Have you heard of “Fridays for Future”? Yet mostly unknown in Korea, its humble beginnings originated in Sweden in 2018, when a single girl started protesting in front of Parliament against the lack of action on the climate crisis. Today, demonstrations are taking place globally, every Friday in a growing number of cities and countries, where high school kids demand action by politicians and businesses to prevent and counteract further global warming and climate change. On March 15th this year, the first global demonstration of this movement took place with around 300,000 participants attending in Germany alone. In the meantime, the demonstrations show their effect onto the political scene, as we could observe, for example, at the Elections to the European Parliament. While some consider the strikes a simple means to avoid school on Fridays and others wonder which powers might be behind this movement, more and more politicians scramble to find ways to address this topic. One major source to affect the climate is fossil fuels. In this regard, energy transition, the gradual move from nuclear and fossil-based to renewable energy sources, is a long-term goal that many countries pursue and invest in. Germany is perceived as an international pioneer in this field, with 1/3 of its energy mix being generated from renewable energy sources and with a vivid business sector creating new jobs through energy transition. In this edition of the KORUM, we assess the status of the energy transition in Germany as well as in South Korea and evaluate the outlook and necessity of international cooperation on this common pathway.

At our KGCCI Innovation Awards, we also award innovations in sustainability. The application period for this year’s KGCCI Innovation Awards has been closed recently, and a high-ranking Korean-German jury now starts with the evaluation of the submitted applications. We are already looking forward to present the winners at the awards ceremony on September 27th 2019, which also marks the fifth year of the KGCCI Innovation Awards. Companies can be an even more powerful part of this festive event as sponsors which will be a great opportunity to display their brands promoting innovation, creativity and entrepreneurial spirit. See you at the 2019 KGCCI Innovation Awards!

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President & CEO
Korean-German Chamber of Commerce and Industry
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Cover Story
Energy transition, the transformation from fossil-based to renewable energy sources, is a long-term goal that more and more countries pursue, yet a journey marred with complex challenges. Therefore, it is time for a reality check of the German energy transition, to assess how far the “pioneer” has come and what other countries can learn from the German experiences. How is the situation in Korea and why is energy efficiency one of the crucial factors on this pathway? KORUM also looks at the latest issues that the global energy transition community is discussing.

Markets & Trends
The topic of climate change is affecting various industries worldwide. But what eco-friendly alternatives do companies actually have? Find out about the range of green propulsion for the vessels of the shipping and cruising industry - one of the main polluters of the seas and the air. South Korea’s digitalization of its economy might be the savior for its shrinking growth. Driven and supported by the Korean government, it is however the private companies implementing smart factories, autonomous vehicles, big data, 5G, AI and blockchain through their business strategies in the market.

North Korea
While investment in North Korea is currently impossible, companies should know already now what chances there will be once North Korea opens up. KORUM takes a glimpse beyond the border at the scarcely known special economic zones in North Korea and, additionally, assesses if and how North Korea can benefit from the heated-up U.S.-China trade war. What economic and diplomatic actions will the five countries take to pull Pyongyang closer?
Stony roads to energy transition

Over the last years, it became obvious that the intended transformation is a complex and challenging process, requiring so far unprecedented efforts. The challenges comprise technological aspects, but also infrastructure, economic, social, cultural, political and institutional obstacles. Moreover, the transformation process has to be implemented in a very dynamic system environment triggered amongst others by digitization and characterized by manifold uncertainties. As such, it might not be a surprise that implementation of the ‘Energiewende’ is not a smooth and straight forward-oriented process. One of its most important setbacks was the governmental confession that the intermediate GHG mitigation target for 2020 cannot be achieved. Until then, GHG emissions were supposed to be reduced by 40% in comparison to 1990. Most likely the country will end up with a reduction rate of only 22 or 23%. In other words, there is a strong need for improvement action to close the gap.

Various reasons are responsible why Germany will not be able to stick to the 2020 goal: First and foremost, lignite (brown coal) steadily contributes to the electricity generation mix. Since 1995, lignite-based electricity generation is more or less stable, although in the same time period the share of renewable energy in the electricity system rocketted from 5% to almost 40% at the end of 2018. Backed by comparable low CO₂-prices in the EU Emissions Trading System (ETS), Germany became a net-exporter of electricity over the last years, allowing a stable positioning of lignites in the market. Another important factor is that the energy efficiency goals set in the energy concept were not met, particularly in the transport sector - the only sector that has not been able to reduce associated GHG emissions since 1990.

Energiewende – Success stories to be proud of?

Besides all problems, there are many positive trends and success stories to talk about regarding the German ‘Energiewende’. This is not only that two-fifth of the electricity produced in Germany in 2020 is based on renewables, but that this is the case without jeopardizing grid stability and security of energy (electricity) supply. Some indicators like the System Average Interruption Duration Index (SAIDI), describing the quality of the electricity system, are currently even better than 10-15 years before. Of course, this was not part of a self-dynamic process; it required substantial investments in the distribution and transport grid. Another success story is related to participation. The ‘Energiewende’ is not only a top-down driven process by the government, but also supported by a huge and powerful bottom-up movement. For example: more than 130 communities in rural areas and have preferable conditions, it is remarkable that also big cities like Munich, Frankfurt and Freiburg have announced quite ambitious goals. Munich aims to be the first city in 2025 where public utility shifts to a completely renewable energy-based electricity system. Last but not least, the ‘Energiewende’ creates new jobs in the energy business sector, drives innovation and helps companies to set up promising export markets.
The German government is now in the process of turning the political track through extension of grid infrastructure, provision of energy storage options and load management. The discussion about sector specific targets leads back to the development of the climate protection plan in 2016. In this participatory discussion process, the government for the first time was able to break down the national goal. Even if depending on the not fully foreseeable future the exact differentiation of the sectoral targets can be argued about and a certain degree of flexibility will be necessary for shifting emissions rights between the sectors, they provide an important orientation mark for identification and specification of appropriate measures. According to the sector targets, particularly the transport sector, the only one that increased its emissions from 1990 until today, is now under pressure. For it, the climate protection plan proposes to reduce emissions by 40 to 42% until 2030 compared to the 1990 level. With only incremental improvements, this goal cannot be achieved; therefore, a tremendous change of direction will be required. These efforts will certainly be worthwhile, not only for climate protection, but also for improving urban air quality, for triggering a dynamic of innovation and ultimately for supporting the export economy. Worldwide demand on technologies and services for sustainable mobility will increase.

However, the reduction targets from the climate protection plan cannot be met without any additional political interventions. The crucial measures currently being discussed are the introduction of a CO2 tax or the integration of the transport and building sector into the Emissions Trading System (ETS). It is irrelevant in the first place, how an adequate CO2 pricing is achieved as both instruments have their (dis-)advantages. With the ETS for instance, there is on one hand a guarantee to achieve specific mitigation goals, but on the other hand due to the large heterogeneity of the sectors there exists a risk of price distortions for the energy-intensive sectors as the CO2-price is very much determined by the transport sector that has substantially higher CO2-reduction costs. In addition, past experience such as the implementation of air traffic into the ETS shows that it may take a long time until Europe-wide solutions can be implemented. In the case of CO2 taxation, the associated price signal is much more transparent, particularly if a clear path for a tax increase in the future is provided when implementing the new measure. However, determining a reasonable price associated to the intended mitigation goal is a substantial challenge, taking into account the various influencing factors and objectives.

By itself, the CO2 price charged is not decisive for its effect on climate protection. It depends on how the ingested funds are used. Reflecting social and economic concerns, it might be reasonable to return the additional income to the population (i.e. like in the Swiss model) and the companies concerned as well as to set aside some money for an innovation fund and for the direct implementation of climate protection measures. The latter budget can help to ensure that energy costs (as the product of a specific price * consumption) do not rise despite the tax surcharge by promoting energy efficiency measures.

Cover Story

KORUM

German Energy Transition

A transnational joint journey

Regardless of the outstanding position of the state, the implementation of the energy transition is a joint task of politics, business and society. It can only be successful if everyone is aware of his or her responsibilities. Although most societies are traditionally not fond when it comes to transformations, many are ready to be taken on the path forward and to participate in shaping it. But an explanation as well as a consistent and convincing narrative is needed for where the path is heading to and that it is worthwhile to endure until the goal is reached. This applies to climate protection in any case, because we do not have an alternative, we just have this one planet. To continue as before must be prohibited, because of unforeseen consequences and high probability that tremendous costs will be associated with changing climate.

Without any doubt, Germany already gained a lot of experience on how to shape an energy transition process. Because of this, other countries can learn from successful elements as well as mistakes that have been made so far. In general, more international cooperation is needed, including experience exchange and mutual efforts for technology development, innovation dynamic and fostering market penetration of crucial technologies for climate protection. More intense cooperation between Korea and Germany should be part of this.


Prof. Dr. Manfred Fischbeck
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Nowadays, many countries around the world are expanding their investment in renewable energy such as photovoltaics (PV), wind power and hydro power in order to decarbonize the energy sector and vitalize their economy. During the course of the last decade, the global cumulative capacity of both PV and wind energy has experienced rapid growth, increasing from 8 gigawatts (GW) and 16 GW in 2007 to 402 GW and 539 GW respectively. Recently, forecasts by the International Energy Agency (IEA) showed investment in renewable energy dominating the power sector in the future with 48% of the world total investment by 2040, followed by coal-fired power (9.4%) and nuclear power (9.3%). The expansion and deployment of renewable energy is an irreversible global trend and the majority of developed countries are making tremendous efforts to increase their share of renewable energy. Germany, a leading country in terms of energy transition, reached 39% of renewable electricity in domestic electricity consumption and continues to pursue the path towards a 100% renewable energy future. The UK has been approaching 30% renewable power target by 2020 mainly by offshore wind through reasonable licensing procedures and scientific maritime spatial planning. Even France with the highest share of nuclear power generation is not different from others in their enforcement of the Energy Transformation Law which plans to increase the renewable power share to 40% by 2030.
Korea’s RE 3020 Plan

In global comparison, Korea seems to be somewhat left behind, but has been implementing the Renewable Energy 3020 Plan (RE 3020), which aims to increase the share of renewable power generation to 20% by 2030. Korea is still heavily dependent on nuclear (26.8%) and fossil fuel (66.8%), including 43.1% of coal-fired power in the electricity generation. Regardless of its situation, Korea has recognized the energy transition toward a low-carbon economy as an irreversible global trend and therefore put great effort into harnessing its renewable energy potential and fostering relevant industries. The RE 3020 Plan focuses on changing the renewable portfolio from waste and bioenergy into PV and wind as well as improving social acceptance regarding renewable energy through well-designed spatial planning and introduction of benefit sharing mechanisms. As a result of the new energy transition policy, around 3 GW of renewable energy capacity was newly installed in 2018 and 2 GW of PV installation led to the deployment of renewable energy.

One point to mention is the fact that the total land area of Korea is relatively small compared to other countries with even 64% of the entire land covered by forests and mountains, making it difficult to find suitable sites for renewable energy facilities. In fact, 36% of the newly added PV capacity in 2017 was located in mountain areas. The controversy over environmental damage and residents’ resistance appeared as main obstacles to the RE 3020 Plan.

Therefore, the government has revised the remuneration for PV systems on mountain areas, and reinforced relevant regulations about environment restoration after the operation of renewable facilities. Also, it is recommended to utilize idle or neglected about environment restoration after the operation of renewable facilities. Also, it is recommended to utilize idle or neglected sites for additional PV installations such as rooftops, reservoirs, salt-affective reclaimed land, and closed roads.

Pathway to grid parity

Another priority of the 2030 Plan is to foster the renewable energy industry and vitalize the local economy. Recently, the global solar market is stronger determined by price competitiveness rather than technology. And China, which has secured price competitiveness and the economies of scale throughout the value chain, is leading the global market. On the contrary, the wind power market is a technology-driven market. Europe and the US are leading the turbine manufacturing technology as the core technology of wind power generation, and they are making technological gaps with latecomers through the enlargement of wind turbines.

The Korean government expects to change the industrial ecosystem of renewable energy in a more sustainable direction along with the deployment of renewable energy. Korea is considering the introduction of a carbon footprint certification system that could give incentives to low-carbon facilities throughout the life cycle assessment from production to disposal and the introduction of a minimum energy efficiency standard that could lead to high efficiency and quality of solar products.

Korean renewable energy companies are also strengthening their global competitiveness by improving the company structure, creating a regional innovative ecosystem, and supporting customized entry into global strategic markets. We can see generation parity beyond grid parity where the cost of renewable energy generation is lower than those of the existing nuclear power and coal power generation in some countries and regions.

In fact, the cost of offshore wind power in the UK has dropped below that of nuclear power. According to the Energy Information Administration (EIA) in the US, the Levelized Cost of Electricity is estimated to be 59.1 USD / MWh for offshore wind, 63.2 USD / MWh for photovoltaics, 92.6 USD / MWh for nuclear power and 130.1 USD / MWh for coal fired power. Energy experts also expect Korea to reach grid parity by the mid 2020s. Just as the Stone Age did not end with the depletion of stones, fossil fuels are expected to be phased out with the increase of competitive renewable energy. One of the key tools to ensure a successful global transition towards renewable energy and the de-carbonization of the economy is international consensus building.

To this end, the Ministry of Trade, Industry and Energy and Seoul Metropolitan Government are hosting the 8th International Renewable Energy Conference (IREC) from 23rd to 25th October. KIREC Seoul 2019 will provide a global platform for ministers, mayors, high-level decision makers and experts as well as private sector players and civil society to discuss and share their vision, experience and solutions to accelerate the global uptake of renewable energy. We look forward to welcoming you to Seoul in October.

Sanghoon Lee
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S

ame same but different. While both South Korea and

Germany had similar starting (or turning) points in

their transition towards a green and sustainable energy

system, both their reasons behind and their individual paths

are fundamentally different. While Germany is still a few steps

ahead according to international rankings, the much needed

step towards a truly efficient energy transition has yet to be

made in both countries.

The German term for energy transition ‘Energiewende’

became something of a symbol. The term was coined in

the book “Energiewende – Wachstum und Wohlstand ohne

Öl und Uran” (“Economic Growth and Prosperity without

Oil and Uranium”) released in 1980. A few years earlier, after

the problematic dependence on oil and gas imports became

painfully aware to the public during the oil crises in the 1970s,

several campaigns from both political parties and the Federal

Ministry for Economic Affairs and Energy stressed the need

for rational energy use. As a result, the first energy efficiency

building codes were established in 1977. Therefore, energy

efficiency was at the forefront of the energy transition!

But in the following decades, the political focus shifted towards

the supply side. The feed-in-tariff system for renewable

electricity in Germany was adopted in 2000. Therefore, when

the phase-out of nuclear power was finally decided in 2011 after

the Fukushima disaster, the share of renewables in electricity

collection already stood above 20%. By 2018, when the so-
called “coal commission” suggested a phase-out of coal power

until 2038, it was already close to 40%.

South Korea also reacted after the Fukushima disaster and
decided to phase out nuclear power. And, like Germany, the

South Korean energy system is highly dependent on oil and gas

imports. Furthermore, after two recent earthquakes, including

the strongest in Korea’s recent history, citizens started to

question the safety of nuclear power plants. The Korean
government is estimating over 60 years to phase out of nuclear

power by 2089, while Germany plans to shut down its last

nuclear plant by 2022. The difference lies in the many challenges

South Korea faces such as the insufficiency of land areas for

building large-scale renewable power plants as well as the grid

insufficiency - obstacles which are well known in Germany as

well. Nevertheless, South Korea plans to increase the share of

renewables to 20% from the current 6% by 2030.

“Efficiency first” for a demand-oriented energy

management system

Even though efficiency came first to people’s minds after

the oil crises, it took Germany more than 20 years to finally start

putting as much focus on the demand side as was put on the

supply side. “Efficiency first” was announced as the underlying

principle of the ‘Energiewende’ in 2014 with the “National action

plan for energy efficiency” (NAPE). Finally, roughly a quarter of

a century after the energy transition began, it starts walking on

two feet.

Germany plans to reduce its primary energy consumption by

50% compared with 2008 until 2050. Unfortunately, policies to

reach this ambitious target are still scarce and “Efficiency First”

has not yet found its way into policy making. So, while the share

of renewables keeps growing, consumption is not going down

as fast as necessary. In January it became public that the 2020

goal to cut primary energy demand by 20% compared to the

reference year 2008 will only be reached by 2030.

Like Germany, South Korea is one of the largest energy

consumers in the world, mainly due to their highly developed

industry including the electronic, semiconductor and

petrochemical sector. According to the “BP Statistical Review

of World Energy 2018”, the huge energy demand in Korea is

calculated mostly by petroleum and coal. Power generation by

clean-fired power plants is usually under debate due to their

contribution to air pollution which South Korea has been

greatly suffering for years – another significant reason for the

government’s push towards the energy transition by tackling

the immense energy consumption.

Therefore, South Korea’s energy transition plans involve targets

for shifting supply-oriented energy management to a demand-

oriented energy management system. The demand-oriented

energy management aims to decrease the energy demand by

improving energy efficiency when the existing supply of

electricity does not meet the demand.

Policies needed to boost efficiency measures for

buildings and industry

South Korea banned the production and imports of incandescent

lighting in 2014, five years after the European Union did the

same. Even before that, the government has already replaced

99% of all incandescent light bulbs in around 4,000 public

buildings. Furthermore, the government wants to establish

Building Energy Management Systems (BEMS) for all new

buildings, helping to monitor energy consumption and foster

energy efficiency measures – something which is also planned

under the EU’s Energy Performance of Buildings Directive

(EPBD).

One of the most important challenges is to retrofit old and

inefficient buildings. As of today, buildings account for roughly

two thirds of Germany’s CO2-emissions. Therefore, renovating

Germany’s building stock will be crucial to reach the targets set

in the Paris Agreement. Coming back to bringing renewables

and efficiency together, it is far easier to provide electricity and

renewable heat sources for high-energy efficient buildings as

it reduces the need and costs for a new generation and

distribution infrastructure. Therefore, the German state bank

KfW offers grants for citizens willing to renovate their homes

in order to save energy. However, the government could still do

more. Since 2011, various stakeholders, among them German

Business Initiative for Energy Efficiency (DENEFF), have

supported implementing a tax subsidy for home owners with

plans to renovate. But until this day, there is no such policy and

the renovation rate is stuck at below 1%.

Meanwhile, South Korea plans a great step towards a more

energy efficient industry sector. The draft for the third basic

energy transition includes the target of a yearly decrease in

energy consumption by 1% for the industry sector - a level

of governance Germany still lacks as off yet. In Germany, the

energy intensive industries profit from exceptions, e.g. from the

German renewable energy surcharge. To keep these benefits,

beneficiaries must establish an energy management system
certified by the International Organization for Standardization

(ISO). This is what contributed to making the German industry

a worldwide trailblazer in regards to the number of certified

companies.

All in all, while both countries are global frontrunners in

producing high tech solutions to tackle the energy transition,

they could still do more on the policy level to make their energy

transitions truly efficient. While South Korea adapted several

effective policies from the European Union, Germany in turn

could profit from implementing sector targets for the industry

sector like South Korea did.
International Energy Transition Conference
Berlin Energy Transition Dialogue

High potential in renewable energy: According to a new study, wind and solar energy could largely cover the world-wide electricity demand in 2050.

The worldwide energy transition community meets once a year in Berlin to discuss opportunities and challenges of the global energy transition, to exchange views and to learn from each other. This year’s 5th International Energy Transition Conference “Berlin Energy Transition Dialogue” (BETD) on 9th and 10th April in Berlin took place with great response and with a record participation turnout. At the end, people agreed that the energy transition can function only if all have the same aim in front of them.

Federal Minister for Economic Affairs and Energy Peter Altmaier emphasized the importance of an international view on the energy transition in his opening speech. “A successful energy transition should be thought globally and holistically” said Altmaier in front of around 2000 participants from 90 countries; among them 50 government delegations from all continents. Altmaier further stated that this also includes a constant awareness for the socio-economic development of the global energy transition, to exchange views and how this structural change can be made in a socially acceptable manner was intensively discussed for two days.

Global issues, trendsetting answers
Translating answers on these pressing issues are offered in the study, Global Energy Transformation: A Roadmap to 2050, which was presented to the public prior to the conference. It shows how a “climate-proof” future might look and revealed the actual potential of renewable energies. “It is the most effective and fastest available possibility to reverse the trend of rising carbon dioxide” said the new General Director of International Agency for Renewable Energy (IRENA), Francesco La Camera. Thus, wind and solar energy with a share of 86% could largely cover the worldwide electricity demand in 2050 if the world takes a clear course in the direction of green electricity.

Study: Fast energy transition is also economically viable
The IRENA is convinced that a fast energy transition is also economically viable. They expect that the global economy could save around 160 billion dollars by 2050 on healthcare costs, climate-related damages and energy subsidies. In his speech, Francesco La Camera quantified the scale with “Every Dollar spent for the energy transition shall pay off up to 7 times”. The conversion of energy system offers the chance for more economic growth, jobs and prosperity. Renewable energies ensure jobs for around 10 million people world-wide. In Germany alone, already almost 350,000 people are employed today in this area.

The study concludes that the consistent focus on green electricity is necessary in order to drastically reduce the worldwide CO2-emissions and to increase the economic growth. Electric power from renewable energies should be the most important energy sources worldwide. The respective demand should be primarily covered through renewable energies. In the meantime, development of electro-mobility (estimated one billion electric cars in 2050), an increasing electricity demand from the heat sector and generation of green hydrogen from green electricity (“Power-to-Gas”-Technology) play a decisive role. La Camera said, “The technologies for this purpose should be safe, reliable, affordable and available”.

International Energy Agency demands “consistent action”
Considering the energy data for 2018, the Director of the International Energy Agency (IEA), Fatih Birol – refers to the still huge gap between political declarations and real developments in the energy sector. He addressed the political representatives directly and urged decisive action: 70% of the worldwide increased energy demand are still covered by fossil fuels. He clarified that the global CO2-emission in the past year has subsequently risen further. Francesco La Camera summarized that “The world in the year 2050 depends on the energy decisions which we are taking today”. In the future, IRENA and IEA shall jointly ensure that global energy transition is progressing. For this purpose – in the framework of the conference - they signed a mutual Memorandum of Understanding for cooperation.

New Energy Partnerships with Chile and Jordan
Minister Altmaier sealed two new bilateral energy partnerships with Chile and the Kingdom of Jordan. They are aimed to promote a continuous exchange of energy-political and economic topics. Germany has already maintained 20 such partnerships with Federal Foreign Minister Heiko Maas – who inaugurated the conference together with Minister Altmaier – sees not only the shift from fossil fuels to renewable energy in the energy transition: The Federal Foreign Minister said “Renewable energy also shifts political basic constants. Usage of renewable energy can enable nations to increase their own energy security and to independently follow their strategic and foreign-policy interests.”
energy partnerships and dialogues with Brazil, China, India, Mexico, South Africa and North African countries like Tunisia and Morocco amongst others. Furthermore, it is also intended to conclude an energy partnership with South Korea if possible by the end of this year.

SET-Award: Innovative ideas for energy transition and climate protection

The core idea of the conference was the exchange of particularly successful international ideas and new solutions. Five prime examples for innovative and effective business models in the field of energy transition and climate protection were selected as prize winners of the Start Up Energy Transition (SET) Award 2019, which was conferred on 9th April by the German Energy Agency (dena) within the framework of the BETD. SET is a worldwide initiative which connects the startups from the field of energy transition and climate protection with other companies and investors. 450 companies from 80 countries had applied, including the German Enapter GmbH. The Berlin company secured a prize in the category “Low-emission energy production” for their high-efficient hydrogen generators, through which a safe and flexible production of hydrogen is possible by utilizing electrolysis. The hydrogen produced in this manner can be used in versatile ways, for example energy storage, fuel in automobiles or as fuel for heating. The technology is especially valuable in those regions where direct electrification is not possible. The aim is to make hydrogen cheaper than natural gas. Further prize winners of the SET-Award were from Australia, Sweden and Uganda.

The Energy Transition Conference took place in the Federal Foreign Office on the invitation of the Federal Government and was organized together with the German Renewable Energy Federation (BEE), the German Solar Industry Association (BSW-Solar), the German Energy Agency (dena) and the consultancy Eclareon.

Women in Energy Expert Platform Launched

Another highlight was the launching of a Women in Energy Expert Platform of the Global Women’s Network for the Energy Transition (GWNET), a non-profit membership association working with women energy experts globally.

The platform has been launched to connect and empower women working in sustainable energy in developing, emerging and industrialised countries, with the aim to encourage greater visibility, networking opportunities and professional connections between women. “We believe that this platform will promote the visibility of women in sustainable energy and encourage others to follow their example. It will also become a valid tool for conference organisers looking for women speakers across the entire sustainable energy value chain,” said GWNET Executive Director Christine Lins.

GWNET’s new platform allows users to create a free profile showcasing their accomplishments and includes premium features such as sharing content and engagement with other platform members. Women working in sustainable energy are encouraged to explore the new platform and create their profile so that they can begin engaging with other professionals. The first 500 profiles created will receive the premium membership for free.

KIREC SEOUL 2019

The global energy transition community will meet on October 23-25 at the 8th International Renewable Energy Conference (KIREC 2019) in Seoul.

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T he direction of Germany’s energy policy is clear. Increasing the proportion of new and renewable energy, rather than focusing solely on conventional energy sources such as coal, petroleum and nuclear power. In other words, an ‘energy transition (Energiewende)’. This has been a consistent stance for over 20 years since the enactment of the Renewable Energy Sources Act (EEG, Erneuerbare Energien Gesetz) in 2000. Amidst its total power generation, Germany plans to increase the proportion of new and renewable energy to 40-45% by 2025, and to 80% by 2050.

Currently, Korea’s renewable energy, comprising mostly solar and wind power, accounts for just 6% of the country’s electricity production, while coal-fired power plants generate about 42% and nuclear reactors 23% respectively. The Korean government in December 2017 released its new energy policy, which is making a strong push for renewables – aiming to raise the share to 20% by 2030.

Furthermore, the Japanese government hopes to generate up to 24% of its electricity from renewable energy by 2030, while China’s aggressive zero-emission vehicle mandate is attracting electric vehicle (EV) production investments. Automakers are in rush for batteries as electric cars continue to increase in popularity. The sales volume of electric cars will surge and so will the demand for batteries. The government reinforced its position in September 2017 when it announced a system of gradually increasing quotas that will reward carmakers for producing ever more battery-powered vehicles, starting in 2019.

Booming Solar Market

Can Photovoltaics Become as Conventional in Korea as in Germany?

Solar power generation showcases its competitive performance

The main advantage of solar power is that once the equipment is set up, maintenance is easy. The performance of solar power modules lasts for at least 25 years. Modules that were installed in the 1980s still exhibit more than 70% of their original performance. Cleaning is simple as well. Rainwater can be helpful, and there are even waterless cleaning devices on the market that use fine and strong vibrations to remove the dust and dirt from panels. In desert and remote regions, a special coating can be applied to prevent dust forming. Above all, energy storage technology has turned the tables for solar power generation. The electricity produced on a sunny day can be stored in the Energy Storage System (ESS) to be used on cloudy days.

Moreover, solar power has secured economic value rapidly. According to Agora Energiwende, a research institute for energy transition policy in Germany, the Levelized Cost of Electricity of solar power in Germany in 2016 was 0.06-0.09 EUR per kWh. It is now mostly affordable than nuclear power (0.064-0.13 EUR), coal (0.06-0.11 EUR) and gas (0.07-0.12 EUR). The Levelized Cost of Electricity (LCOE) refers to the international certified index comparing the cost of power production of a generation source by considering all costs incurred in the process of power production and waste, such as the installation of generation equipment, maintenance and disposal. According to SolarPower Europe, the cost of solar power generation equipment per 1 kWp was 5 EUR (approximately 6,400 KRW) on average in 2016, but in 2016 it was 1.26 EUR (approximately 1,620 KRW), a 75% drop in 10 years. There are even some project cases of solar power plants that have less than 1 EUR LCOE.

Following the new energy policy release, there are many concerns regarding energy conversion and misunderstandings of solar energy in Korea. For example, solar panels are said to cause land pollution due to the use of heavy metals such as cadmium. However, in the technology for silicon-based solar panels which has a market share of more than 94% cadmium is not used in the manufacturing process and for the raw materials. Moreover, there has been particularly strong opposition to the increase of solar power from the conventional energy industry for a number of reasons. Solar power generation is both suitable for countries with vast territory but also for countries with less-than-optimal landscapes and terrain.

Solar energy is an extremely flexible source of generation that can be modulated according to the surrounding environment. This is because photovoltaics can be installed almost anywhere, such as on ground-mounted plants, on rooftops of all shapes and sizes, on vehicles and even in window frames or window panes. It has also become quite common to see solar panels on a sunny day can be used as new modules after undergoing a recycling process. The Korean government has proposed similar plans to those of the EU. They will establish a solar recycling center in Jincheon by 2021 and steadily extend this recycling center to meet rising demand.

As one of the largest solar cells and modules manufacturer in the world, Hanwha Q CELLS continues to exert influence on global renewable trends and cases for Korea to promote the broadening of renewable energy. Korea stands at a very critical crossroads as it transitions towards clean and safe energy. However, there remain many barriers of regulation and misunderstandings as well.

Energy transition has not been achieved easily in Germany, and the journey is not over. It has been a result of a long-term national planning, providing information on how to improve citizens’ awareness amid often intense debate. However, we need to keep in mind that even though there are many perspectives, the path to renewable energy is the undisputable answer for a sustainable future.
Cleaning up the Workhorses of the Seven Seas

The Range of Eco-friendly Propulsion for Vessels

Have you ever thought about how you get your Italian made furniture, your coffee capsules and your German cars to Korea? How do Miele dishwashers, Spreewälder Gurken or Swiss chocolate end up in the local department stores? Most goods, be it consumer or industrial goods, raw materials, fuels and so forth are transported by sea. As a matter of fact, more than 90% of world trade is transported by sea ships. So tankers, cargo and container ships are the real workhorses of globalisation. The global merchant navy exceeds 94,000 units and they travel on regular routes to hundreds of ports on all continents. But they are also a major pollution of the seas and the air. Large oil spills after maritime accidents are the typical marine pollution making headlines in our evening news, but this is just one pollutant from shipping.

Invisible but not less toxic pollution of ships is related to their propulsion. Typically, large ship diesel engines run on fuel oil, also known as bunker oil or HSFO. This fuels is high in sulfur, producing sulfur dioxide (SOx), nitrogen oxide (NOx) and carbon dioxide (CO2). SOx will produce sulfur dioxide (SOx), nitrogen oxides (NOx) and carbon dioxide (CO2). NOx pollution releases nitrogen oxides (NOx) and carbon dioxide (CO2). SOx and the main culprit of air and causes respiratory diseases. It is estimated that shipping accounts for 18 to 30% of global NOx pollution, 9% of SOx and up to 4% of greenhouse gases (mainly CO2). This is up to 50 times more than an average lorry lets out per ton of cargo carried. Not only the workhorses of trade pollute the oceans, but also the growing fleets of large cruise ships. On top of propulsion related pollution, a large liner carrying 3000 guests generates up to 11,000 liters of blackwater waste from toilets and medical facilities – per day! No wonder various environmental lobby groups have pressed the rulers and the industry to become eco-friendlier.

In 2016, the International Marine Organization (IMO) issued regulation to limit sulfur in marine fuel to 0.5% (typically it contains 3.5%) by January 2020 (IMO2020). Given the fact that the consumption of the merchant navy is around 3.5 million barrels of HSFO per day, this massive reduction of sulfur will follow by January 2020. All those have their implications on the shipping industry. Initially there were some concerns that not enough VLSFO would be available in the market. Predictions claim that the daily production will only be 1.4 million barrel per day by early 2020, so only around 40% of total demand. Oil producers and refiners have to invest in new infrastructure and this will take a while. However, major oil companies such as BP, Exxon and Royal Dutch Shell recently announced that there will be ample supply.

The next-best source of low-sulfur fuel is marine gasoil. Switching to this fuel requires only minimal operational change and no major investment. However, using marine gasoil will significantly increase the fuel cost which accounts up to 50% of the total running cost of a cargo vessel. MSC for instance announced that the 0.5% sulfur cap will add 2 billion USD to the annual cost for fuel. Most of this additional cost will eventually have to be shouldered by the consumer as it affects the total cost of transportation.

Alternatively, shipping companies can install exhaust gas cleaning technology (“scrubbers”). Scrubbers have the same function as your auto catalyser, it cleans the exhausts from toxic gases. Scrubbers are expensive to produce and there is a serious shortage in the industry. Initially, installing scrubbers allows to continue using high-sulfur fuel but comes with a capital expense of several million USD per ship and a loss of service time while the vessel is in dry dock for retrofitting. Maersk is going to spend more than 260 million USD for scrubber retrofits, MCA announced an investment of 439 million USD to retrofit 86 container vessels. IMO2020 released a wave of scrubber installations. The main winners of this boom are European too. The three largest suppliers of scrubbers, Wärtsilä (Finland), Alfa Laval (Sweden) and Yara Marine (Norway) together held more than 50% of the world market.

The last option is to use an entirely new propulsion technology using liquefied natural gas (LNG). This is regarded by many industry experts as the most promising strategy in the long run. There are several different technical principles behind LNG engines and not every technology is suitable for retrofitting existing vessels. Retrofitting such large engines is no child play anyway. The German manufacturer MAN Diesel & Turbo (part of Volkswagen group) successfully retrofitted the first vessel two years ago and is continuing retrofitting more ships of the same construction type. MAN Diesel & Turbo claims that by their technology SOx emissions were cut by 99%, NOx by 91% and CO2 by 20%. The project was supported by Germany’s Federal Ministry of Transport and Digital Infrastructure in order to help the German shipping industry to get at the forefront of eco-friendly marine technology.

LNG becomes the carburant of choice for many newly built ships. What would be obvious for LNG tankers might become the standard propulsion for any kind of new cargo ship. The major breakthrough in using this fuel for container ships was achieved by CMA-CGM less than two years ago. Nine of their new 22,000 TEU container ships will be propelled by LNG engines developed by Swiss company Winterthur Gas & Diesel (WinGD). Basically, there are two technologies in the market. Two-stroke, low-speed high-pressure or low-pressure engines. Germany’s MAN Diesel & Turbo is betting on the high-pressure version (ME-GI), whereas the Swiss competitor WinGD is successful with a low-pressure version called X-DF.

LNG shipping lines running a global network will eventually use a combination of all those solutions to comply with IMO2020. The International Maritime Organisation (IMO) issued regulation to limit sulfur in marine fuel to 0.5% (typically it contains 3.5%) by January 2020 (IMO2020). Initially there were some concerns that not enough VLSFO would be available in the market. Predictions claim that the daily production will only be 1.4 million barrel per day by early 2020, so only around 40% of total demand. Oil producers and refiners have to invest in new infrastructure and this will take a while. However, major oil companies such as BP, Exxon and Royal Dutch Shell recently announced that there will be ample supply.

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South Korea is extremely well-placed to expedite the digitalization of its economy. The Government is supporting the companies for implementing their activities.

**Digitalization Strategy**

The basic principles of South Korea’s digitalization strategy have been summarized in the National Informatization White Paper and in the Digitalization Strategy of South Korea. The Government placed to expedite the digitalization of the country are the chaebols Samsung, LG and Hyundai. At the beginning of 2019, Samsung announced in the local press that it will soon open international AI research centers in Germany and Switzerland. Already today, chaebols have seven such centers in the US, Canada, the UK and Russia amongst others.

**E-Government**

With regards to E-Government, South Korea is one of the most advanced countries as per international evaluations and is ranked as the worldwide leader in this area by various polls. An extensive number of public administration processes have been digitalized by now. South Korean citizens tend to be less concerned about data security and are at the same time very open towards efficient processes by using new technology. The main priorities are setting up One-Stop-Shops and the integration of AI and blockchain in the future.

The main priorities are setting up One-Stop-Shops and the integration of AI and blockchain. South Korea has declared to have the third-highest AI-related patents worldwide. The major companies of the country are also spearheading this topic. Companies leading in AI patent applications within the country are the chaebols Samsung, LG and Hyundai. At the beginning of 2019, Samsung announced in the local press that it will soon open international AI research centers in Germany and Switzerland. Already today, chaebols have seven such centers in the US, Canada, the UK and Russia amongst others.

**Strategy for Artificial Intelligence**

The South Korean government published its AI strategies mid-2018. According to the information provided by the Ministry of Science and ICT, around 2 billion USD are to be channeled in the respective technologies in the coming five years. Through this measure, South Korea is supposed to become a global leader in AI by 2022. Currently the technology level in this area reaches 78.1% of the level in the US. The program is supposed to fill the gap as soon as possible and reduce the dependency on the current market leaders.

According to South Korean media reports, the government strives to focus on areas like medicine and safety technology (Brain-Machine Interface, Deep Learning, Face Recognition) as well as eventually on development of intelligent semiconductors etc. Research and collaboration with private economy, especially with startups, shall thereby play an important role. As per the analysis conducted by the Institute for Information & Communication Technology Promotion, South Korea has been declared to have the third-highest AI-related patents worldwide.

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**Outlook**

South Korea is currently in its deciding phase of economic development. The former growth model of the so-called Fast-Following has been decommissioned as upcoming countries, particularly China, can fill in the tech void and other similar products at a rather reasonable price. Due to this, local companies mainly operating in the former core industries like chemical, navy, steel and automobile industries have recently lost share in the global market. Hence, they have to establish themselves as ‘first movers’ and focus more on innovation as well as creativity.

The country is additionally in search of growth engines which next to biotechnology, the creative industry and renewable energies are especially related to the area of digitalization. The Internet of Things provides good opportunities. According to the estimates of the International Data Corporation, almost 26 billion USD are to flow in South Korea in 2019 which would put the country on rank 5 worldwide.

Apart from AI, the electronic giants Samsung and LG Electronics are very active in entertainment and household electronics. Products and concepts like AI-based robots, air purification systems, Smart Homes or foldable OLED-Displays are supposed to compensate for the declining sales losses in conventional devices (smart phones, TVs, displays) in the future and keep the competition in technology at bay.

The first ever 5G network in the world was introduced in South Korea in the first half of 2019. Big companies hope that new business areas will open through this as the technology is dependent on many other areas. The local development of telecommunication equipment, smart factories and autonomous vehicles could profit from faster data transfer speed.

However, opposed to this, the local, large vehicle companies like Hyundai/Kia are relatively weakly positioned amongst the international concerns. The concept of smart cities is much more promising for which South Korea has set up a good reference model with its pre-planned city Songdo which it tried to export to other countries. Healthcare is expected to have an equally high demand as it is becoming increasingly difficult to position equipment without integrated IT solutions in the South Korean market.
1. Conflict between the TP for corporate income tax purpose and TP for customs purpose

The methods and standards for determining the appropriate transfer price (“TP”) [i.e., taxable value or customs value] differ between (i) the OECD TP Guidelines and the Adjustment of International Taxes Act (the “AITA”) that prescribe the TP from the corporate income tax perspective and (ii) the WTO Customs Valuation Agreement and the Customs Act that prescribe the TP from the customs perspective (the “statutory difference in the standards and methods for determining the TP”).

Further, for domestic companies’ import from specially related parties, the Korean National Tax Service (the “NTS”) tends to examine, with a focus on whether a relevant TP was determined at an unreasonably high level so as to re-determine the taxable value which is lower than such TP prepared by multinational companies. On the other hand, with respect to the same TP, the Korea Customs Service (the “KCS”) tends to examine, with a focus on whether a relevant TP was determined at an unreasonably low level so as to re-determine the customs value which is higher than such TP prepared by multinational companies (the “NTS/KCS’ different perspectives in examining the TP”).

Due to the statutory difference in the standards and methods for determining the TP and the NTS/KCS’ different perspectives in examining the TP, the following issue frequently occurred: Although multinational companies prepared an appropriate TP for corporate income tax purpose on the basis of the OECD TP Guidelines and the AITA, such TP was not deemed appropriate for customs purpose on the basis of the WTO Customs Valuation Agreement and the Customs Act (the “TP conflict issue”).

2. KCS’ recent trend regarding the TP conflict issue

The KCS examines the TP of imported goods prepared by multinational companies ex post facto (i.e., after import declaration) in the customs audit conducted approximately every five (5) years (the “Post-Clearance Customs Audit”) instead of examining the TP at each import declaration. At the Post-Clearance Customs Audit, due to the TP conflict issue, the KCS has denied the TPs of various multinational companies and imposed large taxes, which has consequently led many multinational companies to file an appeal against the KCS’ decision to impose taxes.

However, in its recent effort to minimize unnecessary tax conflicts with multinational companies, the KCS has been actively recommending multinational companies to apply for and use the Advance Customs Valuation Arrangement (“ACVA”), whereby the KCS examines in advance the appropriateness of their respective multinational company’s TP.

3. Explanation of the ACVA

A. ACVA overview and procedure

ACVA is a system whereby the KCS and a multinational company determine by advance agreement whether the TP for the corporate income tax purpose would be deemed acceptable for the customs purpose (i.e., whether the TP is an appropriate price which is not influenced by a special relationship) and the appropriate method of determining the customs value of imported goods traded between related parties under the Customs Act (see Article 37 of the Customs Act; Article 31 of the Enforcement Decree of the Customs Act).

The headquarters of the World Trade Organization (WTO) is located in Centre William Rappard along Lake Geneva
If a multinational company expects the KCS not to accept the TP for the corporate income tax purpose, it may withdraw its ACVA application before the Results Notice and in such a case, the KCS should return all data submitted by the multinational company (Article 57 of the Notice regarding Determination of Customs Value of Imported Goods). Annual report: A multinational company should prepare and submit annual reports to the KCS about whether it has determined the TP in the same manner as the TP determination method that it explained at the time of the ACVA application and whether it has declared imports by using the customs value determination method stated in the Results Notice.

(ii) Submission of application, etc.: A multinational company files an ACVA application and submits the following TP-related materials to the KCS:
- Explanatory materials regarding the business history, business details, organization and capital affiliation, etc. of the transacting counterparty.
- TP Policy, TP Study, TP calculation details, contracts for transaction of imported goods and incidental documents (e.g., investment agreement, distributorship agreement, technical service agreement, technology-adoption agreement, cost sharing agreement and cost allocation agreement);
- Materials confirming that the TP was not influenced by a special relationship (e.g., arm’s length price determination method; type such as wholesale transaction, retail transaction and transactions between specially related parties).
- (if applicable) Documents proving that the company applied for prior consultation to the KCS in order to discuss the Results Notice.
(iii) Review (examination): The KCS reviews the multinational company’s submission materials and then requests for supplementation/revision if deemed necessary.

Review (examination): The KCS reviews the multinational company’s submission materials and then requests for supplementation/revision if deemed necessary.

If the TP for the corporate income tax purpose is not deemed acceptable as the customs value under the Customs Act, it may withdraw its ACVA application before the Results Notice and in such a case, the KCS should return all data submitted by the multinational company (Article 57 of the Notice regarding Determination of Customs Value of Imported Goods). Annual report: A multinational company should prepare and submit annual reports to the KCS about whether it has determined the TP in the same manner as the TP determination method that it explained at the time of the ACVA application and whether it has declared imports by using the customs value determination method stated in the Results Notice.

B. Benefits of the ACVA:

If a multinational company receives a Results Notice that the TP prepared for the corporate income tax purpose is not deemed acceptable as the customs value under the Customs Act (i.e., the customs value under Article 30 of the Customs Act), it shall be exempt from the Post-Clearance Customs Audit for 5 years from the date of receiving such Results Notice regarding the applied TP (Article 66 of the Notice regarding Determination of Customs Value of Imported Goods). Thus, the multinational company would no longer risk being subject to large taxes in the KCS’ Post-Clearance Customs Audit regarding the TP in the future.

4. Recommendations for using the ACVA

If the KCS denies the TP prepared by a multinational company in the Post-Clearance Customs Audit, the multinational company would not only be subject to customs duties and additional duties for the entire import declarations for the past five (5) years but also cannot receive VAT drawbacks from the NTS due to such imposition.

On the contrary, due to the postponement or waiver of customs audits under the ACVA, the multinational company would not face the risk of being subject to customs duties and additional duties and further, would not face the risk of not receiving VAT drawbacks. Therefore, unless there are special circumstances, it would be advisable for the multinational company to use the ACVA.

Indeed, after reviewing the multinational company’s ACVA application, the KCS might not accept the multinational company’s TP and thereby determine the customs value by other methods (i.e., Articles 31 through 35 of the Customs Act).

In such case, the multinational company should prepare and submit annual reports to the KCS about whether it has determined the TP in the same manner as the TP determination method that it explained at the time of the ACVA application. Meanwhile, if a multinational company receives a Results Notice that the TP prepared for the corporate income tax purpose is not deemed acceptable as the customs value under the Customs Act and that it should determine the customs value by another method (i.e., Articles 31 through 35 of the Customs Act), the multinational company may obtain a partial exemption of additional duties if it were to file an amended declaration regarding the customs value for the import declarations made prior to the ACVA application filing according to the Results Notice and it may obtain a full exemption of additional duties if it were to declare a provisional customs value when filing import declarations after the ACVA application filing and then declare a final customs value according to the Results Notice (Articles 39(2)(i) and 39-2(i) of the Enforcement Decree of the Customs Act).
The history of SEZ in North Korea dates back to 1991, when the two remote counties of Rajin and Sonbong where merged into the Rason Special Economic Zone. Located at the border to China and Russia and equipped with an ice-free harbor, the zone seemed ideally located as a potential logistics hub of the future: far from the dangerous Southern border, close to the neighbors and with one attractive feature, the ice-free harbor; neither of the neighbors had. Though the original idea to create a “Singapore of the North” quickly evaporated and for ten years progress on the zone was very slow, ironically until today Rason SEZ is the only zone, where real progress in terms of foreign involvement, overwhelmingly through Chinese investment and trade, can be seen. While in the first years of its existence, Rason was mainly famous for a casino-hotel, the Emporium (now Imperial) hotel built by a Hong Kong tycoon, with the Chinese development of the former “rust belt”, the three Northeastern provinces Heilonggang, Liaoning and Jilin, from the late 2000s also the interest in Rason rekindled, since these provinces lacked a harbor connection to the Pacific. China built a motorway and high-speed train to Hunchun, and also substituted the 48 km dirt track between the border post Wonjong and Rajin in the Rason SEZ with a modern road. Russia, which under Putin’s presidency did not want to stand by, negotiated the long-term lease of pier 3 of Rason harbor and equipped it with an autonomous oil power plant and modern cranes as well as modernized the railway tracks from the border to Rajin harbor to accommodate Russian railway cars.

In November 2015, North Korea claimed that there were 150 foreign invested firms in the zone, including 4 equity joint ventures, 39 contractual joint ventures, 103 foreign companies and 13 representative offices of foreign companies. Tourism by Chinese operators and small-scale border trade were blooming and business people from the Yanbian autonomous Korean Prefecture in China could even enter the zone in their own cars. At the same time, the zone exported workers to the nearby Chinese cities of Hunchun, Yanji and Tumen, where they were sought after as reliable, cheap labor in textile, seafood processing and other companies. The development of the nuclear program and sanctions, however, for the time being stopped that development: joint ventures became outlawed, though many seem to have only formally changed ownership, the Russian pier since two year did not ship any coal (the main bulk export for which it was thought) or other goods, and for one year even tourism came to a halt. With the thawing of relations between North and South from 2018, tourism and small-scale border trade rebounded; but all kind of larger-scale investment is still illegal. While there were once several Chinese banks, including subsidiaries of Chinese giants like the China Construction Bank, only one local bank, Golden Triangle bank, survived.

But Rason did not remain the only SEZ in North Korea. During the time of the Sunshine policy of the Kim Dae-Jung administration in South Korea, the Kaesong Industrial Complex (KIC) and the Kumgangsan tourism zone started. KIC became actually the largest such enterprise in the North, with up to 54,000 North Korean workers employed in South Korean companies, but ultimately it became another victim of the nuclearization of North Korea in 2016. Already in 2018, after the death of a tourist, Kumgangsan tourism zone had been closed. Also with China, various attempts to create special zones were started. In 2002, a zone was declared in Sinuiju, opposite the Chinese border town of Dandong, through which the overwhelming part of imports enter North Korea. Probably due to Chinese displeasure with the selection of the place and the potential manager, a shady Chinese business man, the plan never came to fruition. Also other attempts in 2011 for two zones on islands in the Yalu river, Hwanggumpyong and Weihua, were not very successful. Under the new rule of Kim Jong-Un, SEZ policy accelerated. Though overshadowed by the nuclear armament dispute, North Korea enacted quite comprehensive SEZ legislation for Rason and other SEZ. In 2013 and 2014, 19 economic development districts (focusing on industry,
Laws changed or newly introduced for SEZ. While legal change is impressive, it is not as important as a track record of functioning investment in SEZ, which is still lacking.

Source: own compilation after North Korean sources

DPRK Foreign Economy Arbitration Act
DPRK Customs Act
DPRK Entry and Exit Act
DPRK Trade Act
DPRK Import & Export Commodity Inspection Act
DPRK Copyright Act
DPRK Trade Mark Act
DPRK Environmental Protection Act
DPRK Economic Development Zone (EDZ) Act
EDZ Management Agency Operation Regulation
EDZ Business Establishment Operation Regulation
EDZ Development Regulation
EDZ Labor Regulation
EDZ Environmental Protection Regulation
Rason Special Economic Trade Zone (SEZ) Business Establishment Operation Regulation
Rason SEZ Development Regulation
Rason SEZ Foreign Investment Company Labor Regulation
Rason SEZ Road Traffic Act
Rason SEZ Peoples’ Security Regulation

Currently, the focus of North Korea is in particular on the development of a new tourism zone in Wonsan, Kalma beach resort, which is as of yet one of the few non-sanctioned areas. However, also no foreign investment has been possible thus far as well, and earlier investment seminars for the zone came to nothing. Even if sanctions are lifted one day, North Korea still has to go a long, long way before it becomes attractive for serious foreign investment. Thus, however, trading opportunities, investment in raw material mining, export processing, everything is possible.

Source: Chosonminjujui Inmingongwhaguk chuyokgyongjechidaereul, Pyongyang 2018.

Industrial development zone
Agricultural development zone
Tourism development zone
Export processing zone
High-tech development zone

Munson international tour zone
Nonpo economic development zone
Onsu industrial development zone
Changsoo tourism zone
A新区 economic development zone
Haengseong--Wollyo economic zone
Changsinn urban development zone
Sawon agricultural development zone
Shuangqiu tourism development zone
Dongsan economic development zone
Kuangze economic development zone
Rason economic development zone
Changes economic development zone
Rjango agricultural development zone
Shuanghe agricultural construction zone
Cuivhoi industrial development zone
Wonsan – Geumgang mountain international tourism development zone
Wonsan - Geumgang mountain international tourism development zone
Geumgang mountain international tourism special zone
Sheyong tourism development zone
Gangrimyong international green demonstration zone

Source: Choosongmejuju lijimangonghaguk chuyokgyongjechidaereul, Pyongyang 2018.
A shrimp between whales: Will North Korea benefit from the U.S.-China trade war?

While the DPRK stands to benefit for now, Sino-U.S. tensions could hamper diplomacy in the long-term

The flare-up of trade tensions between Washington and Beijing in recent weeks, combined with the cooling of U.S.-North Korea relations since February, suggests an opportunity for China to take its engagement with North Korea to the next level.

This is particularly true in light of Beijing’s apparent prior willingness to cooperate with Washington on North Korean sanctions enforcement and other measures when it expected reciprocation on trade issues.

After the tentative fruits of months of China-U.S. trade negotiations appeared to evaporate beginning May 5 with renewed U.S. tariff proposals, American observers cautioned that China had lost any incentive to discourage North Korean bellicosity. China would likely capitalize on the failed Hanoi summit and consolidate the rapid diplomatic gains it had made with North Korea since the surprise March 2018 summit between Xi Jinping and Kim Jong Un.

American overreaction?

Such predictions have been rife with parallels to previous American writings on Sino-DPRK relations, highlighting China’s status as North Korea’s only meaningful trading partner and the Chinese origin of some of North Korea’s military technology.

In the eyes of American observers, this possible shift in Sino-DPRK relations is made even more concerning by China’s efforts to enhance its other partnerships in the Asia-Pacific and pry U.S. allies away from an inward-looking America. Many have noted the divisions between the U.S. and South Korea regarding North Korea policy and drawn attention to Chinese efforts to court Japan.

However, such predictions appear premature: the fundamentals of the Sino-DPRK relationship remain unchanged. China retains some leverage in its interactions with the U.S. in the form of influence over North Korea, but the effectiveness of such influence, as well as China’s willingness to use it in this case, remain unknown.

In addition, Washington and Beijing continue to share some common interests vis-à-vis North Korea. Finally, regional political trends are hindering, rather than helping, Beijing’s desire for stronger relations with Pyongyang.

Sino-DPRK relationship unchanged

The flurry of diplomatic engagements between China and North Korea since March 2018 obscures the lack of substantive outcomes in their relationship. North Korea has responded to China’s carrots by taking cues from Beijing in its outreach to and negotiations with the U.S., but little has materialized beyond that.

In addition, the nadir of Sino-DPRK relations in 2016 and 2017 showed that China’s use of sticks has limited effect on North Korea. After China supported U.N. resolution 2270 and stepped up sanctions enforcement in the wake of North Korea’s January 2016 nuclear test, North Korea’s behavior only worsened, worrying Chinese citizens and angering Beijing. Two years later, Moon Jae In and Donald Trump, rather than Xi Jinping, were the first recipients of North Korean diplomatic overtures.

China recently invited North Korea to the One Belt, One Road (OBOR) summit, but this is no sea change; Beijing has been yearning for years to extend OBOR to North Korea. In addition, the security guarantee for North Korea proposed by Beijing and Moscow on May 13 represents no change from the military alliance China already maintains with North Korea.

China weighs U.S., regional concerns

Most overseas commentary on Sino-DPRK relations focuses on China’s prioritization of trade negotiations with the U.S. and wariness of complicating its efforts to reach an agreement. If this is Beijing’s calculus, Sino-DPRK relations will remain in a steady state for the foreseeable future.

Ironically, provocative North Korean behavior (particularly nuclear tests) directed at the U.S. could have the effect of pushing China away by embarrassing Beijing and spawning renewed security concerns among northeast Chinese residents. In addition, Pyongyang’s warming ties with Moscow increase the probability that North Korea will pivot toward Russia if it does not receive what it wants from China. Sources also suggest that North Korea’s top priority remains closer relations with the U.S. (on its own terms) and its recent missile tests are an attempt to bring Washington back to the negotiating table.

However, the most important factor in China’s approach to North Korea is its overall regional strategy. China seeks to lead East Asia and is enhancing its political and economic relationships with its neighbors to that end.

Facilitating a negotiated end to North Korea’s nuclear program would enhance China’s claim to regional leadership but North Korea does not seem interested. In contrast, improving bilateral Sino-DPRK relations would hinder Chinese leadership by upsetting nearly every other nation China is presently courting.

The reality is that South Korea is much more important to China’s regional objectives than North Korea. In addition, China will have to tread carefully on North Korea if it hopes to improve its relationship with Japan, which is hedging against U.S. retrenchment.

Xi-Kim Summit and the G20

Despite the upcoming summit between Xi Jinping and Kim Jong Un, it is unclear where North Korea falls in China’s list of priorities. It is worth remembering that Xi hastily invited Kim to China for the first time in March 2018 only after Kim requested to meet with Trump. Xi’s trip to North Korea appears to be part of the same pattern. North Korea has shown renewed interest in talks with the U.S. (Kim wrote a “beautiful” letter to Trump on June 11) and momentum for a possible Moon-Kim summit increased in May and June. All of this predates the surprise announcement of the Xi-Kim summit.

Publication of Xi’s article proposing a “grand plan” for the Korean Peninsula in the Rodong Sinmun on June 19 was unprecedented. However, the article itself focused mostly on reiterating China’s hope that North Korea will pursue economic development over nuclear proliferation and proposed elevating “exchanges and cooperation.”

From this perspective, while the June Xi-Kim summit is a positive development in Sino-DPRK relations, it is unlikely to change the fundamental nature of their relationship. It is more likely that the summit is a reaction to North Korea’s engagement with South Korea, the U.S. and to some degree Japan, as well as a play for leverage ahead of Xi’s meeting with Trump at the G20 Summit later in June.

Political considerations

In 2018, Beijing’s interactions with North Korea may have been viewed favorably in South Korea due to Kim Jong Un’s apparent interest in detente. Moon Jae-in’s repeated summits with Kim mirrored Xi Jinping’s and delivered robust domestic approval ratings for the Moon administration.

The International train Kim Sinju to Dandong, China is docked at the platform of Dandong railway station.
While Moon continues to pursue dialogue with Kim, time is running out for such a strategy. South Korean support for Moon and engagement with the North soured after the failure of the Hanoi summit between Kim and Donald Trump. In addition, despite Moon’s efforts, North Korea has made few concessions related to its nuclear programs. North Korea’s recent missile tests underscored the shortcomings of Moon’s approach.

As a result, Chinese support for North Korea risks alienating South Korea at a moment of key opportunity for Beijing to consolidate its political gains in Seoul. (North Korea’s recent aggressiveness notwithstanding, South Korea still faces the same trade-related frustrations vis-a-vis Washington as Beijing does.)

**Key challenges remain**

In addition, while trade between China and North Korea has picked up since the first summit between Xi Jinping and Kim Jong Un in March 2018, it may have hit a ceiling. China risks undermining its global agenda of increasing its influence and international leadership by flouting U.N. sanctions. As a result, China has limited flexibility in its trade with North Korea. Tourism is one of the few avenues through which it can support Pyongyang under current sanctions, and the newly-opened crossing between Jian and Manpo is likely to be used for that purpose.

China recognizes that it will be difficult to build a robust economic relationship with North Korea until international sanctions are lifted. As a result, it will continue to push for a resolution to the North Korea nuclear issue through dialogue. Enabling North Korea to defy the U.S. would hinder such a resolution.

This hints at the crux of China’s longstanding challenge in dealing with North Korea: what North Korea wants, China will not give, and North Korea is not particularly interested in the alternatives China offers. China cannot accept North Korea’s nuclear status or engage in widespread violation of sanctions without serious diplomatic repercussions. Conversely, Pyongyang has demonstrated repeatedly that it is not interested in Beijing’s grand infrastructure and investment designs which would leave it beholden to China.

**North Korea will benefit from trade war**

The Sino-U.S. trade war, however, portends other consequences for the relationships of both countries with North Korea. There is considerable alignment on what both would like to see in North Korea and some parallels in the tactics both are using. However, the trade war will make Sinoo-U.S. coordination on North Korea issues next to impossible.

International sanctions against North Korea are powerful, but history has shown that Sinoo-U.S. cooperation is necessary for “maximum pressure” to be effective. Chinese support is needed if North Korea is to be blocked from the international financial system or if its illicit trade is to be meaningfully curbed.

**Conclusions**

The Xi-Kim summit and renewed interest in negotiations by the U.S. and North Korea show that the U.S. and China are taking independent approaches to North Korea against the backdrop of the trade war. This will be only to the benefit of Pyongyang.

While the Trump administration will continue to push for a resolution to the nuclear issue with North Korea, it will likely pursue unilateral development and enforcement of North Korean sanctions, as well as take other actions to increase pressure on Pyongyang, if the situation fails to improve. The success of the Wize Honest is a preview of such an approach. To spite the U.S., China will likely turn more of a blind eye to illicit North Korean trade and migrant laborers which are technically prohibited under present UN sanctions. China is also incentivized to keep quiet about any North Korean funds parked in its banks. Such actions are hardly large-scale violations of international sanctions but they are immensely helpful to North Korea.

As a result, little is likely to change in regards to North Korea in the intermediate term. It will continue to angle for an agreement with the U.S. regarding sanctions and nuclear development, and any progress on that front will entice China to pull Pyongyang closer. The June 2019 Xi-Kim summit reflects that.

If North Korea agrees to scale back its development of nuclear weapons credibly enough to achieve the lifting of international sanctions, that case, a whole new competition between the U.S. and China will begin to secure diplomatic cooperation, market access, and investor rights in North Korea. In either case, North Korea will continue to benefit from the U.S.-China trade war.

North Korea’s recent aggressiveness notwithstanding, South Korea still faces the same trade-related frustrations vis-a-vis Washington as Beijing does.

*John Petrushka, NK Pro contributor based in Washington, D.C.*

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**Advertisement**
In May 2019, KGCCI together with several German member companies organized the “4th Joint Campus Recruiting” at four universities in Seoul, Incheon and Suwon. The students showed high interest in the participating companies that are leading brands in various industries: Audi Volkswagen Korea, Bayer Korea, Schenker Korea, thyssenkrupp Elevator Korea, TRUMPF Korea, Wilo Pumps Korea and ZEISS Korea.

This year, around 500 students visited the ‘Joint Campus Recruiting’ that was held at Inha University in Incheon, Sungkyunkwan University in Suwon as well as Hanyang University and Chung-Ang University in Seoul. During the recruiting seminars and 1:1 consulting sessions, German companies could meet talented young professionals and introduce their businesses as well as brand values. The students were eager to receive the latest recruiting information from the HR managers. The feedback survey showed that the students especially appreciated the opportunity to widen their career insights through this event and that they hoped to meet even more German companies through such events in the future. Furthermore, the participating companies and universities expressed a high satisfaction as the KGCCI’s “Joint Campus Recruiting” is not only getting established as a valuable platform for jobseekers with a focus on German language, but is noticeably attracting a broader diversity of student majors. This year’s participating students were mostly majoring in engineering, natural sciences, business management as well as language and literature. So, companies could meet students from a wider range of qualifications.

The next “Joint Campus Recruiting of German Companies” is planned to be held in November 2019. Please contact KGCCI at secho@kgcci.com for participation.
Making Ausbildung Sustainable

Review and Challenges in the third year of Ausbildung in Korea

As the year is almost entering the second half, Ausbildung has made some news so far.

Audi Volkswagen Korea additionally joined the Ausbildung program, which has already been implemented by BMW Group Korea, Daimler Trucks Korea, Man Truck & Bus Korea and Mercedes-Benz Korea in the car maintenance sector at their official dealerships. Furthermore, in addition to Daewoo Technological University College and Yeojw University Institute of Technology, a third college was selected to provide academic education to the trainees. Youngnam University College is located in Daegu and has a 50-year history. Moreover, respective professors have already experienced working with various foreign companies.

The Ausbildung Trainee recruitment process of 2019 is currently in progress with a total of 135 new trainee positions. As every year, the three-year curriculum will be carried out from early September, combining a practical training (70%) at company sites and a theoretical education (30%) at the colleges, just like in Germany.

On May 15, 2019, the Korean-German Chamber of Commerce and Industry (KGCCI) along with all five participating automotive brands hosted a Certificate Handover Ceremony at the German Ambassador’s Residence located in Seoongbu-gu, Seoul, for 57 trainers who completed and passed the official educational program and examination of Ausbildung. Together with the 44 trainers of the first generation in 2017 and 31 trainers of the second generation in 2018, a total of 132 official ‘Ausbildung’ trainers are certified by the Association of German Chambers of Industry and Commerce (DIHK) and are qualified to officially train the Trainee at company sites in Korea.

In addition, 18 Ausbildung Assessors who will evaluate Ausbildung trainees in the future were appointed for the first time in Korea. Automobile engineering professors from Daewoo Technological University College and Yeojw University Institute of Technology as well as vehicle technology specialists of each participating brand will serve as Assessors. For this purpose, a German expert was invited to discuss the German evaluation system, especially the Ausbildung evaluation exam for car maintenance. In addition, some Assessors attended the local Ausbildung practical assessment in Germany last year and visited the Chamber of Commerce in Munich which is the partner organization for Ausbildung at KGCCI.

While being successful, Ausbildung also faces challenges for all involved sides.

1. High schools

Despite the fact that more and more high schools are interested in Ausbildung, the overall number of applying students in South Korea is decreasing every year. This may be caused by the control of their teachers steering the high school students in order to reach a higher admission quota. The high school teachers assume that the companies will preferably hire high-ranking students. Therefore, not all students who would like to participate actually apply, as they follow the advice of their teachers. As a result, this is restricting the number of applicants for Ausbildung.

2. Colleges

The colleges which are involved in Ausbildung took over a big responsibility when committing to Ausbildung and are facing several challenges. The first challenge is the necessity to develop a completely new course. The content has to be tightly connected to the content of the On-the-Job Training (OJT), also from a timing perspective. Second of all, the professors need to change the teaching habits as the system of Ausbildung requires much more self-responsibility from the trainees and is also focusing very much on soft skills like teamwork, presentation skills etc. The challenge is to consistently apply the new teaching methods and not to fall back into the old style where students are sitting for hours in the classroom while listening to teachers without much interaction. Last but not least, professors have to get used to the fact that the trainees are not as present in college as other students, since Ausbildung trainees return to work and OJT after each semester.

3. Dealers

Participating dealers in the first place made a big commitment to Ausbildung. They invest in young people joining the business life for the first time. As these entities are very much driven by revenue in the first place, they do not fully see the outcome of Ausbildung as of now. The full training program takes three years which is unusually long for Korea. Normally newcomers are trained only for a couple of months before they have to perform. With Ausbildung, this is a different approach as the new employees get the chance to learn their profession in depth and to ultimately deliver high quality service to the customer.

The critical issue seen by dealers is the possible retention rate at the end of the program. Will the trainees leave the service center after they finished Ausbildung? Even with a very high retention rate of Ausbildung in the beginning of the program, the suspicion of the dealers is very high. Coming from the actual experience they have with their workforce, this is a fact Ausbildung has to deal with.

4. Companies

The national sales companies initiated the Ausbildung program in Korea as they saw and still see the need of creating a highly skilled workforce. As Korea can offer quite a number of potential candidates for Ausbildung, this leads to sustainable job creation for the generation of young Koreans by German automotive companies. For this purpose, they invested money and time to set up the necessary structures for Ausbildung in cooperation with KGCCI. But as the circumstances for German companies to make business here in Korea are getting tougher and tougher, the companies might rethink these investments in the future. The government is supporting Ausbildung to a certain extent but there could be done much more. This would also help to widen the scope of Ausbildung to accelerate the development and ultimately create benefits for the people in this country.

Conclusion

Facing all the challenges mentioned above, one might think this is a handicap. And yes, there is still a way to go. But the fact that Ausbildung at KGCCI, which has grown to full time employees over time, is working on all aspects with high motivation on improvements and problem solving. As all stakeholders, industry, ministries and education sector, are highly interested in this program, there is a common understanding about the way to go in order to make the program sustainable and successful. There is a strong confidence that Ausbildung, despite all challenges, will be a reliable factor for Korea in industry in order to attract and create highly skilled workforce.

Susanne Woehrle
Head of Ausbildung
KGCCI Düsseldorf Ltd.
www.kgcc.de
KGCCI Board of Directors

2019/2020 elected

On April 23, KGCCI held its 38th Annual General Meeting (AGM) and elected the German Chairman, German Vice Chairman, Treasurer and Directors. At the meeting, Ms. Ingrid Drechsel (President of Bayer Korea) was re-elected German Chairman of the KGCCI. Please find the complete list to see all KGCCI Board of Directors 2019/2020 below.

KGCCI also thanks all parted Board Members who contributed much over the past years: former German Vice Chairman Mr. Bernd Gehlen (CFO, BASF Company Ltd.) and former Treasurer Mr. Ludwig Feuchtmayer (CFO, Continental Automotive Electronics LLC) as well as Mr. Ki-Young Bae (President & CEO, The Class Hyosung Corp.) and Mr. Dai-Woo Han (of Counsel, Bae, Kim & Lee).

KGCCI Annual General Meeting 2019

The elected German Chairman, Ms. Ingrid Drechsel, President of Bayer Korea, was first elected as German Chairman in 2017. In the same year, KGCCI introduced a new governance system with two Co-Chairmen to underline KGCCI's bilateral character even better. Ms. Ingrid Drechsel will continue to lead KGCCI’s Board of Members together with the Korean Chairman Dr. Hye-Joon Kim, Chairman of BMW Group Korea.

Since January 2015, Ms. Ingrid Drechsel has been working as President of Bayer Korea. She is the Senior Bayer Representative for all Bayer subsidiaries in Korea including Pharmaceuticals, Consumer Health and CropScience. Ms. Ingrid Drechsel majored in Biology at Heidelberg University (Germany) and worked in different positions at Bayer. In her acceptance speech Ms. Ingrid Drechsel said that she “will do her best to consolidate the bilateral partnerships in key fields such as innovation where Korea’s and Germany’s strengths can cross-pollinate.” She also committed to “continue her engagement for WIR, KGCCI’s female leadership group, to help spread value-driven leadership and the promotion of Korean women in the business field.”

Board Members

Mr. Alejandro Arias
General Manager Korea Luft Hansa-German Airlines

Mr. Tai Yoon Choi
Managing Director Würth Korea Co., Ltd.

Mr. Jong Kap Kim
Managing Director Deutsche Bank AG Seoul Branch

Mr. Young Yuli Kim
Representative Director / Chairman BASF Company Ltd.

Dr. Frank Schaefers
President Robert Bosch Korea Limited Company

Mr. Max Burger
President Managing Director MAN Truck & Bus Korea Ltd.

Mr. Christian Groeger
President & CEO Eppendorf Korea

Mr. Max Kim
Managing Director Nevia Korea Inc.

Mr. Yunjong Kim
WIL Group Senior Vice President Sales Region Emerging Markets Wilo Pumps Ltd.

Mr. Stefan Spreu
General Manager / Representative Director ElringKlinger Korea Co., Ltd.

Mr. Frank Stainlainer
Representative Director Yonnap Sports Automobile Ltd.

German Chairman
Ms. Ingrid Drechsel
President Bayer Korea Ltd.

German Vice Chairman
Mr. Peter Tiedmann
President & Repr. Dr. Carl Zeiss Co., Ltd.

Treasurer
Mr. Yan Uhl
CFO SAP Korea Ltd.

President & CEO
Ms. Barbara Zollmann
President & CEO Korean-German Chamber of Commerce & Industry

First row from left to right: Mr. Yan Uhl (Chief Financial Officer, SAP Korea), Mr. Ki-Young Bae (President & CEO, The Class Hyosung Corp.), Mr. Ji Young Bae (President (CEO, The Class Hyosung Corp.), Mr. Seung Bok Kang (Chairman, BMW Group Korea), Mr. Hyo-Joon Kim (Chairman, BMW Group Korea), Ms. Barbara Zollmann (President & CEO, KGCCI), Mr. Young Yuli Kim (Representative Director/Chairman BASF Company Ltd.) and Mr. Stefan Spreu (General Manager/Representative Director, ElringKlinger Korea Co., Ltd.).

Second row from left to right: Mr. Christian Groeger (President & CEO, Eppendorf Korea), Mr. Max Burger (President, MAN Truck & Bus Korea Ltd.), Mr. Max Kim (Managing Director, Hella Korea Inc.), Mr. Frank Schaefers (President, Robert Bosch Korea Ltd.), Mr. Tae Yoon Choo (Managing Director, Whirlpool Korea Co., Ltd.), Mr. Kyo-Sang Cho (President & CEO, Daimler Trucks Korea Ltd.), Mr. Steven Yusok Kim (President, Henkel Korea), Mr. Jong-Kap Kim (Managing Director, Deutsche Bank AG Seoul Branch) and Mr. Ludwig Feuchtmayer (CFO, Continental Automotive Electronics LLC.).
Please introduce your company’s business.

Educk Inc. is the No.1 premium bedding manufacturer and retailer in South Korea. We operate over 340 retail stores including franchises and corporate stores in major department store chains. The industry leading premium bedding brand, Allerman, has patents in various fields including allergy prevention and quality.

How do you define innovation?

Innovation means to improve the quality of life by changing elements of daily life. We want to become a company that makes good products to enable a healthier life of our consumer’s through our products.

Please explain the product that you received the KGCCI Innovation Award for.

Allerman’s “Allergy X-Cover and seamless woven technology”, a light and unique functional micro fabric, developed by Dr. Kim Donghue at Seoul National University is 100 times thinner than human hair to protect against harmful substances like dust and dust mites in bedding. It makes a clean bedroom environment to improve symptoms of asthma and allergic disease. This special technology is registered as a utility model and also patent by the Korean government and certified by the British Allergy Foundation.

What was your motivation for applying for the KGCCI Innovation Awards?

We saw the opportunity to prove our quality and philosophy outside Korea through the KGCCI. We are looking for new partners in Europe and winning at the KGCCI Innovation Awards will be a great chance to step forward to the international market.

What future plans does your company have?

Our ultimate goal is being a total home furnishing brand that offers life style solutions to consumers. Therefore, we are seeking for new opportunities to expand our brand range.

Driving Innovation

Company Profile

- Year of establishment: 2000
- Number of employees: 225
- Industry: Consumer Goods/Retail

Educk Inc.

www.allerman.com
johnhklee1@gmail.com

KGCCI Innovation Awards 2018 - Business

KGCCI Member’s Spotlight - Driving Innovation

Sponsorship Categories & Benefits

Leading Innovation

- KRW 10,000,000 excl. VAT
- Innovation-focused exposure on communication and media channels
- Large company logo on KGCCI web related materials & projection during the awards
- Verbal introduction during the awards
- Presentation of sponsors in post-event promotions
- 1 table (8 seats) positioned closest to the stage

Creating Innovation

- KRW 6,000,000 excl. VAT
- Medium company logo on KGCCI web related materials & projection during the awards
- Verbal introduction during the awards
- Presentation of sponsors in post-event promotions
- 4 seats (individual seating), upgrade to full table possible

Supporting Innovation

- KRW 3,000,000 excl. VAT
- Small company logo on KGCCI web related materials & projection during the awards
- Presentation of sponsors in post-event promotions
- 2 seats (individual seating), upgrade to full table possible

Date: September 27th, 2019
Venue: Floating Islands ‘Sebitseom’ in Seoul

www.innovation-award.kr
innovation@kgcci.com +82-2-37804-659
On April 18, KGCCI was appointed CSR Ambassador at the 2019 CEO Pledging Ceremonies of the B.E.S.T Business Ethics is the Source of Top Performance Forum organisé by the Institute of Industrial Policy Studies (IIPS) at the Ahn Junggun Memorial Museum. About 100 entrepreneurs and executives of enterprises and organizations operating in Korea, including a few KGCCI member companies, were assembled to declare their commitment to promote ethical and sustainable business practices across the society. Since 2015, KGCCI has annually released its CSR Report of German companies and supported CSR work in German companies in Korea through its CSR Circle or partner events with Transparency International Korea or Siemens’ Fair Player Club.

In each KORUM edition, we present CSR projects of our member companies. If you would like to introduce your company’s CSR activities this Inspiring CSR section, please contact pr@kgcci.com.

KORUM | 2nd Quarter 2019

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Marketing.

“Diplom-Betriebswirt (FH)” as well as an American “B.Sc. in Business and holds the German master-equivalent degree of India Commercial Vehicles in Chennai. He studied International domestic sales controlling for BharatBenz Trucks at Daimler Before his new assignment in Seoul, Mr. Banzhaf had headed the financial strategy of Daimler Germany. After that, he worked in sales controlling for Mercedes-Benz Cars and later led the financial strategy of Daimler Germany. Before his new assignment in Seoul, Mr. Banzhaf had headed domestic sales controlling for BharatBenz Trucks at Daimler India Commercial Vehicles in Chennai. He studied International Business and holds the German master-equivalent degree of “Diplom-Betriebswirt (FH)” as well as an American “B.Sc. in Marketing”.

Mr. Benjamin Banzhaf has taken office as Chief Financial Officer at Daimler Trucks Korea Ltd, effective from May 2019. He oversees the company’s finance functions including accounting, controlling, tax and treasury. Mr. Banzhaf began his career at Daimler AG in the marketing and sales department in Berlin, Germany. After that, he worked in sales controlling for Mercedes-Benz Cars and later led the financial strategy of Daimler Germany. Before his new assignment in Seoul, Mr. Banzhaf had headed domestic sales controlling for BharatBenz Trucks at Daimler India Commercial Vehicles in Chennai. He studied International Business and holds the German master-equivalent degree of “Diplom-Betriebswirt (FH)” as well as an American “B.Sc. in Marketing”.

Mr. Thomas Dettmer has been appointed as Director Sales and Handling for Lufthansa Cargo in South Korea effective from May 2019. Mr. Dettmer has 20 years of experience in the Airfreight business since 1999. He started his career in South Korea as an airfreight agent and later took over the management of the Airfreight department. Mr. Dettmer has been living in South Korea for over 20 years and is dedicated to driving, building and developing businesses as well as teams across emerging markets.

Mr. Max Kim has been appointed as Managing Director of Hella Korea Inc in In his position he is responsible for the business development, execution of sales and marketing strategies as well as electronic application engineering for German automotive OEMs and Tier 1 suppliers worldwide. In addition, he is the Head of Business Development for the Mercedes-Benz Truck Star Center in Asan, which meets over 20 years of leadership experience as operations executive in automotive multi-plant environments with international operations and customer bases. His broad business background involves assignments in the automotive, electronics and manufacturing field. Mr. Kim holds a BSEE and an MBA from the University of Michigan.

Mr. Michael Schwanter has taken office as Vice President Asia for the Mahr Group. He has extensive global experiences as Senior Executive in the areas of strategy, general management, business development, sales & marketing and financial controlling across high tech industries, namely automotive, aviation, optics and medical technologies. Mr. Schwanter has resided and worked in Asia for over 20 years and is dedicated to driving, building and developing businesses as well as teams across emerging markets.

Mr. Sang-Kuk Lee, was appointed as Vice President of the newly separated and established Sales Department of Mercedes-Benz Korea. As former Vice President of the Network Development & Training Academy, he has contributed to the expansion of Mercedes-Benz authorized dealer network and to enhance customer satisfaction through varying the network including digital showroom, while taking over the role as Head of Network Development in 2014 and Vice President of Network Development & Training Academy since 2016. He has also made his effort to introduce the German dual vocational training program “Ausbildung” and to nurture future young talents with management of the Training Academy successfully.

In May, MAN Truck & Bus Korea opened its second owned workshop, the MAN Truck & Bus Center Sejong, which meets 100% the standard of MAN’s German workshops, as part of the result of MAN’s heavy investment towards the Korean market. On the 8,595 m² land, the center contains 3 double workbays allowing the center to handle 10 products simultaneously. Located near South Chungju Interchange, customers can easily access the center. In addition, a premium customer anteroom has been built in the 2nd floor and a roof top lounge on the 3rd floor. With 16 professional technicians and a facility of highest standards, the center is expected to provide excellent quality service to MAN customers.

Mr. Kristin Cho, was newly appointed as Vice President of Network Development & Training Academy at Mercedes-Benz Korea. Since 2014, Ms. Cho, the former Head of Human Resources, has led various initiatives to enhance human capital practice and development including the transformation of internal culture and organization. She has accumulated comprehensive capabilities, including people management, from over 20 years of multinational working experience, and is also the first female vice president in Mercedes-Benz Korea’s Executive Committee.

BDO

Daimler Trucks Korea celebrated the opening of its dedicated delivery center, named Mercedes-Benz Truck Star Center in Asian city on April 24. At the opening ceremony, Kyu-Sang Cho, CEO and President of Daimler Trucks Korea, said, “The new Mercedes-Benz Truck Star Center is to provide top-class products and services to Korean customers including a premium brand experience not only for our customers but their families,” and added, “The Mercedes-Benz Truck Star Center will be the place where success starts for our customers and their business.” The Mercedes-Benz Truck Star Center features state-of-the-art facilities for pre-delivery inspection, vehicle localization and driver training.

In April 2019, the world’s 5th largest accounting network BDO announced a newly merged member firm in Korea, BDO Sungto-Ehyn LLC. Having access to BDO’s expertise globally will allow the new BDO Korea to expand its service and to deliver balanced growth across all service lines. “Our growth ambitions include reaching a headcount target of 500 professionals by 2025, together with revenues of 150 billion KRW”, Managing Partner John Park said.

Mr. Thomas Dettmer has been appointed as Director Sales and Handling for Lufthansa Cargo in South Korea effective from May 2019. Mr. Dettmer has 20 years of experience in the Airfreight business since 1999. He started his career in South Korea as an airfreight agent and later took over the management of the Airfreight department. Mr. Dettmer has been living in South Korea for over 20 years and is dedicated to driving, building and developing businesses as well as teams across emerging markets.

Mr. Max Kim has been appointed as Managing Director of Hella Korea Inc. In his position he is responsible for the business development, execution of sales and marketing strategies as well as electronic application engineering for German automotive OEMs and Tier 1 suppliers globally. In addition, he is the Joint Representative Director at HSL (Hella SL joint venture). Mr. Kim has over 25 years of leadership experience as operations executive in automotive multi-plant environments with international operations and customer bases. His broad business background involves assignments in the automotive, electronics and manufacturing field. Mr. Kim holds a BSEE and an MBA from the University of Michigan.

Mr. Michael Schwanter has taken office as Vice President Asia for the Mahr Group. He has extensive global experiences as Senior Executive in the areas of strategy, general management, business development, sales & marketing and financial controlling across high tech industries, namely automotive, aviation, optics and medical technologies. Mr. Schwanter has resided and worked in Asia for over 20 years and is dedicated to driving, building and developing businesses as well as teams across emerging markets.

Mr. Sang-Kuk Lee, was appointed as Vice President of the newly separated and established Sales Department of Mercedes-Benz Korea. As former Vice President of the Network Development & Training Academy, he has contributed to the expansion of Mercedes-Benz authorized dealer network and to enhance customer satisfaction through varying the network including digital showroom, while taking over the role as Head of Network Development in 2014 and Vice President of Network Development & Training Academy since 2016. He has also made his effort to introduce the German dual vocational training program “Ausbildung” and to nurture future young talents with management of the Training Academy successfully.
### New Members

**Corporate Members**

- **ATELIER BRUECKNER KOREA, Ltd.**
  - Mr. Kyootae Kim
  - Vice President
  - kyootae.kim@atelier-brueckner.com
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- **Communications Korea**
  - Mr. Jungyou Kim
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  - jykim@commkorea.com
  - Consulting Services (Management, IT, Translation), Media, Publishing, Design
  - www.commkorea.com

- **E.ON Climates & Renewables**
  - Ms. Jelena Simjanovic
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  - Energy, Renewable Energy
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- **Dreamflower Academy**
  - Mr. Waypyo Hong
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- **EMUGE-FRANKEN LLC Ltd.**
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- **Educk Inc. (Allerman)**
  - Mr. John HK Lee
  - Vice President
  - johnhklee1@gmail.com
  - Consumer Goods, Retail, Wholesale
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- **KOSTAL Korea Ltd.**
  - Ms. Minju Jin
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  - Automotive OEM
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- **Lim’s Flower Academy**
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- **Logwin Air + Ocean Korea Ltd.**
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- **Lumir Inc.**
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  - www.lumir.co.kr

- **Lumir Inc.**
  - Mr. Hamed Bazaz
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  - www.owin.kr

- **Logwin Air + Ocean Korea Ltd.**
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  - www.logwin-logistics.com

- **Novotel Ambassador Seoul Dongdaemun Hotels**
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  - Food & Beverage, Tourism & Hotels
  - www.ambatel.com/novotel/dongdaemun

- **Owin Inc.**
  - Mr. Myeon Oh
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  - Advertising, Communications, Architecture, Interior Design, Education
  - www.owin.kr

- **Oh Myeon Floral Art School**
  - Mr. Myeon Oh
  - CEO
  - omfkorea@naver.com
  - Advertising, Communications, Architecture, Interior Design, Education
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  - www.lumir.co.kr

- **Lumir Inc.**
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  - Director
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  - Automotive Supply, Consulting Services (Management, IT, Translation), IT, Telecommunication, Software, Transportation Service
  - www.owin.kr
New Members

Corporate Members

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- Automotive Supply, Logistics, Medical, Health Care, Retail, Wholesale, Steel, Metal Products, Processing
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THECL Accounting Corporation ITOS

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Ms. Aerin Paik
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Mr. Byung Kwan Yu
- mr.byu@gmail.com

Dialogue between President Moon Jae-in and Foreign-Invested Companies

On March 28, representatives of foreign companies had the opportunity to exchange with President Moon Jae-in for the first time. Representatives of eight German companies were able to attend the meeting in the Blue House, including Ingrid Drechsel, President of Bayer Korea and German Chairman of KGCCI. At the meeting, Ms. Drechsel underlined the strong partnership between Korea and Germany, and further addressed some requests and matters of the German companies in Korea, such as the flexibility in handling of the 52-hour workweek, to President Moon.

Meeting with EU Commissioner Cecilia Malmström

On April 9, Ingrid Drechsel, German Chairman of the KGCCI and President of Bayer Korea, represented KGCCI at a meeting with EU Commissioner Cecilia Malmström. At the meeting, representatives of European companies had the chance to exchange experiences with Commissioner Malmström on the implementation of the free trade agreement ahead of the Eighth Meeting of the EU-South Korea Trade Committee on the Free Trade Agreement.
On May 15, KGCCI hosted a small dinner with former German Chancellor Gerhard Schröder, the German and European Ambassadors, H.E. Stephan Auer and H.E. Michael Reiterer, as well as representatives of KGCCI and ECCK member companies. During the dinner, Mr. Schröder shared his thoughts on current international political issues.

On April 23, KGCCI was awarded in the category “Exchange of Environmental Technology” at the “14th Korea Environmental Awards 2019”. These awards are hosted by the Korea Environmental Awards Committee as well as Ecomedia - the Futures in Our Hands’ and supported by the National Assembly of the Republic of Korea and related government ministries. The awards aim to honor companies, public institutions and local governments, research institutes, organizations and individuals who have been committed to environmental preservation and sustainable social development. Around 300 distinguished guests including the winners, members of the National Assembly, government and organizations attended the event. The award expresses the recognition for the numerous projects KGCCI and KGCCI DEinternational Ltd. conduct in the field of renewable energies and energy efficiency promoting the exchange and business cooperation between Germany and Korea in these areas.

2019 ACRC Roundtable with Foreign Businesses in Korea

On April 12, Ms. Pak Un Jong, Chairperson of the Anti-Corruption and Civil Rights Commission, met with representatives of the foreign business in Korea. At the roundtable, opinions and difficulties in running business in Korea were shared between the ACRC and the foreign Chambers of Commerce and Industry in Korea. KGCCI represented the German business in Korea during this event to voice and jointly find ways to build a more transparent and business-friendly environment for foreign businesses.

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Upcoming [ KGCCI Events ]

**JUNE 24**
Information & Presentation event for German Nuclear Decommissioning
Venue: Novotel Ambassador Seoul Dongdaemun

**JUNE 27**
KGCCI Sundowner
Venue: KGCCI Veranda, 8th Fl.

**JULY 11**
Consulting day South Korea with IHK Heilbronn
Venue: Heilbronn, Germany

**JULY 10**
14th Asia-Pacific Forum Bavaria with IHK Nürnberg für Mittelfranken
Venue: Stadthalle Fürth, Germany

**JULY 16**
Consulting day South Korea with IHK Karlsruhe
Venue: IHK Karlsruhe

**AUGUST 29**
KGCCI Half-Year Economic Outlook

**SEPTEMBER 27**
5th KGCCI Innovation Awards
Venue: Sebit Island
Fairs & Exhibitions

Seoul Motor Show 2019

From March 28 to April 1, KGCCI supported the Official German Pavilion for the German automobile supplier industry as part of this year’s Seoul Motor Show with the theme “Sustainable · Connected · Mobility” at the KINTEX exhibition center. On the second exhibition day, Mr. Weert Börner, Deputy of Head Mission of the German Embassy in Seoul, welcomed the 12 German component manufacturers attending the biennial 4th largest automotive show in Asia to promote their technologies. This year, more than 600,000 people visited the Seoul Motor Show. KGCCI had also set up an information desk for Ausbildung at the show.

Hannover Messe

On April 3, the KGCCI organized a workshop on Industry 4.0 at the Hanover Fair. The speakers of German companies and institutions informed the Korean company representatives about solutions in the field of Industry 4.0. Mr. Georg Kube from SAP SE presented on “Industry 4.0 - Examples in the IM&C industry”, followed by Dr. Michael Hoffmeister from Festo AG & Co. KG with the topic “Already on the journey - Turnkey products for the IoT and Industry 4.0”. Finally, Ms. Sarah Fischer from Platform Industry 4.0 gave an update on “Status Quo of Industry 4.0 and Outlook. The Platform Industry 4.0”.

Trade Promotion

Renewable Energy Information trip to Germany

Supported by the German Federal Ministry of Economic Affairs and Energy and the Embassy of the Federal Republic of Germany in Seoul, KGCCI and adelphi held the 4th Fireplace Talk on March 22. The event served as exchange platform for energy experts of both countries including the Korean Ministry of Trade, Industry and Energy’s Director of its Nuclear Power Industry Policy Division, on the targets, status, challenges and opportunities of the energy transition processes in Korea and Germany.

On behalf of the German Federal Ministry of Economic Affairs and Energy and Energy and the Embassy of the Federal Republic of Germany in Seoul, KGCCI and adelphi held the 4th Fireplace Talk on March 22. The event served as exchange platform for energy experts of both countries including the Korean Ministry of Trade, Industry and Energy’s Director of its Nuclear Power Industry Policy Division, on the targets, status, challenges and opportunities of the energy transition processes in Korea and Germany.

Renewable Energy Information trip to Germany

Supported by the German Federal Ministry of Economic Affairs and Energy and jointly organized by KGCCI and Baden-Württemberg International (bw-i), a fact-finding mission on “System Integration of renewable energies, Grid Expansion and Flexibilization” from South Korea was held from April 9-12. The information trip was attended by 17 Korean energy experts from Korea Electric Power Corporation (KEPCO), Korea Power Exchange (KPX) and other stakeholders who visited a major Distribution System Operator, the Ministry of the Environment, Climate Protection and the Energy Sector of Baden-Württemberg, as well as research centers and private enterprises in Germany. This trip provided the participants an opportunity to seek for solutions regarding system integration of renewable energies and smart grids in response to the expansion of renewable energy in Korea.

4th Fireplace Talk

On behalf of the German Federal Ministry of Economic Affairs and Energy and the Embassy of the Federal Republic of Germany in Seoul, KGCCI and adelphi held the 4th Fireplace Talk on March 22. The event served as exchange platform for energy experts of both countries including the Korean Ministry of Trade, Industry and Energy’s Director of its Nuclear Power Industry Policy Division, on the targets, status, challenges and opportunities of the energy transition processes in Korea and Germany.
Wind Energy in East Asia

On May 8, KGCCI, together with the German Chamber of Commerce and Industry in Japan and the German Trade Office Taipei, participated in an information event on “Wind Energy in East Asia” organized by the OAV (German Asia-Pacific Business Association) and Baden-Württemberg International (bw-i) in Hamburg. As South Korea, Taiwan and Japan strive for an expansion of offshore wind power, the underlying markets and business opportunities were presented to German companies. Furthermore, companies that have already entered these markets shared their experiences with the participants.

German Beverage Delegation Trip to Korea

Through the support of the Federal Ministry of Food and Agriculture Germany (BMEL), KGCCI and enviacon organized a delegation trip for a group of German wineries and a brewery to Korea on April 8-12, 2019. The agenda included lectures on the current market condition and industry prospects for a better understanding of the Korean market as well as a networking event with more than 50 Korean importers to seek business possibilities. In addition to the event, the German participants further held individual B2B meetings with Korean importers.

International Consulting Days

On June 4, the KGCCI participated in the International Consulting Day 2019 at the premises of the Chamber of Commerce and Industry (IHK) Stuttgart. Mr. Ho-Jae Woo, Senior Vice President & Head of Trade Services of KGCCI, represented the KGCCI at the event and advised German companies on market entry opportunities in South Korea.

On the following day, the Chamber of Commerce and Industry (IHK) Saarland held a Consulting Day in Saarbrücken focusing on the South Korean market only. With the steady rise in bilateral trade, the interest in business with Korea also continues to grow. As the first contact point for the entry to the Korean market, the KGCCI provides not only advice on entering the Korean market, but also information of current trends and developments.

The KGCCI is looking forward to meet more German companies at the Consulting Days with IHK Heilbronn on July 11 as well as with IHK Karlsruhe on July 16!

KGCCI Events & Seminars

Business Intercultural Training with CLT

On March 28, KGCCI in cooperation with CLT held a Business Intercultural Training on Germany for Korean professionals, who were eager to increase their understanding of German culture, history and people in order to obtain intercultural competence and the ability of doing effective and successful business with German companies. 16 participants from 4 companies attended the seminar.
Law Update with Yulchon LLC

On April 18, KGCCI in cooperation with Yulchon LLC held a member-to-member seminar focusing on Korean labor law. It provided an overview on key legal updates as well as advice and tips for navigating Korea’s challenging labor laws. 22 participants from KGCCI member companies attended the seminar.

KGCCI Seminar with Nowak & Partner

On May 15, KGCCI in cooperation with Nowak & Partner held a seminar focusing on sharing experience in supporting foreign companies regarding company establishment and operating a business in Korea. The participants received practical insights and also discussed the challenges of finding suitable staff as well as other difficulties that foreign companies face in Korea.

Lecture: News from North Korea

While the outcome of negotiations with North Korea remains uncertain, companies remain interested in understanding the dynamics and ongoing situation. On May 28, KGCCI, Chamber of Commerce and Industry (IHK) Frankfurt and German-Korean Business Association (DKW) hosted an information session on this topic. Key note speaker was Urs Gerber, MajGen (ret.) and former Head of the Swiss NNSC Delegation in Korea in Panmunjom.

Sundowner

At this year’s first Sundowner event on March 21, KGCCI once again welcomed many members and friends. After work, the guests could round up the day with German beer and traditional German dishes at the KGCCI veranda. The Sundowner is a great opportunity to make news contacts in the German-Korean community and meet again old acquaintances in a relaxed atmosphere.

KGCCI Executive Forum

KGCCI held the first Korean Executive Forum (KEF) of this year on April 15 providing the opportunity to build valuable networks among KGCCI member companies with Korean executives. Mr. Kim Yong Sub, Director of Institute of Keen-eyed Imagination, gave a special lecture on ‘Changing Perspective’ to keep up with business trends and to shape a unique company culture to increase employee engagement. In total about 50 participants attended the event.

KGCCI PR Circle

On March 21, around 20 PR leaders of KGCCI member companies participated in yesterday’s KGCCI PR Circle. Special guest, Mr. Kyong Hae-Kim (President & CEO of Communication Korea) held a presentation on “Effective Crisis Communication in Korea” and shared insights from his broad experiences as journalist, founder of Korea’s first PR agency and author of various publications on Public Relations. The KGCCI PR Circle is a meeting of PR & communication responsibilities of our member companies to discuss how PR activities of German companies in Korea can be enhanced and a platform to exchange experiences and inspirations.
Asparagus Dinner

On May 17, KGCCI hosted its annual Asparagus Dinner, which is a classic among KGCCI’s networking events, at the Four Seasons Hotel Seoul. The guests could enjoy the freshly prepared asparagus from Germany while listening to the musical performance.

AHK Digital Communication

The Association of German Chambers of Commerce and Industry (DIHK) held a workshop on April 12 with 30 communications and online experts from various German Chambers of Commerce and Industry abroad. New features of the corporate homepage which was globally launched last year as well as local experiences and suggestions were discussed to improve the overall digital presence of the German Chambers of Commerce and Industry.

BMW Driving Center Visit

The KGCCI team visited the BMW Driving Center in Incheon at the invitation of Dr. Hyo-Joon Kim, Korean Chairman of KGCCI and Chairman of BMW Group Korea. After a guided tour, the KGCCI colleagues enjoyed the driving experience in various vehicles with professional drivers. The BMW Driving Center is located in Yeongjongdo and is open for visitors offering a program for automobile fans including children.

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

Please introduce your company’s business.
GERB offers vibration control systems solutions for different industries.

What are your company’s goals in the Korean market?
Our company’s goals in the Korean market is to provide technical solution and support with German technical know-how to Korean customers who have vibration problems of any types and therefore need vibration control systems in areas like: Metal Forming, Industrial Machinery, Power Plant, Dampers Systems, Building, Trackbeds, Earthquake protection, Shipbuilding, Tuned Mass Dampers.

What advice would you give to a German company who is starting business in Korea?
On a more day-to-day basis, the fact that South Korea is extremely influenced by Confucian values and ethics, this can lead to misinterpretations especially by Western countries. Confucian values include admiring those that appear ‘honorable’, a virtue earned through loyalty, hard work, respect for authority, consensus decision-making and time and effort spent on relationship-building. “Make a friend first and client second” is a well-known illustrative Korean saying.

What is the biggest advantage about KGCCI’s German Office?
We appreciate the convenience of a fully furnished office that allows newcomers to directly dive into the business in Korea. Additionally, the location in the heart of Seoul is another strong advantage.

Get a Head Start in Korea!

KGCCI German Office
Make Your Business Feel at Home Abroad

The German Office in the premises of KGCCI is the perfect environment for your first steps in Korea:
- Central location and easy access to important business districts
- German lease contract
- Support from our multilingual Korea experts

Contact: Hee-Kyung Choi
Tel.: +82 (0)2 37804-608 | E-mail: hchoi@kgcci.com

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Meet Our Team Jihee Jeong

Interview

Ms. Jeong, you are leading the energy related projects at KGCCI. Just recently, KGCCI was awarded the Korea Environmental Award 2019 in the category “Exchange of Environmental Technology” for the various events and initiatives regarding energy transition. How do you evaluate the Korean-German cooperation in this field?

Although Germany and Korea are geographically different and have different energy market structures, Germany is a country with many lessons to learn for Korea regarding the energy transition. Moreover, Korea is an attractive country for Germany to develop overseas markets in this sector. I think the Korean-German exchanges were able to thrive in this field because of their matching needs and hope that such exchanges could bring even more synergy effects in the future.

Tell us more about your experiences during your career at the KGCCI. What brought you to the Chamber? What departments did you work in?

Since joining the company in May 2010, I have been working for the Trade Service Department being in charge of events, exhibitions, and projects in the renewable energy industry sector. Currently, I am responsible for the overall energy industry field. After receiving a bachelor’s degree in economics in Korea, I earned a master’s degree in economics from the University of Mannheim in Germany. Since my major was on the topic of the financial market, I briefly worked at a research institute in this field at the start of my career. However, I had the desire to work on a variety of projects rather than monotonous research which brought me to the KGCCI. Having studied in Germany and therefore speaking German was also a reason that led me to the chamber.

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

I have never studied energy engineering but as I’ve been working on related fields for nearly a decade, I have realized the importance of energy production and consumption. Most importantly, it would be nice for all of us to think about our energy consumption behavior and the consequences it may bring, since the electricity and heating we easily use is never easy to obtain. Also, we and our members welcome the opportunity to provide services to Korean and German companies, institutions and research institutes at any time.

Upcoming in 2019

- 19-22 August / Germany Study trip to Germany for journalists (Energy System Transition)
- 24 October / Seoul, Korea Korean-German Energy Day Workshop
- End of November / Seoul, Korea AHK Business Trip (Bios & Biofuel)

Air pollution in South Korea

A costly issue for everyone

While the daily weather is no more than a universal small talk topic around the globe, the issue of air pollution in South Korea is increasingly causing discontent among its people and tensions with China. In early March 2019, Seoul’s citizens experienced a record contamination, when 142 micrograms of ultrafine particles 12.5 μm per cubic meter were measured – 14 times the critical value suggested by the WHO.

When asking for the cause of this harmful development, the culprit is unanimously identified as China. But is the answer that simple? Unlike Seoul, China’s capital city, Beijing, recorded significantly decreasing fine dust values in the last couple of years and in daily rankings of the world’s most polluted cities, Seoul repeatedly surpassed Beijing. Amid this development it is questionable, whether air pollution in South Korea is solely of external origin.

While government bodies claim that domestic contribution to the fine dust contamination is no more than 20%, research institutes suggest that it might be as high as 50%. While the exact accountability of the country of origin may remain ambiguous, there are concrete explanations for increased domestic emissions. South Korean consumption of coal and LNG skyrocketed over the last years, especially the capacity of coal power plants, well known to be heavy polluters, increased significantly.

Unsurprisingly, the number of beneficiaries of this development is low. Air pollution has been identified as cause for millions of premature deaths worldwide every year. To mitigate the impact on the economy, the South Korean government planned on additional 2.2 trillion KRW (1.93 billion USD) in its budget to combat the fine dust, after the issue was designated as ‘social disaster’ in March. This package includes subsidies for buying air purifiers, replacement of old diesel-powered cars and the use of renewable energy technologies to be encouraged.

Meanwhile, citizens intending to protect themselves from health issues coming along with the harmful particles need to spend on masks and air filter concepts for their homes. Consequently, industries providing these products see their sales rising. The sales volume of air purifiers skyrocketed from 698,200 units sold in 2016 to 1,801,600 units in 2018. Meanwhile, total sales in this market more than tripled from 220.8 billion KRW to 759 billion KRW.

South Korea’s measures against pollution so far mostly comprise subsidies for alternative, non-polluting industries, while not yet tackling its root problems. As long as China’s heavy industry in the provinces of Shandong, Liaoning and Jilin are identified as the cause of grey days in South Korea, diplomatic tensions with China may intensify and discontent among the people will persist.
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Rates per issue, all pages full colour. Prices exclude VAT.

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