

KORUM

Korea
Unternehmen
Märkte

Nr. 66 | Dezember 2016

Investitionen in Korea



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Schwerpunkt

Setting Up Business in Korea

Wirtschaft und Branchen

Bauwirtschaft in Korea

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2017 Packages

- PremiumPartnerPlatinum
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- Full inside page advertisement in KORUM
- Signature in Email for KGCCI newsletter

PremiumPartnerPlatinum 2016

BMW Group



PremiumPartners 2016

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Deutsch-Koreanische
Industrie- und Handelskammer
한독상공회의소

Investitionen in Korea

Liebe Leserinnen und Leser,

Korea durchlebt dieser Tage außerordentliche Zeiten, die für alle im Land, aber auch für die Partner Koreas, sehr bedeutungsvoll sind. Die wöchentlichen landesweiten Protestmärsche von hunderttausenden Koreanern, die Reformen in Politik und Gesellschaft gefordert haben, haben dazu geführt, dass das koreanische Parlament vor wenigen Tagen ein Amtsenthebungsverfahren gegen Präsidentin Park eingeleitet hat.

Korea steht vor einer Bewährungsprobe und muss nun sich und der Welt beweisen, dass es sich nicht nur wirtschaftlich, sondern auch politisch und gesellschaftlich weiter entwickelt und gestärkt aus der aktuellen Krise hervorkommt.

Wenige Wochen zuvor hatte die Wahl Donald Trumps zum 45. Präsidenten der USA für Überraschung gesucht. Auch für Korea ist diese Wahl von großer Bedeutung, denn bei mehreren Anlässen sagte Trump, dass er die Einbindung der USA im Fernen Osten reduzieren und eine stärkere finanzielle Beteiligung der Militärstützpunkte außerhalb der USA einfordern würde. Trumps Bemerkung, das KOR-USA FTA sei ein „Desaster“ und „Job Killer“ für die USA, wurde in Seoul mit Besorgnis wahrgenommen. Denn schon jetzt steht Korea vor wirtschaftlichen Herausforderungen, wie die Schwäche traditioneller Industrien, sinkende Exporte und die Suche nach neuen Wachstumsmotoren.

Veränderungen bringen Chancen und in einem Land wie Korea, das so viel Potenzial bietet, sollten diese Chancen auch genutzt werden. In dieser KORUM-Ausgabe zum Jahresende 2016 wollen wir uns daher mit Investitionen in Korea beschäftigen.

Alle Mitarbeiter der AHK Korea wünschen Ihnen und Ihrer Familie von ganzem Herzen ein schönes Weihnachtsfest und ein gutes, erfolgreiches neues Jahr 2017!



Barbara Zollmann
Geschäftsführerin
Deutsch-Koreanische
Industrie- und Handelskammer

bzollmann@kgcci.com

Dear Readers,

Currently Korea is going through exceptional times which are not only relevant for Korea but also to its partners. The countrywide weekly protests, where hundreds of thousands of Koreans demanded reforms in politics and society, have caused that the parliament voted to impeach President Park just a few days ago.

Korea is now put to a serious test where it needs to demonstrate to the world that it has not only developed economically, but also politically and as a society, so that it can come out of the crisis strengthened.

The election of Donald Trump as the 45th President of the United States a few weeks earlier came as a surprise to many people, but for Korea the result came particularly surprising.

On several occasions, Trump said that he would consider reducing the U.S. involvement in the Far East and proposed stronger cost-sharing of partner states in operating overseas military bases. Trumps remark that the KOR-USA FTA was a "disaster" and "job killer" for the U.S. caused many concerns in Seoul. Korea is already facing economic challenges such as the weakening performance of traditional industries, decreasing exports and the search for new growth industries.

Change brings opportunities and in a country with so much potential such as Korea, opportunities have to be used. In this KORUM edition at the end of the year 2016, we therefore like to address investments in Korea.

KGCCI and its entire staff wishes you and your family a merry Christmas and a happy new year 2017!

Seoul

MAGOK R&D Industrial Complex

Convergence of IT, BT, GT, and NT : Innovative Base of Knowledge Industries

Aiming for sustainable value : Future Eco-friendly Town



Residential Area



Parks & Green Spaces

Affluent High-quality Human Resources

Magok Industrial Complex is located in Seoul, Which is the center of industry, academia, and research cooperation, home to about 780,000 companies and about 400 universities and graduate school,

Fast and Reliable Mass Transit to Anywhere in the Metropolis

- 6 subway stations on 3 subway lines nearby
- Only 2km(5minute) to Gimpo international Airport and 40 km(35minutes) to Incheon international Airport

Convenient Research and Business Environment

- A huge park is being established at the center of the industrial complex
- Hotels, convention centers, shopping malls, hospitals, public offices, and other amenities are planned to be located in the vicinity

Cheaper Land Price than Those of Neighboring areas

Its industrial lands are provided at the same price as establishment cost, which is estimated to be \$2,700 USD/m²



Business & Commercial Area

**Please
contact**

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Investment in Korea

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6 Schwerpunkt



For many companies which are planning to enter the Asian market, Korea can offer a promising business environment. A wide range of FTAs and innovative companies, backed by various government subsidies and FDI programs, make Korea an investment location worth considering.

18 Wirtschaft und Branchen



Korea's construction industry is one of the key pillars of its economic strength. Huge overseas and domestic projects in combination with public procurement services can offer interesting opportunities for German companies.

28 Korea Life

Professionell Kompetent Gemeinschaftlich
Angebot eines wöchentlichen Newsletters und monatlichem Magazin
Aufrechtig Aktiv Zuverlässig Gut organisiert
Nett Immer erreichbar Informativ
Innovativ Networking Freundlich Kollegial
Zukunftsfähig
Hoher Bekanntheitsgrad bei deutschen Firmen in Südkorea
Konkrete Projekte mit greifbaren Ergebnissen
Schnell Hilfsbereit Große Mitgliederzahl

In order to better serve its members, KGCCI has conducted a survey to find out how they perceive the image of KGCCI and its services. 44 companies participated in the survey and the results showed that members value KGCCI's work and connect KGCCI with positive attributes such as reliability and professionalism.

Investment Climate in Korea – Korea's advantages for doing business

Kim Yong Kook

It is hard to imagine that just 60 years ago, Korea had a per capita income of 67 US dollars. Back then, the country didn't own a single piece of technology that could propel its national growth. Fast forward to today and Korea is the 11th largest economy and 6th largest exporter in the world.

But it doesn't end there. Korea is also fast emerging as an ideal investment location for foreign investors. The nation is the fifth easiest place to do business in the world, according to the World Bank. Thanks to its business-friendly environment, Korea hit a record-breaking 20.9 billion US dollars in foreign direct investment (FDI) last year and we expect this number to grow.

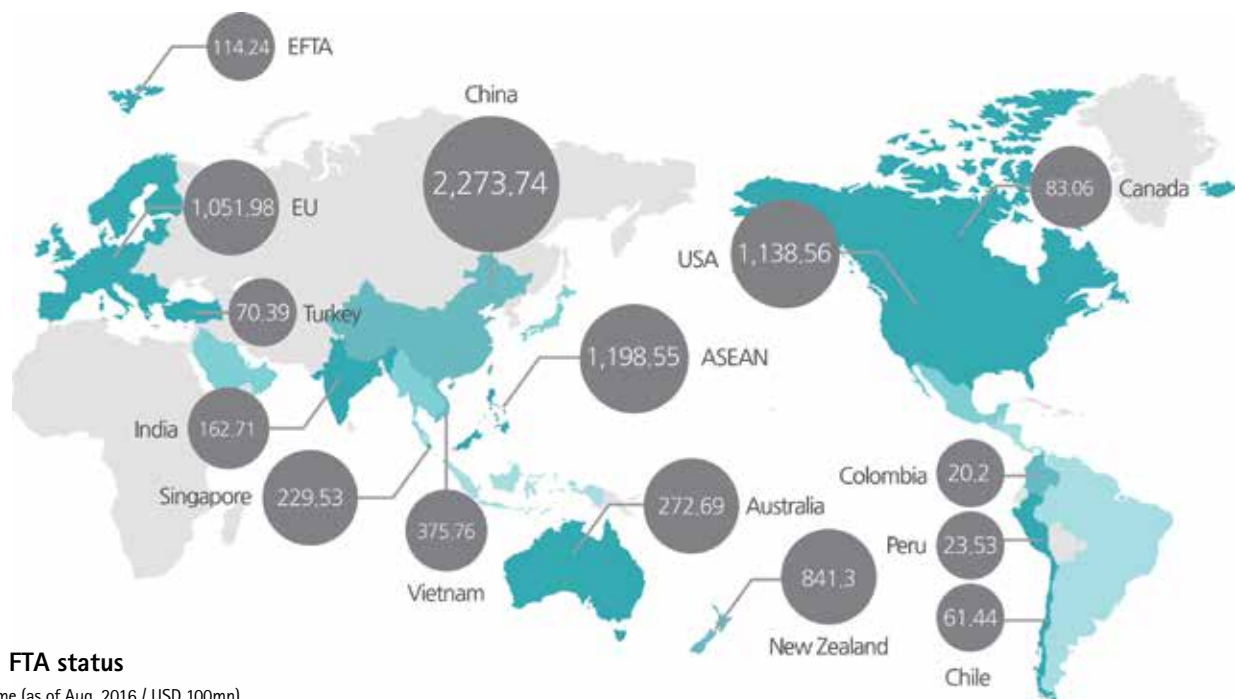
So why are more foreign companies choosing to do business in Korea? The first reason is the nation's extensive FTA network. Korea is the only country among the world's top 10 trading nations to seal FTAs with the United States, China and the European Union—the world's three largest markets. Korea's FTA territory now covers a majority of the global economy in terms of GDP. With its comprehensive FTA network and the power of the "Made-in-Korea" premium, foreign companies have easier access to Chinese and overseas markets. The country plans on further expanding its FTA network

with newly emerging economies in Latin America and Central Asia.

Along with its far reaching network, Korea is strategically located near major economies in Northeast Asia; 147 cities with a population of more than 1 million people can be reached within a three-hour flight. And contrary to the country's small size, its market is highly sophisticated. This means that Korea is an ideal test bed for a number of industries, including finance, healthcare, new energy and artificial intelligence. Cosmetics companies, for example, are also using the country to gauge the future success of their products before launching worldwide.

It's no secret that here in Korea, we're big fans of innovation and an entrepreneurial spirit. Bloomberg has even ranked us as the most innovative country on earth with the country's research and development (R&D) investment to GDP ratio topping the list for three years in a row. Along with R&D, the government is looking in all directions for ways to support newly emerging startups. Thanks to such efforts, venture capitals invested nearly 2 billion US dollars in Korean startups last year.

Aside from its FTAs and its creativity, Korea continues to add a new



Korea's FTA status

Trade Volume (as of Aug. 2016 / USD 100mn)

In effect EFTA, EU, ASEAN, Turkey, India, Singapore, Australia, USA, Canada, Peru, Chile, China, Vietnam, New Zealand and Colombia (July 15, 2016)

Concluded Turkey (Service & Investment Agreement)

Underway RCEP, Korea-China-Japan, Central America, Ecuador SECA, Israel, Indonesia, Japan, Mexico, and GCC

On the agenda MERCOSUR and Malaysia

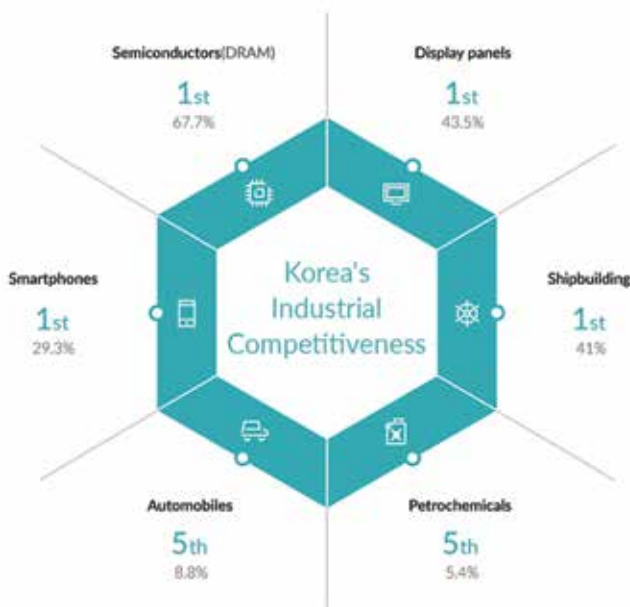
chapter of progress to its history thanks to its dedicated government. The Korean government is working tirelessly to find more ways to make the country suitable for foreign investors. First, to ensure early settlement of foreign-invested companies and to reduce investment-related risks, the government provides various incentives, including tax reduction, cash and location support.

Second, the country's world-renown Foreign Investment Ombudsman System provides one-stop services to resolve grievances that might occur during business operations. As of last year, the Office of the Foreign Investment Ombudsman established the Regulatory Information Service for foreign investors. Through this service, foreign investors can voice their opinions and concerns in the law-making process before the regulatory bills are made into law.

Finally, the government is making it easier for foreign investors to do business here by utilizing its Free Economic Zones (FEZ)—optimal business havens that provide cutting-edge industrial complexes, top global educational institutes and impressive cultural and leisure facilities. These zones are designated to providing an ideal business and living environment for foreign-invested companies, offering investors a full array of benefits. Due to overwhelming interest from foreign corporations, the total number of foreign direct investment in these zones amounts to nearly 10 billion US dollars and over 2,000 companies are currently in operation.

For German companies wishing to create new demand by investing in new industries and thereby leading the market, Korea is an optimal investment destination. Through the establishment of the EU-KOR FTA in 2011, bilateral trade between both countries has grown steadily. Not only because customers in Korea have always appreciated products from German manufacturers but also because of the above mentioned government subsidies and programs which really try to help foreign investors. And of course the low interest rates, growth in GDP, and the euro-won exchange rate had positive impacts. It is also worth mentioning, that German exporters are doing well in Korea because of the fact that they supply important components to the Korean export industry. Many people may not know but a majority of German products are not directly going into the Korean domestic market but are going through Korea with a value added into third markets.

For the future, we hope that more and more German companies will consider Korea as an attractive point of investment in their decisions and are eager to help them with our resources.



High Global Market Share (2015)

Korea has partnerships with countless companies worldwide to create global value chains. Today, 259 of the companies on the Fortune Global 500 are key partners of Korea, helping Korean companies in every industry expand their market share around the world.



Kim Yong Kook

Head of Invest Korea

Doing Business in Korea: what German CFOs need to know about the accounting, tax and internal control environment in Korea

Julien Herveau

Korea has been ranked fifth among 190 countries in the 2017 annual World Bank report ranking countries in terms of the ease of doing business. However, whenever a German CFO visits Korea, he feels he has landed in a very alien country, where the language barrier is often difficult to manage. In practice, in addition to the language

barrier, any foreign CFO will have to overcome some quirks related to the Korean business environment.

We have listed below the main questions we usually hear from foreign CFOs and some key information for a successful set-up in Korea.

What are the accounting and audit constraints in Korea?

The financial statements should be prepared in local currency (Korean Won) using either (i) Korean Accounting Standards for non-public entities, which are close to IFRS or (ii) Korean IFRS which are almost identical to IFRS. Practically, it is possible for an international group to maintain its accounting records in a Korean accounting system or directly in the group ERP, after a proper analysis of the difference of accounting principles and business practices ("gap" analysis).

Financial statements are subject to external audit by a registered Korean CPA only in the following cases:

- stock-listed corporations and corporations planning to be listed,
- corporations (chusik hoesa) with over KRW 12 billion of assets,
- corporations (chusik hoesa) with over KRW 7 billion of assets and over KRW 7 billion of liabilities,
- corporations (chusik hoesa) with over KRW 7 billion of assets and more than 300 employees.

Therefore, in most of cases, first-time investors in Korea are not subject to external audit considering their size or their legal form (i.e. companies in the form a limited liability entity, Yuhan hoesa).

Is the Korean tax environment challenging for a foreign-invested company?

The Korean tax environment, albeit having its own specificities, is not significantly different from what a CFO would see in other western countries.

A taxable entity in Korea is subject mainly to the following taxes:

- Corporate income tax: rates of 11% on taxable income of up to KRW 200 million, 22% on taxable income in excess of KRW 200 million, and 24.2% on taxable income in excess of KRW 20 billion. The entity has to perform a full calculation at least once a year with a filing due date 3 months after the balance sheet date.
- VAT: rate of 10% in general, with quarterly filing. Korea operates a compulsory electronic invoice system for domestic transactions. In some cases, VAT is exempted or at 0%.
- Withholding taxes for international transactions and for the personal income tax of the employees paid by the company on their behalf.
- Custom duties: depending on the country of origin. Korea has signed Free Trade Agreements (FTAs) with several countries, including the European Union and the United States.

As a member of the OECD, Korean laws are quite in line with the OECD guidelines, providing foreign-investor with a familiar transfer pricing environment.

Overall, the Korean tax environment is relatively easy to understand

for foreign investors, even if some tax regulation quirks and the current trend for tough tax audits by the Tax administration may sometimes trigger an additional burden for them.

When setting-up in Korea, how do you choose the right structure from a tax perspective?

From a tax perspective, the foreign investor should investigate whether it will have a permanent establishment in Korea and whether its operations in Korea will be considered as taxable. A legal entity and a branch are considered as taxable entities.

Using a non-taxable structure like a liaison office should be considered with caution. A liaison office is not permitted to perform any business activity. A liaison office should not carry out any business that would generate profit in Korea, but should undertake only non-sales functions such as market research, R&D, advertisement, data collection, etc.

For German Companies, what are the key provisions of the Germany Korea tax treaty?

The "Germany-Korea tax treaty" (Agreement between the Federal Republic of Germany and the Republic of Korea for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital) includes the following withholding tax rates:

- 2% of the gross amount of royalties which are paid for the use of, or the right to use industrial, commercial or scientific equipment; 10% of the gross amount of royalties in all other cases.
- 5% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying dividend; 15% in all other cases.
- 10% of the gross amount of the interest paid.

It should also be noted that a building site or construction or installation project or supervisory activities in connection therewith constitutes a permanent establishment only if it lasts more than twelve months. The tax treaty also deals with several other tax areas and should always be referred to.

What are the usual employee-related costs to be considered in Korea?

When setting up in Korea and estimating the payroll costs, a CFO should consider the following costs in addition to the gross salary:

- Social insurance (covering medical, pension, unemployment and industrial accident) would have to be paid by the employer and the employee. The cost for the employer is c. 9% of the gross salary amount.
- Severance benefit will have to be considered as well. According to Korean Labor Law, the employer should pay the average wage

for one month per year of continuous employment as retirement allowance when an employee retires. The Company may choose instead to implement a retirement pension plan (either a defined benefit retirement pension plan or a defined contribution retirement pension plan).

- Korean companies tend to organise many more staff dinners and other social activities than their Western counterparts, which may also have an impact on the overall general costs for running an entity in Korea.

In practice, the additional employees' benefits usually amount to between 17% and 25% of the gross salary amount.

In the case of German expatriates, CFOs should also refer to the Germany-Korea Social Security Agreement.

What are the main risks when operating in Korea, from a compliance standpoint and how do you manage them?

Entertainment expenses with clients (diner, karaoke, golf and related memberships) can be a significant financial burden for the company and not all these expenses are justified from a business perspective. Foreign investors should therefore discuss with their local team about their needs from a business perspective and set clearly defined budgets and guidance (amount, type of expense). The approach should be similar for travel expenses. Moreover, consi-

dering the existing anti-bribery law in Korea (Kim Young Ran Law), the internal policies should also clearly state what is and what is not allowed when dealing with civil servants or journalists.

Foreign investors should also take into consideration the following practices often seen in Korean business organizations:

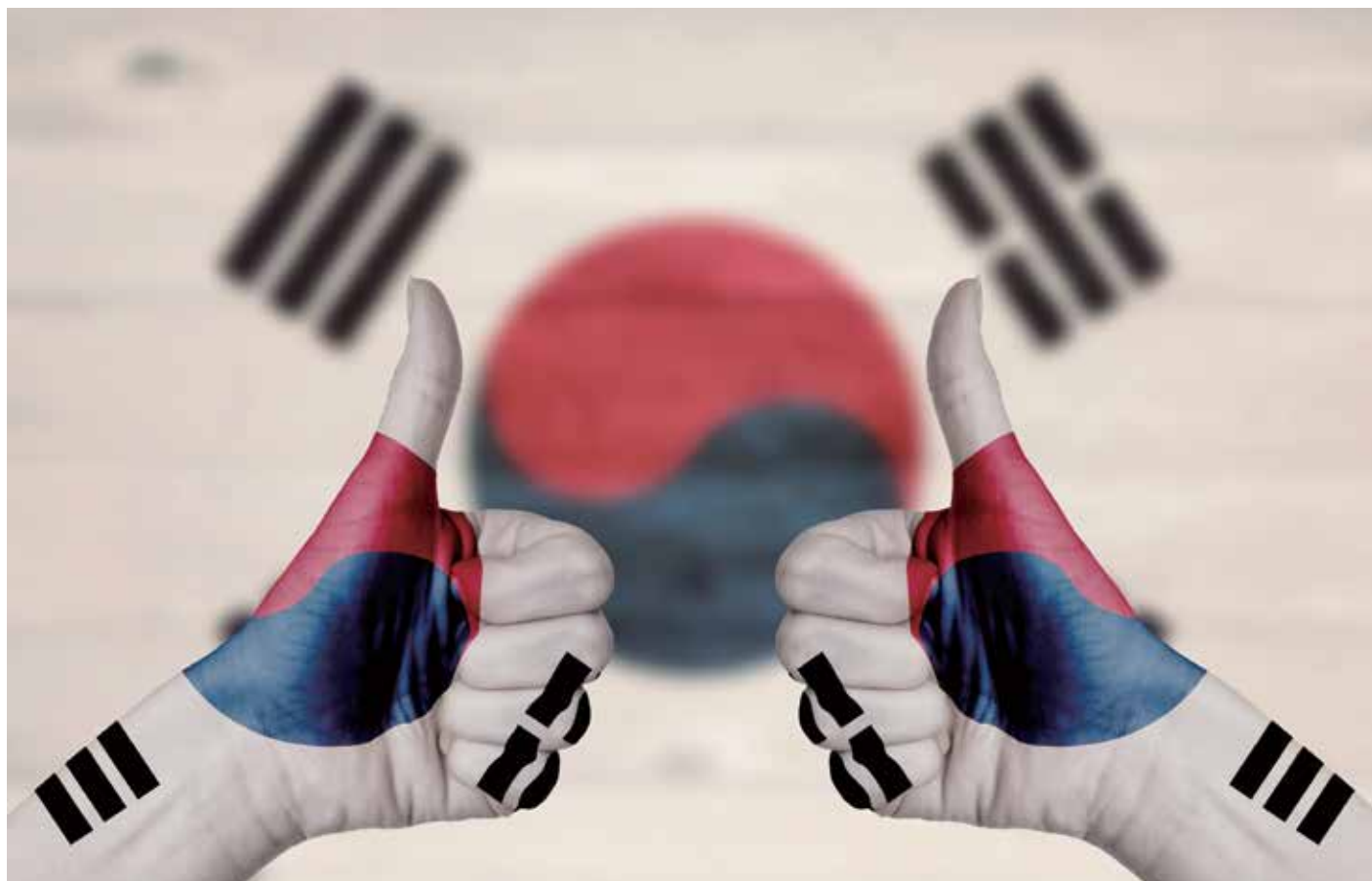
- A strict Confucian hierarchy which prevents the headquarters from obtaining important information.
- The "pali-pali" attitude which triggers some risks of bypassing existing controls in order to achieve business results quickly.

The implementation of proper internal controls for sensitive transactions and appropriate segregation of duties (especially for entities with small operations) should be considered to minimize the risk of fraud. The implementation of a whistleblower policy should also help the overseas management to identify some fraud or compliance issues. Using third parties for accounting, payroll or cash management may also mitigate any segregation of duties issues, especially for small entities in Korea.



Julien Herveau

Partner and Managing Director
Mazars Sebit Corporation (Korea)



Income tax for foreign employees

Eryn Choi

The Korean government has been conferring benefits on income tax for expatriates to attract global talent. However, this has been a controversial issue as a matter of fairness between domestic and foreign employees. Very recently, the Ministry of Strategy and Finance has proposed tax law changes for 2017 where it proposed that the applicable period of special tax treatment for expatriates is going to be extended for 3 more years to keep global talents in the country. Instead, the flat tax rate will be increased from 17% to 19% considering the fairness between domestic and foreign employees.

Category of earned income

Earned (wages and salaries) income is classified either as Class A income or Class B income depending on the scope of the income and payment method. Class A is earned income paid in Korea and Class B income is the wage directly received from non-resident or foreign corporation of a overseas country (if the wage/salary is included in P&L of Korean PE, it is not Class B. Instead it is Class A).

For Class A income, the employer is required to withhold in the same manner as with local Koreans and pay income tax on a monthly basis. For Class B income, the taxpayer is required to file

and pay an comprehensive income tax, which is not subject to withholding, against the yearly income in May of the following year, or alternatively, he or she can be a member of a tax association, and withhold the tax through the association on a monthly basis and pay the withheld tax amount by 10th of the immediate following month.

Special provision on the foreign employees (Item 2 of Article 18 of the Restriction of Special Taxation Act)

- Application of income tax rate at 17%

An income tax against the salary paid until five years from the inception of his/her employment (by December 31, 2016), which a foreign executive officer or employee (excluding day to day worker) earned by working domestically (except for working for a related parties), shall be 17% of the annual salary. In this case, the regulations for non-taxable, deduction, reduction, and tax deductibles by the Individual Income Tax Law and Restriction of Special Taxation Act are not applicable, and the salary shall not be added to the taxable income of the comprehensive tax return.

For example, due to the amendment, an employee who starts



his/her employment after January 1, 2014, will get the 17% tax rate in five years while an employee who started his/her employment before December 31, 2013, will have no limitations applied. However, if he/she works for a related party, he/she cannot apply the 17% flat rate at once.

- 17% is also applied to income tax withholding

The person responsible for withholding may withhold the 17% multiplied to the salary in spite of the regulation of withholding by the simple income tax withholding table when paying the monthly salary to foreign employees. In other words, the person may choose between the simple income tax withholding table and the 17% of the total income.

- Requirements for application

In order to apply the special tax provision of income tax to the foreign employees, an application provided by the law set forth by the presidential decree should be submitted.

Proposed tax law changes for 2017

The flat tax rate applicable to foreign expatriates will be increased as follows:

Before	After
Period	Period
-5 years from the first date of employment in Korea	-(Unchanged)
* But, applicable until December 31, 2016	* Applicable until December 31, 2019
- If employed prior to January 1, 2014	-(Unchanged)
* 5-year limitation is NOT applied	* Applicable until December 31, 2018
Applicable Tax Rate	Applicable Tax Rate
- 18.7% (including local surtax)	- 20.9% (including local surtax)

<Effective date> Applicable to taxable income occurring on or after January 1, 2017.

Reduction of income tax against a foreign engineer (Article 18 of Restriction of Special Taxation Act)

- Reduction of income tax against a foreign engineer - general

As for earned income set forth by the presidential decree, which a foreign engineer earns by providing labor to a resident or a domestic company, the income tax shall be reduced by the amount of 50/100 of earned income tax for the labor income earned for 2 years since the date the labor was first provided (Applicable only prior to December 31, 2018).

- Requirement to submit application

The person responsible for withholding shall withhold 50/100 of income tax amount subject to withhold when paying the salary that is subject to income tax reduction in accordance with the Article 18 of the Restriction of Special Taxation Act, and the person who desires to get the benefit of the above mentioned law should apply for the reduction of tax in accordance with the presidential decree.



Eryn Choi

Senior AICPA
Baker Tilly Sungto LLC.

Environmental Site Assessments in Korea

Randy Simes

Entering any new business market can be a challenging and daunting prospect. There are new taxes to evaluate, regulations to consider, and decision makers to know and understand.

These are items that all businesses must address before entering a new market, and that does not even consider their direct line of business, or how they will actually set up physical operations in what may be a faraway land.

After navigating those early considerations, one of the next steps might be to find a suitable office space or plot of land that can accommodate your planned operations. In this exercise many of the same financial considerations should be explored. How much does each site cost in taxes? What are the regulations government business operations there? How easy or challenging is it to get permits and approvals from the local government?

There are many ways to go about getting this information, but one

of the easiest is to turn to a professional consultant with expertise in that locale. Some firms specialize in one or two of the factors to be considered, but some of the most important relate to whether what you want to build or operate there is feasible, and if the environmental considerations (i.e. regulations, soil conditions, contamination, etc) present a reliable path forward for the establishment of your new business operations or facility.

While not legally required in Korea, Environmental Site Assessments have proven to be a helpful tool for businesses around the world. Rooted in globally recognized standards and evaluation methods, an Environmental Site Assessment (ESA) can help you understand the answers to these questions in a relatively short period of time at an inexpensive price tag.

This process was found to be so valuable that investors starting voluntarily using their own form of ESAs as far back as 50 years ago. Since that time governments around world have, in one form or another, started to require such processes be undertaken for projects of various scales and scopes.

While there are numerous items that are examined as part of a typical ESA, it is very common for businesses to be interested in the potential of asbestos containing material, hazardous substances, existence of mold and mildew, and indoor air quality for existing facilities. For new sites, it is common for interest to be focused on water and soil contaminants, land use regulations, and naturally occurring weather impacts – both direct and indirect.

In order to assess the risk of all of these items, and for the benefit of the business operator, there are two stages of an ESA. A Phase I ESA takes a high level look at the local laws and regulations governing

the site, while also exploring the site's past activities, potential for contamination, and its likelihood to be able to support the businesses planned operations.

It is important to note that a Phase I ESA does not take an intrusive look at the site. This means that soil and water tests, or physical testing and sampling work, is typically not done and is not required as part of a Phase I ESA. Rather, those activities would take place during a Phase II ESA based on the outcomes of the Phase I ESA report, and the professional recommendations from the consultant.

This is helpful for two reasons. The first is time. Physical testing and sampling takes a considerable amount of time, while an initial high-level assessment can be conducted and completed quickly. The second reason is money. Those same time-intensive tests and samples also require significantly more money.

The reality is that in many cases there turns out to be no need for a Phase II ESA, thus avoiding those extra cost and schedule impacts for the business operator.

In Korea this can be especially true for foreign business looking to establish or expand their operations here, since many of these companies are guided and incentivized to locate in free economic zones or other special districts that have already been cleaned and prepared for direct foreign investment.

What makes this site selection due diligence even more beneficial is that, while not required in Korea, many global investment firms or corporations will not approve loans or budgets for projects without having the peace of mind that such due diligence work has been carried out. While many approaches could be taken, the use of the



Phase I and II ESA process is widely accepted throughout the world and can help get the budget and financing for your project approved.

While getting the funding and initial approvals is critical for any project, this upfront assessment is also useful in identifying any potential challenges that may arise during design, construction or operation.

Representing a firm that is most famous in Korea for its Project and Construction Management work, while also having in-house environmental specialists, we have seen many times at WSP | Parsons Brinckerhoff the challenges that are put before business operators and their projects when not considering these initial environmental factors.

The potential for things like bad ground stability, a pre-existing

grave site, or local regulations that go unchecked can and do cause serious problems for projects as they move forward. It can cause the need for redesign, the halt of construction or pushback from local decision makers and permit approvers.

Due to the low cost and quick turnaround for such work, it is strongly recommended that all businesses undertake a Phase I and/or II ESA process, or some version thereof. This information is helpful for internal decision making, but also to ensure the successful completion of a project on-time, on-budget and without incidents.



Randy A. Simes

Senior Planner Global Business Team
WSP | Parsons Brinckerhoff

Customs Valuation of Transfer Pricing Adjustments

Youngmo Lee

How come there should be two prices for the same product which are internationally traded between related parties? Multinational enterprises (MNEs) are often perplexed when tax and customs administrations present different views when it comes to appraising taxes and duties of the goods. For instance, a taxpayer may adjust transfer prices upward or downward to meet arm's length operating margin under transactional net margin method (TNMM)¹ at the end of a fiscal year. In this circumstance, a tax administration may accept the adjusted prices while a customs authority may deny them because of differences in pricing methodologies.

In this regard, the National Tax Service (NTS) and Korea Customs Service (KCS) have striven to solve the issue, for example, by legislating for harmonizing tax and customs transfer pricing regimes in 2011. A couple of MNEs requested for duty refund when the NTS assessed corporate taxes by increasing taxable income which could be construed as decreasing prices of the imported goods based on Article 38-4 of the Customs Act². However, all the claims were not accepted by the KCS as the post-importation transfer pricing (TP) adjustments are basically income adjustments which are accounted for by unexpected fluctuations of sales volume, operating expenses, foreign exchange rates, and the like which are not related to the imported goods. The KCS has kept its position abovementioned since it released the customs ruling on August 1, 2011, that is, upward or downward TP adjustment based on TNMM is not part of price actu-

ally paid or payable for imported vehicles.

In the meantime, other countries such as U.S.A. and Canada changed their policy on TP adjustments. On May 30, 2012, the U.S. Customs and Border Protection (CBP) officially revoked the Headquarters Ruling Letter (HRL) 547564 which interprets the post-importation adjustments was denied in terms of transaction value method to assess customs duties of imported goods. Instead, when the certain conditions are met, post-importation TP adjustments, whether upward or downward, are to be acceptable to determine transaction value of goods.

The Canada Border Service Agency (CBSA) in January 19, 2015 announced that the downward TP adjustments may be qualified as duty refund where transaction values of imported goods are not influenced by the relationship between a buyer and a seller by sealing a TP agreement at the time of importation of goods. In truth, the CBSA did impose customs duties on upward TP adjust-

- Arrangement of a written TP policy prior to importation
- Filing of income tax return (adjustments) under the policy
- Demonstration of relationship between TP adjustments & goods
- Presentation of accounting record and financial statements related to the claimed adjustments
- No conditions to deny transaction values

Figure 1: Five conditions to accept TP adjustments by US CBP

1) TNMM is one of arm's length pricing methods under the provisions of the OECD Transfer Guidelines.

2) Rectification due to Adjustment of Dutiable Value of Imported Goods

ments but did not allow repayment of overpaid duties for downward ones before the Canadian International Trade Tribunal (CITT) on March 21, 2014 rendered its decision in the appeal concerning the treatment of rebates made after importation.

In June 2015, the World Customs Organization (WCO) published "WCO Guide to Customs Valuation and Transfer Pricing" to recommend feasible solutions to deal with post-importation TP adjustments. For example, the WCO points out that the principles of price review clause³ could be applied to the circumstances where transfer prices are adjusted after import clearances are lodged to customs. The WCO recommends that customs administrations accept the adjustments as part of customs values when a TP policy is in place before importation and the adjustments are recorded in the accounts of the taxpayer with credit/debit notes issued.

In reflecting the recent global trend, the KCS conducted a research project on post-importation TP adjustments in 2015. Based on the report, the Ministry of Strategy and Finance (MOSF) and the KCS considers a plan to legislate for lodging a provisional declaration of customs values when a TP adjustment is made after import clearance. In detail, the KCS drafts specific procedures on a new policy: (1) the KCS confirms whether a post-importation adjustment is acceptable; (2) an importer declares provisional values; (3) an importer files final values resulting from upward or downward adjustment⁴. Since duty refund for downward adjustments is allowed, it will be a remarkable progress in customs administration if the plan becomes a reality.

Given that the KCS began to change its views on TP adjustments, it is time for MNEs to develop a strategy to benefit from a new system. For instance, no penalty duties will be imposed on upward

adjustment after importation. Likewise, duty refund will be allowed in case of downward adjustments. Thus, it is recommended that MNEs follow the three steps. First, a TP policy should be agreed in advance. It will be ideological for a pricing methodology to be consistent with "price review clause" so that transfer prices could be admitted as transaction values in a future audit. Second, it will be better for companies to prepare a TP Study from customs perspective. The document may describe how to select comparable companies based on customs regulations, how transfer prices and their adjustments are related to imported goods, and why the relationship between a buyer and a seller does not influence transaction values, and so on. Third, MNEs may seek advice on TP adjustments from the customs administration. Even before a new regulation takes into effect, the Advance Customs Valuation Arrangement (ACVA) could be an alternative so that TP adjustments are accepted by the KCS.

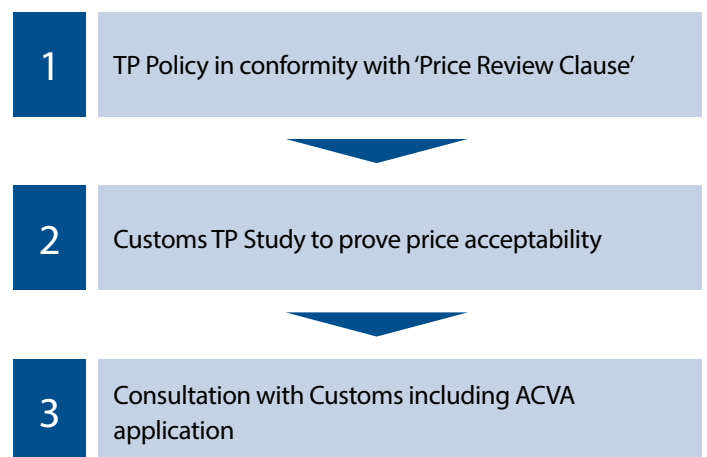


Figure 2: Recommended steps for admissible TP adjustments

3) Price review clause is introduced in Commentary 4.1 of Technical Committee of Customs Valuation at WCO.

4) BYUN, Dong-Wook (2016), Customs approach against MNE's post-importation compensating adjustment, Customs Brokers Journal, 2016 Summer, 52-53



Youngmo Lee

Customs Attorney
Lee & Ko



ChungBuk Free Economic Zone: Your new business partner for the future



ChungBuk Free Economic Zone

Becoming the center of global attention, the CBFEZ is a special economic zone developed to improve operational environments for foreign-invested companies and living conditions for foreigners.

Not only does the CBFEZ offer a range of tax relief, financial assistance and deregulatory benefits, but it also supplies educational, medical and residential resources for foreigners, providing distraction-free business environments for corporations.

Also, the CBFEZ is a strategic point for transportation and logistics that offers ground pathways, putting it within a two hours distance from anywhere in the country, as well as wide-open airways through Cheongju International Airport, a hub airport in the Jungbu region. Its solid industrial infrastructure catering to biotech, ICT and solar power industries interlinks all operations and thus maximizes synergy. The CBFEZ is a reliable business partner equipped with competitive industrial infrastructure and favorable living conditions.

Korea's highest-level bio cluster/IT cluster

Chungbuk Free Economic Zone is the world's best bio cluster where the nation's only Bio-Health Science Technopolis is located. About 60 biomedical-related companies, including LG Life Science LTD and CJ Cheiljedang, are located in the Osong Bio-Health Science Technopolis. The Public Health Administration Town in the complex is adjacent to six national organizations including the Ministry of Food and Drug Safety, Korea Centers for Disease Control and Prevention, and Korea Health Industry Development Institute, so it is possible to provide one-stop services from production to accreditation.

High-tech complex is the world's only research development cluster located in the Osong Korea Medical Cluster. It is nearby medical corporations, universities, and research institutes where research bodies, academia, and industry can work together. R&D Support Organization including New Drug Development Center, Medical Device Development Center, Laboratory Animal Center and Clinical Drug Manufacturing Center is located in the cluster, and supports the entire process from research to development of product. Occu-

pants can receive diverse administrative and financial benefits.

R&D Infrastructure

280 thousand excellent human resources from 54 universities in addition to industrial human resources on IT, BT, NT, aviation and automobile industry. Building BIGT convergence cluster between international science beltregion (Daeduk Research complex) and function regions(Sejong, Cheongwon, Chunga)

Center of transportation

Transportation network running in all directions, less than one hour away from the metropolitan area and 2 hours away from a number of cities in Korea. Cheongju international airport, a gateway to Sejong city and the hub airport of the central part of South Korea. CBFEZ is center of balanced growth in Korea and the new metropolitan area and 10 minutes from Sejong city, new metropolitan area of Korea. Also, KTX Osong station, center of the X-shaped national high-speed rail network located in.

Development plans by district

Development plans by district	Size(km ²)	Target business
Osong Biomedical District	1.13	Medical research and development facilities and clinical trial centers
Osong Biopolis District	3.28	Bioinformatics convergence medical device manufacturers and biotech education and healthcare providers
Cheongju Aeropolis District I	0.15	Aviation MRO complex
Cheongju Aeropolis District II	0.32	Aviation industrial complex
Chungju Ecopolis District	4.20	Automotive electronics industries, logistics and distribution industries, and non-conventional renewable energy industries

Investment Promotion Division

ChungBuk Free Economic Zone Authority

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Public Relations in Korea – New Challenges and Opportunities

Hugh Choi

Scene#1. Media Day of a Foreign Company

An office building in Gangnam, Seoul. A simple space with the only visible signage announcing that its Media day. The clock points to 10:30 AM. The Media Day event finishes around lunchtime but no meal is provided. The reporters in attendance are given a small giveaway, which costs about KRW 10,000. They turn down this small gift.

Scene#2. Concerns of an Employee Responsible for PR Activities

An employee responsible for PR activities receives instructions from Headquarters not to allocate budget funds for media PR but to strengthen digital communications. Even though everyone recognizes the growing proportion of digital communications, this restriction is unexpected. What is more worrisome is that the employee's future at the company hangs by a thread. Unless he is equipped with expertise in digital communications, his position is at stake.

Scene#3. Integration of PR Agencies

A foreign company has traditionally maintained relationships with two different agencies as partners for PR activities: one for media PR and the other for digital communications. Starting from this year, however, the firm has decided to incorporate these two functions into one and entrust the relevant work to one partner company. The PR Company specializing in media PR has taken a back seat to a hybrid PR firm capable of handling both media PR and digital communications.

These scenes are based on actual events that have happened at foreign firms this year.

The Anti-graft Law (Kim Young-ran Act) and Presidential Scandal

The Anti-graft Law (Kim Young-ran Act) is a turning point that will result in a sea change across Korean society. The essence of the Kim Young-ran Act lies in the prevention of improper solicitations. It is designed to ensure that those people in positions of strong influence exercise power properly. The PR industry has grappled with the question of whether media PR activities are in line with the criteria of the new act, engaging in heated debate and organizing educational sessions on the issue. There are a multitude of possibilities, making it difficult to find a clear answer given that the act has only just come into existence. There were initial complaints about the act being unreasonable, but those died down with the emergence of the presidential scandal. Moral inconveniences have taken a back seat to the immense shock felt by the general public at the scandal. South Korea has entered a phase where, more than at any time since modernization, high moral values have become paramount.

Rapid Settlement of a New PR Paradigm

One thing that is clear is that the conventional and strongly solidified method of media PR, carried out by private companies, is losing significant force. Such change is recognized as a crisis for many PR employees working for local companies. This crisis, however, can be transformed into an opportunity for a new PR paradigm to take hold. In short, it translates into stronger 'digital PR,' a form that



enables direct communication with consumers. The media gets to realize the nature of journalism and the scope of areas that can be monetized will shrink significantly. As seen in examples of foreign companies who have decided to allocate budget resources only to digital communications, it seems clear that the advantage lies with advanced companies who can secure content that enables them to interact directly with consumers.

The Approach of Social Media Communications: Direct Purchase of Content and Localization

In the press conferences of foreign companies, reporters often ask questions like, "aren't the situations in Korea different from global cases?" as they have viewpoints that represent Korean consumers. However, when it comes to digital media, consumers are different. Rather than sharing one publicly popular perspective, consumers' interests are not only very distinct from one another, but each consumer is very active in sourcing and fulfilling his or her own interests.

When people want trendy IT news, some early adopters recommend The Verge, an American technology news media. And a Korean blogger localize and post the content of the Verge in Korean. In the same manner, when people want something, they purchase it, even contents, directly. It gets categorized according to interest, and is not limited by diversity, region or language.

Social media is a personalized communication platform. No single content exists for all. Personalized content is consumed through digital devices and the decision-making process is also digitally based, helping one to think and act. Depending on when, how, and by whom content is consumed, the format and composition of content should differ, and may thus be shared and distributed via individuals with the same interests.

Consumers are even willing to consume commercial content created by corporate PR if its quality is sound. According to data from the Korea Press Foundation, the subscription rate of newspapers is in continual decline, whereas the consumption of online news content is on the rise. Consumers are not fazed by commercially generated content, since their decisions to consume are merely based on their interests and preferences.

The success or otherwise of the digital communications of foreign companies based in Korea lies in the quality of the content. The idea that Korean consumers would be less interested in content simply because it is foreign is not a conclusion that should be jumped to. We live in an era where content is bought directly. What is more important is to enhance the convenience and experience of purchasing content. More attention should also be given to strategies for different platforms sub-categorized based on consumption-centric lifestyles, rather than global ones, such as YouTube or Facebook. Facebook is the strongest platform but it is no longer cost-efficient.

Not only are its advertisements becoming less efficient, the organic reach rate of them remains extremely low.

Korea's Landscape of Digital Communications and Channels

A close look at Korea's digital landscape shows that, in terms of online searches, the market share of the portal website NAVER is more than 80 percent. This is unlike other countries where Google typically accounts for 80~90 percent of search queries. The usage patterns of portal websites have shifted from PCs to mobile devices. Against this backdrop, NAVER launched the mobile blog platform, POST, in 2014, suitable for mobile devices, and is operating it with a focus on mobile devices for the consumption of content. Meanwhile, DAUMKAKAO is growing its influence through the constant expansion of its mobile services, even though in terms of search market share, there are differences between it and NAVER. Starting with Kakaotalk, which is used by most Korean smartphone users, DAUMKAKAO now offers a variety of services that can be tapped into, such as Kakao Pay, Kakao Taxi, Game, and Yellow ID.

In addition, the growth of individual media, which is a reflection of the diversity of interests, is remarkable. Although Facebook and YouTube have gained the upper hand in analyzed data or estimation of effects, the diversification of platforms for micro-targeting is essential.

5 Tips for Successful Digital PR Communications

Here are five tips for an effective implementation of digital PR. First, break down consumers into as many groups as possible. Second, find common interests that can be shared between the sub-divided group and the company. Third, create content based on those interests. Fourth, go everywhere, engage with consumers and source content. And fifth, receive feedback and adjust KPIs accordingly.

While the method is simple, some do it much more successfully than others. Everyone says that digital PR is important, but not everyone successfully breaks away from the grip of the traditional PR methods. In a digital space where every PR activity is open and transparent, there is simply no reason to improperly solicit business, nor any individual from which to do it.

Once the Kim Young-ran Act takes root, Korean society will be more transparent and upstanding. Corporate PR should evolve, creating a method suitable for such an honest society. Korea-based foreign companies will adapt to the new atmosphere more easily as they put resources into forging stronger business ethics and compliance. A crisis is an opportunity.



Hugh Choi

CEO
DOMO BRODEUR

Bauwirtschaft in Korea

Überangebot an Wohnungen droht

Alexander Hirschle

The Korean construction industry is one of the most important sectors for the economic growth of the country. Especially the dynamic real estate market is driving the growth of the sector but at the same time, also leading to high private household debts. For German companies, the market is not easy to enter but chances can be taken at high quality building projects.

Ende des Booms ist absehbar

Der koreanische Bausektor galt zuletzt in einem moderaten wirtschaftlichen Umfeld als einer der wenigen Lichtblicke in der koreanischen Wirtschaft. Angesichts rückläufiger Ausfuhren seit 2015 hat die Baubranche den Exportsektor mittlerweile sogar als Konjunkturmotor in Korea abgelöst. Die Bauinvestitionen zeichneten nach Angaben des Instituts KIET (Korea Institute for Industrial Economics & Trade) im 2. Quartal 2016 für 52% des koreanischen Wachstums verantwortlich, seit Mitte 2015 lag der Beitrag durchschnittlich bei 40%. Die Steigerungsrate der Bauinvestitionen konnte bereits 2015 mit 3,9% einen überdurchschnittlichen Wert erzielen, der im 1. Halbjahr 2016 nach Angaben der Bank of Korea (BOK) mit 10,1% sogar zweistellig anstieg. Im 2. Halbjahr 2016 soll das Wachstum der Bauinvestitionen wieder auf knapp 4% zurückge-

hen, sodass im Gesamtjahr eine Steigerungsrate von 6,7% erreicht werden könnte. Für 2017 liegen die Prognosen der BOK wieder bei moderaten 3,0%. Bereits seit Ende 2015 gab es erste Anzeichen für eine Abkühlung des Baubooms in Korea, der zuvor unter anderem durch das niedrige Zinsniveau angeheizt worden war. Die BOK hatte seit August 2014 in mehreren Schritten den Leitzins auf ein Rekordtief von 1,25% abgesenkt.

Angebot übersteigt Nachfrage

Durch den Boom im koreanischen Bausektor und vor allem im Wohnungsbau sehen einige Experten bereits die Gefahr eines Überangebots auf dem lokalen Immobilienmarkt aufkommen. Laut Angaben des Consultingunternehmens Real Estate 114 dürfte das Angebot in Korea in den nächsten zwei Jahren bei konstant rund 500.000 Wohnungen liegen. Die Nachfrage hingegen soll demzufolge 2017 nur 330.000 Einheiten und 2018 etwa 390.000 Einheiten erreichen. Als weiterer hemmender Faktor gilt die enorm hohe Verschuldung der privaten Haushalte, die im 2. Quartal 2016 auf 1.257 Bill. KRW (rund 953 Mrd. Euro; durchschnittlicher Devisenkurs im 1. Halbjahr 2016: 1 Euro = 1.318 Won) um fast 10% auf den höchsten Stand seit 2002 gestiegen war. Ebenso wird sich mittelfristig auch die

Ausgewählte Großprojekte in Korea

Vorhaben	Investitionssumme	Projektstand	Auftraggeber/Planung/Durchführung
New Songdo City	35 Mrd. USD	Projektlaufzeit 2005 bis 2018	New Songdo City Dev. LLC (JV Gale (US), Posco E&C)
Saemangeum, Stad neubau am Meer	22,2 Bill. KRW	Projektlaufzeit 2011 bis 2020 (Phase I)	Saemangeum Development Agency
Sejong City, Bau eine Verwaltungsstadt der Regierung	16,4 Bill. KRW	Projektlaufzeit 2007 bis 2030, Umzug von 36 Behörden und Ministerien 2012 bis 2014	Regierung (Ministry of Land, Infrastructure and Transport)
Alpha Dome City in Pangyo	5 Bill. KRW	Bau von April 2012 bis 2018	Baufirmen LH, Lotte E&C, GS E&C, Doosan E&C
Lotte World Tower	3,5 Bill. KRW	im Bau, geplante Fertigstellung 2017	Auftraggeber: Lotte Group; Design: Kohn Pedersen Fox; Bau: Lotte Construction
Olympische Spiele 2018 in Pyeongchang	13 Bill. KRW (Sport stätten, Unterkünfte, Medienzentren)	Bau 1. Halbjahr 2014 bis 2017	Provinz Gangwon, Zentralregierung und andere
Jeju Healthcare Town	1,5 Bill. KRW	Baubeginn im Oktober 2012, Fertigstellung 2018	Greenland Group (VR China) und andere
2. Pangyo Techno Valley in der Provinz Gyeonggi	1,5 Bill. KRW	Baubeginn im Dezember 2015 bis 2. Halbjahr 2017	Ministerium MOLIT
LCT Apartment Complex in Busan	1,5 Bill. KRW	Baubeginn Oktober 2015 bis Ende 2019	Posco E&C
Global Business Center von Hyundai Motor Group	1,7 Bill KRW	geplanter Baubeginn 1. Halbjahr 2017, Fertigstellung 2021	Hyundai Motor Group

Quellen: Pressemeldungen, Unternehmensangaben, Recherchen von Germany Trade and Invest

demographische Entwicklung und stark alternde Bevölkerung auf den koreanischen Wohnungs- und Immobilienmarkt auswirken. Korea wies 2015 mit 1,24 die niedrigste Geburtenrate unter den OECD-Staaten auf. Damit dürfte auch die Nachfrage nach Wohnraum abnehmen. Gleichzeitig wird die starke Ausweitung von Singlehaushalten den Bedarf an kleinen Appartements hochhalten. Die Preise für Immobilien steigen derweil weiter an. Einem Report der KB Kookmin Bank zufolge überschritt der durchschnittliche Kaufpreis für Wohneinheiten in der städtischen Region von Seoul im Juni 2016 erstmalig 500 Mio. Won und legte damit innerhalb der vergangenen zwei Jahre um 10% zu. In angesagten Gegenden wie etwa dem Szeneviertel Gangnam lagen die Preissteigerungen sogar noch weit darüber. Nach Angaben der Regierungsinstitution Korea Appraisal Board entfielen 2015 die höchsten Zuwächse bei Wohnungspreisen nach Regionen auf Jeju mit 8,1%, Daegu (8,0%), Gwangju (5,8%) und Seoul (4,9%). Allerdings ist in Seoul der Trend zu beobachten, dass zunehmend mehr Bewohner aufgrund der hohen Lebenshaltungskosten in die umliegenden Provinzen ziehen. Dies könnte sich mittelfristig auch auf den Immobilienmarkt auswirken. Bereits im 1. Halbjahr 2016 ging die Zahl der Baugenehmigungen in Seoul um 10,5% zurück, während landesweit mit einem Zuwachs von 8,8% gerechnet wird.

Optimismus im Bausektor lässt nach

Das Geschäftsklima in der südkoreanischen Bauwirtschaft zeigte sich seit Ende 2015 sehr volatil. Der Construction Business Survey Index (CBSI), der vom Institut CERIK (Construction and Economy Research Institute of Korea) monatlich erhoben wird, hatte noch im Juli 2016 mit 101,3 Punkten den höchsten Stand seit 14 Jahren erreicht. Ein Niveau von 100 bedeutet, dass die Zahl der Firmen, die sich optimistisch in Bezug auf die derzeitige Situation des Sek-

tors zeigen, die der negativ gestimmten Unternehmen übertrifft. Im September 2016 lag der CBSI-Indikator hingegen nur noch bei knapp 84 und deutlich unter dem Jahreshöchststand vom Juli mit 91 Punkten.

Seit Mitte des letzten Jahrzehnts herrscht in Südkorea ein Überhang bei Bürogebäuden vor. Die Leerstandsquote für Büroräume lag im 2. Quartal 2016 nach Angaben des Korea Appraisal Board bei 13,4% und damit leicht höher als im selben Vorjahreszeitraum (12,7%). Experten sehen die Ursache vorwiegend in einer zunehmenden Zahl neuer Gewerbegebäude. In Seoul lag die Quote bis Juni 2016 bei 10,2% und damit exakt beim gleichen Wert wie noch ein Jahr zuvor. Die Mieten für Bürofläche in Seoul sind seit Jahresbeginn 2014 mit 20.500 Won pro Quadratmeter nahezu konstant, landesweit liegt der Wert im Schnitt bei 14.800 Won.

Niedrige Energiepreise als Hemmnis für Energieeffizienz

Gebäudemodernisierung und -sanierung spielt in Korea bisher nur eine geringe Rolle. Die Lebensdauer von Gebäuden ist kürzer als in Deutschland. Hinzu kommt, dass die Bauherren bisher in der Regel nur ein geringes Interesse an einer Reduzierung der Nebenkosten haben, da diese von den Mietern getragen werden. Bei Wohnimmobilien ist bei vielen Besitzern eine von allen Parteien akzeptierte Maßnahme zum Beispiel im Bereich Energieeffizienz nur schwer zu verhandeln.

Etwas interessanter ist der gewerblich genutzte Bereich. Aber auch hier ist es nicht einfach, die im Verhältnis zu Europa eher kurzfristig orientierten Kunden vom langfristigen Nutzen beispielsweise eines intelligenteren Energiemanagements zu überzeugen. Die Regierung hält die Energiepreise zur Aufrechterhaltung der internationalen Wettbewerbsfähigkeit koreanischer Unternehmen niedrig. Aus diesem Grund ist die Motivation für Maßnahmen im Bereich Energieeffizienz allgemein gering. Dennoch dürfte das Thema künftig an Bedeutung gewinnen, da die Regierung sukzessive die Vorschriften für den erlaubten Energieverbrauch in Neubauten absenkt.

Hohe Diskrepanz zwischen Kleinstbetrieben und Chaebols

Mitte 2016 waren in Korea 62.640 Bauunternehmen registriert. Die Zahl der Firmen ist damit innerhalb von einem Jahrzehnt um fast 7.000 Betriebe angewachsen. Knapp 11.500 von ihnen waren allgemeine Bauunternehmen und circa 38.500 Spezialbetriebe. Die Struktur der Bauwirtschaft ist sehr unausgewogen. Am unteren Ende der Skala stehen Tausende kleiner Zulieferer, die oft nicht genug Kapital für die Anschaffung neuer Maschinen und Ausrüstungen haben. Auf der anderen Seite nehmen die Chaebols (große Unternehmensnetzwerke) auf dem Weltmarkt eine vordere Position ein.

Drittlandprojekte werden in Korea verhandelt

Große internationale Konzerne sind im Vergleich zu ihren sonstigen



Auslandsaktivitäten in Korea nur wenig aktiv. Allerdings werden Projekte in Drittländern, bei denen koreanische Baukonzerne als Generalunternehmen auftreten, im Regelfall in Korea verhandelt. Ausländische Anbieter verfügen über gute Möglichkeiten in Bereichen, in denen sie Technologien, Materialien oder Ausrüstungen anbieten können, über die koreanische Wettbewerber nicht verfügen.

Chancen für deutsche Unternehmen bieten sich beispielsweise, wenn koreanische Bauunternehmen qualitativ anspruchsvollere Appartementblocks, spektakuläre Hochhäuser und ressourcenschonende Gebäude bauen wollen. Bekannte deutsche Namen im Markt sind unter anderem Liebherr (Kräne), Thyssen-Krupp (Fahrstühle), Putzmeister (Betonpumpen), Fischer (Befestigungselemente), Häfele (Beschläge), Osram (Beleuchtung), sowie Bulthaup, Miele, Siemens, WMF (Kücheneinrichtungen, Elektrohausgeräte), Bosch (Powertools), Interpane Glas Industrie (Wärmedämmglas), Wacker Chemie (Silikone), Bayer (Kunststoffe für Bahnhofs- und Stadiondächer) und Vaillant (Heiztechnik).

Geschäftspraxis

Der koreanische Markt ist nicht einfach zu bearbeiten. Die sprach-

lichen und kulturellen Barrieren sind hoch. Einige Branchenvertreter sprechen vom "härtesten Markt" in Asien. Englisch ist weniger verbreitet, als gemeinhin vermutet wird. Häufig erfolgt der Aufbau einer Marktpresenz über örtliche Vertreter. Gerade in der Bauwirtschaft sind gute Verbindungen und Kontaktpflege unerlässlich.

Dies gilt zum Beispiel im Hinblick auf Projektinformationen, die frühzeitig und nicht erst nach Eröffnung des Ausschreibungsverfahrens vorhanden sein müssen. Für Lieferanten ist es wichtig, bereits sehr frühzeitig den Markt zu sondieren und in die Baupläne der Architekten schon vor Angebotsabgabe mit aufgenommen zu werden. Das Produktmarketing sollte daher über die Architekten laufen, möglicherweise gemeinsam mit koreanischen Partnern.

Öffentliche Projekte werden elektronisch ausgeschrieben. Basisinformationen sind auch in englischer Sprache beim Public Procurement Service erhältlich (<http://www.pps.go.kr>). Das Ausschreibungswesen gilt inzwischen als relativ transparent.



Alexander Hirsche

Korrespondent von Germany Trade & Invest in Korea.

NOWAK & PARTNER

Situation

- ◆ Turn-key Firmen-Setup
 - ◆ HR-Beratung & Executive Search
 - ◆ Benchmark Audit
 - ◆ Interim-Management
 - ◆ Mergers & Acquisitions
 - ◆ **Treuhänderische Firmenverwaltung**
- Sie suchen einen externen Treuhandverwalter für Ihre Niederlassung in Korea.
- Sie müssen durch einen länger andauernden behördlichen Zertifizierungsprozess und benötigen erst zu einem späteren Zeitpunkt Personal.
- Sie haben sehr limitierte Aktivitäten in Korea und benötigen dadurch keine aktive Geschäftsführung.

Dienstleistung

Nowak & Partner übernimmt für Sie die treuhänderische Verwaltung Ihrer Niederlassung. Wir setzen Aufgaben der Geschäftsführung um, verwalten die Finanzen und unterstützen Sie, von einfachen administrativen Aufgaben bis hin zu komplexen Themen, z.B. der Kommunikation mit lokalen Handelspartnern oder Behörden in der Landessprache.

Lösung

Sie können entspannt vom Büro, von Zuhause oder auf Reisen sämtliche Aktivitäten vor Ort umsetzen lassen, wobei unsere Tätigkeit ausschließlich mit Ihrer vorherigen ausdrücklichen Freigabe erfolgt.

Sie haben Ansprechpartner in Ihrer Muttersprache und Fachleute, die der Landessprache mächtig sind, und die Ihnen schnell und kurzfristig Rat und Tat zur Seite stehen.

We fast-track the success of international companies in Korea!

News and People

■ Mr. **Stephan Auer** assumed his post as **German Ambassador to Korea** beginning of September 2016. He was born in 1961 in Tangiers/Morocco as a son of a German diplomat. He studied law specializing on International Private Law and completed his first legal state examination in 1985. After military service and legal training at the Higher Regional Court in Cologne he joined the **Federal Foreign Office** in 1988. He served at German Embassies in London, Riyadh and Rome. At Headquarters of the Federal Foreign Office, he had assignments in the Security Policy Department, the European Policy Department and the Department for Economic Affairs and Sustainable Development. Prior to his new assignment in Korea he was Director for Human Rights, Global and Multilateral Issues at the European External Action Service of the EU in Bruxelles.



■ On August 1, **Bayer CropScience Korea** announced Mr. **Holger Detje** as new **President**. Mr. Detje has experienced the agriculture business including sales & marketing, strategy development and management in Germany, Australia, Japan and New Zealand for the past 26 years. At the end of 2010, he took over the position of Country Representative of Bayer Group and Bayer CropScience business in New Zealand. Mr. Detje studied agricultural sciences and obtained a Ph.D. in Plant Physiology at Christian Albrechts-University in Kiel, Germany.

■ **Dr. Stefan David Schlipf** was appointed as the new **Representative Director of BMW Financial Services Korea**. Prior to joining BMW Financial Services Korea, Dr. Schlipf worked as Managing Director and Chief Executive Officer of BMW Financial Services India. Dr. Schlipf joined BMW Financial Services in 2005 and has over 17 years of experience. Born on 12 January 1969 in Germany, Dr. Schlipf has a Master's degree in Physics from Technical University, Munich and a Doctorate in Physics from Max Planck Institute for Quantumoptics and Ludwig Maximilian University, Munich.



■ Effective August 1 2016, Mr. **Michael Kirsch** assumed the management position of **Porsche Korea Ltd.**, Gangnamgu a subsidiary that enjoyed very strong growth rates over the last years thanks to the successful work of his predecessor, Mr. GeunTak Kim. Mr. Kirsch previously held the Chief Operating Officer (COO)

position in Porsche China for four years. In this role he significantly contributed to the successful expansion of the Chinese subsidiary overseeing the operational side of the business units: Sales, After Sales, the Regional Offices and Porsche-own retail stores. Mr. Kirsch holds a degree in International Business and Economics at the "Justus Liebig University Giessen", Germany. He built his career with BMW AG across various functional disciplines in Germany and abroad.



■ **Mercedes-Benz Financial Services Korea** announced the inauguration of its new **CEO Hilke Janssen**, which is effective from October 1st, 2016. Janssen, who was born in 1971, has worked on the global stage as a finance expert in her professional career. After granted Master's degree of Business Administration (MBA) from Justus Liebig University Giessen, Janssen worked in many countries' financial worlds, such as the United States, Germany, India, and Malaysia. Back in 2003, Janssen began her career at the HQ of Daimler Financial Services AG. Previously, Janssen worked as the CEO of Mercedes-Benz Services Malaysia (MBSM).

■ Mr. **Jean-Eudes de La Bretèche** assumed his position as **Commercial Director of Air France - KLM for Korea, Japan and New Caledonia**, on July 1st, 2016. He is taking over from Mr. Yu-Ming Sie, who is taking a new position in Air France - KLM head office after 3 years in Korea. After working for 2 years for The Boston Consulting Group in Paris, Mr de La Bretèche has been working for Air France - KLM since 2009 in several functions. He was already assigned Commercial Director for Japan since 2014, and will now combine his function with the extended scope of Korea and New Caledonia, on top of Japan. He holds a Master of Science in Management at HEC Paris.



■ **The French Korean Chamber of Commerce and Industry** announced the appointment of Ms. **Stella Yoon** who took office as the new **Secretary General of the FKCCI** on August 29. She has worked at the FKCCI for 6 years. Previously, she has been the head of its Business Consulting Department and then, Deputy Secretary General.

■ **Mr. Stefan Halusa, President of KGCCI and President & Representative Director Brose Korea Ltd.**, received the honorary citizenship from **Seoul Mayor Park Won-Soon**. Mr. Halusa has been in Korea for five years and has contributed through his activities to Seoul's economic growth, job creation, and well-being.



■ **Mr. Bernd Gehlen, Head of Corporate Services at BASF Korea** was awarded with the **Korean Order of Industrial Service Medal** at the **Foreign Company Day 2016** hosted by the Ministry of Trade, Industry and Energy (MOTIE). Mr. Gehlen was recognized for his contribution in developing investment projects in Korea. BASF has seven production facilities and about 1,057 employees in Korea.



■ **VDM Metals**, a worldwide manufacturer of Nickel based alloys, has opened a new service center in Korea to provide better service for its customers in Asia. Shorter delivery times as well as easier handling of large and small orders from a single source were the major factors for this decision. The new service center in Korea strengthens VDM Metals' global presence and the availability of its materials in Asia.



■ **MAN Truck & Bus Korea** has launched the **Lion's Touring open-top city tour bus** at Seoul Marina Yacht & Club on November 1st. The MAN Lion's Touring is the only open-top single floor city tour bus in Korea. MAN has been operating in Korea for 15 years as truck provider and is planning to introduce the CNG low floor bus at the 2017 Seoul Motor Show.



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

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Upcoming

Korea

 January 19

KGCCI Economic Outlook

Conrad Seoul Hotel, Park Ballroom

 February 03

Green Cabbage Dinner

TBD

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

Event in Germany

29. März 2017
Wirtschaftstag Korea
IHK Düsseldorf

Für Veranstaltungen in Deutschland erfolgt die Registrierung über die jeweilige IHK

KGCCI Seminar Calendar



KGCCI DEinternational offers a number of seminars with different topics for its members.

For details, please refer to the Calendar (October 2016 – February 2017), which can be downloaded on our homepage.



Contacts

Joint Campus Recruiting of German companies in Korea



The first „Joint Campus Recruiting of German companies“ organized by KGCCI, was successfully held in November. Bayer, Beiersdorf, Trumpf and TUV Rheinland used the opportunity to introduce themselves to a large group of young students.

At each of the three sessions (Hanyang Univ., Hankuk University of Foreign Studies and Sogang Univ.) more than 70 students attended and listened to recruiting information and received feedback about their CV and cover letters. The campus recruiting was an excellent opportunity for German companies not only to connect with young job seekers but also to promote themselves in the Korean market.

Because of the overall positive feedback, KGCCI is going to introduce the campus recruiting as a regular event twice a year. The schedule for the next campus recruiting will be announced in February 2017.

Korean Executive Forum



The 13th KGCCI Korean Executive Forum (KEF) has been held successfully on November 23, 2016 at the venue of Conrad Seoul with about 40 participants from KGCCI member companies. The Principal of the Korea Military Academy Mr. Byoung-Ro Choi (Lieutenant General) was the guest speaker this time and gave a presentation about "North Korea Nuclear Threat and Our Response". Since the North Korean nuclear threat is growing more and more nowadays, the topic attracted a lot of attention from the participants.

The KEF is a platform for exchanging information and experiences among Korean managements and officers of KGCCI member companies in Korea. The KEF is held usually once or twice a year in Korean language by inviting a prominent Korean personality as a speaker with different topics. Dr. Kim Hae-Dong, CEO of B.Braun Korea, member of the Board of Directors of KGCCI, is in charge of the steering committee of the Forum.

APK Hong Kong 2016



From November 3 to 5, KGCCI attended the 15th Asia-Pacific Conference of German Business (APK) held in Hong Kong. More than a thousand participants gathered at the invitation of the Asia-Pacific Committee of German Business (APA) and the German Federal Ministry of Economics and Technology. Topics discussed included Mobility and Urbanisation, Innovation in Asia, Industrie 4.0 and Trade Policy in the 21st Century.

KGCCI and its sister chamber in Japan held a breakfast meeting on Korea and Japan at the conference. The next APK will take place in Indonesia 2018.

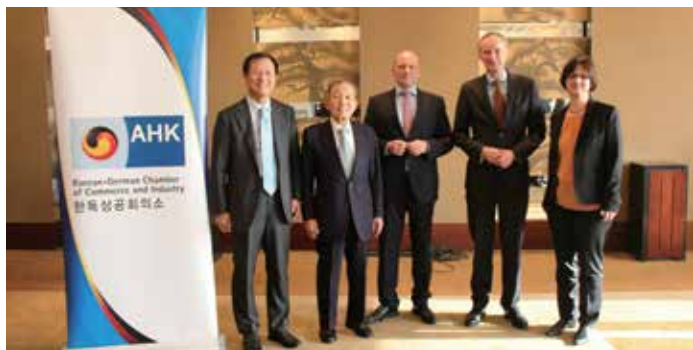
Half-Year Economic Outlook



At the second Half-Year Economy Outlook hosted in cooperation with Daegu Metropolitan City, KGCCI discussed developments such as BREXIT, where skepticism towards free trade could be noticed. Additionally, guest speakers such as Ms. Kim Soyeon (representative of NRW Invest), Mr. Alexander Hirschle (Director Korea of Germany Trade & Invest), Dr. Woo Cheonsik (senior fellow at KDI), Mr. Markus Stehle (Co-CEO of Mando Hella) and Alina Gratschner and Carlo Jacobs (Accelerate Korea) gave insights and analyses about various industries and possible future trends. KGCCI wants to thanks all guest speakers for their participation and Daegu Metropolitan City for sponsoring the event.



Seminars, Meetings and Sundowner



Towards the end of the year, KGCCI hosted a Breakfast Meeting with Mr. Stephan Auer, the new German Ambassador to Korea, for an exchange on current business issues and changes with KGCCI member companies. KGCCI also held various seminars to give members an update about new regulations and trends, including an Anti-Trust Law seminar with Yoon Et Yang, "Understanding Tax Audits" with Baker Tilly Sungto, a Breakfast Seminar on Cybersecurity with Mazars Sebit and Roundtable session on big data with Korea Telecom. On the casual side, KGCCI hosted the third KGCCI sundowner where more than 80 guests attended to enjoy German sausages and beer.

KGCCI Goose Dinner



On December 2, the annual KGCCI Goose Dinner was held. About 150 KGCCI members and their partners as well as VIP guests such as Mr. Uli Stielike, current manager of the Korean national football team, Mr. Cha Bum Kun and Mr. Cha Du Ri attended the event. On the musical side, Pianist Jong Hwa Park and Friends gave a pre-dinner concert.

KGCCI also organized a charity raffle with numerous prizes. The proceeds will be donated to DASOM study room, a charity project organized by Seoul National University students. The project helps children from underprivileged families with tutoring and mentoring. KGCCI wants to thank ChungBuk Free Economic Zone for their sponsorship at the Goose Dinner and all companies who have contributed gifts for the charity raffle.

Gifts for the charity raffle were donated by:
 Beiersdorf Korea Ltd. / BCA Korea Co., Ltd. / BMW Group Korea
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 Grand Hyatt Hotel / Kim Et Chang / Lufthansa German Airlines
 MCM (SUNGJOO GROUP) / Miele Korea Limited / Millennium Seoul Hilton
 Park Hyatt Seoul / The Class Hyosung Corp. and Audi Volkswagen Korea Ltd.

KGCCI Skat Tournament



The KGCCI Autumn Skat Tournament took place on November 5 at the Millenium Hilton Hotel in Seoul. Mr. Heiko Krahmer won the tournament and took over the trophy from Mr. Fritz Emrich from Qingdao, China.

Image-Umfrage AHK Korea

Luisa Hromek

In order to better serve our members, KGCCI has conducted a survey among its members in cooperation with a student at FH Aachen. The objective was to find out how they perceive the image of KGCCI and its services. 44 companies participated in the survey and the results showed that members value KGCCI's work and connect KGCCI with positive attributes such as reliability and professionalism. The following article gives a quick overview about the findings.

Viel bi-nationaler geht es kaum noch: Die AHK Korea (KGCCI) ist ein Verein nach koreanischem Recht, ist aber an das deutsche Kammer-system und den Bundeswirtschaftsminister angelehnt. Chairman ist Koreaner, Präsident und Geschäftsführerin sind Deutsche. Die beiden Stellvertreter sind deutsch und koreanisch, während die überwiegend koreanischen Mitarbeiter vielfach in Deutschland gelebt haben. Dazu Mitglieder und Kunden, die aus beiden Ländern stammen.

Wie kann es gelingen, in diesem deutsch-koreanischen Umfeld ein Image zu entwickeln, das für beide Kulturkreise ansprechend ist? Dieser Frage ging eine Studentin der Fachhochschule Aachen im Rahmen einer wissenschaftlichen Arbeit nach.

Die Arbeit basiert auf einer Umfrage unter den AHK-Mitgliedern, 44 haben sich beteiligt. Zunächst wurden Assoziationsaufgaben genutzt, um eine grobe Identifikation der Stärke, Schwäche und Einzigartigkeit des Images der AHK Korea zu identifizieren.

Frage: Welche positiven Eigenschaften verbinden Sie mit uns?

Insgesamt charakterisieren die Befragten die AHK Korea mit vielen positiven Eigenschaften, welche in folgender Abbildung aufgeführt sind:

Frage: Welche Eigenschaft macht uns für Sie einzigartig?

Bei dieser Frage fällt auf, dass es den Befragten schwerfällt, die AHK Korea mit einem einzigen Wort zu beschreiben. Viele beziehen sich in ihrer Antwort in positiver Weise auf den Kulturaspekt zwischen Deutschland und Südkorea, inklusive der Sprachkompetenzen. So nennen sie beispielsweise:

- „Service in deutscher Sprache“
- „German touch in combination with Korean economic and political environment“
- „Deutsche Tugenden“
- „Die tolle Mischung aus Deutschen und Koreanern“.

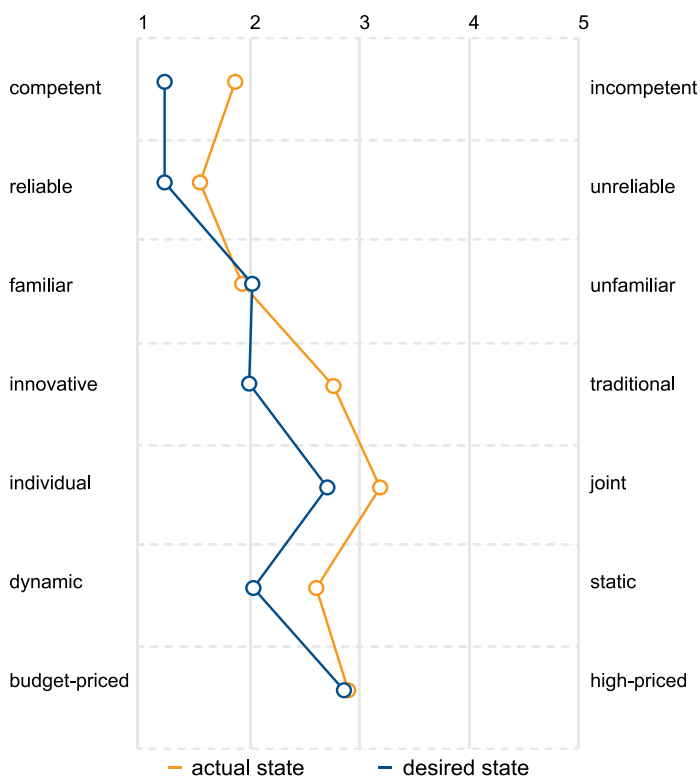
Frage: Was kann die AHK Korea noch verbessern?

Für die Zukunft wünschen sich die Mitglieder der AHK Korea, dass diese Anfragen noch schneller beantwortet (wir sind schließlich in Korea) und noch mehr fachbezogene Veranstaltungsformate entwickelt werden, von denen auch langjährige Korea-Kenner profitieren können.

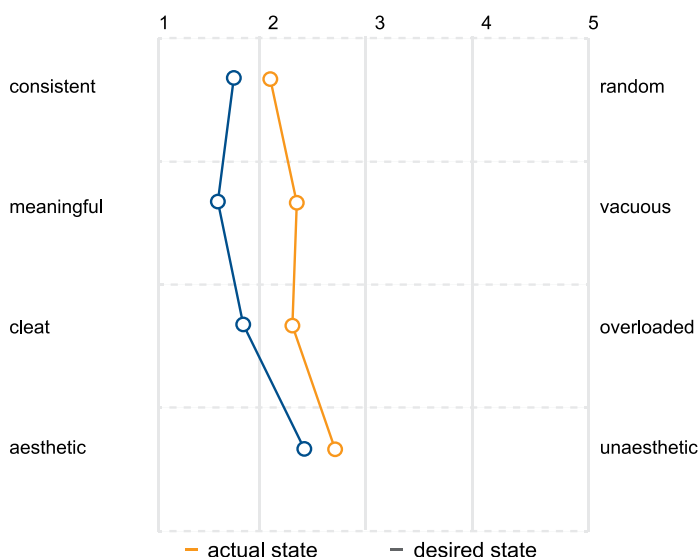
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 Konkrete Projekte mit greifbaren Ergebnissen
 Schnell Hilfsbereit Große Mitgliederzahl

Im weiteren Verlauf der Umfrage wurde die Methodik des semantischen Differentials genutzt. Diese besteht aus der Aufführung von gegensätzlichen Eigenschaften. Die Befragten wurden dabei aufgefordert, auf einer Skala von eins bis fünf, zu markieren, wie stark die genannten Eigenschaften auf die AHK Korea zutreffen. Im zweiten Schritt haben die Befragten angegeben, wie wichtig ihnen die Eigenschaften für die AHK Korea sind. Dadurch soll verhindert werden, dass diese eine Eigenschaft anstrebt, die jedoch für ihre Zielgruppe irrelevant ist.

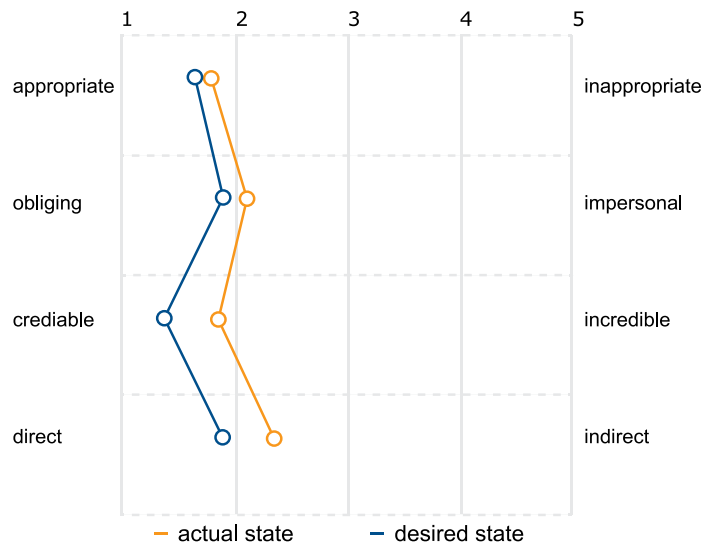
Das Auftreten der AHK Korea



Das Erscheinungsbild



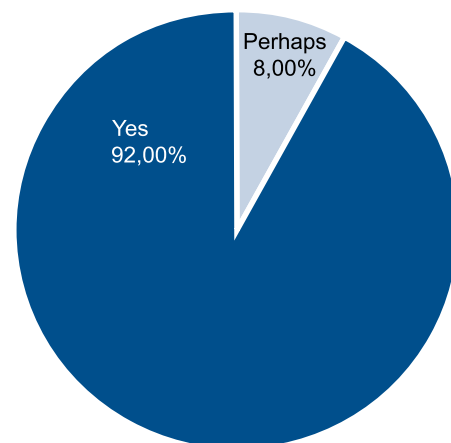
Der Kommunikationsstil



Das Ergebnis zeigt, dass sich die AHK Korea auf die Eigenschaften konzentriert, welche auch für die Zielgruppe von Bedeutung sind. Außerdem gibt es eine Zielrichtung vor, auf welche Eigenschaften zukünftig noch stärker fokussiert werden kann.

Frage: Können Sie die AHK Korea weiter empfehlen?

Abschließend sind die Mitglieder gefragt worden, ob sie die AHK Korea anderen Unternehmen weiterempfehlen können. 92% konnten dies mit einem klaren „Ja“ beantworten, nur 8% antworteten mit „Vielleicht“. Dies ist ein gutes Indiz für die allgemeine Zufriedenheit und die Loyalität der Mitglieder.



Die AHK Korea und Frau Luisa Hromek bedanken sich bei allen Teilnehmern für die Teilnahme an der Umfrage und das Feedback, das wichtige Hinweise für die weitere Arbeit liefert.



Luisa Hromek

Student at Fachhochschule Aachen
currently Junior Economist at KGCCI

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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Advertisements and contributions for issue 67: **January 25th, 2017**

Main topic: "Recruiting in Korea"

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