

# Invest KOREA

**May 2024**

**Korea, Setting Its Eyes on Creating a Clean Hydrogen Market**  
**Bukpyeong National Industrial Complex**  
**Corporate Value-Up Program**

## **Foreign Companies and Trade Minister Meet to Discuss FDI Strategies**



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# Economic Trends

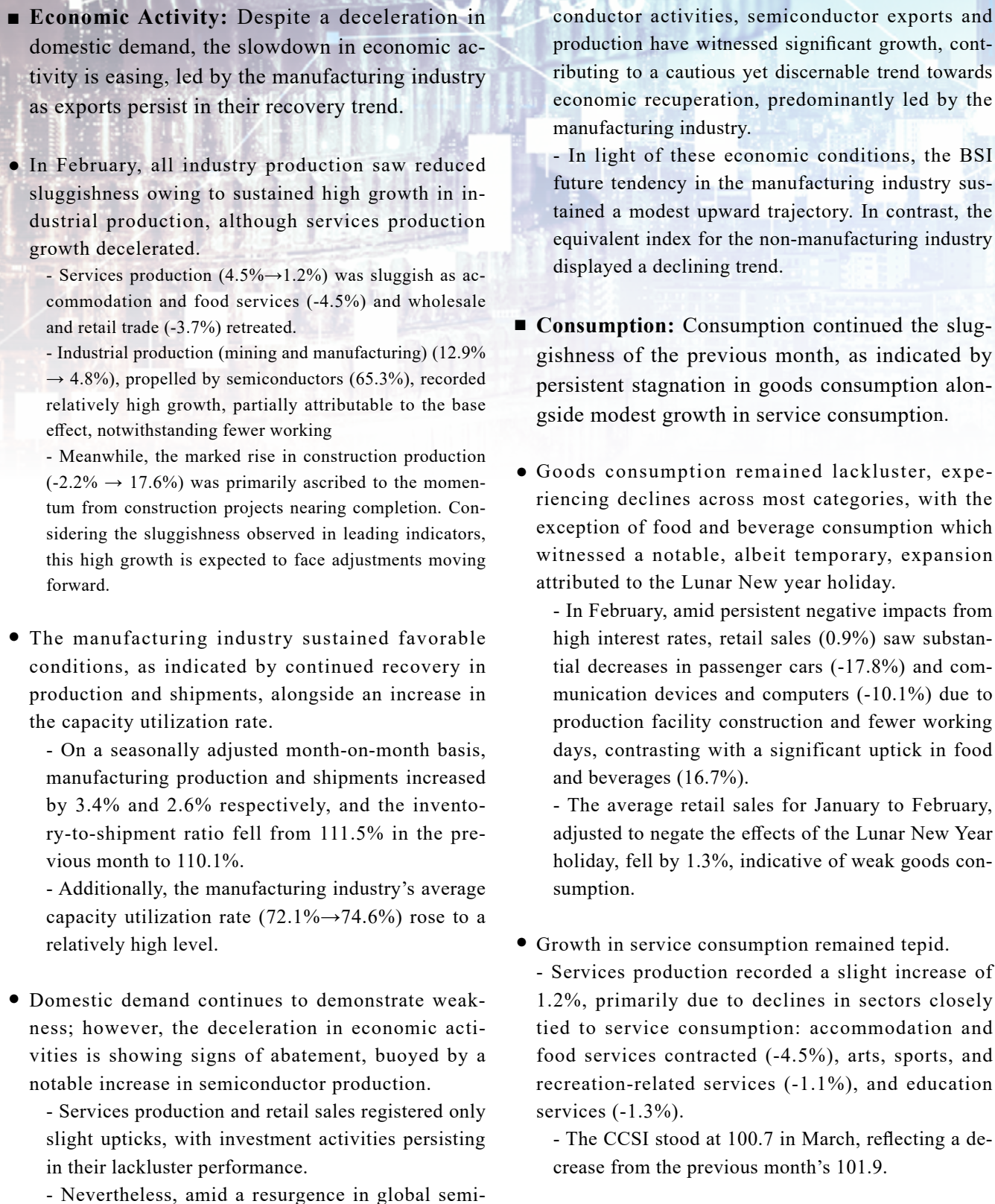
*Here's a look at Korea's major economic indicators that provide an overview of the country's recent economic developments.*

## Summary and Assessment\*

- The Korean economy is experiencing a moderate downturn, buoyed by rapid growth in exports, particularly from the IT sector, even as domestic demand recovery lags.
- The strong rebound in global semiconductor activities has led to a significant increase in exports, which in turn is helping to mitigate the contraction in economic activity.
  - As the slowdown in global trade gradually dissipates, export conditions are demonstrating overall improvement.
  - The continued recovery in semiconductor activity has resulted in a substantial increase in related exports and production, positively influencing some financial indicators, including stock prices.
- However, consumption remains weak, particularly in goods consumption, as financing conditions are not improving due to persistent high interest rates.
  - Consequently, employment conditions are undergoing partial adjustments, and the underlying trend of price increases is gradually slowing.
  - Although equipment investment exhibited some positive signs, particularly in the semiconductor industry, construction investment, which had previously surged due to a rise in projects nearing completion, is now experiencing a slight moderation.
- Meanwhile, external risk factors persist, such as the escalating international oil prices and transportation disruptions precipitated by geopolitical tensions.

\*All growth figures are on a year-on-year basis unless otherwise noted. This document is an English translation of the original Korean version; the Korean version takes precedence in case of any ambiguities or discrepancies.



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- **Economic Activity:** Despite a deceleration in domestic demand, the slowdown in economic activity is easing, led by the manufacturing industry as exports persist in their recovery trend.
  - In February, all industry production saw reduced sluggishness owing to sustained high growth in industrial production, although services production growth decelerated.
    - Services production (4.5%→1.2%) was sluggish as accommodation and food services (-4.5%) and wholesale and retail trade (-3.7%) retreated.
    - Industrial production (mining and manufacturing) (12.9% → 4.8%), propelled by semiconductors (65.3%), recorded relatively high growth, partially attributable to the base effect, notwithstanding fewer working
    - Meanwhile, the marked rise in construction production (-2.2% → 17.6%) was primarily ascribed to the momentum from construction projects nearing completion. Considering the sluggishness observed in leading indicators, this high growth is expected to face adjustments moving forward.
  - The manufacturing industry sustained favorable conditions, as indicated by continued recovery in production and shipments, alongside an increase in the capacity utilization rate.
    - On a seasonally adjusted month-on-month basis, manufacturing production and shipments increased by 3.4% and 2.6% respectively, and the inventory-to-shipment ratio fell from 111.5% in the previous month to 110.1%.
    - Additionally, the manufacturing industry's average capacity utilization rate (72.1%→74.6%) rose to a relatively high level.
  - Domestic demand continues to demonstrate weakness; however, the deceleration in economic activities is showing signs of abatement, buoyed by a notable increase in semiconductor production.
    - Services production and retail sales registered only slight upticks, with investment activities persisting in their lackluster performance.
    - Nevertheless, amid a resurgence in global semiconductor activities, semiconductor exports and production have witnessed significant growth, contributing to a cautious yet discernable trend towards economic recuperation, predominantly led by the manufacturing industry.
  - In light of these economic conditions, the BSI future tendency in the manufacturing industry sustained a modest upward trajectory. In contrast, the equivalent index for the non-manufacturing industry displayed a declining trend.
  - **Consumption:** Consumption continued the sluggishness of the previous month, as indicated by persistent stagnation in goods consumption alongside modest growth in service consumption.
  - Goods consumption remained lackluster, experiencing declines across most categories, with the exception of food and beverage consumption which witnessed a notable, albeit temporary, expansion attributed to the Lunar New year holiday.
    - In February, amid persistent negative impacts from high interest rates, retail sales (0.9%) saw substantial decreases in passenger cars (-17.8%) and communication devices and computers (-10.1%) due to production facility construction and fewer working days, contrasting with a significant uptick in food and beverages (16.7%).
    - The average retail sales for January to February, adjusted to negate the effects of the Lunar New Year holiday, fell by 1.3%, indicative of weak goods consumption.
  - Growth in service consumption remained tepid.
    - Services production recorded a slight increase of 1.2%, primarily due to declines in sectors closely tied to service consumption: accommodation and food services contracted (-4.5%), arts, sports, and recreation-related services (-1.1%), and education services (-1.3%).
    - The CCSI stood at 100.7 in March, reflecting a decrease from the previous month's 101.9.



■ **Equipment Investment:** Equipment investment remains subdued, yet some indicators display encouraging signs, supported by the resurgence in the semiconductor sector.

- In February, equipment investment (3.8%→-0.3%) showed persistent low growth, demonstrating sluggishness.
- Leading indicators remained in a slump, led by machinery.
- However, semiconductor-related equipment investment experienced a partial improvement as semiconductor activity rebounds.

■ **Construction Investment:** Construction investment continues to slow down, with related leading indicators persisting in a slump.

- The value of construction completed (constant) in February recorded slow growth (18.2% → 0.5%), affected by the base effect combined with a slight moderation in the factors that contributed to the previous month's surge.
- Construction orders received and building permit area, two leading indicators, continue to slide by a large margin, suggesting a potential continuation of the slowdown in construction investment going forward.

■ **Prices:** Headline inflation remained unchanged from the previous month while underlying inflation persists in its deceleration, reflecting sluggish consumption.

- In March, despite weak demand, headline inflation was recorded at 3.1%, the same as the previous month due to growing supply-side inflationary pres-

ures.

\*Dubai oil prices (%): (Jan. '24) -2.0 → (Feb.) -1.5 → (Mar.) 7.2

- Meanwhile, as service prices (2.5%→2.3%) reported a reduced increase due to weak consumer spending amid elevated interest rates, core inflation (2.5%→2.4%) continues to decelerate.

## Foreign Direct Investment

**Alibaba eyes USD 145 mn investment in Korean fashion app ABLY**

S. Korean style commerce platform ABLY, which is aiming to attract global investments totaling around KRW 200 billion (USD 145 million), recently received from Alibaba, the parent company of the Chinese e-commerce platform AliExpress, for an investment of around KRW 100 billion.

According to industry sources on Apr. 22, ABLY is currently in discussions for invest-

ments with various entities including the Ontario Teachers' Pension Plan (OTPP) from Canada, global investment firm Permira, and Alibaba.

ABLY is reportedly valued at KRW 2 trillion by investors and if the investment agreement goes through, Alibaba is expected to secure a stake of around 5 percent in ABLY, the Chinese company's first investment in the Korean e-commerce sector.

## Trade &amp; Commerce

**Korea's Q1 economic growth at over 2-year high on exports recovery**

S. Korea's economy grew at the fastest pace in over two years in the first quarter of the year on the back of a continued recovery in exports and a rise in construction investment, central bank data showed on Apr. 25.

The country's real gross domestic product—a key measure of economic growth—increased at a higher-than-expected rate of 1.3 percent on-quarter in the January-March period, according to preliminary data from the Bank of Korea (BOK).

On a yearly basis, S. Korea's economy advanced 3.4 percent in the first quarter, higher than the 2.2 percent growth for the last quarter of 2023.

The country's exports climbed 0.9 percent in the first quarter, slowing from the previous quarter's 3.5 percent gain, while imports declined 0.7 percent from a 1.4 percent increase the previous quarter.

**Korea's cosmetics exports hit record USD 2.3 bn in Q1**

S. Korea's cosmetics exports soared nearly 22 percent to an all-time high of USD 2.3 billion in the first quarter of 2024, mainly driven by strong demand for skincare products, data showed on Apr. 3.

According to the Korea Customs Service, the country's cosmetics exports totaled USD 2.3 billion in the January-March period, up 21.7 percent from the same period a year ago. It marks the highest figure for the first quarter.

Cosmetics exports hit an all-time high of USD 9.22 billion in 2021, but fell to USD 7.98 billion in 2022 amid weak demand in China.

Exports, however, rebounded to USD 8.49 billion in 2023 and has been continuing its upward trend in 2024.

The customs agency attributed the rise to the global popularity of K-beauty amid growing interest in Korean culture.

## Industry

**S. Korea's internet industry surpasses KRW 600 in sales in 2022: data**

S. Korea's internet industry saw its revenue surpass KRW 600 trillion (USD 435.5 billion) for the first time in 2022, data showed on Apr. 22.

The total sales of the local internet industry reached KRW 622.1 trillion in 2022, up 16.6 percent from KRW 533.7 billion a year ago, according to data compiled by the Korea Internet Corporations Association (KICA).

The internet industry accounted for 13.5

percent of the country's total industry sales of KRW 4.6 quadrillion for the year.

The industry's annual growth pace of 16.6 percent outpaced other key sectors of Asia's fourth-largest economy, such as the manufacturing sector, which posted 16.4 percent, and the wholesale and retail industry with 12.9 percent.

## Industry

**Korea's IoT market grows by USD 1.5 bn every year: Survey**

S. Korea's Internet of Things (IoT) industry is growing by nearly KRW 2 trillion (USD 1.45 billion) every year as the number of Internet-connected devices increases.

According to a survey conducted by the Ministry of Science and ICT on Apr. 21, the country's IoT industry's revenue was estimated at about KRW 25.12 trillion in 2023, up by about 7.7 percent a year ago.

The figure has been growing rapidly every year since 2021, when it surpassed the KRW

20 trillion mark on the back of the increasing number of devices connected to the internet and the growing number of fields applying IoT, such as connected cars and remote metering.

The country's three major telecommunications companies - SK telecom Co., KT Corp., and LG Uplus Corp.- which provide services for businesses such as remote metering, including lines for IoT, are also engaged in competition for the IoT industry.

## Government &amp; Policy

**Korean gov't launches startup fund to boost venture ecosystem**

S. Korea's Ministry of SMEs and Startups launched a startup fund on Apr. 24 in a move to boost venture investments.

According to the ministry on Apr. 24, it held a ceremony to launch the Startup Korea Fund, a fund created jointly by the government and large corporations, financial institutions, and small and medium-sized enterprises.

The fund is characterized by the government providing enhanced incentives such as priority loss coverage, co-growth evaluation bonuses, and government awards to encourage more aggressive venture investments

from the private sector.

In general, government-funded venture capital investments involve the government contributing around 60 percent of the funds, but the Startup Korea Fund operates with 30 percent of government funding and 70 percent of private sector investment.

This year, 21 private investors will invest more than KRW 300 billion (USD 219.4 million) combined, with the government contributing over KRW 200 billion, totaling more than KRW 500 billion in joint public-private investments.

**Korea reveals AI, bio, quantum tech roadmap**

The S. Korean government identified artificial intelligence (AI) and chips, advanced biotechnology, and quantum technology as the top three game-changing technologies and unveiled plans to strengthen investment and the value chain in these sectors by 2030.

The government's goals are part of the three game-changer initiatives that were formed following a meeting of the Presidential Advisory Council on Science and Technology on Apr. 25.

The AI and chip initiative aims to enhance

national competitiveness in AI to maintain and elevate the brand power of Korean semiconductors.

To foster innovation across all AI and chip domains, the government identified nine technological tasks, including the development of artificial general intelligence (AGI) and lightweight, low-power AI technology.

The government aims to increase the number of quantum technology companies from about 80 in 2022 to 500 by 2030.





## Korea, Setting Its Eyes on Creating a Clean Hydrogen Market

*The year 2024 is a crucial year for Korea's clean hydrogen economy. This year, the country will launch two monumental programs to promote the production and use of clean hydrogen and create the necessary infrastructure. The first is the Clean Hydrogen Certification System, and the second is the Clean Hydrogen Portfolio Standards (CHPS). Both schemes will be fully implemented in 2024 and their organic connection is expected to provide strong momentum across the clean hydrogen value chain.*

### Status of Korea's Hydrogen Industry

Since the announcement of the 1st Master Plan for the Implementation of the Hydrogen Economy in November 2021, Korea has announced a number of clean hydrogen-related policies, including the Plan for Creating a Clean Hydrogen Ecosystem and the Strategy for Fostering the World's No. 1 Hydrogen Industry, as well as convening the 5th Hydrogen Economy Committee in November 2022. In December 2023, the Clean Hydrogen

Certification System Operation Plan and the Strategy for Fostering Small-scale Hydrogen Industry Sectors, were discussed as the main agenda of the 6th Hydrogen Economy Committee. Based on the Korean government's strong commitment, the country's hydrogen industry is growing continuously. The number of hydrogen specialist companies designated by the government to foster the hydrogen industry was only 32 in early 2022, but grew to 91 by early 2024, tripling in just two years.

## Status of Korea's Hydrogen Industry (as of December 2022)

Sector	Percentage (%)	Percentage by company size (%)				Sales of the hydrogen sector (million won)	Investment in the hydrogen sector (million won)
		Large-sized	Medium-sized	Small-sized	Others		
Hydrogen production	12.8	14	14	71.7	0.3	2,688,619	1,503,186
Hydrogen distribution	25.8	2.5	5.8	88.8	2.8	1,108,846	106,358
Hydrogen utilization	46.6	12.1	19.3	63.3	5.3	8,090,684	1,799,939
Hydrogen-related services	14.8	5.8	9.8	54.5	29.9	611,345	737,373
Total	100	-	-	-	-	12,499,494	4,146,856

\*Source: Hydrogen Economy Portal ([https://www.h2hub.or.kr/main/stat/stat\\_abroad\\_ecosystem.do](https://www.h2hub.or.kr/main/stat/stat_abroad_ecosystem.do))

According to the Hydrogen Economy Portal (h2hub.or.kr), the total revenue of the hydrogen industry in 2022 is estimated to be KRW 12.5 trillion, up 51% from 2021. In the same year, the total investment in the hydrogen industry is estimated to be KRW 4.1 trillion, up 418% from the previous year. The number of workers in the hydrogen industry was confirmed to be about 34,380, and those in the hydrogen utilization sector accounted for more than 63%. The high share is believed to be driven by the steady increase of hydrogen vehicles and hydrogen refueling stations, which are the main areas of Korea's hydrogen use.

As of March 2024, there were 34,872 hydrogen vehicles registered in Korea, with passenger cars accounting for the majority. However, it is expected that more hydrogen vans, cargo vehicles, and special-purpose

vehicles will be supplied in accordance with the government's aggressive policy to encourage hydrogen vehicles for commercial use. In Korea, commercial hydrogen refueling stations have been built at a rapid pace since 2022 to reach a total of 290 stations in February 2024.

## Introduction of the Clean Hydrogen Certification System to Promote Clean Hydrogen Production

In December 2023, Korea announced the official implementation of the country's hydrogen certification system through the Clean Hydrogen Certification System Operation Plan. The Clean Hydrogen Certification System measures greenhouse gas emissions from the

production and importation of hydrogen, and grants the clean hydrogen certification if the processes emit greenhouse gases below a certain threshold as well as providing administrative and financial support. The Korean government has finalized the country’s clean hydrogen certification standard of 4 kg CO<sub>2</sub>eq/kg H<sub>2</sub> by considering international trends and domestic conditions such as technology level and infrastructure. Although the system boundary of GHG emissions is set as Well-to-Gate (from raw material mining to hydrogen production), the government announced that ship emissions for raw material

procurement and carbon dioxide transportation will be temporarily excluded from the GHG calculation scope by taking into account the country’s special conditions that make foreign procurement of clean hydrogen impossible and the technology development of eco-friendly ship. In addition, Korea’s Clean Hydrogen Certification System values technological neutrality as its main principle of not specifying a technology path for hydrogen production. Hydrogen that passes the certification standards is granted one of the four grades of the clean hydrogen certification depending on GHG emission levels.

Clean Hydrogen Certification Levels

(unit: kg CO<sub>2</sub>eq/kg H<sub>2</sub>)

Type	Grade 1	Grade 2	Grade 3	Grade 4
Emissions	0-0.1	0.1-1	1-2	2-4

\*Source: Republic of Korea Government (2023). Clean Hydrogen Certification System Operation Plan

Currently, the government has designated a dedicated agency to operate the clean hydrogen certification system and is running a clean hydrogen certification pilot project to help businesses looking to produce or import clean hydrogen receive consulting on clean hydrogen certification before building hydrogen production facilities or launching mass production.

Introduction of the Clean Hydrogen Power Generation Bidding Market to Encourage the Use of Clean Hydrogen

Having recognized that using hydrogen in the power sector is essential for achieving its Nationally Determined Contributions (NDCs), Korea has established an

institutional foundation for using clean hydrogen in the power sector. In 2023, the 10th Master Plan for Power Supply and Demand set a goal of reaching the hydrogen to ammonia ratio of 2.1% in power generation (13 TWh) by 2030, which would require the consumption of about 800,000 tons of clean hydrogen in the power sector alone. The Clean Hydrogen Production Standard (CHPS) system was established in the form of a bidding market to offer incentives for power producers to voluntarily participate in this goal. The CHPS will open a forward marking in 2027 for using clean hydrogen for power generation. Under the system, the government concludes long-term purchase contracts of up to 15 years with clean hydrogen power generators to encourage hydrogen power generation.



## Clean Hydrogen Power Generation Bidding Market Volume

Bidding market launch year	2024		2025	
	Commercial operation launch	Newly offered volume	Commercial operation launch	Newly offered volume
Clean Hydrogen Power Generation Market	2027	3,500 GWh	2028	3,000 GWh

\*Source: Republic of Korea Government (2023). Public Notice on the Calculation of the Annual Purchase Volume of the Hydrogen Power Generation Bidding Market

Power generators that successfully bid hydrogen power generation volume in the CHPS will be compensated for increases in power generation unit cost resulting from generating power with clean hydrogen. It will be possible to make contracts or investments with business operators of hydrogen production, imports, and infrastructure, based on a reliable source of demand secured for a long time. In order to participate in the clean hydrogen power generation bidding market, operators must prove that hydrogen or ammonia used as power generation fuel is eco-friendly produced through the clean hydrogen certification system or the clean hydrogen certification system pilot project. The CHPS will contribute to the revitalization of the entire hydrogen industry ecosystem by subsidizing the costs arising from using clean hydrogen, making clean hydrogen more accessible and reducing the uncertainty of clean hydrogen production.

As mentioned above, Korea is pursuing its hydrogen economy policy so that it can practically contribute to the country's efforts to meet its NDCs for 2030. Korea will prepare for the creation of a clean hydrogen ecosystem for three years starting in 2024 by introducing various policies, practice for the following three years and meet its NDC target year of 2030.

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

# 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, we introduce some outstanding companies in Korea's hydrogen industry.

## COMPANY A



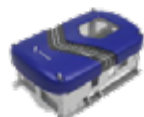
Fuel Cell Model



MEGA FC 2.0  
(20FT Containerized)



Lithium-Ion Battery



Electric Propulsion Module

Investment Requirement		Company Profile	
Amount	USD 27 million	Patents and Certificates	<ul style="list-style-type: none"> <li>- Registered 11 domestic patents incl. marine battery systems and electric vessels</li> <li>- Registered 5 overseas patents, 12 designs, 2 trademarks</li> <li>- Applied for 26 domestic patents, 19 overseas patents, 13 designs, 3 trademarks</li> </ul>
Investment Structure	Equity Investment	Financial Performance	(Sales in 2022) USD 1.09 mn

### Investment Highlights

#### • Marine hydrogen fuel cell market

According to the recent results of the International Maritime Organization's 80th MEPC (July 2023), the goal is to go carbon neutral by 2050. So far, technology that can realize this aim is quite limited, and hydrogen fuel cells are emerging as one of them. Among the various types of fuel cells, PEMFC is known to be the most suitable for ship propulsion systems but it is still limited to small output, so several companies are looking for ways to achieve high output. The company has signed a contract with a world-renowned company in August 2022 for the supply of one set of hydrogen fuel cell and ancillary equipment for the purpose of demonstration and is scheduled to test and deliver the product in factory in Sept. 2023. In addition, it plans to obtain a type approval certificate from the Korea Register for MEGA FC 2.0, which can be applied to large ships, and to commercialize it within 2024.

#### • Battery electric propulsion ships & systems

In the case of small vessels (within 20m), 100% carbon neutrality can be realized by applying a system using an electric battery. To implement electric propulsion ships, stable supply and safe products of marine electric batteries, which are the source of electric energy, and stabilization of the entire electric propulsion system are the key technologies. The company has developed its own marine electric batteries and obtained type approval from the Korea Register, which can only be obtained by passing various tests to ensure safety. In order to stabilize the system, two ships were manufactured and operated for 2 years, and based on this, several national projects were carried out.

## COMPANY B



Hydrogen Removal Catalyst  
Hydrogen removal catalyst with unique terrace expansion structure



Hydrogen Sensor  
Hydrogen sensor using hydrogen removal catalyst



Hydrogen Removal System  
Hydrogen and oxygen are reacted to convert into harmless water vapor

Investment Requirement		Company Profile	
Amount	USD 1 million	Patents and Certificates	Registered/applied for 9 patents incl. that of a catalyst for volatile organic compound reforming and its manufacturing method
Investment Structure	Equity Investment	Financial Performance	(Sales in 2023) USD 0.39 mn

### Investment Highlights

#### • Hydrogen Industry Market

Hydrogen is recognized as a key energy source in many countries among the various energy sources mentioned to achieve carbon neutrality. As the global hydrogen application fields diversify and production costs are reduced, the demand for hydrogen is increasing every year. Especially since the 2020s, discussions about green hydrogen and sustainable hydrogen have been rapidly gaining momentum. The hydrogen industry market is estimated to reach USD 500 billion by 2030 and USD 2.5 trillion by 2050. The hydrogen safety market is expected to be worth USD 3.6 billion by 2030.

#### • Hydrogen Safety System

In order to respond to climate change, the world, including Korea, is accelerating decarbonization policies. Hydrogen is attracting attention as one of the eco-friendly energy sources to replace fossil fuels, and the transition from a carbon economy to a hydrogen economy is taking place in various industries such as electric vehicles and factories, but safety management is essential due to the risk of explosion. Using the principle of catalytic technology that helps the chemical reaction between two substances, the company has developed a system that detects or treats gases. It is an all-in-one system that automatically detects and simultaneously removes hydrogen leaking from manufacturing sites such as hydrogen charging stations, power plants, and semiconductor lines, and can be applied to automobiles, ships, forklifts, and power plants, etc.

# Industry Trends

*Invest KOREA provides an overview of Korea's monthly industry trends based on the latest data available from the Ministry of Economy and Finance and the Korea Institute for Industrial Economics and Trade. Figures are subject to change and may be updated for accuracy by the respective organizations.*

## All Industries

In February 2024, Korea's industrial activities increased for the fourth consecutive month across industries, showing a more significant sign of an economic recovery.

### Monthly Industrial Activity Trends

Subject	All industries	Mining & manufacturing	Service	Retail sales	Capital investment	Construction completed
Monthly Change (%)	1.3	3.1	0.7	△3.1	10.3	△1.9

Production in the mining and manufacturing industries started growing again in February due to increased production of semiconductors and semiconductor equipment, as well as increases in production in a number of industries, including automotive (△1.5 in Jan. 2024 → 3.1 percent in Feb. 2024). Service industry production increased (△0.2 in Jan. 2024 → 0.7 percent in Feb. 2024) thanks to improvements in face-to-face services, including accommodation and food (5.0 percent), leisure and hospitality (7.4 percent), and transportation and warehousing (1.6 percent). Retail sales fell (1.0 percent in Jan. 2024 → △3.1 percent Feb. 2024) due to declines in durable goods (△3.2 percent) and non-durable goods (△4.8 percent) despite an increase in semi-durable goods (2.4 percent). Capital investment rose sharply month-on-month (+5.9 percent in Jan. 2024 → +10.3 percent in Feb. 2024), led by improvements in transportation equipment (+23.8 percent) and machinery (+6.0 percent). Following the previous month's large gains, completed construction projects decreased in both building construction (△1.8 percent) and civil engineering projects (△2.2 percent), but the sector performed better than expected (13.8 percent in Jan. 2024 → △1.9 percent in Feb. 2024). The cyclical change in the coincident index rose for two straight months, driven by increases in the production of construction and service industries. The cyclical change in the leading index turned upward, supported by increases in inventories, machinery exports, and stock prices. The Korean economy is showing signs of a recovery led by production and exports, and the positive signs are gradually spreading to domestic consumption. However, upside and downside risks remain. On the production side, the rebound in the IT industry, the expectations of a major upward cycle in the semiconductor sector, and the prospect of the global economy making a soft landing are positive. At the same time, geopolitical unrest, supply chain risks, and uncertainties in monetary policies are weighing on the economy. On the spending side (consumption and investment), an increase in international arrivals, a full-fledged provision of EV subsidies, and plans to expand investment in new industries are upside factors, while household debt, real estate project financing (PF) risks, and sluggish construction orders are downside factors.



## Trends by Industry

### Automotive

#### February Auto Exports Decreased Year-on-Year Despite Having Recorded the Second-Largest Volume in History

February exports decreased by 6.2 percent year-on-year due to base effect and lower production. Despite strong sales of domestic cars, domestic consumption decreased by 0.3 percent from a year ago in January as fewer imported vehicles were registered. Production in January increased on a year-on-year basis, driven by higher output from longer operating days and strong exports. Whereas imports of ship parts grew by 35.7 percent, overall imports decreased by 13.1 percent in January, led by a 25.5 percent decline in imports of cargo ships.

### General machinery

#### Production Turned Upward and Exports Grew for Ten Straight Months, But Slowed to 1.3 percent

General machinery production increased by 1.3 percent year-on-year in January as domestic consumption and exports performed better. In February, exports grew by 1.2 percent year-on-year, supported by strong exports to the United States and Latin America, while exports to the EU remained slow and those to China, India and the Middle East turned downward. Imports fell by 1.1 percent year-on-year in January as Korean businesses continued cutting back on their capital investment.

### Shipbuilding

#### Weak Production Indexes Continued, but Exports Rose for Seven Straight Months

In January, production and shipments decreased by 6.9 percent and 16.1 percent year-on-year, respectively, and the capacity utilization rate plunged by 17.9 percent despite an increase in production capacity, causing all major production indicators to fall. Despite the decline in production and shipments, exports increased by 27.7 percent in February as ships ordered at high prices and high-end offshore plants were delivered. In January, Korea won 38 percent of all orders placed around the world and ranked the world's No. 2, despite uncertainties in the marine transport market caused by high interest rates, the Red Sea crisis, and China's sluggish economic growth.

### Steel

#### Exports Declined due to Falling Unit Prices and Production Continued Growth

In January, production grew by 12.9 percent year-on-year due to the base effect of weak bar steel production in the same month of the previous year and an increase in demand for sheet metal products resulting from strong auto production. Exports in February fell by 9.9 percent from a year ago, affected by weakening export unit prices and fierce competition in the markets of the Middle East and India. In January, imports saw a year-on-year increase of 0.3 percent as increased domestic consumption of sheet metal products boosted demands and falling import unit prices in major steel importers pushed import volumes upward.



## Oil refining

### Exports Fell on Lower Unit Prices Resulting from Year-on-Year Declines of Oil Prices and Refining Margins

Production in January increased by 5.5 percent year-on-year on strong domestic consumption and exports. February exports decreased by 3.9 percent from a year ago as unit prices fell due to sliding oil prices and refining margins. In January, production fell by 8.6 percent year-on-year and shipments decreased slightly by 2.3 percent year-on-year due to slow exports of parts, while inventories shrunk by 24.3 percent from a year ago against strong mobile phone sales. Imports in January saw a year-on-year decrease of 18.6 percent, mostly in smartphones.

## Semiconductor

### Semiconductor Exports Up for Four Months in a Row

In January, the semiconductor production index increased by 44.1 percent year-on-year to 137.5 and maintained the sharp growth. February exports reached USD 9.9 billion, up 66.7 percent year-on-year to record the highest increase since October 2017.

## Wireless communication devices

### February Exports Fell by 16.5 percent due to Delayed Increase of Q1 Smartphone Shipments

Smartphone exports increased sharply by 57.5 percent year-on-year but overall exports of wireless communication devices fell due to a significant 31.9 percent decrease in exports of mobile phone parts.

## Display

### Production Increase Driven by Growing Demands for OLEDs

In January, display production increased by 5.1 percent year-on-year, driven by growing demands for OLEDs. In February, higher panel prices drove display exports upward by 20.2 percent year-on-year, marking the seventh consecutive month of export growth. The effect of increased OLED production in Q1 for use in tablets is expected to be limited.

*\* Please note that the latest data available in Statistics Korea are for the previous month in the case of exports and the month prior to the previous one for production.*





## Foreign Companies and Trade Minister Meet to Discuss FDI Strategiegess





*On April 3, 2024, the Ministry of Trade, Industry and Energy and the Office of the Foreign Investment Ombudsman invited CEOs and representatives of foreign companies and business chambers to the Jingwan Temple in Seoul to discuss ideas to enhance Korea's investment environment and further promote foreign direct investment (FDI) in the country.*





The event, held at the historic Buddhist temple in northwestern Seoul, gathered together CEOs of the Korean offices of global enterprises in cutting-edge industries like semiconductor, battery and petrochemical, representatives of chambers of commerce in Korea, and high-ranking officials of the central government to encourage open and active discussions on FDI. Companies like Dupont, S-Oil, Boeing, Renault, Toray and Axa, as well as trade chambers of the U.S., Germany, France, the U.K., Japan and China were in attendance.

The guests had the opportunity to experience tradi-

tional Buddhist practices at Jingwan Temple in a tea ceremony and meditation, and enjoyed vegan meals. Minister of Trade, Industry and Energy Ahn Duk-geun said to the delegation, "We wanted to show you that Korea, with its rich roots in culture, history and its coexistence with society, is an ideal environment for communicating with global communities and hosting global firms and experts."

On the back of the Ministry's goal this year to draw in USD 35 billion in FDI, Ahn pledged to do his best to accommodate to the needs and requests of foreign companies in efforts to facilitate their additional investment in the country. He said, "We've expanded state funds and raised the maximum level of financial support for foreign companies investing here. And we'll provide them with our local talents, for which we have passed a new special bill. Amid the fast-changing global trade environment and supply chain structures, we'll continue to bolster our efforts to host foreign firms in Korea."

Foreign company CEOs made their suggestions to further encourage global investment in the country, requesting larger government incentives and improved local infrastructure. Notably, S-Oil President Ryu Yul requested that the Korean government expand its tax exemption service and



streamline licensing approval procedures for the Shaheen Project, which is a large-scale petrochemical infrastructure construction project in Ulsan launched by Saudi Aramco, the largest shareholder of S-Oil, investing KRW 9.3 trillion (USD 6.9 billion). Also, Kim Seung-rok, CEO of the Korean office of the U.S.-based Air Products, requested stronger tax exemptions as an incentive for the company to make more investments in clean hydrogen projects in Korea. Dschun Song, managing director of German-headquartered BASF, requested that the government introduce more specified, detailed standards and policies for certifying carbon footprints and decarbonizing businesses so that the company can invest more for eco-friendly projects in Korea. Furthermore, Son Geon-seog, vice president for battery materials research at Belgium-based Umicore, proposed that the government expand electricity provision for local industrial complexes so that the company can increase investments for facility expansion here.

Aside from the companies, representatives of foreign chambers of commerce in Korea also offered suggestions to stimulate more investment in the country. Sean Blakeley, CEO of the British Chamber of Commerce in Korea, asked the government to introduce an improved electricity distribution network to encourage British firms to make more investments in offshore wind farm projects in Korea. Philippe Van Hoof, chairperson of the European Chamber



of Commerce in Korea, expressed appreciation to the ministry for its support for European firms in Korea and asked for continued efforts to expand incentives and enhance the business environment so that European companies can also consistently commit investments in the country.

**By Grace Park**

*Investment PR Team, Invest KOREA*

*Korea Trade-Investment Promotion Agency (KOTRA)*







## Bukpyeong National Industrial Complex

The Bukpyeong National Industrial Complex was designated as a national industrial complex in 1975 and completed in September 1995 for the purpose of building an industrial center of the east coast region and to develop a trade base for exchanges with Korea's northern neighbors. The Bukpyeong General Industrial Complex was established in December 1995, followed by the completion of the Bukpyeong Industrial Complex 2 in 2020. They are located in a region connected to a free trade zone, and the international ports of Donghae and Mukho are located nearby, providing favorable conditions for importing raw materials and exporting products. The complexes are home to more than 200 companies, including Korea East-West Power, GS Donghae Electric Power, and GS Caltex.

Until now, the Bukpyeong Industrial Complex did not have a specific industry that it specialized due to its small number of operators and its focus on non-manufacturing facilities such as large-scale power generation facilities. However, it is currently promoting projects to transform into an industrial complex specializing in the hydrogen industry.

Gangwon State is implementing a project to build a hydrogen storage and transportation cluster in Donghae and Samcheok as one of its six core strategic projects. The project passed a preliminary feasibility study in December 2023. The mega project involves a total investment of KRW 317.7 billion (KRW 43.9 billion by the central governme-

nt, KRW 42.3 billion by the local government and KRW 231.5 by the private sector) from 2024 to 2028 to create an industrial base for hydrogen storage and transportation in the Gangwon region, including Samcheok (hydrogen supply facilities) and Donghae (industrial development facilities).

As part of the project, the Bukpyeong Industrial Complex is being developed into a special zone for hydrogen and low-carbon green business development; the Donghae New Port is being developed into a port dedicated to hydrogen supply; and a project is being implemented to build a production base to produce hydrogen with water electrolysis. The project will build a space for 63 hydrogen-related companies to move in and operate, including hydrogen storage tanks, valves, and pipes, as well as an industrial promotion center (technology development support, commercialization support, etc.), a safety test center (verification and certification support, technology stability test support, etc.), and a demonstration test bed (for supporting the performance evaluation of products in various hydrogen forms).

Bukpyeong General Industrial Complex 2 is currently home to seven hydrogen-related companies, including Keum Kang C&T, the first hydrogen company invested by Gangwon State. In addition, nineteen existing tenants are preparing to transition to hydrogen-related industries with the support of Donghae City.

## Bukpyeong National Industrial Complex

• **Location:** Guho-dong and Chuam-dong, Donghae, Gangwon

• **Area**

(Unit: m<sup>2</sup>)

	Total area	Industrial facilities	Supporting facilities	Public facilities	Green area
Bukpyeong National	2,051	1,023	-	382	219
Bukpyeong General	715	536	29	96	54
Bukpyeong General 2	594	310	66	147	71
Total	3,360	1,869	95	625	344

Based on these efforts, the complex is expected to promote the localization of key materials and components related to liquid hydrogen storage and transportation, which are currently imported from overseas, contribute to building the country's solid supply chain, and serve as a base for supplying hydrogen used for transportation in Gangwon and Gyeongbuk provinces. Hopes are high that the Bukpyeong Industrial Complex will transform into a center of Korea's liquid hydrogen industry.

Source: (Text/photo) Korea Industrial Complex Corporation

# Biofriends, an Eco-Friendly Company Pursuing Carbon Neutrality

## About the Company

Biofriends produces and offers clean fuels including dimethyl ether (DME) and hydrogen as part of the government's Green New Deal Project. Its business model centers on chemically converting carbon dioxide, a greenhouse gas, into carbon capture and utilization (CCU) products (methanol, r-DME, hydrogen, etc.).

Biofriends has a technology platform for carbon capture, utilization and storage (CCUS), a key technology for decarbonization that captures, utilizes and stores carbon dioxide (CO<sub>2</sub>) causing climate change and extreme temperatures and threatening mankind. The company aims to grow into a sustainable and eco-friendly global leader by developing clean technologies, building clean fuel production plants and manufacturing and offering related products. It uses the CCUS technology to produce decarbonized and eco-friendly electrification fuel (e-Fuel), which is a kind of renewable fuel manufactured using captured carbon dioxide, together with hydrogen, methanol and DME, rather than fossil fuels.

## Background

Biofriends is a clean fuel and dimethyl ether (DME) producer that was founded in 2016. It grew into the No. 1 DME producer and distributor in Korea by focusing on reducing the emission of environmentally harmful substances such as industrial greenhouse gases. Biofriends aims to contribute to Korea's effort to go carbon neutral by 2050 with DME and to improve the quality of life and protect the environment.

To fulfill its vision and goals, Biofriends has focused on developing technology since its establishment in 2016. It signed a technology transfer agreement (with the Korea Institute of Machinery and materials and Korea Gas Corporation) and memorandums of understanding with related companies to seek global business opportunities.

In 2020, Biofriends completed the establishment of

its DME plant (5,000 TPY) to become a DME manufacturer. The second plant (10,000 TPY) was completed in 2023 and went into operation. Biofriends obtained the BioDME certification (ISCC plus) in February 2024 and was recognized as an eco-friendly company.

## About the Product

DME is currently sold primarily for aerosol applications and is exported in ISO containers.

Its properties similar to those of LPG enables it to be used as a fuel and replace diesel. In an effort to expand the fuel market, Biofriends is conducting demonstrations in smart farms, ships, and the LPG blending market.

DME is a colorless gas at normal temperatures and pressure and maintains a stable condition even when exposed to air for a long time. It is a colorless chemical that is inert, non-corrosive, non-carcinogenic, and non-narcotic, thereby causing no harm to the human body. In addition, it can be easily liquefied when pressurized above 6 atm at normal temperature and can be handled as a liquid for easy transportation. DME is currently being used in Europe and the U.S. as a fourth-generation alternative refrigerant in buildings and warehouses by mixing it with ammonia. It is widely used in the aerosol market as an eco-friendly blowing agent for foaming polystyrene exterior materials to reduce greenhouse gas emissions.

Biofriends has patents on the business model for producing e-Fuel, a clean fuel made from hydrogen and carbon dioxide and the plasma pyrolysis technology to produce hydrogen used as raw material, and a process that can produce e-Fuel. The company also holds a license for a DME plant that it has completed and is operating.

Based on these technologies, Biofriends aims to become a leader in the CCU and hydrocarbon businesses by implementing technology licensing projects and exporting technologies as well as products.



## Competitive Edge and Business Strategy

Having started with a clean DME manufacturing and sales business, Biofriends has grown to command more than 70% of the domestic DME market and is gradually expanding its global sales network by entering the Chinese and Asian markets. Biofriends participated as the lead organization in a government project to produce clean methanol from captured carbon dioxide (government investment of KRW 25 billion and private investment of KRW 11 billion). It is also working on a project to produce 200,000 tons of clean methanol from domestic carbon dioxide sources by 2028 (targeting annual sales of KRW 140 billion).

Most notably, Biofriends has developed clean hydrogen, which is key to the CCUS technology platform, using its own technology to manufacture CO<sub>2</sub>-free turquoise hydrogen and carbon black using the Plasma Carbon Neutral System (PCNS) to produce eMethanol and eDME from e-Fuel.

In addition, Biofriends has a sales network that offers CCUS products (DME, methanol, blue-green hydrogen, etc.) and aims to become a leader in the CCUS business by directly producing 1 million tons of decarbonized fuel in the next 10 years while seeking joint research and technology licensing based on its own technologies.

Biofriends is working toward the commercialization of hydrogen and DME technology and plans to widely introduce small-scale clean hydrogen facilities by verifying clean hydrogen in tests and using renewable DME in producing clean hydrogen. In case of the DME production technology, Biofriends is expected to enjoy stable service sales by building DME production plants with its plant engineering technologies and transferring (licensing) the DME technology for the supply of clean fuels. Biofriends expects additional sales from O&M contracts for DME production.

## Future Plans

Biofriends was selected as the lead organization in the "Low-carbon Fuel and Technology Development Using the Carbon Dioxide Emitted from the Net Zero Cement Industry" project. It is the first project in Korea

aimed at building a R&D facility for demonstrating the feasibility of annually producing more than 10,000 tons of methanol with a net-zero technology. The technology involves Korea's first effort to capture carbon dioxide produced in the cement manufacturing process using the chemical conversion CCU technology. With the technology, fine dust and carbon dioxide emitted in the cement manufacturing process are captured together, refined and converted to a synthetic gas, which is ultimately converted to methanol widely used in the chemical industry.

Biofriends will lead the transition to a carbon-neutral society by producing environmentally friendly clean energy based on its DME extraction technology, DME hydrogen manufacturing and hydrogen refueling technology, and CCU technology to produce sustainable clean energy and reduce green gas emission by recycling carbon dioxide, while capturing carbon dioxide generated during the process and using it as an energy source for various future new industries.

The company has the technology to build a circular ecosystem centering on sustainable bioenergy as it can capture the carbon dioxide generated in the manufacturing process of other industries such as smart farms, cement, and steel and use it for DME extraction. The company plans to enter its target market with its technology.

In the future, Biofriends plans to also sell waste energy and its plant technology of recycling biogas and biomass from other fuel sources. The company expects to achieve annual sales of KRW 1.5 trillion by producing one million tons of DME at home and abroad with its own production facilities, and the company's third plant with a capacity of 30,000 tons is under construction

*By Wonjun Cho*  
Chief Executive Officer  
BIOFRIENDS

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

# Incorporation Procedure

The incorporation procedure of foreign-invested company pursuant to the Foreign Investment Promotion Act consists of the following: foreign direct investment notification, remittance of investment funds, registration of incorporation, acquisition of authorization and permission, notification of incorporation, business registration and registration of foreign-invested company. The procedures applied to foreigners are basically the same as those applied to Koreans with the exception of two additional steps of foreign direct investment notification and registration of foreign-invested company. It takes about two weeks for the completion of the incorporation procedure, and an application for residence visa can be filed after completing registration of a foreign-invested company.

## Incorporation Procedure



\* Related laws: Articles 5 and 21 of the Foreign Investment Promotion Act, Articles 6 and 27 of the Enforcement Decree of the Act, Articles 2 and 17 of the Enforcement Rules of the Act.

Some of the required documents must be apostilled, and the signatory nations of the Apostille treaty are as follows. In the case of non-signatory nations, a notarization of the Korean consulate located in the country is required after obtaining general notarization.

*For further inquiries, please contact the Investment Consulting Center*

Call



+82-1600-7119

or Visit



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

# Is it possible to notify foreign investment online or in foreign countries?

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

## Q.

**Is it possible to notify foreign investment online or in foreign countries?**

## A.

Currently, notification of foreign investment cannot be filed online. In principle, foreign investment cannot be notified in countries outside of Korea, either.

However, a foreign investment notification can be filed in certain countries where the Korea Trade-Investment Promotion Agency (KOTRA) operates overseas FDI offices to render support to foreign investors. The list of such overseas FDI offices is available on the Invest KOREA website ([www.investkorea.org](http://www.investkorea.org) ► About Us ► Contact Us ► KOTRA's overseas Offices Dedicated to Investment

### KOTRA's 36 Overseas FDI Offices (As of September 2022)

Region	Overseas FDI Offices (Cities)
North America(9)	- US(7): New York, Silicon Valley, LA, Chicago, Dallas, Detroit, Washington - Canada(2): Toronto, Vancouver
Europe(13)	- Germany(3): Frankfurt, Hamburg, Munich - UK(London), France(Paris), Sweden(Stockholm), Denmark(Copenhagen), Spain(Madrid), Netherlands(Amsterdam), Belgium(Brussels), Italy(Milan), Switzerland(Zurich), Austria(Vienna)
Southeast Asia-Oceania(3)	Singapore(Singapore) - Australia(2): Sydney, Melbourne
Japan(4)	- Japan(4): Tokyo, Osaka, Fukuoka, Nagoya
China(6)	- Hong Kong, Shanghai, Beijing, Qingdao, Guangzhou - Taiwan(Taipei)
Middle East(1)	UAE(Dubai)

*For further inquiries, please contact the Investment Consulting Center*

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+82-1600-7119

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# KOREA Unique Venue

## Discover the unique beauty of diverse regions throughout Korea

Every month, in cooperation with the Korea Tourism Industry (KTO), Invest KOREA features one unique region in Korea as an ideal venue for corporate meetings, international conventions, and incentive travels. Read on to find out more on the KTO's Korea Unique Venue initiatives and plan your next visit to Korea!

### What is KOREA UNIQUE VENUE?

The MICE industry is celebrated as the "golden industry without limits" of the 4th Industrial Revolution Era. With the growth of this industry, MICE venues are increasing in variety. Nowadays, corporations and institutions, which have preferred large scale convention centers in the past, are increasingly seeking out special places and experiences, or "unique venues" that showcase traditional local cultures and regional characteristics.

The Korea Tourism Organization regularly selects and promotes such unique venues that can be found all throughout the country—places with a distinct Korean charm that captivate its visitors. After various studies and evaluations on the suitability of the purpose, scale, and size of various events and meetings, the KTO has selected 39 of Korea's unique venues to fit your various needs.

These 39 "KOREA Unique Venues," which demonstrate the special characteristics of its respective region, are bound to add color to your events and provide visitors with experiences and memories beyond expectations. Korea's doors are wide open for you to experience the country's culture and beauty to their fullest.

### Incentives for Organizers

#### ❖ Subjects of incentive support for international meetings (event hosting/global PR and event hosting support)

##### Common Conditions:

1. Meetings hosted by international organizations or members of the international organizations, or legal entities & groups which are part of international organizations that fulfill ALL of the following conditions.
  - Foreigners from at least 5 or more countries shall participate in the meetings.
  - Total number of meetings participants shall be at least 300 or more and foreign participants shall be at least 100 or more.
  - The duration of the meetings shall be at least 3 days or longer.
2. Meetings hosted by legal entities & groups which are not a part of international organizations that fulfill ALL of the following conditions.
  - Among the meeting participants, total number of foreign participants shall be at least 150 or more.
  - The duration of the meetings shall be at least 2 days or longer.

#### ❖ Subjects of incentive support for corporate meetings/incentive tours

##### Common Conditions:

1. Visitors should stay in Korea for at least 2 days or longer.
  - \* "NOT" applicable for hobby clubs, fan clubs, religious organizations, government officials' groups, and/or student groups.
2. Among the participants, total number of foreign participants shall be at least 10 or more.

##### ❖ Additional Conditions:

1. Incentive Tour: Incentive Tour Groups (as performance awards), with sponsoring corporations paying for all of tour related expenses for visiting Korea.
2. Corporate meetings: Groups of people who are visiting Korea for meetings hosted by specific corporations for the express purpose of meetings or travels
  - \* Meetings with at least 4 hours or longer shall be included in the official schedule.

For further details, please visit the K-MICE website at <https://k-mice.visitkorea.or.kr>.



K-MICE



KOREA UNIQUE  
VENUE



BUSAN

## Busan Cinema Center



Busan Cinema Center is a complex cinematic cultural space in Busan. It consists of 3 major buildings and is a place for various international events, movie screening events, performances, and exhibitions. Since BIFF Theater, the Center's main outdoor theater can support 6,000 visitors, it's a great space for hosting big events.

### Venue & Rental Information

- Address: 120 Suyeounggangbyeon-daero, Haeundae-gu, Busan, Korea
- Phone Number: +82-51-780-6000 Homepage: <http://www.dureraum.org/bccen/main/main.do?rbsldx=1>
- Inquiries: +82-51-780-6035 / [runandy@dureraum.org](mailto:runandy@dureraum.org)
- Major Events Held in Recent Years: Busan International Film Festival Opening Ceremony & Closing Ceremony (2011- 2021) / Global Game Exhibition G-STAR Cultural Activities (2013~2018) / NU SKIN KOREA NU FESTA SUMMER (2019)

### Other Major Events Held in Recent Years

- Name of the Event: Busan International Film Festival / Event
- Date of the Event: 2011-2021
- Event Details: The biggest film festival in Asia
- Participants & Number of Participants: Approximately 6,000 domestic and international film industry people per each event

Source: Korea Tourism Organization / 2022 KOREA Unique Venue



# Corporate Value-Up Program

## I. Introduction of Corporate Value-Up Program

In the fourth round of town hall meetings titled “Strengthening the Role of Finance to Foster Co-Prosperity and Expand the Ladder of Opportunity” on January 17, 2024, the Korean government announced that it would introduce a Corporate Value-up Program to encourage listed companies to achieve higher valuation and to improve the overall Korean stock market valuation in an effort to overcome undervaluation of Korean listed companies.

Subsequently, on February 26, 2024, during the First Policy Seminar on the Corporate Value-up Program for the Advancement of the Korean Stock Market, organized by the Financial Services Commission (“FSC”) with the Korea Exchange (“KRX”) and other related institutions the FSC laid out major initiatives of the Corporate Value-up Program and received comments from stakeholders. In addition, on March 14, 2024, the FSC held a town hall meeting and met with 10 major institutional investors, including pension funds and asset management companies as well as related organizations, such as the KRX, to further develop the Corporate Value-up Program. At the meeting, the FSC and the participants discussed the issues that are closely related to institutional investors, such as revision of the stewardship code and the development of the Korea value-up index.

The details of the Corporate Value-up Program as discussed so far are as follows.

## II. Key Features of the Corporate Value-Up Program

### 1. Establishment of Guidelines and Provision of Incentives for Voluntary Disclosure of Corporate Value-up Plans

The FSC will establish guidelines for voluntary disclosure by listed companies of their corporate value-up plans. Specifically, the guidelines will provide key principles, details and disclosure method for listed companies to voluntarily develop and implement corporate value-up plans and communicate them to their investors. Listed companies, led by their board of directors, will be advised to draw up mid-to-long term corporate value-up plans ((i) assessing the current status, (ii)



setting goals, (iii) preparing plans to achieve such goals and (iv) evaluating the implementations and communicating with investors) every year and publish the plans on their websites as well as the KRX's website.

Further, tax incentives will be provided to encourage companies' voluntary participation. Each year companies selected for outstanding disclosure practices will be granted an award with a number of benefits. For example, they will be granted favorable treatments in various areas from the selection as exemplary taxpayers, evaluation of eligibility for R&D tax credits, consulting services in relation to corporate income tax deduction or exemption, review of tax correction claims to consulting services relating to family business succession.

## 2. Support for Companies with Outstanding Performance

### A. Development of the Korea Value-Up Index and Listing of ETFs

Led by the KRX, a Korea value-up index composed of best practice companies (referring to listed companies with proven records of profitability and those expected to achieve higher valuation) will be developed to be used as a benchmark by pension funds and other institutional investors and ETFs based on such index will be listed on the KRX to attract individual investors as well.

Companies with outstanding performance in their value-up efforts are expected to favorably considered to be included the value-up index. The KRX is reviewing major issues such as how to differentiate the Korea value-up index from the others, the appropriateness of criteria to be applied in selecting the index components, and how to promote pension fund managers' use of the index. The KRX said that it would further discuss with pension funds and other institutional investors and finalize the index by the third quarter, this year.

### B. Revision of the Guidelines for the Stewardship Code

The Korean stewardship code is a set of principles regarding institutional investors' exercise of their shareholders' rights over the companies they invest in. Currently, 222 institutional investors, including 4 major pension funds and 125 asset management firms, adopt the stewardship code. The Korea Institute of Corporate Governance and Sustainability (KCGS) noted that the stewardship code guidelines should be revised to have institutional investors assess whether the companies they invested in establish and implement plans to improve the corporate value in the mid-to-long term (i.e., assessing the current situation, establishing plans and implementing and assessing them) and effectively communicate them with the market and shareholders. This will serve as a specific ground for institutional investors to check and encourage the invested companies to participate in the program.

### C. Publication of Comparative Data of Major Financial Indicators

The FSC will have data scattered across the Market Data System of the KRX compiled and major financial indicators, such as PBRs, PERs, ROEs, compared and published by market segment and business sector for investors' convenience.

### 3. Dedicated Support System for the Corporate Value-Up Program

The FSC announced that it would set up a dedicated support system to continuously pursue the Value-Up Program as a mid-to-long term agenda. The KRX will establish a dedicated department and form an advisory board to assist the implementation, supplementation and improvement of the Corporate Value-up Program. Further, the KRX will open a Corporate Value-up Program's website which enables comprehensive searches on matters related to the Corporate Value-up Program, such as status of disclosures of corporate value-up plans.

Town hall meetings organized by the KRX, Korea Listed Companies Association (KLCA) and KOSDAQ Association will be held throughout the year in order to provide training on disclosure for listed companies and consulting for small and medium sized business (SMEs) and engage in continuous communication with them.

### III. Next Steps and Implications of the Corporate Value-Up Program

The FSC plans to hold the Second Policy Seminar in May, this year, to receive feedback from companies on the details of the draft guidelines and finalize the guidelines in the first half of this year so that listed companies that have established plans can make voluntary disclosures starting from the second half of this year.

Considering that the Corporate Value-Up Program incentivizes companies with undervalued stock prices on the basis of PBR and PER to establish, disclose and implement measures to address the undervaluation issues in addition to measure to improve their financial performance data such as revenues and profits, if rolled out successfully, the program is expected to achieve improved market valuation of such companies through increased investments by domestic and foreign pension funds and other institutional investors and increase in stock prices.

*By Ji-Pyoung Kim (Attorney)*

*Chang-hee Shin (Foreign Legal Consultant)*

*Seung-Hwan Cheong (Attorney)*

**Kim & Chang**

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

# 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.



## Invest KOREA Plaza (IKP)

Invest KOREA Plaza (IKP) is Korea's first facility dedicate to the incubation and investment of foreign investor. Each year, more than 40 foreign-invested companies rent out offices in the plaza and utilize IK's one-stop service.

IKP also provides serviced offices, business lounges, video conference rooms and a shower and sleeping lounge to maximize convenience for foreign investors.

## IKP Offices for Lease

### Foreign-invested companies

Companies planning to notify investment: Those who expect to report foreign direct investment of which the arrived amount is over USD 100,000 within 1 year of move-in.

## IKP Occupancy Procedure

Counseling in occupancy → Application for occupancy → Screening committee evaluates application → Result notification(result confirmed in 1-2 weeks) → Conclusion of lease contract → Move into IKP





## KOTRA's Global Network

KOTRA has 129 overseas offices and 10 headquarters worldwide

### Southwest Asia

Tel: (91-11)4230-6300  
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Dhaka, Karachi, Kolkata, Mumbai, New Delhi

### Southeast Asia & Oceania

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Auckland, Bangkok, Danang, Hanoi,  
Ho Chi Minh, Jakarta, Kuala Lumpur,  
Manila, Melbourne, Phnom Penh, Singapore,  
Surabaya, Sydney, Vientiane, Yangon

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Madrid, Milano, Munich, Paris, Prague, Sofia,  
Stockholm, Vienna, Warsaw, Zagreb, Zurich

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Sao Paulo

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E-mail: [kotransy@hotmail.com](mailto:kotransy@hotmail.com)  
Atlanta, Chicago, Dallas, Detroit,  
Los Angeles, New York, Silicon Valley,  
Toronto, Vancouver, Washington, D.C.

### China

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Beijing, Changchun, Changsha, Chengdu,  
Chongqing, Dalian, Guangzhou,  
Hangzhou, Harbin, Hong Kong, Nanjing,  
Qingdao, Shanghai, Shenyang, Shenzhen,  
Taipei, Tianjin, Wuhan, Xiamen, Xian,  
Zhengzhou

## KOTRA's Investment Support Offices

### ASIA & OCEANIA

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