Foreign Direct Investment

Korea to expand tax benefits for global M&As in chip, vaccines and battery sectors

S. Korea is seeking to expand tax benefits to facilitate domestic M&As of foreign entities in the areas of semiconductors, vaccines, and batteries dubbed national strategic assets amid the intensifying global race and prolonged supply chain disruptions.

Under the tax reform plan from the new government pending legislative review and approval, the government proposes to grant up to 10 percent tax deduction to Korean firms in their acquisitions of assets in foreign entities with proven technologies in the country's designated national strategic technology sectors, such as semiconductor, battery, display, future mobility, robotics, and biopharmaceuticals.

The tax breaks are part of the government`s efforts to sustain chip supremacy as home to the world's top two memory chipmakers—Samsung Electronics and SK hynix. The tax incentive may further persuade SK hynix to go after U.K.'s chip design giant ARM.

The tax credits are due to expire in the end of this year, but the government is also seeking to extend its grant to the end of 2025 to facilitate more global M&As in the country's growth engines. If the amendment in the special tax act passes the National Assembly, it will go effective Jan. 1, 2023.

New 'Eco-Friendly Mobility' Special Regulation Free Zone

With regards to the eco-friendly mobility business, three new regions were designated as a Special Regulation Free Zone—the Jeonnam Modified Electric Vehicle Special Zone, Gyeongbuk Electric Vehicle Next-Generation Wireless Charging Special Zone, and Gyeongnam Ammonia Co-fired Fuel Propulsion System Ship Special Zone.

On Aug. 4, the government held the 8th Special Regulatory Free Zone Committee (Special Zone Committee) presided by Prime Minister Han Deok-soo at the Government Complex Seoul.

According to the Ministry of SMEs and Startups, the government has designated three new Special Regulation Free Zones. By 2026, the period of designation for the Special Regulation Free Zone, are expecting outcomes including the revenues of KRW 168 billion, new hires of 582 workers and enterprise attraction of 32 companies.

Trade & Commerce

Korea's green car exports up 41% to top 300,000 units in Jan-July

Outbound shipments of eco-friendly cars by S. Korea-based five finished car producers—Hyundai Motor, Kia, GM Korea, Renault Motor Korea and SsangYong Motor—topped a 300,000 unit milestone, hitting 305,909 units from January to July. This was up 41.1% from the same period a year earlier.

By value, green car exports in the same period totaled USD 8.76 billion, the largest-ever figure for the period. Hyundai Motor and Kia's eco-friendly car exports jump 21.7% and 49.3% on year, respectively, in the first 7 months, while Renault Motor up 165.8%.

EVs led the growth with 116,600 units sold, up 56.5% on year.

S. Korea's exports to China rise over 160 times in 30 years

S. Korea's exports to China have increased more than 160 times since they set up diplomatic ties 30 years ago, much higher than the growth rate of Seoul's overall overseas shipments, data showed on Aug. 23.

S. Korea's exports to China came to USD 162.9 billion last year, 162.4 times the value of slightly over USD 1 billion in 1991, one year before their establishment of diplomatic ties, according to the data from the Korea International Trade Association (KITA).

Over the same period, Seoul's total exports increased nine-fold to USD 644.4 billion from USD 71.9 billion. S. Korea's shipments to the United States rose 5.2 times to USD 95.9 billion during the cited period, with those to Japan expanding 2.4 times to USD 30.1 billion. China was S. Korea's 15th-largest export destination in 1991, with Washington taking the top spot, followed by Japan, Hong Kong, Germany and Singapore. Beijing outpaced America and clinched the No. 1 spot in 2003, retaining the leading status for the past 20 years. S. Korea's trade balance with China has remained in the black since posting a surplus of USD 1.07 billion in 1992.

Industry

Hyundai IONIQ 5: Car and Driver's EV of the Year

Hyundai Motor Co.'s all-electric IONIQ 5 crossover has won another industry accolade in the US, gathering momentum to expand its market share in the world's third-largest electric vehicle market even as the country has decided to remove tax credits for EVs made outside of North America.

US automotive magazine Car and Driver said on Aug. 18 it has selected the IONIQ 5, the first model of Hyundai's dedicated battery electric vehicle (BEV) lineup, as its EV of the Year.

The publication put 20 top-rated EVs through tests in four categories—value, mission fulfillment, technology advancement and how fun they are to drive. The IONIQ 5 beat contenders such as the Tesla Model S Plaid, the Lucid Air Grand Touring, the Rivian R1T Launch Edition, the Porsche Taycan 4S Cross Turismo and the BMW i4 M50.

"The IONIQ 5 is an attractive proposition for buyers who desire the performance, range, and charging speeds of far more expensive EVs at an accessible price," said Tony Quiroga, Car and Driver's editor-in-chief.

Hyundai Motor Group in May unveiled a USD 10.5 billion plan to invest in the US. The investment package includes building its first dedicated full EV plant and battery manufacturing facilities in the US state of Georgia by 2025.

Korean shipyards sweep 76% of LNG tanker orders, KSOE adds $1.5 bn deals

S. Korean shipbuilders have scooped nearly eight out of 10 global orders for new liquefied natural gas (LNG) carriers, and the order book is expected to get fatter with the industry's largest Korea Shipbuilding & Offshore Engineering (KSOE) adding near KRW 2 trillion (USD 1.5 billion) orders for LNG tankers related to a massive project in Qatar.

According to global market researcher Clarksons Research on Aug. 10, Korean shipyards commanded 47 percent of entire global shipbuilding orders in the first seven months of this year by drawing 204 vessels or 11.13 million compensated gross tonnage (CGT) out of 23.68 million CGT new orders placed globally. China was behind Korea with 10.07 million CGT or 42 percent.

Korean shipbuilders won almost all LNG ship orders placed from around the world in the past seven months, during which a total of 103 LNG vessels (in 140,000 cubic meters and above) were ordered globally, the highest level since Clarksons began data compilation in 2000.

Government & Policy

Seoul moves to expedite support and deregulation in bio-healthcare sector

The Korean government grooming biotech and healthcare sectors as key growth drivers for economy in the post-Covid world will expedite support and deregulations to encourage the development of blockbuster drugs and vaccines.

"The bio-health sector is directly linked to the growth of the Korean economy as it protects public health and creates new high-paying jobs," President Yoon Suk-yeol said during his visit to Healthcare Innovation Park at Seoul National University Bundang Hospital on Aug. 10, where he vowed for more financial support to help build a K-bio vaccine hub and empower companies to focus on developing blockbuster medicines and vaccines.

Under the government's plan, a public-private fund dedicated to therapy/vaccine research and development will be raised KRW 500 billion (USD 383.4 million) this year to be expanded to up to KRW 1 trillion later. The government also plans to provide KRW 2.2 trillion by 2030 to support R&D programs for pipelines in phase 2 clinical trials.

The regulatory review period for innovative medical devices will be shortened to 80 days from the current 390 days, with other deregulation efforts under the government's regulatory sandbox program.

Regarding the deregulation policy, Yoon vowed to implement a plan to drastically shorten the review and licensing period for artificial intelligence-backed innovative medical devices so that they can be used quickly in the field.

The policy reflects the industry's opinion that the review period for marketing approval of medical devices should be shortened once they are designated as innovative products, so that they can be applied to clinical sites quickly even without health insurance benefits.

Source: www.investkorea.org, Yonhap News Agency, Korea Economic Daily Global Edition, Pulse by Maeil Business News Korea