# Invest Korea

September 2021

Kim Sung-jin

**Foreign Investment Ombudsman** 

# Troubleshooting on Your Behalf

Excellent Manufacturing Environment
Semiconductor Industry Driving Korea's Economic Growth
Yongin Semiconductor Cluster, the Key Pillar of South Korea's Semiconductor Industry



# **KOTRA** is Korea's national trade and foreign investment promotion agency

With 127 offices in 84 countries, KOTRA functions as a global business platform

We provide comprehensive support for foreign investors, as well as business matchmaking services for foreign buyers and Korean businesses. Furthermore, KOTRA supports business partnerships between global enterprises and promising Korean SMEs, while creating global jobs through its vast trade and investment networks overseas. By staying up to date on the latest information on trade, exhibitions and investment, we're able to offer necessary support to Korean businesses and foreign companies.

## Semiconductor

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Korean companies to invest in			

Amazon Global Store opens at Korea's e-commerce platform 11st.co.kr 11Street Co. opened Amazon's Global Store at its online shopping mall in August under the partnership between SK Telecom and the U.S. e-commerce giant.

From late August, 11st.co.kr users can now directly purchase items available at the Amazon Global Store, said 11Street's parent SK Telecom Co. during the second-quarter earnings conference call on Aug. 11.

The online shopping mall is also planning to run big promotional events with Amazon as part of their partnership efforts, said SK Telecom. Further details on their collaborative projects will be unveiled later this month.

Last year, SK Telecom, a major telecom company in Korea, and Amazon agreed to collaborate in e-commerce business. Their collaboration includes Amazon's stake investment in 11Street. The deal comes with an option to acquire new shares in the Korean online shopping mall operator, which is aiming for an initial public offering in one to two years.

SK Telecom in June unveiled a plan to connect its membership program to 11Street Co's delivery service for Amazon Global Store shoppers.

**Trade & Commerce** 

## Exports soar 41 pct in first 20 days of August

S. Korea's exports jumped 40.9 percent on-year in the first 20 days of August on the back of robust demand for chips, autos and petroleum products, customs data showed on Aug. 23.

The country's outbound shipments stood at USD 32.2 billion in the Aug. 1-20 period, compared with USD 22.9 billion a year earlier, according to the data from the Korea Customs Service.

Exports, which account for half of the economy, rose 29.6 percent on-year in July to a record high of USD 55.4 billion in July, extending their gains to the ninth straight month.

The Bank of Korea forecast Asia's fourth-largest economy to grow 4 percent this year. The government forecast economic growth of 4.2 percent.

#### S. Korea to speed up FTA talks with Mercosur

- S. Korea said on Aug. 12 it seeks to speed up its free trade negotiation with a group of South American countries, as the country aims to further expand its export portfolio.
- S. Korea launched its negotiations with Mercosur—Brazil, Argentina, Paraguay and Uruguay—in 2018. The four countries make up around 70 percent of the population in South America and 68 percent of the region's economy.
- "The trade agreement with Mercosur will pave the way for S. Korean exporters to secure the emerging markets of South America and complete our FTA portfolio in the region," the Ministry of Trade, Industry and Energy said in a statement.
- S. Korea, meanwhile, has been making efforts to join deeper ties with emerging markets to brace for the post-pandemic economic recovery.

## S. Korea, U.S. join hands to bolster multilateralism

S. Korea and the United States on Aug. 13 agreed to join forces in reinforcing multilateralism and resolving other pending global trade issues.

Trade Minister Yeo Han-koo held a virtual meeting with his U.S. counterpart, Katherine Tai, to discuss ways to cope with the changing global trade environment, accord-

ing to the Ministry of Trade, Industry and Energy.

During the meeting, the two officials vowed to make efforts to restore the multilateral trade regime by normalizing the function of the Geneva-based WTO, which has been disturbed by the growing protectionism around the globe.

#### Korean capex up 4.6% in H1, driven by chip makers

The combined capital expenditure by major Korean businesses in the first half of this year amounted to KRW 82.81 trillion (USD 70.46 billion) in the first six months, up 4.6 percent from a year ago and 12.6 percent from pre-pandemic levels two years ago, data showed on Aug. 20.

According to local business tracker CEO Score and Yonhap News, 332 out of top 500

companies whose half-year earnings report is available invested a combined KRW 82.81 trillion in the first six months, up by KRW 3.65 trillion or 4.6 percent from a year-ago period.

Spending in the IT, electrical and electronics sector was the most noticeable with a 23.5 percent jump on year to KRW 37.8 trillion amid a boom in the semiconductor market.

## Department store sales climb at fastest pace in Q2

Sales of department stores in S. Korea grew at the fastest-ever clip in the second quarter of the year amid the coronavirus pandemic, data showed Aug. 10.

Local department stores saw their sales in terms of constant prices soar 20.3 percent onyear in the April-June period, according to the data from the Korean Statistical Information Service (KOSIS).

It was the largest-ever on-year increase for the second quarter since data tracking began in 1995. Industry watchers attributed the second-quarter jump to the so-called base effect, as consumer spending plunged during the same period a year earlier due to the outbreak of COVID-19.

On a current price basis, department store sales surged 21.5 percent on-year to KRW 8.3 trillion (USD 7.24 billion) in the three-month period, while sales of supermarkets and grocery stores fell 5.2 percent to KRW 11.2 trillion.

The data also showed sales at duty-free shops spiked 39.2 percent on-year in the second quarter, with online shopping and homeshopping expanding 13 percent.

#### **Government & Policy**

#### S. Korea to foster 1,800 5G service firms by 2026

S. Korea aims to create around 1,800 companies that specialize in new 5G services in the next five years, the ICT ministry said on Aug. 18, to boost adoption of promising technologies powered by the latest generation networks.

While the country commercialized 5G in 2019, companies have yet to fully harness the blazing fast networks that could power upcoming tech services, such as remote-controlled factories, self-driving vehicles, and 3D holograms.

The ICT ministry said it aims to boost the number of companies that research and develop new 5G services from the current 94 to acquire a competitive edge in the network technology.

The ministry plans to support the rollout of services that incorporate 5G, including online classes that incorporate virtual reality and augmented reality technology and a metaverse-based online marketplace for small businesses.

With the increase in companies that develop the network technology, the ministry targets to apply 5G services in 3,200 locations by 2026 from the current 195.

It also outlined goals to establish a city that integrates 5G services from 2023, although the project currently remains in the planning phase.

As of end-June, S. Korea had 16.5 million 5G users, accounting for 23 percent of its total mobile network subscriptions.



Korea maintains one of the top positions on the Competitive Industrial Performance Index, which is a biennial evaluation of countries' industrial competitiveness by the United Nations Industrial Development Organization (UNIDO).

Population	5,1821,669 (2021)
GDP	USD 1.63 T (2020)
Per capita GDP	USD 31,495 (2020)

Manufacturing Value added	USD 422.7 B (2018)
Manufacturing Exports	USD 588.7 B (2018)
Competitive Industrial Index	3rd (2020)

<sup>\*</sup> Sources: Statistics Korea, World Bank, UNIDO

Korea at a Glance

<sup>\*</sup> Note: The Competitive Industrial Performance Index of 2018 was announced in 2020.

#### Korea's manufacturing industry is evolving into high-value, high-tech

UNIDO publishes a biennial Competitive Industrial Performance Index that evaluates the industrial competitiveness of 152 countries worldwide. Korea's ranking has gradually risen since reaching 17th place in 1992, and has been in the top five since 2008.

The shift to high value-added and high-tech

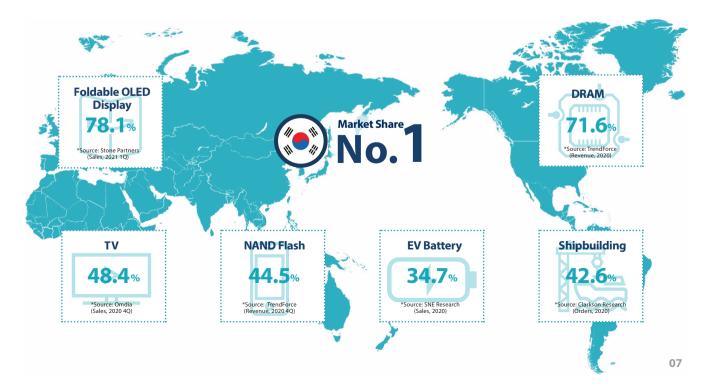
manufacturing is strengthening Korea's manufacturing competitiveness. Korea's share of manufacturing added value to GDP increased from 22% in 2000 to 27% in 2018, and the ratio of high-tech added value to manufacturing production increased from 59% to 64% over the same period.



#### Global market share of Korea's key industries

Korea is leading in global market share in various fields such as semiconductor, display, electric vehicle batteries, and shipbuilding, and is prominent in various fields such as automobile, chemical, and pharmaceutical industries.

(Unit: %, market share)

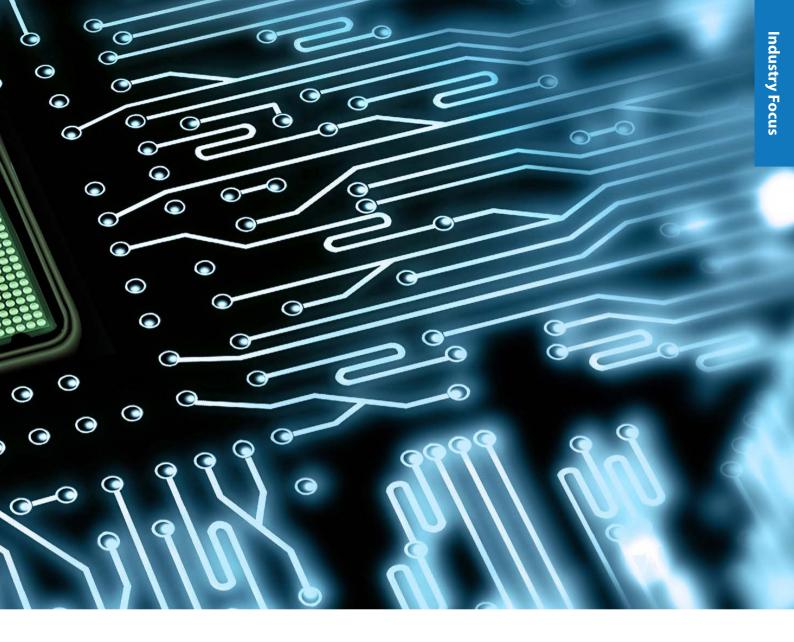


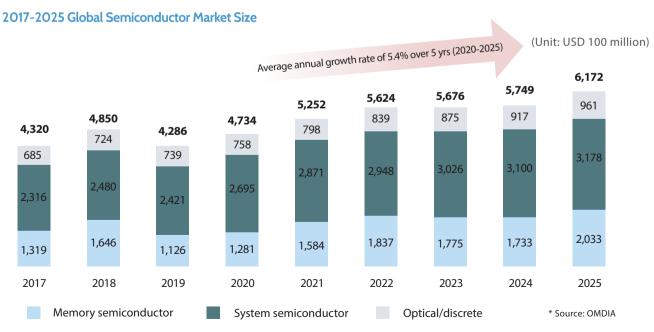


#### Prospects for the Global Semiconductor Market

The market size of the global semiconductor market has continued to expand in step with the development of PC, mobile, server, and other IT devices. It is expected to grow further due to the development of AI, IoT and self-driving vehicles, driven by the 4th Industrial Revolution. According to OMDIA, a global market research firm, the semiconductor market is expected to grow at an annual rate of 5.4 percent in the coming years.



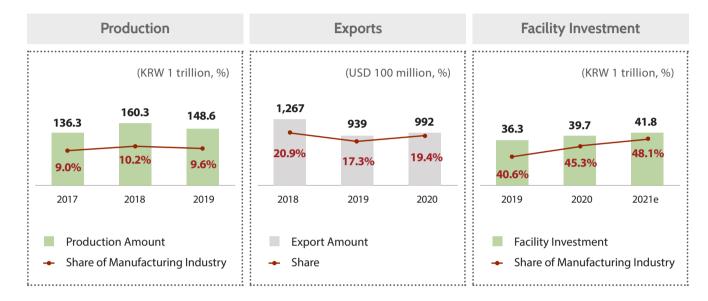




#### Current Status of Korea's Semiconductor Industry

The semiconductor industry is one of Korea's leading industries, driving economic growth in terms of production,

exports and investment. As of 2020, it accounted for 19.4 percent of Korea's total exports, and 45 percent of facility investment. As of 2019, it was responsible for 9.6 percent of manufacturing production. As such, the industry has made significant contribution to Korea's economic growth.



<sup>\*</sup> Source: Production and Employment (Statistics Korea, Manufacture of Semiconductor + Manufacture of Semiconductor Manufacturing Machinery), Exports (KITA)

Also, Korea's semiconductor industry has maintained the 2nd place in the global semiconductor market share since 2013. Based on overwhelming technological competitiveness, the memory semiconductor surpassed Japan (2001) and the United States (2002), taking over the top position, and has continued to maintain the No.1

position. On the other hand, the competitiveness of Korean companies in the system semiconductor sector is still lagging behind, accounting for only 3 percent of the global market share. Korea's competitiveness is limited to DDI, CIS, and PMIC\*, which have relatively lower technology barriers.

\*DDI: Display Drive IC, CIS: CMOS Image Sensor, PMIC: Power Management IC

#### Trends of Korea's Global Market Share

	2013	2014	2015	2016	2017	2018	2019	2020
Semiconductor	15.5%	16.2%	17.0%	16.5%	21.4%	23.6%	18.4%	18.4%
Memory	48.7%	53.0%	57.7%	57.4%	60.7%	61.7%	58.4%	56.9%
System	5.5%	3.9%	3.6%	3.1%	3.0%	3.0%	3.2%	2.9%

<sup>\*</sup> Source: OMDIA

#### Korean Government's Policy to Foster the Semiconductor Industry

#### System Semiconductor Development Strategy (April 2019)

- Create demand and bolster support in step with the stages of growth, as a way to secure competitiveness in the fabless industry
- O Support investment in Foundry R&D · manufacturing facilities and create a win-win cooperative ecosystem between fabless and foundry
- Aim to groom 17,000 advanced · specialized personnel (by 2030) in the system semiconductors sector
- Plan to invest more than KRW 1 trillion over the next 10 years to secure technology for next-generation semiconductors

#### Measures to Improve Competitiveness of Materials, Parts and Equipment (August 2019)

- Support M&A acquisition funds (KRW 2.5 trillion or more) and tax among key items in the domestic supply chain but hard to acquire technology \*
  - \* Added enterprises specialized in materials, parts, and equipment with key new technologies to those eligible for technological innovationtype M&A support
  - \* Corporate tax deduction for the amount acquiring foreign companies specialized in materials, parts, and equipment (to the extent of new growth technology facility investment)
- Cash grants for foreign investment in key strategic items expanded from 30% to 40%, and those moving into foreign investment zones exempted from lease for up to 50 years
- Fast-track approval and permission on strategic products, and preferential support for expansion of social overhead capital such as roads and electricity

#### K-Semiconductor Blueprint (May 2021)

- Establish a "K-Semiconductor Belt" a convergence complex of manufacturing, materials/parts/equipment, packaging, and fabless to stabilize the supply chain of semiconductors
- Expand tax benefits, financial support, and investment in deregulation to establish the manufacturing infrastructure
- Proceed with a project to foster specialized personnel with masters or doctorate degrees and increase the entrance quota to semiconductor departments, with a goal to train semiconductor manpower
- Plan to invest KRW 1.5 trillion or more in developing

future technologies such as next-generation power semiconductor, AI semiconductor, and high-tech sensor, among others

#### Major Foreign-Invested Companies in the Semiconductor Field

#### ASML Korea (the World's No.2 semiconductor equipment company, 2020)

- As the world's leading photolithography equipment maker, holding a global monopoly in supplying EUV lithography equipment, ASML entered the Korean market by establishing its Korea office in 1996
- ASML Korea plans to invest KRW 240 billion in setting up an extreme ultraviolet (EUV) cluster by 2025 including manufacturing plants and training centers in Hwaseong, Gyeonggi Province.

#### Lam Research Korea (the World's No.3 semiconductor equipment company, 2020)

- O As the world's No.1 player in etching equipment, Lam Research established a global manufacturing facility in Osan, Gyeonggi Province in 1992. It achieved shipments of 7,000th equipment produced in Korea in 2021. The equipment produced in Korea are sold not only to semiconductor manufacturing plants in Korea but also global market players.
- Lab Research Korea plans to complete construction of its R&D Center in Yongin, Gyeonggi Province by the second half of 2021, and is pushing to double its production capability in Korea.

#### **ON Semiconductor Korea**

- As On Semiconductor took over Fairchild in September 2016, it also acquired Fairchild Korea Semiconductor.
- As Fairchild Semiconductor had strengths in highvoltage semiconductor while ON Semiconductor had strengths in low-voltage semiconductor, their merger led to a more diverse product portfolio.

#### By Sinwoo Park

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

# One-on-One with Kim Sung-Jin

Foreign Investment Ombudsman

# Troubleshooting on Your Behalf

Invest Korea interviews Dr. Kim Sung-jin, the Foreign
Investment Ombudsman, following his re-commissioning
to hear about his experience working with
foreign-invested companies during his previous term,
and what the next three years hold.

Congratulations on being re-commissioned as the Foreign Investment Ombudsman of Korea. Can you share with us some of your thoughts on your time here?

Let me first tell you about dealing with the hardships of foreign-invested companies as Foreign Investment Ombudsman during the past three years.

During my first term, there were many circumstances that were not favorable for foreign-invested companies such as Japan's export regulations and the COVID-19 pandemic. I tried my best to really listen in on what foreign-invested companies were saying and make improvements on anything that needed to be improved. Some notable achievements included granting exemptions from the obligation to submit a medical certificate for COVID-19 upon re-entry after overseas business trips, and withdrawing the administrative order to make it mandatory for foreign workers to be inspected for COVID-19.

With the recent revision of environmental and laborrelated laws, foreign-invested companies have been sharing with us their difficulties related to labor, environment and industrial safety. I've found that Korea has more regulations than other countries in some areas. While I tried to support in breaking down some of those barriers, I was disheartened when I was unable to do so.

Now, I have another three years ahead of me to work with foreign companies. The experience I've accumulated in the past three years will be rich soil for me to improve the investment environment of Korea in a more precise and systematic way. Through my efforts, I vow to contribute to making Korea a more investment-friendly country.

Can you explain Korea's Foreign Investment Ombudsman system for readers who are new to the system?

The Office of the Foreign Investment Ombudsman

is an institution commissioned by the President of Korea to resolve grievances of foreign investors based on the Foreign Investment Promotion Act. The Foreign Investment Ombudsman investigates any difficulties (regardless of business activities or living situations) that foreign-invested companies submit, and if deemed appropriate, escalate it to the relevant government or public institution to resolve them.

The Ombudsman system was originally created in Korea to resolve such grievances in the shortest time and at the lowest cost. Through the system, we resolve foreign-investors' difficulties and support them in carrying out their business activities smoothly in Korea.

You've spent the last three years conducting various activities to relieve the difficulties that foreign-invested companies face. Are there any memorable episodes you'd like to share?

Well, there was a case related to improving the "competitive products between small and medium-sized

enterprises" system for foreign-invested companies in the 3D printing business.

The "competitive products between small and medium-sized enterprises (hereby competitive products)" system, operated by the Ministry of SMEs and Startups (MSS), requires public organizations to purchase only from small and medium-sized enterprises for designated products. This is one of the policies aimed at fostering SMEs to provide a market for them.

To foster the 3D printing industry, the MSS had designated all 3D printers as competitive products. There are seven kinds of 3D printers categorized by production method, and Korean SMEs only manufacture fused deposition modeling (FDM) 3D printers. Under these circumstances, it was obvious that designating all 3D printers as competitive products would not be of help to SMEs nor the technological development of the Korean 3D printing industry. Also, there were concerns that it might cause a trade conflict due to the restriction of foreign companies' participation in the domestic market.

The Ombudsman's Office submitted an official



opinion detailing the above circumstance to MSS, and in turn, MSS decided to only designate the FDM 3D printer as a competitive product. This was regarded as the best outcome in supporting Korean SMEs, the 3D printing industry, and foreign-invested companies.

Foreign-invested companies in Korea were not exempt from the effects of COVID-19. Please explain the activities the Ombudsman's Office carried out to ease foreign-invested companies' difficulties caused by the spread of the pandemic.

A great example is when we helped resolve the inconvenience for foreign companies due to immigration restrictions and quarantine measures.

In June 2020, the government announced a system requiring foreigners to submit a medical certificate to obtain permission for re-entry into Korea. As imagined, this would greatly restrict foreign investors from entering and leaving the country for business purposes, so we received some complaints regarding this issue from some foreign



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We resolve foreign-investors' difficulties and support them in carrying out their business activities smoothly in Korea.



investors. In response, we persuaded the immigrationrelated ministries to exempt foreigners who have a business trip within three weeks from submitting medical certificates.

In March 2021, Gyeonggi Province and Seoul Metropolitan City issued an administrative order requiring foreign workers to be tested for COVID-19. The order mandated the implementation of the COVID-19 test for foreign workers within a designated period and imposed fines for those who did not get tested. In response to complaints raised by foreign chambers of commerce and embassies in Korea, the Ombudsman Office escalated this issue to local governments, explaining that it was discriminatory against foreigners. Eventually, our efforts led to the withdrawal of the order.

### Please tell us about your vision and goals for the next three years.

Korea's regulatory barriers to some new industries are relatively high, and even some of the top 100 global startups may not be able to start their businesses in Korea. In order for Korea to leap forward as a business hub in Northeast Asia, such regulations must be drastically removed. To this end, the National Assembly, the administration, civil society,

businesses, and foreign-invested companies must play their respective roles in order to perform them faithfully.

As Foreign Investment Ombudsman, I will act as a bridge between the government and foreign companies, and try my best to effectively lower the regulatory walls felt by foreign investors.

In addition, we have aspirations to fully improve the grievance-handling support system by cooperating with experts in each field to professionally respond to foreign-invested companies' demands for improvement of regulations that require diverse and professional knowledge according to the changing times characterized by the fourth industrial revolution, carbon neutrality, and the rise of high-tech sectors. In order to respond appropriately to the hardships that require high-tech knowledge and to find the best solution, it is essential to actively improve the reception, analysis, and processing steps such as strengthening external experts and collecting various overseas cases.

#### Do you have any last words for our Invest Korea readers?

ESG has recently emerged as a social issue. ESG came about under the perception that corporate strategies should also be changed to address capitalism's limitations and create a sustainable society, such as expanding polarization and climate change. ESG consists of Environment (E), Social (S) and Governance (G), which refers to Corporate Governance.

Personally, I think corporate governance is important, but government governance is also very important for the sustainable development of Korea. Korea's economy grew incredibly fast and is called the "Miracle on the Han River." Without the government's timely economic development strategy, it may have not been possible.

As a bridge between foreign-invested companies and the government, I would like to not only relieve the difficulties of foreign-invested companies but also support in removing regulatory barriers of the Korean government. I would be ever grateful for your continued interest and support in the years to come. Thank you.





#### About the company

NextIn Solutions specializes in semiconductor metrology and inspection equipment, and is S. Korea's only manufacturer and provider of wafer inspection systems designed to detect pattern defects and particles in the wafer process.

#### **Background**

NextIn Solutions started studying and developing equipment for detecting pattern defects in order to contribute to the development of the S. Korean semiconductor industry, which needed to procure indigenous technologies considering its higher dependence on foreign products in the wafer process compared to the following package process and the monopoly of foreign products especially in the area of pattern defect inspection equipment.

#### About the product and/or technology

NextIn's combo-systems incorporate the optical configurations for both bright-field and dark-field inspections in one system to allow users to select between the two types of inspection. Users can test at the maximum level of sensitivity by selecting the optical path between the bright field and the dark field according to the test objective.

"AEGIS-DP" and "AEGIS-II" currently offered in the market detect pattern defects and particles generated in the wafer process of building the semiconductor circuits by comparing the optical images, enabling semiconductor manufacturers' initial process stabilization and improvement of fab yields.

Based on the world's first 2D imaging technology of spatially segmenting large-area light with multiple CMOS sensors, AEGIS wafer inspection systems guarantee the highest level of sensitivity thanks to the image-comparison algorithm that uses a cutting-edge image processing technique based on deep learning.

Moreover, in partnership with the world's leading semiconductor manufacturer Intel, NextIn also developed the Through-focus Scanning Optical Microscope (TSOM) suitable for 3D semiconductor manufacturing processes and jointly announced a research paper during the SPIE Advanced Lithography Conference in February 2021. Such efforts are expected to significantly contribute to improving the yields of the 3D device manufacturing process by enabling the development the world's first equipment fit for detecting pattern defects created in the vertical structures of 3D devices.

# AEGIS

#### Competitive edge and business strategy

Inspection systems that detect micro optical patterns in the wafer process require the highest level of technology owned only by two American companies KLA and AMAT. NextIn successfully developed the world's third prototype in 2014 in partnership with Germany's Branhofer Society leading the research of next-generation semiconductor manufacturing technology. Given that wafer pattern defect inspection technology is very similar to that of intelligence satellites, KLA and AMAT are operating research centers in Israel leading the world in intelligence satellite technology. NextIn has also opened an image processing research center in Israel in Novem-

ber 2012, a move that was unprecedented for S. Korea's small and medium-sized enterprises.

As a sponsor of the Ministry of Trade, Industry and Energy's program of developing key technologies for future devices, NextIn is also committed to training Korean specialists in the field. NextIn's products were certified by Samsung Electronics and SK Hynics, leaders of memory technology, and the certification by Samsung Electronics, who leads in CIS manufacturing technology, made NextIn's technology the industry standard.

Because NextIn's products deliver the same level of performance as those of its competitors, they have been chosen by a wide range of DRAM manufacturers, flash memory manufacturers, logic IC manufacturers and foundries based on their high price competitiveness. NextIn boasts a stable sales structure of producing more than 60 percent of total sales from overseas.



NextIn is selected as the 100th tech company to be listed on the KOSDAQ via a special listing system for promising tech firms. (Photo provided by NextIn)



NextIn takes part in charity activities in Gwangju, S. Korea. (Photo provided by NextIn)

#### **Future plans**

NextIn is developing inspection systems fit for the next-generation semiconductor manufacturing technology of 3D processing by closely collaborating with the world's best semiconductor manufacturer Intel.

The company is also focusing on developing next-generation inspection equipment by dramatically improving sensitivity using deep UV light sources. NextIn is looking to form a joint venture in China, the world's biggest semiconductor equipment market, and hopes to increase shares in the Chinese market.

To fulfill its social responsibility, NextIn is devoted to training specialists for the development of the semiconductor ecosystem and is also committed to helping those in need.

By Jiyoung CHO

Manager

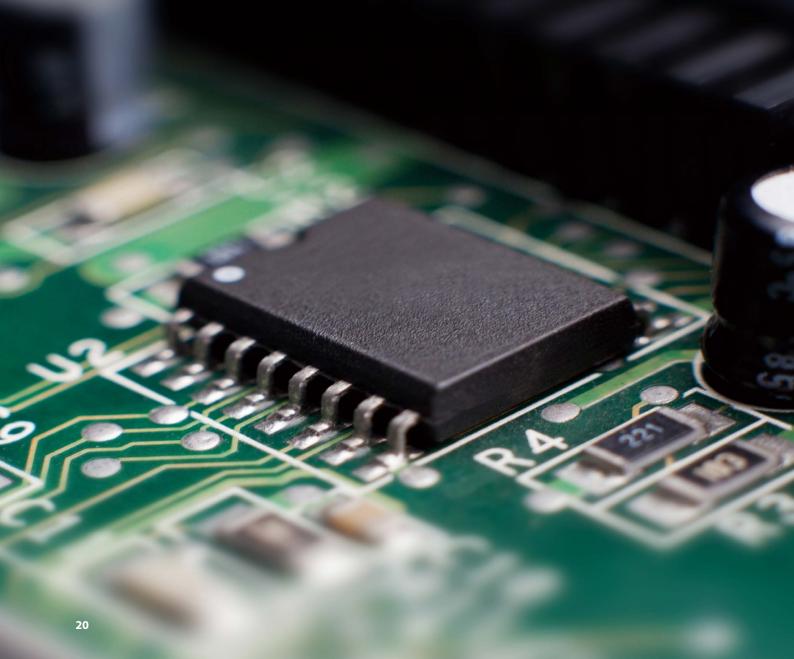
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\* The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.

# Yongin Semiconductor Cluster, the Key Pillar of South Korea's Semiconductor Industry





ith the approval of the General Industry Complex Plan for Yongin Semiconductor Cluster in March 2021, Yongin Semiconductor Cluster, which is the nation's first cluster of semiconductor businesses, is rising as the pillar of the nation's semiconductor industry.

Yongin General Industrial Complex will establish

the site by investing around KRW 1.7903 trillion, and SK Hynics plans to build four semiconductor fabs by 2036 with KRW 122 trillion. The Ministry of Trade, Industry and Energy plans to designate Yongin Semicondutor Cluster as an industrial complex specializing in materials, parts, and equipment in order to provide support in areas including establishing common facilities, granting exemption from regulations, and building the network of overseas specialists.

Global semiconductor company Lam Research and the world's No. 1 pre-owned semiconductor equipment solution provider Surplus Global decided to invest in Yongin in November 2019 and June 2020 respective, which were followed by around ten global players in the semiconductor industry.

The establishment of Yongin Semiconductor Cluster is expected to enhance the production capability of the nation's semiconductor industry, which is vital to South Korea's economy and export, and to bring positive effects in stabilizing the global supply network.

#### About the industrial complex

#### Location

- Around Jungneung-ri, Dokseong-ri, and Godang-ri of Wonsam-myeon, Cheoin-qu, Yongin-si, Gyeinggi-do.

#### O Area

- Around 4.15 million m<sup>2</sup>

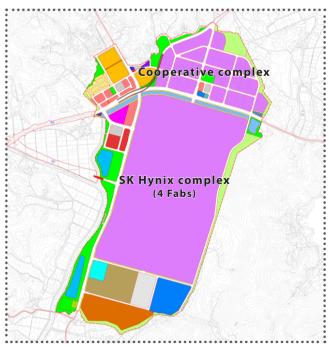
#### Construction plan

- Industrial complex: '19-'24
- Four semiconductor fabs: '23-'36

#### Expected benefits

- Creation of about 30,000 new jobs (18,000 in industrial facilities and 12,000 in other facilities)
- Added value of KRW 47 trillion per fab
- \* Contact: Semiconductor Industrial Complex Team, Future Industry Promotion Group, Yongin City (+82-31-324-2802, toy889@korea.kr)

#### Industrial complex



Industrial Complex Development Plan				
Туре	Area (m²)			
Industrial facilities	2,446,554			
Multi-use site	22,131			
Residential facilities	111,433			
Site for commercial facilities	31,364			
Site for supporting facilities	61,700			
Public facilities	1,474,686			
Other facilities	5,634			
Total	4,153,502			

#### Key highlights

- Seize opportunity in the future market and strengthen global competitiveness by making preemptive and ag gressive investments aimed at embracing seismic changes in the semiconductor industry vital to the na tional economy.
- Establish domestic manufacturing facilities for a timely response to spikes in semiconductor demand triggered by the fourth industrial revolution.
- O Lay foundation for the domestic development of materials, parts, and equipment based on a stable growth achieved through the joint prosperity of businesses of all sizes and a continuous technology development, and maximize joint growth and synergistic effect through technological cooperation.

#### About the industrial complex

Yongin has geographic advantages that appeal to businesses: the city is highly accessible from Seoul and the Seoul Metropolitan Area, and it is where Gyeongbu Expressway and Yeongdong Expressway intersect. Being home to 242 research centers including that of Hyundai Mobis as well as nine universities including Kyung Hee University, Yongin has rich human resources for R&D and an organic collaborative system. The construction of the R&D center of global semiconductor company Ram Research and a five-story cluster building of Surplus Global are expected to further promote the local economy.



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

## **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, Invest Korea introduces some outstanding companies in Korea's semiconductor industry.





Transformer parts



E type CU sleeves



Copper products

Inv	restment Requirement	Company Profile		
Amount	USD 5 million	Patents and Certificates	Under registration of five patents in addition to a patent for plastic working for parts and materials and surface treatment technology	
Investment Structure	Financial Investment	Financial Performance	(Sales in 2021) USD 18.21 million	

#### **Investment Highlights**

- Securing competitiveness in the nonferrous metals processing industry: Since its foundation in 1999, the company has enjoyed unmatched competitiveness in the nonferrous metal processing industry in Korea, growing by at least 10% annually.
- Growing power semiconductor market: The value of the power semiconductor market, which includes our key business, the insulated gate bipolar transistor (IGBT, a power switching transistor), is expected to reach USD 24.9 billion in 2021 from USD 17.7 billion in 2016, recording an average annual growth rate of 8% in conjunction with the explosively growing electric vehicle and renewable energy markets.





Nonoxidized graphene



Graphene using shear flow



Graphene hybrid

Inv	estment Requirement	Company Profile		
Amount	USD 1 million	Patents and Certificates	Registration (application) of eight patents, including antistatic graphene hybrid materials, locally and abroad	
Investment Structure	Financial Investment	Financial Performance	(Sales in 2021) USD 13.62 million	

#### **Investment Highlights**

- Mass production of nonoxidized graphene: In S. Korea, the company is the first to succeed in developing technology for the mass production of nonoxidized graphene. After the construction of a middle-class mass production line, it supplies graphene at an innovative price to enter the graphene market of KRW 1.2 trillion.
- New graphene-based heat dissipation materials: In the country, only this company owns the technology and system for the mass production of nonoxidized graphene.
- **High-efficiency heat dissipation materials industry:** According to Bloomberg, the global high-efficiency heat dissipation materials market size is projected to reach KRW 11 trillion by 2025 from KRW 4.9 trillion in 2019, with a compound annual growth rate (CAGR) of 14%.

# Overview of the Tax Audit and Tax Appeal Process in Korea

s the overview of the tax system in Korea was discussed in the previous issue, this issue will provide an overview of the process of how to resolve a tax controversy if there is a discrepancy between the taxpayer and the National Tax Service ("NTS") in Korea. Typically, tax controversies arise in tax audits by NTS. The statute of limitation in Korea is 5 years, thus a tax audit is conducted every four to five years in general unless there is a specific reason or circumstance that requires more frequent examinations.

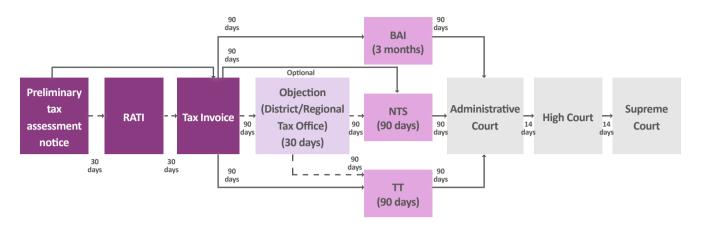
There has been a growing trend to make the tax audit procedures more transparent and taxpayer friendly, which is shown in the recent tax laws changes effective January 2021. For example, NTS is required to disclose more detailed information, such as years subject to audit, along with the taxpayer's name and address, length of audit, etc., to the taxpayer in the notification process. Further, such tax audit notice is required to be delivered 15 days prior to an audit along with a request for information listing the documents to be provided by taxpayers. After receiving the tax audit notification, tax audits may be conducted by either a desk audit (review of the documents) or a field audit (an auditor would visit the premise). A field audit is more

common and would last from a few weeks to a few months depending on the size of the companies and the issues involved. At the field audit, auditors would communicate with taxpayers time to time about the findings and issues.

After the audit, the auditors are required to give the taxpayer a notice of tax audit results, which will include information such as the tax adjustment items giving rise to potential tax liability, relevant tax law provisions, specific facts and circumstances for the adjustments. Again, this is an improvement from before where details such as the basis for tax adjustments were not even included in the tax audit results.

If the taxpayer agrees with the items on the notice of tax audit results, then the tax authority will issue a final assessment. However, if the taxpayer does not agree with the suggested assessment and believes it is non-compliant with the tax law, the taxpayer may appeal by filing an objection to the head of a regional or district tax office within 30 days of receiving the notice of tax audit results, but before the issuance of a tax invoice. This is also known as Review for Adequacy of Tax Imposition ("RATI"), which is a procedure that taxpayers may exercise for contesting the legality of taxation prior to the issuance of a tax invoice.

#### **Tax Audit and Tax Appeal Process**



The regional or district tax office is required to issue a decision on RATI within 30 days from the date the taxpayer submits the RATI application.

Once the taxpayers are in receipt of the tax invoice, taxpayers may choose to pay the tax assessment prior to proceeding with the appeals process because the penalties and interests can be quite burdensome if the taxpayer does not succeed in the appeals process. There is a flat rate of 3 percent of the amount of tax due as a penalty if the tax is not paid and the interest (currently 9.125% p.a. may be reduced under the current proposed tax amendments) would start accruing. If the taxpayers are successful in the appeals, tax paid will be refunded with interest (currently at 1.2% p.a.).

After receipt of the tax invoice, taxpayers have the option to object at the district or regional tax office once more before appealing to one of the three institutions. Thereafter, the taxpayer may appeal the tax assessments by filing an application with one of the three institutions within 90 days from the receipt of the tax invoice: NTS, Tax Tribunal ("TT") or Board of Audit and Inspection ("BAI"). Majority of taxpayers take the route to appeal to the TT because it is an appeals bureau that specializes in tax and is independent from NTS as it is under the prime minister's office, therefore is viewed as the most neutral and suitable institution. BAI is an institution that audits all government agencies and offices, thus, as it is not specialized in tax like the TT, the outcome from BAI can be rather unpredictable. An appeal is rarely, if at all, made to the NTS, as it is the same government institution that issued the tax assessment, thus, it is regarded to lack neutrality. Even though these institutions are required to render a decision within 90 days from the time the taxpayer submits the appeals application, in practice, it can take up to a year. The decision rendered by the TT is binding on the tax authorities, but not on the taxpayer, i.e., if taxpayers win the case at the TT appeal, that is the end of the case for all parties and the tax authorities are not allowed to appeal. On the other hand, if the decision rendered by the TT is not favorable, the taxpayer can appeal the decision by filing a complaint within 90 days from the date of the TT decision with the administrative court or district court depending on the jurisdictional location.

For this month's issue of Invest Korea, we touched upon a few basic topics related to the procedure of tax controversy resolution in Korea. There are many factors to consider when being audited by the tax authorities and one should always consider seeking professional help.



By Michelle Minhyung Kim Foreign Attorney, SHIN & KIM LLC mhkim@shinkim.com

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

## Korea 101: Home Purchase and Contract Execution

Living in Korea, published by the Investment Consulting Center, provides necessary information and helpful tips for day-to-day life in Korea.

Here's what's featured this month.

#### 1) Types of Housing



\* According to the classification of the Housing Act



#### 2) Types of Rental Agreements

#### (1) Jeonse

Jeonse is a rental method unique to Korea. The tenant pays the home owner a lump-sum deposit, lives in the home for a fixed period of time and the whole amount of the deopsit is returned at the end of the contract period.

The jeonse agreement is usually valid for two years (one year for an officetel). The home owner is legally required not to terminate the agreement within the two years unless the tenant wants to do so. Therefore, even a tenant with a one-year agreement can live in the house for two years according to the Housing Lease Protection Act.

#### (2) Semi-jeonse Agreement

Semi-jeonse agreement refers to a rental method whereby the traditional jeonse is divided into a deposit and a monthly rent. There is also an arrangement whereby the home owner receives a monthly rent by converting the jeonse amount to a monthly rent (usually at the interest rate twice as high as a bank deposit interest rate). For instance, when the jeonse amount for a property has risen from KRW 300 million to 400 million in two years, the home owner receives an additional KRW 400,000-600,000 a month on top of the existing jeonse amount of KRW 300 million.



#### Jeonse Deposit Refund Insurance

The tenant can subscribe to the 'Jeonse Deposit Refund Insurance' offered by Korea Housing and Urban Guarantee Corporation (HUG, www.khug.or.kr) in case he/she cannot get the jeonse deposit back.

#### (3) Monthly Rent

The tenant pays a certain amount of deposit and a monthly fee for the use of the property each month. Compared to a jeonse agreement, the deposit amount for a monthly rent is far smaller. The deposit and the monthly rent are both negotiable before an agreement is signed. The jeonse agreement and the monthly rent agreement exclude utility bills for electricity, water, gas, phone, the Internet, TV, etc., so they should be paid by the tenant. Rental properties do not offer home appliances or furniture, but many multi-household houses and officetels are furnished with basic home appliances like refrigerators and washing machines.

#### 3) How to Find Suitable Housing in Korea: Realtors

You can find housing in Korea in various ways. For instance, you can check ads on the street and directly contact the homeowner. Yet usually people go through a realtor. Doing so is safer: A realtor checks the necessary matters on your behalf before you sign the rental agreement, prepares contract documentation, and solves legal disputes throughout the contract period. When you go through a realtor, you have to pay him/her a brokerage fee determined by law according to the property price.

#### \* Real-Estate Brokerage Fees

Currently, real-estate brokerage fees are determined according to the transaction amount. When excessive fees are demanded, you can file a report to the Illegal Brokerage Report Center under the Land Register Division in your city, country or district office. The following real-estate brokerage fees apply to Seoul with different amounts of fees determined by ordinances for other provinces and cities.

You can check the legally binding brokerage fees for the entire country at the website of the Korea Association of Realtors (www.kar.or.kr).

If you have further questions please contact



+82-1600-7119

or visit

www.investkorea.org

# When a foreigner invests KRW 100 million and registers a company, can he/she carry out business in Korea?

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

Q.

When a foreigner invests at least KRW 100 million and registers a foreign-invested company, can he/she carry out any business in Korea?

No. If separate requirements for minimum capital are prescribed for each business under separate Acts, such requirements should be satisfied.





#### • Examples of minimum capital requirements under separate laws

- International logistics brokerage business: Any person who intends to file for registration of
  international logistics brokerage business with the head of the competent local government
  shall possess capital of at least KRW 300 million (referring to the appraised value of assets of
  at least KRW 600 million if he/she is not a juristic person) (Article 43 of the Framework Act on
  Logistics Policies).
- Civil engineering business: Any person who intends to file for registration of civil engineering business with the head of the competent local government shall possess capital of at least KRW 500 million (attached Table 2 of the Enforcement Decree of the Construction Technology Management Act).
- International travel business: Any company that intends to register an international travel business with the head of the competent local government shall possess capital of at least KRW 30 million. (A foreign-invested company shall possess capital of at least KRW 100 million to engage in international travel business.)

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# **Noodling Around**

#### Ramyeon

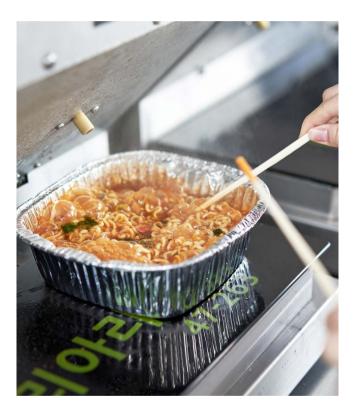
Ramyeon (instant noodles) is seeing unprecedented popularity in Korea and worldwide.

Because Korea tops the world in per capita consumption of these noodles, it also boasts the widest variety of the ever-diversifying dish. This is a look at the varieties available in Korea, along with suggestions on preparation and flavor enhancement.

A topic of unending dispute is which ingredient to put in first when cooking *ramyeon*. Some champion the soup powder, while others opt to submerge the noodles first depending on which part they want more infused in the soup's flavor. For the answer, look no further than the backside of a *ramyeon* package. Though personal preferences vary, most guides advise putting in the noodles and powder at the same time, probably based on numerous taste trials at *ramyeon* companies by their recipe-making teams.

#### **Simple Satisfaction**

When using a small pot, break the noodles in half or in pieces. For a tastier outcome, use strong stovetop heat to cook the noodles as fast as possible to ensure that the noodles stay springy and not flabby. Another recommendation is to pick up mouthfuls using chopsticks to blow on noodle bits at a time. If either too much or too little water is used, cooking the noodles separately from the soup (and temporarily placing the cooked noodles aside) to adjust the flavor can readjust the water level.

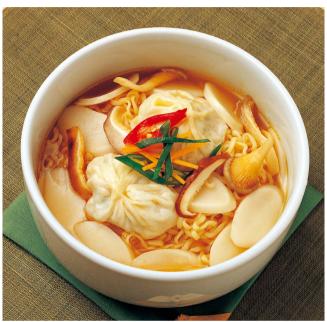


#### Flavor Enhancement

For spicy *ramyeon*, cheese or eggs are wise topping options to even out extreme spiciness. Chopped scallions and onions are standard toppings, and meat allows a more filling meal.

Other popular toppings that go especially well with spicy *ramyeon* soup include *tteok* (rice cake), *eomuk* (fish cake) and *mandu* (dumplings). Over-fermented kimchi and green chili are also recommended side dishes. For those who believe noodles are not filling enough, Koreans love to submerge rice, the nation's most beloved

source of carbs, in ramyeon soup. Rather than the steamy kind, rice that is a bit cold helps prevent the starchy composition of rice from going limp inside the hot soup, which seeps into the hardened grain for a more balanced taste.



#### From Korea to the World

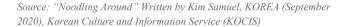
The mass production of *ramyeon* began with Samyang Food Co. in 1963. Soon after, the food gained the reputation of Korea's secondary staple next to rice amid food shortages caused by the Korean War. Variants of loosely related *ramyeon* emerged in the 1990s like Wang Tukeong (King Lid), Twigim Udong (Fried Noodles), Ojingeo (Octopus) Jjampong and Sarigomtangmyun (a beef bone broth). By then, the domestic *ramyeon* market began exceeding KRW 1 billion in value. The World Instant Noodles Association said Korea has the world's highest consumption of the dish, with the average person eating 74 servings per year. While numerous products saturate the domestic market, Nongshim, Ottogi, Samyang and Paldo are the top four players.

Introduced in 1986, Nongshim's Shin Ramyun has led the nation in sales for an impressive 30 consecutive years since 1991. Even the company's share of the U.S. market jumped nearly eightfold from 2% in 2009 to 15% last year. When the Oscar-winning film "Parasite" shined the global spotlight on Nongshim's Chapagetti and Neo-

guri, *ramyeon* started garnering even greater fame abroad as a quick meal and emergency staple to stock up on.

Samyang's Spicy Fire Noodles (familiar to many YouTube users as Buldakbokkeummyun, literally translated as "Fire Chicken Fried Noodles") is another *ramyeon* classic. Introduced in 2012, the item had the soup dropped and its sauce exuded extreme spiciness, which led to the product commanding greater demand overseas than at home. The plethora of *buldak* (extremely spicy chicken) challenges on YouTube went on for years, raking up massive views and triggering influencers to stream their own *mukbang* (livestreamed eating sessions) showing them eat the noodles.

The role of *ramyeon* has evolved from a dish to stave off hunger in a war-ravaged country to a quick but tasty meal for busy professionals during Korea's industrialization period, and finally a source of culinary experimentation and diversity in kitchens around the world. Just like many aspects of Hallyu, *ramyeon* is seeing its global presence and influence growing by leaps and bounds.







YouTube Channel: HONG SOUND, Most spicy ramen with Octopus, Kimchi in korea Eating show! MUKBANG!, Mar. 21, 2020

YouTube Channel: Farina Jo, FIRE NOODLE CHALLENGE, Mar. 20, 2017

# Ripple from Jackson Hole

bout this time every year, a little mountain town of remote Wyoming gets global attention as dozens of prominent financial scholars and central bankers in the world flock together into an old hotel, Jackson Lake Lodge. Hosted by the Federal Bank of Kansas City, the symposium was first held in 1978 as a platform for discussions on various academic and practical policy issues.

This year, the Kansas City Fed announced that the economic symposium will be about "Macroeconomic Policy in an Uneven Economy." Unlike the vagueness or opaqueness of previous symposiums, this year is more specific when it comes to the topic. Last year, the symposium was about the future decade, and in the year before, it was about challenges for monetary policy. But this time, the forum has decided to focus on unevenness in an economy, in the context of monetary policy.

The theme of unevenness exactly reveals the headache, or confusion, to say the least, that the Fed of late has been grappling with. It has faced a very difficult task of determining the federal funds target rate, currently at between 0.0 percent and 0.25 percent, and has shown no action at all in the midst of inflation higher than 6 percent.

The statistics, especially inflation, definitely have shown that the Fed should have raised it, but the unemployment statistics are very confusing because the story is different in different areas. In some of the northeastern or southwestern states, employment figures are so good as to raise the target rate, but the job numbers for those in southern states or for some ethnic groups are not as brilliant as elsewhere. This is the unevenness that has led the Fed to hesitate in acting on its rates.

The Jackson Hole symposium is a kind of deliberation process after which every member of the Fed board, as well as all other observers, will bid farewell without any ambiguity or hesitation. Of course, the dictation may not be clear as a crystal ball, but every bystander expects that somehow the Fed this time will give a sure signal, putting an end to a long period of complacency and laziness of

doing nothing. That doesn't mean the Fed will raise the rate. More likely, it will decide to gradually reduce asset purchases, from 120 billion dollars a month to maybe 100 billion dollar-who knows. The exact amount is not that important. It is the action of reduction in and of itself that matters. From then on, people will begin to know that the inevitable, but somewhat irresponsible quantitative easing era since 2018 is about to fade away, and a new world of monetary tightening will take its place. Slowly but surely, the effects of higher interest rates and tighter credits will be felt around the globe. Korea is no exception. The Bank of Korea has signaled action number of times. If not in August, we may see a rate hike sometime in the fall. Those with heavy debt burden should be much more wary about what is going on in Jackson Hole. The earlier the move, the less the damage. Korea is strong and mature enough to weather the storm quite admirably.



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

# **Economic Indicators**

Here's a look at Korea's major economic indicators that provide an overview of the country's recent economic developments.

#### Source:

International Monetary Fund (IMF), Bank of Korea (BOK), Korea International Trade Association (KITA), Ministry of Trade, Industry and Energy (MOTIE)

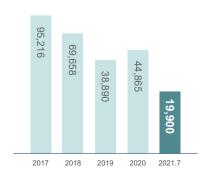
#### Trade volume

(Unit: USD million)



#### Trade balance

(Unit: USD million)



#### **GDP**

(Unit: USD million)



#### **Exports**

(Unit: USD million)



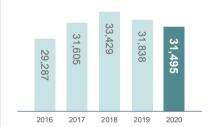
#### FDI

(Unit: USD million)



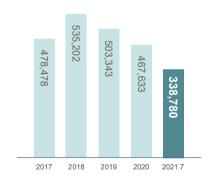
#### Per capita GDP

(Unit: USD)



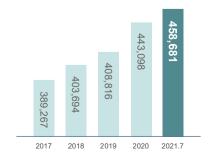
#### **Imports**

(Unit: USD million)



#### Foreign exchange reserves

(Unit: USD million)



#### **Invest KOREA's 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 <a href="https://www.investkorea.org">www.investkorea.org</a>.

#### **Job Fair for Foreign-Invested Companies**

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



#### Invest KOREA Plaza (IKP)

Invest KOREA Plaza (IKP) is Korea's first facility dedicate to the incubation and investment of foreign investor. 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  $\rightarrow$  Application for occupancy  $\rightarrow$  Screening committee evaluates application  $\rightarrow$  Result notification(result confirmed in 1-2 weeks)  $\rightarrow$  Conclusion of lease contract  $\rightarrow$  Move into IKP





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Publisher. YU Jeoung Yeol | Director General. Lee Ji Hyung

Director. Chae Kyoung Ho | Editor-in-chief. Grace Park

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



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