

Comparative Study of Investment Environment in Korea, Singapore and Taiwan

**Comparison of Investment Promotion Agency,
Incentive Programs and Investment Environment
in Each Country**

**K O T R A
Invest KOREA**

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I . Introduction

A. Introduction

In general, investors consider both economic and non-economic factors before making an investment in a foreign country. Economic factors such as market size, growth potential, and production cost are first taken into account before non-economic factors like labor-management relations, taxes, financing, foreign exchange rate, government policies, education, healthcare, housing, transportation, and other types of social infrastructure are considered. In short, both economic and non-economic conditions must be attractive to foreign investors in order to increase foreign direct investments.

Economic conditions cannot be changed in a short period of time because they are based on national characteristics such as population or determined by varying degrees of long-term economic growth. Therefore political focus must be placed on improving non-economic conditions, so that foreign investors can be provided with a better environment for both business and living.

The survey is focused on Singapore and Taiwan, which are considered two of the four 'dragons' of Asia including Korea that have achieved rapid economic growth and are trying to become economic hubs in Asia especially in high-tech industries.

Since the new government came into power, the focus of Korea's economic growth has been placed on becoming an economic, financial, logistics and R&D hub in Northeast Asia. Along with Hong Kong and Singapore that already have achieved a relatively high degree of infrastructure and internationalization, Shanghai, Tokyo and Taipei are vying to become an economic hub in Asia.

The government of Singapore is particularly good in establishing achievable development goals, and the ERC has been achieving detailed goals in each area specified by the Vision 2018 after EDB announcing the

I-21 Strategy in 1999. The government of Taiwan is also making efforts to become an economic hub in Asia through the 'Plan for Developing Taiwan as an Asia-Pacific Regional Operations Center' that has been implemented since 1995 and 'Challenge 2008' announced in 2004.

In order to become an economic hub in Asia, it is important to have a business environment meeting international standards, and the key elements of a good business environment depend on whether it is a good environment for both domestic and foreign companies.

In January 2006, Investment Service Team of Invest KOREA has conducted a simple survey on Korea's competitors in attracting foreign direct investment. Of the total of 22 people were surveyed, all of them said that China is Korea's biggest competitor followed by Singapore (11), Taiwan (7) and India (5). China with a huge market and cheap labor is never to be underestimated when it comes to attracting foreign direct investors, while India also offers a huge market and cheap labor as investment merits.

Unlike China and India, Singapore and Taiwan are competitive in the areas of social infrastructure, technology and qualified human resources. This is the main reason why the decision was made to do a comparative study on these two countries as the next series of the 'Comparative Study of Investment Environment in Korea and China'.

Korea's Competitors in Attracting Foreign Investors

According to KOTRA staffs

Country	Respondents (People)	Competitiveness of the Country in Question
China	22	Huge market & cheap labor
Singapore	11	Advanced infrastructure, excellent social systems and English as an official language
Taiwan	7	Advanced technology, IT infrastructure, and located near China
India	5	Huge market & cheap labor

Malaysia	4	Effective government policies & English as an official language
Hong Kong	4	Excellent business environment, advanced financial infrastructure and a bridgehead to China
Other Countries	Vietnam(3), Japan(3), Thailand(2), USA(1)	

Contrast to the 'Comparative Study of Investment Environment in Korea and China' published in 2005 where the seven areas of business environment in the two countries and six areas of living environment were listed, this study is focused on a number characteristic areas. In particular, a detailed comparative analysis of Singapore and Taiwan's Investment promotion agencies and investment incentive programs was conducted as part of an in-depth study of Singapore and Taiwan's government policies, which are the key factors of the two countries' competitiveness.

According to the IMD World Competitiveness Yearbook (Switzerland), Korea ranked lower than 20th while Singapore and Taiwan ranked fifth and 20th or higher in the world. The purpose of this report is to identify the areas of the investment environment in Korea that need to be improved when compared to the two countries, and in what areas is Korea better than the competitor countries so that effective improvement measures can be developed and place emphasis on advantages in investor relations.

IMD Ranking of Korea, Singapore and Taiwan

Country	2003	2004	2005
Singapore	4	2	3
Taiwan	17	12	11
Korea	37	35	29

* Source of Data: IMD World Competitiveness Yearbook 2005

The Investment Service Team of Invest KOREA, KOTRA has been

making efforts to create a friendly management and living environment for foreign investors.

The Investment Service Team has been identifying and improving the areas of business and living environment for foreign investors every year. As of June 2006, the team has identified a total of 161 objectives in 9 areas and completed 79 of them. This report will also serve as a basis for identifying Korea's advantages and developing improvement measures for disadvantages by comparing the non-economic conditions of each country.

June 2006

Tong Soo Chung

Head of Invest KOREA
KOTRA

B. Survey Methods and Surveyor

1. Survey Methods

i) Data Survey

Collection and compilation of statistics, survey reports, studies, news articles and government promotional documents published by Korea, Singapore, Taiwan and international organizations since 2004.

ii) Door-to-Door Survey

- ▶ Date: March 21~24, 2006
- ▶ Location: Taipei Taiwan, Singapore
- ▶ Organizations
 - Taipei: Hsinchu Science Industrial Park, Department of Investment Service, Ministry of Economic Affairs, City of Taipei, 2 Foreign Invested Companies
 - Singapore: Raffles Hospital, 2 Foreign Invested Companies
- ▶ Survey Methods
 - Interviews with the staffs at the visited institutes and local residents
 - Collection of data related to investment environment

2. Surveyor

- ▶ Office in Charge: Investment Service Team of Invest KOREA (www.i-ombudsman.or.kr)
- ▶ E-mail address: yunkim@kotra.or.kr

II. Summary

Area	Korea	Singapore	Taiwan
Investment Promotion agencies and Services	<p>▶ Investment Office: Invest KOREA</p> <p>▶ The necessity of investor relations was stressed after the economic crisis. A late starter in attracting investors. – KISC organized in 1998 (Former IK)</p> <p>▶ Lack of strategic investor relations – Investor relations in all industries</p> <p>▶ Inbound investment support</p> <p>▶ No authority to provide incentives</p> <p>▶ 36 overseas offices at trade centers attracting potential investors</p>	<p>▶ Investment Office: EDB</p> <p>▶ An early starter in attracting investors as a measure of promoting economic growth. – EDB established in 1961</p> <p>▶ Strategic IR plans – Focus on six key industries – EDB targets strategic industries and companies before contacting companies – EDB uses its own financial resources to make direct investments and support financial activities</p> <p>▶ Inbound/outbound investment support</p> <p>▶ Fully authorized to directly establishes, reviews and determines incentive programs</p> <p>▶ Attract potential investors through 19 overseas offices</p>	<p>▶ Investment Office: DOIS</p> <p>▶ An early starter in attracting foreign and overseas Chinese investors as a measure to substitute for U.S. aid for economic growth. – IDIC established in 1959 (Former DOIS)</p> <p>▶ Lack of strategic IR plans – IR activities by region/Country carried out by only 42 employees</p> <p>▶ Inbound/outbound investment support</p> <p>▶ No authority to provide incentives</p> <p>▶ No independent overseas offices. Uses the overseas offices of the Department of Economic Affairs and TAITRA</p>
Investment Incentive	<p>▶ Incentives offered only to foreign investors and companies</p> <p>▶ Tax deduction/exemption</p>	<p>▶ Incentives for both domestic and foreign companies</p> <p>▶ Tax deduction/exemption,</p>	<p>▶ Incentives offered to both domestic and foreign companies</p> <p>▶ Tax deduction/exemption,</p>

	<p>oriented</p> <p>–Cash Grant was established in 2004 but not yet applied.</p> <p>▶Incentives focused on new investments in specific industries or regions</p> <p>▶Tax holiday of up to 7 years¹⁾(High-tech businesses, industrial service, foreign investment zones)</p>	<p>subsidy and share investment</p> <p>▶Incentives focused on technology transfer, innovation, R&D and other areas for technology development</p> <p>▶Tax holiday of up to 15 years (Leading position²⁾)</p>	<p>subsidy and low interest rate loans</p> <p>▶Incentives focused on technology transfer, innovation, R&D and other areas for technology development</p> <p>▶Tax holiday of up to 5 years (Exemption for emerging, important and strategic industries)</p>
Technology and R&D Environment	<p>▶Ranking 2nd in technology infrastructure and 15th in science infrastructure according to the IMD</p> <p>▶Ranking 4th in the number of patents per capita, 2nd in patent productivity per R&D personnel</p> <p>▶Ranking 1st in broadband internet penetration</p>	<p>▶Ranking 3rd in technology infrastructure, 18th in science infrastructure according to the IMD</p> <p>▶Ranking 38th in the number of patents per capita, 26th in patent productivity per R&D personnel</p> <p>▶Ranking 10th in broadband internet penetration</p> <p>▶Recently focusing on attracting investments in biomedical R&D (One-North Project, Biopolis)</p>	<p>▶Ranking 5th in technology infrastructure, 10th in science infrastructure according to the IMD</p> <p>▶Ranking 3rd in the number of patents per capita, 1st in patent productivity per R&D personnel</p> <p>▶Ranking 4th in broadband internet penetration</p>
Logistics Environment	<p>▶Busan Port ranks 5th in the world in container throughput</p> <p>▶Incheon International Airport is one of the top international airports in throughput, infrastructure and services</p>	<p>▶Singapore Port ranks 1st in the world in container throughput</p> <p>▶Changi International Airport is one of the top international airports in throughput, infrastructure and services</p>	<p>▶Kaohsiung Port ranks 11th in the world in container throughput</p> <p>▶CKS International Airport is one of the top international airports in throughput, infrastructure and services</p> <p>– Ranking 7th in the world in</p>

	<ul style="list-style-type: none"> - Ranking 3rd in the world in cargo throughput - The Best Airport of 2006 according to the IATA - The Best Customs Services <p>▶All the regions accessible within three hours with the opening of the expressway in 2004</p>	<ul style="list-style-type: none"> - Ranking 6th in the world in cargo throughput - The Second Best Airport of 2006 according to the IATA - The Third Best Customs Services 	<p>cargo throughput</p> <p>▶High-speed railway to be opened at the end of 2006</p>
Medical Environment	<p>▶In the beginning stage of attracting foreign patients</p> <ul style="list-style-type: none"> -Increasing number of foreign patients are coming to Korea for spinal, plastic and heart surgeries and infertility treatment <p>▶Good medical environment, but patients pays about 41.9% of medical costs</p> <p>▶Foreigners are also required to have Employee Insurance from 2006</p>	<p>▶Successful strategic attraction of foreign patients</p> <ul style="list-style-type: none"> -Foreign patients account for 34% (270,000) of the total number of patients in the country -Major hospitals implementing aggressive marketing activities such as overseas agents and red-carpet service. <p>▶Outstanding public healthcare services as 80% of the total number patients in the country receive treatment at public hospitals</p> <p>▶There are no public medical insurance policies in Singapore. Instead, there is the Medisave, a form of social healthcare fund in which employers and employees pay half and half by depositing 6%~8% of monthly salary.</p>	<p>▶In the beginning stage of attracting foreign patients</p> <p>▶Advanced medical insurance policies in which patients pay only about 10% of the medical costs (76.3% of the total population are satisfied with this policy)</p> <p>▶National Medical Insurance for foreigners staying in Taiwan for more than four months</p>
Human Resources	▶Outstanding education level:	▶Outstanding education level:	▶Outstanding education level:

and the Labor Environment	<p>41% of workers have college/university education among 25 to 34 age group – world's 4th highest.</p> <p>►English communication is not smooth (ranked 38th by the IMD).</p> <p>►Unemployment ratio 3.2% wage growth rate 6.6% – 5% or higher wage growth continued over several years.</p> <p>►Labor productivity growth rate increased by 10.8% in 2004 and 8.2% in 2005.</p> <p>►Image of hard-line labor relations (ranked 60th in the world by the IMD in terms of labor relations).</p> <p>►Labor relations rapidly stabilizing – Illegal strikes and lost work days decreased by 72% and 30%, respectively, in 2005.</p>	<p>–5.4% of workers have college/university education among 25 to 34 age group – world's 3rd highest</p> <p>►English communication is smooth as it is one of the official languages (IMD ranks Singapore 17th in the world in terms of foreign language proficiency).</p> <p>►Unemployment ratio 3.4% wage growth rate 3.6% .</p> <p>►Labor productivity growth rate increased by 6.9% in 2004 and 1.9% in 2005.</p> <p>►Highly stable labor relations – Not a single strike since the 1980s (Ranked no. 1 in the world in terms of stable labor relations by the IMD) – Annual number of lost work days = 0, world's best.</p>	<p>40.6% of workers have college/university education among 25 to 34 age group – world's 5th highest</p> <p>►English communication is not smooth (ranked 30th by the IMD).</p> <p>►Unemployment ratio 3.8% wage growth rate 2.5% – Highly stable wage structure – wage increase rate of 2% or less over several years.</p> <p>►Labor productivity growth rate increased by 5.5% in 2004 and 4.7% in 2005.</p> <p>►Highly stable labor relations – Ranked 9th in the world in terms of stable labor relations by the IMD – Annual number of lost work days = 0, world's best.</p>
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1) Exemption for the first five years, and 50% deduction for the next two years.

2) IHQs are eligible for up to 20 years of tax holiday, but in accordance with the Pioneer Status for the balance between countries.

III. Comparison of Investment Policies

A. Investment Promotion Agencies and Services

1. Korea

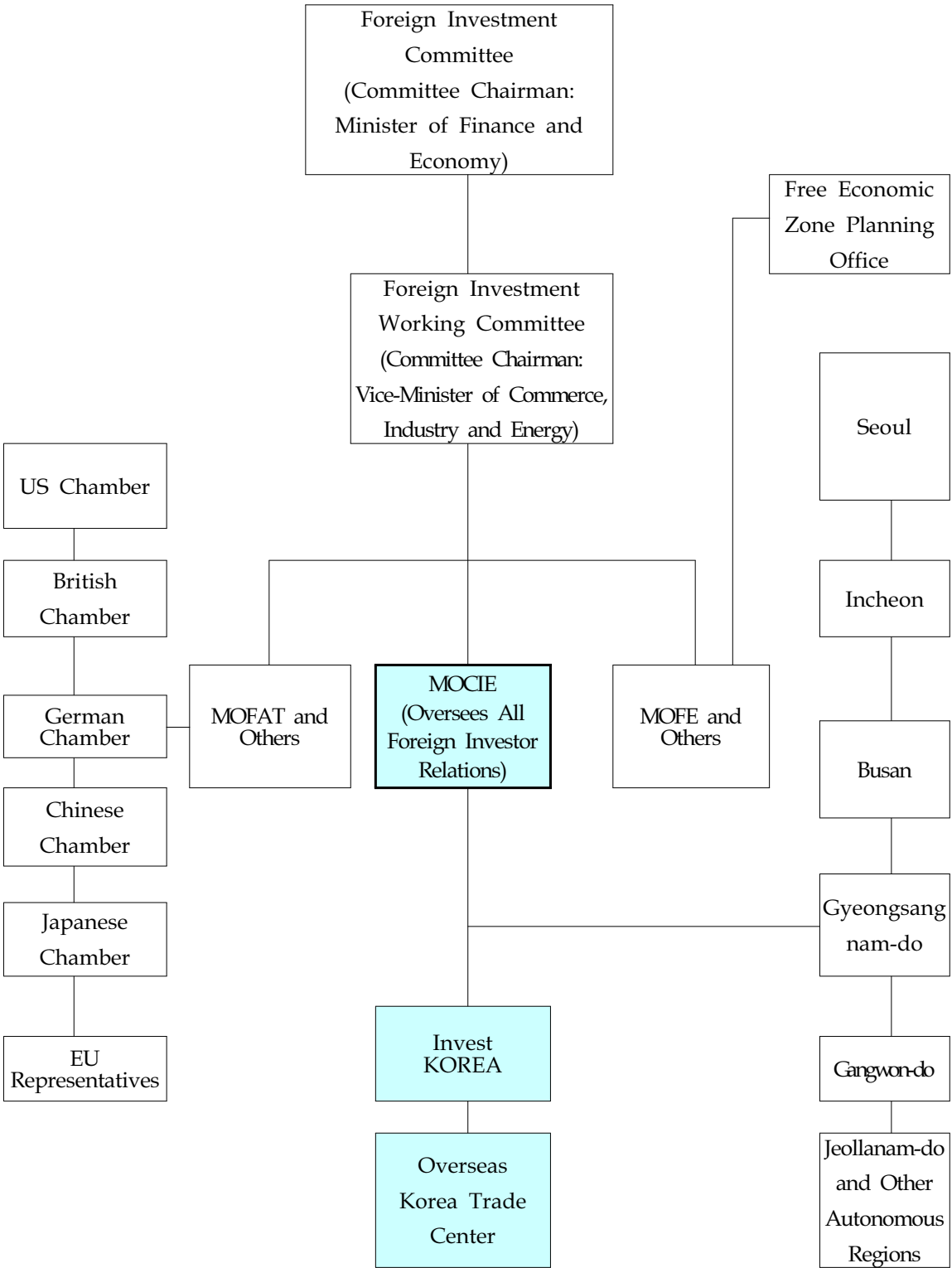
i) Summary of Foreign Investment Promotion policy

After going through the economic crisis at the end of 1990's, the Korean government decided that the country needed more direct foreign investments in order to improve industrial competitiveness and promote corporate restructuring. So the Foreign Investment Promotion Act was announced in 1998 to attract foreign investments and implement technologies, while tax incentives for foreign investors are governed by the Restriction of Tax Reduction and Exemption Act. Also, the Ministry of Commerce, Industry and Energy was put in charge of foreign investor services on May 1, 1999 instead of the Ministry of Finance and Economy.

The Korean government organized and opened the KISC (Korea Investment Service Center at the KOTRA (Korea Trade-Investment Promotion Agency) in April 1998 in order to provide comprehensive investment services to foreign investors. The KISC was reorganized and renamed to Invest Korea in December 2003.

The offices dedicated to attract foreign investments are as follows. Although the Ministry of Commerce, Industry and Energy is the head office, governments of autonomous regions and other related offices form an investment relations system through the Foreign Investment Committee and Foreign Investment Working Committee.

Foreign Investment Organization Chart



The final decision maker in Korea's foreign investment system is the Foreign Investment Committee. The Foreign Investment Committee is chaired by the Minister of Finance and Economy and composed of other ministers, mayors and governors who play the role of reviewing and determining important issues regarding basic policies and systems for foreign investment. They are given the authority to regulate tax deduction/exemption and incentives for foreign investors, select/support foreign investment zones, and offer other incentives.

The Foreign Investment Working Committee is chaired by the Vice-Minister of Commerce, Industry and Energy and composed of first ranking officials from related offices, vice-mayors and vice-governors who play the role of examining the proposals and processing the amendments to be reviewed by the Foreign Investment Committee.

Invest KOREA plays the role of a mediator between autonomous regional governments and investment offices, while also providing various convenient services to investors including investment reports and management services.

ii) Invest KOREA

Invest KOREA is an investment relations office at KOTRA under the supervision of the Ministry of Commerce, Industry and Energy according to the Foreign Investment Promotion Act enacted in 2003. Originally called the KISC (Korea Investment Service Center), it was renamed after reorganization, personnel expansion (private experts and government workers) and budget increase.

Whereas in the past KISC was organized according to investment stages such as the establishment of investment strategies, promotion and

investor relations, Invest KOREA is organized in a way that it provides services by industries. Invest KOREA currently has three teams for investment promotion: Main Industry Investment Promotion Team, High-tech Industry Promotion Team and Service Industry Promotion Team. Each team is composed of industry experts to offer a wider range of customized services and benefits with higher quality.

Comparison between KISC and Invest KOREA

Category	KISC(Past)	Invest KOREA(Present)
Organization	<ul style="list-style-type: none"> • Organization according to investment stage - Investment strategies - Investment promotion - Investment relations 	<ul style="list-style-type: none"> • Organization according to industry -Main, high-tech and service industries • PM-oriented investment services
Personnel	<ul style="list-style-type: none"> • Total number of personnel : 78 - Government workers dispatched: 10 - Private experts: 19 - KOTRA: 38 and others 	<ul style="list-style-type: none"> • Total number of personnel: 98 - Government workers dispatched: 18 - Private experts: 21 - KOTRA : 59

a) Main Services

Invest KOREA is dedicated to providing direct and indirect investment services such as promotional activities, counseling, guidance, market surveys, administrative filing and agency, incubation, consultation on living in Korea for foreign investors, aftercare services, and other processes related to investment. This is a form of one-stop service through which investors are provided with comprehensive services from the early stage to after-care services.

① Investment Consultation

- Investment Information Survey: Search and provide information necessary for investment

feasibility analysis.

- Find Partners: Find investment partners through KOTRA and other trade centers
- Professional Consultation: Professional consultation on individual investment, joint investment, M&A, real estate investment, investment policies and laws, accounting and taxation.

② Administrative Support

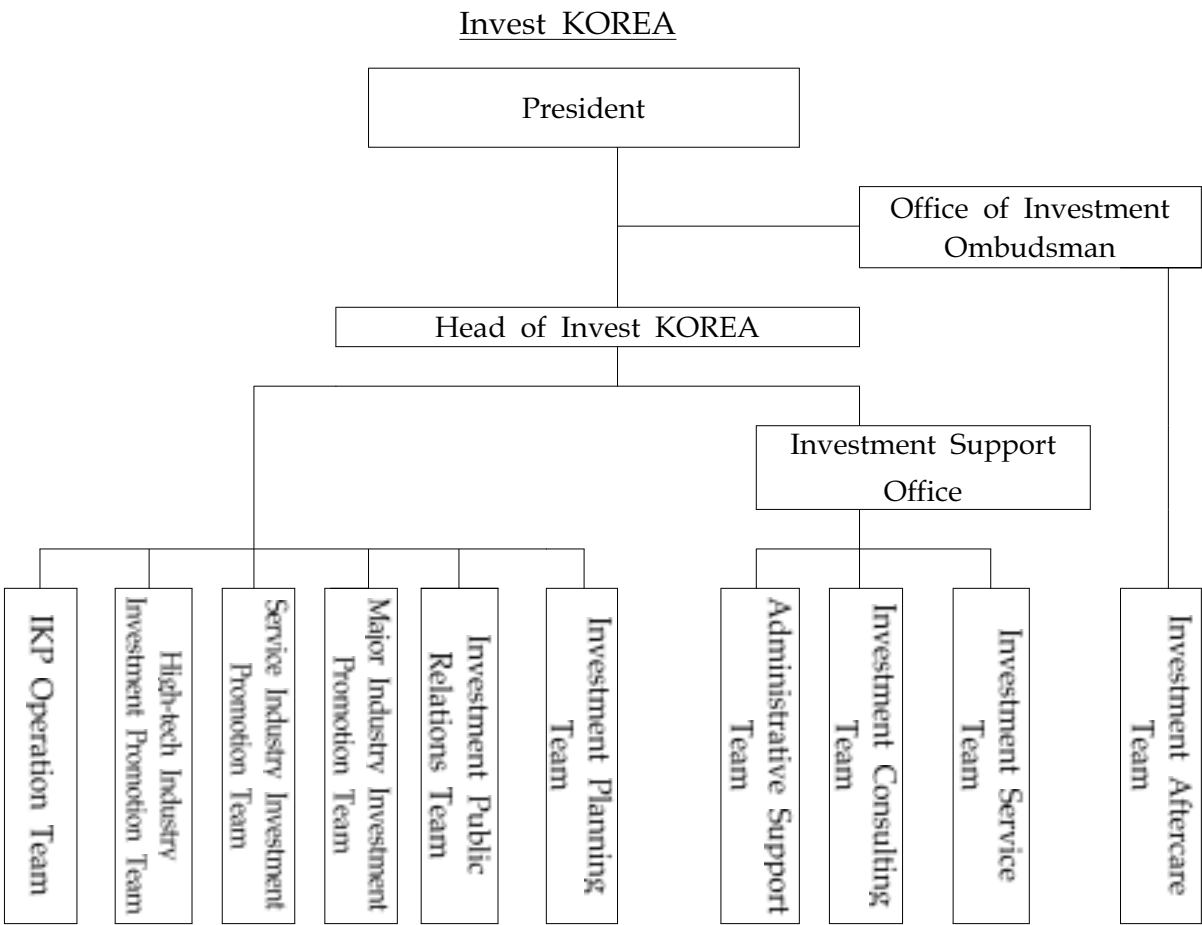
- Consultation Referral: Refer foreign investors to domestic investors to form a partnership
- Investment Reports: Accept claims from foreign investors
- Find Factory Sites: Find a factory site that's most ideal for the investor and provide administrative services.
- Licensing: Obtain all the licenses necessary for the investment
- Cooperation Between Related Government Offices
 - : Refer foreign investors to Korean government offices, regional autonomous government and domestic companies.

③ After-Care Service

- Ombudsman: Solve various problems for foreign invested companies by designating a 'home doctor'.
- VISA Extension: Foreigner registration and visa extension for employees of foreign companies.
- Localization Support: Find home, foreign school and other living facilities for the convenience of employees and families of foreign companies.

b) General Status and Organization

Invest KOREA is largely divided into promotion teams, Investment Support Office and Office of Investment Ombudsman. The organization structure is as follows:



The Investment Planning Team is in charge of establishing investment plans and strategies, while the Investment Public Relations Team promotes Korea’s investment environment. Members of the Main Industry Investment Promotion Team, High-tech Industry Promotion Team and Service Industry Investment Promotion Team carry out core IK activities through close coordination with overseas offices to contact

investors in each industry, and provide customized services in investment projects as project managers.

The IKP Operation Team is in charge of operating, renting out and managing the Invest KOREA Plaza to be opened next to the KOTRA building in the second half of 2006.

The Investment Support Office is divided into the Administrative Support Team, Investment Consulting Team and Investment Service Team. The Administrative Support Team has a government worker of each of the government offices to handle administrative processes such as investment notification, business registration, sojourn permission/extension etc. The Investment Consulting Team offers consulting services on law, accounting, taxation and real estate to foreign investors, while the Investment Service Team provides living information and tries to create a better living environment for foreign investors in Korea.

The Office of Investment Ombudsman offers various services to solve problems for foreign investors. The Investment Aftercare Team is composed of 'home doctors' specializing in various areas such as finance, construction, IT and law, who contact and negotiate with government offices when a foreign company is faced with problems. While serving problems for existing investors, they also support investment expansion.

Main Services by Team

Team	Main Services	Tel. (Area Code: 02-3460)
Invest KOREA	Invest KOREA Main Office	Tel: 7801 Fax: 7940
Promotion Service Teams		
Investment Planning Team	<ul style="list-style-type: none"> ▶ Establish FDI strategy with Invest KOREA. ▶ Cooperate with overseas investment promotion agencies. ▶ Manage investment-related committees such as 	Tel: 7511-7518 Fax: 7940

	the Foreign Investment Committee. ▶ Investigate and analyze investment trend.	
Investment Public Relations Team	▶ Plan and execute inbound and outbound investment promotions. ▶ Host local and foreign investment promotion tours. ▶ Produce or support production of investment promotion information and relative publications. ▶ Coordinate national image enhancement projects with government offices. ▶ Support local governments on investment promotion projects.	Tel: 7519/7534 /7629 Fax: 7940
Main Industry Investment Team	▶ Promote investment for automobile and machinery parts material. ▶ Promote inbound investment of parts material from Japan. ▶ Promote inbound investment of influential companies. ▶ Dispatch task force team for inbound investment, according to type of industry.	Tel: 7611-7618 Fax: 7943
Service Industry Investment Team	▶ Promote inbound investment in the areas of logistics, distribution, construction, real estate and finance. ▶ Promote inbound investment of regional offices and SOC of multinational corporations.	Tel: 7522-7528 Fax: 7943
High-tech Industry Investment Team	▶ Promote inbound investment in the areas of IT, BT, NT, ET and other hi-tech industries. ▶ Promote inbound investment of R&D centers from multinational corporations and hi-tech corporations	Tel: 7591-7596 Fax: 7941
IKP Operation Team	▶ Rent out and manage Invest KOREA Plaza to be opened in the second half of 2006	Tel: 7130-4 Fax: 7944
Investment Support Office		
Administrative Support Team	▶ Execute procedures such as investment notification and business registration, sojourn permission/extension for foreign investors, registration of incorporation in Korea by proxy and other investment-related civil affairs.	Tel: 7545 Fax: 7946
Investment	▶ Provide consultations on investment procedures,	Tel:

Consulting Team	financing, taxation and customs, legal matters, real estate acquisition, plant site selection and labor issues.	7550/7555 Fax: 7947
Investment Service Team	<ul style="list-style-type: none"> ▶Organize seminars, conferences that address management and daily life issues of foreign-invested companies and their staff. ▶Publish materials aimed at improving the foreign investment environment in Korea. ▶Conduct all public relations activities for the Foreign Investment Ombudsman. ▶Update department website content. http://www.i-ombudsman.or.kr	Tel: 7659/7648/7654 Fax: 7944
Office of Investment Ombudsman		
Investment Aftercare Team	▶Provide consultations on investment procedures, financing, taxation and customs, legal matters, real estate acquisition, plant site selection and labor issues.	Tel: 7633/7637/7640 Fax: 7949

c) Overseas Offices

KOTRA has a total of 102 trade centers in 74 countries. Among them, the 36 trade centers in the U.S., Europe and Japan are primarily used to attract investors as centers in these regions hire investment experts to consult potential investors and carry out investor relations activities. The investment consultants continue to contact potential investors and send investment inquiries to the main office of Invest Korea so that managers and experts can send written replies to the trade center in return. Their investor relations activities including hosting various IR forums and sending representatives of potential investors to Korea.

iii) PM System

The PM System was implemented for the purpose of attracting foreign investments by offering one-stop services to foreign investors according to the Foreign Investment Promotion Act. Project managers are given the authority to request help from related government offices and report them to a higher authority if they deny their requests without sound reasons. Project managers also receive performance bonuses when an investment project is brought to a successful conclusion.

a) PM Duties

① Project Management and Coordination

- Request help from related offices as a project manager and coordinator
- Government offices must cooperate with the project managers to the best of their ability. Project managers are given the authority to report those who deny their requests without sound reasons to a higher authority.

② One-stop Service

- Answer inquiries from investors and provide them with IR data on investment environment, incentives, industries and product categories.
- Refer investors visiting Korea to related offices and/or businesses, and guide them to actual sites.
- Help investors obtain licenses and permits from the central government and/or autonomous regional governments necessary for establishing a corporation and applying for preliminary review of high-tech businesses.
- Provide investors with information and referral services for living in

Korea.

- Support investment activities.

③ TFT Organization and Participation

- Organize a task force composed government workers from the central government, autonomous regional governments and related government offices to solve problems related to attracting investments such as obtaining licenses and permits.
- Participate in the TFT and coordinate the activities of the TFT members.

④ Offer foreign investment incentives and give opinions

- Offer foreign investment incentives and give opinions on Cash Grant, tax deduction/exemption, and renting government property according to the Foreign Investment Promotion Act.

⑤ Project Management

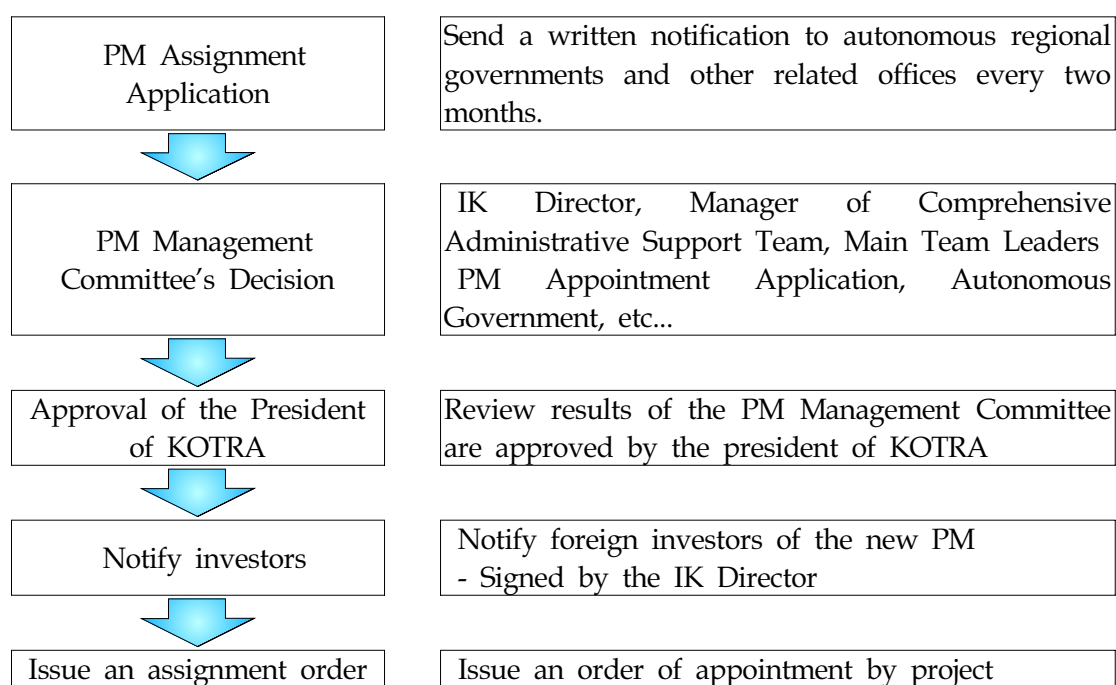
- Record and manage investors' contact, application and project history.

b) Project Selection Criteria Designated by PM

- Large scale projects with significant economic impacts
- Projects that require the cooperation of related offices for investment relations
- Projects in which foreign investors are facing problems regarding licensing.

c) PM Qualifications

- Those who have received the PM training and are currently working as an investment consultant at the IK, government offices, autonomous regional governments or related offices, or have at least one year of experience in investor relations.

PM Appointment Procedures

As of the end of 2005, a total of 82 project managers were assigned to 162 projects. The project managers were mostly government employees dispatched from IK, autonomous regional governments, and central government.

PM Assignments

Total	IK (35)				Autonomous Regional Government	Other
	KOTRA	Technical Committee Member	Employees from the Central Government	Employees Dispatched by Autonomous Regional Governments		
82 (Managers)	13	12	6	4	46	1

A PM may be assigned to an individual or joint project according to the project characteristics or phases. According to the table above, there were 41 joint projects, 73 individual projects of IK and 48 individual projects of autonomous regional governments.

iv) Free Economic Zone Administration and Autonomous Regional Governments

a) Free Economic Zone Planning Team and Free Economic Zone Administration

In Korea, there are the Free Economic Zone Planning Team in charge of managing free economic zones and three Free Economic Zone Administration Offices under the supervision of Ministry of Finance and Economy. Established in October 2003 according to the Act on Selecting and Managing Free Economic Zones, they are all under the supervision of

the Ministry of Finance and Economy. The Free Economic Zone Planning Team is in charge of planning and establishing support programs.

The Incheon Free Economic Zone Authority, Busan-Jinhae Free Economic Zone Authority and Gwangyang Bay Free Economic Zone Authority are in charge of attracting investment and administrative services in the three free economic zones.

b) Autonomous Regional Governments

The Investment Promotion Centers and Investment Planning Teams (Investor Relations Teams) in 16 cities take charge of attracting foreign direct investment in their respective city. The investment promotion offices in each city are as follows:

Investment promotion offices in Each Autonomous Regional Government

Regional Government	Total Personnel	Investment promotion offices
Seoul	20	Investor Consultants(10), DMC Managers(10)
Busan	10	Investment & Trade Office (9), Seoul Office(1명)
Daegu	6	Investment & Trade Office(6)
Incheon	24	Investment Promotion Office(7), Investor Relations Office of Urban Development Administration(17)
Gwangju	7	International Trade Office(5), Seoul Office(2)
Daejeon	6	International Trade Office (5), Seoul Office(1)
Ulsan	6	Investor Relations Team (6)
Gyeonggi-do	26	Investment Promotion Office (23), Seoul Office (2), New York Office (1)
Gangwon-do	7	Investment Planning Team (7)
Chungcheongbuk-do	5	International Trade Office(3), International Trade Center(Seoul, 2)
Chungcheongnam-do	7	International Trade Office (6), Seoul Office (1)
Jeollabuk-do	5	Investment & Trade Office(5)

Jeollanam-do	18	Investment Review (1), Investment Promotion Center (17)
Gyeongsangbuk-do	7	International Trade Office(7)
Gyeongsangnam-do	18	Investor Relations Office(18)
Jeju	17	Investment Consultants(17)
Total Personnel	189	

2. Singapore

The EDB (Singapore Economic Development Board) is the main investment office in Singapore. Unlike Invest Korea, it plays the role of promoting economic growth with a larger scope encompassing both domestic and overseas. It establishes and implements strategies with the goal of making Singapore a global business hub. Therefore it promotes investments by both domestic and foreign companies in strategic industries. So the purpose of its existence is to promote industries that are related to the basic policy direction for Singapore's economic growth rather than attract foreign investments.

The EDB has been making significant contribution to Singapore's economic growth by attracting foreign capital and companies, and still plays a key role in the country's economic growth. Unlike Invest KOREA, the EDB has the full authority to establish and manage investment incentive programs and review qualifications.

i) History

The EDB was originally called the Industrial Promotion Board, which was established in 1957 when Singapore was a British colony for the purpose of promoting the growth of the manufacturing industries. It was renamed to the EDB under the supervision of the Ministry of Finance in 1961 in order to promote industrial growth and attract foreign investments. It went under the supervision of the SB (Statutory Board) in 1979 and has been under the supervision of the board since then.

When it was first established, it provided a wide scope of services related to economic development, including the development of industrial complexes, industrial finance, labor training and technology development.

Although some of the activities has been carried out other new offices since 1968, the EDB is still the main office in charge of promoting Singapore's economic growth for both domestic and foreign companies.

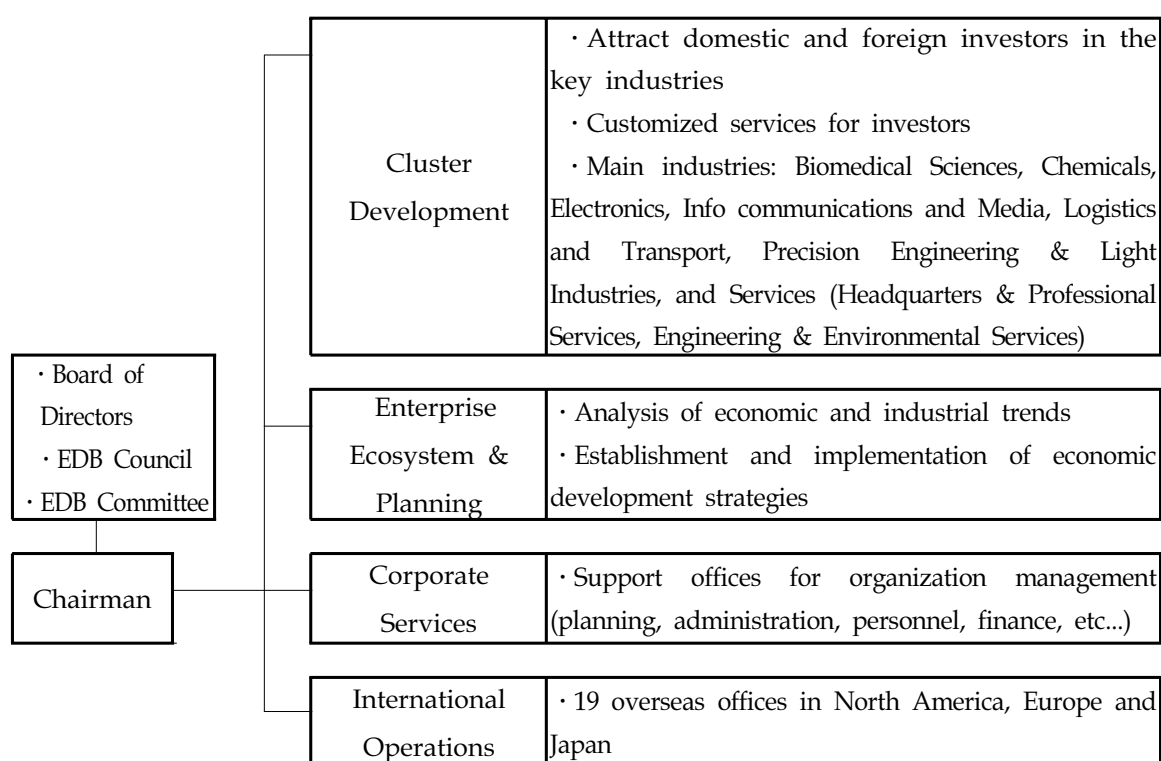
ii) Organization Structure and Main Activities of EDB Organization

The EDB has about 600 employees working in its three internal consulting teams and five business offices. It has a total of 19 overseas branches ran by about 100 employees. Its annual budget is about US\$64 million.

- Established: 1961 (US\$25 Million Budget)
- Number of Employees: App. 600
- Overseas Network and Employees: 19 Overseas Branches and 100 Employees
 - 7 Branches in North America (Boston, Chicago, Dallas, LA, New York, San Francisco, Washington)
 - 5 Branches in Europe (Frankfurt, London, Milan, Paris, Stockholm)
 - 7 Branches in Asia (Beijing, Shanghai, Guangzhou, Mumbai, Jakarta, Osaka, Tokyo)

Below is the organization chart of EDB.

EDB Organization Chart



The four EDB divisions are as follows:

① Cluster Development (Investor Relations Activities)

- Attract domestic and foreign investments in key industries
- Customized services for investors
- Six Key Industries: Biomedical Sciences, Chemicals, Electronics, Info communications and Media, Logistics and Transport, Precision Engineering & Light Industries, and Services (Headquarters & Professional Services, Engineering & Environmental Services)

② Enterprise Ecosystem & Planning (Establishment and Implementation of Economic Development Strategies)

- Establishment and implementation of Singapore's economic development strategies through the analysis of economic and industrial trends
- Main Activities
 - International Policies Division
 - : Analysis related to FTA and bilateral/multilateral negotiations
 - Planning and Resource Development Division
 - : Propose strategies for human resources and infrastructure development
 - Incubation Unit
 - : Analysis of industrial trends
 - Enterprise Ecosystem Development Division
 - : Support start-up, innovation and technology development
 - Technopreneurship & Venture Capital Division
 - : Refer companies with proprietary technologies to venture capital companies
 - Intellectual Property Unit
 - : One-stop base for the commercialization of Singapore's intellectual properties
 - Asia Pacific Operations

③ International Operations

- 19 overseas offices in North America, Europe and Japan\

④ Corporate Services

- Support EDB management
- Main Offices: Business Knowledge Group, Client Services, Finance & Administration, Human Resources, Information

Systems, Legal, Marketing Communications,
Organization Excellence Unit

Besides the EDB's divisions, the status of the board of directors and advisory board is as follows:

EDB Board of Directors and Advisory Board

Advisory Board	Main Activities
Members of the Board	-Composed of 12 CEOs, labor representatives and managers of multinational and domestic companies. -Establish EDB strategies and coordinate relations
International Advisory Council	-CEOs of multinational companies provide consulting services on EDB activities

iii) EDB's Investment Promotion Activities

Among other activities of the EDB, below is a summary of the EDB's investment promotion activities. The characteristics of the EDB's investment promotion activities are as follows:

- The EDB provides one-stop services in all the areas related to investment with the cooperation of the TDB, JTC, Ministry of Labor and other related government offices. Starting from investment promotion to attracting potential investors, it provides all the necessary investment-related services such as information, industrial land, management facilities, finance, business partners and experienced engineers to investors.
- Singapore is a small country in terms of population, land and economy size, so the government has recognized the need to concentrate on the areas with potential for growth. Therefore, the

Singapore government tries to focus on businesses that plan to invest in certain industries so that investor relations activities are aimed at achieving its mid and long-term industrial development goals.

The procedure the EDB's investment promotion activities are as follows:

① Industry Targeting

: Since the size of Singapore's economy is not large, target industries are specified in order to establish close relationships between industries.

② Company Targeting

: Carry out Investment promotion activities after preliminary review of corporate organization, number of employees and management status for defining the degree of suitability to Singapore's economic environment.

③ Monitoring

: Offer incentives suitable for each case after a review, and maintain a close relationship with and support program for respective companies to meet the requirements throughout the contract period.

With the strategical investment promotion methods, Singapore was first able to achieve effective input of its resources since the scope of investment areas is limited. Second, since an in-depth review of potential investors is made possible, Singapore was able to successfully attract investors by pointing out the facts that even the investors themselves failed to recognize.

Due to such industry targeting activities, Singapore places

emphasis on the industrial development when it comes to investors relations. Therefore Singapore promotes the country's image not only through general media but also through industrial journals.

Singapore's strategic investment areas are shown in the Industry 21 (I-21) announced by the EDB in 1999. Singapore aims to establish a knowledge-based economic structure, and promote investment in high-tech areas, high value-added businesses, R&D and services that can improve its performance as a business hub. The Singapore government chose the following nine areas as its key strategic industries³⁾.

Nine Strategic Industries in the Industry 21

[1]Electronics	[2]Petrochemical
[3]Biotech	[4]Engineering
[5]Education Service	[6]Medical Service
[7]Logistics	[8]IT Media
[9]Regional Management	

3) Policy goals of the Industry 21 Plan

- [1] Electronics : Electronic parts, modules and systems are defined as strategic industries.
- [2] Petrochemical : Promote the growth of petrochemical-related industries to form advanced industrial relations.
- [3] Biotechnology : Reorganize the R&D and manufacturing systems in the areas of pharmaceutical, medical equipment, agricultural biotechnology and compound projects in order to attract 15 multinational companies. Turn Singapore into the center of clinical test and pharmaceutical development in Asia.
- [4] Engineering : Attract 20 multinational companies that plan to establish an engineering center. Attract 50 manufacturing companies.
- [5] Education Service : Attract 10 international universities and/or research institutes.
- [6] Medical Service : Establish industrial infrastructure (research, education, medical service, etc...) for medical services. Attract five world-class medical centers.
- [7] Logistics : Reorganize the logistics infrastructures that support all the industries starting with the promotion of 3PL(Third Party Logistics).
- [8] IT Media : Attract global companies in the areas of e-commerce, Internet services, broadcasting, media contents, IT and e-publication.
- [9] Regional Management : Attract Headquarters in charge of providing manufacturing service, marketing, business development and financial service in Asia or other parts of the world.

iv) EDB's Support for Foreign Direct Investment

The management procedure and internal review standards of Singapore's investment incentives are not disclosed. Investment incentives are given according to the guidelines of the EDB and its subsidiary offices. Also, the EDB determines the scope of incentives in major investment projects. In other words, companies qualified to receive incentives are not automatically given the incentives, but rather incentives are given to them depending on the company's economic contribution within the country.

Therefore Singapore offers various investment incentives and although the benefits are limited, each case is handled separately with a wide range of negotiable factors with the investors. The qualifications, scope and period of incentives are determined based on the technical and economic analysis reports prepared by the official in charge of the respective industry.

Besides tax deduction/exemption, the EDB also has an investment incentive program based financial support through funding. Support programs such as EDB loans, indirect financial support and share investment as a partner to the investment company are winning the trust of investors.

EDBI (EDB Investments Pte Ltd) in which EDB has 100% share was established in 1991 for the purpose of providing financial support to companies. EDBI invests in companies through its subsidiaries.

The CDF (Cluster Development Fund) of EDBI strategically invests in domestic and foreign companies that can contribute to the growth of the strategic industries. The subsidiaries of EDB include EDBVM with a capital of US\$450 million, Bio*One Capital with a capital of US\$650 million, TIF Ventures Pte Ltd with a capital of US\$13 and a matching fund SEEDS.

v) Characteristics of EDB

The characteristics of EDB's investor relations activities mentioned above can be summarized as follows:

① Governmental Organization

- The board of directors is mainly composed of businessmen and a portion of government employees in order to maintain amicable relationships with businesses and government offices related to investment.

② Provide one-stop service through close cooperative relationships with related government offices

- Establish a network of investment offices that can cater to investors' needs
- Provide comprehensive services such as administrative processing and after care services through amicable cooperative relationships with government offices and related organizations.

③ Investment promotion activities by Industry

- Work out the administrative procedures with the cooperation of other government offices after having an industrial expert handle all the issues according to the industrial characteristics following an investment analysis.

④ Authority over Investment Incentives and Financial Support Policies

- Review and determination of most incentives
- Provide incentives case by case by in relation to the country's economic benefits
- Undisclosed investment incentive management procedures and internal review standards

vi) Other investment-related government offices

Investment-related government offices in Singapore besides EDB are as follows:

Other Investment-Related Offices

Organization	Services
Jurong Town Corporation	Development of industrial land and related facilities
Ministry of Labor	Settle labor-management disputes, ensure labor safety and health.
Ministry of Trade & Industry	Comprehensive economic planning, analysis and economic policies
National Computer Board	IT planning and national informationalization
National Science & Technology Board	Promote R&D activities in industries and service areas
Port of Singapore Authority	Provide effective port facilities and services
Singapore Productivity & Standards Board	Improve productivity and competitiveness of small and medium businesses through human resources development, economic restructuring and technological advancement
Trade Development Board	Support and provide information to investors in the trade industry

3. Taiwan

The DOIS (Department of Investment Services) is the main investment office in Taiwan. Until recently, the DOIS, which is one of the 16 staff units of the Ministry of Economic Affairs, was called the IDIC (Industrial Development and Investment Center) but was renamed to DOIS on May 25, 2006 in order to make it clear that it's a government organization that provides investment services to foreign investors. In Chinese, however, the name still remains the same.

While attracting foreign investments is the main purpose of the DOIS, it provides investment services to both domestic and foreign companies.

i) History

The IDIC was established in 1959 under the supervision of the Council for U.S. Aid for the purpose of attracting foreign and Chinese investors and improve investment environment in order to substitute for declining U.S. aid. In 1973, it became one of the units of the Ministry of Economic Affairs and has been under the ministry's supervision ever since.

When it was first established, the DOIS focused mainly on attracting foreign and overseas Chinese investors but since the mid 1980's it's been also helping Taiwanese companies investing abroad.

ii) Functions of the DOIS

- 1) Attract foreign investors to Taiwan, 2) assist Taiwanese

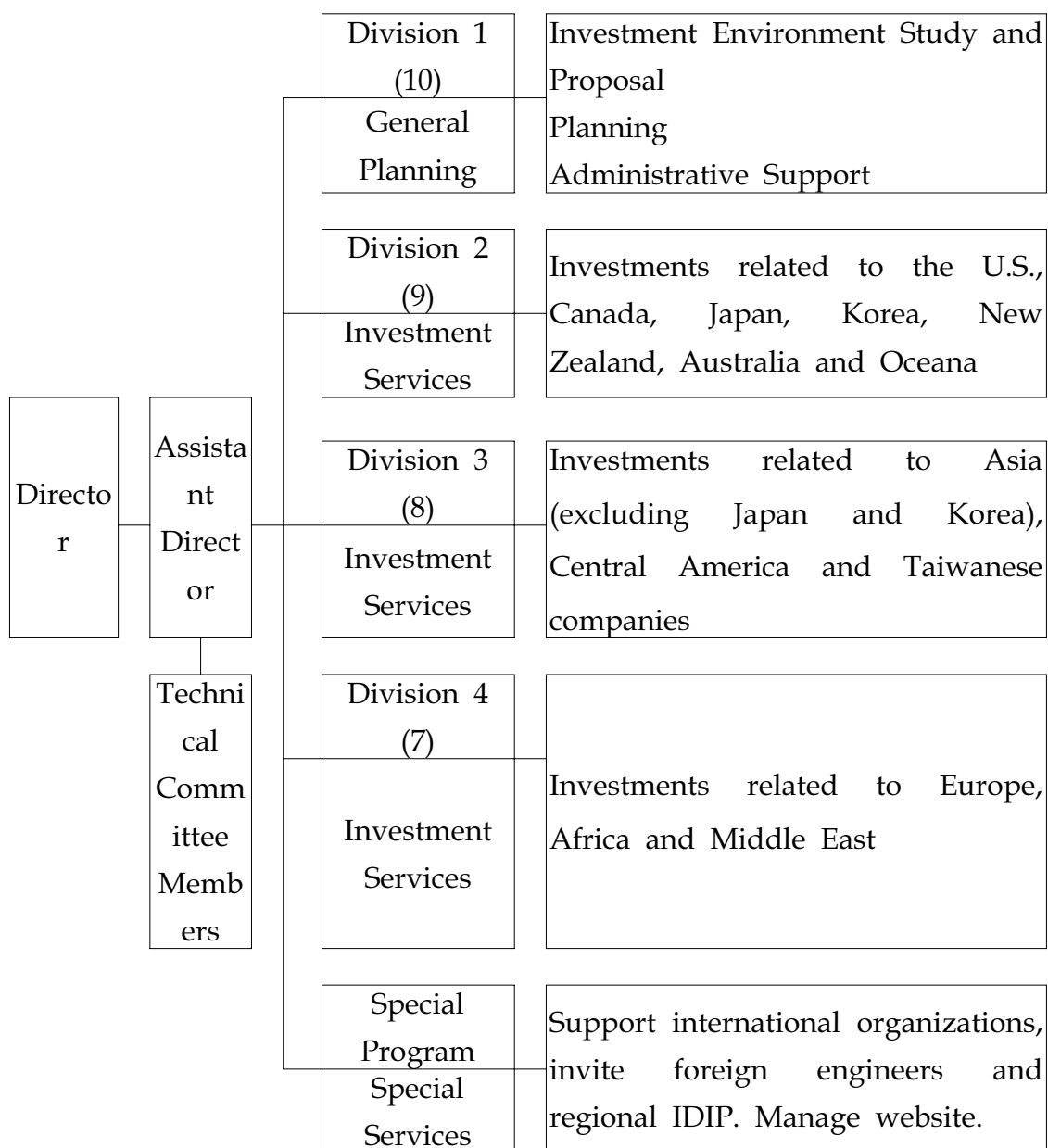
companies investing abroad and 3) bring scientists and engineers to Taiwan. The functions of the DOIS are divided into eight categories.

1. Promotion of domestic and overseas investment and technical cooperation
2. Provision of guidance and assistance for outward investment
3. Study of investment projects
4. Pinpointing and compilation of investment opportunities
5. Promotion of investment projects, follow-up, and removal of investment obstacles
6. Publishing of investment environment guides and information on investment laws and regulations
7. Technical cooperation between domestic and foreign companies, and introduction of technical personnel from overseas
8. Promotion and liaison regarding bilateral and multilateral investment matters

iii) General Status and Organization

The DOIS is a small organization composed of only 43 employees. There are four divisions under the supervision of the director and assistant director, there are four divisions. The divisions are divided not by work, but by region.

An employee in charge of a region or country provide investment services to foreign investors from that country as well as to Taiwanese companies investing in that region/country. In other words, the employee provides investment services for both inbound and outbound investments from/to the country. Besides providing inbound/outbound investments, the DOIS also offers a number of special services such as inviting foreign engineers to Taiwan. Its special services are as follows:

DOIS Organization Chart

Some of the main services of each division are as follows:

a) Division 1: General Planning

- Planning, research and evaluation;
- Research towards investment policies;
- Collection and arrangement of investment laws and regulations;
- Research and recommendations on the investment environments in Taiwan and abroad
- Communications with the National Assembly and news and public relations;
- Compilation and publishing of investment-related laws, regulations, and other publications;
- Production of investment guides for Taiwan and other countries;
- Maintaining a hotline for consulting on investment in Taiwan;
- General administrative work.

b) Division 2: Support inward/outward investment from/to the U.S., Canada, Japan, Korea, New Zealand, Australia, and Oceania

- Collection and compilation of information on economic environments and related laws and regulations in the relevant areas;
- Provision of services for investment and operations in Taiwan by overseas Chinese and foreigners from the relevant areas;
- Provision of services for investment and operations in the relevant areas by Taiwanese companies;
- Guidance and follow-up for major investment projects;
- Intermediary services for the introduction of technology into Taiwan from other countries covered by this section;
- Help with applications for airport reception;
- Establishment of a "Japan Window" program aimed at attracting

Japanese investment to Taiwan and providing related services;

- Holding discussion seminars with American and Japanese chambers of commerce on a regular basis;
- Organizing and sending delegations abroad to bring foreign investment into Taiwan;
- Inviting of foreign companies with investment potential to visit Taiwan and inspect the investment environment;
- Planning and maintenance of DOIS websites.

c) Division 3: Investment services related to Asia (excluding Japan and Korea), Central/South America and Taiwanese investors investing in Taiwan

- Collection and compilation of information on economic environments and related laws and regulations in the relevant areas;
- Provision of services related to investment and operations in Taiwan by overseas Chinese, foreign nationals, and investors from Taiwan investing overseas and returning to Taiwan to invest;
- Guidance for overseas investment by Taiwanese companies;
- Help with the operation of overseas Taiwan business associations;
- Promotion of guidance plans for Taiwanese companies in mainland China;
- Intermediary services for the introduction of technology into Taiwan from other countries covered by this section;
- All tasks and services related to APEC.

d) Division 4: Investment services related to Europe, Africa and Middle East. Invite foreign engineers and provide OECD-related services

- Collection and compilation of information on economic environments and related laws and regulations in the relevant areas;
- Provision of services for investment and operation in Taiwan by overseas Chinese and foreigners from the relevant areas;
- Provision of services for investment and operations in the relevant areas by Taiwanese companies;
- Guidance and follow-up for major investment projects;
- Intermediary services for the introduction of technology into Taiwan from other countries covered by this section;
- Help with applications for airport reception;
- Organizing and sending delegations abroad to bring foreign investment into Taiwan;
- Inviting of foreign companies with investment potential to visit Taiwan and inspect the investment environment;
- Holding discussion seminars with the European Chamber of Commerce Taipei on a regular basis;
- Recruitment of foreign national technology personnel;
- Services for Industrial Development and Investment Promotion Committee in 22 Counties and Cities in Taiwan;
- Investment issues pertaining to OCED.

e) Special programs

- HiRecruit: Program for Taiwanese companies recruiting foreign engineers (<http://hirecruit.nat.gov.tw>)
- Regional IDIP Committee: Support the IDIP of 22 cities and provinces
- Develop and manage DOIS website (<http://www.dois.moea.gov.tw>)
- Services for International Organizations: WTO, APEC, FTA, OECD, etc.

iv) Overseas Organizations

The DOIS does not have domestic or overseas branches. Instead, the organizations below provide related services.

- Domestic: The IDIP, a government organization for the promotion of investment and provision of investment services, has offices in a total of 22 cities and provinces. It provides services to investors facing obstacles in the respective region.
- Overseas: The MOEA and TAITRA have overseas offices providing investment services. The MOEA currently has more than 60 overseas offices⁴⁾. The offices provide investment consulting for to foreign and Chinese investors investing in Taiwan as well as Taiwanese companies investing in foreign countries. The overseas TAITRA offices⁵⁾ also provide economic services.

The DOIS is ran by a small group of people and does not have overseas offices. Instead, overseas offices of the MOEA or other related government organizations provide investment services for the DOIS. Therefore the overseas activities of DOIS are not as intense as Korea and Singapore's investment offices. Also, the DOIS hires regional experts instead of industrial experts.

4) <http://eweb.trade.gov.tw/kmDoit.asp?CAT491&CtNode=661>

5) http://www.taiwantrade.com.tw/TWTRADE/TE/html/main_page/overseasbranches.html

B. Investment Incentives

1. Korea

Korea offers incentive programs only to foreign investors making direct investments according to related laws, such as the 'Foreign Investment Promotion Act', 'Special Tax Treatment Control Act' and other laws related to special economic zones.

In the past, Korea used to mainly offer tax and land acquisition incentive. It was not until 2004 when the Cash Grant was added to the Foreign Investment Promotion Act that Korea began to offer financial incentives.

Korea's investment incentives are mainly focused on large-scale investments in foreign investment zones, investments in high-tech industries or industrial support services, and investments in parts and materials industries. Even in these industries, incentives are mostly given to new/additional investment projects involving installation of new facilities or expansion.

Below is a description of Korea's investment incentives in four categories, mainly tax deduction/exemption, Cash Grant, location support and other incentive programs.

i) Tax Deduction/Exemption

Korea offers various tax incentives for technology transfer and foreign investors through the Special Tax Treatment Control Act. To qualify for tax deduction/exemption according to the law, investments must fall under one of the nine categories below:

- ① Industrial support service business ⁶⁾ or high-tech business⁷⁾ ⁸⁾
- ② Foreign investors establishing a new plant or new facilities in a Foreign Investment Zone⁹⁾
- ③ Projects in Free Economic Zone¹⁰⁾
- ④ Developers of Free Economic Zone
- ⑤ Developers of the Jeju Investment Promotion Zone
- ⑥ Foreign companies in Foreign Investment Complex
- ⑦ Companies in Industrial City Development Zone
- ⑧ Developers in Industrial City Development Zone
- ⑨ Projects prescribed by the Presidential Decree in which tax deduction/exemption is absolutely necessary for attracting foreign investments

Main tax incentives are as follows:

-
- 6) High value-added businesses that are deemed necessary for strengthening the international competitiveness of domestic industries and can contribute to the growth of other industries such as manufacturing.
 - 7) Projects involving technologies that are not fully or yet developed in Korea and deemed necessary for strengthening the international competitiveness of domestic industries.
 - 8) A business building or running a factory for the provision of industrial support services or technology development can qualify for tax deduction/exemption when it meets the three conditions below:
First, technology necessary for promoting the advancement of industrial structures and industrial competitiveness that has technological effects on national economy. Second, technologies implemented in Korea for less than three years or technologies that can have more economic or technological effects than technologies that are implemented in Korea for more than three years. Third, most of technological processes take place in Korea.
 - 9) The name, location, area, development and management methods of a region are determined after a review by the Foreign Investment Committee upon the request of foreign investors when it's deemed necessary for attracting qualified foreign investors for respective mayor or governor.
 - 10) Manufacturers with a capital of more than US\$10 million. Travel agencies with a capital of more than US\$10 million. Shipping companies with a capital of more than US\$5 million. R&D centers with a capital of more than US\$5 million and 10 employees a master's degree that plan to build or expand a factory or other related facilities.

a) National and regional tax deduction/exemption (Articles 8 and 9 of Chapter 121, Special Tax Treatment Control Act)

Qualifications for Tax Deduction/Exemption	Methods of Tax Deduction/Exemption		
	Taxes	Deduction/Exemption Period	Investment Requirements for Deduction/Exemption
<ul style="list-style-type: none"> ○ High-tech businesses or industrial support service business ○ Businesses in respective Foreign Investment Zones 		<ul style="list-style-type: none"> ○ 7 years : 100% for the first 5 years, 50% for the next 2 years 	<ul style="list-style-type: none"> ○ High-tech: None ○ Investment Areas <ul style="list-style-type: none"> -Manufacturing : US\$30 million -Tourism : US\$20 million -Logistics : US\$10 million -R&D : US\$5 Million
<ul style="list-style-type: none"> ○ Resident companies of Foreign Investment Zones ○ Resident companies of Free economic Zones ○ Resident companies of Free Trade Zones ○ Resident companies of Industrial City Development Zones 	<ul style="list-style-type: none"> ○ National Tax <ul style="list-style-type: none"> -Corporate Tax -Income Tax ○ Regional Tax¹¹⁾ <ul style="list-style-type: none"> -Acquisition Tax -Registration Tax -Property Tax 	<ul style="list-style-type: none"> ○ 5 years : 100% for the first 3 years, 50% for the next 2 years 	<ul style="list-style-type: none"> ○ Manufacturing : US\$10 million ○ Tourism : US\$10 million ○ Logistics : US\$5 million ※ Corporate City : US\$10 million
<ul style="list-style-type: none"> ○ Developers in Free Economic Zones ○ Developers in Industrial cities 			<ul style="list-style-type: none"> ○ FDI of US\$30 million or more ○ More than 50% foreign share with a capital of US\$500 million

11) The percentage and period of regional tax deduction/exemption is reduced to less than 15 years according to the laws of autonomous regional governments.

b) Customs Duties and Exemption (Article 3, Chapter 121 of Special Tax Treatment Control Act)

Qualifications for Deduction/Exemption	Methods of Tax Deduction/Exemption		
	Tax	Period	Capital Goods
<ul style="list-style-type: none"> ○ High-tech businesses or industrial support service business ○ Businesses in respective Foreign Investment Zones 	Customs Duties Special Consumption Tax VAT	Imported goods that are declared within three years from the date of the foreign investment report	Capital goods implemented as a new investment ○ Free trade zone is a duty free zone -Reservation of customs duties on imported goods -Refund of customs duties on imported items
<ul style="list-style-type: none"> ○ Resident companies of Foreign Investment Zones ○ Resident companies of Free economic Zones ○ Resident companies of Free Trade Zones ○ Resident companies of Industrial City Development Zones 	Customs Duties		

c) Special tax benefits for the promotion of Jeju Free International City

► National and Regional Taxes (Articles 8 & 9, Chapter 121 of Special Tax Treatment Control Act)

Qualifications for Tax Deduction/Exemption	Methods of Tax Deduction/Exemption		
	Tax	Deduction/Exemption Period	Investment Requirements for Deduction/Exemption
○ Resident companies of Jeju High-tech Science & Technology Complex	○ National Tax -Corporate Tax -Income Tax	○ Deduction/Exemption for 5 Years -100% for the first 3 years, 50% for the next 2 years	○ Biotech Industry ○ IT Industry ○ High-Tech and Products
○ Resident Companies of Jeju Investment Promotion Zone	○ National Tax -Corporate Tax -Income Tax ○ Regional Tax ¹²⁾ -Acquisition Tax -Registration Tax -Property Tax	○ Deduction/Exemption for 5 Years -100% for the first 3 years, 50% for the next 2 years	○ Investment of Over US\$10 Million -Tourism, culture, welfare centers for elderly, training centers for teens, management of cableway & path, development of alternative energy, electric production
○ Resident Companies of Free Trade Zones			○ Manufacturing -Investments of over US\$10 million, 100 or more permanent employees ○ Logistics and others -Investments of over US\$ 5 million
○ Developers in Jeju Investment Promotion Zone			○ FDI of more than US\$10 million ○ More than 50% foreign share with a capital of US\$500 million

12) The percentage and period of tax deduction/exemption are subject to vary according to the laws of autonomous regional governments.

- Investment Promotion Organization, Resident Companies of Free Trade Zone: 10 Years (Paragraph 3, Article 9, Chapter 121)
- Developers in Investment Promotion Zone: 15 Years (Paragraph 4, Article 2, Chapter 121)

► Customs Duties and Exemption (Articles 10 & 11, Chapter 121 of Special Tax Treatment Control Act)

Qualifications for Tax Deduction/Exemption	Methods of Tax Deduction/Exemption		
	Tax	Period	Items
○ Goods imported by resident companies of Jeju High-Tech Science & Technology Complex	Customs Duties	Imported items that are declared within three years since the designation of an investment zone	Industrial Technology Development (Paragraph 5, Article 1, Chapter 90 of Customs Act)
○ Capital goods imported by resident companies of Jeju Investment Zone			○ Imported goods declared within three years and confirmed by the Chairman of the Jeju Free International City Development Center ○ Goods that are not/cannot be manufactured in Korea

ii) Cash Grant

The Cash Grant is one of the investment incentives originally offered by Ireland for giving cashing loan to qualified foreign investors through negotiations in order to attract foreign investments that can contribute to the growth of national economy.

Some of the main cash grant programs are as follows:

Summary of Cash Grant

Classification	Detailed Items
Qualifications	Companies with more than 30% foreign investment ① Installation/expansion of factory facilities by high-tech businesses and industrial support service providers with a FDI of more than US\$10 million ② Installation/expansion of factory facilities for the production of parts and materials with a FDI of more

	<p>than US\$10 million</p> <p>③ Installation/expansion of R&D facilities by high-tech businesses or industrial support service providers with a FDI of more than US\$50 million and more than 20 employees with a master's degree¹³⁾</p>
Purpose ¹⁴⁾	<ul style="list-style-type: none"> ○ Acquisition costs or rental fees for the land needed to establish a factory or research facility ○ Construction costs of a factory or research facility ○ Acquisition costs of capital goods, research equipment and materials to be used for a project or research at a factory or research facility ○ Installation costs of infrastructure, such as electricity and communications facilities necessary for installing a factory or research facility ○ Grants for employment or educational training
Evaluation Areas	Technology transfer, scale of job creation, undeveloped regions, redundant investments
Amount	<ul style="list-style-type: none"> ○ The amount and detailed conditions are determined through negotiations between investors and the government (5%-15% of total foreign investment) ○ Predetermined ratio between the central and regional governments¹⁵⁾
Responsibilities following the cash grant	<ul style="list-style-type: none"> ○ Maintain the business for 10 years after receiving Cash Grant ○ Maintain the least number of employees determined by the Cash Grant Agreement ○ Redemption, deduction or extension of the cash grant will follow should the recipient fail to fulfill contract responsibilities
Application Procedure	<p>① Consultation application (written or verbal)</p> <p>② Submit the Cash Grant Application to the Minister of Commerce, Industry and Energy</p> <p>③ Cash grant determined after a negotiation and review</p> <p>④ Cash Grant Agreement signed</p> <p>* Cash Grant is approved within 60 days from the date of application. May be delayed for less than 30 days.</p>

Other	○Applicants must choose from either financial support (usually land acquisition) or Cash Grant since they are not provided at the same time.
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iii) Location Support (Chapter 14 of Foreign Investment Promotion Act)

The Korean government can provide land support to foreign companies with more than 30% foreign investment or in which a foreigner is the largest shareholder. Location support includes renting, loaning and selling land and/or factories owned by the Korean

13) Or persons with a bachelor's degree with more than three years of research experience

14) The land acquisition cost provided by the government is included in the Cash Grant.

Therefore, it's desirable for technology developers not requiring a large plot of land to choose Cash Grant, while financial support is desirable for businesses that need a large plot of land.

15) The autonomous government supports a large percentage of the loan in major cities. The ratios of financial funding are as follows:

Classification		Country	Autonomous Government	Note
Major City	Land acquisition/renting costs	40 %	60 %	
	Labor and training costs	50 %	50 %	All the costs of technical training are provided by the government
	Costs of construction, acquisition of capital goods and research materials and installation of infrastructure facilities	40 %	60 %	The ratio is subject to change according to the decision of the Foreign Investment Committee
Suburban Areas	Cost of purchasing or renting a plot of land	75 %	25 %	
	Labor and training costs	50 %	50 %	All the costs of technical training are provided by the government
	Costs of construction, acquisition of capital goods and research materials and installation of infrastructure facilities	75 %	25 %	The ratio is subject to change according to the decision of the Foreign Investment Committee

government or autonomous regional government to foreign companies or the manager of Foreign Investment Environment Improvement Facilities¹⁶⁾.

The maximum amount including land acquisition cost provided to a foreign company is as follows:

- ① New Investment: Within 50% of the sum of FDI
- ② Additional Investment: One of the following
 - (a) 50% of the sum of FDI
 - (b) Within 25% of the sum of FDI and earned surplus
(In this case, FDI must account for more than 25% of the total investment.)

16) Business incubation centers for qualified foreign investors investing in schools, hospitals, pharmacies and housing.

Summary of Location Support

Incentives		Details			
Location Support	①Land Acquisition	○ Provide land through the designation or acquisition of foreign investment zones. - Acquisition Support: .Major City (Central Government 40%, Autonomous Regional Government 60%) .Suburban Areas (Central Government 75%, Autonomous Regional Government 25%)			
	②Rent Period	Contract period may be extended/renewed within 50 years.			
	③Rent Reduction :Government Property ¹⁷⁾	Requirements	Reduction		
		Respective foreign investment zones	100% Exemption		
		High-tech industry (US\$1 Million or More)	Investment Zones	100%	
			Industrial Complexes	50%	
		General Manufacturing (US\$5 million or more)	Investment Zones	75%	
			Industrial Complexes	50%	
Foreign Investment Environment Improvement Facilities	up to 100%, according to the laws of the Government Property Management Administration and autonomous regional governments				
Partial Financial Support for Land Acquisition	Partial financial support for foreign companies in the course of acquiring a plot of land owned by the government, autonomous regional government, government investment office or civilian.				
Financial Support to Renting	Partial financial support for foreign companies renting a plot of land owned by the government, autonomous regional government, government investment office or civilian.				

17) The reduction of renting costs for public property is determined by the regional laws.

Other Support Services	Training Cost	Match the amount funded by the autonomous regional government between 100,000~500,000 won per employee a month for a period of less than six months when more than 20 employees are newly hired.
	Labor Cost	Match the amount funded by the autonomous regional government between 100,000~500,000 won per employee a month for a period of less than six months when more than 20 employees are newly hired.
	Infrastructu re Support in Foreign Investment Zone	Entrance road, water facilities (100%), wastewater treatment system (50%)
	Improvement of Living Environment	Education, medical and housing support - Decisions on provision and degree of support are made by the Foreign Investment Committee - Support foreign schools in land acquisition, facility and management costs

iv) Other Incentives¹⁸⁾ (R&D)

The Ministry of Commerce, Industry and Energy has been implementing the 'Foreign R&D Infrastructure Project' since 2004 in order to attract international R&D centers and promote R&D activities. The project is implemented by Invest KOREA, and the main project objectives are as follows:

Project	Main Objectives
Existing R&D centers planning to invest in the establishment of a new center or expansion of the existing center.	<ul style="list-style-type: none"> · Up to 80% of labor costs when a person with master's degree in science and engineering for more than two years. · Up to 50% of living and training costs for foreign instructors dispatched to Korea for R&D training.

18) For more details, see R&D Environment.

2. Singapore

i) Investment Incentives

EDB (Economic Development Board) is a statutory board responsible for attracting investments provides various incentives including tax benefits and funding. Singapore's incentive program does not differentiate between foreign and domestic companies. Rather, incentives are given to any company that contributes to improving the industrial structure by implementing new technology/process and improving productivity.

Main tax incentives are administered under the Economic Expansion Incentive Act (EEIA). Singapore also tries to maintain its position as the center of international business by attracting major multinational companies through the Regional Headquarters and, International Headquarters Awards and double deduction of R&D costs. The characteristics of Singapore's incentives are as follows:

- Although there are qualifications for each of various investment incentives, foreign investors are given the option to negotiate.
- Corporate and income taxes are deducted or exempted from the point when EDB determines to give incentives regardless of the point when profits are generated.
- The general level of investment incentives such as tax deduction/exemption and funding are decided through a negotiation between foreign investor and government office in charge of the respective country.
- Conditions such as incentive approval and period are determined after an evaluation by the review board based on a comprehensive evaluation report encompassing industrial analysis, technical superiority

and contribution to Singapore's economic growth provided by respective industry representatives of EDB.

- The economic effects and feasibility analysis of the investment as determined by the industry representative are the most important factors considered in the review for providing investment incentives.

Some of the main incentives are as follows:

a) For industry development

Type	Qualifications	Incentives
Pioneer Status	<ul style="list-style-type: none"> ○ Projects implementing technologies or know-how more advanced than the average level of domestic industries ○ Only when there are no companies engaged in similar activities 	<ul style="list-style-type: none"> ○ Exemption of corporate tax on profits arising from pioneer activities for up to 15 years¹⁹⁾
Development and Expansion Incentive	<ul style="list-style-type: none"> ○ When a manufacturer or service provider makes an investment in new or development projects or development with substantial economic effects. ○ More than US\$10 million 	<ul style="list-style-type: none"> ○ Corporate tax rate of 13% or less ○ Tax deduction/exemption for up to 10 years (extendable to up to 10 years)
Venture Capital Incentive	<ul style="list-style-type: none"> ○ When losses are incurred for share investment in venture capital 	<ul style="list-style-type: none"> ○ Losses incurred from the sale of shares, up to 100% of equity invested can be set off against the investor's other taxable income

Initiatives in New Technology	<ul style="list-style-type: none"> ○ Activities related to the development and implementation of new technology, know-how and new processes 	<ul style="list-style-type: none"> ○ 50% of the operating and training costs for new systems ○ 70% of R&D training costs ○ Up to 70% of training costs related to industrial projects ○ Equipment and building rental for the promotion of projects beneficial to all industries
Accelerated Capital Allowances	Computer, automation systems, industrial robots, etc.	<ul style="list-style-type: none"> ○ 100% (one-year write-off) accelerated capital allowances on computer and other products ○ 33.3% accelerated capital allowances for up to three years on factory machines ○ Accelerated capital allowances on industrial facilities for up to 25 years

b) For R&D/intellectual property/innovation

Type	Qualifications	Incentives
Approved Royalties	<ul style="list-style-type: none"> ○ When paying royalties for implementing advanced technology or know-how 	<ul style="list-style-type: none"> ○ Exemption or deduction of withholding tax on royalties paid to non-residents
Double Deduction for R&D expenses	<ul style="list-style-type: none"> ○ Current expenses (depreciation excluded) R&D activities by manufacturers and service providers ○ R&D activities in Singapore 	<ul style="list-style-type: none"> ○ Double deduction for R&D expenses for products of companies registered in Singapore can be commercialized.

19) Tax holiday extended from 10 years to 15 years in 2005

c) For equipment/technology

Type	Qualifications	Incentives
Investment Allowance Incentive	○New investments in approved projects such as R&D and construction within five years by manufacturers or service providers	○Up to 50% corporate tax deduction on new investments in new production facilities
Approved Foreign Loan Scheme	○Foreign loan of more than US\$200,000 for the acquisition of production facilities	○Exemption of withholding tax on interest income earned by foreign loaners (Tax deduction/exemption for investors who have loaned the fund)

ii) Regional Headquarters Award

Singapore has been offering incentives for Regional Headquarters since 1986 in order to become the hub of regional headquarters of multinational companies. There are two types of incentives under the HQ Program, which are the RHQ (Regional Headquarters) Award and IHQ (International Headquarters) Award²⁰).

20) Background of the HQ Program (Source of data: Singapore Trade Center)

- Singapore faces the first economic depression in 1984-85 since its independence in 1965.
- Other Southeast Asian countries began to attract multinational companies with cheap labor, which meant there is a possibility that multinational companies in Singapore may move out of the country.
- It is determined that Singapore can no longer achieve economic growth based on cheap production.
- Singapore implements the strategies aimed at making Singapore the regional headquarters of multinational companies as well as HQ incentives based on the report submitted by the

According to EDB, currently there are currently 7,000 multinational companies in Singapore, of which 4,000 are serving as an international or regional headquarters. Among them, 330 headquarters have received the incentives.

Qualified organizations are businesses registered in Singapore and carrying out headquarters activities. So while it is highly probable that multinational companies are the majority, foreign companies as well as Singapore companies can also be approved as headquarters as long as they meet the requirements. Even a non-profit organization can qualify as headquarters so long as it meet the requirements.

a) Summary of Headquarters Program

► Type

- ① Regional Headquarters/RHQ Award
- ② International Headquarters/IHQ Award

► General Requirements of Headquarters Award

- ① The applicant should be, or belong to a group that is established in its respective business sector or industry and has attained a critical size in terms of equity, assets, employees and business share.
- ② The applicant should be the nerve centre in terms of organization reporting structure at senior management levels for its principal activities with clear-cut management and control for the activities

Economic Committee under the supervision of the Department Commerce and Industry.

- Threatened by the possibility that multinational companies in Singapore can move to other Southeast Asian countries for cheap labor before establishing value-added chain, Singapore began to utilize the new opportunities such as the possibility of its being the hub of headquarters in terms of R&D facilities, acquisition, marketing and other high value-added business activities.

- ③ The applicant should have a substantial level of headquarters activities in Singapore that may include :
- Strategic business planning and development
 - General management and administration
 - Marketing control, planning and brand management
 - Intellectual property management
 - Corporate training and personnel management
 - Research, development and test bedding of new concepts
 - Shared Services
 - Economic or investment research analysis
 - Technical support services
 - Sourcing, procurement and distribution
 - Corporate finance advisory services
- ④ The personnel employed by the applicant for its headquarters operations should be based in Singapore, and would include management, professionals, technical personnel and other supporting staff.

► Detailed Requirements of RHQ Approval

- ① Applicant companies must meet all the minimum requirements below.
- ② Beneficiaries must continue to meet the requirements from the designated period and throughout the period of receiving incentives.

Category	Requirements by Category
Capital	<ul style="list-style-type: none"> ► End of Year1 : paid- up capital of US\$200,000 ► End of Year 1: paid- up capital of US\$500,000
Regional Office	3 headquarters services to network entities in 3 countries outside Singapore by the end of Year 1. Network entities refer to any entity within the group, including subsidiaries,

	sister companies, branches, joint ventures and representative offices as well as franchises
Level of Employment	75% of the total number of employees must be skilled staff throughout the period of incentives ²¹⁾ (skilled staff)
	Hire 10 additional ²²⁾ professionals ²³⁾ by the end of the third year
Level of Labor Cost	The average annual salary per person in the top five positions must be US\$100,000 by the end of the third year.
Expenditure	The total business spending ²⁴⁾ in Singapore must have a net growth of US\$2 million by the end of the third year.
	The cumulative TBS must have a net growth of US\$3 million ²⁵⁾ throughout the period of receiving incentives.

► Detailed Requirements of IHQ Award

: Companies exceeding all the minimum requirements for a Regional Headquarters Award, customized incentive packages with lower concessionary tax rates on qualifying income could be considered in discussion with the EDB.

21) Skilled staff must meet at least the NTC2 requirements (between middle and high school education)

22) Number of employees at the end of the third year – Number of employees at the beginning ≥ 10

23) Professionals must have at least a highschool or college diploma.

24) Total business spending excluding labor cost for hiring outside employees, material and parts cost, packing cost and royalties.

25) (TBS at the end of the third year+TBS at the end of the second year+TBS at the end of the first year) – 3x(TBS at the beginning) \geq US\$3 million

b) Incentives

Classification	Benefits
RHQ	<ul style="list-style-type: none"> ▶ Preferential Tax: 15% ▶ Period of Preferential Tax (Not Extendable): 3+2 years on incremental qualifying income from abroad. In other words, companies meeting all the requirements throughout the first three years can extend the period by two years ▶ Incomes Applicable to Preferential Tax: Profits arising from overseas as recognized by EDB, including income from sales, trade, service, management fee, royalties, licensing fee, commission and franchise fee
IHQ	<p>* Companies exceeding all the requirements for an RHQ Award are eligible for customized incentive package after a negotiation with EDB</p> <ul style="list-style-type: none"> ▶ Preferential Tax: 0%-10% tax deduction ▶ Period: Minimum of five years and maximum of 20 years

3. Taiwan

i) Investment Incentives

The government of Taiwan offers various tax and non-tax incentives for new investments, additional investment, R&D and human resources development in order to attract foreign investment.

Main tax incentives are administered under the Statute for Upgrading Industries (SUI). The SUI was enacted in 1991 in order to promote overall industrial growth and foreign investment and amended on January 1, 2000, from which the tax incentives are extended for 10 years until December 31, 2009. Taxes and customs duties are exempted for facility investment and technology transfer according to the Income Tax Act, Sales Tax Act and Customs Act.

These incentives are for Taiwanese companies only. However, since foreign companies in Taiwan are also recognized as Taiwanese companies by the Taiwanese law, they also qualify for the incentives. In other words, there are no special laws for foreign companies.

Some of the main investment incentives are described below in four categories: Tax Incentives, Non-tax Incentives (support fund and labor support), low interest rate and government investment.

a) Tax Incentives

1) Incentive for All Businesses

① Incentive for R&D

► A Taiwan company may deduct up to 30% of the amount invested in

R&D from its profit-seeking enterprise income tax payable.

- ▶ A Taiwan company may deduct 50% of the amount invested in R&D that exceeds the average annual amount of their investment in R&D for the previous two years from their profit-seeking enterprise income tax.
- ▶ The amount deducted in one year cannot exceed 50% of the company's income tax liability based on the 50% limitation rule. However unused credit could be fully used in the last year of carryover.

② Incentive for Personnel Training

Incentive for personnel training is the same as the incentive for R&D.

- ▶ A Taiwan company may deduct up to 30% of the amount invested in personnel training from its profit-seeking enterprise income tax payable.
- ▶ A Taiwan company may deduct 50% of the amount invested in personnel training that exceeds the average annual amount of their investment in personnel training for the previous two years from their profit-seeking enterprise income tax.
- ▶ The amount deducted in one year cannot exceed 50% of the company's income tax liability based on the 50% limitation rule. However unused credit could be fully used in the last year of carryover.

③ Incentives for New Equipment or Technology

- ▶ Relevant Technology and Equipment

- Investment in automation systems and equipment
 - Investment in pollution prevention, recycling technology or equipment
 - Investment in newly developed or pollution-free energy, energy preservation, industrial waste recycling technology or equipment
 - Investment in reduction of CO2 emissions, energy efficient technology or equipment
 - Investment in hardware, software and technology for improving an enterprise's digital efficiency. (Development of Internet, television, resource utilization plans, IT equipment, electric sound/image equipment, digital contents, etc.)
- ▶ Companies investing in the technology and equipment listed above can have 5%~20% profit-seeking enterprise income tax deduction.
- ▶ The amount deducted in one year cannot exceed 50% of the company's income tax liability based on the 50% limitation rule. However unused credit could be fully used in the last year of carryover.

2) Incentive for Emerging, Important, and Strategic Industries

Emerging and strategic industries are high-risk, high-return, but those are the areas that Taiwan wants to improve the competitiveness on a long-term basis. For this reason, the government of Taiwan provides Five-Year Income Tax Exemption to Taiwan company in emerging, important and strategic industries as defined by the SUI (Statute for Upgrading Industries) or shareholder investment tax credit for investors of those companies. The two types of incentives are as follows:

① Investment Tax Credit for Shareholders

- ▶ An individual or corporate investor who subscribes to the registered stock issued by a company in a newly emerging, important or strategic industry, and who has held the stock for at least three years, may claim investment tax credit to against corporate or consolidated income tax. Unused tax credit could be carried over for four years starting from the fourth year of subscription.
- ▶ The tax credit rates are as below:
 - If the investor is a company, the tax credit is 20% of the cost of the subscribed registered stock of the year.
 - If the investor is an individual, the tax credit is 10% of the cost of the subscribed registered stock so long as the tax credit used in each years is not more than 50% of the individual's consolidated income tax payable for that year. This limitation does not apply to the amount deducted in the final year.
 - The tax credit rate has been decreasing by 1% for every two years since January 1, 2000.

② Five-year Tax Holiday for Companies)

- ▶ A company investing in an important, emerging, and strategic industry may, within two years from the date on which shareholders begin owning the stock and with the approval of its shareholders, can receive the five-year income tax exemption incentive instead of the shareholders' investment tax credit incentive. Once the selection is made, no change is allowed.
- ▶ Applicable incentives are as follows:
 - A newly incorporated company that meets the conditions will be exempted from business income tax for a period of five years from the date on which it begins to sell products or render services.
 - For a company that carries out an expansion project via capital increase,

its increased income so derived will be exempted from business income tax for a period of five consecutive years.

- A company that is eligible for tax exemption as described above may, within two years of beginning to sell products or render services, choose to defer the commencement of the tax exemption period. The deferment may not be longer than four years, after which the exemption period shall begin on the first day of the next fiscal year.
- The abovementioned rules will also apply when a company uses its undivided surplus as capital increase.

3) Private participation in infrastructure projects

The government of Taiwan has introduced the Statute for Private Participation in Infrastructure Project in order to encourage investment in infrastructure projects for private sectors. Applicable incentives are as follows:

- ① Five-year tax holiday for investment company
- ② Investment tax credit for shareholders: Unlike the incentives for emerging, important and strategic industries, both ① and ② may apply at the same time.
- ③ Cost deduction (5%~20%) for new equipment, technology, R&D and human resources development (5%-20%)

4) Investment in resource-poor or lesser-developed areas

- If a company invests up to a specific amount of its capital or hires a specific number of employees, it can earn tax credit for up to 20% of

the total investment against the corporate income tax payable.

- If the income tax payable is less than the exempted amount, the tax credit will be carried over for five consecutive years.

5) Establishment of Logistics and Distribution Centers

- When a foreign company, its branch in Taiwan or Taiwan company established a logistics or distribution center in Taiwan for the purpose of warehousing and processing goods to be sold in Taiwan, profits arising from the activities are exempted from income tax.

6) Free Trade Port

- Goods to be transported overseas into a free-trade port by a free-trade port enterprise for its operations are exempted from customs duty, commodity tax, business tax, tobacco and wine tax, public health and welfare dues on tobacco products, trade promotion services fees, and harbor service dues, whichever may be applicable.
- Machineries and equipment to be transported overseas into a free trade port by a free-trade port enterprises for its own use are exempted from all the taxes and charges provided, however, that the same are transported to a tax zone within five years after their entry into the free-trade port.
- If a free-trade port enterprise transfers its products from the free port to Taiwan domestic market, unless the products are shipped to another customs bonded area, the products will be considered "import" and subject to customs duty, commodity tax, business tax, as well as other taxes and charges.

7) Establishment of operational headquarters

- For a company that establishes its operational headquarters in Taiwan reaching a certain scale with significant economic effect, its income derived from providing management or R&D services (ex: royalties income, profit from investment and gain from disposition of properties), is exempt from business income tax. In addition, the company may acquire publicly owned land at preferential prices.

8) Acquisition of related technologies on operation and production

Taiwan offers the following tax incentives for technology transfers from foreign countries through the SUI (Statute for Upgrading Industries).

① Tax exemption on the payment of Royalty

② Five-Year Deferment on the Payment of Income Taxes on Stock Acquired in Exchange

: Domestic and foreign investors may choose to defer payment of income tax on their transfer of technologies until five years after they are allotted more than 20% of the Taiwan company's equity in exchange for technology transfer.

③ Stock Options on Stock Acquired in Exchange

: An enterprise can agree to issue stock options in exchange for patent and technology rights. When those who exchanged technology for stock options exercise these options, they must take as taxable income "the excess of the current price of the underlying stock on the exercise date over the options' subscription price after deducting the patent technology cost".

9) Reorganization

- Merged companies are exempted from taxes and corporate taxes imposed on stock trade after the merger, and may apply for tax exemption on curtailment of losses.
- The land value increment tax duly borne by the existing land title holder may be registered under the name of the merged company after the merger.

10) Preference for Overseas Chinese' Investment

- In the case of the death of an overseas Chinese who has obtained approval from the Investment Commission for his investment in Taiwan, 50% of the value of shares or equity approved by the commission could be exempted from Taiwan inheritance tax.

11) Indirect Tax Incentives for Science-Based Industrial Park, Economic Processing Zone, Bonded Factory, or Bonded Warehouse

Indirect Tax Incentives	EPZ	Science-Based Industrial Park	Bonded Factory/Warehouse
Import of raw materials, fuel, supplies, semi-finished material from foreign country	Duty Free VAT Free	Duty Free VAT Free	Duty Free VAT Free
Import of machinery	Duty Free VAT Free	Duty Free VAT Free	Dutiable 5% VAT, but VAT is

			refundable
Export of its products/services to foreign country	VAT Free	VAT Free	VAT Free
Purchase of raw materials, fuel, supplies, semi-finished materials, machinery from ROC tax areas	VAT Free	VAT Free	VAT Free

b) Non-tax R&D Incentives

1) Measures for encouraging the development of leading new products

① Contents

The government of Taiwan offers a subsidy of up to 50% of the cost of development and matching funds for the other half in order to encourage new product development by private manufacturers with R&D potential. The sum of the subsidy and fund may not exceed 50% of the total project costs.

② Application Qualifications

- ▶ Corporations must be established in accordance with the Company Law.
- ▶ Corporations must be financially sound.
 - The enterprise, its responsible party, and the spouse of the responsible party must have no official record of non-payment of a check in the year prior to application.
 - The enterprise, its responsible party, and the spouse of the responsible party must have no overdue or defaulted bank loans and no record of financial negligence with regard to an agreement

with the IDB.

- The enterprise must have a net worth of at least 50% the amount of paid-in capital.
- ▶ Applicant companies must have an R&D department with sufficient R&D specialists within Taiwan.
- ▶ The applicant must have an R&D performance record adequate to prove its ability to execute the development project and commercialize the resulting product.
- ▶ When two or more enterprises jointly submit the application, at least one enterprise must meet all the abovementioned qualifications and none of the affiliated enterprises should have official record of a bounced check or overdue loan.

③ Scope of Eligible Products

- ▶ Products of emerging high-tech industries such as communication, information, consumer electronic products, new high-tech products, aerospace, medical, healthcare, pollution prevention, high-tech materials, semiconductor, special chemicals and pharmaceutical products, precision machinery and automation.
- ▶ Products employing key technologies that surpass current standards of industrial technology in Taiwan
- ▶ Products that have a strong linking effect and good market potential, and that can stimulate the development of related industries.

2) Corporate Participation in the Development of Technology

The Ministry of Economic Affairs offers various R&D programs such as subsidy and labor to corporate R&D activities. Details and qualifications vary according to program, and the degree of support may also vary in each case.

- ① Industrial technology development program
- ② Industrial technology development alliance program
- ③ Strategic service oriented R&D program
- ④ Industrial technology innovation center program
- ⑤ Multinational innovative R&D centers in Taiwan²⁶⁾
- ⑥ Small Business innovation research program
- ⑦ IT applications promotion project

c) Low-interest loans

The Development Fund of the Executive Yuan offers subsidy to banks providing low-interest loans to companies by using their own assets in order to accelerate industrial development and sustainable economic growth.

Loans that qualify for a subsidy are as follows:

- ▶ Preferential Loans for the Procurement of Automated Machinery and Equipment

26) See R&D Environment for more details.

- ▶ Assistance Loans for the Upgrading of Small and Medium-sized Enterprises
- ▶ Loans to Private Enterprises for Pollution Control Equipment
- ▶ Preferential Loans for the Procurement of Energy-saving Equipment or Equipment Using Clean Energy
- ▶ Preferential Loans for the Revitalization of Traditional Industries

The government of Taiwan has also raised a total of NT\$100 billion from its new postal savings, and allocated the money to the Medium- and Long-Term Capital Loan Program for supporting companies investing more than NT\$200 million.

d) Government Participation in Investment

In accordance with the Statute for Upgrading Industries, the Executive Yuan manages the Development Fund to participate in private sector's investment projects, merger and acquisition. The fund is used to participate in projects for upgrading industries or improving industrial structure which are beyond the financial ability of private investors by means of offering loans or acquiring shares.

However, the Development Fund's participation in equity cannot exceed 49% of the total equity of the invested enterprise. After the objective of the investment has been achieved, the Development Fund's equity will be transferred to the private sector.

IV. Comparison of Investment Environment

A. Technology and the R&D Environment

1. Korea

Korea's technological competence and R&D environment are regarded as outstanding. The ITU²⁷⁾ rated Korea's national information society index to be the world's 3rd highest after Sweden and the USA. Such a high ranking is attributed to Korea's world-beating information and communication infrastructure, including the world's largest number of broadband Internet subscribers, and the third largest number of Internet service users and CATV subscribers. Korea is rated as one of the top advanced information societies by various world-famous organizations - Korea ranked fifth in the UN digital government index, eighth in the IDC information society index, and fourth in the ITU digital access index.

A survey of foreign invested companies conducted by Invest Korea has shown that 31.2% of the respondents are satisfied with Korea's R&D environment²⁸⁾, which means business environment is the best among other conditions in Korea.

i) Competitiveness of Technology and Science Infrastructure

In the IMD World Competitiveness Yearbook 2005, Korea ranked second in the world in technology infrastructure and 15th in science infrastructure. As shown below, Korea's technological competitiveness is largely attributed to outstanding IT infrastructure including broadband communication and Internet.

27) International Telecommunication Union

28) 50.8% Average. 10.% Dissatisfied

Main Competitive Factors of Korea's Technology Infrastructure

Classification	Category	Ranking
Advantages	Broadband Subscribers (Number of subscribers per 1000 people)	1
	Broadband Costs	2
	Internet Users (Number of internet users per 1000 people)	6
	Communications Technology	7
	Internet Costs	7
	High-tech Export	7
	High-tech Export (% of GDP)	8
	Investment in Telecommunications	8
	IT Technology	8
Disadvantages	Telecommunications Regulations	30
	High International Call Rates	32

Korea has the best broadband communication infrastructure and highest broadband penetration rate in the world. Needless to say, they are the key factors of Korea's technological competitiveness. Korea makes the eighth highest amount of investment in developing telecommunications technology, which is regarded as the 7th best in the world.

Korea's IT technology is not only one of the best in the world, but also accounts for a large percentage of Korea's economy. Since 1999, the Korean IT industry has accounted for over 30% of actual GDP growth.

Based on this, Korea currently has a total of 901 foreign R&D centers. The quality of human resources, advanced infrastructure and business environment are highly recognized as many major global companies like Microsoft, Motorola, IBM, Oracle and NOKIA have their IT R&D centers in Korea along with major machine makers including Siemens, Bosch and Volvo also have their R&D centers in Korea.

Such outstanding environment has greatly affected the Korean IT industry, and resulted in Korean businesses' having 47.1% memory

semiconductor, 41.4% of LCD panel, 41.4% of mobile phone, and 27.8% of mobile phone and 22.2% of digital TV market shares in the world.

As for scientific and technological competitiveness in which Korea ranked 15th in the world, Korea lack the resources for basic scientific research and intellectual property protection while showing strength in the percentage of R&D expenditures, number of patents pending, and productivity of patents. Today, Korean businesses are competitive particularly in the areas of information and communication, semiconductors and other electronic products largely because many companies continue to invest in these areas and obtain utility patents.

Main Competitive Factors of Korea's Science Infrastructure

	Category	Ranking
Advantages	Total R&D Expenditure	8th
	Total R&D Expenditure (% of GDP)	8th
	Private R&D Expenditures	6th
	Total R&D Personnel Nationwide	6th
	Number of Businesses' Researchers and Developers	7th
	Number of Patents	4th
	Patent Productivity (Number of Patents per Researcher)	2nd
Disadvantages	Science Degrees (Percentage of university degrees in science and engineering)	8th
	Degree of Contribution by Basic Science Research to Long-term Economic Development	31th
	Intellectual Property Rights	37th
	Intellectual Property Protection	

* Source of Data: IMD World Competitiveness Yearbook 2005

Korea has a high number of highly qualified researchers and developers quality as it ranked 6th in the world in the total number of researchers and developers and 7th in the number of corporate researchers and developers.

According to the Korea Industrial Technology Association, Korea had a total of 165,722 researchers and developers as of 2005. 63.3% of them have a Bachelor's degree, while 31.6% hold a Master's degree and

5.1% a PhD degree.

ii) Korea's Policies to Attract R&D Centers

The Korean government has established the KICOS (Korea Foundation for International Cooperation of Science and Technology) under the management of the Ministry of Science and Technology in order to attract foreign R&D centers. Along with the policies for becoming an R&D hub in Northeast Asia, the Korean government continues to attract foreign R&D centers by offering land and loans to foreign investors through the Foreign Investment Promotion Act and Technology Transfer Promotion Act.

As of the end of August 2005, Korea has attracted a total 898 foreign R&D centers, 140 of which are established with 100% foreign capital. Of note, the Korean government has succeeded in attracting a total of 525 foreign R&D centers in the past eight years since the economic crisis as a result of multilateral efforts.

Global R&D Centers in Korea

Percentage of Foreign Share	Year		Total
	Before 1997	After 1998	
10% or below	92	119	211
10-50%	167	248	415
50-100%	54	78	132
100%	60	80	140
Total	373	525	898

* Source of Data: Government Audit Report, Ministry of Science and Technology

Most of the R&D centers are established by major IT companies like Microsoft, Motorola, IBM Oracle and Nokia as well as machine makers including Siemens, Bosch and Volvo. A majority of these

companies have established an R&D center in Korea not to develop finished products, but to supply parts and components to large Korean corporations.

A survey of foreign R&D centers in Korea has shown that 68.4% of the foreign companies have set up an R&D center in Korea in order to develop new products and processes, while 21.1% of them have established an R&D center for the purpose of adapting to the Korean market and 5.3% to provide technical support to their production and marketing divisions.

In general, one of the main reasons why multinational companies establish an R&D center in a foreign country is to adapt to the local market and provide technical support to their production and marketing divisions. However, in the case of foreign R&D centers in Korea, their main purpose to develop new products and processes.

The Korean government's most representative policy to attract R&D centers is the 'Development of Infrastructure to Attract Foreign R&D Centers' that has been implemented by the Ministry of Commerce, Industry and Energy through Invest Korea since 2004. The main purpose this policy is to offer financial support for labor and training costs to foreign R&D centers that plan to expand or invest more in their R&D centers.

In 2005, the Korean government had decided to offer a total of 1 billion 970 million won in financial support to four foreign companies including National Semiconductor, Texas Instrument, ST Microelectronics and PKL. In 2006, three companies including AMD Korea, JATCO Korea Engineering and Balzers Korea Coating were chosen to receive a total of 1.2 billion won in labor costs for a total of 28 new researchers and foreign instructors dispatched to Korea.

Some of the main objectives of the policy are as follows:

① Purpose of Implementation: Attract leading foreign R&D centers and promote R&D activities, through which to develop technical human resources and technologies.

② Applied Areas

Business Type	Main Programs
Existing R&D centers that plan to build a new center, expand facilities or make further investments	<ul style="list-style-type: none"> ·Up to 80% of labor costs when Bachelors of Science (or Bachelor Students) are hired for more than two years. ·Up to 50% of living and training costs for foreign instructors dispatched to Korea for R&D training.

③ Qualifications

Foreign or foreign-invested companies in the categories specified by the Foreign Investment Promotion Act as well as domestic and foreign companies, research institutes or for and non-profit organizations with foreign capital that more than one qualification requirements listed below:

- Organizations with more than 100 researchers or branch offices in more than 10 countries.
- Companies or research institutes with global standard proprietary technologies, global marketing channels, capable of increasing exports or research results that can be used in Korea.
- Companies or research institutes that can develop qualified human resources through internal training programs.

④ Support Programs

- Support for Hiring Researchers

- Up to 80% of labor costs when a 2-year (or longer) employment contract is signed with a Korean with a Bachelor's or higher degree in science (including Bachelor students). However, up to 100 employees per company and up to 30 million won per person a year.
- Up to 50% of labor costs for up to three years when a researcher signs another three-year (or longer) employment contract after the termination of the original 2-year employment contract. However, up to 100 employees per company and up to 30 million per person a year.

- Support for Foreign Instructors

- Up to 50% of living and training costs during stay in Korea when a foreign instructor is dispatched to a qualified company or organization to take charge of training programs in Korea. However, up to 10 instructors per company and up to 50 million won per instructor a year.

⑤ Support Period

- The support programs in each area are offered for a limited period of time and can be renewed every year upon an annual evaluation.

Applicant organizations meeting abovementioned requirements will be assessed for commerciality, technological value and possibility of actual foreign investment by the screening committee before being selected to receive government funding through a contract.

2. Singapore

i) Competitiveness of Technology and Science Infrastructure

According to the IMD World Competitiveness Yearbook 2005, Singapore ranked third in the world in technology infrastructure and 18th in science infrastructure.

As shown in the table below, Singapore ranked very high in the aspects of developing and applying technology as well as funding technology development, while technology regulations also contribute to technology development. Such results, along with direct government funding for technology development through the EDBI, show how effective Singapore's policies are.

Although Singapore ranked relatively low in international call rates and percentage of GDP in telecommunications investments, Singapore still ranked very high in most major categories.

Main Competitive Factors of Korea's Technology Infrastructure

Classification	Category	Ranking
Advantages	Development and Application of Technology	1
	Funding for Technological Development	1
	Technical Regulations	2
	High-tech Export	5
	Percentage of High-tech Export among Product Exports (% of GDP)	2
	Broadband Communication Costs	5
	Internet Security	7
Disadvantages	International Call Rates	27
	Percentage of GDP in Telecommunications Investment (Percentage of GDP)	32

* Source of Data: IMD World Competitiveness Yearbook 2005

Main Competitive Factors of Singapore's Science Infrastructure

Classification	Category	Ranking
Advantages	Science Policies	1st
	Ratio of Degrees in Science and Engineering	1st
	Importance of Science in Schools	1st
	Number of Young People Interested in Science	2nd
	Basic Research	4th
	Number of Patents in Force (Per 100,000 People)	4th
	Degree of Intellectual Property Protection	7th
Disadvantages	Patent Productivity per Researcher	26th
	Number of Scientific Papers	37th
	Number of Patents Granted to Residents	38th

As for science infrastructure, Singapore ranked 1st in the world in the areas of science policies, ratio of degrees in science and engineering, importance of science education in schools, number of young people interested in science, basic research and degree of intellectual property protection. It shows that the Singapore government places much emphasis on scientific development and science education in schools. In particular, the ratio of degrees in science and engineering is 100%. Singapore is the only country in the world where every graduate student has a degree in science or engineering. However, being a small country, Singapore ranked low in the total number of science papers and patents.

ii) Singapore's R&D Policies

The government body in charge of R&D is A*STAR (Agency for Science, Technology and Research, www.a-star.edu.sg), which was established by reorganizing the NSTB (The National Science and Technology Board). A*STAR is in charge of implementing various policies

to make Singapore a hub of R&D and intellectual properties. Some of its main activities can be summarized into the following three categories. A*STAR is composed of the four divisions listed below:

- BMRC (Biomedical Research Council)
- SERC (Science and Engineering Research Council)
- ETPL (Exploit Technologies Pte Ltd)
- A*STAR Graduate Academy (A*GA)
- CPAD (Corporate Planning and administration Division)

Among them, the BMRC and SERC support the R&D activities of biomedical and engineering companies based in Singapore. Some of the main industries subject to support are as follows:

1) Four Main Biomedical Areas Subject to Support

- | | |
|-------------------|-----------------------|
| ① Pharmaceuticals | ② Biotechnology |
| ③ MEDICAL Devices | ④ Healthcare Services |

2) Four Main Science and Engineering Areas Subject to Support

- | | |
|-------------------------|-------------|
| ① Electronics | ② Infocomms |
| ③ Precision Engineering | ④ Chemicals |

In consideration of its small population and limited resources, Singapore chose to focus on R&D instead of trying to develop all the industries. The government of Singapore also has policies for attracting foreign researchers and developers in order to increase the pool of researchers. In the past few years, such policies have greatly contributed to attracting foreign investors to the biomedical industry and establish R&D centers in Singapore.

iii) Biomedical R&D Centers (Biopolis)

Since 1988, the government of Singapore has been implementing biomedical industry promotion policies starting with the 'National BT Plan'. Singapore has also organized a comprehensive management organization called A*STAR to make concerted efforts in the promotion of the biomedical industry in order to become a hub of the biomedical industry along with the medical industry, for which Singapore is already recognized as the hub.

The purpose of A*STAR's One-North Project is to have all the biomedical R&D facilities on one degree north latitude. The One-North Zone is about 15 minutes from downtown Singapore, 10 minutes from the national university, and 30 minutes from Changi International Airport, making it the most ideal place for R&D activities. The government of Singapore plans to invest a total of 15 billion won for a period of 20 years from 2003 to build an R&D city with research centers, businesses, commercial facilities and living facilities.

The government of Singapore has already invested a total of US\$300 million in the One-North Zone to build 'Biopolis'. The goal is to make 'Biopolis' the global hub of biomedical R&D in Asia.

The Biopolis Phase 1 completed in 2004 includes a total of seven large buildings with a total area of 185,000m². The seven buildings include apartment buildings that can house more than 8,000 resident researchers and families, hotels, shopping mall, restaurants, performance halls and other commercial facilities. It already houses the Genome Institute of Singapore, Novartis, GSK, Pfizer, Becton-Dickinson, Schering-Plough, Johns Hopkins, Baxter and other R&D centers of global pharmaceutical companies and medical institutions.

Biopolis Facilities

Area	
Site Area	39,908 m ²
Total Gross Floor Area	185,173 m ²
Area by Use	
Public Research Institute	115,000 m ²
Laboratory Areas	35,000 m ²
Office Areas	20,000 m ²
Commercial Areas	5,000 m ²
Utilities	10,000 m ²
Other Information	
Parking	890 Vehicles
Number of Building Blocks	7
Number of Floors	8~13

Along with electronics, chemicals and engineering, the biomedical industry is supported by the government of Singapore as one of the four key industries.

In 2005, the biomedical industry was the second largest sector next to the logistics market as it accounted for 18.3% of the added value of the Singapore manufacturing industry and its importance is growing rapidly. In terms of growth, biomedical is the second fastest growing industry next to logistics.

Added Values of Singapore's Manufacturing Sectors in 2005

(Unit: %)

Manufacturing Sector	Growth Rate in 2004	Growth Rate in 2005	Ratio to Added Value
Electronics Products	14.8	8.7	35.8 (1st)
Biomedical Manufacturing	25.7	10.7	18.3 (2nd)
Chemicals	7.9	2.7	14.0 (3rd)
Precision Engineering	7.7	5.6	12.4 (4th)
Transport Engineering	23.9	27.1	10.1 (5th)
General Manufacturing industries	-0.1	1.4	9.3 (6th)
Total Manufacturing	11.6	9.0	81.7
Excluding Biomedical Manufacturing			
Total Manufacturing	13.9	9.2	100

Based on the high growth rates, the government of Singapore aims to be home to a total of 15 global biomedical companies and become a hub of medical and pharmaceutical industries by 2010.

iv) Singapore's R&D Support Policies

Singapore currently offers the following programs to promote R&D activities, most of which are financial support for R&D activities. The qualifications and scope of each program are not specified, and financial support is provided upon the request of qualified businesses.

R&D Support Policies in Singapore

Type	Qualifications	Incentives
Research Incentive Scheme	<ul style="list-style-type: none"> ○ Develop or implement new R&D systems ○ Hire and train new engineers 	<ul style="list-style-type: none"> ○ Provide partial financial support for R&D expenses including engineers, equipment, intellectual property rights and professional services.
Innovation Development Scheme	<ul style="list-style-type: none"> ○ Technological and R&D activities accompanied by innovative facility investment ○ Manufacturers and service providers that innovate products, processes and technical applications 	<ul style="list-style-type: none"> ○ Provide 30~50% of expenses for labor, equipment, intellectual property rights and professional services.
Initiatives in New Technology	<ul style="list-style-type: none"> ○ Development and implementation of new technologies, know-how and new processes and other related activities 	<ul style="list-style-type: none"> ○ 50% of operational costs when new systems are implemented. ○ 70% of R&D and training expenses ○ Up to 70% of training costs

		related to business projects ○ Equipment and building costs required for the implementation of projects beneficiary to all other industries
Double Deduction for R&D Expenses	○ R&D expenses of qualified manufacturers and service providers (depreciation cost excluded) ○ R&D activities in Singapore	○ Double tax deduction on R&D costs for the commercialization of products made by locally registered companies.

The government of Singapore offers scholarship programs in order to develop R&D human resources. Support programs for training R&D human resources include the NSS (National Science Scholarship) and GS (Graduate Scholarship). The beneficiaries of these programs are required to work for a specific period of time at an organization in Singapore. However, the effectiveness of these programs is questioned since students who have received one of the scholarships usually end up working for a foreign research institute or university in Singapore instead of participating in the government's scientific R&D activities.

The National Science Scholarship is given by the Ministry of Trade and Industry since 2001 for the purpose of developing human resources in scientific research. Therefore, bachelor and PhD students as well as students in an International Fellowship program are given a scholarship and incentives. However, bachelor and PhD students who have received this scholarship are required to work at a government research institute for 6 years and 4 years, respectively, while students in an International Fellowship program are required to work at a government research institute for between one to two years.

3. Taiwan

i) Competitiveness of Science and Technology Infrastructure

Taiwan ranked high in the IMD World Competitiveness Yearbook 2005 as it ranked 5th in the world in technology infrastructure and 10th in science infrastructure.

Taiwan ranked second in the world in mobile phone penetration as there are 1,141 mobile phone subscribers for every 1,000 people. The country also ranked high in Internet penetration, broadband Internet users per 100 people, technology development budget funding, and the ratio of high-tech exports to manufactured exports. However, Taiwan ranked low in mobile phone rates, communication technology and Internet users per 1,000 people.

Main Competitive Factors of Taiwan's Technology Infrastructure

Classification	Category	Ranking
Advantages	Number of Mobile Phone Subscribers per 1000 People	2
	Internet Costs	3
	Number of Broadband Users per 100 People	4
	Funding for Technological Development	5
	Ratio of High-tech Exports to Manufactured Exports	6
	Ratio of Investment in Telecommunications to GDP	9
	Development and Application of Technology	14
Disadvantages	Number of Internet Users per 1,000 People	26
	Mobile Phone Rates	27
	Communications Technology	28
	Number of Computers per 1,000 People	31

* Source of Data: IMD World Competitiveness Yearbook 2005

Taiwan ranked 1st in the world in the number of patents per researcher, with 333 patents per researcher. Taiwan also ranked the highest in the importance of science education in schools, and number of young people interested in science. In short, Taiwan places great emphasis on science education. Taiwan ranked high not only in patent productivity, but also in the

number of patents per resident, and it has the highest number of patents per 100,000 residents.

However, Taiwan ranked relatively low in the areas of basic science and intellectual property protection, which in particular needs to be improved.

Main Competitive Factors of Taiwan's Science Infrastructure

Classification	Category	Ranking
Advantages	Patent Productivity per Researcher	1
	Importance of Science in Schools	2
	Number of Young People Interested in Science	3
	Number of Patents Granted to Residents	3
	Number of Patents in Force per 100,000 People	7
	Number of Researchers at Private Companies	10
Disadvantages	Intellectual Property Protection	27
	Basic Research	28
	Patents Pending in Foreign Countries	38

Thanks to the advanced technology and science infrastructure, Taiwan is achieving high performance in IT and high-tech products.

Number of Taiwan's Main ICT-related Shipments

Classification	Shipments in 2005 (Unit: 1,000)	Global Market Share
Notebook PC	41,500	72.4%
Desktop PC	36,627	29.2%
Mainboard	112,350	78.3%
Sub	2,430	32.8%
LCD Monitor	63,924	67.6%
CDT Monitor	26,005	53.6%
Optical Disk Drive	116,330	41.7%
Digital Camera	23,910	34.5%
Switch	149,003	59/0%
Router	19,193	89.2%
Cable Modem	14,559	66.3%
DSL CPE	40,170	70.9%
WLAN	104,069	83.0%

*Source of data: IDIC, as of March 2005

ii) Taiwan's R&D Policies

Taiwan offers various incentives for R&D promotion aimed at attracting investors. The most noticeable incentive is the Multinational Innovative R&D Centers in Taiwan Program.

Thanks to the program offered by the MOEA since 2002, a total of 23 multinational companies have established an R&D center in Taiwan. The multinational companies include some of the world leading companies like HP, Sony, Dell, IBM and Intel. The government of Taiwan plans to increase the number of multinational R&D centers by 40 and domestic R&D centers by 2007. The incentives are as follows:

① Human Resources Support

- The government of Taiwan allows a certain number of people to work at an R&D center instead of serving in the military (National defense industry service personnel)²⁹⁾. The number of qualified people may vary according to the need for researchers, defense policy and companies.
- R&D centers in Taiwan can hire researchers from China or other countries. As long as the number of Chinese researchers does not exceed 20, Chinese researchers can work in Taiwan for up to six years.

- The government of Taiwan allows R&D centers to hire more Chinese researchers as long as doing so can greatly contribute to Taiwan's industrial development.

- When hiring a foreigner with a master's degree and technical expertise, he/she does not have to meet certain qualification

29) Persons with a master's degree or higher and R&D capabilities are exempt from military duties.

requirements such as years of experience.

- Restrictions and procedures are eased and simplified when hiring Chinese.

② Funding Assistance

When making decisions relating to funding assistance, consideration will be given to the role which the government is to play in the R&D center plan, the benefits which the R&D center will bring to domestic industry, the undertaking made with respect to the application of overseas resources (human resources and technology) to Taiwan, etc. The R&D Center Program Review Committee will undertake a comprehensive appraisal and then decide on an upper limit for funding assistance. In principle, the provision of funding assistance for a given plan may not exceed three years. Types of funding assistance are as follows:

- Employment funding for hiring researchers.
- Labor costs and expenses for hiring foreign experts.
- Costs for renting an R&D center
- Costs for R&D cooperation with Taiwanese companies, universities and research institutes.

③ Tax Incentives

Tax incentives may be received according to the Statute for Upgrading Industries.

④ “One-stop Shopping” Single Service Window)

The government of Taiwan has opened a single service window for domestic and foreign companies establishing an R&D center in Taiwan. This window offers advisory services and helps to solve problems which require coordination between government agencies.

4. Comparison of data and ranking between Korea, Singapore and Taiwan

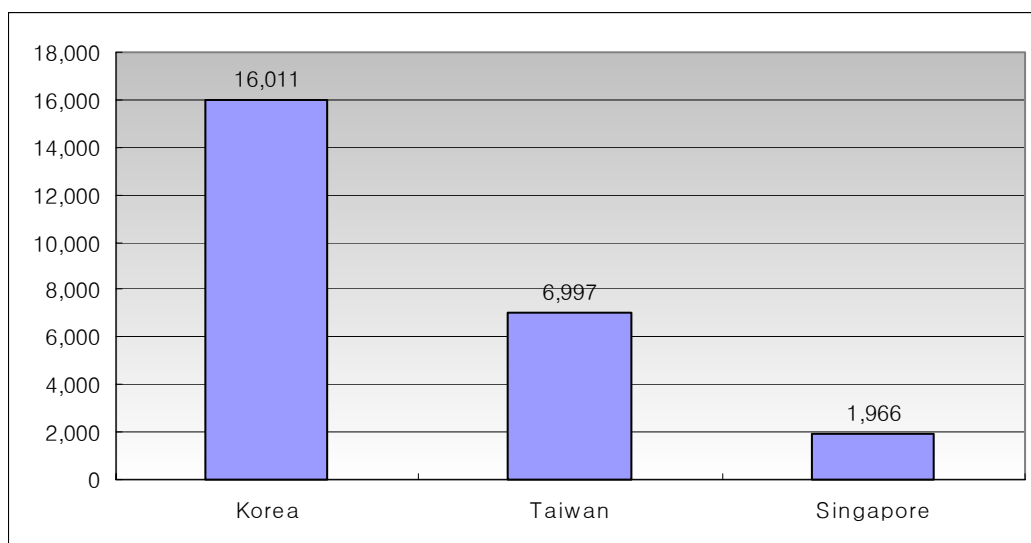
The comparisons of rankings and statistical data in the IMD World Competitiveness Yearbook are as follows:

Comparison of Technology and Science Infrastructure

Country	Technological Infrastructure	Scientific Infrastructure
Korea	2	15
Singapore	3	18
Taiwan	5	10

* Source of Data: IMD World Competitiveness Yearbook 2005

Total Expenditure on R&D

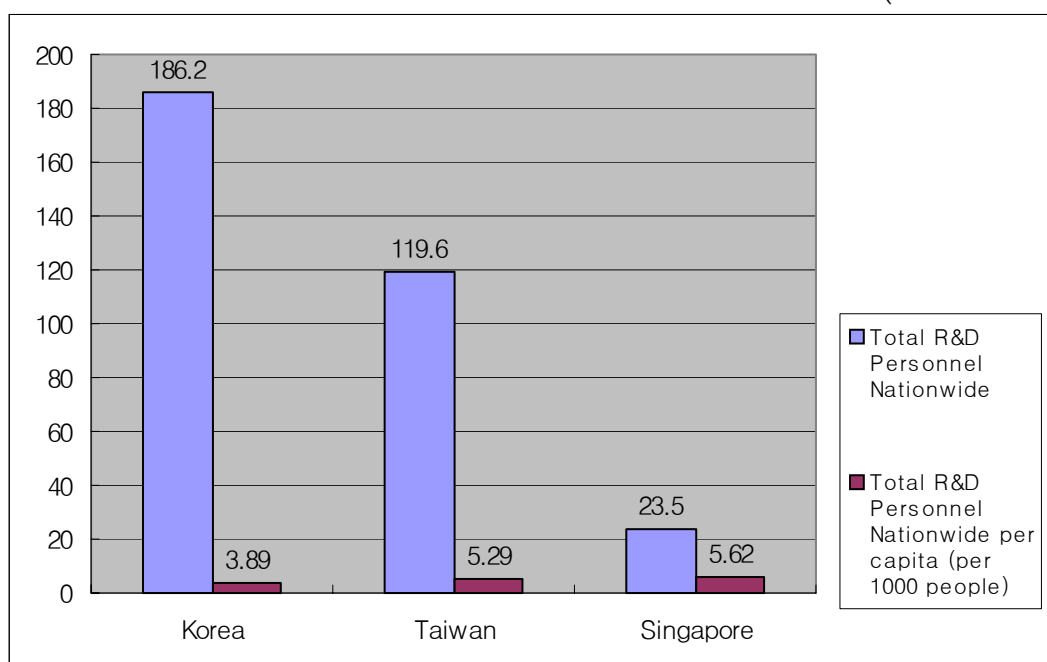


Country	Total R&D Expenditure (US\$ million)	Ratio to GDP (%)
Korea	16,011	2.64
Taiwan	6,997	2.45
Singapore	1,966	2.13

* Source of Data: IMD World Competitiveness Yearbook 2005

Total R&D Personnel Nationwide

(Unit : People)



* Source of Data: IMD World Competitiveness Yearbook 2005

* Note: Parenthesized items are in the order of Total R&D Personnel Nationwide and Total R&D Personnel Nationwide per capita

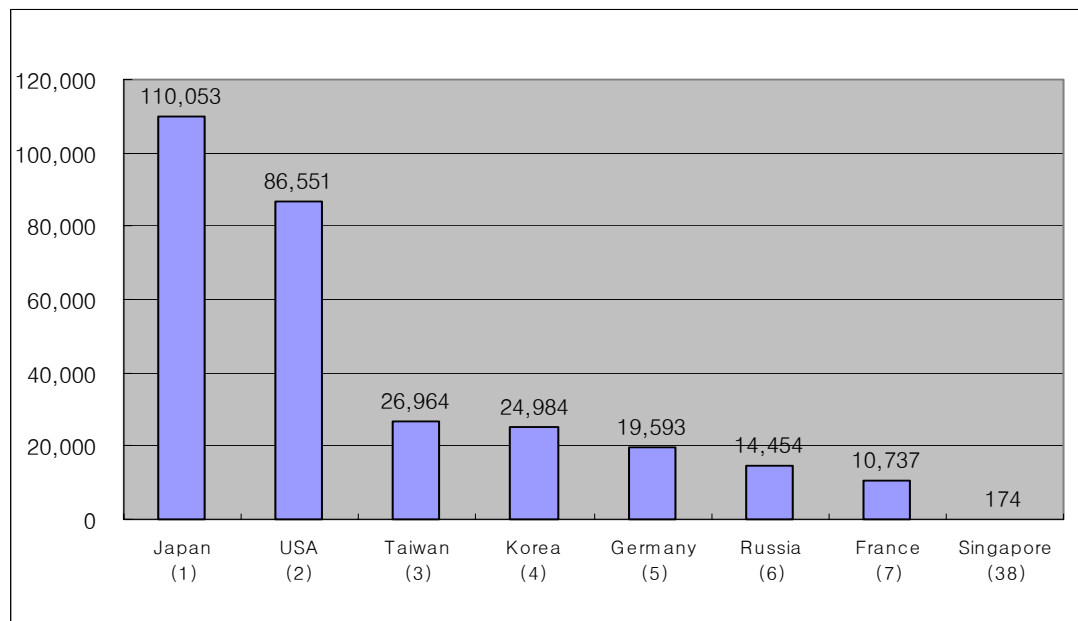
Ratio of College Graduates with a Degree in Science or Engineering & Number of Scientific Articles Published

Country	Science Degrees (% of total first university degrees in science and engineering)	Number of Science Articles Published
Korea	46.18%	11,037
Singapore	100%	8,082
Taiwan	41.41%	2,603

* Source of Data: IMD World Competitiveness Yearbook 2005

Patents granted to residents

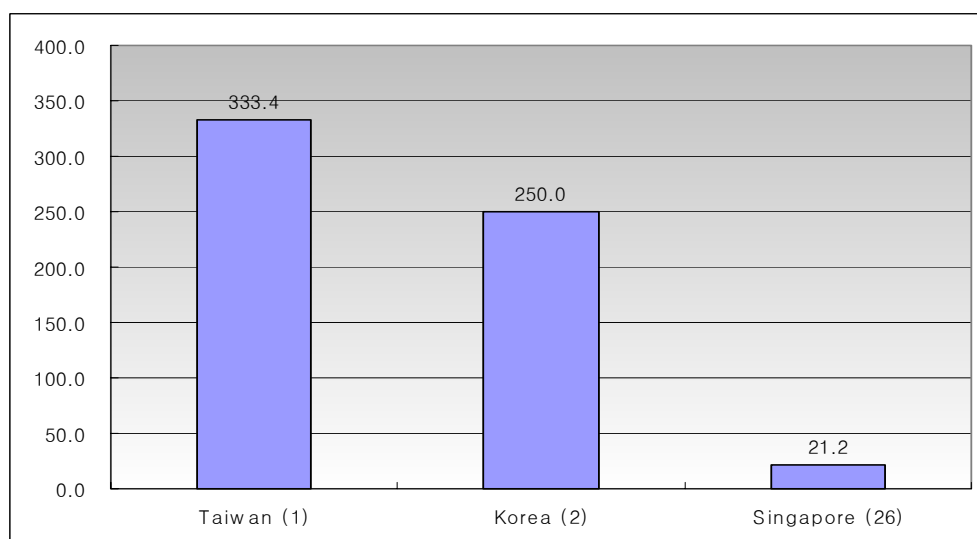
(Unit: Patents, Ranking in Parenthesis)



* Source of Data: IMD World Competitiveness Yearbook 2005

Patent Productivity per Researcher(Unit: Number of Patents per Capita/R&D Personnel³⁰⁾

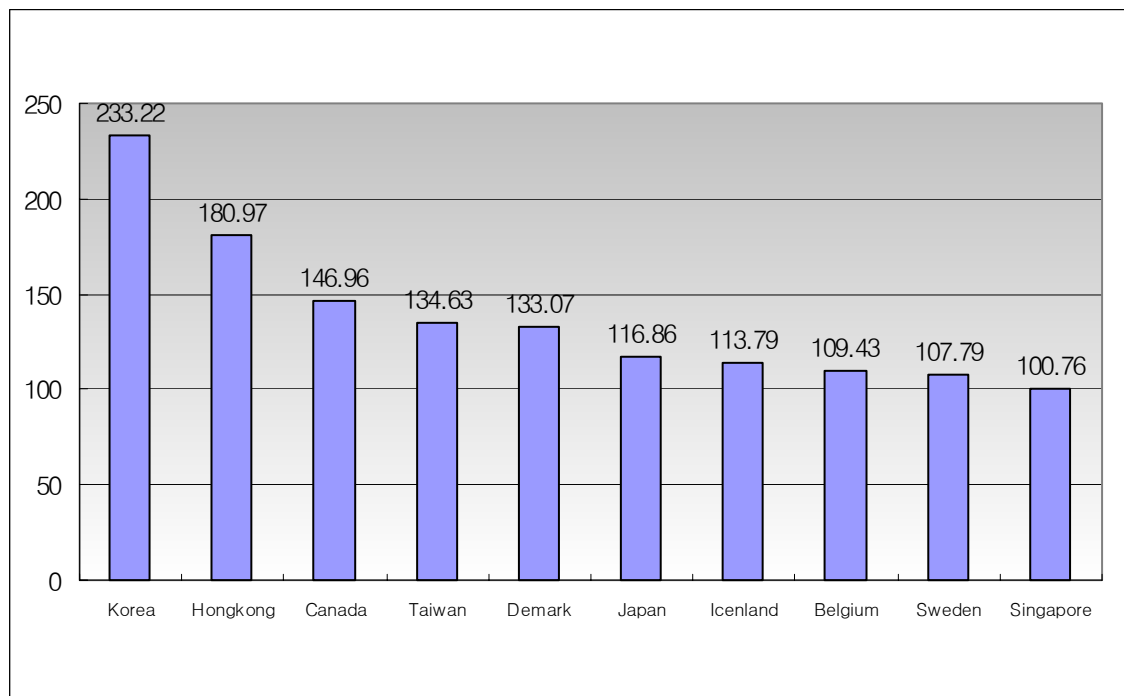
Ranking in Parenthesis)



* Source of Data: IMD World Competitiveness Yearbook 2005

30) Patent granted to residents / R&D personnel in business

Number of broadband subscribers per 1000 inhabitants



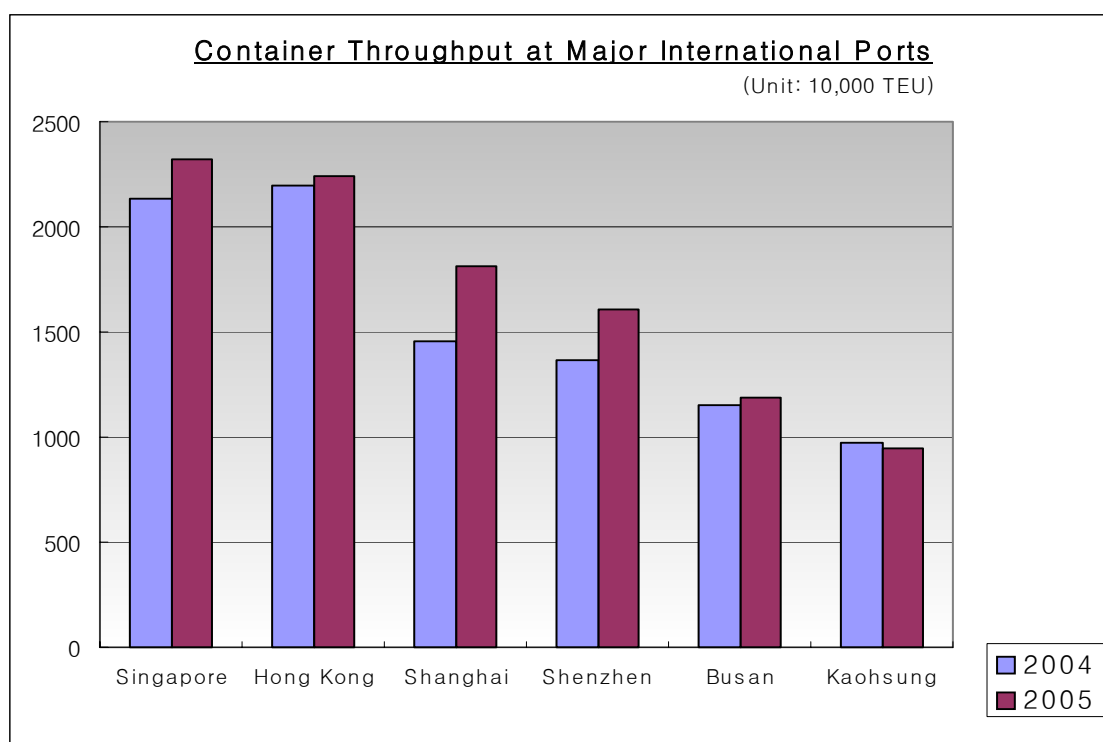
* Source of Data: IMD World Competitiveness Yearbook 2005

B. Logistics Environment

1. Korea

i) Marine Transportation

Korea is situated in the center Northeast Asia and near the three major arterial trade routes, making it the best logistics hub. While being the largest port in Korea, Busan Port also serves as a gateway to the Pacific Ocean and Asian Continent.



Port	2004	2005	Increase Rate
Singapore	2133 (2nd)	2320 (2nd)	8.7
Hong Kong	2193 (1st)	2242 (1st)	2.3
Shanghai	1457 (3rd)	1809 (3rd)	24.3
Shenzhen	1363 (4th)	1609 (4th)	18.7
Busan	1149 (5th)	1184 (5th)	3.0
Kaohsiung	971 (6th)	947 (6th)	-2.5

Busan Port ranked fifth in the world in container handling in 2004 and 2005. The container throughput at Busan Port has been increasing 10.1~17.1% every year since 2001, but has slowed down to 3.0% from 2004 to 2005.

As shown in the table above, the shipping volumes in Korea, Taiwan and other neighboring countries were affected by the rapid growth of ports in China such as Shanghai and Shenzhen. Also, a large portion of import/export shipments to/from Greater Seoul comes through Incheon Port or Gwangyang Port instead of Busan Port. It's also because more ships departing from Japan go directly to China.

About 40% of shipments at Busan Port are delivered to mainland China. The number of containers transferred through Busan Port has been increasing by an average of 19.4% for four years since 2001. In 2005, Busan Port handled a total of 5 million 176.9 thousand containers.

Some experts predict that the increase rate shipments at Busan Port will decline as China is expanding its ports. However, there are still short-term growth factors for Busan Port such as China's fast economic growth, service expansion due to new shipping routes, terminal owners' continued efforts for productivity improvement, and increased volume of shipments due to Japan's economic recovery.

The City of Busan plans to expand its port by 30 more berths by 2011 by building a new port. Busan Port currently has 21 berths and handles 80% of total shipments arriving/departing Korea. In 2004, Busan Port handled nearly twice its normal annual capacity of six million TEU. Busan New Port has opened three berths in December 2005.

Next to Busan Port are Gwangyang Port located southwest of Korea and Incheon Port near Seoul, which are the second and third largest ports in Korea also serving as logistics hubs. Both of the ports are showing rapid growth in container throughput as the volume of trade with China continues to increase. Gwangyang Port handled a total of 1

million 437 thousand containers in 2005, which is 9.2% higher than 2004, while Incheon Port processed 1 million 115.3 thousand container with a growth rate of 23.4%.

Incheon Port has a total of 78 berths and handles 16% of total shipments to/from Korea, 79% of shipments to/from Seoul and 15% of shipments to/from China. The port is located near three expressways stretching from north to south and west to east, as well as four national roads connecting to Seoul and Suwon. There are a total of eight industrial complexes and more than 9,000 factories that are major exporters in Korea.

Opened just three years ago, Gwangyang Port in Jeollanam-do became the second largest port in Korea next to Busan Port and is on its way to becoming a major logistics hub in Northeast Asia. With the water 14~15m deep and surrounded by natural breakwaters, it is one of the safest ports with almost no natural disasters. The port currently has a total of 12 berths with seven more under construction. The port has huge potential for growth since the shipping costs to Seoul, Jungbu and Honam are 65,000 won, 114,000 won and 270,000 won cheaper per TEU when compared to Busan Port.

ii) Air Transportation

Opened in March 2001, Incheon International Airport is a major international airport with 60 airlines and 133 destinations (as of 2005).

Transportation Performance of Incheon International Airport

Classification	2000 (Before Incheon Int'l Airport Opened)	2005
No. of Airlines	35	60
No. of Destinations	95	133

* Data provided by: Incheon International Airport

Incheon International Airport ranked 3rd and 10th in the world in cargo and passenger volume in just four years since it was opened in 2004.

Rankings of International Airports

Ranking	Airport	Country	Cargo Volume	Cargo Volume in 2004	Ranking in 2004
1st	Hongkong Int'l Airport	Hong Kong	3,408,000	3,119,008	1st
2nd	Narita Int'l Airport	Japan	2,232,687	2,373,133	2nd
3rd	Incheon Int'l Airport	Korea	2,149,689	2,133,444	4th
4th	Ted Stevens Anchorage International Airport	USA	2,015,957	2,252,911	3rd
5th	Frankfurt Int'l Airport	Germany	1,836,021	1,838,894	5th
6th	Singapore Changi Airport	Singapore	1,833,721	1,795,646	6th
7th	Chiang Kai-shek Int'l Airport	Taiwan	1,692,448	1,701,020	7th

* Data provided by: Airport Council International

Incheon International Airport has been showing a high annual growth rate of 7.3% in cargo volume, as its average daily volume of

cargo transportation reached over six thousand tons in 2005 whereas it was about four thousand tons in the first year of business. The total volume of cargo transportation has increased from 1.18 million tons in 2001 to 2.15 million tons in 2005. In the case of Changi Airport in Singapore, its total volume of international cargo transportation in 2001 was about 96% of the total volume of Incheon International Airport, but the percentage went down to 83~85% after 2004.

The number of passengers has been steadily increasing every year except in 2003 where there was the SARS crisis, as the number rose from 14.54 million in 2001 to 26.05 million in 2005.

Passenger and Cargo Throughput at Incheon International Airport

Year	No. of Passenger	Cargo Throughput (Ton)
2001	14,540,000	1,180,000
2002	29,200,000	1,700,000
2003	19,79,000	1,840,000
2004	24,080,000	2,130,000
2005	26,050,000	2,150,000

According to the IATA (International Air Transport Association), Korean Air ranked first in the world in international air transportation in 2004, while the German airline Lufthansa has been the largest airline in air transportation for the past 19 years.

Also, air transportation has been representing a major portion of the Korean economy, as it accounted for US\$86.1 billion in exports and US\$72.7 billion in 2005. So air transportation ranked first in trade volume over Busan Port. Air transportation accounts for 29% of the total trade volume (US\$547.5 billion), and the volume of air transportation is 3.8 higher than Incheon International Airport. Not only that, 98% of semiconductors, 85% of mobile phones and 68% of computers are exported through Incheon International Airport.

Besides external growth, Incheon International Airport is also

recognized as the best service provider in the world. Incheon International Airport was voted as the 'Best Airport Worldwide' at the International Forum on Airport Quality Service 2006³¹⁾ jointly hosted by the IATA and ACI. It was also chosen as the 'Best Airport in Asia', 'Largest Airport Worldwide' and 'Fastest Growing Airport'. Incheon International Airport was recognized for having by far the most comfortable airport environment, clean terminals, parking lots, convenient lounge, convenient and cheap restaurants and shops. The quality of its services is highly recognized as well, as it was selected as the readers' choice of international airport in the January 2005 issue of the international travel magazine Global Traveller.

Also, according to the assessment of the quality of customs service of 69 major international airports conducted by the ACI, Incheon International Airport Customs Service ranked first in the world in the fourth quarter of 2005 and first quarter of 2006 as the friendliest customs

31) The results of this meeting are as follows:

Airport Service Excellence Awards for 2005

Category	1st place	2nd place	3rd place
Worldwide			
Best Airport worldwide	Incheon	Singapore /Hong Kong	Kuala Lumpur
Best Domestic Airport	Halifax	Ottawa	Athens
Most Improved Airport	Incheon	Vancouver	Singapore
Best Airport by Region			
The Americas	Halifax	Ottawa	Denver
Asia/Pacific	Incheon	Singapore /Hong Kong	Kuala Lumpur
Europe	Brussels /Copenhagen	Zurich	Helsinki
Middle East/Africa	Dubai	Cape Town	Durban
Best Airport by Traffic Volume			
0-5 million passengers per year	Halifax	Ottawa	Malta
5-15 million passengers per year	Nagoya	Christchurch	Helsinki
15-25 million passengers per year	Kuala Lumpur	Dubai	Brussels /Copenhagen
Over 25 million passengers per year	Incheon	Singapore /Hong Kong	Denver

service in the world. Chek Lap Kok Airport (Hong Kong International Airport) ranked second, while Changi Airport in Singapore, Abu Dhabi Airport and Dubai Airport in the UAE ranked 3rd, 4th and 5th, respectively.

Compared to other airports in foreign countries, it's cheap to use services at Incheon International Airport because the construction cost was relatively low since it's built on reclaimed land. Service fees at Incheon International Airport are about 70% of that of Chek Lap Kok Airport and only 35% of Kansai International Airport in Japan.

The Korean government plans to complete the 2nd phase of the airport construction about seven months ahead of schedule whereas it was originally scheduled for completion at the end of 2008 in order to gain advantage over Japan, Hong Kong and China, and make Incheon International Airport a central hub airport in Northeast Asia. Once the second phase of the construction is completed, Incheon International Airport's cargo capacity will be increased from current 2.84 million tons to over 4.2 million tons in 2008.

Airport Capacity and Facility Expansion Plans

Classification	1st Phase (2001)	2nd Phase (2008)	Final (2020)
Passenger	30 Million	44 Million	100 Million
Cargo	2.7 Million Tons	4.5 Million Tons	7 Million Tons
Land	2,900 Acres	5,270 Acres	11,720 acres
Runways	2	3	4

iii) Railroad and Road Transportation

With the opening of the Korea Train Express in April 2004, Korea became the world's fifth country to have a high-speed express trains next to France, Japan, Germany, and Spain. The KTX service has significantly changed people's lives, as people can go anywhere in Korea in just two hours. Currently there are two railways: Gyeongbu Railroad that connects Seoul and Busan and Honam Railway between Seoul and Mokpo. In terms of economic effects, the train express service has increased the passenger capacity by 3.4 times and cargo transportation by 7.7 times. It is estimated that the KTX, which has reduced the transit time between Seoul and Busan from 4.5 hours to two hours and 40 minutes, will save over 2.4 trillion won's worth of time and transportation costs each year. Seoul is now connected to all parts of the country with the existing railway networks including the Seoul-Busan, Janghang-Honam, Jungang, Donghae-Nambu, Jeolla- Gyeongjeon, Gyeongchun, and Gyeongbu lines.

2. Singapore

i) Marine Transportation

Singapore is a port city that has evolved into a free trade zone as a transportation hub in Southeast Asia. Hong Kong Port had been the largest port in the world for seven years until it lost the title to Singapore in 2005. In 2005 alone, Singapore Port recorded 23.19 million TEU, which is 8.7% higher than 2004. Due to the rapid growth of Shenzhen Port, Hong Kong Port slowed down the growth last year, becoming the 2nd largest port with 22.43 million TEU with an annual increase rate of only 2%.

Container Throughput at Singapore Port

Year	Shipping Tonnage	Container Throughput	Bunker Volume
Unit	Million GT	Million TEU	Million Tons
2001	960.1	15.57	20.35
2002	971.7	16.94	20.10
2003	986.4	18.41	20.81
2004	1,042.4	21.33	23.57
2005	1,151.8	23.19	25.48

* Data provided by: THE STRAITS TIMES and THE BUSINESS TIMES
(2006. 1. 13)

The shipping tonnage in Singapore reached 1 billion 151.8 million tons with a 10.5% increase from the previous year while the bunker volume also increased by 8% to 25.48 million tons in a year, making Singapore the largest port in the world. Every year, more than 150,000 ships dock at Singapore Port, where there are over 400 shipping companies sending their ships to some 700 ports worldwide. In every aspect including port facilities, container throughput capacity and

efficiency, Singapore is a true international port. Singapore Port currently has 42 berths, which will be increased to 80 by 2011. The port also boasts of having 133 cranes and the capacity to handle 109 containers in an hour.

Singapore Port also serves as an crude oil transportation center and refinery center, thanks to its excellent location. Major oil companies like Shell, Caltex, British Petroleum and Mobil refine more than one million barrels of oil, making Singapore the hub of oil and chemical transportation. It's the result of a good investment by using its geographical advantage of being situated in the Strait of Malacca, the center of Asia, Middle East, Africa and Europe where every oil tanker must pass through.

Exxon Mobil and Royal Dutch Shell are planning to build their ethylene factory in Singapore, while Korea-based SK Corporation has also invested a total of US\$200 million to build a tank and pier in Singapore to store up to 5.3 million barrels by October 2006.

ii) Air Transportation

Singapore has two airports: Changi International Airport and Seletar Airport. While Changi International Airport is used to transport cargo and passengers, while Seletar Airport offers charter and other air services.

In 2005, Changi International Airport had a more than 32 million passengers, which is 6.8% higher than the previous year, and handled 1.83 million tons of cargo, which is about 3.3% higher than the year before. This makes it the sixth largest airport in the world and fourth largest in Asia next to Hong Kong, Narita and Incheon.

Four airliners started landing their planes at Changi Airport in 2005, and a total of 12 highways pass through the city. As a result,

Changi International Airport became a major international airport connecting 57 countries and 180 cities.

Transportation Performance of Changi International Airport

Classification	2005
No. of Airlines	83
No. of Destination Cities	180
Passenger Transportation (Annual)	32 Million
Cargo Transportation	1.83 Million Tons

* Data provided by: <Economic Survey of Singapore 2005>, Ministry of Trade and Industry of Singapore, p.86

Changi Airport is recognized as an airport that provides best services by a number of aviation magazines. At the International Forum on Airport Quality Service hosted by the IATA and ACI in 2006, it ranked second along with Hong Kong. Also, in an assessment of the quality customs services conducted by the ACI on 69 airports, Changi International Airport ranked 3rd next to Incheon International Airport in Korea and Chap Lap Kok Airport in Hong Kong.

In preparation for the rapidly increasing number of passengers and volume of cargo, Singapore has invested a total of 1.5 billion Singapore dollars to build the third terminal by 2008. Once its completed, the airport will be able to handle about 20 more million passengers a year, or a total of 64 million passengers a year.

Also, the second terminal has been under renovation since 2005 with a total budget of S\$240 million in order to upgrade the quality of airport terminal, passenger lounge, stores and restaurants. Singapore continues to invest in improving the quality of airport services.

Besides Europe, Changi International Airport was the first airport to land Airbus A380. The airport is currently making facility

improvements in order to land the Airbus A380 for commercial purposes from the end of 2006.

3. Taiwan

i) Marine Transportation

Taiwan is located in the middle of East Asia and in the middle of Southeast Asia and Northeast Asia. Accordingly Kaohsiung Port in Taiwan has been serving as a logistics hub in Asia.

In 2005, Kaohsiung Port became the sixth largest port in the world in container throughput by handling a total of 9.47 million TEU. However, the total container throughput at Kaohsiung Port has decreased by 2.5% from 9.71 million TEU in 2004. It's largely due to the rapid two-digit growth of Shanghai Port (28.3%) and Shenzhen Port (18.7%) in China, thus reducing the volume of containers passing through Taiwan.

As of December 2004, a total of 220 ships (over 100GT) have docked in Taiwan. Taiwan Port handled a total of 2 million 257 thousand tons of cargo and 3 billion 940 million passengers in the same year.

Taiwan currently has a total of four international ports including Kaohsiung Port, Keelung Port, Taichung Port and Hualien Port.

Among the four ports, Kaohsiung Port is by far the largest port in Taiwan located on the southwest coast of Taiwan. With a total length of 17,083m and 77 piers, up to 142 ships can dock at the same time. Kaohsiung Port has four container terminals, 18 containership berths, 35 mobile cranes and 185ha of container yard.

Located about 24km northeast of Taipei, Keelung Port with many natural advantages is the second largest port in Taiwan and also the gateway to Taipei. With a total of 40 piers and 3 mooring buoys, it can dock 14 20,000TEU containerships. The east terminal includes a container yard (198,694m²) that can store up to 10,152 TEU of containers. It has a 10-year plan to expand the port including the construction of berths for 200,000dwt ships.

Located in the center of Taiwan, the port is situated between Kaohsiung and Keelung.

Four Major International Ports in Taiwan

Port	Main Characteristics	Advantages
Kaohsiung Port	1) Located right in the middle of European, Asian and American routes. 2) Deep water	1) Handles 2/3 of total container throughput in Taiwan 2) Free Trade Zone
Keelung Port/Port of Taipei	1) A major port in Northern Taiwan with excellent natural advantages 2) Asia and Oceania are the main targets	Free Trade Zone
Taichung Port	1) Located on the west coast of Taiwan 110 nautical miles from both Keelung Port in Northern Taiwan and Kaohsiung Port in Southern Taiwan. 2) Main port in Central Taiwan	1) Free Trade Zone 2) Logistics, tourist and many other services
Hualien Port	1) The only international port in Eastern Taiwan 2) Artificial port protected by breakwaters	Has 25 piers

Kaohsiung Port, Keelung Port, Taichung Port and Port of Taipei are all designated as a Free Trade Zone. Accordingly, all the four major ports in Taiwan have a single-window that guarantees free trade and freedom of business for foreigners. The government of Taiwan is taking full advantage of these ports to attract foreign investors.

ii) Air Transportation

Taiwan has a total of two international airports and 14 domestic airports. Chiang Kai-shek (CKS) International Airport located about 40km of Taipei is the main airport of Northern Taiwan, and Kaohsiung International Airport is the main airport of Southern Taiwan. In 2004, airports in Taiwan handled a total of 329,632 domestic airlines and 175,230 international airlines.

CKS International Airport on a stretch of 1,223 hectares of land can handle up to 29 million passengers and 1.84 million M/T of cargo a year. As of the end of 2004, the airport handled 20 million 80 thousand passengers and 1.7 million M/T of cargo. Once the Taoyuan Air Cargo Park currently under construction on 45 hectares of land is completed, it will be able to handle a total of one million M/T of cargo.

In 2005, by handling a total of 1,692,448 tons of cargo, it became the 7th largest airport in the world and 5th largest airport in Asia next to Hong Kong, Narita, Incheon and Changi international airports in terms of international shipping.

Major Airports in Taiwan

Airport	Total Area	International Passenger Capacity	Cargo Capacity	Passenger and Cargo Throughput (End of 2004)
Chiang Kai-Shek International Airport	1,223 Hectares	2.9 Million	184M/T	20.08 Million Passengers 1.7 Million Tons
Kaohsiung International Airport	244 Hectares	6.09 Million	100,000 M/T	3.02 Million Passengers 78,000 Tons

* Data provided by: Department of Aviation and Navigation

iii) Road and Railroad Transportation

Taiwan has a 'round-the-island rail network' connecting the whole island along the major cities in eastern and western regions.

On top of that, the government of Taiwan is planning to open the 345km-long high-speed railway connecting between northern and southern regions and passing through major cities in Western Taiwan. The Taiwan High Speed Rail Consortium has invested a total of US\$15 billion to build the railway by October 2006. Once the railway construction is completed, it will drastically reduce the travel time between 14 major cities³²⁾ and counties from Taipei to Kaohsiung.

Railways in Taiwan

(Unit: 1,000M/T, 1,000 Ton-kms, NT \$1,000

1,000 passengers, 1,000 passenger-km, NT \$1,000)

Item		2002	2003	2004	2005
Passenger Service	Number of passenger	175,341	161,426	168,473	169,561
	Pass-kilometer	9,665,658	8,726,391	9,358,916	9,499,671
	Revenue(NT dollar)	15,708,939	14,232,535	15,355,077	15,630,753
Freight Service	Ton	12,148	11,198	11,842	13,044
	Ton-kilometer	919,053	845,530	898,115	973,598
	Revenue(NT dollar)	1,099,130	1,007,698	1,073,648	1,156,815

* Data provided by: Ministry of Transportation and Communications, Monthly Statistics of Transportation & Communications

Most of national highways in Taiwan are in Western Taiwan³³⁾.

32) Taipei, Banciao, Taoyuan, Hsinchu, Taichung, Chiayi, Tainan and Zuoying. Four stations (Nangang, Miaoli, Changhua, and Yunlin Stations), Kaohsiung

33) National highways in Taiwan (National highways, As of the end of 2004.)

- a. No. 1 (Keelung City – Siaogang, Kaohsiung): 373.2 km, 1978
- b. No. 2 (C.K.S. Airport – Yingge, Taipei): 20.4 km, 1997
- c. No. 3 (Dawulun, Keelung City – Linbian, Pingtung): 432.0 km, 2004
- No. 3A (Da-an, Taipei City – Shengkeng, Taipei): 5.6 km, 1996
- d. No. 4 (Cingshuei, Taichung – Fongyuan City): 18.5 km, 2001
- e. No. 5 (Nangang, Taipei City – Su-ao, Yilan): 54.3 km, 2006
- f. No. 8 (Annan, Tainan City – Sinhua, Tainan): 15.5 km, 2000

The government of Taiwan is currently extend the Taipei-Yilan National Highway, West Coast National Highway, and East-West National Highway in order to balance the economic growth of Western and Eastern regions.

Length of Roads in Taiwan

(Unit: Km)

Year	Total Length	Sub -Total	National	Provincial	County	Rural	Exclusive	Urban	Road Density (m/km ²)
	Road No.		1-10	1-28, 61-88	101-205	-	-	-	-
2000	35,931	20,375	608	4,447	2,455	12,475	390	15,556	998
2001	36,698	20,654	718	4,515	3,401	11,630	390	16,044	1019
2002	36,978	20,816	789	4,573	3,426	11,613	415	16,162	1027
2003	37,642	20,947	872	4,621	3,426	11,613	415	16,695	1046
2004	38,197	20,994	901	4,680	3,359	11,639	415	17,203	1061

* Data provided by: Ministry of Transportation and Communications, Statistical Abstract of Transportation and Communications.

* Note: Urban roads include streets and paved roads with a width of over 6m.

g. No. 10 (Zuoying, Kaohsiung City – Cishan, Kaohsiung): 33.8 km, 2000

f. Under construction: No. 6 (Wufong, Taichung – Puli, Nantou)

C. Medical Environment

1. Korea

i) Medical Services in General

Medical services in Korea are satisfactory, and particularly medical facilities and services at university and general hospitals are considered very good. According to a survey by Invest Korea, 39.6% of non-Koreans expressed satisfaction with medical services Korea and said they are most satisfied with medical services among other living conditions in Korea. The degree of satisfaction has increased significantly when compared to 2003 when only 26.8% of foreigners in Korea gave positive feedback. However, 56.4% of the respondents answered that Korean doctors need to improve their English skills, which is an indication that there is an urgent need for better communication between doctors and patients.

As for medical communication in English, doctors at most privately owned hospitals do not speak English, while there are some doctors at general hospitals who can communicate in English. This is the main reason why most foreigners in Korea favor clinics for foreigners at general hospitals or clinics exclusively for foreigners. However, medical costs at hospitals and clinics for foreigners are higher since foreign patients at these hospitals and clinics are not covered by the National Health Insurance while Korean patients are. Some people see this as a discrimination against foreigners.

ii) Foreign Patients

According to a survey by the Korea Tourism Organization, only 0.2% of the 100,000 foreigners who visited Korea in 2005 came to Korea for medical treatment. The percentage hardly changed from 2004, 2003 and 2002.

However, due to high-quality medical services, the number of foreign patients in Korea continues to increase. In 2004, Seoul Samsung Hospital had 5,648 foreign patients, Seoul University Hospital 5,000, Seoul Asan Hospital 4,080 and Yonsei Severance 10,669.

Besides foreigners who are staying in Korea for a long period of time, the number of foreigners who come to Korea for sterilization, plastic surgery and spinal surgery is also increasing. It's because hospitals in Korea offer high-quality medical services, particularly in some of the specialized areas. In the case of Urideul Hospital that specializes in spinal surgery, a total of 411 foreign patients went to the hospital in 2005 while the hospital treated only 192 foreign patients in 2003. The hospital is one of very few hospitals in Korea that offers one-stop services to foreign patients, such as visa application, airport pick-up and even travel agency recommendation.

iii) Government Policy for Attracting Foreign Patients

According to a survey by the Korea Health Industry Development Institute, the small number of foreign patients in Korea is largely due to lack of information (26.6%), regulations on attracting patients and medical advertisements (20.8%) and lack of people who specialize in attracting medical tourists (15.6%). In other words, while Korea is regarded as one of the best countries to treat cancer and undergo organ transplant

surgery, there is an insignificant number of policies and programs to back this up.

To this, the Ministry of Health & Welfare has decided a policy to improve related systems and program within 2006. The ministry also made it easier to obtain a visa and reduced visa requirements for Chinese visiting Korea for medical treatment.

The government has also decided to allow brokers to receive commissions from hospitals for bringing foreign patients. According to the current medical law, it's illegal to bring Korean or foreign patients to a hospital for a commission. Anyone caught committing this crime can receive up to three-year jail sentence or pay a fine of less than 10 million won.

The Korean government has also decided to ease regulations on medical advertisements. Currently, hospitals can only advertise the hospital name, number of doctors and other general features. However, according to the new law, hospitals can advertise just about anything as long as it's not a false, exaggerated or negative ad. Once the new law comes into effect, hospitals will be able to advertise their medical services, introduce certification organizations and prices for individual medical products.

iv) Hospitals for Foreigners

It doesn't require a license to set up a clinic for foreigners. Any hospital or clinic with a medical license can provide medical services to foreigners as long as they are within the boundaries of the medical license. Such a situation makes it difficult for the Ministry of Health and Welfare to find out the exact number of medical facilities available to foreigners. The quality of service can be considered fair, as most hospitals

that receive foreign patients are affiliated with larger ones.

Below is a list of major hospitals that have clinics for foreigners. Other hospitals that provide medical services to foreigners include Gangbuk Samsung Hospital, Seoul Red Cross Hospital, Busan Chimrye Hospital, Busan University Hospital, Jeonam University Hospital, Ajou University Hospital, Yonsei Moa Hospital, Shihwa General Hospital, Cheongju Seongmo Hospital, Uijeongbu Seongmo Hospital, and Hanyang University Hospital. Most general hospitals and university hospitals have their own clinic for foreigners.

Major Hospitals for Foreigners

Hospital	English Language	Methods of Payment
Severance Hospital Clinic for Foreigners	Website / Call Center / Reception / Treatment / Receipt / Prescription (handwritten)	Cash / Credit Card / Deferred Payment
Seoul Samsung Hospital International Clinic	.Website / Call Center / Reception / Treatment / Receipt / Prescription (handwritten)	.Cash / Credit Card / Deferred Payment / No Insurance Coverage
Seoul University Hospital International Healthcare Center	.Website / Call Center / Reception / Treatment / Receipt / Prescription (handwritten)	Cash / Credit Card / No Insurance Coverage
Sooncheonhyang University Hospital international Clinic	.Website / Call Center / Reception / Treatment / Receipt / Prescription (handwritten)	.Cash / Credit Card / Deferred Payment / No Insurance Coverage / International Insurance (HMO, PRO)
Seoul Asan Hospital International Clinic	Website / Call Center / Reception / Treatment / Receipt / Prescription (handwritten)	.Cash / Credit Card / Deferred Payment / Insurance Coverage (SOS, Alliance, HTH, IMA) / Payment Certificate

Other major hospitals with clinics for foreigners include Gangbuk Samsung Hospital, Seoul Red Cross Hospital, Yonsei Moa Hospital, Sihwa General Hospital, Hanyang University Hospital and Inha University Hospital. Also, outside of the Seoul/Gyeonggi region, there are Cheongju Seongmo Hospital, Busan Chimrye Hospital, Busan University Hospital, and Busan Goshin University Hospital. Most large general hospitals provide medical services in English even if they don't have an exclusive clinic for foreigners.

Starting from 2006, Foreigners living in Korea are required to have the National Health Insurance for the same medical services provided to Koreans. However, most foreigners living in Korea are unhappy with this since they already have international insurance or are provided with health benefits by their company. It also means that companies have to pay for employees health benefits twice as much. Since the policy was implemented mainly for people from developing countries who do not have any type of health coverage, it will be modified in the near future.

2. Singapore

i) Medical Services in General³⁴⁾

The quality of medical services in Singapore are relatively good and comprehensive. There are national, public and private hospitals, most of which are equipped with advanced medical facilities and ran by highly qualified doctors.

National hospitals hire doctors by using a pool system in order to improve the quality of their medical services. These national hospitals are dedicated to providing high quality medical services to both natives and foreigners. Foreigners with permanent residency and work visa are provided with the same medical services as natives. There is no language barrier since English is the official language. It means English-speaking foreigners have almost no problem communicating with the doctors and get receipts in English. Like general hospitals in Korea, most major hospitals in Singapore have a medical clinic for foreigners for the purpose of providing medical services to non-English and non-Chinese speaking people.

Although there is no such thing as national health insurance in Singapore, every citizen is required to deposit 6~8% (depending on age) of the annual income to the MediSave. 50% of the deposit is made by individuals while the other 50% is deposited to an individual medical savings account. Small medical costs are paid by withdrawing from the medical savings account. High medical costs are paid by Medishield, an optional insurance policy.

About 80% of the total hospitalized patients are being treated at national or public hospitals, while the other 20% well-to-do people are hospitalized at expensive private hospitals. It's a dual policy designed to achieve the two goals of establishing a social safety network and developing the medical industry by providing both basic and higher

34) <Private Medical Group in Singapore: Parkway Medical Group>, KIHM (Korea Institute of Health Service Management), 2006

quality medical services.

As a result, public hospitals account for about 80% of the total medical capacity, while private hospitals account for 20%. Public medical institutes receive funding from the government to cover 40~50% of their total budget to provide medical services to citizens, while foreigners usually receive medical treatment at private hospitals.

For this reason, private hospitals are vying with each other to attract high-income foreigners by developing various medical services. Such competition is a main motivation factor for national and public hospitals to improve the quality of their medical services

As a result, patients at public hospitals are hospitalized for an average of 4.5 days, while patients at private hospitals are hospitalized for only three days on an average. The reason why patients at private hospitals are hospitalized for a shorter period of time is because hospitals can receive more foreign patients³⁵⁾ by speeding up the process of diagnosing and operate on patients.

Private hospitals in Singapore usually offer at least four or five types of non-medical services to foreign patients visiting Singapore because they recognize the fact that they cannot become a global medical hub only by providing high quality medical services. For example, some private hospitals require their staff to obtain a guide license to serve as a guide for patient's family while the patient is being hospitalized.

Similar to Korea, Singapore has an average of 340 people for each patient, but ranks sixth in Health System Performance announced by the WHO. Every year, more than 200,000 foreign patients visit Singapore to receive medical treatment, and the medical industry amounts to about US\$3.8 billion a year.

35) Over 70% of the patients at private hospitals are foreigners.

ii) Foreign Patients in Singapore

As of September 2005, foreign patients in Singapore accounted for nearly 34% of the total number of patients and the number of foreign patients continues to grow. According to a survey by Synovate Business Consulting commissioned by the STB (Singapore Tourism Board), a total of 270,000 foreign patients have visited Singapore to receive medical treatment in 2004 and the number has increased by 17% when compared to 2003. The total medical costs paid by these foreign visitors have reached US\$300 million. It is surprising to note that in a city with a population of only four million including foreigners with permanent residency, there are about seven million foreign tourists and about three or four people out of every 100 tourists are there for treatment purposes.

Medical tourists usually spend much more than those who are there for vacation. In the case of Singapore, medical tourists usually stay in the city for an average of 2.73 days (3.1 days for vacationers) and spend an average of about US\$345 (US\$137 for vacationers) a day.

Number of Foreign Patients in Singapore

Year	Number of Patients
2000	150,000
2001	190,000
2002	212,000
2003	230,000
2004	270,000

* Data provided by: Synovate Business Consulting

In the case of Raffles Hospital, which became famous after separating Siamese twins in 2002, foreign patients accounted for more than 30% of the total number of its patients in 2004. At Parkway Group Healthcare, the largest private hospital in Singapore, foreign patients accounted for nearly 24% of the total number of patients in the third

quarter of 2005, while it was 22% in 2002 and 18% in 2003. As for profit, foreign patients accounted for 42% of its total revenue.

Ratio of Foreign Patients at Raffles Hospital

Year	2002	2003	2004	Sep. 2005
Ratio (%)	20%	25%	30%	34%

* Data provided by: The Business Times

Major hospitals in Singapore are making multilateral efforts in overseas marketing by hiring marketing agents. Raffles Hospital has a total of 50 agents in 12 countries, while Parkway Group Healthcare has about 40 offices in more than 10 countries including Philippines and Bangladesh. Most of these hospitals offer 'red carpet service' (interpreter, airport pickup service, rental car, guide service). Parkway Group Healthcare even offer rental apartments near the hospital for families of long-term patients at low costs, while Raffles Hospital remodeled some of its private wards into hotel rooms so families of long-term patients can stay with the patient.

Some hospitals even have clinics in foreign countries. Raffles Group has four clinics in Hong Kong, and is planning to open clinics in the Middle East, China, Sri Lanka, Bangladesh, Myanmar, India, Korea and Vietnam. Parkway Group Healthcare has clinics in Malaysia, India and Brunei. A Parkway representative said that the group plans to cut down its imports by half³⁶⁾ within five years.

Today, about 75% of the total medical tourists in Singapore are from Indonesia and Malaysia. However, the number of patients from the Middle East and China as well as Korea and Russia is steadily increasing.

36) Currently it is 12.2%

iii) Government Support for Attracting Foreign Patients

Although many patients started to come from Indonesia and Malaysia to receive treatment in Singapore since the early 1990's, it was not until 1997 when there was an Asian economic crisis and after other countries began to implement medical development policies that the government of Singapore came up with medical policies and systems.

The EDB announced its goal to create a "healthy and dynamic global hub based on knowledge-based economy" along with five action strategies as part of its blueprint called INDUSTRY21 (I-21) in 1999. The 10 main promotional areas included healthcare. (the 10 areas included electronics, chemical, biotechnology, engineering, education, healthcare, logistics, broadcasting media, headquarters, and domestic business development)

The EDB (Singapore Economic Development Board), IE Singapore (Int'l Enterprise Singapore), and STB (Singapore Tourism Board) have announced their joint program called 'Singapore Medicine' in 2003 with the goal of turning Singapore into the most advanced healthcare service hub in Asia.

The EDB was put in charge of strengthening the competitiveness of the medical industry, while IE Singapore supported medical institutes and service providers in overseas marketing. STB was in charge of attracting medical tourists from foreign countries. Some of Singapore's main strategies for creating a medical hub were as follows:

- Create a reliable brand known for safety and quality.
- Create a one-stop treatment system for foreign patients.
- Increase the number of network hospitals in each country for patient admission.
- Hire highly qualified foreign doctors.

- Standardize medical technologies and make medical costs transparent.
- Improve the internal monitoring system for regulating unnecessary medical examinations and treatments.

The government of Singapore plans to increase the number of foreign patients to 500,000 by 2007 and one million by 2012, increasing medical sales to 2.1 trillion won in the process. For years, the government of Singapore has been claiming that Singapore is a medical hub, while implementing a number of government strategies to improve the quality of medical services, develop high-quality medical services, increase funding, and allowing private hospitals to invest and market their services freely.

iv) Medical Facilities and Doctors

Singapore has abundant medical facilities and doctors. There are 29 hospitals with a total of 11,840 wards in Singapore (3.4 wards per 1,000 people). Since there are a total of 6,492 doctors in the city, one out of every 650 people is a doctor. There are 19,329 nurses, which means one out of every 220 people is a nurse.

Hospitals in Singapore

(Unit: Hospitals)

Type of Facility	2002	2003	2004
No. of Hospitals and Clinics	29	29	29
Public Hospitals	13	13	13
Private Hospitals	16	16	16
No. of Wards	11,761	11,855	11,840
- Wards for Long-Term Patients	8,127	8,349	8,279
- Wards for Short-Term Patients	3,634	3,506	3,561

* Data provided by: Ministry of health Singapore

(<http://www.moh.gov.sg/corp/publications/statistics/facilities.do>)

Doctors/Nurses in Singapore

(Unit: Doctors/Nurses)

	2002	2003	2004
Total No. of Doctors	6,029	6,292	6,492
Ratio of Doctors Per Population	1:690	1:670	1:650
Total No. of Dentists	1,130	1,183	1,227
Ratio of Dentists per Population	1: 3,690	1: 3,540	1: 3,460
Total No. of Nurses	18,034	18,763	19,329
Ratio of Nurses per Population	1:230	1:220	1:220
Total No. of Pharmacists	1,191	1,236	1,288
Ratio of Pharmacists per Population	1: 3,500	1: 3,390	1: 3,290

* Data provided by: Ministry of health Singapore

There are two types of emergency numbers, which are 995 for life-threatening situations and 1777 for medical problems like headache and diarrhea. There is also a call center (94865) that sends a doctor outside business hours. Ambulance costs US\$50 to call. There is no hotline for foreigners since operators use English as the official language. Patients are required to make a reservation before going to a hospital. The average waiting time is 30 minutes or less. Major hospitals for foreigners in Singapore are as follows:

Major Hospitals for Foreigners in Singapore

Hospital	English	Emergency Service	Reservation	Methods of Payment
Singapore General Hospital	.Int'l Clinic for Foreigners Medical Service .Home page .Information/Emergency Call .Admission/Treatment .Receipt/Prescription	.Emergency Room .Emergency Call	.Reservation Required .Internet .Phone/Fax .eMail	.Cash / Credit Card/Check .Medisave .Electronic Payment (NETS) *Non-residents are treated differently
National University Hospital	.Int'l Patient Liaison Center .Home Page .Information/Emergency Call .Admission/Treatment .Receipt/Prescription	.Emergency Room .Emergency Call	.Reservation Required .Recommendation First .Phone/Fax .Internet	.Cash / Credit Card/Check .Medisave .Electronic Payment (NETS) *Non-residents are treated differently
KK Women's and Children's Hospital	.Int'l Patient .Home Page .Information/Emergency Call .Admission/Treatment .Receipt/Prescription	.Emergency Room .Emergency Call	.Reservation Required .Phone .Internet	.Cash / Credit Card/Check .Medisave .Electronic Payment (NETS) *Non-residents are treated differently
Changi General Hospital	.Home Page .Information/Emergency Call .Admission/Treatment .Receipt/Prescription	.Emergency Room .Emergency Call	.Reservation Required .Internet .Phone	.Cash / Credit Card/Check .Medisave .Electronic Payment (NETS) *Non-residents are treated differently
Alexandra Hospital	.Home Page .Information/Emergency Call .Admission/Treatment .Receipt/Prescription	.Emergency Room .Emergency Call	.Reservation First .Recommendation First .Phone/Fax .Internet	.Cash / Credit Card/Check .Medisave .Electronic Payment (NETS) *Non-residents are treated differently

3. Taiwan

i) Medical Services in General

Medical services including treatment and emergency care in Taiwan are generally good. There are many doctors who earned their degree from a foreign country and therefore fluent in English. Most textbooks at universities are in English, which means most doctors are at least familiar with English. Hospitals are equipped with advanced medical systems as well.

Hospitals in Taiwan do not accept foreign health insurances, and foreigners generally have to pay in cash. Hospitals do not usually give receipts in English, but have a well-organized reservation system. In general, patients can make a reservation for treatment without recommendation by a clinic at large hospitals.

Foreigners in Taiwan with a resident visa of over four months can apply for the national health insurance. Workers covered by employees health benefits must pay 30% of the total medical costs. Students are provided with general accident insurance, while children under four receive free medical treatment according to the National Health Insurance policy.

Many countries try to benchmark the advanced medical insurance system of Taiwan. The U.S.-based ABC News even referred to Taiwan as the 'Medical Utopia', largely due to the fact that people can receive high-quality medical services at low insurance costs. In 1995, with the aim to 'protect people's health and provide equal medical insurance benefits to everyone', the government of Taiwan had unified more than 10 insurance companies organized the National Health Insurance, which is similar to that of the Korean National Health Insurance.

Since patients are required to pay only 10% of the total medical costs, even cancer patients can receive treatment by paying only hospitalization costs. In Taiwan, about seriously ill patients account for 2.5% (app. 600,000) of the

total number of insured people, but spend more than 20% of the total insurance fund. Not only that, people with one of 31 serious diseases including malignant tumor, AIDS, chronic mental illness, paralysis do not have to pay at all. Also, there is a limit on the amount an individual has to pay. In other words, patients do not have to pay more than NT\$2,300 per treatment or NT\$39,000 per year.

Also, low income people can receive medical services even if they did not pay the insurance premium. Unpaid insurance premiums are supplemented by taxes or other financial resources. The government even offers a loan to doctors who are opening a clinic in a remote area so that people living in remote areas can have easier access to a hospital.

Another characteristic of Taiwan's medical system is the use of IC cards. Embedded with an electronic chip, an IC card is recorded with the patient's name, date of birth, age and type of disease as well as medical records, prescriptions, medical costs and personal medical history.

When a patients is admitted to a hospital, the first thing the hospital clerk does is to search the IC card. Thanks to the IC card, all the hospitals in Taiwan share the medical data and patients do not have to be diagnosed twice. Also, the government of Taiwan is very strict on restraining medical cost rises, so medical costs never increase by more than 4% a year. Accordingly, about 76.3% of the total population are satisfied with the current health insurance policy while only 20.2% of the people were happy with the system in 1995 before the national health insurance system was implemented.

ii) Medical Facilities and Doctors

Major Hospitals for Foreigners in Taiwan

Hospital	English	Emergency	Reservation	Methods of Payment
Nation Taiwan University Hospital	.Home Page .Information/Treatment	.Emergency Room .Emergency Call	.Reservation .Reservation by Phone	Cash, credit card Health insurance
Taiwan Adventist Hospital	.Priority care center for foreigners .Home Page .Information/Treatment .Receipts/prescriptions	.Emergency Room .Emergency Call .Ambulance	.Reservation .Reservation by Phone/Online	Cash, credit card Health insurance
Taipei Veterans General Hospital	.Home Page .Treatment, Information, Call Center .Receipts/prescriptions	.Emergency Room .Emergency Call .Ambulance	.Reservation .Reservation by Phone	Cash, credit card Health insurance
Mac Kay Hospital	.Home Page .Information, treatment	.Emergency Room .Emergency Call	.Reservation .Reservation by Phone	Cash, credit card Health insurance
Chang Gung Memorial Hospitals	.Home Page .Information, treatment	.Emergency Room .Emergency Call	Reservation Reservation by Phone	Cash, credit card Health insurance

There is no medical hotline for foreigners. The fire department (119) also takes emergency medical calls, and most operators can speak English. Most general hospitals have an emergency room open 24 hours a day. The fire department (119) provides free ambulance service, while some hospitals in Taipei and other major cities also provides paid ambulance services as well. While ambulances in major cities are generally in good shape, ambulances in remote regions are poor in quality.

Taiwan has an adequate number of medical families and doctors. There are more than 20,000 hospitals in the country, as there are six hospital rooms for very 1,000 people.

Medical Facilities and Medical Personnel in Taiwan

(Unit : Hospitals, People)

Year	Medical Personnel									Number of Beds (Beds)		No. of Hospitals
	Total	Doctors	Oriental Doctors	Dentists	Pharma cists	Nurses	Patholo gists ³⁷⁾	Radiolo gists ³⁸⁾	Other	No. of Beds	No. of Beds for Every 1,000 People	No. of Hospitals
2001	165,855	30,562	3,979	8,944	24,891	82,763	6,542	3,152	5,022	127,676	5.698	18,265
2002	175,444	31,532	4,101	9,206	25,355	89,568	6,725	3,410	5,547	133,398	5.923	18,228
2003	183,103	32,390	4,266	9,551	25,033	95,271	7,055	3,557	5,980	136,331	6.031	18,777
2004	192,611	33,360	4,588	9,868	26,079	101,465	7,122	3,704	6,425	143,343	6.318	19,240

37) Medical Technologists & Technicians

38) Medical Radiological Technologists

D. Human Resources and the Labor Environment

1. Korea

i) Quality and Supply of Human Resources

The quality of Korean human resources is rather high and therefore it is not difficult to recruit highly skilled workers. Businesses can recruit middle managers ranked 18th in the world where international experience is concerned according to an IMD survey, as Korea has an abundance of high-quality workers of whom 81% are high school graduates with college/university qualifications. As of May 2006, a total 23,484,000 persons were employed out of an economically active population of 24,267,000.

Employment by occupation (as of January 2006)

(Unit: 1,000 persons)

Year	Total	Parliament members, high and middle managers	Professional services	Technicians and quasi experts	Engineers and administrators	Clerical workers	Service workers	Sales workers	Service and sales workers	Farmers, forestry and fishery skilled workers	Manual workers	Apparatus or machinery operators or assemblers	Unskilled manual workers	Unskilled apparatus or machinery operators or assemblers
2005	22,078	565	1,727	2,352	4,643	3,194	2,953	2,701	5,654	1,330	2,340	2,522	2,395	7,257
2006	22,471	548	1,912	2,438	4,897	3,319	2,954	2,675	5,629	1,278	2,408	2,555	2,386	7,349

The unemployment rate in Korea was as low as 3.2% as of May 2006, roughly half the figure of other OECD countries. It has steadily stabilized at around 3%, although it once soared as high as 7% in the late 1990s during the foreign currency crisis. The service industry has steadily maintained an employment growth trend, while employment in the manufacturing industry declines as the industrial structure has become more refined.

Unemployment Rate in Korea

(Unit: %)

Year	2005.12	2006.12	2005.5
Unemployment Rate	3.8	3.5	3.2

However, the unemployment rate among the younger generations as high as 7.1%, roughly double the total average, and has emerged as a major social issue. The Korean government cites various causes for high unemployment among the younger generation such as the decreased demand for labor as a result of technological development, a production rate of highly educated workers that outstrips demand, and the relocation of Korean businesses overseas. In particular, a more than sufficient number of higher education workers is supplied as over 80% of high school graduates advanced to college or university education as of the start of 2004. However, they do not want to work in the manufacturing or so-called "3D" industries, which are in fact experiencing an increasing shortage of labor, further aggravating the disparity between demand and supply. According to the Labor Ministry, the job vacancy to applicant ratio³⁹⁾ of the manufacturing industries among young people is 0.57, while that of expert Internet workers is 3.69⁴⁰⁾, which demonstrates the greatest difficulties where job seeking is concerned.

Inflexibility has been singled out as the greatest problem in the Korean labor market. The IMD ranks Korea at 59th place, the lowest among 60 countries, in terms of labor market flexibility. The Korean government has introduced systems for employment dispute mediation, the employment of foreign workers through third-party agencies, and flexible work hours as part of its efforts to enhance labor market flexibility through systemic improvements. The ratio of part-time workers

39) The ratio of new job vacancies to new job seekers

40) "August 2005 Job Situation, Application and Other Employment Trends", Labor Ministry

(which remained at around 20% in the 1990s) has exceeded 30%, while the ratio of temporary job-holders steadily increases from 6% to 12%. To address the steadily increasing ratio of temporary or part-time workers, the government has adopted a labor policy direction of augmenting its social security network.

ii) Wages and productivity

As of the 1/4 of 2006, 2,487,000 won was the monthly average wage for regular employees in businesses⁴¹⁾. The average wage increased by 5.9% over the preceding year. The real growth rate is 3.5% after excluding the commodity inflation rate. The wage growth rate rose dramatically in the early 2000s but gradually stabilized thereafter.⁴²⁾

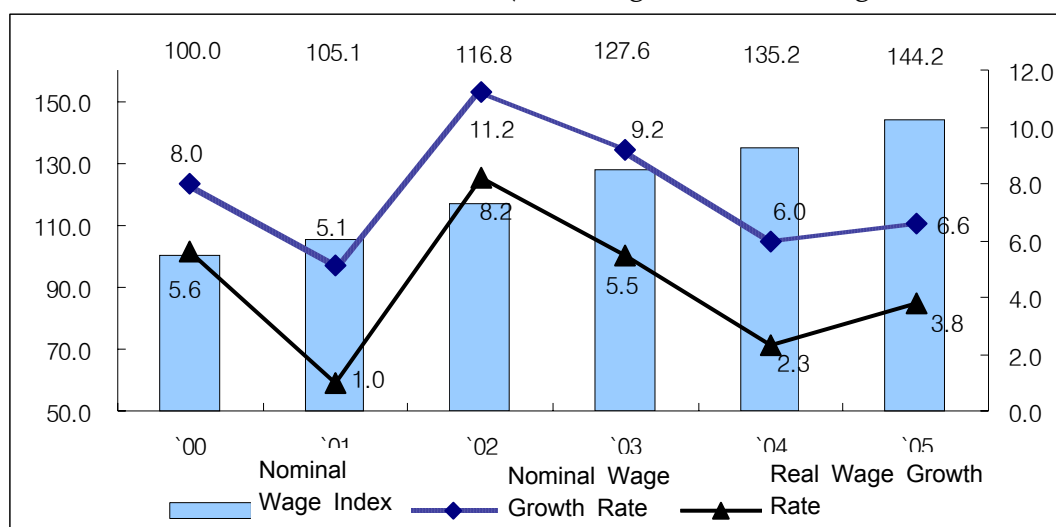
41) more than three regular workers in all industries (except for farming)

42) The average wage for the Korean manufacturing industry in February 2006 decreased by 11.8% from the same month of the preceding year. The growth rate of manufacturing wages in key countries as of February 2006 is listed for your reference. The percentages show the fluctuation (or growth rate) from the same month of the preceding year, while those in parentheses shows the fluctuation in 2005.

Korea -11.8% [7.8%]	Taiwan -21.6% [2.8%]	USA 1.7% [2.7%]
Sweden 2.6% [3.0%]	UK 5.1% [3.6%]	Japan 1.0% [0.9%]
Czech 5.9% [4.6%]	Canada 0.8% [1.8%]	Italia 3.0% [2.7%]

Wage Growth Trend

(Unit: Against Preceding Year %, Index)



(Unit: 1,000 won, Against Preceding Year %)

	'06.1/4	'05	1/4	'04	'03	'02	'01	'00
Nominal Wage (Growth)	2,487 (5.9)	2,404 (6.6)	2,348 (7.5)	2,255 (6.0)	2,127 (9.2)	1,948 (11.2)	1,752 (5.1)	1,668 (8.0)
Real Wage (Growth)	2,078 (3.5)	2,040 (3.8)	2,007 (4.2)	1,966 (2.3)	1,922 (5.5)	1,821 (8.2)	1,684 (1.0)	1,668 (5.6)

*Source: Ministry of Labor (www.molab.go.kr)

*Note: Statistics for permanent/regular employees of businesses with five or more employees.

Wages in the banking and insurance industries, whose wage level is the highest of all industries, increased by 12.2%, a continued higher growth rate than the other industries, while wages among the hotel, lodging and restaurant workers, whose wage level (1,614,000 won) is relatively lower, increased by only 0.9%, the lowest growth rate of all sectors.

Monthly Average Wage Levels of Different Industries

Classification	2005 1/4 Average		2006 1/4 Average	
Entire Industries	2,348	(7.5)	2,487	(5.9)
Manufacturing	2,317	(9.9)	2,439	(5.3)
Utilities	3,850	(4.3)	3,909	(1.5)
Construction	2,103	(-2.1)	2,270	(8.0)
Retail & Wholesale	2,337	(10.2)	2,486	(6.4)
Hotels & Restaurants	1,600	(9.3)	1,614	(0.9)
Transportation	2,000	(8.0)	2,081	(4.0)
Communication	3,839	(13.6)	3,956	(3.0)
Banking and Insurance	3,851	(8.0)	4,319	(12.2)
Real Estate & Rental	1,462	(10.2)	1,598	(9.3)
Service Businesses	2,232	(5.4)	2,381	(6.7)
Education	2,709	(1.5)	2,811	(3.8)
Health & Welfare Service	2,167	(6.8)	2,427	(12.0)
Recreation, Culture and Sports	2,578	(1.5)	2,720	(5.5)
Other Services	1,955	(4.3)	1,999	(2.3)

According to the paper on the "Latest Wage Trends of Manufacturing Industry and a Comparison with Other Key Countries" released by the Korea Trade Research Institute in June 2005, the hourly average wage of Korean manufacturing industry workers as of 2004 was US\$9.71, considerably lower than that of Japan (US\$23.64) but similar to that of Singapore, and 1.5 times, 9.9 times, and 14 times higher than that for Taiwan, China, and Thailand respectively, meaning that Korea is less competitive in terms of labor costs.

The labor productivity of the manufacturing industries in 2005 increased by 8.2% over the preceding year, showing a continued growth rate over the past two years, more rapid than that of the manufacturing industries of other key countries.

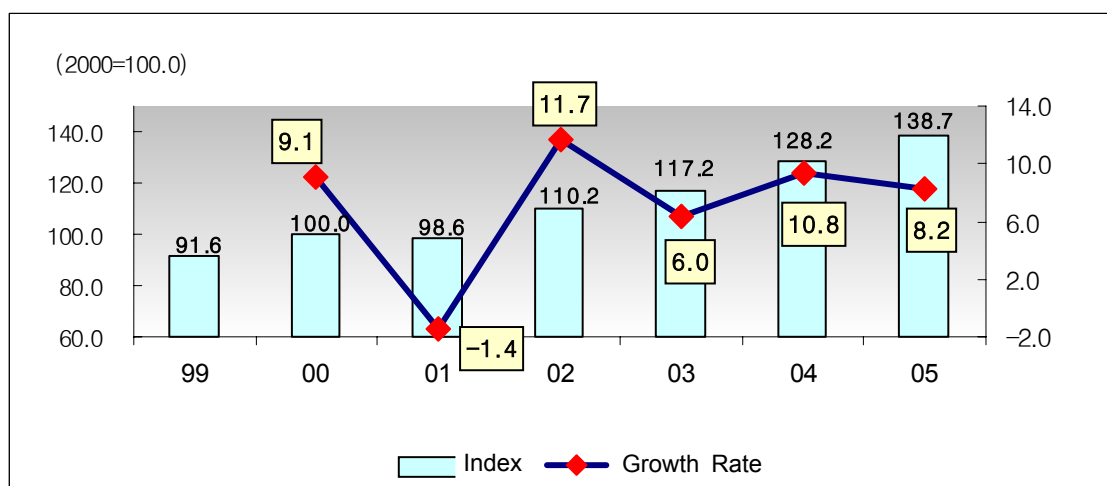
2005 Labor Productivity of Key Countries[2004]

- Korea 8.2% 【9.4%】
- Japan 1.1% 【6.5%】
- Singapore 1.6% 【6.7%】
- USA 2.7% 【3.4%】
- Taiwan 6.0% 【4.6%】

*Note: Includes labor productivity of all industries in the cases of Singapore and the USA.

Growth Trend of Labor Productivity (Manufacturing Industry)

(Unit: %, Labor Productivity Index)

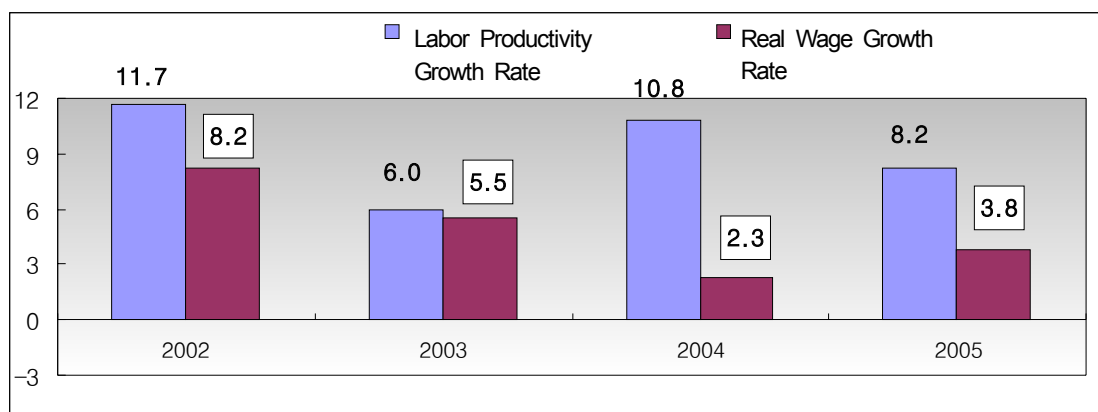


*Source: Korea Productivity Center (www.kpc.or.kr)

The productivity growth rate since 2002 has greatly exceeded that of real wage growth. Labor productivity increased by 10.8% in 2004 end, exceeding the real wage growth rate of 2.3% by as much as 8.5%. In 2005, the average real wage increased by only 3.8% while labor productivity increased by 6.0%.

Labor Productivity and Wage Growth Trend

(Unit: %)



*Source: "Latest Labor & Economic Trends" by Labor Statistics Team, Ministry of Labor

iii) Labor-Management Relations

Industrial relations have been cited by foreign investors as an issue of great concern. In a questionnaire survey conducted by the Korea International Labor Foundation, 38.4% of 130 foreign investors in Korea cited 'labor unrest' as the greatest stumbling block to inducing foreign investment into Korea. Furthermore, a survey by Invest Korea revealed that 48.8% of foreign investors cited labor union related systems and practices as an impediment to their business activities.

Though the Korean labor force has a hard-liner image both at home and abroad, Korean labor-management relations have continued to improve through efforts to gradually build a win-win culture while hard-line confrontation between labor and management is gradually losing its support base.

As shown in the following table, the number of Korean labor unions and their members as well as union density have steadily decreased however, more noteworthy is that the number of illegal strikes and lost work days have decreased more markedly. The number of illegal strikes or disputes has decreased from as high as 72%, from 58 cases in 2004 to just 16 in 2005, while the number of lost work days decreased by 30%, from 1,198,779 to 847,679 cases.

Number of Labor Disputes and Union Density

Period	2005	2004	2003	2002	2001	2000
Labor Disputes (cases)	387	462	320	322	235	250
Illegal Labor Disputes (cases)	16	58	29	66	55	67
Total lost work days	847,697	1,198,779	1,298,663	1,580,404	1,083,079	1,893,563
Ratio of organized workers (%)	-	10.6	11.0	11.0	12.0	12.0
Number of labor unions	-	6,017	6,212	6,463	6,103	5,652
Union membership (thousands)	-	1,537	1,550	1,538	1,569	1,527

* Source: Ministry of Labor (www.molab.go.kr)

According to the '2004 Wage Negotiation Settlement Status' released by the Labor Ministry, the wages of businesses with labor union increased by only 4.7% in 2004, a lower rate than those without labor unions, which saw a wage increase of 5.8%. Furthermore, the ratio of businesses with labor unions which froze or even cut wages was 27.5%, a higher rate than the ratio of businesses without labor unions, of which only 20.1% froze or cut wages.

Accordingly, the government selected twice as many businesses as having a "Superior Labor-Management Culture" - up from 42 in 2004 to 82 in 2005. Three foreign invested businesses were also selected, including DHL Korea, Pan-Asia Paper Korea, and Fairchild Semiconductors Korea.

2. Singapore

i) Quality and Supply of Human Resources

According the 2005 IMD report, 45.4% of Singaporeans aged 25 to 34 have passed through higher education, the 3rd highest figure in the world. According to the Singapore Department of Statistics, 55.1% of Singaporeans aged 25 have received higher education, an even higher than the ratio for the total of the 25-34 age group.

Ratio of workers with higher education
among Singaporeans aged 25 or above

Year	Ratio
2001	52.4%
2002	53.4%
2003	54.0%
2004	55.1%

*Source: Singapore Department of Statistics

In the IMD survey, Singapore workers were rated 17th in the world in terms of language skills, the highest in the East Asia region. The overall quality of Singaporean workers was highly evaluated - 5th in terms of economic literacy and 9th in terms of the number of qualified engineers. Singapore has the outstanding conditions necessary to attract the head offices of the world's leading multinational corporations as it has such an outstanding workforce that is both highly educated and equipped with superior English proficiency.

According to the Singapore Department of Statistics, Singapore has an economically active population of 2,367,000 of which 2,267,000 are employed. The unemployment rate, which had remained at around 4% after a rise in the late 1990s, decreased to 3.4% in 2005.

Unemployment Rate in Singapore

(Unit: %)

Year	2000	2001	2002	2003	2004	2005
Unemployment Rate	3.4	2.7	4.2	4.4	4.3	3.4

It has been analyzed that Singapore is suffering from a labor shortage even though its labor population has increased by 4~5% per year over the past several years. Therefore, the labor shortage has become an issue, and has been a cause of the steady increase in wages in recent years. In particular, it has posed a serious problem for many businesses seeking to recruit skilled technicians or engineers. Therefore, some foreign or local businesses have attempted to secure their technical workforce overseas.

The sectors which have experienced a severe shortage of technical personnel include the electronics and mechanical industries. Businesses currently favor India, Malaysia, China and Taiwan as a source of technical labor for the engineering service industries. The Singapore Economic Development Board supports these businesses' employment of a foreign workforce.

The local technical workforce is supplied by polytechnics, Singapore National University, and Nanyo Technical University (NTU). The Singaporean government is endeavoring to improve technical, vocational and business training in higher education after high school. The objective is to ensure that 20% of high school graduates receive academic training at universities and 80% receive a technical education at vocational colleges.

The Singapore turnover rate is stable, maintaining an average of 2.1%. In particular, the manufacturing (1.6%) and banking (1.7%) industries show a stable rate, but such service industries as the hotel and

restaurant sector show a high turnover rate of 4.5% owing to their particular business characteristics.

Turnover Rate by Industry in Singapore (2004)

(Unit: %)

Industry	2004 (Turnover)	2005 (Turnover)
Total	2.2	2.1
Manufacturing	1.7	1.6
Construction	1.9	1.8
Wholesale & Retail Trade	2.7	2.6
Hotels & Restaurants	4.7	4.5
Transport & Communications	1.3	1.3
Financial Services	1.6	1.7
Business Services	3.0	2.8
Community, Social & Personal Services	2.1	2.0

*Source: Singapore Department of Statistics, Ministry of Manpower

ii) Wages and productivity

Wages have maintained a steady growth trend as the excessive demand for labor continues. Singapore has adequately diverted wages from rapid growth by ensuring that the NWC (National Wage Council) guidelines are honored in wage negotiations each year. The NWC is comprised of representatives from the government, the NTUC (National Trade Union Congress), and the Manufacturers Association (employers). Being an advisory agency on wage policies to the government, it develops general guidelines for wage policies and develops and makes recommendations on desirable incentive wage systems intended to increase labor productivity and efficiency.

Until 1991, it directly controlled wage adjustment by presenting specific wage growth rates. Since then, it has emphasized the need for business performance and wages or labor remunerations to be interlinked, and has recommended that the weight of non-fixed wages - such as the bonuses paid depending on business performance - be increased while reducing the fixed pay increase rate. In other words, throughout the 1990s it presented wage growth guidelines in the form of "growth within productivity improvement" rather than giving guidelines in the form of specific percentages.

In 2004 the average monthly wage of all industries in Singapore showed an increase of 3.6% over the preceding year to S\$3,444 (US\$1,523). Wages have steadily increased over the past several years owing to the chronic shortage of human resources. The monthly average wages and their growth rates over the past several years were S\$3,158 (0.8%) in 2002, S\$ 3,213 (1.7%) in 2003, and S\$3,329 (3.6%) in 2004. Singapore does not have any rules or systems concerning a minimum wage.

Average Monthly Wages By Industry

(Unit: S\$)

Industry	2004	2005
Total	3,329	3,444
Manufacturing	3,350	3,459
Construction	2,453	2,531
Wholesale & Retail Trade	2,890	3,017
Hotels & Restaurants	1,298	1,360
Transport & Communications	3,439	4,553
Financial Services	5,639	5,949

*Source: Singapore Department of Statistics, Ministry of Manpower

Allowances paid in addition to base pay include overtime, holiday work, and annual bonuses. Overtime work allowances are set at 150% of

the normal wage and the holiday work allowance at 200% of the normal wage, while the annual bonus is usually one month's base pay. The Singapore government imposes income tax on foreign employees and restricts the ratio of foreign workers employed by a business.

Singapore's labor productivity recovered rapidly after the beginning of 2000 following the sharp decline caused by business recession. According to the 2005 Singapore Statistics Yearbook, Singapore experienced an average productivity growth rate of 6.6% in 2004. In particular, the manufacturing and retail industries recorded productivity growth rates of 9.7% and 12.7% respectively.

Changes in Labour Productivity by Industry

Industry	2004	2005
Total	6.9	1.9
Goods Producing Industries	10.0	3.2
Manufacturing	9.7	2.6
Construction	-1.1	-1.9
Services Producing Industries	5.3	1.6
Wholesale & Retail Trade	13.7	6.6
Hotels & Restaurants	7.1	1.1
Transport & Communications	7.9	2.0
Financial Services	1.5	-0.6
Business Services	-0.5	-3.0
Other Services Industries	2.1	-0.6

*Source: Singapore Department of Statistics, Ministry of Manpower

Singapore does not have any extraordinary legal requirements or procedures regarding employment but businesses need to accumulate 1% of each employee's pay for the SDF (Skill Development Fund) for education and training when they hire an employee. Employment Act Cap. 91 and Industrial Relations Act Cap.136 provide for only the minimum conditions and standards for employment. Additional terms and conditions should be negotiated between the workers (Labor Union) and

the employer, and only enter into force when approved by the Industrial Arbitration Court.

The above basic labor standards are for workers who earn less than S\$1,500 a month. Workers who earn S\$1,500 or more or who are exempted from labor union subscription need to negotiate employment terms and conclude an employment contract with their employer. In such cases, the basic labor standards should also be followed. Concluding an employment contract with terms and conditions inferior to such basic standards is not permitted. The basic legal working hours are 8 hours a day, for a maximum of 44 hours a week. The overtime allowance, which is 1.5 times that of normal pay, should be paid for any hours worked in excess of the basic hours.

iii) Labor-Management Relations

Labor-management relations are very stable in Singapore. Not a single strike has been staged since the 1980s. Only 200 labor disputes take place each year - very few in comparison with other countries.

Labor-Management Relations in Singapore

(Unit: Case)

		2002	2003	2004
Disputes (cases)		260	252	182
Causes	Wages	126	140	100
	Others	134	112	82
IAC ⁴³) Arbitrations (Cases Referred to the IAC)		18	38	26
IAC Awards		17	30	18
Industrial Stoppages		-	-	-

*Source: Singapore Department of Statistics, Ministry of Manpower

Singaporean labor-management relations have remained stable as a result of powerful government intervention. All strikes are illegal in principle, and are amicably settled through the powerful mediation or arbitration of the IAC, which is a governmental organ. Employment contracts may be terminated flexibly. Labor relations may be assigned in the event of M&A, business transfers or spin-offs.

43) Industrial Arbitration Court

3. Taiwan

i) Quality and Supply of Human Resources

According to the 2005 IMD report, 40.6% of Taiwanese aged 25 to 34 have received higher education, the 5th highest figure in the world. According to the DBGAS, in Taiwan as many as 85.15% of high school graduates have advanced to higher education institutes. The level of literacy for those aged 15 and above is as high as 97.33%. Taiwan is able to supply an outstanding workforce because of this superior educational level. Taiwan possesses an outstanding scientific and engineering workforce and the world's highest patent productivity rate per R&D worker.

Ratios for College/University Education and Literacy in Taiwan

(Unit: %)

Year	Higher education per 1000 persons	Literacy among those aged 15 and above	% of High school graduates advancing to college/university**
2002	56.8	96.03	69.01
2003	58.3	96.97	74.85
2004	58.8	97.16	80.05
2005	58.7	97.33	85.15

* Source: Directorate General of Budget, Accounting and Statistics (DGBAS), www.stat.gov.tw

** Vocational colleges and universities excluding those majoring in the liberal arts.

As of January 2006, Taiwan had a total of 10,006,000 employed workers out of an economically active population of 18,066,000. The unemployment rate of 2% maintained throughout the late 1990s soared to 5% in 2002 because of the business recession, but gradually stabilized in a downward trend at 3% in 2006.

Unemployment Rate in Taiwan

Year	2002	2003	2004	2005	2006.4
Unemployment Rate (%)	5.17	4.99	4.44	4.13	3.78

35.21% of the Taiwanese workforce is employed in manufacturing, 58.23% in the services and clerical sectors, and 6.56% in the farming or fishing industries. Taiwan is experiencing a workforce shortage in the high-tech and 3D industries. As part of the efforts to resolve the shortage and to enhance the country's technological level, the Taiwanese government has gradually softened its restrictions on the employment of foreign skilled workers. Certain high-tech sectors are even allowed to hire skilled workers from China. To supplement manual and household job vacancies in the manufacturing, construction, and fishing industries, the government has permitted the employment of foreigners from the Philippines, Thailand, Indonesia, Vietnam, Malaysia and Mongolia.

ii) Wages and productivity

As of March 2006, the average wage of all industrial and service businesses was NT\$54,208, while the average wage of the manufacturing industries stood at NT\$53,101.

Yearly Average Wage and Productivity
of Manufacturing Industries in Taiwan

Year	Average Wage (NT\$)	Wage Growth Rate (%)	Productivity Index**	Productivity Growth Rate (%)
2001	39,184	-1.3	100.00	4.5
2002	38,995	-0.5	109.16	9.1
2003	39,933	2.4	114.67	5.0
2004	40,868	2.3	120.92	5.5
2005	41,872	2.5	126.62	4.7

*Source: Directorate General of Budget, Accounting and Statistics (DGBAS),
, www.stat.gov.tw

**Productivity Index: Based on 2001 figures

In the early 2000s, wages in Taiwan even declined because of the business recession. However, productivity increased by 5% or so each year, enhancing wage merits while wages remained quite stable.

Wages in the utilities industries (electric, gas, and water services) was NT\$89,264, the highest among all industries, followed wages in the banking industry (NT\$65,097) and those among professional, scientific and technological workers (NT\$54,868).

Wage Level and Labor Productivity by Industry in Taiwan

Industry	Wage (NT\$)
Mining & quarrying	45,893
Manufacturing	41,751
Electricity, gas & water	89,264
Construction	38,455
Trade	40,033
Transport, storage & communication	53,793
Finance & insurance	65,097
Real estate & rental & leasing	39,129
Professional, scientific & technical services	54,868

*Source: Directorate General of Budget, Accounting and Statistics (DGBAS)
, www.stat.gov.tw

Wages are agreed upon between the employers and the employees, but should not be lower than the basic wage of NT\$15,860. As a general practice, Taiwanese businesses pay a special bonus of one or 1.5 month's pay at the lunar New Year. They also pay a year's end special bonus depending on their business performance. Furthermore, they are also required to provide LI (Labor Insurance), NHI (National Health Insurance), and LPA (Labor Pensions Act) coverage.

iii) Labor-Management Relations

Taiwan maintains very stable labor-management relations, ranking 9th place in the Labor Relations category of the IMD survey. Taiwan was also ranked as the world's No. 1 in terms of the number of work days lost, as not a single work day was lost per 1,000 workers.

Causes and Number of Labor Disputes

(Unit: Case)

Year	No. of Disputes	Issue Category				Number of workers involved		Lost days (days)	Outcome			
		Total	Labor Contract	Wage	Industrial disasters	(persons)	(%)		Reconciliation	Mediation	Arbitration	Pending
1998	4,138	4,465	1,945	1,321	493	103,568	15.80	630	3,641	461	-	86
1999	5,860	6,416	2,976	1,953	656	30,440	4.59	1,375	4,861	46	-	139
2000	8,026	9,176	3,921	3,127	850	56,543	8.38	-	6,603	1,445	-	117
2001	10,955	12,616	6,187	3,895	814	58,643	8.72	-	8,807	2,170	-	95
2002	14,017	17,648	7,514	6,190	824	105,714	15.61	-	11,795	2,050	2	525
2003	12,204	15,856	6,427	5,536	866	28,821	4.18	-	10,559	1,933	-	237
2004	10,838	13,701	4,851	5,289	922	32,478	4.55	-	9,199	1,724	1	151
2005	14,256	17,412	6,732	6,456	1,144	85,544	11.66	-	11,756	2,135	-	516

*Source: Directorate General of Budget, Accounting and Statistics (DGBAS)

, www.stat.gov.tw

Taiwan has roughly 14,000 labor disputes each year. However, labor relations have remained very stable and not a single work day was lost from 1999 to 2006. In 2005 alone, 83% (11,000) of all labor disputes were settled through reconciliation. No case was referred to arbitration, since nearly all disputes are settled through reconciliation or mediation processes.

4. Comparison of data and ranking between Korea, Singapore and Taiwan

Following are the key rankings and statistical data related to the workforces of the three countries based on the IMD World Competitiveness Yearbook:

① Productivity

Per Capita Labor Productivity Based on Purchasing Power Parity (PPP)

Country	Ranking	Per Capita Labor Productivity (US\$/hour)
Korea	41	17.59
Singapore	28	26.54
Taiwan	31	24.59

*Source of Data: IMD World Competitiveness Yearbook 2005

Per Capita Industrial Productivity Based on Purchasing Power Parity (PPP)

Country	Ranking	Per Capita Industrial Productivity (US\$)
Korea	31	52,714
Singapore	7	77,620
Taiwan	35	47,994

*Source of Data: IMD World Competitiveness Yearbook 2005

② Quality of the Workforce

International experience among senior managers

Country	Ranking
Korea	19
Singapore	6
Taiwan	21

*Source of Data: IMD World Competitiveness Yearbook 2005

Higher Education Achievement:College/University graduates among workers aged 25-34

Country	Ranking	Ratio of Higher Education Workers (%)
Korea	4	41.0
Singapore	3	45.4
Taiwan	5	40.6

* Source of Data: IMD World Competitiveness Yearbook 2005

* Percentage of population that has attained at least tertiary educational level among persons aged 25-34

Language Skills

Country	Ranking
Korea	38
Singapore	17
Taiwan	30

*Source of Data: IMD World Competitiveness Yearbook 2005

③ Labor-Management Relations

Labor Relations

Country	Ranking
Korea	1
Singapore	9
Taiwan	60

*Source of Data: IMD World Competitiveness Yearbook 2005

Industrial Disputes: Lost work days per 1,000 persons

Country	Ranking	Lost work days
Korea	1	0.00
Singapore	2	0.00
Taiwan	45	30.82

*Source of Data: IMD World Competitiveness Yearbook 2005

V. Conclusion & Summary Table

A. Conclusion

Along with Hong Kong, Korea, Singapore and Taiwan are often called the 'Four Dragons' of East Asia and have achieved economic development in just a short period of time. All the three countries have been recently focusing on high-tech industries such as IT and BT based on quality human resources. These countries share similarities but are vying with each other to become the hub of East Asia.

Since all the three countries have achieved outstanding economic growth, it's impossible to separate their absolute advantages from absolute disadvantages through a brief study such as this one. Still, this study will be concluded by defining the relative advantages and disadvantages of the three countries.

1. Investment Promotion Agencies and Services

Singapore and Taiwan had both established investment offices in late 1950's and early 1960's after recognizing investor relations as a measure to achieve economic development. By contrast, it was not until the end of the 1990's and after going through an economic crisis that Korea began to implement policies to attract investments. Being a late starter, Korea lacks experience and know-how when compared to other countries.

The Singapore Economic Development Board (EDB) not only provides investment services but also established comprehensive economic development plans. Compare to the investment offices of other countries, EDB is given more authority and implements more advanced systems.

EDB carries out IR activities mainly in the six key strategic industries that Singapore is focusing on. It selects and studies the

potential investors before taking initiatives in contacting the companies to attract investment. It also has a subsidiary called EDB Investments to directly invest in profitable investment projects and provide financial support. By contrast, Invest Korea and Taiwan's DOIS are behind Singapore particularly in the area of strategic investment relations.

EDB is given full authority to establish incentives and review/determine incentives by case. This is a huge advantage in negotiating with potential investors. By contrast, Invest Korea and DOIS are not given the authority to administer incentives and therefore have limitations.

One of the advantages of Invest Korea is that there are 18 government employees dispatched by the central government to provide one-stop services. Invest Korea also has a competitive system designed to attract potential investors through a total of 36 trade centers overseas. EDB has a total of 19 overseas offices, while DOIS does not have overseas offices but rather provides investment services through the overseas offices of the Department of Economic Affairs or TAITRA.

While EDB and DOIS offer both inbound and outbound investment services, Invest Korea only supports inbound investments.

2. Investment Incentives

Due to their short history, Korea's investment incentives have less contents and smaller scope than those of other countries. Singapore and Taiwan offers incentives to both domestic and foreign countries in order to promote both domestic and foreign investments. However, Korea offers investment incentives only to foreign investors.

While Singapore and Taiwan attract investors by using various

methods such as tax deduction/exemption, subsidy, share investment and low interest rate loans, Korea mostly offers tax incentives. Although Korea has established the Cash Grant in 2004, no investor is yet to benefit from it.

Singapore and Taiwan offer incentives for technology transfer, innovation, R&D and other areas for technology development, while Korea administers incentives only for investments in specific industries or regions.

Singapore offers tax holiday for up to 15 years according to the Pioneer Status, while Korea and Taiwan offers seven-year (high-tech industries, industrial support service, individual foreign investment zones) and five-year tax holidays, respectively.

3. Technology and R&D Environment

All the three countries have relatively good technology and R&D environment, and are recognized for advanced technology and quality human resources. The three countries ranked high in technology and scient infrastructures according to the IMD.

IMD Technology & Science Infrastructure Ranking (2005)

Country	Technology Infrastructure	Science Infrastructure
Korea	2nd	15th
Singapore	3rd	18th
Taiwan	5th	10th

Korea ranked 6th, Taiwan 12th and Singapore 35th⁴⁴⁾ in the world

44) Due to its small population, Singapore obviously has less number of R&D personnel. In terms of ratio, Singapore is the best among the three countries as there are 0.56 R&D personnel per capita.

in the number of R&D personnel. In the number of patents per R&D personnel, Taiwan ranked 1st and Korea 2nd in the world. Singapore only ranked 26th in the world in this area. In the number of patents per citizen, Taiwan ranked 3rd while Korea came in 4th. Singapore is also behind in this area, as it only ranked 38th.

However, Singapore is far more advanced than Korea and Taiwan in terms of intellectual property protection. Singapore also has more effective policies as well, since it has been concentrating on attracting biomedical R&D centers to Biopolis through the 'One-North' Project.

4. Logistics Environment

All the three countries have advanced logistics infrastructure, as they are vying with each other to become the logistics hub of East Asia.

Singapore Port is widely recognized as the number one port in the world. Korea's Busan Port ranked 5th in the world, while Taiwan's Kaohsiung Port ranked 6th. These three ports are still vying to become the logistics center in East Asia.

In terms of air logistics, Korea's Incheon International Airport ranked 3rd in the world in cargo throughput, while Changi International Airport in Singapore and CKS International Airport in Taiwan ranked 6th and 7th. In 2005 and 2006, Incheon International Airport was voted as the best airport by the IATA and ACI. The ACI also recognized Incheon International Airport as the best airport in the quality of customs services. In 2006, Changi International Airport was recognized as the 2nd best international airport and ranked 3rd in customs services. CKS International Airport ranked low in the quality of services compared to the two airports, mainly because it's an old airport built in 1979.

5. Medical Environment

With the aim to become the medical hub, Singapore is so far successful in implementing strategic policies to attract foreign patients. Every year, a total of 270,000 foreign patients receive medical treatment in Singapore. Foreign patients account for nearly 34% of the total number of patients in Singapore. Major hospitals in Singapore hire dozens of international agents, offer hotel-style hospital rooms, and provide red-carpet services through aggressive marketing. Singapore boasts of having one of the most advanced national healthcare services as about 80% of the total number of patients receive medical treatment at public hospitals, while also attracting foreign patients to its high-quality private hospitals. Both Korea and Taiwan have advanced medical infrastructure, but fail to attract enough number of foreign patients as they lack the government strategies of Singapore.

Nevertheless, Taiwan has one of the most advanced medical insurance policies, as patients only have to pay about 10% of total medical costs whereas patients in Korea are required to pay 41.9% of medical costs.

6. Human Resources and the Labor Environment

Korea, Singapore and Taiwan all are considered to have a workforce of outstanding quality and high educational levels as their strong points. The percentage of workers in each of the three countries with college or university education among the 25 to 34 age group is as follows: Singapore is ranked 3rd in the world with 45.4%, Korea 4th with 41.%, and Taiwan 5th with 40.6%. In terms of the international experience

of senior managers, Singapore is ranked 6th, Korea 19th, and Taiwan 21st in the world. However, English communication is difficult in Korea and Taiwan, unlike Singapore where English proficiency is outstanding as it is one of her official languages.

Labor relations are highly stable in Singapore and Taiwan. Singapore has had no strike at all since the 1980s. Both Singapore and Taiwan are highest in terms of lost work days, as not a single work day has been lost as a result of a labor strike or dispute. According to the IMD report, Singapore is ranks No. 1 in the world while Taiwan ranks 9th in terms of labor relations.

Korea, however, has been ranked in 60th place owing to its external image of hard-line labor unions. Nevertheless, Korean labor relations have been stabilizing rapidly. As of 2005, illegal strikes decreased by as much as 72%, while lost work days also decreased by 30%. Korea's wage competitiveness is slightly inferior as its growth rate has been higher (66.6% in 2005) than the other two countries Singapore has a very stable wage structure (3.6% growth in 2005), while Taiwanese wages increased by less than 2% over several years (2.5% in 2005). However, Korea's labor productivity increased by 8.2% in 2005, higher than the other two countries - Singapore's labor productivity increased by 1.9% in 2005 while Taiwan's increased by 4.7%.

B. Summary Table

Investment Promotion Agencies and Services			
Category	Korea	Singapore	Taiwan
Advantages	<p>▶Government employees from each related government office are dispatched to Invest KOREA to provide one-stop administrative services</p> <p>▶Attract potential investors through 36 overseas investment centers</p> <p>▶Customized services provided by PM (Project Manager)</p>	<p>▶Early starter in investor relations as a measure to promote economic growth - EDB established in 1961</p> <p>▶Inbound and outbound investment services</p> <p>▶Investment promotion based on strategic planning -Effective promotion in six key strategic industries -EDB targets strategic industries, selects potential investors and take initiatives in contacting potential investors. -Utilizes financial resources of subsidiaries such as EDB Investments to make direct share investment or provide financial support</p> <p>▶Development of promotion methods by case through representatives of key industries</p> <p>▶Given full authority to</p>	<p>▶Early starter in attracting foreign and overseas Chinese investors as a measure to substitute U.S. aid for economic development. -IDIC established in 1959 (Former DOIS)</p> <p>▶Inbound and outbound investment services</p> <p>▶Attract foreign scientists and engineers to Taiwan</p>

		establish incentives, review and determine incentives	
Disadvantages	<p>►Late starter in attracting foreign investors. The necessity for FDI was recognized after the national economic crisis.</p> <p>-KISC established in 1998 (Former IK)</p> <p>►Invest Korea is not given authority to provide incentives</p> <p>-Divided into the central and regional governments</p> <p>►Lack of strategic IR strategies</p> <p>-Attracting foreign investors in all industries without plans</p> <p>-PMs lack industrial expertise</p> <p>►Supports only inbound investments, possibly causing imbalance between investments in domestic sectors.</p> <p>►IK is yet to have financial resources for direct share investment and financial support</p>	<p>►Attract investors through 19 overseas industries in advanced and major countries</p>	<p>►Lack of strategic and industrial IR activities due to small number of staff</p> <p>-Investment incentives provided only 42 employees by region</p> <p>►Not given authority to provide incentives</p> <p>►Does not have overseas offices but rather uses the overseas offices of the Department of Economic Affairs and TAITRA</p> <p>-Lack capabilities in attracting potential investors</p>
Investment Incentives			
Advantages	►Separate incentives are	►Tax deduction/exemption,	►Tax deduction/exemption,

	provided to foreign investors only ▶Up to seven-year tax holiday (High-tech industries, industrial support service and Foreign Investment Zones)	subsidy and share investment ▶Incentive focused on regional headquarters as well as technology transfer, innovation, R&D and other areas for technology development ▶Up to five-year tax holiday (Pioneer Status ⁴⁵)	subsidy and low interest rate loans ▶Incentives focused on technology transfer, R&D activities and other areas for technology development
Disadvantages	▶Incentives focused on tax deduction/exemption -Cash Grant was established in 2004 but never been applied ▶Incentives are focused on investments in specific industries or regions.		▶Up to five-year tax holiday (exemption, emerging, main and strategic industries). Relatively limited
Technology and R&D Environment			
Advantages	▶Ranking 2nd in technology infrastructure and 15th in science infrastructure according to the IMD ▶Ranking 4th in the number of patents per capita 2nd in the number of patents per R&D personnel ▶Ranking 1st in the world in broadband internet penetration	▶Ranking 3rd in technology infrastructure and 18th in science infrastructure according to the IMD ▶Support recently focused on biomedical R&D projects (One-North Project, Biopolis) ▶Ranking 10th in the world in broadband internet penetration	▶Ranking 5th in technology infrastructure and 10th in science infrastructure according to the IMD ▶Ranking 3rd in the number of patents per capita, 1st in the number of patents per R&D personnel ▶Ranking 4th in the world in broadband internet penetration
Disadvantages	▶Insufficient basic research,	▶Relatively less number of	▶Insufficient basic research,

ntages	proprietary technology and intellectual property protection	patents due to small population compared to other countries: Ranking 38th in the number of patents per citizen, 26th in the number of patents per R&D personnel	proprietary technology and intellectual property protection
Logistics Environment			
Advantages	<p>▶Busan Port ranked 5th in the world in container throughput</p> <p>▶Incheon International Airport is one of the best airports in the world in cargo throughput, infrastructure and service.</p> <p>- Ranking 3rd in the world in cargo throughput</p> <p>- The best airport of 2006 by the IATA</p> <p>- Ranking 1st in the quality of customs services</p> <p>▶Every region in Korea is accessible within two hours with the opening of an expressway in 2004.</p>	<p>▶Singapore Port ranked 1st in the world in container throughput</p> <p>▶Changi International Airport is one of the best airports in the world in cargo throughput, infrastructure and service.</p> <p>- Ranking 6th in the world in cargo throughput</p> <p>- The second best airport of 2006 by the IATA</p> <p>- Ranking 3rd in the quality of customs services</p>	<p>▶Kaohsiung Port ranked 6th in the world in container throughput</p> <p>▶CKS International Port is one of the best airports in the world in cargo throughput.</p> <p>- Ranking 7th in the world in cargo throughput</p> <p>▶A high-speed railway to be opened in 2006</p>
Disadvantages	▶In need of the TSR (Trans-Siberian Railway) passing through North Korea		▶Opened in 1979, it's an old airport compared to the airports of the two countries
Medical Environment			
Advantages	▶Increasing number of foreign patients are visiting Korea for spinal, plastic,	▶ Succeeded in strategically attracting foreign patients -270,000 foreign visitors come	▶Advanced medical insurance policies in which patients have to pay only 10% of total

	sterilization and heart surgeries.	to Singapore for medical treatment every year, and foreign patients account for nearly 34% of the total number of patients in Singapore. -Major hospitals hire international agents and provide red-carpet services through aggressive marketing ▶Advanced public medical services as 80% of total patients receive medical treatment at public hospitals	medical costs (76.3% of the population are satisfied)
Disadvantages	<p>▶In the beginning stage of attracting foreign patients</p> <p>- Only 0.2% of foreigners in Korea visit Korea for medical purposes.</p> <p>▶Patients are required to pay 41.9% of total medical costs, which is double the OECD average of 20%.</p> <p>▶The medical industry is not fully open to the world</p>	▶Patients from Indonesia, Malaysia and other neighboring countries account for 3/4 of the total number of foreign patients in Singapore	▶In the beginning stage of attracting foreign patients
Human Resources and the Labor Environment			
Advantages	<p>▶Outstanding educational level and abundant human resources</p> <p>-41% of workers received college/university education among the 25 to 34 age</p>	<p>▶Outstanding education level;</p> <p>- 45.4% of workers have college/university education among 25 to 34 age bracket</p> <p>- world's 3rd highest.</p> <p>- Superior international</p>	<p>▶Outstanding education level</p> <p>40.6% of workers have college/university education among 25 to 34 age bracket - world's 5th highest.</p> <p>▶Highly stable wage structure</p>

	<p>bracket - world's 4th highest.</p> <p>-Easy to recruit senior managers with world ranking of 18th in terms of international experience.</p> <p>▶Labor productivity growth rate is much higher than those of the other two countries - it increased by 10.8% in 2004 and 8.2% in 2005.</p>	<p>experience of managers - world's 6th highest.</p> <p>▶English communication is smooth as it is one of the official languages (IMD rates Singapore world's 17th in terms of foreign language proficiency).</p> <p>▶Highly stable labor relations maintained by powerful government intervention</p> <p>- Not a single strike since the 1980s (No. 1 stable labor relations rated by IMD)</p> <p>- Yearly lost work days - 0, world's best.</p>	<p>- 2% or less wage increase rate over several years.</p> <p>▶Highly stable labor relations</p> <p>- Yearly lost work days - 0, world's best.</p>
Disadvantages	<p>▶English communication is not smooth (ranked 38th by IMD).</p> <p>▶Labor relations rapidly stabilizing</p> <p>- Illegal strikes and lost work days decreased by 72% and 30%, respectively, in 2005.</p>	<p>▶Labor productivity growth ratio abruptly declining (from 6.9% in 2004 to 1.9% in 2005).</p> <p>▶Severe workforce shortage in the electronics and machinery industries.</p>	<p>▶English communication is not smooth (ranked 30th by IMD).</p> <p>▶Labor productivity growth rate is low - it increased by 5.5% in 2004 and 4.7% in 2005.</p>

* Note: The above 'Advantages' and 'Areas for Improvement' analysis results are based on this writer's personal opinion.

45) IHQs can qualify for up to 20-year tax holiday, but according to Pioneer Status for the balance between countries.

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