

# kotra EXPRESS



ONE-ON-ONE  
with  
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**September 2020**

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## Foreign Direct Investment

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### **Busan city-KOTRA sign MOU for FDI attraction**

The city of Busan and the Korea Trade-Investment Promotion Agency (KOTRA) signed an MOU on Aug. 26 to further promote foreign investment and business reshoring in Korea.

Under the MOU, both parties reached a consensus on making concerted efforts to help multinational companies as well as those who once moved their businesses overseas come to Korea, bringing along more jobs with them. The parties agreed to work together to find global investors and venture capitalists, appoint a trade office dedicated to the partnership and to jointly run

corporate IR events and presentations overseas.

KOTRA will give its counterpart a leg up by making full use of its human resources and global network so as to help the Busan city government set up FDI policies and focus more on investment attraction into major growth drivers.

A city official said "The deal is highly anticipated to band the city and the agency together, creating momentum to bring top global businesses into the community, which in turn will bring decent jobs for young city residents."

### **Airbnb users spend USD 2.1 bln in S. Korea in 2019**

Users of the global house-sharing platform Airbnb Inc. spent USD 2.1 billion in S. Korea in 2019, the company said on Aug. 19.

The amount accounted for 4.2 percent of total tourist spending in Asia's fourth-largest economy, with Airbnb users' median expenditures standing at USD 445.

Airbnb users and hosts contributed USD 1.91 billion to S. Korea's gross domestic product last

year, or 0.12 percent of the country's total GDP. The amount was about seven times more than the USD 260 million recorded in 2015, a year after Airbnb's entry into S. Korea.

Airbnb said spending by its users in S. Korea totaled USD 5.5 billion between 2015 and 2019. The house-sharing platform has created nearly 55,000 jobs in S. Korea since it started operations here in 2014, the company added.

## Industry

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### **Mando to develop ventilator for COVID-19 patients in collaboration with NASA**

Mando Corp., a S. Korean auto parts manufacturer, has been selected as a partner for a project being pushed by the U.S. National Aeronautics and Space Administration (NASA) to develop a ventilator for novel coronavirus patients, company officials said on Aug. 24.

Mando has become the only Asian company to collaborate with NASA's Jet Propulsion Laboratory's (JPL) Ventilator Intervention Technology Accessible Locally project aimed at ensuring the steady supply of medical ventilators during the COVID-19 pandemic.

The S. Korean company plans to develop a ventilator for personal use that can also be utilized for emergency purposes at makeshift hospitals.

"It will be a product designed to meet growing demand for ventilators amid a spike in COVID-19 patients," a Mando official said.

Mando's involvement in the ventilator development scheme comes as JPL recognized the company's expertise in so-called redundancy technology, which is designed to automatically fix malfunctions.

### **Samsung maintains No.1 spot in global DRAM market in Q2: report**

Samsung Electronics Co. maintained its dominant status in the global DRAM market in the second quarter of the year, a report showed on Aug. 19, as the pandemic drove demand for server chips.

Samsung's market share in the global DRAM market stood at 43.5 percent in the April-June period, down 0.6 percentage point from three months earlier, while its revenue increased 13.8 percent to USD 7.4 billion over the cited period, according to data from market researcher TrendForce.

Its local competitor SK hynix Inc. came in second with a 30.1 percent market share in the

second quarter, up 0.8 percentage point from three months earlier. U.S. chipmaker Micron Technology Inc. took third place with a 21 percent market share in the first quarter, up 0.2 percentage point from three months earlier.

"The DRAM market saw an increase in both prices and bit shipments, leading to a double-digit rise in revenue for the three suppliers," TrendForce said. "On the matter of profitability, all three leading suppliers posted an increase in their operating margins in the second quarter of 2020 as the overall average selling price rose by around 10 percent."

**Trade & Commerce**

**Vietnam-EU  
FTA to benefit  
S. Korean  
fashion firms:  
KITA**

S. Korean fashion firms based in Vietnam are expected to benefit from the free trade agreement (FTA) between the Southeast Asian country and the European Union, which went into effect in August, a report showed on Aug. 4.

"Under the agreement, clothes producers based in Vietnam can enjoy the benefit of the latest FTA for goods made with S. Korean materials," the Korea International Trade Association (KITA) said in its report.

Clothes produced with Chinese materials, on the other hand, cannot enjoy the benefits of the Vietnam-EU trade deal, as the world's No. 2 economy does not have a pact with the union.

S. Korea implemented its own FTA with the EU in 2015.

Vietnam's imports of S. Korean materials to produce clothes reached USD 1.7 billion in 2019, accounting for 11.5 percent of the total.

**S. Korea,  
Indonesia eye  
broader ties  
to overcome  
pandemic  
fallout**

S. Korea and Indonesia on Aug. 26 agreed to expand their economic ties to overcome the economic fallout from the new coronavirus pandemic.

Trade officials from Seoul and Jakarta held a two-day virtual meeting to discuss ways to bolster the two countries' economic ties and overcome economic jitters of the COVID-19 pandemic, according to the Ministry of Trade, Industry and Energy.

During the meeting, the two countries vowed to expand cooperation in the e-commerce seg-

ment, which is especially expected to play a bigger role amid the virus pandemic.

Seoul and Jakarta struck the Comprehensive Economic Partnership Agreement (CEPA) in November last year, with an official signing expected this year.

Indonesia was the 15th-largest export destination for S. Korea in 2019, with outbound shipments reaching USD 7.6 billion, according to the Korea International Trade Association.

**Government & Policy**

**S. Korea to  
expand public  
Wi-Fi network  
amid pandemic**

S. Korea said on Aug. 20 it will expand free public Wi-Fi service to 41,000 additional locations across the country by 2022 to meet increasing data demand amid the coronavirus outbreak. The move comes as the pandemic has led to a surge in data consumption this year.

S. Koreans used 616,072 terabytes of wireless data in June, up 24 percent from the previous year, according to the Ministry of Science and ICT.

"Public Wi-Fi is becoming increasingly important

amid the pandemic, which has expanded remote work and education," Hur Sung-wook, head of the ICT ministry's cybersecurity and network policy bureau, said in a statement. "We will pursue additional installations as planned to ensure that the public can freely use data."

Under the latest plan, the government aims to install free Wi-Fi in 10,000 public facilities, including libraries and bus stations, by the end of this year. It plans to establish the service in 31,000 additional sites in the next two years.

**S. Korea to set  
up 400 bln-won  
fund for digital  
startups**

S. Korea will set up a fund of KRW 400 billion (USD 339.6 million) to help digital startups get more loans, Finance Minister Hong Nam-ki said on Aug. 20.

The fund is expected to help promising startups commercialize their technologies, Hong said in a meeting with economy-related ministers.

Hong voiced concerns over a recent jump in daily new infections of the new coronavirus, saying, "Successful containment is a prerequisite of an economic recovery."

The ministry has set up a task force to support Korean New Deal projects that will help create 1.9 million jobs and jumpstart the coronavirus-hit economy.

Last month, S. Korea said it will invest KRW 160 trillion by 2025 under the bold stimulus package. Hong said the government will soon announce a plan to establish a fund for the projects.

Unlike conventional infrastructure projects, the deals feature 28 projects that will transform the nation's fossil fuel-reliant economy into an eco-friendly one and increase state investment in artificial intelligence and fifth-generation (5G) telecommunication services.

The projects are aimed at laying the groundwork for economic growth in the long term, while cushioning the economic blow from the pandemic and hastening an economic recovery, ministry officials said.

# Korea's Fashion Industry

## Industrial Competitiveness

In Korea, more than 5,000 designers are produced every year from junior colleges or higher. New designers take an active part in the international arena and improve their understanding of international trends by participating in overseas fashion week events and showrooms in Paris, New York, Shanghai, Hong Kong, etc.

The fashion industry in Korea has a sufficient fashion manufacturing workforce with over 20 years of experience in sewing, pattern, sample, etc. Thus, the fashion industry in Korea can produce luxury fashion clothing that integrates world-class quality control and manufacturing technology. As all textile fashion streams including upstream, midstream and downstream industries develop in balance, it is possible to reduce purchasing costs. Fashion businesses are able to secure stable supply of fiber threads and yarns, fabrics and clothing materials required to produce fashion clothing in Korea, which helps reduce costs.

The fashion clothing market in Korea has continued to grow because of the new Korean Wave led by K-pop since the mid-2000s. In particular, the Dongdaemun fashion market has established itself as a self-sustainable industrial cluster, and attracts consumers through its capabilities to produce fast fashion items that reflect the latest trends of consumers. It is possible to create a fast fashion market by minimizing the time required for logistics and distribution, and reducing costs with industrial clusters in which the following fashion-related value chains are integrated: purchasing fabrics and subsidiary materials, planning and design, manufacturing prototypes (patterns, samples), garment cutting and sewing and wholesale and retail distribution. Furthermore, it is possible to respond to spot orders quickly and flexibly with self-sustainable industrial integration, close cooperation and trust relationships among manufacturers, wholesalers and retailers.

Opportunity factors are as follows: Korean Wave led by K-pop, excellent ICT foundation and technology, and expansion of internal markets in developing countries, etc. The Korean wave through K-drama and K-pop contributes to the country's fashion industry expanding to the global market, improving Korea's brand image and promoting awareness and preference to Korean-made products. It is expected that it would be possible to develop smart clothing based on the world's best ICT technology and innovate logistics and distribution through Fourth Industrial Revolution technologies such as artificial intelligence (AI), virtual reality (VR) and augmented reality (AR), etc. The following are expected

to act as opportunity factors to Korea's fashion industry: difficulty in expanding internal markets and supplying production personnel in developing countries, such as China, etc. and the weakening of price competitiveness because of the increase in wages, etc. in developing countries such as China.

## Government Policies and Incentives

To invigorate the Dongdaemun fashion market, the Ministry of Trade, Industry and Energy and the Seoul Metropolitan Government plan to promote the following: create and lead a new industry for personalized and customized clothing, digitalize the Dongdaemun ecosystem and create a Dongdaemun playground that integrates culture and tourism. It is expected that this plan will expand startups led by young adults and high-quality jobs, increase the consumption of materials produced in Korea and help the Dongdaemun fashion market emerge as a fashion hub in Northeast Asia through a change in its ecosystem.

The project is aimed at promoting the inflow of new workforce by providing training in advanced clothing manufacturing technologies, and training more advanced clothing manufacturing technicians through on-the-job training at selected companies.

The project also supports trainees who complete the advanced training courses with outstanding results, by providing them with office spaces and equipment free of charge, and offering a continuous stream of work (fashion manufacturing micro-factory). The plan involves employing fashion experts overseas as marketing directors (MDs), expanding textile fashion exhibitions in Korea, and holding events that connect the Korean Wave and K-Fashion, etc.



# Trends and Outlook of Korea's Fashion Industry

With a highly skilled labor force and integration process that flows between entities within a supply chain, wherein each stream of activities of overall operations from the initial production phase to the endpoint of sales are organically combined, the fashion industry in Korea has constantly grown so far.

It's indeed the textile and clothing business that laid the foundation for the country's economic growth during the period of industrialization. Today, industry-wide changes such as highly advanced garment technologies; world famous fashion designers; a cross-sales channel integrating both on and offline networks; women empowerment in the industry; and the ever growing popularity of K-pop which helps shape a positive image of Korea worldwide have come out as the new growth drivers, helping the fashion industry keep scaling up, while being part of higher-value added services.

With recent trends where people start to put more value on work-life balance as they earn more, the fashion industry is getting diverse. This phenomenon stands out even more due to consumers' lifestyle changes, which have brought out smarter consumption habits and market polarization. Under such circumstances, some brands capable of small batch production, capturing designers' identities of their own have improved the client base online.

Running counter to the industry outlook, which initially depicted a rosy forecast with a growth rate of 1.2 percent despite external challenges that came into play, market performance until now has slipped into a severe downward spiral due to the coronavirus pandemic, sweeping across the entire world early this year. Supply and demand imbalances in the first quarter of 2020 is likely dragging down a turnover

of 80 percent year-over-year, and the impact on offline sales looks much grimmer.

Contrary to the market predictions, however, online sales grew 18.9 percent and 13.5 percent via e-commerce and m-commerce platforms respectively, which signals frame-breaking changes that completely alter the underlying marketing strategies for business after coronavirus.

The recent COVID-19 pandemic appears to spur the apparel industry on to accelerating investment in online sales channels, which would accordingly lead fashion brands to test technologies like big data analytics, artificial intelligence, virtual or augmented reality, and smart factory to improve exclusive customer service and market competitiveness. Such tech-experiments are expected to help grow both fashion and tech industries.

In a time when the pandemic has redefined the global new normal, Korea's fashion business ("K-fashion" for short) is anticipated to develop survival strategies in the post COVID-19 world and go global, tapping into new markets through cross-border business models (e-commerce).

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

Fashion industry market size and growth outlook



Source: KFI Research (July 1, 2019), Fashion in trend

\* As of Nov. 1, 2019 (Prospects)

# Dongdaemun Fashion Town Special Tourist Zone

## Overview of Dongdaemun Fashion Town Special Tourist Zone

Dongdaemun Fashion Town Special Tourist Zone (also known as “Dongdaemun Fashion Town”), designated as a special tourist zone by the Ministry of Culture and Tourism on May 23, 2002, is the largest fashion industrial complex in the world, boasting 31 large commercial buildings and shopping malls, traditional and modern mixed, and over 30,000 stores and 150,000 fashion workers.

Dongdaemun Fashion Town is the first of the six special tourist zones in Seoul. Being the largest and most popular fashion industrial complex in Korea, its daily floating population is approximately 700,000, and over 2.5 million foreign tourists visit the Dongdaemun Fashion Town annually. Its total daily sales easily exceed KRW 50 billion. In addition, as the base for exports to all over the world including China, Japan, Taiwan, and Southeast Asia, Dongdaemun Fashion Town is a global fashion shopping district and tourist attraction that attracts 8 million tourists, retailers and buyers a year.

The techniques and experiences of the masters of sewing, patterns and other stages of production in Shindang-dong and Changshin-dong are combined with the efforts of the Dongdaemun merchants to develop new and better fabric, and the great sense of the designers to maintain and further the reputation of the Dongdaemun Fashion Town.

In the beginning, Dongdaemun Fashion Town was famous for its ability to promptly supply products reflecting the latest trends in the conditions required by customers and for its full opening through the night. Today, as an important supplier and player in the online fashion market, Dongdaemun Fashion Town is preparing to become the center of the upcoming U-Commerce to take on various roles suitable for the smart era amid rapid changes in the distribution environment.

Dongdaemun Design Plaza (DDP), opened in 2014, is a multicultural space where a variety of cultural events, such

as exhibitions, fashion shows, new product presentations, seminars and conferences, are held. DDP is the place where new design trends are emerging in the mixture of numerous cultures. It is always the first one to present new products and fashion trends to the world, and its beautiful fashion exhibitions offer opportunities for sharing of knowledge and first-hand experience of various designs. These activities are helping DDP play the role of a “source of fashion design” for Asia and for the world.

## Attraction of Investment through Establishment of Online Platform

Sinsang Market, a B2B fashion commerce platform that connects wholesalers to retailers, has recorded a cumulative transaction amount of KRW 1 trillion since the beginning of its operation in July of 2013, and the numbers of wholesalers and retailers registered with the platform have increased to about 12,000 and 132,000, respectively, as of March of 2020. Investment in B2B fashion platforms has also been active, with Sinsang Market attracting KRW 16 billion in series-B investment in March of 2019, and KRW 25.5 billion from NAVER. Branch, a fashion shopping application, has attracted a cumulative investment amount of KRW 35 billion, including an investment of KRW 21 billion in April of 2020. Brandy and Helpy, which are fulfillment services dedicated to Dongdaemun, are also currently in operation.

As demonstrated above, the fashion platform is attracting customers with large-scale infrastructure investment and marketing through investment attraction. In fact, the existing Dongdaemun ecosystem is rapidly changing from an offline-based ecosystem to an online platform-oriented ecosystem. Platforms linked to Chinese platforms have recently emerged and been developed, signaling the possibility of a new global platform ecosystem.

Dongdaemun is now facing the greatest change ever triggered by the change to a fashion ecosystem based on online and mobile platforms and the change of the competitiveness of the Dongdaemun fashion ecosystem in the global market. There is a plan to link Weegle to the payment platform of payment gateway to make it easier for the Dongdaemun Fashion Town to enter the global market and for foreign investors to make investments.



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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 approximately 300 Korean companies seeking to partner with foreign investors. This month, KOTRA Express introduces some outstanding companies in Korea's fashion industry.

## COMPANY

A

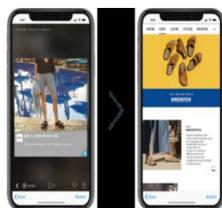


*Clothing core technology*

Investment Requirement		Company Profile	
<b>Amount</b>	USD 2 million	<b>Patents and Certificates</b>	Registered and applied for 11 patents, including one for fabric pleating device
<b>Investment Structure</b>	All available	<b>Financial Performance</b>	(Sales) USD 6.39 million (in 2019, unaudited)
<b>Investment Highlights</b> The company has the largest number of patents and design rights related to pleated clothing in Korea. It has secured diverse intellectual property rights through continuous R&D investment and is in the dominant position in production technology and designs. Moreover, the company is widening the gap with domestic low-priced copycat products by accumulating technical data on pleating methods and production technologies.			

## COMPANY

B



*Collaboration with Pikicast*

Investment Requirement		Company Profile	
<b>Amount</b>	USD 4 million	<b>Patents and Certificates</b>	Applied for trademark right
<b>Investment Structure</b>	Minority or JV	<b>Financial Performance</b>	(Sales) USD 5.06 million (in 2018, unaudited)
<b>Investment Highlights</b> The company serves as an online editing shop that presents new consumption patterns through various categories of brand products and creative content in Korea and abroad. It is dedicated to discovering different internal/external brands unknown to consumers and providing storytelling type curation service for consumers to know the value of the brands. The number of members has reached 120,000 in a year after the website opened, with more and more people visiting it.			

## COMPANY

C



*1. Main screen, 2. Shooting mod, 3. Related list*

Investment Requirement		Company Profile	
<b>Amount</b>	USD 0.28 million	<b>Patents and Certificates</b>	N/A
<b>Investment Structure</b>	Minority	<b>Financial Performance</b>	(Sales) N/A (in 2017, unaudited)
<b>Investment Highlights</b> The Korean Wave has led to a growing interest in Korean fashion, and the development of the Internet environment makes online shopping more accessible in Southeast Asia. As a result, more people in the region also use online Korean fashion shopping malls. According to a survey, the number of female online shoppers in Southeast Asia has reached 150 million, and the number of shoppers who enjoy Korean online fashion malls in Singapore, which is the company's primary target market, has reached 140,000. The company's image recognition technology allows potential users in Southeast Asia to search for fashion items that are popular in Korea by merely using images. The service helps customers purchase Korean clothes tailored to their tastes.			

For more information please e-mail [ikmp@kotra.or.kr](mailto:ikmp@kotra.or.kr), or visit the Invest Korea Market Place page on [www.investkorea.org](http://www.investkorea.org).

# ONE-ON-ONE WITH RICHARD MOLIN

Country Manager & Head of Operations APAC, Höganäs Korea Ltd.  
Chairman, Swedish Chamber of Commerce in Korea (SCCK)



## Korea, the Industrial Hub of Asia

*KOTRA Express talks to Richard Molin, Country Manager & Head of Operations APAC at Höganäs Korea, to hear more about Korea's materials and components industry as well as his experience doing business here.*

**H**öganäs is the world leader in metal powder development and production. Together with its customers, the company develops tomorrow's automotive components and electric drivelines, as well as high temperature brazing solutions, systems for sustainable energy creation and green treatment of water and soil. Höganäs was founded in 1797 and is privately owned today by Lindéngruppen and FAM. In 2017, the company had a turnover of MSEK 10,360. Höganäs Korea was established in 1992 as a sales office in Seoul. Then in 2014, a local plant was inaugurated in Busan to supply metal powders to the Korean market.

Richard Molin has a Master of Science degree in Mechanics from the Faculty of Engineering at Lund's University in Sweden. After graduation, he started his first position at Höganäs in 1999 in logistics and has since then held various positions within supply chain and sourcing. In 2017, he became the country manager for Höganäs Korea to be responsible for Höganäs' operations within Asia. He lives in Seoul with his wife and their two boys, who all enjoy life here. He's currently adding to his knowledge by studying for an MBA at the Imperial College in London.

Read on to gain insight into Korea's business environment, material and components industry, as well as Molin's experience doing business here.

### How did you become interested in Korea?

I had visited Korea and some other Asian countries many times during my years working in logistics and supply chain. I've always been fascinated by how much quicker everything is done here compared to Europe and Sweden. New things are happening all the time and everyone is open to trying them out.

When I was offered the position as country manager, it did not take very long for me to decide to make the transition. Korea is a modern country with fast development, which is very attractive. For a European like me, it is also different and exciting. I brought my family to visit before making the decision to move here, and as soon as we got in the taxi from the airport, we already knew this would be a great place to live.

### What made Höganäs establish a branch here?

The usage of metal powders has varied a lot over the years. Early on, around 1970, the biggest field of usage was welding, in which the powder is used for electrode coatings. Korea, with all its shipbuilding, became one of the biggest and most important markets for Höganäs. At that time, the company used an agency to handle the sales aspect. Even today, we

find some of our biggest and most important customers for welding powders here in Korea, where our business has been ongoing for many years and the relationships are excellent.

When metal powders later became an important part of the process in making car components, Höganäs was quick to set up a sales channel in Asia where powders were sold mainly in Japan. When Korea's car production started to grow, we established our office here, and have since then been an essential part of building up this industry in the country. Today, Korea is one of the most important markets for us globally, and many new projects happen here.

### What are the advantages of doing business in Korea?

In my view, Koreans are one of the most open people to try new things. Our customers are at the forefront of technology and always see the possibilities of trying new things and working together to learn something new. Our products are typically not so high-tech and many products have a very long life-cycle. But in the last decade, we've seen globally that the earliest adaptors who love innovation are found in Korea. That is very well in line with Höganäs' vision to develop and improve our offerings so that when we want to try out a new product and get good feedback from consumers, we always reach out to customers here. Our R&D department also works closely with our customers who always give us great challenges and requests, which means that we improve as suppliers.

I also really appreciate the great relationships and hospitality that is offered whenever we meet our Korean

customers or partners. Doing business here is straight-forward and you need to be honest and stand for what you say. In return, you get good contacts who you can work closely with and also enjoy some time together after work and meetings to have dinner and talk about things other than work. When problems or issues arise in daily business, my experience is that we always manage to find pragmatic solutions to the problems that both parties are O.K. with, and we can avoid arguing about contract clauses and who is to blame.

### Were there any specific strategies that Höganäs established to better adapt to the Korean market?

Some things are a bit different here compared to other countries. This is one of the few markets where we have had mainly local staff and management from the beginning, compared to most other countries where we've placed Swedish management from the start.

Here in Korea, it took 25 years of running the business locally before I came. Working with Korean customers takes a Korean attitude and the language skillset. Now, we are preparing for more investments with the aim to supply not only within Korea but the whole APAC market, and this is one of the main reasons why I am here.

### What opportunities in Korea are Swedish companies most interested in investing in?

Korea is the perfect market for most companies. In a relatively small area, you have access to a big population



This photo, provided by Höganäs, shows the company's plant located in Busan, S. Korea.

that is fairly easy to access thanks to good infrastructure. An increasing number of people are in a good financial situation and can spend more money on what they need and like.

As I mentioned, Korean consumers are very interested in trying out new things. Sweden is popular in Korea and our design is highly appreciated. This means that many customer-oriented companies with a high level of design find Korea particularly of interest.

### What advice would you give Swedish investors/companies seeking to enter the Korean market?

Even if Korea is a great market and we come with good products and services, we must be humble and understand that local companies are working really hard and already have access to the benefits of being from here.

This means that often times, the first step is about finding the right partners to work with. The Korean system is not necessarily easy for a foreigner and there is the obstacle of not speaking the language when it comes to establishing yourself here. So, once you start by finding good partners, the second step to make sure that you find good local people to work with.

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

First of all, we work very closely with our customers and try to create alliances where we develop new solutions and products together. In Korea, we also have good relationships with some of our competitors and we can meet and exchange ideas about how to grow the market jointly along with our customers.

There are also many associations that bring various companies and stakeholders together to strengthen the industry as a whole—making sure that education and recruitment in the industry works well, and that universities are conducting enough research to help to create new innovations.

I am also the Chairman of the Board at the Swedish Chamber of Commerce, where we try to get most of the Swedish companies here to come together and utilize each other for help and inspiration wherever it makes sense.

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

As mentioned before, one of the big obstacles is still the language. More information and services available in English would make it much easier to keep a close eye on market possibilities. It can be difficult to get by without a translator. Even with the English level improving a lot these days, there are so many day-to-day situations where it is difficult for a foreigner with a limited knowledge in Korean to manage.

We have been active in Korea for more than 25 years, and we are preparing to start construction of our second plant.

However, we still have some big challenges to understand in terms of rules and regulations in various areas. So, in some cases, clearer rules could be very useful. But on the other hand, one of Korea's charms is that anything is possible—you just need to figure out how.

### What are some future plans that Höganäs has in terms of doing business in Korea and in Asia?

For us, Asia has become the absolutely most important market globally over the last 15 years. Today, we are selling close to 40 percent of the group's sales in Asia, with both the growth and development in new areas happening much quicker than in other places. This means that whenever we consider new investments, we think Asia.

As one example, Höganäs had plans to start construction on a new plant this year in Busan, which would have been the most modern plant within the group. Here, we will prepare ourselves for a future where powders will be required to be used in new applications such as 3D printing. This plant will provide the entire Asian market with powder. We've selected Korea as the best location in Asia based on our great track-record for the existing plant that we already have in Busan, which is one of the safest, most productive plants we have in the world. Unfortunately, the global COVID-19 situation has made these types of big investments more difficult, so we had to postpone our project, but I look forward to resuming the plans in a few years.

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# Why the OECD is So Rosy About Korea

To everyone's surprise, a global institution revised the economic growth rate for Korea in a positive way from -1.2 percent to -0.8 percent for 2020. The Economic Survey of Korea which is released by the OECD every two years, put Korea at the top among 37 member countries on August 13, 2020, with -0.8 percent for the economic growth forecast. This was taken as a huge consolation especially to the government officials who have been struggling with unprecedented floods on top of half-year struggle with the COVID-19 pandemic. The favorable revision was highly received because Korea was almost the only upgraded country among the majority of forecasts that were being downgraded, and made Korea the highest in growth rates among 37 member countries. Although still in the negative territory, Korea's -0.8 percent was higher in comparison with -7.3 percent of the U.S. or -6.0 percent of Japan.

Some might have naturally wondered why the OECD optimistically corrected the economic growth forecast this time. That is because of the changes in its forecasts of private consumption and fixed investment. Previously in June 2020, the OECD projected that private consumption would decline 4.1 percent and fixed investment fall by 0.7 percent for 2020. But this time, the OECD forecasted private consumption to fall only 3.6 percent and fixed investment to pick up 2.9 percent. The OECD report specifically points out that Korea's prompt and effective containment strategies contributed to the limited spread of COVID-19, and that Korea was among the most successful countries in the world to contain the spread without complete lockdown. Also, it praised the Korean government in taking appropriate policy actions and measures to support economic hardship. Although COVID-19 has definitely beleaguered the Korean economy in consumption, investment and employment, the report says quick and effective measures by the government have sufficiently alleviated the negative consequences, making possible both a more shallow recession and mild unemployment. In other words, the better growth performance is not because of the private sector, but of the public sector. According to the Bank of Korea, the public sector contributed 1.9 percent point while the private sector contributed -2.7 percent point, rendering -0.8 percent in the economic growth rate for the first half of the year.

The OECD pointed out that the sound fiscal background has made the government respond effectively and quickly to support the deficiencies in private demand of consumption and investment. The national debt rate to GDP being only 40 percent, the government has plenty of room maneuvering a series of nine special emergency measures of USD 250 billion in its totality, including 3 special supplementary budgets of almost USD 60 billion. It should, however, be borne in mind that the OECD export growth forecasts were unlike others downgraded in the recent report significantly from -2.6 percent growth to -5.7 percent, coupled with current account

surplus refreshed from 3.0 percent to 2.2 percent to GDP. This means that despite the relatively charming performance in 2020, there lies ahead a serious potential pitfall for exports.

Trade being an indisputable engine of economic growth, authorities should take concern of withering exports and imports. The fiscal stimulus by the government can do the job of emergency care for a short while, but the Korean economy needs a fundamental overhaul in the trade sector to make economic recovery sustainable and long lasting. A high-level Korean authority has revealed a series of audacious projects called the Korean New Deal to sustain economic growth and create jobs, and the OECD seems to give a very high evaluation of it. The OECD points out that as a forerunner in digital technologies, the Korean government tries to create synergy with business sectors in data processing, green investments and inclusive growth. With the total budget of USD 100 billion until 2025, the government expects to create 1.9 million jobs, especially for the younger generation.

And yet, there seems to be little connection between the Korean New Deal and export propagation. All the specific measures of the Korean New Deal are geared only towards job creation and economic growth, with scarce reference to trade promotion. In that regards, the recent plan announced by the Ministry of Economy and Finance is quite illuminating as it contains a lot of projects to upgrade export potential in the six major service industries, namely contents, health and medical services, educational technologies, digital services, fintech and engineering. The players in these critical service industries have been asking the government to provide marketing support and financial assistance. Also, the industries demand tax incentives as well as information about international regulations and consumer tastes that are difficult to get by individual participants. With traditional manufacturing industries being in definite decline for export opportunity, next generation contenders are undoubtedly service industries armed with technology, data and software. As one of the indisputable major players in the field of IT, Korea is expected to perform superbly in the export of services, and there lies the sustainable future growth of the nation.



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



## Superb Suwon Specialty

### *Galbi*

*Hwaseong Fortress, a UNESCO World Heritage, and galbi (grilled ribs) are the two things Suwon, Gyeonggi-do Province, is most famous for. Known for its high quality and juicy flavor, the meat is available year-round as a favorite traditional food in Korea, and even novices to Korean cuisine are easily seduced by the marinated galbi grilled over charcoal with its chewy texture and sweet*

#### **Origin**

King Jeongjo (1752-1800), the 22nd monarch of the Joseon Dynasty (1392-1910), built Hwaseong Fortress and a garrison farm to develop Suwon into an independent city. To promote farming at the farm, he granted farmers there seed and cows. He took half of their harvest every year and had the farmers rear cattle and give one back every three years. This drastically increased the number of cows in town, resulting in a large cattle market. The market was crowded with cattle sellers and farmers and saw nearly 20,000 heads of cattle exchanged over a year. Suwon thus became the logistical hub for delivering items and foods to Hanyang (former name of Seoul), the capital of Joseon, which turned the city from a small agricultural town into a merchant hub. The cattle market made beef available in the city year-round there, and this made Suwon the perfect place for galbi.

The origin of Suwon's famous style of galbi dates back to the 1940s, when Lee Gui-seong opened his famous hangover soup restaurant Hwachunok at the city's Yeongdong Market. To stand out in the heavily competitive market, he put a lot of beef ribs in his soup, and though this strategy raised the soup's quality, its lack of cost effectiveness limited profitability. Lee wrestled with what to do and came up with marinated and grilled galbi. His charcoal-grilled meat featured a sweet, juicy flavor that became a big hit in town. His restaurant's fame skyrocketed to the point where its menu was featured in the media and famous figures at the time, including none other than President Park Chung-hee, made their way to Hwachunok. In 1979, the restaurant was permanently closed to make way for a department store, but Hwachunok's legacy gave birth to many other galbi restaurants. Designating Suwon galbi as its specialty in April 1985, the city has since made efforts to preserve the cuisine.

## Variety of Dishes

With its mild taste, galbi is one of the most popular Korean foods among Koreans and non-Koreans alike. The type of galbi varies from regular and marinated grilled ribs to short rib soup. Saeng galbi is ribs without sauce grilled over charcoal with sprinkles of salt that maximize the flavor. Yangnyeom galbi is marinated ribs with a variety of ingredients also grilled over charcoal. These two forms are the best known types of Suwon galbi.

To make yangnyeom galbi, cut a thick slab of the meat into thin slices. Suwon galbi is cut in bigger portions than in other regions. Cut the beef ribs into strips and remove the fat and tendons. Slice the beef from the bones at a width of 0.5cm and make thin cuts in the meat. This can be done by flipping and repeating the cutting a few times until a long strip of thin meat is made. Prepare the sauce using salt, sugar, sesame oil, black pepper, green onion, garlic, ginger, corn syrup and refined rice vinegar and spread the sauce over the trimmed meat.

Suwon galbi uses salt instead of soy sauce for seasoning. Though each restaurant offers its own recipe, a rule of thumb is to mix five parts sugar with one part salt. When the meat is seasoned, score from one side to the other and keep the meat flat. After scoring it horizontally, marinate it for two days to

make the ribs juicy and flavorful. The last step is to grill it over charcoal and enjoy.

Galbitang (short rib soup) is one of the most popular health foods served to the elderly or young men who briefly come home from military service; this is because ribs have traditionally been an expensive ingredient. People also eat this hearty soup to restore their vitality. While grilled galbi offers the savory taste of ribs, galbitang is much simpler and filling. The same ribs used in grilled galbi provide a more unique experience.

While only water and ribs were used in galbitang in the past, medicinal herbs like ginseng, pine nuts and jujube are now added for more nutrition. Certain galbitang menu items also offer extra ribs for those who like bigger portions or want to eat the meat with their hands. The concept is similar to that of bone broth, except galbitang is simmered just once until the flavor comes out.

Suwon historians recognize the influence of the city's galbi on Korean culinary culture because Suwon galbi features the ribs as an entree rather than a side dish. Galbi supposedly led to the creation of Korean barbecue culture, in which diners consume the meat first and eat noodles or rice afterwards. Those unfamiliar with Korean food who wish to try the best of the nation's cuisine will surely hit the spot starting with sweet and savory galbi.



Source: "Superb Suwon Specialty" by Yoon Sui, *KOREA* (September 2019), Korean Culture and Information Service (KOCIS)

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

### Recognition as foreign investment when the foreign investment ratio falls short



**If a foreigner acquires less than 10 percent of a company's preferred shares without voting rights and awards a contract for dispatching executive officers, can the share acquisition be recognized as foreign investment?**



Yes.



#### **Additional information**

- With the amendment of the Enforcement Decree of the Foreign Investment Promotion Act in January 2004, the requirement "owning less than 10 percent of the total number of voting stocks or total equity investment of a Korean corporation or a company run by a Korean national" was deleted<sup>12)</sup>. In this regard, if a foreigner owns stocks or shares - both preferred shares and common shares - of a Korean company and awards a contract for dispatching executive officers, the foreigner is deemed to have a purpose of establishing a continuous economic relationship with the said Korean company and the share ownership shall be recognized as foreign investment.
- However, if executive officers are not elected at a general meeting of shareholders until the date set forth in the contract to dispatch or elect executive officers, the company shall retroactively lose its status as a foreign-invested company.

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12) Article 2 (2) 2 of the Enforcement Decree of the Foreign Investment Promotion Act

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**Publisher.** Kwon Pyung-oh | **General Manager.** Lee Jehyuk

**Editor-in-chief.** Grace Park | **Acquisitions Editor.** Jinyoung Lee

**Designer.** Jang YooJin | Printed by Samsin Munhwa Printing Co., Ltd.