

# ECCK Connect Summer 2016

## The Quarterly Magazine of the European Chamber of Commerce in Korea

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EUROPEAN CHAMBER OF  
COMMERCE IN KOREA  
주한유럽상공회의소

# EGCK Summer Network Night

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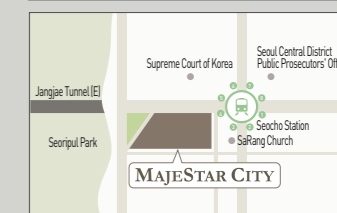
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Dear Readers,

Welcome to ECCK Connect Summer 2016.

As many of you will soon embark on your summer vacations, I wish you the most pleasant and relaxing time.

Since spring, the ECCK has been kept busy with a number of activities, particularly placing special effort into further consolidating our government relations. The Chamber hosted multiple meetings, including breakfast meetings with Chairman Jae-Chan Jeong of Korea Fair Trade Commission as well as Deputy Minister for Trade, and luncheon with Director General of Ministry of Employment and Labor.

Particularly, the month of May was an extremely eventful time for us. In commemoration of "Europe Day", the ECCK hosted 2016 Europe Week to promote European culture, food, and cooperation with Korea. The 2016 Europe Week showcased notable cultural and business events in partnership with Korean and European organizations and major hotels in Seoul and Busan. Also, our annual All European Network Night and the first EU-Korea FTA Symposium were successfully held during this week. On behalf of the Chamber, I would like to extend my appreciation towards everyone's kind attention and support for our events.

In commemoration of the 5<sup>th</sup> Anniversary of the EU-Korea FTA, this edition's cover story is aptly about the aforementioned FTA. We have gathered some industry experts' opinions and insights on the various aspects of the FTA. Furthermore, in addition to our regular spotlights on "Startup News", "Research & Insights", and "Art & Culture", ECCK Connect will also begin to highlight companies basing its core mission and vision on social responsibility.

As always, I hope you will find this edition interesting and informative.

**Jean-Christophe Darbes**

President, European Chamber of Commerce in Korea

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## Asia Master Trade Co., Ltd

Asia Master Trade Co., Ltd (AMT) was founded in 2013. As an export-oriented company in Seoul, we are mainly engaged in the export of cosmetics, beauty clinic products, daily supplies, and electronic products made in South Korea.

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Contact  
asiamastertrade@gmail.com  
+82.70.4801.1317

## WorkShed Productions

Even with teeming, tall shimmering buildings, advanced communication infrastructure, and world-class transport systems, Korea can sometimes be a colloquial enigma. Traditionally, it is a collective society focused on the family and community; this is what has kept Korea strong and ensured its survival through countless misfortunes over its long history. However, this can make it difficult for foreign companies to find partners that truly understand international markets and market segmentation, and understand that being "global" is not just about language. How can you truly articulate and "reach out" to markets if you don't fully understand them?

Conferences and events are at the forefront of many companies' communication strategies when it comes to promoting their brand, creating new markets and networking opportunities, and giving back to their industries. But, conferences are specific — they have specific content and objectives, designed for specific audiences. Workshed Productions understands this and will help you formulate your objectives, and deliver engaging, cutting edge, professional and educational content right to the hearts and minds of your specific audience.

In 2013, we bought international film commissioners from all over the globe to a lake in the middle of the peninsula so isolated, there wasn't even a convenience store in sight. We had no cases of cabin fever; on the contrary, we used this location to our advantage by creating purposeful, specific professional development and relaxing, enjoyable networking opportunities. On the other hand, 2015's KWebfest — a festival and conference of online video content — was situated in the glitzy suburb of Gangnam. Here, we used this environment to create a dynamic, fast paced learning atmosphere that blew our participants away.

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Korea hosts hundreds of conferences each year, inviting thousands of international participants. These events formulate not only the impressions of the companies involved, but potentially that of the entire country. This is important.

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# Come Y Bebe

Haesung Yoon, General Manager and Chef, studied culinary arts at “Escuela De Hosteleria Y Turismo De Valencia” and trained at Michelin-starred restaurant “Riff” in Valencia, Spain.

Everyone has thought of owning a fine dining restaurant at least once in their lifetime. It was on my bucket list, too. When I was in college, I went on a trip to Spain where I stayed at my friends’ house, moving from one city to another all around the country. I was mesmerized by the exotic yet familiar taste of Spanish cuisine, and at once saw the possibility of Spanish food in Korea. Because I had absolutely zero experience of running a restaurant and my career had no relation to Spain nor food, I knew that I needed to explore and learn more about this culinary art to open a proper Spanish restaurant in Korea. At once, I flew to Valencia, the birthplace of Spanish traditional food *paella*, to truly master Spanish dishes. After three years of flavorful culinary experience, I came back to Korea and opened the Spanish restaurant Come Y Bebe in December 2014.

## Come Y Bebe Means to “Eat and Drink”

Since last April, we have been working on the composition of the menu with Chef Seoryung Chang, who I studied with in Valencia. Our restaurant is dedicated to serve true and unique flavors of Spanish food to our customers. We serve fresh bread and tomato sauce which we prepare daily and use the most authentic spices from Valencia for our dishes.

Come Y Bebe is located on two floors. On the 3<sup>rd</sup> floor, we were inspired by the interior design of “Mar de Avellanas”, one of our favorite restaurant in Valencia. The place exudes a simple yet elegant atmosphere, like a gallery for our customers to truly enjoy the dining experience at Come Y Bebe. The upper floor of the restaurant can accommodate a small party of 10 or less for a cozy wine dinner.



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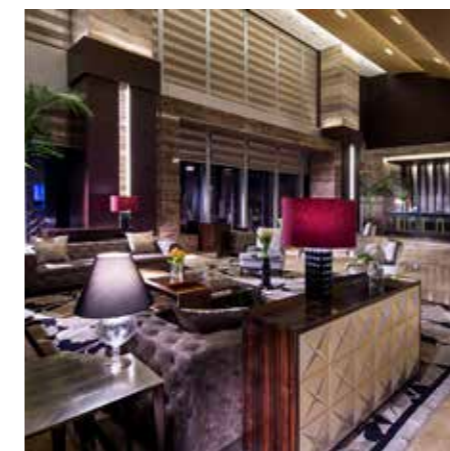


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# New Members

## April – June 2016

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Fabio Bigotti (Country Manager)  
[www.alitalia.com/kr\\_kr](http://www.alitalia.com/kr_kr)

**AXA Investment Managers – Real Assets** (France)  
YunSeok Cho (Director)  
[www.axa-im.com](http://www.axa-im.com)

**Best Western Haeundae Hotel** (USA)  
Sang Dong Lee (General Manager)  
[www.bwhaeundae.com](http://www.bwhaeundae.com)

**Global Blue Co., Ltd** (Sweden)  
Greg Gelhaus (Head of Asia Pacific)  
[www.globalblue.com](http://www.globalblue.com)

**Hervé Leclercq** (Director & Senior Legal Consultant)

**IMAC Partners Global** (Korea)  
TK Kim (CEO)  
[www.imacpartners.com](http://www.imacpartners.com)

**Lotus Korea Ltd** (Belgium)  
Roy Kamphuis (Finance Director – Asia Office)  
[www.lotusbakeries.com](http://www.lotusbakeries.com)

**PFISTERER** (Germany)  
Eduard Meier-Lee (Director)  
[www.pfisterer.com](http://www.pfisterer.com)

**RDI Worldwide Ltd** (UK)  
Gordon Dudley (Country Manager)  
[www.rdiuk.com](http://www.rdiuk.com)

**The Federation of Korean Industries** (Korea)  
Chang Soo Huh (Chairman)  
<http://www.fki.or.kr>

**Vantago Serviced Office** (Korea)  
Jacob Joh (Centre Director)  
<http://www.vantago.co.kr>

**W Seoul Walkerhill** (Korea)  
Vikram Mujumdar (General Manager)  
<http://www.wseoul.com>

## General Events

### Luncheon with Director General of MOEL

On April 12, the ECCK hosted a luncheon with Seo Jung Lim, Director General of Labor-Management Cooperation Policy, Ministry of Employment and Labor (MOEL). The discussion revolved around the introduction of Korea's employment and labor policy, including five major reforms of labor act and two major guidelines such as "general dismissal" and "rules of employment". Furthermore, information on wage systems and HR cases as well as a review of Korean government's supporting system for resolving HR and other issues of foreign companies were provided in detail.



### Breakfast Roundtable for Foreign Invested Companies 2016

On the morning of April 20, Ministry of Employment and Labor (MOEL) hosted a breakfast round table with representatives of foreign chambers and companies. The round table discussed on the issues of five major labor regulations and two grand guidelines as well as foreign direct investment companies' grievances.



### Breakfast Meeting with MOTIE Deputy Minister

The ECCK hosted a breakfast meeting with Deputy Minister Inho Lee of Ministry of Trade, Industry and Energy (MOTIE) on May 2. The discussion revolved around industrial policies, trade, foreign investment, resources, and energy. Participants from governmental organizations such as KATS, KOTRA, MOHW, and PPS, and the ECCK member companies attended this fruitful meeting.



**The EU-Korea FTA Symposium**

With The Federation of Korean Industries and KU-KIEP-SBS EU Centre, the ECCK hosted the first the EU-Korea FTA Symposium on May 11. The Symposium looked back on the EU-Korea FTA and its achievement in the past five years, and discussed its role in the years to come. In essence, it was a great opportunity to understand the recent developments in the two countries' trade and investment environment.



**Luncheon with Members of European Parliament**

The Chamber hosted a luncheon meeting with the delegation of the European Parliament visiting Korea on May 17. The European Parliament is in the process of preparing a report on the EU-Korea FTA in the latter half of the year; accordingly, the meeting was arranged as a platform for discussion with Chamber representatives and representatives of European business in Korea.



**Breakfast Meeting with Korea Fair Trade Commission**

On the morning of June 23, breakfast meeting with Korea Fair Trade Commission (KFTC) Chairman Jae-Chan Jeong took place at Lotte Hotel.

Joined by around 50 participants from ECCK member companies and European embassies, the morning presentation from Chairman Jeong focused on KFTC's competition policy and its current implementation as well as its future direction.

In his keynote speech, Chairman Jeong stressed the significance of the bilateral relationship between Korea and the EU. Subsequently, he discussed KFTC's aim to root out unfair practices and facilitate a free and fair trade market in Korea. Chairman Jeong also spoke in depth about KFTC's four main tasks of its future competition policy: building competition friendly market, addressing unfair trade practices for a healthy business ecosystem, creating consumer-oriented market economy, and improving law enforcement reliability.



**EU ASIA Business Link – 2<sup>nd</sup> Asia Stakeholder Meeting**

The ECCK participated in the 2<sup>nd</sup> Annual Stakeholder Meeting for the EU Asia Business Link (EALink, www.ealink.eu), a coordination platform for the internalization of the EU business community within Asia, on June 13-15 in Vientiane, Laos.

The official all-day meeting was held on June 14. Based on the survey conducted among a sample of European SMEs, EALink has been created as a way to provide market entry information for interested European SMEs and business organizations considering expansion into the Asian markets. It aims to become a one-stop-shop to provide key information, connection to Asia-based experts and organizations, and relevant links to support business initiatives. The official launch of the website is tentatively mid-July.



**Annual General Meeting of the European Business Organisation Worldwide Network**

From June 20 to 22, the ECCK participated in the Annual General Meeting of the European Business Organisation Worldwide Network in Brussels, Belgium. To commemorate the official start of the meeting, the opening address on Economic Diplomacy was provided by Eric Mamer, Director of EU DG Grow on June 20. The second

day was filled with meetings with DG GROW, DEVCO, TRADE and FPI, as well as a meeting with the European Parliament. On the final day of Brussels, following fruitful internal discussions with all members, the EBO President met with Federica Mogherini, High Representative of the European Union for Foreign Affairs and Security Policy.

Finally, the EBO members voted to have the next EBO Global Meeting take place in Seoul. The ECCK is honoured by this decision and looks forward to hosting our foreign partners later this year. We are further pleased to announce that Christoph Heider, ECCK Secretary General, has been re-elected as Secretary of the EBO.





# Committee News

## Special Act on Imported Food Safety Control

In recent years, Korea's trade volume of food has been steadily increasing. This might be due to the impact of Korea's Free Trade Agreements (FTA) with multiple countries and changes in food consumption trend.

There are 3 steps of food safety management system: before import, border inspection, and after import. The government is pushing ahead with the policy to burden more responsibility on the suppliers to secure the safety of import food to Korea.

Imported Food Safety Management System



Source: MFDS

Korean government legislated the [Special Act on Imported Food Safety Control] to strengthen control on imported food safety. The Special Act was enacted and declared on Feb 3, 2015 and enforced as of Feb 4, 2016.

Prior to the Act, the Ministry of Food and Drug Safety (MFDS) conducted assessments on the sanitation control only for food and agro-fishery products. After the enforcement, the scope of assessment has been extended to functional health foods and livestock products. Also, food safety control has now been extended to all stages, not only once during the border inspection.

### Integration of Laws Regarding Imported Food Safety Control



## New Establishment of Foreign Food Facility Registration System

Any importer or foreign food facility\* operator who wishes to import food into the Republic of Korea must register via online system (impfood.mfds.go.kr) or email by at least seven days before filing an import declaration. Required information for registration are as follows:

- 1) Name, location, representative, phone number, and email address of the facility
- 2) Type of business and whether a food safety management system has been applied

- 3) Type of food
- 4) The person's consent for visits and inspections of his/her facility if the Minister of MFDS deems it necessary
- 5) Confirmation that information to be registered does not differ from facts
- 6) Confirmation that the person who established and operates the foreign food facility has agreed to obtain registration. This is limited to where a person who intends to import files an application for registration.  
(\* foreign food facility: any facility that is located overseas and engages in the production, manufacture, process, packaging, or storage of imported food with the exception of livestock products.)

The registration of a foreign food facility is complete once a person, either a foreign manufacturer or an importer, registers the facility. If the facility produces various products which gets imported by a number of different importers, it is important to check the current registration status of the facility. With that, if the importer who had registered the facility fails to register new changes, other importers may request to register such changes by submitting evidential documents to the MFDS.

- An importer who intends to register a foreign food facility shall obtain approval from the foreign food facility concerned.  
→ In order to obtain the facility information, importers in Korea have to request exporters from overseas. From time to time, exporters may refuse to share information because of the possibility of importers contacting and making direct business with the facility. Also, the exporters require prior knowledge about the inspections to be done, if any. Since Korea is a relatively small market, some exporters decide to not export to Korea instead of sharing information.
- The validity period for registration of foreign food facility is two years, and the registration shall be renewed from 90 days before the expiration date.  
→ It would be helpful to disclose the expiration date

so importers can renew it on time. Even if the registration of foreign food facility is not renewed during the renewal period, re-registration after the given period is allowed.

## Strengthening On-Site Inspections of Foreign Food Facilities

If MFDS deems it is necessary to conduct on-site inspections to check safety, the Ministry will consult with the government of the exporting country or the foreign food facility in advance. If problems are found during the inspection, MFDS may request the facility to make improvements accordingly. If the facility does not comply with the request or fails to take proper corrective actions, the MFDS may take measures to suspend importation.

There are few more changes on Good importer registration system, Good foreign food facility registration system, import sanitation assessment of livestock products, and registration of foreign establishments. More details can be found at <http://www.mfds.go.kr/eng>.

The above changes will become effective from August 2016; food importers in Korea should be aware of these changes and prepare to adapt to the new system in advance to import products without any confusion.

### The Cosmetics Committee

The ECCK Cosmetics Committee is organized by multinational cosmetics companies, representing the voice of European stakeholders. The Committee works primarily as a platform to support member companies and centerpiece of ECCK activities. Also, it closely follows market trends and changes in the regulatory environment, relevant to the interests of our members to improve market intelligence and/or to express positions on market access issues.

The Cosmetics Committee promotes communication between its member companies and Korean authorities to protect the rights and interests of the members. Our primary goal is to provide our members with information, communication, and access pertaining to the business and regulatory environment of Korea. To achieve this mission, the ECCK serves as an information platform, communication facilitator, and meeting convenor. The Committee updates regulatory changes in Korea for members and informs the Korean agencies of the opinions by the European business community. As a part of our service to the members, the ECCK publishes the annual White Paper on market access issues and to facilitate dialogue with the Korean government. Furthermore, we regularly convene industry-specific seminars, roundtables, and conferences to expand knowledge base for members and interested parties in addition to formal meetings.

The ECCK Cosmetics Committee is a member of Ministry of Food and Drug Safety (MFDS) experts consultative group on cosmetic regulatory & technology and also a member of MFDS experts group on cosmetic labelling & advertisement. Additionally, the Committee serves as a representative of multinational cosmetics companies by providing opinions or concerns of the members to reflect them in the regulations. Particularly, we have invited Director of Cosmetics Policy Division of MFDS to organize roundtable talks since 2013.

On May 12, the ECCK arranged a round table talk with MFDS Cosmetics Policy Division. Oh-Sang Kwon, Division Director, was invited to discuss cosmetics policy and regulations updates of the year. Director Kwon started the talk and ex-

pressed his will to hear the industry's voice to further promote cosmetics business in Korea. Thanks to the booming K-Beauty worldwide, Korean authorities are ready to discuss and solve the trade issues in view of international standards.

In February 2016, Korea National Assembly passed the partial revision of Cosmetics Act. Major contents of the revision were made to enlarge the functional cosmetics category that started from 2000. The members were interested in the new scope of functional cosmetics and the revision plans for cosmetics advertisement and labelling guideline, which is to expand allowable cosmetic claims. Mr Kwon asked the members to share cases and evidences for claims that they would be able to be use internationally without restriction on cosmetics. The ECCK members has been asked to adopt PA++++ labelling for international harmonization, and finally, MFDS have announced the plan to enforce it soon.

The roundtable also shared meaningful discussions on the issues of customized cosmetics. Korean Government strongly enforces the concept of customized cosmetics and wishes for European cosmetic industry to deliver opinions as well as concerns about the management guideline including safety. The MFDS is interested to learn about the related regulations and products of customized cosmetics, but the European cosmetics regulations do not specify them in detail. By the end of the projects, the regulations are to be finalized.

Director Kwon actively shared his opinions and received many positive feedbacks from the participants. The roundtable talk closed with a Q&A session, and Mr Kwon promised to create an opportunity for further discussion in the future. A few notable regulatory changes are expected to be made over the year, including the implementation of "Product Category". The ECCK will closely monitor and follow up with regulatory changes and arrange meetings for a better understanding of the updates.

## Seminars & Forums

### Joint Working Group with National Tax Services

The Joint Working Group with National Tax Services met on April 1 to discuss issues related to tax audits. This year, the newly appointed Assistant Commissioner Man-sung Park led the working group. During the meeting, Mr Park expressed the importance of Joint Working Group and encouraged an open information exchange to improve procedures related to tax audits overall. The working group consists of representatives from the ECCK, AMCHAM, the Korea-German Chamber of Commerce & Industry, the Seoul Japan Club and two accounting firms, and meets every quarter in Seoul or Sejong.



### Compliance Forum

The ECCK organized a meeting for its Compliance Forum in the evening of May 19. The meeting was focused on increasing the efficiency of internal investigations and Jae-Jun Shin of Samil PwC presented on forensic techniques that can assist in such regard.

### Information Sessions on Anti-Graft Act and its Enforcement Decree

On May 25, the ECCK organized two information sessions on the Anti-Graft Act and its Enforcement Decree, which are set to take effect on September 28. Expert counsels of Yulchon in the morning session and Kim & Chang in the afternoon session clarified the scope of the upcoming Act, explained the ramifications it may hold for companies, and recommended course of action to a total of 50 working level employees of the ECCK member companies.

Finally, the executive briefing on this topic will be hosted on September 1.



### Information Session on Pre-launch of Umbrella Defined Contribution Plan

In the morning of June 9, the ECCK and Kyobo Life Insurance jointly organized an information session on pre-launch of Korea's first Umbrella Defined Contribution Plan. The ECCK members and friends attended the session to get an update on the beneficial plan.

# Busan Chapter

## Marine & Shipbuilding Committee Meeting

The ECCK Busan Chapter held a meeting with the members of Marine & Shipbuilding Committee on April 21. The event started with opening remarks by the Committee Chair David Cummins. The first presentation of the day was by Mark Amos, Business Manager of IECEx, on the "Introduction to the International Electrotechnical Commission and the IECEx System". Following the presentation, a lecture on "Advances and Challenges in Industry Safety Improvement in Korea" was given by Professor Jurek Czujko, CEO of Nowatec E&C. The Q&A session followed each presentation to clarify any questions on the presentations.



## Taste of Europe

The ECCK Busan Chapter held Taste of Europe in Haeundae Dalmaji Hill, Eoul Madang on May 14. It was an open event for all Busan residents to experience the culinary culture of Europe as well as to celebrate Europe Day.

The event was sponsored by Oneglass, Park Hyatt Busan, Hard Rock Cafe, In Dessert, Seacloud Hotels, DeLonghi, Nutella, and Ferrero Rocher. Promotional booths as well as food stands selling beverages and snacks by sponsors were set up to introduce company products and brands. Also, a play area was installed for visitors with children so everyone can fully enjoy the experience of "Taste of Europe".

In celebration of Europe Day, performances were given by dance teams which was a great entertainment for all visitors. With our dear members and friends, the event turned out to be a fantastic experience for everyone.



## Global Gathering

On May 21, the Busan Chapter participated in Global Gathering Busan 2016. This is the biggest multicultural festival in Busan which takes place every year, hosted by Busan city, Busan Foundation of International Cooperation, and Busan Immigration Office.

The Global Gathering 2016 was held in Busan Citizens Park with more than 100 exhibitors representing over 30 countries from all continents. The event was an open event, attracting a great number of visitors.

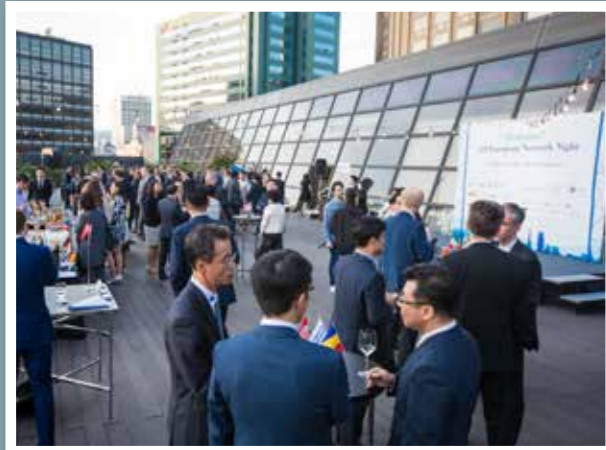
With In Dessert and Iberko, visitors were served desserts, jamon and sangria. Everyone enjoyed delicious Spanish delicacies and desserts from the ECCK booth, providing European culinary experience for the Busan citizens.

The Busan Chapter also prepared a campaign on threats and dangers of counterfeit products during the event. Samples of various counterfeit products provided by Korea Intellectual Property Protection Agency, Chanel and BMW were put on display for the visitors. The dangers and consequences of manufacturing and purchasing counterfeit items were explained to the visitors by our ECCK staffs. For every visitor, a survey was carried out to collect public opinions and experiences on counterfeit products.



# All European Network Night

On behalf of all European chambers, the ECCK would like to thank everyone for their attendance to this year's All European Network Night; the evening could not have happened without our members and friends.



## ECCK Classical Concert

Pianist Noel McRobbie gave an intimately beautiful concert for a small group of ECCK members and friends on May 16. We would like to thank BNP Paribas Cardif and BMW Korea for the kind sponsorship.



## EU's Innovative SMEs of Promising Industries Come to Korea

Funded by the European Union, business missions comprising small giants of new industries selected from among 28 EU Member States will visit Korea in 2016-2020. The business missions aim to support cooperation with Korean companies through business exhibitions and meetings. For Korean companies, the missions offer insight into global industry trends and advanced European products and technologies, as well as opportunities for cooperation in trade, technology, and investment with some of Europe's most promising companies.

On June 8 at the Seoul Press Centre, Gerhard Sabathil, EU Ambassador and Head of the Delegation of the European Union to the Republic of Korea, announced the launch of EU Gateway to Korea.

EU Gateway to Korea is part of an initiative funded and managed by the European Union to support economic cooperation with strategic partners in Asia. Currently, the program operates in Japan, Singapore, Malaysia, Vietnam, Indonesia, and the Philippines, and is being piloted in the People's Republic of China.

Under EU Gateway to Korea, over the next five years, the European Union will organize business missions in five sectors: green energy technologies, healthcare and medical technologies, environment and water technologies, construction and building technologies, and organic food and beverages. A total of 20 business missions, each comprising up to 50 European companies, are planned.

Ambassador Sabathil said, "Europe has advanced technologies and expertise in the industries selected for EU Gateway to Korea. These key sectors also have high potential for cooperation between European and Korean companies, both for trade and investments."

The dates of the first business missions in each sector have already been scheduled as follows: Green Energy Technologies in July 2016, Organic Food and Beverage in November 2016, Construction and Building Technologies in February 2017, Healthcare and Medical Technologies in March 2017, and Environment and Water Technologies in July 2017.

EU Gateway to Korea Business Exhibitions

Sector	Exhibition Date	Venue
Green Energy Technologies	5-8 July 2016	COEX Intercontinental Hotel (Harmony Ballroom)
Organic Food & Beverage	1-2 November 2016	COEX Convention Centre (Grand Ballroom)
Construction & Building Technologies	7-8 February 2017	COEX Intercontinental Hotel (Harmony Ballroom)
Healthcare & Medical Technologies	14-15 March 2017	COEX Intercontinental Hotel (Harmony Ballroom)
Environment & Water Technologies	4-5 July 2017	COEX Intercontinental Hotel (Harmony Ballroom)

"Our cooperation in these sectors will support Korean green policies for environment protection, reducing air pollution and fighting climate change," he said.

The first business mission, Green Energy Technologies, will take place for July 5-6, 2016 at the COEX InterContinental Hotel in Samseong-dong, Seoul. The mission will be attended by companies from 15 EU Member States and represent business sectors including renewable energy generation, management and control systems, and electric vehicles. See [eugateway.kr/greenenergy](http://eugateway.kr/greenenergy) for details of the EU companies.

EU Gateway was first introduced in Korea in 2009-2014, when representatives from 350 European companies in three industry sectors took part in a total of 15 business missions that generated more than 6,400 business meetings with Korean companies.

# Changwon Makes Great Strides with Three Administrative Visions

**The Development of High-Tech & Tourism Industries**  
**The Creation of the Special Culture & Art City**  
**The Designation as a Metropolitan City**

Changwon is a city with a population of 1.07 million, a budget of KRW 2.5 trillion (as of the end of 2015), and GRDP of KRW 36 trillion (as of the end of 2013), and have reached the level of other metropolitan cities in Korea. Since Sang-soo Ahn took office as mayor of Changwon, the city has been set to take a great leap forward with its three administrative visions: the development of high-tech and tou-



Development Site of Masan Marine New Town

ism industries, the creation of the special culture and art city, and the designation as a metropolitan city.

Changwon is home to the Masan Free Trade Zone, Korea's first industrial complex for foreign companies. Also, Changwon National Industrial Complex was developed to upgrade Korea's industrial structure from the light industry to the heavy and chemical industry. Based on such sound economic foundation, the city has been a cradle of the machinery industry that has led Korea's industrialization for the past 40 years as well as a living history of the heavy and chemical industry. In 2010, it became a "mammoth-sized" city after the neighboring cities of old Changwon, Masan and Jinhae decided to merge, which was recorded as the first voluntary urban integration in Korea.

As low-growth became the norm in the global economy, the capital city of Gyeongsangnam-do began to take on the challenge of finding a new growth engine. As a result, it sought to upgrade the existing industry into a state-of-the-art industry, and facilitate the tourism industry based on the tourism resources that had been overshadowed by the growth in the machinery industry.

Changwon also aims to transform itself into a special culture and art city. Under the vision that tourism, high-tech, and creative industries can all be successful with a sound cultural backbone, the city government will establish a five-



Bird's Eye View of Changwon City

year plan for promotion of culture and art by the end of this year. The new plan is expected to enhance the quality of life of citizens by making art and culture part of their daily lives and is to be linked to tourism to enhance the future value of the city. The city will officially declare itself as a special culture and art city during the ceremony scheduled on July 1.

The city also has worked hard to be designated as a metropolitan city, which is the city administration's highest priority. Efforts are consistently being made in line with the four-phase roadmap established last year, and the plan is to propose a "Bill on Designation of the Changwon Metropolitan City" by the end of this year in close cooperation with lawmakers in Changwon.

While the city officials have been dedicated to turning the three administrative visions into reality through a series of initiatives, the recent talk of the town is all about the development of the Masan Marine New Town. As a major pillar of the vision to promote the culture and tourism industry, the project is designed to transform the tourism map of Korea.

The development of the Masan Marine New Town, now 50% complete, is a key project that will lead the development of the city. The new town, to be built on a man-made island for the first time in Korea, aims to be the best cultural and marine tourism destination in Northeast Asia, complete with an art center designed by a globally renowned architect and high-end marina facilities with 800 berths.

To proceed with the project, Changwon City signed a memorandum of understanding for cooperation in the coastal marina city development project with global marina construction company IPM Group and domestic marina developer and operator CKIPM Marina Group on June 15. The signing ceremony for the 800-berth marina facilities was attended by Chairman Juan Antonio Riutort and the executives of IPM Group headquartered in Palma, Spain. Gonzalo Ortiz Díes-Tortosa, Ambassador of Spain to Korea, also joined the ceremony to celebrate the cooperative efforts.

Located in Mallorca, Spain, IPM Group is the largest mari-

na operator and developer in the Mediterranean, operating eight marina-related companies, including a luxurious marina port and a super-yacht repair service provider. With the total budget of KRW 200 billion, the project will commence in 2018 to build a marina offering 800 moorings, club houses, yacht academies, seaside cafes, and marine startups in the Masan Marine New Town.



K-pop World Festival



SM Culture Complex Town

Another important plan to promote tourism is to create the SM Culture Complex Town (Palyong-dong Euichang-gu). SM Entertainment, the domestic entertainment company leading K-Wave and K-Pop trends with a dominant international brand power, takes part in the project as the operator. The new complex will consist of four underground and nine above-ground floors with a floor size of 24,520m<sup>2</sup>, double the size of SM Town COEX Artium. It will host a hologram performance hall, an experience studio, convention facili-

ties, commercial facilities, and a theme-based hotel, which combine K-pop celebrity items and virtual reality system, offering diverse and comprehensive tourist experiences including performances and hotel accommodation.

Robot Land, Korea's first robot theme park, is currently under construction, and the Gusan Marine Tourist Complex will be built on the land as large as 2.824 million m<sup>2</sup> for hotels and tourism attractions that visitors can enjoy all year around in conjunction with Robot Land. The Myeong-dong Marina Port with 300 berths will be created near well-known Busan New Port and Busan-Jinhae Free Economic Zone. Both of these new sites are currently attracting global investors.



Gusan Marine Tourist Complex

In addition, six islands located near Myeong-dong Marina Port will be developed in an eco-friendly way and turn into Myeong-dong Nampo Amusement Park, supporting both business activities and family recreation. The relevant authority plans to reach out to investors once the administrative procedures for resort construction are completed.

Changwon is also active in promoting the high-tech industry, another key pillar of future economic growth. Early this year, the Changwon INBEC20 Strategic Industry Action Plan was introduced to upgrade the industrial structure, and it is expected that specialized industrial complexes relevant to strategic industries will be constructed to transform the industrial mix.

The investment promotion activities target foreign, high-tech companies, R&D centers, and domestic companies in Seoul or looking to relocate their offshore facilities back to Korea. Changwon is closely working with KOTRA, sister cities in other countries, and other relevant authorities to select target businesses and set up customized investment promotion strategies by industrial complex.

Located in the southeast part of Korea, Changwon has excellent industrial and transportation infrastructure with easy access to Gimhae Airport, KTX, Namhae Expressways, Busan New Port, and Gapo New Port. Such favorable infrastructure and high growth potential are helping about 4,500 domestic and foreign companies to successfully operate, including LG, Hanwha, Doosan Heavy Industries, Volvo and Hyundai.



Aeroview of Changwon City

"Changwon is gifted with the natural environment represented by the splendid coastline of 324km along Jinhae Bay and Masan Bay and beautiful islands," said Mayor Ahn Sang-soo. "We will implement large-scale tourism development projects such as Masan Marine New Town and Gusan Marine Tourist Complex without a hitch to lay the groundwork for the city's tourism industry. We will also be committed to high-tech industry to ensure job creation and booming regional economy, which in turn will become catalysts to take Changwon to the next level."



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# Global Youth Fair (GYF)

Established on January 29, 2015, the goal and mission of Global Youth Fair (GYF) are based on the ideas that more opportunities will come with variety and creativity. GYF will offer various international exchange programs in Korea to meet, learn, and dream a bigger world. The organization's vision is "meeting, communicating and dreaming a bigger world".

GYF is a group consisting of various professionals; lawyers, professors, teachers, current/former executives of multinational companies and parents, hoping that our next generation can dream a happier future with GYF's strong commitment.

### MISSION

1. Training YOUTH with various communication skills
2. Developing YOUTH competency to solve problems creatively
3. Training YOUTH for the stage of a unified Korea

### CORE VALUES



Enthusiasm for education in Korea is very high and impressive. Even during the Korean War, education went on under the tents. The first generation focused on education for the second generation after immigration regardless of their occupation, many of who are well-recognized in society through their children's success. There are famous stories in Korea such as the tale of Han Seok-Bong, whose mother showed her dedication by cutting rice cakes consistently in

the dark to let her son concentrate on his studies. Mencius's mother moved three times to have the best educational circumstances for her son. In other words, education is the priority for most parents.

*Most parents and children endeavour to enter top universities. Is GPA the only reason for our children to study? GYF is concerned that our children may be misguided towards a path that blocks the children from the rest of the world, giving way to negligence and indifference.*

If children do not see or feel the world, they may make more mistakes without understanding cultural differences and manners. Our children may experience disadvantages from these situations without understanding why they came to face certain problems, regardless of their efforts.

*What can we do for our children, the future of the world? Let us help our children reach out towards a bigger world and communicate with understanding. Let them experience different cultures, understand and recognize them. Let us empower our children with the ability to communicate with understanding of various cultures from a younger age. It is our role to help our children see a bigger world and approach it with passion and ambition.*



There are two main GYF programs. The first one is Global Youth Fair, which hosts events with foreign friends for the Korean community. It serves to introduce a country and share the cultures of various nationalities. Young students can experience different cultures, meet new friends, and learn of differences and similarities among countries. This program will also be offered to Alternative Schools, Handicapped Schools, Children's Welfare Centers, and many others as a cultural sharing program. "From Germany to Korea" was held on August 30, 2015, and the next program, "From Switzerland to Korea" will be on September 3, 2016 at National Library for Children and Young Adults (<http://www.nlcy.go.kr:8089/english/>).

The second program is Power Morning Concert, a monthly morning talk show with a distinguished guest lecturer about the education of various countries for educators and parents. Previous lectures were "Merrily American Education Journey", "Creative Education in Belgium", and "The Secret of Swiss Education".



**From Switzerland to Korea**

Experience Switzerland in Seoul!

**WHEN** Saturday, September 3, 2016, 10:30am - 3:00pm  
**WHERE** National Library for Children and Young Adults  
**PROGRAM**

- Opening Ceremony
- Model performance
- Swiss Culture Booths
  - : Experience 4 languages, Basel Youth Art Fair, Geography map puzzle play, Learning Yodel
- Swiss Food Booths (swirling beignets)
  - : Quiche, Fondue, Chocolate, Cheese-making Workshop
- Swiss Education Booth
  - : Highest number of Nobel Prize per capita!
- Theme Booths
  - : Scientist: Einstein, Educator: Pestalozzi, Red Cross: Henry Dunant, Architect: Peter Zumthor, Artist: Paul Klee
- PHOTO Zone
- Global Flea Market
- Showing Audiovisual Materials on Switzerland (sponsored by Swiss Embassy)

\*Free Entrance

Co-organizer: GYF, Organizer: 서울특별시, Sponsor: ECCK, etc.

Contact  
www.globalyouthfair.org  
globalyouthfair@gmail.com  
Yuni Kim: Yunikim2010@gmail.com / 010-9967-6627  
GYF logo and all posters are designed by Bit Na Lee.





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## Introduction to the EU-Korea Free Trade Agreement (FTA)

This year marks the 5<sup>th</sup> anniversary of the EU-Korea FTA since entering into force in July 2011. The bilateral trade between the EU and Korea has seen great development through the lifting of the barriers and the mutual equivalence agreements. Until 2015, the total investment made by the EU into Korea was USD 81 billion, making up 32.5% of the total FDI and collectively becoming the largest investor to Korea. Conversely, the investment by Korea into the EU was USD 54 billion. Such figures indicate a great accomplishment for this strategic partnership. Without a doubt, the EU-Korea FTA will continue to be the momentum to enforce greater transparency and

openness in the economic system. The impact of this FTA on both the Korean and the EU markets will continue to be significant in the years to come.

In this issue, *ECCK Connect* had the valuable opportunity to hear expert opinions on the EU-Korea FTA by Ambassador Gerhard Sabathil of the European Union to the Republic of Korea, Ambassador Tomáš Husák of Embassy of the Czech Republic, and Jason Lee, Foreign Attorney of Kim & Chang. This edition of the cover story will look back on the EU-Korea FTA and its achievements of the past five years and discuss its roles for the future.

## Interview with H.E. Gerhard Sabathil Ambassador of the European Union to the Republic of Korea

**To start, please give us your thoughts on foreign, especially European, businesses operating in Korea.**

Korea is a very important market for the EU. We must highlight that EU companies are consistently the largest investors in South Korea since 1962 (when records became available) with about 40% of the total FDI stock. It is remarkable that over the last years the number of EU companies in Korea has increased significantly. In this respect, it's very gratifying to see that more and more EU companies enter into the Korean market and expand their business operations locally.

Entering the South Korean market has become much easier for EU companies since the EU-Korea FTA entered into force. Moreover, Korea has implemented over the last decade a number of measures to improve the business environment in particular through the removal of the remaining regulatory and administrative constraints to foreign companies. We do, however, believe that there is considerable scope to continue the liberalization and improve the transparency of the regulatory decision-making process.

**On July 1, 2011, the EU-Korea Free Trade Agreement (FTA) came into force. How do you evaluate the FTA overall?**

The EU-Korea FTA, the EU's first FTA with an Asian country, has marked an unprecedented step forward in trade relations between the EU and the Republic of



Korea. It remains without any doubt the most ambitious and comprehensive trade deal put in place by the EU to the date, eliminating almost 99% of duties on both sides within five years and dealing with non-tariff barriers.

We are pleased with how trade has developed since the start of the FTA's implementation with the increase of overall trade by 27%. In the past four years, EU exports of goods to Korea have increased 55%; automotive exports have more than tripled.

EU imports from Korea also increased in spite of the difficult economic conjuncture in the EU. After a decline in the first and the second year, Korean exports to the EU picked up again to achieve an overall increase by 5% over 4 years. This recovery trend seems to have been confirmed by Korean export data for the first 5 months in 2016, with an increase of Korean imports and reduced trade imbalance with the EU, compensating for the declining Korean exports to other markets.

The EU and Korea are important trading partners to each other. Korea is the EU's 8<sup>th</sup> largest partner, whereas the EU is Korea's 2<sup>nd</sup> largest trade partner after China. The EU is also the largest source of foreign direct investments in Korea, proving that this FTA is a clear success story and has worked well for both sides.

All in all, the FTA has ultimately contributed to improving the livelihood of citizens, creating jobs, increasing wealth in both parties, and has deepened our strategic partnership with Korea.

#### **On the other hand, in which areas have the expectations not been reached?**

We hold the view that, overall, the agreement is balanced and has been mutually beneficial for both sides but there is scope for improvements:

In the fast-growing services sector, bilateral EU-Korea trade increased over 30% from 2011 to 2014, yet the exports of services to Korea in 2014 just represented about 1.6% of the total European exports. In this regards, raising its participation in the total trade between both remains a challenge, but also shows there is still a considerable untapped potential in a number of services areas such as legal services.

Though overall, the FTA is working well, full implementation of the FTA continues to be of key importance, in order to bring the expected benefits to both sides. Some implementation and bilateral trade issues still persist. For example, in the SPS sector, cumbersome authorization procedures still affect EU agricultural exports, in particular EU beef and pork exports. Implementation is also still ongoing in the area of intellectual property rights, in particular, in respect of public performance rights and geographical indications.

#### **In your opinion, what are some potential and latent obstacles and barriers for market success in Korea?**

The EU-Korea FTA aims to tackle non-tariff barriers with a focus on the automotive, pharmaceuticals, cosmetics, medical devices, and electronics sectors. Some positive results have been achieved but there are still numerous non-tariff barriers to resolve. For example, there is no provision in the EU-Korea FTA to exempt repaired goods from customs duties on re-entry to Korea after the repair in the EU (or vice versa).

#### **What are your views on EU Commissioner Elżbieta Bieńkowska's speech at the EU-Japan Business Round Table in Tokyo: "If we can work together effectively on the basis of open markets, our economies will gain, our businesses will gain, and our consumers will gain."?**

Yes, of course. The reduction of tariff and non-tariff barriers to trade offers significant opportunities to companies in new markets, allows competitiveness of firms to improve by encouraging imports of intermediary products for further processing into products of higher added value, and promotes competition to deliver benefits for consumers through lower prices and greater choices.

Today's economic system — global and digital at its core — is based on international value chains that see conception, design and production happen in a series of steps across many countries.

For governments, we must further embrace this reality, looking at all the ways the EU and Korean companies interact with each other and with the rest of

the world. Services, for instance, are now increasingly traded across borders. They are also tightly interlinked with traditional manufacturing trade. As a result, trade continues to involve more moving people and information, not just goods, across borders. This intensifies the ways in which trade boosts the exchange of ideas, skills, and innovation.

#### **In what ways do you think the EU-Korea FTA will further shape the relationship between the two countries?**

Discussions to amend the FTA will continue with the aim of finding a balanced "package" of amendments, with economic benefits to exporters and consumers in the EU as well as in Korea. Moreover, we will explore launching negotiations on investment with South Korea in the context of a possible revision of the FTA.

On the other hand, further expansion of trade and investment in the framework of the FTA will contribute to build a genuine strategic partnership on the basis of positive interdependence. With the EU Gateway to Korea, for example, we plan to bring up to 1000 European companies to Korea, mainly SMEs. Representing 99% of all enterprises in all EU countries, the SMEs play a key role in the EU's trade performance, and they are the key sources of growth, entrepreneurship, innovation, competitiveness, and employment.

Nevertheless, our SMEs continue to represent an underutilized potential to expand trade and investment between Korean and European companies. It is to tap into this potential that EU Gateway to Korea will act as a bridgehead to provide business support services to European enterprises, enabling them to establish long-lasting business and mutually beneficial collaborations in South Korea.

Over the next five years, EU Gateway will organize business missions in green energy technologies, construction and building technologies, environment and water technologies, organic food and beverage, as well as healthcare and medical technologies. These are sectors the EU companies have been pioneering in, they present advanced technologies and great expertise. These are also sectors with an increasing market

demand, given the global ambition of creating greener and more sustainable economies.

Establishing new relations will not only contribute to national and global environmental goals, but may form the bridge for European and Korean companies to jointly reach business opportunities in third countries.

#### **Do you have a final message for our readers?**

Firstly, I would like to encourage the EU companies to strengthen its position in the Korean market where we still see many market opportunities. And we invite more Korean companies to discover the European market, and bring new products. Not only *kimchi*, *ginseng*, *makkoli*, and *seaweed* but also more Korean cosmetics and more high-tech consumer electronics to different member States.

I would like to highlight the EU Delegation's role which is to ensure the implementation of the EU-Korea FTA and to support the performance of EU businesses in Korea by eliminating market access barriers.

# Interview with H.E. Tomáš Husák

## Ambassador E & P of Embassy of the Czech Republic

### Please give us a short introduction about yourself.

I was born in Prague, couple of years after the end of World War II, during the Communist era. After the collapse of Communism in our country, I joined Ministry of Foreign Trade. I started my career as a desk officer and progressed throughout the years to the position of Director General for bilateral Trade Policy. From there, I was transferred to Ministry of Foreign Affairs at the same capacity. My first post as an ambassador was to Stockholm, Sweden. After completing my service in Sweden, I became Permanent Representative to United Nations and World Trade Organization in Geneva, Switzerland. Now, I have pleasure to serve as an ambassador to the Republic of Korea.

### What are your views on foreign, especially European, businesses operating in Korea?

Korean market is very demanding and operation of foreign businesses here requires very good knowledge of local conditions. This is not only the style and protocol in which business is executed, but also necessity to master local rules and regulations which are often very complicated, and clarification of their fine details can take quite a long time. Our investors are facing a number of challenges especially during the first stage of their set up and market entry.

### Please tell us about successes and accomplishments brought by the FTA.

EU-Korea Free Trade Agreement is an agreement of the "third generation". The Republic of Korea is the first Asi-



an country where this agreement was signed. Its effect for bilateral trade between the Czech Republic and Republic of Korea is undisputable as both parties signifi-

cantly increased the volume of their trade after the FTA came into effect. This agreement enabled increase of export of various Czech products such as machinery, measuring instruments, automobile parts, etc. and encouraged first Czech investments in Korea.

As an example of successful export, I would like to mention the delivery of Heavy Forging Press from Skoda Machine Tools to Doosan Heavy Industries. This is the biggest Forging Press in Korea and the second biggest in Asia. In parallel, Korean exporters increased their export in electronics, machinery, automobile parts which means that our industries are complementary. We are recording trade deficit with Korea. Anyhow, it is necessary to state that a number of Korean exported items is used in Korean factories in the Czech Republic. These form complete products that are exported worldwide from the Czech Republic to EU and other non-EU countries.

### On the other hand, what are some shortcomings or challenges facing the FTA?

Inevitably, there is still a number of challenges that need to be overcome. I would like to use the services industry as an example. Several Czech companies were providing their technical services to Korean passenger planes. However, regular airplane maintenance checks, where current FTA conditions apply, do not allow these companies to compete with services provided by other non-EU countries. This issue was recognized and negotiated between the EU and Korea, unfortunately to no avail.

Our trade turnover with Korea currently exceeds EUR 4 billion. At this present time, we do not have any signals of essential market obstacles or barriers. In my opinion, the biggest barrier for the increase of trade with Korea is the attitude of Czech exporters, who are often hesitant to enter the demanding and distant Korean market.

**EU Commissioner Elżbieta Bieńkowska said in her speech at the EU-Japan Business Round Table in Tokyo "If we can work together effectively on the basis of open markets, our economies will gain, our**

### businesses will gain, and our consumers will gain." Do you share this view?

My whole working career is mainly focused in the field of trade. Initially, I worked in a trading company and later on served in public services. I was engaged in preparation of number of trade supporting agreements, including Czech-Korean agreements regarding the double taxation avoidance and the protection of foreign investments in 1992. That is why I can declare that I not only share this view, but I actively work to support it.

### What are your expectations for the EU-Korea FTA in the coming years?

The FTA between the EU and Korea still needs some fine tuning, and I expect that it will happen in the foreseeable future. One of the key issues is that Korea is currently recording trade deficit with the EU, which doesn't set the best ground for further negotiations. Overall, I expect that future will bring more balanced trade between the EU and Korea and that its development will favour further increase of our trade exchange volume.

Currently, Korea, like a number of other countries, is experiencing minor economic slowdown caused by a number of internal and external economic factors. However, Korean economy has a very strong foundation, and I am certain that with support from the government, Korea will soon come out of this period strong and sound.

And finally, I would like to wish all readers great summer and full success in their undertaking.



# The Korea-EU FTA in Practice

July 1, 2016 will mark the 5<sup>th</sup> anniversary of the effectiveness of the Korea-EU FTA. The Korea-EU FTA is one of the most sophisticated and comprehensive free trade agreements that South Korea has entered into. In addition to the preferential tariff rates available under the Korea-EU FTA for a significant portion of goods traded between the EU and Korea, the Korea-EU FTA also includes a great number of provisions intended to promote the opening of the respective markets for goods and services by reducing non-tariff barriers. On the eve of the 5<sup>th</sup> anniversary of the effectiveness of the FTA, it is interesting to reflect on some aspects of how the FTA has been implemented in Korea and consider the future impact of the FTA on Korea and the EU.

The utilization rate under the Korea-EU FTA has increased since the effectiveness of the Korea-EU FTA. For example, based on statistics published by the Korean Customs Service, the percentage of imported goods for which preferential tariffs were applied increased from 66.8% to 71.0% during the period from 2014 to 2015. Notably, the number of origin verifications conducted by the Korean customs authorities has also risen sharply since 2010 (due to, in part, the significant increase in the volume in goods for which preferential tariff rates were received under FTAs after the effectiveness of the Korea-EU FTA), with verifications under the Korea-EU FTA representing a large portion of those verifications.

While it is often thought that origin verifications are simply the process for verifying whether goods that have received preferential tariff rates under an FTA have met the origin criteria under the applicable FTA, in Korea, origin verifications often include an inspection of compliance with other provisions of the applicable FTA as well. In the case of the Korea-EU FTA, the Korean customs authorities have sought to deny preferential tariff treatment in many cases for alleged violations of procedural requirements under the FTA rather than

for the failure of the goods to meet the origin criteria. Procedural violations can include issues related to the exporter's approved exporter number, compliance with form requirements under the Korea-EU FTA and similar issues. In addition, commodities imported from the EU region are often transported to and stored in warehouses of a third party country such as Hong Kong and Singapore before being transported to South Korea, and many practical issues arise in the process of verifying whether goods shipped in that manner are in compliance with the principle of direct transportation under the FTA.

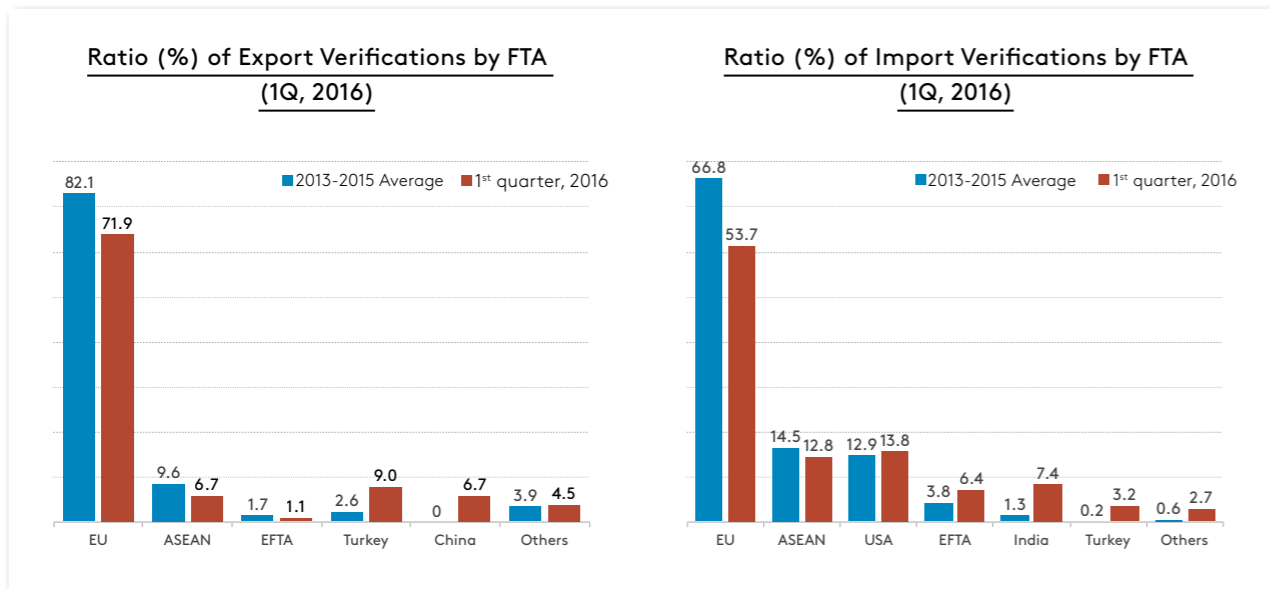
Each FTA is different and so it is important for companies to understand and track what the requirements and origin verification methods are under each. Under the Korea-EU FTA, the origin verification mechanism is "indirect verification," which means that the customs authority of the importing country sends a request to the customs authority of the exporting country to conduct the verification of the origin of the goods in question. In contrast, the verification methodology under the Korea-US FTA is "direct verification," which means that the customs authority of the importing country conducts the origin verification. In practice, indirect verification can make the verification process less burdensome for exporters since the process is conducted by its own customs authority, and there may have been an expectation that the exporting country's authority's decision would effectively be determinative of whether the goods would be found to qualify for preferential tariffs. However, as noted above, companies should pay close attention to the procedural and formal aspects of the Korea-EU FTA as well, since the Korean customs authorities may interpret such provisions conservatively and deny preferential tariff treatment on that basis.

The Korea-EU FTA provided for the establishment of a number of working groups and committees to engage in ongoing dialogues regarding issues arising the FTA and implementation-related matters. Some of these groups have an ongoing role in the examination and elimination of non-tariff barriers under the framework

of the FTA (including in the electronics sector, the automobile sector, the pharmaceutical/medical device sector, and the chemicals sector). One item of note is that the Korea-EU FTA, unlike most other free trade agreements, provides for a mediation procedure for non-tariff measures designed to solve disputes between the parties in a prompt and effective manner based on mutual understanding. As tariff barriers are lifted and non-tariff barriers grow across the world, there is great interest in if and how this procedure will be used in the future.

Two of the committees that have been established are responsible for customs matters and trade in goods matters, which both deal with, among other things, various implementation-related issues. While the opportunity for dialogue provided by these groups is helpful in the implementation of the FTA, achieving agreement and effecting action or change can be a long-term process. For example, it has been reported that, because of the practical difficulties experienced by traders under the current formulation of the direct transport rule, the EU has raised in prior sessions of the Customs Committee the desire for revisions to the current direct transport rule into a non-alteration rule, but it is difficult to know if and when such revisions will be agreed and effected.

Ultimately, as companies continue to seek to increase their utilization of the various benefits contemplated under the Korea-EU FTA, there will inevitably be questions and issues that arise regarding whether the FTA has been fully and properly implemented. The EU is a key trading partner for Korea and, in the coming years, it will be interesting to see how the utilization of the FTA by companies evolves and how the ongoing dialogues between Korea and the EU develop.



Source: Korea Customs Service

# IT Controls: A Korean Perspective

The realm of Information Technology (IT) and controls in the corporate world bears human intervention. This is fortunate. Besides manual verifications (i.e. inventory take, check signing) and IT controls (i.e. access password, Point of Sale (POS) credit limit check at a retail store), lies the vast majority of checks, relying only partly on IT. These hybrid checks are called IT-Dependent Manual Controls (ITDM). A typical example is Account Receivable (A/R) aging analysis. It requires the accountant to review a system-generated document listing invoices older than X days.

Do these manual interventions around IT carry some cultural bias? In other words, do ITDMs operate differently depending on where they reside? Through observations from recent assignments, we will see whether or not the Korean practices impact the performance of these controls.



Figure 1: Seoul Fortress Wall (Good old physical access control; no IT involved)

## Positively, No Local Twist

We forget why we have Information Systems (IS). Some of us believe IS is a preexisting process when it is supposed to support. As a reminder, organizations have IS for two reasons: to gain efficiency and strengthen controls.

These two objectives are not conflicting and could be achieved together. IT controls are perceived to be more efficient than manual checks. They tend to be more preventative in nature.

Let us take the following controls that rely partially or completely on IT:

- Password Access: Total reliance on IT. It checks the identity of the person connecting to the system, and disables the account after X unsuccessful attempts. This control prevents any unauthorized access and activities to the system.
- Three-Way Match: ITDM. The invoice received is verified against the Purchase Order (PO) and the receipts of purchased goods. This control ensures proper payment of goods and services.
- Payment Card Controls: After the credit card is swept at the POS, the credit card details are sent to the credit card network through a secure internet connection. The authorization is received back at the POS. This control relies totally on IT.
- SG&A (Selling, General and Administrative) Controls: ITDM. The employee's personal and travel expense report is reviewed by the manager. This control is supported by a company workflow, managing authorization or rejection of expense claims.

A good design of these controls leave little room for subjectivity and cultural twist:

- Password: This is no human involvement. A good design should include rotation (change of password every 90 days), history and some complexity (special characters). Based on a personal login ID, the password should reach the user through a secure channel.

- Three-Way Match: A proper automation design of the three-way match can limit human labor intensive verifications. Excluding small-KRW amount and recurring invoices from the matching requirements, tolerate matchings when amounts and/or quantity are within accepted ranges.
- Payment Card Controls: The process is fully automated. It returns an authorization code to the POS.
- Expense Control: The monthly report is submitted to the manager for approval through the company expense workflow. The report is supported by the original receipts. A detailed policy related to personal and travel expenses helps the manager approve or reject the claims.

During the normal course of operations, the human activities are kept to the minimum for these verifications. However, the handling of exceptions (failed control) has proven to be difficult and requires management involvement. Judgement and subjectivity, if not contained, can impair a consistent execution of controls. A good set of policies help to keep this void as small as possible. By "a good set of policies", we mean policies that are approved, published, and periodically updated. Policies should be seen as an oversight enabler, especially when addressing exceptions:

- Password: After 3 attempts, the account is deactivated. An email is generated to the IT manager for action. Human intervention is limited to the management of the exceptions.
- Three-Way Match: Receipts, invoice and PO are outside the 3% tolerance level for amount or exceeds quantity by 5%. An alert is sent to the manager for possible overriding rejection.
- Payment Card Controls: This is a fully automated control. Card rejection requires the customer to choose a different payment option.
- Expense Control: Judgment calls can be minimal with a detailed policy. For example, manager rejects business class travel if the policy states it is not allowed for domestic or international travel hours of under three hours.

The combination of good design and policies, including coverage of exceptions, maximize consistent execution of ITDMs. No local twist can distort these controls.

With exposure to the cyber world, companies face a set of newly-emerged threats. These threats are persistent and ubiquitous in nature. It requires consistent control across the organization to tackle. Cybersecurity controls are less prone to any national or local twist.



Figure 2: Three-Way Match

Finally, the use of international standards (ISO 27002 on information security; PCI-DSS on payment solution security), helps widespread homogenous checks. National regulations (SOX404, J-SOX) have also contributed to rationalize controls across organizations. From this perspective, this makes it difficult to have controls, especially IT controls bending to any local habit.

### Syncretism, Indeed

However, because checks and verification are consequences of the organization appetite for risk, they necessarily factors in some local management judgment. This results in controls designed differently and operating differently depending on the location.

The following items are — we believe — distinctive of the Korean control environment:

1. IT Provider Oversight: Third-party oversight tends to be less formalized than those seen in Europe, especially in the manufacturing industry. Existence and periodic monitoring of key performance indicators and enforcement of penalties clauses have been witnessed in Europe. On the contrary, lack of supervision over IT supplier activities are not uncommon in Korea.
2. Disaster Recovering Planning (DRP): In some respect only, disaster recovery planning is more mature in Northern Asia. In general, environmental risks are looked upon with greater scrutiny.
3. The “pali-pali” Effect: Because of the tight project situations and ambitious deadlines, risk assessment is minimal, and the risky straight-build approach is often followed.
4. Underestimated Internal Threat: Surveys show that internal threat is usually underestimated in Asia. We have seen local instances where risks are materialized due to insider malevolent activities.
5. Feudality 1: Seniority is a powerful control bypass enabler. We have seen different cases where segregation of duties is circumvented by a senior employee, exercising pressure on younger and lower-level employees.

6. Robustness as Small Ticket Item: End-user processes display a high level of automation in Korea. However, when it comes to the ability to deal with exceptions (indicator of a system robustness), this issue is rather a lower-priority item on management agenda. Thus, incident, patch and interface management processes are weaker in their execution and monitoring.
7. Feudality 2: There is a porous border between professional and personal realm. This induces difficulty for controls to operate. For example, the widespread use of personal smartphones as professional tools.
8. And then there was compliance...: Risk perception is not solely impacting the IT control framework. Local compliance requirements are other structuring factors. This applies in Korea where there is a tight data privacy law.
9. Digital is Physical: Information security and controls should not be restricted to the digital world. Physical security dimensions of information management are to be taken into account: device management and premises & infrastructure access.



Fig 3: No DRP - All French archives lost at the battle of Freteval (1194)

With this set of chosen examples in mind, one can start to question the actual application of a rigid set of controls. “prêt-à-porter” — one-size-fits-all — has its limits in a control environment.

The question over the existence of a cultural bias on IT controls remains open. Arguments on both sides leave us with two possible answers: yes and no. Controls are in place to mitigate risks. Risks are different from country to country and so are perceptions of those risks. This is the root bias that lies behind the apparent distortion of controls.

Undertaking a structured risk assessment is a solution to those misperceptions. It comforts top management in the coverage of risks, including local specificities like compliance risks. It provides management with an opportunity to strengthen IT controls, potentially realigning IS. Finally, it is also a chance to improve efficiency in re-designing IT controls, automating activities, and tilting toward a more preventative approach.

Korean organizations have the opportunity to display once again the agility by adopting a systematic risk management approach early. We have no doubt they will succeed in doing so.

### Marc de Supervielle

Director, Governance & Risk Management at Mazars

Marc has 20 years of experience in internal audit and consulting gained in the US, Japan and Europe.

He is a Certified Information Security Manager (CISM).



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# Future Energy Forum 2016

**"The end of coal-powered era - is it now?  
The rise of renewable energy - is it yet to come?  
The shaping of new global energy industries - who will be the next giant?"**



South Korea's strong focus on export and active domestic industries specifically contributes to the high energy demand. In this regard, Korea has a strategic disadvantage as the majority (97%) of energy must be imported, and this figure will continue to grow as the energy demand is forecasted to increase. The current government under President Park Geun-Hye is committed to develop growth engines to ensure future prosperity, and green technology will play an important role in this matter. Considerable measures have been undertaken by the Korean government to provide a solid basis and framework to develop renewable energy. Particularly with the 2015 United Nations Climate Change Conference, there is a new wind pushing renewable energy into a more promising direction.

On June 8, ChosunBiz hosted the Future Energy Forum 2016 under the theme of "Strategies for Energy Industries

in the Post - Paris Agreement 2015 Era" at Westin Chosun Hotel. The forum presented key experts from the industry. With three keynote speeches and three panelist sessions, the forum provided great insight into energy opportunities and challenges now and for the years to come.

The 2016 Future Energy Forum commenced with an opening ceremony consisting of welcome and congratulatory remarks by Eui Dai Song, CEO of ChosunBiz, Hyunghwan Joo, Minister of Trade, Industry and Energy (MOTIE), Hee-ryong Won, Governor of Jeju Special-Governing, Young-pyo Hong and Hyun-jae Lee, Members of National Assembly. The opening speeches remarked on climate challenges and energy crisis and how Korea should utilize the present time as a growth opportunity to overcome its sluggish economy. In this regard, MOTIE Minister Joo shared Korean government's top three energy strategies and goals for the future during his speech; (i) to shut down old coal-fired power plants and restructure local electricity power system to reduce carbon emissions; (ii) open up and promote energy market system; (iii) financial support to expand new energy business and increase global export of green energy.



Notably, the highlight of the morning session was the keynote speech by Tony Seba, author of *Clean Disruption of Energy and Transportation*, who also made a headline speech at the Paris Climate Summit held last December. "Invest right now. Get in now. When the tipping point happens, you are going to accelerate," said the speaker. Mr Seba shared his outlook on the new era "Internet of Energy", which the world will experience in less than 15 years. The Internet of Energy is where the architecture of energy is generated, consumed, managed, and traded in the form of internet which will replace the current indus-

trial age of energy and transportation. In particular, the capacity of Solar PV installation continues to grow as the price of Solar PV decrease. Mr Seba expects the cost of solar rooftop to drop below the cost of transmission in less than five years. Furthermore, the growth of demand for high efficient Electric Vehicles (EV) is accelerating and is likely to continue in the years to come. Low cost and high efficiency of green energy will consequently fulfill the best selfish economic interest for everyone, allowing the conventional energy and transportation to be obsolete in the near future. From energy sensors embedded to our everyday lives to big data and Artificial Intelligence (AI) in cars, the Internet of Energy is happening faster than anyone may realize.

The first panelist session of the day discussed on the topic of "Changes of Utility Companies", under the overarching topic of the changing energy infrastructure and strategies for government and companies in Korea. Professor Moon Seung Ill from Seoul National University moderated the discussion joined by Seok Cho, Korea Hydro & Nuclear Power Company, Dong-Jun Yoon, CEO of POSCO Energy, and Sang-kwon Hyun, Executive Vice President of KEPCO. The session noted how Korea should prepare a new infrastructure system in order to meet the ambitious goal of 37% emission reduction by 2030. All panelists agreed energy corporates need better support and effective policies from the government in order to meet the country's energy targets. Mr Hyun, Vice President of KEPCO, who ranked 97 on Forbes 100 list this year, stressed that governmental support is greatly needed for KEPCO to increase overseas export of green energy to Africa, Iran and Middle East.

Following lunch, the afternoon session was opened with the presentation by Rajit Gadh, Professor of UCLA & Director of Smart Grid Energy Research Center. With rapid growth of EV and smart grid technology, Mr Gadh's research focus on the development of energy storage systems, such as smart grid and EV charging storage. Mr Gadh stressed the importance of the cooperation between corporates and academic institutions to create a better technology future. Following Mr Gadh's speech,

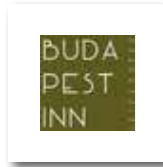
the second panelist session of the day revolved around "Development of New Energy Industries and Energy Export". To resolve the issue of unstable distribution and management of renewable energy's growing capacity, the development of energy storage such as smart grid and Energy Storage System (ESS) is next on the agenda. Korea has the fundamentals as well as the potential to lead the future smart grid market, but governmental support still needs to escalate in order to create a value chain to strengthen Korea's competitiveness. To increase the poor green energy shares of the country, Korea needs to increase the number of grid parity and facilitate more rapid green energy growth. The government support issue was once again highlighted during the session.

The last session of the forum discussed the changes of the energy market and the direction of Korean government policies in the future. Dowon Kim, Senior Partner and Managing Director of Boston Consulting Group Seoul Office, noted the effective government policy in California, USA, as an example of cost-effective structure for Distributed Energy Resources (DER) system for energy corporates. Experts predict that the rapid growth of DER will bring an end to the energy utility within the next few years.

All in all, the conference stressed the inevitability of renewable energy and green technology for a viable future. On that note, it is important for Korean government to act fast and reflect on opinions from the expert market players to create better and effective energy policies for the nation.







# Budapest Inn

Budapest Inn is a small seaside Bed & Breakfast (B&B) on the south-western coast of Jeju, near Songak Mountain. Our place is a white two-story building that is easily spotted and recognized from anywhere in the area, be it Songak Mountain or Gapado Island. The place is popular both among Koreans and foreigners alike. Since we are so close to several popular sights, places of interest, tourist attractions, and hiking tracks, we have all kinds of guests, ranging from pleasantly tired cyclists dropping in for the night to tourists and families visiting the island to explore or just to relax and enjoy the serene nature.

Actually, my wife, Mi Kyoung, and I have played with the idea of opening a B&B in Jeju for quite some time. Suddenly, toward the end of last year, an opportunity came that was impossible to resist: the previous owner had decided to sell a gorgeous one-year old building. After doing some quick but thorough homework and research, we made one of the fastest decisions in our lives.

In March 2016, we moved down to Jeju from Seoul. Some remodeling and preparation works took about a month, which was much longer than expected. We had visited the place a few times before we moved and met with a local remodeling company to manufacture new beds for the rooms and build our new kitchen. Many complications came up with this company that in the end, the original contract had to be cancelled for plan B. Unlike Seoul, the choices of services and professionals are much slimmer and the overall prices are higher in Jeju. All in all, another remodeling company finished the job to complete the Budapest Inn that we have today.

As for the name of this B&B, my wife and I had a couple of alternatives. My wife suggested a Hungarian name since I am Hungarian, and I half-jokingly suggested Budapest Inn. Ultimately, she and some of our friends liked it so much that we decided to go with it. The logo and the website have also been designed by me.

Our B&B's strategically attractive location immensely helped our decision to move to Jeju; similarly, the beauty of this area has also positively influenced our guests' choices to stay with us. Budapest Inn is near the sea, and there are mountains, islands, trails, places of interest, history, and horses all in convenient walking distance.



Since I grew up in a small town and often visited my grandparents in the countryside, I was always close to nature. Moving to Jeju, therefore, was a little bit like homecoming. There are so many simple pieces of joy: going out for a pleasant hike to nearby places with breathtaking views and no crowds; picking some berries in the forest behind us for the morning shake; gazing at the stars by the ocean.

During my first visit to South Korea in 2002, I visited Jeju for the first time. Comparing then and now, it is safe to say that the island has transformed into a relaxation heaven for locals as well as visitors. Furthermore, with all the recent developments, I see a great deal of entrepreneurial opportunities. I believe Jeju holds many exciting possibilities for us, be it leisure or business, with Budapest Inn being our stepping stone, base, and root.



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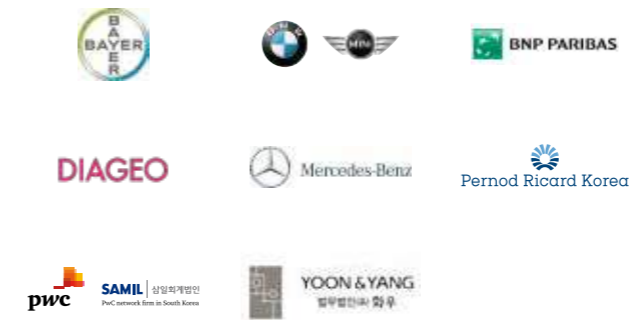
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