We are pleased to present the KORUM in a completely new look. In addition to the visual enhancement, KORUM will be published quarterly now, and new sections in the magazine offer an additional platform to include and promote our member companies to build an even stronger Korean-German business network. Therefore, we look forward to your vivid contribution by sharing news of your business activities in the KORUM. As a matter of course, the KORUM continuously strives to be a reliable source of valuable information on Korean and German focal topics, current trends and important tax and legal updates.

The topic of this year’s first KORUM edition is “Invest In Germany”. Why invest in Germany which is – just like Korea – a high-wage country? Germany offers a reliable and stable business environment, a strong workforce with excellent education, high labor productivity, a broad landscape of excellent R&D institutions as well as a huge potential for business cooperation between foreign investors and Germany’s strong small and mid-sized companies. Moreover, with borders to nine other European countries, Germany is without doubt an ideal business hub for access to the European market. In this KORUM, we highlight the top 7 German industries and provide a guideline for the first legal steps when entering the German market.

The recent North Korea-US summit has not provided conclusive results. Still, Inter-Korean relations are in a better place than 2017. The KORUM analyzes the possible impact of the recent summit and presents developments in the Demilitarized Zone (DMZ).

2019 also marks the fifth year of the KGCCI Innovation Awards. We are proud of having established this award to showcase German and Korean innovations and to allow for new business connections and opportunities to establish. It is not always about disruptive innovations. Small but crucial innovations can also help entering new markets or transitioning an old business model to a new one, bringing value to the company and society. We look forward to many inspiring and innovative applications! Please mark the deadline: May 31, 2019.

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Germany’s Top 7 Industries

Information and communication technologies

Germany’s stable, educated workforce, its large pool of small- to mid-sized companies and support for innovation make its ICT industry a world leader.

Germany is the largest software market in Europe, representing almost a fourth of the value of the European market.

By 2020, the German cloud market is estimated to be the largest in Europe, with constant year-on-year growth of 25%.

Excellence in innovation

Berlin’s Big Data Center (BBDC), based at Technical University Berlin (TUB), is set up to foster cutting-edge R&D, training scientists and conducting analysis of huge data sets and streams. Recent areas of innovation in R&D at the BBDC include open-source systems for data analytics, connections between new technologies and companies, and machine learning.

Government support & strong SME economy

Security technologies are supported by the German government’s “High-tech Strategy” incentives for various types of projects including “scenario-oriented security research”. Germany’s ICT industry includes international icons like SAP, but is dominated by numerous specialised SMEs (what’s known as Germany’s Mittelstand). Taken together, these smaller companies represent a force to be reckoned with on the international ICT market.

Machinery equipment

Germany is a leader in providing customised products to the global manufacturing industry via small- and mid-sized companies. As a leader in Industrie 4.0 digital automation technologies, Germany’s machinery and equipment industry is at the forefront of the fourth industrial revolution.

Laboratories for Industrie 4.0

Germany has an internationally leading intellectual property role in terms of industrial robots. Research clusters are driving innovation and offering great investment opportunities – for instance, the OWL technology network, one of the most important Industrie 4.0 initiatives in Germany. OWL connects more than 200 companies and research institutes with the goal of finding solutions for processing data from machines, creating new services and business models, and using technology to improve working conditions.

Collaboration for innovation

Germany’s machinery and equipment industry boasts a productive, educated workforce, along with stable wage rates over time. Flexible working practices, such as fixed-term contracts and shift systems, add to Germany’s competitive edge in offering investors an affordable, high-quality climate for manufacturing.

Automotive

Worldwide, one in five cars that rolls off the production line is made by a German OEM. The automotive industry clearly generates over 400 billion euros in annual revenue, making it the largest and most important industry sector in Germany.

Join the electric future

The e-vehicle market in Germany enjoys enthusiastic government support at the levels of research funding, infrastructure, and subsidies for buyers. Add the innovation by German OEMs and Germany becomes a healthy breeding ground for e-mobility technology and market for e-vehicles. The number of AC charging stations is set to increase from 7,100 to 70,000 by 2020. Germany’s goal is to become a world leader in producing and consuming electric mobility by the year 2020, in keeping with its long-term environmental goal to achieve mobility with zero emissions.

Germany leads in automotive innovation

A priority industry

Germany’s automotive industry accounts for one third of the country’s research and development expenditure.

R&D leaders

Germany’s automotive sector leads all other nations in R&D facilities per capita with 114,000 R&D professionals.

Supporting innovation

Nine of the top ten patent filing companies in Germany mainly work with the auto industry.

3rd Industrie 4.0

Germany’s M&E industry makes Germany the world’s leading Industrie 4.0 nation with a notable market increase from 2015 to 2017.

16% Germany’s M&E industry is the top global producer of industrial machinery with 16% of global industrial machinery trade.

6,400 In terms of level of activity, M&E is Germany’s largest sector with almost 6,400 companies along the value chain.

The German Machinery industry in numbers

Germany ranks third in terms of worldwide M&E industry turnover (China No. 1, USA No. 2).

In terms of level of activity, M&E is Germany’s largest sector with almost 6,400 companies along the value chain.

Germany’s Top 7 Industries

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Energy

Energy efficiency and sustainability have become an international priority. Germany’s energy industries are fuelled by innovation in renewable energy and efficiency, backed by solid government investment and support.

Germany is leading the “energy transition.” Energy efficiency and sustainability have become an international priority. Germany’s energy industries are fuelled by innovation in renewable energy and efficiency, backed by solid government investment and support.

Collaboration for green energy solutions

Digital Agenda for the Energy Transition (SINTEG)

SINTEG is a funding project showcasing smart solutions for the energy transition in large-scale demonstration areas throughout Germany.

More than 300 representatives of companies and research institutes, along with business community members, politicians and union reps participated in the 2017 kick-off conference.

EUR 200 million in government funding and EUR 500 million in private funding.

Life Sciences

Germany’s healthcare market is No. 1 in Europe by market volume. Patients, manufacturers and providers power a life sciences industry composed of medical technology, pharmaceuticals, medical biotechnology and digital health.

In 2017, a record of EUR 36 billion was spent on medical devices in Germany. With sales of EUR 31.5 billion in 2017 the German pharmaceutical market is the largest in Europe and the fourth largest in the world. One in four European biotech companies is based in Germany. Together they secured a record-breaking EUR 673 million in funding in 2017.

Demographic change and technology - pushing healthcare forward

In the last 14 years, the number of people with diabetes mellitus has risen from 5.8 to 7.2 million people. The German market has reacted with smart solutions for diabetes management, which are expected to grow at a rate of 27% in the coming years. The E-Health Act of 2016 provided the basis for rapidly increasing implementation of digital health solutions, including health-IT, telemedicine and mobile platforms.

Europe’s No. 1 healthcare market

EUR 376 billion

Healthcare spending in Germany exceeded EUR 376 billion in 2017, not including private out-of-pocket spending, estimated at one billion euros per day.

1,900 hospitals

More than 1,900 hospitals operate in Germany with nearly 500,000 beds. The share of privately owned hospitals continues to rise.

5.5 million employees

With more than 5.5 million employees, healthcare is one of the largest economic sectors in Germany.

3.8% The German healthcare market grew at 3.8% annually over the past 11 years.

Environmental technology

Germany is a worldwide leader in environmental technologies relating to climate change, recycling and water management, and water treatment. Environmentally friendly products are a projected to account for 19% of German GDP by 2025.

In 2016, the German waste management and recycling markets totalled approximately EUR 20 billion equivalent to 16% of global market volume. According to BMU/Roland Berger, the German circular economy industry is expected to grow by more than 5% annually through 2025.

Progressive environmental regulation drives innovation

The legal framework for the circular economy, the German Waste Management Act (KrW), always gives precedence to the most environmentally sound option/technology for the treatment of waste, opening up space for foreign companies offering innovative recycling solutions. A growing tendency to cut out and the rise of mail-order businesses and e-commerce are only some of the roots of the constant increase of packaging waste in Germany. The recently introduced German Packaging Act demands higher recycling quotas for packaging, thus intensifying the need for new and improved recycling technologies.

EUR 977 million

Germany is the largest European exporter of water and wastewater technologies; the German export volume reached EUR 977 million in 2016.

At the cutting edge of environmental protection

EUR 100 billion

In investment since 1990 has created Europe’s biggest sustainable waste management market, with the private sector as a large recipient of investment.

Germany leads Europe in sustainable water management: the German market is the largest with a volume of EUR 20 billion and 11% of global market volume.

12%

Germany’s water market is projected to grow over 12% annually through 2025.

Logistics

Anchored at the centre of Europe and the European economy, Germany is well placed as a provider and developer of logistics services and technologies and serves as a link between the western and eastern European markets.

Germany is Europe’s No. 1 logistics market giant with market revenue almost equal to that of the UK (No. 2) and France (No. 3) combined, and more than five times bigger than that of The Netherlands. The World Bank’s Logistics Performance Index 2018 ranked Germany No. 1 worldwide in 2016, 2017 and 2018.

Germany’s central location provides easy access to 82 million Germans, 250 million consumers within overnight delivery radius and 500 million EU residents.

A stable network

With generous support for companies and R&D, along with a reliable and comprehensive logistics infrastructure, comprising transportation and communications networks, Germany provides a politically and economically stable and connected investment climate.

3 million logistics workforce.

Germany leads globally in logistics education, contributing to a qualified, reliable workforce trained at over 100 universities and universities of applied sciences.

High-performance gateway to Europe

Germany’s logistics industry leads in innovation, service and technology.

60,000 companies in this industry.

Cover Story
Germany has been performing well as an international investment location for years. Why launch a campaign now?

Melanie Wiegand: Germany is one of the most important industrial nations in the world, but this doesn’t just happen. We are dependent to some extent on free and fair markets and cross-border investment. These are being called into question increasingly throughout the world, while the competition in global markets continues to grow. Germany must continue to establish itself as an attractive investment location.

You’re promoting Germany as a location for automobility, ICT, and logistics, for example. But to be frank, the auto industry missed out on the electromobility wave, while the improvement of Germany’s internet speed is stuttering and Germany seems unable to build new stations or airports (e.g., Stuttgart and Berlin): is Germany really “working”?

Wiegand: “Germany Works.” is a confident and assured statement that brings our internationally-renowned reliability into focus. The German economy stands for high quality, competence, and innovation. The auto industry, which is admired all over the world for superb engineering and innovation, is an excellent example. So we feel confident promoting ourselves on the hallmark of quality. No country is perfect, but Germany’s good reputation is justified, despite its many challenges.

What is the main message you are sending to foreign investors?

Wiegand: “Germany Works.” advertises our greatest strength in the eyes of foreign decision-makers: reliability. In Germany today, foreign companies will experience a unique interplay of location advantages, social and political stability, qualified labor, top-class infrastructure, an attractive domestic market, and a high quality of life. “Germany Works.” promotes “business location Germany” overseas. How does it benefit German companies?

Wiegand: The success of German companies is visible and dynamic proof of our excellent economic performance and our products. This is precisely what we are promoting.

Why Invest in Germany?

Germany Trade & Invest launched “Germany Works”: an integrated global campaign to promote the country as a premier business location for foreign investors. Melanie Wiegand, GTA1’s director of strategic marketing, lifts the lid on the operation.
AI’s Time Has Come

Artificial intelligence (AI) will fundamentally change the nature of industry. German companies, researchers and developers are pioneering the disruptive AI applications of the future. Little wonder foreign investment is flowing into German R&D.

Ada learns fast. She has to. That’s because Ada is a frontline health worker who consults with people who are in pain and feeling unwell. To do her best for her patients, Ada needs to know all the relevant medical basics. She must ask the right questions and analyze in minutes whether the symptoms suggest a serious illness, if she should bring in a doctor; or alternatively, if a few soothing words, a day in bed, or a trip to the pharmacy are enough to treat her patient.

Ada does not have a medical qualification or even a university degree. Everything she knows she learned in a Berlin backyard from entrepreneur Daniel Nathrath and his team. Ada’s creators have programmed her to be a health consultant and trained her with the combined knowledge of more than 70 physicians, mathematicians, data scientists and computer scientists. By now you may have realized that Ada is not human but an Artificial Intelligence (AI).

When users of the Ada app enter their symptoms into the chat program, “she” collects and maps the collective medical knowledge of western medicine and applies it through an algorithm. “We’ve spent seven years working intensively on Ada data processing and building a global network of medical experts to support us,” says Nathrath, CEO and founder of Ada Health.

“This gives us a real head-start here in Berlin and makes us the world’s leading software for diagnostic support.” Over three million people are already using the Ada app worldwide and last year support. “This gives us a real head-start here in Berlin and us,” says Nathrath, CEO and founder of Ada Health.

Upcoming AI clusters

Germany’s younger research clusters such as Cyber Valley in southern Germany are also gaining influence and considerable momentum. Founded just two years ago by the Max Planck Institute for Intelligent Systems (MPI) together with auto groups Bosch, Daimler, BMW and Porsche, the cluster has just secured €1.25m investment from Amazon for a research cooperation. The U.S. giant has also established its own AI research center in Tübingen. “Research into artificial intelligence in Germany clearly focuses on the question: how can AI make internationally successful German industries, services and products even better?” explains the managing director of DTAI Robert Hermann.

This focus on AI applications is one of the key strengths of German research and development (R&D). “With regard to AI, the boundary between basic research, application-oriented research and transfer to industry is fluid,” says Hermann. The development of machine learning technology is progressing so fast that there may only be a few months between the idea stage and a first application. “Many AI applications have what it takes to make a profound change to entire industries and branches once they pass the field test,” he adds.

A study by the consulting firm PwC concludes that the growth potential for the global economy through innovative products that use AI, combined with gains in efficiency, could reach €13.6tn by 2030. In Germany alone, GDP will rise by 11.3 % over the same period thanks to developments in intelligent technology. The study identifies a large proportion of industries within Germany (healthcare, energy and the auto industry in particular) that will benefit from significant productivity gains by adopting AI applications.

Unsurprisingly, there has been a surge in interest in joint research projects from the corporate sector and foreign investors. From machine tool manufacturers to medtech application developers, makers of household appliances through to energy suppliers, companies are queueing up to find out how their products and services could be improved with AI. “There are also many exciting German AI projects in the field of Industry 4.0,” says Hermann. In factories, for example, intelligent machines can now evaluate the data from thousands of sensors to optimize production and improve product quality. Meanwhile, businesses and scientists are testing the use of collaborative AI robots and linking augmented reality technology to AI-based production planning systems.

A number of trending tech topics come together in the German automotive industry. Global groups such as Volkswagen, BMW and Daimler are investing heavily in modern, AI-controlled factories. At the same time, manufacturers are working on solutions for assisted and autonomous driving, intelligent operating systems, entertainment systems and navigation systems at their German R&D centers. The auto companies are open to collaboration on joint development projects with foreign partners and investors.

One of China’s largest virtual reality companies, 51VR, is planning to invest in an R&D facility in Frankfurt, for example. 51VR uses software developed for the gaming industry to create elaborate virtual realities that are hardly distinguishable from the real world. It now wants to combine these virtual worlds with artificial intelligence – hence their interest and investment in projects in Germany.

KORUM | 1st Quarter 2019
AI’s Time Has Come

VR used to train intelligent machines

SIVR’s core concept is that intelligent machines can test their skills and train in virtual reality environments. Just as human beings acquire skills by interacting with the real world, AI machines will be able to practice decision making and action patterning in a complex VR environment that mimics the real world. This could have benefits for German car manufacturers, who could train intelligent navigation and control systems for their vehicles in the virtual traffic of a SIvr pro-gra-mmed model. The German energy market is another interesting and rapidly developing arena for AI investment projects. Since 2012, the Energiwende (the government’s national level energy transition project) has been leading Germany to a decentralized system of energy supply in which renewable energies and energy efficiency technology play a central role. For Peter Geisel, energy market expert at the Swiss energy company Alpiq, this is reason enough to invest in R&D in the German energy market. Alpiq, which develops intelligent solutions for modern energy services such as Bridesense, has recently opened a branch in Germany. “The energy sector is undergoing dynamic change,” explains Geisel. Households and businesses are increasingly becoming energy producers, and renewable energy and mobility need to be integrated into energy networks. “New smart solutions and artificial intelligence make a major contribution to managing this new complexity in everyday life.”

AI sparks energy developments

Alpiq has developed an “Energy Artificial Intelligence Platform” which can record, analyze and evaluate data from power plants, consumers, energy markets and weather stations in real time. On this basis, the “artificial brain” of the platform makes optimal decisions for energy customers and power stations such as when and how much energy should be produced and which energy services to use at what time. “In Germany, customers are open to these new solutions,” says Geisel. “The framework conditions for companies such as Alpiq, which offer innovative, new energy services, are therefore very good here.” As a location for AI innovation, Germany has the great advantage of having a large pool of highly trained specialists and experts. They then team up with the entrepreneurs and startups that are clustered around the universities and research institutes (see map “Germany’s Al Clusters”). “Germany also attracts many foreign researchers and specialists, because they find good working and living conditions here,” says Ada Health’s CEO Nathath. His team in Berlin employs mathematicians, software engineers, physicians and data scientists from all over the world. “We receive inquiries from entrepreneurs, insurers, scientists and health policy-makers around the world who want to collaborate with us to work together to develop smart solutions for the healthcare systems of the future,” he says. “We are convinced that over the next few years we will be able to further extend our lead in Germany through our very good research infrastructure in the field of AI.” Intelligent assistants such as Ada, the German health assistant, could soon find job opportunities opening up all over the world.

FACTS & FIGURES

72%

The number of times AI is mentioned in the coalition agreement of the German government parties CDU/CSU and SPD.

11X

of public funding to flow into four new AI clusters/ R&D centers in Berlin, Dortmund/St. Augustin, Munich and Tübingen from 2018.

30m

Source: Bitkom 2018, German Ministry of Education and Research

Potential growth of the German economy by 2030 resulting from adoption of AI technology, applications and services across all sectors.

Potential contribution to the global economy by 2030 from AI (more than the current GDP of China and India combined).


AI: the new engine of value

The worldwide automotive industry could increase its value by €13.4tn by 2025 due to the cost savings and boost in revenue that AI promises.

AI’s impact on economic growth rates across different industries by 2035.

Growth accelerator AI

AI: steady state

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Recent change in investment control – Is Germany becoming a closed shop?

Although the rules on foreign investment in Germany have recently been tightened (i.e. relevant thresholds lowered from 25% to 10%) for investments in certain sensitive industries (e.g. military products, IT security, critical infrastructure), Germany remains a very investor-friendly country. In fact, German authorities have blocked only one transaction and in the past two years required only approx. ten transactions to be amended under investment control rules. For the vast majority of investments from South Korea into Germany, the changes will not be relevant.

How to enter the German market

Relationship with a German local partner

For Korean companies, entry to the German market often occurs through direct sales or a local distribution partner. Often these contractual relations remain stable over years. However, increasing sales volumes or decreasing margins may at some stage induce the Korean business to consider establishing its own presence in Germany which can also serve as a hub for the DACH region or entire EU.

Own presence

For a foreign investor there are generally three options to create its footprint in Germany:

- Establish a representative office
- Establish a branch
- Establish or buy a legal entity

Representative office

A representative office typically involves only limited financial investment and risk but also allows only limited activity. It is restricted to promotional and marketing activities and must not be used to transact any business on behalf of the foreign parent entity. All transactions have to be made by the foreign head office where all costs accrue.

Branch

A branch is also not a separate legal entity but forms part of the foreign parent entity. Even though, to a large extent, a branch remains subject to the legal regime governing the parent, it is registered with the German commercial register and permitted to engage in business (almost) as if it was a separate domestic legal entity. The profits generated by the branch are taxable in Germany and it is sometimes a challenge to allocate sales and costs between the parent and the branch in a way to satisfy the tax authorities from both jurisdictions concerned (Korea and Germany).

Legal entity

If the German business is intended to be rather substantial, a separate German entity is the preferred option – as is the case if the market entry occurs not by way of organic growth but by way of an acquisition. As in most jurisdictions, an investor into Germany can choose between various types of corporations and partnerships. In practice, almost all greenfield investments use a limited liability company (GmbH) which is also the legal form most frequently used by locals. In practice, the only other option is a limited partnership using a limited liability company as its general partner (GmbH & Co. KG) which may have be advantageous in certain scenarios but also is more complex as it usually involves two local entities (limited partnership and general partner). Both options – GmbH and GmbH & Co. KG – have in common that the investor’s liability is limited to the contributions made and the shareholder is generally not liable for the company’s debts unless in exceptional circumstances of misuse. Unfortunately, there is no simple legal form available yet which would allow an easy transfer to other EU countries.

GmbH

A GmbH may be incorporated or acquired by one or more shareholders with no domestic shareholder being required, i.e. it can be used as wholly owned company or as a joint venture company.

A GmbH requires a minimum registered share capital of EUR 25,000 of which at least one half needs to be paid in before incorporation. Contributions may be made in cash or – with additional formalities – in kind. Even though German law also provides for a limited liability entity without minimum capital requirement, such legal form does not play any role in practice for foreign investors as it is not perceived as a serious business footprint. For receiving the registered share capital, the GmbH needs its own bank account. Due to KYC procedures, opening a bank account may take more time than the incorporation of the GmbH itself. The GmbH is managed by one or more managing directors (Geschäftsführer) who have comprehensive power of representation. The managing directors are responsible to the GmbH and bound internally by its statutes (e.g. reserved matters requiring shareholder consent). The shareholder may issue instructions to the managing directors. All managing directors may be foreign nationals. Only the documents which require register filing (e.g. articles of association) need to be in German (or bilingual). To form a GmbH or acquire shares in a GmbH, notification is required. In order to avoid the shareholders’ personal liability, it is a no-go to start operations on behalf of a newly established GmbH before its registration.

Financing

Given the absence of a separate legal entity, financing of a representative office or branch is not a legal issue. As in Korea, a shareholder may finance a German subsidiary by way of equity, loan or a combination of both. Payments into the capital reserves of a GmbH are often used to strengthen the equity’s base. Provided that the GmbH is not in financial distress, contributions made into the capital reserves may be repaid to the shareholder upon simple shareholder resolution. Downstream shareholder financing is not a legal issue provided that interest paid by the GmbH is at arm’s length. It should, however, be kept in mind that shareholder loans are subordinated by law in the event of the GmbH’s insolvency and that an insolvent administrator may recall any repayment made on shareholder loans within the last twelve months.
How long does it take to incorporate a German limited liability company?

Registration of a GmbH takes about a week from filing with the commercial register, plus the time it takes to obtain apostilled documents from Korea and to set up a bank account. For the notarization and filing, documents from Korea (e.g. powers of attorney, certificate of incorporation) need to be apostilled by the competent Korean authority. If time is of essence, it is a frequently-used option to acquire a shelf company which is possible within 24 hours.

Is German labor law particularly employee-friendly?

German law provides for special employee protection to employees who have been with an employer for at least six months and such employer employs more than ten employees. Under this regime, the dismissal of an employee requires justification and social criteria have to be taken into account when dismissing only certain employees out of a group of peers. However, the performance of German economy shows that the level of employee protection is not a limiting factor.

Why are a limited liability company and a limited partnership taxed differently?

A GmbH is a separate legal entity and as such subject to income tax whereas a limited partnership is transparent from a tax perspective and not subject to income tax at the company level. Instead, taxation takes place at the partners’ level. Therefore, each partner has to file a German income tax return. An exception applies to German trade tax which is payable by the partnership but may, to certain extent, be set-off against the partners’ income tax.
“Innovative Future Industries Are Needed to Drive Korea’s Economy”

Seoul

On January 24, the Korean-German Chamber of Commerce and Industry (KGCCI) held its Economic Outlook 2019 in its 10th year at the Four Seasons Hotel in Seoul. Ms. Barbara Zollmann, President & CEO of KGCCI welcomed around 100 guests at the biannual event to inform on Korea’s economic development and future outlook.

In the first part of the event, H.E. Stephan Auer, German Ambassador to Korea, underlined not only the strong economic bilateral Korean-German relations, but also the historical political ties between both countries, marked by this year’s upcoming 30th anniversary of the fall of the Berlin Wall at a time of de-escalation between both Koreas.

Tourism, the future engine for the bilateral business cooperation, Mr. Auer stressed the importance of the 4th Industrial Revolution through digitalization in manufacturing, logistics and ICT, as well as the energy transition towards renewables and increased energy efficiency. Through underlining the importance of foreign investments for the Korean economy, with Germany alone creating 100,000 jobs in Korea, he called for a combined effort to improve fair treatment of foreign companies in Korea, including the reduction of non-tariff trade barriers and “Korea only” regulations.

Mr. Alexander Hirschle, Director Korea of Germany Trade & Invest; prospected a further downward trend of the Korean GDP growth for 2019 to around 2.5%. As major risk factors burdening the Korean economy, he mentioned the potentially further intensifying global trade war, the record-low job growth as well as the end of the semiconductor super cycle which is now exposing shortcomings of Korea’s export-driven economy. Thus, Mr. Hirschle sees a challenge for Korea in finding new growth motors such as 5G, AI, and electric and self-driving vehicles to replace old core sectors and ensure a positive mid-term economic development.

In the following panel discussion moderated by Dr. Florian Kohlbacher, Director of The Economist Corporate Network North Asia, with three experts discussed the topic “Innovating Korea”.

“Korea and Germany are both innovation-driven economies. Therefore, both countries can get further impulses towards competitiveness by strengthening cooperation between traditional SMEs and high-tech startups,” said panelist Dr. Marc Bovenschulte, Director of Innovation and Technology in Berlin. He further explained that “In Germany many industries will be confronted with a shift in the production paradigm: From ‘German engineering to permanently beta’.

“There is also high pressure on innovation in Korea,” said Dr. Byeungkwan Park, Representative of Fraunhofer Representative Office Korea. “Trends towards Open Innovation will offer more opportunities for foreign research and development institutions.”

The panelists agreed on the need toward more freedom and less regulations to drive innovation instead of relying on monetary investments and pressure by the government. Panelist Dr. Dong-Seon Chang, Lead of Mobility UX Group of Future Mobility Development Team at Hyundai Motor Company, highlighted the required significant change in the societal perception in Korea to enable such innovation through a work style that fosters a “culture of failure”.

The event concluded with a networking dinner.

Busan

On January 31, the KGCCI Economic Outlook was held in Busan for the first time to strengthen Korean-German ties in the economically significant and vital region.

At the event with around 50 guests, Prof. Dr. Dury Chung, German Honoray Consul in Busan, underlined the importance of this platform to foster sustainable Korean-German business in various sectors. Following Dr. Chung, Mr. Waeer Börner, as Deputy Head of Mission at the German Embassy in Korea stressed the South-Eastern region as an important hub for cooperation in future-driven industries.

Mr. Alexander Hirschle’s gave insight into the Korean economic situation and future outlook focused on the importance of finding an answer to the question: “How fast can old core sectors be replaced by such future industries?”. The event concluded with a networking dinner.

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Weert Boerner, Deputy Head of Mission of the German Embassy in Korea
South Korea's battery manufacturers set on global expansion

China is considered the most significant destination

The South Korean electric battery manufacturers are increasingly struggling with the competition from Japan and China. Samsung, LG and SK are therefore investing substantially in capacity expansion.

The South Korean battery manufacturers lost world market shares in 2018. According to the statement of the SNE Research Institute in the local press, by October, the two industry giants LG Chem and Samsung SDI were ranked 4th and 6th respectively overall in global supply of batteries for electric and hybrid vehicles. Panasonic ranked first with a capacity of 19.3 gigawatt hours or a market share of 21.6%, followed by CATL (13.1 gigawatt hours) and BYD (8 gigawatt hours).

LG Chem’s turnover volume increased by 38.5% to 5.2 gigawatt hours in the first ten months of 2018 compared to the same period of the past year, while that of Samsung SDI increased by 21.4% to 2.3 gigawatt hours. These growth rates were well below those of the key Chinese and Japanese competitors such as CATL, BYD, AESC and Panasonic, which ranged between 100 and 150%. After all, the overall market had gained 80.8%.

China is back in the limelight

Prospectively, the local battery producers wish to lay more emphasis on the huge sales market in the Middle Kingdom. According to South Korean media reports, the Chinese subsidy system for electric vehicles, which focuses on indigenous battery suppliers, is due to expire in 2020. Thus, foreign competitors could again find a level playing field for supply in the world’s largest market for electric vehicles. According to experts, about 50% of all batteries supplied globally are to be sold in China by 2025.

According to press reports, Samsung SDI is considering building another factory in Xian with an area of 160,000 square meters with five production lines. Capital expenditure is expected to touch $ 1.5 billion, with a prospective output ranging between 50,000 to 40,000 units per annum. So far, in addition to the production facility in Xian, Samsung SDI has factories in South Korea and Hungary.

LG Chem builds a new production center in Nanjing

Competitor LG Chem, in turn, will invest $ 1.8 billion by 2023 in the construction of its second factory in China, which is expected to become a global production center for the company. In November 2018, the foundation stone was laid for the production site in Nanjing. The production is scheduled to commence towards the end of 2019.

SK plans to increase production volume by tenfold

SK Innovation - which is in fact a refinery company and a late participant in the race for market leadership in electric batteries - will also expand massively. In the first ten months of 2018, SK was able to increase its sales volume disproportionately by almost 70% compared to the same period of the past year in contrast to the other two South Korean rivals.

In October 2018, SK Innovation also announced the construction of a new factory in Changzhou, China, worth approximately $ 350 million. In the future, parts for electric batteries will be produced there. Construction is scheduled to commence in early 2019, with production scheduled to commence in the second half of 2020. The South Korean company plans to increase its production capacity tenfold to 55 gigawatt hours per annum by 2022. The global investment is expected to reach a total of approximately $ 3.1 billion.

In addition to the existing factory in Seosan in South Korea, additional factories are planned in Hungary and in Changzhou. According to media information, SK is also considering building a factory in the US and another in Europe. According to press reports, nearly 10 gigawatt hours of new capacity are planned for a US production facility in Georgia alone, which will cost around $ 1 billion.

In addition, the South Koreans were selected by Volkswagen in fall of 2018 as a supplier of batteries for electric vehicles. Previously, the German manufacturer had concluded contracts with LG Chem, Samsung SDI and CATL. According to suppliers from the “Land of the morning silence”, other manufacturers of electric vehicles “made in Germany” such as Audi, BMW and Daimler rely on press information.

Companies and government to intensify research activities

All three South Korean companies announced that they will jointly launch an innovation fund of nearly $ 90 million to promote further research into electric batteries. To this end, a Memorandum of Understanding on future collaboration was signed with the Ministry of Trade, Industry and Energy in November 2018.

The government wants to assist the battery sector with the help of the fund because it classifies as an important new growth pillar of the South Korean economy in the coming years - its significance in the future could exceed even that of the recently booming semiconductor sector.

China is a key focal point for the battery industry.

Going global, the South Korean electric battery manufacturers are increasingly struggling with the competition from Japan and China. Samsung, LG and SK are therefore investing substantially in capacity expansion.

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China is the world’s largest market for electric vehicles, with 50% of all batteries supplied globally. According to experts, LG Chem in 2025 will be the world’s largest battery factory, followed by BYD, AESC and Panasonic.

LG Chem, Samsung SDI and SK are setting up new factories in China. LG Chem plans to invest $ 1.8 billion by 2023 in its second factory in Nanjing.

SK Innovation is also planning to invest nearly $ 3.1 billion. A factory is planned in Changzhou, China, and another in Europe.

The South Korean battery manufacturers are also working closely with the government to intensify research activities in the battery sector.
Ammendments to the Korean tax act in 2019 focused on redistributing income, making tax assessment fairer, revitalizing the economy and sustaining economic growth, and rationalizing the tax system. Most of the amendments became effective as of January 1, 2019. The following is mainly a summary of those amendments.

Change in the conditions for determining a permanent establishment
The amended tax act contains provisions to prevent abusing its position of being exempt from a taxable business place. Therefore, even though the activities carried out at specific locations are preliminary and auxiliary, those that meet the following conditions are considered domestic businesses:
- The domestic business of a non-resident, foreign corporation, or affiliated entity exists in a specific place in the country, and the activity of the specific place is complimentary to the business activities of a non-resident, foreign corporation, or affiliated entity.
- The overall activity of a non-resident, foreign corporation, or affiliated entity combining the activities of each particular place of activity is complimentary to each other, and is neither preliminary nor auxiliary.

Under the amended tax act, those who repeatedly exercise their power to sign contracts for non-residents and foreign corporations are deemed subordinate agents.

Safe harbour rules for calculating the arm’s-length price for guaranteed fees
The current tax act provides “safe harbour rules” whereby the following guaranteed fees computed under the conditions prescribed by NTS as a method based on a beneficiary’s expected benefits.

- Guaranteed fees computed based on the difference between interest rates with and without a loan guarantee, when the rate difference is calculated by a finance company.

The recent amendments introduce new “safe harbour rules” which include a method based on the expected risks and costs, as well as a method based on the expected risks and costs and expected benefits, in addition to the two existing rules.

Arm’s-length price for transactions involving intangible property
Under the current tax act, intangible property subject to the transfer-pricing rules consist of intangible assets that can be used, transferred, licensed for use, such as patents, models, designs, trademarks, service rights, copyrights, and know-how.

The amended tax act clarifies the definition and scope of application of arm’s-length pricing.

And an arm’s-length price must be set for the transfer of intangible assets, licences, or permits, etc.

The amended tax act also contains that entities should first use the comparable uncontrolled price method, the profit split method or the financial valuation method (which is based on discounted cash flow forecasts) to determine prices for transactions.

In addition, the amended tax act sets out new arm’s-length pricing principles for hard-to-value intangibles (’HTVI’).

Other changes
1. Reduction in scope of the joint liability for the buyer of a business
When both the rights and liabilities of a business are transferred upon its purchase, only a related party of the seller or a buyer who acquired the business for tax avoidance purposes has joint liability for the tax liability fixed before the business transfer date.

2. Expansion of capital gains tax on derivatives
Capital gains tax is to be assessed on all stock price index-related derivatives, including KOSDAQ 150 futures, KOSDAQ 150 options, KOSDAQ 150 ELW, sector indexes futures, dividend index futures, KOSPI 200 variable index futures, and stock price index-related DTC derivatives.

3. Reduced withholding tax rate for peer-to-peer financing
The withholding tax rate on interest income received from a qualified peer-to-peer investment has been reduced from 25% to 14%.

4. Tax treaties no longer have priority over domestic tax law in regard to determining type of income
Tax treaties have priority over domestic law both to determine whether income is taxable or not in the country where it is sourced from and to determine the limited tax rate. However, domestic tax law has priority for determining the type of income.

5. 50% income tax exemption for foreign technicians extended
The provision granting foreign technicians a 50% income tax exemption for 5 years has been extended to December 31, 2021.

6. The 19% flat tax rate on individual income for foreigners extended
When expatriating their individual income tax, foreign labourers can choose to apply the normal progressive rate or the 19% flat rate, whichever is more advantageous for them, for 5 years from the time they start working in Korea. This provision has been extended to December 31, 2021.

7. Exemption from corporate income tax for foreign companies abolished
The provisions granting foreign companies an exemption from corporate income tax have been abolished.
Legal News

Korean Legal Developments Promote Innovation, While Wrestling with Online Sector Concerns

Since late 2018, the regulatory scene in Korea has presented a mixed bag for technology companies. Korea adopted a more generous regulatory "sandbox" framework, and extended tax credits for R&D in next generation technologies. On the other hand, the online services sector seems increasingly prone to tighter regulation, including possibly for offshore service providers.

Expanded regulatory "sandbox", with first exceptions granted in February 2019

New rules have been introduced to expand the regulatory "sandbox" in Korea, a framework for temporary permits and exemptions to enable testing and introduction of innovative businesses, amid an otherwise restrictive or murky regulatory environment. In communications and information technology, the Special Act on Promotion and Convergence etc. of Information and Technology, the Special Act on Promotion and Convergence etc. of Information and Technology, the Special Act on Support for Innovation, passed at the end of 2018 and set to take effect on April 1, 2019, will allow regulators to exempt selected businesses from certain financial industry rules. Already there has been a spate of applications in advance of the effective date.

Frontier technology R&D tax credits extended

The tax credit framework for frontier (or "new growth area") technology R&D, which had been set to expire at the end of 2018, was extended through 2021 (i.e. available in respect of R&D through 2021), and there were notable additions to the types of eligible technology. The possible tax credit, under the Special Tax Treatment Control Act, is in an amount based on R&D expenditures (RDE) as a percentage of total revenues (RDE%Rev): credit = RDE x N% + 3 x (RDE%Rev), where N% is from 20% to 30%. Extended to December 31, 2021, the tax credit applies to R&D in areas such as autonomous vehicles, electric vehicles (EVs), AI, IoT, cloud systems, Big Data, biotech and so forth. Newly included from 2019, however, is R&D in technologies such as blockchain, quantum computing, various sub-areas of automotive technology (cordless EV charging, advanced vehicle displays, and so on), augmented reality, and other areas.

The tax credit can include part of a company’s investments in facilities for commercializing eligible technology, subject to certain conditions, including the condition that the proportion RDE%Rev has to meet a certain threshold, but from 2019 this need only be 2% instead of the previous 5%. Among other conditions, which remain the same, RDE in frontier technology has to be 10% or more of total RDE, in the preceding year.

Meanwhile, the outlook for online services includes more, not less, regulation, including new requirements for information from some scope of service providers, as well as the possible advent of rules targeting the perceived “reverse discrimination” impact of Korean regulation on domestic as compared with offshore businesses.

Certain online services to supply business data to regulator, starting in 2021

Under amendments to the Telecommunications Business Act (TBA) adopted at the end of 2018, online service providers satisfying some threshold or other standard will be required, starting in January 2021, to supply to the Ministry of Science & ICT (MSIT) some scope of annual business information for market evaluation purposes. Standards and particulars are to be later determined by regulation. There was already in place a requirement, for “core” carriers like KT, of providing annual data relating to market share, profitability and other matters, for the MSIT’s use in preparing a yearly analysis of the “competitive situation”. However, driven by concern about the local dominance of global services like Google and Facebook, this amended TBA will subject some scope of “value added telecommunications businesses” – which includes most online services – to a similar requirement of cooperating with MSIT market surveys. What profile of online businesses, and what types of data, will be affected is to be determined later, probably in the second half of 2020.

This is not necessarily confined to Korean businesses. An extraterritoriality clause was added to the TBA in late 2018 (so that it can apply to offshore businesses having an “impact on the Korean market or Korean users”), and thus the information requirement could extend to some range of foreign online services. In that case, the requirement might, among other things, facilitate enforcement of regulations that rely for their “bite” on potential penalties based on revenues.

Important online sector council outlines solutions for “reverse discrimination”

In late December 2019, the Internet Co-Development Council – a 48-person group assembled by the Korea Communications Commission (KCC), the main online services regulator – submitted recommendations aimed at “leveling the playing field” for domestic online businesses as compared to offshore competitors.

Among the recommendations, it is suggested that an extraterritoriality provision (similar to the one added to the TBA in late 2018) might be added as well to the IT Networks Act, a key data regulation for the online sector. Further, where offshore conduct would implicate a license under Korean law, the thinking is that the offshore company should itself obtain the license directly, rather than through a local subsidiary (as commonly done). Other recommendations call for an overhaul of various aspects of the regulatory framework, inspired by a sense that it has failed to keep pace with innovation. There is a significant possibility of the KCC embracing policies more or less in line with these recommendations.

Korean legal developments promote innovation, while wrestling with online sector concerns

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Economic Implications of The North Korea-US Summit

What does the failed Hanoi Summit mean for the North Korean Economy?

The Hanoi Summit resulted in no agreement, and the prospects for inter-Korean cooperation appear uncertain at best in light of developments. An NK Pro analysis indicates the following:

- The North Korean economy appears stable according to multiple sporadically available indicators including the rice price and the exchange rate point to an economy that does not.
- Inter-Korean cooperation has likely hit a glass ceiling without sanctions relief. There is some scope for the South to provide additional developmental support and food aid, especially given reportedly poor harvest.
- In the short-to-medium term, North Korean reliance on Chinese imports will remain unchanged, and China continues to maintain export volumes with the North that will likely ensure economic stability in the North.

The no deal scenario

Contradictory economic signals

North Korea’s economy is more opaque than any other on the planet. What little seemingly reliable data we have of current economic performance is highly fragmented and only sporadically collected. Nonetheless, rice price data from February 26 reported by Daily NK indicate that in real terms (i.e. in USD), the rice price is lower than at almost any time since Kim Jong Un came to power.

(see table 1)

Daily NK exchange rate data also indicates that the North Korean Won has gained in value over the two weeks that led up to the summit. While NK Pro data collected earlier in the month indicates that the North Korean currency has remained stable against a basket of currencies and has recovered since a temporary blip late last year.

Yet, at this very time, the North Korean government has asked the international community for aid due to poor harvests and a worsening food situation. We cannot be certain that rice prices and exchange do not capture some of the underlying dynamics of the North Korean food economy, with its continued use of some administrative prices and central allocation. However, one would imagine if sanctions were causing economic pain, there would be a flight to stable, liquid assets like grain and foreign currency. But no such market trends have yet been seen.

Inter-Korean cooperation

In the lead up to the Hanoi Summit, there were hopes expressed by Kim Jong Un that the Kaesong Industrial Zone and Kumgang Tourism could be restarted in the near future. There was also continued talk of inter-Korean railway cooperation and construction. However, without a deal on sanctions relief or exemptions for particular inter-Korean cooperation coming out of the summit, it is far from clear whether any of these hopes will be realized in the near term.

The day following the Summit, South Korean President Moon said in his March 1st address that he would consult with US President Trump on reopening Kaesong and Kumgang. It has been clear for some time that the US should allow it, the Moon administration is ready to reopen these sites for some time. However, the tone of these remarks coming straight after the failed Hanoi Summit is striking.

If Moon meets with his North Korean counterpart in the next month, then he is likely to press North Korean leader Kim Jong Un to make a constructive offer to the United States sufficient to allow the reopening of these two inter-Korean cooperation projects. However, given the failure of the Hanoi Summit, it appears likely that what the Trump administration would deem “sufficient” would be unreasonable to the North Korean side.

Hence, the prospects for inter-Korean economic cooperation even at levels last seen in 2008 seem uncertain at best.

China and North Korean economic stability

Some Chinese corporate actors and entrepreneurs appear to be very interested in North Korea as a potential investment prospect. North Korea is close, and there are indeed many potential areas for investment. Wonsan Kalma, for instance, may be of interest to Chinese investors looking for a new market for outbound Chinese tourism. There was also continued development of infrastructure on the Chinese side of the Sino-North Korean border throughout 2018.

However, with sanctions remaining firmly in place for the time being at least, such the prospects for Chinese investment in the North also do not appear good. The major wildcard is Chinese interest in North Korea as a potential investment prospect. While investment flows appear to have largely stopped, the trade picture is more complex. Over 2018, North Korean exports to China were over 90% down on pre-sanctions levels. However, North Korean imports from China rebounded over the course of the year and by years-end were about 30% lower than they had been in 2017. This marks a major fall, but far less dramatic than the fall in exports.

If such import trade volumes can be maintained, and if China continues to provide commodities to North Korea like rice at subsidized prices like it has in the past, we can expect no immediate deterioration in North Korea’s economic performance.

Conclusions

The United States has limited leverage in its decoupling negotiations with the North. Offers of liaison offices and peace declarations are of very limited economic value to the North. But sanctions have also failed to produce the kinds of economic pain that may have made Pyongyang more willing to offer the kinds of concessions that the Trump administration demanded.

The economic indicators that we have available present a patchy picture of stability. Of course, little inbound investment, and a dramatic decline in the terms of trade with China are far from ideal from Pyongyang’s point of view. However, the immediate outlook looks far less bleak than one might expect, with rice prices at near-record lows, and exchange rates stable.

However, the prospects for anything more than stability appear far grimmer than they did a couple of weeks ago. Unless the Trump administration and Pyongyang can find some kind of intermediate compromise in the coming months, it appears likely that the status quo will persist potentially for years to come.

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Table 1: Peaks and troughs in North Korea’s Rice Price (USD)

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Table 1: Peaks and troughs in North Korea’s Rice Price (USD)
In terms of security and stability, 2018 is considered by many experts to be the calmest year on the Korean Peninsula at least since the outbreak of the Korean War in summer 1950. This alone is definitely good news for a region that has been assessed to become an ever-increasing dangerous place on a global scale. Given current efforts on all levels to keep that positive momentum going, there is certainly room for hope that this relative security and stability could eventually evolve towards trust, confidence and eventually lasting peace. Hence, give Presidents Trump and Moon Jae-In as much credit as possible that they and their respective administrations are getting there.

Unfortunately, there is bad news around as well. Despite splendidous summit meetings in Singapore, Hanoi, Panmunjeom, Beijing or Pyongyang with well formulated and promising declarations, most facts on the ground are still in place as before. Hundreds of artillery pieces, most of them well protected, are still deployed and operational on the Kaesong Heights, ready to “put Seoul in a sea of fire”, technically within only a couple of minutes. Important to notice that this very strong element of North Korea’s deterrence is not part of the U.S.-DPRK de-nuclearization negotiations as these systems are conventional only.

Crucial importance of even small-scale risk reduction

Hence, the above-mentioned strategic negotiations are important, but all efforts, agreements and implementation of reducing the risks of military incidents on a low level along or inside the DMZ are at least as important for the security and stability on the Korean Peninsula. In the last seven to eight years “miscalculations with a potential for escalation” were considered among the most likely triggers for severe crisis or even conflict. This looks pretty obvious, given the close proximity within, along and immediately outside the DMZ of enormous military capabilities in numbers but increasingly also in quality. Against that background, 2012 to 2017 were particularly difficult, given the large amount of “provocations”, significant “kinetic” incidents in the Yellow Sea (West Sea) and in the DMZ and a complete cut-off of all existing communication lines between the two Koreas amid high political pressure in South Korea, particularly on the military to constantly remain on the highest possible level of readiness, in order to “retaliate and punish enemy provocations immediately.”

As a close observer of the operational-tactical environment along the DMZ, the Neutral Nations Supervisory Commission (NNSC) did not notice that at least statistically the two sides have been aware of the potentially devastating consequences of escalation miscalculations. Nevertheless, a significant increase in kinetic incidents along the DMZ but particularly along the strongly disputed Northern Limit Line (NLL) in the Yellow Sea has been noticed until 2015, with a peak in August 2015 after a severe mine incident. As tensions escalated further from early 2016 on, with a series of DPRK nuclear and missile tests followed by subsequent harsh sanctions (e.g. closing down Kaesong Industrial Complex), reported serious incidents dropped to almost zero. One obvious but also positive conclusion of this phenomenon might be that both sides were putting utmost constraints on “tactical provocations” in order to prevent an escalating linkage with the ever-increasing risk of conflict on the strategic level, given DPRK’s progress on their nuclear and missile program.

The Comprehensive Military Agreement of 19 September 2018 as a first step in the right direction

At the Pyongyang Summit between Kim Jong-un and Moon Jae-In of September 2018, the defence ministers of the two Koreas signed a “Comprehensive Military Agreement” (CMA). This document is exceeding all other mainly nicely formulated, but rather vague declarations. For the first time since Kim Jong-un’s “charm offensive” of January 2018 and its positive reception by Presidents Moon and Trump, concrete measures and steps with clearly defined deadlines were agreed upon. It is considered to be of particular importance as it focuses on measures to reduce exactly those risks mentioned-above. Among other measures the following elements are of particular interest:

- Dismantling of 22 guard-posts (GP) in the DMZ. In subsequent negotiations both sides agreed to keep one designated GP on both sides (at the East Coast) for historic reasons. Both sides destroyed and removed ten GPs each while verifying the removal by mid-December 2018. The verification encompassed a crossing of the Military Demarcation Line (MDL) of military personnel of both sides for the first time since 1953. The GPs in the JSA were completely emptied from manpower and weapons, and then sealed under the respective verification by the Korean Peoples Army (KPA) and the United Nations Command (UNC) by end of October 2018.
- Disarming and withdrawal of personnel in the JSA. All military personnel with their weapons on both sides have been removed from the JSA by mid-November 2018. Only 35 unarmed security guards on each side are allowed to be deployed in the JSA (most likely to be personnel from the same units as before, but with other insignia).
- Buffer, no-fly, and peace zones established. The buffer zones do also include the North West Islands (incl. the NLL). Artillery live-fire exercises are prohibited if closer than five km to the DMZ. Ever since, South Korea has stopped its monthly live-fire exercises on the North Western Islands (triggering the shelling of YP-do in November 2010). A no-fly zone up to 40 km on each side is enforced for fixed- and rotary-wing aircraft as well as drones.
- All these decisions have been implemented and verified more or less on time. However, important decisions are still pending and little progress is been noticed. The establishment of a joint military commission has not been finalized so far. It would constitute an important step if the whole process as it should sort out pending issues and thus keep the provisions of the CMA and its development alive. Granting free movement in the JSA for visitors between 9am and 5 pm as a particularly challenging objective of the CMA has not yet been implemented as well.
- Assuming difficult negotiations on joint operational regulations (would be the first in history) are stalled for the time being.

Sustainability and synchronization of the negotiation processes are key for lasting security and stability

The risk of “putting Seoul in a sea of fire” is currently significantly lower than in earlier days, but has not vanished at all. The Korean CMA has positively contributed but needs to be implemented fully, and beyond. The negotiation processes are to progress on both levels (de-nuclearization, inter-Korean dialogue) and require substantial synchronization. Hence, sustainable and relentless efforts for dialogue, substantial negotiations and if only communication are crucial to continue. Otherwise, a fall-back to a status quo ante with all its negative consequences is still possible.

Photo credit: NNCS (Neutral Nations Supervisory Commission)
The second US-North Korea summit took place on the 27th and 28th February in Hanoi but it was cut short and did not lead to any kind of summit declaration indicating what has been achieved and in what direction the two countries would go from there. What can companies in South Korea and in particular foreign investors in Korea deduce from the summit? KGCCI organized a follow-up panel discussion on March 12th to discuss what happened during the Hanoi Summit and what to consider regarding the ongoing negotiations and different agendas in the future.

It has been agreed that diplomacy had brought much progress since 2017 when tension was high between the two Koreas. However, according to the panelists it is now up to North Korea to make the next move and decide between one of two options: either go back to demonstrate military strength again and risk continuous and maybe even stricter sanctions, possibly even from China, or compromise and aim for a way of relieving sanctions by working towards an agreeable plan of denuclearization.

The experts agreed that forcing an all-or-nothing approach in the negotiations would be the wrong thing to do. More engagement with North Korea and convincing the North Korean leadership on planning a sequenced process together could lead to a consistent and positive outcome for all parties involved. Denuclearization of other countries such as South Africa and Iran were also result of a lengthy process. The sanctions in place have the purpose of bringing countries like North Korea back to the negotiation table. For German businesses active in Korea, it means that North Korea remains an interesting object of observation, from a geopolitical perspective, but also a future potentially interesting location – but it will probably have a long way to go, for many reasons, before opportunities can be realized there.

From left to right: Lieutenant General (ret.) Chun In-bum (Visiting Fellow at Brookings Institute and Visiting Scholar at Johns Hopkins University), H.E. Stephan Auer (German Ambassador to South Korea), Tony Michell Ph.D. (Managing Director of Korea Associates Business Consultancy) and Dr. Bernhard Seliger (Resident Representative of Hanns Seidel Foundation in Seoul).

The expert panel included H.E. Stephan Auer (German Ambassador to Seoul), Lieutenant General (ret.) Chun In-bum (former Deputy Commander for the First ROK Army) and Tony Michell Ph.D (Korea Associates Business Consultancy). As moderator Dr. Bernhard Seliger, Hanns Seidel Foundation Korea, mentioned, this panel brought expertise on the diplomatic, military and business side to the table. Brief introductory statements by each participant were followed by a talk and questions from the audience.
Working Environment and Changes to Korean Labor Law in 2019

I. Working environment

The current Moon Jae-in government, since his inauguration on May 10, 2017, has been pushing labor-friendly policies, reflected in the increased minimum wage, shortened working hours, additional vacation time and holidays, expanded coverage of industrial accident insurance, greater protection for vulnerable workers, and stronger labor supervision. Previous Korean regimes and administrations pursued growth policies that maximized corporate profits through low wages and long working hours. On the other hand, this administration is moving toward more balanced development, restricting growth-oriented policy and promoting fair distribution. While such worker-friendly policies have been criticized as deteriorating the business environment and productivity, they are expected to continue during the rest of Mr. Moon’s term.

Of particular note is that the Ministry of Employment and Labor has strengthened labor audits by hiring more than 500 labor inspectors in 2018. Labor inspectors used to audit workplaces to prevent violations of labor standards, but now correct violations. Employers shall be punished for violation with imprisonment of not more than 2 years or a fine of not more than 20 million KRW (Article 110 of the LSA, Penal Provisions)

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<thead>
<tr>
<th>Before Revision</th>
<th>After Revision</th>
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<tbody>
<tr>
<td>Max. working hours per week: 46 hrs * 48 hrs + 12 hrs + 16 hrs (If the holidays are 2 days)</td>
<td>Max. working hours per week: 52 hrs * 52 hrs + 16 hrs</td>
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II. Changes to Korean Labor Law in 2019

1. Minimum Wages

The minimum hourly wage in 2017 was 4,670 KRW, 7,530 KRW in 2018 and 8,350 KRW in 2019 – representing an increase of 29% in two years. If this increase is converted to a monthly rate based on 60 hours per week, the monthly minimum wage was 1,392,230 KRW in 2017, 1,573,770 KRW in 2018 and 1,745,150 KRW in 2019. According to the current minimum wage system in Korea, a single minimum wage is applied at all workplaces, without distinction as to the industry or region, and all employers are obligated to pay at least the minimum wage.

2. Up to 52 hours per week, including overtime and holiday work

There has been confusion as to what makes “one week”. It used to be based on 5 or 6 days, with the weekly holiday excluded. Therefore, there were 40 working hours plus up to 12 hours overtime, and then 8 hours of holiday work or 16 hours over 2 holidays could be added, which could total 68 hours a week.

However, on March 20, 2018, Article 2 of the Labor Standards Act was amended to include the definition that “one week refers to seven days including holidays.” Due to this, the maximum working hours per week is now 52 hours including holidays.8

2. Coordination of working hours of workers under 18 (from Jul. 1, 2018)

The term “minor” means a worker who is between 15 and 18 years of age. The working hours of the minor cannot exceed 7 hours per day and 39 hours per week. However, if agreed between the parties, the working hours may be extended by 1 hour per day and 5 hours per week. That is, it can be up to 8 hours a day and 40 hours a week. In case of violation of this provision, the employer shall be punished by imprisonment for not more than 2 years or a fine of not more than 20 million KRW (Article 110 of the LSA, Penal Provisions).

2) Labor Ministry Guideline: “Operational Guidelines for Rules of Employment”, LSA Dept-1119, April 24, 2009. The Constitutional Court ruled that this application was unconstitutional and violated the principle of equality. The Court made a decision that the related legal provision was unconstitutional, stating that a legislative amendment was to be made by the end of 2017. Accordingly, the related provision was revised on September 28, 2017, and beginning January 1, 2018, accident insurance has been applied to accidents occurring during normal commutes.

3. Public holidays redefined as statutory holidays (enforced in phases by size of business from 2020)

Public holidays are contractual holidays. Current statutory holidays are the weekly holiday (Article 15 of the LSA) and Labor Day (May 1). In general, public holidays for government offices can be recognized as holidays only if the company accepts them as paid holidays through their rules of employment. For this reason, in some SMEs, 15 days of public holidays have been replaced with 15 days of annual paid leave, but it has been difficult to conclude that this constitutes violation of the Labor Standards Act. However, since public holidays have been redefined as statutory holidays, companies are required to recognize them as additional compulsory paid holidays.

5. The Workplace Harassment Prevention Law

It is meaningful that the definition of workplace harassment clearly defines the obligations of the related employer and the standard for incidents of harassment. Until this concept was established, Korean labor law set no legal obligations or liability in relation to workplace harassment. In general, it is very meaningful that the Labor Standards Act has stipulated a definition of workplace harassment to strengthen the obligations of employers and to protect workers with ways to receive remedy for workplace harassment. Employers who routinely employ 10 or more workers must address 12 required items in the Rules of Employment and report them to the Minister of Employment and Labor (Article 93 of the LSA). The additional required item relates workplace harassment: “11. Matters concerning prevention and measures in case of occurrence of workplace harassment.” In other words, it shall be stipulated in the Rules of Employment that the company has implemented measures to deal with workplace harassment.

6. Recognizing a Commuting Accident as Work-related

Although Industrial Accident Compensation Insurance (IACI) has not applied to accidents that occur while commuting in principle, accidents which occur during a commute using transportation provided by the employer or equivalent have been acknowledged as industrial accidents. Even if two similar accidents occur while commuting, the accident that occurred while using transportation provided by the employer was recognized as a work-related accident, while an accident which occurred while commuting on foot or using personal or public transportation was not so recognized. The Constitutional Court ruled that this application was unconstitutional and violated the principle of equality. The Court made a decision that the related legal provision was unconstitutional, stating that a legislative amendment was to be made by the end of 2017. Accordingly, the related provision was revised on September 28, 2017, and beginning January 1, 2018, accident insurance has been applied to accidents occurring during normal commutes.

1) Enforced in phases by size of business;
3) The Constitutional Court ruled on Sep. 28, 2017, Article 26 (Article 37 (1)-C of IACI Act)
The year 2019 started very busy for KGCCI’s “Ausbildung” department. As Audi Volkswagen Korea officially joined the “Ausbildung” program in December 2018, the preparations for the start of the first generation of the new brand are on the way. In addition, the team of Ausbildung at KGCCI expanded to three full-time employees from January this year in order to secure the quality of the program and to take care of all the upcoming tasks. If we look down the road of this year, there are many initiatives in the pipeline. The big picture for the year 2019 is divided into three pillars:

1. Classic Ausbildung

Here we will focus on stabilizing the program in Korea, even though there are already major achievements in this respect. The Korean government acknowledged the program and started to provide financial support for the service centers participating in the Auto-Mechatroniker Ausbildung program. 400,000 KRW will be monthly paid by the Ministry of Employment and Labor for each trainee during college time. Moreover, the Military Manpower Administration is setting up a process specifically for Ausbildung from this year on. This means that trainees in Ausbildung are guaranteed to get assigned to an automotive maintenance position for their time in military. This is a remarkable milestone for Ausbildung as it secures the knowledge and skills of the profession. It shows that Ausbildung is on the way to establish solidly in the Korean society. In this context, it also has to be mentioned that Ausbildung is officially listed under the Korean Work and Study Program as a pilot program. Furthermore, Ausbildung aims at extending its range to other professions such as general mechanics or even in the field of accounting or economics. In September 2019, the third generation of trainees for car mechatronics will start their professional life at BMW Group Korea. As the soft skills are more and more important in our business life, the OJT training is enriched by soft skill modules such as business communication, leadership etc. During their trainee time, trainees receive a regular salary from the company. After the two years of training, the trainees will also have a 100% job guarantee in their companies. This program is ideal in order to enable graduates to work efficiently in their profession and also helps to increase the loyalty of the young employees. It further increases the attractiveness of small and medium sized companies amongst college and university graduates.

2. Academy

A new field of Ausbildung will be established at the KGCCI called Academy. Customized programs will be developed that contain core parts of Ausbildung. The goal of these programs is to integrate graduates from college or university in the companies with On-the-job training (OJT) and soft skill trainings. As graduates already have an excellent academic education but limited knowledge of the real business, they will be trained by a certified trainer for two years on the job. The basis for the OJT is the Ausbildung curriculum for the respective profession from Germany. As the soft skills are more and more important in our business life, the OJT training is enriched by soft skill modules such as business communication, leadership etc. During their trainee time, trainees receive a regular salary from the company. After the two years of training, the trainees will also have a 100% job guarantee in their companies. This program is ideal in order to enable graduates to work efficiently in their profession and also helps to increase the loyalty of the young employees. It further increases the attractiveness of small and medium sized companies amongst college and university graduates.

3. Qualification methods

The third pillar will be individual qualification methods. These are stand-alone modules which can be applied by every company. One of these modules will be the Train-the-trainer course. This course is a mandatory component for the classic Ausbildung and is one core pre-requisites for the customized programs. But there is a wide field of qualification measures which will be taken into account and importantly, the participating company’s needs will be in the focus.

In the near future, there will be even more fields for expansion such as dual studies or qualification for people aged over 50. More and more companies release people in their fifties. This is on the one hand a burden for this group of people, as they are too young to retire. But it can also be seen as an opportunity to start something new. Various new qualification measures can support to turn these opportunities to success stories. Qualification will be very important overall in the future. A study of McKinsey predicts that by 2030, 375 million workers around the world will need further education and training because of the dynamic technology shift. Even today 30% of the skills are lost within four years. And not only professional skills have to be considered. This applies even more to the so-called soft skills like empathy, passion, curiosity etc., as these are not easily adopted by robots. Also due to digitalization the form of qualification will be different in the future. The seminaristic form will more and more disappear and individualized qualifications measures will become focus. Considering all these predicted developments, a concept of lifelong learning will be the necessary approach in the future.

Advertisement

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We fast-track the success of international companies in Korea!
2019 KGCCI Innovation Awards Kick-off
A platform for selecting innovative companies which will lead Korea’s innovation.

On February 27th, The KGCCI held the kick-off event for its fifth Innovation Awards, to announce the beginning of their search for this year’s most innovative companies. During the main part of the event that was held at WeWork Seollung II, the four winner companies of the previous year had the opportunity to personally present their outstanding business ideas to the audience. Emphasizing the importance of innovation, Ms. Barbara Zollmann, President & CEO of KGCCI, said, “Past successes are important but innovations create the future of companies and even countries. It is not always about disruptive innovations. Small but crucial innovations can decide about entering new markets or transitioning of an old business model to a new one, bringing value to the company and society.”

The ‘KGCCI Innovation Awards’, which marks its fifth year, was initiated in 2015 with the purpose of fostering innovative ideas and strategies of companies which are performing its business in Korea, as well as promoting trade and business cooperations between Germany and Korea.

The winners of ‘KGCCI Innovation Awards’ are selected and evaluated by a high-ranking German-Korean jury from business, academia and research. The ideas and strategies are evaluated under four criteria such as degree of innovation, proven success in the market, positive effect to the company and benefits for the society.

In the course of the event, Ms. Ingrid Drechsel, Chairman of KGCCI and President of Bayer Korea, who is also heading the jury of the KGCCI Innovation Awards, explained the criteria and novelties of the fifth awards. She said, “For the sixth consecutive year South Korea is on top of the Bloomberg Innovation Index followed by Germany on second rank in 2019. This is a perfect fit to launch the 5th KGCCI Innovation Award in Korea. We hope to find innovative ideas and companies and to support them in realizing and accelerating their business in Korea as well as in a global market.”

‘Chairman Award’ 2018 Winner: connected car solution company ‘OWN’

Application open until May 31, 2019
Apply & FAQ: www.innovation-award.kr | Questions: innovation@kgcci.com

KGCCI strives to foster innovative concepts and strategies of companies in Korea.
Interview

Please introduce your company’s business.
Lumir is a Korean lighting brand resolving light shortages and delivering the beauty of light. For the shared goals, we have been developing philanthropic products and an innovative social impact product.

How do you define innovation?
Lumir defines ‘Innovation’ as a creative but practical attempt for a better world. We consider the balance between creativity and practicality as the most important aspect to not just make an interesting idea that cannot be used pragmatically.

Please explain the product that you received the KGCCI Innovation Award for.
Lumir K is a LED lamp powered by cooking oil without any external power. By converting the small thermal energy of cooking oil into electricity and turning on LEDs, it reduces the fuel consumption and CO2 emission by 80% and 92.8% while providing 2.6 times brighter light compared to kerosene lamps. Since the beginning of 2018, 4,300 people have come to enjoy the brighter and healthier light with Lumir K.

What was your motivation for applying for the KGCCI Innovation Awards?
We applied for the Awards to promote our innovative product and increase our brand awareness internationally as it is held by KGCCI which is renown across the world.

What future plans does your company have?
We will keep striving to scale up the social impact and ensure the sustainability by improving the product and establishing a solid foothold in the market. So we plan to launch the next generation of product that brightens a wider space and charges a mobile phone and various aesthetic design lightings. In the end, we hope to light up 1.3 billion people’s life in off-grid areas.

Interview

Please introduce your company’s business.
OWiN is a South Korean startup focused on connected car commerce, digital payments, and fueling solutions.

How do you define innovation?
Simply put, innovation is about creating a step-change in the way people do things – it’s the spark that leads to breakthroughs in technology or society.

Please explain the business model that you received the KGCCI Innovation Award for.
OWiN offers an integrated technology platform (software and hardware) to connect drivers with on-demand access to goods/services while on the road. Our system assigns a digital ID to your vehicle, linking the vehicle to a comprehensive network of merchants - food & beverage, fuel stations, auto maintenance, parking, retail outlets, etc. Our technology uses proprietary location detection expertise to track a vehicle’s micro-location, providing drivers with seamless O2O (online-to-offline) ordering and a secure payment experience.

What was your motivation for applying for the KGCCI Innovation Awards?
Germany is a global powerhouse of Automotive OEM’s. We think the KGCCI Innovation Awards offer an excellent opportunity to connect with potential industry partners, introduce our technology, and seek collaboration projects both inside and outside Korea.

What future plans does your company have?
2019 will be a busy year for us. We’ll be significantly expanding our merchant network in Korea with installations planned at more than 800 fueling stations. In addition, we’re launching service with local partners in Thailand and Japan.
KGCCI has been publishing the CSR Report of German companies in Korea since 2015. This report features examples of CSR activities of German companies in Korea and the manifold ways they engage with the Korean society. This report is a great way to document the contributions of German companies for the Korean society and a tool to learn about other companies’ CSR practices.

The KGCCI CSR report is being sent to Korean media outlets and important stakeholders in the CSR field (government agencies, National Assembly Members, etc.). In order to promote our members’ CSR activities further to the Korean-German business community and related interest groups, we will regularly introduce their CSR projects in the KORUM magazine.

The KGCCI CSR Report of German Companies in Korea 2018/2019 will be published in July 2019. Submissions are welcome until May 3, 2019. If you would like to introduce your company’s CSR activities in the next KGCCI CSR report or in the KORUM’s Inspiring CSR section, please contact pr@kgcci.com

CSR Activities of Boehringer Ingelheim Korea

Corporate citizenship is an integral part of Boehringer Ingelheim’s corporate culture. Our CSR activities, therefore, emanate from our operating units in the countries and embrace patients, neighboring communities and society at large.

Boehringer Ingelheim Korea has been conducting CSR activities in long-term perspectives as a trusted-corporate citizen. ‘Making More Health Change-maker’ project is a long-term global initiative driven by Boehringer Ingelheim based on a global partnership Ashoka, with the goal identifying new and innovative ways to improve health globally. In addition, Boehringer Ingelheim Korea established ‘Wunsch Medical Award’, which is widely renowned as the Korean Nobel Prize in Medicine, in 1990 with the Korean Academy of Medical Sciences to support the advancement of Korean medical science.

A Project to Make Voice Story Books for Children Waiting for Adoption Share Your Warm Heart with Voice!

For young babies who are left in adoption agencies as soon as they were introduced to this world, there is a special project to present story books made with the voice of Henkel Korea employees. Due to the situations where the natural parents could not nurture those children who are waiting to be adopted while staying in a nursery until they are adopted to new homes, there is a significant shortage of story books and voices to read the story books. Henkel Korea employees have donated their voices in order to make just a little bit more of a joyful and happy time for those babies. Through the voices for the story books made with the voices of employees, these gifts for the new world have been made for those babies who are waiting to be adopted. These story books with the voice of employees will be donated to Eastern Social Welfare Society together with the recorders to play the recorded voices, story books and personally-written message cards. It is hoped that the story-tale of Henkel Korea employees will be a hope for those baby angels seeking for new homes.

CSR Activities of Wilo Pumps Korea Ltd.

With affection and love towards stakeholders and members of the community, Wilo Pumps Korea Ltd. puts efforts to improve their life. Wilo tries to make it happen with three ways. First, we will provide differentiating values for the people who are in need of our products and technology. Second, we highly value stakeholders’ various opinions. Third, we are looking for ways through which Wilo’s employees and members of the community can together achieve more in their life with a sense of belonging.

Sponsorship of Asia Pacific Youth Parliament for Water

Wilo has sponsored Asia Pacific Youth Parliament for Water (APYPW) through Wilo-Foundation. APYPW is a parliament composed of worldwide college and graduate students who will take care of the future. They discuss about the importance of water and find solutions for global water resource problems. Since 2013, Wilo has been a main sponsor of APYPW and offered opportunities for outstanding participants to visit Wilo-Foundation located in Berlin and experience advanced water facilities.
Mr. Brian Kim has been appointed Head of Country, South Korea, as well as Head of Sales, Airbus Defence & Space, South Korea. In these roles, he represents Airbus in South Korea and is responsible for the development and execution of sales and marketing strategies for the company’s Defence & Space division. Mr. Kim has more than 34 years of experience in the aerospace industry in both South Korea and the USA. This includes senior executive roles at international companies including Northrop Grumman, Boeing, Samsung Corporation, Samsung Aerospace, Korea Aerospace Industries and Hughes Aircraft. Mr. Kim holds a Bachelor of Science degree in finance and business economics from the University of South California.

Mr. Young Yull Kim has been assigned to the Representative Director of BASF Company Ltd., Korea in October 2018. He holds a M.A. of Chemistry in Yonsei Graduate School, Seoul and started his career as researcher. After working as business leader and legal representative in various multinational companies such as Henkel & Cognis worldwide, he has joined in BASF in 2011. He was Head of Chemical Business Unit of BASF Company Ltd., Korea and Vice President of Dispersions & Resins Asia Pacific in Hongkong before the current assignment.

Mr. Taeysoon Moon has taken office as President & CEO of Continental Automotive Systems Corporation, effective from January 2019. Mr. Moon began his career as an engineer after graduating Busan National University in 1981, majored in Electro-Mechanical engineering and joined Continental in 1988. He moved to Continental Automotive Electronics LLC in Suining from 2008 as President & CEO and worked until the end of last year. With the new position, he will be responsible for the entire business and operation of new Continental Powertrain Company in Korea.

Mr. Jason Jang has been appointed as Chief Financial Officer at thyssenkrupp Elevator Korea effective from January 2019, following the retirement of Jong-Young Y. Mr. Jang will lead the Finance and Controlling function as well as other functions including Tax and Compliance, Treasury, and Global Process and Information Technology for thyssenkrupp Elevator Korea. He has been working at thyssenkrupp Elevator in various roles since 2003. Mr. Jang holds a Bachelor’s degree of Economics from the State University of New York and has gained over 25 years of experience in Finance and related function since the start of his career in the United States upon graduation. He has some diverse experience in Finance and related function.

Mr. Kiho (Kay) Jo has taken office as Executive Director of Group After Sales at Audi Volkswagen Korea. As Executive Director, he oversees various aftersales functions, encompassing Parts Sales and Logistics, Technical and Non-Technical Training, Product Quality Management, Warranty, Technical Support, and Service Campaign & Recall management. Mr. Jo has joined Audi Volkswagen Korea after more than 26 years of experience at After Sales and Customer Service in renowned companies like Jaguar Land Rover Korea, General Motors Korea and Kia Motors.

Since January 2019, Hennecke is represented by a newly founded independent company on the Korean market: Hennecke Korea Ltd., based in Seoul. The new independent subsidiary will enable us to focus even better on serving our Korean customer base, as both internal and a considerable number of legal processes will be implemented faster and more efficiently,” Managing Director Rolf Trippler said.

Mr. Won Woo (Warren) Rhee has been appointed as the President of Vector Korea IT Inc. since August 2018. Mr. Rhee has over 29 years of extensive and versatile experience in sales, marketing and engineering in consumer and automotive/industrial markets. Starting his career at Samsung Electronics as an engineer, he spent several years as a marketing manager at Cirrus Inc. in Austin, Texas. In 2008, he returned to Korea to work as a country manager at the regional branch of Cirrus Inc. Since then, Mr. Rhee has continuously developed and performed his strong leadership skill as a country manager at Infersil Korea and as a general manager of the Automotive Business Unit at Renesas Electronics Korea until he joined Vector Korea.

German School Seoul International (DSSI) has appointed Ms. Hym-Jeong Kim as its new Standing Representative. Ms. Kim will lead all day-to-day affairs of DSSI’s Board of Directors and will work closely with the Principal of the School and the Head of Administration. Ms. Kim holds a Master in Business Administration from Bamberg University and formerly worked as Senior Operations Manager of Yogo’s Delivery Hero, Managing Director of Platoson Kunsuhalla Seoul, Cultural Officer at Boehe-Institut Korea and established her own art consulting company as Managing Director.

Prof. Dr. Chin-Sung Dury Chung from Korea Maritime and Ocean University (KMU) has started her position as Honorary Consul of the Republic of Germany in Busan as of December 2019. As Honorary Consul, Prof. Chung is called upon to give her energy in the convergent human resource developing projects between Germany and Korea, especially in the field of economic relations and cooperation, transport, culture and the administration of justice, and to give advice and support to German citizens and domestic law-makers after due consideration.

What’s new?

KGCCCI is proud to be the second biggest foreign Chamber of Commerce and Industry in Korea. With around 500 members, we build a solid German-Korean business network with companies and organizations of various industries and from diverse fields. In order to strengthen the communication in our network, you can share news about your organization in this section of the KORUM magazine. Please send your news to pr@kgcci.com
New Members

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KGCCI Member’s Spotlight

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KGCCI New Members
Empowering Women by Creating a Strong Network

On March 7, the Core group and mentors of the female leadership group “Women In Korea” (WIR/48) received a certificate of recognition for setting up this program and successfully completing the first generation of the mentorship program. The ceremony was held during the German Ambassador’s reception on the occasion of the “International Women’s Day 2019” at the residence of H.E. Stephan Auer, German Ambassador to Korea.

H.E. Ambassador Stephan Auer, in the presence of H.E. South Korean Minister of Gender Equality and Family, Ms. Jin Sun-mee, handed over the certificates to the core members of the KGCCI’s WIR group as well as the mentors. The award expresses the recognition for the WIR mentorship program and its inspiring and encouraging effect to women in Korea.

During the ceremony, which was attended by around 100 distinguished guests from business, politics and media, H.E. Stephan Auer, German Ambassador to Korea, stated that “women’s rights, the right to be treated equally, are fundamental rights that are given by birth” and also mentioned that “a glass ceiling still exists even in well-developed countries.” He further referred to the mentors and mentees of the WIR group who “are from a diverse range of companies and backgrounds and have created a meaningful program that helps to empower women in Korea creating an important network.”

Ingrid Drechsel, German Chair of the KGCCI and President of Bayer Korea, said “management competencies of different genders will lead to more effective and profitable solutions. Individual differences are an asset of higher performance.”

Kumjoo Huh, Chair of the WIR mentorship program and Senior Executive Vice President of Kyobo Life Insurance, said “Incubating and accelerating the WIR Mentorship Program with the Core Team has not only given myself but all mentors the opportunity to share knowledge, information and experience with the mentees. Mentorship is a two-way learning program enabling both the mentors and mentees opportunity for growth.”

WIR is comprised of highly engaged senior executives from various nationalities and industries with a passion to support emerging women leaders leverage their full potential and blaze their own trail in the workplace. The program is created with the belief that mentorship is a two-way exchange where all participants, regardless of professional background and job titles, gain from shared insight. WIR is aiming to collaborate on the pressing issues facing women leaders in today’s dynamic business environment and problem solve through the mentorship program.

KORUM 1st Quarter 2019
**Fairs & Exhibitions**

**Spielwarenmesse**
As the official representative for ‘Spielwarenmesse’, we congratulate to the 70th anniversary of the toy fair Spielwarenmesse in Nuremberg! From January 30 until February 3, the leading trade fair for toys opened the doors of the Nuremberg’s exhibition centre to 2,886 companies from 68 countries who presented their innovations to 68,500 trade visitors and buyers, who flocked to the fair from 131 nations.

(Photo credit: Spielwarenmesse)

**Fruit Logistica**
3,200 exhibitors and more than 78,000 trade visitors participated in Fruit Logistica which was held on February 6 - 8 in Berlin. As the official representative, the KGCCI DEinternational supported Korean exhibitors as well as trade visitors of this fair that covers every single sector of the fresh produce business and provides a complete picture of the latest innovations, products and services at every link in the international supply chain.

(Photo credit: Messe Berlin)

**R+T Asia**
“Green embraces Comfort, Intelligence Guides Future” was the topic of the 15th R+T Asia – the leading trade fair for roller shutters, doors/gates and sun protection systems of the Asian-Pacific market that took place from February 27 until March 1 at the Shanghai SNIEC. 500 exhibitors, among them 26 Korean companies from the field of sun protection systems, welcomed around 35,000 visitors from 92 countries. Since 2008, KGCCI DEinternational has been the official foreign representative of Landesmesse Stuttgart, a co-organizer of R+T Asia.

**Thüringer Außenwirtschaftstag**
On February 27, around 300 participants gathered in Erfurt for the ‘12th Thuringian Foreign Trade Day’. KGCCI was present on site together with further 33 foreign trade experts and 20 exhibitors. The event provided a platform to meet cooperation partners and to network with international trade experts. The participants received information on current trends and developments of foreign trade. KGCCI advised interested companies on entering the South Korean market.

(Copyright: LEG Thüringen – Thomas Abé)

**KGCCI Visit at IHK Düsseldorf and IHK Stuttgart**
In cooperation with the KGCCI, a total of four Chambers of Commerce and Industry (IHKs) in Germany established ‘Korea Desks’ to provide more in-depth information for German companies on market entry to Korea. KGCCI’s expert for market access and trade promotion, Ms. Min-Seo Kang, visited IHK Düsseldorf and IHK Stuttgart to exchange experiences and advice especially on current topics, related to Brexit and the EU-Korea FTA. Through her visit, Ms. Kang could gain a deeper understanding of the focal businesses of each chamber and discussed ways for a strengthened communication and collaboration as well as joint events.
The Beverage to Business Buyer’s Meeting which is organized by “Brau Beviale”, “Brauwelt”, “Export Forum German Beverages” and “c.t.b Werbeagentur” was held on January 8-9 at the Best Western Premier Seoul Garden Hotel. The event is a platform for Korean and German companies of the beverage industry to come in direct contact through B2B meetings and bilateral talks. In addition, KGCCI provided a market outlook of the beverage industry to the participants of the opening event.

German-French Business Evening

On the occasion of the 56th anniversary of the Treaty of Élysée, which laid the foundation for German-French friendship after the Second World War, the Board of Directors of KGCCI and the French-Korean Chamber of Commerce and Industry (FKCCI) as well as the Ambassadors and Economic Counsellors of both countries gathered at the Novotel Ambassador Gangnam in Seoul on January 22. At this German-French Business Evening, the participants exchanged on the French and German economic presence in Korea, activities and signature projects of both Chambers and discussed areas for future cooperation in Korea.

KGCCI Events & Seminars

KGCCI Breakfast Meeting with Ombudsman

On March 5, KGCCI held a breakfast meeting with Foreign Investment Ombudsman, Dr. Kim Sung-jin, at the Grand Hyatt Hotel Seoul. As Foreign Investment Ombudsman, he is commissioned directly by the Korean President to provide support and address grievances of foreign investors in Korea. German Ambassador to Korea, H.E. Stephan Auer, gave the opening remarks, followed by Dr. Kim Sung-jin’s speech on how the Korean government looks at foreign investors and how foreign investors’ needs can be met amidst Korea’s pursuit of creating more jobs.
KGCCI Events & Seminars

KGCCI HR Circle

On February 21, KGCCI together with Yulchon LLC organized the KGCCI HR Circle inviting HR leaders of KGCCI member companies. 20 HR managers from 16 companies of various industries participated in the HR Circle and discussed “The Labor Relations Act and Labor Outlook in 2019”. The HR Circle is an exclusive networking event for KGCCI members to discuss HR related issues such as recruitment, retention, trainings and labor relations. Contact us for more information: hr@kgcci.com

Green Cabbage Dinner

The traditional KGCCI Green Cabbage Dinner took place on February 22 at the Oak Room at Millennium Hilton Seoul. Around 60 guests gathered for the event, most of them wearing the traditional northern German fishermen’s shirt and red bandana. During the event, Mr. Holge Knobbe of TÜV SÜD was crowned as the new “Grünkohlkönig” by last year’s “Grünkohlkönig” Holger Detje. The Green Cabbage Dinner was made possible thanks to the support of the German Embassy as well as DHL Global Forwarding Korea Ltd. Special thanks go to DBK for providing German beer for the evening.

AHK Kompass and AHK Financial Handbook Training

On February 25-27, the “AHK Kompass and AHK Financial Handbook Training” took place in Seoul. The KGCCI welcomed 30 colleagues in particular from the financial departments of German Chambers of Commerce and Industries from 18 countries worldwide.

Meet Our German Office Tenants

The KGCCI German Office is a turnkey office solution for companies expanding their business to the Korean market. Tenants can benefit from short rental periods, furnished or shared offices, a German lease contract and a central location in the KGCCI building. For more information contact: hkchoi@kgcci.com

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Please introduce your company’s business.
MTU Maintenance is the global market leader in customised service solutions for aero engines. As engine experts, we provide maximum reliability for operators and owners – always generating the best engine value for them.

What are your company’s goals in the Korean market?
As part of its strategy of being close to the customer, MTU Maintenance established a representative office in Seoul over a year ago and is successively expanding its presence worldwide. This strategy has already resulted in a contract with Asiana Airlines, and we are hoping to build on this success in the Korean market.

What advice would you give to a German company who is starting business in Korea?
Be patient and get to know your potential customers well. Also, consider cultural differences and adapt to your new market’s needs.

What is the biggest advantage about KGCCI’s German Office?
The biggest advantage is the direct access to KGCCI experts, who know the Korean market and understand the Korean culture. It also provides a great network within the German community.

RAIL.ONE entered into the South Korean market in 2002 followed by opening a new plant here in 2007. Since then, RAIL.ONE and its joint venture TM Track Systems Ltd. have produced and delivered more than 2 million bi-block sleepers for the high-speed rail routes and national rail network in South Korea.

What are your company’s goals in the Korean market?
Korea is an important market for us and we are committed to the railway sector in this country and a further development of new markets in the southeast of Asia.

What advice would you give to a German company who is starting business in Korea?
An essential factor in starting a business in South Korea is to thoroughly research the business sector you are planning to invest in.

What is the biggest advantage about KGCCI’s German Office?
KGCCI is the best partner and hub to consult your business plan including an extensive market study and evaluation of competitors, therefore KGCCI’s German office is recommended to launch your business in South Korea successfully.
Ms. Park, you must have experienced a lot during your 26 years at KGCCI. But let us begin with what brought you to the KGCCI?

Already in high school German was an attractive language for me and I decided to major in German Language & Literature and German Studies at university. During my first visit to Germany in my freshman year, I was very impressed by Germany’s policy, economic strength and its social system. So, I wanted to work where I can closely connect Korea and Germany.

What are your main responsibilities at the KGCCI?

In the beginning, I was mainly in charge of company research, business matchmaking between Korean and German companies and supporting German delegations visiting Korea. Then, I also represented LEO Thüringen in Korea for the investment promotion to the State of Thüringen and am further supporting Germany Trade & Invest (GTAI). Since 2012, I have been representing the German Motor Show IAA in Korea and since 2010, I have been organizing delegation trips to Germany for Korean institutions and local governments with diverse industrial themes.

Which project, client or simply experience was most memorable to you?

My most memorable project was the ‘German World’ in 2008 as one of KGCCI’s biggest and most successful events to give Koreans insights into cutting-edge German products and services. The German World was held at COEX with more than 60 prominent German companies and institutions. It was a great success thanks to the amazing support and collaboration of our member companies.

What projects are you planning for this year?

On April 3, we will host the KGCCI Workshop Industry 4.0 at the Hannover Messe 2019 and within the Hannover Messe I will also organize a delegation trip to Germany on the topic Smart Factory for SMEs with Incheon Metropolitan City. Further delegation trips to Germany are planned on the topic automobile & industry 4.0 and on startups. On June 23-28, the German Nuclear Decommissioning delegation will visit Korea.

What message would you like to give to the KGCCI members, the colleagues or yourself?

Korea and Germany are very different, but harmonize well with each other through their people and industries. The 4th Industrial Revolution makes the world and industries change faster and more interconnected. In this challenging era, KGCCI has to lead and support the companies in both countries to go forward together as a reliable and close partner for our members. I hope all colleagues and I work at the KGCCI with pride to contribute to the economic growth of Korea and Germany.

When preparing gifts for Seollal, the Korean New Year, canned pork meat is not exactly the first thing that comes to a German’s mind. However, besides tasty culinary specialties like imported wine, rare herbal teas, and meticulously handcrafted sweets, SPAM cans, presented in wooden boxes and nestled in packing straw, are a popular Seollal gift. The canned, processed pork is often sold in larger units for example together with olive oil or other canned products, costing up to 42,000 KRW (37 USD) for 12 cans.

The gelatinous slab of pork shoulder, ham, salt and potato starch was introduced to Korea during the Korean war in the 1950s when food was scarce and locals pounced on SPAM and hot dogs, staples of U.S. Army rations that had found their way through smugglers onto the black market. In the following years, SPAM became a luxury good only available to those who paid large amounts of money or had connections to American troops. From 1987 onwards, SPAM started to license its product to the domestic producer CJ Cheil Jedang and it became available in the wider region. During the Asian financial crisis of the 1990s when South Koreans sought an affordable alternative to fruit baskets and beef sets, well-liked gifts until today, SPAM arose as another product that became, in its raw form but also processed as cheese, popular in Korea in recent years. Consumption of cheese, originally introduced by a Belgian missionary in 1950, grew during the last decade steadily. The village in Insi-gun in North Jeolla Province where a Catholic missionary started to produce Cheese has developed today into a tourist destination with a cheese theme park, hosting an annual cheese festival attracting 100,000 visitors in 2017. The number of cheese imports into Korea doubled from 4,000 ton in 2007 to more than 8,000 ton in 2017, worth over 500 million USD today. Over the same period, the local production of milk per farm increased by almost 45%.

Moreover, SPAM is not the only Western product that has changed the food consumption and its business in Korea notably. Milk is another product that became, in its raw form but also processed as cheese, popular in Korea in recent years. Consumption of cheese, originally introduced by a Belgian missionary in 1950, grew during the last decade steadily. The village in Insi-gun in North Jeolla Province where a Catholic missionary started to produce Cheese has developed today into a tourist destination with a cheese theme park, hosting an annual cheese festival attracting 100,000 visitors in 2017. The number of cheese imports into Korea doubled from 4,000 ton in 2007 to more than 8,000 ton in 2017, worth over 500 million USD today. Over the same period, the local production of milk per farm increased by almost 45%.

Along with the rising popularity of Western F&B products, such as dairy products and SPAM meat, a package of canned meat has even become an established Seollal gift as an alternative to costly baskets full of fruits. Therefore, the soft processed meat inside the blue and yellow can is today a large business as well as a popular complement to bread and scrambled eggs, rice rolls or the army base stew ‘budae jiggae.’
KORUM, the quarterly magazine of the KGCCI, provides information on Korea’s economy, markets, companies, technologies as well as on tax, legal or intercultural topics. The journal also contains information on the activities of KGCCI and its member companies. KORUM target group consists of KGCCI members in Korea and abroad, including decision makers of companies doing business with Korea, business associations and relevant public sector institutions.

Media Data

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**Circulation**
1,000 copies

**Language**
English

**Pages**
minimum 56 (full colour)

**Frequency**
as of 2019 quarterly (March, June, September, December)

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**PREMIUM PARTNER PROGRAM 2019**

KGCCI DEinternational has launched its Premium Partner Program offering special exposure and advantages to its Premium Partners. If you want to become a Premium Partner as of 2019, please contact us at members@kgcci.com or refer to korea.ahk.de/mitglieder/

**Premium Partner Platinum 2019**

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