

KORUM

Korea
Unternehmen
Märkte

Nr. 77 | OCTOBER 2018



KGCCI Special

KGCCI Innovation Awards 2018

Schwerpunkt

Smart City & Smart Governance

Wirtschaft und Branchen

8th Rason International Trade
Exhibition in North Korea

The background of the advertisement is a composite image. The top half features a rocket launch with a large plume of smoke and fire. To the right of the rocket is a technical diagram of a rocket engine or nozzle, overlaid with blue and red concentric circles and lines, suggesting a scanning or sensor field. The bottom half of the image shows a man in a light blue button-down shirt and white gloves, holding a glass jar filled with popcorn. He is looking at a small piece of popcorn he is holding in his gloved hand. To his right, there is a technical diagram of a manufacturing process, showing a hopper, a conveyor, and a weighing scale, with labels F13 and F14. The overall theme is precision and innovation in manufacturing.

SIEMENS

Ingenuity for life

When production can get one rocket to mars or 40 million kernels to stores. That's Ingenuity for life.

Timing, precision, consistency – manufacturers expect to focus on these things when building rockets, but they're just as important when trying to produce 30,000 perfect bags of kettle corn. That's why companies turn to Siemens for software that can rapidly deliver innovation to every phase of manufacturing from design through production. Creating better, more efficient, more cost-effective products. That's Ingenuity for life.

[siemens.co.kr](https://www.siemens.co.kr)

Quo Vadis Korea?

Liebe Leserinnen und Leser,

Südkorea und Nordkorea setzen inmitten weiterer Gespräche ihre Annäherung fort und treiben Entwicklungen voran, während weiterhin bezüglich der Frage der Denuklearisierung noch keine Einigung besteht. Auf der Wunschliste der beiden Koreas steht, unter anderem, die Wiederverbindung und Modernisierung von Bahnstrecken und Straßen entlang der Ost- und Westküste. Diese KORUM-Ausgabe betrachtet die anfänglichen Schritte der interkoreanischen wirtschaftlichen Wiederannäherung und wirft einen Blick jenseits der Grenze auf die wenig bekannten Sonderwirtschaftszonen und internationalen Fachausstellungen in Nordkorea.

Korea versucht, angesichts Industrie 4.0, globalen Handelskonflikten und einem Rückgang des Wirtschaftswachstums, den Anschluss zu bewahren. Um diese Herausforderungen zu bewältigen, sucht Korea nach Lösungen in der „Innovation“. Es wird erwartet, dass Smart Cities eine der Hauptinnovationsplattformen von Industrie 4.0 darstellen werden. Jedoch ermöglicht nicht nur die einfache Verbindung von IoT, Big Data und AI die Transformation von gewöhnlichen Städten in Smart Cities. Somit betrachten wir in dieser Ausgabe des KORUMs wichtige Aspekte des ICT-getriebenen Prozesses und wie Industrie 4.0 die urbane und geschäftliche Infrastruktur verändern wird.

„Innovation“ war in den vergangenen Jahren eines der Kernthemen der AHK Korea und wir sind stolz, dass wir in diesem Jahr bereits die vierten KGCCI Innovation Awards veranstalten konnten. Die vier Gewinner der diesjährigen KGCCI Innovation Awards, die im Rahmen einer festlichen Veranstaltung am 14. September bekanntgegeben wurden, werden auf den Sonderseiten dieser KORUM-Ausgabe präsentiert. Wir wünschen Ihnen viel Spaß beim Lesen!



Barbara Zollmann

Geschäftsführerin
AHK Korea / KGCCI

Dear readers,

South Korea and North Korea continue to move closer and push developments, while multiple talks are still ongoing, with no agreements yet on the question of denuclearization. On the wish list for the two Korea is, among others, to reconnect and modernize railways and roads along their eastern and western coasts. This edition of the KORUM looks at the initial steps of inter-Korean economic rapprochement and takes a glimpse beyond the border at the scarcely known special economic zones and international trade exhibitions in North Korea.

Korea tries to stay on track facing the 4th industrial revolution, global trade conflicts and slowdown of economic growth. Given these challenges, Korea seeks for solution in „Innovation“ to tackle these challenges. Smart cities are expected to be one of the main innovative platforms of the 4IR. However, not only the mere connection of IoT, Big Data and AI enables the transformation of conventional cities to smart cities. Therefore, in this edition of the KORUM we take a look at what is important in the ICT-driven process and how 4IR will change urban and business infrastructure.

„Innovation“ has been one core topic of the KGCCI in the past years and we are proud to have already hosted the 4th KGCCI Innovation Awards this year. The four winners of this year's KGCCI Innovation Awards who were announced during a festive event on September 14 are featured on the special pages of this KORUM. We hope you enjoy reading!



www.facebook.com/kgcci

MAZARS, YOUR GLOBAL PARTNER EVERYWHERE

Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, advisory, tax services. As of 1st January 2018, Mazars operates throughout the 86 countries and territories that make up its integrated partnership. Mazars draws upon the expertise of 20,000 women and men led by 980 partners working from 300 offices worldwide. We assist clients of all sizes, from SMEs to mid-caps and global players as well as start-ups and public organisations, at every stage of their development.



www.mazars.kr
julien.herveau@mazars.kr



Quo Vadis Korea?

KGCCI Special

KGCCI Innovation Awards 2018	6
------------------------------	---

Schwerpunkt – Quo Vadis Korea?

Smart City & Smart Governance	12
Artificial Intelligence to Transform Businesses	14
KGCCI Economic Outlook 2018	16
Trade Conflicts and the FX Market	17
Korea's Roadmap to Integrity	19
Quo Vadis South Korea and North Korea?	22

Wirtschaft und Branchen

8th Rason International Trade Exhibition in North Korea	24
Intercultural Issues in Contracts Between Korean and Western Business Partners	27

Ausbildung

Battling the Skills Crisis	29
----------------------------	----

Kontakte

News and People	32
New Members	32
Upcoming	33
Contacts	33

Korea Life

Korea – a Country Run on Coffee	37
---------------------------------	----

KORUM

Korea | Unternehmen | Märkte

6 KGCCI Special



In order to foster innovation and promote Germany and Korea as innovation nations, the KGCCI Innovation Awards were initiated in 2015. During a festive event on September 14, the four winners of this year were announced: Allerman as winner of Innovation in Business, Robert Bosch Korea Ltd. Company as winner of Innovation in Digitalization, Lumir Inc. as winner of Innovation in Sustainability, and OWiN as Chairman Award winner. Congratulations!

12 Schwerpunkt



What challenges do the fast-paced changes of the 4IR bring for Korea and how are they to tackle? How can these challenges be transformed into opportunities in particular in the light of global trade conflicts and the political movement on the Korean peninsula? The Korean government established a '5-year Anti-Corruption Master Plan'. How will the business environment change for local and foreign companies?

24 Wirtschaft und Branchen



In the last decades headlines on North Korea have mostly been driven by its nuclear armament program and not much is known about the country's economy. A report about the scarcely known special economic zones and international trade exhibitions will give insights into one of the most foreclosed countries in the world. Furthermore, KORUM informs about how to avoid common pitfalls in contracts between Korean and Western business partners that can arise from cultural differences.

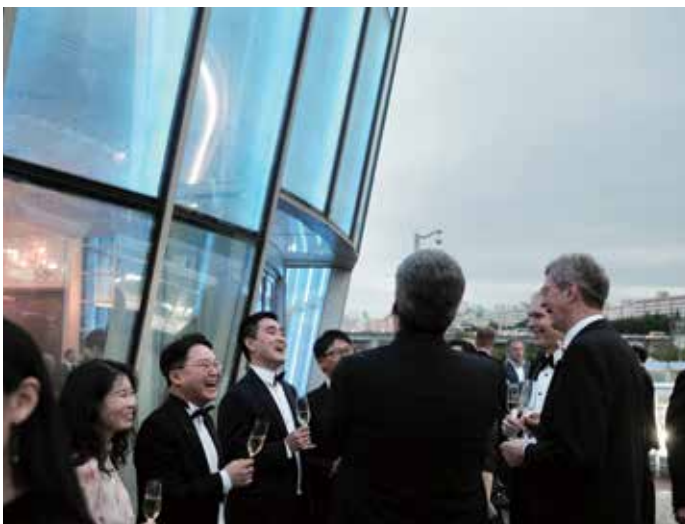
KGCCI Innovation Awards 2018



The KGCCI Innovation Awards were initiated in 2015 to foster innovation and promote Germany and Korea as innovation nations. The Innovation Awards are designed for all companies located in Korea and aim to honor the most innovative ideas, solutions, concepts and products in front of an international business audience.



After three years, the KGCCI Innovation Awards have established as the signature event of the German business community in Korea. On September 14, 2018, the winners of the '4th KGCCI Innovation Awards' were announced at a festive ceremony on the floating islands 'Sebitseom'(세빛섬) in Seoul.





Dr. Roland Busch, CTO of Siemens AG, opened the event with a keynote speech on the status quo of Artificial Intelligence and its many unfolded innovative prospects that are yet to come.



H.E. Stephan Auer, German Ambassador to Korea, and Ingrid Drechsel, President/CEO of Bayer Korea & German Chairman of KGCCI, welcomed around 200 guests at the awards.

KGCCI Innovation Awards 2018 Categories



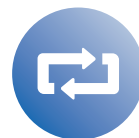
Innovation in Business

New products, processes, organizational development, services and business models



Innovation in Digitalization

Digital technologies for production, service processes and business models



Innovation in Sustainability

Green technologies and workforce development

KGCCI Innovation Awards 2018 Jury

A high-ranking Korean-German jury made its evaluation based on four criteria: degree of innovation, success in the market, positive influence on the company, and benefit to society. The jury consists of eight Korean and German specialists in the field of science and business innovation.



Ingrid Drechsel

President/CEO of
Bayer Korea & German
Chairman of KGCCI



Dr. Sang Kyun Cha

President Big Data Institute
at Seoul National University



Dr. Alex Jin Sung Choi

SVP of Research and Technology
Innovation, Head of T-Laboratories
Innovation at Deutsche Telekom AG



Dr. Michael Grund

Head of OLED & Quantum
Materials, SVP, Performance
Materials | OLED



Dr. Moo Young Jung

President of Unist



Benjamin Kang

Vice President of SMEs
Cooperation Division KETI



Dr. Manfred Martin

Professor RWTH Aachen
University



**Prof. Dr. Michael
Maskos**

CEO Fraunhofer ICT-IMM

Winners of the KGCCI Innovation Awards 2018

Innovation in Business



Barbara Zollmann, President & CEO of KGCCI, handing over the award for "Innovation in Business" to Allerman

The winner of the category '**Innovation in Business**' is **Allerman**. The Korean bedding brand convinced with "Allergy X-Cover and seamless woven technology", a light and unique functional micro fabric, 100 times thinner than hair, protecting from harmful substances, dust mites and allergen in bedding and enhancing human health by guaranty of clean dust free sleep environment.

Allerman

www.allerman.com

Innovation in Digitalization



Benjamin Kang, Vice President of SMEs Cooperation Division KETI, with the winners of the award for "Innovation in Digitalization" Robert Bosch Korea Ltd. Company

Robert Bosch Korea Ltd. Company was awarded in the category '**Innovation in Digitalization**'. They captivated the jury with "Connectivity in Power Tool Professional Users", enabling a two-way data transfer between smart phones and machines. This connectivity makes the use of power tools not only more efficient and safer but also transforms a classical industry into a digitalized one.

 **BOSCH**

www.bosch.co.kr

Innovation in Sustainability



Dr. Manfred Martin, Professor at RWTH Aachen University, handing over the award for "Innovation in Sustainability" to Lumir Inc.

The winner of the category '**Innovation in Sustainability**' is **Lumir Inc.** The Korean company convinced with "Lumir K", a LED lamp powered by a thermoelectric energy converted from a heat source of affordable waste cooking oil, providing a more sustainable, practical and affordable solution to the lack of light in underdeveloped areas.

LUMIR

www.lumir.co.kr

Chairman Award



Ingrid Drechsel, President/CEO of Bayer Korea & German Chairman of KGCCI, with winners of the 'Chairman Award' OWiN

OWiN was honored with the 'Chairman Award'. OWiN offers an integrated technology platform to connect drivers with on-demand access to goods and services while driving, by assigning a unique digital ID to cars ("Car ID"), linking the vehicles to a network of merchants and providing seamless online-to-offline ordering as well as payment experience.

OWiN
www.owin.kr



Group photo of the 4th KGCCI Innovation Awards with winners, jurors, board members and special guests of the KGCCI

KGCCI Innovation Awards 2018 Event Acts & After Party





Thank you to all sponsors and partners of KGCCI Innovation Awards 2018!

Leading Innovation!



Creating Innovation



Supporting Innovation



Cultural Sponsor

KIM & CHANG

Beverage Sponsor



Smart City & Smart Governance

Smart cities as a new platform for public governance in the era of the 4IR

Taejun (David) Lee

Smart cities are expected to be the main platform of the 4th industrial revolution. Smart cities are the evolution of conventional cities. Historically, the formation and development of human civilization have run in parallel with the development cities. After the industrial revolution, factories became the center of production, jobs and cultural life, and people started to live near them. With increased influx of population and continuous urban expansion, cities continue to lead the way in development and innovation of civilization and are humankind's invention to prosperity, welfare and wellbeing. Given that cities serve as the center of economic and social development, it is necessary to encourage innovation through the development of cities. 80% of global GDP are generated in cities and in 2040 65% of the world population will be residing in cities. According to the UN's 'World Urbanization Prospect 2014 Revision', the rate of urbanization is highly correlated with its level of income and urbanization of developing countries is projected to continue until 2050. In a nutshell, urbanization is very meaningful and important for developing countries as well as developed countries to achieve economic, social and even environmental development.

ICT to transform urban affairs and city governance

However, dark side and boomerang effect of urban growth remain problematic and exacerbation of urban problems still raises concerns over income polarization, traffic congestion, pollution, safety, public hygiene, etc. Large cities and metropolitan areas are increasingly seen as complex, uncertain and fluctuating systems. All urban areas experience problems to be resolved. As institutional efforts and governance tools to resolve these urban problems,

active promotion of smart cities was designed and implemented to improve urban functions through ICT (information, communication, technology). Transforming conventional cities into smart cities is a solution with an increasingly important demand. With the emergence and convergence of disruptive technologies such as artificial intelligence, internet of things (IoT), the fifth generation of cellular mobile communications, big data and the like, the transformation of urban affairs and city governance is becoming more viable and feasible each day.

Recently, concepts and practices of smart cities are more based on community participation and accountability, public value co-creation and partnerships and citizen-centric problem identification and resolution, which take into consideration urban growth and the inclusion of citizen participation. Indeed, proliferation and implementation of government-led urban construction, renovation and management through ICT caused failures to identify the problems when implementing the ICT to the test bed and when coordinating stakeholders and public governance. Therefore, designing, managing and governing smart cities in a socially equitable and inclusive way by enhancing economic opportunities and minimizing environmental damage are major challenges that virtually all countries encounter in this digital economy.

Intrinsically, a smart city is an innovative city that adopts and utilizes ICT and other emerging technologies to improve quality of life and public governance, efficiency of urban planning and management and local, regional, national and global



competitiveness. More specifically, smart cities are viewed as a sustainable development platform and key enabler of incorporating and integrating the role of ICT into meeting the needs and wants of government, companies and citizens. Smart cities ensure a safer and more secured space with more fine-tuned services, constitute a better ecosystem that promotes incomes, jobs and industries, encourage timely and creative solutions, reduce inequality and unfairness and, in turn, maintain a virtuous cycle that embraces economic, social and ecological wellbeing in the long run.

IoT, Big Data and AI generating urban infrastructure, insight and public values

Smart city is a place where everyone and everything can be connected via networks to detect, monitor and resolve immediate problems and transform urban settings in a more agile and adaptive manner and align public institutions and resources with the needs and expectations of stakeholder and citizens. For instance, Internet of Things (IoT) will be a core infrastructure and application that turn the vast amount of data into valuable, meaningful information for sense-making, decision-making and problem-solving. IoT enables the collection of a huge volume of undiscovered data that exist in nature by the computer and generate tremendous value from huge pool of data. Therefore, IoT enables the providing of stream of data-driven smart services such as smart energy, smart utility, connected car and smart road beyond standalone physical infrastructure and service. In addition, as an integral and indispensable component, big data in smart cities can offer the potential for cities to obtain valuable insights and allow for more precise information usage and decision-making.

Combined with IoT and smart devices, big data ensures new possibilities of developing invaluable insights and creating new values for smart city participants in a proactive manner. For example, USA, UK, Singapore and even Korea have endeavored to use and continue to embed IoT in issue monitoring, symptom detection and early warning of the mechanisms of city management. Moreover, data-driven public management can be achieved as big data technologies and skills fuse both social and urban data to create new insights for urban services and people. Last but not least, smart cities use artificial intelligence (AI) that derives human, social and urban insights by identifying patterns and correlations driven by big data. Development of deep learning breaks through the limit of existing AI. For example, Living Analytics Research Center (LARC) of Singapore Management University in collaboration with Carnegie Mellon University provides a series of customized and real-time calculations and interpretations of optimal conditions through urban and social sensing (e.g., urban data sensing, crowd-sensing, multimodal data integration), socio-physical analytics (e.g., urban behavior analytics, urban context analytics, urban knowledge graphs, deep content analytics) and social activation (personalized recommendation, social crowdsourcing personal assistance and planning) for policy-

makers and public sector leaders seeking for behavioral insights and empirically-tested results to discover how humans actually make choices and behave.

Participatory and collaborative public governance platform

Despite the importance and multiple role of ICT in smart cities, ICT is just a means that must be coupled with the public governance process and social value co-creation. In other words, smart cities should go beyond ICT and take advantage of ICT for generating public values (e.g., reliability, responsiveness, integrity, openness, fairness), enhancing the mechanisms and dynamics of the existing governance principles and practices, improving the capabilities and timeliness of problem solving and producing the effective and transparent monitoring and evaluation systems. Smart cities should simply make a contribution to participatory, deliberative, collaborative approach as well as sustainable and inclusive growth for all.

Smart city concept, policy and practice should be designed based on the viewpoint that ICT is a key strategic tool and policy lever to keep pace with economic, social and environmental transformation and meet the needs, wants, expectations and desires of urban constituencies and stakeholders based on shared norms and values in their public governance. In that sense, smart cities are not the mere civil engineering and traditional urban management models. The transformation and modernization of smart city management and renovation should yield collective feelings and creative ideas about infrastructure, ecosystem, service and institution concerning city and improve the impacts and values of ICT in service design, delivery and assessment. To be considered smart, a city must incorporate human and social capital into the ICT-driven process, practice and platform of promoting sustainable and inclusive growth and maximize the inventions brought by communication and coordination of city governance across critical citizenship and city intelligence.

All in all, a smart city must place human and social actors at the center of sustainable and inclusive growth, making use of ICT into urban planning, management and governance. Participatory and collaborative process and deliberation- and reflection-based citizenship must be integrated into the design, implementation, coordination and evaluation of an effective smart city government and governance. Smart cities should be used as a public governance platform to breed ground for new ideas and solutions through the use of digital technology and disruptive innovation, thereby raising the level of quality of life and wellbeing of the population.



Taejun (David) Lee, Ph.D.

Associate Professor, KDI School of Public Policy and Management
kdischool.ac.kr
Adjunct Research Fellow, KDI Global Economy Research Division
www.kdi.re.kr

Artificial Intelligence to Transform Businesses

Combined capabilities of artificial intelligence (AI) and machine learning (ML) technologies become more widely used and provide an ever-expanding array of opportunities.

Lars Reger

Today's industry approach on AI is rather straightforward and much more pragmatic than the scientific attempt to understand and model the human neural system: current AI development with the objective to create business applications, uses simplified representations of human reasoning to provide better services or create better products. To this end, a subset of artificial intelligence is applied that is called machine learning (ML). ML uses statistical techniques to give computers the ability to learn without being explicitly programmed. To make effective use of AI in real-world user interfaces, an agile implementation is necessary that can retain learning and quickly apply it to new data. This capability is called inference: taking smaller chunks of real-world data and processing it according to the training the program has done. The combined capabilities of AI, ML, and inference create a multitude of business opportunities.

The globe to invest in AI

One solid indicator for the disruptive potential of the technology is the dimension of investment. According to McKinsey, 26 to 39 billion USD were invested in AI in 2016, most of it by tech giants such as Google™, Amazon or Baidu™. And AI has the potential to almost double the value of the global digital economy to 23 trillion USD by 2025. Consequently, by recognizing the technology's

future potential, governments around the globe aim to put their economies in a pole position when it comes to AI. While a notable amount of national AI plans is in creation, the greatest economic gains are expected for China (26% boost to GDP in 2030) and North America (14.5% boost), accounting for almost 70% of the global impact.

While China and the US lead the way, South Korea is not far behind. The country is clearly aware of the huge potential of AI and ML for its key industries and rapidly catching up to the world's best systems. Known throughout the world for its strong semiconductor, automotive, and electronics industry, South Korea is becoming a strong player in artificial intelligence research, with the third most patents related to AI technologies after the US and Japan. The country is home to well-known technology companies such as Samsung, LG, and Hyundai, that each have shown significant preparedness to invest in AI. And the Korean government doesn't want to stand behind: in late 2016, South Korea announced investment plans of up to 2 billion USD by 2020 to establish new industries, one of them being AI. Further investment of up to 6.15 billion USD has been announced in the industrial robotics market. Given their dependence on powerful computing hardware, it is no surprise that the strongest effect of AI and ML on the economy is



expected in the chip sector. In the semiconductor industry alone, by 2025 AI-enabling components will have reached a global sales share of 60 billion USD.

Convergence of AI and IoT

AI has grown by more than a 26% Compounded Quarterly Growth Rate (CQGR) in the last two years across a diverse set of industries. From a strategic viewpoint, its biggest potential is seen in its complementary nature to the Internet of Things: while the IoT component ensures a continuous supply of relevant data, the AI capability can serve as the system's inference engine, interpreting the data generated by the endpoints and driving their functions. Merging both IoT and AI together in an integrated technology portfolio creates a powerful new platform for digital business value.

For AI and ML to unfold their massive potential relies heavily on adequate hardware and enormous processing and storage capacity. Given its hunger for powerful hardware, it is no wonder that AI today is still mostly confined to data centers. Uncoupling AI from the data centers and advancing it to the endpoints of the IoT will allow businesses to tap its full potential.

NXP has developed a machine learning hardware and software environment, which enables inference algorithms to run within the existing architecture. With its ML environment, NXP provides a variety of easy-to-implement ML functions on NXP's breadth of devices – from cost effective MCUs to breakthrough crossover i.MX RT processors and high-performance applications processors.

The NXP ML environment enables fast-growing machine learning use-cases in vision, voice, path-planning and anomaly detections,

and the integration of platforms and tools for deploying machine learning models, including neural networks and classical machine learning algorithms, on those engines. For customers integrating machine learning into their applications, the ML environment includes software tools that allow them to import their own pre-trained ML frameworks. NXP has also created an expanding machine learning partner ecosystem to connect customers with complementary technology that can accelerate time-to-revenue with proven ML tools, inference engines, vertical applications, and design services.

Paradigm shift towards a smarter connectivity

Imagine a world in which the entirety of AI things was connected. Expanding the edge of the IoT with cognitive functions such as learning, problem-solving and decision making would turn today's smart things from mere practical tools into true extensions of ourselves, multiplying our possibilities to interact with the physical world.

As an integral part of the IoT, AI is going to be the foundation for entirely new use cases and services. For example, Samsung Electronics recently launched its humanoid robot packed with AI. Until now, Samsung has used the technology in its own factory with an AI robot arm, but experts expect to see the company commercialize its robots to a broader customer base. On the consumer side, LG Electronics introduced two laundry vapors to its laundry line, both crafted with AI and voice recognition technology to enhance user convenience while keeping clothes, especially delicate fabrics, cleaner, sleek, and more hygienic.

With people using smart devices for increasingly important tasks, safety becomes a vital aspect. In a connected device, cybersecurity – i.e. security against manipulation or hacking – must be an indispensable part of the device's safety concept. The smarter devices get, the higher the security requirements. This opens up an entirely new area of innovation for machine learning devices.

Now, what does this mean for the future? The truth is, even with a broad range of nascent Artificial Intelligence of Things (AIoT) applications emerging, we cannot even fathom what else is coming. Particularly for the business models of the South Korean chaebols, the combined capabilities of AI and ML provide endless opportunities. One thing is for sure – today's digital age society is undergoing a fundamental change. The paradigm shift that comes with the convergence of AI and the IoT, will be even greater than the one we have witnessed with the introduction of the personal computer or the mobile phone.



Lars Reger

SVP and CTO Automotive
NXP Semiconductors
www.nxp.com

KGCCI Half-Year Economic Outlook 2018

"Quo Vadis Korea?"

What is next for the Korean economy? What challenges do the fast-paced changes of the 4th Industrial Revolution bring for Korea and how to best tackle them? How can these challenges be transformed into opportunities?

To give valuable insight regarding these fundamental questions, the Korean-German Chamber of Commerce and Industry (KGCCI) welcomed around 100 Korean and German business leaders to its Half-Year Economic Outlook 2018 at the Conrad Hotel in Seoul on August 22.

In the first part of the biannual event, three speakers gave their assessment and outlook on the South Korean economy. Mr. Weert Börner, Deputy Head of Mission of the German Embassy Seoul, opened with a positive view on the intensified German-Korean relations, both in terms of frequency as well as scope of bilateral exchange and cooperation. He emphasized the need to engage in further joint cooperation to deal with increasingly global issues such as future mobility, the transformation of our energy systems, waste management, protection of intellectual property and international standards for the progressing digitization.

Ms. Juliana Lee, Chief Economist, EM Asia, of Deutsche Bank, pointed out that while the Korean economy in the near-term (this year) would expand at around its potential, intensification of the US-China trade war and higher rates would challenge South Korea's growth in the medium term. Meanwhile, to improve its long-term growth potential, Korea needs to forge ahead in deregulation and structural reforms, to leap the benefits of the 4th Industrial Revolution. For the latter, a more direct, transparent communication between policy makers and industries is critical.

In his assessment of the Korean economy, Mr. Alexander Hirschle, Director Korea of Germany Trade & Invest, expects the Korean GDP to grow below 3% for 2019. He sees deterrents of growth

in the rising unemployment, especially youth unemployment, as well as the decrease in investments and the growing offshoring of production facilities adding dangers to the labor market. In addition, although exports grew by 6.5% in the first half of 2018, the high reliance of exports to China and on a few industry sectors, especially the semiconductor industry, is masking macroeconomic shortcomings. However, Mr. Hirschle added that a slowdown of growth rates is not inherently worrisome for a maturing economy. In terms of imports, Germany gained market share over China, Japan and the US with imports from Germany increasing by 15.5% during the first half of 2018.

In the second part of the event moderated by Ms. Barbara Zollmann, President & CEO of KGCCI, the guests Dr. Man Cho, Professor of KDI School of Public Policy and Management, Dr. Moo Young Jung, President of Ulsan National Institute of Science and Technology (UNIST), Dr. Hee-Su Kim, Executive Vice President & Head of Economics and Management Research Institute at KT Corporation, and Ms. Juliana Lee, engaged in a lively panel discussion on the topic "Quo Vadis Korea?"

The panelists all shared the sentiment that Korea is undergoing a huge transition phase and needs to adapt to a changing economic world order, including emphasizing long-term fundamentals over



KGCCI Economic Outlook 2018 – Part 2: Panel Discussion on "Quo Vadis Korea?"



KGCCI Economic Outlook 2018 – Part 1: Alexander Hirschle, Director Korea of Germany Trade & Invest

short-term dynamics. Thus, hindrances such as unemployment and slowing growth rates need to be overcome through a change in education fostering creativity, innovation and flexibility resulting in the development of new innovation-based industries. In this regard, they said, Korea needs to make use of its excellent digital infrastructure to seize opportunities generated by the 4th Industrial Revolution, such as 5G-technology, and focus on self-sustainable, original technologies as potential growth engines for the Korean economy. The discussants were equally optimistic that Korea's economy can overcome its current challenges, when its excellent hardware and openness for new technology can be successfully combined with a long-term investment in the education system and an openness in government and society alike to embrace the change.



Sven-Hendrik Arp

Junior Economist
KGCCI DEInternational Ltd.
www.kgcci.com



KGCCI Economic Outlook 2018: Speakers & Panelists

Dr. Hee-Su Kim (Executive Vice President & Head of Economics and Management Research Institute, KT Corporation), Ms. Juliana Lee (Chief Economist, Deutsche Bank AG, Hong Kong), Mr. Weert Börner, (Deputy Head of Mission, German Embassy Seoul), Ms. Barbara Zollmann (President & CEO, Korean-German Chamber of Commerce and Industry), Dr. Moo Young Jung (President of Ulsan National Institute of Science and Technology), Ms. Ingrid Drechsel (Chairman of KGCCI & President of Bayer Korea), Mr. Alexander Hirschle (Director Korea at Germany Trade and Invest), Dr. Man Cho (Professor, KDI School of Public Policy and Management) (from left to right)

The Effects of Trade Conflicts between Major Countries on the Korean Economy and the Foreign Exchange Market

Seokhyun Paik

Trade conflicts between major countries and the Korean economy

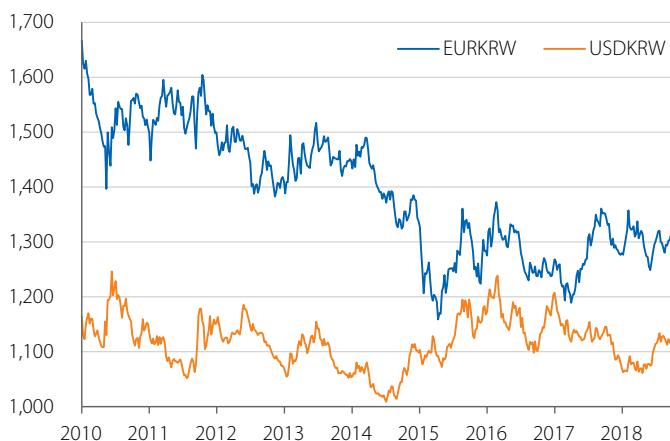
As the USA puts pressure on its major trade partners, the resulting frictions in trade are shaking the global trade order. The WTO system that resulted from the Uruguay Round (negotiations done

between 1986 and 1993) seems to have lived its life out, failing in intervening in trade conflicts that is its *raison d'être*.

While the USA also triggered conflicts against its major alliances such as the EU, Canada and Mexico, the conflict with China is somewhat different in nature. In other cases, America aims to

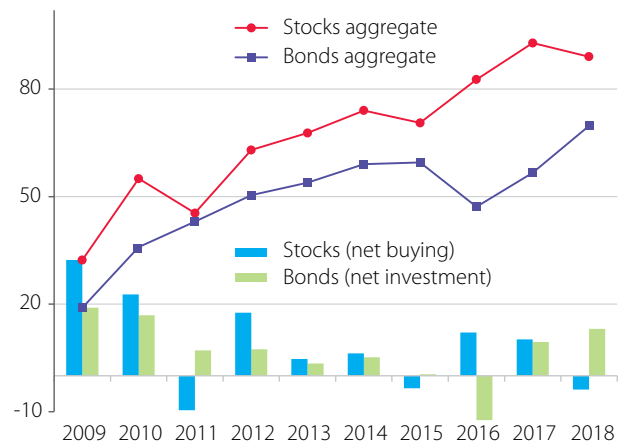
USD-KRW vs. EUR-KRW

Source: Thomson Reuters



Foreign Portfolio Investment Flow to S. Korea (2009–)

Unit: trillion KRW



reestablish trade relationships in its favor, but the US-China conflict should be seen as an attempt to hold back the rising of China as a threat to US supremacy. History also shows that the USA once stifled Germany and Japan when it found them a threat.

In particular, the USA is striving to prevent the leakage of its up-to-date technology while putting a direct curb on China's next generation core industrial promotion policy "Made in China 2025" by imposing extensive tariffs on Chinese imports. Germany and other advanced countries are in one accord to prevent the leakage of the latest technology to China by putting a brake on Chinese investment in local (German) companies.

The problem is that the conflict between the two gigantic economies is striking a blow on major exporters in the global value chain, rather than on each other's opponent. And Korea is in the center of the turmoil. Korea's exports to China are more of intermediate goods rather than final goods. This means that Korean products are not consumed in the Chinese market but many of them undergo additional processing and are re-exported to the USA. When trade conflicts between the USA and China flash, currencies of countries that are heavy exporters to China, for example Korea and Australia, go weak. On the other hand, Korean and Australian currencies tend to rebound when the two countries try to come to terms and the tension between them eases. In addition, as the trade conflict between the two countries puts direct burden on the Chinese economy, the Chinese Yuan turned bearish in June.

Sign of a protracted trade conflict between the USA and China

The trade conflict between the USA and China seems to be prolonged. Although the USA is holding the dominant position in the two countries' power balance and is putting pressure on China, China is not ready to ease off. China will not give up on the "Made in China 2025" policy as it is the government's key policy to ensure sustainable economic growth. Furthermore, the USA has persistently insisted on the Yuan's appreciation for years, but China, having learned lessons from the case of Japan that had accepted a weak

US Dollar and a stiffly strong Yen under the 1985 "Plaza Accord" deal and suffered from long-term recessions, is strongly against such demand. However, Beijing took affirmative actions to prevent the Yuan from going weak in August, clearly demonstrating that the government had no intention to induce a weak Yuan.

Where the WTO, which is supposed to play the mediator role in trade conflict situations as seen in the US-China conflict, is failing, the conflict between the two countries that is associated with their struggles for hegemony can potentially become prolonged, and this has negative implications on the economy and export of Korea, a trade-dependent country. Although such impacts are not clearly visible in the real economy, aftermaths are anticipated at intervals.

The foreign exchange market is swayed not only by export and import transactions, however, it is heavily influenced by major countries' currency policies and the flow of capital, hence one may not be able to judge purely based on the aftereffects of the trade conflict. Political variables should not be ignored. Whereas the trade issues pose causes to bet on a strong Dollar and weak Won, the current situation where the Trump administration prefers a weak Dollar and insists on the Yuan appreciation may serve as a bullish factor for the Korean Won (KRW).

Korean Won seen from global investors' perspective

Foreign investors investing in Korea would value the soundness and growth potential of assets in the Korean Won. In the financial market, KRW assets in emerging country portfolios are attractive in terms of soundness, but they are not highly attractive in terms of growth potential if setting the competitiveness of the nation's semiconductor industry aside. Controversies have begun as to whether the semiconductor market has passed its peak. The export-dependent structure of the Korean economy boosts the attractiveness of KRW assets when the global economy is on the rise, but the upward momentum of the global economy is showing signs of a slowdown.

But growth potential and soundness are not the only things important to investors. They also value the timing and the levels when they make investment decisions. They may consider investing in KRW assets if they find the Korean Won is sufficiently underestimated due to the downward risk in the global economy and the US-China conflict. Once the downward risk in the growth prospects has been fully reflected in the foreign exchange market, investors' demands for KRW could swiftly rebound. One should be mindful of the banal cliché, "a risk turns into an opportunity."



Seokhyun Paik

Economist, Financial Engineering Center
Shinhan Bank
www.shinhan.com

Korea's Roadmap to Integrity

Challenges and efforts of the Korean government to move forward towards integrity with a focus on the Improper Solicitation and Graft Act

Im Yoon-Ju

The economy of the Republic of Korea has grown to become the 11th largest in the world based on its rapid economic growth over the last decades. However, as you are well aware, Korea's corruption level assessed by the international community falls short of people's expectations, given Korea's economy. As an example, Korea ranked 51st out of 180 countries in the 2017 Corruption Perceptions Index (CPI) published by the Transparency International (TI) in February 2018. In this regard, it can be said that 'corruption' is an obstacle that needs to be surmounted in order for Korea to go beyond 'an Asian dragon' and become a nation acknowledged on the world stage.

Five-Year Anti-Corruption Master Plan

In consideration of this, the new administration launched last year has placed a top priority on anti-corruption reform over other government tasks, and established a 'Five-Year Anti-Corruption Master Plan,' which is a mid- and long-term anti-corruption roadmap, to secure the basis for government-wide corruption control. This Master Plan includes 50 government tasks to root out corruption both in public and private sectors. Among those, 14 tasks are especially aimed at fostering 'environment for

transparent business management.' The Master Plan also includes concrete measures and plans which can strike a responsive chord with the people to overhaul relevant laws and institutions for the elimination of corruption in the officialdom, to have those committing corruption crimes face stiffer sanctions and to provide stronger protection for whistleblowers. The Korean government will continue to make its utmost efforts to effectively enhance the level of national integrity by faithfully carrying out the 'Five-Year Anti-Corruption Master Plan'.

Improper Solicitation and Graft Act

In the meantime, the Korean government has enacted the Improper Solicitation and Graft Act (also known as the Kim Young Ran Act, hereinafter referred to as the "Act") in order to eradicate improper solicitation and bribery and has put it in force since September 2016. The Act has been in effect for about two years now and is receiving a lot of attention not just inside Korea but also from the international community. A Professor at the University of Richmond School of Law, Andrew B. Spalding, has written in his article "South Korea: An anti-corruption tiger" that "it's landmark Kim Young Ran Act, and the aggressive enforcement actions of the last year,



distinguish the country as a leader in the global anti-corruption movement.”

As expressly stipulated in Article 1 of the Act, the purpose of the Act is to ‘ensure that public servants, etc. perform their duties in a fair manner and to secure public confidence in public institutions by prohibiting any improper solicitation made to public servants, etc. and by prohibiting public servants, etc. from receiving money, goods, etc.’ Despite constant anti-corruption efforts of the Korean government, corruption and irregularities committed by public officials had yet to be rooted out and thus the officialdom received a lot of criticisms from the public, which also negatively affected the national competitiveness. To address this issue, the government has enacted and implemented the Act since September 28, 2016 with a view to fundamentally severing the link between improper solicitation and corruption by prohibiting any acts of improperly soliciting public officials and making it possible to punish public officials, etc. who accepted money or other valuables, etc. irrespective of duty-relatedness or reciprocity, thereby increasing public trust and promoting fair and transparent economic activities.

Social transparency and economic growth

Businesses often come in contact with public officials, executives and employees of public corporations, and journalists, etc. all of whom are subject to the Act in their overall business activities, and such contact is an indispensable part of economic activities. Therefore, companies and business people, as critical players of the Act to put the legislative purport of the Act in practice on the ground, are principal agents who need to actively participate in spreading a culture of integrity throughout Korean society. The

result of a research conducted last year by the department of economics of Seoul National University showed that if Korea’s CPI score [in the 2017 CPI published by the Transparency International, Korea received merely 54 points on a scale of 0 (perceived to be highly corrupt) to 100 (perceived to be very clean)] increases by 10 points, the economic growth rate will increase by 0.52%. This implies that if Korean society becomes cleaner and transparent, the cost of conducting business in Korea will be reduced, thus enabling companies to increase their productive investments in research and development, etc. which will in turn enhance their corporate competitiveness. Such increased competitiveness of companies will lead to an increase in corporate profits, after all.

It is by no means difficult to comply with the Act, especially for foreign businesses, because acts that are now prohibited under the Act in Korea are what have been already prohibited under laws or other norms and regulations in developed countries, including Europe and the U.S. etc. If public officials, business people and citizens all make decisions or conduct acts with extra care, it will be easier for the Act to take firm root in our society. When foreign business people with a reasonable corporate culture keep maintaining interests in the Act and abide by it, we will be able to see the Act take root faster. Foreign entrepreneurs may have various opinions concerning the overall anti-corruption policy of the Korean government as well as the Act while doing business in Korea. The door of the ACRC in charge of general anti-corruption policies in Korea, including the Act, is always wide open to those who want to have their voices heard, so I would like to ask foreign entrepreneurs to keep showing their sincere interests and provide useful advice to the ACRC in the years ahead.



Im Yoon-Ju

Director General of the Anti-Corruption Bureau
The Anti-Corruption and Civil Rights Commission (ACRC)
www.acrc.go.kr



FAQ from foreign businesses regarding the Interpretation of the Improper Solicitation and Graft Act



Does the manager of a branch office of a foreign bank fall under the category of a private person performing public duties?

A branch office or agency of a foreign bank authorized under the Banking Act is deemed a bank, and the local head of a foreign bank in Korea is deemed an executive officer of a bank. Therefore, in cases where the manager of a branch office of a foreign bank is entrusted with an authority under the Foreign Exchange Transactions Act and the Enforcement Decree thereof, the manager falls under the category of a private person performing public duties.





Does a person with an experience of performing public duties entrusted by laws at least once in the past fall under the category of a private person performing public duties?

Even if a person had performed public duties entrusted by laws in the past and therefore had been deemed a private person performing public duties at that time, if he/she does no longer perform such public duties entrusted by laws and thus is not deemed a private person performing public duties any longer now, he/she does not fall under the category of a private person performing public duties under the Improper Solicitation and Graft Act.



Is it allowed under the Improper Solicitation and Graft Act to invite local journalists to an event which charges admission fees without his/her having to pay such fees for the promotion of the event?

It is allowed to invite local journalists to the event for free of charge in cases (1) where according to the promotion policy of the event organizer, the admission fees are equally provided for all the local journalists attending the event for the purpose of covering it; (2) where attending the event in person to write news articles is a unique duty of the participating local journalists; and (3) where it is in fact difficult to find other efficient and appropriate alternatives to convey the event-related information to his/her news readers than attending the event.



In cases where a client company distributes its new products worth KRW 300,000 to a certain public institution's employees and 50 customers, is it allowed under the Improper Solicitation and Graft Act to receive such products from the client company?

It may be allowed to receive such products only if such products are souvenirs or promotional goods, etc. to be distributed to multiple unspecified persons, as provided for in subparagraph 7 of paragraph (3) of Article 8 of the Improper Solicitation and Graft Act. However, if the recipients of the products are specified persons and the value of the products, etc. is relatively higher than other general souvenirs or promotional goods to be distributed to multiple unspecified persons, there is a low possibility of the case concerned falling under the exceptions provided for under the Improper Solicitation and Graft Act.



In cases where sports activities (e.g. golf, mountain climbing, tour, etc.) are conducted using the membership fees paid by members of a forum for the purpose of information exchange among the members, does conducting such activities fall under the exceptions to the prohibition of receipt of money, goods, etc. as specified in subparagraph 5 *of paragraph (3) of Article 8 of the Act?

* Money, goods, etc. provided by employees' mutual aid societies, clubs, alumni associations, hometown associations, friendship clubs, religious groups, social organizations, etc., related to a public servant, etc. to their members in accordance with the rules prescribed by respective organizations

If the members of the forum organize a separate association, club, group, etc. specified in the subparagraph 5 of paragraph (3) of Article 8 of the Act in order to exchange relevant information and build fellowship, and each of them pays membership fees to hold workshops, sports events, etc. in accordance with the rules prescribed by the aforementioned groups, etc., it may fall under the exceptions to the prohibition of receipt of money, goods, etc. under the Improper Solicitation and Graft Act.



Quo Vadis South Korea and North Korea?

Linking the transport routes shall have priority

Alexander Hirschle

North Korea and South Korea continue to move closer. The preparations for the economic cooperation are being stepped up. However, the UN-Sanctions must be repealed.

The meeting between the South Korean President Moon Jae-in and the North Korean leader Kim Jong Un in mid-September 2018 has fuelled the hopes of expanding the economic relations. The heads of state agreed in their discussions to prepare initial steps towards connecting transport links.

As the first projects to be under discussion thereby are the Kaesong-Pyongyang-Expressway with a length of 171 kilometres and the Gyeongui-railway connection between Munsan and Kaesong. Even the Donghae-Stretch could be expanded over a length of 105 kilometres. It has been rated as strategically of particular importance since it would ensure connectivity to the Trans-Siberian Railway.

Railway could connect South Korea to Eurasia

The Ministry of Land, Infrastructure and Transport has estimated the costs for both the railway lines at 460 million US-Dollar (USD) and 2.1 billion USD. The South Korean government estimates the total costs for the reconstruction of the North Korean infrastructure at

around 482 billion USD, of which 135 billion USD alone could be spent on road and rail links.

On the other hand, the economic development and logistics infrastructure have enormous advantages. The South Korean rail network could be connected directly to even Europe via Asia in the long run and would thus facilitate the local companies better access to the Eurasian market. Some observers are already seeing a "Trans-Korea-Railway" as a potential new growth engine for the peninsula.

Mobile Telecommunications in North Korea

Year	Concluded contracts per Year	Change in comparison to the previous year (in %)
2009	69,216	-
2010	431,919	524.0
2011	1,000,000	131.5
2012	1,700,000	70.0
2013	2,420,000	42.4
2014	2,800,000	15.7
2015	3,240,000	15.7
2016	3,606,000	11.3

Source: International Telecommunication Union in local media



Telecommunication companies see a huge market potential

Even the companies in the Information- and Communication Technology (ICT) have paid particular attention to the developments in North Korea. As per the estimates of industry insiders, the ICT-Market of the nation could well be about 88 billion USD. Extensive investments in the network infrastructure would be necessary above all, to connect North Korea back to the rest of the world.

The two South Korean industry giants SK Telecom and KT analyze the press information according to the framework conditions of the telecommunication infrastructure in the neighbouring country to be prepared for future joint projects in economic cooperation. The number of the mobile phone users has grown rapidly in the last few years.

The resumption of the stalled projects such as the Industrial Zone in Kaesong and the tourist region of Mount Kumgang was likewise discussed within the framework of the summit. Both sides agreed on the perspective of developing common Tourism- and Industrial Zones. The question that remains open in all the ambitious plans is how the North Korean side wants to convert its hitherto strongly sealed off state model into an open economy, necessary for the realisation of the large infrastructure projects.

South Korean companies are getting ready

The interest of the South Korean companies in their involvement in North Korea in the meanwhile increases. The delegation of President Moon to Pyongyang mid-September had several high-profile businessmen of the leading companies from the country. According to the media, many local companies already have plans for projects in North Korea ready on the table or are bracing themselves for some opening of the country.

Hyundai has already in 2000 itself secured exclusive rights for seven infrastructure projects until 2030, for instance in the areas

of power supply, communication and railways. According to press information, the company has already set up a "Task Force" to restore its project activity in North Korea.

Daewoo Engineering & Construction seems to have established a working group focusing on infrastructural projects in road and railway construction as well as tourism. GS Engineering & Construction, Samsung C&T and Daelim Industrial have brought together experts to explore the possibilities of business expansion activity in North Korea. According to the estimates by the industrial federation Construction Association of Korea, not only the big companies would benefit from a possible opening, but also the small and medium-sized companies would profit in the long run as the contractors.

Even the financial institutions are peering at the new developments. KB Financial, Shinhan Financial, Hana Financial and Woori Bank have thus established internal project groups to research data and explore the business possibilities in North Korea. Market entry strategies have also to be prepared in the event the UN-sanctions are lifted.

Budget for inter-Korean cooperation is increased

A so-called "Liaison Office" was established in Kaesong a few days ahead of the summit meet between Moon and Kim with around 40 employees from North and South Korea, which in the future would serve as the channel and centre of dialogue. The communication between the two countries should be thus maintained around the clock in the future. The South Korean government had increased its budget for "inter-Korean relations" in 2019 by 14% to 1 billion USD in August.

Furthermore, an agreement was seemingly reached that North and South Korea want to jointly run for staging the Summer Olympics 2032. The sports diplomacy between the two countries should likewise be carried forward in form of joint participation in international competitions.

Sanctions must be first relaxed

The essential prerequisite to expand the economic relations with North Korea is the easing of the UN-sanctions and thus also the denuclearisation of the country. Economic agents, interested in doing business with North Korea, are therefore strongly encouraged to first obtain information from the Federal Office for Economics and Export Control (BAFA) on the existing regulations and to strictly abide by the existing EU and UN sanctions.



Alexander Hirschle

Representative Correspondent
Germany Trade and Invest
www.gtai.de/korea

The 8th Rason International Trade Exhibition in North Korea

Bazar, window to the world, and a glimpse of a changing economy

Bernhard Seliger

For the last decades, headlines on North Korea have been driven by its nuclear armament program and crumbling economy, together with the bizarre leadership style of the ruling Kim dynasty. However, unnoticed among often sensationalist headlines, some form of spontaneous market economy has risen out of the ashes of the centrally-planned economy which broke down in the early 1990s. Markets – first called farmer markets, but later gaining more and more official status – grew first outside the official economy and are now more and more intertwined with the official economy. While a formal acknowledgement of marketization is still lacking and the façade of a socialist economy is still kept, markets are now important for a major share of economic activities, in particular in the cities. At the same time, the fast-growing exports since the early 2000s, mainly seafood, textiles, coal and other mining products plus labor, have been curbed by sanctions and isolation due to the nuclear ambitions of North Korea. Also, Chinese tourism to North Korea stopped. Interestingly, this did not affect imports yet – 2017 saw indeed slightly higher imports than 2016, with exports in free fall, leading to the largest ever trade deficit of North Korea, presumably financed by a China unwilling to risk political stability in North Korea. Certainly, such a policy is far from sustainable.

Special Economic Zone of Rason

The Special Economic Zone of Rason, the oldest in North Korea, exists since 1991. It is closer integrated with China than most of the country and enjoyed relative wealth through numerous joint ventures, overwhelmingly with Chinese partners. While there are no reliable statistics for Rason as for the rest of the country, Rason had been hit hard by the 2017 sanctions imposed by the international community, including those on North Korea labor, textile, and sea food, as well as tourism. By late 2017, Rason administration was worried about the prospects of the economy under continuing sanctions. The abrupt change of economic and political strategy in early 2018 again brought hope for a speedy improvement of the situation. Already in March, tourists could again be observed in Rason and by June the number of tourists was back to normal. The 8th Rason International Trade Exhibition (RITE), which took place in late August in Rason, was an opportunity to check how the interplay of market forces and sanctions affected the area.

Rason Special Economic Zone was founded in 1991 by combining two small counties directly at the Chinese and Russian border,



The harbor of Rason: the right-hand pier is rented to Russia; in this photo of 2016 coal can be seen; currently the Russian pier is empty, while small amounts of coal are shipped from the middle (North Korean) pier.

Rajin (the main city in the area) and **Sonbong**. The original vision of Kim Il-Sung to make Rajin-Sonbong the "Singapore of the East" seemed doomed from the beginning and Rason could not attract any significant amount of investment for the first ten years of its existence. It was only good for occasional exotic or bizarre notes, like when the casino run by a Hong Kong tycoon and immodestly called "Emperor hotel" opened and, later, had to close again due to Chinese pressure, after several Chinese officials gambled away money which did not belong to them in this casino – today there are four casinos in the zone, including the renamed "Imperial Hotel and Casino", by far still the biggest one.

From the North Korean point of view, three reasons were named why **Rason**, seemed poised to become a free trade zone: First, the port was ideally located for transit trade. Two islands in front of the harbour are protecting the area from typhoons, and in the winter the port remains largely ice-free, a fact making it attractive also for Russia, whose ports at the Far Eastern coast are freezing. A road links the zone to **Wonjeong** at the border to China, and the port has been used in its heydays for transportation to Russia, Japan (until the first nuclear test in October 2006), and, during the Sunshine Policy, also to **Seokcho** and **Busan** in South Korea. Second, Rason was also ideally located to attract tourists from China and Russia, due to its beautiful and unspoiled beaches. Indeed, several thousand Chinese tourists and a considerably smaller number of Russian tourists (mostly confined to one resort) visit the area every year for holidays, though this is far from the expected potential. Lastly, a liberal legislation (by North Korean standards) was designed to attract foreign investment. This, however, was largely unsuccessful to begin with. Too big were obstacles for transportation and communication to make Rason attractive as an investment location. This changed slowly when China massively invested in its own Northeastern area, the adjacent **Yanbian** autonomous prefecture with a sizeable ethnic Korean population. First, roads and now a high speed train linked **Yanji** (capital of the region) and **Hunchun** to the rest of China. Then, the 48 km dirt road from the border to the city of Rajin, which had seen frequent accidents in the past, often

involving trucks bringing seafood out of the country, was paved and in 2016 also a new bridge was opened over the **Tumen** (border) river. Russia modernized the railway track from Rajin harbor to **Hassan** and **Vladivostok** and rented for several decades the pier 3 of Rajin harbor, which was fenced and equipped with its own energy source.

Rason International Trade Exhibition

Since 2010, every August the Rason International Trade Exhibition takes place. This year, it hosted around 115 exhibitors, slightly down from the figures of the early exhibitions. Roughly half of the companies are from North Korea and half from China, with only a handful of "others". Products range from clothes, shoes, beverages, foods and consumer electronics to health products and tractors. After being hosted seven times in a socialist cultural hall in Sonbong, this year RITE took place in a newly designated and built building in Rajin with more space and also a number of permanent shops. For the emerging middle class of Rason, RITE is a kind of a (albeit small) "window to the world", often with a bazar-like atmosphere.

Chinese traders from the adjacent Yanbian region come there to exhibit products and also sell those, including, for example, refrigerators or motorcycles by large Chinese brands. Other companies seem to be rather clueless about the potential customers there, bringing technical equipment like drill equipment or sophisticated agricultural technology, but not doing any business. North Korean companies selling textiles and seafood were exhibiting, though sanctions on these goods are formally still in place. The goods exhibited by Pyongyang companies are particularly interesting: besides some specialized stalls for books or stamps, in particular they specialized in health products. Many of them offered "miracle cures", like magnetic stones supposedly fending of viruses or injections against all kind of deadly diseases. Certainly, the Asian market for these kinds of products exists, but probably it is also a consequence of the lack of proper medicines and medical services in the country. It might even be related to the issue of sanctions:



In the past years, building activities in Rason have been brisk. While official statistics are lacking, it seems to indicate also a sizeable increase of population in the area.



Opening ceremony of the 8th RITE – with the General Consults of China and Russia from Chongjin present, the political representation was much stronger than in the past

why else would so-called "high-tech" companies, some according to their names involved in road construction or nano-technology, offer vitamin supplements for fast growth of children?

Another notable trend is the ever-increasing number of North Korea-made consumer goods, in particular food and beverages, which substitutes (also on the market) former Chinese imports. Import substitution is a double-edged sword and not always good; but, given the stark dominance of Chinese products a few years ago, when up to 85 percent of goods in markets were Chinese-made, this is a welcome development. And, as a trip to the noodle factory producing ramyon-style cup noodles near Rajin confirmed, the design and quality markedly improved over time.

Investments vs. Sanctions

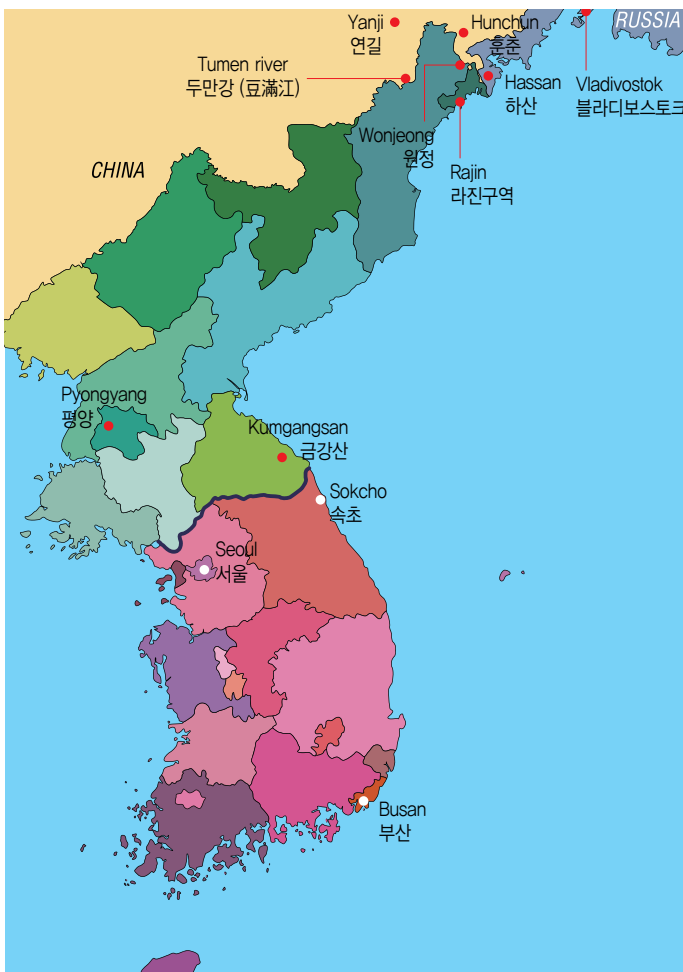
As usual in the trade fair, an investors' meeting was held where officials of the city read texts about the potential development of the zone. Unfortunately, there continue to be huge plans, with very little signs of implementation. Given the 25 year long history of the zone, it is amazing how difficult it seems to be to relate to potential investors, e.g. through a Q&A session. Certainly, the last years under Kim Jong-Un saw a marked development here like in other places in the country. A construction boom of sorts, partly related to Chinese



The team of Hanns-Seidel-Foundation at the so-called "investors' seminar" NAMEN?



The trade fair is a bazar and also "window to the world" for the emerging middle class of Rason



New products like this cup noodles substitute Chinese imports.

joint ventures, including the probably largest investment here, a cement factory, and partly related to new government buildings, including a water park, a new stadium and gymnasium, started in 2012. The most important result of the construction boom was a quite impressive new market, also a joint venture, with a quantity and quality of goods formerly unknown to this provincial city.

Regarding sanctions, North Korea developed some coping mechanisms, including for example a new seafood market directly at the border, where Chinese tourists can privately go shopping for the sought-after seafood. However, without a lifting of sanctions, a real economic take-off seems very unlikely. And even then, the zone is far from being ready for investment: communication costs and availability are still a headache, to name just one problem. At least one positive change in this direction was the end of an often extensive search into Western visitors' cell-phones and computers; during this visit, they were only registered (to be sure nothing is left in the zone unauthorized), but not longer searched, neither going into nor out of the country. This was one of the frequent complaints

by us and other visitors to the zone in the past and might be a sign for a slightly better understanding.

Rason has advantages which might allow it a bright future: unspoiled beaches attracting again more and more Chinese and Russian tourists, still ample seafood resources at prices highly competitive, a well-educated labor force, and the harbor. Rason also hosts since this year one of two Ramsar sites in the country, a wetland of international importance near the Korean-Russian border. Hopefully, the development of the economy and the preservation of the environment can go hand in hand in this area. Sustainable tourism would be one way forward for Rason. But foremost, without a solution to the nuclear problem no sustainable growth seems possible.



Dr. Bernhard Seliger

Representative
Hanns-Seidel-Foundation Korea
www.hss.or.kr

Intercultural Issues in Contracts Between Korean and Western Business Partners

Dietrich F. R. Stiller

Common roots of the legal system and common pitfalls

Exporters and other enterprises doing business with Korea will find that there are many common features between Korean and continental European law. This applies in particular to Germany as many Korean acts in the area of civil and procedural law have German roots, including without limitation the Civil Code, the Commercial Code and the Code of Civil Procedure. Although the close nexus between both legal systems is facing new challenges now in view of the important role played by the United States in the education of legal practitioners and academics, the basis of the legal system in Germany and Korea remains the same.

The fact that both legal systems share the same roots, however, does not mean that cultural differences may be ignored, which are a source of common pitfalls. One particular issue, which is repeatedly experienced, is the impact of change orders on hard deadlines and delivery dates, where the failure to meet such deadlines may trigger claims for liquidated damages resulting in serious legal risks for exporters and providers of services.

The impact of change orders on deadlines and delivery dates

Most Korean importers apply general terms and conditions (GTC) to

which they refer in their purchase orders (PO). These importers' GTC frequently conflict with any GTC to which the exporter refers when it submits an offer or pitch. Exporters should therefore pay special attention to the question which GTC are prevailing. In practice, the sequence of events will commonly start with a request for proposal, followed by the submission of a proposal, the issuance of a PO and finally the acceptance of the PO by the exporter. Although details always depend on the individual case, there is hence a good chance for the importer to get its GTC approved when the PO is accepted by the exporter. This shall normally lead to the consequence that the importer's GTC will prevail, including the provisions on the choice of law, principles of construction, dispute resolution and the rules governing change orders, their impact on other terms and conditions and liquidated damages, unless expressly otherwise agreed.

It is common market practice in Korea that GTC of importers contain detailed rules governing changes to POs, including changes to delivery dates, deadlines and liquidated damages. It is a common feature that most of these GTCs provide the importer with substantial flexibility to issue change orders, which become binding on the exporter if the exporter does not raise objections in writing within a short period specified in the GTC. This applies in particular, but is not limited to, complex projects and sophisticated industrial

goods. Such change orders often have an impact on the vendor's ability to comply with the original delivery dates, in particular if a series of change orders is issued over time.

Such delays may lead to severe liquidated damage claims of the importer if delivery dates are not expressly adjusted in the form required under the GTC, or if the corresponding reservations of the exporter insisting on an adjusted time schedule are not communicated within the relevant deadlines or in the form required under the GTC. The same liquidated damages risks do even apply if it is the importer that requests a revised schedule for the delivery dates if such revised schedule is not expressly agreed exactly in the form required under the GTC or any underlying contract.

No reliance on implied amendments or general principles of law

While German exporters in such a situation usually tend to rely on implied agreements or general principles of law, such as good faith (Treu und Glauben), Korean importers tend to rely more on the literal agreement set out in the relevant contracts and the GTC referenced therein. This may lead to a mismatch of expectations, to a different construction of the contractual arrangements and to corresponding dispute risks. In particular when large volumes are involved, such disputes may even have an adverse impact on the liquidity of the vendor.

How to mitigate and avoid contractual disputes based on delays resulting from change orders

While an export credit agency (ECA) cover such as an export guarantee issued by Euler Hermes on behalf of the German government provides efficient protection in case of the political and economic risks covered thereunder, ECAs generally do not accept documentation risk. Hence it remains the exporter's responsibility to make sure that the contract is legal, valid binding and enforceable and that its rights and claims are not derogated by non-compliance with the terms and conditions thereof, or by counterclaims or set off rights of the buyer.

It is therefore of the essence that an exporter negotiates unfavorable terms of contract where these are negotiable, and that it analyses adverse effects of change orders, and insists on revised delivery dates or deadlines to be agreed in the required form if warranted. Simultaneously with the acceptance of a change order all necessary consequential adjustments to the original PO must be put in place in binding form. Only if these guidelines are followed, risks to be exposed to liquidated damages will be efficiently avoided.



Dr. Dietrich F. R. Stiller

Attorney and Partner
SZA Schilling, Zutt & Anschütz Rechtsanwalts-gesellschaft mbH
www.sza.de



Battling the Skills Crisis

Ausbildung as a countermeasure against Korea's skills crisis

Susanne Woehrle

Digital technologies are fundamentally disrupting the business landscape. As technology opened the door to new ways of doing business, innovative operation and market strategies contributed to a blurring of industry boundaries and shifting of value chains. These dramatic transformations have a profound effect on the types of workforce skills demanded by various industries. And while technological capabilities remain at a premium, other types of skills like soft skills are also becoming more valuable. As businesses face increased imperatives to transform and adapt to changing economic forces, core skills such as communication, flexibility and agility are in high demand. In consequence, the education of non-academic workforce has to be lifted on a higher level of knowledge and skills in order not to be left behind considering these dynamic developments in business environment.

In order to make this happen in the future, partners from the government, education and industry must work together. For a mutual understanding of the future needs of industry to stay competitive, a common vision has to be defined and a connected strategy has to be outlined to be followed by an action plan. In this context, the dual vocational training and education system "Ausbildung" is a good system to focus on the above-mentioned necessities to secure the future. Trainees participating in Ausbildung experience a profound 360-degree education: on the one side, they are deeply involved in the practical work (OJT) which gives them the requested technological capabilities. On the other side, they are getting a solid academic education which complements

their practical work experience with the corresponding theoretical background. The content of the curriculum for Ausbildung is very much driven by the needs of the industry. This creates a solid skills basis for the future employees. New content which is implied by the 4th Industrial Revolution can be added rather flexible and fast.

Another core characteristic of Ausbildung is the focus on imparting soft skills and the consideration of the personal development of the young people, who are starting their career at the age of 17-18 years. Using the so called "Full Circle of Learning", the trainees are able to have a holistic view on the problem-solving process. They are trained to think outside the box in order to find the best solution for the occurring problem. This makes a remarkable difference to other training systems in Korea. This is why German car manufacturers started Ausbildung in 2017.

On 1st of September 2018 another 117 trainees of already the second generation started Ausbildung as KFZ Mechatronics at BMW Group Korea, Daimler Trucks Korea, MAN Truck & Bus and Mercedes-Benz Korea. Kick-off meetings were held for all newcomers at each company in order to welcome them to their new environment.

As the feedback on Ausbildung is highly positive, this dual vocational education system is spreading its wings to other industries and professions. Therefore, KGCCI organizes an 'Ausbildung Summit' in cooperation with the Ministry of



BMW Group Korea invited their trainees to the Driving Center in Incheon



Employment and Labor (MoEL), HRD Korea, KCCI and KOTRA, which will take place on 8th of November in Seoul. The summit will provide general information about the Ausbildung system, experiences from already participating companies and an overview about prospect professions. In addition to this, Ausbildung was presented as a best practice example of Korean-German collaboration at the 17th German Korean Forum on 25th of October held in Daejeon.



Susanne Woehrl

Project Manager Ausbildung
KGCCI DEinternational Ltd.
www.kgcci.com



Mercedes-Benz Korea and Daimler Trucks Korea jointly welcomed their future workforce at the new AMG Racetrack in Yongin



MAN Truck & Bus Korea held the Kick-off event at their training center in Pyeongtaek

Nov 8th 2018

Take the Opportunity to Join!

AUSBILDUNG SUMMIT 2018

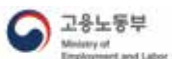
"Get a deep insight in a highly professional training and education system from Germany."

Ausbildung supports :

- Attracting new employees
- Increasing loyalty of employees
- Fundamental and profound training on the job and academic education
- Creating high productive workforce
- Boosting your business

2pm - 4pm

at Diamond Hall of FKI building in Yeouido



News and People

■ **H.E. Pit Heltmann** has taken office as **Ambassador of the Federal Republic of Germany to the Democratic People's Republic of Korea** at the end of July 2018.

He was a bank clerk in his first career, before studying Geography and Japanese Studies at Bonn University. After graduating in 1987 with a double Master's degree, he joined the German Foreign Service in 1988. During his tenure, he spent a total of eleven years in Germany and 19 years abroad, serving in Tokyo, Ulaanbaatar, Beijing and Manila. Before becoming the German Ambassador to the DPRK, he headed the division in charge of foreign, defense and developmental policy in the Federal Press Office in Berlin.



director scholarship programs and (temporary) head of department International Politics. With an office in Seoul since 1987 and activities in the North since 2004, FNF has been connecting Korea and Germany as well as supporting dialogue between the two Koreas. FNF aims at bringing people together and contributing to a peaceful and cooperative environment.

■ **Mr. Christian Nater** has been appointed as **Chief Financial Officer** for **Porsche Korea Ltd.** from September 2018. As CFO he will oversee different functions, encompassing Controlling, Accounting, HR, IT, Risk Management, Compliance and Procurement. After having studied Industrial Engineering



■ **Mr. Seon Nam(Sam) Choi** has been appointed as **Managing Director** of **TRUMPF Korea Co., Ltd.**, effective from September 2018. Mr. Choi has extensive management experiences in Korea working for an international cooperation with a proven track of building strong teams. He has held

various leading managing positions in the areas of sales, marketing, customer satisfaction and R&D. Mr. Choi became the first Korean Managing Director since the establishment of TRUMPF Korea. Prior to joining TRUMPF Korea, Mr. Choi was Managing Director for 8.5 years at Rockwell Automation Korea.

■ **Dr. Christian Taaks** has started his position as **Head of Korea Office** of the German **Friedrich Naumann Foundation for Freedom (FNF)** as of September 2018. He succeeds

Dr. Lars-André Richter who will be the next FNF country director in Argentina. Dr. Taaks joined FNF in 2004 and worked as head of Asia division, head of European and Transatlantic Dialogue division,



■ **TÜV Rheinland Korea** has relocated the Seoul HQ office to Mulla, Yeongdeungpo-gu. After years of continuous growth in revenue and staff, the previous location in Guro turned too small. Along with the new HQ,



Safety Lab, Telecom Lab and Energy Efficiency Lab also moved to the same location. The total floor space doubles to roughly 3,000 sqm. "With more than 30 years, TÜV Rheinland is the longest serving foreign certification body in Korea. The new HQ will help us to continue this success story in one of the group's key markets", states **Carsten Lienemann**, Repr. Director and CEO.

Please send news for this column to pr@kgcci.com

New Members

Corporate Member

Lock & Lock GmbH

Mr. Kay (Hyung Suk) Kim
Man. Director (Europe)
kay@locknlock.com
Chemicals, Plastics, Rubber, Retail, Wholesale,
Steel, Metal Products, Processing, Trading
www.locknlock.de



Kukbo Design

Mr. Vincent Lee Han
Section chief
bada.han@ikukbo.com
Architecture, Interior Design, Construction, Plant Engineering, Mechanical Engineering
www.ikukbo.com



Individual Member

Mr. Karsten Kuehme
karsten.kuehme@kr.nestle.com

Mr. Roger van Diepen
roger.vandiepen@heraeus.com

Mr. Martin Woehrle
martin.woehrle@hyundai.com

Upcoming

KGCCI Events

 November 03

SKAT TURNIER Fall 2018
Millennium Seoul Hilton

 November 06 – 08

AHK Business Trip: 'Building heating with Renewable Energy'
Conference & 1:1 Business Meeting
Sheraton Seoul D Cube City Hotel

 November 08

Ausbildung Summit
Target: Companies who need skilled workforce and want to know more about vocational training program Ausbildung
FKI Tower, Diamond Hall

 November 22

Seminar on K-REACH and Household Chemical/Biocidal Product Safety Act
WeWork@Jongno Tower
Conference Room 18th Fl.

 November 22

Self-Development Seminar with Dale Carnegie: Time Management and Vision Setting Seminar
Target group: Person who needs to manage time and set vision for better performance
Dale Carnegie Office 2nd Fl., Training Room

 November 30

KGCCI Christmas Dinner 2018
Grand Hyatt Seoul

 December 04

Self-Development Seminar with Vectis: Effective Email Seminar
Target group: Professionals who would like to learn effective business-email skills
Venue: TBA

 December 13

KGCCI Glühwein Sundowner
KGCCI Veranda

Registration: www.kgcci.com/events | Contact: Ms. Sun-Hi Kim | events@kgcci.com

Contacts

Hanyang University Job Fair



On September 5, KGCCI participated in the "2018 Job Discovery Festival" of Hanyang University representing German companies. Around 6,000 students participated in this job fair. The event was a great success, as many interested students visited the booth of KGCCI to find out about career opportunities at German companies.

Breakfast Seminar with Shinhan Seminar



On September 19, KGCCI held a breakfast seminar "Global and Korean Macro Economic Forecast and FX Forecast" in cooperation with Shinhan Bank. The current trend in monetary and fiscal policies was explained to the attendees by Mr. Changyoung Yoon, Chief Economist and Head of Global Asset Strategy Department at Shinhan Investment Corp., who gave a deeper insight into the Korean and global economy.

KGCCI Fairs & Exhibitions

As the official representation of numerous German exhibitions, KGCCI DEinternational is the first point of contact for Korean exhibitors as well as trade visitors and offers extensive support during the preparation of the exhibition as well as directly on site.

IFA 2018



The IFA 2018 was held on August 31 until September 5 in Berlin. The IFA plays a leading role worldwide, especially regarding new electronic products and innovations.



(Photo credit: Messe Berlin)

KGCCI has participated in the opening of IFA Global Markets 2018, which serves as the central international sourcing platform at IFA's second exhibition ground.

Asia Fruit Logistica 2018



On September 6-8, the Asia Fruit Logistica 2018 was held in Hong Kong. 34 Korean companies exhibited their products and met with their international customers at the Korean National Pavilion.



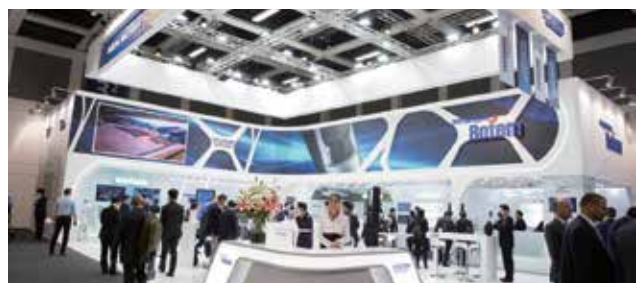
In addition, KGCCI organized a delegation visit of the Korea Financial Investment Association (KFIA) including a VIP tour at the IFA.

AMB 2018



The international metalworking exhibition AMB took place at Messe Stuttgart on September 18-22. For the first time two Korean pavilions were led by the "Korea Machine Tool Manufacturers' Association (KOMMA)" and "Korea Tool Industry Cooperative (KOTIC)".

InnoTrans



The leading international trade fair for transport technology InnoTrans took place September 18-21 in Berlin. The delegation of Korea Railway Association (KORASS) visited the fair to understand the current state of development of the worldwide rail industry.

EU GDPR Seminar



KGCCI's information seminar "EU General Data Protection Regulation Revisited" held on August 31 focused on the implementation of the new regulation in EU law for companies with business activity in Korea. Dr. Reemt Matthiesen, IT lawyer for CMS Hasche Sigle, presented current trends and topics regarding the new regulation. Following his presentation, Mr. Juho Yoon, lawyer at Bae, Kim & Lee, provided valuable insights about compliancy issues for companies implementing the regulations.

Korea-German Energy Transition Forum



On behalf of the Federal Ministry for Economic Affairs and Energy, KGCCI and adelphi organized the "Korea-German Energy Transition Forum" at the Korea Energy Transition Conference 2018 which took place on October 4-5 in Seoul hosted by the Korean Ministry of Trade, Industry and Energy (MOTIE). The aim of the forum was to intensify the bilateral relations between Germany and Korea regarding the global energy transition and to discuss challenges and solutions for the energy transition in both countries.

Rural Development Delegation Trip to Germany



On September 07-12, KGCCI DEinternational co-organized the delegation trip of the Rural Development Administration with representatives of various Korean local governments visiting greenhouses, associations and ministry organizations in Germany and in the Netherlands. During the talks, the participants exchanged views on current projects, policies and the status in the EU and in Korea.

Young Leaders Group "LEGO® SERIOUS PLAY®" Session



On September 13, the Young Leaders Group (YLG) of KGCCI held the information session "LEGO® SERIOUS PLAY®". In total, 12 participants learned how to improve problem solving in the group using the "LEGO® SERIOUS PLAY®" technique. Eric Wan, HR Manager, RDI Worldwide Korea, was invited for this seminar as specially trained "LEGO® SERIOUS PLAY®" facilitator.

KGCCI Sundowner



KGCCI welcomed members and friends on the terrace of the KGCCI at the Sundowner event on October 10. While enjoying German beer and traditional German dishes, good conversations and new contacts in the German-Korean business community could be made in a relaxed atmosphere.

"Women in Korea"(WIR) Mentoring Meeting



On October 11, the second group mentoring meeting of the KGCCI WIR-Group (Women in Korea) took place. Around 25 participants from various industries gathered to exchange their professional and personal experiences in Korea within the mentoring-groups. BASF Korea, a member company of KGCCI, kindly provided its premises to welcome the WIR group.

HR Circle Forum



On October 11, KGCCI together with the Korea Labor Foundation (KLF) organized the HR Circle Forum inviting HR leaders of KGCCI member companies. A total of 18 HR-Managers participated in the HR Circle Forum and discussed the agenda "The Korean labor policy direction and related issues: shortened working hours". The KGCCI HR Circle is held twice a year for HR Managers of KGCCI member companies. Current labor law issues and further HR topics are discussed in such gatherings.

Startup! Germany 2018



This year's 'Startup! Germany 2018 - FEEL THE PULSE OF THE GERMAN STARTUP ECOSYSTEM' event was held on October 7-12 in Germany. KGCCI participated with three Korean startups from the Smart City sector: Tempus, NEXUSTECH, Piezoelectric Technology. Over 55 startups from 17 different countries of the fields insurtech, smart city and logistics & mobility participated to explore some of Germany's most promising hotspots for both startups and "old economy".

Fireplace Talk on Energy Transition



On October 18, the KGCCI and adelphi jointly organized the Fireplace Talk at the Conrad Hotel in Seoul on behalf of the Federal Ministry for Economic Affairs and Energy. This meeting between energy experts on the role of energy suppliers for a successful energy transition in Germany and Korea provided the participants with valuable insights into the status quo and future perspectives of energy suppliers in Germany and Korea.

Startup meets German Grown-up



The KGCCI and the Korea International Trade Association (KITA) successfully co-hosted the 3rd "Startup meets German Grown-up" event on October 25. Nine startups of the insurtech, automobile and IT industries had the opportunity to pitch in front of leading German companies. This event brought together German grown-ups (Allianz, Porsche Korea and SAP Korea Ltd.) with startups made in Korea: 12CM, AXIS, Gnet System, GSIL Co., Ltd, Holo Holik, Ltd, Redvelvet Ventures, Vault Micro Inc, VisualCamp and WRD Co.

GTAI Delegation Visit of Eastern German Companies



On October 9-12, KGCCI supported Germany Trade & Invest (GTAI) during the delegation visit of Eastern German companies with a focus on the growth industries of renewable energies and e-mobility. The goal of the delegation trip was to develop and foster business contacts between Eastern German and Korean companies as well as introducing Eastern Germany as an attractive investment hub. The companies utilized the opportunity to come in direct contact with Korean companies through B2B meetings in Seoul and Daegu.

Publication



2017/2018 CSR Report of German Companies in Korea

KGCCI has published the 4th CSR report of German companies in Korea. This report features examples of CSR activities of German companies in Korea of 2017 and 2018 and the manifold ways they engage with the Korean society. This report is a great way to document the contributions of German companies for the Korean society and a tool to learn about other companies' CSR practices.

Korea – a Country Run on Coffee

Sven-Hendrik Arp

When thinking about cities renowned for their abundance of coffee shops, one might think of Seattle as the birthplace of Starbucks or Vienna with its historic coffee houses. However, it is South Korea's capital Seoul with over 18,000 coffee shops that boasts the worldwide highest amount in terms of cafés per-capita as well as the total number of stores.

Ever since King Gojong allegedly became the first Korean to taste coffee at the end of the 19th century, the popularity of the product seen as a luxurious symbol of westernization and modernization grew rapidly and coffee shops, then called dabang, quickly spread throughout the country. The growing competition over the decades lead to the introduction of brighter and cozier coffee shops, now calling themselves cafés, in the 1980s with distinctive characteristics to gain a competitive edge and to separate themselves from the more old-style dabang.

Nowadays, one may find themselves easily overwhelmed by the sheer number and variety of coffee shops and cafés available, when taking a stroll through Seoul. From affordable local and foreign coffee shop chains dominating the market share to small cafés focusing on high-quality brews as well as theme cafés such as VR cafés, cat cafés and cafés inspired by popular media characters – the complete range for coffee enthusiasts is covered. However, with 55% (2017) of cafés

closing down during their first year, owned by newcomers who favored opening a coffee shop due to their relatively low initial investment costs and high margins, and several established chains forced to make cuts, the market of Korean cafés shows signs of oversaturation. Therefore, a search towards growth potential leads the author to look at the product, coffee, itself.

In 2017, the domestic coffee market reached a total volume of 11.7 trillion KRW (8.9 billion Euro), tripling from a decade earlier. In terms of consumption, this translates into 26.5 billion cups of coffee being served last year to the 51 million citizens of South Korea, an average of 512 cups per person. When compared to countries such as Germany with a total consumption of 73 billion cups, there is reason to believe in a vast remaining market potential.

The Korean coffee market is still dominated by instant coffee mixes accounting for over 13 billion cups. The convenient and cheap product introduced in 1977 combines coffee, sugar and cream in a single-serve packaging and enables Koreans to enjoy coffee anywhere and anytime. It quickly became a staple in Korean offices after the 1997 financial crisis and the subsequent downsizing of secretary staff. However, since the emergence of large coffee chains in the late 1990s and early 2000s with market shares of Starbucks and Ediya currently reaching 26.4% and 17.1% respectively, freshly roasted coffee is gaining increasing popularity with 4.8 billion cups served in 2017, with an average price of 1.636 KRW per cup. The remaining consumption is made up by canned coffee and various coffee-flavored beverages.

Besides a trend of premiumization by large chains targeting consumers in their 30s and 40s, an increasing number of individual cafés are using their own roasting machines to attend to their customers' diverse high-end demand for freshly brewed specialty coffees. In addition, a growing interest of Koreans for premium coffee consumed at home lead to a 47% increase of capsule coffee sales between 2014 and 2016.

Cafés remain a popular and affordable meeting spot for Koreans not associated with the social obligation to drink alcohol, serving as a place to relax separated from one's home and workplace with a wide variety of offerings both in terms of locality as well as available products. Especially younger generations longing for their daily dose of a small, affordable luxury and an increasing internationalization of Korean consumer behavior give no reason to doubt that the Korean coffee market is far from reaching its peak.



Sven-Hendrik Arp

Junior Economist
KGCCI DEInternational Ltd.
www.kgcci.com

Media Data

KORUM, the bimonthly magazine of KGCCI publishes articles on Korea's economy, markets, companies, technologies as well as on tax, legal or intercultural issues. The journal also contains information on the activities of KGCCI and its member companies.

KORUM target group consists of KGCCI members in Korea and abroad, decision makers of companies doing business with Korea, business associations and relevant public sector institutions.

Circulation: 1,000 copies
Language: German/English
Pages: minimum 32 (full colour)
Frequency: bimonthly (February, April, June, August, October, December)

ADVERTISEMENT RATES

Rates per issue, all pages full colour. Prices exclude VAT.

Advertisement type	Prices (Mil. KRW)		Trim size (W x H mm)	Non-bleed size (W x H mm)
	Member	Non-member		
Inside front cover page spread	1.98	2.2	420 x 297	426 x 303
Outside back cover page	1.98	2.2	210 x 297	216 x 303
Inside back cover page spread	1.89	2.1	420 x 297	426 x 303
Inside double page spread	1.8	2.0	420 x 297	426 x 303
Inside front cover page	1.53	1.7	210 x 297	216 x 303
Inside back cover page	1.44	1.6	210 x 297	216 x 303
Inside page	1.26	1.4	210 x 297	216 x 303
Inside 1/2 page	0.72	0.8	210 x 149	-

NEXT ISSUE

Advertisements and contributions for issue 78: **November 22, 2018**

Main topic: "Frauen in der Arbeitswelt"

PREMIUM PARTNER PROGRAM 2018

KGCCI DEInternational has launched its Premium Partner Program. If you want to become a Premium Partner as of 2018 please contact us at members@kgcci.com or refer to korea.ahk.de/premium-partner/

PremiumPartnerPlatinum 2018

BMW Group



SIEMENS
Ingenuity for Life

PremiumPartners 2018

BAKER TILLY
성도회계법인



COMMERZBANK



Lufthansa



MAZARS

KORUM

Korea | Unternehmen | Märkte

Nr. 77 | OCTOBER 2018

Herausgeber:

Deutsch-Koreanische
Industrie- und Handelskammer
8th Fl., Shinwon Plaza, 85, Dokseodang-ro,
Yongsan-gu, Seoul 04419, Republic of Korea
www.kgcci.com

Redaktion:

PR Abteilung
Tel. +82-2-37804-652
Fax +82-2-37804-655
pr@kgcci.com

Editor-in-Chief: Young-In Sun

Anzeigen:

Hee-Kyung Choi
Tel. +82-2-37804-698
Fax +82-2-37804-655
hkchoi@kgcci.com

Layout und Druck:

Design Sidac Co., Ltd.

© Deutsch-Koreanische Industrie- und Handelskammer
Alle Rechte vorbehalten

Mit Namen gekennzeichnete Beiträge stellen die Meinung
des Autors, nicht unbedingt die Meinung der AHK Korea
dar.



**The greater the connections,
the smaller the world.**

Discover over 400 destinations
worldwide.



Say yes to the world

Lufthansa

Auf der Suche nach einem attraktiven Standort in Korea?



Wir bieten Ihnen mehr als nur ein Dach über dem Kopf!



Das German Office in den Räumlichkeiten der AHK Korea bietet die perfekte Umgebung für Ihre ersten Schritte in Korea:

- Zentrale Lage mit einfachem Zugang zu wichtigen Geschäftsbezirken
- Nur eine Monatsmiete als Kautions
- Deutschsprachiger Mietvertrag
- Unterstützung durch unsere bilingualen Korea-Experten

Kontakt:
Hee-Kyung Choi
Tel.: +82 (0)2 37804-698
E-mail: hkchoi@kgcci.com



Korean-German Chamber
of Commerce and Industry
한독상공회의소

