



# Korea, Place for Investment

- Czech Republic ICC Territorial Workshop -

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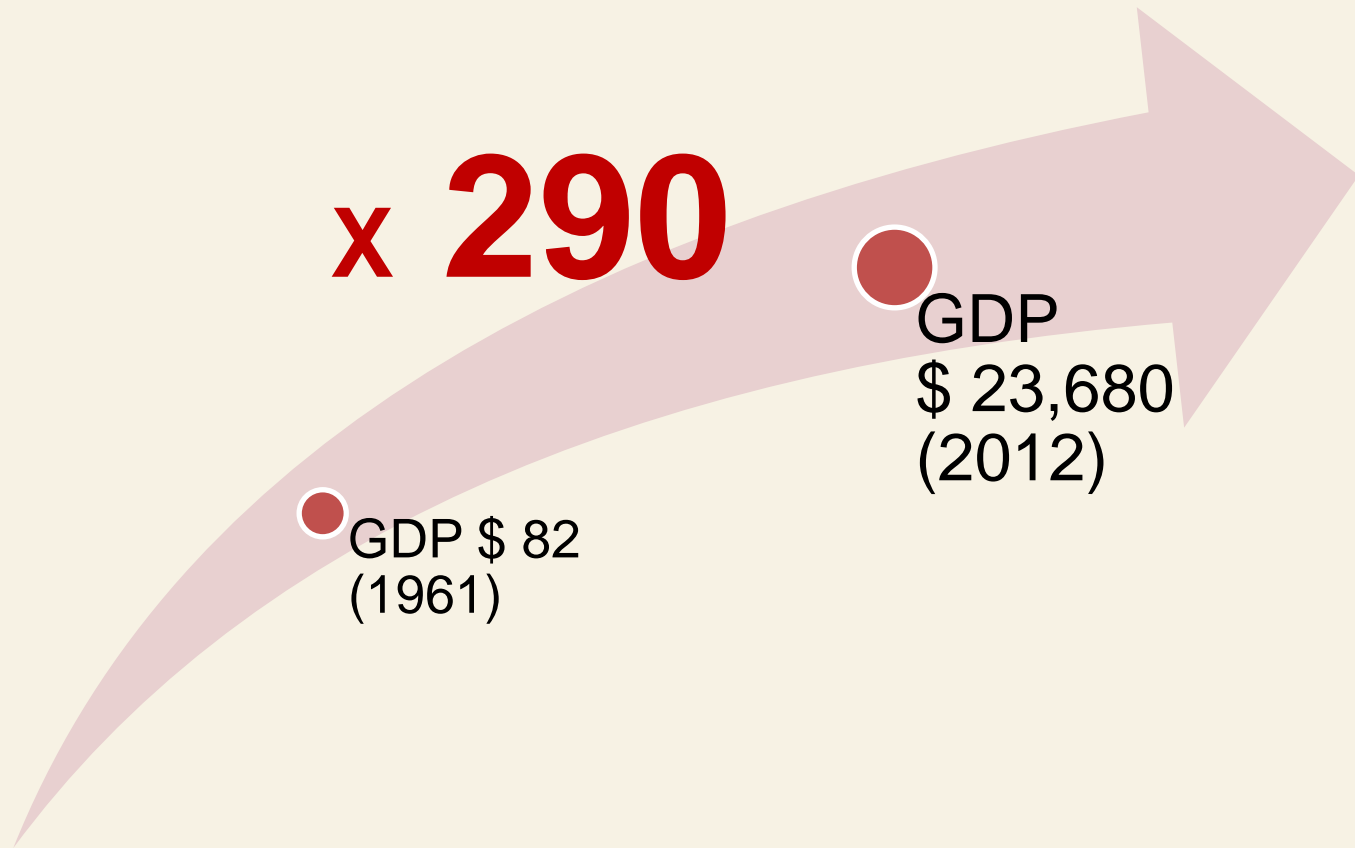


# Overview of Korean Economy

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01

- Unprecedented Growth



# Overview of Korean Economy



- Joined 20K-50M Club (2012)



Japan (1987)  
GDP (per capita) \$46,973  
127M



Germany (1991)  
\$42,625  
81M



USA (1989)  
\$49,601  
314M



UK (1996)  
\$38,891  
63M



France (1990)  
\$42,793  
63M



Korea (2012)  
\$23,680  
50M



Italy (1990)  
\$33,942  
60M

# ■ Globally Competitive Industries

## Mobile Phone



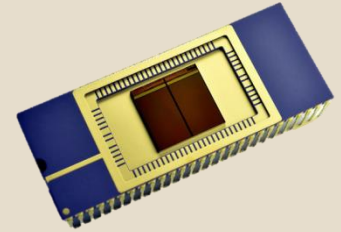
**1st** SAMSUNG  
32.3%  
(2Q 2014)

## Display



**1st** 48.5%  
(1H 2014)

## Semiconductor



**1st** 52.4%  
• DRAM 68%  
(2013)

## Ship Building



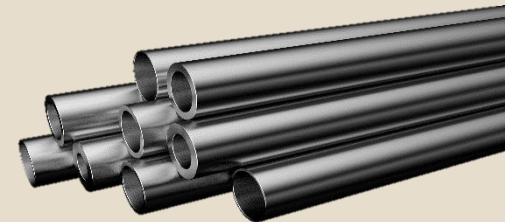
**2nd** Order/Building  
(2013)

## Automobile



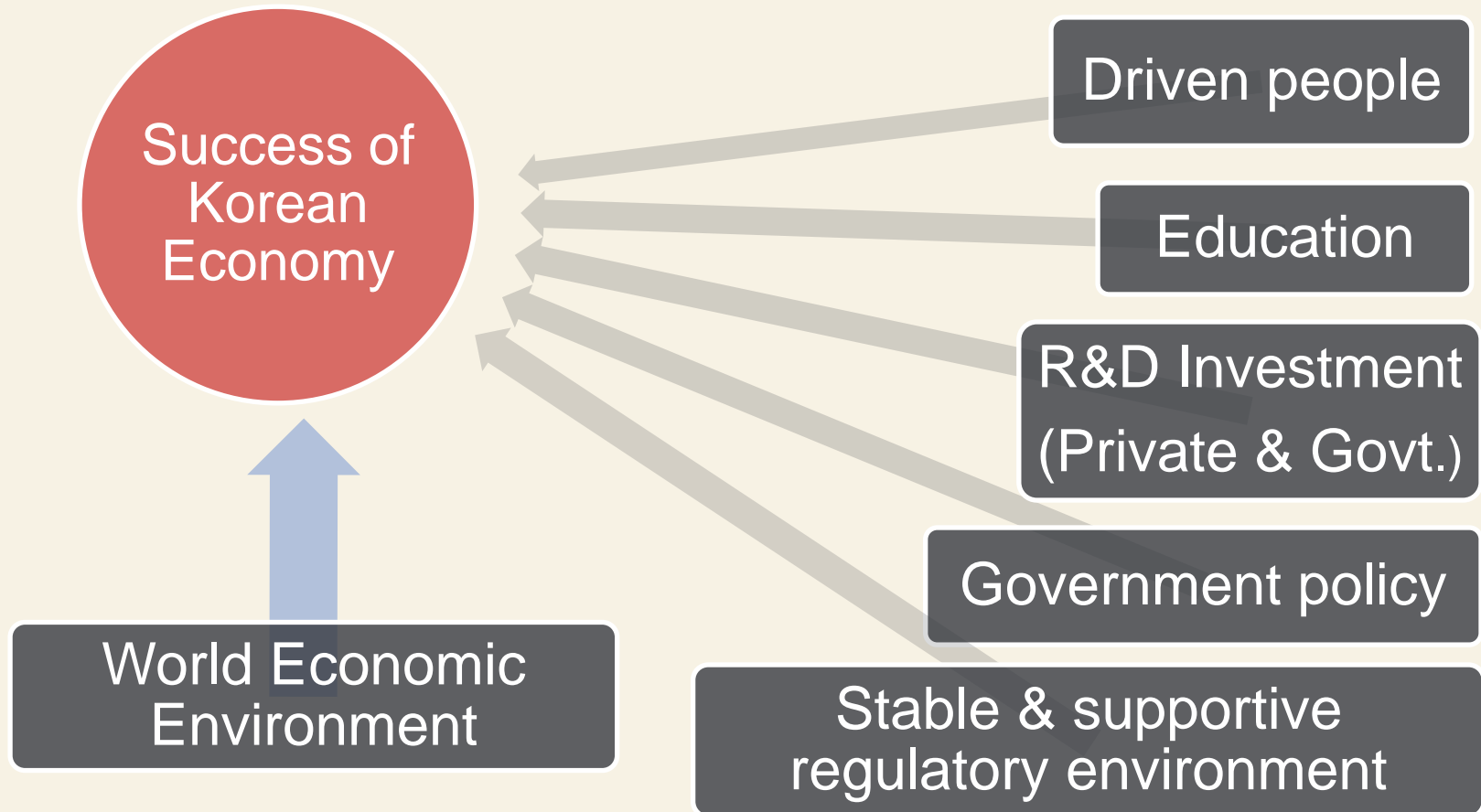
**5th** Production/Export  
(2013)

## Steel Industry



**6th** 4.5% of  
global production  
(2013)

# Overview of Korean Economy



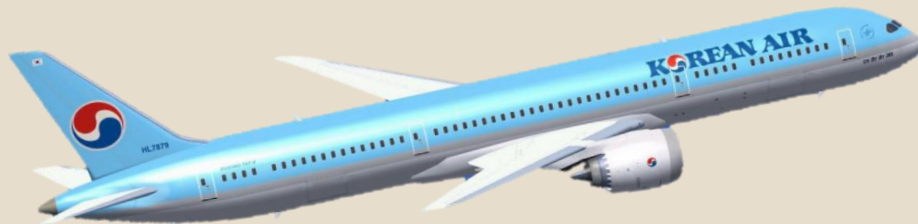
- FDI in Korea

	<b>2013</b>
<b>Total</b>	14.548 billion USD
<b>By Industry</b>	Service - 67.7%
	Manufacturing - 31.9%



- Economic Outlook (2014)

	2013	2014
GDP	▲ 2.8%	▲ 3.9%
Export	▲ 2.1%	▲ 6.4%
Import	▼ 0.8%	▲ 9 %
Households Consumption	▲ 1.9 %	▲ 3.3%
Plant & Equip. Investment	▼ 1.5%	▲ 6.2%
Unemployment	3.1%	3%

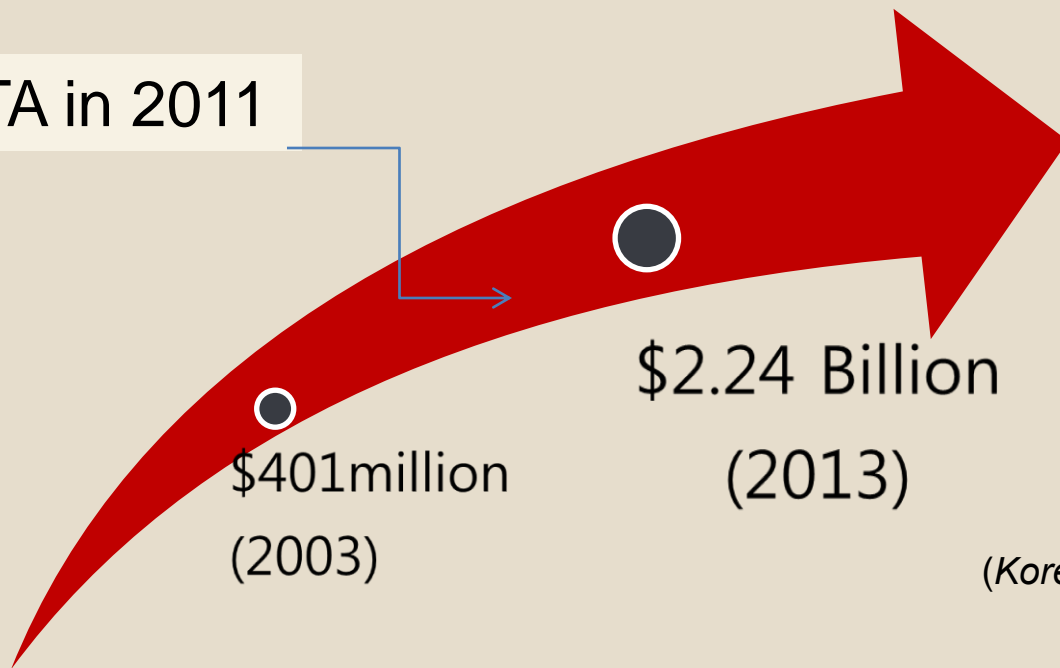


# Economic Relations with the Czech Republic

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02

ROK-EU FTA in 2011



*(Korea Int'l Trade Association)*

KOR to CR

- Automobile parts (53%)
- Computers (4.6%)
- Automobiles (3.3%)

CR to KOR

- Electronic application equip.(9.6%)
- Static electric equip.(8.4%)
- Automobile parts (7.7%)

# Investment in the Czech Republic



- 1.49 billion USD (2013.12)
- 3<sup>rd</sup> biggest investor in the Czech Republic (2014)

## Major Investment



- 31 billion CZK
- 300,000 cars per year
- 3500 employed

2006



- 11.8 bn CZK
- 1300 employed

2009



- 44% of CSA
- 8/wk KOR-CR direct flights

2013



- 4 bn CZK
- 900 to be employed



- 31bn CZK
- Up to 2,300

2014

- Untapped potential

	<b>2013.12</b>
Total	785,000 USD
No. of company	2

*(Korea Exim Bank)*

*Inviting the Czech Republic to  
Korea, a Place for Investment and  
Economic Opportunity*



## Why Korea?

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**03**

## Internal Market

Population: 50 million

Total GDP: \$1.1975 trillion (2013)

GDP per capita: \$24,329(2013)



## Regional Market

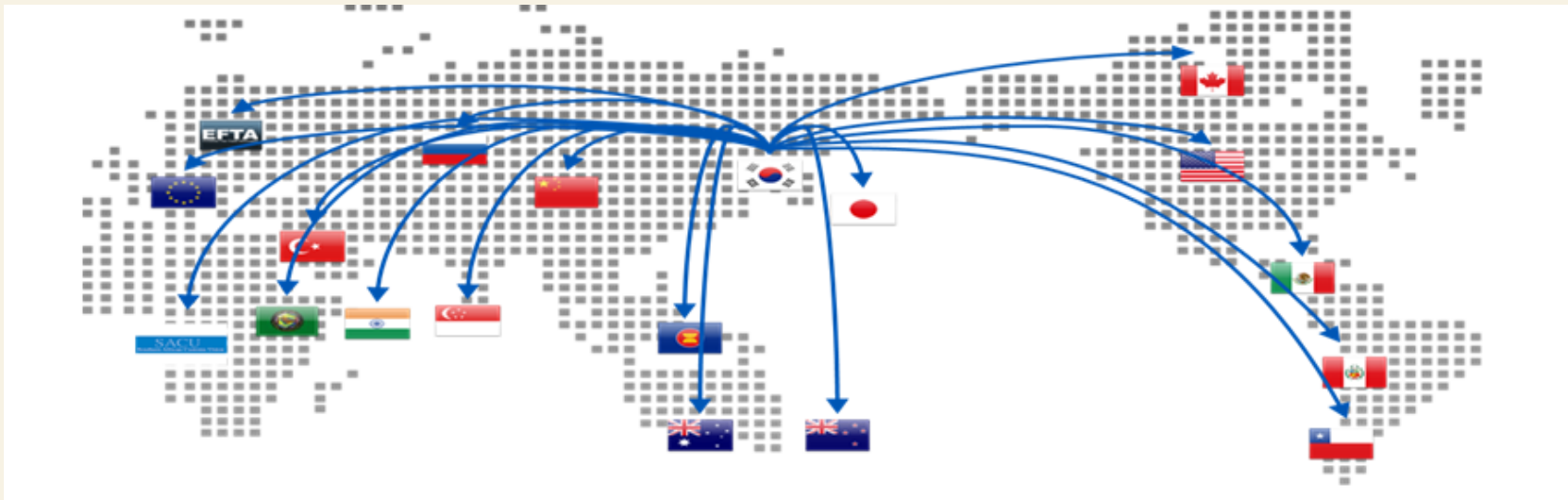
- Center of air & maritime transportation networks in NEA
  - 51 cities with a 1M-plus population within a 3 hour flight from Seoul
- Korea, Japan & China (2012)
  - Combined GDP : \$15 trillion
  - Population : 1.53 billion
  - Trade Vol. : \$ 6.6187 trillion



## Global FTA Network

- In effect : EU, ASEAN, USA, EFTA, India, Chile, Peru, Singapore, Canada
- In negotiation : China, Vietnam, New Zealand, Australia, Mexico, GCC

• *Presidents of Korea & China agreed to conclude KOR-CH FTA in 2014*



## Excellent Test-bed

*“Korea is the first place where a lot of companies can test new technologies and new ways of doing business”*  
(Joseph Kerm, CEO, IBM Korea)



Green Latte goes to Asia  
after success in Korea



Coffee with high  
concentration of anti-  
oxidant for health  
conscious Koreans



10kg washing  
machine for Korean  
market

## Unified Korea

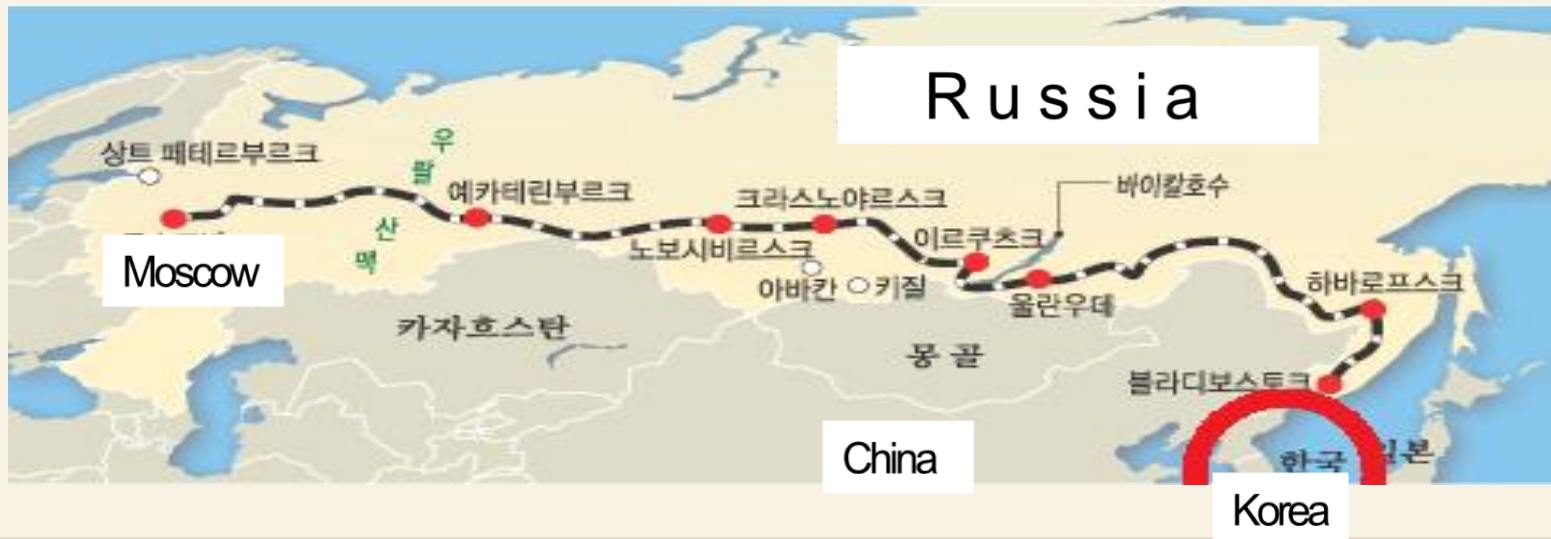
- Expected Population : 80M
- North Korean labor force with South Korean technology, management skills and capital
- Natural resources in North Korea
- New development demand



## Unified Korea

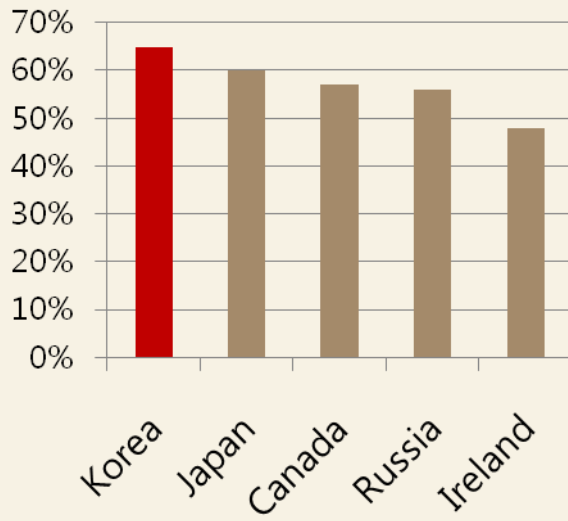
### ■ Eurasia Initiative

- Korea-Europe logistical network through land, cutting the time/cost taken on maritime routes
- Expanding economic, social, cultural exchanges with Europe

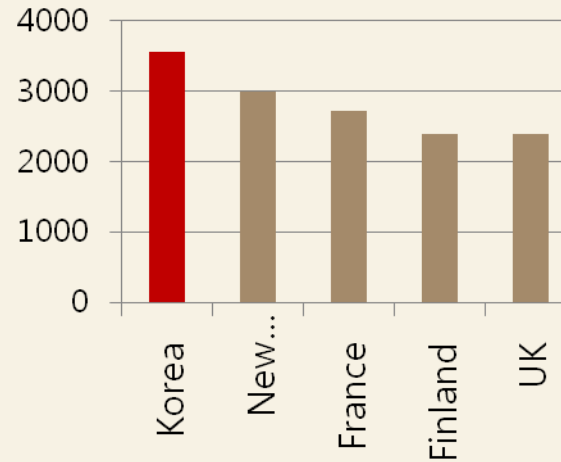


- Stable supply of high-skilled labor
  - 65% of 25-34 year olds is college graduates (appx. 470,000/annum)
  - Proactive self-development and life-long education after graduation

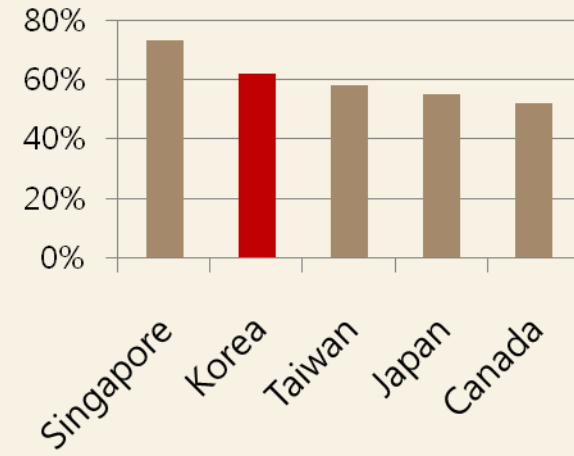
### College graduation rate



### Engineering college graduates



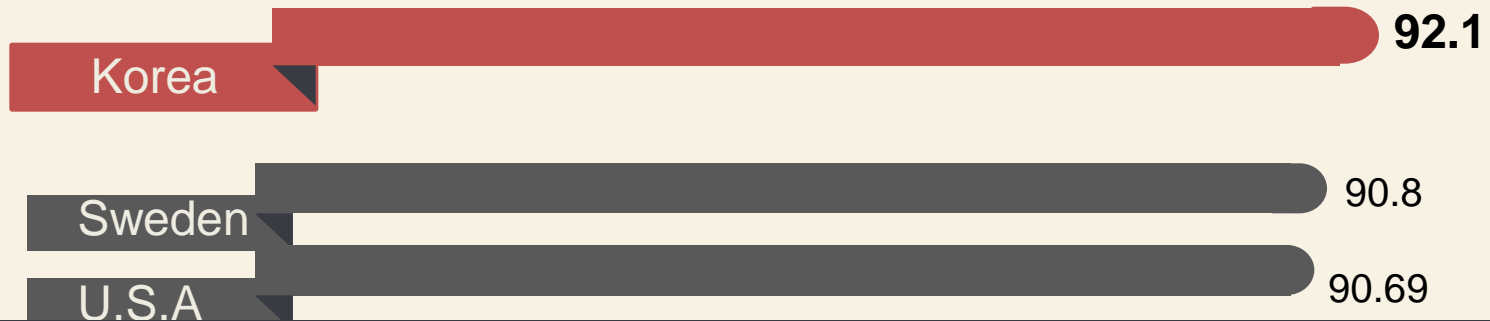
### Higher education achievement



- Share of R&D expenditure in GDP : 1st in the world
- Scientific Infrastructure : 6<sup>th</sup>
- Technological Infrastructure : 8<sup>th</sup>

<2014 IMD World Competitiveness Yearbook>

<2014 Bloomberg Global Innovation Index>



## Most Innovative Country

- Korea, Choice for R&D Centers



IBM Ubiquitous Computing Lab



MS Mobile Innovation Lab



Google Engineering





Flight

Incheon International Airport  
→ **No.1** international airport for **9 years**



Port

31 ports dotted round the peninsula



Railway

- 3,650km of railways
- 417km KTX(high speed railways)



Road

**37** well-maintained motorways connecting through the country

Internet access & technology

1<sup>st</sup> (2010-2013)

ITU ICT Development Index

City  
transportation

Medical  
facilities

Education

*“I believe there were no difficulties doing or expanding business in Korea. The business environment of Korea is good for foreign investors. I am sure that speed is the key to gaining opportunities over your competitors, and Korea can be the best answer for speed”*

(Frank Appel, DHL CEO)

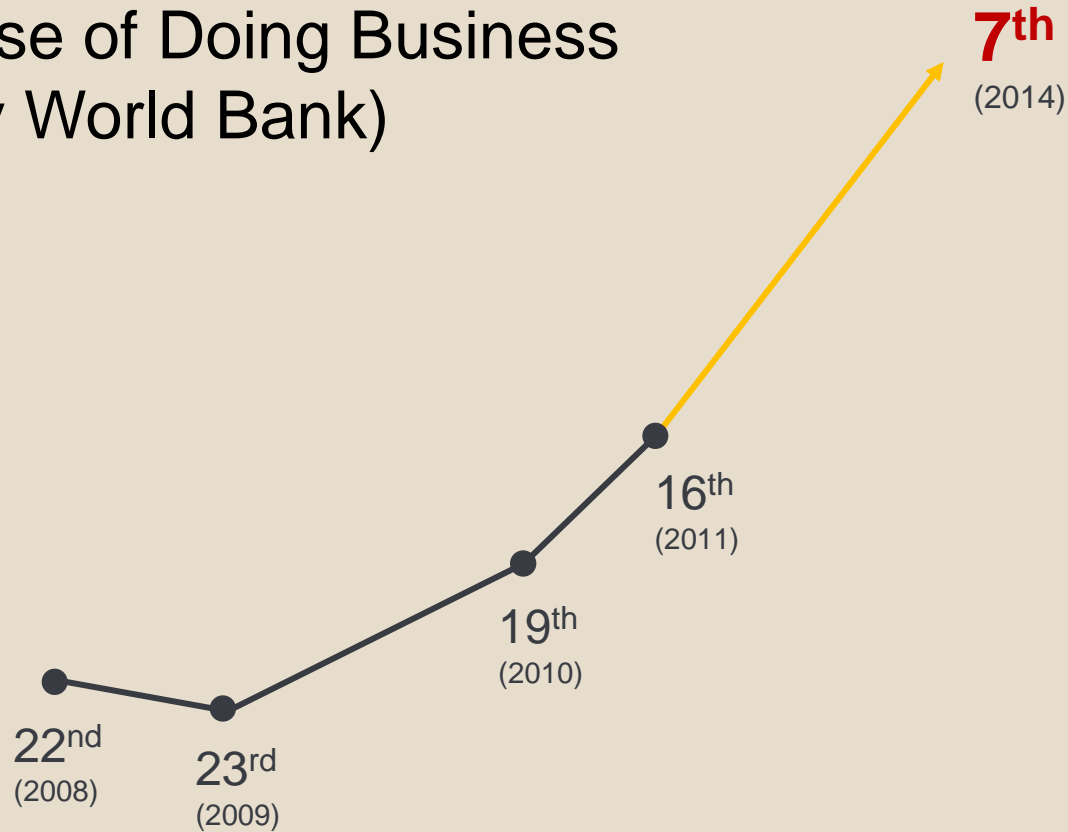
- Efforts to improve investment environment
  - Investors' meeting presided by the president
  - Increased cash grant to R&D Centers
  - Measures to Improve living conditions
  - More Foreign Investment Zones

Increase  
Cash  
Grant

Expand  
Foreign  
Investment  
Zones

Improve  
Living  
conditions

## Ease of Doing Business (by World Bank)



# Right Place for Business

## One-stop Consulting Service

Korean equivalent of CzechInvest “Invest Korea”

Offer consulting service for A to Z

Dispatch Investment Counselor overseas



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

Email: [ikonline@kotra.or.kr](mailto:ikonline@kotra.or.kr)

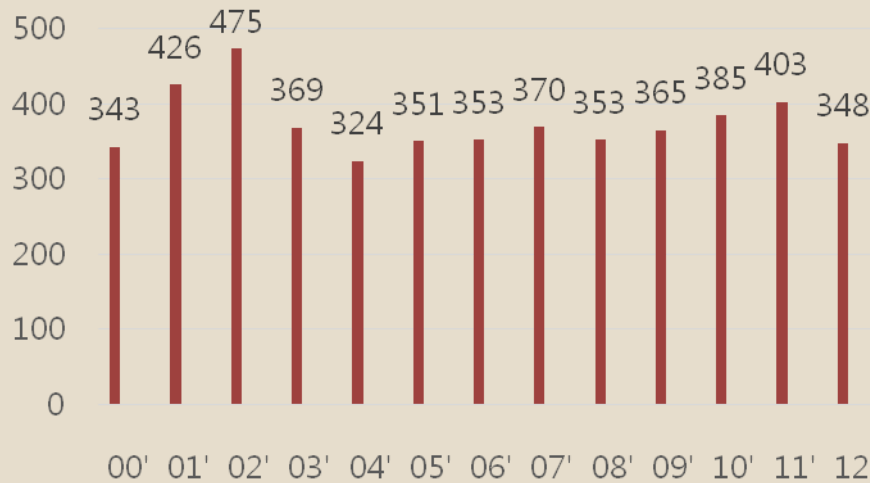
Tel : 82-1600-7119

## Foreign Investment Ombudsman (appointed by the President)

Founded under KOTRA in 1999

Receive grievances from foreign investors

Advise relevant govt. offices to solve the problems



[www.i-ombusman.or.kr](http://www.i-ombusman.or.kr)

Tel : 82-2-3460-7660

<No. of cases received>



## Investment Incentives

04

1. Tax Incentives
2. Cash Grant
3. Site Location Support



- High-tech business (Govt. designation)
- Industrial support services
  - finance, information processing etc.

## Incentives

Corporate & Income tax

- 5 years (100%)

- 2 years (50%)

Local Tax

- up to 15 years (100%)

Customs duties

Special excise tax

VAT (subject to conditions)

- Free Trade Zone
- Foreign Investment Zone (Complex Type)
- Free Economic Zone

## Incentives

Corporate & Income tax

- 3 years (100%)
- 2 years (50%)

Local Tax

- up to 15 years (100%)

Customs duties

- Plant & Non-manufacturing Facility Expansion
  - land acquisition
  - facility construction
  - research equip./capital goods purchases
  - education & training

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## Evaluation Criteria

Level of technology transfer

Level of job creation

Location (i.e. underdeveloped areas)

Not overlapping with domestic investment

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## Procedures

Apply to Ministry of Trade, Industry & Energy (MOTIE)



Deliberation at the Foreign Investment Committee  
(within 60 days)



Tripartite agreement  
(the govt, local govt. and the investor)

## Foreign Investment Zone

### Complex Type

Application	Local Govt. applies to the MOTIE -Minimum 330,000m <sup>2</sup> - Needs to secure min. 60% of occupancy in advance through MOUs
Investor Eligibility	Foreign investment ratio of 30% or more
Incentives	- 75%-100% reduction in land lease fees - Corporate/Income tax (5yrs) - Local Govt. tax (up to 15 yrs)

## Foreign Investment Zone

### Individual Type

Application	Investors apply to a local govt.	
Investor Eligibility	Manufacturing	≥ 30M USD
	Tourism	≥ 20M USD
	Logistics	≥ 10M USD
	R&D	≥ 2M USD
Incentives	<ul style="list-style-type: none"><li>- 100% reduction in land lease fees</li><li>- Corporate/Income tax (7yrs)</li><li>- Local Govt. tax (up to 15 yrs)</li></ul>	

## Foreign Trade Zone

Location	Near industrial complexes, airport, ports, logistical complexes etc.
Investor Eligibility	Govt.-listed high-tech business Industry support services High prospect of technology transfer, etc.
Incentives	<ul style="list-style-type: none"><li>- Reduction in land/plant lease fees</li><li>- Exemption from Customs Act</li><li>- One-stop Service (building permit ,etc)</li><li>- Corporate/Income tax (5 yrs)</li><li>- Local Govt. tax (up to 15 yrs)</li></ul>

## Foreign Economic Zone

Location	Govt. designated areas with manufacturing, logistics and tourism infrastructure
Incentives	<ul style="list-style-type: none"><li>- Corporate/Income tax (5 yrs)</li><li>- Local Govt. tax (up to 15 yrs)</li><li>- Customs duties</li><li>- Foreign educational institutions, hospitals</li><li>- Foreign language services</li><li>- Foreign currency and broadcasting</li><li>- Cash grants etc.</li></ul>



## Parts & Material Industrial Complex

Eligibility	High-tech parts & material firms	
Incentives	<ul style="list-style-type: none"> <li>- Manufacturing (\$10M)</li> <li>- Logistics (\$5M)</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate/Income tax (5 yrs)</li> <li>- Local Govt. tax (up to 15 yrs)</li> </ul>
	<ul style="list-style-type: none"> <li>- Companies holding advanced technology (<math>\geq</math>\$1M)</li> <li>- Manufacturing(<math>\geq</math>\$5M)</li> </ul>	No Rental fees

## Real Estate Investment Incentives

Incentives	Permanent Resident Status	
Eligibility	Purchase of recreational accommodation (i.e. condo)	
	Jeju Island	$\geq 500,000\text{USD}$
	Incheon	$\geq 700,000\text{USD}$

- The Prerequisite for success in Korean market
  - Technological edge
  - Competitiveness
  - Partner(s)



Thank you