

KORUM

Korea
Unternehmen
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Nr. 71 | October 2017



KGCCI Special

KGCCI Innovation Awards 2017

Schwerpunkt

KGCCI - German Office

Wirtschaft und Branchen

GTAI - Immer mehr Singlehaushalte
in Korea



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Büro- und Wohnungsmarkt in Korea

Liebe Leserinnen und Leser,

die Bundestagswahl Ende September hat veranschaulicht, dass die politische Landschaft Deutschlands wie die vieler anderer Länder sich verändert hat und Wähler angesichts zunehmender Herausforderungen neue Antworten suchen. Umso mehr braucht die Wirtschaft als Motor für Arbeit und Wohlstand im Land eine stabile Regierung und eine zukunftsorientierte Wirtschaftspolitik, bei Kernthemen wie Innovation, Forschung und Bildung im Fokus stehen. Dies ist auch in Korea der Fall.

Mit dem Start der 1. Generation an Auszubildenden bei deutschen Firmen in Korea und mit den 3. KGCCI Innovation Awards hat die AHK Korea gezeigt, dass die deutsche Wirtschaft in Korea ein großes Interesse daran hat, nachhaltige Impulse für die weitere Entwicklung des Landes auf wirtschaftlicher und gesellschaftlicher Ebene zu setzen. Der Anstieg koreanischer Bewerber bei den Innovation Awards sowie die vielen Anfragen koreanischer Institutionen und Familien zum Thema Ausbildung zeigen, dass die Kammer diesbezüglich auf dem richtigen Weg ist. Denn die wirtschaftliche Stärke Koreas kann gerade bei einer einkommensgetriebenen Wachstumspolitik der Regierung nur in Verbindung mit einer Qualifizierung von Fachkräften und einer Stärkung der Innovationsfähigkeit und weiteren Internationalisierung von Firmen gesichert werden.

Die Oktoberausgabe des KORUMs befasst sich mit dem Thema Büro- und Wohnungsmarkt in Korea. Trotz der stetigen Urbanisierung Koreas und der demographischen Entwicklung des Landes steigen die Immobilienpreise vor allem rund um die Metropolregion Seouls in großen Schritten. Wir werden Ihnen die Vielseitigkeit des koreanischen Büro- und Wohnungsmarktes und auch das German Office, unseren eigenen Business Hub, vorstellen. Viel Spaß damit!



Barbara Zollmann

Geschäftsführerin
AHK Korea / KGCCI

Dear readers,

The German Federal Election in September sheds light on the fact that the political landscape in Germany as well as in other major countries is currently changing and that voters are seeking for novel answers while facing important changes. Thus, the economy, as the engine for employment and prosperity, requires a stable government and future-oriented economic policy that focuses on essential core topics such as innovation, research and education. This holds also true in Korea.

With the launch of the 1st generation of trainees in the project "Ausbildung" and the 3rd KGCCI Innovation Awards, the KGCCI shows the commitment of German Industry in Korea to provide sustainable impulses for the further economic and social development in Korea. The growing numbers of Korean applicants for the Innovation Awards as well as numerous inquiries of Korean institutions and families regarding "Ausbildung" show that the Chamber is on the right track with these initiatives. The economic strength of Korea, especially under an income-driven growth policy of the Korean government, can only be sustainable in combination with a qualification of skilled labor, reinforcement of innovativeness and further internationalization of Korean companies.

The October issue of KORUM covers the topic office and housing markets in Korea. Despite the continuous urbanization and demographic developments in Korea, the real estate prices highly increase especially around the metropolitan area of Seoul. In this sense, we would like to introduce you to the diversity of the Korean office and housing market and our own business hub the German office. Enjoy reading!

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Innovative Base of Knowledge Industries

Aiming for sustainable value :
Future Eco-friendly Town

Business & Commercial Area

Participations in 2017

- 4.19. ~ 4.22. Korea Int'l Pharmaceutical Exhibition
- 5.11. Investor Relations
- 6.20. ~ 6.22. Int'l Fire and Security Conference & Exhibition
- 6.30. AMCHAM Healthcare Innovation Seminar
- 10.11. ~ 10.13. IoT Korea Exhibition & Int'l Conference
- 11.1. ~ 11.4. Eco-Expo Korea

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Tel : 82-2-2133-1531

URL : citybuild.seoul.go.kr/magok

Büro- und Wohnungsmarkt in Korea

KGCCI Special

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6 KGCCI Special



In order to promote innovative concepts and solutions of Korean and German companies, the KGCCI initiated the KGCCI Innovation Awards. During a festive event at the Floating Islands on September 22nd, the four winners for the year 2017 were announced: Draeger Korea as winner of Innovation in Business, MarineBio as winner of Innovation in Sustainability, Sualab as winner of Innovation in Digitalization and Komachine as Chairman Award winner. Congratulations!

18 Schwerpunkt



KGCCI DEInt'l provides a business hub for companies which are expanding their business to the Korean market. Located in the 7th floor of KGCCI's office building in Hannam-dong, the German Office offers everything newcomers in the Korean economy need for a successful kickoff. Its current tenants are giving insights on the advantages of a close connection to KGCCI and the working atmosphere in the German Office.

22 Wirtschaft und Branchen



The demographic aging of the Korean society and the social development have a massive impact on the country's economy. A rising number of single households is influencing the demanded type of products. Beneficiaries of this development are convenience stores and the pet market. Also the furniture market is influenced by social changes.

KGCCI Innovation Awards 2017



The Korean-German Chamber of Commerce and Industry (KGCCI) strives to foster innovative concepts and strategies of Korean and German companies. Therefore, KGCCI initiated the KGCCI Innovation Awards in 2015 as a means of stimulating business cooperation and bilateral exchange and promoting Korea and Germany as two *Innovation Nations*.



The 3rd KGCCI Innovation Awards on September 22nd took place at the Floating Island with more than 200 Korean business leaders and guests participating.



The opening speech was held by Dr. Jong Kap Kim, KGCCI Korean Chairman & CEO Siemens Ltd. Seoul, followed by congratulatory remarks by H.E. Stephan Auer, German Ambassador to Korea:



What makes an innovation successful?

Before the awards were handed out, Ingrid Drechsel (KGCCI German Chairman & President Bayer Korea Ltd.), introduced the Jury on behalf of Dr. Michael Grund, the Head of Jury. Using the story of Bertha Benz, she showed what it takes to make an invention successful: 1. Inventor, 2. Investor, 3. Innovator, 4. Initial Customer, and 5. Intensifier.



In the face of current challenges in Korea and Germany, the following award categories had been chosen: **Innovation in Business**, **Innovation in Sustainability**, and **Innovation in Digitalization**.

Based on the four criteria "**Degree of innovation**" (novelty of the idea, creativity of the concept), "**Proven in the market**" (tangible market success, joint-development-activity, orders, sales), "**Influence on company**" (savings/synergies, better positioning of the company in the market, strategic move towards future markets, improved public image), "**Benefit for society**" (benefit for people's health, education, the environment) the outside Korean-German jury selected four winners for their outstanding innovations.

KGCCI Innovation Awards Jury

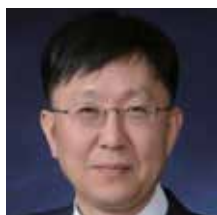
The Innovation Awards 2017 Jury, headed by Dr. Michael Grund, consists of high-ranking Korean and German experts, deeply connected with innovation.



Dr. Michael Grund
Senior Vice President
OLED & Quantum
Materials at Merck Group



Dr. Marc Bovenschulte
Director of Institute for
Innovation and Technology
(IIT) at VDI/VDE-IT



Dr. Sang Kyun Cha
President Big Data
Institute Seoul National
University



Ms. Marilen Daum
Regional Director of
Library and Information
Services at Goethe
Institut Seoul



Dr. Youngsoo Lee
Former President Korea
Institute of Industrial
Technology (KITECH)



**Prof. Dr. Michael
Maskos**
CEO Fraunhofer ICT-IMM



Dr. Manfred Martin
Professor RWTH Aachen
University



Marina Pauli
Counselor Scientific
Affairs German Embassy
Seoul



Dr. Kurt Wagemann
Executive Director
DECHEMA

Winners of KGCCI Innovation Awards 2017

Innovation in Business



From left to right: KGCCI Board Member Dr. Stefan Schlipf (BMW Financial Services Korea), Andreas Harbauer (Dräger Korea Co., Ltd.)

The award for "Innovation in Business" went to Draeger Korea for their 'Babyleo® TN500'.

Dräger convinced with 'Babyleo® TN500', a nurturing environment for premature babies as a holistic solution, which protects against infection, water-loss and noise while controlling temperature, oxygenation and brain development at the same time. The solution significantly reduces mortality of premature babies and length of stay of the baby within the hospital, and integrates parents actively into the Care Process.

Dräger
www.draeger.com

Innovation in Sustainability



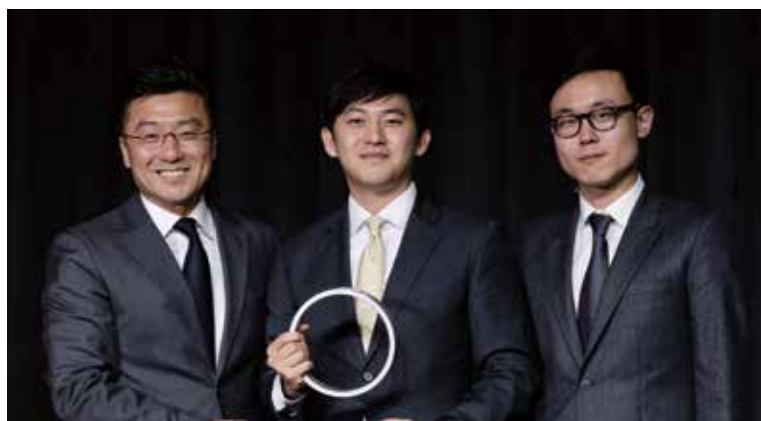
From left to right: Prof. Young Bum Suh (Chungnam University), Heo-Yun Young (MarineBio), KGCCI Vice Chairman Bernd Gehlen (BASF Korea)

MarineBio won the award for "Innovation in Sustainability" with 'Pulp and Bio products from red algae'.

MarineBio captivated with "Pulp and Bio products from red algae" as a marine borne alternative for pulp land (tree) borne one. This material can be applied to various industry sectors such as cosmetics, bioplastics, and hygiene products. Red algae production saves resources during processing and offers sustainable income generation especially in underprivileged regions.


www.marinebio.kr

Innovation in Digitalization



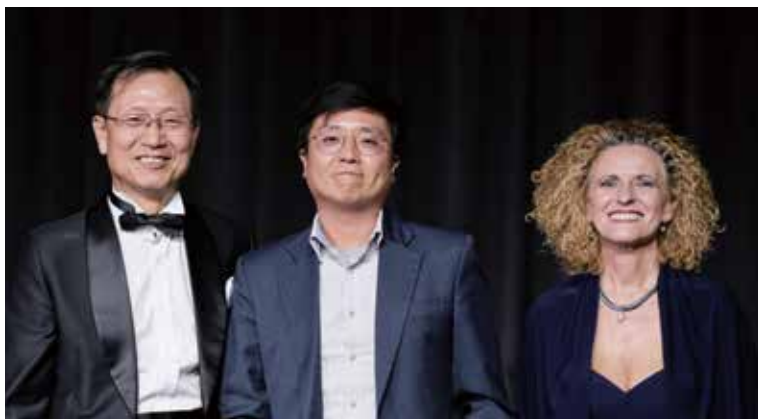
From left to right: KGCCI Board Member Steven Kim (Henkel Korea), Hanjun Kim (Sualab), Tae-Yeon Moon (SUALAB)

The award for "Innovation in Digitalization" went to Sualab for 'SuaKIT'.

Sualab stood out due to SuaKIT, a deep learning-based machine vision inspection software for textile, leather, and printing industry based on three core technologies: artificial intelligence, machine vision and super-computing. SuaKIT is appealing with its significantly superior accuracy and speed of inspection - for it has been traditionally difficult to conduct inspection with existing machine-vision technologies.


www.sualab.com

Chairman Award



From left to right: KGCCI Korean Chairman Dr. Jong Kap Kim (Siemens Ltd. Seoul), Charlie Park (Komachine), KGCCI German Chairman Ingrid Drechsel (Bayer Korea Ltd.)

A special "Chairman Award" went to Komachine.

Komachine is the only B2B online platform for machines and tools which enables easy and simple search for any machines available in Korea supporting four foreign languages and other processes. Komachine connects local suppliers with overseas buyers and switches a traditional off-line industry in an on-line industry which enables efficient implementation of a global marketing strategy.

KO MACHINE >
www.komachine.com



KGCCI utilized the Innovation Awards as a platform for a few innovative startups (Zungle, Eyedea, and Sonic Dutch) to present their businesses to the international audience. Thanks to Lollicam, a camera app with moving stickers & cinematic effects, guests at the Awards could experience the moving "KGCCI Photowall" throughout the night.



KGCCI will continue to recognize the most innovative German and Korean companies in Korea year by year. For more information about the KGCCI Innovation Awards, please visit innovation-award.kr or www.kgcci.com and consider submitting your own innovations next year!

KGCCI Innovation Awards – an initiative by the KGCCI Board of Directors

The KGCCI Innovation Awards are an initiative strongly supported by the KGCCI Board of Directors.



From left to right: Barbara Zollmann (President & CEO, KGCCI), Bernd Gehlen (Vice Chairman, KGCCI & CFO, BASF Korea), Dr. Jong Kap Kim (Chairman, KGCCI & CEO, Siemens Ltd. Seoul), Ludwig Feuchtmeyer (CFO, Continental Automotive Electronics LLC.), Ingrid Drechsel (Chairman, KGCCI & President, Bayer Korea Ltd.), Dr. Stefan Schlipf (President & CEO, BMW Financial Services Korea), Max Burger (President, MAN Truck & Bus Korea Ltd.), Stefan Rentsch (President & CEO, TÜV SÜD Korea Ltd.), Steven Kim (President, Henkel Korea)

Thank you to all sponsors and partners of KGCCI Innovation Awards 2017

Leading Innovation!



Creating Innovation



Science For A Better Life



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DAEGU METROPOLITAN CITY



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BAKER TILLY
SUNGTO



KIM & CHANG



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YOON & YANG
법무법인(유) 화우

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See you again at the KGCCI Innovation Awards 2018 on September 14th, 2018!

The Workspace of the Future

Ralf Zabel, Frank Lohmöller

Office in transition

Companies and office structures are – and should be – in constant transition as a reaction to further developed work-requirements and simply to enhance the productivity. Work proceeding and internal organisation is one element that can trigger improvements but the right customised physical environment is of equal importance for good results and employee satisfaction.

ZABEL&PARTNER architects and planners Ltd. have been on the market in Korea for nearly 10 years. Being specialized on commercial developments, Z&P has developed its own particular philosophy of office environments, the 'Half-Open Office' and applied this in many customised office interiors.

Office real estate market

Every few years the directors of companies face the task that the number of staff has outgrown the rented space, the lease contract is expiring, the work environment is out-dated or other factors that make a change in the office environment inevitable. Key decisions and considerations need to be taken into account: predict the future growth or development, will team structures be reorganised, renovate the current location or move into a new building – to name just a few.

A fair share of the answers to the questions follow global corporate targets but the decision whether to extend a current lease contract or to relocate strongly depends on availabilities and local real estate market conditions.

Fortunately, there has been a rise in office upgrades and attention to improving the work culture amongst the larger corporate associations in Seoul. According to statistics from Savills Korea, this demand for office enhancements is clear in all three major business districts of the city. With the completion of three new prime buildings in Q1/2017 – Susong Square in the CBD, SK Securities Building in Yeoido, and Lotte World Tower in Jamsil near the Gangnam Business District plus one more prime building, the KEB Hana Bank's Office Building which is set to be completed in Q3/2017, most demands for office spaces seem to be prime-to-prime relocations, especially in the CBD and Yeoido, which brings no effect in the overall market vacancy rate.

Already in recent years Seoul has provided facilitating market conditions for offices to relocate and regenerate their workspaces. The continuous construction of additional quality office buildings, particularly in areas like Yeoido, Namsan and the CBD locations generate enough supply that the opportunities for tenants to secure a lasting value are still good.

As the relocation from secondary to prime offices have increased by 25% since 2016, rent has started to increase in all three business districts of Seoul. With this increase in the market, it is smart for tenants to start lease negotiations as early as possible, before they see a financial increase in favour of the landlords.

Landlords still lure companies to move into their buildings with generous incentives that they are willing to offer to tenants, such as long rent-free periods and sometimes tenant improvement allowances, often enabling tenants to achieve rental savings, even



though they are upgrading to superior quality accommodation. The question is how long these inducements will continue to be readily available.

Beside the obvious financial incentives and advantages of an upgrade, a move should also be used as a welcome opportunity to give the work environment a much-needed facelift as office structure and setup in Korea are increasingly reflecting international trends of higher efficiency and more transparent collaborative workspaces.

How much transparency is good for us?

Cubicles, individual closed offices, open office – all has been there before – but what is the perfect office and best working environment?

The word 'transparency' has become a popular term in business management as well. No surprise: The idea that people work more open and responsible if their operations are visible for all sounds plausible. But does this total transparency actually lead to improved sharing of information and ideas?

In recent years the Open Office was usually considered the general solution to create a more contemporary office structure. But the Open Office does not automatically generate more creativity and innovation. Studies show that privacy and separated rooms are equally important for the wellbeing and productivity of the team.

The above subject is rather paradox. Even if transparency can faster unearth inefficiencies or deficits and speed up the exchange of knowledge between colleagues, too much of that may cause the contrary. In particular spontaneous and creative behaviour patterns begin to disappear in an unprotected environment. The perception

of being constantly watched or monitored results in some employees to take quite significant efforts to protect their work even if there is no obvious reason to hide. In most times the motivation is caused by fears that the works at early stages may not be fully understood by superior managers.

All this proves that achieving a balance between transparency and privacy is the solution but it is quite a delicate process. Various factors can mitigate the disadvantages of the Open Office.

The 'Half-Open Office' layout

The new type of layout does not give up on open plan, but acknowledges that people need balance by dividing the long rows of Open Office and replacing it by a layout that is broken down into zones with pleasant workgroup sizes, thus creating an intermediate 'Half-Open Office Layout'. While still working in an open plan office environment, spaces are created that have less noise pollution and more intimacy. Individual spaces such as single offices, meeting rooms, coffee corners, etc. serve as a natural barrier and gently subdivide the Open Office into regions, naturally flowing around those enclosed 'Islands'. Circulation, ventilation, view and interconnectivity are given the highest attention.

New qualities of protected flexible individual workspaces, the so-called Secondary Workspaces, offer a backdrop for individual concentrated work. Multiple studies demonstrated that the results of practiced and repeated tasks achieve better results in environments in the presence of others while learning and creative processes are best completed in private spaces.

Secondary Workspaces such as focus rooms and phone booths can provide temporary non-allocated individual 'offices' for those in need of higher amounts of privacy. These shall be available in



large quantity and in the best case evenly distributed throughout the office. Not only is concentrated work improved but also noisy distraction of co-workers reduced by shifting lengthy phone conversations or video conferences to the individual rooms.

Staff lounges, shared by all members of a company, are another important factor in an office environment. The times of lounges considered to be only used as canteen or break area are long over. Informal meetings, work away from the desk as well as phone conversations can take place in this additional Secondary Workspace. Furthermore lounges are laid out to encourage casual encounters. Some of the best ideas are born in small talks between employees of different departments, an exchange of experiences and know-how.

New office landscape – more than a work place

In conclusion, companies must recognise that the built office environment is more than an asset to be depreciated over a given period of time but if applied wisely a tool to improve company culture, employee satisfaction and with it the productivity. Times when the sole reason for corporate investment was the improvement of client and customer satisfaction is now joined by flexible and pleasant work landscapes.

At the end one has to check whether the wrapping reflects its content – or in other words: Is the design and layout adapted to the

companies' values, reputation and work style?

The approach to each office interior project has to be individual. Every company works differently and the setup needs to be customized. Whether a business is operational or project based triggers differences that need to be reflected the functional layout to assist defining the work ethics.

ZABEL&PARTNER has been and continues applying the 'Half-Open Office' concept. Apart from the primary working space, Z&P provides in the designs additional multi-functional working areas as 'Secondary Workspaces'. Z&P pays close attention to the layering and intermingling of these zones and how such positioning can result in a positive atmosphere to fit the clients' requirements as a company as well as the optimised needs of the actual users of the space.



Dipl.-Ing. Arch. Ralf Zabel

CEO of ZABEL&PARTNER architects and planners LTD



Dipl.-Ing. Arch. Frank Lohmöller

Senior Architect at ZABEL&PARTNER architects and planners LTD

Great Deals for Tenants in the Current Market Cycle

Bastiaan van Beijsterveldt

The latest Seoul office market data shows that opportunities for tenants to secure real and lasting value, 'great deals', has been increasing in certain parts of the office market of Seoul. According to JLL Korea, overall vacancy in the Seoul Grade A office market increased by 40 bps q-o-q to 11.2% in Q1 2017 as several major tenants departed Grade A properties for lower grade stock.

The demand in the Central Business District (CBD) and Yeouido was both negative during the first quarter of 2017, as several major tenants departed for lower grade stock. In the CBD SK E&C departed from Pine Avenue A to the Grade B Soosong Tower and at Taepyeongro Building, Samsung SDS departed to consolidate into their lower grade headquarter building in Jamsil. In Yeouido, SK Securities and HP departed SK Securities Building and HP Building respectively, for the recently-completed lower grade K-Tower in the same district. Gangnam was the only sub-district where the demand was positive. This was predominantly spurred by Parnas Tower

attracting a variety of tenants bringing the buildings occupancy level to 98%.

The increasing vacancy rate, partly caused by the low demand, in the CBD and Yeouido is certainly good news for tenants as landlords are offering attractive incentives for tenants to relocate to their properties. Certain landlords in these districts have become more and more generous in terms of the incentives they are willing to offer to potential tenants. Generous incentives like long rent free periods and sometimes tenant improvement allowances are offered, often enabling tenants to achieve rental discounts. Even if a tenant is upgrading to a superior quality accommodation, they are able to achieve these discounts compared to their current location. The question is how long these inducements will continue to be readily available, especially in the CBD, as the building supply forecast is minimal until 2020, which will result in a decline of the current high vacancy rate in this sub-district over the years to come.

Overview of Seoul 'Grade A' Office Market:

	CBD	Yeouido	Gangnam
Description	The traditional downtown, a well-established market. Previously experienced a strong growth in new supply, expanding the boundaries of the district and increasing choice for occupiers.	Island (development constrained), government-driven plan. Strong support from Metro Government for Yeouido to emerge as a international finance hub.	Newest major market. Gangnam is development constrained due to Teheran-ro (the main road with major buildings) having few vacant sites to build on.
Key Occupiers	Commercial and investment banks, embassies, chaebol HQs, property and business services	National Assembly, media, Korea Stock Exchange, domestic securities	IT, private banking, chemicals, health and pharmaceuticals, defence industry
Current Market Size (Grade A)	2.2 million sqm	1.1 million sqm	1.9 million sqm
Vacancy	14.4%	16.1%	4.8%
Monthly Effective Rent (Based on GFA)	KRW 91,500/py	KRW 75,100/py	KRW93,800/py

Source: JLL Research as at Q2, 2017. py = pyeong (3.3m2)

Gangnam faces rather different pressures; low volumes of new supply in combination with the IT-industry and co-working industry performing strongly, has resulted in declining vacancy. Nevertheless, landlords in the district also face challenges to mitigate the attractiveness of more modern buildings in the CBD and Yeouido at a lower cost, especially for tenants who require large floor plates and occupancies. As a result, certain buildings in the district are maintaining flexible rental offerings to attract and especially retain tenants. Overall the current low vacancy environment in Gangnam has resulted in less attractive terms for tenants compared to the other two sub-districts.

The Seoul metro area includes about 27 million sqm of office space, divided between low grade space and officetels at one end of the quality spectrum and Grade A space at the oppsite end. Grade A space falls within one of the three principal business districts; The CBD, Yeouido and Gangnam.

The Grade A Market makes up about 5 million sqm of office space, which accounts for about 17% of the total office stock in Seoul. And this clearly makes sense when driving around Seoul, most of what we see in commercial structures is clearly not prime Grade A office.

Overall rents during Q1 2017 declined 1.5% q-o-q and over 3% y-o-y, as tenant departures and lingering vacancies in the CBD and Yeouido districts boosted incentives in these districts. By district, the CBD and Yeouido rents declined the most, whilst Gangnam's net effective rents remained stable with almost no change (a marginal uptick was recorded) compared to last quarter, reflecting the continuously improving occupancy levels in Gangnam.

Current market conditions favor tenants, but this phase will not last forever. Very low levels of new supply are coming to the market in

the coming years, so the current vacancy will eventually be absorbed and the market will turn back to being landlord friendly. We expect this window of opportunity for tenants to last about 12 months from today.

This means it is a good time to start a renegotiation or commence a new search. In this environment we advise tenants to go for long leases rather than short, as the bargains will not last. A five-year lease (as a minimum) likely is suitable for many occupiers right now. Even if a tenant's lease expiry is not imminent, many landlords are willing to have discussions with tenants about early renewal or lease restructures, which can result in an immediate reduction in rental costs and a better deal than may be available in 2018 and beyond.

Nevertheless, some tenants may find that their current landlord is not responsive to the tenant friendly market conditions. Almost always the most value will be uncovered by conducting a competitive process, involving the pursuit of alternative buildings – even for buildings outside of the tenant's current district.

Whilst the tenant is currently in the driver's seat, landlords are sophisticated and the number of variables in a lease negotiation is huge. Landlords will certainly take advantage of a tenant that does not have a professional agent sitting alongside them. Tenants without professional advice typically will miss out on a range of incentives and inclusions (including items like break clauses, CAM abatement, rent frees etc.) that they were not even aware existed. First and foremost, among them is the agents fee! Yes, in many cases the landlords will even pay the agents fee for formally representing the tenant and driving the best deal for the tenant.



Bastiaan van Beijsterveldt

Associate Director in the Tenant Representation team at JLL Korea

The Korean Real Estate Market

Gus Sunwoo, GMS

For expats, an assignment to South Korea can be a magical ticket into a mystical world. While global business, electronics and high finance drive the country's economy, life is grounded in centuries of history and stunning landscapes. Ancient temples and palaces beckon, while rich culture and nonstop nightlife abound. Breathtaking scenery beckon from the mountain trails while local food offerings can be an adventure all its own. But before one starts their new life in the Land of the Morning Calm, they will have to tackle and secure one of the most basic human necessities – housing.

Companies in South Korea often provide furnished apartments for expats, but they can be tiny and bland. Expats who seek out housing on their own, especially in Seoul, should be prepared for high rents and steep security deposits, also known as "key money". The larger the key money payment, the smaller the monthly rent.

There are three types of renting norms in Korea – rent, wolsse, jeonse.

For Rent, the typical lease term is for 2 years, even though only 1 year is fixed so long as a two month notice period clause is stipulated into the contract, therefore making it a minimum 12 months' lease. The rent money payment is to be paid in one lump sum payment in advance and a yearly payment may be negotiated with certain landlords. This is a unique system tailor made for the foreign expatriate market in South Korea.

For Wolsse, the typical lease term is for 1 or 2 years and requires a pre-agreed security deposit amount for the term of the lease. The monthly rent amount is to be paid in advance every month.

For Jeonse, the typical lease term is for 2 years and is a unique renting system only found in South Korea. There is no monthly or annual rent payment and the "key money" deposit is a large lump

sum payment, approximately 70-90% of the housing unit's market value. This "key money" deposit is wholly returned back to the renter at the end of the lease.

In the general expat neighborhood areas, most properties provide built-in items such as kitchen appliances, air conditioners, water coolers and washing machines. Local Korean residential areas do not receive such amenities, as they are expected to bring their own when they move in. The only exclusions that fall under the renter's responsibility are general household utilities, residential management fees, club memberships, cleaning services, internet/cable TV and real estate commissions. Both landlord and renter are responsible to pay their respective realtor an agency fee when the contract is signed, even if one realtor is representing both parties.

If an expat is single, they can be a bit more adventurous and look for housing in some of the current lifestyle hotspots that South Korea has to offer. For Seoul, areas such as Gangnam and Hongdae would offer a glimpse of a fast paced world in style, food, fashion and nightlife. For expats with accompanying children, it is highly recommended to stay within the general expat neighborhoods, as they are centrally located near the international schools where their children will be attending.

With children, it is essential to secure a spot in one of the international schools first before housing is considered. The recommended steps would be to first secure the child's school location and then proceed to search for housing near the school in order to minimize the child's journey time between the new home and the school.

If an expat chooses to search for housing on their own, here are some hints and tips on what to avoid during their search. Real



estate listing websites with pictures of properties should be carefully examined or altogether avoided if it looks too good to be true. Many sites use false properties, false pictures or both to attract one's attention and once the expat visits the real estate office, the realtor will claim the property is no longer available and try to convince the expat into viewing lesser quality properties in hopes they simply sign on the spot. In addition, realtors need to be checked to make sure they are properly licensed and in good standing. Using an unlicensed realtor would open the doors to legal difficulties in enforcing any contract negotiations or disputes with a landlord.

South Korea is a humid country. As such, once an expat secures their housing, it is very important to note that proper ventilation is required to avoid dew condensation inside the house. Leaving an air conditioner or heating unit turned on all day long without proper outside ventilation may damage one's personal belongings in the long run, so every once in a while, it is advised to open the windows and let the outside air circulate within the house. Optimal indoor temperature ranges from 18-24°C with optimal indoor humidity to remain within 40-50% levels.

Currently, real estate market trends and local experts are predicting the cost of purchasing properties within Seoul city limits will

decrease in the coming months. This may lead to a drop in rental costs depending on demand, but one should not expect any drastic reductions within the more favored expat neighborhoods. In addition, with the increasing rise of single family households in South Korea, smaller sized apartments are becoming more popular and in demand when compared to larger sized apartments with 3-4 rooms. For this reason, the rental prices on larger apartments remain stagnant while new construction is focusing on building smaller unit buildings.

For peace of mind, stress free transactions and to secure the best possible housing options, the best and most recommended method is to use a professional relocation consultant who understands the needs of expats and what they are looking for in housing accommodations while working with a select group of trusted realtors that provide solid options catered solely to the expat market.

As they say in South Korea, haenguneul dama – all the best!



Gus Sunwoo, GMS

COO / Country Manager, Korea
Asian Tigers Mobility



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German Office at KGCCI



Starting a new business in Korea comes along with a lot of different challenges. Especially for small and medium sized enterprises these challenges make a successful settlement in Korea difficult.

Language barriers, complicated bureaucracy, high rental fees and deposits and long-term contracts are just some of the difficulties, which come up during a first rental office in Korea. Furthermore, finding a suitable office is getting even more challenging when it cannot be done by local staff.

KGCCI DEInternational provides the perfect office space solution 'German Office', for opening a representative branch in Korea. The German Office is located in the heart of Korea's cultural and economic center Seoul, providing German companies an affordable chance to rent a fully furnished office in a representative and prestigious business area. KGCCI staff supports tenants in installing internet and telephone system. All tenants at KGCCI in the German Office can use the conference rooms for their meetings.



The German Office is a comfortable and efficient solution for a company's market entry to Korea: starting by a lease agreement according German standards onto fitting to your company's needs in term of lease. Moreover, the German Office provides a wide range of office sizes, enabling German companies to start in Korea without wasting money on big offices or long-term contracts.

In order to provide readers with detailed information and impressions of the German Office, KGCCI conducted interviews with some of its tenants – German companies utilizing this solution – to ask them about their impressions:

Was the German Office enabling your company a good start to the Korean Market?

Mr. Sjoerd Feenstra (Enercon Korea Inc.): The German office made is very easy for us to enter the Korean market. Where we have encountered many difficulties with Korean customers and institutes because of culture and language differences, working with the German office has been very pleasant and convenient.

Ms. Hyo-Jin Bae (Hennecke GmbH Korea Branch Office): For most companies it is the first time to have an office in Korea, they can feel safe and save time to look for a right sized office. We also have a shared meeting room and kitchen. As we got access to both, the office feels much bigger than it is in reality.

Mr. Tae-Choon Park (Hensoldt Sensors GmbH Liason Office Seoul): We needed to find an office in Korea to open the Korean branch of Hensoldt. Without an address it is impossible to establish



one due to Korean law. So the German office was a first step to settle Hensoldt in Korea. Beside this, KGCCI helped us with a lot of other services to establish our business here in Seoul. The chamber helped us to by recommending law firms and tax advisors.

Are the offered services which are included to the German Office helpful for you?

Mr. Sjoerd Feenstra (Enercon Korea Inc.): The biggest advantage for us is that we do not have to take care of the office, and can use the facilities when we desire to do so. We have no worries in regards to managing the office.

Mr. Tae-Choon Park (Hensoldt Sensors GmbH Liason Office Seoul): Great advantages of using the German Office are the included services by KGCCI. As I am the only person working in our office with a lot of appointments and meetings outside the office, these services help me a lot to run Hensoldts Korea. There is always somebody taking care of my mail. Also the electricity, internet connection and telecommunication are taken care of, so I just had to move in and could focus on my job.

Ms. Anja Reimann (Perlon): Another really good service provided for the users of the German Office is the mail service. So I never miss any mail and also receive help if I want to send any letters or boxes to other places.

What are the biggest advantages for your company to be established in the German Office?

Ms. Anja Reimann (Perlon): The rental prices are reasonable and a German contract is much more familiar to us. Another advantage of a German contract is that we did not need to pay a high deposit when we first moved in. Our office was fully connected with internet and phone, as well as equipped with a printer and a copier. So we just had to sign our contract and start working.

Mr. Tae-Choon Park (Hensoldt Sensors GmbH Liason Office Seoul): Another advantage of the close distance to KGCCI is the comfortable access to their networking events. So even if am working late on the day of the sundowner, I just need to go upstairs and have the chance to meet Korean, German or other businessmen and women from the Korean-German business community during the sundowner.

Ms. Hyo-Jin Bae (Hennecke GmbH Korea Branch Office): In this way, an office provides all we needed. But as we got meetings and conference quite frequently, it was necessary for us to have access to a meeting room. It would be difficult for us to find a fitting office location providing both attributes. High quality furniture is provided, kitchen as well. It is very convenient; we just moved here and could start working immediately.

Mr. Jaijin An (E.Style LMC Korea Inc.): Hannam is a good location to settle a business in Seoul. The German Office is located in the heart of Seoul, so we are in close distance to all our Korean customers. Furthermore, we hope to get in touch with other German companies here in Korea by using the German Office and being member of KGCCI and acquire some of them as new customers.



Tae-Choon Park (Hensoldt Sensors GmbH Liason Office Seoul)



Anja Reimann (Perlon)



Office of E-Style

Saemangeum, The Bright Future of Korea

Construction of The Center of Global Economic Cooperation to Gain the World's Attention!

Saemangeum, the center of Northeast Asian economies

The Saemangeum Project is set to develop the inner side of the 33.9km-long Saemangeum seawall, the world's longest embankment located along the west coast of the Korean Peninsula, which connects Gunsan-si and Gogunsan Islands in Jeonbuk and Byeonsan Peninsula in Buan. The project aims to renew an area of 409km² (equivalent to 2/3 of the size of Seoul), consisting of 291km² of land and 118km² of swamp. It will create a new growth engine for the future of Korea, and amass a great deal of land by filling in the sea with soil which is literally similar to producing a substance from nothing. The process of gradually revealing land on the map is truly amazing.

The Saemangeum Project began as a construction project for a 'food production base' in 1991, but it has now changed to a project for establishing the center of Northeast Asian economies through the development of multi-functional land for industrial research, tourism leisure, international cooperation, environmental ecology, and cities, including farm land. As Saemangeum will be developed as multi-functional land, it is expected to become the center of global economic cooperation by integrating the advantages of various industries.

The strength of the Saemangeum Project is its designation as a special economic zone supported by the central government,

thus the project will be swiftly developed and receive customized assistance from the government. Major infrastructure such as a harbor, airport, Dongseo roads, Nambuk roads and the Saemangeum-Jeonju expressway will be built with government expenditure thus, there is expectation that the project will be operated stably.

The basic direction of Saemangeum land use is classified into six zones such as industrial research, tourism leisure, international cooperation, bio & farming, and cities depending on the function and characteristics in order to actively respond to investors' requirements in a customized way. The area of each major use such as residence, commercial, industry and tourism is suggested in a minimum or maximum range to increase the flexibility of land use.

Jump-starting the development of Saemangeum

Saemangeum is evaluated as Korea's growth engine that will lead the Korean economy for 30 years into the future, but its development has been slowed. Due to conflicts and discord with environmental groups, religious circles and local residents, the operation of the project went through difficulties and the completion of landfill and infrastructure construction remains around 36% as of the present.

However, the new government administration chose Saemangeum as its first national project and revealed its strong will to complete



the Saemangeum Project, so the development of Saemangeum is expected to accelerate.

On May 31 while visiting the development site of Saemangeum, President Moon Jae-in stated, "Saemangeum has a great potential to become the hub of the Northeast Asian economy, particularly the center of economic cooperation with China", and professed, "I will change the project to a national reclamation project if necessary in order to speed up the project." Consequently, Saemangeum is expected to become an economic hub in the Pan-Yellow Sea Rim at a faster pace.

In particular, the Saemangeum project is included as one of 100 major national projects announced by the new government. By clearly specifying the early construction of logistics transportation networks, such as an international airport and new port, as well as government-led reclamation, for the speedy operation of the Saemangeum Project in order to achieve balanced national development across the nation, the government promised the successful execution of Saemangeum development once again.

In addition, the government decided to provide unprecedented incentives in order to induce businesses to Saemangeum and to revitalize investments in Saemangeum. Currently, the land of Saemangeum can be rented for a maximum of 100 years, and corporation and income taxes can be exempted 100% for a maximum of 5 years and 50% for the following 2 years depending on the amount of investment. In particular, the special lease for 100 years is allowed to foreign investment companies, as well as to domestic businesses which contribute to revitalizing the local economy and creating jobs.

The Saemangeum Project will be developed in the 1st phase by 2020 and the 2nd phase from 2021. The 1st phase is to a foundation for private participation by constructing industrial land and infrastructure such as a new port through the construction of economic zones; while the 2nd phase plans to revitalize internal development by promoting private investments in various forms and by inducing global businesses.

Owing to the change of the Saemangeum Project as a government-led project, the 36%-completed reclamation will be completed by 2020 as planned. In addition, if the construction of infrastructure such as roads is completed as planned, it will contribute greatly to revitalizing the local economy as well.

The Director of the Saemangeum Development and Investment Agency, Mr. Lee Cheol Woo stated, "We can actively induce businesses to Saemangeum and both domestic and foreign investments in Saemangeum when we can secure land through the Saemangeum reclamation", and added, "If the government takes part in the construction of basic infrastructure, such as the reclamation project, at a faster pace, Saemangeum will be established as a hub in Northeast Asia faster."

Saemangeum, the center of global economic cooperation

The Korean government plans to establish Saemangeum as the core hub for free trade and production/processing/exports of intermediate goods in Northeast Asia by way of the Korea-China Free Trade Agreement (FTA), the expansion of Hallyu, and large areas of land. To achieve this goal, the government plans to make Saemangeum as the base of free trade and investment by removing barriers in the activity of investment businesses and residence, as well as by removing social and cultural discrimination.

One instance of differentiated competitiveness of the Saemangeum Industrial Complex is that it is Korea's only Korea-China FTA Industrial Complex. Saemangeum is the most attractive place for Korean businesses which have a desire to advance into the Chinese market, as well as for Chinese businesses which want to cultivate new markets in the USA or the European Union (EU).

When overseas businesses make an investment decision, they tend to consider the geographical advantage of Saemangeum, as well as the Korea-China Free Trade Agreement (FTA). It is because, owing to the Korea-China FTA, the current 6.5% tariff will be lowered by 1.3% each year and the tariff will be completely removed by 2019. If businesses export products from Saemangeum which is located very close to China, they can also save logistical costs. The Saemangeum New Port which is under construction is the closest port to China. The distance to Lianyungang Port in China is only 58km which is much shorter compared to other ports in Korea, such as Busan Port (906km) or Gwangyang Port (767km). By plane, it only takes 40 minutes to reach the Shandong Peninsula.

Currently, the Gun-san National Industrial Complex, the Automobile & Mechanical Component Cluster and the Korea National Food Cluster have been formed around Saemangeum, and the center of the large West-coast Tourism Belt which connects the axis of the Korean Peninsula is located in Saemangeum. In addition, optimal logistics facilities such as the crisscross network of land routes running in all directions, the new port and Gunsan Port are located in Saemangeum, and the infrastructure of express railroads and international port are being constructed around Saemangeum.

Based on such excellent location and infrastructure, global businesses such as Japan's Toray Advanced Materials and Belgium's Solvay, as well as Korean businesses including OCI and OCISE, have already moved in Saemangeum or are investing in Saemangeum.

Material provided by the Saemangeum
Development and Investment Agency
www.saemangeum.go.kr 044-415-1000

Immer mehr Singlehaushalte in Korea

Auswirkungen auf viele Branchen

Alexander Hirschle

Korea's society is facing a lot of social changes. The increasing number of single households and the increasing demographic aging has a tremendous impact on the Korean economy. One of the top beneficiaries of this development is the pet market. Besides the pet market also the operators of convenience stores profit from the rising number of single households, as the demand in smaller sized fast food and groceries is increasing. Also companies which are producing furniture and appliances adapted their products to keep up and correspond to the social development.

Die koreanische Gesellschaft durchläuft gewaltige demografische und soziale Veränderungen, die sich stark auf die Wirtschaft auswirken. Bei Gebrauchs- und Verbrauchsgütern werden trotz des schwachen Konsumklimas hohe Wachstumsraten erwartet. So steigt etwa die Nachfrage nach Haustierprodukten und Fertignahrungsmitteln stark an. Bei Möbeln und Haushaltsgeräten liegen kleine und multifunktionale Produkte im Trend.

Koreas Fertilitätsrate (Kinder pro Frau) hat 2016 mit 1,17 einen neuen Tiefstand erreicht und ist im internationalen Vergleich einer der

niedrigsten. Gleichzeitig heiraten Koreaner immer später. Auch die Zahl von nichtverheirateten oder geschiedenen Personen steigt permanent. Im Frühjahr 2017 gab das koreanische Statistikamt seine Projektionen für die weitere Entwicklung bekannt. Demnach ist neben der starken Alterung der Bevölkerung ein weiterer zentraler Trend die steigende Zahl von kleinen und Einpersonenhaushalten.

Zahl kleiner Haushalte steigt drastisch

So haben heute 3,6 Mio. Haushalte (Anteil: 18,8%) vier Personen. Bis 2045 wird deren Zahl auf 1,7 Mio. (7,4%) sinken. Im Gegenzug wird die Zahl der Haushalte mit bis zu zwei Personen von 10,1 Mio. (53,3%) auf 15,9 Mio. (71,2%) steigen. Die Zahl der Singlehaushalte soll dabei um fast 3 Mio. (97.000 pro Jahr) zunehmen: von derzeit 5,2 Mio. (27,2%) auf 8,1 Mio. (36,3%). Die Anzahl der Zweipersonenhaushalte wird von 5,0 Mio. (26,1%) auf 7,8 Mio. (35,0%) steigen.

Die Gesamtzahl der Haushalte wird den Prognosen zufolge ihren Höhepunkt mit 22,3 Mio. Einheiten im Jahr 2043 (2016: 19,0 Mio.) erreichen und dann graduell abnehmen. Die durchschnittliche Zahl



an Personen pro Haushalt soll in den kommenden 30 Jahren von derzeit 2,5 auf 2,1 sinken. Auch soll die Zahl sogenannter "Dinkwad-Familien" (double income, no kids with a dog) zunehmen. Bereits in den vergangenen Jahren hatte sich diese Tendenz abgezeichnet und Auswirkungen auf diverse Sektoren der Wirtschaft gehabt.

Haustiere als Familienersatz

Immer mehr Koreaner halten sich Haustiere als Familien- oder Kinderersatz, vor allem Katzen oder kleine Hunde. Etwa 20% leben mit einem Haustier in den eigenen vier Wänden. Damit ist die Haustierdichte im internationalen Vergleich noch gering. Die durchschnittlichen Ausgaben für Haustiere pro Monat haben sich zwischen 2000 und 2015 auf 63.480 KRW (49 Euro; 1 Euro = 1.292 KRW) verfünffacht. Die Produkt- und Dienstleistungspalette ist breit und reicht von Schönheitssalons über Hotels, Versicherungen, Bestattungsinstitute und Kliniken bis hin zu speziellem Futter und Medikamenten.

Der gesamte Markt rund ums Haustier ist nach Schätzungen der National Agricultural Cooperative Federation in den vergangenen Jahren von 900 Mrd. (2012) auf 2,3 Bill. KRW (2016) gewachsen. Bis 2020 soll sich das Marktvolumen auf 5,8 Bill. KRW verdoppeln. Vor allem das Premiumsegment soll dabei hohe Wachstumsraten erzielen. Davon profitieren auch internationale Firmen.

So wird der Markt für Haustiernahrung nach Schätzungen von Branchenkennern zu rund 70% von ausländischen Firmen dominiert. Die Importe dieses Segments stiegen zwischen 2011 und 2016 wertmäßig um 63% auf 423 Mio. US\$. Koreanische Hersteller bewegen sich bisher vorwiegend im unteren bis mittleren Preis- und Qualitätssegment.

Trend zu kleineren Einheiten

Auch auf andere Marktsegmente wirkt sich die zunehmende Zahl an Singlehaushalten aus. So legen Koreaner traditionell großen Wert auf eine ausgiebige und umfassende Vorbereitung von Mahlzeiten mit großen Portionen und zahlreichen Zutaten. Angesichts kleinerer Haushalte werden künftig jedoch eher kleine Maßeinheiten und Verpackungsgrößen gefragt sein. Die Notwendigkeit einer schnellen und einfachen Zubereitung wird durch die hohe berufliche Belastung noch verstärkt.

Der Markt für Fertiggerichte expandiert daher bereits seit Jahren. Nach Angaben des Landwirtschaftsministeriums (Ministry of Agri-

Haushalte in Korea

in Mio., % aller Haushalte in Klammern

	2016	2045
Einpersonenhaushalte	5,2 (27,2%)	8,1 (36,3%)
Zweipersonenhaushalte	5,0 (26,1%)	7,8 (35,0%)
Vierpersonenhaushalte	3,6 (18,8%)	1,7 (7,4%)

Quelle: Bank of Korea

culture, Food and Rural Affairs) stieg der Markt für Fertiggerichte (HDR, Home Replacement Meals) zwischen 2011 und 2015 (letzte verfügbare Zahlen) um 51% auf 1,7 Bill. KRW. Einige Segmente wie etwa tiefgefrorene Reisgerichte verfünffachten ihre Umsätze zwischen 2012 und 2016. Steigerungsraten von 20 bis 30% erzielten in den vergangenen Jahren die Verkäufe von Fertiggerichten in Convenience Stores.

Immer mehr Convenience Stores

Fast die Hälfte des Umsatzes der Convenience Stores entfällt auf Nahrungsmittel und Getränke. Der Markt wird von Ketten wie 7Eleven, CU oder GS 25 dominiert. Die Geschäfte sind als kleine Einheiten angelegt und können fußläufig erreicht werden. Die Zahl der Filialen stieg 2015 um 15,3% und 2016 geschätzt um rund 10%. Die Umsätze schossen in den beiden Jahren um knapp 27% und 18% auf 20,4 Bill. KRW nach oben, trotz sonst eher schwach zunehmender Einzelhandelsumsätze.

Auch im Bausektor wirkt sich die zunehmende Zahl an Singlehaushalten aus. So waren noch vor 15 Jahren Einheiten mit mehr als 100 qm Wohnfläche am gefragtsten. Seither sind die Wohnungsgrößen geschrumpft. 2016 waren nach Angaben des Korea Appraisal Board fast 90% der verkauften Wohnungen kleiner als 85 qm. Die Zahl der Baugenehmigungen für Appartements mit weniger als 40 qm Fläche stieg zwischen 2014 und 2016 um rund 70%. Gleichzeitig sind die Miet- und Wohnungspreise im gleichen Zeitraum deutlich gestiegen.

Möbel und Haushaltsgeräte werden kleiner und multifunktional

Dies beeinflusst wiederum den Markt für Möbel und Einrichtungsgegenstände, in dem sich ein deutlicher Trend zur Verkleinerung abzeichnet. Immer mehr Möbelhersteller setzen daher auf modulare und kompakte Modelle, die in verschiedener Form aufgestellt und genutzt werden können. Einzelbetten, die früher Kindern und Teenagern vorbehalten waren, werden nun von 20- bis 30-Jährigen genutzt. Auch bei Haushaltsgeräten berichten Einzelhändler von

Gesamtausgaben für Haustiere

in Mrd. KRW, ab 2017 Prognose

Jahr	Wert
2012	900
2013	1.140
2014	1.430
2015	1.810
2016	2.290
2017	2.890
2018	3.650
2019	4.600
2020	5.810

Quelle: National Agricultural Cooperative Federation

einer zunehmenden Nachfrage nach kleinen und multifunktionalen Geräten.

Darüber hinaus lässt die Kaufkraft der Mittelschicht nach. Immer mehr Privathaushalte sind hoch verschuldet. Dies wird in den kommenden Jahren dazu führen, dass Koreaner häufiger alleine und rund um ihren Wohnort konsumieren. Dennoch steigt der Absatz verschiedener Luxusprodukte, die sich die Konsumenten trotz zunehmenden finanziellen Drucks weiter als Prestige- und Vorzeigegenstand leisten wollen.

Da Koreaner eine große Wertschätzung für westliche Waren haben und insbesondere "made in Germany" einen hohen Stellenwert genießt, sind die Absatzchancen für deutsche Konsumgüter auch künftig gut. So verzeichneten zuletzt etwa Importe von Mineralwasser, Süßwaren und Luxusautos hohe Steigerungsraten.



Alexander Hirsche

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Germany Trade and Invest

The New Government's Labor Policy

Alex Kim

Under President Moon's first Executive Directive issued on the date of his inauguration, a new Jobs Creation Commission ("JCC") was established as part of his commitment to create quality jobs, reduce discrimination in the workplaces, and improve workers' rights. The most current labor issues are discussed below, followed by implication for businesses and suggested actions for consideration.

NON-REGULAR EMPLOYEES

On July 20, 2017 the JCC published the "Guideline for Converting Non-regular Employees to Regular Employees for Public Sector." Subsequently, the demand for such conversion has been skyrocketed in the public sector. While the JCC announced to publish a similar guideline for the private sector, the new government has already put pressure on the private sector to increase the rate of conversion to regular employees. In particular, the Ministry of Employment and Labor ("MEL") has recently issued a Corrective Order which requires a large bakery franchiser to convert (hire) as their own regular employees over 5,000 bakers and baristas who have been allegedly illegally dispatched to its franchisees by 3rd party agencies. In addition, the MEL is expected to forge a policy for both public and private sector that provides a basic rule of hiring a regular employee for a position that engages in constant and continuous activities or life/safety-related activities, except for hiring a non-regular employee only for a reasonable basis such as replacing a temporary vacancy and filling a seasonal position. The MEL will also strengthen the existing policy to prevent unreasonable discrimination against non-regular employees in terms of wages and other working conditions.

MINIMUM WAGE

On August 4, 2017, the MEL issued its Notification on the minimum wage, prescribing a flat rate of 7,530 Korean won per hour applicable from January 1, 2018 to December 31, 2018 for all

industries. This reflects a 16.4% increase from 6,470 Korean won in the current year, while the average rate of annual increase from 2014 to 2017 was 7.4%. The government has also committed to increase the minimum wage to 10,000 Korean won by the year 2020. Furthermore, the Minister of the MEL has openly advocated for a possible introduction of statutory treble damage awards against employers who fail to comply with the requirement of minimum wage.

ORDINARY WAGE

The new government has made it clear that they are pushing an amendment of the Labor Standard Act ("LSA") to clarify the scope of ordinary wage in line with the Supreme Court decision in December 2013 that has expanded its scope to include any bonus and other compensation made regularly, uniformly to all employees, and on a fixed basis regardless of when they are paid (e.g., basic wage paid monthly while bonus paid quarterly). Prior to the Supreme Court decision, the term "ordinary wage" was administratively interpreted as including, in addition to basic wage, only the bonus paid in the period of payment of basic wage (e.g., both basic wage and bonus paid every month). This expansion of the scope of ordinary wage by the Supreme Court has brought about a lot of controversy, coupled with a series of similar recent decisions of lower courts.

REDUCTION OF WORKING HOURS

All major parties in the National Assembly are in agreement to amend the LSA to legislate for 52 maximum working hours; however, they are having different views on the timelines for implementation, penalties for violation, and premiums for rest day work. The MEL is pushing an amendment of the LSA to clarify on the literal reading of 52 maximum working hours (i.e., 40 regular hours and 12 overtime hours per week), as opposed to the existing administrative interpretation of 68 maximum working hours (i.e., 40

regular hours and 12 overtime hours per work week, plus 18 regular hours on two non-work days). In the event that no legislative amendment is made to the LSA in this respect, the MEL is likely to rescind the administrative interpretation of 68 maximum working hours. In addition, the MEL is reviewing a possible removal of some or all from the list of certain industries allowed under the LSA to exceed 12 hours per week for overtime.

IMPLICATIONS FOR BUSINESS

In order to reinforce its new policies, the new government will push implementation of stricter penalty provisions against a failure of compliance. Also, the number of Labor Inspectors (generally regarded as "Labor Police") has been recently increased by 200 and will continue to be increased during the Moon Administration as part of its efforts to proactively prevent violation of labor laws as well as to increase the rate of criminal prosecution against violation of labor laws.

Furthermore, amid a pro-union sentiment on the rise, the relationship with employers and workers will continue to be unstable in the coming years. Labor unions are likely to leverage the new government's labor policy initiatives in furtherance of their requests through the members of the National Assembly with union/labor background as well as the relatively pro-labor government. In this respect, companies may have to go through a much difficult negotiation process with employees and unions to finalize a wage bargaining agreement and a collective bargaining agreement.

THE ROAD AHEAD

It is most likely that a series of pro-labor policies will be implemented during the Moon Administration through legislation or, if not, through administrative measures. Particularly, the new government will push its labor initiative to have favorable results before the Provincial Election in June 2018. In order for companies to prepare for the new labor policies, they are advised to consider the following two steps:

1. Assessing any employment/labor-related risk in light of the new labor policies through a task force team consisting of members from Communications, Legal, HR, and other relevant functions; and,
2. Developing a contingency plan to prevent any employment/labor-related risk from being turned into a legal or reputational risk.

Understanding the new government's labor policy direction as well as proactively responding thereto will benefit those who prepare for a new era of opportunity and uncertainty in Korea.



Heejoong (Alex) Kim

Executive Director Macoll Consulting Group



The Korea National Food Cluster


Functional Food
Evaluation Center


Food Quality and
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Food Packaging
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FOODPOLIS




Pilot Plant


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(Annual rent) Equivalent to 1% (with 10% VAT)
of the original land acquisition value
(Rental deposit) Equivalent to 5% of the original
land acquisition value or KRW 7,745/m²
(payable in four installments per year)

Benefit II Employment subsidy

Education and training subsidy
KRW 200million per company(maximum)

Benefit III Tax reductions

Reduction or exemption of national tax
(corporate and income taxes)
Reduction or exemption of local tax
(acquisition and property taxes)
Reduction of tariffs, individual
consumption tax, value-added tax

Benefit IV Support projects

Preferential support for expert, distribution,
construction of res^t lent companies
from MAFRA

News and People



■ **Merck Korea** named **Mr. Glenn Young** as their new Managing Director as of October 2017. He will succeed Dr. Michael Grund who relocated to Germany. Mr. Young started his professional career at Merck Millipore in 1983. Glenn Young held various commercial management roles in Northern Europe and France before becoming Head of the Millipore Bioscience organization in Europe. Since 2014 he was in responsible of Millipore's business in Japan as Head of Merck Millipore Japan.

Dr. Michael Grund was appointed to lead Merck's newly created **OLED & Quantum Materials unit** in Germany. KGCCI thanks Dr. Grund for his active participation within the Korean-German business community during the last 4 years. Furthermore, we thank him for his passionate and committed engagement as Vice Chairman of the KGCCI and as Head of the KGCCI Innovation Awards Jury. We wish you all the best for your new mission in Germany!



■ **Audi Volkswagen Korea Ltd.** appointed **Mr. René Koneberg** as the new **Group Managing Director** as of September 1st, 2017. Prior to joining AVK, Mr. Koneberg was the Managing Director of Audi Hong Kong and Macau. Mr. Koneberg started his professional career at Audi from 2000 and has worked in various fields including strategy, sales, marketing, innovation and

new business development in Greater China and Middle East. His recent achievements include successful implementation of Audi's innovative initiatives in Asia such as the implementation of Audi at Home, Asia's first premium car sharing service and Audi City, the first digital showroom in Asia.

■ **Mr Joerg Schoneveld** (37) has been designated as **Managing Director of Multivac Korea Ltd.** by September 2017. He has been working for the Multivac Headquarter since 2014 as Area Sales Manager for North Asia and is based in Korea since 2015. In his former company Mr. Schoneveld travelled to Korea and Japan frequently. He has a technical apprenticeship and a BEng degree in Mechatronics.



■ **Jan Heinsohn** (60) is the new **principal of German School Seoul International (DSSI)**. The school offers a comprehensive education starting in Kindergarten and ending with a Highschool Diploma (German Abitur - "Deutsches Internationales Abitur"). The syllabus follows German standards. The school itself is inspected in a regular six year routine by German government

institutions. The last inspection was conducted in 2016; in January 2017 the school received the certificate "Exzellente Deutsche Auslandsschule" - excellent German school abroad. After 12 years of education students may - with their Abitur diploma - continue their educational career by applying at German universities for their further study. The Abitur of course is a well-respected certificate and allows students to study at any university worldwide. DSSI also heartily welcomes students of other national and language background who are committed to learning German, a number of subjects, however, are taught in English.



■ **Moritz Winkler** (45), Partner and Head of German Desk at Yulchon LLC, has been re-elected as **Chairman** and **Melanie Steiert** from Vector Korea as a **member of the Board of Directors of the German School Seoul International (DSSI)**. Newly elected board members are **Elias Peterle** (Nowak & Partner) and **Andreas Kattre** (ContiTech Korea). Founded in 1976, DSSI serves German expatriate families, Koreans and other foreigners living in Seoul. It is approved as a private foreign school by the German Federal Office of Administration and the Seoul Metropolitan Office of Education. The Board of Directors jointly oversees the activities of DSSI and represents its members. It is further comprised of **Ludwig Feuchtmeyer** (Treasurer; Continental Korea) and **Aenne Kortmann**.

■ **Mi-Hwa Kong** is the pastor of **German Speaking Protestant Congregation (EDGS)** in Seoul since August 2017 in Seoul. She is delegated by the Evangelical Church in Germany for three years. Church service in German language takes place every two weeks at 5 pm in Hannam Dong in the International Lutheran Church (near Bluesquare theater). Before coming to South Korea she worked in a business corporation and the agency for international development cooperation in Cologne. Activities for children, discussion groups, pastoral care, teaching at Deutsche Schule Seoul International are parts of her responsibilities.



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

New Members

Corporate Member

Isarpatent

Dr. Stephan Barth
Partner and Patent attorney
stephan.barth@isarpatent.com
Legal, Consulting Services



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don.kim@binzel.kr
Machinery



Hyundai Accounting Corporation

Mr. Chang Wook Choi
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Accounting, Auditing, Tax, Education



HARTING Korea Limited

Mr. Heung-Tae Kim
Managing Director
heungtae.kim@harting.com
Electrical and Electronics Industry, Energy,
Renewable Energy, IT, Telecommunication,
Software, Machinery, Mechanical Engineering



Upcoming

KGCCI Events

October 25

KGCCI Seminar with Deloitte Anjin & Bae, Kim&Lee LLC.

KGCCI Conference Room, 7 Fl.

October 26

Smart Working with Germans in cooperation with Workin

KGCCI Conference Room, 7 Fl.

November 2

KGCCI Breakfast Seminar with Allianz Global Corporate & Speciality

KGCCI Conference Room, 7 Fl.

November 10

CEO Roundtable on conflict management in cooperation with German Institution of Arbitration (DIS)

Grand Hyatt Seoul, Namsan II (2nd Level)

November 21

German Automotive Industry Seminar in cooperation with KAIDA, Kim&Chang, KPMG

KGCCI Conference Room, 7 Fl.

December 1

KGCCI Goose Dinner

Millennium Hilton Seoul, Junior Ballroom

December 7

KGCCI Gluehwein Sundowner

KGCCI Veranda

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

Beratungstage Markteinstieg/-expansion in Korea

21. November
Internationaler Beratungstag
IHK Region Stuttgart

23. November
Exporttag Bayern
Industrie- und Handelskammer für München und Oberbayern

27. November
Business Roundtable Korea
IHK Potsdam

28. November
Business Frühstück Südkorea
IHK Hannover

Für Veranstaltungen in Deutschland erfolgt die Anmeldung über die jeweilige IHK

Contacts

Korea-Germany Energy Workshop at Kintex



On September 19th, the German Federal Ministry for Economic Affairs and Energy (BMWi) and KGCCI hosted the Korea-Germany Energy Workshop at KINTEX in Ilsan. The workshop brought high tier speakers and panelist of the field of energy from both countries together to speak and discuss important topics and challenges on energy transition and renewable energy. Furthermore, the participants discussed solutions on those challenges and identified possible areas of cooperation between South Korea and Germany in the field of energy.

Industry Dinner Roundtable with the German Ministry for Economic Affairs and Energy and acatech



After a Korean-German conference and a targeted workshop on Industry 4.0, the German Ministry for Economic Affairs and Energy (BMWi) and KGCCI hosted a roundtable for the German expert delegation and representatives of local automotive and engineering companies. Special guest at the roundtable was Prof. Dr. Henning Kagermann, President of acatech, the National Academy of Industry and Science. Prof. Dr. Kagermann is Global Representative and Advisor of the 'Plattform Industrie 4.0' on behalf of the German government as well as Chairman of the 'Plattform Elektromobilität' in Germany. He gave a briefing on strategic developments in both fields as input for a vivid and in-depth discussion among the industry experts.

Ausbildung Kick-Off Meetings



It is reality! 90 Trainees officially started their "Ausbildung" on September 1st, 2017. Just a few days before, the trainees were welcomed in a kick-off ceremony in the training centers of BMW Korea and Mercedes Benz Korea. Trainers and trainees met for the first time and got the chance to get to know each other before starting actual work in the workshops at the corresponding dealerships. Until end of February, the trainees will be at the dealerships experiencing training on the job guided by their certified trainers. In March, they will head to college to enhance their practical knowledge with corresponding theory for their first semester.

Half-Year Economic Outlook 2017



More than 100 German and Korean business leaders gathered at the KGCCI Half-Year Economic Outlook 2017 on September 1st to hear about recent economic and political trends, globally and in Korea, as well as to gain more insights into the implications of the new policy directions of the Moon Jae-in government for businesses in Korea. Speakers included Mr. Weert Börner (German Embassy), Dr. Jörg Krämer (Chief Economist Commerzbank), Mr. Alexander Hirschle (Germany Trade and Invest), as well as Director General Jang Young-Jin (Ministry of Trade, Industry and Energy) and industry representatives from various industries. While the overall economic situations leaves much room for companies in Korea to thrive, the participants of the Outlook were concerned about the newly introduced "income-led growth strategy" of the new Korean government which brings major cost factors and challenges for employers in Korea, while government policies to spur an "innovation-led growth" are not (yet) in place. The presentations are available on the KGCCI website in the members-only section.

Ministerial Roundtable for Investors



On September 26th, Minister Ungyu Park, Minister of the Ministry of Trade, Industry and Energy (MOTIE) invited to the first Ministerial Roundtable for Foreign investors under the new government. Minister Park elaborated on the current status of the economic policy of the government. During the roundtable, the participants discussed the impact of the new labor policies, a need for an innovation-driven growth strategy and other topics while the participants deem important for Korea as a viable business location.

AKM #02



This year's second meeting of Arbeitskreis Mittelstand (AKM) - Workshop for Small and Medium Size Enterprises took place on September 7. The participants had the chance to exchange opportunities, to discuss practical business topics and share best practices as well as to discuss new regulations or other matters of practical relevance among KGCCI member companies.

Sundowner #03



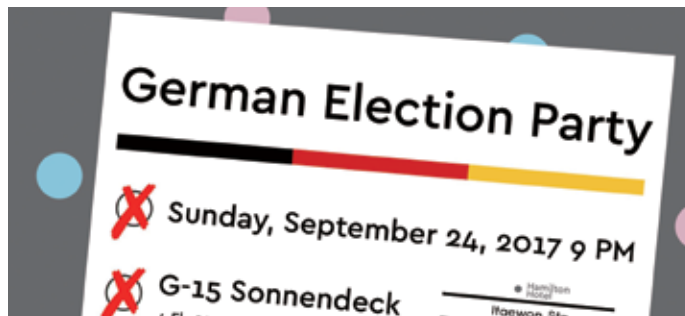
On August 24th, KGCCI opened its doors in Hannam-dong to invite the Korean-German business community to the third Sundowner in 2017. After a rainy day, the sun came up during the evening to warmly welcome our guests on the KGCCI rooftop. The delicious traditional German combination of currywurst and beer set a casual base for networking and small talk within the members of the Korean-German community.

Work, Lead & Communicate Successfully with Koreans



Together with MindsGroup, KGCCI hosted the seminar "Work, Lead & Communicate Successfully" with Koreans on September 27th. Targeting Germans and foreign nationals working in Korea, this seminar gave the participants a deep dive into the Korean working and living culture and informed them on how to effectively lead companies and employees in Korea.

Wahlparty



Together with the German Embassy of Korea and the Goethe Institut Seoul, KGCCI held a "Wahlparty" in Itaewon at the night of the German federal elections on September 24th in order to keep the German community informed how the progress of voting was going.

Breakfast Seminar with Macoll



In cooperation with Macoll Consulting Group, KGCCI hosted a breakfast seminar regarding the government's labor policy direction on September 20th. The seminar informed the participating executives of German companies in Korea about the upcoming changes in labor policy and the necessity to proactively identify risk factors and prepare in advance for strategic issues/risk management.

Baseball in Korea und der Einfluss der Chaebols

Nicholas Brakhage

Baseball in Korea goes far beyond sports. Since the foundation of the KBO League in 1982, the big Chaebols immediately took possession of the teams. They developed the culture of the sport in their way and made it match to their companies' philosophy. Some exceptions remain in big cities like Busan, where a whole region is hoping for the success of their team, regardless of the owning company. Probably the structure in Korean Baseball will never change, but maybe the dominance of the Chaebol will slightly fade in the future, under the pressure of the "normal" fans and their ambition to be an independent team.

Baseball wurde im Jahre 1905 von amerikanischen Missionaren zum ersten Mal nach Korea gebracht. Seitdem hat es einen beispiellosen Aufstieg in der Riege der in Korea praktizierten Sportarten genommen. Aus der immer weiter steigenden Euphorie folgte schließlich 1982 der logische Schluss: die Gründung der koreanischen Baseball Profiliga KBO.

Zuerst waren nur sechs Gründungsmitglieder an der Liga beteiligt. Von diesen sechs Teams haben sich jedoch nur zwei bis in die heutige Zeit gehalten. Die Samsung Lions und die Lotte Giants, spielen weiterhin in der höchsten koreanischen Spielklasse.

Besonders hervorzuheben ist dabei das Team der Lotte Giants. Das Team, kontrolliert durch das Konglomerat Lotte, ist das wohl beliebteste Sportteam des Landes. Mit 28,600 Plätzen spielen sie in dem größten und lautesten Baseballstadion auf der koreanischen Halbinsel.

Mittlerweile ist die Anzahl der Franchises auf zehn angestiegen. Die fünf besten Mannschaften der Abschlusstabelle qualifizieren sich für die Playoffs, bekannt als KBO Korean Series, in Anlehnung an die nordamerikanische World Series, und kämpfen dort im Herbst jedes Jahres um die Krone.

Organisatorisch ergibt sich in der Liga ein ähnliches Bild wie in dem amerikanischen Pendant zur KBO, der MLB. Jeder Verein steht im Eigentum eines mächtigen Magnaten oder einer Organisation. Der entscheidende Unterschied ist, dass man in der koreanischen Liga dies auch sofort am Namen erkennen kann. Der Name der Firma verdrängt dabei den Namen der Stadt, in dem das Team ansässig ist. Anstatt Chicago Cubs oder New York Yankees findet man in Korea die Samsung Lions oder die LG Twins. Von den mittlerweile zehn Teams in der KBO werden neun von mächtigen koreanischen Konglomeraten besessen. Einzig und allein die NEXEN Heroes haben lediglich ihre Namensrechte an den koreanischen Reifenhersteller NEXEN verkauft.

Der gesamte Sport und die Kultur, die diesen umgibt, werden von der Unternehmensstruktur und den Interessen der mächtigen Eigentümer beeinflusst. So scheuten die Teams stets öffentliche Rivalitäten mit anderen Mannschaften. Die Eigentümer wollten Feindschaften zu anderen Teams unbedingt verhindern, da eine Mannschaft unmittelbar mit einem Unternehmen in Verbindung gesetzt wird, und die Sorge bestand, in einer „sportlichen Fehde“ womöglich Kunden zu verlieren. Lokale Rivalitäten entstanden, aufgrund der Zweitrangigkeit des Standortes, an dem die Mannschaft angesiedelt ist, ebenfalls nicht. Der sportliche Erfolg stand für die meisten Zuschauer nicht im Vordergrund. Man wollte ins Stadion gehen und bei guten Essen und Trinken mit

Sport Unterhalten werden. Wer letztendlich gewinnt bzw. welche Mannschaften überhaupt spielen, war für viele Zuschauer nicht relevant.

Jedoch zeigt das Beispiel der Lotte Giants, dass es auch anders gehen kann. Als einziges professionelles Sportteam in der 3.5 Millionen Stadt Busan zieht das Team besonders viele Fans aus der Stadt an.

Der langsam fortschreitende Wandel in der koreanischen Kultur, weg von den alten starren Strukturen besonders im Arbeits- und Sozialleben, verändert auch die Ansicht über den Sport. Eine generell herrschende Skepsis über den Einfluss der Chaebols auf Wirtschaft und Politik steigt besonders seit der Bestechungsaffäre um die ehemalige Präsidentin Park immer weiter an. Die Menschen distanzieren sich deshalb auch im Sport von den Firmen und beginnen ihre Unterstützung für die Mannschaft an den Standort, die Geschichte und die Spieler des Vereins zu knüpfen. Es entstehen Fankulturen, die denen im europäischen Profisport gleichen. Anstatt wie früher ins Stadion zu gehen, um sich ein beliebiges Spiel anzuschauen, gehen die Menschen mittlerweile ins Stadion um „ihre“ Mannschaft anzufeuern.

Dennoch ist es unwahrscheinlich, dass die Chaebols in naher Zukunft mehr in den Hintergrund rücken und den Fans und den Städten mehr Macht im Verein zugestehen werden. Zu groß sind der Einfluss und vor allem die finanzielle Kraft, die die Vereine am Leben hält. Möglicherweise wächst die Anzahl der Mannschaften in der Liga jedoch in den nächsten Jahren weiter an, und dann ist es zumindest nicht auszuschließen, dass das „supporter gestützte“ Modell sich gegen das „Firmenmodell“ durchsetzen wird.



Nicholas Brakhage

Junior Economist at KGCC



KORUM Guidelines for Submissions

Submissions to the KORUM are always welcome. The following are guidelines sent out to all KORUM contributors to assist in the drafting of article submissions.

Deadline and Length

Submission deadline for KORUM is the second Friday of every month prior to the issue (e.g. November 10th, 2017 for submission to the December issue). The optimum length for articles is 2–4 pages single-spaced.

Editorial Review

KGCCI tries to make as few changes on the text as possible outside of typos, spelling, etc. However, in some cases changes may be necessary (e.g. if the author is not a native speaker of English/German), and KGCCI will send these changes back to the author for approval. No response to these changes within three working days will be assumed to mean acceptance. Also, suggestions to improve clarity and readability may be made by the editor. KGCCI holds the right to refuse to print any article due to constraints in space, time, style, or content. To ensure the article's objectivity and credibility, please do not mention your company in the article. The author and company may be mentioned in the Author Identification paragraph, as described below.

Format

KGCCI prefers to receive the article in electronic format. KGCCI office uses MS Word, so the last "save as" of the document should be a Word Document (.doc). We also accept articles simply as part of the text of the e-mail. The author may wish to fax a copy as well to ensure that the article appears in the way he or she intended in terms of layout.

Charts and Graphs

KGCCI encourages the use of charts and graphs in articles to improve the clarity and readability. In most cases, KGCCI's design and print company re-creates the charts and graphs. Charts and graphs as an e-mail attachment are also accepted.

Images

If relevant to the article, images (logos, landscape, people, etc.) are encouraged. The ideal form would be a digital picture in the .jpeg format with a resolution of over 300 dpi. Please include captions with photographs. Photographs will not be returned.

Footnotes, Endnotes, and References

Footnotes and endnotes are discouraged, although they can be included if the author deems necessary. References, however, are encouraged, especially if they would prove useful for KGCCI members.

Author Identification

Please submit a biography of 70 words. This should include the author's present position, company/organization, and e-mail address. Appropriate content include contact information, previous experiences, educational background, and previously published articles. Also, while it is not mandatory, KGCCI prefers to include a photo of the author's profile with the biography.

Style

Please keep your audience in mind. The readers of KORUM are well-educated and diverse. They share interest in Korea, but their experiences can vary from long time Seoul veteran to the green expatriate fresh off the plane to the stateside manager just considering the Korean marketplace. Also, every sector and industry has its own lingo, and abbreviations may or may not be known to certain readers. Please try to make your writing as clear as possible by writing out any acronyms the first time they are used, and be sure to explain any field-specific language concepts.

Questions and Comments to the Editor

KGCCI would be happy to answer any questions you may have regarding our publication. Please contact KGCCI's PR Manager at pr@kgcci.com

In closing, Thank you

What makes KORUM a quality magazine are the efforts by experts, both KGCCI members and others, who contribute their time and knowledge to the magazine and ultimately, to the KGCCI membership. KGCCI would like to thank you for your efforts in the creation of a successful publication and looks forward to reading your article.

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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.

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Advertisement type	Prices (Mil. KRW)		Trim size (W x H mm)	Non-bleed size (W x H mm)
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Inside front cover + page 3	1.98	2.2	420 x 297	426 x 303
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Page 30 + inside back cover page	1.89	2.1	420 x 297	426 x 303
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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 72: **November 10th, 2017**

Main topic: "Messen in Korea"

PREMIUM PARTNER PROGRAM 2017

KGCCI DEInternational has launched its Premium Partner Program. If you want to become a Premium Partner as of 2018 please refer to our website or contact us at members@kgcci.com

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dar.

Korea's New High-Tech Aviation Composite Industrial Complex Soars to New Heights



Located in the heart of south Korea in Chungcheongbuk-do Province, Cheongju International Airport 'Aviation Composite Industrial Complex' will span a total of 135,540 m². Slated for completion in 2020, the project aim to make a significant mark on the global aviation industry.

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, rendered in blue and red lines. 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 in his gloved hand. To his right is a technical diagram of a manufacturing process, showing a conveyor belt and various components, rendered in blue and red lines. The Siemens logo is in the top left corner, and the website address is in the bottom right corner.

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