

# ECCK Connect Autumn 2013 The Quarterly Magazine of the European Chamber of Commerce in Korea

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# 존재 그 자체가 모든 것을 말해줄 것이다.

완벽한 존재는 수많은 수식어를 필요로 하지 않습니다. 그 어떤 설명보다 존재, 그 자체로서 모든 것을 설명하는 완벽한 BMW 7시리즈를 가장 먼저 만나십시오. **The Statement.**

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정부 공인 표준 연비 및 등급 BMW 7 Series 730d 배기량 2,993cc, 공차중량 1,840kg, 자동 8단, 복합연비 15.2km/l (도심연비 13.6km/l, 고속도로연비 17.9km/l) 복합CO<sub>2</sub>배출량 128g/km, 2등급 730d xDrive 배기량 2,993cc, 공차중량 1,910kg, 자동 8단, 복합연비 13.7km/l (도심연비 12.1km/l, 고속도로연비 16.1km/l) 복합CO<sub>2</sub>배출량 145g/km, 3등급 730Ld 배기량 2,993cc, 공차중량 1,875kg, 자동 8단, 복합연비 15.2km/l (도심연비 13.6km/l, 고속도로연비 17.9km/l) 복합CO<sub>2</sub>배출량 128g/km, 2등급 740d 배기량 2,993cc, 공차중량 1,865kg, 자동 8단, 복합연비 14.4km/l (도심연비 13.2km/l, 고속도로연비 16.2km/l) 복합CO<sub>2</sub>배출량 136g/km, 2등급 740d xDrive 배기량 2,993cc, 공차중량 1,940kg, 자동 8단, 복합연비 13.3km/l (도심연비 11.8km/l, 고속도로연비 15.7km/l) 복합CO<sub>2</sub>배출량 149g/km, 3등급 740i 배기량 2,979cc, 공차중량 1,825kg, 자동 8단, 복합연비 9.9km/l (도심연비 8.8km/l, 고속도로연비 11.7km/l) 복합CO<sub>2</sub>배출량 179g/km, 4등급 740Li 배기량 2,979cc, 공차중량 1,845kg, 자동 8단, 복합연비 9.9km/l (도심연비 8.8km/l, 고속도로연비 11.7km/l) 복합CO<sub>2</sub>배출량 179g/km, 4등급 750Li 배기량 4,395cc, 공차중량 1,960kg, 자동 8단, 복합연비 8.2km/l (도심연비 6.9km/l, 고속도로연비 10.4km/l) 복합CO<sub>2</sub>배출량 220g/km, 5등급 750Li xDrive 배기량 4,395cc, 공차중량 2,035kg, 자동 8단, 복합연비 8.1km/l (도심연비 6.9km/l, 고속도로연비 10.1km/l) 복합CO<sub>2</sub>배출량 222g/km, 5등급 760Li Individual 배기량 5,972cc, 공차중량 2,280kg, 자동 8단, 복합연비 6.4km/l (도심연비 5.3km/l, 고속도로연비 8.5km/l) 복합CO<sub>2</sub>배출량 285g/km, 5등급 ActiveHybrid 7 배기량 2,979cc, 공차중량 2,050kg, 자동 8단, 복합연비 10.8km/l (도심연비 9.6km/l, 고속도로연비 12.6km/l) 복합CO<sub>2</sub>배출량 163g/km, 4등급 \*이 연비는 표준모드에 의한 연비로서 도로상태·운전방법·차량정적상태 및 외기온도에 따라 실주행연비와 차이가 있습니다. 본 광고 이미지는 실제 차량과 차이가 있을 수 있으며 사양 및 제원은 성능 개선을 위하여 사전 예고 없이 변경될 수 있습니다. 정확한 모델별 옵션 적용 사항은 가까운 BMW 공식 딜러 전시장에 문의하시기 바랍니다.

# 중심을 잡는 언론

연합뉴스는 균형잡힌 시각으로 대한민국 뉴스의 기준이 되고 있습니다.

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Kind regards,

**Thilo Halter**  
President of the ECCK

Dear Readers,

I am happy to release the **second issue of ECCK Connect**, the quarterly magazine of the European Chamber of Commerce in Korea (ECCK). Congratulations to *ECCK Connect* on its smooth sailing after the launch of its inaugural issue, *The New Beginning!*

As we press forward, confidently and energetically, the ECCK continues to expand and better its services. Since the summer, we have actively represented our members in many regulatory issues, including ordinary wages and amendments to the tax law for foreigners. Furthermore, the Chamber has initiated new committees to help members communicate better with the Korean Government on pressing industry issues.

In the coming months, we have a few major conferences and events for our members. We had the honour of inviting Mr Karel De Gucht, EU Commissioner for Trade, to our General Meeting as a speaker. The ECCK has co-hosted two back-to-back events: "The 2013 Korea-EU IPR Conference on Trademarks & Industrial Design" and "The 2013 Busan-EU Business Forum & B2B Meeting". These will be followed by "The EU-Korea Auto Parts Conference 2013" and the "Safety Conference" in November. Our efforts will only strengthen in the days ahead as we envision a stronger and more effective European Chamber.

To explore new service areas, the cover story of this issue is dedicated to Corporate Social Responsibility (CSR) for which we have set up a working group to assist members in their activities and publicity. European companies have often been perceived as being inactive in contributing to the welfare of Korean society. To counter this unfair perception, we have introduced a few interesting activities by members as well as new CSR trends and the major players in Korea. The ECCK will continue to cooperate with its members in the development of CSR programmes and have their presence felt in Korea.

In the following pages, you will also find many informative articles on a variety of issues spanning the Seoul office market to green buildings in Korea. A column by a renowned North Korea expert, Dr Andrei Lankov, offers an overview of the country to the north of us.

Finally, I would like to take this opportunity to thank all of our members for their ongoing support and wish you all the best in reaching your personal and business goals in this beautiful season. I hope you continue to find *ECCK Connect* informative and interesting.

Your Best Business Partner,

# GYEONGGI PROVINCE



## Gyeonggi leads Korea's major industry

Industry	Number of Companies		Related Personnel	
	Korea	Gyeonggi	Korea	Gyeonggi
Semiconductor	974	467(48%)	109,040	65,528(60%)
Display	418	202(48%)	95,927	32,958(34%)
Automotive	3,685	795(22%)	306,542	71,723(23%)

## Advanced Global Clusters

- Semiconductor**  
 880 semiconductor-related companies such as Samsung Electronics, SK hynix, Tokyo Electron, ULVAC, JNC, ASE, Fairchild, and Amkor with 75,000 employees
- Display**  
 Samsung Electronics, LG Display, 3M, Chisso, MERCK, Avan Strate, NITTO DENCO, HOYA
- Automotive**  
 HYUNDAI, KIA, BOSCH, Faurecia, Continental, Johnson Matty, DELPHI, DENSO

## Superb Infrastructure

- Transportation**  
 Incheon International Airport, Gimpo International Airport, Port of Incheon, Pyeongtaek Port, KTX, Expressways (11 lines)
- Public utility charge** 1/4 of Japanese utilities
- World No.8 Ease of Doing Business Rank**  
 (The World Bank - Doing Business 2013 Report)

## Incentives for Foreign Investors

- Complexes**  
 8 Foreign-exclusive industrial complexes  
 Free or 1% of construction cost

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All Quiet on the Northern Front...

Growth **वृद्धि** Croissance Wachstum 增长 Income Revenu Einkommen 소득 Fund Platform Plateforme de Fonds Fondsplattform 基金平台 Retirement Retraite Ruhestand リタイアメント Stocks and Shares Actions et parts Aktien und Anteile 주식 Investment Investissement Geldanlage 投資 Savings Épargne Sparen Tax-free Exonération fiscale In-depth research Recherche en profondeur Tiefgehende Analysen 심층 리서치 Income Revenu Einkommen 收入 Einkommen Global presence/reach Présence Mondiale Globale Présenz 涵盖全球 Portfolio Diversification Diversification du portefeuille 포트폴리오의分散 Portfolio-Diversifikation Multi-Asset Multi-Actif Multi-Asset 멀티에셋 Revenue 收益 Pensions 연금 Pensions de retraite Pensionslösungen Growth Croissance 增长 Wachstum Income Revenu Einkommen 소득 Fund Platform Plateforme de Fonds Fondsplattform 基金平台 Retirement Retraite Ruhestand リタイアメント Stocks and Shares Actions et parts Aktien und Anteile 주식 Investment Investissement Geldanlage 投資 Savings Épargne Sparen 儲蓄 Tax-free Exonération fiscale In-depth research Recherche en profondeur Tiefgehende Analysen 심층 리서치 Income Revenu Einkommen 收入 Einkommen Global presence/reach Présence Mondiale Globale Présenz 涵盖全球 Portfolio Diversification Diversification du portefeuille 포트폴리오의分散 Multi-Asset Multi-Actif Multi-Asset 멀티에셋 Revenue 收益 Pensions 연금 Pensions de retraite Pensionslösungen Growth Croissance 增长 Wachstum Income Revenu Einkommen 소득 Fund Platform Plateforme de Fonds Fondsplattform 基金平台 Retirement Retraite Ruhestand 리타이아먼트 Stocks and Shares Actions et parts Aktien und Anteile 주식 Investment Investissement Geldanlage 投資 Savings Épargne Sparen 儲蓄 Tax-free Exonération fiscale In-depth research Recherche en profondeur Tiefgehende Analysen 심층 리서치 Income Revenu Einkommen 收入 Einkommen Global presence/reach Présence Mondiale Globale Présenz 涵盖全球 Portfolio Diversification Diversification du portefeuille 포트폴리오의分散 Portfolio-Diversifikation Multi-Asset Multi-Actif Multi-Asset 멀티에셋 Revenue 收益 Pensions 연금 Pensions de retraite Pensionslösungen Growth Croissance 增长 Wachstum Income Revenu Einkommen Fund Plat- **म्यूचुअल फंड** मंच Retirement Retraite Ruhe- Aktien und Anteile Investment Investissement Exonération fiscale In-depth research Tief- Income Revenu 收入 Einkommen Global pres- Portfolio Diversification Diversification du Asset Multi-Actif 멀티에셋 Multi-Asset बहु-संपदा Growth Croissance Wachstum Income Revenu 基金平台 Retirement 리타이아먼트 Retraite Investment Investissement Geldanlage Savings 研究 심층 리서치 Income Revenu Einkommen 收入 Global presence/reach Présence Mondiale Globale Portfolio-Diversifikation 포트폴리오의分散 Multi-Asset Multi-Actif Multi-Asset 멀티에셋 Revenue 收益 Pensions 연금 Pensions de retraite Pensionslösungen Growth Croissance 增长 Wachstum Income Revenu Einkommen Fund Platform Plateforme de Fonds Fondsplattform Ruhestand Stocks and Shares Actions et parts Aktien und Anteile 주식 Investment Investissement Geldanlage 投資 Savings Épargne Sparen Tax-free कर मुक्त Exonération fiscale In-depth research Recherche en profondeur Tiefgehende Analysen 심층 리서치 Income Revenu Einkommen Global presence/reach Présence Mondiale Globale Présenz 涵盖全球 Portfolio Diversification Diversification du portefeuille 포트폴리오의分散 Multi-Asset Multi-Actif Multi-Asset 멀티에셋 Revenue 收益 Pensions 연금 Pensions de retraite Pensionslösungen Growth Croissance Wachstum 增长 Income Revenu Einkommen 소득 Fund Platform Plateforme de Fonds **म्यूचुअल फंड** मंच Fondsplattform 基金平台 Retirement Retraite Ruhestand 리타이아먼트 Stocks and Shares Actions et parts Aktien und Anteile 주식 Investment Investissement Geldanlage 投資 Savings Épargne Sparen 儲蓄 Tax-free Exonération fiscale In-depth research

# Whichever market in the world you invest in, Fidelity has it covered.

There’s a whole world out there to invest in. And to help you make the most of the opportunities it presents, there’s Fidelity. We’re here with the global reach and the in-depth knowledge of individual economies to make every market work for you. We’re here with the depth of research and independence of thought that deliver unique and telling insights into companies and sectors worldwide. We’re here with no other business than the single-minded pursuit of investing on behalf of millions of customers. With a range of investment options to suit all market conditions, at all stages of your life. In fact, Fidelity is your currency of investing. And like a currency, we’re backed by a single strong belief: in the ability of prudent, active management to help you achieve your investment goals. In an ever more complex investment world, it’s a currency we will never devalue.

## Get Your Business Clues from Yonhap



Yonhap's role – both in the Korean and international press – cannot be underestimated. It delivers fast and reliable news about the Korean Peninsula to readers across the globe, not to mention news agencies, broadcasting firms, governmental agencies, business organisations and internet portals on a real-time basis.

**G**lobal Korea' is the name that the Land of the Morning Calm has taken on for itself. But, really, in your daily business activities, do you feel the global standard of Seoul? For instance, are you getting your news in English, real-time, on the very day that it is happening? Or are you still reading day-old newspapers like all the others in Korea? More importantly, are you getting timely, accurate information on the rapidly changing regulatory landscape that will provide you with vital clues to doing business in Korea and allow you to prepare well in advance?

Yonhap, a news agency known for its quick delivery, even by Korean standards – which, by the way, is quite hard to beat – plans to start what is called the Yonhap Daily News Briefing (YDB), daily English news summaries every afternoon. Its main targets are foreign investors who want to get a clear picture of the quickly changing political and economic environment in Korea.

Recently, Yonhap signed a Memorandum of Understanding with the ECCK to launch the YDB service for ECCK's members. Just imagine what European businesses will be able to achieve with this. Here, we introduce to ECCK's members Yonhap and its new Daily News Briefing service.

Yonhap is the largest news-gathering network in Korea with 580 journalists and photographers at the Seoul headquarters, regional offices, and overseas bureaus. It has been specially tasked by Korea's National Assembly to promote the nation's image by distributing accurate news on Korea – an important task considering the information landscape is mainly dominated by Western news media outlets. In order to help the international community access accurate information about Korea, Yonhap's foreign-language news service is distributed in English, Chinese, Japanese, French, Spanish, and Arabic.

Yonhap currently has 45 correspondents in Washington DC, Paris, Moscow, Tokyo, Beijing, and 28 other major cities around the world and employs local correspondents to cover stories not only about Korean affairs but also other international issues from a Korean perspective. Launched in 1981, Yonhap became the first of the Korean press outlets to establish an electronic system for composition and release of news articles to its clients in 1988. It was the key news agency for Korea's major international events, including the 1988 Seoul Olympics, the 2000 Asia Europe Meeting (ASEM) in Seoul, the 2002 Korea-Japan FIFA World Cup, and the 2005 summit of the Asia-Pacific Economic Cooperation (APEC) forum. In 2011, the Yonhap Network Agency became a media group comprised of a news, TV, and financial news outlets as it launched a cable news network, NewsY.



Yonhap partners with 70 global news agencies, including such major news companies as the Associated Press, Reuters, United Press International, Agence France-Presse, China's Xinhua News Agency, Japan's Kyodo News Agency, Deutsche Presse Agentur of Germany, Itar-Tass of Russia, and Press Trust of India. It even provides news about North Korea under a contract to exchange news services with the Korean Central News Agency (KCNA) of North Korea.

The Yonhap Daily News Briefing (YDB) service is designed to help foreign investors get a clear picture of the rapidly changing political and economic environment in Korea. The upcoming daily service is sure to ease the challenges faced by foreign investors running businesses in Korea by offering timely and accurate information to members of the ECCK.

No one disputes the importance of accurate information for business leaders, especially non-Korean executives who might not fully grasp the changing local business and market conditions due mainly to the language barrier.

Regarding its contents, the YDB will be of great help to foreign investors as it includes major economic news summaries, legislation and regulation of business interests updates, personnel changes in governmental departments and agencies as well as schedules for the weekly press releases

by major government agencies. In addition, the YDB boasts a real-time service, updating news on the very day that it is happening, unlike other local English news dailies, which usually offer day-old stories.

Accordingly, this valuable service will certainly help foreign firms grasp and pre-emptively cope with any regulatory movements within government organs and their related agencies. The service will be delivered to subscribers via e-mail in the form of PDF file every afternoon throughout the week. In this regard, the YDB is a differentiated and exclusive premium news service, and the first of its kind Korea.

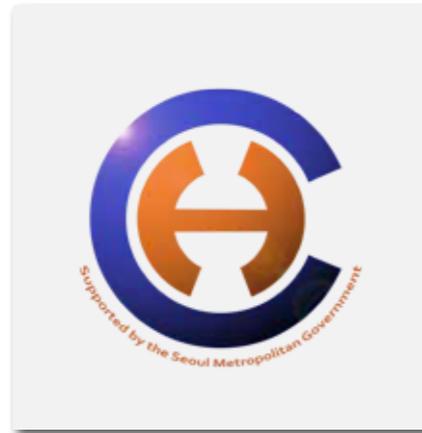
Mr Thilo Halter, President of the ECCK said he was thrilled to establish a strong and cooperative relationship with Yonhap, noting that the service would surely be an unrivalled source of information for foreign companies. "The YDB will greatly help us quench our thirst for the information essential to doing business in Korea," Halter said at the MOU signing ceremony in August. Mr Oh Jae-seok, managing director handling business and international affairs at Yonhap, said, "This premium news briefing service will greatly contribute to satisfying the ECCK's members information needs." The privileges and benefits offered to subscribed ECCK members include discounts on the subscription fee and access to distribution.

**The Dawning of a New Horizon—Horizon Communications is the invisible hand behind the publication of *ECCCK Connect*. It was their superb skills that made this magazine possible. They are a team that will surely go beyond their horizon. The following is a story written by them about how they came to be.**

**T**racing the decisions and actions responsible for how three disparate individuals, from very different backgrounds, came together in Korea to start a communications company is nothing short of mind bending in complexity. Similar, in fact, to the task that faced the biochemist Albert Lehninger as he tried to elucidate the torturous labyrinth of combination, exchange, and transformation involved in the electron transport chain of the respiratory process. Yet even more difficult than that as creatures of flesh, blood and impulse can never be counted on to adhere so rigidly to any one pre-set pathway. What is required then is a compression or, to stick with the biochemical analogy, a reduction.

Let's choose as our beginning point the three founding members of Horizon Communications: Business Development Director Huw-Morgan Evans, Communications Director Sean Ramnarine, Marketing Director Helen Seo, and the question, that question, the one that hangs darkly and counts the minutes after every first meeting in the Land of the Morning Calm: why did you come to Korea?

Huw-Morgan Evans has managed hotels across the globe. From North Africa to Mexico to Australia, and many locations in between, he has travelled the world managing high-end hospitality and retail operations. It was when he was close to finishing his contract in Australia and returning to the UK to take up a senior management position in the head office of the world's 3rd largest retail company that he met his future wife. Three months later Huw had returned to the UK to take up his senior management position...with a fiancée unexpectedly in tow.



Huw has always considered family to be of the utmost importance so now lives in Korea to allow his daughter the experience of the rich cultural heritage that makes up half of her background.

Sean Ramnarine's first tenuous association with Korea came when he was teaching a business writing class that included some Korean executives from the London-based SK Shipping offices. At the end of a class one day, when mentioning his plans to travel to, and perhaps work in, Japan, a few of the Korean executives suggested he consider Korea—he would be appreciated in Korea, they said: that was mid-December 2000. By January, Sean had planted feet in Korea.

Was this a different country, a different world or a different dimension? It mattered not—it was 'adventure'.

Helen Seo was born and raised in Seoul. From an early age, she realised she was the black sheep of a family that was devoted to the arts: her parents worked in the fashion industry and her two siblings exhibited artistic leanings. Helen, on the other hand, was drawn towards mathematics and science and had always felt the lure of distant lands and unknown cultures.

As soon as Helen graduated from university, she flew to the US to study marketing, international retailing and consumer sciences. From here she participated, as a fellow, in the Transatlantic Summer Academy in 1999 to learn about the changes in European Union and Eastern European Countries. Various academic positions in the US followed for the next 15 years.

Huw, Sean, and Helen first crossed paths in 2009, when they



taught at a prestigious camp held by Yonsei University solely for its civil engineering PhD students. Sean and Helen were teaching at separate universities whilst Huw's skills were much sought after in the corporate sector. Only three teachers were employed for this Yonsei camp, and we were those three. Over the course of this initial camp, it became clear to each of us that we were working with highly talented individuals who were experts in our chosen fields.

Initially, it was Huw and Sean who got together and discussed the idea of starting a company. The expertise being proffered was in communications and business development: they envisioned a two-pronged communications company that met the corporate and educational needs of its clients.

The necessity for a company like Horizon Communications was prioritised when the Korean Government highlighted the fact that Korean companies ranked low in OECD countries in terms of globalisation, a major reason being the lack of a skilled workforce trained in communications. Buzzwords, such as 'integration', 'creativity', 'convergence', and, yes, even 'communication', were always being thrown around in workplaces, though without much actual thought to meaning, let alone execution.

The next stage in the gestation of Horizon Communications was for Sean and Huw to secure a Korean partner. This was easy: get Helen Seo. She had the Korean cultural and academic background essential to Horizon's brief: Korean, a Master's

in marketing and a PhD in international retail and consumer sciences. Without Helen, there could be no Horizon Communications.

Horizon Communications was founded in 2013, with the aim of globalising communications in Korea and incubating the shift to a creative economy. With its mix of tactical (educational) and strategic (corporate) communications programs, and the academic and business credentials of its founders, Horizon is unique because it takes an academic level of excellence and applies this to its corporate services and transfers its industry experience to the classroom. Thus, not only can this company deliver sound internal communications, PR, corporate identity-corporate reputation alignment solutions and staff educational programs (presentation, business writing, interpersonal skills, meetings/negotiations), but it also offers a level of cultural sensitivity and communication styles, on a Western and Korean level, of which other companies are simply lacking.

Horizon Communications was offered a placed on the Seoul Metropolitan Government's prestigious head office SME incubator programme only two weeks after the company had been registered. The SME programme has been of enormous assistance. The office space, advice for formalizing our market, value and message, and the networking, introductions and subsequent opportunities have been nothing short of a revelation. So, there you have it: Horizon Communications came into being on the back of a sense of adventure, a sense of family and a sense of home.

Less chemistry, more alchemy then.

#### About Horizon Communications

*Horizon Communications is an independent communications company that offers advanced educational and corporate communications services. This company can train, consult and strategize on all matters to do with communications and provides a level of academic and corporate communications expertise, and a level of cultural sensitivity, Western and Korean, lacked by other companies. Horizon Communications was founded by three like-minded individuals: Sean Ramnarine, Huw-Morgan Evans and Helen Seo. It is located in the Seoul Global Center in Jonggak.*



## Merck Holds “Displaying Futures” Symposium in Seoul

On October 2, 2012, Merck held its third “Displaying Futures” Symposium in Seoul. The objective was to rethink the interaction between people and displays by bringing together the best thinkers of our time to discuss the topic, “Ubiquitous Interaction – A World of Displays”. The “Displaying Futures” Symposium, an annual interdisciplinary dialogue started by Merck in 2011, reflects the ambition of the liquid crystal global leader to actively shape developments in this sector.

This initiative, pursued by Merck under the auspices of the German Embassy in Korea, strives to offer cultural insights, highlight market developments, sensitise our society to changes in our lifestyle, and rise to technological challenges by bringing together diverse actors such as artists, scientists, industrial designers, architects, and even interaction specialists.

“With the ‘Displaying Futures’ initiative, Merck wants to learn how experts in each field ‘make communication visible’ in their own fields – apart from a simply technological approach,” said Walter Galinat, President of Performance Materials at Merck KGaA, who visited Korea for the symposium.

“Future displays will evolve with not only functional qualities but also haptic qualities. Display technology has already permeated our daily life, enabling innovative lifestyles. Technological evolution means realising what our minds have imagined. This reflects Merck’s commitment to the true meaning of display technology development - leading positive innovations in our life,” emphasised Dr Michael Grund, Managing Director of Merck Korea.

World-renowned speakers on urban space, architecture, and industrial design delivered remarks and presentations. Keynote speaker Adam Greenfield, urbanist and author of the best seller *Everyware: The Dawning Age of Ubiquitous Computing*, said, “Under the ubiquitous computing environments, machines will fit the human environment instead of forcing humans to enter theirs.”

The keynote speech was followed by three sessions themed urban space, home environment, and personal space, respectively. Meejin Yoon and Eric Höweler of Höweler + Yoon Architecture/MY Studio delivered a lecture on the changing urban space, while Sung-gul Hwang, an independent consultant on UX projects, design, and marketing, analysed the change in the home environment. The personal space, which is a more intimate sphere, was the subject discussed by Stefan Karp and Mareike Gast. Karp is the co-founder of Ma Ma Interactive System Design, and Gast is a visiting professor of industrial design from Burg Giebichenstein University of Art and Design Halle, who especially focuses new materials and technologies.

## Greetings & Farewells

Last summer, we bid farewell to two good friends whose help had been vital in the founding of the ECCK. **Mr Xavier Coget**, Head of Economy & Trade, and **Mr Pedro Santos**, Trade Counsellor, of the EU Delegation, have completed successful assignments in Korea. We wish them all the best in their new ventures. Both Mr Coget and Mr Santos arrived in Korea in September 2009, when the final touches were being made to the EU-Korea FTA. The global financial crisis was still raging and politicians were fighting over the merits of the FTA, but finally, the FTA came into effect in 2011. Mr Coget and Mr Santos remember their time in Korea as a complex but truly exciting period for all involved. Stressing European companies’ keen interest in the Korean market in his email to the ECCK, Mr Santos wrote “there is still a lot of room for growth in bilateral trade”. He also thanked the ECCK for its “invaluable help” in creating a better environment for European businesses in Korea, but actually, it is the Chamber that is in debt to them.



Their successors are Mr Paolo Caridi, Head of Trade, and Mr Johan Vandromme, First Counsellor, who assumed their positions in September. **Mr Paolo Caridi** was previously Policy Coordinator of the Directorate General for Climate Action as well as Administrator of the Directorate General for Trade, Services and Investment Unit. He has also served as First Secretary of the Trade Section in the EU Delegation in Japan. He holds a master’s degree in political science and international relations from the Institute of Political Studies, Paris, and majored in economics and trade at the University of Genoa.

**Mr Johan Vandromme’s** previous assignment was in Beijing as First Counsellor and Team Coordinator of the Trade & Investment Section for the EU Delegation in China, from 2009 to September this year. It is not his first time working in Seoul, however. From 2007 to 2009, he worked in Korea as Senior Advisor to the Competition Law Practice Group, Kim & Chang, while on leave from the European Commission. And in 2006, he was seconded to the Korea Fair Trade Commission by DG Competition. He holds an MBA from the Catholic University of Leuven, Belgium, and a certificate of European studies from the University of Strasbourg, France. He holds a bachelor’s degree in applied economics from the University Faculties St. Ignatius Antwerp, Belgium.



## ECCK Activities

### ECCK Newsletters Now in Circulation

The ECCK is pleased to announce that its monthly newsletters are now in circulation. During the sizzling summer months, the first two newsletters—the July and August issues—were sent to more than 2,000 contacts. The newsletters are an effort to keep ECCK members up-to-date on the Chamber's activities, which have quickly grown, particularly in the first half of this year. The first newsletter reported on committee activities and featured a special column on the new unitary patent system in Europe, while the second newsletter reported on the ECCK's MOU with Yonhap News and promoted our Executive Training Programme among other notable features. The ECCK hopes that its newsletters provide invaluable informative news and help you navigate your way successfully in the Korean market.



### New ECCK Website Open

The ECCK launched its new website at <http://www.ecck.eu>. You will immediately notice all the new, neat features, including online RSVP, an upgraded event calendar, and bulletin boards by committee, not to mention the overall improvement in design and interface. All publications, including *ECCK Connect* and the ECCK's newsletters, are up on the website too. The website is one of our many tools to better communicate with not just our members but also the general public. We hope to provide you with more useful and timely information through the website. If you have any important news that you wish to circulate more broadly—charity events, personnel changes, and the like—please don't hesitate to contact us as at [ecck@ecck.eu](mailto:ecck@ecck.eu). Take a look around our website and don't forget to take a few of the surveys we have uploaded!



### ECCK Membership Directory

The first ECCK Membership Directory was published in July. Neat and portable, the Directory contains the details of all of our members (and potential valuable partners). Along with our Annual Report, the Directory is our major yearly publication. This handbook containing crucial information on ECCK members will be your essential toolkit in networking and doing business in Korea.



## ECCK Busan Activities

### Busan Networking Night

On June 25, 2013, the members of the ECCK Busan Chapter gathered at Gallery IDM, located near the beautiful beach of Haeundae, to bid farewell to Mr Ville Packalen, the outgoing chairman of the Marine & Shipbuilding Committee. It is the ECCK's hope that the farewell party provided some of the most beautiful and unforgettable Korean memories for Mr Packalen and his family as the party was a grand affair based on Korean traditional customs.

### Marine & Shipbuilding Seminar

On July 3, 2013, the Chamber's Marine & Shipbuilding Committee and the Busan Jinhae Free Economy Zone Authority co-hosted a seminar on maritime equipment technology at the Ibis Hotel located in the city's centre. The Korea Marine Equipment Research Institute (KOMERI) and KTB Investment & Securities were invited as speakers for this event. KOMERI gave a presentation on the new trends in the marine equipment market, while KTB presented on the market expectations of the shipbuilding industry. An inauguration ceremony was also held for the new chairman of the Marine & Shipbuilding Committee, Mr Jan Benggaard.

### HR Seminar

On July 26, 2013, the ECCK Busan Chapter organised a seminar on human resources in cooperation with the Busan Office of the Korean Immigration Service (KIS). KIS gave an informative overview of Korea's immigration and visa system. It also shared with the ECCK ways to expedite the visa process. Since the event was held at the Busan Global Centre, participants also had a chance to learn about the services being provided by the Centre.



## ECCK Cosmetics Committee

### Cosmetics Committee President Group meeting

On July 11, 2013, the Cosmetics Committee held a meeting with president group members to overview recent cosmetic issues and discuss committee activities. Secretary-General Christoph Heider, who had assumed the position in June, had the opportunity to introduce himself to the Cosmetics Committee members and explain the Chamber's activity plans.

### MFDS experts meeting on cosmetic labelling & advertisement

Since the fully amended Cosmetic Act was enforced in 2012, the rules for cosmetic labelling and advertisement substantiation have been officially introduced. On July 24, 2013, the Ministry of Food and Drug Safety (MFDS) met to discuss the issues with experts as planned to revise the current labelling and advertising guidelines. The ECCK Cosmetics Committee was also invited to this meeting. As the cosmetic industry is currently undergoing difficult times due to excessive restrictions on claims, representatives from the industry stressed the need to properly understand the unique characteristics of cosmetic products and the industry, commenting that the main purpose of labelling and advertisement is to provide sufficient information to consumers. On August 7, 2013, members of the Cosmetics Committee Working Group gathered to follow up on this MFDS meeting and to prepare proposals.

## ECCK Healthcare Committee

In answer to industry-raised requests, the ECCK has created the Healthcare Committee for all European companies and interested stakeholders in Korea. The Healthcare Committee held its official opening event on October 1, 2013, in the presence of Mr Moo-young Yoo, Director-General of the Pharmaceutical Safety Bureau at the Ministry of Food and Drug Safety.

The path to setting up this committee started back in June this year, when the ECCK kicked off a “Healthcare Working Group”, with several representatives from the pharmaceutical and medical devices sectors in attendance. This first meeting was meant to verify the need for a dedicated structure within the ECCK, as well as to explore ways of addressing the current and future concerns of the industry. A consensus emerged from the participants that led to the present Healthcare Committee.

The Healthcare Committee will support European companies and interested stakeholders from the healthcare industry (pharmaceutical, medical devices, and other related sectors) and work to improve the overall business environment. The committee will provide its members with an opportunity to share information, establish a common understanding, and speak with a collective European voice on key issues. It will also maintain direct communication channels with the EU Delegation, the Korean Government, and

other industry associations. Last but not least, the committee will strive to promote a European vision for the development of the healthcare industry in Korea. (e.g. promotion of European innovation and technology and improvement of the healthcare system)

The committee is open to all European companies and interested stakeholders, provided that they are duly registered members of the ECCK and they accept and abide by the committee’s operational rules. For more information and committee registration, please contact Ms Ansook Park (healthcare@ecck.eu).



## ECCK Finance Committee Taxation Workshop

**O**n June 11, 2013, the ECCK Fashion & Luxury Group and the Taxation Committee, in collaboration with Samil PwC, jointly organised a **taxation workshop** specifically tailored to professionals in the fashion and luxury industry. The workshop covered general industry trends and tax issues and delved into industry specific topics, such as tax audits, common tax issues, transfer pricing, and customs. Presentations were delivered by Mr Henry An and Mr Sang-Do Lee, partners at Samil PwC. Mr Alex Lee, partner at Samil PwC and chairman of the ECCK Taxation Committee, gave the opening and concluding remarks. The presentation started with a brief overview of the Korean apparel and luxury goods industry. Mr An described the overall characteristics and sub-trends of the industry as well as the policies of the new Park administration, while stressing the exceptional resilience of the sector in the face of various crises.



Mr Lee then took the floor to introduce the Korean tax audit procedures and the Tax Audit Directives for 2013. He also explained various industry issues, such as discount sales to employees, adding that such practices can be considered as unfair transactions that generate under-declared taxable income. Henry An also explained transfer prices and customs. After summarising the regulatory background, he emphasised the importance of preparing and maintaining adequate documentation at all times. He gave an overview of the existing penalties and compliance measures, including the advance pricing agreement (APA). The workshop ended with a short Q&A session.

### CFO Committee Meeting

The ECCK CFO Committee held its quarterly meeting on May 30, 2013 and discussed Korea’s competition laws. For this session, Mr Sang Park and Mr Yong Lim, from Kim & Chang, joined Mr Nicolai Nahrgang to provide insightful views into the Korea Fair Trade Commission (KFTC) and the recent developments in Korean competition law. It was the first meeting organised by Mr Rocco Eisebith and Dr Nicolai Nahrgang since their election as the new committee chairman and vice-chairman in April 2013. The following is a summary of the meeting provided by Dr Nicolai Nahrgang, CFO Committee Vice-Chairman.

## KFTC’s Organisational Structure

by Dr Nicolai Nahrgang

The Korea Fair Trade Commission (KFTC) functions as a quasi-judiciary body, whose role is to formulate and administer competition policies, and it handles, deliberates and decides anti-trust cases. The KFTC is charged with enforcing the Monopoly Regulation and Fair Trade Law (FTL) and is committed to four mandates: promoting competition; strengthening consumers’ rights; creating a competitive environment for small- and medium-sized enterprises; and restraining the concentration of economic power. The KFTC consists of a commission (the “Commission”), which is the decision-making body, and a secretariat, which is the working body. The Commission consists of nine commissioners, who deliberate and make decisions by majority vote on competition and consumer protection issues.

The secretariat, through its various bureaus, is directly involved in drafting and promoting competition policies, investigating antitrust issues, presenting them to the Commission, and handling them according to the Commission's decisions.

### Procedural Steps of a KFTC Investigation

#### Investigation by an Examiner

Once the KFTC decides to proceed with an investigation into an alleged violation of the FTL, the KFTC will forward a letter to the parties subject to the investigation to inform them of the opening of an investigation; this is often accompanied by a comprehensive request for information.

The KFTC has been granted comprehensive investigative powers; it may summon respondents and witnesses and inspect premises (a so-called "dawn raid") and seize any relevant evidence. The KFTC has the authority to, and often elects to, request additional materials and information and/or conduct employee interviews to supplement its investigation.

The KFTC examiners evaluate a case on the basis of the evidence gathered from their information requests, dawn raids and/or interviews. At the conclusion of the investigation, the KFTC examiners will either dismiss the case or refer it to the Commission for determination. If the KFTC examiners refer the case to the Commission, they will issue a report against the violating party or parties, attaching various evidentiary documents.

### Hearing and Decision by the Commission

If the KFTC examiners determine that a violation has occurred, the examiners will prepare an examiners' report and also prepare for an investigatory hearing held by the Commission, which is attended by both the KFTC and the respondents. The KFTC examiners send their examiners' report and recommendation to the Commission in advance of the hearing. The examiners will also send a copy of their report to the respondents, requesting that the respondents submit an opinion brief by a specified date (the "Response Date"). The Response Date will generally be two to three weeks from the date of receipt of the examiner's report.

The hearing generally begins within 30 days from the Response Date. At the hearing, each of the respondents is given the opportunity to present its response to the examiner's report. If the case is not complicated, the hearing before

the Commission is typically concluded in one sitting and a decision is rendered on the same day or, at the latest, within a few days of the hearing.

If the Commission finds the respondents to be in violation of the FTL, it may impose the sanctions described below; moreover, those individuals who actually conducted the acts in violation of the FTL may also be subject to sanctions.

### Sanctions upon an FTL Violation

If the KFTC finds a company to be in violation of the FTL, it may impose one or more of the following sanctions: (i) issuance of a cease and desist order, (ii) public announcement of the violation, (iii) order of payment of surcharges, and (iv) referral to the prosecutor's office to impose criminal sanctions.

### New Government Policy and Trends

The new government put "economic democratisation" and "happiness for the people" through a "creative economy" at the top of its political agenda. This entails strict regulations to curb the unfair practices of chaebols, support of SMEs for "shared growth" and aggressive law enforcement, including antitrust/fair trade law, tax and customs law and consumer protection.

### Recent Developments in Korean Competition Law

The enforcement of fair trade law has become stronger over the years. This is reflected in the reinforcement of the personnel and organisational capabilities of the KFTC and an increase in the intensity of the investigations and penalty amounts. Similar trends can be observed on a global level, e.g. in the US and the EU. Recent fair trade law initiatives have included the introduction of punitive damages for unfair coercion to lower supply prices against sub-contractors and the introduction of class action lawsuits regarding cartel and resale maintenance activities.

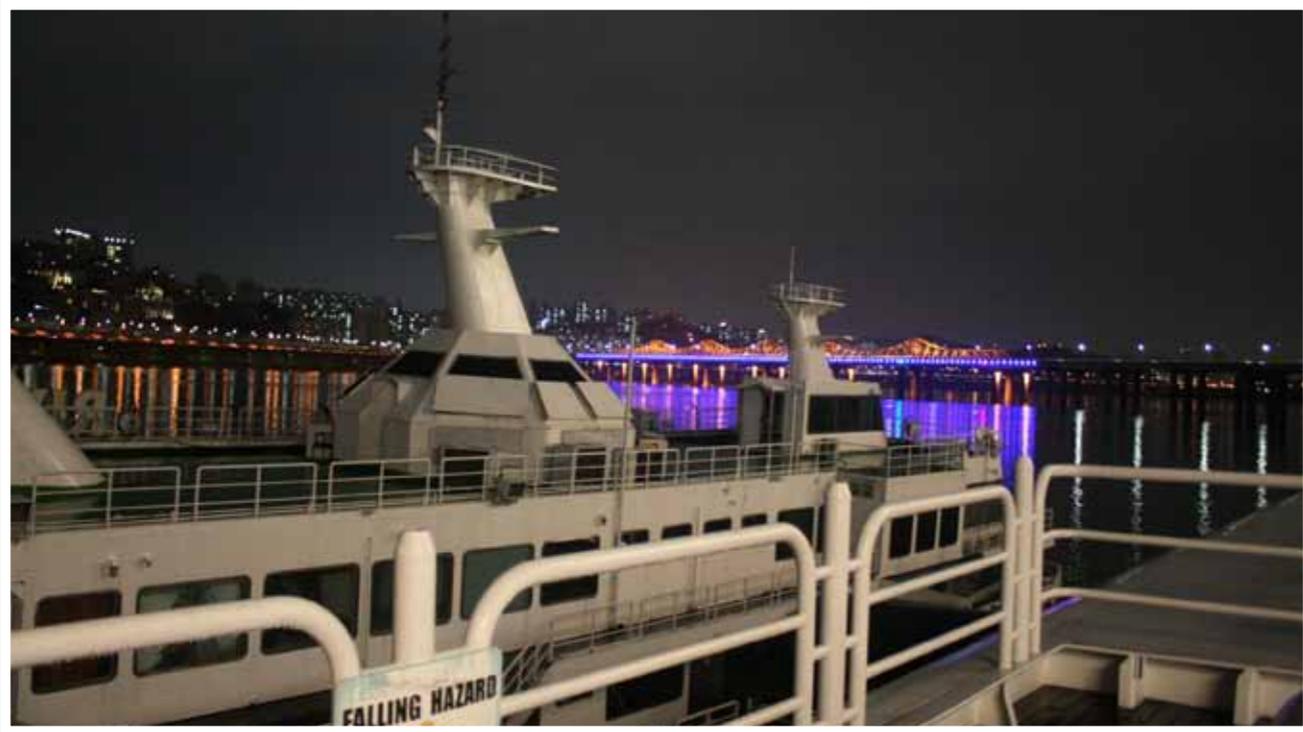


**Dr Nicolai Nahrang**  
Kim & Chang,  
CFO Committee  
Vice-Chairman

# ECCK Network Nights

The ECCK's Network Nights are becoming spicier! We've held two networking nights this summer. On the intoxicating mid-summer's night of July 30, members and friends boarded the perfect getaway cruise ship, WAV Bar & Lounge. With the cool Han River breeze in our faces, we mingled and chatted the night away. Following the cruise, on September 13, the ECCK, once again, hooked up with friends and members on the rooftop of Palais de Seoul, a gallery overlooking Gyeongbok Palace. The mood was cosy and congenial with our good friend Mr Jan Arie Smit, General Manager of Heineken Korea, pouring fresh beer straight from the barrel and artist Junkwon Kim explaining his unique multi-coloured woodcut prints. It was the perfect get-together for a perfect autumn night!





## The European Commission at the forefront of competition enforcement in 2013 A watchdog firmly marking out its territory

**The European Commission's enforcement of competition rules through harsh merger control and a strict antitrust approach is not about to vanish. Its current set of reforms, allegedly leading to greater efficiency, enables it to further consolidate its investigative powers.**

**7**.6 billion euros. This is the substantial amount of consumer benefits allegedly won by the European Commission (the "EC") through competition enforcement in 2012. According to the EC, about two thirds of this sum came from merger control. This might be partly explained by the prohibition of one major deal, the acquisition of NYSE Euronext by Deutsche Börse. After a decrease during the mandate of the commissioner in charge of competition, Neelie Kroes (2004-2009), who was very eager instead for far-reaching commitments, express prohibitions have become more frequent since Joaquin Almunia took office in 2010. Transactions have notably been prohibited in the air transport sector where airlines planning to merge had large bases at the same "home" airport. The proposed merger between the two Irish airlines (Ryanair and Aer Lingus) was thus rejected in 2007 and again in 2013. The EC also disapproved the 2011 merger plan of the two main Greek airlines (Olympic and Aegean), which was recently submitted again to the EC.

There are a few reforms in progress to improve the overall European merger control mechanism:

- The EC first intends to extend the scope of the simplified procedure, which is applicable to straightforward cases (e.g. the merging parties do not operate in the same markets or they have very small combined market shares), by the end of 2013 in order to refocus its resources on more problematic cases.
- For merger filings in general, a reduction in the amount of information required from the parties is also envisaged, but despite appearances, the draft revised regulations are written in such vague terms that they may be seen as even increasing the burden on the notifying parties.
- At a more preliminary stage, all stakeholders are currently consulted about whether it would be relevant for the EC to be entitled to review the acquisitions of non-controlling minority shareholdings. Should such an amendment be adopted, following a most probably long and complex legislative process, it might substantially increase the amount of transactions caught by a filing obligation.

On the antitrust side, which is the other aspect of the consumer benefits quantified by the EC, the EC has had to deal with one cartel case so far in 2013 (i.e. the wire harnesses case), which was settled at a global level of fines of EUR 141 million. Although, at present, the EC is investigating several companies, in particular IT giants, there has been no cases of the abusing of position. In contrast, commitment decisions have taken on increasing significance in antitrust, with the EC accepting commitments from some members of the global airline alliance Star Alliance on May 23, 2013 and from the Czech electricity incumbent with regard to an alleged abuse of dominance. The EC also sanctioned a company for the first time for non-compliance with previously accepted commitments, fining Microsoft EUR 561 million on March 6, 2013. Also for the sake of the efficiency of antitrust case detection, in March 2013 the EC amended its guidance for the procedure to be followed for dawn raids, consisting of systematically taking electronic copies (and no longer paper copies) of documents. This new method has already been put into practice, with investigations carried out in the white

sugar and oil sectors last May, in the rail freight transport sector in June and in the Internet connectivity sector in July.

As regards the last raid in the telecom sector, and based on a complaint from the US company Cogent, the notable targeting of Telefonica in Spain, Deutsche Telekom in Germany and the French telecom group Orange was to the great annoyance of its CEO, Stéphane Richard, who declared to the French press, "It is astonishing that the Commission is thereby the accomplice of a US player against European companies that massively hire and invest in Europe. In the US, there would be no converse situation." (Le Figaro, July 22, 2013). Could the EC be looking more favourably on non-European companies? It is true that the EC closed the e-books case by accepting commitments from Apple and five publishers in December 2012 and July 2013 while, in the corresponding case in the US, Apple, following prosecution by the Department of Justice, was found by a court decision of July 11, 2013 to have conspired with publishers to raise prices of e-books. As regards mergers, despite previous prohibitions of transactions involving airlines, the EC cleared the acquisition of Nyse Euronext by InterContinental Exchange on June 24, 2013, without remedies, and the merger between US Airways and American Airlines, with limited remedies, on August 5, 2013, whereas US authorities are seeking to block it. However, it is clearly a case-by-case approach considering the EC's harshness vis-à-vis Microsoft, which led to four different decisions from 2004 to 2013 imposing fines of a total of EUR 2.2 billion (see above), and the current close scrutiny of Google's search advertising business.

In fact, regardless of its nationality, as soon as a company's business has an anticompetitive impact on the EU market, its conduct, behavioural or structural, is likely to be caught by EU competition rules.

Asian companies are no exception: some of them were heavily fined by the EC in its last two cartel decisions, i.e., the cathode ray tubes cartel decision of December 2012, which resulted in the highest cartel fine ever to be imposed in Europe (EUR 1.47 billion including inter alia a EUR 391 million fine imposed on LG Electronics jointly and severally with Philips and EUR 296 million imposed on LG Electronics solely, as well as fines of EUR 157 million and EUR 150 million respectively

for Panasonic and Samsung SDI) and the already mentioned wire harnesses cartel decision of last July (which concerned inter alia three Asian companies representing more than 90% of the total amount of the fines imposed).

There was a time when companies were safe once they were fined by competition authorities within Europe. This will definitely no longer be the case in the near future, as the EC reflects on new legal instruments aimed at facilitating the introduction of follow-on actions for damages and class actions, based on common European principles (see the EC legislative proposal and recommendation of June 11, 2013). In a bid for greater efficiency against cartels, the EC is making anticompetitive conduct a never-ending story.

The ECCK Legal Forum will hold a seminar on Thursday October 31, 2013, in which Anne Wachsmann from Linklaters, and Yong Seok Ahn from Lee & Ko will present. Anne Wachsmann will describe the new challenges posed by EU competition enforcement in 2013. In her presentation, she will provide a dynamic overview of the various aspects of the European Commission's recent competition enforcement activities (cartels, abuse of dominance and merger control) and the potential risks that they may entail to International and Korean companies.



*Anne Wachsmann leads the Competition/Antitrust practice at the Paris office of the global law firm Linklaters, which recently opened an office in Seoul, headed by Hyung Ahn.*

## The Observatory on Infringements of Intellectual Property Rights

**F**ourteen months ago, the EU Observatory on Infringements of Intellectual Property Rights was transferred to OHIM. It was both a new beginning and a continuation. The Observatory had begun in the Internal Market and Services Directorate General of the European Commission. Following the signing of a memorandum of understanding between the commission and OHIM in 2011, Regulation 386/2012 of the European Parliament and the Council entrusted the Observatory to OHIM on June 5, 2012.

The observatory has always been conceived as a dynamic network with a platform base; a place where private and public sector expertise can be shared in the joint fight against infringements of Intellectual Property (IP) rights in the European Union. Since its arrival in OHIM, it has expanded its stakeholder base to include civil society groups, which now sit in our plenary sessions alongside business and EU member state representatives. The Observatory now has an advisory board, and in keeping with OHIM's project-based approach, the team at OHIM have worked hard to develop the pre-transfer "legacy" projects and take on new ones, too.

The work of the Observatory is supported by five working groups made up of our private and public stakeholders. Since the transfer, two new ones have been added to the original three: IP in the Digital World and Legal Affairs join Enforcement, Public Awareness and Economics and Statistics.

Work has intensified over the past 14 months on two major studies, which will be the cornerstone of a great deal of OHIM's work over the next few years. The first study, which OHIM is carrying out in conjunction with the European Patent Office, seeks to assess the importance of the IP-intensive industry on

economic performance in the European Union, much as the US Patent and Trademark Office study did for the United States last year. This study looks at the relationship between the full range of IP rights (in addition to patents, trademarks and copyright, it covers design and geographical indications) and the performance of the overall economy in terms of variables, such as employment and gross domestic product.

The second of the major studies, the public awareness study, performs a similar function in that it fills an information gap. It is quantitative and qualitative – there have been targeted focus group sessions across the European Union and 26,500 have been surveyed across the 28 EU member states. The data gained from both of these studies will allow the Observatory to objectively measure targets and will provide a baseline to measure effectiveness through a public awareness campaign and to focus our resources so that we have greater effect on the ground.

OHIM is finalising two tools that will be of great use to the enforcement community across the European Union. The Enforcement Database collects information useful for enforcement officials (including police, consumer protection officers and customs authorities). It is set to contain a database of products and product information from across the European Union, which will allow authorities to access and exchange information quickly.

Work is on-going to link it with the Taxation and Customs Union Directorate General's secure network and COPIS (Anti-Counterfeit and Anti-Piracy System). COPIS will be the system used by the customs authorities in the member states to manage applications for action. OHIM's system will add significant value by extending the scope and reach of the information available to Customs and by enabling rights holders to generate applications for action, make use of all of the information already available in the system and to file them electronically in COPIS. Moreover, the system will also allow businesses to rapidly engage and exchange information with all enforcement bodies.

The second tool is an online repository for the statistical reporting and analysis of infringement data. It has its genesis in OHIM's strong belief that all parties need to collaborate in providing a model and tool that will allow us to collect, analyse and report more robust statistics at the EU and national level. The



tool will allow enforcement-related authorities to better understand the prevalent risks and issues and ultimately target their resources more effectively. It will also enable policy makers to adopt more evidence based decisions, strategies and policies.

The Observatory works with its partners, such as Europol, to host conferences that bring together enforcement experts from across Europe and beyond to build knowledge across the board, create networks and build a consensus on how member states can approach counterfeiting and piracy at the European level.

One good example of this was the Observatory's conference on fake pesticides, held in December at OHIM. The figures on fake pesticides are truly shocking – Europol, which partnered with us in the organisation of the conference, estimates that currently 25% of the pesticides sold in some EU countries are fakes. They carry high health risks – for plants, animals, people and the environment – and the illegal global trade in pesticides is worth 10% of the market, totalling some EUR 4.4 billion.

This conference brought together police officers, regulatory services, customs officials, scientists, enforcement professionals, academics and policy makers to develop knowledge sharing to tackle this threat. It was the first truly pan-European platform of its kind and included global input from non-European countries, such as Australia. After the conference, the Observatory disseminated a detailed report and action plan throughout the Europol network. Later this year, the Observatory will hold another conference on fake mechanical parts and household appliances.

### IPR Event Introduction

On October 23, 2013, the ECCK, the Office for Harmonization of the Internal Market (OHIM) and the Korean Intellectual Property Office (KIPO) co-hosted an Intellectual Property Rights (IPR) conference, focusing on trademarks and industrial designs, at the Conrad Hotel in Seoul. OHIM is a public agency created under European Union law that aims to promote trademarks and community designs within the European Union. KIPO is the governmental office responsible for intellectual property rights in Korea. The conference has included presentations on community trademark and industrial design systems, the European Observatory on Infringements of Intellectual Property Rights and trademark litigation cases by IPR specialists. Through this event, the ECCK hopes to raise awareness about the available trademark and industrial designs protection solutions offered by the OHIM and KIPO and to assist European and Korean businesses with issues pertaining to trademark rights and industrial designs. For more information, please visit our website [www.ecck.eu](http://www.ecck.eu) or contact us at [ipr@ecck.eu](mailto:ipr@ecck.eu).



## Real Estate Committee Hosts Seminar on Seoul's Office Market

On August 27, the ECCK Real Estate Committee hosted a seminar titled, "ECCK Real Estate Insight: Seoul Office Market Overview in 2013" at the Seoul Global Centre. The seminar, co-hosted by the Seoul Global Centre and Savills Korea, a regional branch of Savills plc, a global real estate service provider based in London, with more than 500 offices around the world, provided an overview of the Seoul office market. It was indeed a unique opportunity for both Korean and foreign firms to gain up-to-date knowledge on a topic that is always of interest and concern to companies on the lookout for the ideal office spaces.

Followed by the opening remarks by Mr Bo Sun Kim, Deputy Secretary General of the ECCK, and Mr K.D. Jeon, CEO of Savills Korea, Savills Korea gave a series of presentations on the current status and future prospects of the Seoul office market, the factors behind such trends, and useful advice for tenants.

As is well known, Seoul's three major office districts are the Central Business District (CBD), Gangnam (GBD), and Yeouido (YBD), but recently, Bundang/Pangyo and the Digital Media City have been gaining considerable popularity as well. According to Savills Korea, one quarter of Seoul's total office stock or 8 million square metres is "prime", or in other words, top-notch office buildings with their locations categorized as grade A or B. One notable characteristic of Seoul's office market is that it is relatively stable compared to that of Singapore or Hong Kong since 80% of demand is domestic.

The key trend to consider for tenants is that the Seoul office market will mainly be a "tenant market" up until 2014 due to the high vacancy rates, but after that, the tables will turn: from 2015, the market will become "landlord-friendly" as demand is set to outstrip supply. So, according to Sue Lee, director of tenant representative, if companies are looking for new offices, now is the right time to make the move. Currently, landlords are offering various incentives to attract and maintain tenants and tenants have more leverage in negotiations.

JoAnn Hong, director of research & consultancy at Savills Korea, explained that although companies have started to recover from the global financial crisis, the average vacancy rate in Seoul currently stands at 10.7% (CBD 15.6%, GBD 4.2%, YBD 10.3%) and will continue to remain high in the near future due to two factors: increasing supply, especially in the Yeouido Business District, and a time lag between improving economic indicators and an actual rise in office demand. However, the market in 2015 will turn disadvantageous for tenants as demand outstrips supply. A notable trend affecting this transition will be a surge in new demand stemming from companies seeking to relocate from "non-prime" to "prime" office buildings.

Investment in the office market is not as poor as one might imagine, considering the high vacancy rate. The total investment in Seoul's office market currently stands at around KRW 5.5 trillion. This mainly owes to increased liquidity and the rise of real estate as alternative investment. However, Savills Korea stressed that there is still room for growth in investment, considering the fact that Korea's National Pension Service has allocated KRW 12 trillion to alternative investment. Furthermore, two important trends are affecting the investment outlook: first, sale and leaseback transactions are increasing and international investors are taking a growing interest in the Korean market, and second, the cap rates for prime offices may slightly rise.

The seminar ended with a guided tour of the Seoul Global Centre. It was indeed a unique opportunity for domestic and foreign companies, as well as many foreign embassies, to gain practical information and advice regarding the Seoul office market and to enjoy a morning of networking.



# Market Insight: Seoul's Office and Retail Market

Finding the ideal office space in Seoul is one of the trickiest jobs for any company, be it Korean or foreign. There are countless factors to consider: your firm's business outlook, macro-economic indicators, not to mention the flow of the real estate market. In this section, Savills Korea, a regional branch of the London-based global real estate service provider, offers useful insight into the Seoul office and retail market.

## Seoul's Office Market

The overall trend to note is that, despite clear signs of economic recovery and companies expanding their operations as a result, vacancy rates are still considerably high in Seoul's office buildings due to an increase in supply. This trend will likely continue over the next year or two, signalling a market favourable for tenants.

### Market Conditions

Stock prices, the Korean won and bond yields are on shaky ground as overseas capital flees Korea in the wake of US Federal Reserve Chairman Ben Bernanke's remarks in relation to the slowing of quantitative easing and weak economic data from China in mid-June. If such conditions persist, the economic changes resulting from the open market interest rate increase will have an impact on employment and the demand for office space. Despite such bleak market conditions, however, the number of employees in the financial and insurance sectors started to increase in March 2013 and reached a peak of 891,000 in June 2013.

### Current Vacancy Rates and Outlook

Still, in the second quarter, the Seoul prime office market vacancy rate rose by one percentage point to 10.7%, from the previous quarter. Even with increasing demand, the vacancy rate was pushed up by the completion of N Tower in the central business district (CBD), tenants relocating out of the Gangnam business district (GBD) and financial tenants reducing their combined office space in the Yeouido business district (YBD). N Tower has a gross floor area (GFA) of 51,377 square metres, which accounts for 2.0% of the entire prime office area in the CBD. As of August, N Tower had secured only one tenant, Next Properties. In GBD, the vacancy rate rose by 1.7 percentage points, from the first quarter, to 4.2%, which is mainly attributable to tenants moving to other areas. Samsung SDS left ASEM Tower for the Korean Veterans Association Tower, creating a vacancy of 12,200 square metres. Meanwhile, the vacancy rate in YBD edged up by 0.9 of a percentage point, from the previous quarter, to 10.3% due to the partial remodelling of 63 Building as well as a combined office reduction across a collection of financial companies. The third quarter will see the completion of Centre Point and FKI Tower in the CBD and YBD, respectively. Centre Point is currently fully pre-leased but some sub-leasing space is still being marketed. Approximately, 5% to 10% of FKI Tower will be used by FKI member companies, while the remainder of the building is also being marketed for lease. YBD is projected to see a vacancy increase of

approximately 7%, even when all the lease agreements currently under negotiation have been signed. Overall, while the number of buildings with no vacancies is decreasing, the number of buildings with a vacancy rate of less than 15% is increasing.

Monthly rent and vacancy rates by district, Q2/2013

District	Average rent (KRW per 3,3058 sq m, GLA based)	Average rent (KRW per 3,3058 sq m, NLA based)	YoY increase (%)	Vacancy rate (%)
CBD	94,700	167,000	0.9	15.6
GBD	84,200	164,300	1.8	4.2
YBD	73,000	152,500	1.0	10.3
Overall Seoul average	87,400	163,600	1.2	10.7

Source: Savills Korea

### Sales and Investment Market

Despite the vacancy rate hike in the prime Seoul market, due to tenants relocating to other areas and scaling down their offices, the transaction market remained buoyant. In the second quarter, the total transaction volume amounted to KRW 1.49 trillion. Seoul prime office buildings posted a 1.2% year-on-year (YoY) rental increase. GBD showed the highest YoY rental increase of 1.8%, followed by the CBD with a 1% increase and YBD with a 0.9% rise. A total of nine office buildings changed hands in the second quarter, including Daewoo E&C Sinmunno Building, Twin Tree Towers, and Samsung Life Insurance's Daechi Building II. Furthermore, continuing the trend from the first quarter, the second quarter saw a steady increase in sale and leaseback transactions. As for office buildings situated in the city centre and non-core areas where vacancy rates are high, transactions were completed mainly for buildings under master or long-term leases.

YoY rental increase rates by district, Q1/2008–Q2/2013



Source: Savills Korea, Focus Economics Consensus Forecast Asia, July

## Seoul's Retail Market

### Major Transactions in 2012

In the 2012 retail market, major retail transactions included the sale of Noon Square, which fetched KRW 235 billion, and four Homeplus stores for a combined amount of KRW 606 billion. The discount store chain owned by Tesco disposed of these outlets through a sale and leaseback arrangement to secure capital liquidity in order to continue to expand its presence in the market.

### Retail Market in 2012

In 2012, the overall retail sector—with the exception of convenience stores and specialised retailers—suffered a slowdown in sales growth compared with 2011. This slowdown was mainly attributable to the economic recession and governmental regulations that affected the sales of department stores and large discount stores. For example, data from Shinsege Retail Research shows that the sales growth rate of large discount stores in 2011 was 9% while that for 2012 is forecast at 1.4%, representing a sharp decline from the previous year. Hypermarket companies cite mandatory closures on weekends as the major cause for this plunge.

### Outlook for 2013

If the world economy improves gradually, Korea is forecast to maintain a steady recovery, posting a 3% growth rate in 2013, up from the 2% seen in 2012. The three main implications of this for Seoul's retail market are as follows:

- Sluggish economic growth is projected for department stores and large discount stores due to the economic recession, low employment rate and governmental regulations.
- Convenience stores and non-store retailers are expected to expand due to changes in consumption patterns and household sizes.
- An increase is expected in retail property transactions through sales and leasebacks to secure liquidity.

## Interview with Chris van Beek Senior Investment Specialist – Property at Aberdeen Asset Management



**Korea's institutional investors are seeking investment opportunities outside Korea. But their focus is often limited to the gateway cities in developed markets and only on a single asset basis. Could you enlighten us on other European markets in terms of the retail, office, and residential markets? Where are the opportunities in terms strategies (e.g. funds, single assets, club deals, etc.)**

Korean institutions have indeed been tremendously active in gaining offshore real estate exposure, acting as an example to other Asian-based institutions. The prime office markets in the gateway cities are naturally attractive because of their familiarity, liquidity and transparency. But the volume of capital seeking investment has caused these markets to become overpriced at an aggregate level; hence, we believe, at this point in the cycle, the return prospects are unlikely to compensate investors for the underlying risk. We would therefore advise investors to consider different property sectors with a more attractive risk/return profile.

European retail markets offer considerable value, even though underlying consumer market conditions and structural changes in some markets (because of online retail competition, for example) may appear unfavourable. Many high quality retail properties enjoy a monopoly position, so they are relatively low risk. Retail across the majority of European economies has outperformed office investments over the last 10 years. The European residential markets are very varied and represent good investment opportunities for investors able to exploit the underlying investment characteristics. In this instance, local understanding matters greatly as operational frameworks can differ considerably across countries.

The two main residential markets in which Aberdeen has significant exposure are Germany and Sweden. These investments provide our clients with stable recurring income and realistic capital appreciation. Looking at what kind of strategy to implement, we recognise that Korean investors generally prefer club deals. This is understandable as these provide a measure of control to investors. But preferences are starting to change. Pooled funds are becoming more interesting because what investors may lose in control they gain in the spread of exposure to underlying assets.

**Would you briefly describe Aberdeen Asset Management, Aberdeen's Property business and yourself? How did you enter the real estate industry and what made it so attractive to you?**

Aberdeen Asset Management ("Aberdeen") is a global asset manager, with assets under management of USD317.9 billion invested in equities, fixed income, property and solutions. In real estate, we manage USD27.3 billion both for direct and multi-manager funds and mandates. We are Europe's 5th largest property fund manager and one of the largest multi-managers globally. As far as I go, I studied law at the University of Amsterdam, which included time at the University of Hong Kong. Living in Hong Kong, where real estate is such a prominent driver of the economy, led me, in 2003, to the start my present career. My first job was at Colliers International in commercial leasing, after which I gained experience in property derivatives and real estate finance. I joined Aberdeen in Singapore at the beginning of 2011. My role is to market, together with our local teams, Aberdeen's global property capabilities to institutional investors in the Asia Pacific region.



London EC2

It seems that some Korean investors, who have made their first offshore real estate investments via single asset deals, have started to realise that when the ultimate goal is to construct a global real estate portfolio, one-off deals may turn out to be complex and time-consuming. Pooled structures are just that much more efficient. Granted, pooled funds may not be right for every situation. Korean regulations pose challenges for some investors who must provide evidence of due diligence regarding their actual assets, especially with regards to investments into a blind pool/seeded fund.

**Recently, there seems to be an increasing amount of attention on the Nordic market. Could you tell us more about this market?**

The Nordic real estate market consists of Norway, Sweden, Denmark and Finland. It is, and has been, one of the most attractive regions in Europe from both a macro-economic and real estate investment angle. The Nordic countries have solid public finances and comprehensive welfare systems (the Nordic model), with well diversified industries, a high standard of living and good educational systems. The Nordic countries are considered highly competitive and have long histories of current account surpluses.

The Nordic real estate market is the fourth largest in Europe, behind the UK, Germany and France. It has a history of out-

performing other markets according to the relevant industry performance indices: all four Nordic countries outperformed both the Pan-European and Global IPD indices for the period 2000-2012. On paper, an investor should consider an allocation to this market when building a European portfolio. The question often for an institution is how actually to get into the market – and how to get out.

As Aberdeen has been investing into this market for a long time (with a property AuM of USD11.3bn, we are the largest manager in the Nordics), we are seen as a "local player". With 14 offices in the region, we are able to invest in many attractive segments, not just the capital city CBD markets where most foreign investors tend to congregate. Further, many of the local pension funds and insurance groups have their own internal property investment teams, which are extremely active in all sectors along the risk/return spectrum. Having long standing and strong relationships with these institutions helps facilitate transactions.

**Aberdeen currently has a representative office in Seoul, could you explain your role and what role the office plays?**

Aberdeen has a representative office in Seoul under Alex Kim. The office serves as the primary point of contact for onshore investors, as well as a conduit/liaison to the appropriate product specialists across our various investment centers, such as London or Singapore.

**Can you tell us about Aberdeen's goals and plans for the next five years in the region and in Korea?**

We're committed to making more investments in this part of the world, with Asia central to Aberdeen's expansion plans. We have various property products that are solely-Asia focused or which have an Asian investment component in them. Apart from investing in pooled funds in Asia, we're looking to create more joint ventures and club deals, which we have been doing since 2006 from our Singapore office (our regional HQ). For Korea, we are still closely monitoring the market and speaking with various Korean managers about how to capitalise on the current market conditions. Indeed, we are working closely with Korean experts. We have substantial exposure to the Korean listed market and are looking to build our unlisted property exposure.

## Korean Pharmaceutical Industry's Challenge to the Global Market

The pharmaceutical industry is expected to be one of the future growth engines of the Korean economy. Indeed, the Korean Government is strongly pushing forward with its vision of "becoming the 7th pharmaceutical powerhouse in the world by 2020". In July 2013, the government announced its "Five-Year Foster Plan for the Pharmaceutical Industry" to aid the development of strategies to support the global expansion plans of the domestic pharmaceutical industry. Such expansion would be achieved largely through the expansion of R&D investment in new drug development, based on a competitive infrastructure, and the establishment of a fund to foster the pharmaceutical industry. To accomplish these goals, a sustainable system that fairly rewards a company's efforts for new drug development is required, and this system, in turn, should be linked to investment for future R&D. Gaining R&D experiences and learning the know-how of global pharmaceutical companies through partnerships would also play a vital role in making this vision come true.

### The Korean Pharmaceutical Industry: Challenges & Opportunities

The size of the Korean pharmaceutical market is USD15 billion in terms of manufacturing, accounting for 1.8% of the global market in 2012. The total number of employees is 77,000, including 8,600 researchers, 24,000 manufacturing site employees, and 26,000 sales representatives. Additionally, the amount invested annually for pharmaceutical R&D is USD860 million, which is provided by the Korean Government and private capital shares at a ratio of 20 to 80, respectively. Considering the limited governmental funding, Korean

pharmaceutical companies are in need of expanded foreign and private investment. The R&D investment in Korea's innovative pharmaceutical companies stood at approximately 8.3% of their annual sales in 2012, significantly less compared to that of the major global pharmaceutical companies. Despite its relatively small size in manufacturing capacity and R&D investment, Korea's pharmaceutical industry has proven its globally competitive edge, lagging behind only the US, Japan, and a few European countries. In 1990, Korea began researching new drug development, which has resulted in the launch of 20 new molecular entities to date. Korea is also ranked 8th in the world in terms of advanced technology in the field of biotechnology (BT) and stem cells and has the capability to develop two or three new drugs every year.

However, a series of recent cost containment policies by the government, including lump-sum price cuts in listed drugs, have caused great difficulties in the industry. According to the IMS, the pharmaceutical market in Korea in 2012 showed negative growth (-7.8%) compared to the previous year, while its performance in 2010 and 2011 showed remarkable growth (15.97% and 9.84%, respectively). With the unfavorable pricing policies working as a barrier to growth, global competitiveness has also been weakened. The industry ranked 14th in the global market in 2012, a step down from 2011, and the constraint-oriented governmental policies have also lowered the price of new drugs in Korea to levels below the average. The average prices of 77 new drugs approved in Korea between 2007 and 2011 were only about 43 % of those in 29 other OECD member countries.

Such low prices and unpredictability in the pharmaceutical policy environment could demotivate pharmaceutical companies trying to invest in the development of new drugs.

A contraction of the local market could hinder the qualitative

### Korean Pharmaceutical Market Source: IMS Health Data

	2012	2011	2010	2009	2008	2007
<b>Growth Rate</b>	-7.8%	9.84%	15.97%	-2.71%	-5.04%	-
<b>Global Ranking</b>	#14	#13	#13	#12	#13	#12

growth of the pharmaceutical industry. It might lead to not only a reduction in R&D investment by local companies but also hesitation on the part of global companies questioning whether to invest in Korea. Global companies have recently been establishing production facilities and R&D centres in China instead of Korea because the pharmaceutical market in China is more attractive. It is obvious that continued market growth is required to attract more investment to the Korean market, growth that would boost R&D investment and secure overseas talent in the long-term. Ultimately, qualitative growth of the pharmaceutical industry in Korea would be ensured.

### The Key to Becoming a Pharmaceutical Powerhouse is "Global Collaboration"

The policy of the "Five-Year Foster Plan for the Pharmaceutical Industry" for expanding to overseas markets epitomises Korea's aim to become a global pharmaceutical powerhouse. What is crucial is the question of "how". The open innovation and global connect & development (C&D) proposed in the five-year plan are expected to play a pivotal role in "dressing the bones with flesh".

Open innovation is becoming a trend in a world that allows diverse kinds of partners to collaborate with each other in an open R&D setting. The local pharmaceutical companies in Korea will also become more proficient in developing and marketing new drugs by establishing systems that link diversified areas, in both Korea and other countries, to promote the exchange of knowhow and utilise the relevant proven and trusted global infrastructure. Korean pharmaceutical companies have yet to experience the full cycle of developing new drugs that can dominate the global market. Moreover, local companies have developed 20 new drugs in the past 14 years, only a mere half of which were successful. Local companies need to develop a global perspective so as to predict marketability as well as come up with marketing strategies to increase their global competitiveness in each disease category. Rather than simply focusing on the successful development of new drugs, Korean companies now need to concentrate their resources on improving their productivity, minimising trial and error, and following up on market demand. Thus, reducing R&D lead-time and the amount of investment through collaboration with global companies is

essential. Furthermore, in order to build a sustainable environment in which newly developed drugs generate a profit, which is in turn re-invested in R&D, the value of new drugs should be properly recognised and relevant policies must be fair and predictable. Properly recognising the value of drugs would prove an incentive a hundred-fold stronger than merely exempting taxes from R&D costs.

If the Korean pharmaceutical industry successfully concentrates its available resources through global partnerships, while the government supports such efforts with more predictable pharmaceutical policies and a proper reward system for innovation, then the country will be that much closer to achieving its vision of becoming a global pharmaceutical powerhouse.



*Jin-Ho Kim is Senior Vice-President, North Asia, GlaxoSmithKline (GSK), and also is concurrently the president of GSK Korea. Recognised as an influential leader with an extensive experience in, and outstanding insight into, the Asian pharmaceutical industry, he was elected as the chairman of KRPIA in January 2013. For his contributions to the advancement of the Korean pharmaceutical industry, he received a presidential citation naming him as a 'man of merit in attracting foreign investment' by the Ministry of Knowledge Economy (now MOTIE) in 2011.*

**KRPIA** (Korean Research-Based Pharmaceutical Industry Association) KRPIA represents pharmaceutical companies committed to creating medicines through R&D, which thereby allow people to lead healthier and happier lives. Founded in 1999, KRPIA aims to create an environment in which global and local research-based pharmaceutical companies can actively invest in developing medicines and contribute to improving the health of mankind.



# Saemangeum, a new model of Northeast Asia's economy hub

Future for the world superhuman company, opportunity and the gateway of promise, Saemangeum



## Investment point

### Special Law for Saemangeum project

- 01** Extensive administrative support such as approval agenda, and exemption law to streamline process
- 02** Guarantee of incentive for foreign investment companies
- 03** Exemption of various charges for attracting private investments

### Others

- 01** Rapid project progress without land acquisition
- 02** Long-term, low cost lease condition perfect for business
- 03** Exemption of various charges for attracting private investments

\* Possible to collect free idea for development minimum requirement in the private proposal subscription



“ Saemangeum Project will be the center of international business which can make production and support activity smoothly and workplace, shelter, and home in harmony. ”

Korea Rural Community Corporation (KRC) is designing the hopeful and bright future of Korean rural communities. KRC has fulfilled vital and valuable responsibilities to construct and manage production infrastructure of safe foods for Korean people and to develop rural communities for one century since our foundation in 1908.

Even today, KRC has made a strong effort to strengthen the competitive power of rural villages through safe farming, production of agricultural products with high quality and creation of new value added in the field of agriculture.

In addition, KRC will become the No. 1 reliable public enterprise which thinks of the happiness of farmers and fishermen as the first priority and is trusted and loved from the people through sincere management for customer satisfaction.

Please give us your favorable concern and support.  
 Thank you.

Sang-Mu, Lee CEO, Korea Rural Community Corporation

## Method for Provision of Land [Sale of Land]

<b>Sale Area</b>	<b>Free to decide within 15ha</b> · Excludes infrastructures such as roads · Actual development area
<b>Sale Cost</b>	<b>372,000 KRW/3.3㎡</b> · Cost decided before signing of the agreement for provision of land between the project operator and the private investor through property assessment

## Method of Land Provision [Lease of Land]

<b>Lease Period</b>	50 years upon signing of an agreement (extension possible by 1 time)
<b>Lease Area</b>	Project sites excluding the area subscribed for sale
<b>Lease Cost</b>	1,130KRW/㎡· year

# CSR



## Corporate Social Responsibility

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# CSR in Korea

have proclaimed to some extent their commitment to the public good. Second, it is an important element of business strategy by which a corporation cultivates sustainable relationships with various stakeholders whilst managing the concurrent social or environmental risks. Finally, CSR is gradually becoming a compliance issue as international standards or guidelines have been developed to ensure human rights, workplace safety, and labour conditions. Global companies feel great pressure to observe international guidelines in their daily operations.<sup>2</sup>

Since CSR activity is a more comprehensive concept than commonly thought of, efforts have been made to standardise the scope of social responsibility and the evaluation criteria for activities, such as the Dow Jones Sustainability Index, European Committee of Domestic Equipment Manufacturers (CECED), Responsible Care, or UN Global Compact. Most recently, in 2010, ISO 26000 Social Responsibility was initiated as a form of non-binding guidelines. ISO 26000 epitomised a holistic approach to understanding social responsibility, embracing seven core subjects diagrammed below.

## Social Responsibilities: 7 Core Subjects

Source: ISO, *Discovering ISO 26000*



Whilst “Corporate Social Responsibility” (CSR) has become a commonly accepted term in the business world, it is often downgraded as a PR tool or a mere attempt at making a reputation. For this reason, companies are now widely blamed for not fulfilling their corporate responsibility or doing irrelevant or disingenuous CSR activities at the same time. As the public awareness of corporate responsibility has increased, a company’s operations in relation to society have also become an integral part of its business performance.

Still, CSR is often misunderstood both conceptually and practically. It should not be narrowly defined as philanthropy or as part of the going green movement. Although publicity is invariably a part of most CSR projects, it is not a PR activity, let alone a case of “not letting your left hand know what your right hand is doing.” According to Dr Jonathon Hanks, former Convenor of the ISO 26000 Drafting Team, CSR is a proactive way of engaging in challenges and stakeholders, making it critical to a corporation’s strategy.<sup>1</sup> CSR might be portrayed from three different angles. First, it is a way of fulfilling corporate values or philosophy as most businesses

Another notable trend is the increasing prominence of the relatively new concept of Creating Shared Value (CSV). CSV might be considered an expansion of traditional CSR, but it is more internally driven and based on a fundamentally different idea that societal needs define markets, not just economic needs.<sup>3</sup>

As the idea of social responsibility has evolved well beyond charity or voluntary work, ECCK Connect has chosen CSR as the theme of this issue. In the following chapters will be described CSR trends in Korea and the implications for member companies. In this issue, we will also introduce three member companies’ CSR activities, followed by five major NGOs in the CSR scene in Korea. The ECCK hopes that our stories will serve as a good reference for when member companies think about initiating or improving their social responsibility programmes.

Embracing the importance of CSR, the ECCK has also initiated a working group to discuss CSR issues and develop programmes. As part of its efforts, the ECCK will continue to publish members’ activities and compile them for reference.

## Recent Trends

The East Asia Institute, a think tank based in Seoul, recently published its analysis of the public opinion regarding CSR activities in Korea. Its report has detected four noticeable trends that indicate deep scepticism towards the CSR conducted by corporations.<sup>4</sup> Between 2002 and 2011, CSR spending by companies nearly doubled from KRW 187 billion to 312 billion. This accounts for 3.2% of the overall gross profit, and this figure is bigger than that of Japan’s.

Despite the surge in CSR spending, the public attitude to big businesses has considerably worsened. Eighty percent of the Korean public regarded CSR activities by corporations as hypocritical publicity stunts while their confidence in businesses has declined from 44% in 2012 to 38% within a year.

As a radical response, calls for government intervention have become phenomenally high. In 2008, only 44% of those surveyed supported “mandatory” social contribution by business - It was 84% in 2013. Meanwhile, consumers have revealed the disconnect between awareness and behaviour.

<sup>1</sup> Keynote speech by Dr Jonathon Hanks, at the “Application Method of CSR Assessment” conference organised by The Better Future, Seoul, Sep 10, 2013.  
<sup>2</sup> Presentation by Mr Hyun-Sik Kim, CSR Division, LG at the “Application Method for CSR Assessment” conference. Seoul, Sep 10, 2013.  
<sup>3</sup> Michael E. Porter and Mark R. Kramer, “Creating Shared Value”, Harvard Business Review (Jan 2011).  
<sup>4</sup> Research Institute for Social Enterprise and East Asia Institute, CSR Monitor, Vol. 1 (Aug 2013).

Although 77% of respondents expressed their willingness to pay more for environmentally-friendly or socially responsible products and 72% showed confidence in their influence over corporate behaviour, actual purchasing behaviour has not been affected by the cognizance of CSR.

Finally, with the introduction of the UN Global Compact, ISO 26000, and other reporting initiatives, many companies have adopted standardised tools for CSR reporting and communication. Ironically, exposure to CSR information among the public has steadily decreased from 61% in 2006 to 35% in 2013. Moreover, only 35% of them have had access to CSR reports by companies and 18% actually visited the website of a company.

## Public Opinion Trends

- 1 Scepticism about motivations behind CSR
- 2 Support for mandatory corporate contribution (imposed by Government)
- 3 Decline of ethical behaviour among consumers
- 4 Decrease in exposure to CSR information

## Implications for European Companies in Korea

With a strong demand for corporate contribution and low confidence in CSR, European companies often find themselves the targets of unsubstantiated criticism. In general, European companies’ CSR activities are little known in Korea. The Federation of Korean Industries (FKI) publishes *Corporate Community Relations White Book* annually with an exhaustive list of CSR activities by companies - both Korean and foreign. *The White Book 2012* has special sections for CSR by American and Japanese companies, but no chapter was allocated for European activities. Moreover, European firms - especially luxury brands - have often been targeted for their “insensitivity” to the society in which they operate.

From the European perspective, many of those claims are incorrect or exaggerated. Most European branches in Korea have little budgetary autonomy for local CSR projects, thus it is unfair to compare CSR activities by European branches and those by Korean companies. In addition, Korea is not often a

target country of global CSR programmes because European companies would rather contribute to less-developed countries and communities than Korea. With the idea of a strong welfare state in mind, it is sometimes difficult for Europeans to agree on CSR, for it should be the task of the state, not private corporations.

Nevertheless, social responsibility is gaining prominence in the business dialogue, thus it is time that more attention were to be paid to CSR programmes. As suspicions regarding CSR are growing in Korea, it is also advised that companies focus on longer-term and impactful programmes rather than publicity-oriented events. At the same time, however, proper communication is important to counter the general misperception that European companies are insensitive to Korean society.



**ECCK's New Initiative:  
CSR Working Group/CSR Forum**

Understanding the comprehensive but essential nature of CSR, the ECCK has launched the CSR Working Group to conduct research and programmes in this important field. Environmental Resources Management Korea (ERM Korea), BNP Paribas, and Solvay have joined the

initiative as founding members. Mr Steve Duckworth, Managing Director of ERM Korea, has agreed to take up the chairmanship and will lead the ECCK's initial efforts.

As many member companies already have their own CSR projects, the Working Group does not intend to conduct similar programmes or monopolise European CSR activities. Instead, the Working Group's main focus will be on the following four areas:

- 1 Collecting & publicising members' activities for communication to the Korean authorities and the public.
- 2 Providing a CSR platform for willing European SMEs that lack sufficient resources or strategies.
- 3 Conducting research to identify the needs of Korean society and effective approaches to them.
- 4 Developing programmes as own initiatives, if necessary.

As a pilot project, the ECCK has been cooperating with the Korea Trade-Investment Promotion Agency (KOTRA) to carry out the Grow Together Project in which college students develop their own CSR ideas and implement them with the ECCK, KOTRA, and participating European companies. On October 5, student teams and volunteers from Allianz cleaned-up in Gyeongbok Palace in central Seoul.

Consequently, the ECCK is preparing a "Safety" conference on November 28, 2013. Workplace safety, especially controlling toxic chemicals and the like, is a topic of great interest to Korean companies and governmental agencies. The ECCK has learned the high demand for expertise from European corporations on this issue and, therefore, has begun arranging a seminar.



## Sanofi's CSR Philosophy



Sanofi, headquartered in Paris, France, is an integrated global healthcare leader that discovers, develops and distributes therapeutic solutions focused on patient need. In Korea, Sanofi-Aventis Korea, a pharmaceutical division of Sanofi, is recognised as a leading healthcare company that responds to patient need. When it comes to social responsibility, Sanofi's keyword is "hope", which is also symbolised in its "bird of hope" logo. GM Bae Kyung Eun, who recently took the helm of Sanofi-Aventis Korea, says that it is precisely this philosophy that Sanofi tries to go beyond with its medical support so as to give true, emotional support to patients and the community.

What makes Sanofi's CSR activities unique and effective is that it has developed several long-term CSR programmes with their own brand names, such as "Green Santa", "Seeds of Hope", and "Helping Hands", which combine the company's area of expertise and philosophy.

### The Green Santa Programme

The Green Santa programme, which Sanofi started back in 2003 in cooperation with Beautiful Store, supports children suffering from chronic, incurable rare diseases, such as Type 1 diabetes. It is different from other patient support programmes in that it goes beyond financial support by providing much needed assistance in emotional recovery. Under this programme, children take special classes, such as art, music and sports, which help build emotional stability and confidence, while allowing them to develop positivity towards their body and discover their gifts. Since its launch in 2003, more than 250 children have benefitted from this programme.

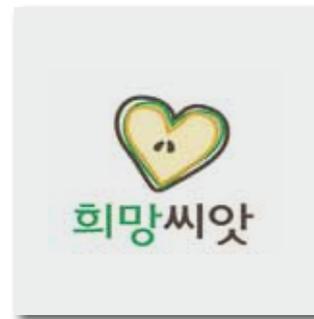
At the same time, "Green Santa" integrates environmental protection as one may guess from its name. The reduction of CO<sub>2</sub> emission through the sales is equivalent to that obtained from planting about 1,170,000 pine trees.

As part of this programme, the 120th Beautiful Store, nicknamed the "Green Santa Store" and sponsored by Sanofi, opened to great fanfare in Gangnam-gu Office subway station in December 2011. The store was established by regular donations of goods and money made by Sanofi employees over the span of eight years since the start of the Green Santa programme. A certain percentage of the store sales goes to children with chronic, incurable rare diseases. Sanofi became the first European company and the second foreign company to sponsor the establishment of a Beautiful Store branch.



To commemorate the 10th anniversary of the Green Santa programme in Korea, Sanofi and Beautiful Store bravely decided to diversify the existing programme to two brand-new ones: Green Santa's Beautiful Bookshelf and Green Santa's Imagination School. "Green Santa's Beautiful Bookshelf" provides books to hospitalised or home cared pediatric patients with chronic and rare diseases. Co-hosted by the Korea Arts & Culture Education Service, under the Ministry of Culture, Sports, and Tourism, this programme has earned massive advocacy and support from the general public, including 100 local celebrities who take significant and active roles in various fields, such as art & culture, religion, academia, and medicine.

The "Green Santa's Imagination School" is an experience-focused programme that provides culture & art education to paediatric and juvenile patients suffering from chronic and incurable rare diseases. Likewise "Green Santa's Beautiful Bookshelf", this programme is jointly hosted by the Korea Arts & Culture Education Service. To deliver a message of hope, this programme has provided various experience-related activities—music-acting plays and family workshop—for 14 weeks to the small groups of participants.



**Seed of Hope**

Today, in Korea, more and more patients are surviving cancer, with the number of survivors surpassing 1.3 million. The percentage of those who live more than five years beyond their diagnosis has surged to 62 percent. This has drawn more attention

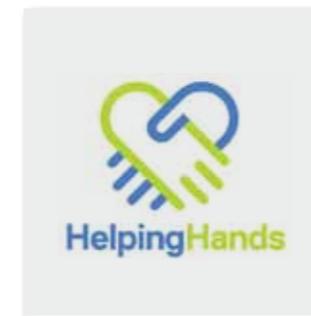
to long-term management of cancer patients in addition to prevention, early diagnosis, and treatment. Responding to such changes, Sanofi-Aventis Korea, a strong believer in emotional care, has been running the "Seed of Hope" campaign in tandem with diverse institutional partners and pro bono experts to help cancer survivors, who easily lose their will and spirit in their fight against the disease.

Under this social context for increasing the number of cancer survivors and their unmet needs for emotional care, the "Green Tree" programme was designed to offer various ex-



**Sanofi tries to go beyond with its medical support so as to give true, emotional support to patients and the community.**

perience-focused activities, such as art, gardening, drama therapy, or hiking classes, which are planned and led by experts depending on the identified needs and interests of a group of cancer patients. Coupled with "Freedom Against Cancer", a music concert featuring stories told by cancer survivors, Sanofi's commitment to cancer patients won in the Community Relations sections at the 2012 Korea PR Awards (KPRO) held in Seoul, where Sanofi's strategic approach in building a link between various social resources for a common cause was highly regarded. Two programmes, as a result, have seen the participation of 22 medical institutions, local governments, civic groups, 18 partner institutions and corporations, and over 30 individuals who have donated their talent over the two years.



**Helping Hands**

Finally, there is "Helping Hands". This is a long-term solution created by Sanofi Pasteur in Korea in 2011 in partnership with the Seoul Metropolitan Government and NGOs in order to help society's most vulnerable, the homeless. Homeless

people are highly exposed to infection due to unhygienic conditions and are seven times more likely to fall victim to respiratory disease. Even though they are categorised as the most urgent group by the government, most of them don't receive vaccinations. So, as the world's number one vaccine producer, Sanofi Pasteur has taken full advantage of its business expertise and standing to build a system that provides regular and large scale vaccinations and support for the social campaign "The Big Dream" to collect second-handed clothes for the homeless.

In October 2012, just before the flu season, Sanofi Pasteur Korea, in tandem with five other institutions, gave free vaccinations to more than 5,000 homeless people.

Furthermore, Sanofi Pasteur Korea partnered with social enterprises to host a clothes donation event, for the homeless, called "The Big Dream". Clean clothes not only improve the health and hygiene of the homeless but are also im-

portant in building self-respect and breaking down social prejudice. Big Dream was a huge success: 30,000 items of clothing were collected from 7,000 citizens and, in the following months, 70,000 more items were donated.

Like "Green Santa" and "Seed of Hope", "Helping Hands" is also a long-term project being carried out in collaboration with other organisations. Sanofi Pasteur partners with the Seoul Metropolitan Government, The Big Issue Korea, Seoul Medical Center, Community Chest of Seoul, and the Seoul Homeless Welfare Facilities Association, and has signed MOUs with several of them.



# BNP Paribas



ting climate change. Following such a philosophy, its CSR activities in Korea focus on building a good relationship between labour and management, raising the next generation through educational support and offering valuable cultural experiences, and supporting the underprivileged in Korean society. Among such activities, BNP Paribas' passion for art and culture stands out in particular.

Focusing on culture, education, environment and the socially marginalised BNP Paribas has been supporting contemporary dance for a long time and has recently supported two major initiatives in Korea that combine culture and education as part of its "Synergy CSR Activities".

In May 2013, BNP Paribas was title sponsor of the Modern Dance Festival (MoDaFe) in Seoul. The opening performance of the festival was "Babel", choreographed by Sidi Larbi Cherkaoui, a world-class Belgian artist whom the BNP Paribas Foundation has been sponsoring since 2012. More than 250 BNP Paribas clients and employees attended the opening performance. The company also invited 25 students from Sunhwa Arts High School to dance lessons with the choreographer. These lessons in turn were photographed by 18 students majoring in photography and were displayed at the photo exhibition "Passion with BNP Paribas" in the one of most popular youth areas of Seoul, giving young talent exposure to a wider audience. By supporting the festival, as well as aspiring young dancers and photographers, BNP Paribas was able to achieve multiple CSR goals. Furthermore, it contributed to enhancing the international cultural spectrum in Korea and facilitated interaction between foreign and Korean performers. Similarly in 2012, BNP Paribas supported the world premiere of "Theatre of Operations" by Pierre Rigal. Commissioned by the LG Arts Centre, this contemporary dance performance provided a chance to promote collaboration between European and Korean artists by giving them the opportunity to perform together in 11 European cities.

BNP Paribas has also brought music to the visually challenged. In March 2013, it invited 25 young visually impaired children to a classical music concert held at the Seoul Art Centre. Fifteen volunteers from BNP Paribas Cardiff Life In-

urance assisted these young people.

To help the socially marginalised and to contribute to the preservation of the environment by encouraging the use of recycled goods, the company has been holding a Bazaar, as a regular programme, since 2011. This year, on Arbor Day celebrated in April, all employees chipped in and collected over 2,000 items and sold them as second hand goods. At the event, seed sticks were also given as gifts to promote environmental protection and the proceeds were used to provide emotion therapy for socially neglected children.

The environment is also an important theme for BNP Paribas. In Korea, it started when BNP Paribas launched a few years back the "Green Leader Programme" under which orphans were provided field trips to the forest, to grow plants, make traditional Korean dishes and experience more of Mother Nature, and the company believes that education on environmental protection should begin during early childhood. For several years now, staff at BNP Paribas in South Korea has helped raise environmental awareness among less affluent children and orphans through a variety of initiatives. In May 2013, this programme was awarded the "10th Environmental Education Programme" certificate by the Ministry of Environment. In order to allow more children to benefit from this programme, a "Green Leader Manual" was published and distributed to 685 child welfare centres. The manual can be downloaded at [www.forest.or.kr](http://www.forest.or.kr) (updated version with a new design coming soon).

### BNP Paribas' Role in ECCK's CSR Working Group

Last but not least, BNP Paribas is currently playing a key role, together with the ECCK's members, to help the ECCK's efforts, to promote and strengthen the CSR activities of European firms in Korea. BNP Paribas is a founding member of the CSR Working Group, which the Chamber has established and hopes to expand in the future. As the company is committed not only to expanding and improving its own CSR activities but also to contributing to more effective and consistent programmes by European businesses as a whole, we believe that its leadership in the area of corporate responsibility will expand in the future.

## BNP Paribas' passion for art and culture stands out in particular.



**E**stablished in South Korea in 1976, with a full banking licence, BNP Paribas combines global expertise and local know-how for the benefit of its customers: from large Korean and international companies to individuals. In 2002, BNP Paribas strengthened its local presence by forging a strategic alliance with Shinhan Financial Holding, one of the largest banking and financial groups in South Korea. BNP Paribas is now its second largest shareholder. With a growing presence in Korea, BNP Paribas is also strengthening its CSR activities.

BNP Paribas' global CSR strategy is made up of four pillars in the economic, social, civic, and environmental areas: financing the economy in an ethical manner, pursuing a committed and fair human resources policy, combating exclusion, promoting education and culture, and comba-

# Solvay Silica Korea



However, the defining characteristic of the Solvay Group's CSR activities is that it has funnelled its energy into two main areas: safety and environment. The "Solvay Way" emphasises building a safe and secure working environment for its employees and contractors and reducing the impact on the planet by asking "chemistry to do more with less".

Take a look at its community activities in Incheon. The list of activities includes cleaning water springs and parks, providing environmental education to elementary and middle school students, and conducting joint drills with local fire stations in response to chemical accidents. RSK was given an award by the Minister of Environment for its eco-friendly community development activities. Hence, the keywords, "safety and environment" reverberate. According to Mr Kim Jin-cheol, CEO of RSK, "No work comes before safety and the environment".

The Solvay Group aims to achieve the highest safety level for Solvay's personnel and the contractors working on the Solvay sites. In 2012, the Lost Time Accident Rate (LTAR) again reached a record level of 0.8 for the Group's employees and contractors.

The Incheon plant has implemented what is known as the "Zero Tolerance Programme" and the "Safety Duty Programme". The "Zero Tolerance Programme" does not allow any conditions or employee behaviour whatsoever that compromises safety. Anyone violating the safety standards is automatically withdrawn from work, put on a two-day safety educational course, and assessed rigorously before being put back to work.



**S**olvay is an international chemical group headquartered in Brussels. Employing over 29,000 people, in 55 countries, its net sales stood at EUR 12.4 billion in 2012. In the span of its long 150 year-history, it has undergone significant transformation in recent years with the acquisition of Rhodia, a French chemical company, in 2011. Rhodia, now part of the Solvay Group, has worked in Korea for almost 40 years, with a focus on supplying Silica, engineering plastics and polyamide.

Both Solvay and Rhodia have a good track record in CSR activities. For example, Rhodia Silica Korea (RSK) has been deeply committed to community activities in Incheon, where its plant is located. With the rebirth of Incheon as an "international city of the future", the industrial zone, in which it first established itself some 38 years ago, is increasingly being replaced by a residential area. Thus, Solvay has been increasingly active in community work.

The Safety Duty Programme, a safety patrol system run by employees, is also another of its best practices. Under the programme, every employee takes their turn to organise a safety patrol team, which inspects and records any sub-standard conditions of the entire plant. Any issues raised are studied, discussed with managers, added to a report, and passed on to relevant teams. This system makes workers more proactive toward safety issues: Bae-yong Kim, who works in packing, says, "It was useful [...] before the safety team, I only received instructions from the safety inspectors."

As a result of these efforts, Solvay's Incheon plant had no Lost Time Accidents or Medical Treatment Accidents in 2012. Furthermore, it recorded 1,642 consecutive days of no accidents.

On the environmental front, the Solvay Group does not simply integrate green issues into its other main CSR activities, but places environmental protection centrally to which it makes concrete and innovative efforts. For example, it sets emission standards and publishes a yearly Sustainable Development Report that forces accountability.

In Incheon, the company has been committed to mitigating the urban heart island effect from which the city suffers badly, by building roof gardens. Incheon is now actively exploring this innovative idea in the Namgu area. Research by Dr Park Chan-jin, Professor of Urban and Environmental Engineering at Incheon National University, has found that roof gardens are extremely effective in lowering a building's overall temperature; hence, contributing to energy saving. The research has shown that, in summer, temperatures taken in roof gardens were 11-12°C lower than those taken in sunny spots and that growing vegetables, rather than planting trees, was the most cost-effective way to lower the temperature.

Europe is, without doubt, the preeminent leader in the global green arena. As a European chemical company, Solvay is taking the best of its European expertise to conduct its CSR activities. Already, Solvay has been making substantial and innovative contributions to Korea's efforts to achieve green growth. It is through companies like Solvay that communities and countries can really move forward in the fight against climate change.



**"No work comes before safety and the environment."**

Mr Kim Jin-cheol, CEO of RSK

**The Better Future —  
The Chosun Ilbo**  
“For The Better Future” is  
a section of The Chosun Ilbo,  
the daily newspaper with the  
largest circulation in Korea,  
dedicated to public good issues.

This year, TBF has been focusing on projects that will help Korean companies take their CSR activities to the next level. In April, it hosted a seminar explaining various assessment models while presenting customised CSR guidelines for domestic firms based on ISO 26000. It also held a conference under the theme, “Application Methods of CSR Assessment.” Furthermore, by publishing reports assessing the social contribution levels of Korean companies and how they are perceived by the public, it continuously raises awareness about the importance of CSR. It strives to create a close network involving the government, NGOs, and business sectors in order to create optimal solutions for the complex situations that Korea and other countries are facing in their efforts to further the social good.



Launched in May 2010, the section is published every fortnight and distributed in the Seoul Metropolitan area—it is not yet a nationwide section of the newspaper with a circulation of 560,000. Its contents are also available at <http://betterfuture.kr>. Currently, it is published only in Korean, but the newspaper is considering an English edition in the near future.

ECCK Connect introduces For The Better Future (TBF) section because it is considered to be the hub of information on CSR and NPO activities. With the aim of serving the greater good of our society, TBF covers various issues ranging from corporate social responsibility (CSR), charity, volunteer activities, non-governmental organisations, official development assistance, the environment, arts and culture, to health and welfare. TBF is particularly committed to the sustainable development of Korean society for which it analyses successful as well as failed social projects for reference.

In addition to publishing, TBF also offers CSR consulting, runs independent projects for public-private partnership, and actively supports citizen-sector organisations and social enterprises.

#### Trends in CSR Activities of Korean Companies

With their data, TBF offers valuable insights to the CSR trends in Korea. In 2002, the total economic value of CSR activities by domestic companies surpassed the KRW one trillion mark. Since then, CSR in Korea has grown significantly, both in quantity and quality, and trends that reflect the changing social needs have also been noted. In 2003-05, the social contribution campaigns launched by media groups were the mainstream, while companies quickly began establishing their own signature CSR activities in 2006-08. From 2007, government-led initiatives, such as Miso Finance (the Korean version of micro credit loans) and assistance for social enterprises, dominated the scene.

Now, with a growing emphasis on “welfare for all” and balanced growth, Korean companies are reviewing just how relevant and effective their CSR activities have been. Based on such considerations, they are now taking a more strategic approach, one that links their social activities to the company’s corporate value chain. The most recent trend is to pursue CSR activities on a global scale – that is, “global CSR.” As Korean companies are looking to emerging markets in Asia and Africa, a global CSR strategy has become another essential element.

#### CSR Activities of Foreign Companies

Meanwhile, the CSR activities of foreign companies are becoming more diverse. Usually, foreign companies in Korea come up with a local programme that best fits their business expertise and is based on their overarching global CSR strategy. For example, L’Oréal has been awarding The L’Oréal-UNESCO Awards for Women in Life Science since 2002, while Renault Samsung Motors has been running a road safety programme for children since 2004. Others continue to pursue more traditional activities, such as community service, social contribution, and financial assistance. Still, foreign investment companies tend to be a subject of criticism for their insensitivity to social responsibility. Foreign firms seem less engaged with local stakeholders and thus become less motivated towards CSR activities. TBF advises that foreign companies be more interested in local CSR with job creation, promotion of culture, and community assistance programmes.



**Ms In Jung Heo, CEO**

Ms Heo is in charge of The Better Future, a social initiative by The Chosun Ilbo. She joined the newspaper in 1997 as a journalist and began developing a passion for social issues, i.e. poverty, education, gender equality, and so on, while writing “The Minority Report,” a special report for the daily. She left the newspaper in 2006 to

work as a CSR manager at a conglomerate to tackle those problems head-on. But change came slowly and her passion might have dried out if it had not been for Bill Drayton, the founder of the Ashoka Foundation. Inspired by his words that a new future lies in the media, she returned to The Chosun Ilbo, where she acted as a midwife to help birth The Better Future. Through this initiative, she hopes to share the stories of the marginalised from their point of view and shed light on those giving help.

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## The Beautiful Foundation The Beautiful Foundation – “아름다운 재단” [Areumdaun Jaedan] in Korean – is undoubtedly the most famous community foundation in Ko- rea, having inspired a culture of donation.

Since its foundation in August 2000, the Beautiful Foundation has pioneered ways for “giving” and supporting the underprivileged in society. Today, it operates with nearly 60,000 donors and corporate partners, 190 funds, and 60 projects, while developing donation campaigns and social programmes.

The fundamental philosophy of the Foundation is the ideal of “a justly affluent society” in which the rich-poor gap is eliminated through honest, devoted, and caring individuals providing assistance to the marginalised. Therefore, the operational mandate of the Foundation is to develop innovative ways of facilitating citizen participation.

Under the slogan “Beyond Charity Toward Change”, the Foundation has focused on three operational domains: donations, programmes, and research & education.

First, it has been developing creative and convenient methods by which many potential donors can participate. Functioning as a philanthropy consultant, the Foundation designs various donation methods, develops sustainable charity models, and drives awareness campaigns. As a result, many prominent donation schemes of the Foundation have been born, such as “1% Sharing” in which potential donors are encouraged to share 1% of their income, gifts, living expenses, or their expertise; the 80 donor-advised fund named after the donors or their families; and support for the formation of specialised groups for sharing, e.g. “Gong Gam” (meaning ‘empathy’), Korea’s first non-profit public interest lawyers’ group that offers free legal advice to various organisations for the protection of social minorities and marginalised groups. It started its operations with the Foundation’s support and became an independent foundation in December 2012.

Second, programme development is another major role played by the Foundation. Socially marginalised, underprivileged youth, and overall sustainability are their main targets. As of October 2013, eleven projects are underway and open to participation, including a programme to support single mothers, a drive to provide walking aid devices for disabled children, and art & culture education for children from low-income families. ECCCK readers may have heard of the “Beautiful Store” - the charity shop brand that specialised in recycling and social contribution. The Foundation had incubated this project from the start, and the Beautiful Store has successfully taken off and operated independently while steadily opening new stores all over the country.

For corporations, its CSR programme deserves particular attention. The Foundation takes a comprehensive approach to



## The mission of the Beautiful Foundation is to cultivate and promote a culture of giving in Korea and to support and empower underprivileged citizens & public-interest NGOs.

### Mission Statement

CSR, for it understands the concept as being sensitive to the needs of all stakeholders: employees, customers, the environment, and local communities. To assist effective CSR activities by companies, the Foundation has applied diverse models to its management. For corporations that do not have a CSR department, the Foundation helps set up a joint executive office in the forms of the “Beautiful Workplace Campaign” and provides tailored assistance for efficiency. The Foundation also builds bridges between corporations and NGOs for partnerships and organises matching funds or builds specific funds for activities to be conducted by corporations. Although a growing number of companies have started to establish their own foundations for CSR, the Foundation keeps supporting partnership efforts because this model is still more cost-effective and enables firms to focus on programmes instead of

spending large amounts of money setting up and maintaining their own organisations.

Finally, the Foundation convenes research seminars and publishes papers on the donation/endowment trends and challenges in Korea. Furthermore, it organises many educational sessions for the public and interested citizen-organisations. Most prominently, it has been organising its annual conference Giving Korea since 2001, led by the Centre on Philanthropy at the Foundation. This yearly conference alternates its focus between individual donations and corporate social responsibility. On October 23, 2013, the Foundation held the 13th annual conference Giving Korea 2013 on corporate giving in the arena of art and culture support.

In addition, the Foundation runs Yoo Moo-Chong Library for Philanthropy, Korea’s first library specialised in publications about non-profit fundraising and operations. It was named after Mr Moo-Chong Yoo for his gracious donation of books. From 2004, its Philanthropy Education Programme has been promoting teaching and interacting with students in the “Sharing Classroom” and “Sharing Camp for Children” so that children can learn a culture of sharing at an early age.

The Beautiful Foundation has offered their view on CSR by foreign invested companies. It understands well the limitations to the branches of autonomous CSR projects or financial availability. Yet European companies should look for areas where they could make unique contributions based on their experience in Europe, for example, promotion of stakeholder interaction or NGO capacity building, rather than simple charity programmes, according to Mr Tae-Yun Han, Fundraising Manager at the Foundation. In this way, European companies could have a sustainable impact on the Korean public and communities and even contribute to creating shared value (CSV) in Korea.

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# JA Korea



programmes reach more than 10 million students in 121 countries annually. JA has been awarded Special consultative status to the UN Economic and Social Council (ECOSOC).

Along with JA's efforts, its Korea Chapter (JA Korea) was launched in 2002 under the auspices of National Strategy Institute, a non-profit research institute chaired by former Deputy Prime Minister Kyong-Shik Kang. JA Korea was initiated by obtaining a programme licence with JA Worldwide. From the beginning, JA Korea has operated with the principle of "100% free education by 100% volunteers", thus getting financial support and volunteers from Korean and multinational companies.

JA Korea's main focus is economic education of students by volunteers with relevant backgrounds. JA's unique approach based on volunteers allows them to transform the key economic/entrepreneurial concepts of JA lessons into a message that inspires young people while sharing their experiences with students. Since its foundation in 2002, it is estimated that more than 32,730 volunteers have taught and delivered the JA curriculum to over 628,720 students from primary schools to universities.

JA Korea takes advantage of the established JA Worldwide curriculum and basically uses the translated version of JA manuals. Currently, JA Korea runs 21 tailored programmes based on three educational concepts: financial literacy, entrepreneurship, and work readiness. These concepts extend to

**J**unior Achievement (JA), founded in 1919 in the US, is the world's largest organisation dedicated to educating students about entrepreneurship, work readiness and financial literacy through experiential, hands-on programmes. With its mission to inspire and prepare young people in a global economy, JA tries to be the partner of choice for businesses, educators, and policy makers across the world and seeks to expand youth, education, and economic development. Recently, in July 2011, JA Worldwide was separated from its US operations and began to function as a global NGO to address youth-centred issues across 121 countries.

JA programmes help prepare students for the real world by showing them how to generate wealth and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace. Students put these lessons into action and learn the value of contributing to their communities. Currently, JA



## JA Pro Bono

Company	Activities & Achievements	Total Hrs.
<b>Citi Bank Korea</b>	80 members have educated 94 elementary and middle school students.	1,400
<b>Samsung Electronics</b>	344 members have educated 1,896 high school students.	1,032
<b>Kyobo Life Insurance</b>	204 members have educated 2,968 elementary school students and 2,326 preschool kids.	1,020
<b>Samil PwC</b>	165 members have educated 2,205 elementary school students.	726
<b>Shinhan Bank</b>	174 members have educated 820 elementary school students.	696
<b>Deloitte</b>	150 members have educated 1,867 elementary school students and 60 high school students.	586
<b>Nongshim</b>	51 members have educated 1,153 elementary school students.	255
<b>Aju Capital</b>	21 members have educated 1,119 elementary school students.	168
<b>Goldmans Sachs</b>	27 members have educated 25 university students.	162
<b>Samsung Life Insurance</b>	24 members have educated 580 elementary school students.	120
<b>IBM Korea</b>	30 members have educated 900 elementary school students.	90
<b>Korea Exim Bank</b>	15 members have educated 525 elementary school students.	75
<b>Korea Development Bank</b>	12 members have educated 332 elementary school students.	55



convergence education related to business ethics, economic-science education, and creativity and personal education. To maximise impact, JA Korea takes various forms of education from volunteers visiting schools to youth camps to international competition projects.

JA Korea gets financial and volunteer support from companies and citizens. Those in JA Pro Bono are companies whose members have actively participated in educational classes. In addition, more than 4,800 university students from 91 universities have joined the volunteer corps. JA Pioneer is a group of honorary economics teachers above the age 60, teaching their lifetime experience and knowledge about economics or business. Numerous corporations have financially supported JA Korea's programmes.

As JA Worldwide has a global network of branches and volunteers, it is opening another CSR or education programme opportunity for corporate sponsors. Junior Achievement Young Enterprise Europe (JA-YE Europe) functions as a regional operating centre for JA Worldwide in Europe. Recently, there was a noticeable corporate social contribution activity between JA-YE Europe and a Korean firm. Korea's Hyundai Motor Co. signed an agreement with JA-YE Europe to launch the "Skills for the Future" programme as part of its CSR activity in 2012. This programme aims at tackling Europe's serious youth unemployment as well as equipping young people with the skills required for the future job market. The programme is to provide a series of vocational education classes for young people from 15 European countries, from 2012 to 2014. Hyundai Motor expects that they will be able to offer vocational training for 10,000 students aged between 15 and 18 at 400 schools across 15 European countries. Those interested in cooperative projects between Korea and Europe might consult with regional offices for more information.

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# Ashoka Korea Corporations – a Key Engine of Social Innovation

to enable Fellows, who are often in the early stages of an ambitious project, to work full-time on realising their ideas. Ashoka also provides various forms of strategic support to help its Fellows amplify the impact of their projects at a national and, often, global level. In this way, the organisation has selected over 3,000 leading social entrepreneurs (Ashoka Fellows) from more than 70 countries and continues to be recognised as the global leader in this field.

To some readers, it might look all too idealistic. However, Ashoka has a solid track record of making changes in various corporate and social settings. Ashoka has partnered with many leading global corporations, including Google, Danone, Intel, and Boehringer Ingelheim. Working with Ashoka and its Fellows offers corporate partners financial as well as social returns. It deserves particular attention because Ashoka keeps abreast of the recent trend of forming “hybrid value chains” (HVCs) in which businesses and non-profit sectors interact to their mutual benefit. Let us look at some examples.

When Danone South America wanted to increase the sales of its yogurt and other dairy products to low-income populations suffering from poor nutrition, it turned to Ashoka. Ashoka Fellow Carlos Cruz helped Danone create a direct sales channel based on the life-and job-skills programme he had designed for his citizen-sector group, Cauce Ciudadano, a group that focused on turning former youth gang leaders into non-violent role models in their schools. Through this partnership, Danone and Cauce Ciudadano



**A**shoka's operation is unique. This global organisation supports people with ideas, not projects, in any sector and on any social issue. Innovators under Ashoka build a global network of change, inspiring corporations and other citizen-sector organisations to improve their problem-solving methods. With the launch of Ashoka Korea in March 2013, Korea is now part of its network, adding momentum to the growing social entrepreneurship movement in East Asia (note the recent buzzword “social enterprises” in Korea).

Ashoka's focus is set on “systemic changes”. It was Ashoka that coined the term “social entrepreneurs” for change-makers with innovative solutions to a community's most pressing social problems. The organisation has supported system-changing ideas and the people behind them for the last 33 years across the globe through the “Ashoka Fellows Programme”. Those who have already set up a project organisation to realise his/her ideas may apply for the fellowship. After a multi-step review, those finally approved will be eligible for funding for up to three years. The idea is

hired locals to reach consumers in informal and low-income markets, while providing job opportunities to women and young people in the community. The project has been profitable since 2009 and is projected to employ 4,000 Mexicans full-time by 2015.

On the other hand, collaboration with Ashoka gives corporate employees exposure to social innovations and potential markets. Ashoka also provides corporate executives with unique opportunities to observe social issues and develop problem-solving skills hand-in-hand with Ashoka's Fellows. Mr Daniel Canning, Vice President of Product Management at Western Union, had worked with Ashoka Fellow Satyan Mishra, founder of Drishtee, and his team to draft a marketing plan to expand the organisation's operations and visibility in India. “By working within a social business like Drishtee, I was able to get a true appreciation of the ‘shared value’ concept of work. I was also able to witness a highly entrepreneurial organisation at work and glean insights into some of the strengths of such an organisation that could be applied to a larger organisation, such as Western Union,” said Mr Canning.



Ashoka's cooperation with a global pharmaceutical leader, Boehringer Ingelheim, is another example of a mutually beneficial corporate partnership. This global partnership titled “Making More Health” (MMH) has seen 35 MMH Fellows, the participation of 32 branches and 2,237 employees, more than 100 youth ventures on healthcare initiated, and a convention and two business idea competitions as

of 2012. Through this partnership, Ashoka and Boehringer Ingelheim were able to identify and support promising solutions to challenging health problems around the world by using Ashoka's global reach and proven Fellow selection methodology. They could also map out the trends, patterns, and opportunities in the healthcare field that might have a long-term impact on the company's core business.

Recognising the importance of corporate roles in social change, the new Ashoka Korea has started with two strong corporate partners in Korea: Hyundai Marine & Fire Insurance and Hyundai Department Store. With their generous support, Ashoka Korea aims to elect five to six Fellows per year. Ashoka believes that supporting individuals, who have ideas to “get it unstuck when a part of society is stuck”, to paraphrase Bill Drayton, has a much higher social return than any other philanthropic action. We hope the number of innovators keeps increasing and eventually solutions outpace the problems.

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# The British Council's Society Programme

## Programme Development

The British Council's activities are known for its careful programme development and stable corporate partnerships. Take the example of the "Young Climate Change Ambassadors" (YCCA) project (2009-2012). The selection of an issue area is closely aligned with the mandate of the institution. The British Council would have to channel its energy into issues to which the UK can contribute the most, rather than randomly picking "hot" topics. Climate change was one of those issues.

Once the topic had been selected, there came a research period. During this period, the British Council staff interviewed a range of professionals in the field to determine the scope and depth of the issue. Sometimes, experts were even invited from the UK for seminars or project evaluation. The reason behind such thorough preparatory research is the



The British Council is the UK's international organisation for educational opportunities and cultural relations. As a non-departmental public body sponsored by the Foreign and Commonwealth Office, the institution is well known for its English language programme and its support for the arts and education. The British Council in Korea started operations in August 1973, with the status of a foreign charity branch. Although many recognise its role in the teaching of the English language, the British Council has a broader mandate of increasing appreciation of the UK's achievements and creative ideas. One of the British Council's activities that has caught our attention is its "Society Programme" in which a number of projects on issues, such as climate change awareness and social enterprise, are developed and carried out in collaboration with businesses or other organisations.

admirable principle of "value creation". It is instructed that the British Council not undertake projects that have already been done by other organisations. Instead, the staff is asked to develop programmes for which the British Council can create the most value or, preferably, ones that only the British Council can carry out.

Following such a process, the YCCA was crafted to be a 10-month cyclic programme closely tied with local middle school curricula. In spring 2009, thirty college students were selected as "Climate Change Ambassadors" out of the applicants. For a few months, they focused on capacity building, attending lectures by climate change experts from the UK. From May, they were sent to local schools, in groups (2-3 in a group), and organised and supervised projects by middle schoolers on climate change. In December, "ambassadors" and students delivered final presentations on their semester long projects. The projects deemed most impactful received an award. This process allowed the "ambassadors" and local students to develop ties as well as raise awareness of climate change through interaction, which made the programme more sustainable.

The ability to design and implement a good social programme has convinced various organisations and corporations to support the British Council's projects. The British Council has successfully built partnerships with institutions ranging from the Ministry of Education to local Offices of Education as well as corporate partners, most notably Diageo Korea, Standard Chartered, LRQA, and Intel.

The following project scheme shows how the British Council has turned a cause into a project and how it has planned and implemented it more in detail.

## Social Venture Competition Asia (SVCA)

The British Council conducts the "Skills for Social Entrepreneurs (SSE) Programme" to engage social entrepreneurs in the UK and across the world in looking for new ways of doing business for social purposes. In Korea, SSE work focuses

on identifying and building the capacity of young potential entrepreneurs with innovative ideas on social enterprises.

As part of this effort, the British Council cooperated with Diageo Korea and Social Enterprise Network to stage a nationwide business model competition named "Social Venture Competition Asia" – a six-month competition and capacity building programme for socially-minded young people from across the East Asia region.

### 1. Capacity building

#### Training programmes

1,316 people were exposed to social enterprise ideas & UK best practices through public speaking sessions & exhibitions. And 79 participants joined the in four-day intensive learning workshop. Moreover, 20 teams with innovative business ideas were identified and trained by UK and Korean experts.

The training programmes had been complemented with a special seminar and social enterprise teacher's club inviting key influencers in the field. In addition, 120 young people interested in starting a social enterprise attended the face-to-face workshop on May 22, 2011. Phillip Tulba, Trustee Director of Adrenaline Alley (a social enterprise for youth in the UK), was invited to give an inspirational speech to the young audience.

### 2. Partnership

#### Diageo Korea

The British Council started with a one-year partnership with Diageo Korea for a social investment fund and re-focused on social enterprise with multiple partners operational in participating countries. It was also noticeable that six senior staff members from different sections in Diageo committed themselves as mentors and were matched with individual teams and provided hands-on advice until the final competition in November 2011.

#### Social Enterprise Network

As local implementation partner, the British Council continued the partnership with its Social Enterprise Network to improve management practices and secure new fund streaming to deliver social change.



#### Director's Message

Our Society Programme aims to create a more inclusive, open and prosperous world. Specifically, we are interested in building trust and understanding in an agenda shared among people of diverse communities, faiths, nations and cultures, in order to address the global challenges of sustainable economic growth and community empowerment.

I have been impressed by the active role of the Korean Government in supporting social innovation and development in various areas, as well as the private sector's contribution to this work. The British Council is willing to be a catalyst for change through our expertise in this field and in supporting a global network of future change-makers. We warmly welcome private sector participation in our Society programmes so as to achieve a greater impact in enhancing mankind's capacity to bring about a more sustainable future.



**Martin Fryer** recently joined the British Council Korea as Country Director. For over 25 years at the British Council, he has worked in various countries, including Pakistan, Argentina, Spain, Turkey, and Brazil. He has been managing programmes in the fields of Education, English, Arts, and

Society, thus fulfilling the mandate of the British Council as an international body that promotes cultural and educational opportunities around the world. He has also served in the Foreign and Commonwealth Office in London, as Programme manager for Middle East and North Africa Department's communications campaign from 2008 to 2010. He has an MA in English literature from the University of Cambridge.

#### 3. Overall Impact

At the individual level, the programme shed light on the innovative role of social entrepreneurship as a way to tackle social problems. Moreover, the international nature of the competition, both in terms of the nationality of contestants and evaluation criteria of the business model, was highly recognised. The project is considered to have expanded the horizon of participants by bringing expertise from the UK and providing overseas training/networking opportunities.

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Editor: Joong Han Lee

Images courtesy: Pieke Bergmans/Mirjam Bleeker

**Pieke Bergmanns — After her Postgraduate at the Royal College of Art, Dutch designer Pieke Bergmanns has shown her projects in many prestigious museums and galleries internationally. Through her fluid, yet controlled series of work, under a theme called ‘Design Virus’, this Amsterdam-based designer continues to rub her shoulder against the art scene. Capturing moments of passing, she challenges the ideology of standard mass production processes.**

rent companies, etc., you take peeks into different kitchens and you have the possibilities to taste things you’ve never tasted before. And that’s great! That is my main inspiration! I think the Korean cuisine is fantastic, especially compared to the Dutch food because the Dutch one is really...

**So your approach in design process has many similarities with what we call ‘virus’. How did you come up with this comparison? Was it a solely happy accident or was it an acquired title?**

It was intentional for sure. When I graduated from the Royal College of Art in London, I saw lots of people are every time designing something completely ‘new’. For example, you design a chair and you build a concept about the chair, then you design whatever something else, which you have to start all over again. Rather I was more interested in creating a ‘world’. So, the theme and everything can be connected. So, I wanted to come up with that particular idea, but then kind of naturally virus happened as, first of all, it was a critique to myself, because now I am more of an artist, but initially I have been trained to be a designer, to design things, you actually hope it’s going to be successful; which means it’s going to be mass-produced, which means it’s going to be spread all over the world. So, it actually means that I am the mother virus, hoping that my products become an epidemic.

**So you mean as a catalyst to other designers, to mimic?**

No, not really. It’s just a bit strange. On one hand, you are creating things from the heart, from things you think it is needed for the world for whatever reason. At the same time, everything you make also pollutes the world. Do you understand what I mean? So that’s a little bit of virus thing. You know, comes from my heart nevertheless. The dark side of being a product designer is that you spread so many pollutions around. But I take this very ironically, obviously. Then, I make it really light and I play with it and I like also that everything I design, um, is unique. You know like, everything in nature grows, comes out differently. When you have an apple tree, none of the apple trees in the world are the same thing. It maybe a same recipe, how the tree grows, but none of them are the same. It’s a super big mass production, yet none of them are same. That’s something that really interests me. So, I am designing production processes and everything that comes out has its uniqueness.

**What was the purpose of your visit to Seoul?**

I am trying to make some projects here in Seoul that will be also made here. I got together with the Space Croft, from the Gana Art Gallery.

**In your profile, you mentioned that a part of your inspirations comes from foreign kitchens. How so exactly?**

Oh, that’s nice. It’s just an expression, but you can also take it quite literally as well. Actually the funny thing, for example, Seokho Hwang has been taking me around and this morning we actually tasted a soup that him mom made: the dog soup! The thing is, you know, being here and that’s what this expression is all about. Of course I would have never tried, or I would have never experienced it being in Holland. So you know when you travel to meet many different people, diffe-

**I see that you left Design Academy Eindhoven for Arnhem. Is it true?**

Yes. Actually I always skipped around. Because I didn’t want to be in one school because every school has very a clear vision, you know? It’s like a factory. When I already went to the first school, SintJoost in Breda, I felt a little bit trapped in their vision. A graphic design program there was really nice and I loved it, but I had to fit in. Actually I was trying to fight to find my own thing.

**The school is a place to challenge the institutional idea, rather than to become one of what the school expects you to become. Perhaps that’s the reason why you now have established this uniqueness in your career.**

It is. Actually it is for the institution as well. You have to, on one hand, be inspired by teachers with things they teach you and say. At the same time, you should not limit students with his opinion. So in general in life, you have to, in one way, connect, but at the same time, you have to find your own path. That’s a difficult challenge.

**“Sometimes everybody gets tired of beauty, perfection, and materialism.”**

**Including you, Dutch designers have established one of the most influential design cultures in the contemporary design scene. Is there any particular reason for this?**

Well, maybe because our generation has been a little bit lucky to experience an actual freedom of expression. Whatever your background is from, we are from the free generation, meaning also our economy was quite well; meaning that we have a little bit more guts. Sometimes everybody gets tired of beauty, perfection, and materialism. I think it is a bit criticizing life. Maybe our generation was ready for that. Make fun in whatever way. There is something extra added to it. It goes maybe a little bit beyond the beauty. There is another layer to it that makes it more exciting.

**Let’s talk about Copy. It seems to be a big topic nowadays. I came across this bubble tank by a Sheffield-based studio called Psalt. It is actually a really similar-looking project as yours, looking like a melted glass bowl for a fish tank. What do you think about this unconscious or maybe indirect copy? Do you think copying is also a form of viral behavior as a metaphor?**

Yes, but actually I can make a book of ‘copy’ by the way. Well, to me, it is in a way an honor because it means it is inspired, or in my world, it ‘infected’ other people. And of course, there are some differences. I don’t mind if things are inspired by, but if it is a literal copy, I am not so fond of. In the end, I just want to move on.

**So you tried creating different results through your viral design process. Then, what is your opinion on those unformed or symmetric design projects, such as Supernormal by Naoto Fukasawa and Jasper Morrison? What do you think about their projects in your opinion?**

Do you actually know that I actually infected Jasper Morrison? I infected his super perfect product. The first thing when I started my career was when I graduated from RCA, I par-



Photo by Mijin Park

ticipated in a design competition, Rosenthal Design Award, and actually I was among the winners. What I did was actually that I took the perfect design of Jasper Morrison and I redesigned it. Because I, in my opinion, it's so perfect, but it has been made in meantime many years ago and I am not the next generation. And normally like Charles and ray Eames' very famous design chairs they've become holy objects. Untouchable! And this design of Jasper Morrison is like "Oh, don't touch it! Never design something that is even close to it!" And I liked to play with that feeling. "Why? He is also just a man." I am sure when he made it in many years ago, and he also had a deadline. Maybe now I have maybe a little more time and access to different kind of materials. So I am just going to take his perfect design and I am going to be the next generation and I simply taped it, and with many layers of tape, I completely changed his designed and exactly what you were saying, not perfect at all. In fact, Jasper Morrison was in the jury and he really liked it!

**Despite your organic and somewhat improvised-looking projects, I can still find a lot of research and experiments behind each project. Do you also find this perfectionism during your design process?**

Yes, that is something really triggers me: the perfect and imperfect because I am never really sure the meaning of perfect. But I am more interested in individualism. Why do we fall in love with a certain person is actually because we find differences. We fall in love with differences. We don't fall in love with someone who is the same. And that is why I like making a series of things because then you can actually start looking at differences. Among those, you will still have favorites with your own eyes.

**Through your project I can feel that you are trying to convey or project metamorphosis, or I would say organic chaos, as a form of order. What do you think about this?**

Yes basically I like to start with hundred perfect chaos, just letting everything happen, which is a very experimental part. Then, I would like to discover things – things I cannot predict. I let everything explode, and I would find a boundary, and then I am looking very carefully and then I will pick out and control this moment. So the next step is actually the opposite. I capture a spontaneous moment, which is no long spontaneous anymore, under my solidifying process.

**So what are your plans for upcoming near future?**

Many different plans, but actually I am here now in Seoul because I would really love to understand the Korean cultures and actually the Korean craft. And, as in the past I have worked with many different craftsmen internationally, and to me that is so inspiring but it goes in both ways. Because I could never make anything that craftsman can make, but craftsman often is living in his own world and his own imagination and I am trying to find collaboration and makes something else new out of it. So it is a fusion. So I am here now studying all sorts of interesting techniques and production. (KPRA) held in Seoul, where Sanofi's strategic approach in building a link between various social resources for a common cause was highly regarded. Two programmes, as a result, have seen the participation of 22 medical institutions, local governments, civic groups, 18 partner institutions and corporations, and over 30 individuals who have donated their talent over the 2 years.



1



2 &amp; 3



4

2 & 3 **Unlimited Edition(2007)**

This vase collection is a good example of generating individuality using techniques of mass production.

1 & 4 **Wonderlamp(2010)**

In collaboration with Studio Job



Reunion Vases (2007)

**IMAGINE  
A PHOTO OF  
MADONNA  
POSING  
IN VERSACE  
SHOT  
BY MARIO  
TESTINO.  
PLUS THE  
VERSACE LOGO.**

THIS IS A FAKE AD  
FOR FAKE  
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## Green Buildings: International Certification Landscape in Korea

The new constructions being awarded with green building certification have grown exponentially in number, over the last couple of years, worldwide and in Asia. In the context of increasing energy demand, this trend has been mainly driven by a need to demonstrate a building's energy efficiency and environmental friendliness. Local green building certification standards have therefore been developed by private bodies all across the globe to address specific types of building in a manner relevant to individual countries. In Korea, the GBCS<sup>1</sup> label was established in 2000 by the Korea Green Building Council, a non-profit governmental organisation. In parallel, the need for an internationally recognised standard has emerged, notably to allow multinationals to provide world-class standards and improve their branding through green building projects. With over 50,000 projects registered, the American standard LEED<sup>2</sup> –developed by the non-profit organisation, the US Green Building Council–has taken the lead in the race to becoming the international green building standard.

Korean multinationals have been active as leaders in this trend. In 2009, Samsung's Green Tomorrow was the first project in Korea to be awarded the LEED Platinum–the highest level of certification. SK Chemicals reached the same level of certification for its Ecolab in 2011, and in August this year, the internet giant NHN (Naver, Hangame) inaugurated its first LEED Platinum project, the Entertainment Play Museum, an office building located in the Bundang area. The number of LEED registered projects in Korea has doubled over the last three years to reach 200 in 2013.

Green building standards have constantly been evolving and, today, they are no longer limited to assessing the ener-

gy consumption of a building. More comprehensive than ever, they now assess parameters, such as construction materials, cleanliness of the construction site and proximity to public transportation. Ultimately, green building standards now encourage maximising the comfort of a building's occupants and providing guidelines for construction and maintenance to be as cost-efficient as possible for building owners and operators.

In the process of developing a green building, architects, general contractors, and engineering consultants are required to work closely together to avoid potential conflicts. "The later we become involved in the design process, the more complex and difficult it is to incorporate and implement green features," said Joseph Young, CEO at Bureau Veritas Korea. The green building consultant's job starts by providing guidelines to owners and architects so as to ensure the green building requirements are met from the design stage. One of the technical challenges faced in the process of acquiring green building certification is to anticipate the energy consumption of the building before it is actually built. To do such, an energy modelling specialist has to create a 3D energy model of the building. Using computer modelling and energy-simulator engineering software, the model has to consider parameters, such as HVAC<sup>3</sup>, lighting and water systems performances, for each space of the building. The resulting energy efficiency is then measured against a baseline building defined according to the ASHRAE<sup>4</sup> American standards, in the case of a LEED certification.

Later on, in the construction process, the green building consultant's task includes on-site inspection, documentation review and reporting. Reports provide details of the calculation notes and assumptions, the details and results of energy modelling simulations and evidence of the green measures implemented on-site. The US Green Building Council is in charge of reviewing the reports and ultimately granting or denying certification.

<sup>1</sup> GBCS: Green Building Certification System

<sup>2</sup> LEED: Leadership in Energy & Environmental Design

<sup>3</sup> HVAC: Heating, Ventilation, and Air Conditioning

<sup>4</sup> ASHRAE: American Society of Heating, Refrigerating & Air Cond. Engineers

<sup>5</sup> LEED EBOM: LEED for Existing Buildings: Operations & Maintenance



NHN inaugurated its first LEED Platinum Building in August 2013, the Entertainment Play Museum



NHN – Entertainment Play Museum: Green Rooftop reduce heat absorption and by consequent cooling needs of the buildings



Providing free covered bicycle racks encourages the use of alternate means of transportation

The LEED certification has nine specific rating systems that evaluate different types of buildings - for instance, schools, retail buildings, and healthcare facilities. But LEED is not limited to the new construction of individual buildings. LEED for Neighbourhood Development integrates large-scale construction projects with the principle of smart growth and LEED EBOM<sup>5</sup> addresses existing buildings.

The importance of a certification bestowed by a recognised body cannot be overstated. Recognised certification will ensure there has been no misuse of "green" appellations and, ultimately, it generates positive competition between building owners seeking reach higher levels of certification, e.g., from LEED "Certified" to "Platinum". Whether new or existing, through recognized "green" certification processes, buildings and large scale projects can achieve greater efficiency, cost-savings and environmentally-friendly operations.

With over 50,000 employees in over 140 countries, **Bureau Veritas** is the worldwide leader for certification and conformity assessment services. With 20 years' experience in green building consultancy, Bureau Veritas has over 1,000 project references in green building certification and energy auditing following international and local standards.



Energy Engineer and LEED Accredited Professional, **Louis Haag** has been working extensively in Asia after completing his Master's Degree in France and Sweden. Sustainability-oriented, he worked in the solar panel industry before joining the Building & Facilities Division at Bureau Veritas China, in 2010, as Business Development Executive. Louis was

appointed in 2013 to Bureau Veritas Seoul, South Korea, where his responsibilities within the green building team notably include LEED Green Building consultancy.

## Regulation Watch

The following three items, based on a number of **Baker Tilly** reports, highlight the differences between set-off and intercompany accounts, the procedures for foreign currency borrowing, and its immigration system for business investment (or the D-8 visa). The ECCK is grateful that Min Jae Lee, Partner at Baker Tilly Sungto LLC has provided useful information on business regulations in Korea for publication. Baker Tilly International is a leading accountancy and business advisory firm with a vast global network of more than 26,000 employees spread across 131 countries and 672 offices. In the Asia Pacific region, it has over 370 partners and 5,000 professionals, providing services ranging from assurance, tax consulting, risk advisory, internal auditing, accounting, and corporate secretarial services.

### Difference Between Set-Off and Intercompany Accounts

In this article will be discussed a useful method for settling recurrences of receivable/payable net amounts that occur between a Korean resident (domestic corporation or branch of foreign corporation) and a non-resident (overseas head-office or a third party foreign company).

#### 1. Set-Off

##### Definition

Transaction defined by a resident engaging in international transactions involving imports/exports, service transactions, capital transactions etc., and a mutually set-off receivable or payable. The chief characteristic of such transactions is that only the amount of net difference is paid to/by the non-resident at a certain time.

##### Duty to Report

The duty to report can be completed by either submitting a report to the designated foreign exchange bank at which the transaction is taking place or to the Bank of Korea. Ex-

amples of the former include 1) cases where a resident wants to set-off one party's receivable or payable for an amount that is less than USD 500,000, and 2) cases where a foreign invested company, with more than USD 10 million as paid-in capital, and has been established pursuant to the Foreign Investment Promotion Act, desires a set-off. Transactions other than these must be reported to the Bank of Korea.

##### Exceptions to Submitting a Report

There are, however, exceptions where submitting a report is not necessary. These include 1) cases where one party desires to set-off import proceeds with the export proceeds related to the counter trade and processing trade, 2) cases where one party desires to set-off a product's import-export amount against the broker or agency fees accompanying the said import-export transaction, and 3) a set-off between two residents for foreign currency denominated receivables or payables.

##### Required Documents

- Report form for payment etc. (foreign exchange transaction rule form number 5-1).
- Parties' agreement regarding the set-off (indicates receivable/payable amounts).
- Supporting documents for receivables/payables that are subject to the set-off (applicable agreement by transaction, etc.).

### 2. Intercompany Accounts

##### Definition

Intercompany accounts can be defined as "executing a continuous set-off for receivables or payables that occur during an applicable period that has been designated by the resident and non-resident involved in frequent imports-exports, service transactions and capital transactions."

##### Entry in Intercompany Accounts

A firm can enter the counterparty's payable by establishing an intercompany account. However, if it is additionally required under the foreign exchange law, a separate report should be created regarding such a payment. The entry should be made only if the transaction is accompanied by an import/export or service provision. Also, entry should be

done within 30 days of the completion of said import-export or service provision. In other cases, it should be completed within 30 days of the confirmation of any receivables/payables. Also bear in mind that a company cannot include receivables or payables that occurred prior to the creation of a set-off report.

##### Settlement of Intercompany Accounts

Intercompany accounts should be settled on a monthly basis. But, if necessary, an alternate settlement cycle may be chosen within the fiscal accounting period. The balance from the closure of an intercompany account should be the sum of the debit or credit balance of each party's account. Furthermore, the person conducting the intercompany account must submit the designated report form and retain in the accounting files and supporting documents in their possession for at least three years.

##### Remitting or Receiving Funds After a Set-Off

If an amount is to be sent overseas as a result of an intercompany account, you must submit a "Report of Intercompany Accounts Settlement" to the designated foreign exchange bank.

### How to File a Report for Foreign Currency Borrowing

In the event that a foreign invested company borrows funds from its overseas headquarters, a report of said borrowing must be filed with the pertinent bank by submitting the relevant documents. The list of required documents is quite long as you can see below. However, if you are depositing foreign currencies, after filing a borrowing report, there is no need to submit separate evidence to the bank.

##### Required Documents for Filing a Borrowing Report

1. Loan contract report provided by the bank. This report must state the principal amount, interest rate, term and purpose of the proceeds, repayment method, and others.
2. Statement of purpose for the overseas loan. This must state the capital, main business activities, business performance for the last three years, loan conditions and reason for the loan.

3. Loan contract.
4. Certificate of business registration.
5. Certificate of the company seal.
6. Power of attorney and agent ID.

##### Modifying the Loan Contract

In the event that a change to the loan contract is required – e.g., a case in which the loan is not redeemed until the maturity of the initial contract, then the initial filing may be modified by filing an amended report. For this, you will need:

1. The amended report stating the reason for the change.
2. Original initial report.
3. Loan contract.

### Korea's Immigration System for Foreigners

Foreign investors usually obtain the D-8 visa (or business investment visa) among many different types of visas. Below will be discussed the eligibility, period of stay, and required documents for obtaining the D-8 visa.

#### Business Investment Visa: D-8

##### Eligibility and Scope

Basically, the three categories eligible for the D-8 visa are foreign invested companies, venture businesses, and persons who have invested in a business operated by a Korean citizen.

1. The activities of a foreign invested company based in Korea: in this case, the D-8 is given to "essential skilled personnel", i.e. the executives, senior managers, and specialist of a company registered as a foreign invested company under the Foreign Investment Promotion Act.
2. Persons who have established a venture business and have received confirmation for their venture business in accordance with the Act on Special Measures for the Promotion of Venture Businesses.
3. Persons who have invested in a business operated by a citizen of the Republic of Korea: the minimum investment is currently 100 million won, but this amount is expected to increase to 300 million won under the recently announced amendment to the Enforcement

Decree of the Foreign Investment Promotion Act.

#### Period of Stay

The maximum period of stay for first issuance is as follows:

1. Foreign invested companies: 5 years.
2. Venture businesses: 2 years.
3. Persons who have invested in a company operated by a Korean citizen: 1 year.

#### Required Documents for Visa Application

##### 1) Foreign invested company

- Application for confirmation of visa issuance, passport, and photo.
- Statement of invitation, order for dispatch (specifying dispatch period), employment certification.
- Copy of foreign investment application or foreign invested company registration.
- Certified copy of company registration and business registration.

##### 2) Venture business

- Application for visa issuance, passport, and photo.
- Statement of invitation.
- Certified copy of company registration and business.
- Industrial property rights or other documentary evidence that shows the possession of equivalent technology and related rights.

##### 3) Persons investing in a company operated by a Korean citizen

- Application for visa issuance, passport, photo.
- A copy of the foreign investment application or registration of the foreign invested company, evidential documents for the detailed use of the capital provided by the Korean business partner.
- Supporting documentation related to inflow of investment funds
  - Foreign currency outflow report by the pertinent customs office or bank.
  - Detailed statement about the inflow of investment funds (wire transfer confirmation, foreign exchange purchase certificate, customs report).
  - In cases where it is a corporation providing the investment funds, business registration and a

certified copy of the corporation registration and statement of shareholder change status.

- In cases where it is a personal business providing the investment funds, business registration which indicates business partners and the business partnership agreement.

#### Other Visas: D-7 & D-9

##### D-7 (Employees of a Foreign-Invested Company/Supervisor)

- Persons who have worked for more than a year at a foreign public institution, group or company and who have been dispatched to an affiliated company, subsidiary, branch or office located in Korea as “essential skilled personnel”.
- Persons who have worked for more than a year at a foreign subsidiary or branch of a Korean listed company or a public institution and who has been dispatched to the head-office in Korea to acquire specialized skills or knowledge.
- Maximum period of stay for first issuance: two years.

##### D-9 (International Trade and Management)

- Persons who have been issued a trade identification number by the President of Korean Trade Association pursuant to the Foreign Trade Act.
- Persons who provide the skills necessary for equipment installation, operation or maintenance and have been dispatched or invited to an industrial facility importing company.
- Persons who are dispatched to supervise shipbuilding or industrial facility development (persons dispatched by a company providing a special service as designated by the customer or customer company).
- Persons who have established a corporation in Korea and operate a business or conduct for-profit activities.
- Maximum period of stay for first issuance: two years.



## Symbols of European Value, United in Diversity

As we know, the European flag consists of 12 golden stars strewn in circle on a blue background. The history of the flag goes back to 1955, when it was adopted by the Council of Europe, which promoted European culture at the time. In 1985, two years after it was adopted by the European Parliament, all EU leaders started using the blue flag as the official emblem of the European Community and later of the European Union.

Contrary to the common misperception, the number of stars has nothing to do with the number of member countries. If that were the case, 12 would be incorrect. Actually, the 12 stars represent perfection, such as in the case of 12 hours and 12 months. The stars symbolise the ideals of solidarity and harmony among the citizens of Europe, while the circle represents unity.

Freedom, peace, and solidarity—values that Europe so cherishes—are also symbolised in Beethoven’s Symphony No

9, composed in 1823. In the final movement, “Ode to Joy”, the chorus sings the words taken from a famous poem written by Friedrich Schiller in 1785. This melody is now the official anthem of the European Union and the Council of Europe, as the latter adopted it in 1972 and the European leaders in 1985.

The ideal vision of humanity becoming brothers is not confined to the European Union but also applies to Europe as a whole, since the European flag represents not only the European Union but also the European identity as a whole. This shows the openness of the European Union.

The European anthem and flag are not intended to replace the national anthems and flags of individual European countries: on the contrary, they are intended to embrace and share the diverse values of all European countries. Nothing represents this better than the European Union’s motto, “United in Diversity”, which first came into use

in 2000. The motto means that the diverse cultures, traditions, and languages of all of the different countries in Europe enrich the European people and act to bring them together to work for peace and prosperity.

Meanwhile, European art and history serve as the common foundation for the European identity, as the designs printed on the euro banknotes show. While the coins may differ by state, the euro banknotes are identical for all EU states. They have illustrations of architectural styles from different European eras. From EUR 5 to EUR 100, you can enjoy images of the Classic, Romanesque, Gothic, Renaissance, and Baroque Ages. The industrial era is depicted on the EUR 200 note and contemporary architecture on the EUR500.

Furthermore, the bridges, adorning some banknotes, symbolise the unity of the European states, while the doors represent openness.

# All Quiet on the Northern Front...

Last spring, countless media outlets – large and small – reassured their readers, in a frenzied media blitz, that the Korean peninsula was headed for war. Indeed, matters appeared frightening for the uninducted reader. The young North Korean dictator was shown, on TV by the state, in front of a plan for a nuclear attack on the United States, with the city of Austin, Texas, for some unknown reason being singled out for nuclear holocaust.

In early April, the North Korean Government officially advised all foreign residents in South Korea (all 1.5 million of them) to leave the country before the North Korean army fulfilled their promise of “turning Seoul into a sea of fire”. Some foreign embassies in Pyongyang were also advised to leave. However, foreign journalists in Seoul had a hard time looking for a sufficiently frightened South Korean. Seoulites happily sipped their cappuccinos and grinned because they had seen such things many times before – albeit on a smaller scale. They believed that they were in little immediate danger, and they were probably correct.

North Korea is usually described as being “paranoid”, “belligerent” and “unpredictable”. Such descriptions often have compromised traction and can be slightly misleading. The North Korean leadership is a master of survival. It always knows where to stop and how not to cross the red line. It is adept at looking bizarre and crazy, while actually being cold minded and rational.

The predicament facing the North Korean leadership is dif-

ficult indeed. Once upon a time, in the 1940s, North Korea was the most industrially advanced area of East Asia outside of Japan, and the South Korea of this time was an agricultural backwater. Things have changed a lot since then. South Korea underwent an “economic miracle”, while North Korea stagnated under a hyper-Stalinist system. As a result, the per capita income gap between the two Korean states is the highest globally between two states that border one another. The gap is estimated to be between 1 to 15 and 1 to 30.

This colossal gap is the principle reason why Chinese-style reforms are so risky for the leadership in Pyongyang. Despite the fact that there is indeed little doubt that such market-oriented reforms, which have worked perfectly well in both China and Vietnam, will deliver North Korea from the grave economic problems it currently faces, the problem is that such reforms will also necessarily expose North Koreans to dramatic images of South Korea’s material success, and, therefore, to the true extent of their own destitution. The result that the North Korean leadership fears is simple enough: one need only look to East Germany, and German reunification, to see precisely what they fear from such reforms. China faces no such threat since there is no “South China”, i.e. there is no far more successful Chinese state that can be seen as the target of unification. Taiwan is far too small to play such a role.

North Korea’s ruling elite has good reason to believe that reforms might turn out to be political suicide, and therefore, they choose to stick to the old, inefficient system – at least to the extent that they can. However, what is left of the hyper-Stalinist economy functions exceptionally badly even by the dubious standards of Stalinist economies. The nation cannot even produce the necessary five million tons of grain that the population needs to survive, and they have little in the way of the exportable goods needed to earn the foreign currency to finance food imports. Their major survival strategy is therefore to squeeze aid from the international community, giving as little in return as possible. This is the principle reason behind North Korea’s nuclear program as well as their occasional outbursts of histrionics. The North Korean Government began to develop nuclear weapons back in the 1960s and conducted its first nuclear test back in 2006. It may be in possession of as many as ten nuclear devices, though they

are probably of a very crude and old-fashioned design. This is clearly not enough to win a nuclear altercation with North Korea’s mighty neighbors. Nonetheless, this tiny arsenal works well both as a deterrent and as a source of diplomatic leverage.

North Korea is sincerely afraid of a US invasion, and after Afghanistan, Iraq, and the NATO-assisted Libyan revolution, one cannot say that they are simply paranoid. At the same time, their tiny country, whose population and economy is roughly equivalent to that of Mozambique, is taken seriously thanks in large part to its nuclear programme. For the past two decades, North Korean diplomats have followed the same formula: they have repeatedly promised to temporarily freeze their nuclear program in exchange for economic and political concessions. Such deals were capable of collapsing in months or survive for years, but from the North Korean point of view, such deals were highly profitable.

But what have such belligerent outbursts – the promise to transform Seoul into “a sea of fire” and to remind the Japanese about the horrors of Hiroshima (admittedly, such threats have always been retaliatory, to be carried through only in the case of an attack on North Korea) – sought to achieve? This sham belligerence is yet another efficient diplomatic tool frequently employed by the North Koreans when they believe that their potential partners are not willing to accept their demands. In such a situation, they endeavour to create a crisis. Sometimes, to this end, they stage military clashes with South Korean military forces, but more frequently, they limit themselves to picturesque threats of the type we witnessed last March and April. Such threats are usually no more than a bumpy prelude to offers of talks and negotiations as happened this year in May and June.

Does this mean that North Korea is what Chairman Mao used to describe as a “paper tiger”? Yes and no. On the one hand, the North Korean leadership has no intention of provoking a war. After all, they are aware of the fact that they have no chances of winning such a war. No, their brinkmanship, rather, is carefully calculated to maximize financial gains from the outside world. However, things are not as simple as they might seem, given that the North Korean system seems to be unstable in the long run and is bound to

collapse sooner or later. In spite of the efforts of the North Korean Government, corruption is rampant and the actual economy is dominated by black/gray market activities. While contact with the outside world remains strictly controlled, information is increasingly flooding in, and the everyday North Korean is becoming increasingly aware of how regimented and destitute is their country. Plus, fear of the authorities is also diminishing. The above factors indicate that the North will collapse and probably sooner rather than later. Such a collapse is going to be a messy, and perhaps very bloody, affair, with a great deal of violence and the involvement of outside powers (especially China and the United States) looking all too likely. We cannot predict when it will happen, and the warning signs will be difficult to discern. North Korea therefore is a potentially dangerous problem, but this problem is rather different to the problems one usually reads about in the media. They are not going to attack, but if they do go south, it will be a very nasty scene indeed.



**Andrei Lankov** was born on 26 July 1963 in Leningrad, now known as Petersburg. He completed his undergraduate and graduate studies at Leningrad State University (PhD in 1989). From 1996 to 2004, he taught Korean history at Australian National University, and from 2004, he has been teaching at Kookmin University as a professor

in the College of Social Studies. His major research interest is North Korean history and society. His major English language publications on North Korea include *From Stalin to Kim Il Sung: The Formation of North Korea, 1945-1960* (Rutgers University Press, 2003); *Crisis in North Korea: The Failure of De-Stalinization, 1956* (University of Hawaii Press, 2004); *North of the DMZ: Essays on Daily Life in North Korea* (McFarland and Company, 2007); and *The Real North Korea* (Oxford University Press, 2013). He has also contributed to the *Wall Street Journal*, *New York Times*, *Financial Times* and *Newsweek*.

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