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with
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Foreign Direct Investment

Revision of the Foreign Investment Promotion Act (Effective August 2020)

Re-investment of retained earnings shall be recognized as foreign direct investment (FDI) and incentives will also be provided in accordance with the regulations.

Cash grant incentives for FDI, which were

given to the material, parts and equipment industry and new growth technology industry, will be extended to high-tech sectors under the Industrial Development Act.

Nintendo Switch sales jump 30 pct in Q1 amid coronavirus outbreak

Sales of the Nintendo Switch jumped more than 30 percent on-year during the first quarter of this year in S. Korea amid the novel coronavirus outbreak, industry data showed on June 12.

Sales of Nintendo Switch game titles also skyrocketed 57.4 percent on-year to 287,590 units during the cited period, the data showed.

The increased sales of the console show that more people are turning to video games for entertainment as the COVID-19 pandemic has confined them to their homes.

Daily active users of PC and console games spiked 46 percent on-year during the January-May period, according to a separate report by game software developer Unity Technologies. The corresponding number for mobile gaming was a 17 percent increase.

Before the COVID-19 outbreak hit, there was already a 13 percent on-year increase in mobile app downloads, but the corresponding number skyrocketed as countries entered lockdowns in early March, according to the report.

Trade & Commerce

S. Korea's exports to FTA partners more than double over 15 years

S. Korea's shipments to FTA partners more than doubled over the past 15 years, but the country should clinch more free trade deals to ease its heavy reliance on the world's two largest economies—the United States and China, a think tank said on June 10.

The country's exports to 52 nations it has signed free trade deals with reached USD 438.6 billion in 2018, compared with USD 170 billion in 2004, according to the data compiled by the Korea Institute for International Economic Policy (KIEP).

Over the cited period, imports from the nations also jumped from USD 121.7 billion to

USD 334.6 billion, the data showed.

The country implemented its first FTA with Chile in April 2004. The figures are based on the number of agreements with trade partners as of 2018. On the back of the country's efforts to expand its trade portfolio, S. Korea has implemented 16 FTAs that cover 57 trade partners as of 2019.

The combined amount of foreign direct investment by such nations in Asia's No. 4 economy also increased to USD 211.9 billion in 2017, up from USD 61.9 billion posted in 2005, the KIEP report showed.

S. Korea to push for conclusion of RCEP this year despite pandemic

S. Korea said on June 9 it will spare no efforts to conclude a mega Asia-Pacific trade pact by the end of this year in line with efforts to revitalize an extended slump in its exports amid the new coronavirus pandemic.

S. Korea took part in an inter-sessional virtual meeting of other participants of the Regional Comprehensive Economic Partnership (RCEP) from June 10-11 to flesh out more details, according to the Ministry of Trade, Industry, and Energy.

"The RCEP is expected to play a key role in rekindling trade and investment activities of the

bloc, which has been hurt by the COVID-19 pandemic," the ministry said in a statement.

The deal will also help members to brace for changes in the global value chain in the post-pandemic era, the ministry said, highlighting S. Korea will spare no efforts to have the agreement concluded this year.

ASEAN and its dialogue partners—S. Korea, China, Japan, Australia and New Zealand—effectively reached an agreement on RCEP in November, with the goal of signing the pact within this year.

Industry

Mobile shopping hits record high in Q1, food services continue to rise: report

Purchases made through mobile gadgets like smartphones in S. Korea reached a record high in the first quarter of the year due to the novel coronavirus pandemic, a report showed June 18.

The total value of mobile shopping transactions reached a fresh high of KRW 24.79 trillion (USD 20.3 billion) in the January-March period, up 280 billion won from three months earlier, according to an e-commerce report from market researcher DMC Media.

By product, online food-related services have expanded sharply in recent years, DMC Media said. The percentage of food products out of all

online shopping transactions was 12.3 percent in the first quarter, up 3.8 percentage points from three years ago.

In particular, the portion of the food delivery service nearly quadrupled from three years earlier. It accounted for 9.4 percent of online shopping transactions in the first quarter.

Due to social distancing measures sparked by the COVID-19 pandemic, online purchases for agriculture, fishery, furniture, books and automobile products in the first quarter reached their highest level in three years, according to the report.

Seoul aims to commercialize urban air mobility in 2025

S. Korea aims to commercialize urban air mobility (UAM) services in the domestic market in 2025 as it strives to tackle worsening traffic congestion in major cities, the transport ministry said on June 4.

The government plans to begin offering UAM services initially with one to two routes, or terminals, in the Seoul metropolitan area in 2025 and then to increase the number of terminals to 10 by 2030, the Ministry of Land, Infrastructure and Transport said in a statement.

"The ministry will join hands with Hyundai Motor Group and other local companies to push

forward the UAM commercialization project," a ministry official said, without elaborating on the partnerships.

The ministry expects the UAM market to reach KRW 13 trillion in 2040 and that UAM services will bring customers to their destinations much faster than public transport services, like buses and subways.

The UAM services are designed to travel 30 to 50 kilometers in urban areas, offering transport services in connection with buses, the subway and personal mobility, like electric scooters and kickboards, the statement said.

Government & Policy

S. Korea seeks further deregulation for retailers amid pandemic

S. Korea said on June 10 it will remove unnecessary regulations to help local retail companies to utilize more high-end technologies and keep up with soaring demand for delivery services amid the new coronavirus pandemic.

"Online sales platforms have emerged as the backbone of the so-called non-contact economy (amid the COVID-19 pandemic)," Industry Minister Sung Yun-mo said during his visit to a logistics center of SSG.COM, the online shopping unit of retail conglomerate Shinsegae.

While the COVID-19 pandemic has dealt a harsh blow to most industrial sectors across the globe, online retailers have been considered as among a few winners as more people refrained from visiting offline stores.

S. Korea's online retailers enjoyed a 16.9 percent increase in their sales on-year in April, as people ordered food and daily necessities from home. Over the cited period, the country's major offline retailers saw their sales fall 5.5 percent, the data showed.

To further promote the growth of the industry, S. Korea said it will join forces with related businesses to establish a database of products, with a goal of building a system that can provide customized data to retailers.

The country will also help smaller online businesses establish a comprehensive logistics center equipped with state-of-the-art technologies for all stages of delivery, from packing to shipping.

Korea's Automotive Parts Industry

Status and position of the automotive parts industry

- The Korean automotive parts industry continued to grow until 2014, but as the sales of finished cars continued to decrease recently, 2018 sales fell 1.7% year-over-year to USD 64.89 billion.
 - The sales volume of the automotive parts industry grew steadily, thanks to the growth of the front-end industry, recording a steady growth rate of 2.2% annually, reaching USD 53.44 billion in 2010.
 - Sales by sector are USD 42.44 billion in OEM, USD 19.44 billion in exports, and USD 2.9 billion in spare parts, accounting for 65.4%, 30.0%, and 4.6% of the total, respectively, with the largest portion coming from the OEM sales.
- Exports of automotive parts in 2018 were USD 23.1 billion, down 0.1% year-on-year, and overall parts exports from Korea also reduced because of a decline in global auto demand, leading to sluggish overseas production by Korean automakers.
 - The automotive parts industry accounted for 3.8% of the total exports, and the trade surplus reached USD 17.7 billion.
 - The main export items include miscellaneous automotive parts, transmissions, miscellaneous parts of the body, brakes, and their parts. Among them, the demand is increasing for core parts such as transmissions, brake system parts, and drive axle parts.
- The main export destinations of automotive parts are the United States, China, Mexico, Russia, and Slovakia, where there are overseas production plants of finished cars.
 - The United States accounts for 25.8% of the automotive parts exports (as of 2018), and the increase in demand for Korean automotive parts is mainly due to the demand by local automakers such as GM, Chrysler, as well as the country's automakers that have local plants there.
 - As competitiveness in local companies in China has improved recently, the local production volume of finished cars in Korea has decreased, leading to a sharp decline in demand for parts. Thus, Korea is seeking to increase sales to local companies in China, which has a high export proportion (12.8%) after the United States.
 - As a North American manufacturing base of automobiles, Mexico has become a major importer of Korean automotive parts because of its sharp increase in automobile production.

- In 2018, the number of first-tier suppliers that deal directly with automakers decreased by 2.4% year-on-year, with 831 companies, including 257 large companies (30.9%) and 574 SMEs (69.1%; based on the data from the Korea Auto Industries Coop. Association).
 - Specialized and large-scaled parts makers are producing core parts such as transmissions and axles with their world-class technology, and are increasing sales through local production in China and the United States, trading actively with global automakers.
 - Secondary parts makers in Korea are estimated to be about 3,000, and most of them are SMEs. Including third-party parts makers that supply low-level parts of the automotive industry, the number reaches 6,000.

Changing trends in the automotive parts industry

- Amid stagnant demand in advanced markets such as the United States and Europe, the Chinese market, which had driven the global demand for automobiles, has also turned downward. Thus, automakers and governments are trying to respond to paradigm shifts through electrification, autonomous driving, and mobility to pursue continuous growth in the automotive industry.
 - Korea's automotive industry, which is currently stagnant in growth, is also implementing innovative growth strategies to overcome the limitations of the existing growth paradigm and the structural stagnation of the industry.
 - Environmental issues across the society and the strengthening of environmental regulations have shifted the structural center of the industry from gasoline vehicles to hybrid and electric cars. The new trends of motorization, autonomous driving, and mobility have broadened the scope of automotive technology from machinery to IT, communications, and software.
- As the automotive industry environment is changing, the companies' strategies are also shifting from the growth led by finished cars to the network-led growth based on the partnership among parts and software companies. As the vertical relationship among automakers and parts suppliers is weakening, the companies are moving toward horizontal collaboration.
 - Other sectors newly participating in the parts industry are increasing their roles because of the spread of motorization and autonomous driving paradigms, and those new sectors include IT, electronics, chemistry, entertainment, and semiconductors.

Trends and Outlook of Korea's Auto Industry

Reaching a production capacity of 3.95 million in 2019, Korea has become the world's seventh largest automobile producer, following China, Japan, the U.S., Germany, India and Mexico. While the country's gross manufacturing output has been on a decline recently, there are a few changes in the market that are worth noting on the path towards future transportation.

Korean car makers, developing highly exclusive and sophisticated products

First, auto manufacturers in Korea are designing products which are more exclusive, distinctive and sophisticated.

With the success of its premium sedan, the Genesis, in the market, Hyundai Motor Group continues to release new G-series lineups: G70, G80, G90 and GV80. Plus, the market share of domestic consumption for sport utility vehicles (SUVs) has soared to 44.6 percent, on the back of a strong demand for SUVs.

Second, the use of high-quality, high value-added components in the assembly line has boosted the average export prices for passenger cars which surpassed USD 16,000 in 2019 for the first time.

Third, consumers' desire for greener, more sustainable

cars has increased the share of electric vehicles (EVs) to 8 percent and 11 percent in the domestic and export markets, respectively.

Hyundai Motor Group is posed to make an agile and adaptive response to the future of mobility. In an attempt to gain a solid foothold in the market for plug-in cars in the EU, the company invested in Rimac Automobili, a high-performance fuel cell EV maker in Croatia in May 2019, while signing a deal to partner with IONITY GmbH, a joint venture established to form the largest fast EV charging networks across Europe by global automakers like BMW Group, Daimler AG Ford Motor Company, and Volkswagen Group with Porsche AG.

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

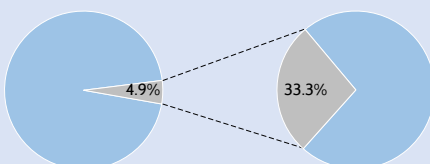
<Korean government's plan to support development and implementation of autonomous, EV technology>

2030 Future Car Industry Development Plan Overview

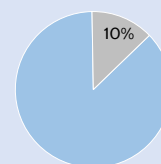
Primary Goals (2030)

- No.1 domestic EV · Hydrocars distribution in the world, and 10% Global Market Share
* EV · Hydrocars sales percentage: ('20)4.9% → ('22)9.9% → ('25)18.3% → ('30)33%
- ('21) lv.3 Autonomous cars release, ('27) world's first commercialization of Fully Automated Driving on main roads(lv.4)

<'20 → '30 domestic EV sales share growth>



<EV market share by 2030>



Invest Korea Market Place

Invest Korea Market Place (IKMP) is an online business matching platform available on Invest KOREA's website with information on approximately 300 Korean companies seeking to partner with foreign investors. This month, KOTRA Express introduces some outstanding companies in Korea's automobile industry.

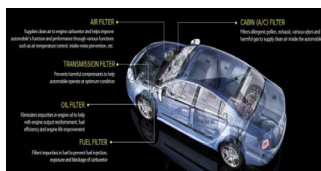
COMPANY A



Differential gear

| Investment Requirement | | Company Profile | |
|---|-------------------|---------------------------------|---|
| Amount | USD 15 million | Patents and Certificates | Multiple patents for a cold forging method of manual transmission and a device for differential side gear |
| Investment Structure | Minority, JV, M&A | Financial Performance | (Sales) USD 26.19 million (in 2017) |
| Investment Highlights The company will be in high demand for electric equipment related to green cars, electric vehicles, unmanned vehicles, and transmission units that enhance powertrain drive efficiency because of stricter CO2 regulations and the enforcement of a bill for prohibiting sales of internal combustion locomotives. The auto parts industry, worth USD 15 billion, is growing at an average annual growth rate of 5 percent and is centered on emerging economies such as China and India. | | | |

COMPANY B



Filter

| Investment Requirement | | Company Profile | |
|---|---------------|---------------------------------|---|
| Amount | USD 3 million | Patents and Certificates | Registration of a patent for a filter element |
| Investment Structure | M&A | Financial Performance | (Sales) USD 9.49 million (in 2017) |
| Investment Highlights Based on the design expertise accumulated through the introduction of technology from the U.S. in 1976, the company can verify newly developed models and engines, including the testing of finished vehicles, with its own technologies. It has successfully established in-house standards that meet the ISO standards as well as the KS standards. The company's 50 years of unique knowledge can act as a foundation for R&D on the development of new air cleaners in response to air pollution. | | | |

COMPANY C



Hybrid 3D LiDAR for self-driving cars

| Investment Requirement | | Company Profile | |
|--|----------------|---------------------------------|--|
| Amount | USD 40 million | Patents and Certificates | LiDAR technology application to autonomous vehicles, industrial robots/drones, and security products |
| Investment Structure | Minority or JV | Financial Performance | (Sales) USD 0.38 million (in 2018) |
| Investment Highlights Companies related to autonomous vehicles select the year of 2020 for the commercialization of autonomous vehicles, and market research institutions anticipate that the market will be fully formed in the 2020s. Boston Consulting Group expects the global autonomous vehicle market to reach USD 42 billion in 2025, further growing to USD 77 billion in 2035. The company is a leading LiDAR developer in Korea. LiDAR is a key part of self-driving technology in the Fourth Industrial Revolution. If the autonomous vehicle market is popularized in the future, LiDAR technology will have a tremendous ripple effect on the globe. The company's LiDAR product lineup covers three industries, boasting differentiated strengths from competitors. The company was awarded the first prize at the 2018 Silicon Valley International Invention Festival (SVIIF) in the U.S. | | | |

Saemangeum National Industrial Complex



Overview

- Location: 466 Saemangeumbuk-ro, Gunsan-si, Jeollabuk-do
- Area size: 1,850 ha
- Project period: 2008 to 2023
- Project Developer: Korea Rural Community Corporation (KRCC)
- Administrative Agency: Saemangeum Development and Investment Agency (SDIA)

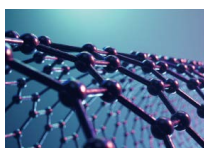
Target Industries



Renewable Energy



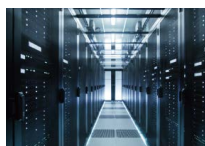
Mobility



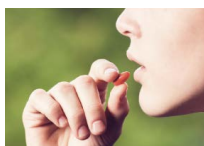
Advanced Materials



Parts Manufacturing



ICT and Datacenter



Food and Bio

Highlights of Saemangeum

1. Reasonable land price

Purchase: 151,249 KRW/m², USD 126/m²
 Lease: 1% of officially assessed land price
 (USD 1/m² per annum) up to 100 years

2. Connectivity with adjacent industrial complexes

Location proximity to the 2nd Gunsan Industrial Complex and other 12 industrial complexes

3. General bonded area and FTA network with 55 nations

Customs duties deferment and tariff reduction

4. A rich talent pool and industry-academia collaboration

10 universities, 10 professional high schools, 28 lifelong learning institutions, 11 R&D centers

5. Central government supports and business incentives

Eco-friendly automobile regulation free zone,
 Corporate tax exemption for 5 years, Long-term land lease support

Interview: BEIERSDORF KOREA

Endrik Hasemann, General Manager
Jacek Brozda, Head of Ventures and New Business



Korea: A Frontrunner in Beauty and Digital Technologies

KOTRA Express talks to Endrik Hasemann and Jacek Brozda at Beiersdorf Korea to hear about Korea's skincare industry and their experiences doing business here.

German-based Beiersdorf AG is a leading provider of innovative, high-quality skincare products with over 135 years of experience in its field. 20,000 employees-strong across the world, the company's product portfolio consists of international skincare brands including NIVEA, Eucerin, La Prairie, Aquaphor, Atrix and more.

Beiersdorf Korea entered the Korean market by establishing a local company called NIVEA Seoul in 1997. With the success of its NIVEA product line, the company introduced Eucerin to Korean consumers in 2012, and as of 2018, holds the No. 1 market share in the lip care, deodorant, and body sun care categories in Korea.

Last year, Beiersdorf Korea launched a startup accelerator program called NIVEA Accelerator (NX) with the objective to empower Korean beauty startups by forming strategic partnership agreements with them, and made its first venture investment in Korean beauty startup, LYCL Inc.

Read on to learn more from Endrik Hasemann and Jacek Brozda at Beiersdorf Korea about Korea's skincare industry and their experiences doing business here.

First things first—can you tell us a little bit about yourselves?

Endrik Hasemann: Hello, my name is Endrik Hasemann, I am the general manager of Beiersdorf Korea, co-founder of NIVEA Accelerator (NX), and external director at LYCL Inc., a Korean beauty startup. Next to being responsible for great brands like NIVEA in Korea, my aim is to fully understand and leverage the Korean beauty ecosystem for Beiersdorf to drive innovation, new business models and investment opportunities.

Before coming to Korea, I worked in different marketing and sales roles at Beiersdorf HQ, in Germany, in Europe and in Africa. Before joining Beiersdorf, I worked at Unilever, where I started my professional career. As startups and new business ideas always were my passion, I also co-founded a startup for marketing and advertising in Germany.

Jacek Brozda: Excited to meet you. My name is Jacek Brozda and I am the head of Ventures and New Business for Beiersdorf Korea, as well as co-founder of the NIVEA Accelerator (NX). I joined the Korean business two years ago with the mission to drive new initiatives and growth opportunities.

My career at Beiersdorf started in 2015 with cross-functional assignments in e-commerce, digital marketing, brand management and in-house consulting. Before joining Beiersdorf, I worked for Reckitt Benckiser as well as a digital marketing consultancy for P&G and Nestlé. In summary, I have spent my entire career in the FMCG industry.

How did you become interested in Korea?

Endrik Hasemann: The Korean market is among the largest beauty markets in Asia and at the forefront of innovative skincare products and digitalization. For me, it was exciting to see how Korean beauty or K-Beauty has influenced the beauty industry beyond its own borders. Today, many of the latest trends and innovations in the beauty industry originate in Korea before spreading globally. To first-hand experience this rapid innovation in Korea is very interesting for me.

Jacek Brozda: Korea is an exciting country, from a business as well as cultural perspective. During my time in Germany, I gained the opportunity to make a global analyses for Beiersdorf on skincare startups. We especially looked at rising trends like beauty tech and personalization. During this time it was fascinating for me to learn that Korea is globally a frontrunner for innovative beauty startups. This insight made me very interested to learn more about Korea and the local market dynamics.

Can you tell us about Beiersdorf and its history?

Endrik Hasemann: Beiersdorf was founded in 1882 in Hamburg, Germany. In 1911, the famous white NIVEA Creme was invented. “Nivea” actually derives from the Latin word for snow white. Today, this cream is being sold all over the world, and millions of consumers grow up with our products, including me.

So, with our long history, we were able to build trust with our consumers and at the same time, we keep developing innovative products tailored to their needs.

What made Beiersdorf establish a branch in Korea?

Endrik Hasemann: We established our branch in Korea in 1997. It was very important for us to build a long-term perspective on the Korean market.

We are proud to see the continued growth over the past years and established leading positions in several categories including deodorant, as well as hand and lip care. Based on this, we expanded our brand portfolio with German brands like Eucerin, Hansaplast, Atrix and 8x4.

What moved the company to launch its NIVEA Accelerator (NX) program last year?

Jacek Brozda: We believe the beauty industry will change more fundamentally in the next 10 years compared

to the changes in the past 100 years. Due to this disruption, Beiersdorf initiated the C.A.R.E.+ strategy in order to leverage future-proof competitive advantages. We see open innovation and entrepreneurship as core elements of this strategy and part of a larger venture ecosystem.

We decided to make Korea the flagship location for our NIVEA Accelerator, because it is a frontrunner in beauty and digital technologies. So we want Beiersdorf to be where the future of beauty begins. In fact, no other location in the world has the combination of a leading edge startup ecosystem, technology ecosystem and beauty ecosystem. This brings Korea into the best position to develop new skincare trends.

How is Korea's skincare market different from that in other parts of the world?

Endrik Hasemann: Well, from my belief, the main differences are the sophistication of consumers, speed of innovation and its global scale.

Korean consumers really are fascinating. They are among the most sophisticated users of skincare products, with the famous 10-step routine and their willingness to try new skincare formats.

Based on this local demand, an extremely sophisticated beauty ecosystem of strong local established players, rising beauty startups and high quality ODMs have developed. This ecosystem—empowered by the high degree of digitalization in Korea—accelerates innovation and the rise of new beauty trends, which are very popular around the globe especially among millennials and Gen Z. Today, Korea is one of the largest exporting countries for skincare products in the world.

What are the advantages of doing business in Korea?

Endrik Hasemann: As said before, next to being a significant market for skincare, Korea is also one of the



SUCCESS STORY

countries where the impact of the digital disruption is most progressed in our categories.

One of the core objectives of Beiersdorf and a key pillar of our corporate C.A.R.E.+ strategy is to lead and to win in this digital disruption as a company and with our brands. With NIVEA Accelerator, we have the possibility to closely work with potential beauty disruptors of tomorrow. This is a great opportunity for us as a company to identify long-term partnerships for skincare innovations, new business models and investment opportunities to secure long-term success for Beiersdorf.

Next to the business, I personally really think it is a privilege working in Korea, having the chance to get to know this fascinating culture as well as to work with so many great people.

What are some strengths of Korea's startup ecosystem, especially in terms of skincare and beauty?

Jacek Brozda: Korea is definitely among the leading startup hubs globally. It has been a significant achievement of the country to create the whole startup ecosystem systematically over the past years. Last year's venture investment size was over KRW 4 trillion (EUR 3 billion). This is about twice as large as two years ago and demonstrates continuous growth.

Beauty startups are additionally one key strength of the Korean ecosystem. This is unique in global comparison, because even popular startup hubs like San Francisco, Tel-Aviv and Berlin, all lack a well-developed beauty ecosystem. For instance, we know from our own database that there are at least over 500 beauty startups in Korea, but the number might be even higher.

How does the NX program aim to strengthen your company's business partnerships in Korea?

Jacek Brozda: The NX program is expected to further strengthen the business partnerships of Beiersdorf within Korea and beyond. During the program, we share our skincare expertise with the startups and create mutual business projects in alignment with our Beiersdorf headquarters.

The NX program is quite selective—every year, we only choose the top five startups from over 200 candidates. We focus on quality and not quantity when it comes to acceleration. Hence, our program is designed for a one-year period to maximize potential collaboration projects with the startups.

Today, NX is the first global beauty accelerator program in Korea and we are now on the journey to become the leading beauty accelerator in Asia-Pacific in the years to come.

What are some future goals that Beiersdorf plans to achieve through the NX program in Korea?

Endrik Hasemann: Our goal is to establish a complete win-win partnership between beauty startups and Beiersdorf. Compared to their potential, Korean beauty startups seem to lack chances to expand their capabilities. In order to step up the Korean beauty startups to the next level, NX is trying to deliver global business opportunities to the startups, while bringing innovation to the existing businesses of Beiersdorf.

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Human New Deal, Green New Deal and Digital New Deal

Amid worldwide acclaim, the Korean government has cautiously begun to ease tight control of social distancing since early May, as new cases of COVID-19 drastically fell from the hundreds to the single digits in April. While an aroma of cautious optimism spread across the public and the health administration, the officials in charge of economic affairs have to face the reality of negative economic growth and high unemployment.

To effectively defend against more calamity, the Korean authorities have recently launched a set of policies epitomized as the Korean New Deal on top of a series of previous emergency measures, mobilizing over KRW 300 trillion, equivalent to USD 250 billion, approximately 20 percent of GDP in 2019. The nation has never witnessed such a grandeur package of policies in the past. Not even the emergency measure in 1997 nor the prescription for the 2008 financial crisis was as big as the COVID-19 measures.

The Korean New Deal project has three major components: the Digital New Deal, the Green New Deal and the Human New Deal. It resembles the 3Rs of FDR's New Deal, namely Relief, Recovery and Reform. Comparing FDR's New Deal with the Korean New Deal, there finds an interesting parallelism. Relief programs under the FDR's new deal, such as the Civilian Conservation Corps (CCC) or the Federal Emergency Relief Administration (FERA), programs could be found in similar traces in the Human New Deal projects, which try to provide emergency safety nets to the working class. The Human New Deal tries to provide jobs for the young population through various programs such as forest management, fire prevention, industrial safety and public data collecting projects as was the case in the CCC under FDR's New Deal. Also, The Human New Deal encompasses a program guaranteeing unemployment protection to all workers as well as emergency relief funds to self-employed SMEs as was the FERA programs.

If FDR's New Deal sought after economic recovery by initiating major social infrastructure programs such as the Tennessee Valley Authority (TVA) or the Public Works Program under the National Recovery Administration (NIRA), the Korean authorities attempt to engage in constructing an eco-friendly and carbon free society on a national scale under the headline of the Green New Deal. While FDR's main concern was to utilize natural resources for the betterment of the then nation's primary industry of agriculture by constructing hydropower dams across the nation, Korea's main objective of the Green New Deal is to establish an eco-friendly industrial and social environment. A good policy case for that purpose is to choose 100 leading projects for the Smart Green City Plan, making the selected cities clean and efficient. Also, the Green New Deal is geared towards making an innovative ecosystem in the five leading green industries by choosing 100 leading forerunners in the industries.

Another audacious plan is to make zero energy consumption for all public structures like museums, parks and schools.

While FDR's New Deal Reform program focused mainly on providing constitutional guarantees of workers' economic and legal rights of unionization and minimum wage, the Korean Digital New Deal finds Reform in digitalization of all facets of economic and social activities for a better future. The digitalization of all industries means, among other things, to provide infrastructure compatible with 5G networks, to supply software programs and to educate fully competent human resources. Production, management, distribution and human resources allocation, as well as financial administration, are put under a digitalized integral system. To facilitate the Digital New Deal, the government plans to supply digital equipment to all secondary schools, daycare centers and 160,000 SMEs to enable them to conduct daily education or business without physical attendance.

Of course, projects in the Green New Deal and the Digital New Deal are not mutually exclusive as was Recovery and Reform in FDR's New Deal. They are sometimes overlapping and reinforcing. And yet, the two are as distinct in concept as the two sides of one coin. If the Green New Deal is the final goal, then the Digital New Deal is the tool for that purpose. Accepting mutual inter-relatedness and yet the conceptual difference, the Green New Deal and the Digital New Deal pose as an important integral characterization of what this government is trying to achieve amid epochal challenges of COVID-19. Most of the elements in them are not entirely new programs. They are rather included in previous projects. However, they become most important as they are now categorized under the two most important objectives of the government, namely digitalization and achieving a green economy.

The only task left now is how much resources will be appropriated to the Digital New Deal and the Green New Deal. According to the Korean New Deal plan, a total of KRW 30 trillion (USD 25 billion), amounting to about 1.2 percent of national GDP, is to be allocated for three years until 2022. This amount is astonishingly small—just 10 percent of the entire budget for the COVID-19 measures. Under FDR's New Deal, federal expenditures tripled between 1933 and 1939. Despite the budgetary constraint, audaciously more funds should be allocated for the Korean New Deal to come up with a tangible outcome.



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



Flavor Perfected with Patience and Care

Sunchang Gochujang Village & Imsil Cheese Village

Time seems to slow down in Jeollabuk-do Province. Two of Korea's most famous foods, gochujang (red chili paste) and Imsil cheese, both of which require patience to make, come from two small towns in the province. Locals who strive to preserve the traditions of their communities have not only created the best quality in both of these foods, but turned their countryside farms into tourist sites that showcase the real charm of Jeollabuk-do.

Going Back Centuries

Sunchang-gun County, resting in the pocket of Gangcheonsan Mountain, is nationally known for its gochujang. The history of the spicy paste dates back to the Joseon Dynasty era (1392-1910). Lee Kyu-gyeong, a Confucian scholar in the 1800s, wrote in his book that Sunchang-gun and the city of Cheonan were both home to gochujang. A recipe book written in 1740 also introduced the county's gochujang recipe for the first time. When Yi Seong-gye, who went on to become the founder and first king of Joseon as King Taejo, was on a trip to Manilsa Temple to pray to the mountain god, he is said to have eaten a bowl of barley bibimbab (spicy mixed rice with vegetables) with gochujang that he found unforgettably delicious. He loved it so much that he ordered it served to the royal family when he became king. Thus Sunchang gochujang gained fame as a regional specialty.

Residents of Sunchang Gochujang Village always keep their doors open, and their homes simultaneously serve as gochujang factories and stores. In the 1960s and 70s, nearly a hundred households professionally crafted gochujang and

sent as much as 7,200 kg to major cities like Seoul or Busan. A regional newspaper has a story on record of when an American officer stationed in the village was fascinated by the taste of gochujang and wanted to exchange any money he had on him for a drum of the spicy paste. Since the completion of the Olympic Expressway in 1988 made logistics easier, the region's gochujang saw its fame spread to all corners of the country.

To preserve the tradition and culture of this unique gochujang, expert gochujang makers established the village. The consistent increase in the numbers of both domestic and international visitors has earned the village more than KRW 45 billion in revenue every year. Under the theme of traditional fermented paste, about 40-50 households in the village form a unique community with traditional features intact. Each house has a traditional Korean-style structure featuring roof tiles, stone walls and earthenware jars, with meju (a block of fermented soybean) hanging under the roof. The village ultimately reflects time-honored Korean traditions.

Nature's Gift of Perfect Fermentation

Koreans have consumed fermented paste for a long time as an essential part of their diet. While other regions have their own types of paste, Sunchang-gun is famous for its gochujang because of the county's natural environment. Premium gochujang can be crafted only with plenty of sun and unpolluted air, and therefore this county has the perfect environment to meet these conditions to grow high quality ingredients such as peppers and beans. Underground aquifer water is also drawn from the Seomjingang River, which is reputed to have the country's cleanest water. In addition to Gangcheonsan Mountain's dense forest blocking cold wind in the winter, Sunchang-gun's annual climate stays around 12-13 degrees Celsius with 70 percent humidity, which makes it ideal for fermentation. Above all, the real secret behind the spicy paste is believed to be each gochujang master faithfully preserving a recipe handed down and developed over generations by their families.

Making gochujang requires considerable patience; just preparing the ingredients takes more than a year. Farmers wait until the beans grow ripe to make blocks of meju, and harvested peppers need to be sun-dried. Meju is usually made in late summer for processing in winter into gochujang. When gochujang ingredients are prepared and mixed in a jar, they are fermented for a year before serving.

The village also offers tours that showcase traditional fermented sauces and pastes, including Onggi (Earthenware Jar) Experience Hall, Traditional Paste Museum, Fermented Sauce Underground Tunnel and a meju factory. So more than just a provincial area, Sunchang Gochujang Village is a bastion of traditional Korean fermentation.

Becoming the Big Cheese

Imsil Cheese Village has earned an unlikely reputation as the country's cheese mecca. The dairy product is not commonly found in Korean cuisine, so cheese production in Korea might sound unfamiliar to many. Yet a variety indigenous to Imsil-gun County has won the grand prize at the Korea Master Brand Awards for six consecutive years and is recognized as a specialty of Jeollabuk-do Province.

Imsil cheese was the passion of a young Roman Catholic priest from Belgium, Didier t'Serstevens (known in Korea as Ji Jeong-hwan), who turned the small country town into a major player in the domestic cheese sector. When he moved to the county in 1959, the Imsil-gun governor asked him to do something for residents. The priest then brought two goats to start a business and boost the regional economy.

Three years of relentless efforts to create cheese, which even included visiting Europe to learn production techniques, finally paid off. The road to marketing the product in Korea was rough, however, considering that cheese was a foreign concept to Koreans. Ji found a way by supplying a large volume of his cheese to hotels in Seoul, causing the business to take off and diversify to offer a wider selection of cheese.



As demand for pizza in Korea rose from 1980, that for mozzarella spiked dramatically. Imsil cheese, fully prepared to meet the soaring demand, soon found itself the country's most famous cheese brand. In the 2000s, Imsil Cheese Village was established to foster the priest pioneer's legacy and cheese culture in the county.

More Cheese, Please

As Imsil cheese grew more popular, Imsil-gun expanded its business into a nationwide brand called Imsil N Cheese. When products are made at the county's small dairy processing factories, Imsil N Cheese Cluster Corporation picks them up and handles logistics. Even small independent businesses like dairy cow ranches or cheese factories share the Imsil N Cheese brand.

Along with the village, the county also hosts the tourist site Cheese Theme Park and the think tank Imsil Cheese & Food Research Institute. At the park, the exhibition hall displays cheese products made in town. The institute also runs educational programs on producing cheese as well as developing new products; students can watch ripened cheese and even taste it. Nibbling on cheese with a sip of Muju-gun County's meoru (Korean wild grapes) wine is simply an unforgettable experience.

October Festivals

Both Sunchang-gun and Imsil-gun counties will host festivals in October related to their respective specialties. The Sunchang Fermented Food Festival is held every fall in Sunchang Gochujang Village, offering hands-on programs such as making gochujang and tasting authentic Korean dishes made of the paste like cheonggukjang (rich soybean paste stew) and jangajji (pickled vegetables). The Imsil N Cheese Festival is also held in Imsil Cheese Village and at Cheese Theme Park. This year's festival will commemorate the memory and legacy of Imsil cheese founder Didier t'Serstevens, who died in April this year.

Visitors can take advantage of the Jeonbuk Tour Pass issued by Jeollabuk-do Province for a more cost-effective tour. The pass can be used at facilities in both counties as well as in night concerts at hanok (traditional Korean house) and small theaters.

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

A non-resident foreign company's establishment of a domestic branch



Does the Foreign Investment Promotion Act apply to the establishment of a local branch by a non-resident foreign company?



If a foreign company establishes a domestic branch, the Foreign Exchange Transactions Act (Foreign Exchange Transaction Regulations) shall apply instead of the Foreign Investment Promotion Act.



Additional information

- Types of domestic branches established by a foreign company¹³⁾
 - A "branch" that carries out sales activities that generate profit in Korea.
 - An "office" that does not carry out sales activities that generate profit in Korea, but instead undertakes a non-sales function involving business contacts, market research, R&D, etc.
- Notification of branch establishment¹⁴⁾
 - In order for a foreign company to establish a domestic branch, the head of a designated foreign exchange bank should be notified of such establishment.
 - However, if a foreign company seeks to establish a domestic branch to pursue the following businesses, the Minister of Finance and Strategy should be notified of such establishment.
 - Financial businesses other than banking business, including fund loans, brokering and arranging overseas finance, cards, installment financing, etc.
 - Businesses related to securities and insurances
 - Businesses not permitted under the Foreign Investment Promotion Act or other laws
- Notification (including notification of change)¹⁵⁾
 - Notification form: Notification of establishment of a domestic branch of a foreign company (Form no. 9-8 of the Foreign Exchange Transaction Regulations)
 - Documents to be attached
 - Documents certifying the name, location and major businesses of the foreign company that is the headquarters
 - Where an authorization for establishment is required by other laws, a copy of documents certifying such authorization
 - A statement of the content and scope of businesses that the company intends to engage in in Korea
- Introduction of operating funds, etc.¹⁶⁾
 - Where a domestic branch seeks to introduce operating funds from the overseas parent company, the funds should be introduced through a designated foreign exchange bank.
- Overseas remittance of net profit
 - If a branch that notified its establishment intends to remit net profit overseas, it should be done through a designated foreign exchange bank.
 - Application form for remittance: Form no. 9-10 for application for remittance of the net profit of a foreign company's Korean branch
 - Documents to be attached Balance sheet and income statement of the branch
 - Certificate of payment of tax
 - An audit certificate by a certified accountant (only if the ratio of the net profit to the amount of introduced operating funds is 100/100 or higher or if the amount of net profit exceeds KRW 100 million during the relevant accounting period)

13) Article 9-32 of the Foreign Exchange Transaction Regulations, 14) Article 9-33 of the Foreign Exchange Transaction Regulations

15) Article 9-34 of the Foreign Exchange Transaction Regulations, 16) Article 9-35 of the Foreign Exchange Transaction Regulations

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

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.

IKP also provides serviced offices, business lounges, video conference rooms and a shower and sleeping lounge to maximize convenience for foreign investors.

IKP Offices for Lease

Foreign-invested companies

Companies planning to notify investment: Those who expect to report foreign direct investment of which the arrived amount is over USD 100,000 within 1 year of move-in.

IKP Occupancy Procedure

Counseling in occupancy → Application for occupancy → Screening committee evaluates application → Result notification(result confirmed in 1-2 weeks) → Conclusion of lease contract → Move into IKP



Other IK Services

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.

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.

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.



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