

# *A Guide to Foreign Investment in Korea*

Ministry of Commerce, Industry and Energy  
Korea Trade-Investment Promotion Agency



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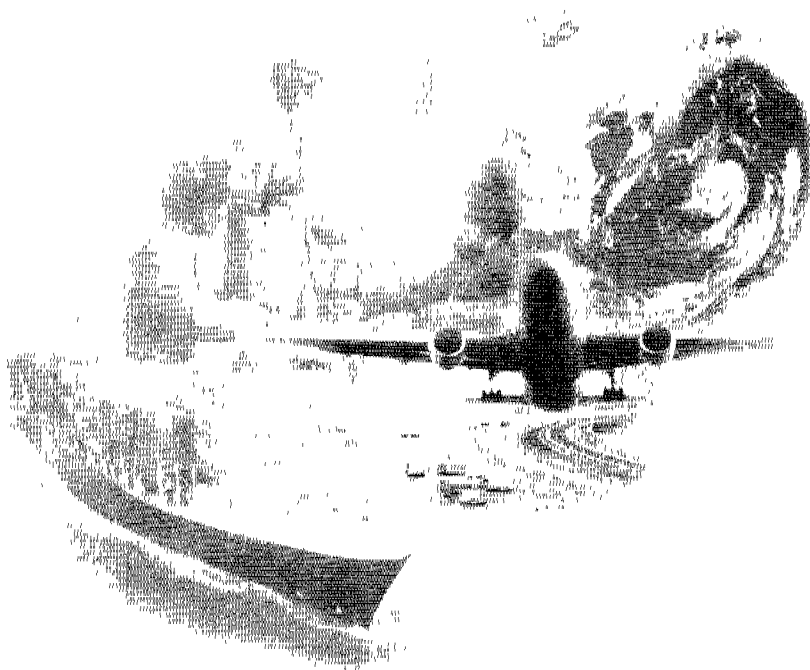
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# *The Korean Economy, Present and Future*

## **A. The Korean Economy Today**

What the Korean economy has achieved over the last three and a half decades is nothing less than a miracle, considering that most advanced countries took a century to cover the same ground. During that period the Korean economy grew on average by 8% per annum, setting a standard for other developing countries. However, in the course of this unrelenting pursuit of growth, Korean companies came to be too dependent on debt financing, so that their financial structure was susceptible to outer shock.

As general economic conditions worsened in 1997, some of the large conglomerates went bankrupt. A lack of consistency and transparency in policy towards these corporate bankruptcies, coupled with the financial crisis in Southeast Asia, was enough to give foreign investors doubts.

But as the year 1998 began, Korea staved off total catastrophe in the foreign exchange market by successfully concluding a rollover of short-term foreign debt. The surplus of current account after the critical stage greatly helped prevent the worst. The usable foreign exchange reserve balance is projected by the government to rise above \$41 billion, which is agreed balance with the IMF, by the end of 1998.

### **<Balance of Foreign Exchange Reserve>**

(unit: US\$ billion)

	end of '97	Feb. '98	Mar. '98	Apr. '98	end of '98
Foreign Exchange Reserve Balance	8.87	18.54	24.15	30.7	41 (forecast*)

\* This forecast is the agreed balance with the IMF.

As the foreign exchange market gets stabilized, the financial market is on its way to recovery. Interest rates are showing a stabilizing trend with the influx of foreign investment into the Korean stock market and the continuing surplus of current account.

### **<Balance of Current Account >**

(unit: US\$ billion)

	Jan. '98	Feb. '98	Mar. '98	Jan-Mar. '98	end of '98
Balance of Current Account	3.1	4.0	4.9	12.0	25.0 (forecast*)

Source : Korea Development Institute

\* The agreed balance at the end of '98 with the IMF is \$21.0~\$23.0 billion

## B. How the Korean Government Has Responded to the Crisis

The Korean government, to cope with all these challenges, responded quickly by implementing numerous reforms in various fields, over the resistance of the vested interests. Top priority is being placed on establishing a more free market oriented economy, given the fact that today's serious dilemma arose from overregulation and frequent government intervention.

The government played an important role in setting up the Tripartite Commission of labor, business, and government leaders to reform inefficient labor and corporate practices, and administrative structures (Feb. 6, 1998). It also avoided a national debt moratorium by concluding the foreign-debt rollover. On top of that, it successfully launched dollar-denominated bonds. These efforts have greatly helped Korea regain its credit in the global economy.

### <Major Sectoral Reforms>

Corporate Sector	Labor Market
<ul style="list-style-type: none"> <li>- Adopted combined financial statements</li> <li>- Banned additional mutual loan guarantees between subsidiaries of <i>chaebol</i></li> <li>- Allowed M&amp;A, including hostile takeovers</li> <li>- Achieved agreements between banks and firms to improve their capital structure</li> <li>- Expanded the rights of small investors</li> <li>- Liberalized the rules on equity issue</li> </ul>	<ul style="list-style-type: none"> <li>- Enhanced labor market flexibility</li> <li>- Expanded unemployment insurance</li> <li>- Implemented comprehensive unemployment policy</li> <li>- Strengthened and privatized job placement services</li> </ul>
Financial Sector	Market Liberalization
<ul style="list-style-type: none"> <li>- Suspended operation of insolvent non-bank financial institutions</li> <li>- Increased funds for non-performing asset disposal and deposit insurance</li> <li>- Deregulated internal bank management</li> <li>- Launched Consolidated Financial Supervisory Commission</li> </ul>	<ul style="list-style-type: none"> <li>- Opened long- and short-term financial markets</li> <li>- Abolished the ceilings on stock holding</li> <li>- Deregulated the use of commercial loans by foreign-owned firms</li> <li>- Abolished limits on foreign ownership of real estate</li> <li>- Extended the list of industries open to foreign investment</li> </ul>

### C. Forecast

While Korea's effective implementation of IMF programs will no doubt help the Korean economy regain its former credit from foreign investors, negative growth of -1% for the year of 1998 is inevitable due to the doldrums in investment and domestic demand.

But if the restructuring of the Korean economy goes on successfully, it will gain momentum of growth from 1999. While a high unemployment rate is expected due to severe restructuring in the years to come, the financial and business sectors will be healthy and sound again. The IMF and OECD forecasts for Korean economic growth in 1999 are 4.1% and 4.0%, respectively. Consumption and investment will regain their former robustness, price levels will become more stable, and current accounts are expected to show a surplus of \$15 billion.

In the year 2000 an advanced corporate-finance structure will be firmly rooted in Korea. In the financial sector, management will be autonomous, free of government intervention. A more advanced corporate governance system will ensure that market principles rule the overall economy. The Korean economy will **finally be back on track.**

## II

## *Favorable Conditions for Investment*

One of the distinctive merits of Korea is market potential. Amidst the East's foreign exchange turmoil, there are few who are skeptical about Korea's fundamental economic strength. Korea has good competitive advantage, as proven by its No. 11 standing in GDP and its No. 12 standing in trade volume.

### <GDP of Korea>

(unit: US\$ 100 million)

	1993	1994	1995	1996	1997
Current GDP	3,328	3,807	4,565	4,844	4,426

Source: Ministry of Finance and Economy

### <Trade Volume of Korea>

(unit: US\$ 100 million)

	1993	1994	1995	1996	1997
Exports	822	960	1,250	1,297	1,362
Imports	838	1,023	1,351	1,503	1,446

Source: Ministry of Commerce, Industry and Energy

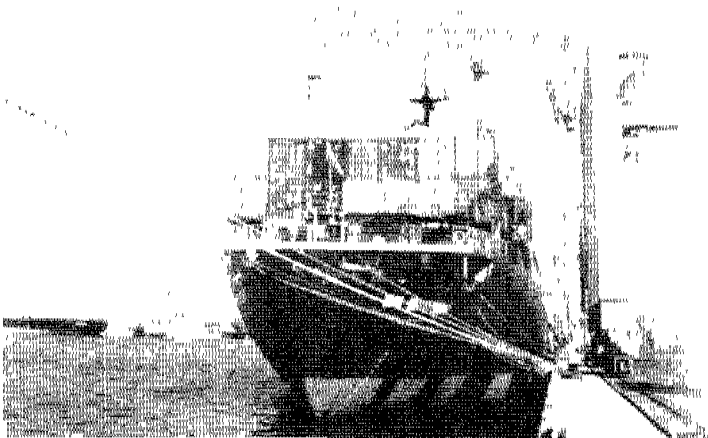
In technology and industrial development, Korea is ahead of all other Asian countries except for Japan. Some of Korea's manufacturing industries hold high world market shares. For instance, shipbuilding has reached 27.8%, semiconductors 10.3%, and electronic goods 9.9% as of 1996. In particular, Korea has world-class technology in semiconductors and thin-film LCD TV monitors. (See Appendix 1.)

Behind Korea sprawl the Chinese market, the largest in the world, the luxuriant Japanese market, and the emerging Southeast Asian market. Korea has been establishing far-reaching relations and exchanges with these neighboring countries. By virtue of its proximity and advanced industrial base, Korea is now positioned as a strategic gateway and manufacturing platform for these markets. (See Appendix 2.)

Korea is rich in human resources. Its rate of increase in productivity, 40% from 1990 to 1995, is higher than those of advanced countries (Norway 26.9%, USA 11.8%, Netherlands 7.9%, and UK 5.9% in the same period of time). Its rate of enrollment in higher education (4,766 per 100,000 people) ranks third in the world, following only Canada and the USA (See Appendix 3.)

Korea has a solid infrastructure which is stronger than other developing countries. Furthermore, social overhead capital is regarded as a key to sharpening the competitive edge of Korean economy. It's no wonder one of the top priorities are given to SOC expansion, and that many SOC projects are now under way (See Appendix 4.)

One of the biggest changes while Korea passed through this economic whirlpool was in the attitude of the people and of officialdom toward foreign investors. Previously they had the prejudice that the introduction of foreign capital led to the nation's choicest assets being drained away overseas. This economic xenophobia is now giving way to the view that foreign capital is a prerequisite to tiding over financial fluctuations and to buoying up prosperity in the global community in the long run. Overregulation, the uncooperative attitudes of bureaucrats, and general economic xenophobia, which turn away foreign investors, have been ameliorated in the meanwhile. In the near future, encumbering clannishness and inconvenient barriers will have been mostly cleared away. Foreigners will have spacious room in Korea to perform various activities under favorable conditions.





## *Korea's Foreign Direct Investment Regime*

### **A. The Evolution of Korea's Foreign Direct Investment Regime**

Promotional efforts by the Korean government obtained the first inflows of foreign capital in 1962. After that, the government was somewhat passive about further inflows for quite a while, being afraid that multinational enterprises would choke the choicest domestic sectors. At the same time, foreign capital gained by loan inducement seemed a lot easier to control than direct foreign investment. This growth policy of preferring foreign loans continued until the early '80's.

When the foreign debt crisis of developing countries were on the rise in the '80's, Korean policy veered toward bringing in foreign investments.

#### **1. Foundation Phase ('84~'89)**

In order to open wider some areas in the domestic market, on July 1, 1984, the government changed from a Positive List System, which lists allowed businesses only, to a Negative List System, which just lists prohibited and restricted ones. The uniform fixed ceiling on foreign direct investment (FDI) of 50% was abolished. Instead, different ratios were set for different industries at this time.

#### **2. Liberalization Phase ('90~'95)**

In 1991 the Notification System was introduced for foreign direct investment. In June 1993 the Five-Year Foreign Investment Liberalization Plan was adopted, which was supplemented three times, in June 1994, November 1995, and May 1996. Major steps were taken to attract FDI.

#### **3. Advanced Phase ('96~ )**

After Korea joined the OECD in December 1996, the government exerted itself to continue liberalization up to the level of advanced countries. The Foreign Capital Inducement Act was amended to become the Foreign Direct Investment and Foreign Capital Inducement Act in February 1997, which spelled out policies on FDI, M&A, and long-term loans.

The new administration inaugurated on February 2, 1998, is highly aware of the fact that nurturing FDI has to be given the utmost priority to overcome the economic crisis and the difficulties which may lie ahead, as well as to effectively cope with globalization. Under this consensus, the government enacted epochal changes in the Foreign Investment Promotion Law from "control and regulation" to "promotion and support."

Besides, to facilitate foreign investment in Korea, the Korean government is planning to replace the Foreign Exchange Control Act with an entirely new law which fully meets global standards. Likewise, the current Foreign Exchange Management Regulation, which consists of 512 articles in total, will be replaced by a greatly simplified set of regulations. Immediate liberalization measures on foreign exchange transactions are to be effective from July 1, 1998. According to this plan, all restrictions on the use of foreign borrowing for short-term trade financing are planned to be abolished as of July 1, 1998.

To allow unlimited access to foreign funding and thus to facilitate ongoing corporate restructuring efforts, medium-term foreign borrowings by domestic business firms are also to be liberalized. More specifically, the current restrictions on foreign borrowings and issuance of foreign bonds with maturities of from one to three years are also planned to be abolished as of July 1, 1998.

Furthermore, the government plans to liberalize the foreign exchange system in two consecutive stages, the first starting April 1, 1999, and the second starting January 1, 2001. As a result, by the year 2001 Korea's foreign exchange system will improve to the mid-group level of OECD members.

## **B. The Current Foreign Direct Investment Regime and the Path to Improvement**

### **1. Definition of the term “Foreign Direct Investment (FDI)”**

To be protected as a foreign investor under the Foreign Direct Investment and Foreign Capital Inducement Act, a foreign national must invest enough to acquire 10% or more of stocks or of proprietary interest in a legal person or enterprises in Korea. However, if evidence in the joint investment contract shows that the foreign national participates in the management of the company concerned, an investment less than 10% is to be considered FDI.

If an established foreign-invested corporation receives loans with a maturity of five years or more from its overseas parent company or borrows from an affiliate of the company which has a capital relationship with the overseas parent company, this is also to be considered foreign direct investment.

The regime as it pertained to the long-term loans formerly allowed them only for financing importation of equipment and limited them to the amount of already invested foreign capital. Now there is no limit on use or amount.

The minimum investment amount shall be 50 million won per project, or, if two or more investors are involved in the same project, 25 million won or more per investor. There is no minimum requirement in the case of additional investments or of investment with dividends. The notification system applies to all foreign investment projects in Korean industries, excluding those in the defense industry.

Foreign nationals and foreign-invested corporations are ensured the same treatment for their operations as Korean nationals and domestic corporations, unless otherwise stipulated by law. As a general principle they are also guaranteed their profits and free inward and outward flows of capital.

## **2. Inducement and Protection of Foreign Direct Investment**

Foreign nationals and foreign-invested corporations are guaranteed the right to remit abroad their cash dividends and proceeds from sale of stock they own and of their proprietary interest, in accordance with the contents of authorization, accepted notice or an agreement as of the time when such repatriation is to be made

Unless otherwise stipulated in relevant laws, foreign nationals and foreign-invested corporations may engage in the same business activities and receive the same tax exemption benefits as Korean nationals and domestic corporations. Their property rights are ensured by law and they are not restricted in their investment movements.

When a foreign investor has received confirmation of details of the inducement of capital goods by the head of a foreign exchange bank, this is regarded as import approval pursuant to the Foreign Trade Law, which facilitates clearing customs. The Import Diversification System is foreclosed for capital goods subject to the inducement of foreign investment.

## **3. Procedure for Foreign Direct Investment in Korea**

### *a. The Case of Acquisition of Newly Issued Stocks*

A foreign investor who acquires stocks or proprietary interest from a newly established enterprise, or acquires stocks in a domestic enterprise at a time when it is increasing capital stocks, shall report the fact to the relevant authorities.

At present the institutions accepting notice are limited to the main offices of 32 domestic banks and the domestic branch offices of 45 foreign banks. The Foreign Investment Promotion Law, which is due to be implemented during the second half of this year, will include the head office of the Korea Trade-Investment Promotion Agency (KOTRA) and its overseas and regional trade centers. (See Appendix 6.)

The system in force requires various documents for notice, including a copy of the notice of FDI through acquisition of newly issued stocks, the operational plan, the resolution of the board of directors or of the general stockholders' meeting, documents certifying nationality, and documents certifying an agent relationship. In the new system, however, simple notice of FDI will cover the whole notification procedure, and the requirement to designate a permanent resident of Korea to act as an agent to file the notice is going to be abolished.

### *b The Case of Acquisition of Outstanding Stocks*

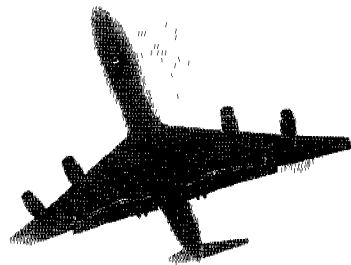
The Korean government long banned M&A by foreign investors by prohibiting their acquisition of outstanding stocks issued by domestic corporations

After Korea joined the OECD in December 1996, the government allowed friendly M&A, permitting foreign investors to acquire outstanding stocks, in cases where the board of directors of the targeted domestic corporation resolves to transfer stocks. After April of this year hostile M&A too were made possible by abolition of the requirement of a resolution of the board of directors in cases where the foreign investor is acquiring less than one-third of the total issued stocks of the targeted domestic corporation

Even the above restriction was obliterated in May of this year. Without any resolution of the board of directors of a domestic corporation, a foreign investor is permitted to acquire 100% of outstanding stocks. So now M&A are fully liberalized in Korea

In the case of the acquisition of outstanding stocks, the Notification System also applies. The acquisition of outstanding stocks of domestic corporations which operate in the defense industry (81 companies as of April 1998), however, is subject to approval by the relevant authorities

At present the institution at which notice is filed is the Ministry of Finance and Economy. But the Foreign Investment Promotion Law, which is about to be enacted, is due to change it to the aforesaid foreign exchange banks or the head office or an overseas or a regional trade center of KOTRA. The disclosure in the Korea Stock Exchange in the case of the acquisition of outstanding stocks of a listed domestic corporation, the report to the Securities Management Committee, and various other procedures are going to be abolished, while the procedure of giving notice of the acquisition of outstanding stocks of a domestic corporation is going to be as simple as that for acquiring newly issued stocks



*c Long-term Loans with Maturities of Five Years or More*

In line with OECD's definition of FDI, long-term loans with maturities of five years or more to foreign-invested corporations from their overseas parent companies or from their overseas affiliates which have a capital relationship with their overseas parent companies are also to be considered as FDI

**• The Overseas Parent Company and an Overseas Affiliate with a Capital Relationship with the Overseas Parent Company**

- An enterprise which owns more than 50% of the total stocks of overseas parent company.
- An enterprise which falls under the following criteria, provided that the overseas parent company of the foreign invested enterprise owns more than 50% of the total outstanding stocks of the said foreign invested enterprises
  - a. An enterprise which owns more than 10% of the total stocks or total capitalization of the overseas parent company
  - b. An enterprise with respect to which the overseas parent company owns more than 50% of the total stocks

In the early stage of implementing the above system, the use of the loans was restricted to financing the importing of equipment and the loans were limited within the scope of foreign-invested capital. But these constraints were completely removed in April 1998 in order to obviate difficulties in raising capital

At present, the institution at which notice of the inducement of a long-term loan is filed is the Ministry of Finance and Economy. But the new law will change it to the foreign exchange banks or the head office or an overseas or regional trade centers of KOTRA. The documents required to be submitted are a notice of the inducement of a long-term loan and a certificate attesting to the capital investment relationship

#### *d Industries Open to Foreign Direct Investment*

As mentioned above, the Korean government launched the Five-Year Foreign Investment Liberalization Plan in June 1993. Through several revisions of the plan, the government continuously widened the door for foreign investors. When Korea became a member of the OECD in December 1996, the government submitted a supplementary plan to open 44 industries to foreign investors. Since then the Minister of Finance and the Economy has announced each year the schedule for opening sectors of the domestic market to foreign investment.

The government fully opened seven sectors in April this year, including rental of residential buildings, and 11 sectors in May, including gasoline service stations. Again, the government broadened the business scopes of the sectors of gambling and electric power generation.

31 sectors remain closed (13) or only partially open (18) to foreign investors out of the total of 1,148 sectors, 98.9% of all industries being opened. Those residual sectors mostly involve national defense, cultural property protection, and protecting the livelihood of small-scale farmers. The Korean government will continue to move on promoting liberalization programs and additional openings of those restricted sectors.

The restricted sectors for foreign investors are as follows

#### **<Restricted Sectors>**

##### **• Closed: 13 sectors**

Growing of cereal grains, Raising of cattle, Inshore fishing, Coastal fishing, Wholesale meat; Supporting air transport activities, Medical care insurance, Workmen's accident compensation insurance and other social security insurance, Radio broadcasting, Television broadcasting; News agency activities, Operation of horse racing tracks and similar stadiums; Gambling

• **Partially opened : 18 industries**

- Distilling of ethyl alcohol (will be fully liberalized on Jan 1 1999 )
- Manufacturing of tobacco products  
(allowed for foreign equity ratio not exceeding 25% )
- Publishing of books, brochures musical books and other publications  
(allowed for foreign equity ratio not exceeding 50% )
- Publishing of news papers  
(allowed for less than 25% and scheduled to expand to 33% in 1999)
- Publishing periodicals  
(allowed for less than 25% and scheduled to expand to 50% in 1999)
- Manufacture of biological products  
(allowed except for manufacturing of blood preparation)
- Coastal water passenger transport  
(allowed for foreign equity ratio less than 50%)
- Coastal water freight transport  
(allowed for foreign equity ratio less than 50%)
- Deep sea foreign freight transport (will be fully liberalized on Jan 1 1999)
- Scheduled air transport (less than 50%)
- Non scheduled air transport (less than 50%)
- Wire telegraph and telephone  
(less than 33% and will be more liberalized on Jan. 1 1999, and also on Jan 1 2001)
- Wireless telegraph and telephone  
(less than 33% and will be more liberalized on Jan. 1 1999, and also on Jan. 1, 2001)
- Telecommunications n.e.c
- Domestic banking (allowed only for commercial banks)
- Trust and trust companies ( further liberalization on Dec 1, 1998)
- Cable broadcasting ( less than 30%)
- Electricity power generation  
(Private power generation business is fully opened, and public power generation business is allowed less than 50%)



**A. KOTRA's One-Stop Service****1. Administrative Support**

One of the grievances foreign investors in Korea harbored was that there were too many contact points and administrative procedures, which often led to red tape and delay, and perhaps contributed to bureaucratic arrogance. The Korean government launched the Korea Investment Service Center (KISC) at KOTRA on April 30, 1998, for the purpose of eliminating this friction and supporting foreign investors through all stages of investment, from consulting to after service.

KISC is staffed by experts from nine authorities, including representatives of the Ministry of Commerce, Industry & Energy (MOCIE) and the Ministry of Finance and Economy (MOFE) in the central government, representatives of local governments, and specialists on legal, accounting, and tax systems. Empowered by the authorities concerned, it provides comprehensive administrative support plus other services such as consulting, responding to grievances, matchmaking, and training and education. In a word, KISC's main concern is to make foreign investors feel at home.

Here are its organs and their missions:

- Investment Consulting Team
  - investment consulting and matchmaking with potential Korean joint venture or M&A partners
  - advising on legal matters, accounting, tax systems
  - responding to grievances
- Administrative Support Team
  - approval or permission procedures
  - proxy service for investment procedure regarding notification of establishment of factories and companies
- Project Support Team
  - one-on-one support
  - after service for established foreign-invested corporations
  - training and education on foreign investment

- Investment Negotiation Team (non-permanent body)
  - The Chief of KISC can convene the Investment Negotiation Team for the purpose of conducting negotiations on incentives and other administrative support of large projects

KISC will be headed by an experienced business consultant or specialist equipped with the expertise to guide foreign investors

## **2. KOTRA's Investment Promoting Activities**

In the first half of this year, KOTRA will be designated as Korea's premier inbound investment agency, with KISC and Korea Trade Centers abroad in its charge, by the Foreign Investment Promotion Law

KOTRA, with KISC in its charge, will be largely empowered to issue approvals concerning investments. In cases where it is not possible for it to issue approval on behalf of the government, KOTRA will operate as a proxy for the foreign investor through the whole procedure until approval is issued. In such cases, 90% of procedures concerned with foreign investment, except only a few matters of particular gravity, will be undertaken by KOTRA. Foreign investors will save a lot of time and energy formerly consumed by administrative procedures

KOTRA will provide various other services for foreign investors to make things as convenient as possible, such as residence support to help their foreign staff and executives find housing, education, and medical services, business trip support, to help foreign investors with their itineraries and schedules, an incubating service for renting offices and O/A machinery until the company is set up in Korea, and business consulting

### **3. Procedures Simplified**

Multitudinous procedures which used to cause grief to foreign investors have been drastically abridged and simplified by the Law Documents to be submitted, formerly amounting to 83, are to be more than halved to 37.

With the introduction of “packaged civil procedures” for foreign investments, by which all relevant civil procedures of a similar nature will be dealt with together, processing time will be radically shortened “Automatic approval” will also be introduced, according to which civil procedures which take more than the prearranged processing time will be automatically regarded as having met with approval

### **4. Foreign Direct Investment Information on the Net**

Foreign investors can access information on the FDI regime in Korea, the investment climate, etc , through the Internet The Korean government is running web sites for foreign investors to provide information and to address grievances

#### **MOCIE homepage**

<http://www.mocie.go.kr> → “Trade & Investment”

Content Investment Climate of Korea, the FDI Regime, Trade Statistics,  
Responses to Grievances

#### **Digital KOTRA**

[http //www kotra.co.kr](http://www.kotra.co.kr) → “Korean Economy” → “Korean Investment Guide”

Content Investment Climate of Korea, On-Line Information on Trade and FDI

#### **Korea Stock Exchange Homepage**

<http://www.kse.or.kr> → “Trade & Investment”

Content Stock Transaction Procedures for Foreign Investors, Statistics on  
Foreign Investment in the Stock Market, and other related links.

## **B. Tax Incentives**

### **1. Overview of Tax Incentives**

As of now, tax incentives are given to those businesses which establish and operate factory facilities in Free Export Zones or factory facilities which introduce advanced technology

The Korean government plans to expand the range of businesses considered to bring in advanced technology from 265 businesses in seven sectors (See Appendix 5.) to 400 or more in nine sectors to induce high-tech investment. The Investment Promotion Law also provides for high-tech service industries such as industrial design, transportation and storage systems, business related to electronic commerce, and R&D to be tax exempt

### **2. Tax Exemption/Reduction Ratio and Period**

Below are the details of the current tax incentive regime as it applies to foreign-invested corporations

#### *a Corporation tax, income tax on foreign-invested corporations*

- A business bringing in advanced technology
  - exempt for five years\*
  - 50% reduction for three years thereafter
- A business located in a Free Export Zone
  - exempt during the year the business first opens and for three years thereafter
  - 50% reduction for two years thereafter

#### *b Corporation tax, income tax on dividends of foreign-invested corporations*

- A business bringing in advanced technology
  - exempt for five years
  - 50% reduction for three years thereafter\*
- A business located in a Free Export Zone
  - 50% reduction for the year the business is opened and for five years thereafter

*c. Acquisition tax, property tax, aggregate land tax with respect to land, buildings, etc., acquired or possessed by foreign-invested corporations*

- A business bringing in advanced technology
  - exempt for five years
  - 50 % reduction for three years thereafter\*
- A business located in a Free Export Zone
  - 50% reduction for the year the business is opened and for five years thereafter

\* from the first year profit is made

The aforesaid tax benefit, however, is to be enlarged to an unprecedented level with passage of the Foreign Investment Promotion Law. In the case of national taxes like the corporation tax, the tax exemption and the period of reduces rates will be expanded from eight years (five years at 100%, then three at 50%) to 10 years (seven years at 100%, then three at 50%). There will be exemption from and/or reduction of local taxes like the registration tax

Furthermore local governments will also be empowered to grant exemptions and reductions in property taxes, acquisition taxes, aggregate land taxes, and registration taxes for anywhere between eight and 15 years

### **3. Request for tax reduction or exemption**

Foreign-invested business eligible for tax incentives which makes investment in Korea for the first time should request exemption or reduction of corporation tax or income tax before the end of the fiscal year in which the date of business opening falls. In the case of additional investment, such a request may be made within two years from the date of acceptance of notice of FDI. One can also request tax exemption at the time of notification of foreign investment

Requested tax exemption/reduction will be decided by the Minister of Finance and Economy, after consultation with the authorities concerned

## C. Location Support

### 1. Lease or Sale of Industrial Parks for Foreign-invested Corporations

The Korean government is operating industrial parks for foreign-invested corporations in Chonan and Kwangju, offering attractive rates for the lease and sale of factory lots.

Eligibility for obtaining sites in these industrial parks is restricted to companies whose foreign equity share is over 30% (in the case of Pyongdong, in the Kwangju area) or over 40% (in the case of Chonan). But the government plans to relax these restrictions to 10%.

#### <Industrial Parks for Foreign-invested Corporations>

Park	Kwangju Industrial Park	Chonan Industrial Park
• Location	Pyongdong	3rd Industrial Estate
• Land Area	930,600 m <sup>2</sup>	785,400 m <sup>2</sup>
- Factory Sites	653,400 m <sup>2</sup>	491,700 m <sup>2</sup>
Lease	333,000 m <sup>2</sup>	303,600 m <sup>2</sup>
Sale in Lots	323,400 m <sup>2</sup>	188,100 m <sup>2</sup>
• Rates		
- Security Deposit (per annum)	₩480/ m <sup>2</sup>	₩1,455/ m <sup>2</sup>
Lease Rate (per month)	₩40/ m <sup>2</sup>	₩121/ m <sup>2</sup>
- Sale in Lots	₩86,700/ m <sup>2</sup>	₩155,300/ m <sup>2</sup>
• Enterprises Entitled to Lease or Sale in Lots		
- sector	Sectors where advanced technology is used, sectors entitled to tax reduction or exemption, and manufacturing sectors in general	Sectors where advanced technology is used; sectors entitled to tax reduction or exemption; and where new technology with the NT mark is used

## **2. Incentives in Rental Fees for State/Public Property**

Foreign-invested corporations are offered the incentive of reduced rental fees for state-owned property.

- **Industrial Park for Foreign-invested Corporation**
  - Businesses bringing in advanced technology worth over \$1 million 100% reduction
  - Manufacturing businesses of over 10 million dollars 75% reduction
  - Businesses which can contribute to revenue of local government or industry restructuring, or are related to SOC 50% reduction
- **National Industrial Parks, 50% reduction**

Under the Foreign Investment Promotion Law, local governments can autonomously give rental fee incentives to foreign investors

Furthermore the rental period of state-owned property (20 years as of now) will be extended to 50 years (50 years extensible)

## **3. Future of Foreign Investment Support**

Korea's investment support system to date could be characterized rather as a uniform code which does not pay attention to the actual needs of local governments and foreign-invested corporations. But with passage of the Foreign Investment Promotion Law, local governments' discretion on incentives and support will be expanded so that they can meet foreign investors' needs. The central government will support local governments with financial aid, while giving them more discretionary empowerment in the matter of foreign investment.

Moreover, subsidies for employment, R&D, etc., will be amply introduced by local and central government under the condition that they are compatible with international standards.

Besides, every support will be ready so that there are no problems in foreign investors' recruitment. The support concerning labor will be available to foreign-invested corporations. For example, it is planned to make skilled personnel employed by foreign-invested corporations exempt from military service. When foreign invested companies are in labor dispute, Korean government will convene a special task force for those companies to help them solve them.



# *Major Points Related to Foreign Investment*

## **A. Tax System**

### **1. Tax Structure**

In Korea, taxes are largely divided into two categories.

- National Taxes
  - Direct taxes: Income Tax, Corporation Tax, Excessively-Increased Value of Land Tax, Inheritance Tax, Gift Tax, Assets Revaluation Tax, Excess Profits Tax
  - Indirect taxes: Value-Added Tax, Special Excise Tax, Liquor Tax, Telephone Tax, Stamp Duty, Securities Transaction Tax
  - Other: Customs Tariff, Education Tax, Traffic Tax, Special Tax for Rural Development
- Local Taxes
  - Acquisition Tax, Registration Tax, License Tax, Resident Tax, Property Tax, Aggregate Land Tax, Automobile Tax, Farmland Tax, Butchery Tax, Tobacco Consumption Tax, Urban Planning Tax, Community Facilities Tax, Workshop Tax, Regional Development Tax, Excessively Increased Value of Land Tax

### **2. Major Taxes**

#### *a. Corporation Tax*

A Corporation having its head office or its main office in Korea is liable to corporation tax applicable to the income of each business year

Rates for corporation tax are calculated by a two-tier progressive method

(unit: million won)

Annual taxable income		Tax on amount A	Tax rate on excess over A
Over (A)	Less than		
0	100		16%
100		16%	28%

Domestic corporations (those with their head office in Korea) pay corporation tax on both domestic and foreign incomes. Foreign corporations pay on income of domestic origin only



Type of Tax	Corporation tax on business income	Special tax on capital gains	Corporation tax on liquidation income
Type of Corporation			
Domestic corporation (for profit corporation)	All income generated both at home and abroad	Capital gains from real property, securities, and stock transactions	Liquidation income generated from dissolution or merger
Foreign corporation (for profit corporation)	Only domestically generated income		Not subject to taxation

### *b. Income Tax*

Income tax is levied on individuals, not companies or organizations. An individual is taxed either as a resident or as a non-resident. A resident is an individual who either has a permanent Korean address or who has resided in Korea for over a year. Residents are taxed on income from both domestic and foreign sources. For non-residents, tax is levied on income of domestic origin.

Tax rates are divided into four categories: 10% for a tax base under 10 million won; 20% for between 10 and 40 million won; 30% for between 40 and 80 million won; and 40% for over 80 million won.

### *c. Income Tax on Capital Gains and Dividends*

Income tax on capital gains is levied on capital gains from the disposition, transfer, and exchange of land, buildings, and stocks. Tax rates on capital gains are 30~50% in the case of land or buildings, 75% in the case of asset transfer without registration, and 20% in the case of shares in an unlisted company.

Income tax on dividends is levied on dividend income, at the rate of 25%, but where a foreign country has signed a tax convention with Korea, the convention prevails.

#### *d. Local Taxes*

The Constitution of the Republic of Korea lays down the principle of local autonomy. Under this principle, local government is given the right to assess and collect local tax. Local taxes include acquisition taxes, registration taxes, property taxes, aggregate land taxes, etc.

Acquisition taxes are levied on acquisition of real estate, motor vehicles, heavy equipment, etc. A tax rate of 2% is applied to the value of the acquired articles.

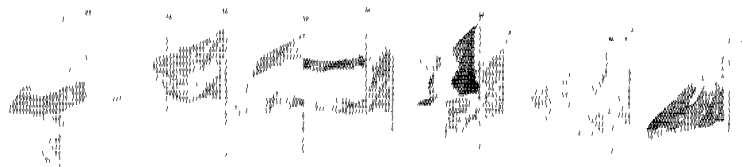
### **3. Tax Conventions**

Tax conventions aim at preventing double taxation and tax evasion. They define important concepts such as tax residence, fixed business establishment, the scope of taxable income, the country of income source, and maximum tax rates.

If the tax conventions are in conflict with the domestic tax laws of the signing country, the tax conventions take precedence over the latter.

#### **• Current List of Countries that Have Signed Tax Conventions with Korea**

Japan, Switzerland, Philippines, Mongolia, Thailand, Finland, Luxembourg, Egypt, Germany, Sweden, Pakistan, Vietnam, Great Britain, Malaysia, Austria, China, Denmark, New Zealand, Indonesia, Rumania, Belgium, Australia, Tunisia, Spain, USA, Norway, Hungary, Mexico, Canada, Bangladesh, Brazil, Fiji, France, Turkey, Ireland, Czech Republic, Singapore, Sri Lanka, Poland, Bulgaria, Netherlands, India, Italy, Russia, South Africa, Slovakia, Greece, Portugal



## **B. Labor**

There have been rapid shifts in Korean labor policy since the IMF program was adopted. On February 24, 1998, seven labor-related laws were enacted or amended (including the Employment Insurance Act, the Basic Employment Policy Act, and the Act for Protection of Transferred Workers). The prime objectives of these measures are to effectively meet the IMF guidelines in a short period of time by securing more flexibility in the labor market and to cope with the massive unemployment which will last for quite some time.

### **1. Efforts for Promoting Flexibility in the Labor Market**

For fair burden-sharing in the process of overcoming the current economic crisis, the Labor-Business-Government Tripartite Commission reached a joint agreement on February 6, 1998, to introduce systems for the laying off of employees and the transfer of employees. Upon this agreement, the revisions of the Labor Standards Act and of the Act for Protection of Transferred Workers were passed by the National Assembly in the same month. The main points of the agreement are as follows:

- **Laying off of Employees**

The laying off of employees for urgent managerial reasons or in the case of M&A is legally valid, provided that management makes every effort to avoid such laying off and abides by rational and fair standards in selecting those to be laid off.

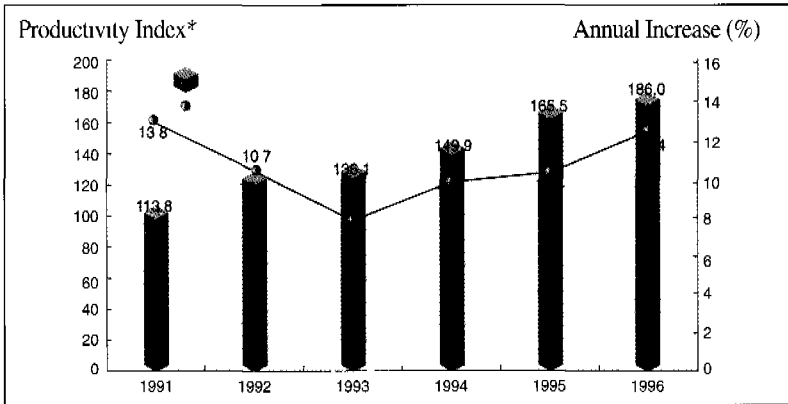
- **Transfer of Employees**

Employers are allowed to transfer employees to other companies. The jobs for which they are transferred must be such as require expertise, skill, and experience in the manufacturing sector other than work on assembly lines. Workers may also be transferred to serve as temporary replacements of other workers absent due to maternity, illness, injury, or other special reasons. The period of transfer for a job which requires specialized knowledge is up to one year (but with extensions permitted). The period of transfer for covering maternity leave is the length of the maternity leave. The period of transfer to cover other temporary vacancies is up to three months (but with extensions permitted).

## 2. Labor Productivity and the Average Wage in Korea

Labor productivity in Korea is rising by an average of over 10% per year, which is remarkably higher than the world average.

### <Labor Productivity Trend>



\* Index of 1990 = 100

Source: Ministry of Labor

It is true that wages have ascended no less sharply than production in this decade. Riding on the democratizing mood in 1987~1988, the labor movement, which had been suppressed until then, succeeded in pushing wages up considerably. Recently, as one can see in the table below, the rate of increase of wages shows signs of slowing down. As the labor market gains much of its flexibility, this slowdown is considered likely to continue for a good while.

### <Annual Increase in Wages and National Labor Productivity>

(unit: %)

	'87	'88	'89	'90	'91	'92	'93	'94	'95	'96
All Industries										
• Nominal Wage	10.1	15.5	21.1	18.8	17.5	15.2	12.2	12.7	11.2	14.9
• Labor Productivity*	9.8	13.2	6.9	15.7	16.0	8.8	8.5	9.8	10.9	11.1
Manufacturing Industry										
• Nominal Wage	11.6	19.6	25.1	20.2	16.9	15.7	10.9	15.5	9.9	16.2
• Labor Productivity*	3.5	14.8	3.6	12.5	15.6	12.2	12.3	12.8	13.2	11.2

\* National Labor Productivity, increase rate of [current GDP/number of employees]

Source: Korea Labor Institute

### <Average Monthly Wage>

(unit : ₩, US\$, US\$1=₩1,400)

Industry		₩	US\$
All Industries	Average	1,083,382	773.8
	Male	1,196,264	854.5
	Female	783,465	559.6
Manufacturing	Average	941,563	672.5
	Blue collar	797,454	569.6
	White collar	1,180,851	843.5
Construction	Average	1,307,095	933.6
	Blue collar	1,217,996	870.0
	White collar	1,328,298	948.8
Electricity, gas, and water services		1,300,095	928.8
Wholesale, retail, foods		1,068,517	763.2
Transport, warehouse, telecommunications		962,536	687.5
Financial, insurance services		1,544,584	1,103.3
Rental of real estate		1,046,226	747.3
Educational services		1,641,288	1,172.3
Health and social welfare		1,290,054	921.5
Personal services		1,368,513	977.5

Source: Average monthly wage as of January 1998, Ministry of Labor

### 3. Industrial Stability

In 1987, when labor disputes reached their peak, the number of strikes was 3,749. By 1997, the number had plunged to 78. This sharp downturn in labor strife also contributed to reducing the number of workdays lost.

Informed opinion has concluded the current industrial peace has resulted from the following: first, both labor and management gained experience at the negotiating table and found better procedures, second, labor and management both came to feel that it was time to bond together in a mature relationship.

It is noteworthy that strikes demanding wage increases are gradually declining, remarkably so when compared with those of around 1990, when they amounted to more than half of total strikes. Rather than simply demanding wage raises, the labor unions now voice diversified demands, for instance for shortening working hours and improving the work environment.

#### <Trends of Korean Labor Disputes>

	'88	'89	'90	'91	'92	'93	'94	'95	'96	'97
A	1,873	1,616	322	234	235	144	121	88	85	78
B	946	742	167	132	134	66	51	33	19	-
	(50.5)	(45.9)	(51.9)	(56.4)	(57.0)	(45.8)	(42.2)	(42.2)	(22.4)	(-)

A Number of disputes

B Number of wage-based cases (percent of total)

Source: Ministry of Labor

## 4. Working Conditions

Working hours in principle were adjusted to eight hours a day or 44 hours a week when the Labor Standards Act was amended in 1989. Labor and management have agreed that overtime work is permissible up to 12 hours a week, for which workers shall be paid 50% more per hour.

Korea has adopted the Flexible Work-Hour System. In accordance with the Rules of Employment, working hours may be extended up to 48 hours in a given week as long as the biweekly average does not exceed 44 hours. Or, under the written labor-management agreement, they may be extended on a monthly basis up to 56 hours in a given week, with a 12-hour limit per day, as long as the weekly average does not exceed 44 hours.

For holidays, one day of paid holiday is offered per month. An employee who has not missed a day of work for a year shall be given an additional 10 days of paid holiday and one who has worked 90% or more of a year shall be given an additional eight days of paid holiday. An additional day of paid holiday is added for each year beyond two years an employee has worked consecutively.

The minimum wage is set annually by the tripartite Minimum Wage Review Committee. It is applied in all workplaces with 10 employees or more in all business sectors. As of 1998 (using the exchange rate of US\$1 = ₩1,400), the minimum wage is ₩1,485 (US\$1.06) per hour, ₩11,880 (US\$8.48) per day, or ₩335,610 (US\$239.70) per month.

## C. Land Acquisition by Foreigners

Foreign nationals or foreign-invested corporations were not allowed to purchase real estate until recently, except for restricted uses (such as plants, offices, warehouses and other auxiliary buildings, and employees' residences)

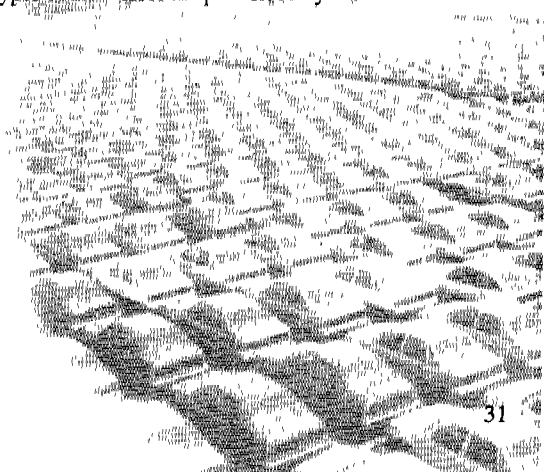
The Korean government has now liberalized land acquisition systems on a drastic scale, fully opening the domestic real estate market. Moreover, the present policy requiring approval will soon be shifted to one of granting permission upon notice. This wide opening of the domestic real estate market is expected help to stimulate M&A and SOC projects by foreigners.

### 1. Current Systems

Foreign nationals or foreign-invested corporations are permitted to acquire land with the approval of or with notice to the Ministry of Construction and Transportation (MOCT), which delegates this authority to municipal or provincial governments.

Foreign-invested corporations are allowed to acquire land for manufacturing plant sites upon giving notice to the MOCT. A foreign national who has an F-2 visa can buy land with a maximum area of 660 m<sup>2</sup> for his own residence, simply by giving notice

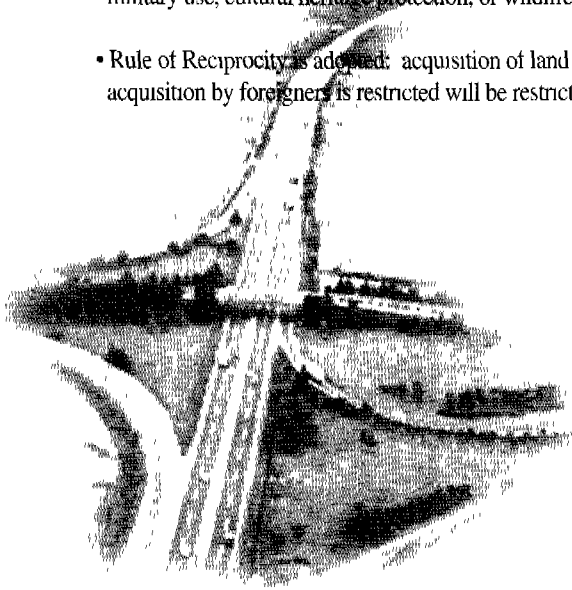
Foreign-invested corporations engaged in business sectors other than manufacturing are allowed to acquire land for their business operations and employees' residences, but not non-business-related land, under the provisions of the Corporation Tax Law and the Local Tax Law. The ceilings for land acquisition by these types of businesses are prescribed by the MOCT and other relevant ministries.



## 2. New Laws Concerning Acquisition and Management by Foreigners

During the second half of 1998, the regulations concerning land acquisition and management by foreigners are due to be abolished on a large scale, so that the domestic real estate market will be fully open. The major changes will be as follows.

- Regulations concerning the use and limiting the area of land acquired by foreign-invested corporations are to be abolished, putting them on an equal footing with Korean corporations.
- In the case of M&A involving a foreign-invested corporation, the non-business-land of the Korean company may be kept by the foreign-invested corporation
- When resident or non-resident foreigners acquire land properties, national treatment is applied
- A simple notification system will be adopted in the case of acquisition of land by a foreigner or foreign-invested company
- Foreigners' acquisition of land will be liberalized, but will not include land set aside for military use, cultural heritage protection, or wildlife protection
- Rule of Reciprocity is adopted: acquisition of land by foreigners in whose countries land acquisition by foreigners is restricted will be restricted





## A. Welfare

The welfare system in Korea aims at sharing benefits with the lower income brackets passed over by the market economy and at bettering people's living standards. In the recent days, due to seriously growing unemployment, it has become viewed in a new light as part of a social safety net.

### <Types of Welfare Systems and Their Services>

	Social Security Insurance	Public Assistance	Social Welfare Service
Provider	national government	national or local government	juridical social organizations
Recipients	all citizens	the poor	those in need
Programs	National Pension Health Insurance Industrial Accident Insurance Unemployment Insurance	Livelihood Protection Medicare Education Housing Employment	Sheltering Service Children's Welfare Senior Citizen's Welfare Welfare for the Disabled Welfare for Women
Sources of Funds	insurance payments	taxes	government subsidies, contributions

The purpose of the Social Security Insurance System is to safeguard public welfare through diversification of risks and redistribution of benefits, as follows

- National Pension: This is to secure a stable livelihood for the retired. The insurance rate is 6% of the employee's regular wages. Employee and employer share the burden half and half
- Industrial Accident Compensation Insurance: This provides medical treatment and compensation for injuries received in the workplace. The insurance rate is 0.5%~25.8% of the employee's regular wages, which is totally covered by the employer

- **Employment Insurance:** This provides allowances for the unemployed and funds the re-employment program and vocational training. In the case of unemployment allowances, the insurance premium is 6% of the employee's total wages, with the employee and the employer sharing the burden half and half. The insurance premium for the employment stability program is 0.2% and for vocational training 0.1%~0.5% of the employee's total wages, which is totally covered by the employer.
- **Health Insurance:** The insurance premium is 3~8% of the employee's monthly regular wages, with employee and employer sharing the burden half and half.

The purpose of the Public Assistance Livelihood Protection is to provide state assistance to ensure at least a minimum standard of living for senior citizens (those 65 or more), for orphans under 18, and for the disabled.

The Social Welfare Service System delivers to senior citizens, to children, and to the disabled services to meet their specific individual needs for overcoming financial difficulties or lack of social adaptability, so that they can lead normal lives in society.

## **B. Visas**

The Republic of Korea issues 32 kinds of visas, including visas Intra-Company Transferees (D-7), Treaty Investors (D-8), Teaching Foreign Languages (E-2), and Dependent Family Member (F-3).

### **1. Procedure for Obtaining a Visa**

When a foreigner wishes to conduct business activities connected with investment in a joint venture, in technical guidance, or in a branch office he must find out the procedure for obtaining the Treaty Investors (D-8) visa he will need.

#### *a. In the case of an applicant residing abroad (a single visa for up to one year issued by a legation)*

To obtain a visa, the applicant must prepare the following documents and attach them to the application he submits to an overseas legation of the Republic of Korea.

- Residence Status Treaty Investor (D-8)
- Attached Documents
  - a job transfer document or certificate of employment
  - b resume
  - c. certificate of approval of foreign-invested corporation (document confirming that investment is underway) or a copy of the certified registration of the foreign-invested corporation
  - d. an attested copy of registration or certificate of business license
  - e. notarized certificate of ID (juridical person or agent)

*b. In the case of a party applying in Korea for a visa for a foreign national overseas*

To obtain an Acknowledgment of Issuance of Visa, the inviting party must prepare the following documents and attach them to the application he submits to an Immigration Office of the Ministry of Justice. This acknowledgement is sent to the applicant for presentation with his passport at an overseas legation of the Republic of Korea

Residence Status' Treaty Investor (D-8)

Attached Documents (documents needed to apply for "Acknowledgement of Visa Issuance")

- a application form (with notary's seal),
- b letter of invitation
- c copy of passport (personal information page)
- d job transfer document, certificate of employment
- e resume
- f documents confirming needed professional skills (degrees, professional licenses, and attestations of experience)
- g copy of the certified registration of the foreign-invested corporation or certificate of approval of foreign investor
- h registration as company employee
- i certificate of ID (notarized)
- j in case other foreign nationals are already employed by the inviting party's company, a report on their names, job statuses, nationalities, birth dates, dates of entry, and periods of work

*c. In the case of a dependent*

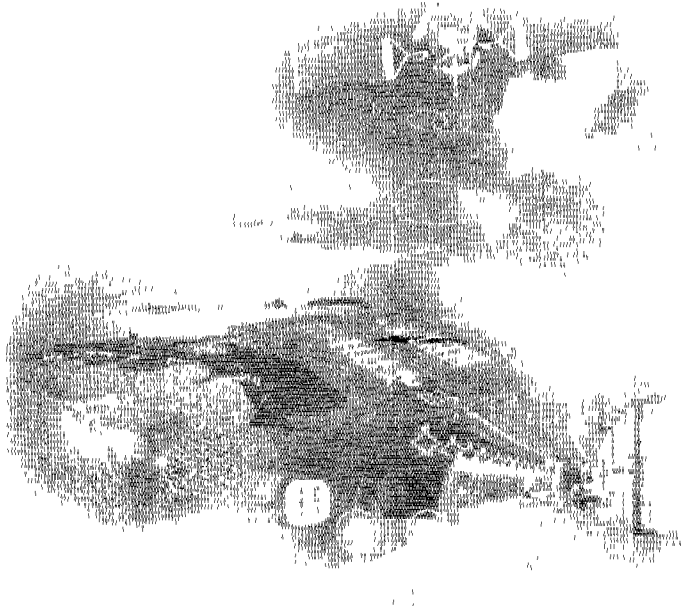
“Dependent” here refers to a spouse or an unmarried son or daughter of less than 20 years of age

- Residential Status Dependent Family Member (F-3)
- Attached Documents documents such as a copy of the applicant’s family register, marriage certificate, or birth certificate which confirms membership in the family

## **2. Conduct after Entry**

A visa holder, within 90 days of his entry, must register as an alien at the Immigration Bureau office with jurisdiction over his place of residence

- Inquiries
- Officials Responsible for Visa Issuance, Seoul Immigration Office  
Tel (82-2)6506-239, (82-2)6506-234/6



## **C. Intellectual Property Rights**

### **1. Signing of International Agreements**

Korea has entered into international agreements, presented below, to protect the intellectual property rights both of its own citizens and of foreigners. As a signatory of the Patent Cooperation Treaty (PCT), Korea grants a patentee the exclusive rights for his patented invention he enjoys throughout the PCT member nations if he just follows simple domestic procedures without any special processing for patent registration.

- Agreements Relevant to Industrial Property Rights
  - 1979 World Intellectual Property Organization (WIPO)
  - 1980 Paris Convention for Protection of Industrial Property
  - 1984 Patent Cooperation Treaty (PCT)
  - 1988 Budapest Treaty
- Agreements Relevant to Copyrights
  - 1987 Universal Copyright Convention (UCC)
  - 1996 Berne Convention

Korea faithfully follows the agreements on Trade Related Aspects of Intellectual Property Right (TRIPs).

### **2. Types of Intellectual Property Rights and Relevant Organizations for Their Registration**

Intellectual property rights are mostly dealt with in the Korea Industrial Property Office. But software programs are in the charge of the Korea Computer Program Protection Foundation, a subordinate organization of the Ministry of Information and Communication.

**<Types of Intellectual Property Rights Protected in Korea>**

	<b>Definition</b>	<b>Protection Period</b>	<b>Registration Office</b>
Patent	A highly advanced technological idea based on the laws of nature (major invention)	20 years from the day of patent application Korea Industrial Property Office	Korea Industrial Property Office
Utility Model	A technological idea based on the laws of nature (minor invention)	15 years from the day of registration	Korea Industrial Property Office
Industrial Design	A shape, pattern, color, or any combination thereof of an article, which is generally recognized as a tangible, movable, and independent thing which gives visual distinction	10 years from the day of registration	Korea Industrial Property Office
Trademark	A sign, character, figure, three-dimensional shape, or any combination thereof, with its colors, which is used on goods or services in order to distinguish their identity	10 years from the day of registration (The protection will be semipermanent if renewal is made every 10 years )	Korea Industrial Property Office
Semiconductor Chip Layout		10 years from the day of registration	Semiconductor Div., Korea Industrial Property Office
Computer Program		50 years	Korea Computer Program Protection Foundation
Copyright		The lifetime of the patentee and 50 years posthumously	Ministry of Culture and Tourism

### 3. Further Moves for Foreign Investors

The Korea Industrial Property Office (KIPO) is trying to attract more foreign capital by standardizing varied patent procedures to satisfy international standards

KIPO is planing to join the Stuasbourg Agreement Concerning International Patent Classification, which is a prerequisite to applying for international trademarks and patents. KIPO will also join the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of Registration of Marks to meet the international standardization of the trademark system this year

Jommg these agreements this year as a start, and taking further active steps to enter into various international agreements concerning intellectual property rights, Korea will have a regime of intellectual property rights more transparent to foreign investors and regulate itself according to international standards Through these measures Korea will attain a more mature and systematic status with respect to intellectual property rights in the world.

#### Relevant Offices

- **Korea Industrial Property Office**

Scoul Office - Tel· (82-2)568-6074

Taejon Head Office - Tel· (82-42)481-5150

<http://www.kipo.go.kr>

- **Industrial Property Tribunal, Korea Industrial Property Office**

Tel (82-2)589-4260 Fax (82-2)589-4261

- **Korea Patent Attorney Association**

Tel· (82-2)3486-3486 Fax: (82-2)34 86-3511

# Appendices

## 1. Industries of Korea in Prospect

### • Automobile Industry

(unit. 10,000 cars, %)

	1996	2000	2010	2020
Production	281	350	520	700
Share of Exports	43.1	45.7	44.2	45.0
World Rank				
Production	5th	5th	4th	4th
Exports	6th	5th	4th	4th

Source: Korea Institute for Industrial Economics & Trade

### • Electronics Industry

(unit. 1 million, %)

	1996	2000	2010	2020
Production	61,367	110,740	235,940	468,940
Share of Exports	67.2	70.1	73.9	75.3
World Rank				
Production	4th	3th	3th	4th
Exports	6th	4th	4th	5th

Source: Korea Institute for Industrial Economics & Trade

### • Shipbuilding Industry

(unit. 10000G/T, %)

	1996	2000	2010	2020
Production	566	850	800	900
World Market Share	27.8	29.0	30.0	35.0

Source: Korea Institute for Industrial Economics & Trade

### • Steel Industry

(unit. 1,000 tons, %)

	1996	2000	2010	2020
Production	36,772	49,226	53,446	51,848
Share of Exports	26.0	24.6	22.6	25.1
World Rank				
Production	6th	5th	5th	6th
Exports	8th	6th	6th	7th

Source: Korea Institute for Industrial Economics & Trade



## 2. Economies Surrounding Korea (As of 1997)

	Population (million)	GDP (\$ billion)	Imports from Korea (\$ billion)	Exports to Korea (\$ billion)
Japan	125	8,081	14.8	27.8
China	1,212	4,202	13.6	10.0
Hong Kong	6	212	11.7	0.9
Taiwan	21	282	4.6	2.4
Russia	150	948	1.8	1.5

Source: Ministry of Commerce, Industry and Energy

## 3. Manpower Quality

### • Labor Productivity Growth Rate

(unit. %)

	1994	1995	1996
Korea	10.1	10.5	12.4
Japan	2.7	4.7	5.6
Singapore	5.3	3.6	0.7
Taiwan	3.4	6.8	5.2

Source: National Statistics Office, Korea

### • Number of College-Level Students per 100,000 Persons ('94)

Korea	Singapore	USA ( '93)	Germany ( '92)	France ( '93)	Canada ( '95)	Australia	New Zealand
4,921	2,729	5,546	2,319	3,623	6,980	3,135	4,798

Source: National Statistics Office, Korea

### • R&D Personnel per 10,000 Persons

Japan ('95)	USA ('93)	Korea ('95)	Germany ('95)	Taiwan ('95)
52.5	36.6	28.6	28.4	26.2

Source: Main Science and Technology Indicators, OECD, 1996

## 4-1. Public Utilities Charges (US\$1=W1,400)

### • Water Service

Use	Type	Basic rate	Meter rate	Excess rate
Household	Tap water	0 071	0 024	0.142
Industrial	Tap water	0 071	0 024	0.142
	Industrial water	0.067	0 018	0 134

### • Telephone

#### - Basic Rate

	Rate
City	US\$1.79/line/month
Other areas	US\$1.50 or 1.07/line/month

\* plus 10% VAT

#### - Local Rate

	Rate
Normal hours	US\$0.032/180sec.
Discount hours	US\$0.032/258sec.

\* plus 10% VAT

#### - Toll Rate

(unit: US\$)

	within 30km	within 30km	within 30km
Normal hours	0 032/180sec.	0 032/47sec	0 032/33sec.
Discount hours	0 032/258sec	0.032/67sec.	0 032/47sec
Special discount hours	0 032/258sec	0.032/94sec	0 032/66sec

\* plus 10% VAT

#### • Correction of errors

p.40 Electronics Industry (unit :US\$ 1 million, %)

p.42 Water Service (unit : US\$/ m)

p.42 Toll Rate : within 30km, within 100km, over 100km

p.43 Electricity for Industrial Use : Basic rate/kw

100V : \$2.81; 3,300~66,000V : \$2.67; 154,000V or more : \$2.61

## • Electricity

### - Residential

(unit: US\$)

Basic rate household		Rate/kwh	
1,000kwh or less	0.28	up to 50kwh	0.024
		50~100kwh	0.058
101~200kwh	0.61	101~200kwh	0.088
201~300kwh	1.07	201~300kwh	0.127
301~400kwh	2.14	301~400kwh	0.183
401~400kwh	3.44	401~500kwh	0.207
over 500kwh	6.11	over 500kwh	0.326

\* plus 10% VAT

### - Industrial

(unit: US\$)

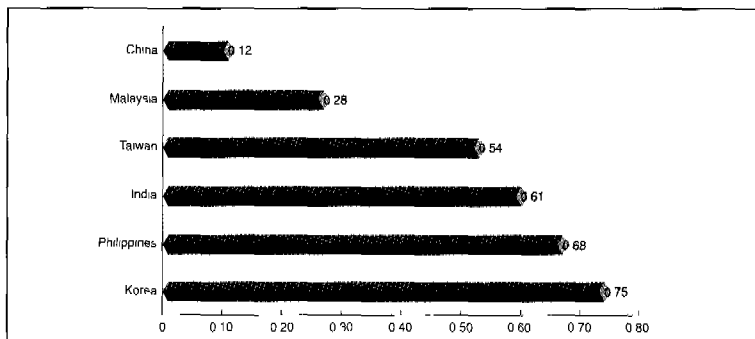
Basic rate/kwh		Meter rate		
	2.81	summer	spring, autumn	winter
100V ~380V	2.67	0.041	0.031	0.033
3,300V~66,000V	2.61	0.041	0.031	0.033
154,000V or more	2.61	0.040	0.030	0.032

\* plus VAT for mining and manufacturing industries (contract electricity from 4kw to 300kw),  
other industries (4kw or more)

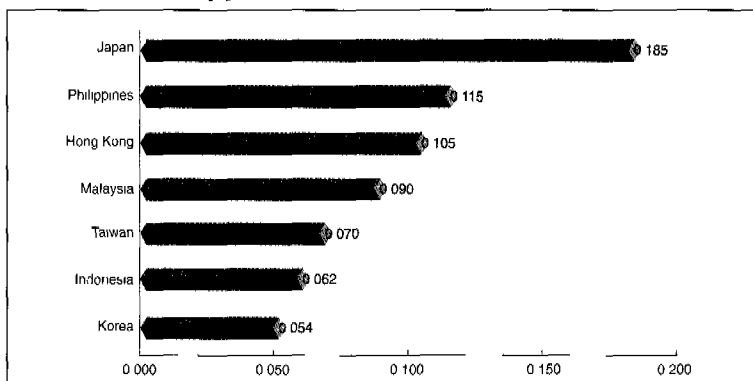
## 4-2. Korean Infrastructure Compared with Other Developing Countries

(Source: IMD, The World Competitiveness Yearbook, 1997)

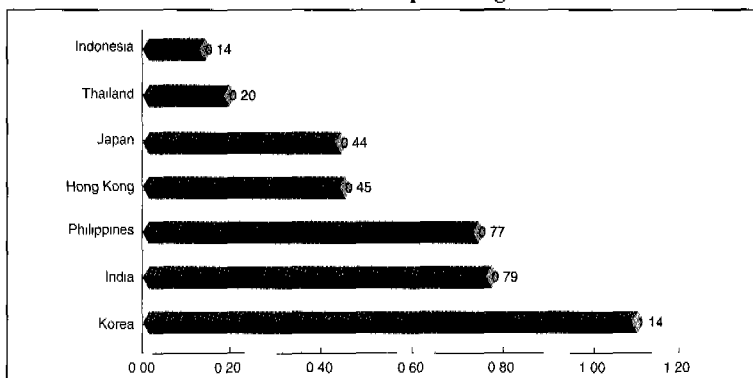
### • Road length versus area: km/km<sup>2</sup>



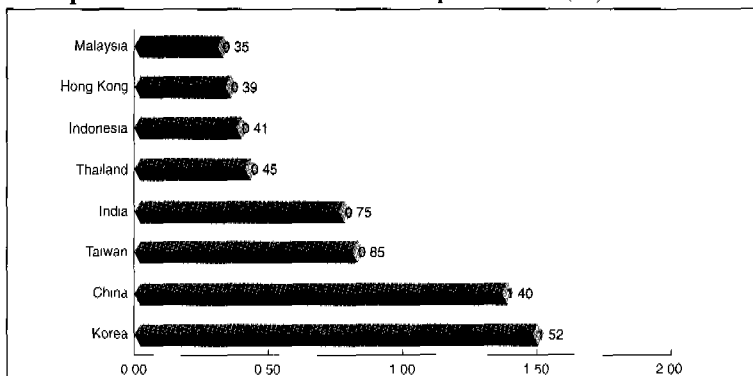
• Industrial electricity prices: US\$/kwh



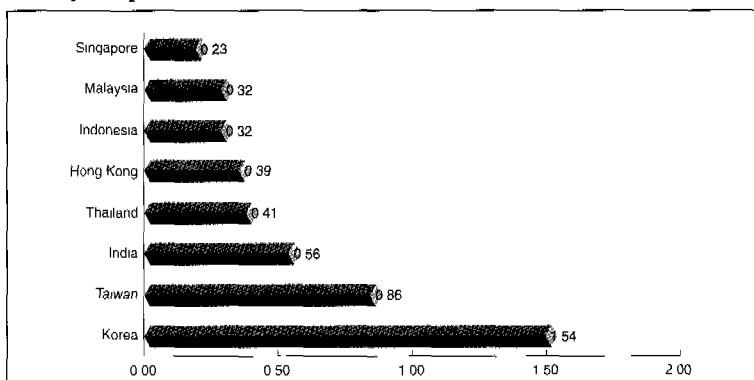
• Investment in communication facilities: percentage of GDP



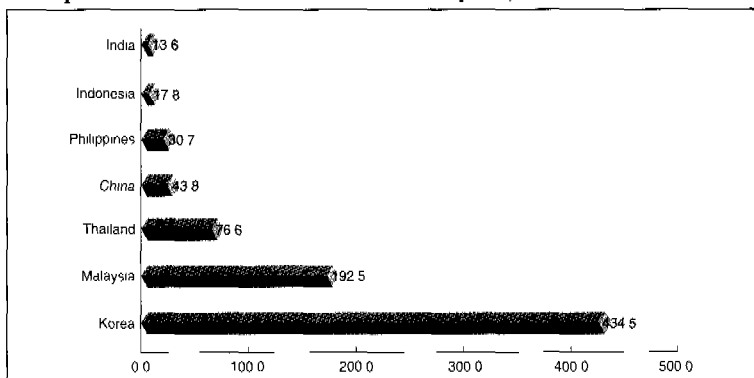
• Computers in use: share of worldwide computers in use (%)



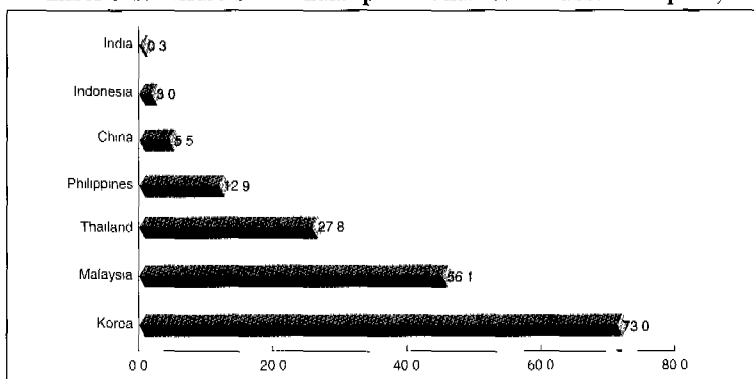
• **Computer performance: share of total worldwide MIPS (%)**



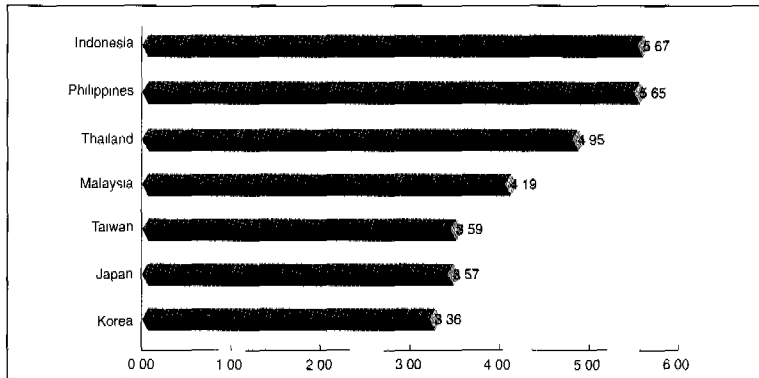
• **Telephone lines: number of main lines in use per 1,000 inhabitants**



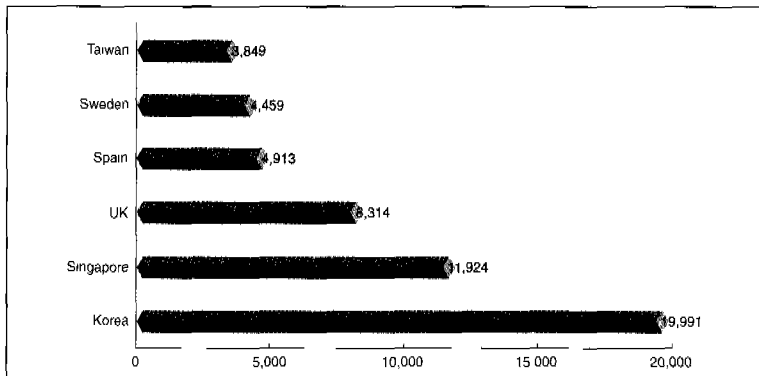
• **Number of subscribers for cellular phones: number of subscribers per 1,000 inhabitants**



• **Telephone charges: US\$ per 3 minutes in peak hours to USA**



• **Number of industrial robots: estimated operational stock (number)**



## 5. Advanced Technologies for Tax Incentives (As of April '98)

- Electronic, Information and Electric Technology
- Precise Machinery and Advanced Process
- Material
- New Materials and Biological Industries
- Optical and Medical Equipment
- Aerospace and Transportation
- Environment, Energy and Construction

## 6. Contact Points - KOTRA and KISC

### **KOREA TRADE-INVESTMENT PROMOTION AGENCY (KOTRA)**

P O Box 123, Trade Center, Seoul, KOREA  
TEL (82-2)-551-4114/4181  
FAX (82-2)-551-4170

### **KOREA INVESTMENT SERVICE CENTER (KISC)**

#904, 9th floor, Korea World Trade Center(KWTC), 159  
Samsung-dong, Kangnam-gu, Seoul, KOREA  
TEL (82-2)-551-7378~80/7392~93  
FAX (82-2)-551-7381

### **KOREA TRADE CENTER, MELBOURNE**

39 Belford Road, Kew East, Melbourne, Victoria 3102  
TEL (61-3)9859-7947  
FAX (61-3)9859-7974

### **KOREA TRADE CENTER, TOKYO**

Yurakucho Bldg , No 10-1 1-Chome, Yurakucho,  
Chiyoda-Ku, Tokyo, Japan  
TEL (81-3)3214-6951/4  
FAX (81-3)3214-6950

### **KOREA TRADE CENTER, OSAKA**

7th Floor, Sakaisuji Honmachi Center Bldg , 1-6, 2-  
Chome, Honmachi, Chuo-Ku, Osaka, Japan  
TEL (81-6)262-3831  
FAX (81-6)262-4607

### **KOREA TRADE CENTER, SINGAPORE**

16 Raffles Quay #18-02A, Hong Leong Bldg , Singapore  
048581  
TEL (65)2213055,2213056  
FAX (65)2235850

### **KOREA TRADE CENTER, TORONTO**

65 Queen St West, Suite 600, Box 9, Toronto, Ontario,  
Canada M5H 2M5  
TEL (1-416)368-3399  
FAX (1-416)368-2893

### **KOREA TRADE CENTER, VANCOUVER**

Suite 1710, One Bentall Center 505 Burrard St ,  
Vancouver, B C, Canada V7X 1M6  
TEL (1-604)683-1820, 687-7322  
FAX (1-604)687-6249

### **KOREA TRADE CENTER, MONTREAL**

50, Boul. Cremazie Ouest, Suit 727, Montreal Quebec,  
Canada H2P 2R4  
TEL (1-514)383-3590  
FAX (1-514)383-1601

### **KOREA TRADE CENTER, NEW YORK**

460 Park Ave Suite 402, New York, NY 10022 U S A  
TEL (1-212)826-0900  
FAX (1-212)888-4930

### **KOREA TRADE CENTER, LOS ANGELES**

4801 Wilshire Blvd , Suite 104 Los Angeles, CA 90010,  
U S A  
TEL (1-213)954-9500  
FAX (1-213)954-1707

### **KOREA TRADE CENTER, CHICAGO**

111 East Wacker Drive, Suite 2229, Chicago, Illinois  
60601, U S A  
TEL (1-312)644-4323/4  
FAX (1-312)644-4879

### **KOREA TRADE CENTER, DALLAS**

12720 Hillcrest Road, Suite 390, Dallas, Texas 75230-  
2040, U S A  
TEL (1-972)934-8644  
FAX (1-972)239-4191

### **KOREA TRADE CENTER, WASHINGTON D.C.**

1129 20th St NW, Suite 410 Washington D C  
20036, U S A  
TEL (1-202)857-7919  
FAX (1-202)857-7923

**KOREA TRADE CENTER, SAN FRANCISCO**

1 California St 19th Fl, Suite 1905, San Francisco CA  
94111, U S A

TEL (1-415)434-8400,8422

FAX (1-415)434-8450

**KOREA TRADE CENTER, ATLANTA**

Marquis One Tower, Suite 2802, 245 Peachtree Center  
Ave, Atlanta, GA 30303, U S A

TEL (1-404) 524-2424

FAX (1-404)524-2234

**KOREA TRADE CENTER, MIAMI**

One Biscayne Tower, Suite 1620 Miami, FL 33131,  
U S A

TEL (1-305)374-4648

FAX (1-305)375-9332

**KOREA TRADE CENTER, BOSTON**

1 Seldon St., Newton, MA 02168 U S A

TEL (1-617)552-5114

FAX (1-617)227-3488

**KOREA TRADE CENTER, SAN DIEGO**

1250 6th Av San Diego, CA 92101 U S A  
(World Trade Center, San Diego)

TEL (1-619)235-9825

FAX (1-619)685-1460

**KOREA TRADE CENTER, SEATTLE**

6136 147th Av SE, Bellevue, WA 98006 U S A

TEL (1-206)603-9067

FAX (1-206)603-9086

**KOREA TRADE CENTER, DENVER**

1625 Broadway, 650 Suite, Denver CO, 80202 U S A  
World Trade Center Denver

TEL (1-303)592-8709

FAX: (1-303)369-0324

**KOREA TRADE CENTER, HOUSTON**

1240 Blalock (Suite 236), Houston TX 77055 U S A

TEL (1-713)935-0554

FAX (1-713)935-0613

**KOREA TRADE CENTER, DETROIT**

Michigan Plaza Building, 1200 Sixth Street, 20th Detroit,  
Michigan 48226, U S A

TEL (1-313)256-3119, 256-3121

FAX (1-313)256-3123

**KOREA TRADE CENTER, VIENNA**

Mariahilferstrasse 77-79, 1/3 (General Center, 3rd Fl)  
A-1060, Vienna, Austria

TEL (43-1)586-3876/7

FAX (43-1)586-3979

**KOREA TRADE CENTER, BRUSSELS**

Comm Section of Embassy of R O K, Blvd Fmile  
Jacquart 162.B 14, 1000 Brussels, Belgium

TEL (32-2)203-2142

FAX (32-2)203-0751

**KOREA TRADE CENTER, COPENHAGEN**

The Commercial Section of the Embassy of the Republic  
of Korea, Holbergsgade 14

DK-1057, Copenhagen K Denmark

TEL (45)3312- 6658/8039

FAX (45)3332-6654

**KOREA TRADE CENTER, PARIS**

36, Avenue Hoche 75008 Paris, France

TEL (33-1)42-25-09-57

FAX (33-1)42-25-09-50

**KOREA TRADE CENTER, LYON**

16 Cours d'Herbouville, 69004 Lyon, France

TEL (33-4)78 28 91 18

FAX (33-4)72 07 76 08



**KOREA TRADE CENTER, FRANKFURT**

Mainzer Landstr. 27-31, 60329 Frankfurt/M. Federal  
Republic of Germany  
TEL (49-69)2429920  
FAX (49-69)25 3589

**KOREA TRADE CENTER, BERLIN**

(Im Internationalen Handelszentrum) 4th Fl., Zi.  
Nr.405(Box-Nr. 11) Friedrichstrasse 95, D-10117 Berlin  
Federal Republic of Germany  
TEL (49-30)2096 2637/40  
FAX (49-30)2096-2635

**KOREA TRADE CENTER, HAMBURG**

Heidenkampsweg 66 20097 Hamburg Federal Republic  
of Germany  
TEL (49-40)23-2235/2638  
FAX (49-40)23-3998

**KOREA TRADE CENTER, HANOVER**

Wimperstr. 20 30171 Hanover Federal Republic of Germany  
TEL (49-511)282-9023 282-9024  
FAX (49 511)282-9025

**KOREA TRADE CENTER, MUENCHEN**

TAL 14 80331 Muenchen, Federal Republic of Germany  
TEL (49 89)2916-8564  
FAX (49-89)2916 8564

**KOREA TRADE CENTER, HELSINKI**

Kauppiatankatu 3 B 11 Fin-00160 Helsinki, Finland  
TEL (358-9)638122  
FAX (358-9)638611

**KOREA TRADE CENTER, MILANO**

Via Larga 31 20122 Milano, Italy  
TEL (39-2)5830-3967 5830-3934 5831-5763  
FAX (39- 2)5830-3643

**KOREA TRADE CENTER, OSLO**

(Commercial Section of Korea Embassy) Okernvein 145  
0580 Oslo 5, Norway Okern 0510 Oslo Norway  
TEL (47)2272-1155/6  
FAX (47)2272-1151

**KOREA TRADE CENTER, STOCKHOLM**

Tegnergatan 34 4tr Box 45188 S-104 30 Stockholm,  
Sweden  
TEL (46-8)30-80-90  
FAX (46-8)30-61-90

**KOREA TRADE CENTER, AMSTERDAM**

Stuawinskylaan 767, 1077 XX Amsterdam The  
Netherlands  
TEL (31-20)673-0555  
FAX (31-20)673-6918

**KOREA TRADE CENTER, LONDON**

5th Floor 39 St James Street London SW1A 1JD, United  
Kingdom  
TEL (44-171)491-8057  
FAX (44-171)491-7913

**KOREA TRADE CENTER, ZURICH**

Clandenstrasse 36, CH-8002 Zurich, Switzerland  
TEL (41-1)202-1232 202-1250/1  
FAX (041-1)202-4318

**KOREA TRADE CENTER, MOSCOW**

KOTRA Representation in Moscow C.I.S. 123610,  
Moscow Krasnopresnenskaya NAB 12 Hotel  
Mezhdunarodnaya-2, Room747  
TEL (7-095)258-1627/1631/1633  
FAX (7-095)258-1634

**KOREA TRADE CENTER, TEL AVIV**

8th Fl., Beit Amot Bituach 46-48 Derech Petah Tiqva  
Tel-Aviv 66184, Israel  
TEL (972-3)639-6488  
FAX (972-3)639-6489