

kotra EXPRESS

KOREA'S INFORMATION SECURITY INDUSTRY

In an always-on,
always connected world

Success Story

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HP Printing Korea



August 2019

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Foreign Direct Investment

KOREA-FINLAND JV CHEMICALS COMPANY TO INVEST KRW 50 BN IN ULSAN

On July 10, Ulsan City announced that Yongsan Kemira Chemicals, a joint venture between Yongsan Chemicals and Kemira of Finland, has decided to make a new investment worth KRW 50 billion in Bugok-dong in Nam-gu, Ulsan.

Yongsan Kemira Chemicals will build a factory for DPAM production by December 2020 within the Yongsan Chemicals Ulsan factory in Nam-gu. The new factory will begin commercial production in earnest in January 2021 after test-operation.

Kemira, a JV partner, is a global chemical company with strength in technology related with water

treatment agents.

Once the factory is up and running, it will be able to produce up to 30,000 tons of DPAM per year, allowing the Yongsan Chemicals production line to operate normally, which has in the past often been troubled by a low operation rate or a supply stoppage of clients.

A city official said, "This JV investment is expected to contribute to revitalizing regional economy, setting an exemplary case of win-win growth between regional companies and foreign-invested companies."

CHINA'S SYNUTRA TO INVEST KRW 20 BN FOR FACTORY IN INCHEON PORT

On July 4, Incheon City announced that Synutra International, Inc., China's leading baby food and formula company, plans to establish a plant to produce baby formula in the free economic zone at Pier 4 of the inner port.

Synutra plans to invest USD 17 million (KRW 20 billion) to commence construction in July, with the completion target set for late October.

Once the plant is built, the company, after a test operation period, will produce 20,000 tons of baby formula annually, including exports to China.

Incheon City expects the investment to generate

40 jobs, and increase freight quantity by 6,000 TEU per annum. (1 TEU: one 20-ft. container)

Synutra is said to have made its decision to build a plant in Incheon port, in consideration of its proximity to China and non-tariff benefits in FEZ.

Kim Ki-hak from Incheon City Government said, "Synutra's investment has set a new business model that adds both jobs as well as freight quantity through FDI," stressing that "We will continue to endeavor to attract investment in connection with the port."

Trade & Commerce

KOREA'S EXPORTS OF ECO-FRIENDLY CARS UP 33% ANNUALLY OVER LAST SIX YEARS

South Korea's exports of eco-friendly cars gained an average 33 percent per annum over the past six years despite overall sluggishness of Korean brands, a local report showed on July 16.

According to the Korea Automobile Manufacturers Association, Korea's outbound shipments of green cars rose 33.1 percent on year from 2012 to 2018, whereas exports of all vehicles fell 4.2 percent over the cited period.

Korea shipped total 196,000 units of eco-friendly cars abroad last year, surging from 35,000 units in 2012 and taking up 8 percent of all auto exports. The volume further added 28.5 percent in the first four months this year to take up a 9.3 percent share.

Shipments to the European Union accounted for the largest 45.7 percent last year, and the U.S. was

the largest export destination as a single nation, KAMA said.

The rapid growth in exports largely owed to expanded vehicle lineups, according to industry experts. As of last year, local carmakers supplied a total of 14 models to overseas including hybrid cars, all-electric vehicles, hydrogen powered versions and plug-in hybrids.

Korean brands also have proved their competitive edge in designing and manufacturing electric vehicles in the global market. Hyundai Motor's Ioniq Electric, for example, was picked as the most fuel-efficient car in the U.S. by the Environmental Protection Agency (EPA) last year, beating its rivaling models built by leading global brands for the third year since its release in 2017.

KOREA'S AUTO EXPORTS UP 2.5% IN FIRST HALF

South Korea's automobile exports rose 2.5 percent in the first half of 2019 from a year earlier on robust demand for eco-friendly cars and sport utility vehicles, according to government data.

The country's five passenger carmakers—Hyundai Motor Co., Kia Motors Corp., GM Korea Co., Renault Samsung Motors Corp. and SsangYong Motor Co.—and two commercial carmakers—Tata Daewoo and Zyle Daewoo—shipped a combined 1.25 million vehicles in the first six months, the

Ministry of Trade, Industry and Energy said in a statement.

In terms of value, vehicle exports increased 7 percent on-year to USD 21.69 billion, according to the data.

The strong result was helped by robust sales of lower-emission vehicles and competitive SUV models in global markets, though demand in China remained weak in the first half.

Industry

MOODY'S MAINTAINS KOREA'S RATING AT AA2 WITH STABLE OUTLOOK

Moody's Investor Service on July 8 reaffirmed South Korea's credit rating at Aa2 with a stable outlook in a show of confidence in the country's strong economic and fiscal fundamentals despite the escalating near-term risks from the external front.

Korea has stayed on the third-highest rank of the

agency's rating scale since December 2015.

"Korea's economy is highly diversified and competitive when compared with rating peers, although its reliance on international trade poses near-term drag from flagging external demand," the agency said in its annual report.

DRAM PRICES REBOUND AMID JAPAN'S EXPORT CURBS: REPORT

Prices of DRAM rose for the first time in 10 months, a price chart showed July 12, partly attributable to increased purchases of memory chips following Japan's strict material export regulations on South Korea.

The average price of 8-gigabit DDR4 DRAM, a benchmark price for the category, stood at USD 3 on Wednesday, up 1.2 percent from the previous day, according to DRAMeXchange, a division of TrendForce.

It was the first hike since the spot price marked a daily gain of 0.2 percent on Sept. 14.

Two South Korean chip giants—Samsung Electronics Co. and SK hynix Inc.—accounted for 70 percent of the DRAM chip market in 2018, followed by Micron of the United States.

IC Insights said supply glut in DRAM capacity and weak prices caused by trade uncertainties will continue to put pressure on chip prices in the latter half of 2019, but it predicted slower than expected declines this year and a recovery next year as major chipmakers are set to cut back their capital expenses.

DOOSAN, CERES POWER TO CO-DEVELOP SOLID OXIDE FUEL CELL POWER SYSTEMS

Doosan Corp., a major fuel cell power systems developer in South Korea, said on July 16 that it has signed an agreement with British fuel cell technology firm Ceres Power PLC to co-develop a solid oxide fuel cell (SOFC) power system.

Under the agreement signed in Seoul, Doosan and Ceres will jointly develop SOFC distributed

power systems.

The agreement includes licensing, technology transfer and engineering services. The two sides will focus on developing a 5-20 kilowatt low-carbon power system over the two years, according to Doosan.

Government & Policy

MOON: GOV'T TO SPEND 849 BN WON FOR INFORMATION SECURITY

President Moon Jae-in said on July 10 that his administration will spend KRW 848.5 billion won (USD 718 million) by 2022 to bolster information security.

"By strengthening the foundation of information protection, (the government) will protect the core infrastructure of the Fourth Industrial Revolution era such as big data, artificial intelligence and Internet of Things," he said in a speech to mark the 8th Information Protection Day.

Moon said the government will "inject KRW

848.5 billion related to information protection from this year till 2022, expand the information security market to the size of KRW 14 trillion and create 10,000 jobs."

He stressed that information security, also called infosec, is the key to the success of the Fourth Industrial Revolution and the sustainability of the data economy.

"The Republic of Korea should become a country that handles data the most safely, not just a country that best uses data," Moon said.

GOV'T TO EARMARK 1TN WON IN NEXT YEAR'S BUDGET TO SUPPORT MAKERS OF CHIP PARTS

The government will seek to set aside more than KRW 1 trillion won (USD 847 million) in next year's state budget to support companies producing parts and materials used in chips amid Japan's export curbs, a lawmaker said July 25.

In a related move, the government plans to unveil a set of measures to help enhance competitiveness in the chip-making and key material industries in the coming days, according to Rep. Cho Jeong-

sik, policy chief of the ruling Democratic Party (DP).

"Based on the first-half record, the ruling party and the government agreed to keep the trend of expansionary fiscal spending in the second half," Cho said.

His remarks came at a consultative meeting on state budget spending between the government and the ruling party held at the National Assembly.

Trends and Outlook of Korea's Information Security Industry

The advent of the Internet of Things (IoT) has emphasized the importance of cyber-security, as objects are being increasingly connected through networks and ICT is being applied across industries. As the world has recognized the importance of information security after experiencing crisis in social infrastructure in the wake of ransomware like Wannacry and Petya in 2017, an effort to strengthen security has been underway.

Korea is not an exception, with its well-established IT infrastructure that is developed enough to launch a 5G service for the first time in the world. The information security market has continued to grow, driven by the increasing demand for information security and investment by companies.

Status of Korea's Information Security Industry

The information security industry can be defined as an industry associated with developing, producing, or distributing products related with information security, or consultancy on information security. Depending on the technologies applied and the nature of products, the industry can be further divided into information security, physical security, and convergence security.

Total sales of domestic information/physical security industry was about KRW 10 trillion in 2018, 5.3 percent up from the previous year. In detail, sales in the information security industry increased to KRW 3.003 trillion in 2018, up 9.4 percent from KRW 2.7449 trillion in 2017. Sales in the physical security industry rose to KRW 7.0864 trillion in 2018, 3.6 percent up from KRW 6.8408 in 2017. As shown in the table below, the domestic information security industry has continued to record a decent growth rate since 2015. The average growth rate of the information security industry is 14.8 percent, more than twice that (6.3 percent) of the physical security industry.

Table 1 • Status of Information Security Industry Sales (unit: KRW 1 M, %)

	Information security		Physical security		Combined	
	Sales	Growth rate	Sales	Growth rate	Sales	Growth rate
2015	2,108,659	+21.5	6,110,086	+10.7	8,218,745	+13.3
2016	2,454,024	+16.4	6,588,787	+7.8	9,042,811	+10.0
2017	2,744,940	+11.9	6,840,822	+3.8	9,585,762	+6.0
2018	3,003,044	+9.4	7,086,480	+3.6	10,089,524	+5.3

The information security industry can be largely divided into: system development for information security including network security and system security; and services of information security

including security consultation and security control. Breaking it down by the sources of demand, 40.7 percent of sales of information security system development comes from general companies, while public institutions account for 38.5 percent, followed by financial institutions (20.8 percent). In the case of information security services, 44.6 percent of sales are generated by general companies, followed by public institutions (38.7 percent), and financial institutions (16.7 percent).

Table 2 • Status of Sales by Sources of Demand (unit: %)

	Source of Demand			
	Public	Financial	Companies	Combined
Information security system development	38.5	20.8	40.7	100.0
Information security service	38.7	16.7	44.6	100.0

The physical security industry also can be classified into system development for physical security and physical security services. Breaking it down by sources of demand, most of the sales come from general companies (60.1 percent), followed by public institutions (31.6 percent), and financial institutions (8.3 percent). When it comes to physical security services, general companies account for largest share (58.8 percent), followed by public institutions (30.7 percent), and financial institutions (10.5 percent).

Table 3 • Status of Sales by Sources of Demand (unit: %)

	Source of Demand			
	Public	Financial	Companies	Combined
Physical security system development	31.6	8.3	60.1	100.0
Physical security services	30.7	10.5	58.8	100.0

For both information security and physical security industries, general companies account for the largest part in terms of the sources of demand, while the public sector also occupies more than a third of the total. In the physical security industry, general companies are dominant with the financial sector remaining tiny. In contrast, in the information security industry, the share of general companies and the public sector appear to be similar, with the financial sector also accounting for above 20 percent. All in all, regarding the demands for information security products and services in Korea, it is the public sector that has a relatively higher demand for both information security and physical security.

By comparison, companies have higher demand for physical security than information security, and it is the other way around for the financial sector.

When it comes to the number of information security companies, there were 464 information security companies in 2018, and 549 physical security companies, totaling 1,013. This figure is 12.9 percent up from the previous year of 897 companies, signaling more room for scale-up of the industry. By type of information security company, there were 614 general companies (60.6 percent), and 399 startups (39.4 percent). This indicates the presence of promising companies with technological prowess and a business portfolio in the information security sector, considering that startups are those the government reckons the need for support based on their relatively higher technological capabilities and growth potential.

Table 4 • Status of Information Security Companies by Type (unit: No., %)

	Information security		Physical security		Combined	
	No. of companies	Share (%)	No. of companies	Share (%)	No. of companies	Share (%)
General	258	55.6	356	64.8	614	60.6
Startups	206	44.4	193	35.2	399	39.4
Combined	464	100.0	549	100.0	1,013	100.0

Information Security Industry Promotion Policies

The government has consistently supported enhancing competitiveness and market expansion of the information security industry through such actions as “K-ICT Security Development Strategy” (April 2015), “Act on Information Security Industry Promotion” (June 2016), “1st Information Security Industry Promotion Plan,” and the “Comprehensive Plan for Information Security in the Private Sector” (January 2019).

While the promulgation of the Act on Information Security Industry Promotion laid the foundation for the promotion of the information security industry, the Information Security Industry Promotion Plan has been implemented with a focus on ▷ Strengthening competitiveness by encouraging establishment of businesses, ▷ Creating a new information security market and expanding investment, ▷ Expanding market from domestic-oriented to global one, and the ▷ Establishment of ecology for continued growth.

The comprehensive information security plan announced by the Ministry of Science and ICT recently set such tasks as the ▷ Foundation of fair and reasonable market conditions, ▷ Establishment of an environment for the growth of information security companies, ▷ Creation of a new convergence security market, and the ▷ Push for an expansion of the global market; demonstrating the government’s efforts to hone the industry’s competitiveness.

Outlook of Information Security Industry

Based on the current status illustrated above, it’s time turn to the prospects for Korea’s information security industry going forward. First of all, the industry is highly likely to keep expanding. As shown in Table 1, the information security industry has continued to grow since 2015, surpassing the KRW 10 trillion mark in 2018. The number of companies involved in the information industry has consistently gone up. The government also wrote down laying the foundation for information security market, and support for global expansion in various measures, implying its active support for long-term growth of domestic information security market.

Secondly, the service sector, rather than the system development sector, is likely to drive the growth of the information security market in the future. This corresponds to the global trends in which major enterprises in the global market are moving towards a total solution service covering all areas of security, capable of comprehensively managing vendors. Major companies in Korea are also expected to launch and expand total solution services through M&A, in line with global trends. In particular, a cloud-based total solution service is likely to grow in keeping with an increasing cloud usage, accelerating the market expansion of the service sector.

Thirdly, the convergence security industry transcending the division between information security and physical security is expected to continue to grow. The convergence security industry is concerned about products and services resulting from the combination of information security with other industries, such as home appliances, medical, automobile and factory. Although the convergence security industry was not factored into calculating the size of the information security market, it has potential for growth in the future as security issues in other industries have been brought to the limelight since the acceleration of the Fourth Industrial Revolution. Once the convergence industry takes root and expands, it will provide the entire information security industry with a stimulus to take another leap forward.

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* The opinions expressed in this article are the authors’ own and do not reflect the views of KOTRA.

Daejeon

From a City of Science to a City of Industry 4.0



Daejeon Metropolitan City, located at the center of Korea, is known as a city of science. Academic journal “Nature” selected Daejeon as one of the top eight global science cities to keep an eye on. This is mainly attributable to Daedeok Innopolis, playing a vital role in Korea’s scientific prowess. Daedeok Innopolis is Korea’s leading R&D complex, where government-funded research institutes, public research institutes, and company research centers are gathered, including the Korea Institute of Science and Technology (KIST), Electronics and Telecommunications Research Institute (ETRI), Korea Aerospace Research Institute, Korea Research Institute of Chemical Technology, and the Korea Institute of Science and Technology Information (KISTI). It served as a venue for the 1993 Daejeon EXPO, which showcased all areas of science including IT, automobile, and space. It was the birthplace of Korea’s first science technology satellite launch, the world’s first human-like robot HUBO, the world’s first 64-mega DRAM, and the world’s first CDMA technology, which has now become the global standard for mobile phones networks. With 15 percent of Korea’s total research spending, and an 11 percent concentration of doctoral researchers in science, Daedeok Innopolis boasts Korea’s best R&D capabilities.

As research institutes in Daejeon are conducting various projects directly linked with the development of national science accompanied with a correspondingly large volume of research data, a high-level of security is required. The Science and Technology Security Center (S & T-SEC) of KISTI is protecting research resources, entrusted by the National Cyber Security Center, through cyber security control for government-funded and national research institutes. Since last year, S&T SEC has been developing an AI-based intrusion response system, analyzing signs of large-scale cyber-attacks and abnormal activities. AI-based security technology has been garnering increasing interest from public organizations in Daejeon. The National Information Resources Service (NIRS), the world’s first government data center, manages an enormous quantity of operates about 45,000 information resources of 45 most government agencies (45 agencies), excluding only the specialized agencies exceptions such as the Blue House, National Intelligence Service (NIS), and the Ministry of Defense. NIRS has been establishing the AI-based security system in conjunction with LG Hitachi since 2018. Last year, it developed a learning model capable of automatically identifying attacks on more than 5 percent of total data under management. It plans to increase the coverage to more than 80 percent by 2020.

“ Academic journal
“Nature” selected Daejeon
as one of the top
eight global science cities
to keep an eye on. ”

Daejeon is home to Daejeon Government Complex involving the Ministry of SMEs and Startups, Korea Customs Service, Korea Intellectual Property Office, Statistics Korea, Public Procurement Service, Cultural Heritage Administration, Military Manpower Administration, and National Archives of Korea, as well as the headquarters of many public corporations including the Korea Railroad Corporation, Korea Minting, Security Printing & ID Card Operating Corporation and K-Water. For an administrative city handling important information resources of the nation and the people, it is bound to have high demand and interest for information security. Currently, Daejeon has the largest number of information security companies in the country, following the metropolitan areas of Seoul and Gyeonggi Province. It has made several achievements as well. At the 2018 Security Awards Korea, which assesses physical security and information security, the city won the grand prize in the public sector. In 2019, Daejeon Metropolitan Office of Education, having allocated the second highest amount in budget toward purchasing system security software (SW), was recognized to be the best in information security for five consecutive years. Daejeon Metropolitan Express Transit Corporation was also awarded for excellence in information security for two years in a row.

Currently, Daejeon is preparing to take a leap forward as a “Special Fourth Industrial Revolution City,” leading the phenomenon at the forefront.

SK Telecom, which signed an MOU with Daejeon City in 2017 to foster 5G communications, recently constructed a 5G communications network for the Seoul-Daejeon section, a core part in nationwide data transmission incorporating the best security technology currently available. LG Electronics established a 6G research center inside the Korea Advanced

Institute of Science and Technology (KAIST) in January of this year. Last year, Statistics Korea’s big data center was opened. Daejeon was also the first to complete the construction of a 3D database of major facilities in Daejeon. Since August of this year, the city provides public Wi-Fi service free of charge on all buses operating within the city. This May, it was selected in the Smart City Challenge Public Competition run by the Ministry of Land, Infrastructure and Transport, to implement a parking sharing system downtown. The city plans to establish a data hub center, jointly with Korea IBM and Kolon Benit, to realize its vision of a scientific smart city utilizing data. As such, the city is expected to have more and more data on the city and citizens to protection and management purposes. The information security industry is expected to grow in step with the development of Daejeon’s fourth industry.



LG Electronics established a 6G research center inside the Korea Advanced Institute of Science and Technology (KAIST) in January of this year.

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Invest Korea Market Place

Invest Korea Market Place (IKMP) is an online business matching platform available on Invest KOREA's website with information on over 280 Korean companies seeking to partner with foreign investors. This month, KOTRA Express introduces some outstanding companies in Korea's information security sector.

COMPANY

A



- 1 Touch sensor on the Card
- 2 Tap card terminal
- RF Power Harvesting
- Storage On Card
- 3 Your are authenticated
- Match On Card

Design of ELI A1 ES and its fundus photos

Investment Requirement		Company Profile	
Amount	USD 2 million	Patents and certificates	2 patents related to fingerprint recognition card
Investment Structure	Equity Investment	Potential Clients	Government agencies, cryptocurrency exchanges, etc.

Investment Highlights

The Match on Card function works through the built in algorithm designed to determine whether the user is identical to the owner. Our biometric smart card drives Java card applets through this function and is compatible with ISO 7816 and ISO 14443.

As RF power harvesting technology, it can ensure reasonable production cost and marketability. It features a wide range of extensibility, which indicates the provision of online/offline applications. In addition, its decentralized structure excludes the centralized biometric data sever and instead allows users to carry and manage their biometric information in person.

COMPANY

B



Bioresorbable vascular scaffolds (BRS)

Investment Requirement		Company Profile	
Amount	USD 2 million	Patents and certificates	1 intellectual property right and patent related to mobile security (Android)
Investment Structure	Minority (Financial investment)	Major Clients	Pyeongchang 2018, Lotte, Meritz, etc.

Investment Highlights

Our products are intended to check the vulnerabilities of not only open source OS-based Android applications but also closed source iPhone OS-based ones. They can also check the vulnerabilities of network servers.

It just takes several seconds to minutes to detect vulnerabilities depending on application binary sizes. This ensures fast vulnerability analysis and responses. The acquisition of TTA's Good Software also assures customers of minimized inconvenience caused by errors and defects in solution functions.

COMPANY

C



AtEar (wireless network vulnerability analysis solution)

Investment Requirement		Company Profile	
Amount	USD 3-5 million	Patents and certificates	Local registration of 31 patents, with 28 patents applied abroad
Investment Structure	Minority (Financial Investment or strategic investors), Joint Venture	Major and Potential Clients	Samsung Electronics, Ministry of National Defense, Qihoo 360, etc.

Investment Highlights

AtEar is a unique service that provides a solution for checking wireless vulnerabilities in Korea. According to the 2015 survey on the Korean information security industry, the value of the wireless vulnerability assessment market was expected to reach KRW 210 billion by 2020 and the global market is expected to reach KRW 7.5 trillion.

AtEar can prevent security threats by thoroughly analyzing vulnerabilities by hacking simulation. IoT Care is installed as a software security module in Android and embedded Linux-based IoT devices.

For more information, please visit the IKMP page on www.investkorea.org.

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DRIVING GLOBAL INNOVATION THROUGH STATE-OF-THE-ART R&D

ONE-ON-ONE WITH JAMES R. NOTTINGHAM

*KOTRA Express talks to James R. Nottingham,
Representative Director of HP Printing Korea, to hear more about Korea's
printing industry and his experience doing business here.*



HP has been a pioneer in printing for more than 30 years. The company invented thermal inkjet printing and developed the first desktop laser printers. Now, it's reinventing printing for the 21st century. With the industry's most complete portfolio of innovative solutions for home, office and commercial use, HP continues to introduce printing capabilities and innovations that are driving the industry forward. HP maintained its leading position in the printer segment with a market share of close to 45 percent in Q3 2018 (as per IDC). Printing sits at the heart of HP's business, contributing 70 percent of its gross operating profit.

After its acquisition of Samsung's print business (S-Printing) in November 2017, HP established HP Printing Korea (HPPK), the strategic hub of HP's A3 global business and a key pillar of its office printing solutions (OPS) business. It contributes to HP as its A3 Center of Excellence (COE) with a focus on research and development, driving global innovation in its A3 business.

James R. Nottingham is Representative Director (RD) of HPPK. As RD, James is responsible for all HPPK operations, for continuing its growth as a world leader in print products and print-related R&D, and for driving its improvement

in product quality, innovation and customer experience.

James joined HP's Boise Printer Division in 1992 after attaining BS and MS degrees in Electrical Engineering. Early in his career at HP, James worked as an R&D engineer and architect. In 1997 he briefly left HP to join a startup company, In System Design, serving in multiple capacities. He returned to HP in 2000, and before his current role, James was general manager of the Value LaserJet Business, Director and then VP of R&D for LaserJet development, and Global Head of HP's OPS Development & Technology Business, responsible for all HP LaserJet product and technology development and for quality and product reliability.

KOTRA Express sat down with James to hear more about Korea's printing industry and his experience doing business here.

What made HP establish a printing R&D center in Korea? What are the advantages of doing business here?

HP is the world's leading printing and personal systems technology company, and it sees Korea as a crucial part of our future. Our investment in Korea is a clear demonstration of this commitment. HP Printing Korea brings a valuable

portfolio of products and solutions and expertise in the form of the HPPK workforce, along with expertise in laser printer technology, imaging electronics, mobile-first and cloud-first user experience, as well as printer supplies and accessories to support future print opportunities.

Korea has a great business ecosystem and infrastructure; it's not only a great place to do business, but we also have access to a talented workforce, including crucial R&D talent.

Korea leads in innovation, which explains why foreign direct investment (FDI) here reached a record high in 2018. This is exactly why HP has invested in Korea and why we've made HPPK the global hub for our worldwide A3 printing business.

What are some of the main areas or characteristics of Korea's printing industry that HP Printing Korea focuses on?

The importance Korea places on innovation falls in line with HP's vision to create technology that makes life better for everyone, everywhere. Through continuous innovation on our product and service portfolio of personal systems, printers and 3D printing solutions, we will continue to engineer

experiences that amaze our customers.

Here at HPPK, 70 percent of our employees are engineers who focus on R&D, and the work that the R&D team does results in technology and innovations in our A3 portfolio across the world, which further enables us to grow market leadership in office printing.

Can you tell us about some of the R&D activities that HPPK is conducting in Korea?

Apart from ongoing work in our A3 portfolio, our R&D team was heavily involved in the development of HP Neverstop, the world's first Toner Tank, or Continuous Toner Supply System (CTSS). HP Neverstop provides faster print speeds compared to previous generations and up to an 80 percent cost savings on HP toner with a toner that can be reloaded in 15 seconds, allowing entrepreneurs to get back to their businesses quickly. This was developed primarily for the emerging markets outside of Korea – China, India, and SE Asia in particular.

Many foreign companies are increasing their scale of investment in Korea. How much is HPPK investing into R&D? Can you share specific numbers?

HP has shown its commitment to Korea by investing USD 1 billion for the acquisition of what is now HPPK. We're also planning to move to Pangyo by September this year, once again showing our commitment to the market. We'll be taking on a new building as part of this commitment, and by 2021, HPPK will host a state-of-the-art R&D facility and create more jobs for local young talent.

Were there any challenges your firm faced while doing business in Korea?

Naturally, every company has its own unique characteristics and culture. Following the acquisition, the process of integrating two different organizations has been a very exciting challenge for

us. We believe a better HP has been created thanks to the synergistic effect that came from combining the strengths and cultures of two corporations.

Since HPPK's foundation in November 2017, we've also been focusing on creating synergy through the mutual penetration of global and local cultures. As a relatively new organization, we practice two-way communication with our employees – hosting all-employee meetings regularly and listening to their opinions to get input on major decisions. Employees benefit from what HP offers, including working at overseas offices, welfare, educational opportunities and more.

How can Korea become a more ideal business environment for foreign companies like HPPK?

I think many of the agendas of the Korean government, such as fostering FDI, are very well aligned with HP, particularly around talent development, diversity, inclusion and sustainability.

Korea also gives us access to so many business opportunities thanks to its top notch innovation. The country's business environment is making it increasingly easier for companies to invest, grow and actually even set up shop here.

What Korean companies/government agencies do you work with to strengthen your business partnerships?

I believe partnerships are critical to our success. We're working closely with both the Korean government and various organizations in Gyeonggi Province. KOTRA, in particular, is an extremely important and valuable partner to us as it offers comprehensive services for business investments in Korea.

As part of community engagement, we also work with a variety of small local businesses, support the e-sports industry with gaming hardware and accessories, participate in industry-university collaboration, run education programs for community, and participate in sustainability programs.

What are some future plans that HPPK has when it comes to doing business in Korea and in Asia?

Currently, we're focusing the majority of our energy toward developing the A3 OPS business, which is HP's largest growth opportunity in business printing as of now.

HP is the leader in A4 printing but has been under-represented in the adjacent A3 copier segment. Since the acquisition, the existing technology, channels and portfolios have been integrated into HP's business, allowing us to create new business opportunities for A3 by driving the shift from transactional to contractual business. This allows us to leverage the two companies' complementary strengths – HP's industry-leading scale, global sales channel and PageWide innovation, and S-Printing's established A3 laser printer solutions. HPPK has been designated as the Center of Excellence for HP's A3 business, and plays a substantial role in HP's A3 development.

HP has emphasized security as one of the company's strongest suits. How is security impacting the printing business?

In an always-on, always connected world, end-point security is crucial. This includes printers. HP provides the most robust and secure printing systems and solutions for businesses and organizations which address all potential vulnerabilities of printing devices.

We care about security and are dedicated to making products that ensure the best security for customers' data and identity. We provide both a powerful portfolio of superior and secure A3 multi-function printers, offering the strongest device, document and data security in the market.

By Grace Park

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A New Set of Tax Incentives for Investments

The Ministry of Economy and Finance (MEF) recently announced a surprising package of tax incentives for investments. When MEF unveiled the directions of economic policy for the second half of 2019, one of the most eye opening and jaw dropping elements was the set of tax incentives for investment. Almost all of the media dubbed the package as a surprising tax cut, which has been for long believed exactly running counter to the principle of the Moon administration. Indeed, the current administration has been emphasizing the role of active government spending to correct social polarization as well as to vamp up economic growth, which necessitate more revenues and higher taxes.

The so-called a set of triple tax incentives was definitely introduced to stimulate chronically deficient investment activities in Korea. In fact, negative investments has undermined economic growth for more than 5 quarters, contributing -2.6 percentage points for the first quarter growth rate of 1.9 percent. In another words, the growth rate for the first quarter could have been 4.5 percent, had the investment stayed foot and not fallen by 2.6 percent. It has been that way for more than a year since early 2018.

Unlike previous policy directions where only infrastructure investments were taken into consideration, MEF this time shifts its focus to encouraging facility investments especially connected to efficiency and productivity of the Korean economy. More specifically, the set of three kinds of tax incentives are as follows: the tax exemption rate for investment is raised 1 to 3 percentage points depending upon the size of the investing firm, the scope of eligible tax exemption is broadened to include investment in the logistics industry and safety related projects among others, and finally, speedier depreciation of up to 75 percent is allowed for the first accounting year. In sum, it is clear that the government intends to encourage more investment in facility investments related to factory automation, high-tech industry, logistics industry, medical and pharmaceutical industry, as well as enhancing the safety of energy production and transportation, just to name a few.

With this great ambition of MEF at the backdrop, one of the most crucial problems of it is that it requires an amendment of the act of restraining special tax treatments (2019). If the national assembly which has been in recess for a few months because of a political tug-of-war cannot properly amend the articles pertaining to the set of the three tax incentives, then all their positive effects would be hard to expect. Fortunately, the political leaders recently agreed to open parliamentary processes and the expectation is very high as the amendment of the act would be among the top priorities without much disagreement or opposition from any political party.

Another potential problem regarding the tax incentives is how extensive the effect would be in expanding facility investments. The tax exemption incentives system was

already in place and only the exemption rate was raised from 1 percent to 2 percent for big firms, 3 percent to 7 percent for medium-sized firms, and from 5 percent to 10 percent to small-sized firms. Although it looked drastic in raising the exemption rate, especially for the medium and small-sized firms, still, a 2 percent exemption rate seems quite too small for the big firms, which account for more than 50 percent of facility investment in Korea. Also, the tax benefits are strictly confined to investment related to the enhancement of productivity or safety, making general investments in other areas such as new expansion or branching out not applicable for the exemption. Therefore, it is a general belief in business that these kinds of preferential tax advantages should be extended to a variety of investment activities with drastic and audacious benefits if the government wants a real impact with tangible results.

The tax incentive set was not as ambitious perhaps because the government was not expecting a disastrous economic growth for the remainder of this year. The 2.4-2.5 percent economic growth projection for 2019 may look decent when compared to other OECD countries. But the fact is that even this new target growth rate seems very unlikely considering the 1.7 percent growth in the first quarter. Economic growth in the second half has to be over 3 percent to make the annual economic growth rate to be 2.4 percent. MEF is also considering an expansionary policy by implementing a KRW 6.7 trillion package of supplementary budget, but this won't be sufficient to turn around the economic slowdown in domestic consumption.

Knowing that the real challenge for the future Korean economy rests upon the global competitiveness of SMEs, the government has to be more audacious in providing resources for investments, innovation and restructuring. More drastic tax exemptions have to be allowed in SME investments. Tens or even hundreds of trillions of won should be channeled into investment for newer machines and factories. They should not come solely from tax revenues or debt financing. The hundreds of trillions of won in private savings in the financial system could be mobilized for that purpose. Economic growth, income and new jobs follow only after investment, not the other way around.



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

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Catching the Sunrise in Busan

A Metropolitan City Mixing Grandeur and Simplicity

At dawn, I walked along Busan's Songjeong Beach. The sound of my feet kicking into sand was drowned out by the crashing of the waves. When the sun took its first peek of the day, everyone stopped in their tracks. The crimson sky tinted the color of the sea and soon filled the eyes of travelers in Busan.

168 Stairs

Neighborhood with a 'Story'

Choryang-dong, a hillside neighborhood by the sea, exudes a unique atmosphere that cannot be felt in most other cities. Refugees who fled to Busan during the Korean War settled in this area as there was not enough space to accommodate them in the flatter parts of the city. The highlight of Choryang Ibagugil is the 168 Stairs, with a steep incline of 35-45 degrees. There are toy stores to visit and benches to rest on along the way. The stairs gained more popularity after a monorail opened in 2016: you can buy souvenirs such as stickers, maps, and handkerchiefs at the boarding platform. A sense of nostalgia is evident while one peers down from several observatories. Choryang Ibagu-gil, where "ibagu" literally means "story," received the Good Place Award from the government in 2016.

Yeongdodaegyo Bridge

Korea's Only Drawbridge

If you're on the subway passing Nampo Station, you will hear the following announcement: "This station is Nampo Station, home to Korea's only drawbridge." While Busan is home to many amazing bridges, Yeongdodaegyo Bridge draws large crowds given its exclusive status. Every day at 2 p.m., people gather and cars stop to watch the drawbridge

rise. For a few minutes, one side of the bridge lifts to an angle of 75 degrees. The seagulls painted on the asphalt appear to be soaring into the sky. Yeongdodaegyo Bridge, which has connected the city center to Yeongdogu since 1934, was designated as Busan City Monument No. 56 in 2006. It was closed in 2010 for refitting, but reopened in 2013, and rises up once a day. The lift mechanism is unique, even among drawbridges. As the country's first and only drawbridge, Yeongdodaegyo Bridge holds great significance in the history of bridges in Korea.

Haemaru

Conquering Dalmaji-gil Road

Dalmaji-gil Road, famous for its splendid ocean views, is a great place for a walk if the mercury isn't too low. Free parking is available at each observatory. The first observatory boasts a bird's eye view of Haeundae Beach and Gwangandaegyo Bridge. Walking further upslope leads to Haewoljeong Pavilion, which presents a picturesque view of the surroundings. If the sun has not set, head down to the beach and take the nostalgic railroad trail built on old railway tracks. Haemaru, lying toward the far end of Dalmaji-gil Road, is a prime spot for watching the sunrise and sunset. No need to rush to see the sunset as an equally beautiful view awaits when the city lights up.

Haedong Yonggungsa Temple

Burning Incense by the Beach

A stone path leads to a Buddhist temple overlooking the vast ocean, with the air here thick with the scent of pine and burning incense. Among temples in Busan, Yonggungsa Temple is the place to watch the earliest sunrise. Wait about two hours after the sunrise, however, to see just how photogenic the temple gets. Among the many statues, the most famous is the 10-meter Haesu Gwaneum Daebul (Seawater Great Goddess Buddha). The statue's nose and belly have worn down over time because of the myth that a woman who touches both parts will bear a son. The altar is covered with candles each lit with its own hopes and wishes; Koreans often go there to pray for good grades for their children and health and prosperity for their families. Take an early morning walk and then stop for snacks at the popular fishcake stall near the entrance.

Oryukdo Island

Symbol of Busan Port

Oryukdo Island is located near the mouth of Busan Port, the largest port in Korea. "Oryukdo" literally means "five six island," derived from how five or six islands appear depending on the tide. You can see the islands from shore, but a boat ride that takes you up close will leave you more impressed. Each island boasts majestic qualities like steep cliffs, wave-cut platforms, sea caves of various shapes and sizes, plants and animals largely untouched by humans, and of course, the surrounding blue waters. Many years ago, the area was eroded by waves and eventually separated from the mainland, resulting in the island. Oryukdo Lighthouse, which was first lit in 1937, continues to guide vessels at night. Thanks to advanced information and communications technologies, the lighthouse was fully automated in late 2018.



© Busan Metropolitan City

The Bay 101

Urban Nightscape for Romantics

Located at the entrance of Dongbaekseom Island, The Bay 101 faces Marine City, filled with skyscrapers as high as 80 stories. It is quiet by day, but bustles with activity at night. The Bay 101 attracts hordes of visitors thanks to its beautiful view of Marine City and the night lights reflecting off the water. Despite the cold weather, the deck is usually crowded with photography enthusiasts, couples and families. Like a mirror on a rainy day, the deck gives visitors the illusion of walking on water similar to Salar de Uyuni in Bolivia. A rainy day in Busan isn't complete without a visit to The Bay 101. Enjoy delicious food and unique drinks there, and on warmer days, the outdoor terrace is the perfect spot to relax with loved ones.

Busan Tower

A Pleasant Walk Leading to Meokja Golmok Alley

Busan Tower, built in Yongdusan Park in 1973, is a symbol of Busan. The observatory, at a height of 120 meters, offers a panoramic view of attractions such as the bridges Yeongdodaegyo, Busandaegyo and Namhangaegyo, Busan Port, Jagalchi Market and Oryukdo Island. On a clear day, you can see as far out as Daemado Island. Busan Port and the surrounding areas are especially breathtaking at night. The two-floor observatory is said to have been modeled after the canopy of Dabotap Pagoda at Bulguksa Temple in Gyeongju, Gyeongsangbuk-do Province. To catch the main attractions while getting a taste of street food, begin at Yeongdodaegyo Bridge, head up Busan Tower and then drop by Meokja Golmok (Let's Eat Alley) or Bupyeong Market. The tower is more colorful at night and worth a look even at a distance. The white body of the tower becomes adorned by media facades, and the photos you take will seem like they were shot in completely different places.



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Special Report

Incentives for Foreign Investors: CASH GRANT

For foreign investments that satisfy certain conditions, the central and local governments of Korea may provide cash grants for certain purposes such as the establishment of a factory facility. In the process, the Korean government takes into account whether the relevant foreign investment involves new growth driver industry technology, the effect of technology transfer, the scale of job creation, whether the foreign investment overlaps with domestic investment, the propriety of the location in which the foreign investment is to be made, and etc.

The cash grant scheme on foreign investment will be revised in 2019, so it is advised to check the relevant regulations after the changes apply.

Who can receive a cash grant?

Foreign investments with a foreign investment ratio of 30 percent or higher falling under one of the following are eligible for a cash grant:

① (New growth driver industry technology) Where a new factory facility is installed or an existing factory facility is expanded (or a business establishment in the case of non-manufacturing business) for the management of a business accompanying new growth driver industry technology such as AI, Renewable Energy, Robot, Aerospace, etc.

② (Parts and materials) Where a new factory facility is installed or an existing factory facility is expanded for the production of parts and materials such as pharmaceuticals, chemicals, electronic components, machinery and equipment, etc.

③ (Creating new employment) Where a foreign-invested company that creates new jobs in excess of the number stated in the law installs a new factory facility (or a business establishment in the case of a non-manufacturing business) or expands an existing one.

④ (R&D activities) Where a research facility is newly installed or expanded for R&D activities for a business accompanying new growth driver industry technology. The research facility should have five or more full-time researchers with a master's degree in a relevant field or a bachelor's degree in a relevant field supplemented with at least three years of research experience.

⑤ (Regional headquarters) Where a foreign company that owns the business in three or more countries establishes a regional headquarters having controls over two or more countries in the Republic of Korea. The regional headquarters should hire 10 or more employees, invest KRW 100 million or more, and obtain the recognition of the Foreign Investment Committee. Also, the parent company's stake should be at least 50 percent and the parent company's average annual sales for the past five years should be KRW 3 trillion or more.

⑥ (Etc.) Where a foreign company is engaged in a regional strategic industry or a regional leading industry, and where it is recognized that the relevant industry will contribute to the development of the local economy.

<Eligibility for Cash Grants – Number of Newly Employed Full-Time Employees>

Business Category	Number of Full-Time Employees
Manufacturing, Mining, Construction, Transportation, Publishing-film· broadcast/communications and information services, Business facility management and industry-supporting services, Health and social welfare services	300
Agriculture-forestry and fishery, Electricity-gas-steam and water supply, Wholesale and retail, Hotel and restaurant, Finance and insurance, Professional-science and technology services, Arts-sports/leisure-related services	200
Sewage/waste treatment, raw material recycling and environment restoration, Educational service, Association/organizations-repair and individual services	100
Real estate and lease	50

* Details are in accordance with Article 14-2 of the 「Foreign Investment Promotion Act」.

What can foreign-invested companies use cash grants for? How much can they use?

A foreign-invested company should use a cash grant only for the following purposes:

- ✓ To purchase or lease land or a building for the installation of a factory or research facility
- ✓ To construct a factory or research facility
- ✓ To purchase capital goods and research equipment to be used at a factory or research facility for business or research purposes
- ✓ To install infrastructure facilities, including power/communication facilities, required for building a factory or research facility
- ✓ Employment subsidies or education and training subsidies

The cash grant ceiling shall be decided by a committee for determining the cash grant ceiling comprised of five persons or more from the central government, local government, KOTRA and the private sector. The cash grant amount shall be decided through a negotiation with the foreign investor within the cash grant ceiling.

Where a foreign-invested company received rent reduction by leasing public or state-owned land or moving into a foreign investment zone, the total amount of reduced rent during the period in which the business eligible for a cash grant was operated shall be included in the cash grant ceiling. Funding and the cash grant provided under the “Criteria for the Central Government’s Funding for Local Governments’ Foreign Investment Attraction Activities” shall not be provided more than once for the same item. The total amount of funding shall not exceed the cash grant ceiling.

How can a foreign-invested company apply for a cash grant?

A foreigner seeking cash grant should submit an application form and an investment plan to the Minister of Trade, Industry & Energy. An evaluation team comprised of public officials and private sector experts shall perform an industrial and financial evaluation of the documents and submit and evaluation report to the Minister.

The applicant can negotiate after submitting a cash grant application form. However, a request for negotiation or consultation can be submitted to the Minister of Trade, Industry & Energy before submitting the application form. On receiving an application form or request for negotiation or consultation, the Minister shall designate a public official in charge of the negotiation or consultation (negotiation officer) and notify the applicant. Also, the Minister shall request the designation of a negotiation officer to the relevant local government, and demand the designation of a Project Manager to the President of KOTRA to support the applicant.

<Tip> Evaluation criteria for cash grant application

- ✓ Whether the foreign investment accompanies new growth driver industry technology & the effects of technology transfer
- ✓ Number of jobs created
- ✓ Whether the foreign investment overlaps with any domestic investment
- ✓ The adequacy of the location in which the foreign investment is made
- ✓ Effects on the regional and national economy
- ✓ Survivability of the project

KOTRA can help you!

The pre-evaluation policy is aimed at actively inducing foreign investments that are expected to have a major impact on the national economy. Under the policy, KOTRA (Invest KOREA) pre-evaluates projects and presents recommendations to the Minister of Trade, Industry & Energy and the Foreign Investment Committee to determine whether to approve cash grant. The policy is implemented under a dual system with the existing system of evaluating the projects after an application has been made. The decisions on whether the cash grant is to be provided is made before the application is filed.

After experts review candidate projects for investment attraction through cash grants, KOTRA (Invest KOREA) draws up negotiation plans and submits the recommendations of the Foreign Investment Committee to the Minister of Trade, Industry & Energy. In this process, the Foreign Investment Committee deliberates to determine whether or not to provide cash grants, as well as the cash grant ceiling. Negotiations with investors take place within one year after deliberation. Contract procedures, post management, and etc. after reaching an agreement in the negotiation are identical to existing methods. If negotiation and application are not completed within the given time, the Minister of Trade, Industry & Energy may extend the period up to one year by taking into consideration the introduction and development status of related technologies in Korea.

If you have further questions, please contact +82-1600-7119 (English, Japanese, Chinese and Korean are available) or visit www.investkorea.org >>How We Can Help >> Online Consulting.



*Source: 2019 Doing Business in Korea, KOTRA

Every month, KOTRA Express provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.

Foreign Investment in Cryptocurrency Transaction Business

Q. A foreigner plans to invest in a domestic company to operate a cryptocurrency transaction-related business in Korea. In this case, can foreign direct investment pursuant to the Foreign Investment Promotion Act be made?

A. Cryptocurrency transaction in itself is not foreign direct investment. However, foreign investment is permitted for making an equity investment (including the establishment of a new domestic firm) in a domestic company operating a cryptocurrency exchange developing cryptocurrency related software.

Additional information

- Because there are no definitions in the Korean law on cryptocurrency as of now, it is difficult to precisely categorize related businesses.
- However, because there are domestic companies that operate a cryptocurrency exchange and cryptocurrency is traded through such exchanges, foreign investment notification and registration of a foreign-invested company can be made by referring to the Korea Standard Industrial Classification Code in the table below.

Statistics Korea's classification of cryptocurrency related businesses	Korea Standard Industrial Classification Code and corresponding business
Development and supply of general software related to cryptocurrency	58222 (Application software development and supply)
Development and supply of customized software related to cryptocurrency	62010 (Computer programming services)
Management and operation of computer systems related to cryptocurrency mining	62090 (Other information technology and computer operation related services)
Operation of exchange or brokerage of intangible information goods	63999 (Other information service activities)

- A direct cryptocurrency transaction by a foreigner (or foreign company) requires the opening of an account at the cryptocurrency exchange, and transactions are made through a domestic foreign exchange bank under the Foreign Exchange Transaction Act. Therefore, this cannot be considered foreign investment under the Foreign Investment Promotion Act.

If you have further questions please, contact +82-1600-7119 or visit www.investkorea.org >>How We Can Help >> Online Consulting.



MOTIE, KOTRA Host the First “Invest KOREA Forum”

From July 3 to 5, the Ministry of Trade, Industry, and Energy (MOTIE) and KOTRA hosted the first ever “Invest Korea Forum” under the theme of “Strategies for attracting USD 20 billion in investment for five consecutive years.” The event was held at G-Tower in Songdo, Incheon, which is the first free economic zone (FEZ) to be established in Korea. The forum consisted of various programs such as a strategy forum for foreign investment promotion, an IK advisory group meeting and practical training on foreign investment promotion.

In particular, the “Strategy Forum for Foreign Investment Promotion,” which was held as an opening event on July 3, was attended by 300 participants from government, relevant organizations, FEZ, and companies seeking to attract investment. The forum explored ways to resolve the various issues that are raised while attracting and expanding investment from both qualitative and quantitative aspects.

Speakers consisted of experts who offered advice on how to devise strategies to attract investment. Industry experts introduced the latest trends in sectors like ICT and chemicals, as well as strategies to attract more investment in these



areas. MOTIE also presented on the “Foreign Investment Enhancement Policy” which was revised this year, providing participants a deeper understanding of the policy.

MOTIE and KOTRA plan to hold “Invest Korea Forum” on a regular basis. In addition, Korea’s flagship national IR event, Invest Korea Week (IKW) is scheduled to be held for the 15th time later this year as part of overarching efforts to attract foreign direct investment.

Invest KOREA's Services

One-Stop Service for Foreign Investors

The Inbound Investment Consulting Department not only assists foreign investors and foreign-invested companies in the investment review and implementation stage, but also offers customized services to help foreign investors and their families get comfortably settled in Korea.

Invest Korea Market Place (IKMP)

IKMP is a project aimed at discovering promising Korean SMEs seeking to attract foreign investment and matching them with foreign investors who have compatible needs. Projects looking for investment are posted on our website at www.investkorea.org.



Foreign Investment Ombudsman

The Office of Foreign Investment Ombudsman is an organization established in 1999 to provide close aftercare support and grievance resolution services for foreign-invested companies, and is dedicated to resolving any difficulties that foreign-invested companies face while doing business in Korea.

Job Fair for Foreign-Invested Companies

IK organizes annual job fairs to help foreign-invested companies discover qualified local talent, and job seekers find employment through job consultations, on-site interviews, and more.



Exclusive Online Recruitment Platform for Foreign-Invested Companies

IK operates a recruitment platform for foreign-invested companies to support their on-demand as well as regular hiring processes. (<http://kotra.incrut.com>)

Invest Korea Plaza (IKP)

Invest Korea Plaza (IKP) is Korea's first facility dedicated to the incubation and investment of foreign investors. Each year, more than 40 foreign-invested companies rent out offices in the plaza and utilize IK's one-stop service.



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Publisher. Kwon Pyung-oh | General Manager. Jeong Deok Rae | Editor-in-chief. Grace Park

Designer. Jang Yoo Jin | Printed by Samsin Munhwa Printing Co., Ltd

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