, to amend the Agreement. An amendment shall enter into force after the Parties exchange written notifications certifying that they have completed their respective applicable legal requirements and procedures. But this amendment requires the consent of the other party, which seems to make an amendment almost impossible.

The last choice may be the nullification of the Agreement. Article 24.5 of the Agreement reads that one party can nullify the Agreement just by sending a written notice of nullification. The nullification requires neither consent nor assent. Just after 180 days of the written notice, the FTA becomes ineffective.

Assuming the United States takes the nullification course, let's think about the severe impact this would have on the U.S. economy. First, can the United States expect to create more jobs and strengthen economic growth by erecting higher tariffs and trade barriers against Korean exports? Definitely not. The vacuum created by banning Korea exports in the United States would be instantly filled by Japanese or Chinese products—a typical trade diversion. Korean exports and its economic growth may be hampered significantly, but that doesn't translate into growing American exports and a strengthened U.S.

economy. Second, Korean antagonism against the United States will rise. The more the Korean economy is negatively affected by the nullification, the disdain towards the United States will be greater. Third, Korea will get even closer to China not just in economic matters but also in diplomatic and regional affairs. The Moon administration is fundamentally different from the previous administrations of Lee Myung-bak and Park Geun-hye, which were pro-American. The current Moon government is more like a neutral tightrope walker, balancing between China and the United States. And there is also a significant change in the politically potent age group, as more than 60 percent of the entire Korean population has neither experienced the American participation nor Chinese engagement in the Korean War. Thus, pro-American policies have become less and less appealing to this generation. Consequently, Trump taking a hard line approach to the Korea-U.S. trade issues will most likely not achieve anything.

If the real intention of the United States is to achieve more burden sharing in the military presence in Korea, and/or to have more steadfast support for the Terminal High Altitude Area Defense (THAAD) system on the peninsula, all U.S. tactics should directly address these issues, instead of using the Korea-U.S. FTA as leverage. Many people are well aware that an extravagant trade surplus does not do any good for either country, and they are hoping that President Trump will understand the effect that his decision will have on the future.

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*\* The opinions expressed in his article  
are the author's own and do not reflect  
the views of KOTRA*



**I**t was all glitter and fanfare at Kazakhstan's Astana Expo, which kicked off on June 10. Under the theme 'Future Energy', the Expo comes at a fitting time, especially as Kazakhstan seeks to be less dependent on conventional energy industries and adopt renewable energy policies in line with the Paris Climate Agreement.

As such, Astana Expo displays the latest developments and technologies in the renewable energy industries. More than 100 different countries are taking part in this event, and they all provide possible solutions to the same crucial question—how can we ensure safe and sustainable access to energy while reducing carbon dioxide emission?

Event organizers predict that a whopping 5 million people will visit the Expo by the time it wraps up. And about 500,000 of these total visitors will have visited the Korea Pavilion, one of the largest and most popular national pavilions at the Expo.

To further promote Korea as a pioneer of future energy technologies, the Ministry of Trade, Industry and Energy and KOTRA launched National Day of Korea at the Korea Pavilion. The Pavilion is comprised of three major zones: the prologue ('Energy Korea'), the main show ('Future Energy, Smart Life') and the epilogue ('Energy Citizen'). Spanning over 1,000 m<sup>2</sup>, it houses an exhibition hall and a theater that showcases Korea's most cutting-

## Trade Ministry and KOTRA Launch National Day of Korea at Astana Expo

As one of the largest pavilions at the Astana Expo, the Korea Pavilion proudly showcased the country's renewable energy technology and vibrant culture



edge energy technologies. Thanks to live performances and augmented reality programs, more than 100,000 people have already checked out the Korea Pavilion in just three weeks of its opening.

"The Expo is a festival where leading-edge technologies are showcased and cultural exchange and economic cooperation culminate," says Standing Commissioner

Kim Young Sam of the Korea Trade Commission. Kim hopes that the Pavilion and National Day of Korea will help improve the national image of Korea among people from Kazakhstan and all over the world.

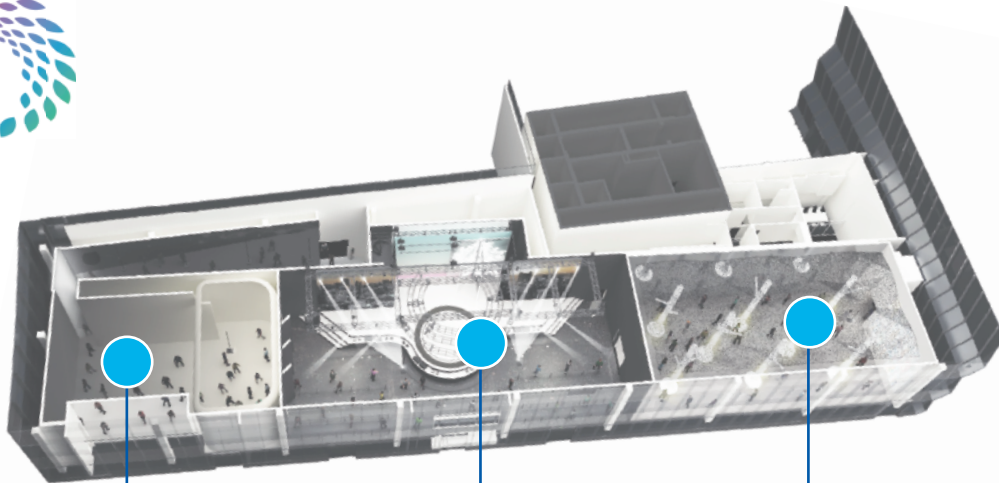
But the Pavilion was more than a venue for displaying Korea's technological prowess; event-goers also got to enjoy the



## KOREA PAVILION

*You don't need to fly all the way to Kazakhstan to experience all the amazing things the Korea Pavilion offers. Here's a snapshot of the Pavilion which runs until September 10.*

*For more information on the Korea Pavilion, check out [expo2017-korea.or.kr/eng/main](http://expo2017-korea.or.kr/eng/main)*



### Zone 1



#### Energy Korea

You'll have the chance to learn about the amazing strides that Korea has made in technological development over the last 50 years. A vibrant 'drawing show' by Korean artist Kim Jung Gi captivates audiences with its engaging yet informative sketches on Korea's industrial development.

### Zone 2



#### Future Energy, Smart Life

This zone features an animation and a live performance about the story of the 'Energy Seed', the source to all life. You'll also be able to witness Jeju Island's breathtaking scenery through a video presentation on major landmarks like Seongsan Ilchulbong ('Sunrise Peak') and Jungmun Saekdal Beach. Jeju Island is currently working for the title of the world's first carbon-free island.

### Zone 3



#### Energy Citizen

Zone 3 is where you'll be able to experience Korea's great technological prowess. Enter this zone and bright 'energy trees' light up the entire exhibit. But that's not all. You can partake in an augmented reality program about Korea's energy-related technology.

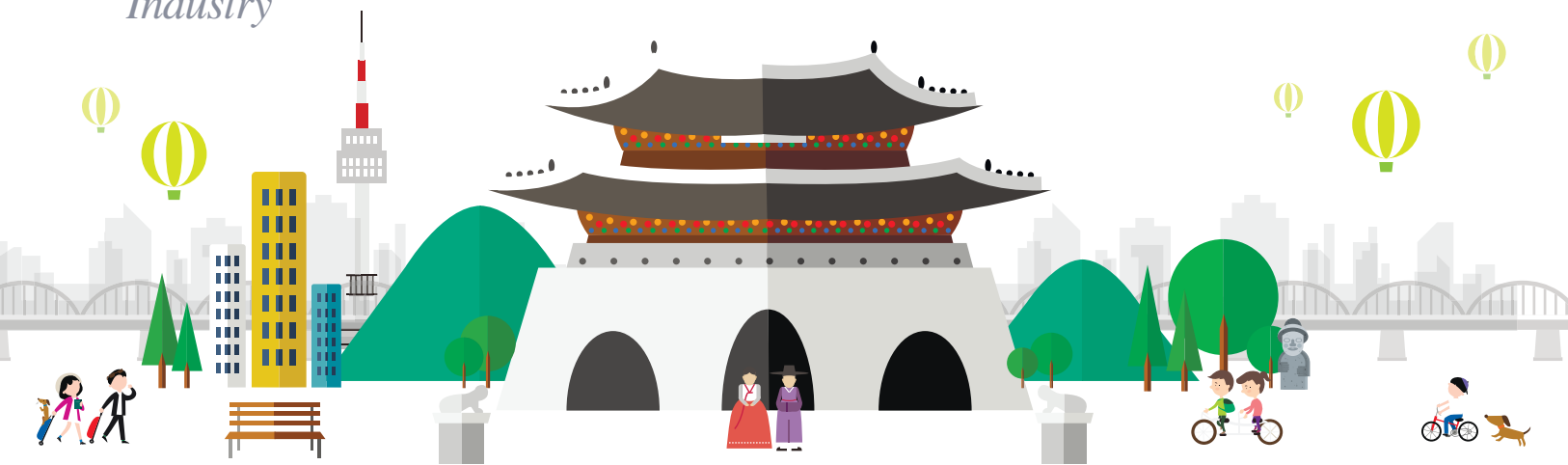
K-Culture Party that was held on July 18. K-pop groups like B1A4, Highlight and AOA, as well as Kazakhstan's Ninety One and Black Dial, put on a spectacular 150-minute show during the event. More than 8,000 K-pop fans filled the seats of the concert which also aired on Kazakhstan's state-run media outlet Khabar Agency. K-drama fans had the chance to meet Korean actor Seo Kang-joon who is also serving as the Pavilion's honorary ambassador.

On the sidelines of the main program, fruitful discussions took place at the Korea-Kazakhstan Energy Forum at the Rixos Almaty Hotel. Jointly held by KOTRA and the Korea Electric Power Corporation (KEPCO), 150 experts from the public and private sectors attended the forum. The meetings were made up of informative presentations and panel discussions on Korea and Kazakhstan's future vision under the new climate regime.

Visitors will be able to check out Korea's vibrant culture and technology at the Korea Pavilion until September 10.

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# Current Status and Future Outlook of Korea's Tourism and Leisure Industry

The tourism and leisure industry provides tourist services related to transportation, accommodation, dining, sports, entertainment, vacationing, tourism and the operation of tourist facilities.

More than any other industry in Korea, the tourism and leisure industry has been effective in creating revenue, employment and added value, significantly contributing to national economic development.

## Current Status & Future Outlook of the Industry

According to the United Nations World Tourism Organization (UNWTO), international tourist arrivals grew by 4.6 percent worldwide in 2015, reaching a record-breaking 1.19 billion arrivals, after topping the 1 billion mark in 2012. Globally, Korea ranked 23rd in the number of foreign tourists.

In 2015, the number of domestic tourists in Korea increased 0.7 percent from the previous year to 38.31 million. In the same year, the number of foreign tourists to Korea reached 13.23 million, down 6.8 percent from 2014. This was largely due to the outbreak of the Middle East Respiratory Syndrome (MERS) in May.

As to reasons why tourists visited Korea, traveling for “leisure, recreation and vacationing” accounted for the largest share in 2015, followed by “business and professional” reasons, “shopping” and “visiting friends and relatives”.

Meanwhile, because the tourism market is an industry of final demand, the demand for tourism is considered a direct indication of future growth. The number of international tourists worldwide is expected to steadily increase, reaching 1.4 billion in 2020, and 1.8 billion in 2030.

From 2010 to 2030, tourists are expected to grow at an average annual rate of 3.3 percent worldwide, and at a higher rate of 4.9 percent in Northeast Asia.

## Industrial Competitiveness

### Marinas

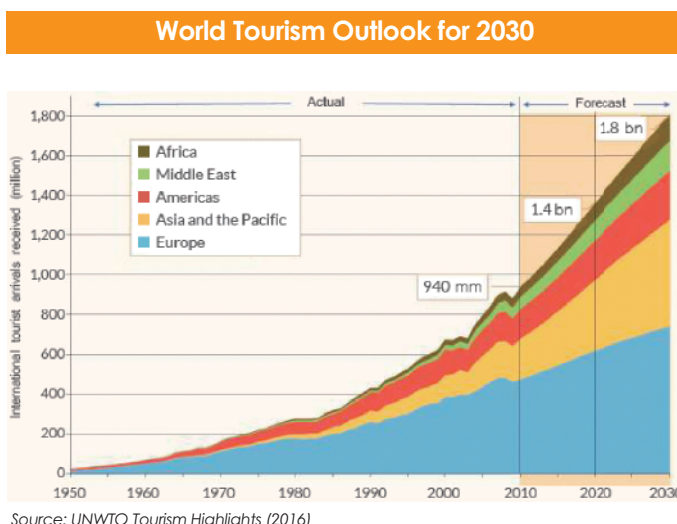
A marina is an area on a coast with mooring docks and subsidiary facilities for leisure boats, providing services for a variety of marine leisure activities. Unlike many advanced countries with highly developed marine leisure cultures based on established marina facilities, Korea is still in the early stages of marina development.

Korea currently has six marinas, and plans to open 58 new marinas by 2019. To vitalize the marine leisure equipment industry, the Ministry of Knowledge Economy established a plan in 2010 to develop leisure ships, produce finished products and parts and build a foundation to facilitate their supply. This plan aims to contribute to the country's efforts to open marina facilities and develop relevant service businesses.

To prepare for the increase in future national income driving up the demand for marinas, the Korean government established a plan to build marina ports in 2015, and has since been actively working on its implementation.

### Resorts

Resorts are business establishments that provide tourists with a variety of facilities suitable for sports, entertainment, dining and



recreational activities. Through the Third Tourism Development Basic Plan (2012-2021), Korea's tourism ministry has designated tourism belts for areas along the eastern, western and southern coasts, the Korean Peninsula Peace Ecotourism Belt along the northern border, the Riverside Eco-Culture Tourism Belt for the tourist areas with inland rivers and waterside environments and the Baekdudaegan Ecological Culture Tourism Belt, taking advantage of the natural and cultural resources of the Baekdudaegan mountain range.

### Theme Parks

According to TEA/AECOM's annual Global Attractions Attendance Report, about 235.6 million visitors attended the top 25 theme parks in the world in 2015. Magic Kingdom at the Walt Disney World Resort in Lake Buena Vista, Florida, ranked first in the world, with about 20 million visitors in 2015. In Korea, Everland and Lotte World respectively were ranked 14th and 16th place.

The recent trend toward high-tech theme parks is increasing the adoption of cutting-edge communication, IT, robot and other technologies in the industry. High-tech theme parks differ from general theme parks in that the main focus is on the advanced technologies, such as virtual reality, simulation and hologram technologies. Examples of high-tech theme parks overseas include Epcot (Florida, USA), Space World (Kitakyushu, Japan) and Joypolis (Yokohama, Japan).

Success in the digital entertainment industry, which aims to entertain through technology, relies heavily on how well quality cultural content can be integrated with cutting-edge technologies. Moreover, when the industry has a stable foothold in local communities, establishing a steady supply of human and technological resources, they can create synergy with high-tech theme parks.

### Foreign Direct Investment & Success Cases

The biggest amount of foreign direct investment made in tourism-related industries in 2016 was the USD 517 million spent in the lodging industry, followed by USD 297 million in the food industry and USD 31 million in the leisure and sports industry. While foreign direct investment in tourism-related industries tends to fluctuate each year, the lodging industry continues to attract the greatest amount. Meanwhile, two of Korea's most highly anticipated tourism districts are Saemangeum District and Taean Tourism and Leisure City.

### Saemangeum District

Upon completion of the Saemangeum Seawall and in compliance with the Comprehensive Saemangeum Development Plan, the Saemangeum Tourism Complex is being developed into a world-class hub for the tourism and leisure industry on the western coast. The district will be comprised of sections that focus on tourism and leisure, international cooperation and industrial research. The project plans to connect the locational merits of Saemangeum with the surrounding natural landscape, including Byeonsanbando National Park and Gogunsan Islands, thereby allowing visitors of all ages to enjoy this region all year around.

### Taean Tourism and Leisure City

When complete, Taean Tourism and Leisure City will be equipped with a wide range of facilities such as golf courses, fairway villages, theme parks and international business complexes. As such, tourists will be able to enjoy sightseeing, leisure activities and entertainment all in one place. Most notably, the city's high-tech complex will focus on fostering bio-agriculture and biotechnology.

### Recent Government Policies to Promote Tourism

To improve the international competitiveness of Korea's tourism industry, the ministry is focusing its efforts to nurture high added-value tourism businesses in Korea. To develop the strategic convergence industries of cruise tourism, MICE (meetings, incentives, conferences and exhibitions) tourism and medical tourism, the ministry has strived to provide greater support and improve various institutional conditions.

The tourism ministry has also pushed forward with various policies to attract more tourists to regional locations and create a stronger foundation for local tourism. To develop traditional cultural content into the representative tourist products, it has strived to search the country for traditional cultural resources that have potential to be recreated into quality tourist products.

In 2015, the ministry completed the selection of 10 themes for the industry, including historical sites, culture of Joseon-era scholars (memorial halls for Confucian services and old houses), traditional lifestyles (Korean medicine, traditional houses, clothes and pottery) and stories (folktales and characters), and is currently engaged in developing related tourist products to attract a growing number of foreigners.

### Foreign Investment Trends

(no. of cases, USD 1,000)

Industry	2012		2013		2014		2015		2016	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Lodging	21	822,965	23	916,421	50	454,010	51	625,818	33	517,532
Food	223	85,151	104	20,714	67	287,721	88	29,647	148	297,545
Leisure and sports	19	82,963	16	23,635	24	145,487	21	1,052,594	16	31,483

Source: Ministry of Trade, Industry and Energy

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**FINNAIR**

## Dong-Hwan Kim

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For many of us, a long overseas flight is the stuff of nightmares. Cramped seating, lost baggage and flight delays can wear down even the most seasoned traveler (And seriously, what's the deal with airplane food?). Add to that the barrage of negative press surrounding airline customer service, and you have major carriers scrambling to do damage control in response to falling profits. But things couldn't be more different for Finnair—an airline dedicated to going above and beyond to wow passengers.

Founded in 1923, Finnair is one of the world's oldest operating airlines. Based in Vantaa, Finland, it specializes in flying between Europe and Asia along the shorter northern route while providing customers with a unique Nordic experience. In a time where many airlines are skimping on crew, Finnair started the biggest recruitment in its history in 2015 and plans to recruit 350 new flight attendants and stewards by 2018. As a result of its dedication to improving customer satisfaction and safety, Finnair was named 'Northern Europe's Best Airline' at the World Airline Awards at the Paris Air Show for eight consecutive years. The results are based on an independent survey of more than 19 million passengers from 105 countries. Additionally in January, the OAG Punctuality League publication ranked Finnair's arrival punctuality in 2016 (84.12 percent) as the 16th highest in the world.

For Finnair, the journey to the destina-

tion is just as important as the arrival. With the addition of the A350 aircraft in 2015, Finnair's planes combine the latest technology with advanced passenger comfort features. The carrier's state-of-the-art Nordic Sky entertainment system and Wi-Fi keeps passengers better connected and more entertained during their journey with an improved range of entertainment options for a more enjoyable and peaceful flight. Nordic Sky's unique program, displayed on 16-inch touch screens in business class and on 11-inch screens in economy class, shows the main stages of the flight, guiding passengers from departure throughout all stages of their journey, informing them when meals will be served, when rest lighting will be activated and when they can make purchases from the in-flight shopping service. This enables travelers to manage their time on-board effectively.

Along with European travelers, passengers from Asia are Finnair's most frequent customers. One of its main objectives by 2020 is to double its Asian traffic volume from 2010. "The cornerstone of the com-

pany's strategy is leveraging its geographical competitive advantage and the fastest connections in the growing market of air traffic between Asia and Europe," says Dong-Hwan Kim, general manager of Finnair Korea. "It's also the only European airline that can operate flights to most Asian destinations on a 24-hour aircraft rotation, which means that the routes can be operated as round trips within 24 hours at regular times using a single aircraft."

It's this kind of efficiency that enables a record-high utilization rate in long-haul traffic, reduces the need for additional crew due to flight time restrictions and decreases fuel consumption and emissions thanks to shorter flight times.

Due to the growing number of travelers going in and out of Korea, Finnair established a Korea branch office in January 2007, operating direct flights between Helsinki and Seoul from June 2008. Kim says that more Koreans are becoming interested in Nordic culture, its education system and beautiful landscape.

Despite its strong presence in the global

## Flying High

As one of the safest and longest-operating airlines in the world, Finnair is securing its foothold in Korea and beyond





arena, Finnair knew that it had to do more to woo Korean passengers when it first entered the local market. To provide the highest level of service and convenience, the company hired Korean cabin crew members, constructed Korean signs at the Helsinki airport and provided in-flight Korean meals. Most notably, it implemented the Finnair Plus mileage program so that customers can stack points and redeem them for gift cards at Korean department stores. As a result, Korea has

the second highest number of travelers using Finnair Plus points.

The airline also partnered with Finnish design house Marimekko since 2012 to provide everything from tableware to fabrics for the aircraft. “The calm blue, green and light grey tones and the classic prints used in the Marimekko for Finnair collection are a perfect reflection of the Nordic tranquility and comfort that is present on our flights,” says Kim. “All the materials, including the light porcelain used in the business class tableware, are specially designed for aircraft usage.”

Although Korea has proved to be a suitable market for Finnair, Kim notes that regulations in the country should be eased because they're a bottleneck for foreign investors in the market as other countries have different regulations. He adds that Korea could become a more optimal business environment by implementing market

protectionist policies that don't restrict fair competition.

So what's next for Finnair? Because Finland is still an unfamiliar country to many Koreans, the company is working with Visit Finland to promote ‘Stopover Finland’, a program where travelers can experience and explore the country from five hours to five days. Kim says that Finnair will continue to invest in accelerated growth and embrace the business and digital transformation.

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## Upcoming KOTRA Events

### Global Green Hub Korea 2017

As the biggest environmental conference and networking event in Korea, this year's Global Green Hub Korea (GGHK) will take place from September 4 to 7 at Incheon's Songdo Convensia and Busan's BEXCO.

GGHK is the principal global platform for environmental and renewable energy industry/resource cooperation. Held every year since 2009, the event is designed to develop a more concrete business relationship and explore potential contract opportunities between guests from overseas and Korean contractors. The conference will consist of numerous programs, including the global environmental forum, an environmental/renewable energy industry exhibition, business meetings and seminars introducing opportunities for regional projects.

### Korea Bio & Medical Plaza 2017

In response to Southeast Asia's rapidly growing healthcare industry, the Korea Bio & Medical Plaza (KBMP) 2017 will take place from September 11 to 12 at the

Mandarin Oriental Hotel in Kuala Lumpur, Malaysia. The event will gather 40 Korean and 60 Malaysian companies specializing in the areas of medical equipment, biopharmaceuticals and healthcare services. Around overseas 60 buyers will attend the event, which will be comprised of a seminar providing participants with information on entering the Southeast Asian medical market, one-on-one business meetings, an MOU ceremony and healthcare service meetings.

### Global Mobile Vision 2017

Organized by KOTRA and hosted by the Ministry of Trade, Industry and Energy and the Ministry of Science, ICT and Future Planning, Global Mobile Vision 2017 (GMV) will kick off from September 13 to 15 in Goyang.

As South Korea's leading ICT industry exhibition and business meeting event, this year's GMV will focus on cutting-edge technologies and businesses that will lead the Fourth Industrial Revolution. Since its launch in 2008, GMV has played a vital role in the global ICT industry as an inter-

national marketplace for both foreign and domestic companies. Along with large-scale exhibition and conferences showcasing mobile and IoT technology, one-on-one business meetings and startup events like GMV Creative Startup Korea will take place throughout the three-day program.

### The 12<sup>th</sup> Agricultural Machinery Show 2017

The 12<sup>th</sup> Agricultural Machinery Show (TAMAS) will take place in Daejeon, South Korea from November 1 to 3 at the DIME Exhibition Center and Daejeon Convention Center. Since its establishment in 1995.

TAMAS is the oldest trade fair for agricultural machinery and materials in Korea. This year's event seeks to attract overseas buyers who are interested in Korea's horticultural machinery, greenhouse materials, innovative agricultural technology and more. 27,000 people are expected to attend the event, which will be comprised of informative business meetings and seminars on the country's booming agricultural industry.

## Foreign Firms Learn About New Chemical Regulations at OFIO Forum

The Office of the Foreign Investment Ombudsman held a regulatory information meeting on July 11, 2017. At the meeting, officials from the Ministry of Environment (MOE) explained about new laws and enforcement decrees on chemical substances and chemical products. More than 90 business representatives of the foreign-invested companies were present, asking questions on the impacts of these new regulations on their business. Officials from the Ministry of Trade, Industry and Energy (MOTIE) also attended the meeting as observers.

The MOE officials dealt with three topics: partial revisions on the laws of registration and evaluation of chemical substances; the draft enactment of the regulations on the safety management of household chemicals and biocides; and the strengthening the safe management of hazardous chemical substances.

The first topic introduced the background of strengthening regulations on toxic chemical substances. Its necessity was triggered by chemical accidents that claimed 100 deaths between 2006 to 2010 due to misuse of humidifier sterilizers. All new chemical substances over 1 ton which are to be used must be registered and their toxicity has to be evaluated before the MOE's final approval is granted.

The second topic was about the evaluation of the toxicity of household chemical products. The MOE official explained the laws regarding the approval of the use of biocides to protect the environment and to reduce chemical accidents. The official also explained about the approval standard for use of biocidal substances.

The third topic addressed the legal system of the safe management of chemicals. The presenter explained the specific measures to strengthen the safety management recommended by the United Nations. The explanation covered the issues of safety supervision, the administration of the man-



ufacturers, storage, operation and transportation of hazardous chemicals and highly toxic products for children. The topic also introduced the GHS (Globally Harmonized System of Classification and Labeling of Chemicals) and RTDG (Recommendation on Transport of Dangerous Goods) managed by ECOSOC (United Nations Economic and Social Council).

The MOE's presentation of the new laws and revised rules under these three separate topics was extremely helpful to the attendees, but at the same time the fact that the chemical regulations had been strengthened made the CEOs of the foreign-invested companies feel frustrated to that extent. Inherently, there is a conflict of interest between the regulating MOE and the regulated foreign CEOs.

This is where the Foreign Investment Ombudsman comes in. The Ombudsman should play a mediating role in such a way that the strengthened regulations may not be excessive. If the regulations are overly restrictive, we cannot expect the growth of the chemical industry.

The MOE has been empowered by the National Assembly to maintain high standards in the protection of the environment and human health and they revise chemical regulations whenever necessities arise. The MOTIE has been empowered by the

National Assembly to keep the nation's chemicals industry as competitive as possible. To accomplish this task, the MOTIE tries to eliminate obsolete or unnecessary regulations on chemicals. When frictions arise between the MOE and MOTIE, the Foreign Investment Ombudsman's mediating role is needed.

If the officials of the MOE and MOTIE, the lawmakers and the foreign investors fully understand their own position and other positions as well, the gaps and differences among these four groups of stakeholders would decrease so that they can come to an appropriate level of agreement.

Chemicals can cause both advantages and problems. If chemicals are safely stored and used, they will surely enrich our lives. But if the chemical substances and chemical products are mistreated, they can turn into a deadly weapon. If all stakeholders concerning the production, consumption and the regulation of chemicals fully understand the issues involved and trust one another, they will all be winners.

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# Cheongju Aeropolis Engineered for Success

Thanks to its robust industrial climate and strong R&D infrastructure, Cheongju is paving the future of the aerospace industry

**W**ith the rapid growth of the Cheongju International Airport, the aviation industry has been increasingly interested in Cheongju Aeropolis, the only aviation industry cluster in the central region of Korea.

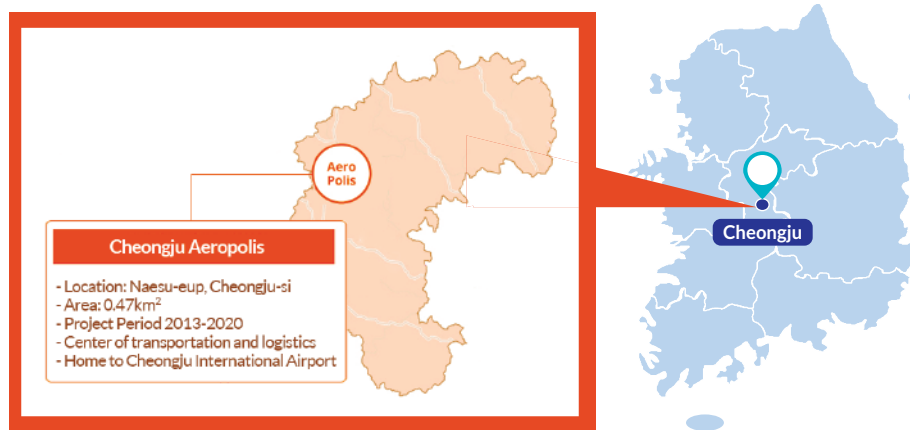
The Cheongju International Airport has seen significant growth in its number of visitors, flights and international routes. It has recently been designated by as an alternate airport for Code F aircrafts and a Class II transport and logistics hub by the government. As major airports in metropolitan areas are operating at full capacity, the importance of the Cheongju International Airport is likely to grow even further.

Cheongju Aeropolis has access to airport runway areas and the potential for explosive growth as the only aviation cluster in the central region of Korea.

## Cheongju

Cheongju is an inland city located just 128 km southeast of Seoul. Neighboring cities like Daejeon and Cheonan, while just a few hours away from Gwangju, Busan and Jeju, Cheongju boasts some of the best logistics in the country. In addition, its well-established transport infrastructure, including Cheongju International Airport, KTX Osong Station and grid highways, takes full advantage of the city's location. Also hailed as the 'city of education', the region is home to six universities, including the Air Force Academy. Combined with a robust industrial climate, optimal research facilities and skilled workers, the city is well equipped to open the gates to Korea's aerospace industry.

Designated in 2009 by the Ministry of Land, Infrastructure and Transport as an



aircraft maintenance complex and in 2013 as part of the Chungbuk Free Economic Zone (CBFEZ), the Cheongju Aeropolis is set to lead Asia's aerospace industry.

## Aerospace Industry Complex

The 153,000 m<sup>2</sup> aviation maintenance complex (Aeropolis District One) and the 321,000 m<sup>2</sup> aerospace industrial complex (Aeropolis District Two) located throughout Naesu-eup are made up of maintenance facilities, parts production and assembly facilities and an R&D center.

District One is the core of Aeropolis and includes training and air flight/airport services. The cost estimate of this project is KRW 45.2 billion (USD 40 million).

District Two focuses on businesses supporting component repair and manufacturing and avionics. 13 companies have signed MOUs agreeing to move some of their operations there, potentially accounting for 80 percent of the land available in District Two. Furthermore, Aeropolis is also a center for military aircraft development. It is the base of the Fighter Wing 17 and seeks to introduce 40 new fighter planes by 2020.

The districts also house an aviation parts

logistics center, support facilities and the Cheongju International Airport. In fact, Aeropolis is currently accommodating businesses specializing in aviation such as RH Focus and Sungwoo Engineering.

The Cheongju Aeropolis also aims to maximize economic synergy by building hi-tech infrastructure to support the aerospace industry. Most notably, companies can also take full advantage of its superb ICT infrastructure, which centers on the semiconductor industry, a key part of the aircraft component sector. Furthermore, a number of departments at the Korea National University of Transportation offers R&D support in the mechanical aircraft sector. And thanks to its well-equipped R&D infrastructure, the region is effectively converging technology and industry, further boosting Korea's aerospace sector.

*For more information about the Chungbuk Free Economic Zone (CBFEZ) and the Cheongju Aeropolis, check out [www.cbfez.go.kr/ecoeng/index.do](http://www.cbfez.go.kr/ecoeng/index.do) or call +82-43-220-8381*



# Did you know?

**KOTRA's Korea Expo will link your business to promising Korean buyers, no matter where you are in the world!**

The Korea Expo is an exhibition that provides plenty of opportunities for foreign buyers to work closely with promising Korean companies. Held by the Ministry of Trade, Industry and Energy and KOTRA, the exhibition seeks to proactively support Korean companies find alternative export markets and gain ground in emerging markets.

Following the Korea Expo 2015 in Myanmar and the Korea Expo 2016 in Iran, this year's Expo took place in Poland. KOTRA will also hold an additional exhibition in New Delhi, India. From September 20, the three-day event will focus on showcasing promising Korean consumer goods, medical equipment, renewable energy products and electronics. There will also be a Korea-India economic cooperation seminar and an art collaboration exhibit. The Expo will help both large companies and Korean SMEs to enter India's online and offline retail markets.



## KOREA EXPO 2017



### Target Sectors & Main Programs

- Consumer goods, medical devices, IT
- Seminar on Korea-Poland Industrial Cooperation, health-care-related CSR programs, Art Collaboration Pavilion



### Target Sectors & Main Programs

- Consumer goods, industrial goods
- Seminar on Korea-India Economic Cooperation, Art Collaboration Pavilion

For more information, contact your nearest Korea Business Center or KOTRA's Strategic Exhibition Team via e-mail at [diogo@kotra.or.kr](mailto:diogo@kotra.or.kr).

Every month, KOTRA Express introduces one Korean SME that seeks to expand its network by working with foreign partners. In the August issue, we take a look at one of Korea's most promising leisure companies.



Penguin Ocean Leisure's vision is to create a more valuable marine leisure experience for your friends and family. The company manages the sales and operation of PENGUIN, the world's first semi-submarine that also works as a motorboat.

Most notably, PENGUIN's environmentally friendly electric motor system does not cause pollution. The material of the boat windows are made of acrylic material—the most suitable material for underwater viewing. The windows are also 200 times stronger than regular glass.

For the first time in Korea, Penguin Ocean Leisure raised funds through debt-based crowdfunding. In 2016, the company was designated as a promising exporter by Ulsan City, demonstrating its massive potential for growth. Its most famous product is the PENGUIN 2.0, which was selected as 'Product of the Year' at the Korea International Boat Show.

Penguin Ocean Leisure plans to launch a new model called FLYING PENGUIN, which is equipped with an outboard motor. Powered by gasoline, it is expected to be two times faster than the previous model and easier to maintain and repair.

PENGUIN boats are currently enjoyed all over the world, including five-star resorts in the Maldives and the Seychelles Islands. The company plans to enter the Australian, Caribbean and Southeast Asian market in the future.



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## Economic Indicators

GDP	2012	2013	2014	2015	2016
Nominal (USD million)	1,222,400	1,305,400	1,411,000	1,382,400	1,411,000
PPP (USD million)	1,611,273	1,644,777	1,706,689	1,749,804	1,822,162
GDP Growth Rate (Y-o-Y) (%)	2.3	2.9	3.3	2.8	2.8

Source: The Bank of Korea, June 2017

(Unit: USD)

GDP Per Capita	2014	2015	2016	2017
Nominal	27,811	27,105	27,539	29,115
PPP	35,211	36,390	37,740	39,447

Source: International Monetary Fund, June 2017

(Unit: USD million)

Foreign Trade	2012	2013	2014	2015	2016	May 2017
Exports	547,870	559,632	572,665	526,757	495,426	228,003
Imports	519,584	515,586	525,515	436,499	406,193	193,596
Trade Balance	28,285	44,047	47,150	90,258	89,233	34,407

Source: Korea International Trade Association, April 2017

(Unit: KRW)

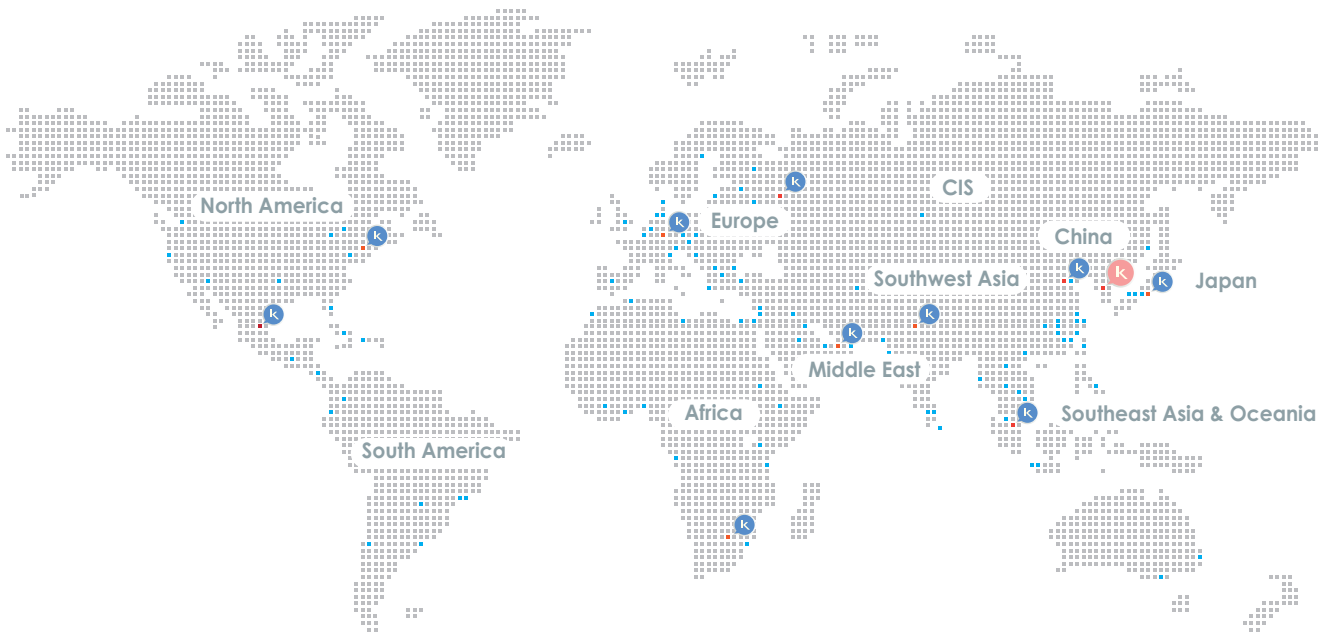
KRW-USD Foreign Exchange Rate	2012	2013	2014	2015	2016	June 2017
	1,126.9	1,095.0	1,053.2	1,131.5	1,160.5	1,130.04

Source: The Bank of Korea, July 2017

(Unit: USD million)

Balance of Current Account	2012	2013	2014	2015	2016	May 2017
	50,835.0	81,148.2	84,373.0	105,939.6	98,677.4	5,937.3

Source: The Bank of Korea, July 2017



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Clean KOTRA, Green KOTRA