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## TRANSFORMING THE WAY PEOPLE WORK

Matt Shampine, WeWork Korea

### EVENT OVERVIEW

#### THE 13TH JOB FAIR FOR FOREIGN-INVESTED COMPANIES 2018



MOTIE AND KOTRA PROVIDE  
JOB SEEKERS OPPORTUNITIES  
TO WORK AT FOREIGN  
ENTERPRISES IN KOREA

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*Dear Readers,*

Last month on June 21, KOTRA celebrated its 56th birthday. Just over 60 years ago, Korea was in ruins from war, but has since then, raced to become the 11th largest economy and sixth largest exporter in the world.

After its establishment in 1962, KOTRA has worked to make Korea known to the world and promote the export of its products. As a result, Korea overcame an era of poverty and took a leap forward in becoming a global trade hub. Even when faced with a financial crisis in late 1997, KOTRA carried out its duties as the national investment promotion agency and helped

bring the country back on course.

Now, the Korean economy is progressing from quantitative growth to qualitative advancement. In this vein, KOTRA has taken it upon itself to help expand SMEs and startups to overseas markets and create global employment opportunities.

I believe creativity and dynamism are the keys to the success of Hallyu (Korean Wave), and will also serve as Korea's new driving force. Hallyu has spread Korean culture throughout the world including Asia, North America and Europe, and is a testament to our global competitiveness. Going forward, I hope to see "industrial Hallyu" rise on the back of "cultural Hallyu," so that more SMEs and startups can advance into global markets, start businesses overseas and create more global jobs.

To this end, KOTRA plans to focus on supporting the growth of SMEs and startups overseas through customized programs for companies in the consumer goods as well as the technology and services industries (medical biotechnology, communication, FinTech, AI). Through events such as the Medtronic Asia Innovation Conference, we will work to create more opportunities for domestic companies with outstanding technology to join hands with global companies in overseas markets. Moreover, we will continue advancing online to offline (O2O) services globally through active digital marketing.

I hope these efforts by KOTRA will result in abundant business opportunities for our customers, and I ask for your continued interest and support.

Thank you.

**Sincerely,**

A handwritten signature in black ink, reading "Kwon Pyung-oh". The signature is fluid and cursive, with the last name "Pyung-oh" written in a stylized manner.

**Kwon Pyung-oh**

President & CEO of KOTRA

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## KOTRA HOSTS EVENT FOR FOREIGN INVESTORS AT THE DMZ

On June 16, the Korea Trade-Investment Promotion Agency (KOTRA) hosted the 25th Get to Know Korea, a promotional event for Korea's foreign business and press community, at the demilitarized zone (DMZ).

A total of 45 people participated in the event, including employees of foreign-invested companies such as Solvay Korea and Fuji Xerox Korea, as well as journalists from the foreign press, diplomats and their family members. The participants toured the Bridge of Freedom in Imjingak, the Dora Observatory, and the Third

Tunnel. The group also took the time to listen to a presentation from a representative from Gyeonggi-do on the region's investment environment.

Head of Invest Korea, Yong Kook Kim said, "This year marks the 10th year for Get to Know Korea, an event that has played a major role in helping foreign personnel residing in Korea, gain a better understanding of Korean culture and history" and added, "KOTRA plans to continue in its various efforts to promote Korea as a stable and attractive investment destination."

## SME GLOBALIZATION, NEW OPPORTUNITIES IN NEW MARKETS VIA COOPERATION

KOTRA and MOTIE hosted the "Segyero Forum" on June 12 to provide support for SMEs to expand globally. The forum, attended by about 200 leaders in business, academics and government, was held under the themes of "cooperation" and the "New Northern region."

While discussing the first theme of "cooperation," Im Chae-Woon, professor at Sogang University, stressed cooperation among government entities as the foremost challenge in supporting SMEs expand abroad. During the second session, participants discussed strategies and ide-

as to pursue economic cooperation and enter the New Northern market.

Kwon Pyung-oh, President and CEO of KOTRA, said, "Enhancing competitiveness of SMEs is essential for them to stand up as key players in innovative growth" and that "KOTRA will create an environment where companies and affiliated organizations can freely access various information including foreign markets and buyers, leading the way for the SMEs to go global by utilizing its overseas offices as Shared Service Centers."

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## KOTRA NAMED TOP NATIONAL IPA IN ASIA-PACIFIC FOR 3 CONSECUTIVE YEARS

The Korea Trade-Investment Promotion Agency (KOTRA) was named the Top National Investment Promotion Agency in the Asia-Pacific by Site Selection Magazine, a leading publication in foreign direct investment (FDI) and real estate. KOTRA first received the award in 2016, and for the past three consecutive years, the agency has taken home the honors. This year, KOTRA and EDB Singapore shared the award.

Korea's total FDI amounted to USD 22.94 billion (declared value) in 2017, a 7.7 percent increase from 2016, and exceeded USD 20 billion in FDI for three consecu-

tive years. According to Site Selection Magazine, Korea's solid growth in FDI promotion was a major factor in KOTRA's selection as this year's Top National IPA.

Upon receiving the award, the Head of Invest Korea, Yong Kook Kim, said, "I attribute Korea's success in attracting FDI to its globally competitive domestic companies and markets, Korea's strong economic fundamentals and the continuous efforts by the central and local governments to improve the business environment for foreign investors, and added, "KOTRA has a heavy responsibility as Korea's national IPA."

## MOTIE-KOTRA HOST NATION'S LARGEST JOB FAIR FOR FOREIGN- INVESTED COMPANIES

The 13th Job Fair for Foreign-Invested Companies, hosted by the Ministry of Trade, Industry and Energy (MOTIE) and organized by the Korea Trade-Investment Promotion Agency (KOTRA), was held from June 14 to 15 at COEX in Samsung-dong, Seoul.

Since 2006, the annual job fair has provided foreign-invested firms in Korea the opportunity to promote their companies and recruit outstanding local talent, and has also given job-seekers employment

opportunities at global companies. This year's event featured on-site employment consultations with HR representatives from participating companies as well as one-on-one interviews, recruitment sessions and career seminars.

KOTRA plans to continue its efforts in creating jobs for Korean youth through the Busan Job Fair for Foreign-invested Companies on June 27, as well as Invest Korea Week, coming up in November.





In a bid to support local job seekers find jobs in foreign-invested companies in Korea, the government has been holding a comprehensive job fair which provides on-site opportunities for attendees to meet with the recruiting staff from the companies. Since 2006, the Job Fair for Foreign-invested Companies has been hosted annually by the Ministry of Trade, Industry and Energy (MOTIE) and organized by the Korea Trade-Investment Promotion Agency (KOTRA) as the largest national job fair for foreign-invested companies. This year marked the event's 13th year in session, held on June 14 and 15 at COEX in Seoul.

The 13th Job Fair for Foreign-invested Companies 2018 turned out to be the largest yet, participated by 139 foreign-invested companies and attracting about 14,000 job seekers. The event was comprised of one-to-one in-depth interviews, informative sessions on companies and special lectures on the recruitment process.

The job fair was held this year in Hall D of COEX, with the venue categorized into different sections for one-to-one in-depth interviews, R&D, consulting, recruitment support, KOTRA's project promotion, as well as an area to hold the information sessions and special lectures. Company booths were also divided up into sections for their respective, geographical regions, including Asia-Ocean-

## MOTIE and KOTRA provide job seekers opportunities to work at foreign enterprises in Korea

ia, Europe and North America.

Out of the participating foreign-invested companies this year, 33 were U.S. companies (24%), 31 Japanese companies (22%), 19 German companies (14%), 10 British companies (7%), and 9 were French companies (6%). Mean-

while, there were 22 Fortune 500 enterprises, including 3M Korea, Siemens and DHL. In terms of industries, there were 58 companies related to the manufacturing sector such as automobile and petrochemical; 31 in the services sector including business consulting and engineering;





and 27 companies in the sales and distribution industries.

Information sessions on foreign-invested corporations took place all day on both days, with 21 global enterprises like Kelly Services, IKEA Korea and Nestle Korea each offering 20 minute talks on their companies. Special lectures covered topics such as the characteristics of foreign companies, TOEIC Speaking, tips and skills for interviews, as well as writing resumes and cover letters.

Some changes were evident in this year's event as compared to the last. Notably, the number of on-site in-depth interviews this year doubled from 2017, with 25 companies conducting such interviews as compared to the 13 last year. This provided greater opportunity for job seekers to successfully land jobs through the event. Additionally, the job fair was held in June this year, much earlier than the usual period in October of each year. Aside from the capital city of Seoul, KOTRA held the Busan Job Fair for Foreign Invested Companies at BEXCO on June 27 with consideration to job seekers residing in rural regions.

*By Grace Park  
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## Success Stories

Here are two examples of how job seekers at last year's event were hired by foreign-invested companies.



**Case 1:** “I had always wanted to work at a foreign company because of my inclination for foreign languages, and was aware that KOTRA held these jobs fairs each year. I decided to attend, and there, an HR staff member of a French company in Korea thoroughly explained to me the history of the company as well as the tasks of the job and the qualifications needed. Not too long afterwards, I went in for an interview at the company's headquarters, and ended up being hired. I started off as an intern for three months, then became a regular employee. Now, I enjoy working in an environment where English is the common language and I am able to voice my opinions freely.”

*- Kang, hired at a French company in Korea*

**Case 2:** “I had previously lived in Japan, and so I wanted to work for a Japanese firm where I could use my language skills to my advantage. I was definitely open to the idea of working abroad, but decided to check out the job fair because I knew there would be a lot of global Japanese companies in Korea, too. Since foreign companies tend to hire year-round, I visited various booths of interest to me and handed over my resume to the HR staff there. To my surprise, I received interview requests from a few of those companies, and was eventually hired at one of them.”

*- Lee, hired at a Japanese company in Korea*

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| MTA-Vietnam 2018  |     |     |     |     |     |     |
| China International Robot Show 2018                           |     |     |     |     |     |     |
| Korea Expo 2018   |     |     |     |     |     |     |
| MEDI EXPO 2018  |     |     |     |     |     |     |
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| INNOPROM 2018   |     |     |     |     |     |     |
| Milano Unica 19 FW  |     |     |     |     |     |     |
| 15  | 16  | 17  | 18  | 19  | 20  | 21  |
| Florida International Medical Expo 2018 (FIME 2018)           |     |     |     |     |     |     |
| 22  | 23  | 24  | 25  | 26  | 27  | 28  |
| 2018 Outdoor retailer Summer Market (2018 ORSM)               |     |     |     |     |     |     |
| Texworld USA 2018   |     |     |     |     |     |     |
| China Kids Expo   |     |     |     |     |     |     |
| 29  | 30  | 31  |     |     |     |     |
| 2018 The 10th China Internet of Things Exhibition (IOTE 2018) |     |     |     |     |     |     |

## KOTRA Events in July

### Japan Business Week 2018

On July 5, KOTRA will host “Japan Business Week 2018” at the New Otani Hotel in Tokyo, with the aim to help Korean consumer goods effectively expand into Japan by providing multi-faceted B2B and B2C support.

60 domestic consumer goods companies as well as 120 Japanese distributors and vendors will participate in the event, and export consultations of items ranging from innovative lifestyle products, to fashion and beauty products/cosmetics will be held.

Furthermore, the “Third Korean Wave,” with promotional contents created through influencers, will be utilized to build a solid foundation for Korean products to grow into a culture of their own in Japan.

### Jinan Korean Commodity Fair

KOTRA will host the “2018 Jinan Korean Commodity Fair” from July 6 to 8. Since 2014, KOTRA and the government of Shandong Province have been co-hosting China’s largest fair exclusively for Korean products in Jinan that provides an economic/cultural exchange platform between the two countries.

About 150 Korean companies and 1500 Chinese buyers, along with approximately 80,000 visitors are estimated to attend the event. KOTRA anticipates this fair will strengthen cooperation among major actors of the consumer goods export ecosystem including local Chinese governments, affiliated organizations and distribution networks inside and outside of Korea.

### INNOPROM

From July 8 to 10, KOTRA will host the “2018 Russia INNOPROM” at the Yekaterinburg Expo Center.

INNOPROM is Russia’s biggest industry technology expo held annually since 2010, participated by over 90 countries.

KOTRA expects that participation in the expo will help increase exports of Korean machinery and also increase awareness of Korean technology, products and culture in Russia. In particular, a greater synergy effect is also anticipated to occur this year, due to Russia hosting the 2018 FIFA World Cup.



## The Latest on Korea's Investment Environment



### Foreign investors major players on KOSDAQ in May

According to the bourse operator, foreign investors bought the largest amount of shares listed on South Korea's secondary stock market in 14 years in May.

Offshore investors purchased a net KRW 534.8 billion (USD 499.34 million) worth of shares on the tech-laden KOSDAQ market, while institutions and retailers sold KRW 180.4 billion and KRW 171 billion worth of the shares, respectively, as shown by data from the Korea Exchange (KRX).

The May figure is the largest since April 2004 when foreign investors bought KRW 723.4 billion on the KOSDAQ bourse, and the third largest in the market's history.

The record monthly amount of foreign buying was KRW 1.02 trillion in February 2000 when the dotcom boom swept through the country.

Offshore investors' major choices last month were bio and pharmaceuticals: HLB topped the list as foreigners picked up KRW 206.8 billion worth of shares, followed by Celtrion with KRW 99.2 billion, Viomed with KRW 91.4 billion, and Medytox with KRW 90.1 billion, according to the data.

### German auto parts manufacturer to build R&D center in Gyeongbuk Technopark

On June 13, Gyeongbuk Technopark said German automotive company HBPO will build its Asia FEM R&D Center on its grounds, following a business agreement signing between representatives from the two parties on June 12.

HBPO will construct the center together with Korean automotive parts company

SL and joint venture SHB.

Gyeongbuk Technopark expects the global market for FEM will grow to USD 119 billion by 2020. Lee Jae-hoon, director of Gyeongbuk Technopark said, "We look forward to seeing our regional companies taking up more prominent positions in the global market for auto parts."

HBPO has a 23% share of the global market for FEM, including head lamps, engine cooling systems and electronic devices and supplies parts for clients such as BMW, Mercedes-Benz and Chrysler.

### Samsung Securities creates research team on N.K. investment

Samsung Securities Co., announced it has launched a team tasked with analyzing possible investment in North Korea amid rising prospects for improved cross-border ties.

Established as part of the company's research center, the group aims to "provide comprehensive and systematic analysis with longer-term perspectives, at a time when geographical circumstances regarding North Korea go beyond mere short-term market themes to a new growth momentum for local firms."

The company added that the launch of the team, a first for local brokerage firms, will allow the affiliate of South Korea's largest conglomerate, Samsung, to cooperate further with securities firms in China and Vietnam so as to learn from their knowledge and get more information on communist economies.

Hopes of inter-Korean cooperation have risen after South Korean President Moon Jae-in and North Korean leader Kim Jong-un held two rounds of summit talks in recent weeks, with Kim committing his country to denuclearization.

## What's Trending



Last month, U.S.-based startup WeWork opened Asia's first workspaces to support aspiring entrepreneurs in South Korea make further inroads into the global market. With aim to specifically help startups, the company opened WeWork Labs to partner with local incubators and accelerators to provide holistic and long-term support to young companies.

Three WeWork Labs located across Seoul are now available to serve as a center for early-stage startups by providing members with workspace and access to investment, as well as educational resources to help grow their businesses. They accept startups from every industry through an application process.

In a press conference held at WeWork's Yeoksam building, Samuel Hwang, head of WeWork Labs Korea told reporters, "WeWork Labs is an inclusive community that embraces people from all different kinds of backgrounds," and added, "we have put a lot of thought and effort into how to help local startups with so much potential to advance to the global market."

According to the company, 22 percent of Fortune 500 companies are WeWork members. With access to the global network, WeWork Labs directly connects startups and entrepreneurs with large organizations around the world.

Furthermore, each location in Seoul has a specific focus to encourage collaboration among members with similar interests. The Yeoksam space is focused on consumer and tech startups, while Euljiro and Yeouido are focused on education and fintech startups, respectively. The Seolleung space, which is set to open this month, will focus on bio and healthcare startups.

Globally, WeWork Labs operates 15 spaces in nine cities including New York, Washington D.C. and Sao Paulo.

Roe Adler, Global Head of WeWork Labs, said, "(South) Korea is one of the most exciting places in the world to be entrepreneurs," citing reasons behind choosing Seoul as the first Asian location. "The country's expertise in technology innovation, I think, is a huge benefit." He added, "I am sure that South Korea is going to see an amazing revolution in the next couple of years."



## Did You Know?

According to the Global Entrepreneurship and Development Institute (GED), South Korea ranked 24th among 137 countries on the 2018 Global Entrepreneurship Index (GEI).

South Korea moved up three notches this year as compared to the previous year.

## 2018 Medtronic Asia Innovation Conference

The Korea Trade-Investment Promotion Agency (KOTRA) hosts a series of events and conferences every year to help connect Koreans SMEs to global companies in a variety of industries. This year, for the bio-health industry in particular, KOTRA plans to hold the 2018 Medtronic Asia Innovation Conference under the theme of “New Perspectives on the Future of Global Medtech Innovation,” from August 28 to 29 at COEX in Seoul.

Medtronic Korea will join KOTRA in co-hosting the event and invite the heads of Medtronic from the Asia-Pacific and China offices to aid Korean medical devices make inroads into Asian markets and contribute to furthering the development of the industry. Medtronic, the world's number one company for medical devices, solutions and services, was established in 1949, and supplies medical devices such as heart monitors, minimally invasive treatments, Parkinson's Disease treatments and devices for Diabetes to over 150 countries, including Korea.

On the first day of the conference, a seminar entitled “Medtech Insights” will be given to introduce various strategies in entering global markets. On day two, Korean companies selected through a pre-evaluation process will have meetings with each of the departments at Medtronic to present on their technology and products. Through these meetings, Medtronic will evaluate the potential of

market entrance (OEM/ODM), foreign license acquirement, as well as the investment quota of candidate companies. Additionally, three of the most promising Korean companies as well as one or more start-ups will be selected to participate in a special workshop at the Medtronic Asia-Pacific office located in Singapore.

\*For Korean companies wishing to participate, please contact [suhan@kotra.or.kr](mailto:suhan@kotra.or.kr) for more information.



## Introducing Invest Korea Plaza

### Invest Korea Plaza

Invest Korea Plaza (IKP) is the first business incubation complex in Korea for foreign investors. Designed to meet 21st century business needs, IKP offers furnished offices and conference facilities, in addition to on-site comprehensive services ranging from investment consultation provided by representatives of Invest KOREA and numerous government agencies.

### IKP Offices for Lease

#### A. Office exclusively for foreign investors

- Long-term lease: Office lease by a foreign investor seeking to establish a domestic company in Korea
  - Lease period: Up to two years, on a yearly basis (lease can be extended after deliberation)
- Short-term lease: Short-term lease of an office by a foreign investor seeking to enter the Korean market
  - Lease period: Up to two months (lease cannot be extended)



#### B. Office for related organizations

- Organizations and administrative entities for attracting and supporting foreign investors

### Qualifications for Occupancy

#### A. Long-term lease for foreign investors

- Companies that completed FDI notification: Companies with FDI of USD 300,000 or more that have completed foreign investment notification in accordance with the procedures prescribed by the Foreign Investment Promotion Act
  - Required documents: IKP occupancy application form, overview of company and business, FDI notification form
- Companies that plan to notify foreign investment: Companies that are expected to notify FDI of USD 30,000 or more within six months of moving in
  - Required documents: IKP occupancy application form, overview of company and business, letter of recommendation by KOTRA's KBC
- Companies that have executed foreign investment: A foreign-invested company with notified subsequent FDI of USD 200,000 or more
  - Required documents: IKP occupancy application form, overview of company and business, FDI notification form

#### B. Short-term lease for foreign investors

- For foreign investors conducting market research and business feasibility study to enter the Korean market
    - Required documents: IKP occupancy application form, a letter of recommendation by KOTRA's KBC or documents certifying the planned business and market research
- \* Occupancy counseling is required as lease may not be permitted depending on the type and content of the business.



## IKMP Intro

Invest KOREA Market Place (IKMP) is a project designed to help discover and support new investment projects for Korean SMEs, start-ups and local governments seeking foreign investment. Invest KOREA aims to use the IKMP platform to promote the globalization of Korean companies and institutions by utilizing KOTRA's 36 overseas offices devoted to attracting foreign investment.

Every year in March, June and September, the project notice is available on KOTRA's website at [www.kotra.or.kr](http://www.kotra.or.kr). Additionally, project information detailing investment opportunities in Korea is available on the Invest KOREA website at [www.investkorea.org](http://www.investkorea.org).

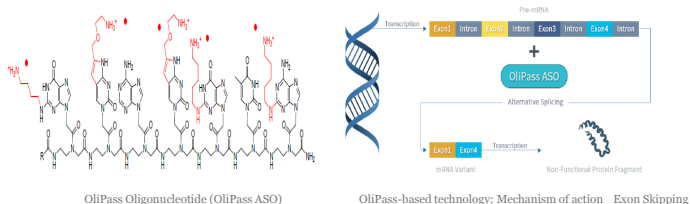


## Investment Opportunities

Below are two Korean companies currently available to receive foreign investment.  
(some information remains confidential)

### 1. Bio-healthcare Company: New Concept PNA Derivatives

**Investment Highlights:** The company is developing new medicine equipped with a therapeutic platform for oligonucleotides. Its OliPass Platform technology allows for the development of various nucleic acid-based drugs. The company currently has a monomer production line and an R&D center for evaluating the efficacy of medicine for animals, and it is in the process of conducting a first-phase clinical test for SCN9A, a non-opioid analgesic, in Europe.



**Company Profile:** The company was founded in November 2006 and has 71 employees (as of 2017). Two patent applications have been filed at home and abroad for OliPass Oligonucleotide, which features higher cell membrane permeability than existing technologies.

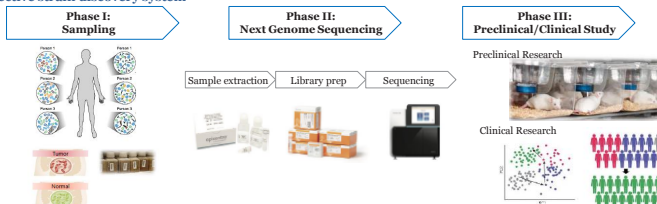
**Investment Requirements:**

- Investment method: Minority (financial investment)
- Amount: USD 2 to 20 million
- Region: All available (America preferred)

### 2. Pharma/Healthcare Company: Microbiome

**Investment Highlights:** The company specializes in developing probiotics-based medicine and medical supplies by using microbiomes, and currently has partnerships with Asan Medical Center, Samsung Medical Center and other university hospitals. The company is working with Seoul National University Hospital to conduct a clinical demonstration of strains for an anti-obesity drug that proves to be safe based on results of preclinical studies. In addition, the company is dedicated to developing probiotics used for the treatment of diabetes, acne, atopic dermatitis and mental illness.

**Effective strain discovery system**



**Company Profile:** The Company was founded in September 2015, and has 20 employees (as of 2017). It currently has applied for two patents for gut microbial that inhibit adipocyte differentiation and adiposity, and decompose neutral fat in fat cells.

**Investment Requirements:**

- Investment method: Minority (financial investment)
- Amount: USD 2 million
- Region: North America, China, Europe

For more details, please contact Seo Dong Hyun, Senior Investment Consultant of the New Industry Investment Promotion Team, at [dhseo@kotra.or.kr](mailto:dhseo@kotra.or.kr).



**Matt Shampine**  
General Manager, WeWork Korea

**W**eWork first launched its business in South Korea in August 2016 to spread the company's unique work culture, space and community across the country. WeWork Korea currently runs eight locations in Seoul, plans to expand to 10 by September this year, and recently announced it would open up another one in Hongdae next year. WeWork aims to help its diverse group of members network with each other, and to "create a life, not a living."

Matthew Shampine serves as General Manager, where he manages WeWork Korea's operations, community and sales. Matt was born in South Korea and adopted to the U.S. at a young age. In 2007, he was reunited with his birth family in Seoul and maintains a close relationship with both his biological and adopted families. He also co-founded WeWork Labs in 2011, which is WeWork's incubator for early-stage startups that has supported thousands of entrepreneurs just starting out. In addition, Shampine is an active angel investor and advisor to numerous successful start-ups both in Korea and the U.S.

We sat down with Matt at WeWork Euljiro, the largest location in Asia accommodating about 2,800 members, to hear about his experience doing business in Korea and his vision for the company.

## Transforming the Way People Work

Matt Shampine, General Manager of WeWork Korea, shares his story, vision for the company and Korea's evolving work environment.

### **Please tell us about WeWork and its history. What does WeWork offer to its customers?**

We can start from the beginning because it's pretty interesting. Our two founders, Adam and Miguel, started WeWork in 2010 in Manhattan, in a much smaller building, with a little less than 500 members. They started around the concept that we're all actually better together as opposed to the whole "I" thing that was going on at the time.

I was a program engineer at Mercedes-Benz, and a bunch of us there didn't really enjoy working at a big corporation, so we ended up deciding to create our own company. We quit and started a company in New Jersey at my friend's apartment, where it dawned on us that we could make more money if we had a New York address. We went online and found an office in Chelsea on Craigslist, rented it, and ultimately realized that three computer programmers and a designer do not

enjoy running an office. So we decided to look for a different option and found WeWork online, right when it started up. We toured the space and signed on the spot, and moved into the second floor of the first WeWork building as members.

Obviously, there weren't many other members there, so we got to know Adam and Miguel really well. During this time, WeWork was starting to grow, expanding to San Francisco, Seattle, L.A., Washington D.C., and Boston. It was a transformative time for the company, but we stuck to the concept of community, which I think is very relevant in Korea right now.

What's happening here is a redefining of success. Success doesn't have to mean you have a full-time job and make tons of money to survive and support your family. Now, success can actually mean two things. One is that every day, you really love and enjoy what you're doing, and you feel as if your work has impact and makes a difference. The other side



of success is that if you do the first part right, you can have a successful business.

Part of why we think it's important to be doing something that you love and doing it with intention is because you are probably happier. Then you come into a place like this, and you make friends here that you can have lunch with, have a beer with after work, and you do better work, because you're enjoying your day, every single day. This building has nearly 3,000 people. If you make, let's say, 2000 new friends, your business is going to be more successful because you'll go out of your way to help your friends, cheer them up, and be more willing to make introductions for things that are important to their businesses. There's real value that comes from having a wider network of friends, because that's just how real business happens.

### **What made WeWork establish a branch here in Korea?**

A little less than three years ago, Adam texted me and two other guys, asking us to come over to his place over the weekend. He said he had just come back from China, and went on to say, "Congratulations. The three of you guys are moving to China in two weeks to start WeWork in Asia." We were a bit shocked, but we sat down and talked about the cities we think of as the global hubs in Asia and want to prioritize. Seoul was always at the top of our list of first cities to open in, along with Shanghai, Beijing, Hong Kong and Sydney.

Also, I had met my birth family in Korea when I was 24, and was visiting every six months. Naturally, I started making more friends here, especially startup people, because a lot of them were coming to WeWork in New York as well. I had actually been asking Adam for years if we could open up a location in Korea. We finally had the opportunity and it was the right time, so I was quite excited and spent a lot of time here preparing for it.

We always knew Seoul was a major hub for international companies, but also, from a macro level, saw that Korea is actually going through a transformative time like I mentioned. The government was really pushing the idea of creative economy and the next-generation, what they're now calling the 4th Industrial Revolution, and promoting the no-



tion that it's not necessarily the conglomerates that would lead Korea into the future. We worked with Seoul City and signed a couple MOUs with them, and worked with KOTRA from our connections in New York, really supporting this idea that now is an amazing time in Korea.

### **How is the Korean market different from other parts of the world?**

What we've seen recently is a massive reflection in larger companies changing how they define work, talent acquisition, retention, attrition, employee happiness, and company culture. Other important factors like commute time, work hours, access to events, and continuing education is very important, especially here in Korea. I think you're seeing it with the growth of our member base. Most of our member base is made up of local Koreans, not just foreigners, so we are seeing a good reflection of this change. My goal here is to create a truly Korean WeWork, rather than just propping up WeWork locations all over Korea. The way we do that is by following our playbook for every market, and hire the best local people, then train and empower them to make decisions based on what will work in this specific market. They will know better what kind of events our members here in Korea will like as opposed to our Tokyo or Shanghai teams.

### **What were some marketing strategies that WeWork carried out to target Korean customers?**

The real estate market works a bit differently here, so we can help smaller companies have access to amazing buildings at affordable costs. They don't need to put down a huge deposit anymore since WeWork is always month to month. It's all about flexibility of what is best for the companies.

Also, we are seeing all the multinational companies as well as SMEs look to WeWork as an option that will enhance their company culture and help their employees to be happier. The cool part is that if you're a member at any of the locations, you can use any WeWork locations around the world. Korean businesses do lots of traveling since a majority of them work with global markets rather than limiting themselves to the domestic market. Especially in the startup world, you have to think early about this idea of expanding internationally. Even within Korea, if you have a meeting in Gangnam, followed with another one in Yeouido, you can book conference rooms or just show up and use the common areas in both locations through the app. This is advantageous for those who have to commute a lot in the city, because it's sometimes a pain going back and forth across the (Han) river.

On top of this, we hold events across all of our locations so members can attend any of the ones that interest them, ranging from yoga, Pilates, to a speaker, to happy hour, etc. The bigger the WeWork network becomes in Korea, the more useful it becomes for everyone else.

### **Were there any challenges your company faced while doing business here?**

Not really. Korea has been welcoming and an amazingly easy environment to start up. We went into all of our meetings with counterparts here with an open attitude of “we want to learn and hire local people” but also that “we are here to help support Korean companies and foreign companies be successful in Korea.” We talked to Seoul City, we talked to KOTRA, asking how WeWork can help support this new idea of creative economy. While being successful here, we wanted to help with job creation, help people work on things they care about, support social entrepreneurs and non-profits as well as grow a start-up ecosystem here in a way that is both beneficial for Korean companies here and make foreign direct investment easier.

### **How can Korea become a more ideal business environment for foreign companies like WeWork?**

I think the Korean government is very proactive in terms of being supportive and welcoming. Not only that, but government agencies we’ve worked with seem to really care about helping us be successful, and now we are at a point of thinking, how can we also help the government make other foreign companies want to come to Korea as well. It ultimately comes down to the people. People from outside have to actually enjoy their time here. If people from companies interested in opening in Korea have a rough time here, they’re not going to go back to their home country and have positive things to say. It’s all about making it easier through community and utilizing connections. We are now looking to be a partner to the government and help them create this type of environment to help foreign companies here be successful.

### **What Korean companies are you working with to strengthen your business partnerships?**

Almost everyone we work with are Korean companies. Whether it’s Internet or cleaning services, we really make a point to help small business in the local markets. Our coffee is from Anthracite, our beer is from a local Korean craft beer company. We ordered our agendas

through a local Korean notebook company, and our hats through a local company as well. So we are trying to support businesses and entrepreneurs here because we really do consider all of these guys creators.

A big upcoming project for us is our second WeWork Creator Awards, with Seoul being one of the handful of cities we are doing this in 2018. We are giving away well over 1 billion won to non-profits, grants to performing artists, and safe notes to startups which are the best investment documents you can have as a startup. It’s WeWork’s way of showing support for the creators not only in just a monetary way but through promotion and hopefully connecting people to some jobs.

### **What is WeWork doing to distinguish itself from other companies and rise above the competition?**

First is thinking always about what we can do better, and at the end of the day creating value for the members that are working here. If we ever lose sight of that, then we have a big problem. It really is about how do we make our events better, how do we connect our members better, and how do we constantly improve their experiences not just on a personal level but also on a business level as well.

On the other side, not losing sight of the fact that WeWork and all of our members in our buildings are part of their local communities. Giving opportunities to our members to contribute to their own communities, whether it be through volunteering or through any activity that’s of interest to people. For some, it’s about animal rights, for others, it’s about the elderly, or education—a lot of different things. In Korea, people are super busy all the time. But they want to give back; you just have to make it easier and find creative ways to do so. The average WeWork in Seoul holds well over 1,500 people. That’s a pretty significant size of people to make a difference in an area.

### **What are some of the future plans that WeWork has for doing business in Korea and in Asia?**

We aren’t shy about talking about connecting everyone in the world together. You’ll see significant and continued investment by us to open more locations in Korea and connect our members and



businesses throughout the country. My goal is to expand to at least one more city next year and really start building that network. But I mean, Seoul is already so massive itself, so it’s very important that we achieve success here in terms of continuing to build the network here.

In other parts of the world, we are looking to expand some of our other business lines such as WeLive. In Korea, we are starting to beta test meetup.com, where people in Korea can put on meetups themselves within WeWork to connect people over shared interests.

### **How is WeWork bringing innovation to how people work in Korea?**

For one, we are always trying to innovate the physical space itself, trying to make the best spaces to support a community and the idea of collaborative working. You can’t force a community, you can only create the atmosphere and the mechanics of it.

In another aspect, about 20% of the members at our WeWork locations here are from big enterprises such as GE, SK Holdings, Amore Pacific TF Team, Hana TI etc. We think about ways to connect the large enterprises to other members who are the innovative and creative entrepreneurs working on the next generation of things. Whether they are in FinTech, bio, health and wellness, to accounting and legal, they’re all creators in their own respect. The big enterprises can partner with them, invest in them, anything that will increase business activity and contribute to mutual success.

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## Trade News

**S. KOREA BECOMES FIFTH-LARGEST COSMETICS EXPORTER TO EUROPE**

Last year, South Korea became the fifth-largest exporter of cosmetics to Europe supported by natural ingredients and cost effectiveness.

According to the Brussels office of the Korea International Trade Association (KITA), South Korea surpassed Japan in taking fifth place through its EUR 135.79 million (USD 159.15 million) worth of cosmetic exports in 2017. The total marks a twelve-fold jump from EUR 11.33 million in 2010 and a 46.8 percent increase

from 2016.

Meanwhile, the U.S. was the largest exporter with EUR 1.21 billion, followed by China EUR (638.4 million), Switzerland EUR (574.1 million) and Canada EUR (136.99 million).

On top of being cost-effective, KITA said K-beauty products appeal to European consumers through its natural ingredients, such as ginseng, aloe and green tea, complementing the growing preference for a vegan lifestyle.

**S. KOREAN EXPORTS RISE 2 PCT IN EARLY JUNE**

On the back of brisk sales of chips and autos, South Korea's exports jumped 2 percent on-year during the first 10 days of June, according to the Korea Customs Service.

Based on the data, outbound shipments reached USD 12.4 billion in the June 1-10 period, and daily average exports grew 19 percent on-year to USD 2.06 billion compared to the previous year.

By product, outbound shipments of semiconductors rose 28.9 percent, while

those of autos climbed 41.4 percent. Exports of petrochemical goods surged 43.5 percent.

Exports to China, the U.S. and the European Union increased by 22.7 percent, 4.8 percent and 18.1 percent on-year, respectively.

Last month, South Korea's exports spiked 13.5 percent from a year earlier, rebounding from a brief dip the previous month, due to a rise in prices of key products and a global boom in the IT sector.

## Government and Policy

**GOV'T SEEKS DRASTIC DEREGULATION FOR INNOVATIVE GROWTH**

With innovative growth as one of the key economic goals sought after by President Moon Jae-in, the government will pursue drastic deregulation and offer support to foster such growth.

Under a set of support measures, the government will provide funding and other incentives for eight key sectors including smart cities and farms, financial technology, drones, electric vehicles and artificial intelligence.

In a ministerial meeting, Finance Minister Kim Dong-yeon stressed the Korean economy's need for momentum to mount

a sustainable growth going forward. In that context, he said innovative growth is crucial and that "The government will accelerate its move toward easing regulations to achieve innovative growth."

Earlier, the government also said it would focus on increasing financial support for new enterprises and creating a venture-friendly environment. The minister added that the government is aiming to help create over 100,000 startups this year through fiscal support and investment funds.

**SEOUL TO EASE REGULATIONS FOR CROWDFUNDING**

The South Korean government plans to soften rules for crowdfunding to help small and medium-sized enterprises (SMEs) raise money from individual investors.

Currently, only venture startups are permitted to raise funds through crowdfunding, which enables them to get capital from a large number of small investors.

Choi Jong-ku, chairman of the Financial Services Commission (FSC) said, "Financial authorities will actively improve regulations to help crowdfunding serve as a stable fund-raising market for venture startups and SMEs." The govern-

ment will submit a bill to allow SMEs to secure funding via crowdfunding, and regulations on crowdfunding brokers will be eased to promote equity crowdfunding campaigns.

South Korea first adopted the equity-style crowdfunding program in 2016. According to the FSC, 183 companies raised a combined KRW 27.8 billion (USD 25.9 million) in 2017, up 59.7 percent from the previous year. In the first five months of 2018, crowdfunding drew KRW 60 billion from some 30,000 individual investors.

# Current Status and Outlook of Korea's New Growth Industries

## Developing Korea's New Growth Industries

Since the beginning of Korea's heavy and chemical industry in 1970, Korea has pursued government-led development policies for new growth industries. Such policies led to the success and global competitiveness of major sectors such as memory semiconductors (1980s), automotive (1990s) as well as ultra-large ships, LCD panels and mobile phones (early 2000s).

However, with the country is experiencing limitations in developing new industries to replace existing major industries, the government started promoting policies to foster industries that can function as new growth engines from the 2000s. For instance, President Park Geun-hye's administration established a plan to discover and foster future growth engines in March 2014, and applied the plan across 19 sectors the following year. Since then, the government has come up with 19 comprehensive plans, one for each sector, and managed the plans' implementation and progress throughout the administration's tenure.

## Recent Trends in Korea's New Growth Industry Policies

Although many acknowledge that a government-led approach to developing new growth industries has reached its limit, the government-designated new growth industries are still playing a important role in markets. This is especially true for Korean industries as the government establishes concrete action plans for new growth industries that have been selected by policy, and actively lends its support in R&D, infrastructure construction, institutional improvement and more.

In recent years, government support has become an issue as it extends not only to the development of technology, but also to areas of indirect support, such as systemic improvements or the establishment of a business environment. Since Korea has a positive regulatory system, only government-approved products and services (or by law) can enter the market. Recognizing such restrictions, improvements are being made in government-level regulations and mitigation policies.

The current administration has selected industries similar to previous administrations in light of continuing trends. The Ministry of Science and ICT (MSIT) teamed up with relevant departments and experts to select 13 sectors as new growth industries in December 2017, shown in table 1.

The 13 sectors were deemed in need of government assistance in the onset of the Fourth Industrial Revolution and have the potential to create many jobs. The sectors were also classified as either "early commercialization sectors" or "original technology sectors" based on each sector's characteristics and period of industrialization. The early commercialization sectors are mostly products and services and will be commercialized in the next 5 years. The original technology sectors are focused on securing core technologies and require intensive R&D investment by the government. Next-generation telecommunications, advanced materials, intelligent semiconductors, innovative new drugs and artificial intelligence are the five original technology sectors, while the remaining eight are classified as early commercialization sectors.

<Table 1> Korea's New Growth Development Sectors

| Category                          | Sectors and Goals   |
|-----------------------------------|---|
| <b>Intelligent Infrastructure</b> | <ul style="list-style-type: none"> <li>- Big Data: Big Data open utilization</li> <li>- Next generation communications: 5G, IoT commercialization</li> <li>- Artificial Intelligence: Key AI technology development</li> </ul>  |
| <b>Smart Vehicles</b>             | <ul style="list-style-type: none"> <li>- Autonomous vehicles: level 3 autonomous driving</li> <li>- Drones: supply public and commercial drones</li> </ul>  |
| <b>Convergence Services</b>       | <ul style="list-style-type: none"> <li>- Customized healthcare: personal precision medical care</li> <li>- Smart city: reduce urban problems</li> <li>- Virtual augmented reality: VR/AR convergence with each industry</li> <li>- Smart robots: service robots for medical safety</li> </ul>   |
| <b>Industry Base</b>              | <ul style="list-style-type: none"> <li>- Intelligent semiconductors: development of semiconductors for AI</li> <li>- Advanced materials: aircraft parts, lightweight vehicles</li> <li>- Innovative new drugs: develop 100 candidate materials</li> <li>- New and renewable energy: increase share of renewable energy development (20% by 2030)</li> </ul> |

Source: Ministry of Science and ICT

Comment: Source technology sectors are in bold. The rest are early commercialization sectors.

## Detailed Policies for the Development of New Growth Industries

In 2018, the Ministry of Trade, Industry and Energy (MOTIE), the main government body for industrial development, suggested the development of future new industries. MOTIE supports the early performance of five new industries to create jobs and increase income levels. The five new industries selected by MOTIE are electric and autonomous vehicles, IoT home appliances, new energy industries, biopharmaceuticals and health and semiconductors and displays.

MOTIE plans to invest KRW 919.4 billion (30% of MOTIE's R&D expenditure) to support the five new industries and will link the substantiation and demonstration processes to the R&D stage of development to resolve any regulatory procedures in advance. MOTIE will also set up a task force to come up with an action plan and review the details of the transition.

Table 2 shows the policies MOTIE proposed in the beginning of 2018 on the development of new growth industries. It includes the policies to foster the five new industries as well as measures to gain the core competencies necessary to foster innovation. The plan constitutes intensive R&D investments focused on the five new industries, along with all the elements necessary for commercialization such as standards, patents, certifications, regulation improvement and demonstration projects.



<Table 2> New Growth Industry Development Policies

| Category                                | Sector                                  | Development Policy  |
|---|---|---|
| 5 New Industry Projects                 | Electric and autonomous vehicles        | - Autonomous vehicle demonstration project, obtain technological competitiveness for EVs, commercialize service models  |
|   | IoT Home Appliances                     | - Develop key technologies, substantiate smart home systems, build collaborative ecosystem  |
|   | New Energy Industry                     | - Increase ICT-based businesses, enter markets through systematic improvements, substantiate future systems   |
|   | Biopharmaceutical and Health            | - Smart healthcare 4.0, foster global bio stars, develop AI-converged medical equipment   |
|   | Semiconductors and Displays             | - Develop next generation semiconductors compatible with 5G, develop innovative process OLED, launch win-win development committee  |
| Core Competencies for Innovative growth | Innovative Industrial R&D               | - R&D centered on the 5 new industries, substantiations for obtaining new technology track records, commercialization through funding from corporate partnerships                               |
|   | Standards, Patents and Certifications   | - Introduce rapid standardization and increase priority reviews for patents, global leader in new industry standards such as 5G, innovate maintenance system for certification system           |
|   | Technology Protection                   | - Provide relief for technology leaks, come up with plan for industrial technology protection   |
|   | Regulation                              | - Improve regulations related to the 1 new industries, speed up verification for regulations regarding new products and services, provide regulatory exemptions and apply temporary permissions |
|   | Data Platform Construction              | - Establish a platform for energy big data, proliferate data platforms for each industry (traffic information, medical information, energy information, etc.)                                   |
|   | Foster Key Talent                       | - Foster experts in the Fourth Industrial Revolution, strengthen employee support   |
|   | Expand Digital Manufacturing Innovation | - Construct differentiated smart factories for each sector, build a digital manufacturing network for each company and industry   |

Source: Ministry of Trade, Industry and Energy.

## Current Status of Korea's New Growth Industries by Industry

The Korea Institute for Industrial Economics & Trade (KIET) selected 12 promising industries commonly found in various references, including the government's new growth industries, and analyzed the status of the companies in each industry. The institute used the Korean Standard Industrial Classification

(KSIC) taxonomy to classify industries and analyze the financial and non-financial information of companies by industry. In addition, researchers conducted a situational survey on a handful of companies from each industry and added qualitative indicators (indices).

<Table 3> Current Status of Korea's New Growth Industries by Industry

| Index<br>Industry                           | Technological Innovation |               |                   | Industrial Structure      |              | Market Characteristics |                      |               |        |
|---|--------------------------|---------------|-------------------|---------------------------|--------------|------------------------|----------------------|---------------|--------|
|   | Degree of intensity      | IPR intensity | Technology source | Manufacturing convergence | Productivity | Sales                  | Market concentration | Profitability | Growth |
| Smart Robots                                | 2.3                      | 0.9           | 3.2               | 45.4                      | 57           | 8,116                  | 42.5                 | 4.2           | 39.2   |
| Smart Factories                             | 2.1                      | 1.0           | 3.3               | 42.2                      | 62           | 7,581                  | 40.4                 | 5.1           | 42.2   |
| 3D Printing                                 | 1.7                      | 0.9           | 3.4               | 40.6                      | 69           | 7,648                  | 46.4                 | 6.3           | 43.3   |
| Drones                                      | 2.0                      | 0.7           | 3.1               | 24.5                      | 58           | 13,363                 | 36.8                 | 4.3           | 32.5   |
| Smart Vehicles (autonomous)                 | 2.1                      | 0.8           | 3.0               | 27.3                      | 59           | 13,414                 | 36.1                 | 4.2           | 31.3   |
| Big Data and Cloud                          | 1.3                      | 0.5           | 2.9               | 12.3                      | 67           | 11,096                 | 40.2                 | 5.6           | 36.7   |
| Smart Healthcare                            | 1.3                      | 0.7           | 2.9               | 43.0                      | 63           | 10,898                 | 37.6                 | 5.1           | 33.4   |
| Pharmaceuticals                             | 3.3                      | 1.3           | 3.5               | 4.3                       | 69           | 11,847                 | 32.7                 | 5.9           | 29.2   |
| Next Generation Plant Cultivation (factory) | 1.1                      | 0.9           | 3.2               | 4.5                       | 72           | 11,064                 | 40.1                 | 4.9           | 32.1   |
| Future Contents (VR, etc.)                  | 2.2                      | 0.9           | 3.2               | 49.9                      | 61           | 8,005                  | 48.8                 | 4.8           | 39.2   |
| New Energy Industry                         | 1.9                      | 0.6           | 3.0               | 32.4                      | 49           | 6,268                  | 37.4                 | 5.5           | 43.3   |
| Advanced Materials                          | 0.7                      | 1.2           | 3.4               | 0.0                       | 93           | 15,055                 | 44.2                 | 5.1           | 28.7   |

Source: The Korea Institute for Industrial Economics & Trade  
Comment: The boxes with relatively higher indicators are shaded. Refer to footnote<sup>1)</sup> for further explanation of indicators.

## Characteristics of Korea's New Growth Industries and Outlook

The characteristics of the new growth industries in Korea lies in strategic, government-led development and active commercialization led by large, private corporations. Since the year 2000, the Korean government has vigorously established policies to foster new growth industries to find new sources of economic growth. The current administration, which came into office in 2017, has also been implementing new growth industry policies under the theme of "innovative growth." In recent years, the government has focused not only on the development of technology, but also on developing the business environment by improving the procedures for certification, regulations, standards in light of the recent uncertainties and regulatory issues surrounding technology.

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

1) (Technological innovation) R&D Intensity: share (%) of R&D investments compared to total sales, IPR Intensity: number of patent applications per 100 employees, Technology Source: survey results on the use of original technology (5 point system) (Industrial Structure) Manufacturing convergence: share (%) (maximum 50) of manufacturing companies' sales compared to total sales, Productivity: value-added amount (KRW 1 million) for every employee, Sales: average sales (KRW 1 million) (Market Characteristics) Market Concentration: sales proportion of companies in the top 1% in sales, Profitability: Share (%) of operating income compared to total sales, Growth: sales growth rate (%) from 2010 to 2014

# Reaching True Innovation through the National Innovation Cluster

Promoting innovative growth is critical for sustainable growth of a country and is closely connected with its industrial and economic competitiveness. The fact that nations around the world race to become the leader in the Fourth Industrial Revolution further proves that innovative growth, especially in science and technology, stands as one of the core agendas of major nations across the globe today.

On June 10th, South Korea's Ministry of Trade, Industry and Energy announced a follow-up to the Special Act on Balanced National Development, which will materialize the development and operations of the National Innovation Cluster. Although the National Innovation Cluster is a recent project pursued by the government, the country's efforts in fostering science and technology innovation dates back to the 1970s with the Daedeok Special Zone for Research and Development.

## Daedeok Special Zone for Research and Development

Located 164 kilometers south of Seoul, Daejeon is South Korea's fifth-largest metropolis. It has emerged as the science hub of South Korea, home to numerous science-related institutes and research centers such as the Institute for Basic Science (IBS) and Korea Advanced Institute of Science and Technology (KAIST). Against this backdrop, Daejeon hosted OECD Science Summit (World Science & Technology Forum) in 2015.

In the northern part of Daejeon is the famous Daedeok Research Complex/Special Zone for Research and Development. Daedeok Research Complex was established in 1973 in a bid to develop science technology that would support the growth of the heavy chemicals industry. After designating Daedeok as a research base, many research institutes as well as science centers started to form a cluster in Daejeon and naturally, more infrastructure sprouted out around the area.

Though the primary focus of Daedeok Research Complex was research and education, "Daedeok Valley" was estab-

lished in 2000 in recognizing the need to connect pure research with industry and commerce. In 2005, Daedeok Research Complex was re-established as Daedeok Special Zone for Research and Development, further connecting science with industries. In just six years after its re-establishment, the special zone had doubled its number of residing companies and its revenue had grown eight times greater. To accelerate the growth of such complexes thus propelling South Korea's science technology capabilities, Daedeok was selected as the site for the "science-business belt" project launched under former President Lee Myung-bak in 2011. Since then, the cluster has proved to be one of the main innovation clusters in the nation.

## The National Innovation Cluster (National Innovation Convergence Complex)

While Daedeok Special Zone for Research and Development has been the main actor in South Korea's R&D sector, the arrival of the Fourth Industrial Revolution prompted the government to focus more on innovation. Currently, the government is investing heavily on fostering startups and new growth industries such as IoT, FinTech and ICT. The National Innovation Cluster is expected to not only boost innovation industries but also promote balanced development throughout the country.

The National Innovation Cluster will connect key regional entities including innovative cities, industrial complexes, special R&D zones and universities. The Ministry of Trade, Industry and Energy (MOTIE) set the goal for each cluster to attract 150 businesses. To this end, MOTIE vowed to provide incentives for businesses that invest in the National Innovation Cluster including financial aid, subsidies, tax exemption, regulatory exemption and innovation projects.

A cluster will be designated in each of the 14 cities and provinces of South Korea excluding the capital, Seoul. Each cluster will be associated with a specific industry, as seen on the map.

To ensure innovative growth in each cluster, the Regional Innovation Council, comprised of 20 specialists from various fields, will be created to come up with and efficiently carry out innovative projects. In addition, the Presidential Committee for Balanced National Development will restructure the current Regional Development Investment Agreement that is run by MOTIE. The Regional Development Investment Agreement is a system in which local governments subsidize budgets to ensure the stable implementation of pending regional projects in the span of several years. The committee and the newly formed agreement will facilitate more departments to utilize the agreement. Even though the development of the National Innovation Cluster is only in its early stages, there is no doubt that these efforts will indeed result in a more balanced growth; a growth that will maximize cooperation and the potential of various regions in South Korea.

Source: Ministry of Trade, Industry and Energy





# Korea and Japan: Trade and Investment Status

Numerous Japanese companies in Korea participated in the 13th Job Fair for Foreign-invested Companies in efforts to hire qualified local talent. Let's take a closer look at where the trade and investment relationship between South Korea and Japan currently stands.

Sources: Korea International Trade Association; Export-Import Bank of Korea; Ministry of Trade, Industry and Commerce

## 01 Korea-Japan Trade

Currently, Japan is Korea's fifth largest export market, and the third largest for imports. Since the start of the trade relationship between the two countries, imports have usually exceeded exports due to Korea's industrial structure of relying on Japanese parts and materials to manufacture major Korean export goods such as electronics, automobiles and machinery. Therefore, as Korea's global exports continue to rise, demand for Japanese imports are, in turn, increasing as well.

### Imports

In 2017, Korean imports from Japan reached USD 55.12 billion, with the major import categories being electronic parts, steel products and precision machinery.

### Exports

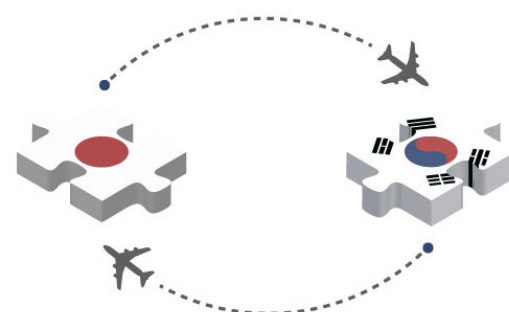
In 2017, Korean exports to Japan stood at USD 26.81 billion, with the top export categories consisting of steel products, mineral fuel and electronic parts.

## 02 Korea-Japan Investment

Japan ranks 12th among all countries that Korea has invested in up until now.

In 2017, Korean investment to Japan was at USD 647 million in declared amount, mainly in the manufacturing, wholesale/retail, and publishing/broadcasting/information service sectors.

Japanese investment to Korea reached USD 1.84 billion in declared amount, primarily in the manufacturing and service sectors.



## Brighter Future Amid Higher Interest Rates

**T**he FOMC, the ultimate governing body in determining interest rates in the U.S., has sent a clear message once again to the world that it is committed to rate normalization by raising the federal funds rate by another 0.25 percentage point to 1.75-2.00 percent after March this year. The highly expected rate hike yet again proves that the FOMC is firmly dedicated to depart from the decade-long low rate era. Regardless of who initiated it, and how successful or unsuccessful it may have been in dealing with the trauma from the post sub-prime mortgage crisis, the low rate regime in the past should come to an end and give way to a new era of the normal rate. No one knows how much further the rate will go up, but it is certain that the current rate will be raised at least twice more this year to be followed by another round of hikes in the next, as the FOMC announcement has implicated.

The interest rate hike may be hard to understand for most people, especially when the economic outlook remains somewhat grim, with the majority of people being burdened with heavy debt. But, as always, there are plenty of advantages to the hike. First, a higher rate brings higher interest income to depositors. This income effect is absolutely non-trivial in Korea. Household debt amounts to more than 1500 trillion won, while deposits of financial institutions reaches more than 2500 trillion won, which is 67% larger than household debt. A rate hike may raise the interest payments due for the debtors, but it also increases the income for the depositors, which may in turn boost consumption and growth.

Second, the banking sector may become much healthier. As the banking industry crucially depends on the deposits for its lending businesses, a higher rate would definitely attract more deposits, creating more lending business opportunities. Additionally, enhanced deposits would encourage the multiplier process in the banking sector, to be increasingly active

in supplying more credit to the economy. Indeed, the extremely low interest rates in the last decade has lowered the money multiplier effect across the world. The multiplier (M2) for Korea, in particular, has decreased from 25.1 in 2000 to less than 17 in 2017. This drastic decline of the multiplier hinders business activities and profitability for banks. However, all this could change under a higher and rising rate environment expected from the Fed's policies.

Aside from this, more positive effects are expected to emerge in terms of economy and investment in Korea, with prospects for peace on the Korean peninsula seemingly approaching closer. Of course, neither the decades-old conflict between the two Koreas nor the UN sanctions are over. And yet, this peace process seems entirely different from all the previous negotiations regarding North Korea. Although everybody understands that U.S. President Trump tends to boast about his achievements, this deal is fundamentally different, worth crediting him for playing an important role. This change is historical. This change unprecedented. This change was unthinkable just a few months ago.

The change in the geo-political landscape has huge implications on the Korean economy. Above anything, almost all the risks of potential warfare in the region have been stripped off. Just a few months ago, South Korea and the U.S. were alarmed at a possible nuclear war, but now, it seems as antiquated as Hiroshima or Nagasaki in the 1940s. On top of this, South Korea is willing to initiate, or at least participate, in the grand scheme of an economic development plan for North Korea, which would require billions of dollars' worth of investment and active participation of hundreds of firms in Korea and abroad.

Yes, there are many stumbling blocks ahead. North Korea has been notorious for its unpredictability and unreliability for decades. No one can ever be 100 percent sure about whether



North Korea will stay on the track of peace down the road. No one knows how secure Mr. Kim Jong-un's grip on power is. No one knows how China and Russia will intervene in the process. And yet, a majority of people are optimistic about achieving peace in the region because all of these changes have sprouted from the deep-rooted economic desperation of North Korea. It should work out not only for the betterment of North Korea, but of South Korea and the entire world as well.

This is why a little rate hike worries no one, at least on the peninsula. Also, no one denies that the peace process be a lengthy one, requiring years, possibly decades. Perhaps South Korea will have to sacrifice a lot of money and resources during the process. Along the course, many dissenters are bound to voice strong opposition to the process, challenging the political leadership. But this is the way it should go. Korea cannot be embedded in the internecine war any longer. It's been too long. The focus should be on how to minimize the friction, how to maximize the efficacy, and how to quicken the process. The results from Korea's local elections on June 13 vividly demonstrated how the Korean people have embraced hope and trust in the peace process, offering their absolute support.



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



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



Victoria Productions Inc. was first established in the U.S. in New York with aim to provide a variety of content based on virtual reality (VR) and augmented reality (AR).

Since then, the company has emerged as a leader in the VR/AR contents industry by converging VR/AR technology with not only paperback novels and

educational books for children, but also with play mats for children, kids' cafes, games and advertisements. It has now expanded its expertise to brochures, magazines, catalogues, and other promotional contents in all kinds of industries such as real estate. Victoria Productions Inc. continues to develop its technology to advertise and deliver information more effectively.

The company's main product is the BOOK+APP, which is a set of educational AR contents comprised of approximately 650 AR applications and about 150 books. The product is compatible with all Apple and Android devices, with the apps being offered on global mobile markets such as Google Play, the Samsung App Store, and the Apple App Store.

AR/VR/MR EdTech



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WEB VER.



IOS VER.



ANDROID VER.



## Economic Indicators

(Unit: USD million)

| GDP                            | 2013      | 2014      | 2015      | 2016      | 2017      |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| Nominal                        | 1,305,400 | 1,411,000 | 1,382,400 | 1,414,700 | 1,305,200 |
| PPP                            | 1,644,777 | 1,704,58  | 1,795,917 | 1,877,123 | 1,969,106 |
| GDP Growth Rate<br>(Y-o-Y) (%) | 2.9       | 3.3       | 2.8       | 2.9       | 3.1       |

Source: The Bank of Korea, March 2018

(Unit: USD)

| GDP Per Capita | 2015   | 2016   | 2017   | 2018(Estimate) |
|----------------|--------|--------|--------|----------------|
| Nominal        | 27,105 | 27,534 | 29,891 | 32,775         |
| PPP            | 36,395 | 37,730 | 39,434 | 41,388         |

Source: International Monetary Fund, October 2017

(Unit: USD million)

| Foreign Trade | 2013   | 2014    | 2015    | 2016    | 2017    | Jan.-May 2018 |
|---------------|--------|---------|---------|---------|---------|---------------|
| Exports       | 59,632 | 572,665 | 526,757 | 495,426 | 573,694 | 246,291       |
| Imports       | 15,586 | 525,515 | 436,499 | 406,193 | 478,478 | 220,091       |
| Trade Balance | 44,047 | 47,150  | 90,258  | 89,233  | 95,216  | 26,200        |

Source: Korea International Trade Association, March 2018

(Unit: KRW)

| KRW-USD<br>Foreign Exchange Rate | 2012    | 2013    | 2014    | 2015    | 2016    | 2017     |
|----------------------------------|---------|---------|---------|---------|---------|----------|
|                                  | 1,126.9 | 1,095.0 | 1,053.2 | 1,131.5 | 1,160.5 | 1,130.84 |

Source: The Bank of Korea, March 2018

(Unit: USD million)

| Balance of<br>Current Account | 2012     | 2013     | 2014     | 2015      | 2016     | 2017     |
|-------------------------------|----------|----------|----------|-----------|----------|----------|
|                               | 50,835.0 | 81,148.2 | 84,373.0 | 105,939.6 | 99,243.0 | 78,460.2 |

Source: The Bank of Korea, March 2018

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