Ministry of Trade, Industry and Energy

New Administration's Economic & FDI Policy Direction

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CONTENTS

1

New Administration's Economic Policy Direction

1. Korea's Economic Status

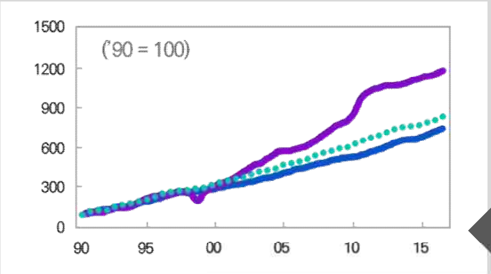
GDP	World GDP Ranking	11th
	2017 GDP Growth Forecast	3.0%
Finance	Foreign Exchange Reserves	9th
Trade	Trade Volume	8th
Credit Rating	Korea's Credit Rating	Stable
	Moody's AA, S&P AA, Fitch AA-	

Source: IMF, WB, WTO, BOK, Korea Exchange, S&P

2. New Growth Paradigm: People-centered Economy

Income-driven Growth

- Widening income gaps between households and companies
- Lack of social safety net



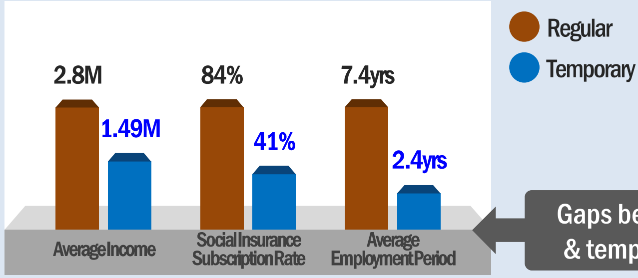
Changes in household and corporate income

Boost household income to drive economic growth

- Raising minimum wage, reducing basic living expenses
- Establishing the social safety net
- Providing customized education to nurture talent

Job-driven Economy

- Jobless growth
- Need for policies for a more inclusive labor market



Gaps between regular & temporary workers

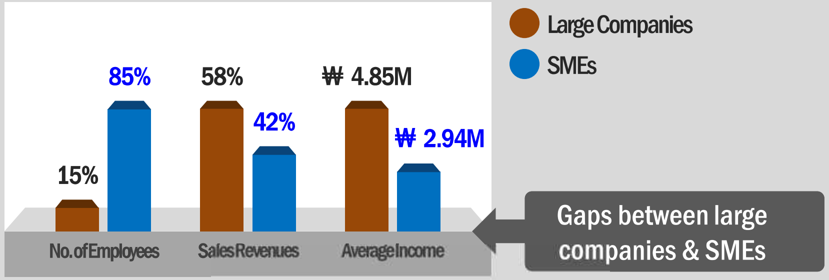
Create quality jobs

- Redesigning policies to center on job creation
- Addressing discrimination against temporary workers, improving work conditions
- Offering customized support for job seekers, disseminating creative job models that benefit both employers and employees

2. New Growth Paradigm: People-centered Economy

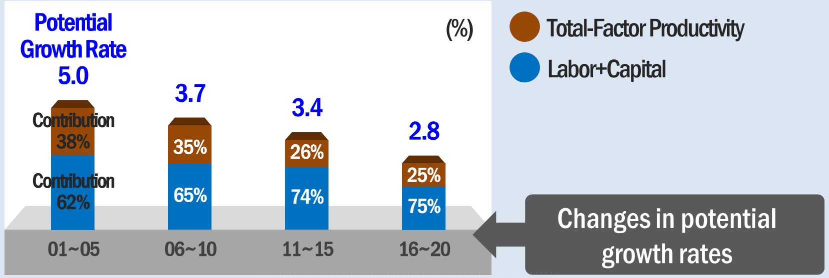
Fair Competition

- Need for transparency in corporate governance
- Large companies' rent-seeking activities



Growth through Innovation

- Excessive regulations
- Business environment that undermines creative disruption and SMEs' capacity for innovation



Promote fair competition & reasonable compensation system

- Eradicating collusion and unfair trade practices
- Addressing the excessive concentration of wealth in the business sector
- Promoting balanced growth of large companies & SMEs, protecting small local businesses

Nurture SMEs & Bolster productivity
: Maintain the economic growth rate at 3% level

- Laying a foundation for innovation in four major areas
  - Ecosystem & infrastructure
  - Deregulation
  - Growth
  - Capital & Safety Net

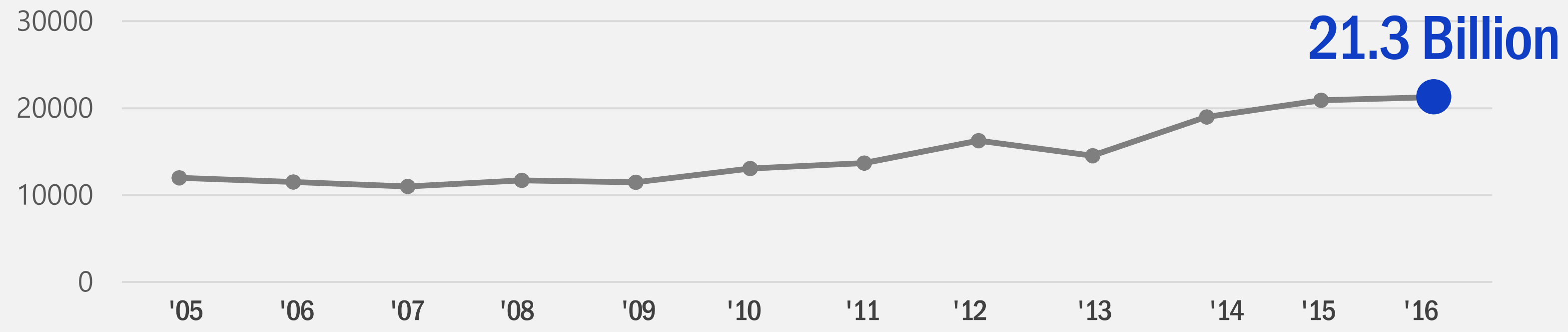
People-centered, sustainable economy that pursues both growth & distribution

2

Foreign Investment in Korea

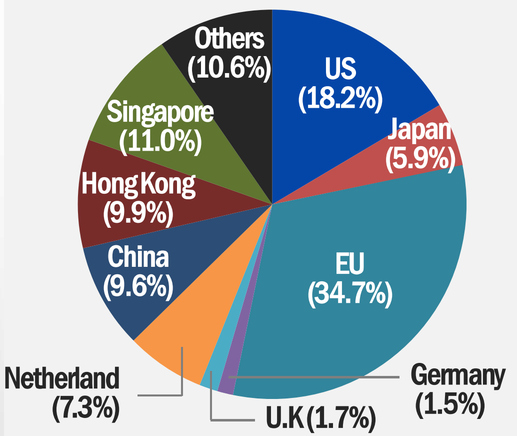
1. Foreign Investment Trends

FDI Statistics

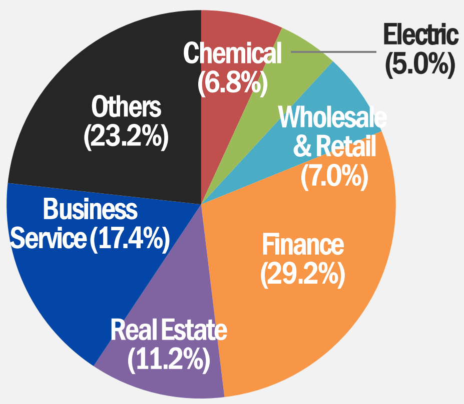


* Source: INSC(based on declared amount)

FDI in Korea by Country('16)



FDI in Korea by Industry('16)

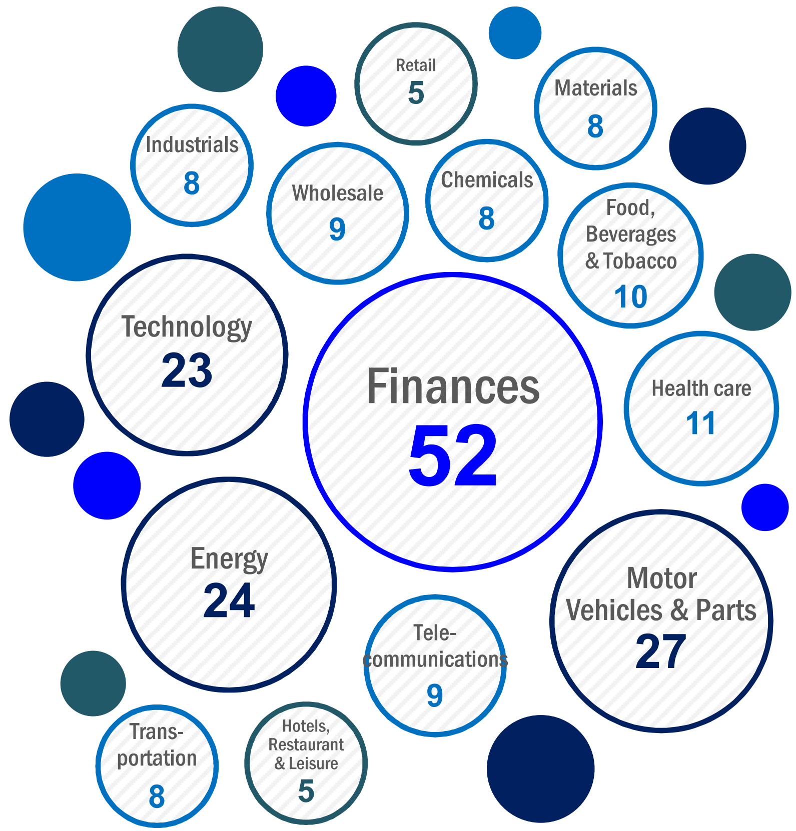


- Foreign Investment in Korea
  → Steadily Increasing
- For two consecutive years
  → Surpassed $20B
- EU > US > Singapore > China/Hong Kong
- Finance > Business services Real estate> Wholesale & Retail

2. Foreign-Invested Companies in Korea

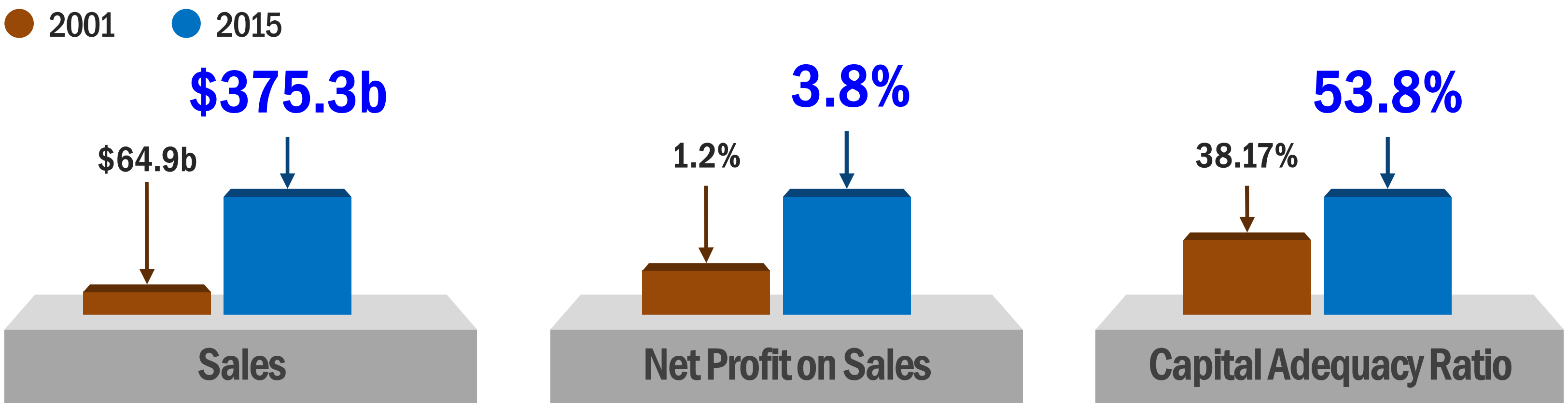
223 of 500 companies invested in Korea

Major Industries



3. Performances of Foreign-Invested Companies

Business Performances



Source: Kotra, KIET

Success Cases

- Company A: Supplying high-quality raw materials in a stable manner for the electronics, automobile and aerospace industries at home and abroad
  ⇒ Sales: ('04) KRW 879B → ('10) 5.63 → ('16) 8.19T
- Company B : partnered with Korean companies in producing display materials and made active investment in R&D facilities
  ⇒ Sales: ('92) KRW 1.6B → ('05) 1T → ('16) 2.1T

3

Why Invest in Korea

1. Marketability

- Attractive domestic market : 13th largest among 140 countries
- Strategic Location : Gateway to the Asian market

(Northeast Asian region 25% of the global GDP)

Korea Zone

: Cities within 3 hours by plane

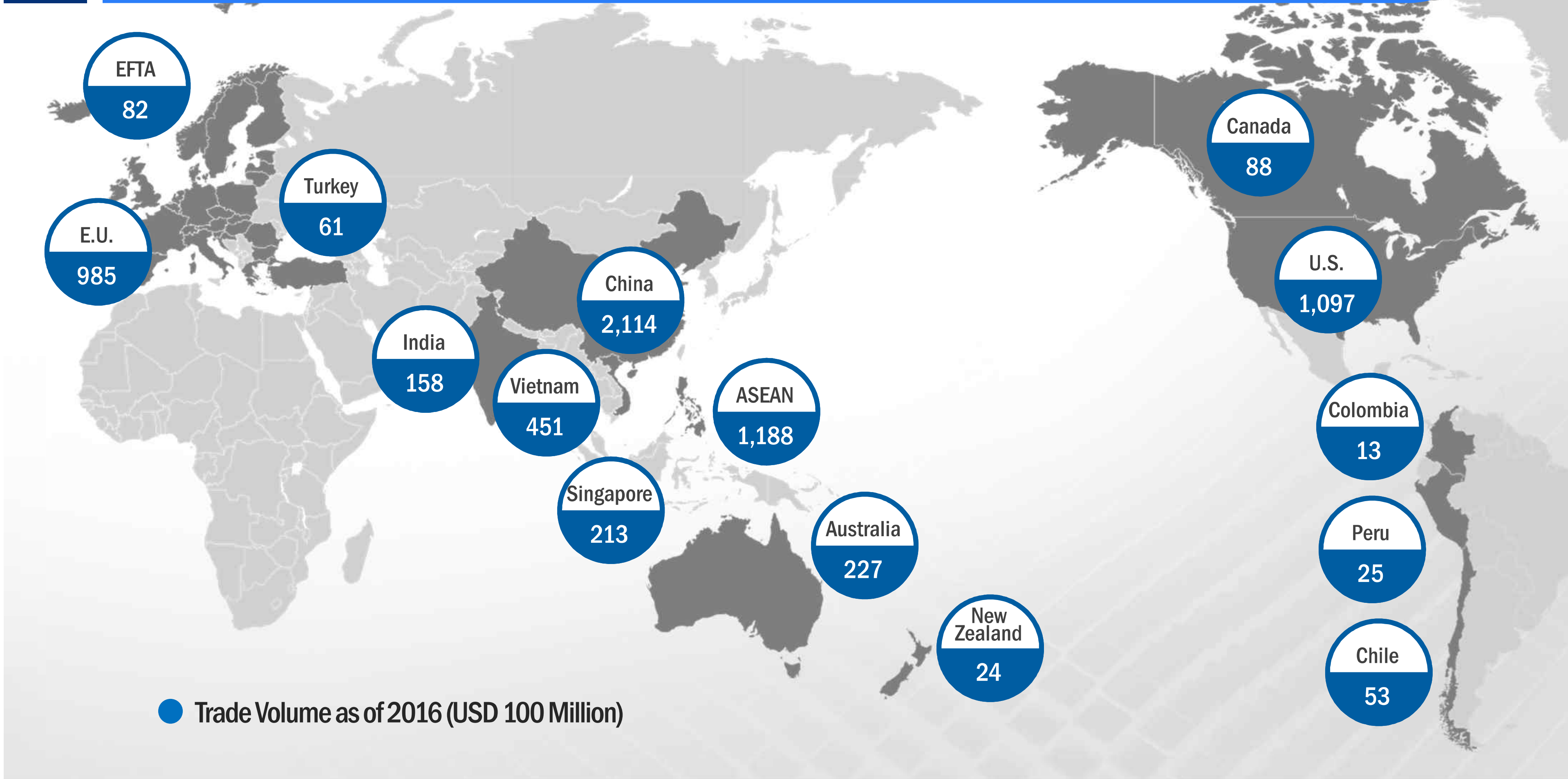
(cities with a population of>1 million)

147 Cities
390 Million people

Source: Ministry of Trade, Industry & Energy, 2015

2. Vast FTA network: World's 3rd Largest FTA Territory

- Linked to **75% of the global market** through its extensive FTA network



3. Business Infrastructure

Advanced industrial structure

- Electricity & Water Supply
- IT infrastructure
- Transportation

Excellent talent

- Highly-skilled workforce
- Highest college graduation rate among OECD nations

Premier business environment

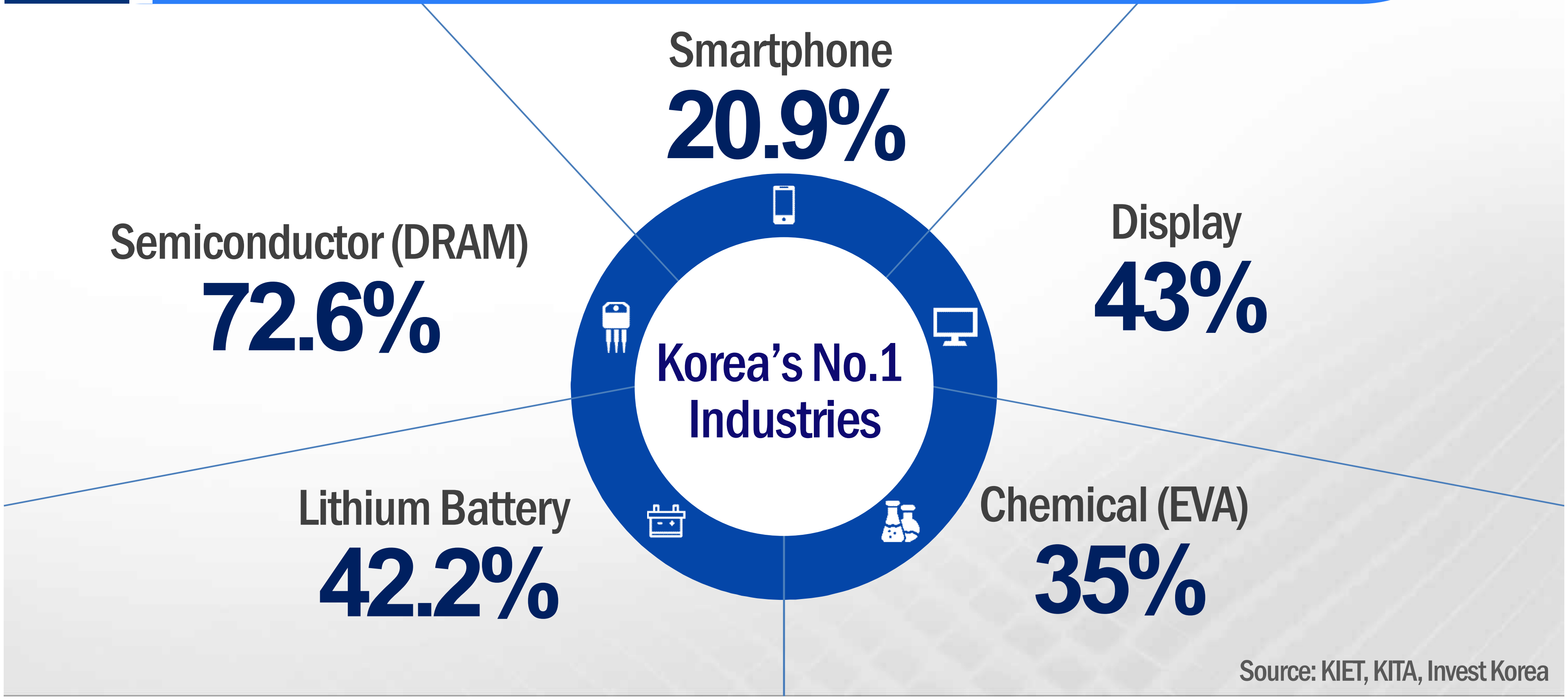
- Highly competitive industries
- Unrivaled capacity for innovation
- 4th in the Doing Business Index (WB)

Test-bed for 4th Industrial Revolution

- Government's all-out support for R&D activities
- Strong manufacturing & IT bases

4. Leading Industries

- Korea is home to many world-class companies leading the global markets including semiconductor, display and chemical sectors
- Many foreign firms enter the Korean market to cooperate with these market leaders



Source: KIET, KITA, Invest Korea

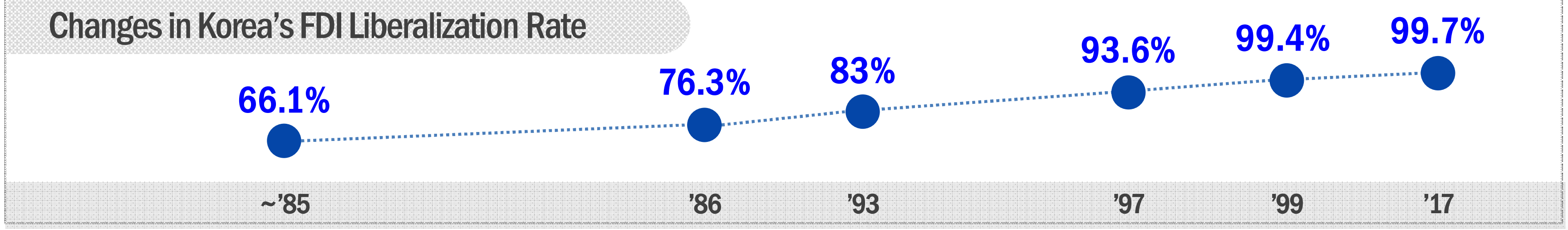
4

New Administration's FDI Policy Direction

1. Opening up to FDI & Promoting Liberalization

Changes in Korea's FDI Policy Direction

Changes in Korea's FDI Liberalization Rate



1962~ mid-1980s	1980~ mid-1990s	Since 1997 (Asian financial crisis)
✓ Permitting foreign investment to a limited extent	✓ Gradually easing regulations on foreign investment	✓ Opening up to FDI and promoting liberalization

Deregulation in response to the 4th Industrial Revolution

- Introducing a regulatory sandbox (Allowing experiments of innovative technologies without imposing regulations) to facilitate the growth of promising industries
- Adopting a negative-list approach

2. Strong incentives for Foreign Investment

Strong incentives

- A wider range of benefits are offered to foreign investment compared to other countries, including tax reduction and exemption

Tax reduction

✓ Corporate tax exemption/ reduction up to 7yrs
✓ Local tax exemption/ reduction up to 15yrs

Site support

✓ Reduction of factory site lease fees up to 100%

Cash Grant

✓ Land purchase
✓ Construction
✓ Equipment

3. Government's Support for Foreign-invested Firms

R&D

- Tax exemption & reduction for foreign-invested companies' R&D activities, facility investment and technology transfer
- Tax benefits, site support and cash grants for foreign businesses that develop advanced technologies
- Income tax benefits & improved permanent resident conditions for foreign technicians working in foreign-invested firms

Export

- Expanding trade insurance for small and medium-sized exporters
- Supporting startups' foreign market entry, providing consulting services for businesses to utilize FTAs, resolving investors' grievances

Human Talent

- Fostering human talent that meet corporate demand and adapt to changes in the labor market

  - Nurturing talent needed in the age of 4th Industrial Revolution, expanding job fairs for foreign-invested companies to help them access Korea's premier talent pool

4. One-stop Service: Information + Grievance Settlement

Invest KOREA

- Pre-Investment Services
  - ✓ Providing information
  - ✓ Administrative Support
- Investment Services
  - ✓ Surveying investment sites
  - ✓ Business partnering
  - ✓ Incentive negotiations

FDI Ombudsman

- Identify difficulties faced by foreign investors
- Resolve their grievances

Government

- Minister-level meetings
- Separate consultative bodies of relevant ministries
  - ✓ Labor & Environment
  - ✓ Taxation
  - ✓ Location

Examples of Grievance Settlement

- Small-sized, early-stage foreign-invested firms were given a grace period of up to two years to meet the criteria on employment ratio of foreign workers (20% of the total number of Korean employees)
- Eased the regulations regarding mandatory employment of safety managers in service businesses which have low probability of industrial accidents
- Expanded visa issuance for instructors in for-profit training centers including design and beauty institutes

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THANK YOU