

# ECCK Connect <sup>Summer 2015</sup> The Quarterly Magazine of the European Chamber of Commerce in Korea

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Dear Readers,

Welcome to the summer edition of ECCK Connect.

As you may have noticed by now, the summer season has begun in Korea. As many of you go on your travels soon, I wish you the most pleasant times and memories with your family and friends.

The second quarter of 2015 continued to be fruitful for ECCK. We organized numerous forums and information sessions, while hosting an international conference on alternative asset management, which drew more than 600 experts from all over the world. Meanwhile, ECCK has signed cooperation agreements with the Korea Exchange, the Corporate Governance Service, and renowned universities. Moreover, in collaboration with 12 other national chambers and organizations, the ECCK successfully hosted the All European Network Night in May with more than 200 members and friends.

Our activities are recognized in the European community as well as by Korean partners and authorities. To enhance access and influence but more importantly, to better serve our members, we will continue in our endeavours to develop quality events and programs.

As a part of exploring topics of significance to our members, we have covered energy and sustainability issues in this summer edition. Along with environmental concerns, new initiatives have been introduced for conservation and mitigation. In the following pages, you will also find informative articles on alternative asset investment, intellectual property dispute resolution, and organizational communications.

Notable ECCK activities will be reported along with our special interview and other updates. On that note, I would like to thank all of our contributors for making ECCK Connect a stimulating read.

I hope you find our summer edition interesting and inspirational.

Kind regards,

**Jean-Christophe Darbes**

President, European Chamber of Commerce in Korea

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# Digitizing the Korean Insurance Industry



Historically, life and health insurance is a conservative industry, and this is no different in Korea. Over 60% of the country's insurance sales are

driven by financial advisors, linked to insurance companies. Independent brokers and banks account for almost the entire remaining share, and less than 1% of life and health insurance in Korea is currently sold directly online. However, this might well be on the brink of change, as the number of online direct insurance policies doubled from 2013 to 2014 in Korea, the world's 7th largest insurance market. Moreover, a similar trend can already be observed for 2015.

In 2013, two years after Samsung Life entered the online direct market as a first mover, only four Korean companies were selling online direct life insurance. In 2014, five more providers moved their businesses online.

German insurance giant Allianz launched online sales as the first foreign company in early July 2015 under the newly established brand AllRight and additional companies are expected to break new ground with digitalization initiatives later this year. Nonetheless, AllRight by Allianz is so far the only company in Korea to extend its



value proposition beyond mere financial benefits, striving to improve, manage and protect customer's health and lifestyles with the use of technology.

This strategic approach ties in with novel go-to market concepts of insurers around the world, and surveys indicate that technology and wearables will play a key role in transforming offline insurance products into comprehensive online services.

While the areas within the insurance industry for potential wearable use are manifold and could potentially reach everything from marketing, underwriting, risk assessment to claims management, the most beneficial leverage will certainly be customer engagement. A recent Accenture report found that more than 60% of insurers in nine key markets believe that wearable technologies will be adopted broadly by the industry within the next two years, while 31% claimed to be already using this technology in one way or another. Currently leading in innovation as well as integration of hardware and protection are small startups like Oscar Health in New York and Beam Dental in the American Midwest. Both companies provide hardware in addition to insurance policies to increase customer engagement and ultimately track behavioural pattern. If customers reach pre-defined goals that contribute to better health – a certain number of steps walked or daily minutes of dental hygiene – premium discounts and other incentives are awarded. Allianz wants to introduce health care technology, such as a health app and wearables into the Korean insurance market.

Allianz Group chose Korea as its first market to launch the innovative online direct sales platform AllRight due to the country's unique digital landscape, featuring the fastest broadband internet as well as the highest smart phone penetration rate in Asia.

The AllRight insurance products are embedded into a comprehensive strategy of customer engagement and feature – among others – 24 hour emergency support abroad as well as an expert health blog. The most innovative offering, however, is certainly the mobile app "AllRight Coach", which anyone can try for free for one month by signing up on the AllRight website. Developed in an exclusive partnership with the world's leading mobile health app provider Noom Inc., the app has multiple features: Users can record their daily calorie intake, receive professional advice on healthy living as well as chronic disease prevention, or find out about new recipes. The "Health Mileage" feature makes keeping track of an active life style with customized daily missions fun and engaging, and Allianz will further explore the concept of dynamic premiums in due course. With this novel concept of insurance, Allianz is a first mover, not only in the Korean and Asian market but also in many Western countries where the digital revolution has yet to fully reach the insurance industry.

## SeekrLab

The idea behind JobSeekr arose when the two friends were living in the same building outside the Seoul National University campus, discussing the trials and tribulations of living in another country as educational migrants. One complaint that resonated deeply was job seeking.

All over the world finding employment is tough. Korea in particular has many talented individuals, Korean and foreign, but there is a lot of mismatch in the recruitment market, especially for those who don't fit the mould of elite homegrown students destined for a career in the conglomerates. Being outsiders, this was something that Simon Chan from the United Kingdom and Andrej Belcijan from Slovenia were acutely aware of. Take their situation, for example. How could two smart graduates of computer science such as themselves, fluent in English and proficient in Korean, go so unnoticed?

After probing the pain points and realizing there was no global marketplace for entry-level opportunities, the two co-founders set about developing an inclusive platform that would shine light on job seekers with non-traditional backgrounds. They would be given a spotlight to highlight their hidden talent, which would otherwise get left out of a standard resume though would still be insightful during the job hunt, such as contributions to projects and volunteering. It became clear that through JobSeekr, job applicants could appeal to companies in more ways than just the standard paper resume could offer.

In December 2014, Simon and Andrej wrote the articles of incorporation themselves in Korean and established their company as SeekrLab (주식회사 시커랩), named for JobSeekr and the future Seekr services they planned to help connect people. They were among the first batch of foreign entrepreneurs to receive government funding from the Small & Medium Business Administration, as well as to receive the first D-8-4 startup investment visa via the points system. These opportunities were all byproducts of



the government's push for a creative economy, and it was just fortuitous that two foreign technologists were in the right place at the right time.

Once the word got out about the service JobSeekr was providing, Korean businesses began posting relevant jobs on the site. After the job posts were translated and shared in the right places, applications flooded in from global candidates based in Korea and around the world, with some jobs receiving over 50 applications within a week. The demand for JobSeekr was validated.

JobSeekr continues to grow in user numbers and traffic, and the co-founders have recently completed their year-long programme of government support. They have plans to build more community features into JobSeekr and are currently meeting with investors to secure funding for the next calendar year.

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SeekrLab (Representative Director: Simon Chan) is currently incubated at the Seoul Global Center in Jongno and can be reached via email: [contact@seekr.com](mailto:contact@seekr.com). JobSeekr is an entry-level job seeking platform for global talent and the flagship product of technology company SeekrLab: <http://jobsee.kr>

## New Members April – July 15, 2015

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**A-One Customs & Trade Service** (Korea)  
Woon-ki Chung (Chairman)  
[www.aonecustoms.com](http://www.aonecustoms.com)

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**APEX LLC** (Korea)  
Dong-O Park (Director, Customs Team)  
[www.apexlaw.co.kr](http://www.apexlaw.co.kr)

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**Barun IP & Law** (Korea)  
Ho-Hyun Nahm (Lead Partner)  
[www.barunip.com](http://www.barunip.com)

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**DMC Ville** (Korea)  
Brian Lee (General Manager)  
[www.dmcville.co.kr](http://www.dmcville.co.kr)

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**Eastspring Asset Management** (United Kingdom)  
Woong Park (CEO)  
[www.eastspringinvestments.co.kr](http://www.eastspringinvestments.co.kr)

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**IGM Global** (Korea)  
Haan Suk Junn (CEO)  
[www.igm.or.kr](http://www.igm.or.kr)

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**KACO New Energy Inc** (Korea)  
Yoosuk Kim (CEO)  
[www.kaco-newenergy.kr/](http://www.kaco-newenergy.kr/)

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**Kiheung International** (Korea)  
Kei Wung Lee (CEO)  
[www.seoul.astonmartindealers.com/ko](http://www.seoul.astonmartindealers.com/ko)

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**MindsGroup** (Korea)  
Unwha Choi (CEO)  
[www.mindsgroup.biz](http://www.mindsgroup.biz)

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**MRC Global (Korea) Limited** (USA)  
Thijs van Munster (Country Manager & Director)  
[www.mrcglobal.com](http://www.mrcglobal.com)

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**Neapoli Co., Ltd** (Korea)  
Dr Stellos Plainiotis (CEO)  
[www.neapoli.co.kr](http://www.neapoli.co.kr)

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**OSM (O-Sung Machinery Industry) Co., Ltd** (Korea)  
Kyung-Ung Jeon (Executive Director)  
[www.oscai.co.kr](http://www.oscai.co.kr)

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**SOJOURN KOREA** (Korea)  
Rosh Yum (Managing Director)  
[www.sojournkorea.net](http://www.sojournkorea.net)

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**Trainor** (Norway)  
Henrik Eklund (Country Manager)  
[www.trainor.co.kr](http://www.trainor.co.kr)

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**Voestalpine Bohler Welding North East Asia** (Austria)  
Michael Standar (Managing Director)  
[www.voestalpine.com/welding](http://www.voestalpine.com/welding)

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**Webasto Donghee Co., Ltd** (Korea)  
Yongheui Francis Yoon (Representative)  
[www.donghee.co.kr](http://www.donghee.co.kr)

# ECCK Committees

## ECCK Cosmetics Committee Luncheon

On May 7, the ECCK Cosmetics Committee held a luncheon meeting with Nam-Hee Lee, Director of the Cosmetics Policy Division of the Ministry of Food & Drug Safety as a guest speaker. Following the opening presentation by Jihyun Kim, Partner at Bae, Kim & Lee, on IPR protection in the industry, Director Lee gave the keynote address on cosmetics policy in 2015. In particular, she updated the participants on newly implemented policies from 2015 and the directions of regulatory system.



## Healthcare Roundtable

The ECCK and the Ministry of Trade, Industry and Energy (MOTIE) co-chaired the Healthcare Roundtable on May 22. Chang K. Kim, Director General for Trade of MOTIE gave welcoming remarks and took over the chair for the meeting. The roundtable primarily covered two main topics of pharmaceuticals and medical devices. The discussions included drug pricing policy, pricing volume agreement, risk sharing agreement regarding pharmaceuticals, and re-use of single use device for medical devices.



## K-REACH Seminar

The ECCK and Kim & Chang hosted a seminar about the Act on Registration, Evaluation, and etc. of Chemical Substances (K-REACH) on June 10 at Kim & Chang Northgate Building. Nearly 60 participants attended the half-day seminar, reviewing the latest development in enforcement rules making, potential legal issues, and the European experience in regard to the EU chemical control regulation (EU-REACH).

Kyu-Yong Lee, Senior Advisor at Kim & Chang and former Minister of Environment, gave a welcoming speech; and By-oung-hwa Lee, Director of the Chemical Policy Division at the Ministry laid out the most recent issues on K-REACH. In particular, Dr Jean-Philippe Montfort from Mayer Brown presented a detailed review comparing the two systems side by side. Afterwards, Marc Aerssens, a project manager at REACH Centrum under ERM, introduced challenges and know-how of consortium management, lead registrant support, and various administrative and financial issues.

The seminar was concluded with a presentation on potential legal issues as well as wrap-up remarks by Kim & Chang's K-REACH team lawyers. The seminar offered a unique opportunity to examine the K-REACH regulation in the context of the European experience. Moreover, it helped facilitate dialogues among the government, the industry, and stakeholders in Europe.

## Meeting with New KIPO Commissioner

In the afternoon of June 19, ECCK President Jean-Christophe Darbes and representatives from European embassies and the EU Delegation to Korea met with Commissioner Donggyou Choi of the Korean Intellectual Property Office (KIPO). Given Commissioner Choi's recent appointment, the Chamber focused on gaining more insight into his plans and vision for the IP environment in Korea.



# ECCK Forums

## Taxation Seminar

On April 9, the ECCK hosted a taxation seminar at Hotel Lotte. Jae-Cheol Kim, Tax Partner, and Sang-Min Ahn, Head of Transfer Pricing Services from E&Y presented tax amendments and tax reforms made since 2014. A Q&A session was prepared after the presentation.



## CFO Forum

On April 16, about 20 CFOs joined the event to learn about foreign exchange regulations in Korea. Keum Ho Lee and Ik Hwan Cho from Kim & Chang presented the foreign exchange transaction system in Korea and changes made to the system since 1960s.

The Forum met again on June 25 to discuss the topic of customs audit and trends. Miri Lim, a foreign attorney at Lee & Ko, gave a presentation on Korean customs authorities, customs audit, and appeals procedures, as well as recent trends in audit process. Both meetings were wrapped up with extensive Q&A sessions, which provided further clarification for the participating CFOs.

## ECCK HR Forum

On April 30, the ECCK organized a seminar on trends and expectations in the Korean labour market for 2015. During the seminar, experts from Yulchon's HR Team presented on proposed labour reforms and addressed the issues arising from such. Then, Duncan Harrison, Country Manager of Robert Walters Korea, spoke about the developments expected in 2015 in terms of hiring and employees' salaries in various industries.



## Compliance Forum

On July 2, the ECCK held the first meeting of its newly established Compliance Forum. The Forum was set up to address challenges compliance officers and general counsels face as well as to discuss new developments regarding compliance. The first meeting was hosted by Schaeffler Korea and was attended by compliance experts from a range of industries. The topic of the first meeting was criminal liability, and Liz Kyo-Hwa Chung, Samuel Yim and Kyson Keebong Paek, attorneys at Kim & Chang, provided an overview on corporate criminal liability in Korea and gave a number recommendations for companies' compliance systems.



# Information Sessions

## Executive Briefing on Data Protection

On April 7, the ECCK organized an Executive Briefing session on data protection, which has been a topic of keen interest for corporations as well as the public in the recent years. In the session, about 15 executives and legal experts gathered to learn and discuss about data protection, especially regarding personal information management. Joon Yong Park from Bae, Kim & Lee, went over definitions, scope, and cycles of information management based on Korea's Personal Information Protection Act (PIPA). Throughout the cycles, prior notification and consent to collection, use, and storage of sensitive information are the most important requirements to avoid legal disputes, according to Park. After the informative presentation, participants continued to discuss potential information management issues over dinner.



**ECCK Arbitration Seminar**

The Chamber and the World Intellectual Property Organization (WIPO) Center jointly hosted a seminar titled “Resolving Intellectual Property Disputes Outside Court in a Time- and Cost-Efficient Manner” on May 27. It was the first joint seminar between the two organizations since the ECCK and the WIPO Center agreed to collaborate towards efficient dispute resolution and IPR protection. During the seminar, arbitration experts including Jessica Park, the representative of the WIPO Arbitration and Mediation Center’s Singapore Office, Ho-Hyun Nahm, a partner at Barun IP & Law, and Benjamin Hughes, an independent arbitrator and mediator, presented alternative dispute resolution procedures and their benefits. The ECCK and the WIPO Center will continue to cooperate and facilitate the understanding of IP and technology disputes and options to resolve them.



**Seminar on Korean Labour Market**

The ECCK and the Korea Labour Foundation held a seminar discussing the conditions of the Korean labour market for foreign-invested companies on June 9. This seminar discussed company employees’ position on the major issues of the Korean labour market and finding aims and ways to resolve them. After the presentations, the seminar concluded with a Q&A session to answer final questions on any outstanding concerns.

# ECCK Busan Chapter

**Marine & Shipbuilding Committee Breakfast Meeting**

On July 9, the ECCK Busan Chapter held its Marine & Shipbuilding Committee Breakfast Meeting. Henrik Eklund, Country Manager of Trainor Korea, spoke on the matter of industrial safety for workers and Trainor’s business in Korea, while Siv Solem, Country Manager of Statoil Korea, explained and answered questions regarding the Statoil Project.



**“Taste of Europe”**

The EU Day on May 9 is an annual celebration of peace and unity in Europe. It is also known as Schuman Day, commemorating the historical declaration by French foreign minister Robert Schuman. The EU Day celebrates the day the EU’s predecessor was proposed in 1950. It is one of a number of European symbols designed to foster unity among the Europeans.

To celebrate the EU Day this year, the ECCK Busan Chapter hosted the network night “Taste of Europe” on May 8 at Haeundae Grand Hotel. With European cuisine, beer, wine and other amusements for local citizens as well as foreign residents in Busan, “Taste of Europe” provided the opportunity to experience European culture for European-friendly Busan and Gyeongsang area.

Opening remarks of Christoph Heider, Secretary-General of the ECCK, were followed by K-pop dance performances with lounge DJ music and tremendous fireworks over the Gwangan Bridge. Also, many European companies joined the event not only as participants but also as sponsors. Bosch Rexroth, Air France KLM, Imperial, Brioche Doree, Deeside Water, Royal Apothic, BIKA VIN and European beer companies such as Stella Artois, Hoegaarden, and Krombacher celebrated the EU Day together.





**2015 Global HR Conference in Busan**

On May 14, ECCK Busan Chapter and Dong-A University LINC (Leaders in INdustry-university Cooperation) organized the Global HR Conference at BEXCO, supported by Franklin Covey Korea and Robert Walters Korea. Human Resources executives and managers from global companies in Busan, Ulsan, and Kyung-Nam area and related organizations participated in the conference not only to learn about the winning culture and competitiveness but also to plan out their career paths.

For the opening ceremony, Ki Sik Hwang, Head of Secretariat and Professor at the Department of International Studies of Dong-A University, delivered a speech to welcome the participants of this event. The first session was lead by Kyungsu Kang, Professor of Franklin Covey Korea, and his lecture discussed "Winning Culture for Global Business Competitiveness and 7 Habits as Operating System". During this presentation Professor Kang asked the participants to communicate with other participants sitting at the same table and demonstrate the way of communication from his lecture.

After this, Chee Wai Mak, Director of Asia Human Resources Business Partner, Western Digital Company, presented his experience from the company in Thailand. His presentation revealed his impressive management skills. Full of energy and passion, Mr Mak gave some advice and motivation to all of the participants.

After the second coffee break, Duncan Harrison, Country Manager of Robert Walters Korea, delivered a speech about "Career Path Plan for Human Resources Executives and Specialists". He presented a special career path plan for HR specialists to strengthen their abilities and foster competitiveness for their present as well as the future. The Global HR Conference in Busan was held for the first time this year. The successful conference has set the tone for other HR events to be hosted in Busan.



# External Cooperation

**MoU with Incheon National University**

On May 12, the ECCK and Incheon National University (INU) signed a Memorandum of Understanding (MoU) at The Shilla Seoul. With student enrollment of 12,000, INU stands as the only full-scale university based in Incheon Free Economic Zone and aims to develop an internationalized workforce for incoming businesses and global career opportunities. Through this signing of the MoU, the ECCK and INU look forward to collaborating in conferences, special lectures, as well as internships and industrial tour opportunities for INU students.



**MoU with Korea Exchange**

On May 20, the ECCK and Korea Exchange (KRX) signed an MoU at the Korea Exchange Seoul office. KRX is the 8th biggest exchange in the world in terms of daily stock trading volume and is a comprehensive exchange that covers stock, bonds, commodities, and derivatives. The EU accounts for KRW 137 trillion of KRX market capitalization, which stands at 8% of total KRW 1,500 trillion. With the economic relations between Korea and Europe ever deepening, particularly with the EU-Korea FTA, the Chamber and KRX anticipate the attraction of more European com-

panies to list on KRX and the introduction of new Korean companies to the European market.



**MoU with Korea Corporate Governance Service**

The ECCK signed an MoU with the Korea Corporate Governance Service (KCGS) on June 25. KCGS was established in June 2002 as a non-profit organization with prominent members including Korea Exchange (KRX), Korea Financial Investment Association, Korea Listed Companies Association, and KOSDAQ Listed Companies Association. By providing various professional services to help companies find strategies for sustainable growth and build a better society by promoting a strong capital market, KCGS will take on an important role as the best environmental, social and governance research institute fostering robust corporate governance and corporate social responsibility.



# All European Network Night

Thirteen European business associations and chambers joined forces and co-hosted an extraordinary evening of networking at Banyan Tree Club & Spa on May 22. The All European Network Night was the first event of its kind, and the ECCK truly appreciates the splendid turnout. With the illuminating Namsan Tower as the backdrop for the evening, the night flew by and was concluded with the exciting lucky draw from our sponsors. We would like to say a special thank you to Ferrero Korea, Edrington Korea, Four Points by Sheraton, Haendae Grand Hotel, Banyan Tree Club & Spa, and Air France KLM.





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HYDERABAD INCHEON JAKARTA MANILA MUMBAI PUNE SEOUL SHANGHAI TOKYO

# MajeStar Investment CEO Jin Tae Maeng

Since its establishment in 2003, MajeStar Investment Co., Ltd's has expanded its business spectrum from investment and advising to project development. The MajeStar City Project, the company's ambitious landmark plan, is one of the three giant development projects in Gangnam Business District (GBD) in 15 years. Consisting of office, residential units, and retail spaces, the MajeStar City will overlook the emerging Seocho area. About 20% of the project has been completed, and the rest is scheduled to finish by June 2017.

MajeStar Investment is a holding company with three operating affiliates: M2 PFV (M Square PFV) was set up as a special purpose company for project financing; MajeStar Properties is an asset management company to develop the MajeStar City Project by proxy; finally, MajeStar Advisors takes care of traditional business areas such as investment, transaction, and advising activities.

The ECCK had a chance to hear from Jin Tae Maeng, CEO of MajeStar Investment Co., Ltd's, about this mega-project and his assessment of the Korean office market. With more than 20 years of experience in the real estate industry, the CEO expressed his cautious optimism about the current and future office market.



**Please tell us about the MajeStar City Project. Are there any particular reasons for selecting the Gangnam area for this development?**

The MajeStar City Project is the biggest development in GBD since the construction of Samsung headquarters in 2007. The project financing amount has reached up to KRW 620 billion (USD 552 million), with several financial institutions participating. The gross floor area is 147,000m<sup>2</sup> and the development area is 23,000 m<sup>2</sup> with 17 floors above ground and 7 below. Many of office properties in the GBD were built in the booming 1990s under lax environmental rules and building control. As a result, it is common to see so-called "pencil buildings" with almost 1,000% average floor area ratio (the rate of building volume to lot) and a subpar office environment in the district. Filled with skyscrapers and retail spaces, GBD rarely offers room for parks, art galleries, and other cultural activities at hand, unlike the other main business districts. The MajeStar City Project is a game changer in the GBD. The Korea Defence Intelligence Command (KDIC) on the west of the property has been relocated, opening up a wide green space accessible for development. In addition, a new tunnel under construction nearby will further increase accessibility to Yeouido. Both the access and the atmosphere will make the MajeStar City unprecedented and unparalleled to any other major properties in the GBD.

**The MajeStar City is closely located to other signature buildings such as the Supreme Court, the Seoul Art Centre, as well as parks and hills. How will the project be in harmony with the surrounding environment?**

Not only have we paid extensive attention to the surrounding environment, but we also have been required to do so. Current regulations are very strict in protecting the environment and the landscape. The project has accommodated more than 200 requests from development committees, expert groups, and local communities to make the property be in harmony with the surrounding areas. It should be noted that the project is the first commercial case where environmental impact assessment has been conducted in the GBD. The characteristics of the property site is unrivalled. The hilly site on which it is built leads smoothly to nearby areas, creating a natural ambiance. Just across the property is Seoripul Park, the largest park in the GBD. The previous KDIC site will be developed to house a modern art & culture complex. The MajeStar City Project will surely contribute to the livelihood and value of the area. It cannot be overemphasized that the floor area ratio of the property is below 400%, compared with the average 1,000% ratio in the GBD. The project includes the construction of seven parks and a roof-garden. Aquatic and terrestrial biotopes will be built in those parks to provide small habitats for birds and aquatic animals. All of our efforts clearly demonstrates how much we care about creating harmony with the existing environment.



**There are concerns about over-supply and increasing vacancies in the office market in Seoul. How do you evaluate the office market today and in the future?**

The Korean office market is maturing and converging to advanced markets. Normally, the vacancy rate hovers around 10-15% in a mature market, and we estimate the current rate in Korea at about 6-7%. There are concerns about increasing vacancies, yet the Korean office market should be analysed in context. Although the absolute amount of supply has increased lately, the supply rate is decreasing. I think vacancies will be absorbed by replacement demand. Due to changing technology and innovation, today's businesses are constantly refocused and reorganized. Such moves create replacement demand, yet finding smart office spaces in large quantities is a challenge. I am cautiously optimistic. I think a more important question is whether the price of office buildings will go up or down. And I strongly believe both rent and office price will rise. In general, face rent always goes up. Capital value will rise too, as rising labour cost and material prices are pushing up development costs. However, not all office buildings will see their values rise. Depending on the quality, different properties will see differentiated vacancy rates and price ranges. Average vacancy rate is just an average number from the surveyed office buildings. If you have the ability to identify the best potential property for your investment, you will be happy with the lowest number among them. That's the real estate investment in Korea I have learned.



# Sustainability

Korea announced to reduce greenhouse gas emissions by 37% in next 15 years on June 30. According to Yonhap News, the target means Korea's overall emissions will be around 535 million tons of CO2 equivalents by 2030 from the current level of 850.6 million tons. However, the government's proposal has been under criticism from both businesses and environmentalists as well as from in and outside of Korea. The reduction target consists of two measures: 25.7% reduction from the country's business-as-usual (BAU) level by 2030 and 11.3% cut from purchasing carbon credits. The problem is that it was a step back from the previous government's pledge to reduce emissions by 30% by 2020. At the same time, businesses complain that the target is idealistic and will significantly hurt Korea's competitiveness.

The story reveals the multi-faceted nature of sustainable growth. Taking action is necessary, yet the costs of taking action seem large enough to discourage stakeholders to take the burden. In the long run, new technology will be the answer to environmental challenges. In order for technology to be developed, however, political will, regulatory framework, and even life style changes are essential in the beginning.

The following articles introduce efforts made by prominent organizations to balance business & environment, influence perception regarding sustainability.

## WWF-KOREA

WWF-KOREA goes where many other NGO's are not willing to go: WWF, the global conservation organization, takes a science-based, innovative, and collaborative, approach to achieve its twin goals. WWF seeks to conserve biodiversity (that is to say our forests, wetlands and oceans, as well as the species that live in these areas) and reduce humanity's ecological footprint, with a particular focus on climate change, water use, renewable energy and the impact of economic activities by humans on Nature – such as fishing or trade in species. WWF's on-the-ground work is powered by the dedicated people in our expert programmes – including leading conservation scientists, policy experts, economists, lawyers, anthropologists, and communications experts.

WWF-Korea cannot achieve its goals alone. Strong partnerships with businesses, governments, finance institutions, local communities, academia and other NGOs (Korean and international) are essential for driving change at the scale needed.

Building on nearly 50 years of experience and an impressive track record, we are driving large-scale, long-lasting changes from the local level to the global. This comes through a combination of:

- On-the-ground conservation
- High-level policy and advocacy
- Making business & industry more sustainable
- Engaging with multiple partners, public and private
- Working on linking people and conservation

Together with our valuable partners, these dedicated people are developing and implementing real solutions across the world – building a future in which people live in harmony with nature. Tangible results develop out of these strategic collaborations; results that will

change the way we operate on this beautiful planet Earth. Some of which can be seen below:

- Over 185 million hectares of forest worldwide are now responsibly managed
- Working with the French supermarket chain Carrefour, we supported around 350 smallholders in Sumatra to produce certified sustainable palm oil. By using better management practices, they've increased productivity by at least 20% while significantly reducing the use of agrochemicals
- Leading fisheries have plans in place for reducing "bycatch" and impacts on other species such as seabirds, turtles and cetaceans
- The "Consumer Goods Forum", representing 400 of the world's largest consumer goods companies, has committed to deforestation-free supply chains for the four largest drivers of tropical deforestation (beef, palm oil, pulp and paper, and soy) by 2020.

### WWF's Approach to Transforming the Global Markets

Today, we use natural resources at 1.5 times the rate at which nature can replenish them, depleting the Earth's natural capital. This has a huge impact on nature and people, and threatens our very future. As population and incomes grow, our demands are increasing. UN estimates suggest that we'll need to produce more food in the next 40 years than we have in the last 8,000 years combined – the entire history of agriculture.

So how can we meet the needs of a growing population for food, fuel, fibres and other raw materials in a way that maintains the ecosystems we all depend on – preserving fresh water, a stable climate, clean air and areas of wilderness for present and future generations?

We concentrate on 15 commodities that have the greatest impacts on biodiversity, water and climate, particularly in the most important places for conservation. These commodities also affect the livelihoods and food supply of

hundreds of millions of people, including many of the poorest on the planet. But it's possible to produce these commodities better—with environmental, social and economic benefits. And this needs to become the new "normal".

Around 500 companies control roughly 70% of global markets for our priority commodities. If we can get a critical mass of companies to use credible production standards, we can push commodity markets to a tipping point where sustainability becomes the norm.

We've identified 100 companies we consider can drive major change in global commodity markets. About three-quarters have taken the first steps toward better sourcing by joining a multi-stakeholder roundtable, publishing time bound targets to purchase credibly certified commodities, or both. This shows significant progress from five years ago, when less than a quarter had taken any public action.

Some companies are implementing wide-ranging strategies for sourcing raw materials more sustainably: 10 of our top 100 companies have used a supply risk tool we developed to analyze environmental and social risks in their supply chains. Others have gone further by supporting collaborative action to move their sectors and influence government. We've engaged in in-depth strategic partnerships with several of these: our partnership with Ikea, for example, has contributed to the FSC certification of more than 35 million hectares of forest worldwide – an area the size of Germany.

Leading businesses involved in the production and trade of commodities such as timber, seafood, palm oil or cotton are increasingly participating in "multi-stakeholder initiatives". These set production standards, against which producers can become certified, if an independent auditor finds them to be compliant. These standards aim to improve commodity production by reducing associated environmental and social impacts. Producers can benefit from streamlined and more efficient production and better market access.

Once standards are agreed on, many of these initiatives evolve into independent certification schemes that trace

a product through all stages of production, processing and distribution, hence allowing buyers to make purchasing decisions that contribute to environmentally responsible, socially beneficial and economically viable commodity production. WWF has been involved in establishing several initiatives that certify commodities which have impacts on the places and species we care about. This is the work that WWF carried out globally through its "Market Transformation" initiative, and that WWF-Korea will launch in Korea. You can find out about these below:

#### Forest Stewardship Council (FSC)

Since 1993, FSC promotes responsible management of the world's forests. FSC certification is important to WWF's conservation goal of reducing the loss of high conservation value areas, as it provides a link between responsible production and consumption of forest products, and allows the consumer to make responsible purchasing decisions.



#### Marine Stewardship Council (MSC)

Since 1999, the Marine Stewardship Council works to tip global seafood markets towards sustainability by certifying responsibly managed wild-caught fish, and making sustainable seafood globally available.

The MSC wild fisheries certification scheme continues to transform the global seafood market. Over 25,000 products carry the MSC ecolabel. Over 335 fisheries are enga-

ged in the MSC programme. Together, these fisheries land over 10 million metric tons of seafood annually, or about 11% of global wild harvest.

#### Roundtable on Sustainable Palm Oil (RSPO)



The RTRS, launched in 2006, was created to help ensure that current soy production and further expansion of the crop is done in an environmentally sound and socially responsible way,

avoiding clearance of native forests and high conservation value areas. The RTRS counts more than 150 members from 22 countries from various backgrounds.

#### Bonsucro (formerly The Better Sugarcane Initiative – BSI)

The Bonsucro Standard is the first standard to measure the impact of the sustainable production of sugar cane. Bonsucro is a collaboration of sugar retailers, investors, traders, producers and NGOs that are committed to sustainable sugar production by establishing principles and criteria that are applied in the sugarcane growing regions of the world.

#### Aquaculture Stewardship Council (ASC)

The ASC focuses on managing global standards for responsible aquaculture, which were initially developed by the WWF Aquaculture Dialogues. ASC aims to be the world's leading certification and labelling programme for responsibly farmed seafood.

#### Better Cotton Initiative (BCI)

The BCI, launched in 2005, encourages the adoption of better management practices in cotton cultivation to

achieve measurable reductions in key negative environmental impacts, while improving social and economic benefits for large- and small-scale cotton farmers around the world.

#### Leading Change with Korea's Business Leaders

Over the course of the past 60 years, Korea has emerged as an economic powerhouse. Korea is rapidly gaining notoriety as an international business leader. Known for its fast paced innovation in the electronics market, it has positioned itself to be a leader beyond economics, but a leader in sustainable solutions for global markets. With our focus on WWF-Korea's priority conservation areas, we are researching key players to work with, particularly those who have a high potential for market transformation. We plan to work with companies in the IT, finance, cosmetics, retail and food sectors. By working with the private sector, WWF-Korea aims to change behaviour and drive conservation results that would not otherwise be possible.

#### About WWF:

WWF is one of the world's largest and most respected independent conservation organizations, with more than 5 million supporters and a global network active in over 100 countries. WWF's mission is to stop the degradation of the earth's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption. In 2014, after 10 years of conservation work in the Korean Peninsula, WWF-Korea was launched in 2014, based in Seoul, Korea. 2014 accomplishments include the 1600 Pandas+ Exhibit, the release of the "Living Planet Report" and the children's book "Our Beautiful Earth".  
<http://wwfkorea.or.kr/>

# Accreditation to the Green Climate Fund

The Green Climate Fund (GCF) is an operating entity of the financial mechanism of the UN Framework Convention on Climate Change (UNFCCC), and one of the major international organizations based in Korea. GCF was established by the Conference of Parties (COP) to the UNFCCC, and it is the only multilateral financing institution set up with the sole goal of supporting the UNFCCC's objective of keeping global warming below 2 degrees Celsius.

Given the urgency and seriousness of climate change, its objective is to promote the "paradigm shift" towards low-emission and climate-resilient development pathways. GCF is expected to make a significant and ambitious contribution to global efforts to combat climate change. In so doing, GCF catalyzes climate finance – both public and private, and at the national, regional, and international levels.

In practice, GCF evenly balances its efforts between mitigation and adaptation over time. The Fund also aims to allocate minimum 50% of the adaptation resources for particularly vulnerable countries, including least developed countries, small island developing countries, and African states.

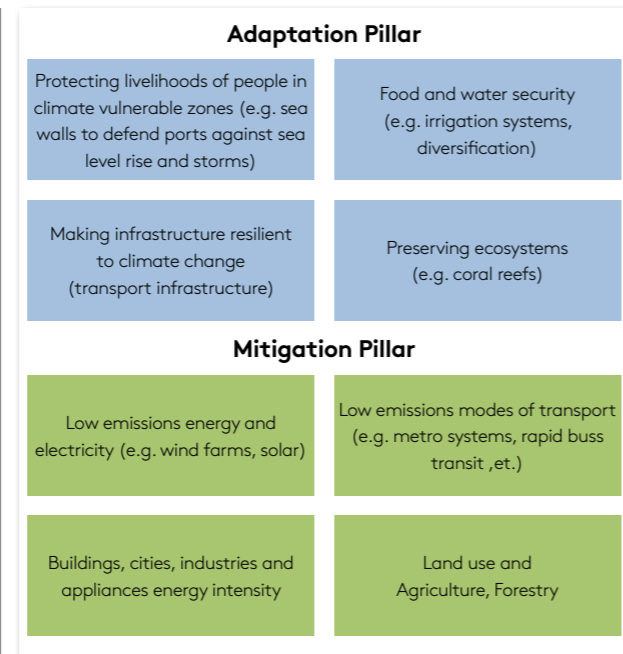


Figure 1. GCF's Areas of Strategic Investment

<b>Impact Potential</b>	Potential to the achieve the Fund's objectives and result areas
<b>Paradigm Shift Potential</b>	Potential to catalyse impact beyond a one-off project or programme investment
<b>Sustainable Development Potential</b>	Potential to provide wider benefits and priorities
<b>Needs of Recipient</b>	Vulnerability and financing needs of the beneficiary country
<b>Country Ownership</b>	Beneficiary country ownership of and capacity to implement funded activities
<b>Efficiency &amp; Effectiveness</b>	Economic and, if appropriate, financial soundness of the programme/project

Figure 2. GCF's Investment Criteria

One of the most important features in the operation of GCF is that both public and private entities have access to the Fund's resources to undertake climate change projects/programs.

Access will be through "accredited" national, regional, and international entities and intermediaries. All entities – both public and private – can apply for accreditation, and they will go through the three-step process in which they will be assessed against GCF's accreditation criteria, including its Initial Fiduciary Standards and Interim Environmental and Social Safeguards (ESS).

More specifically, entities seeking accreditation will be evaluated through multiple assessments and the "fit-for-purpose" approach. Entities will be accredited for certain fiduciary functions (e.g. grants, concessional loans, equity, guarantees), size of project/activity, and environmental risk category. After accreditation, those entities may submit project/program proposals for funding.

The average investment necessary for key mitigation sectors is estimated to be around USD 350 billion per

year between 2010 and 2029. Such annual investment is likely to keep CO<sub>2</sub> equivalent concentration in the atmosphere in the 430-550 ppm range until 2100, which is consistent with a 2 degree-Celsius target.

Despite differences in estimation, projected climate finance needs hover around USD 450 billion per year (USD 350 billion for mitigation sectors and USD 100 billion for adaption). It is a challenging figure, which requires the significant amount of additional financing from a wide variety of public and private sources.

GCF is increasing its readiness support resources for immediate programs, particularly for countries of interest. The Fund is expected to provide added value to the current climate finance mechanism by maximizing impact, public-private partnerships, and mobilizing private sector investments. Accreditation is a step to access to GCF resources for contributing to paradigm shift in fighting climate change.

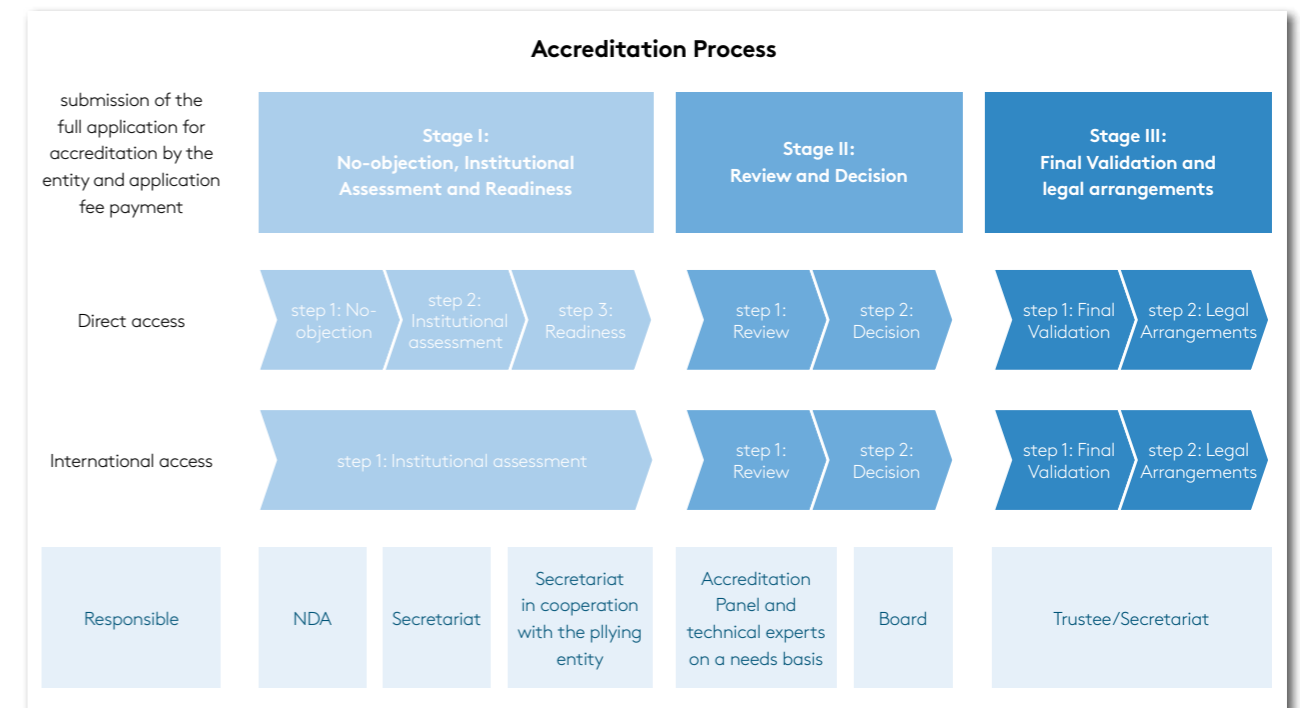


Figure 3. Three-Stage Accreditation Process

# Promoting Pro-Environmental Behaviour: 50 Shades Of Green Consumption

In reality, who cares about the environment? All things considered, the safest answer to this tricky question seems to be “it depends”. In other words, it’s all a matter of attitude, and choice. While saving the planet has never been a number one preoccupation for most human beings, global surveys show that a majority of consumers around the world are becoming increasingly aware and concerned about environmental issues. However, findings also reveal that many people appear to have difficulties to opt for greener consumption habits, and eco-friendly attitudes have hardly translated into pro-environmental behaviours.

## The Grass Is Not Always Greener on the Other Side

Since 2008, National Geographic and research consultancy GlobeScan have implemented the Greendex, a worldwide tracking survey on sustainable consumer behaviour. According to the Greendex 2014 - Consumer Choice and the Environment, which surveyed 18,000 consumers across 18 countries, the highest ranked consumers were from the “emerging economies” of India, followed by China and Korea. Overall results indicate that although environmentally-conscious consumption has improved in almost all of the tracked countries since the inception of the Greendex, the pace of changes has been deceptively slow.



Interestingly, consumers from China, India and South Korea are also topping the 2014 Aspirational Consumer Index produced by GlobeScan and BBMG, which has identified more than two billion consumers globally. The “Aspirational”, defined by their intense love of shopping, desire for responsible consumption and their trust in global brands to act in the best interest of society. Eric Whan, Sustainability Director at GlobeScan, says that “by engaging Aspirational consumers, brands can further the shift toward more sustainable consumption and influence behaviour change at scale.”

While many global consumer surveys usually fail to capture the subtleties and complexities of human ecology, it seems indispensable to analyze their results in the light of recent findings in the field of social and behavioural sciences. The 2014 Greendex may evoke positive reinforcement and peer pressure as potential drivers for positive behavioural changes, but it does not clearly explain this observation. Moreover, it would have been worthwhile to mention that strongly collectivist cultures, such as in China and Korea, and to some extent India, may provide a favourable ground for the propagation of new social norms. They may therefore be more likely to embrace massive changes in attitudes and behaviours.

As far as attitudes and beliefs are concerned, the 2014 Greendex report heavily insists on increasing concerns and somewhat guilt, but does not make any mention of “greenwashing” (disinformation disseminated by an organization so as to present an environmentally responsible public image). This was perceived as one of the biggest obstacles to further behavioural improvement by the 2010 Greendex,

together with governments and industries failing to take action. We may suppose that this issue has become less hot, as other studies show a relative decrease of greenwashing practices over the last years, as it has become increasingly harder for companies to mislead their consumers.

## Towel and Linen Reuse: When the Tree Hides the Forest

The term “greenwashing” (a combination of “green” and “whitewash”) was coined in 1986 by New York environmentalist Jay Westerveld in his essay criticizing the hotel industry for encouraging their guests to reuse their towels allegedly to save the planet, whereas this practice was mostly aimed at saving costs.

It is safe to say that most people do not wash their towels every day when they are at home, and they usually do not see why they should give up this “privilege”, having long been accustomed to this practice as hotel guests. Some experiments have therefore been conducted to increase the guest’s participation in towel and linen reuse programs, mostly focusing on the wording of placards placed in the rooms.

First, it appears that the majority of guests tend to feel the least concerned when hotels urged them to save mother earth or help save the environment. They also consider that hotels should mind their own business, which includes minimizing the environmental impact of their services and products. Many studies have stressed that many consumers assume that governments and companies should take the lead when it comes to protecting natural resources.

Message on Placard	Conversion Rate
Help the hotel save energy.	16%
Partner with us to help environment.	31%
Almost 75% of guests reuse towels.	44%
75% of the guests who stayed in this room reused towels.	49%

Some US studies have also showed that guests are more likely to engage in towel and linen reuse programs when placards harness the power of social norms and refer to what

others guests do (“Almost 75% of guests who are asked to participate in our new resource savings program do help by using their towels more than once.”). Their participation is even higher when the message specifies a specific room number. It has also been found that reminding guests of their existing green deeds tend to motivate them to adopt even more eco-friendly behaviours, even in the absence of any incentive. Another research suggests that guests are more ready to change their behaviours if they voluntarily commit to changing rather than being told what to do.

Having said that, hotel booking site Agoda.com announced last year that according to the results of its Global Earth Day Hotel Online Survey (57,000 respondents), towel and linen reuse was the least popular environmentally-friendly hotel practice, with only 23% of the total votes.

In some ways, towel and linen reuse programs have become emblematic of the permanent debate opposing companies and consumers over environmental responsibilities, and the difficulties to reach a consensus on shared responsibilities and costs. Through the years, they have evolved to reflect and nurture new trends and finding in the field of Customer Relationship Management, Behavioural Economics, Social Marketing, Corporate Social Responsibility, etc., and guest are now lured with vouchers and tree planting promises. But does it really matter for the environment?

With the advent of smart technologies and big data, we can imagine that programs may be individualized in the future according to each hotel guest’s profile and personal motivations. Or the hotel industry could also adopt new standards and just decide not to wash towels everyday as a matter of principle. Or finally, green technologies will allow all hotels to wash towels everyday without any impact on costs, or comfort, or environmental. “Enjoy your stay and let us care about the environment for you.”

## Let’s Play the Green Game

If being an eco-friendly consumer was easy, enjoyable and gratifying, people would naturally opt for green behavi-





ours. But for decades, people have been encouraged to consume more than needed, receiving all kinds of benefits and rewards for their excesses. Many of them have even been sponsored so that they can consume more than they can afford to. Now that they are addicted to consumerism and shopping, they receive the confusing and agonizing message that they should give up their lifestyles because it is not good for the planet. Unfortunately, not all of them are Aspirationalists.



In order to make green consumption more attractive, how about promoting eco-friendly behaviours through play activities? By applying game rules, mechanics (competition, motivation and engagement), and incentives (miles, points, ranking) to solve environmental issues, "gamification" has indeed proved to be more effective than traditional approaches (awareness campaigns, taxation, punishment, technological leapfrog) to encourage sustainable choices. Since direct experiences have a stronger influence on people's behaviour than indirect ones, we could also assume that engaging in eco-friendly tourism activities may positively influence the adoption of pro-environmental behaviours. So who wants to play with me?

**Catherine Germier-Hamel** is the CEO of Millennium Destinations ([www.millennium-destinations.com](http://www.millennium-destinations.com)), a Seoul-based organization providing consulting services and solutions for sustainable tourism marketing, promotion and education. She is also representing French tourism consultancy, François Tourisme Consultants, in Korea.

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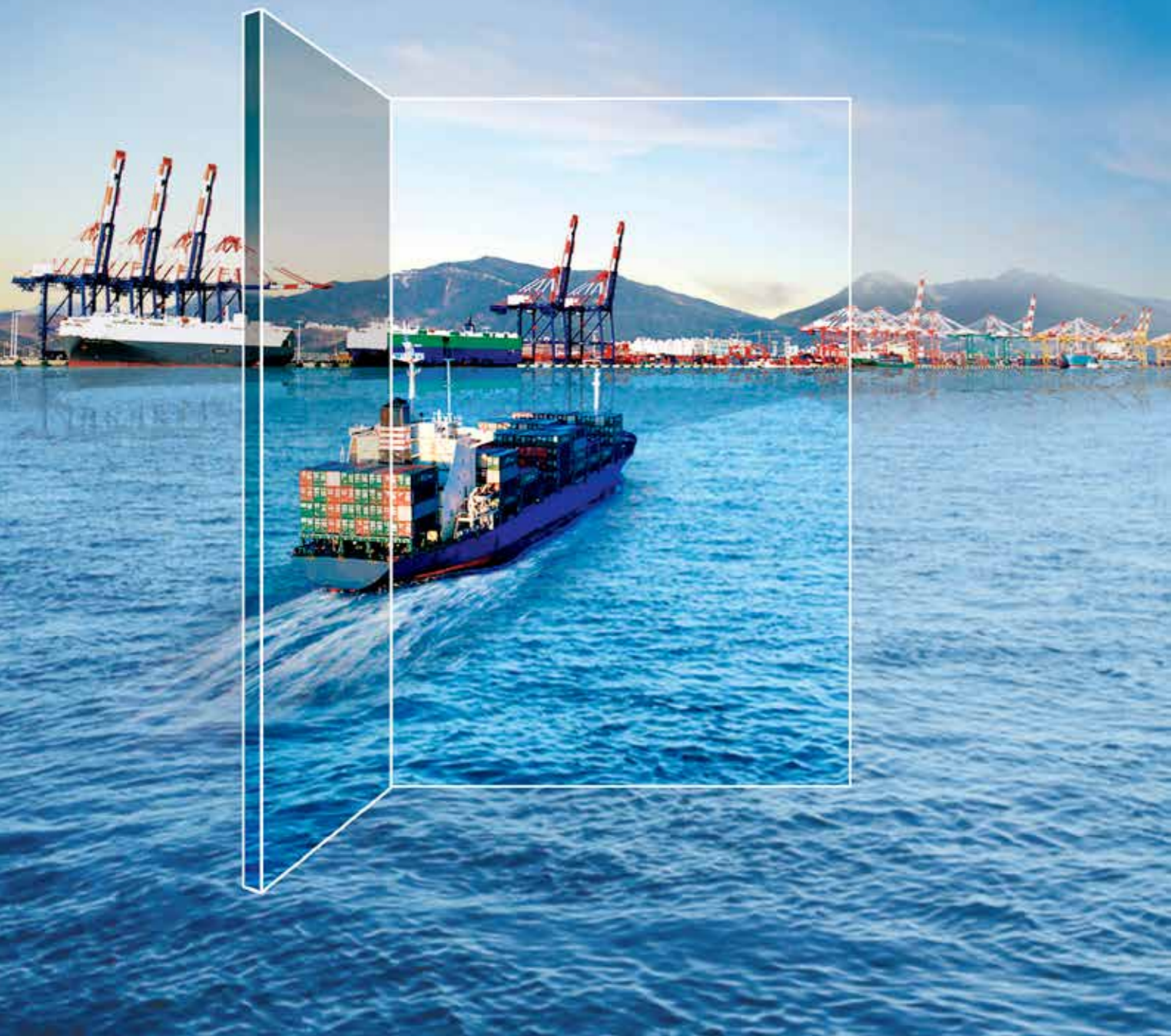
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Reaching Out to the world!

# Gwangyang Bay Area Free Economic Zone



## GFEZ

The Gwangyang Bay Area Free Economic Zone Authority was designated as a free economic zone in October 2003 together with the Incheon Free Economic Zone and the Busan-Jinhae Free Economic Zone. The Gwangyang Bay Area Free Economic Zone Authority has a total area of 77.71km<sup>2</sup> and includes Yeosu, Suncheon, Gwangyang in Jeollanam-do, and Hadong-gun in Gyeongsangnam-do. The Economic Authority has divided the zone into 21 blocks in five districts of Gwangyang (13.64 km<sup>2</sup>), Yulchon (27.81 km<sup>2</sup>), Sindeok (14.10 km<sup>2</sup>), Hwayang (9.99 km<sup>2</sup>) and Hadong (12.17 km<sup>2</sup>), and is specializing each district in international logistics, convergence industries, residential and business, culture and tourism, or marine industries. Four blocks were completed last year, and eight blocks are under construction. Therefore, 59.8% (45.48 km<sup>2</sup>) of the total area has been completed or is being developed.

The Gwangyang District, which is being cultivated as the logistics hub of Northeast Asia, has an area of 13.63km<sup>2</sup> and includes the Gwangyang container terminal, east and west backup sites, and the Hwangeum Industrial Complex. Gwangyang Port has a minimum berthing water depth of 17 meters and allows port entry and departure of ships exceeding 300,000 tons. The east backup block is already operating successfully with 27 companies and for the west backup block, they are immediately inviting companies to an unsold site of 1.08 million m<sup>2</sup> to increase cargo volume.

The Yulchon District developed the first industrial complex (9.13 km<sup>2</sup>) and has an unsold factory site of 1.42 million m<sup>2</sup>. The Haeryong Industrial Complex still has time to spare as it is a two-stage project, but they will accelerate the development of the second industrial complex through negotiations for the transfer of the dredged soil disposal area. Furthermore, the third industrial complex plans to dispose dredged soil from the phase 4 development of Gwangyang Port from 2018.

For the Sindeok District, they changed the development plan for the Seonwol Hi-Park Complex after the completion of stage 1 and 2 of the Sindae backup site. For the Gwangyang Complex Business Block and the Wellbeing County Block, they are planning to recruit a new project developer. Lastly, the Hwayang District began development from 2007. A golf island (18 holes) and a main road construction project for this District is being promoted with a total investment of KRW 202.2 billion.

The Economic Authority plans to complete the development of 20 blocks by 2020, except for the Yulchon port site. This year, the Authority is focusing on the development of the Sepung Industrial Complex for functional chemical materials and bio-packaging and the Hwayang District for culture and tourism.

The Sepung Industrial Complex has a total area of 3.0 km<sup>2</sup>. They have changed from batch development to divided development due to financing problems. They will start construction in earnest by holding a groundbreaking ceremony in the first half of this year. Of the total factory site of 1.518 million m<sup>2</sup> in the Sepung Industrial Complex, which is to be completed by 2020, first 495,000 m<sup>2</sup> will be developed for a functional chemical cluster and foreigners' investment complex. As for the remaining 1.023 million m<sup>2</sup>, they will build a bio-packaging complex, a steel making related industrial complex (363,000 m<sup>2</sup>), and a domestic functional chemical complex (330,000 m<sup>2</sup>). Furthermore, for 7.41 km<sup>2</sup> of the total 9.99 km<sup>2</sup> of the Hwayang District, excluding 2.58 km<sup>2</sup> for a golf course, a training institute, etc., a new project developer will be chosen through an international bid based on the results of the Hwayang District stimulation research.

The Gwangyang Economic Authority will promote the Gwangyang Bay Area Free Economic Zone Authority as a core industrial zone of the southern coast through aggressive marketing and the whole-hearted support for resident companies in order to develop industrial complexes at the right time and attract promising domestic and international new material industries of the future.

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# Global Alternative Investment Insights 2015

The ECCK and the Maekyung Media Group held the second Global Alternative Investment Insights (GAI) conference on May 12 at The Shilla Seoul. More than 600 respected investors and strategists of global pensions, sovereign wealth funds and institutional investors participated and shared thoughts on “Alternative Investment in a Changing World” which was the agenda of this year’s conference.

Low interest rates and growing demands for diversified investment assets and risks have created a great liquidity for alternative assets ranging from real estate, infrastructure and private equity funds, turning from traditional fixed-income and equity investments. This trend, coupled with increasing appetite of Asian investors for overseas markets, has made GAI in Seoul a prime scene for investors from all around the world to present their market insights and perspectives, and to meet new partners with common investment philosophy and strategies.



There were nine presentations and eight panel sessions during the all-day conference, with speakers and panellists including Heungsik Choo, CIO of Korea Investment Corp., Young Sig Yang, Head of Global private Market Investment of National Pension Service and Min Ho Park, CIO of Korea Teachers’ Pension to Hans-

Martin Aerts, Head of Infrastructure Asia of APG Asset Management, the asset manager of the pension of the Netherlands, Suyi Kim, Head of Private Equity Asia of CPPIB and Andrew McCaffery, Global Head of Alternatives of Aberdeen Asset Management.

Among many insightful sessions, a highlight was the opening speech by Rob Speyer, President and Co-CEO of Tishman Speyer, one of the world’s largest real estate developers.

Flying in from New York, Speyer gave a keynote speech titled “Beyond Bricks and Mortar,” leading the audience at the conference hall to see their job from a new perspective and to think beyond issues that they have left on their desks.

Speyer shared his predictions for thriving cities in the future, but in a fundamentally different way, urging those in the real estate industry and investors to think like sociologists, not architects or engineers, when it comes to the function of office buildings and city development. He said, despite advanced communication technologies, more and more would move to cities to connect with real people, and the innovation of technologies would help make the more crowded cities cleaner, greener and more “liveable.” The following is the abstract of his speech.

## Keynote Speech by Rob Speyer President & Co-CEO, Tishman Speyer

Between today and 2050, 2.5 billion people are moving to cities. It is the largest migration in human history. It is the biggest real estate opportunity in human history. How do we all respond to this?

I want to share some of what I see as a key ingredient of city from the 21st and the 22nd century. It will be younger, cleaner, denser, more diverse, more accessible, teaming with energy and fun. In short, they will be connected.

This is going to demand a radical shift for all of us in the real estate business – both our mind set and even our basic job description. It is not enough now to just worry about bricks and mortar. We can’t be trained just as architects or engineers. We need to think like sociologists. People are going to consider their space in a fundamentally different way. We need to build and operate to connect.

Let’s start with the millennial generation, and I want to take you from Seoul to the city of San Francisco. We all know that many of the world’s most powerful tech companies are headquartered in Silicon Valley, but the young computer programmers and engineers that are going to fuel the growth of those companies – they live in San Francisco and they want to walk and bike to work in San Francisco. So these millennials, they’ve given the big tech companies a simple ultimatum, either open offices in the city of San Francisco, or we are going to go to work for somebody who will. This has made San Francisco one of the hottest real estate markets in the country.

The way that people are using space has changed dramatically. In 1990s, the average worker occupied 300 square feet. Today, she occupies less than a half of that. People are working more closely together. Now this has had a huge impact on companies’ bottom lines. But, if you just consider the financial implications, you’re missing a much bigger point. People want to work more closely together; they like to work in teams. They want to collaborate. They want to connect.



Now, this is a powerful culture shift. The corner office with the big windows and that beautiful view – that was the status symbol for our father’s generation. It’s not going to be for our children’s. The office of today and tomorrow is going to look like a Starbucks, and this is not just for tech companies or millennials that have 17 body piercings. This trend is sweeping global industry.

I was reminded of this on a recent trip to Germany. We were looking at buying a building – it was a beautiful piece of architecture, 100% rented to credit tenants, a compelling opportunity on the outside. But, the inside told a very different story. There was nowhere for workers to eat, nowhere for them to shop. The building had no amenities, no conference space. There was nowhere for people to connect. This was an unhappy building. Unless the landlord creates connectivity, the building will not be 100% leased in five or ten years.

Tishman Speyer is very lucky to own Rockefeller Center in New York, but we can’t take the credit for the brilliance of the original vision that belonged to the Rockefeller family.

In the depths of the Great Depression, the Rockefeller family bet their entire fortune. How could they have known, that more than 80 years later, it would still represent the

case study for mixed-use development globally. So, what makes Rockefeller Center so special?

It's not the architecture even though it is stunning. It's not the priceless artwork embedded in the Indiana limestone. It's not Atlas. It's not Prometheus. It's community. It's the public meeting the private. People come there to ice skate, to ballroom dance and to see the Christmas tree. They come to work, to shop, to eat; it's a happy building, because people are connected.

Those 2.5 billion people coming to cities – they're going to want to live and work in happy buildings. They're going to want to be connected with other people. So I will say it again, we are going to have to think about our space in a fundamentally different way. We are going to have to be sociologists connecting people with people.

Technology will help drive this future. This intersection of the technology and the urban lifestyle is called "smart cities". What makes a city smart? What makes one city smarter than another? Let's start with connectivity.

Now, I don't have to lecture a group in Seoul about connectivity. Seoul is the bandwidth capital of the world. Your internet is faster, more available, more used than in any city in the world, and soon it will be free from one end of Seoul to the other. But, Seoul's leadership extends well beyond the internet, to things much more cutting the edge like the driverless cars. These driverless cars are going to bring big savings to consumers. They generate less carbon dioxide, they actually cause fewer traffic accidents. These driverless cars are going to revolutionize cities. Right here in Seoul, all it would take is a half a million driverless cars to service to car needs of the entire population, 10 million people in the city.

Imagine what that could mean for the environment, for traffic, for the common good. Now technology is terrific, but the technology without liveability is just a science fiction. The future is not about machines. It's about us. And cleaning our environment, making cities more liveable is

also going to make them more human. Take New York and London. Long before, sustainability was not even a word. Centuries ago, the city planners carved out space for parks, and they built it into the basic design, and they made those parks available to everybody. It didn't matter how much you had. Now here in Seoul, you have created the Cheonggyecheon stream restoration project. I remember walking alongside it, on my first trip here. I didn't know at that point what the enormous obstacles that stood in the way of that project. Political, economic, cultural, environmental obstacles. But the city planners persevered and they came up with a solution that is now a planning template across Korea. The benefits are extraordinary. It used to be that people living in that neighbourhood had the twice the incidents of respiratory problems than people anywhere else in the city. Now, they can breathe again. Pollution has been reduced by 35%, property values are up, tourism is up. This project has created a true virtuous cycle for Seoul. So now, you're moving on to creating your own high line. I am a New Yorker, I know about the high line, we created one out of a railway track that hadn't been used since the 1980's, we turned it into a beautiful park that now draws more than 5 million people a year. It is also transformed the west side of Manhattan.

So more than surviving, cities are thriving by connecting. Today I've tried to touch on some of the key ingredients of connected cities and how they can take some of challenges from tomorrow and turned them into opportunities of the future. But there is one missing ingredient that we need to turn this theory into a reality. That's you. Your talent, your vision, your expertise, your capital. We need this kind of forum to provide thought leadership and to promote the best practice across the globe.

Let me remind you of that number. 2.5 billion people are coming to cities. They are going to think of their space in a fundamentally different way. They are going to need us to think in a fundamentally different way how to build and operate their space – to connect.

I will leave you one question. Are you ready?

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# Alternative Dispute Resolution

Well-Informed, Time- and Cost-Efficient Resolution of IP and Technology Disputes Outside Courts

In today's economy, intellectual property (IP) rights represent valuable business assets. Indeed, the commercial exploitation of IP rights through international licensing, technology transfer, R&D agreements, and branding strategies can trigger substantial benefits. However, with the growth of international IP transactions, the number of IP-related disputes has likewise increased. Modern challenges such as digitization and globalization also contribute to an increase in IP-related conflicts, causing significant loss of market shares and tarnishing the business reputation of the IP holder. IP and technology disputes involve some common features such as their often international dimension, highly technical or specialized subject matters, and confidentiality issues. They also often arise out of long-term business relationships. In times of economic recession, it becomes even more important to consider cost-and-time-efficient dispute resolution mechanisms and to develop an adequate IP dispute resolution strategy.

Although IP and technology disputes can be brought before a national court, litigation may not always be well equipped to take into account the particular features of such disputes. To date, IP legislation has not yet been fully harmonized on an international level. As IP rights are territorial, potentially lengthy, and costly, court proceedings in different jurisdictions under different laws may be needed with the risk of conflicting outcomes. Also, disputes concerning time-sensitive technology require a quick resolution; otherwise, valuable IP assets can be wasted. In light of the potential risks involved in IP court litigation, IP holders are increasingly using alternative dispute resolution procedures.

## Alternative Dispute Resolution (ADR) Procedures

Typical types of ADR procedures include:

- **Mediation:** a form of assisted negotiation. In this informal procedure, the parties ask a neutral intermediary, the mediator (or mediators), to assist them in reaching a settlement of the dispute. Any settlement which the parties achieve is enforceable as a contract between the parties;
- **Arbitration:** a procedure in which the dispute is submitted to one or more independent arbitrators who make a final and binding decision on the dispute. The award is internationally enforceable under the New York Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the New York Convention); and
- **Expert Determination:** a procedure in which a specific matter is submitted to one or more experts who make a determination on the issue referred to them. It is particularly appropriate for specific issues of technical nature, for instance, the determination of a royalty rate.

## Benefits of ADR for Resolving IP and Technology Disputes

First of all, the parties can, in a single procedure, resolve a dispute involving IP that is protected in a number of different countries, thereby avoiding the expense and complexity of multi-jurisdictional litigation and the risk of inconsistent results.

ADR also affords the parties the opportunity to exercise greater control over the way their dispute is resolved than would be the case in court litigation. The parties themselves may select the most appropriate decision-makers with relevant expertise, as well as the applicable law, place, and language of the proceedings. Increased party autonomy can result in a faster process, as parties are free to devise the most efficient procedures for their dispute. This can result in material cost savings.

ADR can be neutral to the law, language and institutional culture of the parties, thereby avoiding any home court advantage that one of the parties may enjoy in court-based litigation, where familiarity with the applicable law and

local processes can offer significant strategic advantages. ADR proceedings are private and the parties can agree to keep the proceedings and any results confidential. This may be of special importance where commercial reputation and trade secrets are involved.

International arbitration has been particularly popular for cross-border disputes because the New York Convention allows arbitral awards to be enforced in more than 155 countries around the world.

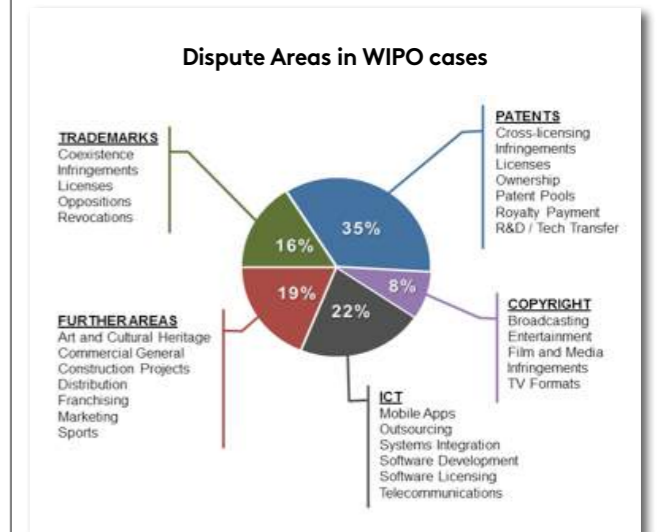
ADR mechanisms, and especially mediation, help the parties to preserve their long-term relationships. Underlying business interests can be taken into consideration and viable long-term solutions can be adopted. There are, of course, circumstances in which court litigation is preferable to ADR. For example, ADR's consensual nature makes it less appropriate if one of the two parties is extremely uncooperative, which may occur in the context of an extra-contractual infringement dispute. In addition, a court judgment will be preferable if a party seeks to establish a public legal precedent rather than an award that has effect only between the parties.



## Role of the WIPO Arbitration and Mediation Center

As part of WIPO, a UN specialized agency for IP, the World Intellectual Property Organization Arbitration and Mediation Center (WIPO Center) was established in 1994 in Geneva, Switzerland to offer arbitration, mediation, and expert determination services for the resolution of commercial disputes between private parties. It opened another office at the Maxwell Chambers in Singapore in 2010. WIPO ADR procedures have been recognized as particularly suitable for cross-border disputes concerning IP and technology. This is due to special features of WIPO ADR Rules, such as confidentiality and evidentiary provisions as well as the list of more than 1,500

WIPO neutrals from over 100 countries, most of whom are highly specialized IP practitioners. The WIPO Center has so far administered more than 400 mediation, arbitration, and expert determination cases, mainly concerning IP and technology disputes in addition to 30,000 domain name disputes. The WIPO Center also continues to introduce new initiatives and schemes and collaborate with governments, public and private bodies and industries in a variety of fields, including patents in standards, technology transfer, R&D, franchising, film and media, entertainment, and information and communication technology.



The WIPO Center's experience demonstrates that mediation and arbitration leave ample space for the parties, with the help of the neutral(s) selected, to settle their case and to limit the disruption to their relationship. It is also interesting to see that parties that have been involved in extensive court proceedings in multiple jurisdictions decide to resolve their future disputes through mediation and / or arbitration. Moreover, the benefit of the less confrontational nature of ADR procedures is illustrated by the settlement figures in WIPO administered cases: a total of 70% of WIPO mediation cases have been settled. Even in WIPO arbitration, 37% of the cases have been settled prior to an award.

For further information on the WIPO Center, please visit <http://www.wipo.int/amc/en/>.

# What Subsidiary CEOs Don't Tell

Research in organizational behaviour suggests that effective voice strategies may and often do include “shades of silence”. Subsidiary CEOs (or branch managers), for example, cannot communicate about all subsidiary developments to headquarters because the sheer volume of inputs would be overwhelming. But what do subsidiary CEOs communicate about with headquarters, what do they keep silent about, and why?

This study addresses all of the aforementioned questions focusing specifically on the functionality of subsidiary silence in the headquarters-subsidary context. Drawing on qualitative interviews with subsidiary CEOs, who work in foreign-owned subsidiaries in Korea, this article's contributions are, first, to delineate the boundaries of subsidiary CEO voice and silence by content and, second, to further investigate into the subsidiary CEO's intentions for engaging in silence behaviours.

## Sample Characteristics

We conducted face-to-face interviews with 25 subsidiary CEOs in September/October 2014 at the interviewees' offices in Seoul, Korea. The interviews lasted on average 45 minutes (min= 26 minutes, max = 70 minutes).

### I. CEO Characteristics

Our subsidiary contact was in each case the subsidiary CEO. The average subsidiary CEO was male (88%), of a Western origin (84%) and on average 45 years old. Half of the subsidiary CEOs in our sample had prior HQ experience for on average 4 years. 70% had been working in Asia some time during their careers before their appointment as CEO in Seoul. Their tenure in their current position averaged to five years.

## II. Organizational Characteristics: HQs and Subsidiaries

Given the prominence of EU businesses in Korea, it is not surprising that 88% of the subsidiaries' parents were of a European origin. All but four of the subsidiaries' HQs were listed and had been operating on average for 73 years. They had a turnover of on average EUR 78 billion, employing on average 156.149 employees. On the subsidiary level, our sampled subsidiaries had been operating in Korea for on average 21 years with, on average, 354 employees.

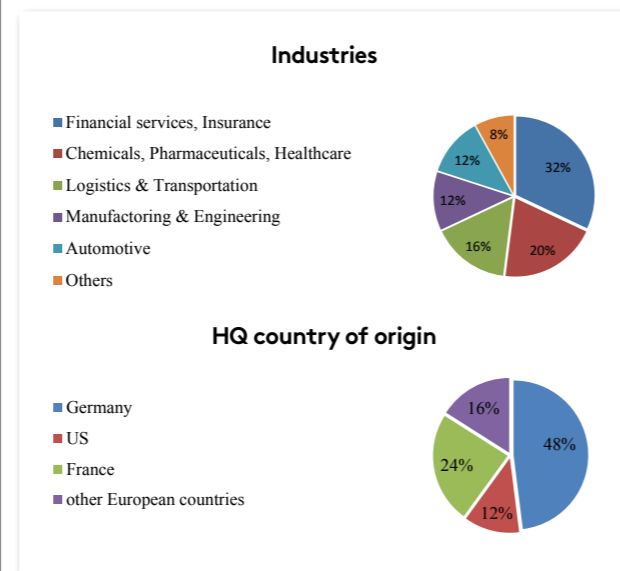


Chart 1. Organizational Characteristics

## Communication Patterns

### I. Topics for Communication

The subsidiary CEOs reported to dedicate on average 20% of their time to communicating with their respective HQ. The topics that subsidiary CEOs most frequently communicated about are listed in Table 1. The percentages add up to more than 100 percent, since most of the subsidiary CEOs communicated about more than one issue with their HQ. We find three main topical categories; obligatory, educational, and additional communication.

We also distinguish between internal communication on topics concerning the state of subsidiary business, and ex-

ternal communication, comprising external environment information and topics not inherent to the subsidiary business per se.

	Internal communication	Percentage (%)	External communication	Percentage (%)
Obligatory communication	Financial figures	100 %	-	
	Strategy	40 %		
Educational communication	HR issues	60 %	Regulatory environment	64 %
	Local business practices	32 %		
Additional communication	New business opportunities	32 %	Culture-specific issues	32 %

Table 1: Frequency of topics (in percent) that subsidiary CEOs most frequently communicate about with their HQ

Concerning the first identified category, obligatory communication, each of the subsidiary CEOs in our sample (100%) indicated to be obliged to report about financial figures vis-à-vis their HQ as well as about strategic issues, which turned up in 40% of the conversations.

The second category, educational reporting, comprises topics that were reported with the aim to educate HQ and to raise awareness about specific issues. Concerning internal subsidiary business, subsidiary CEOs communicated about topics related to HR (60%), and local business practices (32%). The most frequently communicated topics regarding the external environment concerned regulatory issues, communicated by 64% of the sampled subsidiary CEOs.

The third and last category, additional reporting, comprises topics that were communicated by the subsidiary CEOs on top, with the intention to add new knowledge that could also be of value to HQ. Internally, this category comprises communication about new business opportunities (32%). Externally, the topic most frequently communicated about to HQ was related to Korean culture-specific issues (32%).

### II. Topics and Reasons for Non-Communication

Subsidiary CEOs seem to engage in silence vis-à-vis their HQ in an indirect way. It is not so much an active non-

communication about specific issues as it is a filtering of information for various reasons. All forms of silence that we found in our interviews are not so much harmful as they are practical. In more specific, we find subsidiary CEOs to filter information for different reasons in each of the three previously identified topical categories, obligatory, educational, and additional communication. The reasons are summarized in Table 2.

Reasons for non-communication	Percentage of subsidiary CEOs engaging in a form of non-communication
Expectations management	36 %
Non-compliance	44 %
Timing	68 %

Table 2: Reasons for subsidiary CEO's non-communication

First, subsidiary CEOs filter information in order to manage expectations vis-à-vis HQ. This might become necessary as the scope of HQ expectations is often not clearly communicated to subsidiaries, which makes managing these expectations an important focus of local management effort. Overall, we found 36%, or 9 out of the 25 subsidiary CEOs in our sample, to engage in an active form of expectations management vis-à-vis their HQ. The general credo was to give no room for either positive or negative surprises.

Second, certain issues, such as the non-implementation of practices that do not seem adaptive to the local subsidiary context, are often not communicated to HQ. Given their local knowledge, subsidiary CEOs deem it in certain cases to be more efficient to follow the characteristics of other organizations in their local environment rather than HQ standards. Nearly half of the subsidiary CEOs in our sample (44%) did not communicate to HQ about instances in which they did not comply with HQ standards.

Third, especially when it comes to additional reporting about market opportunities or new projects, subsidiary CEOs are often hesitant to report about these issues right away and time their communication with HQ. In general, subsidiary

CEOs only report about new opportunities once they are satisfied with the project's outcome. Around three-quarters of the subsidiary CEOs in our sample (68%) said that they actively timed their communication concerning new opportunities vis-à-vis HQ.

According to our analysis, if subsidiary CEOs do not communicate about certain topics to HQ it might be because they want to manage HQ expectations, they deviate from HQ standards, or they time their communication.

### III. Recommendations for HQ

"We don't want more HQ attention, we want more HQ support."

- Successful communication between HQ and subsidiaries rests on a shared understanding of what HQ wants to know from its subsidiary CEOs
  - Scope of HQ expectations need to be communicated on an ongoing basis
- Establish direct communication channels between subsidiary and HQ
  - One-on-one window
- Reduce bureaucracy and complexity
  - Reduce number of reports, size of committees
  - More delegation to the specific countries
  - Establish IT systems
- Show more local presence ("attracting global VIPs")
  - Stints over longer time periods
  - Show subsidiary employees that HQ is more than a "big black hole of bureaucracy"
- Leave room for adaptation to country context
  - Cultural understanding
  - Subsidiary employee attitudes
- Leave room for subsidiary actions
  - Entrepreneurial ventures
  - Be open to new input ("Not-invented-here" syndrome)

In the future, organizations will be pressed even more to respond to new information, disseminate data faster, and cultivate trust through transparency. All this requires transparent communication structures to be in place which makes it the more necessary to further study communication dynamics in the HQ-subsiary context. This article is a first step into that direction.

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## Taverna de Portugal

### Taverna de Portugal was born out of a love story.

Meet Heerah Lee and Agostinho Da Silva. This very international couple fatefully crossed paths in Switzerland, wedded and moved to London, and finally relocated to Korea to be closer to Heerah's family. Given Heerah's hotel management background and Agostinho's 17 years as a professional chef specializing in French cuisine, starting a Portuguese restaurant was not a part of their original long-term plan. However, with no authentic Portuguese food to be found after a three-year search around Korea, the couple decided to roll up their sleeves and open up the very first Portuguese cuisine restaurant in Korea. So, Taverna de Portugal was born in 2013.

"Whatever happens, this is definitely a life experience," says Heerah. Departing from their former careers and starting fresh seemed to be, least to say, a big change. As the sole chef, Agostinho preps for all the dishes on Monday when the restaurant is closed; everything is made fresh and from scratch. How does he come up with his recipes? They are from his aunties. Serving traditional home-food of Portugal, the dishes here are as authentic as you can get. As maintaining the motherland flavor was of utmost importance, Heerah and Agostinho never lost sight of their original goal of transplanting real Portuguese food into the Korea soil. Given the surging number of foreign travellers as well as well-travelled locals, the somewhat unfamiliar Portuguese dishes



were well received since its opening two years ago. Mostly through word-of-mouth and blogs, Taverna de Portugal took off and became the go-to place for those wishing to satisfy their homemade Portuguese cravings.

Next time when you're visiting Sangsu area, stop by Taverna de Portugal and try out their Francesinha. But there is no need to rush; Portuguese food is meant to be cooked and enjoyed slowly, without hustle and bustle.





## We Are Ordinary People

Seoul-based design studio “Ordinary People” has shown their talents in many different projects. For instance, they are responsible for the redesign of the Korean license edition of Computer Arts. Recently, they have partnered with BonIF’s brand Bon Doshirak where they are commissioned to design the entire package outfit. Meet Jin Kang, Jae-ha Lee and Jeong-min Seo, three of the five not so ordinary people.

**Your started your public activity with a project called We Design Your Poster. Can you tell us a little about that?**

Jin Kang: This project was a lot of fun. I find it hard to pick a particular memory. We’ve met a lot of good people and were able to build healthy relationships with our clients. First of all, as a non-profit project it was generally well-received. Mostly young people, just like us, asked us to help them out. Of course, there was a bitter side, too. We had a board on our website and local design businesses and weren’t too pleased. “You are messing with our prices!” they said, or “You guys are ruining our business!” Older students at school said things like, “You guys are in your first year, what do you know about design?” I mean, we did it to produce good design, not because we did good design. Oh well, it was a time when we embraced all kinds of criticism.

**How did your career accelerate after that?**

Jin Kang: There was a festival in Hongdae called Street Gallery which we were first assigned to do the poster for, then

ended up organizing altogether. It was a great lesson, because we learned that a design improves by understanding a whole project. One thing led to another and we got the opportunity to do TEDx Hongik, again planning the entire event from scratch. At that time, our friend Lea helped us out a lot. She said it would be great to have an event like that and we all agreed. Lea did product design and naturally the topic leaned towards design. We listed all the people we wanted to invite as speakers, including names that seemed impossibly far away. We submitted the proposal and lo and behold, things really happened. We’re still very grateful for everything that has happened. So, the poster project and also the TEDx event are both good examples for our progression. “Why don’t we do this?” is how most of it started.

Jeong-min Seo: Actions speak louder than words, they say. And that’s pretty much how we have worked so far. We say we do something and quickly realize the plan. I think that has enabled us to make great experiences in a relatively short time.

**If I’m not mistaken, you’re not exactly famous for package design. How did the collaboration with Eloquence and Bon Doshirak come about?**

Jeong-min Seo: Something we all agree on is that we don’t have a design specialty. We believe that we can do a great job whatever design discipline it is. In other words, we’re good at package design or any other design, because we’re good at designing things. However, we got to design the entire identity of a franchise called Daily Kitchen. Getting to know the director there we got involved with packaging, visual elements, even interior. And another project we did with him even received the IF Award. So, the deputy chief of Bon Doshirak and some of his employees saw what we did for Daily Kitchen. And when they had a meeting with Eloquence and were discussing designers for their own renewal, they apparently spotted us on their list and said: “Hey, we were looking for these guys!” We are very happy about the fact that this connection didn’t happen through “a guy I know”, but because they actually saw our work and liked it.



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