

# Invest Korea

March 2021

## Transforming the Future of Mobility

**René Koneberg**

Managing Director  
Audi Volkswagen Korea

**Why Korea: Business Hub of Northeast Asia**

**The Data, Network and AI (D.N.A.) Ecosystem: A Vital Pillar of the Korean Digital New Deal**

**Location Report: South Korea's First National Artificial Intelligence Industrial Convergence Complex**



# KOREA, GLOBAL LINK to



Success



Innovation



Culture



Talent



**kotra**  
Korea Trade-Investment  
Promotion Agency

INVEST  
**KOREA**

## **KOTRA** is Korea's national trade and foreign investment promotion agency

With 127 offices in 84 countries, KOTRA functions as a global business platform

We provide comprehensive support for foreign investors, as well as business matchmaking services for foreign buyers and Korean businesses. Furthermore, KOTRA supports business partnerships between global enterprises and promising Korean SMEs, while creating global jobs through its vast trade and investment networks overseas. By staying up to date on the latest information on trade, exhibitions and investment, we're able to offer necessary support to Korean businesses and foreign companies.

# DATA, NETWORK & A.I. (D.N.A)

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## Foreign Direct Investment

### Apple opens 2nd store in S. Korea

Apple Inc. launched its second official outlet in S. Korea on Feb. 26, expanding its presence in the country since its first store opened doors in 2018.

According to the U.S. tech giant, the new store, located in IFC Mall in Yeouido, western Seoul, opened late February to visitors.

Apple's move comes as it seeks a greater share of the local market dominated by homegrown tech giant Samsung Electronics

Co.

The U.S. smartphone maker is expected to account for 22 percent of the local smartphone market this year, up 1 percentage point from a year earlier, on the back of solid sales of its first 5G smartphone, the iPhone 12, according to market researcher Counterpoint Research. Meanwhile, Samsung is forecast to have a 65 percent stake in the market this year.

### Audio social media app Clubhouse takes off in S. Korea

Clubhouse, an audio social media app that has generated buzz worldwide, has been gaining popularity in S. Korea as popular celebrity users, from K-pop artists to politicians, join the invitation-only platform.

The iPhone social media app, in which users enter rooms to chat with one another by voice, reached 195,000 downloads in S. Korea as of Feb. 16, according to mobile analytics company App Annie on Feb 23.

While the app, developed by U.S.-based startup Alpha Exploration Co., ranked at

921st place among local iOS app downloads as of the end of last month, it topped the list in just 10 days.

The audio social media app has received a boost in S. Korea in recent weeks as it has drawn celebrity users from rapper Simon Dominic to Prime Minister Chung Sye-kyun to Hyundai Card CEO Chung Tae-young.

Globally, Clubhouse has racked up 8.1 million downloads since its launch in April last year.

### Mercedes-Benz Korea adds Maybach SUV to lineup

Mercedes-Benz Korea on Mar. 2 added its most luxurious SUV model to the lineup to gain a bigger share in the S. Korean market.

The German carmaker has launched the Mercedes-Maybach GLS 600 4MATIC SUV equipped with a twin-turbo, 4.0-liter V8 M177 engine at KRW 257 million won (USD 230,000), the company said in a statement.

"The new Mercedes-Maybach GLS is a fascinating model that will draw the attention of customers who want a high-end SUV. We will continue to provide the

best products this year by introducing a variety of new cars across our brands, such as Maybach, AMG and EQ, as well as our master brand Mercedes-Benz," Mercedes-Benz Korea Vice President Mark Raine said in the statement.

In 2020, Mercedes-Benz sold a total of 76,879 vehicles in the Korean passenger vehicle market, down 1.6 percent from 78,133 units a year earlier. The German company accounted for 30 percent of the Korean imported passenger vehicle market last year.

## Trade & Commerce

### S. Korea ranks 11th with 69 globally top-selling products in 2019

S. Korea had 69 globally top-selling products in 2019, putting the country in 11th place overall, data showed Mar. 7.

China had the most items with 1,759, followed by Germany with 654 and the United States with 520, according to the Korea International Trade Association (KITA).

By segment, S. Korean made chemical products accounted for 27 of the country's export items with top global market shares,

followed by steel and other metal products with 18.

KITA said solid-state drives (SSDs) were included on the list for the first time. Outbound shipments of SSDs more than doubled on-year in 2020, reaching USD 10.1 billion.

S. Korea also accounted for 29.9 percent of the global market for memory chips in 2019, but its gap with China has narrowed from the previous year.



## Industry

**S. Korea  
nears 13 mln  
5G users in  
Jan.**

S. Korea's 5G subscriptions jumped by over one million for the first time last month to reach nearly 13 million users, data showed Feb 26.

The country's 5G subscriptions reached 12.87 million as of end-January, up 1.02 million from the previous month, according to the data from the Ministry of Science and ICT.

The latest data comes amid the popularity of Samsung Electronics Co.'s latest flagship Galaxy S21 smartphones launched last month. The Galaxy S21 series posted 30 percent higher sales than its predecessor in

S. Korea in the first 11 days of its launch, according to the local tech giant.

Telecom operators are pinning hopes for mass user migration to 5G networks this year, with top wireless carrier SK Telecom Co. aiming for 9 million 5G users by the end of the year, and smaller rival LG Uplus Corp. targeting 4 million.

Total mobile subscriptions stood at 70.69 million last month, with 4G subscriptions at 51.9 million, down 660,000 from the previous month.

S. Korean mobile carriers commercially launched 5G networks in April 2019.

**Online food  
delivery  
market  
grows 79 pct  
in 2020 amid  
pandemic**

S. Korea's online food delivery service market spiked nearly 80 percent in 2020 from a year earlier amid the coronavirus pandemic, government data showed on Mar. 2.

The value of online food service transactions came to KRW 17.4 trillion (USD 15.5 billion) last year, up 78.6 percent from the previous year, according to the data from Statistics Korea.

It was nearly 6.4 times the KRW 2.7 trillion recorded in 2017, when the statistical agency started tracking related data.

Of the total transactions, 95 percent, or KRW 16.5 trillion, were mobile orders, with the remainder involving internet deals.

Last year's surge was attributed to the coronavirus outbreak that forced people to abstain from dining out and resort more to delivered foods.

Industry sources said the local online food delivery service market will likely expand further down the road due to growing demand from consumers and virus-induced restrictions on the business hours of restaurants.

## Government &amp; Policy

**S. Korea  
expands  
public Wi-Fi  
availability**

S. Korea's ICT ministry said on Feb. 24 it made over 15,000 new public Wi-Fi service zones available across the country and in buses last year, bringing the total locations with free public Wi-Fi to over 57,000.

The Ministry of Science and ICT said the public can access free Wi-Fi in 28,132 public locations, such as bus stations, public facilities and parks, and also in 29,100 buses.

By region, there are 2,529 public Wi-Fi locations in Seoul, with 4,358 locations in the surrounding Gyeonggi Province, according to the ICT ministry.

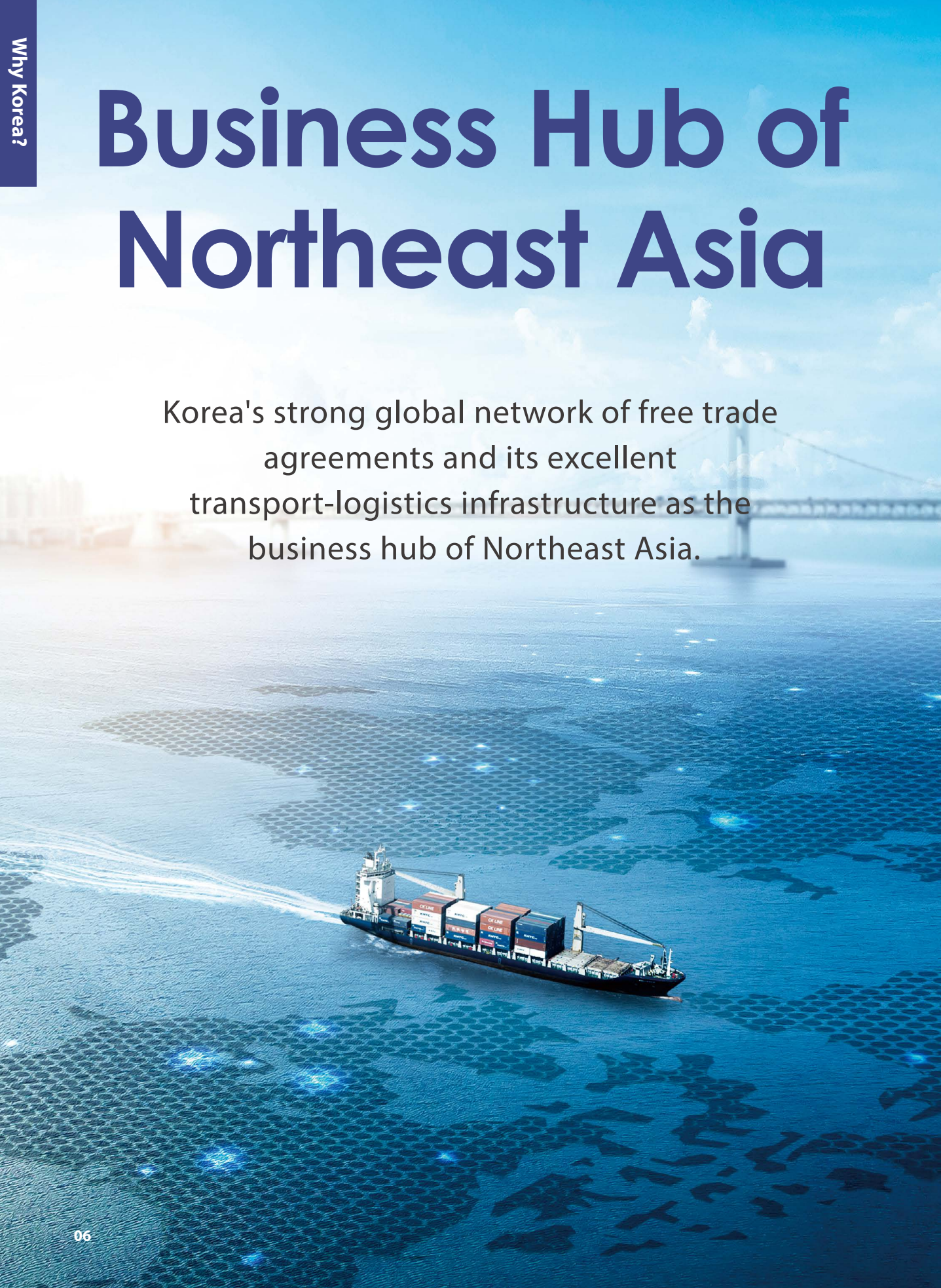
S. Korea has recently boosted efforts to ex-

pand public Wi-Fi zones that had previously been limited to indoor facilities, such as community centers and traditional markets.

The ICT ministry said it has focused on outdoor locations, installing free Wi-Fi at 7,949 bus stations, 1,286 parks and 320 major streets across the country from 2019 to 2020.

The ministry has also replaced 18,000 aging routers with the latest Wi-Fi 6 equipment, resulting in speeds that are three times faster on average.

The ministry said it plans to establish 15,000 additional public Wi-Fi zones this year.



# Business Hub of Northeast Asia

Korea's strong global network of free trade agreements and its excellent transport-logistics infrastructure as the business hub of Northeast Asia.



## The Center of East Asia and Global Trade Hub, Korea

In response to growing interest in forming worldwide free trade blocs, Korea has worked aggressively on building global free trade networks to find stable trading partner markets overseas and to promote open markets that help improve competitiveness of the economy.

As of now (Mar. 2021), Korea has signed 17 agreements, covering 57 countries which include major economies like the EU, the U.S., China and the U.K., continuing talks on trade deals with emerging economies. With its geographical advantage, Korea is a gateway to the global markets that link most of the largest economies.

### Korea's FTA Network

Status	Country
<b>In Effect</b>	Chile, Singapore, EFTA <sup>1)</sup> , ASEAN <sup>2)</sup> , India, EU <sup>3)</sup> , Peru, U.S., Turkey, Australia, Canada, China, New Zealand, Vietnam, Colombia, Central America (5) <sup>4)</sup> , UK
<b>Signed</b>	RCEP <sup>5)</sup> , Indonesia (CEPA)
<b>Concluded</b>	Israel, Cambodia
<b>Under Negotiation</b>	Korea-China-Japan, MERCOSUR <sup>6)</sup> , Philippines, Russia, Malaysia, Korea-Ecuador SECA
<b>Resumed/ On the Agenda/ Under Review</b>	PA <sup>7)</sup> , EAEU <sup>8)</sup> , Uzbekistan

1) **EFTA**: Switzerland, Norway, Iceland, Liechtenstein

2) **ASEAN**: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Vietnam, Thailand

3) **EU(27)**: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden

4) **Central America (5)**: Panama, Costa Rica, Honduras, El Salvador, Nicaragua

5) **RCEP**: Korea, ASEAN (10), China, Japan, Australia, New Zealand

6) **MERCOSUR**: Argentina, Brazil, Paraguay, Uruguay

7) **PA**: Mexico, Chile, Peru, Colombia

8) **EAEU**: Russia, Kazakhstan, Belarus, Kyrgyzstan, Armenia



\*Source: [www.fta.go.kr](http://www.fta.go.kr)

Center of East Asia, Logistics Hub Korea

Korea possesses optimal logistics infrastructure connecting it with major countries and cities around the world. Located between China and Japan, it is the center of aviation and maritime logistics connecting the Asia-Pacific region as well as Eurasia and the Americas. Furthermore, it has the potential to establish a land-based route penetrating the Eurasian continent.

<div>INCHEON INTERNATIONAL AIRPORT</div> <div></div>	International air freight traffic (2019)	Total air cargo traffic (2019)	<div>BUSAN PORT</div> <div></div>	Container liners' maritime route for port call at Busan (April 2020)	Transshipment traffic volume (May 2020)
	3 <sup>rd</sup> place	5 <sup>th</sup> place		2 <sup>nd</sup> place	4 <sup>th</sup> place



(1. China 2. Singapore 3. Korea 4. Malaysia 5. U.S. 6. Hong Kong SAR 7. Netherlands 8. UK)

※ 1) LSCI is UNCTAD’s indicator which shows a country’s maritime shipping network from the year 2006 until now. The index evaluates data based on six components which include the number of shipping liners servicing in a country, the number of vessels deployed from/to other ports on a monthly basis and the total container—carrying capacity etc.

※ Source: UNCTAD, Airports Council International (ACI), Busan Port Authority



# The Data, Network and AI (D.N.A.) Ecosystem: A Vital Pillar of the Korean Digital New Deal

## Data, the Most Valuable Resource in the Digital Economy

Digital services are changing every corner of our lives and business landscape. What matters under such circumstances is to present open access to data and to make the most out of a massive volume of high-quality datasets in order to well develop artificial intelligence deployments, which underpin tech-driven transformation. With a tremendously huge amount of data gathered, flagship companies spearheading the transition to a digital world have continued expanding their market presence, which is forecast to result in growing disparity between the data-rich and the data-poor over time.

A 2019 market analysis which studied the data industry in S. Korea said the total sales figure of top 60 data companies<sup>1)</sup> reached above KRW 779.16 billion, up 7.9 percent on year. Witnessing an upward trend in sales, the data business recorded a 9 percent year-over-year growth or KRW 421.97 billion in 2019. What's worth noting is that 29 companies, nearly 48.3 percent of all, replied that they've attracted investment. Investments attracted by government-led incentive policies took up the largest proportion with 54.1 percent, followed by venture capital funds with 40.5 percent.

The investment value attracted so far has totaled KRW 197.8 billion, and the amount of investment

attracted by each business was found to be KRW 3.3 billion on average. In regards to patent application in data analytics or solutions, an average of 11.4 patent applications on innovations was filed by companies surveyed. The study which analyzed the metrics by the number of patents for analytical solutions reported that the respondents obtained 2.7 big data solutions on average, and over half of those questioned (56.7%) said they had less than three.

## Roadmap to Develop the Data-Driven Economy and to Build Datasets for Machine Learning

The market size of big data analytics in 2019 reached KRW 1.674 trillion, a 10.9 percent jump from a year earlier, and the figure is predicted to go up to an annual average growth rate of 11.2 percent or KRW 2.569 trillion by 2023. During the forecast period, ICT and business services of all other segments are presumed to act as potential market drivers, presenting an average annual growth rate of 16.3 percent.<sup>2)</sup>

To develop the data industry, S. Korea has started to gear up for policy planning since 2018. The government unveiled development strategies and action plans in June 2018, and picked out the data industry in August as part of three main business sectors to be strategically invested in on the path toward the digital platform economy as a means to fuel innovation-driven growth.

1) NIA, "2020 In the age of hyper-connected, super intelligent world-Innovative Companies in D.N.A" (Jan. 2021)

2) IDC, "Outlook of Korea's Big Data / Data-Analytics Industry" (2019-2023), (Jan. 2020)

On August 31, S. Korean President Moon Jae-in outlined an initiative, called the “Transition Toward the Data Economy,” which entails policies to help relevant industries further advance the data-driven economy and to enact regulatory frameworks to spur technological innovations in data utilization. The Moon administration also announced its master plan of the Digital New Deal in July 2020 which largely aims to ramp up data usability and accessibility by collecting, disclosing and utilizing data sources closely associated with citizens’ lives.

To be more specific, the Digital New Deal is comprised of discrete sub-projects as listed below:

- The “data ecosystem” which involves every phase of the data life cycle will be reinforced.
- A data control tower will be established for the disclosure of 142,000 pieces of public data, while expanding data collection and utilization in the manufacturing and bio-healthcare industries.
- The public authorities will also form big data platforms by each business sector and run a voucher program for data purchasing or processing.
- In company with the action schemes, the Korean government is also planning to set up a data collection and processing mechanism for machine learning.

## 5G, An Essential Element—On the Way to Becoming the World’s Best from the World’s First

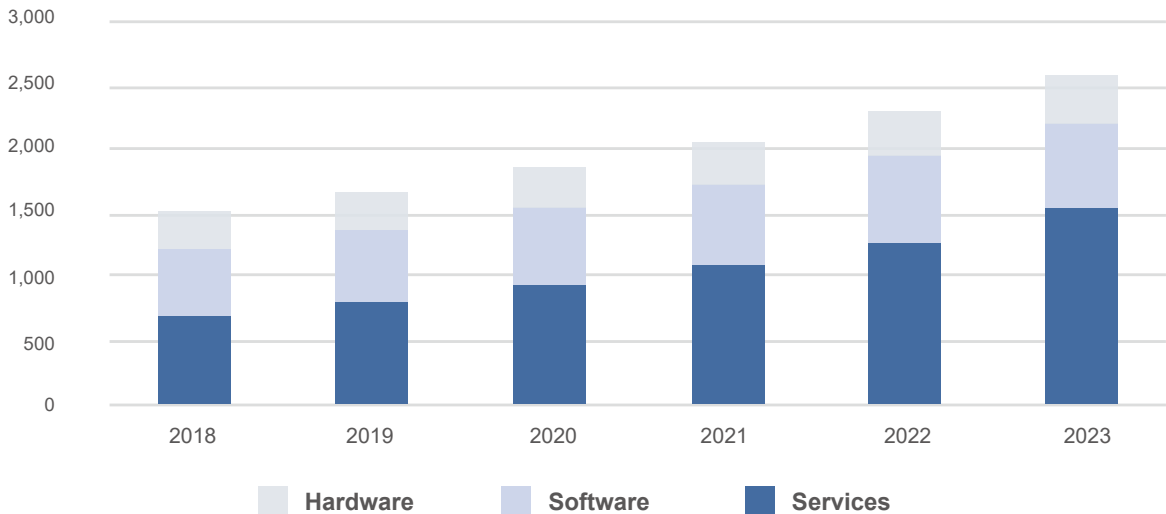
After a fierce battle against the U.S. over the official title of the first country to kick off commercial fifth generation broadband services, S. Korea finally became the winner of the 5G race in April 2019, which enabled Seoul to steadily expand its presence in the global 5G market. In Korea, approximately 13 million people, 18 percent of overall smartphone users, proved to be 5G subscribers, and the number is projected to rise to 18 million by the end of 2021.<sup>3)</sup>

Policymakers in S. Korea, in fact, had initially planned to make an expansion of nationwide 5G coverage until 2025, but reset the deadlines to the year 2022 by forming a public-private partnership with three mobile carriers to continue to build on its lead in the ICT industry and to gain a competitive edge against its global rivals.

5G is more than just a networking service universally accessible in the mobile telecommunications industry. 5G is a more capable wireless technology, further expanding its mobile applications into new realms of vertical industries.

### ■ Outlook of Korea’s Big Data / Data-Analytics Industry (2019-2023)

[Unit: KRW 1 bln]



Source: IDC, 2019

3) MSIT, “Statistics of Wireless Communications Subscribers in Korea” (as of the end of Jan. 2021)

5G is predicted to be the underlying force that drives economic growth and expansion, empowering new deployment models across almost all industries such as smart factories, smart cities, self-driving cars, immersive technologies and digital healthcare applications etc. To prime the pump, the authorities have attracted private investments while helping test and promote 5G-enabled autonomous solutions which include automated manufacturing robots or self-driving vehicles. In the private sector, the top three carriers in Korea are developing their own technologies to usher in immersive experiences and interactions enabled by 5G, forming non-traditional partnerships to deliver targeted services particularly when facing barriers to meet the needs of a specific niche in vertical industries. 5G-based smart hospitals or clinics would probably be the best example to show such cross-sector collaboration to present a new era of healthcare services with connected solutions.

### Government-led Policy to Achieve Early Success in 5G B2B Services

The two main success factors to unlock the full potential of 5G services is to create demand for the

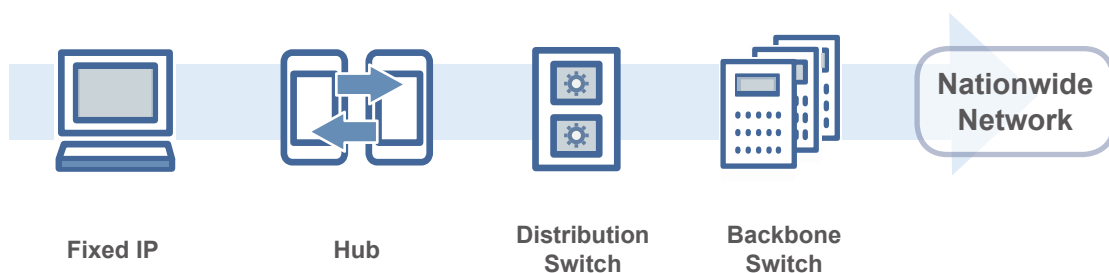
public and to advance network infrastructure using 28 Ghz millimeter wavelength (mmWave) band, which is a widely adopted frequency for 5G. In order to well respond to the post COVID-19 economy, S. Korea has put forward a government-led development policy, the Digital New Deal, devised to create a successful implementation of 5G.

By replacing a wired Ethernet connection (LAN) with 5G across public agencies, the Korean government is working out to provide easier and safer nationwide 5G accessibility. To begin, the project will target four government offices until 2024 and soon spread across the municipalities.

Unlike business-to-consumer (B2C) marketplace platforms, predominantly relying on smartphone applications, business-to-business (B2B) companies with a web presence have high expectations for stronger network infrastructure and better 5G accessibility. Normally, the B2C model uses a mid-bandwidth, low frequency spectrum range of 3.5 Ghz for wider 5G coverage.

But to attain the goals to provide “stronger and better” access to 5G, greater performance with an extended capacity to enable super-fast connectivity, ultra-low latency and extremely high-speed data

#### ■ Present



#### ■ Nationwide 5G Network





transmission rates is required. In this sense, 28 Ghz mmWave frequency band spectrum needs to be fully deployed to harness the potential of 5G.

The S. Korean government recently rolled out a policy plan, “Specialized 5G Services” (Jan. 2021),<sup>4)</sup> that enables non-mobile carriers who haven’t been allowed to facilitate the fifth generation wireless services thus far to become independent network operators (and developers) just as Korea’s top three mobile service providers. To put it another way, the plan opens the door to the delivery and the deployment of private 5G networks that are separable from publicly licensed network services once provided only by the flagship carriers in Korea. Under the revised regulatory guidelines, officials are giving full assistance in an effort to meet the rising demand in the private sector and to improve competitiveness in 5G B2B services.

### Spotlight on Artificial Intelligence: The Future of Technology

Since the Google DeepMind Challenge Match, a Go match between Google’s AlphaGo and Korean Go master Lee Se-dol played on March 2016, captured the world’s attention, artificial intelligence has already disrupted virtually every business practice and has started to expand its adoption and usage even in the art world—what was previously thought rarely possible. Today, many of us already live with A.I.-enabled connected devices or services around us, and interactions with these technologies will become increasingly prevalent.

The market size of artificial intelligence technologies in Korea has grown from KRW 1 trillion in 2018 to KRW 1.5 trillion in 2019, showing an annual average growth rate of 39.9 percent. Maintaining strong growth momentum, the industry is projected to reach an annual average growth rate of 38.5 percent or an estimated worth of over KRW 10.5 trillion in sales by the end of 2025.<sup>5)</sup>

The healthcare sector is perhaps one of the industries where applications of artificial intelligence are the most commonly found. A.I. in healthcare

market is anticipated to reach KRW 25.64 billion in 2020 from KRW 1.79 billion in 2015.<sup>6)</sup>

By scanning health records and database to provide guidance, healthcare A.I. helps medical practitioners make clinical or diagnostic decisions (e.g. A.I. software “Doctor Answer”) and better identify personalized disease treatment and care plans optimally suited to each patient. More recently, it has dramatically cut the time spent on the COVID-19 drug discovery process by which new candidate therapeutic materials and (pre)clinical trials are identified.<sup>7)</sup>

The financial industry is also one of the leading adopters of artificial intelligence. Given its distinctive characteristics of data-intensive services, processing banking transactions and compiling customer data repetitively, widespread adoption of A.I. in finance is likely to be gradually on the rise.

Artificial intelligence is currently making its way not only into front and middle offices (investment portfolio management, face recognition payment solutions, A.I.-associated credit risk management development) but into other realms of banking innovation such as Robotic Process Automation (RPA), a labor-saving software using intelligent algorithms enabling employees to streamline workflow (the equivalent of 1.25 million hours saved annually).<sup>8)</sup>

### Action Plans and Strategies to Become a Leader from Being a Follower in A.I.

According to research published by the Korea International Data Corporation (IDC), the market value of Korea’s artificial intelligence industry is estimated to grow 17.8 percent annually over the next five years, hitting KRW 640 billion in sales by 2023. While S. Korea trails in A.I. due, in part, to a lack of human and technological resources, its unrivaled ICT infrastructure and high educational attainment levels, as well as bold investment strategies and entrepreneurial spirit to dare challenge in both the private and the public sectors can help boost the industry. Having been fully aware that machine learning-based smart technologies will become the next growth engine, S. Korea is taking proactive

4) MSIT, “Specialized 5G Services” (Jan. 2021)

5) Korea Credit Information Services, “Industry Trends of A.I. Technologies: Research Focusing on Key Technology, Market Size and Risks” (Dec. 22, 2020)

6) KIST Convergence Research Policy Center, “Focus” (Jun. 24, 2019)

7) IT Chosun, “Syntekabio COVID-19 Treatment Medicine Found higher pharmacological efficacy than Remdesivir’s” (Sept. 3, 2020)

8) FNTimes, “KB Bank embraced RPA to save 1.25 million working hours” (May 11, 2020)

measures to be among the world leaders in artificial intelligence.<sup>9)</sup>

Coupled with the “Action Plans for the Fourth Industrial Revolution” released in 2017 by the Presidential Committee on the Fourth Industrial Revolution, which lays out a development blueprint to lead development in A.I. and ICT technologies, a government-wide initiative, “National Strategy for Artificial Intelligence” (Dec. 2019) and its sub-projects designed to form an A.I. ecosystem and to stimulate HR training and AI adoption are currently underway.

In addition, the government unveiled an overarching COVID-19 relief package, called the Korean New Deal (Jul. 2020), not only to cushion the economy against the fallout from the pandemic-induced recession but to pave the way for digital transformation across the country.

Furthermore, the Presidential Committee has drawn up the “Ethics of Artificial Intelligence” (Dec. 2020), a guideline to ensure transparency and value-neutrality in the development and adoption of artificial intelligence as people have started to think that moral

rightness, safety, reliability of A.I. is as important as its applicability. The committee also created a roadmap for the regulatory and legal systems assessment in Dec. 2020 to take an agile and systematic approach to the societal and commercial impact of artificial intelligence.

As seen from the above, the government of Korea is making all-out efforts to guide a detailed set of action plans for the development and adoption of A.I. so as to fully support research institutes and businesses.

**By Junhee Jang**

*Senior Manager*

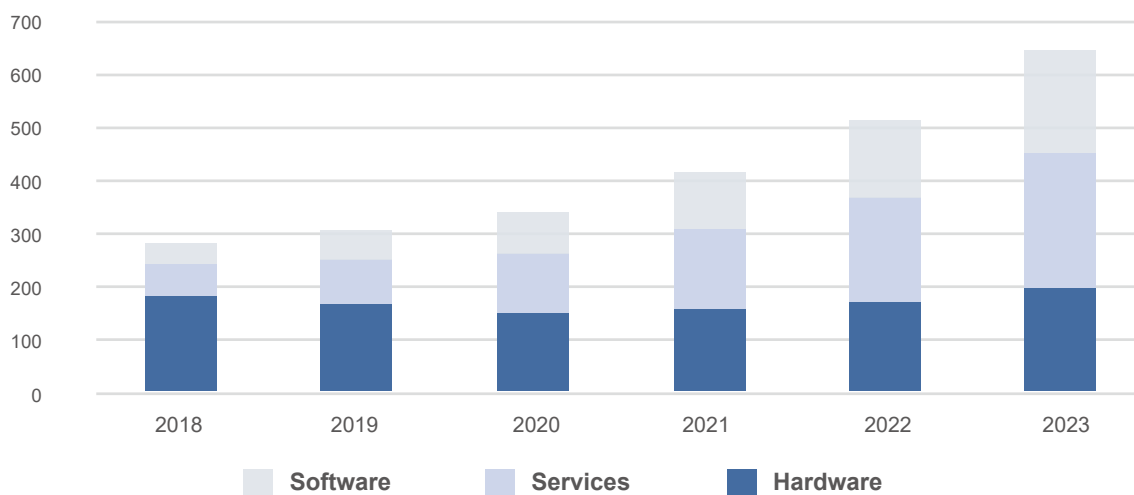
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## ■ Outlook of Korea's Artificial Intelligence Industry (2019-2023)

[Unit: KRW 1 bln]



Source: IDC, 2019

9) IDC, Outlook of Korea's Artificial Intelligence Industry (2019-2023), (Apr. 2, 2020)

Cover Story

A professional headshot of René Koneberg, a middle-aged man with short, dark hair, looking directly at the camera with a slight smile. He is wearing a dark grey suit jacket, a white dress shirt, and a dark patterned tie. A white pocket square is visible in his jacket. The background is a plain, light color.

# René Koneberg

*Managing Director*  
***Audi Volkswagen Korea***



# Transforming the Future of Mobility

*Invest Korea talks to René Koneberg, Managing Director of Audi Volkswagen Korea, to learn more about the company's operations in Korea and his experience doing business here.*

**A**udi Volkswagen Korea (AVK) was established in 2004 through a 100 percent investment by Audi Group, steered by Volkswagen Group in Germany. Under Audi Volkswagen Korea, there are four business divisions—Volkswagen, Audi, Bentley and Lamborghini—which meet the various lifestyles and characteristics of its customers. With approximately 200 employees, AVK is committed to leading the transformation of mobility in Korea, as well as contribute to the sustainable growth of the Korean society. Notably, the company is investing in nurturing talent who will lead Industry 4.0 through its educational and cultural programs under the theme of “TOMOROAD,” which is a combination of “tomorrow” and “road,” representing its efforts to become a trusted partner along the future journey ahead.

René Koneberg was appointed managing director of Audi Volkswagen Korea in 2017, and is currently serving as chairman of the Korea Automobile Importers & Distributors Association (KAIDA). Hailing from Frankfurt, Germany, he has a background in both business and engineering, with a degree in Economics and Mechanical Engineering from the University of Economics & Technology at Gießen-Friedberg. Koneberg has a plethora of experience within the Audi company worldwide, holding positions of Head of Corporate & VIP Sales at Audi Volkswagen Middle East, Sales Director of Audi Sports (former Quattro GmbH), Director of Brand Operations at Audi China, and Managing Director of Audi Hong Kong & Macau, before making his way to Korea.

Read on to learn more about Audi Volkswagen's operations in Korea and René Koneberg's experience doing business here.

## Can you tell us about Audi Volkswagen Korea?

Audi Volkswagen Korea (AVK), which belongs to Volkswagen Group, was established with a 100% investment from Audi Group in 2004.

AVK has four brand divisions—Volkswagen,

Audi, Bentley, and Lamborghini—contributing to the growth of Korea's imported vehicle market by importing and selling a wide range of models that meet the various lifestyles and characteristics of the local customers.

**Last year, AVK launched 54 models across its four brands and returned to the market with sales of over 43,000 units by year's end. What were some key factors that helped the company make such a successful comeback?**

First and foremost, I would like to highlight that AVK improved its organization and process by placing top priority on recovering customer trust over the past three years. We transformed our organization and processes, while strengthening communication between our headquarters and the Korean authorities.

Through such efforts, AVK completed more than 200 homologation projects over three years since 2018 and introduced various new models across our four brands. We have successfully launched a total of 54 new models in 2020 alone across the four brands, and wrapped up the year 2020 with a total of 43,727 vehicle sales in total, doubling our sales from 2019.

We have also focused on laying a solid foundation for our people and corporate culture. Despite difficulties caused by our suppressed sales, we increased our headcount and maintained the entire

dealer network over the last three years. In addition, we introduced various programs to help our employees enhance their competence and maintain a healthy work-life balance.

**Can you share about AVK's business strategy in the Korean market, and plans/vision for 2021?**

AVK provides a wide range of models that meet the various lifestyle and characteristics of our local Korean customers: from Audi, the premium imported car brand; Volkswagen, leading democratization of imported cars; Lamborghini, demonstrating extreme performance; and Bentley, representing ultimate luxury.

In 2021, we plan to have a solid product line-up with the launch of 20+ models across the four brands.

Also, in line with the trends of the global automobile industry—electrification and digitalization—to respond to climate change and carbon neutrality, we will also build up our battery



René Koneberg speaks at AVK Group Digital Media Day. (Photo provided by Audi Volkswagen Korea)



Photo Courtesy of Audi Volkswagen Korea

electric vehicles (BEV) portfolio. With the launch of eight new BEV models within three years, we plan to grow our BEV sales by 10 times to reach 11 percent of our sales in 2023.

With a mix of both internal combustion engine (ICE) and electric vehicle (EV) models, AVK will provide various offerings across different segments.

### **Despite the difficulties over the past three years, no dealership left. What efforts did AVK make to retain and even expand the dealer network in Korea?**

Dealers are very important to AVK and Korea is an important market for our headquarters. AVK has been financially supporting dealers to stabilize their operations together with our HQ office.

With the support of our headquarters, a total of about KRW 268 billion was invested into our dealers. On average, jobs of some 3,700 employees have been maintained since 2016. We also continued to expand our dealer network from 147 to 163 in 2020.

### **How has your company contributed to the country's employment and job creation?**

AVK has been investing in stabilizing employment by fully maintaining jobs across our company in Korea, even despite bouts of sluggish sales since 2015.

AVK made efforts to retain employment and even increased its headcount by over 10 percent during the past three years, which have jumped from 196 employees in 2017 to 217 in 2020.

Now, 83 percent of our senior managers are Korean, which is up by 20 percent compared to 2017. On top of this, 30 percent of our senior managers are female.

### **AVK has been engaged in CSR activities with a focus on education and environment for years. What do you expect to achieve from these activities, and what are some of your upcoming CSR activities for this year?**

We always believe AVK must become a partner



and a part of the Korean society to restore customer trust and market competitiveness, as well as contribute to sustainable growth in Korea.

AVK is helping to enhance the future value of Korean society through its CSR initiative entitled TOMOROAD, which was first unveiled in 2018. It focuses on creating the infrastructure to foster future talent in Korea. While strengthening the software competence of future talent who will lead future mobility and the era of Industry 4.0, we are taking the lead in creating urban forests and resolving environmental issues with social responsibility for climate change and a sustainable future.

We have invested KRW 5 billion over the past two years into CSR activities which are focused on education, culture, environment and local communities, and we plan to invest KRW 5 billion more in the next two years.

Our flagship educational program, “TOMOROAD School,” begun its 1st semester for 2021 in March. Due to the prolonged effects from the coronavirus outbreak, classes are entirely carried out

online.

By entering into an MOU with the National Institute of Special Education (NISE), AVK has also implemented educational programs for disabled students and is carrying out barrier-free TOMOROAD School classes. A total of five special schools have been confirmed for participation in the barrier-free TOMOROAD School and we are recruiting more schools to participate.

Moreover, AVK plans to contribute to addressing climate change and environmental issues in urban areas through the Green School Walkway, the Classroom Forest, and the Companion Tree projects.

*By Grace Park*

*Executive Consultant*

*Investment Public Relations Team*

*Korea Trade-Investment Promotion Agency (KOTRA)*



Photos Courtesy of Audi Volkswagen Korea

# South Korea's First National Artificial Intelligence Industrial Convergence Complex



*The National Artificial Intelligence (AI) Industrial Convergence Complex will be built in Cheomdan District 3 in Gwangju, having an infrastructure for start-ups, research, and human resources development, as well as a world-class artificial intelligence data center. As the AI-based core infrastructure of the Republic of Korea, Gwangju's AI industrial convergence complex is expected to become a forward base, helping the Republic of Korea leap beyond the information and communications powerhouse in the post-Covid-19 era into an AI powerhouse.*



- Quoted from President Moon Jae-in's congratulatory speech at the launching ceremony of the national AI data center, Feb. 4, 2021

The national AI industrial convergence complex will transform the regional industrial structure centered on the manufacturing industry into a future-oriented industrial structure by linking with Gwangju's flagship industries such as automobile, energy, and healthcare. Through this, the national AI industrial convergence complex will become an outpost to create the basis for sustainable and stable future growth.

The national AI industrial convergence complex, which will be built in Cheomdan District 3 in Gwangju, has a land area of 46,200 m<sup>2</sup> and a building area of 24,820 m<sup>2</sup>. The industrial convergence

complex is designed to build a space to create synergy through mutual communication and cooperation, and an AI-specific infrastructure such as a data center and research center. Also, it will promote AI convergence R&D and corporate growth by focusing support on startups and education. Through this, technology, manpower, and companies will come together in the national AI industrial convergence complex to create a small ecosystem of artificial intelligence industrial convergence. Indeed, Gwangju's AI industrial convergence complex will set a good example for Korean AI companies to follow.

## Location Description

The national AI industrial convergence complex to be built in Cheomdan District 3 in Gwangju has accessibility to the Jingok Industrial Complex, Hanam Industrial Complex (automobile), Cheomdan Industrial Complex (energy, healthcare), and the Cultural Industry Investment Promotion District (Cultural Content). Also, major companies like Samsung, LG Innotek, and Kia Motors are nearby.

In addition, various transportation infrastructures such as Honam High-speed Railway (KTX) and five expressways, Gwangju Airport, Muan Airport (international airport), Gwangyang Port, and Mokpo Port increase accessibility to the national AI industrial convergence complex.

## Key Highlights

### 1) National AI data center

- The world's 10th-class data center in terms of computational volume (computational capacity 88.5 PF, storage space 107 PB)

For companies that develop AI products and services, the national artificial intelligence data center provides various services from computing power (IaaS) for AI learning and inference to various software (SaaS) required for the development of AI products and services, which helps companies develop AI products and services swiftly and stably.

### 2) Creation of an AI investment fund worth KRW 109.8 billion (Nov. 2021)

- Completed investment of KRW 27.1 billion as of the end of Feb. 2021

### 3) Artificial intelligence companies and experts that can cooperate

- 81 AI-specialized companies (concluded an MOU in Gwangju City, as of Feb. 3) and produce 360 AI professionals per year

Starting with 155 graduates of the Gwangju Artificial Intelligence Academy, which opened last year, Artificial Intelligence Graduate School and AI Convergence College of Gwangju Institute of Science and Technology (GIST), and specialized training for incumbents will nurture 3,000 artificial intelligence (AI) talents over four years.

### 4) Public facilities and private companies to provide support

- Located in Gwangju R&D Special Zone (Cheomdan Industrial Complex, Jingok Industrial Complex, Nano Industrial Complex), Photonics Industrial Integration Complex, Cultural Industry Investment Promotion District

### 5) Public facilities and private companies to provide support

- Public facilities such as Gwangju AI Startup Camp, Gwangju Creative Economy Innovation Center, Gwangju I-Plex, K-ICT Mentoring Center, and private companies that can provide professional services such as accounting, patents, and laws are located within the complex.

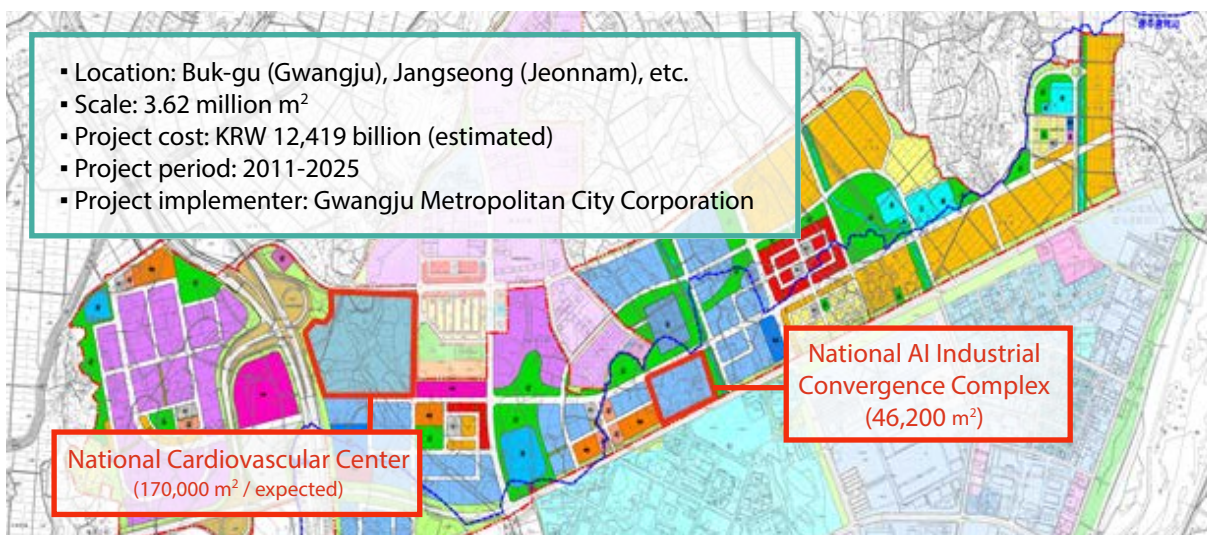
## Location overview



### National AI Industrial Convergence Complex

- Construction period/location: '20-'23 (4 years)
- Location: Cheomdan district 3, Buk-gu, Gwangju
- 1st site: 46,200m<sup>2</sup> (total area: 25,430 m<sup>2</sup>)
  - Data center (3,144m<sup>2</sup>), research space (12,125m<sup>2</sup>), start-up space (10,161m<sup>2</sup>)
  - \* Expansion site: 3,600,000m<sup>2</sup> in total of Cheomdan district 3
- Transportation infrastructure
  - Honam High Speed Rail (KTX): 18km (20 minutes distance)
  - Expressway: 6km (9 minutes distance)

## Site Development Plan (Entire Cheomdan District 3)



### Gwangju Metropolitan City, Cheomdan District 3 (R&D Special Zone)

Type	Total	Industrial Facility Site	Greenery Site	Housing Construction Site	Commercial Business Site	Other Public Site
Composition Ratio (%)	100.0	32.9	21.4	15.1	2.3	28.3
Note	-	Manufacturing Research	-	7,778 household	-	-

**By Park Hyeonho**

General Manager

National Information Society Agency (NIA)

AICA (Artificial Intelligence Industry Cluster Agency)

planman206@gmail.com



# Grib Co., Ltd.

Grib is an AIoT specialized company that provides convergence service solutions based on the AIoT service platform. Its business includes service planning, the development of sensor technology-based hardware, network technology, and service platforms using elementary technologies such as data-based artificial intelligence.

Grib developed and commercialized IoT hub technology of 800-900 MHz (Z-Wave) for the first time in Korea, which contributed to the highest penetration and commercialization of its IoT technology in the domestic market. By supplying IoT hubs, sensors, and devices to 1.5 million households (accumulated subscribers) in the country through LG Uplus (a domestic telecommunications company), Grib has proved its capability and competitiveness and built customer trust and loyalty.

## Capability and Competitiveness

Grib has the capability to do service planning, design in diverse sectors as well as developing hardware and system suitable for diverse customers. It has been growing steadily by developing, verifying and supplying hardware. Grib differentiates itself from other IoT manufacturing and development companies, expanding its business with convergence and total

Grib has been able to release new products with improved performance annually thanks to its R&D efforts. It has succeeded in commercializing its best technology in the domestic AIoT market, obtaining more than 10 major patents of related technologies at home and abroad.

Grib's AIoT hub technology has been distributed the most in Korea including the hub accessible to the AP. In addition, the company has developed a standalone hub that can be used regardless of a carrier, and a hub that has server and platform functions provides IoT services without a separate server, which are patented technologies at home and abroad. Based on its convenient and highly secure innovative technology, Grib has introduced remote management and contactless services to various industries, helping more customers use IoT services.

By using Grib's IoT Gateway and platform, it is possible to automate or remotely control processes that are currently inspected and controlled by humans. Through real-time monitoring, it is possible to immediately respond to fire emergencies and safety accidents, which can be applied to the whole industry.

Furthermore, based on the experience of commercializing its technologies in the domestic and overseas markets and various service references, Grib strives to expand its business overseas by forming a

## Technical Competency for Six Elementary Technologies of the IoT Value Chain



**Communication Module**  
(Z-Wave, Wifi)



**Smart Device**  
(IoT devices)



**IoT Gateway**  
(Compatible with IoT devices)



**IoT Platform**  
(Product Compatibility/ Operation)



**Service Content**  
(UI/UX Service Content)



**IoT Service**  
(Service Operation)

## Grib's IoT devices



partnership with telecommunications and distribution companies in East (South) Asia and Europe. In 2021, Grib plans to enter a foreign market by introducing automatic moisture management and rental housing management services in areas with very high humidity, starting with Hainan Island, China.

## Motivation and Background of Investment Attraction

According to the IoT Analytics Research, the global Internet of Things (IoT) market is expected to be worth USD 1.25 trillion in 2025 from USD 690 billion in 2019. Also, the IoT ecosystem is transforming into an SPND ecosystem where service, platform, network and device are combined. With diverse devices connected, extensive data is collected and this allows data-based intelligent services and data-based artificial intelligence services.

Based on its solid partnerships with government agencies and large corporations along with the experience of stably supplying products and services, Grib has started expanding its services in diverse sectors in 2021. The company's annual service-related sales are expected to increase by more than 50 percent on average. Grib is raising more Sovereign Wealth funds (approximately 11 percent of the stakes) and additional investment by domestic VCs is in progress.

## Future plans

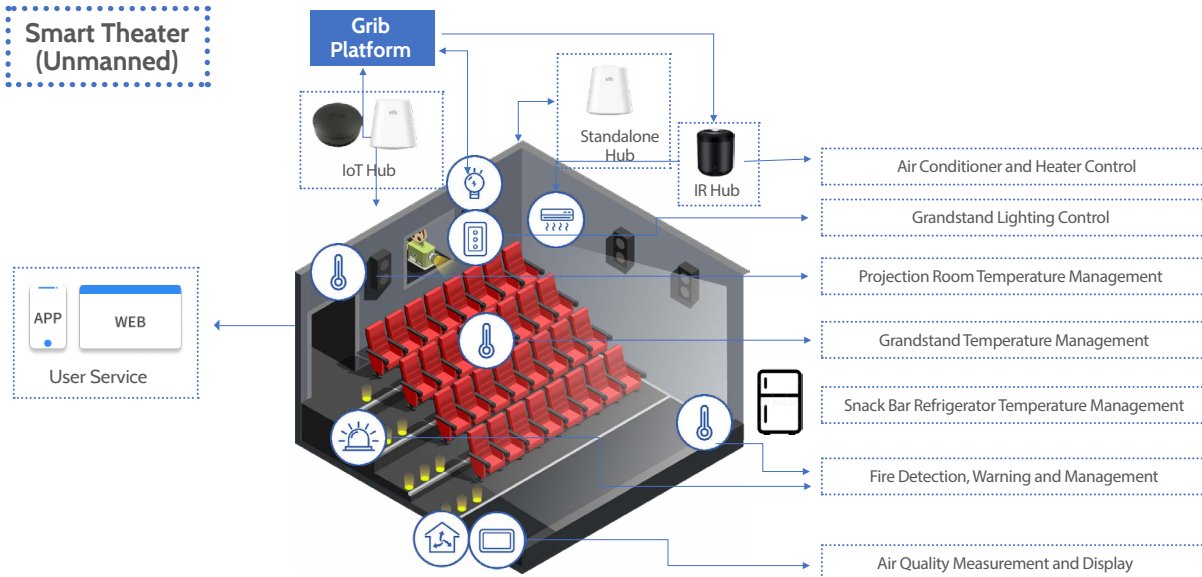
### Domestic Market

- Build more facilities and expand the safety management market in diverse sectors where market demand is increasing and added value is increasing
- Expand remote control and management services in the rental property management market of real estate development companies
- Provide intelligent management services for patients in the hospitals and wards
- Promote and expand smart healthcare projects in preparation for population aging
- Expand the application of artificial intelligence technology through the collection of lifelog data healthcare data

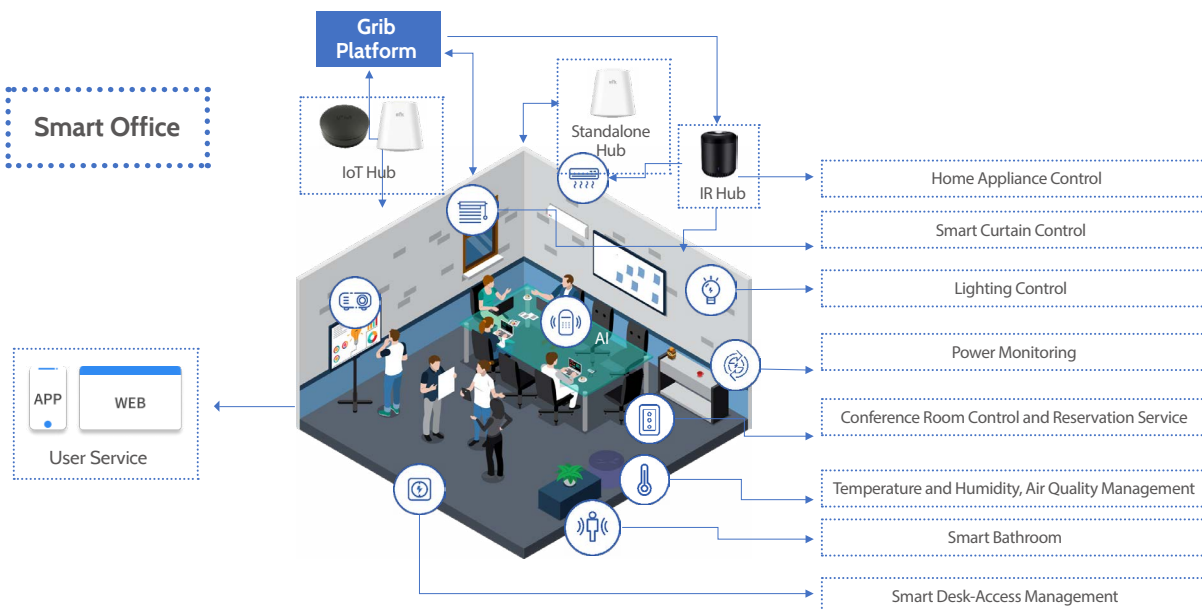
Grib will expand its customer base from the large corporations and public agencies (LGU+, LG Hello, KT, Our Home, CGV, SK D&D, Hyundai Autoever, Seoul, Shinsegae, CJ Freshway, Samsung C&T) to middle-market enterprises along with securing more channels and expanding partnerships with large corporations.

## Grib's Applications

### Smart Theater (Unmanned)



### Smart Office



## Overseas Market

- Launch and expand moisture automatic control and management services in southern China and Southeast Asia
- Supply smart healthcare solutions overseas markets through cooperation with a healthcare company having overseas supply channels
- Secure AIoT service bases in certain countries and regions through the establishment of overseas branches

By Yeonkyu Jung

CEO

Grib Co., Ltd.

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# Invest Korea Market Place

Invest Korea Market Place (IKMP) is an online business matching platform available on Invest KOREA's website with information on approximately 300 Korean companies seeking to partner with foreign investors. This month, KOTRA Express introduces some outstanding companies in Korea's data, network and AI industries.

## COMPANY A



*Mobile network analysis system*

Investment Requirement		Company Profile	
<b>Amount</b>	USD 2 million	<b>Patents and Certificates</b>	Registration of a patent for an apparatus and a method for real-time application performance monitoring based on full-packet processing
<b>Investment Structure</b>	All available	<b>Financial Performance</b>	(Sales) USD 0.31 million (in 2019, Unaudited)
<b>Investment Highlights</b> The company's network analysis system is designed to monitor network performance and find failure causes. It incorporates the network packet collection, storage, analysis, and reporting functions in a single system. Other systems developed by the company involve a mobile network analysis system for distributed network diagnosis, a stationary system for constant monitoring and analysis, and an on-premise system for virtualization and cloud environments.			

## COMPANY B



*Carotid ultrasound screening*

Investment Requirement		Company Profile	
<b>Amount</b>	USD 3 million	<b>Patents and Certificates</b>	Registered (or applied) 33 patents and trademarks at home and abroad, including a "cervical cancer analysis system based on AI."
<b>Investment Structure</b>	Equity investment	<b>Financial Performance</b>	(Sales) USD 0.11 million (in 2019, Unaudited)
<b>Investment Highlights</b> The company provides an optimized AI-based medical diagnosis solution using its own self-developed AI algorithm and advanced data. The AI-based cervical cancer analysis system developed by the company has been certified for compliance with the medical device manufacturing and quality control standard corresponding to class 3 of an item group of biological phenomena measuring devices. This system developed by the company analyzes the risk of cerebral apoplexy using carotid ultrasonography, and is a medical device corresponding to class 2 of an item group of biological phenomena measuring devices. Currently, the device is undergoing clinical testing by multiple institutions (university hospitals), and the company plans to obtain a KFDA permit.			

For more information please e-mail [ikmp@kotra.or.kr](mailto:ikmp@kotra.or.kr), or visit the Invest Korea Market Place page on [www.investkorea.org](http://www.investkorea.org).



# What is the “object of investment” recognized as foreign investment?

Every month, Invest Korea provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.



**What is the “object of investment” that is recognized as foreign investment?**



The term “object of investment” means any object in which a foreign investor invests in order to possess stocks, etc. pursuant to Article 2(1)8 of the Foreign Investment Promotion Act, and which falls under any of the following:



- A means of international payment as defined under the Foreign Exchange Transactions Act or a means of domestic payment incurred by the exchange of such a means of international payment
- Capital goods
- Proceeds from stocks, etc. acquired under the Foreign Investment Promotion Act
- Industrial property rights, intellectual property rights prescribed by Presidential Decree, other technologies corresponding thereto, and rights pertaining to the use of such rights or technologies
- Where a foreigner closes his/her own branch or office located in Korea and converts the branch company or office into another domestic corporation, or where a domestic corporation, the stocks of which are held by a foreigner, is dissolved, the residual property to be distributed to the foreigner upon liquidation of such branch, office, or corporation
- The amount of redemption of loans prescribed by the Foreign Investment Promotion Act or of other loans from foreign countries
- Stocks prescribed by Presidential Decree
  1. Stocks of foreign corporations listed or registered on foreign securities markets
  2. Stocks held by foreigners under the Foreign Investment Promotion Act or the Foreign Exchange Transactions Act
- Real estate located in Korea (required to submit documents certifying the transaction pursuant to the Foreign Exchange Transactions Act)
- Other means of domestic payment prescribed by Presidential Decree (Proceeds from the sale of stocks, etc. of a Korean corporation or a company or of real estate owned by a foreigner pursuant to the Foreign Investment Promotion Act or the Foreign Exchange Transactions Act)

*If you have further questions please contact*



**+82-1600-7119**

*or visit*



**[www.investkorea.org](http://www.investkorea.org)**

# Korea 101: Country Overview

*Living in Korea*, published by the Investment Consulting Center, provides necessary information and helpful tips for day-to-day life in Korea. Here's what's featured this month.

## Overview of South Korea

<b>Official Name</b>	The Republic of Korea	<b>Capital</b>	Seoul
<b>Area</b>	100,339.4 km <sup>2</sup> (107th in the world)	<b>Population</b>	51,780,579 (Statistics Korea, 2020)
<b>Language</b>	Korean	<b>Currency</b>	won (KRW)
<b>Standard ime</b>	GMT + 9*	<b>Religion</b>	Protestant, Buddhist, Catholic, etc.

e.g. 16:00 in Korea = 02:00 in US Eastern Time (-14 hours), = 15:00 in China (-1 hour) = 16:00 in Japan (-0 hour)

## National Flag and National Flower

The national flag of Korea is called Taegeukgi, and is composed of a white rectangular background, a Taegeuk pattern in the middle, and four trigrams with one toward each corner. The white background represents Koreans' ethnic characteristics such as brightness, purity, and peace. The taegeuk pattern in the middle symbolizes the harmony of yin (blue) and yang (red). Each of the four trigrams represents one of the four classical elements such as heaven (geon), earth (gon), water (gam) and fire (ri). They together represent movement and harmony driven by the fundamental principles of yin and yang. The most representative flower of Korea is called mugunghwa (rose of sharon) in Korean. It grows well anywhere, and once it blooms, it keeps flowering for three months, for which it has become Korea's national flower.



Flag of Korea - Taegeukgi



National Flower of Korea - Mugunghwa

## Currency

### (1) Unit of Currency

The Korean currency is won (KRW or ₩). Its average exchange rate for 2019 is as follows:

USD 1 = KRW 1,212.20 / €1 = KRW 1,341.48 / ¥100 = KRW 1,137.21

### (2) Coins, Banknotes and Checks

Coins are in denomination of KRW 10, 50, 100 and 500. Notes are in denomination of KRW 1,000, 5,000, 10,000 and 50,000. You can issue checks for KRW 100,000 or more.



10 won



50 won



100 won



500 won



1,000 won



5,000 won



10,000 won



50,000 won



100,000 won

If you have further questions please contact



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# To Higher Heights

## K-drama's Global Boom

Whether by choice or quarantine due to COVID-19, homebodies worldwide are discovering gems of Korean dramas, especially on Netflix. From “Crash Landing on You” to the “Reply” series, works feature themes of warm romance to preternatural fantasy and gripping crime thrillers, and are apparently good enough to make international viewers overlook the nuisance of subtitles. Many K-dramas have also inspired remakes around the world, signaling even grander prospects for the industry.

## Falling For Hallyu

The dramas “Autumn in My Heart” (2000) and “Winter Sonata” (2003) were the initial triggers of Hallyu, or the Korean Wave. The success formula for K-dramas at the time was simply romance; doctors fell in love in a medical drama while lawyers did in a legal drama. Bae Yong-joon, the lead actor in “Winter Sonata,” grew so popular in East Asia that he became the first Korean celebrity to be featured in the textbooks of Taiwan and Japan. His nickname “Yonsama” earned from his Japanese fans cemented his overwhelming popularity. A decade after “Autumn”

was broadcast in Korea, the Chinese remake “Fall in Love (一不小心爱上你)” came out in 2011.

Another K-drama, “I’m Sorry, I Love You” (2004), spurred a Chinese remake as a film and a Japanese one as a series. “Temptation to Go Home (回家的誘惑),” the 2011 Chinese remake of the 2008 K-drama “Temptation of Wife” (2008), starred Korean actress Choo Ja-hyun as the lead in her China debut. The remake was the highest rated of any drama aired in China in the decade, surpassing fellow K-drama giant “Jewel in the Palace.”

## Hard-hitting Reality

“The Good Doctor,” which debuted in 2013, is the first Korean drama to be remade by Hollywood. Starring actor Freddie Highmore from “Charlie and the Chocolate Factory” (2005) and “August Rush” (2007), the American version in 2017 was the most viewed TV show in its time slot and ABC’s best



© Courtesy of CJ ENM



© Courtesy of CJ ENM

received work in 13 years. Three seasons of the drama have been produced, with a fourth slated per popular demand. “The Good Doctor” is about a young surgical resident who is an autistic savant and his condition fuels conflict with his coworkers and patients. The multiethnic composition of the cast also reflects the series’ localization in American society, boosting its value vis-a-vis inclusivity and relatability.

“Misaeng: The Incomplete,” which debuted in 2014, was remade in Japan in 2016. The drama is characterized primarily by the sorrows (and a few joys) of the workplace. The two East Asian nations have in common a problematic office culture and social and gender sensibilities. The Japanese adaptation was hailed in Japan as “a must-see for modern-day workers” and “the best drama of the quarter,” and scored the highest ratings in drama satisfaction among shows in the same time slot.

The coming-of-age drama features an inept rookie in the corporate world. Often competitive and ruthless, he navigates the myriad day-to-day existence in corporate life showing a reality both Japanese and Korean viewers are all too familiar with. In that sense, “Misaeng” is often considered truer than reality thanks to its chillingly relatable moments.

## Expanding Terrain

Korean dramas command a definitive presence in all drama narratives. “Guardian: The Lonely and Great God,” which ran from 2016-17, is a fantasy utilizing mythical elements of Korean folktales like gods, goblins and the afterlife. Traditional depictions of goblins as tricksters or monster-like beings inducing



fear received a makeover in this series. And the choice of the unwillingly immortal goblin of love over the death he so yearned for drew emotional reactions on a universal level.

When the 2017 K-drama “Stranger” was domestically aired, Netflix secured the exclusive global rights for release to 190 nations. Mike Hale of The New York Times called it one of the best TV shows of 2017. Its tightly knit plot, power struggles and breathless quest to uncover the criminal are as engaging as its profound social implications. Both “Guardian” and “Stranger” have amassed legions of foreign fans eagerly awaiting sequels or localized remakes.

“Signal” (2016) especially captivated Japanese fans of the detective genre. Though the Korean original was aired in Japan, the Japanese remake “Signal: Long-Term Unsolved Case Investigation Team” was produced in 2019. Featuring an original soundtrack by BTS, the remake flaunted an intricately



© Courtesy of CJ ENM



© Courtesy of CJ ENM

knit storyline and cinematic magic that earned accolades of Korean narratives being of impeccable quality.

“Hotel Del Luna” (2019) is set at a hotel that caters only to guests and management personnel in the afterlife. The show’s producer Studio Dragon and Hollywood’s Skydance Television have teamed up to produce the U.S. remake. Though Korean dramas have attracted many remake deals, “Hotel” is the first to have producers of the original help with the overseas remake.

With this year marking the 20th anniversary of the Hallyu boom, K-dramas have scored hit after hit over the two decades through the display of authentic Korean sentiment and universal themes. Amid the explosive growth of Korean content abroad, K-drama’s expansion on the global stage seems boundless.

Source: “To Higher Heights” Written by Kim Samuel, KOREA (August 2020), Korean Culture and Information Service (KOCIS)  
Photos courtesy of CJ ENM

# Investment Under Rate Normalization

Definitely, one of the hottest issues arousing concern in the financial world right now is the rate surge from the U.S. To the surprise of many, the yields for long term treasury bonds have soared since last summer, rendering the yield curve yet steeper than any time in recent memory. The 10-year bond yield more than doubled from 0.60 percent last July 2020, to 1.50 percent in February 2021, and the 30-year yield jumped up from 1.20 percent to 2.3 percent for the same period.

Actually, there are basically two reasons behind this rate episode. One is the worry about inflation. Inflation has been forgotten for some time, especially since the great recession in 2008, but recent volatility in commodity prices have awakened this long dormant ghost all around the globe. Prices of corn, soy bean, copper and nickel rose more than 50 percent year on year, and prices of oil and wheat spiked up more than 30 percent. There have been debates as to why commodity prices have been trembling since last summer. Some have argued that the anticipated global economic recovery after the COVID-19 vaccines has caused increased demand, while others have contended that recent commodity prices just reflect short term market volatilities. Whatever the reason, it is hard to deny that the price and inflation haunt surrounds us.

The other less conspicuous, but more pertinent fact is that many scholars in and around the Fed have warned about the potential financial vulnerability caused by excessively low rates since 2018. Some of these academic reports were published in August 2020, matching the time of the rate spike. It is no secret that some members in the Fed, especially in the FOMC, have long favored the rate hike, manifesting that too low a rate will only feed excessive speculation in the stock markets, and eventually jeopardize financial stability. These so called “the hawkish” have been quite silent under former President Donald Trump, but the situation has changed dramatically with the new

Biden administration. Many high ranking officials in the Fed as well as Treasury Secretary Yellen are believed to share the view that rates have been too low, and that the stock markets have been too over heated. Of course, the authorities of the new administration could not explicitly exercise coup de main in the financial markets, but certainly, they will not arbitrarily lower the rates as the Fed under Trump had done.

What it all amounts to say is that a new normal of higher rates have arrived. It is not quite clear how further the rates will surge, but it is certain that they won't come down. The global economy, especially investment, has to adapt to a higher rate environment. The expected return on investment has become an ever more important factor in making decisions. Maybe it has become more difficult to finance investments in a higher rate world, but it would create a generally enhanced mood in search of the best possible investments. This heightened awareness of sound and profitable investment opportunities is a desirable normalcy that can be expected of this higher rate environment.



**By Professor Se Don Shin**

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*\* The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.*



# Economic Indicators

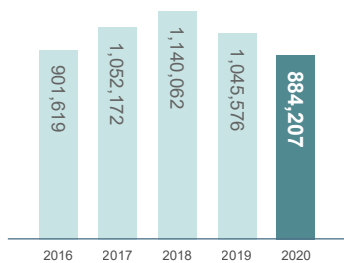
Here are some of Korea's major economic indicators that provide an overview of the country's recent economic developments.

## Source:

International Monetary Fund (IMF), Bank of Korea (BOK), Korea International Trade Association (KITA), Ministry of Trade, Industry and Energy (MOTIE)

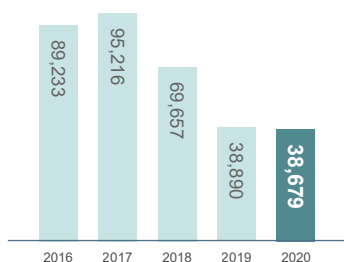
## Trade volume

(Unit: USD million)



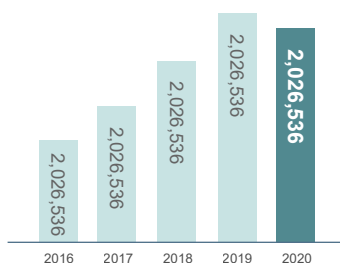
## Trade balance

(Unit: USD million)



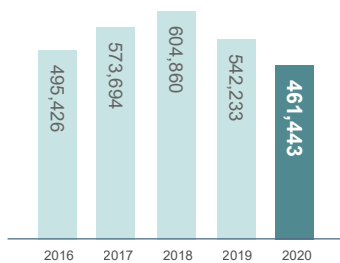
## GDP

(Unit: USD million)



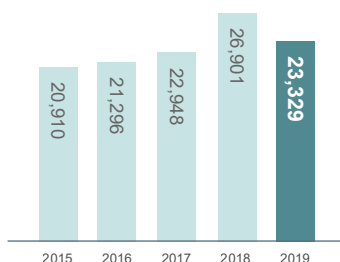
## Exports

(Unit: USD million)



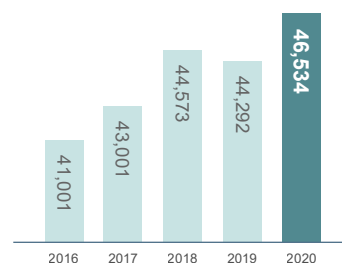
## FDI

(Unit: USD million)



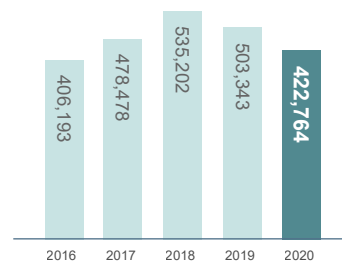
## Per capita GDP

(Unit: USD)



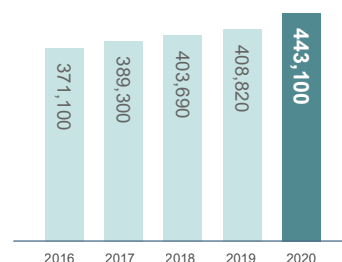
## Imports

(Unit: USD million)



## Foreign exchange reserves

(Unit: USD million)



# Foreign Company Meeting Day

“Foreign Company Meeting Day” is a monthly event that supports one foreign company to directly meet and communicate with interested job seekers for two hours. Invest KOREA provides all the related services to host the event and foreign companies only need to provide a recruiting plan presentation to participate in this great opportunity to meet potential employees.

For any questions or more information, please contact Invest KOREA via e-mail ([haeyun.kim@kotra.or.kr](mailto:haeyun.kim@kotra.or.kr)) or phone (+82-2-3460-7829).

Visit <https://blog.naver.com/bestfic> for additional information.



KOTRA and Dräger holds Foreign Company Day on Feb. 22 at Invest KOREA Plaza in Seoul, Korea.

## kotra × Foreign-Invested Company Foreign Company Meeting Day



## Invest KOREA's Services

### Foreign Investment Ombudsman

The Office of Foreign Investment Ombudsman is an organization established in 1999 to provide close aftercare support and grievance resolution services for foreign-invested companies, and is dedicated to resolving any difficulties that foreign-invested companies face while doing business in Korea.

### One-Stop Service for Foreign Investors

The Inbound Investment Consulting Department not only assists foreign investors and foreign-invested companies in the investment review and implementation stage, but also offers customized services to help foreign investors and their families get comfortably settled in Korea.

### Invest Korea Market Place (IKMP)

IKMP is a project aimed at discovering promising Korean SMEs seeking to attract foreign investment and matching them with foreign investors who have compatible needs. Projects looking for investment are posted on our website at [www.investkorea.org](http://www.investkorea.org).

### Job Fair for Foreign-Invested Companies

IK organizes regular job fairs to help foreign-invested companies discover qualified local talent, and job seekers find employment through job consultations, on-site interviews, and more.



## KOTRA's Overseas Network

*KOTRA has 127 overseas offices and 10 headquarters worldwide*

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