

# Invest KOREA

March 2024

Korea's Aerospace Industry, Set to Take a Second Leap Forward

Pohang Blue Valley National Industrial Complex: Aspiring to Lead the World's Secondary Battery Industry

Updates in Korea's Merger Control Regime

## President Yoon and Foreign-Invested Companies Discuss Deregulation and Incentives



Photo Courtesy of the Office of the President of the Republic of Korea

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# Economic Trends

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

## Summary and Assessment\*

- Despite domestic demand slowdown, the Korean economy shows signs of mitigating the downturn through sustained export recovery.
- High interest rates persistently weaken the overall economy, causing ongoing weaknesses in private consumption and investment, yet export recovery, driven by the rebound in semiconductors, is alleviating the economic slowdown.
- The weakening of domestic demand, evidenced by decreases in goods consumption and construction completed, as well as a deceleration in service consumption growth, is contributing to the ongoing slowdown in inflation.
- Conversely, the semiconductor industry is exhibiting a strong recovery, evidenced by substantial increases in exports and production and a decrease in inventory levels. This is contributing to a gradual increase in all-industry production.
- Divergence between domestic and export performance is also reflected in the production sector; services and construction decelerate, whereas manufacturing recovers.
- The BSI future tendency of the non-manufacturing industry has declined, whereas that of the manufacturing industry indicates a mild improvement trend.
- Meanwhile, conflicts in the Middle East could emerge as significant risk factors, such as oil price hikes and transportation disruptions.

\*All growth figures are on a year-on-year basis unless otherwise noted. This document is an English translation of the original Korean version; the Korean version takes precedence in case of any ambiguities or discrepancies.



■ **Economic Activity:** Despite a slump in domestic demand, the contraction in economic activity is easing as the recovery in exports persists.

- In December, all-industry production saw a gradual expansion, driven by a rebound in the mining and manufacturing sectors, though industries closely tied to domestic demand, such as construction and services, exhibited sluggish performance.

- The service industry experienced a modest increase of 0.2%, primarily affected by declines in wholesale and retail trade (-3.7%) and finance and insurance services (-3.0%). In addition, the construction industry (-1.2%) turned to a decrease, largely due to a weakening real estate market.
- Despite fewer working days (-2 days), industrial production maintained a high growth rate of 6.2%, up from the previous month's 5.5%, bolstered by a 53.3% surge in semiconductor production.

\* Excluding semiconductors, the manufacturing industry (-3.9%) continued its downward trend, following a decrease of -2.5% in the previous month.

- The manufacturing industry continued on its recovery path, marked by accelerated production and shipments, especially in semiconductors, along with a decrease in inventory levels.

- Despite fewer working days, production (5.6% → 6.7%) and shipments (5.9% → 6.8%) both registered significant gains. The inventory-to-shipment ratio (107.7%) continued its decline from the previous month.
- The growth in export shipments (15.5% → 22.1%), in stark contrast to the ongoing decline in shipments for domestic demand (-0.5% → -3.9%), highlighting the growing disparity between exports and domestic demand within the manufacturing industry.

- The slowdown in domestic demand caused by high interest rates has weakened numerous industries. However, the recovery in exports, particularly in semiconductors, has contributed to mitigating the economic slump.

- The GDP data for Q4 2023 reveals that although domestic demand such as private consumption (1.0%), construction investment (-1.6%), and equipment investment (-3.8%) remained sluggish, exports saw a robust increase of 9.8%.
- The revival in the global semiconductor market has spurred an increase in demand for Korean exports, which seems to be playing a key role in easing the economic downturn.
- The gap between domestic and export performance is reflected

in the production sector as well. While the service and construction industries are decelerating, the manufacturing industry is exhibiting a significant uptick in production, leading to intensified disparities among industries.

- The BSI future tendency of the non-manufacturing industry has declined, whereas that of the manufacturing industry indicates a mild improvement trend.

■ **Consumption:** The weakness in consumption continues, evidenced by a decrease in goods consumption and a slower increase in service consumption.

- The decrease in goods consumption persisted amid persistent high interest rates.

- In December, retail sales (-2.2%) showed a broad sluggishness in goods consumption, reporting decreases across several categories, including domestic passenger cars (-9.7%), apparel (-6.7%), and food and beverages (-5.2%).

- Service consumption saw slight growth, as transportation businesses, closely linked to overseas travel, sustained high growth, while other businesses remained subdued.

- Transportation and storage (9.7%) continued significant growth, buoyed by a substantial rise in outbound tourists (73.4%).
- Services production saw only a marginal increase of 0.2%, influenced by decreases in wholesale and retail trade (-3.7%), finance and insurance services (-3.0%), and accommodation and food services (-2.2%).

- The CCSI (101.6) in January maintained a level similar to the previous month, hovering around the baseline of 100.

■ **Equipment Investment:** Equipment investment continues to exhibit overall weakness amid prolonged periods of high interest rates.

- Equipment investment (-11.9% → -5.9%) continued its rapid decrease in December, though the sluggishness in semiconductor-related investments eased somewhat.

- Owing to improvements in semiconductor production and shipments and a significant reduction in inventory levels (month-on-month, -20.9%), the decline in semiconductor-related special industrial machinery partially softened from -25.2% to -11.2%.

- However, the decline in transport equipment (-2.2%) persisted,

led by the contraction in automobiles (-10.3%) following the expiration of the excise tax reduction, while machinery (-7.1%) remained weak.

- Despite the overall investment conditions being constrained by persistent high interest rates, leading indicators related to semiconductor investment have slightly improved, offering some positive signals for future equipment investment.

- January saw ongoing deceleration in machinery imports (-5.3%), similar to the previous month, centered around transport equipment (-17.4%), but the contraction in semiconductor manufacturing equipment investment eased from -24.4% to 0.0%.
- Domestic machinery orders received (12.0%) have been on the rise since October, especially in special industrial machinery (13.8%) and medical and precision measurement control equipment (23.5%), which are closely linked to AI-related semiconductor investments.

- **Construction Investment:** Construction investment is showing signs of a slowdown, primarily in the residential building construction sector.

- In December, the value of construction completed (constant) recorded a growth rate of -1.2%, down from the previous month's 2.2%, reflecting the lagging impact of the previous contraction in housing starts.

- Housing starts have seen a significant reduction for two consecutive years. As its effects become more pronounced, the building construction sector (-2.2%) shifted downward, and the civil engineering sector (1.1%) saw only a small increase.
- On a seasonally adjusted month-to-month basis, the value of construction completed declined by 2.7%, centered around the building construction sector (-5.6%).

- Construction orders received, which serve as a leading indicator, saw improvements in the public and civil engineering sectors where volatility is high. However, given the ongoing decline in the private sector, the downward trend in construction investment is likely to persist.

- Construction orders received saw an increase of 34.9%, with the public sector orders surging by 138.3% and civil engineering by 127.9%. By contrast, the private sector (-16.4%), which holds a greater share, continued a decrease.
- Meanwhile, housing starts experienced a substantial rise of

54.0% due to the base effect, yet they remain at only half the level of the average December figures from the past ten years.

- **Prices:** Consumer prices saw a markedly reduced rate of increase amid ongoing weak domestic demand, coupled with the base effect.

- January's headline inflation fell to 2.8% from the previous month's 3.2%, driven by smaller price increases in most items.

- The growth in prices for both industrial products (2.1% → 1.8%) and services (2.8% → 2.6%) was tempered by weak domestic demand.
- Electricity, water, and gas prices (9.7% → 5.0%: Contribution 0.36%p → 0.19%p) experienced a significant deceleration in their rate of increase due to the base effect, which partially contributed to the overall slowdown in headline inflation.
- However, there exists a risk that rising oil prices under the influence of geopolitical factors will likely exert upward pressure on inflation in the future.

\* Dubai oil price (\$/barrel): (Nov. '23) 83.6 → (Dec.) 77.3 → (Jan. '24) 78.9

- The increase in core inflation (2.8% → 2.5%) slowed, and the expected inflation rate continues to exhibit a downward trajectory, signaling that the trend of slowing inflation is ongoing.

- Personal service prices, noted for their high persistency, rose at a slower pace from 3.9% to 3.5%, indicating a deceleration in underlying inflation.

\* Expected inflation rate (CSI, %): (Nov. '23) 3.4 → (Dec.) 3.2 → (Jan. '24) 3.0



## Foreign Direct Investment

## German chip materials firm Merck set to expand investment in S. Korea

German-based semiconductor materials company Merck said on Feb. 2 that it has plans to expand investment in South Korea, which has major chipmakers like Samsung Electronics Co. and SK hynix Inc., as the global semiconductor market is set to make a rebound in 2024, driven by booming demand for artificial intelligence chips.

In 2021, Merck announced plans to invest EUR 600 million (USD 652.4 million) by 2025 and has spent some EUR 300 million so far, acquiring Korean chemicals firm M Chemicals Inc. and expanding facilities in the country.

The exact amount of the additional investment will be decided between this year and next year, given the pace of the market recovery, according to the company.

Samsung Electronics and SK hynix are Merck's key clients to the company, who are leading the memory chip market with a combined market share of 60 percent. Their leadership in the memory chip market, particularly in advanced chips like high bandwidth memory (HBM) for AI applications, positions them as crucial partners for Merck.

## Korea's electronic disclosure system to be upgraded for foreign investors

On Feb. 18, the Financial Supervisory Service (FSS) unveiled its intention to launch the second phase of its development of an English-friendly electronic disclosure system (DART). The initiative aims to broaden the scope of information available in English, which is expected to facilitate more foreign investments in Korean companies.

In the upgraded system, fixed information such as index, table format and optional input values will be automatically translated into

English, allowing system users to access disclosure information in real time.

The FSS expects these improvements to broaden the scope of information available to foreign investors, and to also contribute to better financing conditions for domestic companies.

Meanwhile, the FSS began translating titles of disclosure reports into English starting July 2023, enabling investors to more easily identify and access the files they wish to read.

## Trade &amp; Commerce

## S. Korea's auto exports rise 25 pct in Jan. on EV popularity

South Korea's car exports advanced nearly 25 percent in January, driven by solid demand for electric vehicles and other eco-friendly cars, data showed on Feb. 21.

The combined value of car exports reached USD 6.2 billion last month, up 24.7 percent from the previous year, according to the Ministry of Trade, Industry and Energy. It was the highest figure for any January ever, beating the previous record of USD 4.9 billion set in January 2023, the ministry said.

In terms of volume, car exports increased 23.5 percent to 245,255 units last month, the highest since January 2015.

Rising auto exports were attributable to

strong global demand for eco-friendly vehicles. The export value of eco-friendly cars gained 15.9 percent on-year to USD 2.1 billion in February.

A total of 62,237 units of eco-friendly vehicles were sold overseas last month, logging a 12.2 percent on-year increase.

By type, sales of electric vehicles (EVs) increased 18.1 percent to 31,350 units, and those of hybrid models advanced 12.5 percent to 26,513 units.

North America was the No. 1 export destination for South Korean cars last month, with sales soaring 53.9 percent on-year to \$3.7 billion.

## Industry

**Korea's online grocery transactions hit \$30 bn for first time in 2023**

South Korea's online grocery transactions surpassed KRW 40 trillion (USD 29.8 billion) for the first time in 2023 amid the ongoing shift to non-face-to-face shopping even after the end of the pandemic.

According to data released by Statistics Korea on Feb. 13, the value of online transactions for food and agricultural products stood at KRW 40.7 trillion in 2023, more than doubling from KRW 17 trillion in 2019 before the pandemic.

The surge comes as consumers opt for fresh food and ingredients through mobile and online platforms that offer same-day or early morning delivery services.

In particular, food and beverage product transactions reached KRW 29.8 trillion last year, up 12.1 percent from the previous year. Transactions of agricultural, livestock, and fisheries products exceeded KRW 10 trillion, up 14.3 percent during the same period.

**Korean companies showcase cutting-edge tech at MWC 2024**

According to the Korea Information and Communication Technology Industry Association, 165 South Korean companies took part in Mobile World Congress 2024, which kicked off on Feb. 26 (local time) in Barcelona Spain. This was the fifth-largest number after Spain, who had 696 participating companies, the US with 432, Britain with 408, and China with 288.

Conglomerates like Samsung, KT, and SK telecom, as well as SMEs and startups,

showcased their latest AI, 6G, IoT, and robotics technology to thousands of visitors at the fair. Under the overarching theme of "Future First," MWC covered some of the biggest topics in tech and showcased major technologies that are anticipated to shape the future.

This year's exhibition attracted about 100,000 attendees, comparable to pre-pandemic numbers, and more than 2,400 exhibitors from various countries around the world.

## Government &amp; Policy

**Korea to grant government aid for Koreans startups overseas**

The South Korean government has laid the legal foundation to extend its existing startup support program, previously limited to companies in Korea, to businesses founded by Koreans outside the country.

The Ministry of SMEs and Startups (MSS) said on Feb. 20 that the Cabinet approved a bill to amend the Small and Medium Business Startup Support Act and its enforcement regulations to allow the government to support

overseas startups.

Under the revised rule, Korean businesses that form foreign entities or become subsidiaries of newly established foreign corporations via a process known as 'flip' will now be eligible for government assistance. This move signifies a departure from the previous policy, which restricted government support to startups founded in Korea.

**Science ministry to invest KRW 121.9 bln in cloud computing industry**

The science ministry said on Feb. 26 that it will invest KRW 121.9 billion (USD 91.5 million) to bolster the local cloud computing industry this year.

The budget marked a KRW 17.2 billion increase from the previous year's allocation, according to the Ministry of Science and ICT.

The ministry said cloud technology plays a key role in advancing artificial intelligence (AI)

as it provides high performance computing capacity and massive data storage capabilities.

In detail, the ministry plans to inject KRW 24 billion into the development and commercialization of innovative cloud services, KRW 7 billion into cloud-based software as a service (SaaS), and KRW 8 billion into the transformation of software to SaaS.

# Korea's Aerospace Industry, Set to Take a Second Leap Forward

## Korean Government's Aerospace Policy

### [Aviation]

The Korean government announced the Comprehensive Ten-year Master Plan to support and foster the aviation industry. The Third Master Plan for Aerospace Industry Development covering the period from 2021 to 2030 was established in 2020 in accordance with Article 3 of the Aerospace Industry Development Promotion Act (Establishment of Master Plan for Aerospace Industry Development) and Article 3 of the Enforcement Decree. Based on the vision of joining the world's top seven

aviation powerhouses in the 2030s by upgrading and advancing the aviation industry, the plan aims to build a foundation for the future aviation industry by upgrading the existing aviation industry, opening new markets, and advancing R&D. To that end, the plan proposes four strategies and 12 major tasks.

The strategies and tasks will help Korea join the ranks of the world's aviation leaders and generate results such as increased production (from KRW 7 trillion in 2019 to KRW 26.3 trillion in 2035), more jobs (from 18,000 in 2019 to 67,000 in 2035), and fostering hidden champions (from 10 in 2019 to 30 in 2035).

### Four strategies and 12 tasks

#### 1. (Infrastructure) Add basic infrastructure needed to tackle the industry's current crisis

- 1-1. Establish a financial support system to respond to the COVID-19 crisis
- 1-2. Upgrade laws and related systems for industrial development
- 1-3. Enhance the overall industry's competitiveness and help build infrastructure
- 1-4. Maximize the effectiveness of policies targeting the aviation industry by encouraging the collaboration among ministries

#### 2. (Conventional aviation industry) Strengthen market competitiveness and upgrade the parts industry

- 2-1. Support market expansion by enhancing the competitiveness of finished aircraft
- 2-2. Support the upgrading of the parts industry by ensuring the competitiveness of main parts
- 2-3. Strengthen competitiveness in the global high-value-added MRO sector

#### 3. (Future aviation industry) Build the ecosystem for UAM and AAM and promote the convergence of industries

- 3-1. Foster related parts industry by obtaining main UAM and AAM technologies
- 3-2. Establish test and evaluation infrastructure for verifying future airplane systems and components
- 3-3. Develop future growth engines by pioneering new markets such as convergent UAVs

#### 4. (R&D) Contribute to upgrading the industry by developing advanced aviation technologies

- 4-1. Establish key technology roadmap to preemptively develop future technologies
- 4-2. Improve performance by promoting the collaboration among ministries and strengthening R&D

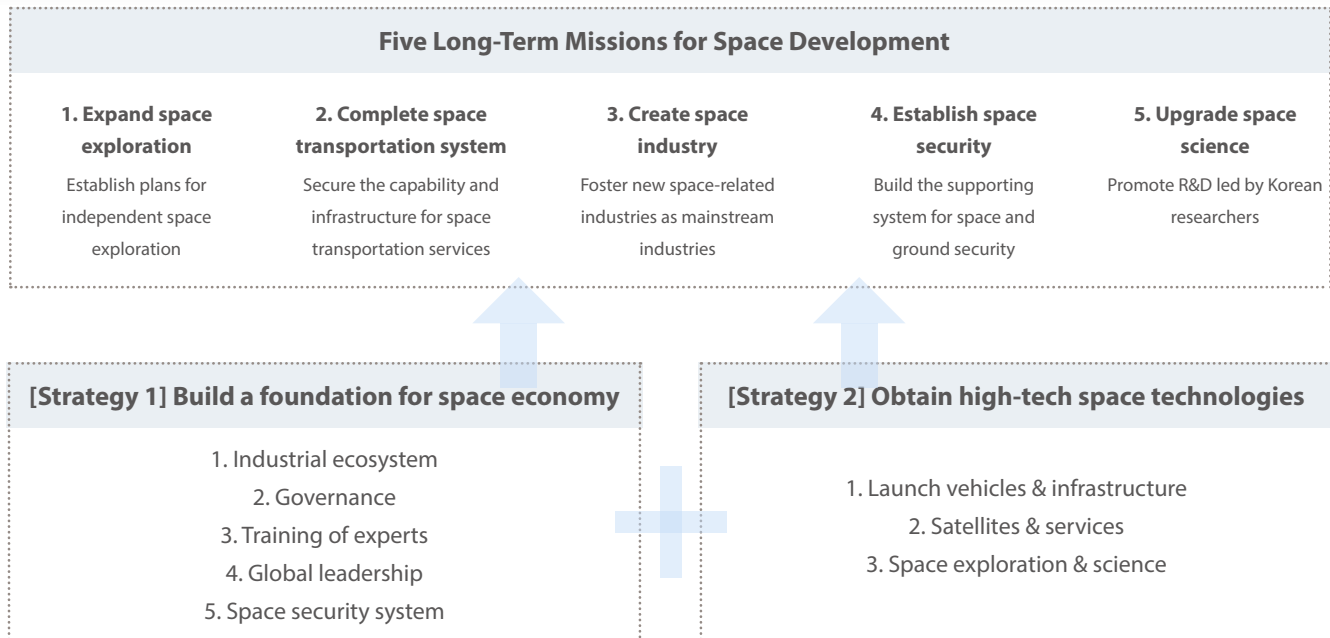
Source: 3rd Master Plan for Aerospace Industry Development (2021-2030)



**[Space]**

Every five years, the government sets mid- to long-term policy goals and directions for the nation's space development and presents strategies and plans to develop the space industry in order to facilitate R&D, build infrastructure, train experts, facilitate international cooperation, and boost the private sector's space development. In accordance with Article 5 of the Space Development Promotion Act (Master Plan for Promotion of Space

Development) and Article 2 of the Enforcement Decree, the Fourth Master Plan for Promotion of Space Development was established in 2022 to fulfill Korea's roadmap toward building the future space economy. Based on the vision of becoming a global powerhouse in the space economy by 2045, the government identified five missions as long-term strategic goals and two action plans as means of meeting the goals.

**Strategies & Tasks**

Source: 4th Master Plan for Promotion of Space Development

Based on the master plan, the government expects to open the new space era, where the private sector leads the innovation of space technologies, begins exploring the space in full-scale by expanding the scope of exploration, and increases the value of space by leveraging it in tackling social problems and ensuring public safety. Furthermore, the government designated space industry clusters, which will be created by linking research institutes, companies, and educational institutions, in order

to promote the convergence of the space industry and enable the collaboration among related industries. Under the plan, clusters will be built so that Jeonnam will specialize in launch vehicles, Gyeongnam will focus on satellites, and Daejeon will cover research and training exports. From 2024 to 2031, a total of KRW 600 billion will be invested to link the clusters into a single belt and create synergistic effects.

## Status of Korea's Aerospace Industry

The global aviation industry suffered a severe setback in 2020 due to the sharp decline in trade and passengers caused by the outbreak of COVID-19, but has started to gradually recover. As of December 2023, 15,519 domestic flights were operated, an increase of about 97.6% compared to 7,852 domestic flights in March 2020, returning to pre-pandemic levels. Accordingly, the revenue of the Korean aviation manufacturing industry also recovered to KRW 6.3 trillion in 2022, after recording negative growth rates since 2019 (compared to KRW 4.8 trillion in 2020). The industry grew by 14.1% year-on-year in 2022 and most notably, the engine sector grew the fastest in terms of production value to grow by 20.3% year-on-year to KRW 730 million in 2022.



(Unit: billion won)

Type		2018	2019	2020	2021	2022
Aviation	Revenue	4,984.6	5,799.6	4,785.9	4,737.5	6,341.0
	Growth rate	-	16%	-17%	-1%	34%
Space	Revenue	3,291	3,261	2,782	2,570	2,952
	Growth rate	-	-1%	-15%	-8%	15%

Source: Aerospace Industry Survey (2023), Space Industry Survey (2023)

Similarly, the space industry experienced a negative growth rate of 15% in 2020 due to the impact of COVID-19, but recovered in 2022 with 15% year-on-year growth to about KRW 3 trillion. Revenue of the space systems manufacturing sector, including satellites and launch vehicles, fell by about 3.3% year-on-year to KRW 640 billion in 2022, while revenue in the satellite-related sector grew by 21.1% year-on-year to KRW 2.3 trillion in 2022. The industry's top five players accounted for 51.5% or about KRW 1.5 trillion in total revenue. In particular, the satellites for broadcasting and communi-

cation accounted for the highest share (71.4%), with the revenue of satellite communication antennas growing the fastest. While both the aviation and space industries have been hit hard by COVID-19, companies are continuing to invest in R&D. In 2022, the aviation industry invested about KRW 300 billion in R&D, up 16.6% year-on-year, and the space industry invested KRW 170 billion in R&D in 2022, up 8% year-on-year. These trends show that Korean aerospace companies are investing heavily in R&D for long-term growth.

(Unit: billion won)

Type	Area	2020	2021	2022
Aviation	R&D	270.9	276.9	322.9
	Facilities & equipment	178.8	135.1	130.3
	Land and building	142.0	57.9	58.5
	Others	27.3	21.7	19.1
	Sub-total	619.0	491.5	530.8
Space	R&D	134.8	150.5	168.1
	Facilities & equipment	80.2	54.6	138.9
	Education & training	2.5	0.7	1.3
	Others	-	-	-
	Sub-total	217.5	205.8	308.2
Total		836.5	697.4	839.0

Source: Aerospace Industry Survey (2023), Space Industry Survey (2023)

## Status of Korea's Aerospace R&D

In line with the rapid rise of urban air mobility (UAM), numerous players are working towards forming a market in Korea. The Ministry of Land, Infrastructure, and Transport has organized the UAM Team Korea (UTK) working group to commercialize the nation's UAM by the end of 2025. To that end, the ministry launched a total of five working groups—each covering policies, aircraft and operation, infrastructure, traffic management, and value-added services—to discuss the overall ecosystem and set standards. The UTK involves seven universities, nine private companies, and 11 local governments, as well as government ministries and government-funded research institutes.

In the space sector, the government-funded Korea Aerospace Research Institute successfully launched Nuri to make Korea the world's seventh country to obtain its own space transportation capability. For the third launch, the government plans to invite private companies to participate in launch preparation and launch operations as system integrators. In addition, the next-generation launch vehicle will be developed by the Korea Aerospace Research Institute and private companies. The govern-

ment also started the Small Launch Vehicle Development Project to enable private companies to obtain launch capabilities and to foster the private-led small launch vehicle industry. Recently, Innospace, a private player, successfully staged a test launch in March 2023, getting a step closer to commercial launch services.

In addition, the government is in the process of installing a ministry dedicated to space called the Korea Aerospace Administration. Based on the current government's commitment and the active participation of industries, universities, and research organizations, the ecosystem for the aerospace industry is being shaped rapidly. Such efforts are expected to open various opportunities along with the growth of the Korean aerospace sector.

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\* 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, we introduce some outstanding companies in Korea's aerospace industry.

## COMPANY A



### DFOS Panorama platform

Panorama web service that converts photos taken using various drones and cameras into 360-degree panoramas and checks them along with spatial data



### DFOS Control system

Web service that enables big data management and control of drones through real time drone status check, remote control, and video streaming



### DFOS Pilot

An app that allows users to conveniently control the photo, video, shooting, and route flight of the drone

Investment Requirement		Company Profile	
Amount	USD 3 million	Patents and Certificates	Patent registration and applications for control system and method through drone aircraft setting and automatic operation; sorting system of suspicious trees with forest disease pest using drones; smart drone control system; panoramic image delivery system
Investment Structure	Equity Investment, Joint Venture	Financial Performance	(Sales in 2022) USD 2.17 million

### Investment Highlights

#### • The rapidly growing commercial software industry for drones

The drone market is estimated to grow at a CAGR of 16.4% from about USD 27.4 billion in 2021 to USD 58.4 billion in 2026. Among them, the commercial software market for drones is estimated to generate USD 1 billion in sales globally in 2020 and exceed USD 2.3 billion by 2025. Drone services are available in various fields such as infrastructure, agriculture, construction, energy, security and surveillance, and environmental monitoring, because they provide excellent efficiency and flexibility for tasks such as fast and accurate data collection, surveillance and inspection, video shooting, and geographic information collection. As a result, it is becoming increasingly important to install commercial software suitable for this purpose.

#### • An integrated solution that builds a business system through real time video recording and data transmission using drones.

As the drone industry grows and various technologies develop, many developers around the world provide similar technical level services for flight planning, manipulation, control, and video transmission and reception, which are the basic functions that drone software should support. The company has developed geospatial solutions and drone solutions that other competitors cannot match, providing solutions to the public and private sectors. In addition, in 2022, it was awarded a consulting service for the World Bank's Forest ICT Promotion Project in Uzbekistan, in recognition of its technology.

## COMPANY B



### Airframe assembly



### Machining

Investment Requirement		Company Profile	
Amount	USD 15 million	Patents and Certificates	N/A
Investment Structure	Equity Investment	Financial Performance	(Sales in 2021) USD 6.94 million

### Investment Highlights

#### • Size of global aviation industry

According to aircraft manufacturer Boeing's "2021-2040 Commercial Market Outlook," the global aviation industry is expected to grow to about USD 946.2 billion by 2030, although it fell by 36% to about USD 468.7 billion in 2020 compared to 2019. Since the second quarter of 2021, production and travel demand, which has been reduced during the pandemic, have been gradually expanding due to the distribution of vaccines and the easing of movement restrictions. Demand in aircraft is gradually recovering with airliners replacing and modernizing aging aircraft, as well as increasing routes, and production suspensions due to COVID-19 and aircraft orders have also turned to a recovery track from the end of 2021.

#### • Aerospace company specializing in aircraft structure assembly and machining parts

The company is an aircraft manufacturer that performs assembly and parts machining for civil aircraft parts, military aircraft parts, and space launch vehicle parts. With a long history of experience accumulated in the domestic aviation industry, it has established a high level of trust and is also carrying out the MRO business, which is an aircraft maintenance business, with a business structure that engages in both assembling airframe structures and machining parts.

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).

# Industry Trends

*Invest KOREA provides an overview of Korea's monthly industry trends based on the latest data available from the Ministry of Economy and Finance and the Korea Institute for Industrial Economics and Trade. Figures are subject to change and may be updated for accuracy by the respective organizations.*

## All Industries

Korea's industrial activity increased for the second consecutive month in December 2023, suggesting a recovery driven by manufacturing production and exports.

### Monthly Industrial Activity Trends

Subject	All industries	Mining & manufacturing	Service	Retail sales	Equipment investment	Construction completed
Monthly Change (%)	0.3	0.6	0.3	Δ0.8	5.5	Δ2.7

Production in the mining and manufacturing industry increased in November, driven by improvements in semiconductors (+8.5 percent) on growing demands for high-performance semiconductors and stronger year-end auto production (+4.7 percent). Despite a decline in real estate (Δ3.7 percent), services production rose by 0.3 percent, with improvements in finance (+4.9 percent), transportation and warehousing (+2.5 percent), and leisure (+3.2 percent). Retail sales decreased by 0.8 percent due to an overall contraction in durable goods (Δ1.2 percent), semi-durable goods (Δ0.3 percent), and nondurable goods (Δ0.7 percent). Capital investment saw a 5.5 percent month-on-month increase, led by a strong growth in machinery [semiconductor equipment, etc.] (8.9 percent), despite a decrease in transportation equipment [automotive, etc.] (Δ3.2 percent). Despite an increase in civil works (6.8 percent), including the implementation of year-end SOC projects, construction fell by 2.7 percent, led by a significant decrease in building construction mostly in residential buildings (Δ5.6 percent). Despite increases in imports and the industrial production index of the mining and manufacturing industry, the cyclical change in the coincident index fell for the seventh consecutive month due to a sharp decline in construction completed. The recent economic recovery has been driven by manufacturing production and exports, coupled with a sluggish domestic consumption, which poses potential upside and downside risks going forward. On the production side, the recent improvement in exports, the rebound in key industries such as semiconductors, and the release of new mobile products are positive, but uncertainty over the recovery of major economies and the direction of their monetary policies, as well as continued geopolitical unrest and supply chain risks, continue to weigh on the economy. As for consumption and investment, slowing inflation and improving consumer sentiment, investment cooperation with major countries resulting from the government's active sales effort and successful competition in high-tech are positive factors, while household debt, real estate PF risks and sluggish construction orders are negative factors.

## Trends by Industry

### Automotive

#### Auto Production in November 2023 Fell Year-on-Year Due to Last Year's Base Effect

Despite falling exports of auto parts, exports in December 2023 increased by 10.2 percent year-on-year due to strong exports of finished vehicles. Imports in November 2023 decreased by 22.6 percent year-on-year due to sluggish in demands for internal combustion engines and related parts. November 2023 production fell by 2.0 percent from a year ago due to the base effect of November 2022, when production increased after the easing of the parts supply problem.

### General machinery

#### Amid Sluggish Production, Exports Increased for Nine Straight Months, But at a Slower Pace

Despite growing exports, production declined by 13.8 percent year-on-year in November 2023 due to the delayed recovery of domestic consumption. In December 2023, exports increased by 2.2 percent year-on-year as exports to the US continued growing and those to the Middle East shifted to an upward trend alongside weak exports to Japan and the EU. In November 2023, imports decreased by 4.7 percent year-on-year to decline for five straight months due to the delayed recovery of the manufacturing industry and the subsequent contraction in capital investment.

### Shipbuilding

#### Exports Rose for Five Straight Months Amid Declining Production and Shipments and Falling Capacity Utilization Rate

In November 2023, production and shipments fell due to the base effect of November 2022, when a large number of ships were shipped. Meanwhile, the industry's production capacity increased and the capacity utilization rate continued to decrease. Despite decreases in production and shipments, ships ordered during the high price period were delivered. As a result, exports increased by 47.2 percent in December 2023 to grow for five months in a row. Imports fell by 33.2 percent in November 2023, imports of offshore structures and shipbuilding materials decreased overall.

### Steel

#### Exports Continued the Downward Trend in December 2023, Affected by Falling Unit Prices

As the downturn in the construction industry continue to dampen demands for bar steel, production increased by 17.5 percent year-on-year in November 2023, led by the recovery of the automotive, machinery, and shipbuilding industries and the base effect of the previous year's production disruption. Despite growing exports of plate steel and other products, exports fell by 4.7 percent from a year ago in December 2023 due to sluggish demands from China and lower unit prices. In November 2023, imports saw a decrease of 7.3 percent year-on-year as domestic consumption of major construction steel products including H-steel and rebar remained weak and unit import prices fell.





## Oil refining

### Exports Fell in December 2023 as Weaker Refining Margins Dampen Unit Prices

Production in November 2023 increased by 3.4 percent year-on-year as Korean refineries increase capacity utilization rates in light of improved domestic consumption and exports. Despite growing volume, exports declined by 3.5 percent year-on-year in December 2023 due to falling unit prices.

## Semiconductor

### Semiconductor Industry Gradually Turning Upward

In November 2023, the semiconductor production index stood at 154.2 to increase dramatically from a year ago (by 42.4 percent) as well as from a month ago (by 12.8 percent). In December 2023, exports reached USD 11.03 billion to exceed USD 10 billion for the first time in 2023.

## Wireless communication devices

### December 2023 Exports Fell by 2.7 percent Year-on-Year as the Recovery of the Smartphone Market is Delayed Amid Expected Growth of Semiconductor Market and Related Industries in 2024

Exports of finished smartphone products surged (84.6 percent), but overall exports declined by 2.7 percent year-on-year in December 2023 alongside slower exports of parts (-8.3 percent). The global smartphone market is expected to recover in 2024, driven by the possibility of interest rate cuts in major countries, the recovery of consumer sentiment boosted by stabilized oil prices and inflation, and the launch of new products (e.g., AI phones). Production saw a 5.4 percent year-on-year decrease in November 2023 but is gradually improving after three consecutive quarters of declining production and rising inventories. Imports grew by 42.8 percent from a year ago in November 2023, mostly in smartphones.

## Display

### Despite the Recovery in Q4, Annual Exports Fell Due to Economic Slowdown

Production continued to decline in November 2023, affected by the ripple effect of LCD facility closures. In December, higher panel prices pushed exports upward by 10.9 percent to enable exports to grow for five months in a row. In 2023, annual exports of displays fell by 12.1 percent as global economic slowdown dampened demands.

*\* Please note that the latest data available in Statistics Korea are for the previous month in the case of exports and the month prior to the previous one for production.*



Photo Courtesy of the Office of the President of the Republic of Korea (eng.president.go.kr)

## President Yoon and Foreign-Invested Companies Discuss Deregulation and Incentives

*On February 14, 2024, President Yoon Suk Yeol and heads of foreign-invested companies discussed ways to improve S. Korea's investment environment at a luncheon meeting held at the Korea Chamber of Commerce and Industry in Seoul. Upon active discussions, Yoon expressed his commitment to create a favorable business environment for foreign companies and offer tax incentives aligned with global standards. Read on to find out more.*

During a luncheon meeting with the heads of major foreign-invested companies in Korea on Feb. 14, President Yoon Suk Yeol pledged to provide regulatory and tax benefits for them, citing their significant contributions to the local economy. In S. Korea, a company with which a foreigner has over 10 percent of voting rights as a result of a KRW 100 million (USD 74,800) investment can register as a foreign-invested company. According to the Ministry of Trade, Industry and Energy, S. Korea currently has over 17,900 foreign-invested companies.

The luncheon was hosted at the Korea Chamber of Commerce and Industry in Seoul, where representatives of 12 foreign companies and chairs of foreign chambers of commerce were in attendance. President Yoon expressed his gratitude to the companies for their contribution to Korea's record-high foreign direct investment last year, which amounted to USD 32.72 billion. He also mentioned that exports by foreign enterprises in S. Korea account for 21 percent of the nation's total outbound shipments. Yoon said, "You all are greatly contributing to our country's economy, and I think it is time for our government to provide systems and a regulatory environment that meet, or are more favorable than, the global standard, and not spare various tax and other support measures."

To this end, Yoon said the government will work with the National Assembly on legislative and budgetary issues requiring its cooperation, but push ahead with measures within the president's power, including subordinate legislation, noting that foreign-invested companies also provide 6 percent of S. Korea's jobs.

In addition, during the luncheon, Minister of Trade, Industry and Energy Ahn Duk-geun delivered a presentation on ways to encourage foreign investment to S. Korea. Participants also held active discussions on ways to increase investment in the country and offered their suggestions on how to further improve Korea's financial, labor and energy environments to make them more attractive to foreign investors.



Photo Courtesy of the Office of the President of the Republic of Korea (eng.president.go.kr)

ractive to foreign investors.

Representatives of companies from the United States, Japan, Saudi Arabia, Germany, and France asked Yoon to ease business regulations which are unique to S. Korea. Notably, the American Chamber of Commerce in Korea emphasized that the country's potential to position itself as a business hub for high-tech industries could be further achieved on the back of improved regulations on network separation, lessening the complications experienced by foreign firms in terms of global cloud integration. The French Korean Chamber of Commerce and Industry highlighted the need for S. Korea to integrate global certification and standards, which would ensure equitable access for foreign companies to sandbox certain projects and national growth plans. It also suggested the establishment of a streamlined cash grant system for foreign investors, and noted that this initiative aligns with Yoon's "Market Economic Driven Vision."

**By Grace Park**

Investment PR Team, Invest KOREA  
Korea Trade-Investment Promotion Agency (KOTRA)

Sources: Invest KOREA Website (www.investkorea.org), Office of the President of the Republic of Korea (eng.president.go.kr), Ministry of Trade, Industry and Energy, Yonhap News Agency





# Pohang Blue Valley National Industrial Complex: Aspiring to Lead the World's Secondary Battery Industry

*The Pohang Blue Valley National Industrial Complex is being established in Guryongpo-eup, Donghae-myeon, and Janggi-myeon in Nam-gu, Pohang-si, Gyeongsangnam-do. The Blue Valley National Industrial Complex has a total area of 6.08 million<sup>2</sup> and a total project cost of KRW 736 billion. The construction project began in 2009 and is divided into two phases (Phase 1 of 2.9 million<sup>2</sup> and phase 2 of 3.1 million<sup>2</sup>). The first phase was completed in March 2021, and the final phase is scheduled to be completed in December 2025. Pohang is home to more than 30 secondary battery-related companies, mostly in the Pohang Blue Valley National Industrial Complex and the Yeongilman General Industrial Complex. With industry leaders such as ECOPRO and POSCO Future M, Pohang boasts the biggest global market share in anode materials. Most notably, the high-nickel anode materials produced in Pohang are recognized as the best in the world.*

**Pohang Blue Valley National Industrial Complex**

• **Location:** Guryongpo-eup, Donghae-myeon, and Janggi-myeon in Nam-gu, Pohang-si, Gyeongsangnam-do

• **Area**

(Unit: m<sup>2</sup>)

Total area	Industrial facilities	Supporting facilities	Public facilities	Green area
5,484,493	3,603,800	21,110	1,024,356	835,227

The Pohang Blue Valley National Industrial Complex and the Yeongilman Industrial Complex were selected by the government in July 2023 to specialize in secondary batteries and power the country's strategic high-tech industries. In 2023 alone, the two complexes attracted the largest investment in their history of KRW 7.4 trillion. Out of the amount, KRW 5.6 trillion will go to the secondary battery sector, with a total of KRW 14 trillion of private investment planned by 2027. Employment has also been booming, with more than 3,000 new jobs created in 2023 alone. Thanks to this upward trend, sites in the Pohang Blue Valley National Industrial Complex are virtually sold out.

Rather than being content with these achievements, Pohang has set an ambitious goal of becoming the world's No. 1 secondary battery city by 2030 by producing one million tons of cathode materials, selling KRW 70 trillion, and employing 15,000 workers. The city is set out to become a global secondary battery hub by building a value chain in the battery sector.

Meanwhile, the long-term growth has triggered high demands for power and water. According to a survey by the Ministry of Trade, Industry, and Energy, the Blue Valley National Industrial Park alone needs 644 MW of additional power, and the shortage is being addressed by installing new substations and revising existing power supply contracts.

However, the situation is more frustrating with water supply as authorities have yet to find a viable solution. Relevant ministries and local governments will need to actively address the water issue before the completion of the Blue Valley National Industrial Park and full-scale operation of factories to ensure that the insufficient infrastructure do not disrupt production activities.

Source: (Text/photo) Korea Industrial Complex Corporation, LH Korea Land and Housing Corporation



# INTOSKY, Building a Better World with Drones

## About the Company

INTOSKY is a venture-certified company established in December 2017 and is currently based in the Incheon Robot Support Center. Led by a CEO and 32 key developers, INTOSKY provides total solutions (covering mass production, distribution, and after-sales service) based on AS9100, a widely adopted and standardized quality management system for the aerospace industry. It is an industrial drone manufacturing startup that has ranked first in drone production volume in Korea within two years of entering the market.

INTOSKY manufactures and sells agricultural drones and provides high-quality after-sales service, commanding 15% of the Korean agricultural drone market. Based on its specialized manufacturing processes and production know-how and capacity to produce more than 2,500 drones, INTOSKY has particular strength in manufacturing medium and large-sized drones for industrial use. INTOSKY is leveraging its rapid growth to actively target global markets such as Japan, India, Southeast Asia and Africa.

## Background

In line with the rapid modernization of agriculture brought on by the aging of rural population and the introduction of drone-friendly policies including the provision of subsidies, Korea's agricultural drone market is growing by more than 30% annually, and is expected to surpass KRW 200 billion by 2025. The global drone market is expected to reach USD 30 billion in 2025.

The introduction of drones to agricultural works that require hard labor is alleviating the workload and dramatically improving productivity. However, drones are often damaged as they are not handled properly in aged rural communities or operated by inexperienced operators while there are only a limited number of com-

panies that can provide after-sales service for damaged drones due to market limitations. INTOSKY is the only company in Korea that provides a total solution that complements and improves the shortcomings of existing drone operation and piloting skills and makes the equipment available at the right time.

## About the Product

To tackle difficulties in steering and operating drones, INTOSKY has developed and is commercializing 'autonomous avoidance flight technology' that automatically avoids obstacles, 'cadastral map-based automatic pest control system' for convenient one-click operation, and 'ON Base RTK technology' for stable flight.

To effectively use drones, you need highly-skilled steering technique. Any misjudgment can cause a collision or accident. The 'autonomous avoidance flight technology' analyzes data acquired from various sensors using INTOSKY's algorithm so that the drone can evade obstacles existing in the configured route. The technology reduces the burden and stress steering for inexperienced pilots and prevents collisions or accidents.

INTOSKY is also a leader in precision agriculture enabled with information and communication technology. The objective of precision agriculture is to maximize high-quality crop production while reducing environmental pollution by keeping track of crop conditions and calculating optimal fertilizers, pesticides and others through analysis.

The 'cadastral map-based automatic pest control system' is a highly convenient technology that utilizes Naver Maps to meet the realities of Korean farming communities. With just a click on a cadastral map, the technology automatically generates routes and calculates the chemical doses, and automatically handles pest control. Various options are available to increase user convenience, and INTOSKY's own control system comprehen-



sively manages various records such as flight date, time, and route, as well as task assignment and pest control status without having to install a separate program.

As a drone flies by estimating its own location, it may crash when there is interference in the magnetic field. 'ON Base RTK technology' is an innovative technology that minimizes magnetic field interference from motors, transmissions, and other surrounding environments in order to greatly reduce the likelihood of a crash. The advantage is that the technology help set a precise heading without having to calibrate the electronic compass. The ultra-precise GPS technology can be used in various location-based services to improve accuracy of real-time positioning, efficiency and usability compared to conventional GPS.

INTOSKY's 'cadastral map-based automatic pest control system' and 'ON Base RTK technology' have already been commercialized and installed in products from 2023. The 'autonomous avoidance flight technology' will be unveiled in various drone competitions and exhibitions from March 2024 for AI training.

## Competitive Edge and Business Strategy

INTOSKY's biggest strength is that as of 2023, it is the only company in Korea whose repair and maintenance capability has been certified by the Korea Institute of Aviation Safety Technology (KIAST) under the Ministry of Land, Infrastructure, and Transport. The stability of most industrial drones must be tested by KIAST, but INTOSKY can perform its regular inspections for the certified area. Similar to regular inspections for cars, drones are inspected every two years, and INTOSKY can cover the time-consuming and complex certification process on its own, so consumers can use their drones at the right time without any inconvenience.

INTOSKY's business model is a total solution encompassing mass production, distribution, and after-sales service based on AS9100 (aerospace management system). With the knowhow of having produced more than 2,500 units, 80 partnerships, and four direct sales centers, including the headquarters, INTOSKY can quickly solve any problems that arise in the process of using drones. INTOSKY's total solution is based on the principle of same-day receiving and same-day shipping, except for

major repairs.

Based on customer-centered development, INTOSKY always puts customer convenience first in its business. From 2022, INTOSKY focused on R&D and human resources to develop its own technology, and has recruited nine of Korea's top drone researchers, including executives with more than ten years of experience with drones, and 10 professional engineers. These efforts enabled INTOSKY to provide quick feedback to improve usability and modify drone performance. Currently, it has a mass production system of making high-quality drones and a distribution network to deliver its drones in a timely manner, as well as its after-sales service function that minimizes user inconvenience.

## Future Plans

### Korea

- Building/Structure Management
  - PoC projects
  - Reviewing the introduction to government agencies and offices
  - NDA signing with a semi-public organization
  - Demonstration project with a local government planned
- Fire Protection
  - PoC projects
  - MOU signing with Taejeon Fire Department
  - Smart city regulatory sandbox demonstration project planned

### Overseas

- Partnerships
  - Seeking partnership models and building partnerships with capable companies in various countries to expand local markets
  - Exported to Chile, Australia, Rwanda, and Taiwan in 2023
  - Plans to export products to India, Philippines, Indonesia, and Malaysia in 2024

By Chung Seon Woong

CEO  
INTOSKY

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



# What documents should a foreign investor prepare when establishing a corporation?

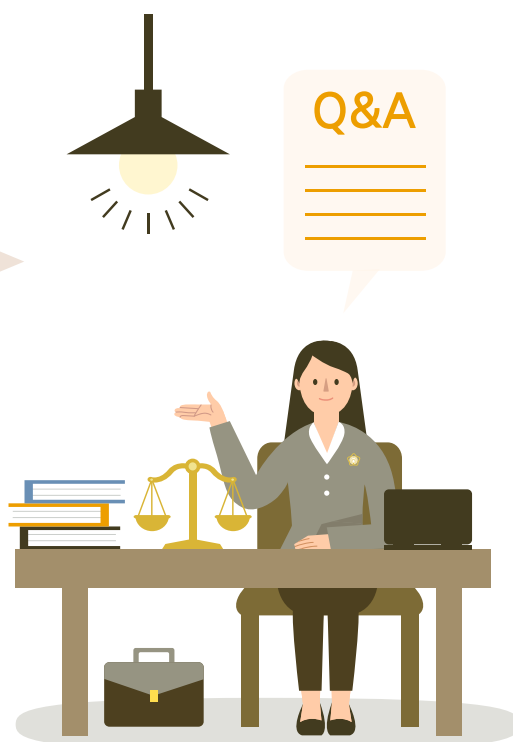
*Every month, Invest KOREA provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.*

## Q.

**What documents should a foreign investor prepare when establishing a corporation?**

## A.

Documents a foreign investor should prepare in his/her country vary depending on whether the investor is an individual or a corporation. The document requirements for foreign investors from Japan or Taiwan are the same as those for a Korea national or corporation. In addition, some of the documents required should be apostilled or notarized by a public notary and subsequently by the Korean consulate located in the home country of the foreign investor in case of a non-signatory nation of the Apostille Convention.



### <Documents Required for Individual Investors>

Application for registration of corporate seal impression	Affix the personal seal or signature of the representative director on the application of registration of corporate seal impression and have it notarized (notarization required for countries without a seal certification system)
A certificate of acceptance of inauguration /a certificate of seal impression	For all individuals to be inaugurated as executive officers of the corporation to be established: 1. Korea/Japan/Taiwan: put the personal seal on a certificate of inauguration acceptance and attach a certificate of seal impression. 2. Other countries without a seal certification system: sign a certificate of inauguration acceptance and have it notarized.
A certificate of resident register (abstract) or a certificate of address (for a representative director)	Attach the following documents to a certificate of inauguration acceptance: 1. Korea/Japan/Taiwan: a certificate of resident register (abstract) or a resident registration card 2. Other countries: proof of address from the relevant country and a notarized certificate of address (not required for nonrepresentative directors and auditors)
A power of attorney	When delegating foreign investment notification, etc. to an agent 1. Japan/Taiwan: put the seal on the power of attorney and attach a certificate of seal impression 2. Other countries without a seal certification system: put the signature on the power of attorney and have it notarized.
A copy of passport	For all foreigners

### <Documents Required for Corporate Investors>

A certified copy of corporate registration (an investor corporation)	1. Japanese/Taiwanese corporations: a certified copy of corporate registration 2. Other countries: a certificate of corporation from the relevant country or a notarized certificate that proves the existence of business
Application for registration of corporate seal impression (for the newly-founded corporation)	Affix the personal seal or signature of the representative director on the application for registration of corporate seal impression and have it notarized (notarization required for countries without a seal certification system.)
A certificate of acceptance of inauguration/a certificate of seal impression	For all individuals to be inaugurated as executive officers of the corporation to be established 1. Korea/Japan/Taiwan : put the personal seal on a certificate of inauguration acceptance and attach a certificate of seal impression. 2. Other countries without a seal certification system: sign a certificate of inauguration acceptance and have it notarized.
A certificate of resident register (abstract) or a certificate of address (for a representative director)	Attach the following documents to a certificate of inauguration acceptance 1. Korea/Japan/Taiwan: a certificate of resident register (abstract) or a resident registration card. 2. Other countries: proof of address from the relevant country and a notarized certificate of address (not required for onrepresentative directors and auditors)
A power of attorney	When delegating a foreign investment report to an agent 1. Japan/Taiwan: put the corporate seal on the power of attorney and attach a certificate of corporate seal impression 2. Other countries without a seal certification system: put the signature of the representative director of an investor corporation on the power of attorney and have it notarized.
Copy of passport	For all foreigners

*For further inquiries, please contact the Investment Consulting Center*

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# Foreign Investment Policy of Korea

## Forms of Foreign Direct Investment

### 1

#### Acquisition of Equity Shares

Acquisition by a foreigner of shares or equity shares of a corporation or a business **to establish continuous economic relations with a Korean corporation/business**



##### Investment of KRW 100 million or more

Amount to be invested per person when two or more persons plan to invest



##### Ownership of 10% or more of voting shares

Both new or existing shares may be acquired



#### DETAIL

##### Exceptions to the requirements for equity share acquisition

Even when a foreigner invests KRW 100 million or more but acquires less than 10% of the equity shares of a domestic company, it shall be treated as foreign direct investment if the foreigner assigns or appoints an executive to the domestic company.

### 2

#### Long-term Loans

A loan with maturity of at least five years from a foreign-invested company's overseas parent company or a company having a capital investment relationship with the company to the foreign-invested company

- Long-term loans may be provided only when equity investment has been made, and the average loan period of at least five years must be satisfied.

\* Calculation of loan period: The sum of 'the partial repayment or early repayment amount multiplied with the percentage of the repayment in relation to the total loan amount'



#### DETAIL

##### Capital Investment Relations

###### •Corporate Investor

[Where an investor is a corporation (overseas parent company)]

① A company that holds at least 50% of the total number of stocks issued by, or of the total equity investment of, its overseas parent company (OPC)

② A company whose OPC owns at least 50% of the total number of issued stocks or total equity investment of a foreign-invested company and falls under any one of the following:

- A company that holds at least 10% of the total number of issued stocks or the total equity investment of its OPC

- An entity of which 50% or more of its total issued stocks or total equity investment is owned by its overseas parent company or a company of which 50% or more of its total issued stocks or total equity investment is owned by its OPC.

###### •Individual Investor

[Where an investor is a foreign individual]

A company of which at least 50% of the total issued stocks or total equity investment is held by an individual foreign investor who owns at least 50% of the foreign-invested company's total issued stocks or total equity investment

## 3

Contribution  
to a Non-profit  
Organization  
(NPO), etc.

A contribution to an NPO or a company is recognized as FDI where the foreign contribution amount is at least KRW 50 million and accounts for 10% or more of the total amount and where all of the following conditions are met.

\* Related laws: Article 2 (1) 4 of the Foreign Investment Promotion Act, Articles 2 (2) and (4) through (8) of the Enforcement Decree of the Act

- ① The NPO or company has independent research facilities in the fields of science and technology, and meets any one of the following conditions:
  - There are at least five regular workers with a bachelor's degree in a science or technology field and at least three years' experience in research, or with a master's degree or higher in a field of science and technology
  - The NPO conducts R&D activities in the fields of natural science and engineering as classified under the Korean Standard Industrial Classification (KSIC)
- ② Other contributions to an NPO by a foreigner that meet one of the following conditions, and which are recognized as foreign direct investment by the Foreign Investment Committee:
  - An NPO established for the purpose of promotion, etc. of science, art, medical services, or education, and which continues to conduct its business with a view to developing professionals in the relevant fields and to expanding international exchanges
  - An NPO that is a regional office of an international organization that engages in international cooperation business between civilians or governments

## 4

Reinvestment of  
Unappropriated  
Retained  
Earnings

Investment of a foreign-invested company's unappropriated retained earnings for certain purposes such as construction or expansion of a factory. (in this case, the foreign-invested company shall be considered a foreigner and the foreign investment amount shall be calculated by multiplying the amount spent and the foreign investment ratio.)

**Foreign direct investment by using unappropriated retained earnings  
(enforced on August 5, 2020)**

- ① A foreign invested company applies (uses) its unappropriated retained earnings to the construction of a new factory or expansion of its factory or to any of the purposes stipulated in Presidential Decree
  - In such case, the foreign-invested business is considered to be a foreigner, and the foreign-invested amount shall be the amount obtained by multiplying the amount applied/used for such purpose by the ratio of equity investment by the foreigner(s).
- ② Applications:
  - **Construction or expansion of place of business or research facility (manufacturing business):** When a foreign investor purchases land or building to put up a production/ research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new production/research facility, or intends to purchase capital goods or research equipment and materials
  - **Construction or expansion of place of business or research facility (non-manufacturing business):** When a foreign investor purchases land or building to put up a production/ research facility, pays rent or building construction expenses, provides funds for installing infrastructure facilities including power and communication facilities for building a new place of business or research facility, or intends to purchase capital goods or research equipment needed to operate the business.

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# KOREA Unique Venue

## Discover the unique beauty of diverse regions throughout Korea

*Every month, in cooperation with the Korea Tourism Industry (KTO), Invest KOREA features one unique region in Korea as an ideal venue for corporate meetings, international conventions, and incentive travels. Read on to find out more on the KTO's Korea Unique Venue initiatives and plan your next visit to Korea!*

### What is KOREA UNIQUE VENUE?

The MICE industry is celebrated as the “golden industry without limits” of the 4th Industrial Revolution Era. With the growth of this industry, MICE venues are increasing in variety. Nowadays, corporations and institutions, which have preferred large scale convention centers in the past, are increasingly seeking out special places and experiences, or “unique venues” that showcase traditional local cultures and regional characteristics.

The Korea Tourism Organization regularly selects and promotes such unique venues that can be found all throughout the country—places with a distinct Korean charm that captivate its visitors. After various studies and evaluations on the suitability of the purpose, scale, and size of various events and meetings, the KTO has selected 39 of Korea's unique venues to fit your various needs.

These 39 “KOREA Unique Venues,” which demonstrate the special characteristics of its respective region, are bound to add color to your events and provide visitors with experiences and memories beyond expectations. Korea's doors are wide open for you to experience the country's culture and beauty to their fullest.

### Incentives for Organizers

#### ❖ Subjects of incentive support for international meetings (event hosting/global PR and event hosting support)

##### Common Conditions:

1. Meetings hosted by international organizations or members of the international organizations, or legal entities & groups which are part of international organizations that fulfill ALL of the following conditions.
  - Foreigners from at least 5 or more countries shall participate in the meetings.
  - Total number of meetings participants shall be at least 300 or more and foreign participants shall be at least 100 or more.
  - The duration of the meetings shall be at least 3 days or longer.
2. Meetings hosted by legal entities & groups which are not a part of international organizations that fulfill ALL of the following conditions.
  - Among the meeting participants, total number of foreign participants shall be at least 150 or more.
  - The duration of the meetings shall be at least 2 days or longer.

#### ❖ Subjects of incentive support for corporate meetings/incentive tours

##### Common Conditions:

1. Visitors should stay in Korea for at least 2 days or longer.
  - \* “NOT” applicable for hobby clubs, fan clubs, religious organizations, government officials' groups, and/or student groups.
2. Among the participants, total number of foreign participants shall be at least 10 or more.

##### ❖ Additional Conditions:

1. Incentive Tour: Incentive Tour Groups (as performance awards), with sponsoring corporations paying for all of tour related expenses for visiting Korea.
2. Corporate meetings: Groups of people who are visiting Korea for meetings hosted by specific corporations for the express purpose of meetings or travels
  - \* Meetings with at least 4 hours or longer shall be included in the official schedule.

For further details, please visit the K-MICE website at <https://k-mice.visitkorea.or.kr>.



K-MICE



KOREA UNIQUE  
VENUE





BUSAN

## The Bay 101



The Bay 101 is a marine sport based cultural art complex, which represents Busan's marine culture. With its various spaces such as Yacht Club, a specialty Korean restaurant, a café, and a lifestyle shop, The Bay 101 is a great place to have international conferences and meetings, exhibitions, events, and banquets.



### Venue & Rental Information

- Address: 52 Dongbaek-ro, Haeundae-gu, Busan, Korea
- Phone Number: +82-51-726-8888
- Homepage: <http://eng.thebay101.com/>
- Inquiries: +82-51-726-8880 / [Thebay101.busan@gmail.com](mailto:Thebay101.busan@gmail.com)
- Major Events Held in Recent Years: WACS (World Association of Chefs Societies) Cooking Contest Standing Reception (2018) / Busan International Medical Tourism Convention 2018 Buyers Welcome Reception / Startup Festival 2018 sponsored by KISED (Korea Institute of Startup & Entrepreneurship Development) (2018) / 'ONEstoreNIGHT BAR (2018)

Source: Korea Tourism Organization, "2022 KOREA Unique Venue"

# Updates in Korea's Merger Control Regime

## - Expanded Merger Notification Exemptions and New Remedy Proposal System to Take Effect in Around August 2024 -

*On January 25, 2024, the Korea Fair Trade Commission (the "KFTC") announced that the amendments to the Monopoly Regulation and Fair Trade Act (the "MRFTA") had passed the National Assembly's plenary session on that day. The amendments are expected to take effect in around August 2024, 6 months from their promulgation. The amendments include two major changes to the Korean merger control regime that could be of significance to foreign companies investing in Korea: (i) expansion of exemptions from the merger notification requirement and (ii) introduction of the new remedy proposal system.*

### 1. Broader Exemptions from the Merger Notification Requirement

Pursuant to the first of the amendments, the following four types of transactions—which are highly unlikely to raise anticompetitive concerns according to the KFTC—will enjoy exemptions from the merger notification requirement: (i) statutory mergers or business transfers between a parent and its subsidiary (limited to where the parent directly holds more than 50% of the subsidiary's total issued and outstanding shares), (ii) interlocking directorships involving less than one-third of the board members (excluding the representative director), (iii) establishment of PEFs, and (iv) mergers between affiliates involving a target entity with the total assets and worldwide turnover below KRW 30 billion on a stand-alone basis.

Considering that the transactions that fall under the four new exemption categories, at least in 2022, accounted for approximately 42% of the total merger notifications filed with the KFTC (431 out of 1,027 filings), the KFTC is hopeful that the amendment would help reduce their caseload to a similar extent, thereby enabling them to focus on and prioritize more complex and competitively significant transactions. Companies contemplating these four types of transactions will also benefit from the amendment in terms of time and resource savings.

## 2. Introduction of the Remedy Proposal System

Pursuant to the second of the amendments, companies will be invited to formally design and propose to the KFTC a remedy package of their own that would address anticompetitive concerns raised during the review process. Under the current system, it is the KFTC that comes up with merger remedies based on the limited information they have, later imposing it on companies as a remedial order.

Should companies decide to exercise the new option, they must submit a remedy proposal, in writing, within the KFTC's review period (which, by default, lasts for 30 days and may be extended up to 120 days). Following the submission, the KFTC may issue requests for information as necessary to revise and modify the proposed remedies, during which the review period will be suspended. Once the authority finds that the remedy package, in its final form, is appropriate and sufficiently addresses their anticompetitive concerns, they will issue conditional clearance with that remedy package.

The KFTC is optimistic that the amendment will help pave the way for effective and actionable remedy packages that are designed by the companies themselves and based on their own robust information and data at the market, industry, and company levels. Furthermore, given that a similar approach to the remedy procedures has already been adopted by many of the major competition authorities around the world (including the US Department of Justice, the European Commission, and the UK Competition and Markets Authority), the KFTC has come to view the amendment as an opportunity to further align the Korean competition legal framework with the global standards.

The amendment is expected to help companies as well, particularly those that are contemplating global transactions, as the risks of the companies having to implement potentially conflicting remedies in different jurisdictions could be reduced by having the opportunity to come up with remedy proposals that are globally aligned to some extent.

### What's Next

To implement the two amendments, amendments or enactments of other laws and regulations are expected to follow. Also, the overall impact of these changes on Korea's merger control regime remains to be seen. We will monitor these developments and provide any further updates.

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



# 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 [www.investkorea.org](http://www.investkorea.org).

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



# IKP (Invest Korea Plaza) Office for Rent!



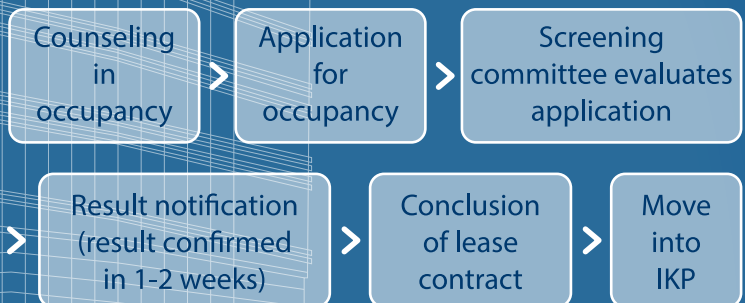
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Each year, more than 35 foreign-invested companies rent out offices in the plaza and utilize Invest KOREA's one-stop service.

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

## IKP Occupancy Procedure



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