The Republic of Korea

2018 Discovering Business

in association with

kotra
Korea Trade-Investment Promotion Agency

INVEST KOREA

Department for International Trade

Allurentis is delighted to have been involved in association with the Department for International Trade on this, the first edition of The Republic of Korea - Discovering Business, and would like to thank all sponsoring organisations for their kind contributions. The Republic of Korea is a hugely exciting market and with our deep rooted relationship the potential for business is vast. We are confident that this publication will raise awareness with all readers and prove to be an invaluable resource.

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Contents

Korea prepares to lead in a fourth industrial revolution

Korea's economic progress since the devastating conflict that split the North of the country from the South in the early 1950s has been nothing short of spectacular. The Republic of Korea has gone from poverty to become one of the world's wealthiest states. No longer an emerging economy, Korea's per capita income at US$35,751 ranked 29th highest internationally in 2016, above countries such as the Czech Republic, Portugal, Malaysia, Thailand and Turkey.

Korea is today a wealthy, technologically advanced, mature democracy with an impressive record of economic progress and innovation. The country of 51 million people has overcome regional and global financial crises, riding out market volatility more successfully than other industrialised countries.

While living in a volatile region, the country has displayed remarkable resilience and a will to succeed. It is ranked the leading country for digital access, with one of the world's highest number of broadband subscribers. According to assessments by the Organisation for Economic Development (OECD), its young students perform better at school than most of their peers in other OECD countries.

In 1996, Korea joined the OECD, comprising the world's richest industrialised countries. Membership of this exclusive club represented the culmination of 35 years of extraordinary growth that has transformed into a major industrial power. In 2010, it became the first Asian country to host a G20 summit.

Sustained double-digit export growth propelled Korea to become the world's fifth largest exporter and 11th largest economy by 2016, with a GDP exceeding US$1.4 trillion. In this transition, several of its companies have become world leaders in the automotive and electronics industries.

Despite lacking hydrocarbons and other essential industrial raw materials, Korea has managed to become an industrial and manufacturing global power. Success in developing technology has been underscored by a pragmatic strategy, starting at the low end of a market in new product segments and continuously building improvements into products, using economies of scale to secure a competitive market share.

A significant driver of economic success has also been an outward focus on overseas markets promoting the country's integration in global value chains. As a result, Korea has developed many Free Trade Agreements (FTAs) while injecting substantial FDI into the leading global economies. The 26 FTAs it has negotiated, 16 of them since 2003, including with the US and EU, enable it to sell freely to more than 60% of the world.

In common with other economies in the region, Korea has encountered a slowdown in orders since 2014. However, prospects for heavy industries such as shipbuilding and car production have increased over the last year. Officials are projecting 3% GDP growth in 2017, with

exports surging 10.2%, a reflection of improving global demand for the country's goods.

The new Government has said that it intends to maintain an expansionary fiscal policy to support job creation and generate more growth from household spending and develop an economy less dependent on exports. An essential part of this policy involves stimulating SMEs.

Korea is targeting these to boost investments in growth areas such as alternative energy, green technologies and biotechnology. As part of a plan to achieve a more balanced sustainable growth, it is also looking to place greater emphasis on job creation to improve public services and to stimulate the services sector.

Korea has a high standing for its educational attainments as well as economic progress but is now seeking an improved lifestyle balance for its highly work-focused citizens. This process will involve increasing disposable incomes, stimulating personal consumption and not least, in the promotion of a much greater role for SMEs in the national economy.

A ministry is being established to develop SMEs as well as encourage start-up firms to help prepare for what has been referred to as a Fourth Industrial Revolution. The first industrial revolution used steam and water power to mechanise production methods, the second deployed electric power, the third most recent has used electronics and IT to drive and automate processes.

The fourth revolution will be even more profound, building on digital electronics which connect with other technologies. The breadth and depth of current changes has no historical precedent and is likely to herald the transformation of entire production systems as well as management and governance globally.

In this evolution, which heralds an increasing merging of the physical world with computer cyberspace, the Internet of Things (IoT) is an emerging topic of technical, social and economic significance. Consumer products, durable goods, cars and trucks, industrial and

> Korea is keen to develop its tourism sector and film & television industry in addition to fashion, cosmetics and other outputs associated with the Korean Wave.

utility components, sensors and other everyday objects are being combined with internet connectivity and powerful data analytic capabilities which are at the core of the new industrial revolution.

Korea is keenly aware of how this process of change is accelerating and is preparing to take a leading role as digital communications, artificial intelligence, robotics, increased connectivity, new modes of manufacturing and autonomous vehicles are developed.

Establishing links with Korea's new economic model can bring substantial long term rewards. In 2011, a FTA between the EU and Korea came into force with almost all tariff barriers now eliminated. This has given a potential US$655 million per annum trade boost opportunity to UK firms trading with Korea, which are also likely to benefit from any subsequent post-Brexit bilateral trade pact.

Korea is placed as the UK's 11th largest trading partner and its third largest in Asia. The London based WPI's, in its latest Trade Prospects Index, ranks the country as among the UK's first priorities for a free-trade deal post-Brexit, due to the high mutual benefits, ease of achievability and speed at which it could be implemented.

There are many opportunities for British companies involved in areas such as software technology, especially in the financial sector, 4G telephony games, bio-recognition systems, internet security and green ICT. The downscaling of Korea's nuclear industry in addition, opens up opportunities to engage with alternative renewable energy projects in wind, wave, solar and carbon capture and storage ventures. Decommissioning of existing nuclear plants opens opportunities for specialist UK skills.

There are also niche opportunities in water and waste management and in air pollution abatement. There is also a vast requirement for English language training, including courses supplied electronically. Consumer markets are also growing in food, beverages and fashion.

Korea is keen to develop its tourism sector and film & television industry in addition to fashion, cosmetics and other outputs associated with the Korean Wave. As this cultural appeal grows in the region and beyond, UK design and branding expertise can play a role in its promotion in new markets.

As the country looks forward, its formidable export strength is likely to be maintained but in different ways than in the past. An attempt to compete with its giant neighbour, China, on cost or scale is not viable. This means moving higher up the value chain and as a result, Korea's capital investments in R&D are the largest in the world relative to national income. The stages leading on from this, involving development and marketing of new products and processes, can be accelerated through international cooperation. In this new era, Korea is a country that is open for business.

H.E. Ambassador Joonkook Hwang

Ambassador of the Republic of Korea to the UK

H.E. Ambassador Joonkook Hwang

The Republic of Korea unprecedentedly succeeded in achieving both political democracy and economic development within just two generations. We were once a country on the receiving end of international development aid, but now we have turned into the 11th largest economy and 8th biggest trading nation, and one of the most active global aid donors. Korea now runs at the forefront of many industries including information technology, cars, shipbuilding and patent applications.

In recent years, there have been significant developments in the Korea-UK bilateral relationship. From trade and defence to cultural exchanges and tourism, cooperation between Korea and the UK has never been more active across both government and civil society. Our countries' policies are very much aligned with each other. Furthermore, as the UK redefines its relationship with Europe and pursues an ambitious global free trade agenda, Korea is perfectly placed to be one of the UK's leading global partners. We must therefore go further to deepen and expand the bilateral ties.

In fact, both the UK and Korea thrive on trade and open markets, and have many similarities besides. Britain is almost the same territorial size as the Korean Peninsula, while both countries have a comparable population and only limited natural resources. Not only has our history been closely intertwined over the past century, but our economies have developed by relying on the creativity and productivity of our people, which implies a great deal of potential for further bilateral cooperation. It is time that our two economies take a new path, seeking to realise this potential.

There has never been a better time to choose Korea as your place for business than now. I certainly believe this guidebook will be informative to those interested in Korea's business environment and hope it helps you to find great business opportunities.

HMA Ambassador Charles Hay

British Ambassador to the Republic of Korea

HMA Ambassador Charles Hay

One of the most rewarding parts of my job as Ambassador is helping British companies benefit from the huge range of opportunities this country has to offer. In almost any industry and any sector you can think of, British companies have products, services and capabilities that South Korea wants and needs.

South Korea has a developed economy, impressive industrial capabilities, unsurpassed IT infrastructure and knowledgeable and sophisticated consumers who are generally well-disposed to the United Kingdom, and associate quality with our products and services. The EU/Korea Free Trade Agreement launched in 2011 has helped immensely in boosting bilateral trade and creating a stronger environment for greater commercial collaboration. Through lower tariff and non-tariff barriers, companies have been able to capture opportunities that had not previously existed, resulting in UK exports to Korea increasing dramatically.

The United Kingdom has of course chosen to leave the European Union, and now one of our key tasks is to preserve the benefits that have flowed from the EU-Korea FTA. Although the process of departing the EU undeniably presents uncertainty for all, both the United Kingdom and South Korea have a clear interest in finding a path through to a new arrangement which preserves the benefits for both sides. We now have quarterly UK-Korea Trade Working Group meetings to work through the technical issues and identify a way forward. The existing EU-Korea FTA will continue to apply to the UK until the UK leaves the EU, which will be two years after the Article 50 trigger, ie March 2019.

Although there are challenges as well as opportunities in doing business in Korea, the UK-Korea relationship is strong and deep. The UK was second only to the US in establishing diplomatic relations with Korea 133 years ago, and fought shoulder to shoulder with them both during the Korean War. With significant credit support also available from UK Export Finance, our commercial relationship grows ever stronger: the total annual trade of goods and services now stands at 11.3 GBP.

The British Government has an ambitious target of seeing 100,000 new companies export by 2020, and this remains top of our agenda. As the 11th largest economy in the world, South Korea will continue to be a key market in helping us achieve that goal, and the team at the British Embassy and the British Chamber of Commerce stand ready to help British businesses in their ambitions in the Korean market.

Korea Trade-Investment Promotion Agency

Jaehong Kim, President & CEO, KOTRA

Jaehong Kim,
President & CEO, KOTRA

Greetings from the Korea Trade-Investment Promotion Agency (KOTRA).

Since 1962, KOTRA has helped Korea become one of the world's largest trading nations through supporting the overseas expansion of Korean companies and paving the way for new export markets. We have also promoted foreign direct investment in Korea and supported the growth of foreign investors in our country.

Today, in a global business environment that poses its share of challenges, KOTRA continues to support partnerships and cooperation between Korean and foreign companies. We aim to increase trade in such new fields as cultural contents, services, medical goods & services and new energy. And we will continue to provide comprehensive support for both Korea's inbound and outbound foreign direct investment.

Of course, KOTRA will also help companies make the most of Korea's expansive free trade network. We have free trade agreements with the world's three largest markets – the United States, EU and China – and other countries, which means you can access 73.5% of the global economy through Korea.

With 124 offices in 84 countries, we are here to serve as your global business platform. Our goal is to contribute to the economic growth not only of Korea, but also of developing countries through sharing about our development experiences and being a socially responsible corporation.

It is my hope that you will join us on this journey of shared growth and prosperity.

British Chamber of Commerce in Korea

Sean Blakeley, CEO, BCCK

Sean Blakeley,
CEO, BCCK

It is my great pleasure to be writing an introductory message to this publication. For the past two years I have been working at the Chamber and have seen many companies enter the Korean market, landing in Korea as a launchpad into the broader Asia-Pacific region and hope that your company may be the next to do so.

There are around 200 British companies doing business in Korea and the demand for products and services from the UK is growing every year, which is why Korea is the third largest market in Asia for UK exports and the 13th worldwide. According to the Korean Foreign Ministry, UK trade into Korea was estimated to be US$360 million in 2016. This spanned a variety of industries – from that of services in real estate, design, business, and finance, to products with a premium, heritage image, which are trend relevant if not trend driven and are particularly popular.

South Korea provides advantages to foreign and UK companies seeking to trade or invest in the country. Korea's free economic zones offer competitive incentives, with sectors such as gaming and fintech enjoying favourable taxation benefits. There are also opportunities to work with Korean conglomerates to enter third markets (e.g. nuclear plant construction), which make Korea a larger market than the sum of its parts.

We have supported more than 450 companies in the last two years since the inception of its trade service and we would really like to help more. For more information, please visit our website at bcck.or.kr or contact our Trade Services team at trade@bcck.or.kr. Thank you.

Samil PwC

Helping groups invest and do business in South Korea

Samil PwC is the Korean member firm of PwC, the world's leading professional services firm which helps organisations and individuals create the value they are looking for. PwC is a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, tax and advisory services.

In Korea, the firm is the largest professional services firm and has over 3,400 employees providing a comprehensive range of business advisory services including assurance, tax, consulting and deal business services.

Whether you are taking your first steps to invest in Korea or have an established operation that is undergoing some change, we can support you and help address the key issues you face. By working with us, you can obtain comprehensive support to optimise your Korean investment and access the wealth of experience we have in advising on the many aspects of investing into Korea. We are here to help you expand successfully into Korea, operate efficiently and achieve your overall business objectives.

Contact us:

We would welcome the opportunity to discuss your Korean investment with you, so please do not hesitate to get in touch with us.

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SAMIL | 삼일회계법인

Interview session with Partners from Samil PwC on doing business in South Korea

Daniel Fertig, Partner, Assurance, Samil PwC
Robert Browell, Partner, Tax, Samil PwC

Daniel Fertig
Partner, Assurance

Robert Browell
Partner, Tax

We met with Partners from Samil PwC, Korea's network firm of PwC, a world leading professional services firm, to gain an understanding of the common issues faced by British companies seeking to do business in South Korea.

Q: Please describe your role at Samil PwC and how you help companies do business in South Korea.

Daniel Fertig (DF) - I am a Partner in the Global Assurance team at Samil PwC. Part of my role involves helping overseas multinationals understand issues associated with operating in Korea from an accounting perspective. I also work on a variety of client transaction related projects, including financial due diligence and post-merger integration services.

Robert Browell (RB) – I am a Partner in Samil PwC's Global Tax Services team and have been advising businesses on Korean taxation for over five years, following a transfer from the UK where I had been advising on international tax matters for ten years. I am part of a team that helps multinational groups understand the tax issues associated with doing business in Korea, at each stage of their Korean business life-cycle including how activities performed in Korea will be taxed, advising on local compliance obligations and providing transactional based services including those related to M&A and corporate restructuring.

Q: How do you currently see the business investment environment in Korea?

DF – Korea is becoming an increasingly attractive location for foreign multinational groups due to the strength and growth of the country's economy, its central location in the East Asian region and the Government's efforts to promote inbound foreign trade and investment. Historically, most opportunities for foreign companies involved establishing labour-intensive manufacturing or processing operations geared toward the export market. These days however, investors are seeking to utilise the highly skilled workforce in the high technology fields.

The increasing affluence of Korea's large middle class also presents opportunities for consumer products and luxury goods. Foreign investment now commonly enters into retail trade as well as import and wholesale

trade for most consumer products. Korea's extensive network of free trade agreements, including those with the US and EU, make Korea an attractive location for regional headquarters of foreign multinational companies and a gateway to the rest of Asia.

RB – I also more frequently see overseas groups, including those from Britain, who have business investment opportunities in Korea, particularly in the areas of high-end consumer goods and technology. Some of the feedback we receive from businesses is that Korea is a great testing ground for new products and technologies because the country has a highly developed and well educated market of early adopters with increasing levels of disposal income.

Q: In your experience, what are the key issues faced by businesses seeking to do business in Korea for the first time?

RB – From a tax perspective, for companies first doing business in Korea, the Korean tax system may be alien and potentially seen as complex and bewildering. The types of tax issues that management will need to understand and get to grips with will depend on the type of activities that the company is seeking to perform in Korea. For instance, if the company is seeking to import its products or services into Korea, it will be important for the business to understand the taxes associated with importing goods into Korea and services such as customs duties, import VAT and whether any cross-border payments made by Korean customers will be subject to withholding taxes.

If certain activities are going to be performed by employees on the ground, consideration will need to be given as to whether these activities will be subject to tax and whether the business will create

local tax compliance obligations. Businesses looking to create a more formal legal presence in Korea will need to understand the form of business entity to establish a branch office or local company and in the case of the latter, which company type to choose. It will be important for management to understand how the entity will be taxed in Korea, whether the business is entitled to benefit from foreign investment tax incentives provided by the Korean Government to promote investment in certain industries and areas of the country, and any costs associated with repatriating cash and profits generated in Korea.

Q: What are some of the most common problems faced by companies operating in Korea?

DF – Samil PwC recently conducted a survey of business executives from foreign-invested companies doing business in Korea. Our goal

> The increasing affluence of Korea's large middle class also presents opportunities for consumer products and luxury goods.

was to capture different perspectives and experiences but with a view towards identifying common themes. From the survey results it was clear that while Korea is viewed as an important and attractive market, it is perceived to be a difficult regulatory environment for businesses, there can be unique cultural challenges, high labour costs, an inflexible labour market, and intense competition from domestic companies. Companies therefore need to understand and manage these issues to ensure their Korean investment is a success.

RB – For companies that are starting to operate in Korea, the biggest challenge for them from a tax perspective can be understanding how they will be taxed in Korea. Sometimes the applications of the tax law is not clear on how certain activities are taxed and so there can be some uncertainty regarding the tax position. Managing any uncertainty can sometimes be the biggest challenge although there are certain measures that can be taken to address uncertainties such as utilising the tax ruling system in Korea.

Q: If you could give a single piece of advice to a business preparing to start operations in Korea, what would it be?

DF – For foreign multinationals seeking to take advantage of the opportunities in Korea, it is essential that they fully understand the local regulatory, compliance and cultural environment to be successful. Doing business in Korea requires careful consideration of all of these interrelated matters.

RB – My main advice would be to make sure that it is fully understood how the business will be taxed in Korea and whether the company has any related compliance obligations. It is essential to understand these issues early to help avoid any unwanted surprises later on.

Doing business in South Korea

Elias Peterle, Representative Director, Nowak & Partner

Elias Peterle

South Korea is well known for having made the transition from one of the poorest and most underdeveloped countries in the 1960s to the world's 11th most powerful economy today, which makes it a perfect example of an economic success story. Smartphones, cars, shipbuilding, fashion, skincare, K-pop, plastic surgery, a well-educated workforce, high purchasing power, a low birthrate, rapidly aging society and the Winter Olympics 2018, all describe South Korea and make it an attractive place of business for British companies.

Korea offers a vast potential for doing business, as the country has developed diverse industries. It is however strategically critical to choose the right method of entering the Korean market in order to avoid pitfalls, maximise opportunities and thus facilitate market entry right from the start.

Approaching the Korean market from overseas can be difficult. In terms of effective business communication, speaking the language of the buyer is a core element of success. This is underestimated as on the global business stage, English is commonly acknowledged and widely used. However, despite its high education standards, Korea has not caught up with this trend yet. For a barrier-free communication, especially in business, the use of the Korean language is a must.

There are several ways to approach the market and establish business activities in Korea.

For most foreign companies, working with a local partner is the number one choice, involving relatively low financial and managerial efforts. However, ineffective communication and opaque business practices from a foreigner's perspective have often resulted in frustration, leading to the withdrawal of business operations in Korea. Many business chances have been lost due to an unfortunate choice of business partner.

In recent years, it has become popular to manage business remotely, with Korean speaking staff from abroad. This reduces communication barriers and helps to keep the budget lean, as no local office in Korea is needed. However, it should not be underestimated that a successful business often largely depends on personal interactions. It is difficult to manage customer relations being thousands of miles away in a different time zone.

Another market entry possibility is to engage a freelancer, i.e., a qualified local professional fully dedicated to represent your business in Korea and with direct connections to the market. This can be a highly effective solution in various operational areas such as sales, channel management or partner management, customer service and procurement.

For a stronger market engagement, a local entity is the right choice. It is especially advisable for companies dealing with large Korean conglomerates or focusing on special industries such as medical equipment or defence, etc. Establishing a branch or subsidiary in Korea is a simple process and can be easily managed within a short time (usually between two to four weeks). It is strongly recommended to get support from someone who is familiar with the local practices and has experience with the setup of a company (turn-key solutions), e.g. establishing a company in legal terms, finding the right location and office, refurbishment and IT setup, HR search and accounting, to mention just a few. This not only reduces the time and cost factor of the market entry, but also accelerates returns on investment and increases the effectiveness.

M&As or joint ventures are both a special form of market entry. These scenarios are especially worth considering if the market access is already blocked by a local company or if the counterparty is in possession of some core technology. Joint ventures should be approached very cautiously, as they are not free from certain risks. The language barrier, as it is frequently the case in Korea, different business practices of the counterpart and the geographical and cultural distance, can cause a troublesome and painful business relationship. Acquiring a local company and gaining full management control, involves a comparatively lower risk. Nonetheless, the post-merger integration process requires significant attention from the foreign company. In both cases, due diligence or a benchmark audit will contribute to a significant increase of transparency.

Each of the above mentioned market entry possibilities has its advantages and disadvantages which should be considered prior to the decision making. It is highly advisable to first get a better understanding and some insight on the Korean market from local institutions such as the British Chamber of Commerce in Korea or consulting firms with a long experience in market entry practice.

The political and business environment, the proximity to major world markets, the stable legal environment and consistent economic growth are positive indicators for a sustainable engagement in Korea. Now is a good time to start planning your expansion into one of the world's largest economies.

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KB Financial Group

GLOBAL FINANCIAL GROUP KB

KB Financial Group is Korea's largest and leading provider of a comprehensive range of financial services with 12 subsidiaries under the vision of becoming 'global financial group leading the Asian financial industry'.

Global Financial Group KB

Jong Kyoo Yoon, Chairman & CEO, KB Financial Group Inc.

Jong Kyoo Yoon,
Chairman & CEO

KB Financial Group was founded on 29 September 2008, to effectively cope with rapid financial and environmental changes at home and abroad. KB Financial Group is a comprehensive financial service provider with the nation's largest number of customers and branches. With 12 subsidiaries operating under the Group, we boast 32.28 million customers, 1,789 branches, total assets of KRW375.7 trillion, revenue of KRW25.4 trillion, operating income of KRW1.7 trillion and net income of KRW2.1 trillion as at the end of December 2016, establishing us as Korea's largest comprehensive financial group. Our subsidiaries include KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, KB Life Insurance, KB Asset Management, KB Capital, KB Savings Bank, KB Real Estate Trust, KB Investment, KB Credit Information and KB Data Systems.

Vision and strategy

Under the vision of becoming 'global financial group leading the Asian financial industry', KB Financial Group, aspires to be one of Asia's Top 10 and Global Top 50 financial groups. We plan to continue to solidify our market position as Korea's leading bank, enhance our ability to provide comprehensive financial services to our retail and corporate customers and strengthen our overseas operating platform and network. We believe our strong market position in the commercial banking area in Korea is an important competitive advantage, which will enable us to compete more effectively based on convenient delivery, product range and service quality.

Global business network

In order to achieve our vision of becoming a global financial group leading the Asian financial market, KB Financial Group has aligned our strategies to expand our presence in the global market. We have 35 networks of four subsidiaries in 13 countries. KB Kookmin Bank has a presence in Japan, New Zealand, the US, Vietnam, Hong Kong, the UK, Cambodia, China, Myanmar and India. KB Securities is operating its local corporations and offices in the US, Hong Kong, Singapore and China. Also, KB Insurance is operating its business in the US, China, Indonesia and Vietnam, and KB Capital is operating its Auto Financing business in cooperation with KB Kookmin Card in Lao PDR.

We have been reinforcing our competitiveness in global business, focusing on CIB, Consumer Finance, Digital Banking and Asset Management.

We have successfully concluded a number of financing contracts in Social Overhead Capital (SOC) projects such as power plants, roads and railways. We were acknowledged for our leading role in IB business, ranking first in the domestic syndication market among

banks, and also first in the Dept Capital Market (DCM) among securities firms in the 2016 Bloomberg League Table. In order to strengthen the global Corporate and Investment Banking (CIB) business, KB Kookmin Bank, Hong Kong branch (formerly local corporation), opened in January 2017. The Hong Kong branch will function as a CIB hub to expand the Group's business in Asia, and it will serve as a CIB centre and an outpost to generate synergies among subsidiaries including KB Securities.

KB Kookmin Bank has established KB Microfinance in Myanmar and started its operation in March 2017. The company will provide microcredit loans to support the living expenses of working people and loans to improve their housing environments. Also, KB Capital and KB Kookmin Card established a joint leasing company with a local business in Lao PDR and started the operation in March 2017.

We are pursuing financial digitalisation strategies to seize opportunities in the Fintech market. By developing a new type of platform such as 'Liiv', a financial service app enabling easy transactions, and 'Liiv Mate', an integrated mobile membership platform, we are providing customers with easy and convenient financial services. Moreover, in September 2016, KB Kookmin Bank launched a global digital bank 'Liiv Cambodia', which is customised for a local market, as part of the effort to expand its financial business in Southeast Asia.

In an effort to attract foreign investors, KB Asset Management launched an offshore fund worth KRW57.6 billion in Asset Under Management (AUM) in Luxembourg in June 2016. In addition, it has diversified its foreign investment assets to reinforce global asset management capability as low interest rates and slow stock markets have resulted in the need for expanding investments beyond the domestic market. In the short run, a platform for managing overseas

funds will be developed through partnerships with global asset managers to provide customers with individual portfolios. KB Asset Management will continue to build its capabilities to establish and manage overseas asset management firms in the long run.

KB in London

KB Kookmin Bank established local corporation (Kookmin Bank International Limited) in London in 1991. Kookmin Bank International Limited is providing wholesale banking services including deposit, corporate loan, currency exchange services (remittance, L/C, reimbursement, etc.), and international investment.

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Strategy for financial sector looks towards high technology future

South Korea has one of the most highly developed financial services sectors in Asia with the country's banking and insurance markets both ranking as third largest in the region. Further expansion is underway as Korean financial institutions embark on a new era designed to make banking and other services more accessible to a wider public.

While technology is a principal driver in this development, regulatory reform has also created a much more strengthened foundation for investors in the financial sector. Korea's success in responding to the global banking crisis in 2008, resulted in a rapid economic recovery reflecting institutional changes and strengthening of the country's banking system designed to limit the systemic risk revealed by the Asian financial crisis.

The authorities in Korea, comprising the Financial Services Commission (FSC), Bank of Korea and Korea Deposit Insurance Corporation (KDIC) have insisted that monetary institutions have robust contingency plans designed to ensure the banks are sufficiently resilient to face any future challenges.

This has resulted in the banks having a non-performing loan-ratio comparatively low by regional standards. Woori the country's oldest bank, for example, had reduced its non-performing loan-ratio from 2.99% at the end of 2013, to 1.05% by November 2016.

Insurers, as well as banks, are required to prepare a self-reliance plan to raise their capital base and cut back on liabilities in times of crisis or face restrictions on their businesses. The strategy is designed to move away from using public funds to bail out banks which ran into difficulties in times of crisis in the late 1990's.

Traditionally, the banking sector has been viewed essentially as a means to support the broader economy and its industries rather than a stand-alone sector deciding its own strategies. This limited focus has meant that the financial industry accounts for a much smaller contribution to GDP than in other advanced industrial countries.

The Government recognises that there is considerable potential for the sector to grow and to also become a leader in the creative economy

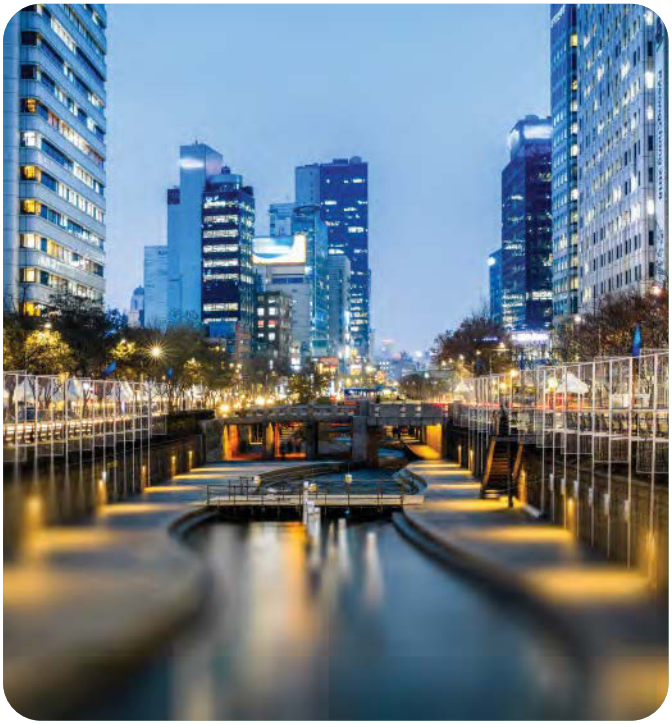
by helping to accelerate Korea's transition to a new generation of knowledge based industries. As a result, the FSC sees potential to raise the sector's share of GDP from around 5% to 10%.

In order to encourage this development, the Government is reforming its regulatory practices to give firms more autonomy by re-defining the supervisor's role from that of "coach" to "referee". At the same time, it is making institutions more responsible for their decisions according to the OECD.

The intention is to continue to remove barriers in areas such as investment services and encourage M&As in the securities industry. A relaxation of controls on cross-ownership of financial services has also further opened up opportunities for development. Amendments to the Financial Service and Capital Market Act could open up new opportunities for cross-selling to bank customers, including further development of Bancassurance (the selling of life assurance and other insurance products and services by banking institutions) and capital market business.

Such reforms will enable the launch of innovative products and services in particular, through the use of technology, by the development of internet-only banks and permitting transactions without face to face identification.

In an environment where the boundaries between finance and IT are breaking down, Woori Bank is actively using technology as its main pathway to expansion. The Bank launched Korea's first mobile-only service in 2015. The platform allows customers to use their



smartphone apps to make deposits, transfer money and purchase travel insurance. Woori has also introduced an iris recognition system for its mobile services.

Other major banks are also following the trend. "We are becoming increasingly mobile since 94% of our entire transactions nowadays are not face to face but based on IT and mobile banking," says Young-Jin Lim, Deputy President, Shinhan Banking Group.

The recent launch of internet only banks will promote innovation in a sector that has been struggling with slower growth and slim margins, says FSC Chairman, Yim Jong-Yong. K-Bank and Kakao Bank, are expected to bring innovation in addition to competition, to the financial markets says the FSC Chairman.

> New technologies are fast evolving. These include ultra-secure messaging and data exchange systems for use on mobile devices.

The first internet bank to launch was K-Bank in Seoul in April 2017. It was formed by KT Corporation, Woori Bank and 19 other companies with a capitalisation of US$224.5 million and has just 200 employees based in Seoul. Kakao Bank's main shareholder is Korea Investment Holdings with 58% of the capital.

The two Internet banks are deploying a range of new technologies to broaden their appeal, particularly to younger customers with online credit assessments and voice recognition systems for example. K-Bank is open at all times and allows customers to obtain a loan through a fingerprint identification service available with a smartphone application. K-Bank's Chief Executive, Shim Seong-Hoon, says it intends to lead a new era "enabling customers to obtain banking and financial services regardless of time and place and when they need them."

The drive is opening opportunities for foreign providers. In July 2016, Korea's FSC and the UK's Financial Conduct Authority (FCA) signed a regulatory cooperation agreement described as a "Fintech Bridge", to enable the two regulators to share information in their respective markets, including emerging trends in regulatory issues and at the same time working to reduce barriers to cooperation.

This agreement allows British Fintech companies and investors access to the Korean market and is expected to attract Korean firms and investors to Britain, according to the UK Treasury.

New technologies are fast evolving. These include ultra secure messaging and data exchange systems for use on mobile devices. Digital identity authentication platforms incorporating biometric systems including face, retina, voice and fingerprint verification, are again areas under development in the industry and of growing interest to modernisers.

South Korea's asset management sector following pension reform is another area of its financial sector also set for rapid growth. The state retirement pension fund has been growing annually by more than 100% recently, while private pension funds have also been expanding rapidly. The domestic investment opportunities cannot adequately accommodate the volume of funds being generated and this has resulted in a growing demand for international asset investment.

This demand is also being stimulated by the insurance market which is set to expand. This is the result of a rapidly ageing population who are expected to purchase premiums as demand grows for after retirement protection policies, particularly for health insurance products.

This is creating opportunities for asset management specialists and property management companies to work with South Korean institutions such as the country's National Pension Service (NPS), who rank as the third largest pension fund in the world with assets of more than US$456.6 billion.

Doing Business in Korea: The Korea labor market under the Moon administration

Sean Hayes, New York Attorney-at-Law &
SJ Kook, Korean Attorney-at-Law, IPG Legal

The election of progressive President Jae-in Moon, after the impeachment and imprisonment of the conservative former President, led to, among other progressive proposals, pledges from the President Moon Administration of sweeping changes to Korea's Labor & Employment Law.

The following changes are the major changes proposed by the Moon Administration. The changes may have a significant affect on companies doing business in Korea and may lead to an increase in taxes as a percentage of GDP.

810,000 new jobs via expanding Korea's public sector

President Moon vowed to create over 340,000 new government social service jobs and over 140,000 new government jobs in public safety and security, while converting 300,000 non-regular workers to permanent workers.

A non-regular worker, in Korea, is a worker without employment security. Thus, the conversion of these workers from non-regular status to regular status shall provide for these workers the protection of Korea's strict Employment Security System and, likely, increase the salary of these workers.

Impose limitations on the utilization of non-regular workers

President Moon has, additionally, vowed to propose a bill that some have named the "Special Act on Preventing Discrimination Against Non-Regular Workers".

This Bill would, among other things, according to the President Moon Administration:

a | impose limits on the use of part-time and fixed-term workers to only work that is seasonal or temporary;

b | mandate that all workers are paid an equal sum for equal work;

c | impose fines on employers that employ too high a percentage of Non-Regular Workers; and

d | impose joint-employer liability on companies using in-house contractors.

Expand childcare leave & benefits

President Moon has promised to expand paid Paternity Leave and increase Childcare Leave monetary benefits.

Reduce working hours

The maximum weekly working hours, in most cases, under present Korean law is 52 hours. However, the lack of adequate documenting of

hours, among other things, has led some labor lawyers to believe that workers work, in many cases, involuntarily far in excess of 52 hours each week. President Moon has pledged to require employers to adequately document hours worked, while promising to reduce overtime exemptions.

Additionally, for parents with children under the age of eight years old, working hours are proposed to be reduced to six hours for up to 24 months without any pay cut by the employer.

Mandate a 10,000 Won minimum wage by 2020

The present minimum wage is KRW6,470. The minimum wage is set to increase in yearly phase until the KRW10,000 minimum wage is met in 2020.

Expand youth employment quota to non-governmental entities

A youth employment quota exists at present. However, this youth employment quota only applies to government and government-controlled organizations.

President Moon may expand the 3% to 5% quota to larger non-governmental entities. Non-compliance would, likely, lead to a fine.

Expand labor protection to insurance planners, delivery drivers & private teachers

President Moon has vowed to expand labor law protections to workers that have been perceived to have been provided less protection under law. These workers include insurance planners, delivery drivers and at-home private teachers. The details of this plan are not yet known.

Limit or prohibit the use of contracted workers for dangerous activities

Outsourcing of dangerous activities is a common activity in Korea that has, recently, gained attention because of workplace safety issues. President Moon has vowed to ban the practice, reasoning that more compensation and stricter protocols should be in place if this work is not allowed to be contracted out.

Labor market & economy bullet points (OECD/MOEL Statistics)

OECD Statistics

The following are statistics from the OECD and the Ministry of Employment & Labor. A full statistical profile for Korea may be found at:

https://data.oecd.org/korea.htm

http://www.moel.go.kr/english/pas/pasMajor.jsp

> Our Firm and its lawyers have been recognized by leading legal rating agencies because of our strong local connections.

- 50.4 million population (2016).
- 0.4% decrease in population per year.
- US$ 35,751 GDP and rising (2016).
- 3.1% unemployment rate (May not capture the true picture, because of calculation irregularities concerning youth unemployment) (2017).
- Highest gender wage gap in OECD.
- One of the lowest percentage of workers working for firms with over 300 workers.
- Rapidly rising GDP per hour worked.
- First among OECD countries in student mathematic scores.
- One of the highest educated populations in the OECD.
- Low service sector efficiency.
- High manufacturing efficiency.
- Stable growth rate of around 3% per year.
- Low labor flexibility.
- Labor disputes:
  - 2014: 111 labor disputes with over 650,000 lost hours.
  - 2015: 105 labor disputes with over 440,000 lost hours.
  - 2016: 120 labor disputes with over 2,000,000 lost hours.
- Low youth employment:
  - 2014: 40.7%.
  - 2015: 41.5%.
  - 2016: 42.3%.
- 950,000+ receiving unemployment benefits (2016).

Korea has a dynamic workforce that often exceeds the expectations of employers. However, issues often arise for employers because of, among other things, the lack of understanding of Korea's labor and employment law, Korean employment realities, the lack of adequate vetting of employees prior to hiring and the lack of proactive construction of Employment Rules, Employment Agreement and employment grievance and disciplinary committees.

Major changes are likely to occur in Korea's Employment & Labor Law under the Moon Administration. The changes shall, likely, lead to a need to a reanalysis of your Employment Rules, Employment Agreements and basic employment procedures. With a proactive and experienced guide, you are well on your way to success in the Korean market.

SJ Law Firm, International Practice Group (IPG Legal)
www.ipglegal.com
www.thekoreanlawblog.com

Our Globally - Experienced - Locally-Connected attorneys and business professionals are intentionally different from the crowd. We love to work on the most complicated and contentious issues and enjoy providing proactive street-smart advice.

We are intentionally different. Law firms are often criticized for lacking the will or ability to provide efficient, proactive and non-conflicted representation to clients. Clients and other law firms often turn to IPG after discovering this reality.

Our Firm and its lawyers have been recognized by leading legal rating agencies because of our strong local connections, a cutting-edge case management system and real on-the-ground international legal experience coupled with a fierce passion for success.

Numerous international legal rating services have recognized our attorneys as leading attorneys in Business Law, Civil Litigation, Entertainment Law, Franchise Law and Criminal Defense Law.

Sean C. Hayes

Sean and IPG are often chosen over the ubiquitous Korean based local and international law firms when non-conflicted and aggressive representation is essential for success.

New York/International Attorney Sean Hayes received his legal education in Korea, the US and the UK. He is a Korean permanent resident and resides in Korea.

Sean Hayes is the first non-Korean employed as an attorney by the Korean Court System (Constitutional Court of Korea) and one of the first non-Koreans to be a full-time regular member of a Korean law faculty. Sean is known, over his 16+ years in law, for his aggressive advocacy and candid NY-style street-smart advice. Sean is also one of the few attorneys with significant experience managing non-consulting companies. He was an interim HR Manager and General Manager in a broad range of industries including in the Oil & Gas, New Tech, Pharmaceutical, Franchise and basic Manufacturing industries.

Sean works with a cadre of experienced and connected retired judges, prosecutors, in-house attorneys, government officers and former international law firm attorneys.

Sean has been recognized by numerous legal publications and rating agencies for outstanding service to clients both large and small. Recently, he was recognized by AsiaLaw as one of only two non-Korean attorneys as a top attorney working in Korea.

SJ Kook

Judge Kook is a retired judge who leads the criminal litigation and civil litigation teams for the firm. Judge Kook was a top graduate from Seoul National University College of Law and received an LL.M. from Columbia University.

Judge Kook served for a variety of courts and as a research judge for the Constitutional Court of Korea. He retired from the bench after serving as a presiding judge for the Incheon District Court.

Judge Kook is a renowned litigator who has successfully obtained over 50 not guilty verdicts for clients in a broad range of individual and corporate criminal matters. Judge Kook has also successfully litigated and arbitrated a broad range of civil matters for domestic and international clients.

Judge Kook is known for his approachable manner, ability to explain complex legal matters to clients and his passion to prevail in all cases that he handles.

Bilingual specialist recruitment consultancy

Duncan Harrison, Country Manager, Robert Walters Korea

Duncan Harrison,
Country Manager

Established in London in 1985, Robert Walters is one of the world's leading global specialist professional recruitment consultancies. Our extensive office network worldwide means we are well placed to recruit for your business, wherever you are based.

Robert Walters Korea started its operation in 2010, in Seoul, where our bilingual consultants share a wealth of recruitment experience. We offer a highly professional and specialised service to candidates and clients with a good understanding and expert knowledge of Korean corporate culture and local hiring market.

From the large-scale database of professionals, Robert Walters provides service to hundreds of foreign and Korean multinationals and newly established start-ups along with SMEs, and well established firms.

We specialise in permanent recruitment in the fields of accountancy & finance, banking & financial services, human resources, information technology, online & mobile, gaming, automotive, industrial, chemical, medical & healthcare as well as consumer & retail.

We strongly believe that success in recruitment comes from developing long term and trusted relationships with our clients. Robert Walters places the utmost importance on understanding our clients' cultures and resourcing strategies to ensure we operate as an extension of their own business.

The majority of our consultants are professionals in the industries for which they recruit, and they have maintained their network connections. This provides them with a ready source of information on the latest trends and developments in their specialised sectors. Our consultants regularly attend industry forums and conferences which focus on their specific recruitment sectors to gain insights into pertinent issues, allowing them to consistently bring together the right candidates and clients.

Our business philosophy is to offer our clients a consultancy based service, and not sales based recruitment. Robert Walters offers team bonuses, which are measured by team performance comprising qualitative service measures and quantitative results. Our non-commission policy enables us to stand apart from our competitors, ensuring that our consultants are focused on achieving the best fit for candidates and clients, rather than chasing commissions.

The Robert Walters Global Salary Survey offers a full report on the latest salaries and market trends worldwide. Compiled on an annual basis, the survey is widely recognised as being the most comprehensive and highest quality in the market.

If you have any questions or concerns regarding managing your hiring plan, please contact:

Robert Walters Korea: +82 (2) 6454 7009

More information on hiring advice can be found on our website: www.robertwalters.co.kr

Kroll®

Global Leader in Risk Mitigation and Response.

For over 40 years Kroll has been helping clients make confident risk management decisions about people, assets, operations and security. Our services include:

INVESTIGATIONS

- Litigation Support
- Dispute Advisory
- Fraud and Internal Investigations
- Intellectual Property Investigations
- Regulatory Investigations
- Asset Searches
- Financial Investigations

SECURITY RISK MANAGEMENT

- Security Consulting
- Security Design and Engineering
- Operational Security Services
- Resilience Consulting

CYBER SECURITY

- Information Risk Assessment
- Data Breach and Incident Response
- Cyber Crime Investigations

DUE DILIGENCE AND COMPLIANCE

- Pre-transaction Intelligence
- Commercial Due Diligence
- Investigative Due Diligence
- Market Entry Analysis
- Third Party and Vendor Screening
- Compliance Program Consulting
- Anti-Money Laundering (AML) Compliance

Contact Kroll for more information:
krollasia@kroll.com

kroll.com

Prevent - Respond - Remediate

Tadashi Kageyama, Regional Managing Director,
Head of Asia Operations, Kroll

Tadashi Kageyama,
Regional Managing Director

Kroll was founded in 1972 by Jules B. Kroll, whose background was in consultancy to corporate purchasing departments. The company initially focused on helping clients improve operations by uncovering criminal activity involving bribery, fraud and other forms of corruption. While the company has grown enormously since then - expanding across Europe, the Middle East, Latin America and Asia - its primary objectives remain similar to those early years: helping our clients either pre-empt various potential risks through investigative due diligence, or resolve them through rigorous investigation.

During the subsequent decades since, Kroll's clients have included high-profile banks (in the 1980s, Kroll became known as "Wall Street's private eye"), and international institutions as the company gained worldwide renown for its success in searching for assets hidden by dictator regimes such as Jean-Claude Duvalier, Ferdinand and Imelda Marcos, and Saddam Hussein.

In the late 1990s and early-mid 2000s, the company embarked on a series of acquisitions that expanded its areas of expertise and suite of services. Among them was Kroll Ontrack, a leading provider of information management, data recovery, and legal technologies products and services. More recently the company has developed an award-winning cyber practice, and has hired leading figures from the FBI and other security agencies to position itself at the vanguard of cyber investigations, as well as helping companies to implement strategies to defend themselves against malicious actors attacking their internal systems.

Kroll's presence in Asia includes the opening of its Hong Kong regional headquarters over thirty years ago and the subsequent expansion into Beijing ten years later. Across the region the company also has offices in Tokyo, Shanghai, Singapore and Mumbai.

Throughout the period of Kroll's history, South Korea has been steadily transforming itself into a rich and developed economy in one of the most extraordinary economic and political transformations in recent history. While the Chinese growth story is justly celebrated, it is notable that South Korea has managed to escape the so-called "middle income trap" and now has a GDP per capita of roughly US$35,000 according to the OECD, almost the same as Spain and slightly behind Italy but arguably with better growth prospects than either of those countries.[1]

South Korea is also home to some of the most well-known and successful global brands – Samsung, LG, Hyundai and many others. This success has led those companies to expand aggressively outside their home market, partly through acquisitions and factory openings in developed countries such as Germany and the United States, but also with growth in emerging markets such as Indonesia, Vietnam and Myanmar, as well as throughout Africa and the Middle East. This outbound drive has taken Korean companies far from their home markets and sometimes into sectors and countries where the risks are significantly higher than in Korea itself. Whether in financial services in Vietnam, consumer goods in Indonesia or construction and infrastructure projects across the Middle East and Africa, Kroll has advised many of the leading chaebols on risks surrounding joint ventures, acquisitions and minority investments.

Kroll works on numerous acquisitions and joint ventures globally so we have the ability to observe from the inside what risks and issues are key within certain countries and sectors. This privileged position has also helped us to develop an extensive network of human resources globally, so that we are able to gather key information and intelligence which cannot be found in publicly available sources. This might involve an understanding of fraud and corruption within a specific country, or the nature of political connections and allegiances, or the complexity of the regulatory and competitive landscape. This kind of key information and intelligence is not just vital in M&A situations; it can also give a significant advantage to companies engaged in legal dispute or arbitration. In such circumstances, Kroll often works with clients to find the vital pieces of information that reinforce their case or to provide expert testimony which will give credibility to their arguments. Similarly, our forensic accountants and computer forensic experts can gather evidence in cases where our clients have been defrauded - whether by internal or external actors – and help to assess damages and recoup losses, as well as resolving the issues that lead to the fraud in the first instance.

Across Asia, South Korea has gained acclaim for its economic success, its democratic process and institutions, and for its traditional and pop culture. Its top companies have an open and modern approach to business, whether inside or outside Korea, and Kroll aims to support that by working with Korean clients to reduce risks across both the acquisition process and their operations more generally.

[1]https://data.oecd.org/korea.htm

Department for
International Trade

Department for International Trade

The Department for International Trade aims to secure UK and global prosperity by promoting and financing international trade and investment, and championing free trade.

It is responsible for:

- bringing together policy, promotion and financial expertise to break down barriers to trade and investment, and help businesses succeed
- delivering a new trade policy framework for the UK as we leave the EU
- promoting British trade and investment across the world
- building the global appetite for British goods and services

On the trade side, staff can assist British companies by, for example, identifying Korean agents, distributors and potential customers for British goods and services, providing information on key trade shows; identifying joint venture partners, making introductions to Korean companies; and, in some key sectors, arranging seminars, trade missions, trade show participation or other promotional events. We are also glad to help with market access issues that UK companies encounter.

On the investment side, staff work with Korean companies to identify and realise opportunities for them to develop their business in the UK. We stand ready to give advice on the benefits and practicalities of setting up (or expanding) business in the UK and to respond to any enquiries from potential – or existing – investors.

Department for International Trade
국제통상부

British Embassy Seoul

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UK Export Finance (UKEF)

40 currencies

UK Export Finance (UKEF) can provide buyer credit facilities in over 40 local currencies, including US Dollars, Euros, Offshore Renminbi Japanese Yen and Korean Won.

Why might a buyer need support?

When entering into a contract, a buyer might want to pay for goods and services sourced from the UK over an extended period of time, while the UK exporter might want payment once the goods and services are supplied. A bank can lend the buyer money, repayable over a longer period, to allow them to pay the exporter up-front.

The UKEF guarantee provides the buyer access to an alternative funding source, while benefiting from the UK's credit rating, resulting in an attractive finance package for the buyers of UK goods and services.

How does this support work in practice?

Under a buyer credit facility, UKEF provides a guarantee to a bank, enabling the bank to provide competitive finance for a buyer to pay for goods and services sourced from the UK. The loan is typically repaid over a period of two years or longer, while the exporter receives payment through the credit facility as amounts fall due under the export contract. This facility is available for contracts over £5 million.

Under the direct lending facility, UKEF can provide loans directly to overseas buyers to finance the purchase of capital goods and services. A member of UKEF's bank panel will arrange and administer the loan.

Supplier credit facilities are available in two forms. The first operates similarly to a buyer credit facility, but is typically available for lower loan values of less than £5 million.

Under the second, the bills and notes supplier credit facility, a bank can buy the receivables from the exporter, underpinned by a guarantee from UKEF. This means that the exporter receives payment up-front, while the bank is repaid by the buyer as set out in the terms of the contract.

These types of support are available typically with 2-10 years tenor, although they could be shorter or longer depending on the sector and the deal structure.

In all cases, UKEF can support up to 85% of the contract value, and charges the buyer a fee for its guarantee.

Helping you buy from the UK

Thanks to the flexible and competitive financing solutions on offer from UKEF, buying from the UK is more attractive than ever.

> Thanks to the flexible and competitive financing solutions on offer from UKEF, buying from the UK is more attractive than ever.

A world leader in goods and services

The UK has a long tradition of innovation and excellence, and is the world's sixth largest exporter. With an open and friendly business environment, and expertise in sectors ranging from manufacturing and construction to services and technology, the UK is a trusted business partner to buyers around the world.

UK Export Finance can help you make sure your purchases of goods or services from the UK come with attractive terms of finance.

Innovative and flexible finance

As the world's oldest export credit agency, with nearly 100 years' experience in helping overseas buyers, we have been innovating from day one.

With a range of flexible support on offer – whether that means lending to you directly, supporting Sharia-compliant finance, re-financing on the capital markets or traditional export credits – we can work with you and your supplier to find the right financing solution for you.

We can also support a range of structures including Public Private Partnerships and limited recourse Project Finance proposals. Our export credit guarantees are typically 100% unconditional bank guarantees directly from Her Majesty's Government.

UKEF has led the field in innovations, for example with its award-winning sukuk (Sharia-compliant bond), the first ever to be backed by an export credit agency, and its ability to support lending in over 40 overseas currencies, from the Australian Dollar to the Zambian Kwacha.

We also understand the need for flexibility when you are considering from where to source your goods and services. We can support contracts starting from a minimum of 20% of the value being sourced from the UK.

Competitive terms

As a UK government department and an export credit agency, we can offer:

- repayment terms of up to 10 years (and up to 18 in some circumstances)
- borrowing based on the UK's sovereign credit rating, resulting in a more competitive rate of interest from your lender
- attractive fixed or floating interest rates, including the use of capital markets
- accessing financing retrospectively, even after contract performance has commenced
- competitive minimum 20% UK content requirement
- the option to defer interest payments until project completion
- ability to finance in over 40 overseas currencies

Contact us for more information:
Email: internationalenquiries@ukexportfinance.gov.uk

kotra
Korea Trade-Investment Promotion Agency

Invest Korea

KOTRA & Invest Korea

Invest KOREA (IK), Korea's national investment promotion agency, was established as part of the Korea Trade-Investment Promotion Agency (KOTRA) to support the entry and establishment of foreign businesses in Korea. We provide comprehensive services for foreign businesses, including consultations, assistance with investment notification and corporate establishment, support for business activities in Korea and grievance resolution. Invest KOREA also holds various investment promotion activities abroad.

KOTRA is a state-run trade and investment promotion organisation established in 1962. Since then, it has facilitated Korea's rapid export-led economic development through various trade promotional activities such as overseas market surveys, SME export promotion, trade information services, and government-to-government export. Furthermore, KOTRA hosts a wide range of promotional events to spur foreign direct investment (FDI) in Korea through Invest KOREA.

Headquarters

Our headquarters is comprised of Invest KOREA, the Foreign Investor Support Office and the Office of the Foreign Investment Ombudsman.

There are two main departments at Invest KOREA: Investment Planning Department and Investment Promotion Department, along with the Global M&A Center. The Investment Planning Department establishes investment promotions strategies, promotes Korea's advantages as an investment destination to potential foreign investors, and analyses global FDI trends and proposes appropriate investment promotion policies. The Investment Promotion Department attracts FDIs and manages investment promotion activities by dispatching government delegations and by dealing with projects and inquiries from investors together with related authorities. It also supports investment incentive processes such as cash grants. The Global M&A Center, meanwhile, executes strategies for outbound M&A support projects.

The Foreign Investor Support Office provides assistance with foreign-invested company registration, FDI notification and other administrative matters. Meanwhile, the Office of the Foreign Investment Ombudsman resolves grievances of foreign investors or foreign-invested companies in Korea.

Overseas organisations

Invest KOREA has 36 International Offices of KOTRA in major industrial and financial hubs worldwide. These offices serve as a bridge between potential investors and KOTRA headquarters, promoting Korea's investment environment abroad and providing information.

They host investor-relations (IR) events and support investment promotion-related taskforces. The managers dispatched to the offices identify possible investment projects and communicate with headquarters to carry out projects.

Consulting
Invest KOREA provides consultations regarding investment procedures, laws, taxes and accounting. Our experts also provide assistance with day-to-day matters related to healthcare, education and accommodations.

Support for investment projects
At the request of potential investors, Invest KOREA provides a variety of services, including investment feasibility studies, support finding investment partners and projects and customised market research.

One-Stop Service
The One-Stop Service is the key strength of Invest KOREA, covering all services related to pre-investment consultation, investment execution and post-investment processes.

Red carpet service for foreign investors
Potential foreign investors in Korea are provided with the following for a convenient stay.

- Immigration: CIQ pick-up, fast-track service
- Transportation
- Arrangement of consultations or on-site visits (by designated PM)
- Designation of PM/provision of interpreter

Finding investors and managing investment projects
Invest KOREA provides potential investors with information on Korea's investment environment and opportunities. The investment promotion managers at our International Offices of KOTRA and our project managers assist with investment projects with the support of government agencies and local governments until an investment is made.

Investor Relations (IR) events
Invest KOREA hosts large-scale IR events including investment forums for a specific country or industry and dispatches taskforce teams to attract investment from target companies.

Promoting Korea's investment environment
Invest KOREA promotes Korea's appeal as an investment destination in a variety of ways. We distribute promotional brochures, host events at home and abroad and communicate with potential investors through our homepage and social media.

Top reasons to join the BCCK

ADVOCACY

In the post-Brexit era, we are a key voice for British business and our members in Korea. We have a professional team to discuss about the direction of business of this changing situation and work closely with the Korean and British governments, along with the British Embassy Seoul. Just this year, we held a members-only breakfast workshop event with Mr. John Alty, a key representative in discussions between the UK and Korea over a possible new trade deal.

ADVERTISING AND SPONSORSHIP

BCCK members can maximize their company exposure through our online and offline advertising platforms. We distribute an annual member directory, a quarterly webzine, and are active on Facebook, Linkedin, Twitter, and Instagram. Our annual membership directory is distributed offline to all our member companies. Members can also take advantage of sponsorship opportunities at our events, including providing products to raffle at our events or having company logos on our event flyers and banners.

NETWORKING

The BCCK hosts the largest and trendiest networking events for the international community in Korea. Our diverse membership – 25% of our membership is Korean - and business network stretching from Korea to the UK ensures that you will be meeting new and interesting people at our events. We also host a busy calendar of content-driven forums and workshops for our members on topics that are relevant to business leaders in Korea. We host special breakfasts featuring interesting speakers from the UK like the Lord Mayor of the City of London or the head of the British Council.

BUSINESS OPPORTUNITIES

We are a hub for British business in Korea. The BCCK has an active trade and investment services team that help UK brands find opportunity in Korea and, increasingly, Korean brands to enter the UK market. Already we have helped such brands as SuperGroup and Linguaphone identify partners and better understand the Korean market. We are also increasingly helping Korean companies enter the UK market utilizing our strong network in the UK. Our position as a hub for inbound and outbound market-entry enquiries makes us uniquely positioned to connect and promote business between our members both in Korea and the UK.

JOIN NOW email: members@bcck.or.kr | tel: +82 2 6365 2300

BCCK
BRITISH CHAMBER OF COMMERCE IN KOREA

Free Economic Zones provide access to North Asia's main markets

Despite its lack of natural resources, South Korea has achieved global economic success. This has resulted largely because of its strong trading focus on global export markets. This international business orientation is at the core of the country's economic policy. It is a strategy which has seen the country's major companies such as Samsung and Hyundai become leading global brands.

This policy has also been augmented by a series of rapidly negotiated trade agreements with key markets around the world. Ten years ago, Korea commenced on a path of negotiating free trade agreements (FTAs) around the world. Negotiations with the US started in 2006, with broad terms concluded within 18 months. Similar agreements with China, Canada, Australia, Singapore, India and also with the EU, EFTA, ASEAN and South American countries followed. The result is that South Korea is able to trade freely with almost all the world's major economies.

A key element in Korea's ongoing economic success story, which has enabled Korean companies to take full advantage of their international trading opportunities, is the country's development of Free Economic Zones (FEZs).

There are some 4,500 such zones around the globe. Some of the most successful of these are located in Korea, which has been developed to link directly into the domestic economy as well as providing facilities for exporting manufactured goods and services. In addition, most of Korea's FEZs are close to major seaports and airports, offering a commercial advantage to access the key North Asia markets of China and Japan.

The FEZs offer a combination of tax as well as tariff incentives, streamlined customs procedures and fewer regulations which are combined with purpose built infrastructure, utilities and communications. These zones enable foreign companies and joint ventures to establish bonded warehouses, manufacturing and assembly operations for export using tariff-free semi-finished products, components and raw materials.

Korea's FEZs often have a specialist industrial focus ranging from shipbuilding, automotive industries, biotechnology, ICT as well as green industries, education, financial technology to tourism services companies. They are also designed to assist the development of a wide range of industries and service activities

In 2003, the Government started development of eight FEZs aimed to attract companies with three year tariff exemptions and seven year corporate tax holidays. The first group of FEZs were developed adjacent to ports. Incheon in the north west of the country was the first and built

near the international airport and seaport. This offered an aviation and shipping hub for companies. It now ranks as the world's second largest air freight handling airport.

The Government sees FEZs as helping to raise the amount of FDI in the country as well as creating supply and logistics links with Korean companies, both inside and outside the zones. This provides a bridge for knowledge sharing as well as providing a base for foreign companies to access the key markets of North Asia, especially China and Japan.

Busan-Jinhae FEZ, situated on the southeast tip of the country, connects with many major feeder ports in Japan, China and Russia. This has been developed around the port of Busan, one of the largest deepwater harbours in Asia and ranking as the world's sixth largest container port. Planned new developments will double the number of berths at Busan to 45 by 2025. Most of Korea's principal industries are located around Busan. These include major firms such as Hyundai, Samsung, Daewoo and STX. There is also a very heavy concentration of machinery and aviation components producers located in the immediate region.

In an international trading environment which relies increasingly on just-in-time deliveries, Incheon and Busan comprise the type of FEZ logistics facilities which are attractive to high-tech manufacturers and advanced engineering companies which are supplying a global

international clientele. Gwangyang Bay Area FEZ is similarly attractive, especially to heavy industries and due to its fast railway connections with the capital, Seoul, located 300km away.

The Incheon FEZ has the added advantage of being located just 60km from Seoul. In 2008, Daegu in the southeast, Saemangeum-Gunsan and the Yellow Sea region on the northeast coast were also designated as FEZs. These zones were followed by the launch of the East Sea Rim FEZ and Chungbuk FEZ in the centre of the country. East Sea free zone is expected to become especially attractive to FDI companies as a result of the new facilities and industries emerging from development arising from the Winter Olympics being held in nearby Pyeongchang in 2018.

> The country's free zones are acting as a powerful magnet for FDI, the level of which in the first nine months of 2016, exceeded US$15 billion for the first time.

Each FEZ has tried to create an environment that stimulates development of a cluster of particular industries. Daegu-Gyeongbuk FEZ is close to more than 50 universities and research institutions, enabling it to focus as a R&D hub for knowledge based manufacturing, including leading edge automotive research and service enterprises. Some 600 foreign companies including Siemens and ExxonMobil and Japan's Toray are represented there.

Incheon and its adjacent US$35 billion Songdo urban and commercial development, which is an ancillary part of Incheon FEZ, is being promoted as a smart city with ultra-low carbon emissions creating a green environment. The area will eventually serve an estimated 70,000 residents and 250,000 commuting workers. Songdo International Business District (IBD) is being constructed on 6km^2 of reclaimed land near the city of Incheon and connects to the latter's international airport by a 12km causeway.

The US' Gale International is developing 4km^2 of residential and retail space due for completion by the end of 2018. Songdo is the first community in the country to be certified as a Leadership in Energy and Environmental Design (LEED) compliant city. As such it is hosting the 2017 New Cities Summit.

As leisure and tourism projects are also completed and a planned logistics centre is built on nearby Yeongiong Island, an increasing level of FDI is expected from major engineering and technology companies joining the US' Boeing and Germany's BMW, which have already established operations in the Incheon FEZ. Chungbuk FEZ is also pitching for companies in ICT, bio-technology and green industries.

Korea's free zones are continuing to develop infrastructure, particularly physical and digital communications networks to accommodate high-tech industries as well as traditional manufacturing industries. The quality and efficiency of Korea's modern infrastructure and communications systems are seen as advantages for businesses seeking to minimise operating costs and hasten delivery times for their products.

The country's free zones are acting as a powerful magnet for FDI, the level of which in the first nine months of 2016, exceeded US$15 billion for the first time, according to the Ministry of Trade, Industry and Energy.

Korea continues to move towards more technology intensive industries, notably a new era of automotive products, including driverless cars as well as ICT and electronics products. Mutually profitable connections can be established by foreign investors with the fast evolving knowledge based economy, particularly those involved in R&D and manufacturing operations in the country's FEZs.

Green energy is shaping government's power strategy

South Korea imported fuel and energy products valued at US$81.7 billion in 2016, representing 20.1% of total imports. It is a huge annual bill and the Government is striving to reduce its dependency on oil & gas imports as well as nuclear energy by generating electricity from alternative renewable sources. As a result, investment opportunities are opening up in wind, wave and solar, in addition to carbon capture and storage technology. These include collaboration opportunities in research and development and also full-scale commercial projects.

The task is immense given that electricity demand is projected to rise 2.5% over the next three years. Nevertheless, the country's Presidential Committee for Green Growth (PCGG) has set a target of a 30% reduction in carbon emissions by 2020.

According to Korea's seventh Basic Plan for Long Term Electricity Supply and Demand, released in 2015, the renewable energy proportion is targeted to increase from 7,335MW to around 32,890MW by 2029. The low-carbon strategy has been boosted with the election of the new Government in May 2017, led by Prime Minister Moon Jae-in.

Preliminary plans call for an increase in gas-fired generation from about 18% currently, to 27% by 2030, with tax incentives for the use of gas in generation. The contribution of renewable capacity other than hydro-electric power is projected to increase from 5% to about 20% by 2030. The outline plan also calls for the amount of generation from coal fuelled plants to be almost halved to 22% over the same period, while the percentage of energy derived from nuclear plants would fall from 31% to 22% albeit over a phased 40 year period.

In July 2016, the Ministry of Trade, Industry and Energy (MOTIE), announced plans to reduce sulphur oxide emissions from coal fired plants by 69% over 15 years, in addition to reduction in nitrogen oxide emissions of 88% and dust by 50%.

Coal-fired power stations produced 40% of Korea's electricity in 2016. The dependency on coal as a fuel, places Korea as one of the top ten countries for C02 emissions. The aim is to drastically reduce this figure. As a result, Korea has submitted its Intended Nationally Determined Contribution (INDC) to the UN Framework Convention on Climate Change with the intention of reducing the country's greenhouse emissions by 37% by 2030.

A key element in the strategy is a huge expansion and deployment of new and renewable energy. There are five generating companies or GENCOs as they are known, as well as independent power producers (IPPs) that generate in excess of 500MW and will be required to generate at least 10% of their power from renewable energy by 2023.

One of the largest ongoing projects involves the Southwest Offshore Wind Project in Jeollabuk-do Province to provide 2,500MW. The venture is being developed by state generating companies through Korea Offshore Wind Power. The intention is to raise Korea's position as one of the world's top three offshore wind power countries by 2020. Solar and wind power and other non-nuclear renewable energy is targeted to provide 18.2% of the country's power needs by 2035.

Efforts to reduce carbon emissions will also be assisted by Korea's ambitious electric vehicles programme. The Government intends to increase the number of fast charging points for electric cars from 1,139 in February 2017, to 3,000 by 2020, as well as provide subsidies to customers opting for such vehicles.

Korean companies are also investing heavily in development of fuel cell technology. These cells work somewhat like batteries, but do not run down or need recharging and produce electricity and heat as long as they receive a fuel supply from natural gas, butane, methanol or hydrogen.

Gyeonggi Green Energy, located in Hwasung City uses molten carbonite fuel cell technology (MCFC) in its stacks of fuel cells that comprise one of the largest fuel cell parks in the world, supplying sufficient electricity for 140,000 homes. Another fuel cell park was completed recently as part of the Noel Green Energy project in Sang-am near Seoul. Other installations also use phosphoric acid fuel cells (PAFC) technology, including the Busan International Finance Centre.

While new forms of generating electricity are under development, nuclear expansion plans have been curtailed, reflecting concerns on safety following the Fukushima reactor disaster in Japan. In June 2017, President Moon Jae-in attended a decommissioning ceremony for the country's first nuclear plant KORI-1 plant at Busan, which was built more than 40 years ago. He said that he would "review the policy on nuclear power plants entirely and abandon the development policy centred on nuclear power plants and exit the era of nuclear energy."

President Moon also declared that plans for new nuclear power reactors would be cancelled and the operating periods of existing units would not be extended beyond their designed life. He went on to say that the Government would "actively nurture safe and clean energy industries," including renewables and LNG fuelled power stations, while closing down all coal-fired plants during his term of office.

The phase out of nuclear energy will, out of necessity, be very long term. Korea presently has some 24 nuclear reactors providing 22,500MW, one third of the country's power needs. The process will create multiple opportunities for companies possessing proven expertise in decommissioning plants and handling nuclear waste material. The complexity of such work means it can take up to 15 years to fully end a nuclear reactor's operation. The scale and time frame of Korea's intended decommissioning strategy is likely to need the support of experienced international partners.

The UK is well placed to benefit since its decommissioning supply chain, ranging from project management organisations to specialist technology partners, have delivered innovative solutions to meet the requirements of Britain's own wide ranging decommissioning programme for older nuclear installations since the 1960s.

Korea may be scaling back its domestic nuclear ambitions but the country still remains a major exporter of nuclear power technology. Korea Electric Power Company (KEPCO) is marketing nuclear power technology in several parts of the Middle East, North Africa and Latin America. MOTIE has previously expressed a desire to sell up to 80 reactors valued at US$400 billion by 2030. With a 20% share of the world market behind the US, France and Russia. Korea's Nu-Tech 2030 plan, in 2010, declared that "nuclear power-related business will be the most profitable market after automobiles, semi-conductors and shipbuilding."

KEPCO is already constructing four reactors at Barakh, 50km west of Ruwais in Abu Dhabi under a US$20 billion contract. The programme is advancing well and the first reactor is expected to commence preliminary operations by the end of 2017.

In 2015, the Korea Atomic Energy Research Institute (KAERI) signed an agreement with Saudi Arabia's King Abdullah City for Nuclear and Renewable Energy (KACARE), to assess the potential for building two pressurised water reactors with thermal applications for seawater desalination of up to 40,000m^3 per day.

KEPCO is also in talks about joining the NuGen consortium planning to build a US$15 billion nuclear power station at Moorside near Sellafield on the UK's Cumbrian coast. Jong-hyuck Park, head of KEPCO's nuclear division, has confirmed that the company is in discussions regarding the NuGen venture currently owned by Toshiba.

Korea's nuclear export strategy and efforts to develop other forms of renewable energy are open to outside collaboration with suitably qualified foreign investors. Many of Korea's leading corporations including Samsung, Hyundai and LG are turning to low-carbon and green growth as the next growth engine for their domestic and export businesses.

Both the UK and Korea, for example, are actively working to increase power generation from new and renewable sources, both face the need to develop grids that can handle diversified power inputs and two-way flow. The UK has strengths in system design and management while Korea is focused on development of ICT devices to monitor and regulate power flows. Korean companies are also focusing on reducing energy consumption through energy saving materials, in particular insulation and active energy reduction systems.

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South Korea's global car industry prepares for high technology future

The importance of car manufacturing to economic growth, innovation and skilled job creation in developing countries is often significant. For Korea especially, development of its automotive industry has been a reason for national pride in one of the world's most technologically advanced economies. The automotive industry has been a pillar in the country's industrial development, providing 3.3% of the country's GDP and generating 12% of its exports.

From humble beginnings, companies such as Hyundai and its affiliate Kia are now world players providing some of the best selling models in the US and other global markets, while thousands of smaller sub-contractors and suppliers of supporting products and services have also developed to provide parts, engines and other enabling technologies.

In addition to cars, Korea has developed a home-grown commercial vehicle industry with Hyundai's truck plant at Jeonju, ranking as one of the world's largest with a production capacity of 100,000 units a year.

According to the Korea Automobile Manufacturers Association, in 2015, the country's automotive sector produced vehicles, components and services valued at US$162 billion, of which exports amounted to US$76 billion. The sector employs around 320,000 people directly and a further 1.83 million indirectly.

Hyundai has become a global brand and a corporate giant. The company, whose name means modernity in Korean was established in 1967, as part of a family owned chaebol or industrial conglomerate.

After a few years assembling foreign designed vehicles, in 1975, the Hyundai Pony became the first Korean developed car to be manufactured. This was done with foreign assistance that included help from the then British Leyland Motor Corporation. One year later Hyundai began exporting cars and the launch pad for the company's huge industry was created. By 1988, domestic car production had reached one million units per year.

Korea's annual export volume climbed to third place for the first time in 2005, outselling the US. For more than a decade Korea strengthened its reputation as the one of the world's leading automobile exporting nations. In 2015, Korea ranked as the world's fifth largest car producer and exporter.

The company now produces a wide range of cars, sports utility vehicles (SUVs), trucks, buses and commercial vehicles and also produces machine tools and equipment. Its complex at Ulsan is one of the world's biggest automotive factories, producing more than 1.5 million cars a year.

Hyundai dominates in its home market where it has almost 50% of annual sales volume. Around 110,000 personnel are employed at eight manufacturing bases and seven design and technical centres worldwide. Total vehicle production reached 4.86 million in 2016.

Hyundai together with Kia, expect to sell around 8.25 million units worldwide in 2017. This would represent a 4.9% increase of the previous year's 7.9 million. The group also intends to increase research and development expenditure focusing on self-drive technologies and electrically powered vehicles. The company is expected to launch an electric SUV in 2018.

However, international competition is intense from countries aspiring to emulate Korea's automotive success such as China, Mexico, India as well as from established car manufacturers in the US, Germany and Japan. Costs of production, currency fluctuation, proximity to markets are all issues that Korea has to contend with. One method that it has deployed is to localise production by basing much of its car export infrastructure abroad in emerging markets. Some 65% of Hyundai automobiles, for example, are manufactured in foreign based factories. Kia Motors' overseas plants also account for more than half of its output.

Korea's largest overseas automobile market is China, representing about 22.5% of sales with 1.8 million vehicles sold by both Hyundai and Kia during 2016. The next largest market is the US which represents 15% of sales. In 2017, Hyundai Motor Group said that it intended to invest US$3.1 billion in its US production facilities over the next four years. Europe accounts for around 8% of foreign sales.

Hyundai is also expanding in India and looking to construct a third factory in Chennai. The company also has manufacturing plants in the Czech Republic, Russia and Turkey. Kia Motors also operates plants in Slovakia, China and the US.

In August 2017, Hyundai's fifth car plant in China began production. Developed at Chongqing, the US$1 billion plant is a joint venture with Beijing Automotive Industry Holding, and will have a capacity of 300,000 vehicles a year. It will serve to increase local production of Hyundai-designed SUVs, the fastest growing segment in China. This

new plant raises Hyundai's production capacity in China to 1.65 million cars a year. The company also produces its Trago range of trucks in the country.

The automotive industry has set its sights firmly on future developments which are beginning to gain traction in an industry that has entered a period of wide ranging and transformative change. This process is being accelerated by greater environmental concerns and the expanding possibilities provided by fast evolving ICT.

Advances in digital technology are transforming the automotive sector. New vehicles increasingly feature digital communications and fuel saving measures and a new era of driverless cars has begun.

New models include enhanced safety features and internet connected devices to provide information as well as entertainment and communications. Analysts such as McKinsey, predict that the number of networked cars will amount to 20% of the total globally by 2020. The future trend is also likely to embrace autonomous driving.

Korea is actively transitioning to a new generation of non-petrol and non-diesel powered cars with the Government also making large investments in charging facilities and providing purchase incentives for e-vehicles. On Korea's southern island of Jeju, the aim is to make all the estimated 300,000 cars on the island electric powered. Meanwhile, Hyundai has already introduced its Ix35 car, the world's first production model of a hydrogen powered vehicle.

Sales of eco-friendly vehicles such as electric vehicles (EVs), hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles and fuel-cell electric vehicles (FCEVs) are growing in Korea. The Government is providing US$125.9 million to help R&D of alternative power sources for vehicles from 2016-2020, with the aim of having more than one million such vehicles in use over the next three years.

One of the constraining factors that the Government is seeking to overcome is a shortage of power source infrastructure for such vehicles that limits their driving range of operation. One of the main issues with pure battery electric vehicles is establishing a user-friendly charging infrastructure to make charging points much more available and make the charging procedure much faster.

Fuel cell technology is more efficient at generating electrical energy from fuel sources such as natural gas and hydrogen. Car manufacturers are striving to make batteries more efficient and cheaper. Samsung has recently unveiled a high-energy density battery allowing a driving range of 600km that can fast charge to 80% capacity in 20 minutes and with 10% less weight than currently produced battery modules.

Korea's largest chemical producer LG Chemical, is due to start production of lithium batteries at a 41,300m^2 plant in Wroclaw, Poland at the end of 2017. The plant is the first large-scale automotive lithium-ion battery plant in Europe. Samsung's battery division is also planning to invest US$358 million in a new battery plant in Hungary.

As electric-powered vehicles become more acceptable in terms of price and ease of operation, Korea is well placed to supply both its domestic and foreign markets, with all the country's manufacturers including Renault-Samsung, GM Korea as well as Kia and Hyundai, now marketing electric vehicles.

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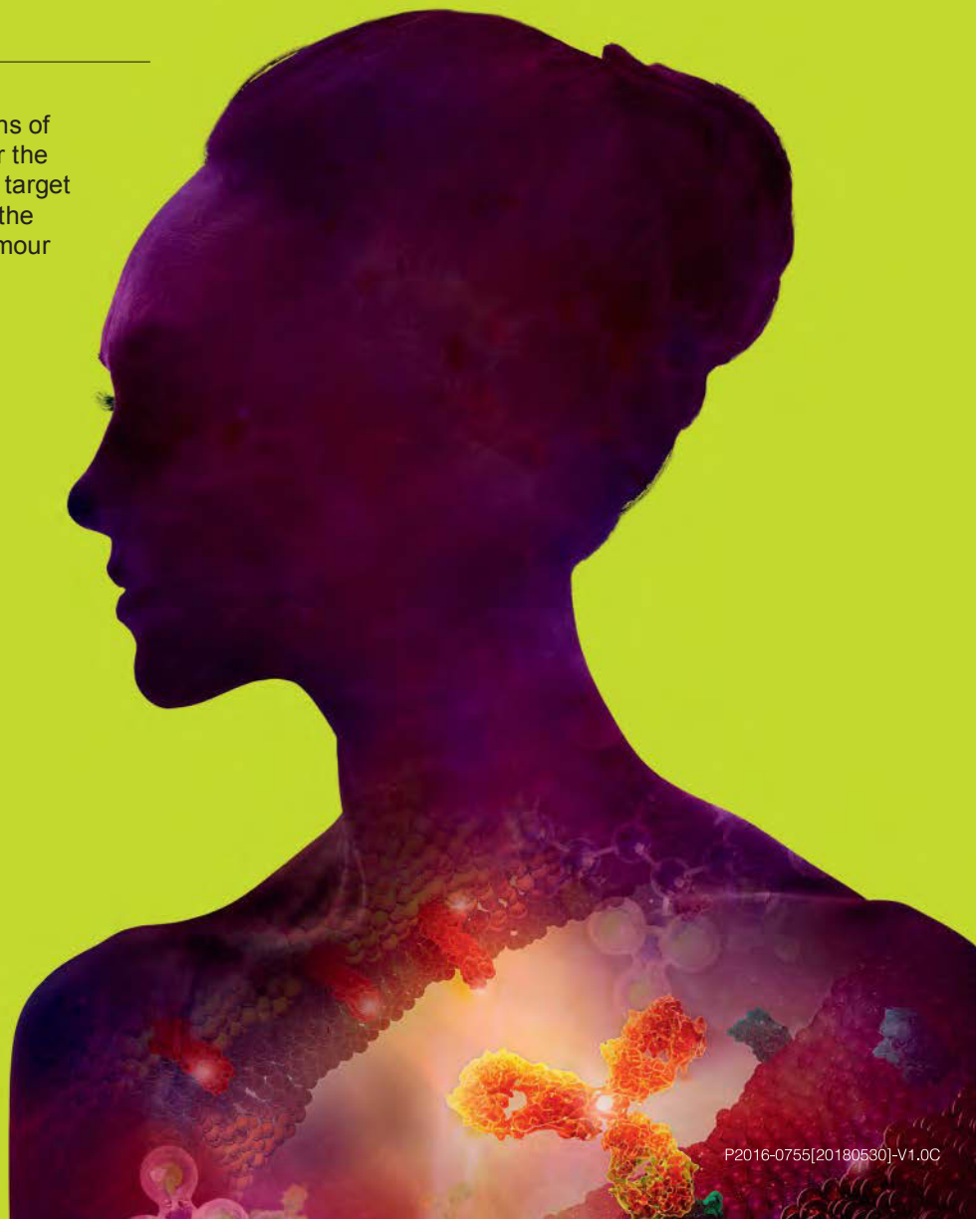

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A | Open innovation initiative with Korea Health Industry Development Institute (KHIDI) under the Korean Ministry of Health and Welfare (MOHW) since 2014, to support research projects with young Korean scientists.

B | Basket trial in gastric cancer with Samsung Medical Center since 2014, to research early phase medicines in gastric cancer patients with different genetic subtypes. A number of pre-clinical studies and early phase clinical trials are conducted in several institutions in South Korea. Formal global strategic alliances are in place with SMC, Seoul National University Hospital (SNUH), and Asan Medical Center (AMC) to strengthen research partnerships since 2015.

C | Forming Archigen Biotech Limited, an equal joint venture with Samsung Biologics, investing US$140 million of capital. AstraZeneca is the first company to contribute in the Korean healthcare industry and technology development through 'real investment'.

High technology is seen as key to healthcare development

Over the past 30 years, Korea has progressed from having a limited medical infrastructure, fragmented financing and limited coverage for its population. However, today a healthcare system is characterised by universal coverage and one of the highest life expectancies in the world, while still having one of the lowest levels of health expenditure among OECD countries.

In 2017, the UK medical publication, The Lancet, reported that Korea is set to become the first country where life expectancy will exceed 90 years, with females living to an average of 91 years and males to 84 by 2030.

Although it ranks among the world's most efficient healthcare systems, the country's national expenditure on healthcare was 7.1% of a GDP that amounted to US$1.41 trillion in 2014. This percentage is less than half that of the US and lower than Germany and France's 11% or Japan's 10.3%, according to the World Bank.

Despite this relatively low national expenditure, Korea has developed a world class system in terms of access and quality and is one of the few Asian countries whose population is able to afford innovative treatments.

The insurance system is funded by individual contributions, averaging around 5% of income, to the National Health Insurance Corporation. Other funding comes from employers and a tobacco surcharge. All Koreans, except for those who qualify for a free service, pay monthly contributions for compulsory health insurance. Total expenditure on insurance as a percentage of GDP was 7.7% in 2016, compared to 17.2% in the US.

Korea's National Health Insurance (NHI) programme is a compulsory social insurance system covering the whole population. The amount someone pays towards the NHI is determined in the same way as taxation on a sliding scale, according to the amount an individual earns. NHI covers most medical procedures and emergencies, prescription medication and specialist visits. However, some procedures and medications, particularly those associated with chronic illnesses are not covered.

The system is considered efficient in terms of providing high quality care, with low administrative costs though treatments are not completely free at the point of delivery. Many patients requiring expensive treatments also need additional private insurance with co-payments ranging from 10% to 50%.

Private insurance provides funding not covered by the NHI system, which include out of pocket expenses for elective medical costs and nursing fees. The NHI covers most prescription medicines. It is a system that allows patients unrestricted access to doctors, specialists and hospitals of their choice. Around 90% of hospitals are privately owned with payments from the NHI fixed for each service provided.

Steady reforms to the healthcare provision, combined with administrative savings through a consolidation of insurers under the state-owned National Health Insurance Corporation (NHIC), has

expanded quality medical care to the population. The effectiveness of the system has become a model for countries seeking to deliver universal health coverage through social insurance at a manageable price.

Medical expertise in terms of the supply of technology and consultancy as well as hospital management, for example, has found an international clientele in 20 countries ranging from Peru and Bangladesh to Qatar.

The advantage of Korea's healthcare system is its effectiveness both in terms of cost and outcomes. The population including resident foreigners, have access to high quality services at relatively low cost, compared to other Asian countries and also those beyond.

Access to doctors including consultants and dentistry, is affordable and readily available at least in the principal urban areas. General healthcare products and generic drugs are also comparatively low cost.

Hospitals are more likely to be equipped with modern medical technologies than in many other leading industrialised countries. According to Young Joo Song of the Harvard School of Public Health, "the quality of Korean people's lives has been increasingly improved in general, due to the development of medical technology."

The digital era is revolutionising the way healthcare services are provided in the country. The Drug Utilisation Review is one of the most extensive systems for monitoring prescriptions to be found among OECD countries.

Korea has overcome many of the challenges that other OECD countries have faced in recent years to build an advanced health information technology infrastructure. Towards the end of 2017, for example,

Chungham National University in Daejeon, in the west of Korea, and Chonnam National University Hospital in the southwest of the country, are due to commission a system to exchange medical information with 400 regional hospitals and clinics.

Korea has already developed the technological capability to build a simple electronic patient history, and by leveraging the power and reach of mobile communications, it has become possible to bring care to many rural, under-served parts of the country. Care and monitoring that previously required a visit to a clinic or office can be managed remotely from a patient's home or workplace.

An increasing utilisation of new technologies will help Korea meet the growing demands on its healthcare system. Demographic projections indicate the country will have one of the world's lowest birth rates and a population expected to age more rapidly than that of any other

> The quality of Korean people's lives has been increasingly improved in general due to the development of medical technology.

advanced economy over the next 35 years. Pressure on the country's healthcare system will grow as a result of an aging population and also shifts to less healthy lifestyles that could increase the incidence of chronic diseases.

An over provision of hospital treatment is another key issue. While other OECD countries have been bolstering community based services and reducing the number of hospital beds, Korea has seen a major expansion of its hospital sector with some 12.28 beds per 1,000 of population in 2016, the highest proportion of any OECD country. It also has the longest average length of stay for patients in hospital. Another challenge therefore will be to provide more primary care outside the hospital system for chronic conditions such as diabetes and asthma.

Nevertheless, Korea's track record of substantial policy reforms in the last three decades have equipped it with a strong base from which to pursue further reforms to reduce hospital admissions and the length of stay. Analysts believe this can be helped with provision of community based clinics, especially in non-urban areas and making increased use of the country's world class health information infrastructure, to provide data exchange of clinical information and remote diagnostic tests.

Medical tourism set to grow

The cost of medical services in Korea is less than in other developed countries and this is making the country an attractive destination for medical tourism.

Most of the country's principal hospitals have started programmes to attract foreign tourists with focused international health centres offering treatments and procedures at significantly lower prices than at other medical tourism destinations. The Government has also helped by relaxing visa requirements for foreigners seeking medical treatments.

As a result, foreign demand for health services in Korea is on the rise for a variety of needs including dentistry and cosmetic surgery as well as top level conventional healthcare treatments available at lower cost than in other parts of Asia or the US. Cosmetic and dental treatments are the most common procedures in demand, with more than 200 specialist clinics operating in this field in Seoul alone and serving mostly American and Chinese clients.

Korea has one of the world's highest number of plastic surgeons per capita that reflects an image-conscious culture, not just in Korea but within the rest of the region, with many clients from Japan and Southeast Asia as well as China.

The Ministry of Health and the Korea Health Industry Development Institute have said they want to boost medical tourism and have set a target to attract one million foreign patients by 2020, an almost tenfold increase compared to a decade earlier, and the nearly 400,000 recorded in 2013. It is projected that if this higher number is reached, revenues from medical tourism will more than triple to US$1.4 billion a year.

Education is at the core of South Korea's economic success

Korea spends around 7.6% of GDP on education, compared to an average of 6.1% among industrialised countries, placing it in the top three of the highest spenders on education among OECD countries.

The outcome of this focus has been high academic performance. In 2013, a study by education firm Pearson, found Korea to have the world's second best education system globally after Finland. In the OECD's triennial Programme for International Assessment (PISA), which evaluates scholastic performance of 15 year olds in more than 60 countries, it consistently ranks Korea in the top three countries for literacy, mathematics and science.

The Korean education system is based on the US model and comprises six years of elementary school, three years of middle school and three years of high school. Until 2012, when a five day week was introduced, elementary and high school children also attended school on Saturdays.

Both public and private schools follow a national curriculum framework. There are ten compulsory subjects, ranging from the Korean language, ethics, social studies including history, mathematics, science, technology, English, to home economics, physical education, music and art. After the first year of general education, students opt for their major areas of study including humanities, natural sciences and vocational training.

School attendance is compulsory to the age of 15 with tuition provided free for primary and middle school, through funding from central and local government. High School is not free nor compulsory though almost all Korean children opt to do so, with about 30% of 15-18 year olds taking up vocational courses rather than general academic courses.

According to the OECD, 69.4% of middle school students and 50.2% of high school students received some private tuition in 2015. An estimated 44% of all expenditure on higher education is funded by households, though there is a national programme which awards scholarships based on household income and academic achievement. Since 2005, students entering higher education have had access to a public loan system with their repayment contingent on their income.

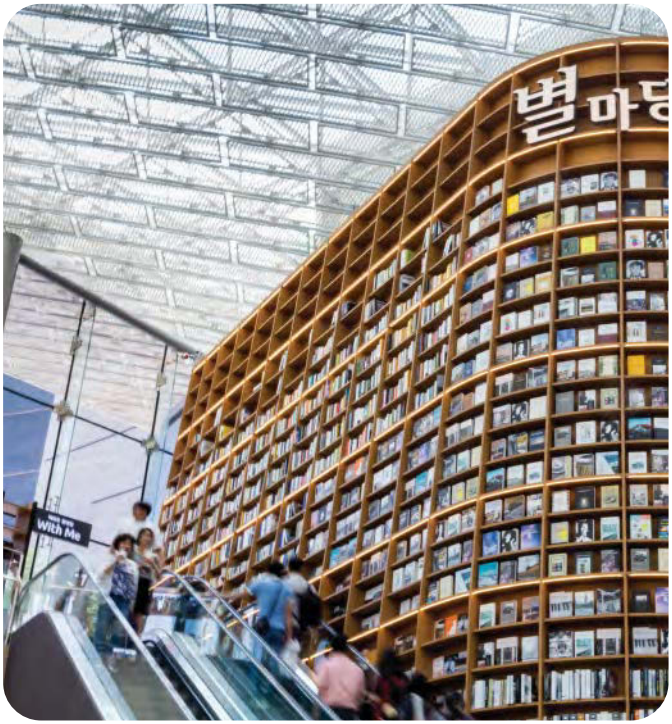
Education is a serious matter for Korea with more than 85% of high school students going on to some form of higher education. As a result, families tend to spend more of their disposable income on education than other countries, with some estimates putting the amount at more than 20% of household income with English language tutoring being the main driver. According to Statistics Korea, four out of five primary school children receive private education in crammer schools known as hagwon, of which there are an estimated 100,000 in operation, many of them focused on teaching English.

There is considerable pressure on high school students to secure places at the country's leading universities such as Seoul National University, Korea Advanced Institute of Science and Technology (KAIST) and Yonsei University. Entry to a top university has traditionally led to a secure, well-rewarded job in government or with one of the leading family owned conglomerates, including firms such as Hyundai and Samsung.

The Government stresses the importance of the English language in education, which is a reflection of the country's desire to integrate as closely as possible into the global economy. Building on this, Korea has seen a number of international schools developed, including Dulwich College in Seoul which opened in 2010. A number of other branches of foreign run schools including the UK's North London Collegiate have also been established. The latter has been set up in Global Education City, where only English is spoken, on the southern island of Jeju.

Universities in Korea have been encouraged to increase their international links and rankings, while encouraging more students to choose in-country higher education courses. Almost 200,000 Korean students opt to take higher education abroad, with the US and China the most popular destinations with around 30% each of the total. Other significant destinations include Australia, Canada and the UK, which takes around 7,000 Korean students a year.

A number of top-tier institutions including Yonsei, Korea University and Ehwa Women's University have set up English speaking liberal arts colleges to attract both Korean and foreign students. Songdo Global University near Incheon, features guest campuses of the State



University of New York at Stony Brook, George Mason University, University of Utah, University of Illinois at Urbana - Champaign and Belgium's Ghent University as well as St Petersburg State University.

Korea also launched its World Class University programme in 2008, with a US$600 million fund to attract leading researchers from around the globe to boost the international competitiveness of its universities in fields of emerging technologies.

While it has made huge advances with its educational standards, the country's unrelenting focus of attainment places considerable stress on students and their families and the rewards are no longer as certain as previously. The Korea Research Institute for Vocational Education and Training has found that almost 25% of graduates who have spent

four years at university are working in jobs for which they are overqualified, a figure three times the OECD average.

The McKinsey Global Institute says that the lifetime value of a college graduate's improved earnings no longer justifies the expense required to obtain a degree and that the typical Korean would be better off attending a public secondary school and going straight into work.

However, a fresh approach to education is emerging. An increasing number of Korea's 400 vocational high schools are now being developed as Meister high schools. The schools typically have a memorandum of understanding with companies in a variety of areas such as semi-conductor engineering, shipbuilding, mechanical engineering and banking. The schools' principals also have a high level industrial background that reinforces the schools' links with specific areas of the economy.

The Meister schools were introduced in 2010, and based on Germany's system of vocational schools and apprenticeships to prepare students to enter the workforce without going on to university. In the Korean model, these high schools focus on developing industry skills and partnering with a variety of industrial firms to develop an education moulded to provide firms with future technicians and mid-level managers.

Professor Lee Ju-Ho of the KDI School of Public Policy and Management in Seoul, says that intensive education may have been right when the country was expanding and developing its economy but a fresh strategy is called for. Lee, a former Minister of Education, believes that "test scores may be important in the age of industrialisation, but not anymore. So, we look in the ways to reform our education system, not based on test scores but on creativity, social and emotional capacities."

President Moon's education reform plan aims to reduce household spending on private education by reinforcing public education. While tuition for elementary and middle school are at present covered by the Government, the aim is to expand this formula to also provide free education both at pre-school and high school levels.

A broader approach is expected to increase the range of skills acquired by students. The Government is seeking to open up learning opportunities to students from lower-income and rural families using the Educational Broadcasting System. It also wants to encourage greater creativity and give students a break from rote learning with test-free semesters in middle schools as well as covering admissions costs, tuition fees and text books in all Korean high schools.

The free trade pact with the EU means that provision of non-degree adult education is open to foreign owned enterprises. There is strong demand for English courses, especially for young learners, as well as career based education and training, company courses and books and multi-media teaching materials.

Given the country's very high internet access, there is a growing market for e-learning, valued at US$2.86 billion and rising, with some 1,649 Korean companies involved in the sector, including hardware and content suppliers. A major stimulus to the sector will result from the introduction of 5G ultra-fast wireless communications networks, rolled out in late 2017. The 5G infrastructure is expected to support an increasing demand for online, flexible and high quality educational programmes.

South Korea seeks partners to invest in internet of the future

Korea has massively embraced the digital age and the country is now the most connected globally, with broadband connections and mobile networks operating to standards which are among the fastest in the world.

International comparisons of knowledge economy indicators developed by the World Bank, show that Korea is one of the most rapidly and successfully changing economies, which is primarily attributable to the country's high rankings for ICT development.

Korea was ranked in first position in 2016, in the Digital Access Index compiled by the International Telecommunication Union. The ranking is a reflection of the country's advanced technological infrastructure and number of broadband subscribers. The strong emphasis on ICT development has led to the sector becoming the country's single most important driver in economic growth.

A recent survey conducted by the Ministry of Science, ICT and Future Planning (MSIP) found that 99.2% of Korean households had internet access, the highest recorded globally. In 2016, the number of internet users was calculated as 43.64 million people, almost all were high-speed broadband users.

Significantly, there is increasing internet usage by older citizens with some five million users aged 60 years or more, representing a 1.36 million increase over the previous year. Many mobile users now operate their phones to connect with internet services. According to the MSIP, Korea had 61.3 million mobile subscribers in 2016. Around 75% of these subscriptions were users of smart phones with 4G services. (*International Telecommunication Union*)

The Government has been a powerful facilitator in helping to make Korea a digital leader among the bourgeoning knowledge-based economies of the world. The country has been developing public services based on ICT for many years. This consistent support and investment in digital infrastructure and systems over the last 25 years, has helped Korea to become a world leader in e-governance.

Government support has been instrumental in propelling ICT manufacturers to the forefront of world suppliers. One method has been

the adoption by agencies of electronic solutions in administrative tasks, with the result that the country consistently ranks highly in UN e-government surveys.

The steady integration of ICT applications into services has resulted in Korea being placed fourth in the world in the 2016 UN's Global E-Government Readiness Report, in which the UK ranked first. The number of Koreans using ICT related services is also rising fast in other areas, particularly in commerce and financial services.

One of the key factors is that Korea is a leader in open data. Since 2013, all public sector agencies have been required to register their datasets in the central open data portal by law, which allows Koreans to access huge quantities of government data on a variety of subjects including public expenditure, crime, environmental facts, healthcare and education.

The Government for Citizens concept has steadily interconnected a variety of official database networks in numerous administrative agencies to help them streamline services including tax returns, vehicle registration and real estate. The database networks for health insurance, pension insurance, unemployment insurance and industrial accident insurance have all been integrated into a seamless network.

Based on a firm foundation of broadband networks and information technologies, Korea has become a world leader in the electronic manufacturing of hardware, semi-conductors, mobile phones and digital TV. This lead has extended to the software sector, notably in the fast-expanding online gaming industry.

ICT products comprise a third of exports by value with the industry contributing around 10% of GDP. The main export items include semiconductor components and wireless telecoms devices, flat screen TVs and electronic sensors.

Korea has nurtured a formidable reputation and attained huge global markets for its consumer electronics products. The sector accounts for some 28% of Korea's total exports, reflecting the country's status as one of the world's leading information economies and a top manufacturer of LCDs, memory chips and smart phones. Samsung, for example, ranks as the world's largest electronics company. Korea exported 54% of its total ICT goods to China in 2015, 14% to Southeast Asia, 10% to North America and 5.9% to the EU.

ICT, not surprisingly, has acted as a principal driver of economic development for more than 25 years. However, Korean firms and the Government realise that the sector faces growing competition internationally and will have to strive hard to maintain the sector's edge in development areas and global markets in the future.

It is hoped that the country's well established cellular infrastructure will help in this by accelerating the move of mobile telecoms operators to the new generation (5G) cellular networks.

Government support is likely to continue to play an influential role. The MSIP was created in an effort to generate new sources of economic growth in areas of science and IT. One initial key aim was to triple the value of output from the country's software sector.

According to MSIP Minister, Yoo Young-min: "It is time to bring about a genuine Fourth Industrial Revolution in which promising industries in the future lead to quality jobs. The aim is to accelerate innovation by building an environment which promotes autonomous and audacious research, securing source technologies and growth engines and converging science and technology with ICT."

The concept of combining computers, sensors and networks to monitor and control devices is likely to be an influential factor for product development. This concept referred to as the Internet of Things (IoT), is seeing consumer products, durable goods, vehicles, industrial components, sensors and other everyday objects linked through internet connectivity and powerful data analytic capabilities. This means that computer devices embedded in everyday objects can both send and receive data, creating opportunities for the development of a range of enhanced and new technology consumer products.

According to Jang Young Jin, Director General of the Ministry of Trade, Industry and Energy with responsibility for Korea's Internet Convergence Policy: "The Government will continue to support Korea's promising IoT companies in expanding overseas. With their high state of readiness, Korea and the UK are expected to nurture world leading innovative businesses through an active exchange between businesses in both countries," he says.

Korea is well placed to meet demand in the latest innovations such as tablet computers and hybrid devices. Manufacturers are poised to strengthen their position in the market through adoption of cloud computing services and emerging technologies in smart connectivity and big data analytics, helping businesses to gain greater insight and value from a vast array of data. The security software market is also well placed for strong growth.

New concepts are becoming much closer in terms of marketable products such as mobile phones that need charging only once a year, home appliances that are controlled remotely, super-high definition TVs, universal language translators as well as making home medical examinations practical. Korea is seeking to play an influential role in developing futuristic products to give it a competitive edge in fast evolving technologies. This development offers multiple opportunities for international cooperation.

Container shipping; offering businesses, large or small, the opportunity to grow

Peter Livey FCILT, Managing Director (GB), Hyundai Merchant Marine (Europe) Ltd

Peter Livey,
Managing Director (GB)

Since its humble beginning in 1976 with three Very Large Crude Carriers (VLCCs), Hyundai Merchant Marine (HMM), has developed over the last four decades to become the leading light in the Korean maritime industry. Along the way HMM has diversified and offers a range of tramper services, has become a bulk carrier, a special product carrier, an LNG carrier, and a container terminal operator, however its core activity is as a container carrier (80% of HMM revenue based on Q3 2016 Results).

As well as diverse special products and all manner of containerised import/export goods, HMM transports nationally strategic materials such as crude oil, and iron ore/coal, typically generating earnings of over eight trillion KRW per year – clearly playing a major role in Korea as a vital economic artery.

Headquartered in Seoul, South Korea, today HMM is a globally renowned integrated logistics company, operating around 120 state of the art vessels, efficient IT systems, and a broad range of global service networks covering over 110 countries.

Moving sea freight between Great Britian and Korea

With offices both in South Korea; Seoul, Incheon, Gwangyang, Pohang and Ulsan - and in Great Britain; London, Birmingham, Southampton and Felixstowe, HMM are uniquely placed to help South Korean and British businesses connect with each other, and to the world.

Whether you are shipping standard, refrigerated or out of gauge/over-sized cargoes, HMM have both the global and local expertise and service network to get your cargo to its destination on time.

Looking specifically at trade between UK and Korea, HMM offers two weekly services, one fast, and one slow. Our EU2 service offers a swift 31 day transit time from UK to Busan, or 33 days to Kwangyang. Whilst in the opposite direction, the EU4 service from Busan to Felixstowe takes 31 days, and we can perform on-

Service	Direction	From	To	Remarks
EU4 - Weekly service from North China and Korea	Westbound (Asia to Europe)	Busan South Korea	Felixstowe United Kingdom	Fast | Direct call 6 stops | 31 days
EU2 - Weekly service from Korea and South China	Westbound (Asia to Europe)	Busan South Korea	Felixstowe United Kingdom	Slow | Direct call 11 stops | 50 days
		Gwangyang South Korea	Felixstowe United Kingdom	Slow | Direct call 10 stops | 48 days
EU2 - Weekly service from Europe to Korea and South China	Eastbound (Europe to Asia)	Felixstowe United Kingdom	Busan South Korea	Fast | Direct call 4 stops | 31 days
		Felixstowe United Kingdom	Gwangyang South Korea	Fast | Direct call 5 stops | 33 days
EU4 - Weekly service from Europe to Korea and North China	Eastbound (Europe to Asia)	Felixstowe United Kingdom	Busan South Korea	Slow | Direct call 9 stops | 43 days

HMM Container Services Between Gt.Britain and South Korea v.v.

carriage or pre-carriage by road or rail as required to meet your first or final mile requirements.

Our customer service team are waiting to go the extra mile, committed to providing excellent service from start to finish.

HMM security

In the United Kingdom, HMM as a carrier (as part of the supply chain) gained Authorised Economic Operator (AEO*) status in January 2009 (Customs Simplification, Safety & Security). HMM continuously contributes to the development of security related solutions, aiming to maximise security and minimise the impact on customers' supply chain flow. Full information is available on www.hmm21.com related to global security initiatives such as CHINA 24HR RULE, Customs-Trade Partnership Against Terrorism (C-TPAT) etc.

*AEO; A status granted by European Customs to reliable traders who comply with designated criteria and offer a high degree of security in respect of their role in the supply chain.

Reefer cargo service

When it comes to transporting sensitive refrigerated services, you can rely on HMM to "deliver the goods" almost anywhere, keeping your ice-cream frozen, your wine chilled, or for goods requiring the opposite, protect your delicate cargo from extreme cold outside.

Caring for the environment

Since 2005, HMM have been a member of the Clean Cargo Working Group (CCWG), a business-to-business leadership initiative involving major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping. Today, CCWG tools represent the industry standard for measuring and reporting ocean carriers' environmental performance on carbon dioxide emissions.

In recently completed data analysis for 2015*, HMM have reduced CO^2 emissions since 2008, from 78.0 CO^2 (g/teu-km) to 43.46 – a reduction of 44.28%.

*2015 Clean Cargo Working Group (CCWG) CO^2 and SOx data verification under process by Korea Register of Shipping

HMM maintains an eco-friendly policy to preserve the environment, and adheres to the principle of pursuing environmentally sound and sustainable development.

HMM carry the future

Looking forward, yet also echoing its beginnings, on 7th April 2017, HMM signed a letter of intent with Daewoo Shipbuilding and Marine Engineering (DSME) for the construction of five new 300,000 dwt VLCCs with an option for five more. Apart from VLCCs HMM also plans to upgrade its container ships.

HMM reefer services

This newbuilding deal is the first case of using the "New Shipbuilding Program" which the Korean Government announced in October 2016, with a pot of US$2.28 billion (KRW2.6 trillion) to support the shipping industry.

As HMM invest in supporting global trade by improving and growing our ocean transport services and logistics networks in a sustainable and environmentally sensitive way, it is also continuously enhancing our e-Business tools, whilst always maintaining a knowledgeable and friendly customer service, available to go the extra mile for valued customers.

Aerospace set to become new pillar of South Korea's economy

South Korea has proved just how formidable a global competitor it can be with the country's automotive, electronics and shipbuilding industries emerging as world leaders after modest beginnings. The country's aircraft manufacturing sector is also now poised to join Korea's elite group of major exporters. Around 12,000 people are already employed in the aerospace industry, a number that is expected to grow substantially as the country focuses on plans to more than double its production to US$20 billion by 2020.

The strategy involves programmes for space exploration, the development of civil and military helicopters, a new generation fighter aircraft and a regional airliner. These ambitious goals are in addition to programmes designed to expand production of components and parts for domestic and foreign airlines. Further development of Korea's aircraft maintenance, repair and overhaul (MRO) sector is also promised.

While many more Korean firms are involved to some degree in the sector, the biggest company is Korea Aerospace Industries (KAI), which was set up in 1999, and is located at Sacheon City on the country's south coast in Gyeongsang Province. The principal shareholder is the state-owned Korea Development Bank, listed on the stock exchange since June 2011.

While most of KAI's revenues, totalling US$2.7 billion, derived from the defence sector in 2016, nearly one third of this came from the civil aircraft sector, with Boeing being the largest customer for KAI's advanced moulded parts, which are produced with lightweight carbon fibre reinforced plastic materials. These parts rather than aluminium constructions, feature in Boeing's latest airliner and are the enabling parts which allow the 787 and other new generation airliners to be lighter in weight and provide 20% more fuel efficiency than previous models.

All major airline manufacturers now use Korean aerospace components in the building of their products. One of the company's most recent contracts was a US$245 million deal to supply wing parts for the Brazilian aircraft producer Embraer. KAI also supplies tail wing components and wing structures for Boeing's 737, 777 and 787 airliners as well as wing top panels for Airbus' A320 and A350.

Fuselage parts and wing structures are also produced for the Canadian manufacturer Bombardier's CRJ 200 airliner as well as parts for executive aircraft.

However, KAI's main business involves producing fixed wing and rotary military aircraft. Products include the KT-1 turboprop trainer aircraft and the T-50 jet trainer and combat aircraft which it developed with the help of Lockheed Martin.

The defence market is also a focus for other Korean aerospace companies. While most recognised as the country's leading passenger and cargo carrier airline, Korean Air is also a significant aerospace manufacturer in its own right and a major supplier of parts for most of the world's top civil aircraft manufacturers.

The company best known for its role as the country's national airline has been supplying parts for Boeing's 787 series for more than a decade. Korean Air has been involved in parts production and also in the manufacture of helicopters for more than 40 years, when its Tech Centre at Busan opened in 1976. However, due to the company's activities in the development of military aircraft, the company's non-airline role was not highlighted until it signed its deal with Boeing in 2006.

Manufacturing and aerospace R&D feature strongly in Korean Air's portfolio and in its future plans. Choi Ho-Kyung, Managing Vice President at Korean Air, has stated: "Shipbuilding used to be a strong business in Korea, and then automobile manufacturing. Now we believe the future is in the skies. We hope to make this business our future growth engine and will focus on developing unmanned aerial vehicles."

MRO is another fast-developing activity for Korean Air, whose aerospace Tech Centre is located close to the international airport at Gimhae which serves the port city of Busan. More than 2,700 employees work at the Tech Centre, where additional facilities are currently being developed at a cost of US$140 million. These facilities will accommodate research and manufacturing.

KAI is also reported to be considering a US$446 million project involving building a new 30,000m^2 facility for its MRO operations which focus on fuselage, hydraulic systems and landing gear technologies. The MRO market is valued at about US$3 billion per year in Korea, the third largest in the Asia-Pacific region after China and Japan.

The Korean Government has indicated that MRO business is an integral part of the country's aerospace strategy. According to Yeun Jeung, President of the Korea Institute of Aviation Safety Technology, "the Government views expanding MRO capability as an important objective to serve the Korean civil aviation sector's airlines. The fast growing low-cost carrier sector is a particular focus."

Most engine and high technology maintenance for the country's fast expanding budget carriers is currently carried out abroad. The plan is to develop and stimulate foreign investment into the country's domestic MRO. This follows the end of ownership restrictions on foreign owned MRO operations in 2015.

However, by far the most significant aerospace development for Korea is the country's development and production of complete aircraft such as the KUH-Surion helicopter. After several decades of acting mainly as an assembler of foreign designed products, Korean companies are becoming increasingly involved. This has been underpinned by a memorandum signed between Airbus Helicopters and KAI to jointly market Korean manufactured helicopters worldwide, involving KAI's Light Civil Helicopter (LCH) and Light Armed Helicopter (LAH). The memorandum was signed at the end of 2015, during a visit to Seoul by former French President, Francois Hollande.

The eight tonne utility helicopter has been designed with assistance from Airbus Helicopters, which is the prime sub-contractor for the programme. The LCH-LAH Surion is based on technologies developed for the Airbus' H155 helicopter and is designed as a utility transport for search and rescue, medical evacuation roles and to carry troops. At the end of 2016, KAI received orders from Korea's Army and Marine Corps for 100 twin-engine Surion helicopters valued at US$1.8 billion, with deliveries ongoing until 2023.

The Korean aerospace industry has produced a number of military aircraft for the country's armed forces and is gaining export markets. The programmes have mirrored the highly competitive export oriented industries which feature shipbuilding, electronics and automobiles, where they initially acquire technological input from foreign partners and then develop new more advanced products.

KAI has a proven track record as a sub-contractor in the global defence market, producing the main wings and fuselages for F-15 fighters supplied by the US to Singapore, and through its manufacturing of composite materials for fuselages for Boeing's Apache Ah-64D helicopters.

The T-50 has been an important step in KAI's FA-50 advanced jet fighter programme and for the whole Korean aerospace defence sector. The supersonic T-50 has been bought by the Indonesian Air Force in a US$400 million deal to replace its UK supplied Hawk trainers. Korea's Samsung Techwin also produces turbofan engines for the T-50, while Hanwha Corporation produces the aircraft's flight control systems and actuators for the trainer.

In addition to domestic customers, the T-50 has found buyers in Indonesia, Iraq, Thailand, the Philippines and Peru among others. The 2015 deal signed with Iraq, is valued initially at US$1.1 billion, Korea's largest defence export sale to date. Some 24 light combat FA-50

> The Korean Government has indicated that MRO business is an integral part of the country's aerospace strategy.

fighters, a follow-on version of the T-50, are being delivered as part of a package involving both long term training and support. Observers believe the contract could eventually be worth US$2.2 billion.

Korea's investment in the latest KF-X jet fighter project, will consolidate the country's growing role in the overseas defence markets. The KF-X is a fully-fledged fighter plane which the company hopes will sell up to 1,000 units over time to export clients. Promoted as an advanced combat aircraft on a par with the F-16, the success of the KF-X programme will require considerable emphasis on the latest fighter jet technologies, since the plane is designed as a single-seat, twin-engine multirole aircraft with stealth features and the latest type of combat radar.

The total cost of the development and procurement programme for 120 fighter jets, with similar characteristics to the US F-16 fighter, is expected to reach US$16.4 billion. The project represents the largest ever Korean aerospace development and will serve to accelerate Korea into one of the top ranking global aerospace manufacturing countries for defence equipment.

In order to mitigate some of the initial US$8 billion development cost, Korea signed a cooperation agreement with Indonesia at the end of 2015, allowing for the latter to take part in the development of the KF-X, which KAI hopes to start manufacturing by 2025.

Meanwhile the Korea Aerospace Research Institute (KARI), is working on programmes to allow Korea to become a world leader in a new generation of satellite technologies. KARI established the country's first space centre on Oenaro Island off the country's southwest coast from where Korea launched its first communications satellite in 2010. There are plans for a network of domestically produced multipurpose satellites and the production of space launch vehicles.

Since development of its KITSAT-1 satellite in 1992, Korea has launched more than a dozen domestically produced satellites. The aim now is to develop the country's first domestically produced launcher vehicle by 2020, through the KSLV-11 programme. This is designed to provide a rocket capable of sending a 1.5 tonne payload into space. The ongoing strategy is to develop a lunar orbiter and lander for deployment and launch within the next five years.

Heavy industry's strategy is based on high technology products

With fewer natural resources than other emerging countries during the 1970s, South Korea focused on an industrial-led expansion. The drive was so successful that within 20 years the share of manufacturing in GDP was more than 20%, reaching a peak of 29% in 2014. Manufacturing remains the mainstay of the economy and accounts for the largest share of GDP among leading industrial nations and the second largest share globally after China.

The bold strategy has led Korea's shipbuilders, steel makers and chemical producers to become global leaders in these fields. The 2016 competitive industrial performance index compiled by the UN Industrial Development Organisation (UNIDO), places Korea in third place globally after Germany and Japan and above the US, Switzerland and Singapore.

However, the world's manufacturing sectors are entering an era of growing competition where adapting to technological changes will be essential for future success. Important industrial sectors of Korea's economy are facing considerable pressures from changes in global market conditions and decreasing trade volumes worldwide. The shipbuilding industry in particular, has suffered from severe overcapacity and increasing levels of debt. The steel industry has also faced the same pressures. The country's highly important chemical industry similarly has not been immune.

In September 2016, the Government said it would encourage steel and petrochemicals manufacturers to reduce output of items in surplus and upgrade facilities to concentrate on higher-value-added products. The strategy involves an extension of financial and taxation support for training and R&D activities. The measures are not just about restructuring and reorganisation of the sectors but are also designed to assess the comparative advantages of the two sectors.

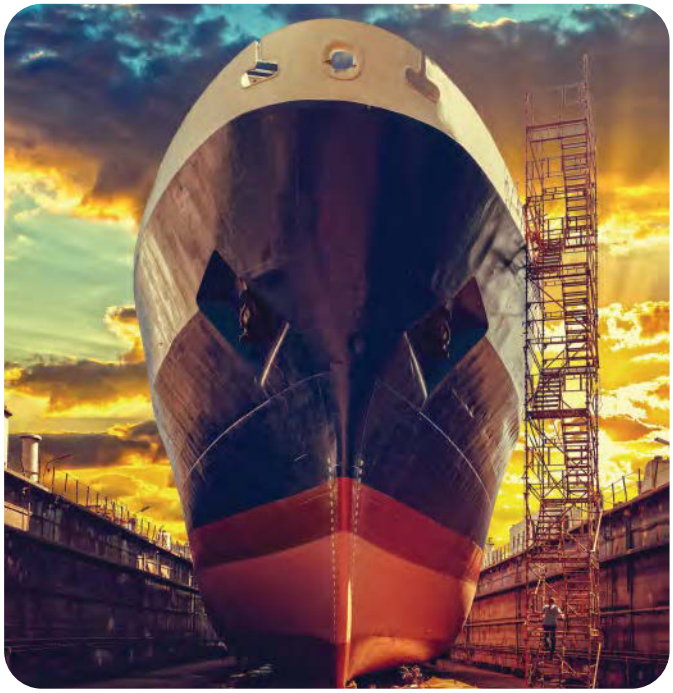
In the same year, the Government also commissioned three international consultants to look at these key sectors of the economy, to map out long term strategies. McKinsey is looking at the shipbuilding sector, while Bain is assessing the chemicals sector, and BCG in turn is examining the steel industry.

Backed by a culture that values manufacturing, a creative workforce and innovative technology, Korea is well placed to be at the forefront of an industrial revolution which will open a new chapter in manufacturing. Korea boasts strong manufacturing competitiveness,

prowess as an ICT powerhouse and world-class digital infrastructure. This gives it a strong foundation on which to develop innovative manufacturing strategies.

In the coming decades, radical innovations such as the mobile internet, the Internet of Things (IoT) and cloud computing, are likely to revolutionise production processes. What is often referred to as the fourth industrial revolution, will be led by intelligent factories that integrate traditional industries with ICT. Factories will be operated by a two-way communication system between production facilities and products built on a single platform to optimise all production processes. Observers believe that to secure advanced technologies for the future, as well as respond effectively to the upcoming wave of green technology, Korea must also develop collaborative technology and investment partnerships.

Technology and innovation have been the hallmark of its huge advance in the global shipbuilding industry. A wide range of vessels are built in a cluster located in the southeast of the country. The yards are among the world's largest and able to construct mega-sized ships. Primarily located in the Ulsan, Busan and Geoje areas, the yards are built close to deep waters free from sandbanks. These facilities and efficient production methods allow Korea to build ships fast and to specification, a big advantage when global demand is at a highpoint. In 2013, Korean yards were building 35% of the world's vessels.



The yards' output includes container vessels, very large crude oil tankers, as well as gas carrying ships in addition to oil production platforms and specialist vessels serving the offshore oil & gas industry. Significantly, Korea's average vessel value is twice that of the global average.

While Korea's shipbuilding industry historically has been a success story, the global economic crisis in 2008, dented its finances and it has struggled to set itself back on a solid footing. Companies' operating profits have been eroded and shipbuilders have faced liquidity problems as orders for tankers and container ships were cancelled or delayed.

A low point was reached in 2015, due to the slump in crude and oil companies curtailing offshore projects and cancelling orders for

production platforms. The resulting overcapacity combined with regional competition squeezed profit margins. This has resulted in increasing debt levels while the ability of firms to service these debts has become a serious challenge. In 2016, the country's shipbuilders initiated plans costing US$9.5 billion to restart the sector.

The first half of 2017 has seen signs of recovery in the sector. The country's three main shipbuilders have now overtaken rivals in China and Japan in terms of new orders, particularly for oil tankers and natural gas carriers. Lloyd's List Intelligence forecasts that world fleets of merchant vessels will grow 3.5% over the next five years, led by demand for container vessels, tankers as well as bulk and general cargo ships.

Korea's shipbuilding exports reached US$7.1 billion in the first four months of 2017, according to the Ministry of Trade, Industry and Energy. Daewoo Shipbuilding & Marine Engineering (DSME) recorded the largest backlog of any global shipbuilder, with 88 ships totalling more than six million tonnes. Hyundai Heavy Industries (HHI) had orders for 65 vessels totalling 3.3 million tonnes, while Samsung Heavy Industries (SHI) had orders for 60 ships totalling 3.2 million tonnes.

As the world's shipbuilding slump comes to an end, Korea is making efforts to maintain a superior technological edge over rivals through innovation and to develop high-tech, high-value-added and fuel-efficient vessels and platforms. SHI has recently won a US$2.5 billion order to build a floating LNG facility for use in the Coral South Project, off the coast of Mozambique

Improved prospects for oil producers are also assisting Korean shipbuilders. HHI has recently won a contract to build two liquefied petroleum gas (LPG) tankers from the Swiss based oil trading company, Vitol. The US$600 million order includes options for a further six vessels of the same type. They will be designed to consume less fuel and be eco-friendly.

The country's shipbuilders are also likely to benefit from the International Maritime Organisation's (IMOs) decision to toughen regulations to cut sulphur oxide emissions from ships from 2020. Under tightened regulations, ship owners will need to switch fuels to marine gas oil or environmentally friendly LNG, or equip vessels with a desulfuriser.

HHI is to triple its expenditure on R&D to US$3.1 billion over the next five years to develop eco-friendly vessels and modernise its shipyards, to streamline production systems and technologies to help produce new products.

Korean shipbuilders are also finding opportunities in Russia with the delivery of the world's first icebreaking LNG carrier built by DSME. The US$320 million vessel will be used to open up a gas trading route to

the Arctic. Demand for specialist vessels is growing and R&D activities are increasingly focused on developing a new generation of ships involving international cooperation.

New concepts and technologies are also the way ahead for the country's steel industry, which has significant linkages to its shipbuilding and other major manufacturing activities. Steel has been a pillar of Korea's economic development since 1972, when the leading producer Pohang Iron and Steel Company, now known as POSCO, began production. In 2015, the company produced 42 million tonnes of steel and ranked as the world's fourth largest steel company. POSCO with Hyundai Steel Company and Dongkuk Steel Mill Company account for 94% of the country's output.

In common with manufacturers in other countries, Korea's steel producers have had to ride a depressed world market and been forced to embark on restructuring and sales of non-core assets. However, the decline shows signs of abating, with POSCO's 2017 first quarter results showing a near doubling of operating profits to US$1.2 billion. POSCO Chairman, Kwon Oh-joon, has forecast that the company's operating profit will increase to US$4.5 billion by the end of 2019.

Technologies that use hydrogen in iron ore smelting to reduce CO2 emissions are under development while upgraded environment friendly blast furnaces that can also reduce CO2 emissions are expected to be introduced in the next five years. Steelmakers are also seeking to develop lighter and thinner steel plates using titanium, magnesium and aluminium.

POSCO is developing new materials for the automobile industry, such as twinning-induced plasticity steel which is five times stronger than other steel in terms of machinability and provides greater safety through its enhanced impact absorption.

Introduction of advanced core technologies is also a prime objective of the Korean chemicals industry. The sector is the third largest manufacturing industry and the country is the fourth largest global

> Korea is well placed to be at the forefront of an industrial revolution which will open a new chapter in manufacturing.

producer of ethylene, polyethylene and polypropylene, the key components for plastic products' manufacturing.

New technologies are needed to support development of new higher value composite materials and organic materials, such as plastic optical fibre and fluorine and silicone resins. Investment in environmentally friendly technologies as well as R&D in areas such as bio-technology, pharmaceuticals and chemicals for the electronics industry are also important for the sector.

LG Chem, for example, is developing new high-performance batteries for storing electric power in smart grid systems. Hanwha Chemicals is expanding into solar power and materials for lithium-ion batteries, biochemistry and nanotechnology. Honam Petrochemical is focused on large-capacity batteries for smart grid networks and technology for CO2 recovery and reuse. Samsung Total has developed advanced environment friendly materials for electronic devices and building materials to replace concrete.

The future of Korea's chemical industry depends increasingly on new environment-friendly composite materials of higher functionality. As a consequence, extensive and efficient R&D investment is essential for Korea to become a regional chemical hub for speciality products used in the electronics, bio-technology sectors as well as in the automotive industry and other manufacturing areas. Advances in chemicals, for example, are critical to make stronger lighter weight materials for industrial applications and to improve the power and energy density of lithium-based batteries, as the automobile industry moves towards electricity-powered vehicles.

The most successful Korean chemical companies will be those which adapt to the challenges of driving cost and process efficiency; technological product development; and international growth through expansion. Further cooperation with foreign multinationals is expected to be an influential factor in this transformation, involving joint ventures with companies providing proprietary technologies. ■

Green agenda begins to shape South Korea's construction sector

Over the last 50 years, the construction and civil engineering sector has become a vital driver of Korea's economic success and accounted for 5% of its US$1.4 trillion GDP in 2016. Many of the sector's companies rank as global leaders in civil engineering projects. Korea is also the sixth largest construction equipment producer in the world with its exports supplying around 5% of the global market.

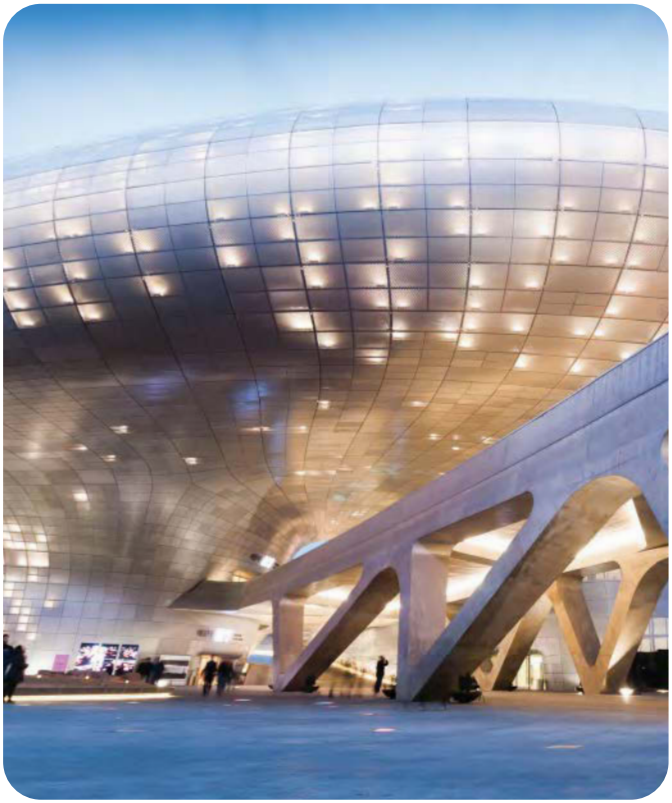
The largest companies are groups known as chaebols. These industrial conglomerates, many of which were founded by family owned firms, include Hyundai Engineering and Construction (E&C), Samsung Construction and Trading, GS E&C, POSCO E&C, Daelim Group and Daewoo E&C.

During the 1970s, these groups and other Korean construction firms became a powerful force in overseas markets, building highways, ports, industrial plants and other infrastructure, particularly focusing on Arab Gulf countries. Some of the world's most iconic buildings are Korean built. These include the 800m high Burj Khalifa in Dubai and the Petronas twin towers in Kuala Lumpur. The industry has been helped by the expansion of national infrastucture including ports, railways, roads as well as facilities for industrial expansion and not least prestige events, including the Olympic Games, World Cup and Asian Games.

By the time it opens in February 2018, some US$10.8 billion will have been spent on preparing stadiums and other infrastructure to serve the Winter Olympics at Pyeonchang in Gangwon Province. The new facilities include a high-speed railway (HSR) connection between Wonju and Gangneung to serve visitors travelling to the event.

Following the inauguration of HSR services between Seoul and Busan, a distance of 325km, deploying France's TGV technologies, Korea is developing its own version for future use. The main aim is to connect all major cities with the HSR network, extending to 2,362km by 2020, at an estimated cost of US$82 billion.

Future projects include a US$1.8 billion plan to build a 94km link between Chuncheon and Sokcho, in Gangwon Province. In other transport developments, a second airport is due to be built on Jeju Island, at a cost of US$1.6 billion. The island is a growing holiday destination and is expected to see a considerable expansion in tourist facilities, including resorts and hotels.



Affordable housing projects and increasing interest from foreign investors are expected to stimulate the country's real estate market. An estimated 49% of building permits issued in 2015, were for the construction of residential units. Commercial development accounted for 17% of total building permits, industrial projects for 9% and social infrastructure 5%.

In future, the Government's emphasis on a green agenda for new environmentally friendly residential and commercial buildings, is likely to play an increasingly influential role in the construction industry's development, particularly in terms of energy related building projects.

A National Strategy for Green Growth up to 2050, aims to promote a synergetic relationship between economic growth and environment protection and provides an outline for further environmentally sustainable development, based on renewable energy and efficient economic progress.

The Government's future plans for the energy sector are still to be finalised, although President Moon has stated that the country's nuclear programme is to be slowed and a temporary halt on coal-fired power stations has been declared. However, implementing this new strategy will be challenging since Korea generates 70% of its electricity from coal-fired power stations and nuclear reactors.

The Green Growth policy plan also promotes zero energy waste in buildings through energy efficiency policies for both new and existing buildings, with a target to achieve a 31% reduction in greenhouse gas emissions from the building sector by 2020, against the levels 15 years earlier. The strategy is to be attained by strengthening energy standards for new buildings, improving energy efficiency in existing structures and supporting development of innovative technologies. Whatever routes are ultimately chosen for the country's future energy requirements, opportunities are likely to be created for both Korean and foreign companies.

A recent study by the EU says the country's smart grid market and green building market provide opportunities for European firms offering technologically advanced equipment and innovative systems for green certificated projects. The market is evolving as a result of the adoption in Korea of its Green Standard for Energy and Environmental Design (G-SEED) introduced in 2002. The standard is similar to the

> Korea is the sixth largest construction equipment producer in the world, with its exports supplying around 5% of the global market.

internationally recognised Leadership in Energy and Environmental Design (LEED) certification.

A showcase development is Songdo's International Business District (IBD). The area, located in Incheon, has been designed as a green, sustainable and digitally advanced area. The IBD's development began in 2005, and is already home to 50,000 residents attracting a number of international corporations and organisations. These include UN agencies, the Green Climate Fund and the World Bank's Korean Headquarters.

Developed by the US company Gale International, Songdo has been designed with sensors to monitor temperatures, energy use and traffic flow. All household waste is processed through an underground network of tunnels to waste plants to be automatically sorted, deodorised and treated to be used ultimately to produce renewable energy. The community has been designed around a central park allowing every resident to reach the business district on foot.

POSCO E&C has also been heavily involved in the development of the Songdo IBD. Such advanced projects are serving to consolidate Korean companies' credentials in overseas markets. Daelim Group's reputation as a global engineering and construction force has also been helped by its involvement in a range of major infrastructure projects, including Seoul's Olympic Stadium and the country's National Assembly Building. The company has carried out major projects in more than 24 countries.

In March 2017, Hyundai Engineering announced a deal to build a US$3.3 billion petrochemical plant on Iran's South Pars gas field. Four plants are to be built to enable an annual production of 2.2 million tonnes-a-year of ethylene and polyethylene products. Daelim has also signed a US$2 billion agreement to develop refining facilities in Isfahan. In addition, the company is pursuing a US$2 billion order to build a 1,500MW hydroelectric plant involving construction of the world's tallest dam in Iran's Zagros Mountains.

Further contracts are anticipated, especially in the run up to Qatar's hosting of the 2022 FIFA World Cup. Joint ventures with foreign partners feature in Korean construction firms export plans. This was illustrated by Daewoo E&C's announcement in July 2017, of a joint venture with Spain's Technicas Reunidas, to build the first phase of an oil refinery in Oman, which will be the largest in the country. The Korean company has previously completed a harbour, shipyard and 2,000MW power station in the Gulf state. Qatar is also an important market for Daewoo where the company is working on projects valued at US$2.4 billion. The company's Head of Finance, In-Hwan Cho, recently stated that the Gulf state is one of the key countries in which the company operates.

South Korea's creative industries ride a cultural wave

The country's manufacturing has been boosted by a growing interest and demand for Korean entertainment and lifestyle products overseas, particularly in China, Japan and Southeast Asia. The emergence of this Korean cultural wave, known as Hallyu, has helped change international perceptions of Korea and its manufacturing output.

In the latest Brand Finance Global 500 companies index, Samsung Group ranked sixth in the world, with major Korean conglomerates Hyundai and SK Group rated in 60th and 61st places respectively. The Government is keen to promote innovation and take advantage of growing interest in Korea's cultural output to boost the status of 'Made in Korea' products. A new growth model based on innovation and entrepreneurship is taking hold.

Culture is seen as a key element in the economy where imagination and ideas forge new products. The cultural wave is seen as both benefitting tourism and exports of fashionable domestic products as well as projecting Korea's national image as a progressive country.

Hallyu, meaning literally "flow of Korea" is a neologism that refers to the increase in the global popularity of Korean culture since the 1990s. In its initial stages, the phenomenon was driven by TV dramas and popular music and then spread via the internet throughout the region and beyond.

Studies carried out by the Korea Trade Investment Promotion Agency (KOTRA) and Korea Foundation for International Culture Exchange in 2014, suggested that the economic effects of Hallyu were worth US$11.6 billion to the country's economy, due to greater numbers of visitors and their propensity to buy Korean designed and manufactured clothing and other consumer products. The online gaming sector, food and drinks as well as tourism were seen as the main beneficiaries.

According to the UN Educational, Scientific and Cultural Organisation (UNESCO), a cultural industry exists when goods and services are produced, reproduced, stored or distributed on an industrial and commercial basis. Included in the cultural industry sector are broadcast and print media, advertising, sports and the broad entertainment industry. Hallyu has evolved to include beauty and fashion products, food, beverages as well as TV dramas, films, pop music, video games and even plastic surgery.

The cultural export drive has increased in the last decade with the development of digital technologies and social media. These

technologies are acting as the engine of the Korean cultural wave. Popular music downloads and online gaming users have soared as digital media has become commonplace. The exploitation of the potential uses of digital media has been helped by the country having the world's highest internet penetration and broadband speeds and the willing acceptance of new technologies among all age groups.

The explosion of Hallyu has also provided Korea with an opportunity to showcase its diverse culture, people, entertainment products, tourist attractions and its own pan-Asian performers to a wider international audience, helping to create new positive perceptions and images of the country and its people. A strong brand Korea is helping companies to project quality, modern designs and a contemporary feel for products and services.

Korea is at the forefront of the online gaming industry, valued at around US$4.1 billion in 2015, with an additional US$3.2 billion of exports generated by the sector, according to the Government sponsored Korea Creative Content Agency (KOCCA).

More than half the country's population play online games regularly. The growing popularity of e-sports led to the launch of the World Cyber Games in 2000, and since then the competition has become the Olympics of the online gaming world and been hosted in another five countries. Cyber competition is now a national sport with ten professional gaming leagues sponsored by large corporations with video games regularly televised.

The Ministry of Food and Drug Safety reported in 2016, that Korea's cosmetics production rose 20% to US$11.5 billion, while exports grew more than 60% to US$4.2 billion with about 38% of sales going to China. Korean celebrities have helped to endorse K-Beauty products to become an integral part of the wave.

In 2017, Amore Pacific, Korea's largest cosmetics firm, announced plans to open shops in Dubai and elsewhere in the Middle East in addition to Latin America. The company says that the country's beauty products have huge growth potential beyond China and Southeast Asia.

> The cultural export drive has increased in the last decade with the development of digital technologies and social media.

The Face Shop, a cosmetics retail franchise owned by LG Household and Healthcare, is also active in the Middle East with stores in Jordan, UAE, Saudi Arabia and Oman. The company has 1,300 stores in 29 countries and earned a quarter of its US$578 million revenues overseas in 2014.

Foreign markets beyond the immediate region are likely to become increasingly important for Hallyu related industries. According to the Korea Communications Commission, the Middle East and Eastern Europe are seen as long term markets for the cultural output in countries such as Bulgaria, Hungary, Poland and Romania as well as Jordan and Turkey.

KOCCA opened its UK based office in 2004, and it is hoped that the Korea-UK Creative Industries Forum, which held its second gathering in 2016, will lead to collaborations in the fashion and digital media sectors. The London Korean Film Festival has been an annual event for a decade. In 2013, the science fiction film Snowpiercer was featured. The US$40 million production, a collaborative project with the Czech Republic, was Korea's most expensive cinema production to date and starred a British cast.

Korea has been keen to learn from London's experience in hosting the Summer Olympics in 2012 and World Athletic Championships in 2017, in preparation for the Winter Olympic Games at Pyeonchang in February 2018. The event is expected to showcase Korea's digital expertise and a wide spectrum of innovative technologies and systems. The UK connection is poised to develop with potential partnerships between start-up firms from Seoul's Culture and Creative Venture Complex and London's Tech City, in areas such as video games and visual effects.

The international success of Hallyu through Korean TV dramas, popular music, films, video games, fashions, cosmetics as well as food and drinks has had a significant impact on perceptions of Korea and increasing outside interest in the country. Korea's embrace of a new industrial and manufacturing age is looking towards small medium scale enterprises and start-up firms for inspiration and to reinforce the country's hard earned reputation as an innovative economy. The Korean Wave may change direction and intensity but it is a phenomenon that is helping domestic companies forge relationships with digital media and other leading edge firms that can help nascent creative industries to develop.

Sports development and recreation activities provide rich investment potential

South Korean sports has become a multibillion dollar industry with the prospects of much more growth as the country's sports and recreational pursuits link into global added value chains through live sports events, television and take-up of new technologies.

The Ministry of Culture, Sports and Tourism estimates that the country's entire sports industry generated US$34 billion in revenues in 2014, with some 71,000 companies and organisations involved in the country's wide ranging sports activities and businesses that employ more than 270,000 people.

For a country with a relatively small population, South Korea has become a powerhouse in international sports. At the 2016 Olympic Games in Rio de Janeiro, the South Korean team won 21 medals, nine of them gold in events ranging from archery, fencing, taekwondo and golf. Four years earlier at the London Olympic Games the country displayed its football prowess by winning bronze in the men's final. Baseball is also a national sport and Korea took the gold medal in the 2008 Olympic Games in Beijing.

South Korea also has a proven track record of holding large-scale sporting and entertainment events, displaying its expertise by hosting the biggest global competitions including the Summer Olympic Games in Seoul in 1988.

In 2002 South Korea, in conjunction with Japan, staged the FIFA World Cup and the IAAF World Athletics Championships in Daegu in 2011. In 2014, the Asian Games were held in Incheon. Most recently in June 2017, the FIFA under 20 World Cup featuring teams from 24 countries was also held in the Korean city of Suwon and five other venues. Formula One has also visited, with the Korean Grand Prix held at Yeongam between 2010 and 2013.

Elite sports performance has been the main priority of government sports policy in recent years, which has resulted in success in consecutive Olympic Games since 1988, with the country consistently ranking in the top ten in medal winners. However, community sports development is also now being given greater attention.

Golf is very popular at an amateur and professional level and Korean sportsmen and women have won both the PGA and LPGA championships and are particularly prominent in the LPGA rankings. Proud of Korean women's success, golf has attracted increasing numbers of women players since Pak Seri became the youngest ever winner of the US Women's Open in 1998.

The country has 473 golf courses in addition to some 7,000 simulated ranges, where players drive balls down a fairway projected onto a screen. Koreans are estimated to spend around US$13 billion a year

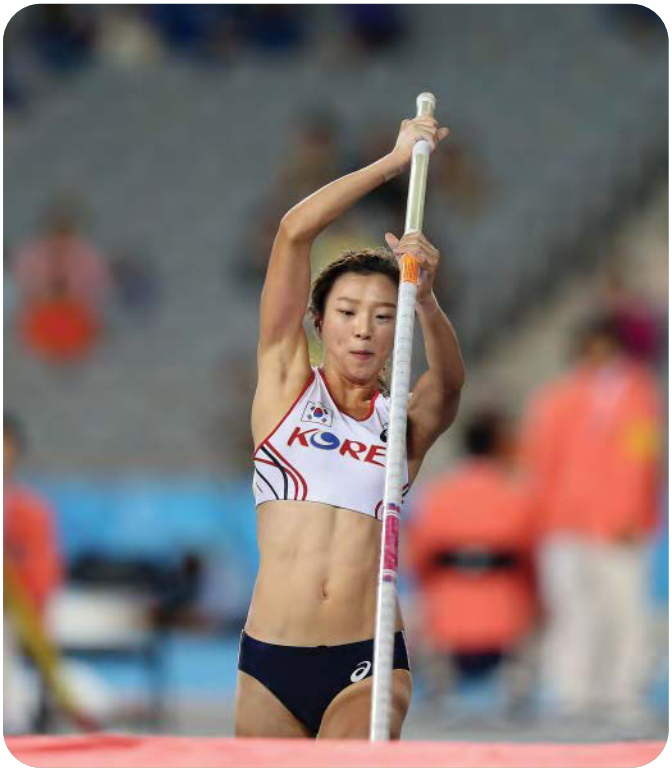
playing golf. The sport accounts for nearly 40% of all revenues accruing from participation sports.

Golf and a wide range of other recreational pursuits constitute an opportunity for sportswear brands with an estimated 40% of Koreans older than 15 years participating in sports activities at least once a week, including skiing between November and March. Hiking is also a very popular pastime.

Professional sport has also become big business, featuring world class football and baseball leagues. This development offers branding opportunities for foreign companies seeking to promote their services and products.

The UK's Digital sports content and media group, Perform, recently entered the Korean market in a partnership with the Seoul based company WAGTI, to manage and promote the local edition of Goal, the UK company's football brand and website. WAGTI is seeking to raise the international profile of Korea's K-League and attract a bigger audience for football in and outside the country.

The K-League was founded in 1983 and comprises two divisions, the K-League Classic and second tier K-League Challenge. Leading companies have a big role with teams such as Jeonbuk Motors owned by Hyundai, Suwon Bluewings financed by Samsung, Pohang Steelers owned by steel maker POSCO and Jeju by SK Energy.



The involvement of companies arose from the foundation of the league when tax breaks were given to those firms financing the clubs. John Mou, MD of the US owned sports analysis company Repucom in Seoul, believes the league should be looking further afield for future growth. He suggests foreign investors could get closer to Korean consumers if they became involved.

While football is increasingly popular in Korea, it still trails behind baseball as the country's number one sport. Each of Korea's major cities is home to at least one team in the Korean Baseball Organisation (KBO) League. Seoul alone has three clubs. Other teams mainly owned by and named after major companies, are based in Incheon, Daegu,

> Korea can lay claim to having founded the electronic sports industry in the early 2000s and is now a world leader in competitive gaming.

Changwon, Suwon, Busan, Gwangu, Changwon and Daejeon. In addition to baseball and football, volleyball and basketball are also very popular professional sports.

Another major and expanding recreational pursuit that has become a professional sport and industry in its own right are electronic sports. E-sports has gone beyond just gaming and has become a mainstream activity with teams owned and sponsored by big corporations for marketing their products and services. The Ministry of Culture, Sports and Tourism estimates that e-sports is an industry valued at more than US$400 million a year.

Korea can lay claim to having founded the electronic sports industry in the early 2000s and is now a world leader in competitive gaming. Videogaming has been stimulated by Korea's very high broadband coverage and the country's 18,000 plus internet cafes. These venues are often filled with young people seeking to perfect their skills in games such as League of Legends and Starcraft. The emerging and booming trend has become a national passion, with sponsored teams and intense training sessions as in other physical sporting activities.

Major Korean companies such as Samsung, KT and SK have helped develop e-sports by funding e-sports teams. KeSPA was set up in 1999, and is affiliated to the Ministry of Culture, Sports and Tourism. The Government has helped by building a stadium dedicated to e-sports in Yongsan, while Samsung and Microsoft helped in setting up the World Cyber Games which ran for 14 years between 2000 and 2014.

Currently the Government's main sports focus is on staging the Winter Olympic Games due to be held in February 2018, at Pyeonchang. There will be no shortage of facilities or snow. The venue is 700m above sea level with consistent seasonal snowfall. The Olympic venues have all been completed, a task made easier since a number of them had already been started in preparation for previous bids to host the event.

The country is expected to use the international focus on the Winter Olympics to showcase environmental concerns and green technological expertise. Recent sports events including the Asian Games and University Games in 2015 held at Gwangu, emphasised low carbon and green building techniques.

Tourism industry aims to diversify its products and destinations

Over 30 years during which Korea has become proficient in hosting major international events, including the G20 summit in 1993, the Summer Olympics in 1988, FIFA World Cup jointly with Japan in 2002 and the Asian Games in 2014. The Winter Olympics will be the latest to be added to this list when the 2018 event starts in February at Pyeonchang.

The Games will introduce newcomers to a technologically advanced society with modern, fast transportation and a country with cultural appeal and huge tourism assets that have considerable development potential.

In 2016, the number of foreign visitors to Korea reached 17 million, surpassing the previously high of 14.2 million. As numbers have increased, the contribution of tourism to national economic development has become more important. Korea earned US$17 billion from the sector in 2016, a 13.2% increase in revenues over the previous year. The London based World Tourism and Travel Council (WTTC) estimates the industry employs around 1.6 million people, some 6.5% of total jobs in the country. Overall the sector has accounted for an average 5.3% of GDP over the last decade.

Korea's first class transport infrastructure makes it easy for visitors to get around the country. The modern feel, as well as the popularity of Korean pop culture and fashion have also served to boost the country's appeal as one of the leading destinations in the region for both business and leisure travellers.

The capital, a conurbation of some 9.5 million people, is not just a centre of business activity in Asia, but increasingly a cosmopolitan regional hub with extensive shopping districts. These include the spectacular Zaha Hadid designed Dongdaemun Design Plaza, as well as many museums and other cultural attractions which are changing perceptions of the city as essentially a place of business. There is a great deal of potential for new urban development which is expected to focus on leisure and relaxation. A park and cultural area is to be developed on a 2.5km^2 site in central Seoul. The vast and currently restricted site has been occupied by the US military for more than 50

years which is now relocating its HQ southwards to Pyeongtaek in Gyeonggi Province.

Many visitors from North Asia as well as Koreans are attracted to parts of the country that are yet to be discovered by other international visitors. Jeju Island, for example, is considered Korea's Hawaii, with its extensive white sand beaches and numerous resorts including eight of the country's 17 casinos. Natural attractions include the revered Mount Hallasan, the country's highest mountain at 1,950m, which is located in a national park as well as a cherry blossom season rivalling Japan's. The island's airport is the country's second busiest after Incheon and is used by 26 million passengers a year who have traditionally come mainly from China, Hong Kong, Taiwan and Japan.

In addition to attracting international tourism, the Government is keen for its work focused population to achieve a better lifestyle balance. Leisure activities and holidays are being encouraged.

The coastline and Korea's extensive archipelago are seen as areas for the development of resorts, hotels and other visitor facilities. Busan on the southeast coast with its beaches and hot springs hosts many local festivals and arts events and is growing in popularity. Large scale tourist developments have been proposed for Anmyeon Island in South Ghungcheong Province and on the country's southwest coast in Jeollanam-do Province.

The Government also wants more foreign visitors and is aiming to reach 20 million annually in the next few years. In particular, there is a desire not to rely so heavily on markets such as China.

The strategy also involves improving facilities and services, diversifying the amount of attractions, streamlining the visa system and improving the country's air traffic connectivity within the region and beyond. Korea has already announced plans to issue electronic visas for Southeast Asia residents. Tourists travelling in groups will not be required to visit local Korean embassies to obtain a visa since they will be issued through an accredited travel agency.

For many years, China has been the most important source of visitors for Korea with around six million Chinese tourists arriving annually, followed by Japanese who account for some 2.3 million.

According to Won Hee-ryong, Governor of Jeju Province, the island is now refocusing on domestic tourism to help compensate for a 46%

> The coastline and Korea's extensive archipelago are seen as areas for the development of resorts, hotels and other visitor facilities.

fall in Chinese visitors. The Korea Tourism Office is focusing its promotion efforts on other promising markets in Asia, the Middle East and America. The move is being helped by the popularity of Korean products and the country's cultural output, especially in Southeast Asia.

According to Park Hee-Kwon, Korea's representative to the UN World Tourism Organisation in Madrid, and the country's Ambassador to Spain: "The implementation of a coherent long term growth strategy for tourism, together with a strong drive to improve cultural contents, such as K-pop, and the production of television and films, will go a long way to consolidate Korea's status as a global destination."

Another fast growing sector is medical tourism with the number of foreign patients increasing year on year. Government efforts to underpin the legal framework governing clinics and hospitals operating in this sector are likely to strengthen Korea's credentials in a competitive regional market and attract a growing number of patients from overseas for a wide range of procedures.

Around 95% of visitors travel by air and it is vital for the country's tourism industry that new routes are opened up and increased frequencies are implemented. Korea Air, the country's largest airline has 90 new Boeing and Airbus airliners on order to improve long haul and regional services. Asiana Airlines, the country's second largest carrier is also modernising its fleet with six super jumbo Airbus A380s and 30 A350 twin-aisle aircraft.

Incheon International Airport, serves the capital area and is one of the world's most advanced aviation hubs both for air freight as well as passenger services. It has been ranked the best airport in the world for nine years running through to 2016, by Airports Council International, a global association representing airport authorities.

The airport now connects 182 cities in 56 countries and serves around 48 million passengers a year. It boasts one of the world's most streamlined departure and arrivals procedures with times that are a third of the global average. The current terminal can handle 54 million passengers a year but it is nearing capacity. As a result, a second terminal costing US$4.8 billion is due be completed in 2017.

The CEO of the Korea Tourism Organisation, Jung Chang-soo says: "We have to develop new markets not just to reduce dependency on China but to ensure sustainable growth for the country's tourism industry and emerge as a global tourism power. Southeast Asia is a market with great potential because of its proximity and its peoples' strong interest in Korean culture and food."

Key Facts

Korea has demonstrated phenomenal social improvement and exponential economic growth. In the 1960s, GDP per capita was comparable with levels found in the poorest parts of Africa and Asia. Since then, Korea has become a high-tech industrialised country, increasingly well integrated into global trade.

It now has FTAs with the US, EU, EFTA and ASEAN as well as with eleven other countries, giving its electronics and car manufacturers access to the most valuable global markets. Busan is now the fifth largest container port in the world.

By 2004, Korea had become one of the world's richest economies and joined the OECD. It began to deploy the fastest internet speed becoming a world leader in ICT development, e-governance and advanced cellular phone technologies. In 2016, Korea was the world's eleventh largest industrial economy and fifth largest exporter with the largest budget surplus among G20 countries.

The IMF projects GDP growth of 3% in 2017, based on growing private consumption, a stronger housing market and the impact of fiscal and monetary easing. However, the economy's long term challenges include a rapidly ageing population, dominance of large conglomerate firms and a heavy reliance on exports, which comprise almost half of GDP.

The IMF says that while Korea faces constraints due to this ageing population and a heavy reliance on exports, its low level of public debt means that structural reforms can be carried out to support future growth and cushion any potential adverse effects resulting from corporate restructuring.

President Moon Jae-in, a former human rights lawyer, was elected in May 2017, promising a radical overhaul to increase jobs, promote SMEs and increase minority shareholders rights in major conglomerate companies.

The country is already among the world's largest spenders on R&D as a percentage of GDP and is seeking to become a leader in the Fourth Industrial Revolution, which will impact increasingly on manufacturing and transportation.

Korea is one of the largest global spenders relative to its GDP and has become a leader in low carbon green technologies. Its companies and research institutions are looking at the way economies function in future, driven by leading edge products and systems linking information.

The strategic aim is a diversification of the economy from its reliance on export-led industries such as electronics, using innovation as a driver of future growth. Innovation is seen as having the potential to transform other economic areas such as services, agriculture and water management. In this, Korea is open to investment and technical assistance from abroad.

SOUTH KOREA

Head of State: President Moon Jae-in

Prime Minister: Lee Nak-yeon

Last national election: 9 May 2017

Area: 99,720km^2

Coastline: 2,413km

Border Countries: Democratic Peoples Republic Korea

Capital: Seoul

Population of capital: 9.8 million

Main cities: Busan, Incheon, Daegu, Daejon, Gwangju

Provinces: Gyeonggi; Gangwon; South Gyeongsang; North Gyeongsang; South Chungcheong; South Jeolla; North Jeolla; North Chungcheong; Jeju.

Total population: 51.1 million

Climate: temperate, cold winters, main rainfall in summer

Languages: Korean (English increasingly taught)

Religions: Christian and Buddhist

Ethnic groups: homogeneous

Monetary unit: Won (market driven exchange rate)

Main industries: electronics, telecoms, cars, shipbuilding, steel, chemicals

Major export partners: China (26%), US (13%), Hong Kong (5.8%), Vietnam (5.3%), Japan (4.9%)

Major imports: oil, liquefied natural gas, specialist chemicals

Major import partners: China (20.7%), Japan (10.5%), US (10.1%), Germany (4.8%), Saudi Arabia (4.5%)

Internet domain: kr

International dialling code: +82

Source: CIA World Factbook

Featured Contacts

AstraZeneca: astrazeneca.com

British Chamber of Commerce in Korea (BCCK): bcck.or.kr

Department for International Trade (DIT): www.gov.uk

Hyundai Merchant Marine (Europe) Ltd: www.hmm21.com

IPG LLC: www.ipglegal.com

Invest Korea: www.investkorea.org

Jaguar Landrover: www.jaguarlandrover.com

KB Financial Group: www.kbfg.com

KOTRA: www.kotra.or.kr

Kroll: www.kroll.com

Nowak & Partner: www.nowak-partner.com

PricewaterhouseCoopers: www.pwc.com

Robert Walters: www.robertwalters.co.kr

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