PROMISING INVESTMENT OPPORTUNITIES

Overview of Korea's Industries 2012

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04_ Trends in Neighboring Markets
07_ Prospects by Sector and Region
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1. Industry Status and Prospects

Logistics Industry

Sales revenue of the Korean logistics market is estimated to reach KRW 38.2 trillion in 2011, up 2.3% from the previous year. The industry is showing steady growth despite an economic slowdown caused by the European fiscal crisis and high oil prices.

Growth by Sector

- **Seaports**
  - Korea’s 2011 port container throughput stood at 145 million TEU, up 18.8% from the previous year. The growth rate is 24.8% higher than that of 2009. This upward trend continued into 2011.
  - In the port stevedoring industry, container volume rose by 11.2% compared to the previous year to 21.54 million TEU for the first time in history, thanks to a 16.4% increase in transshipment cargo.
  - The mid- and large-scale ports in Korea handled 8.02 billion tons of cargo, up 15.0% from the previous year, and 2.46 billion tons of them were for trade, increasing by 13.6% year-on-year.
  - This year, container volume is expected to grow by 6.8% from 2011 to 2.300 TEU, while export and import cargo volume is expected to increase by 4.9% due to the expansion of exports to emerging economies. Also, the transshipment volume will rise 9.9% from 2011, thanks to an increase in vessels stopping at Korea’s ports.

- **Airports**
  - In 2010, air cargo throughput increased by 19.4% (12.4%) compared with the previous year, to 11.29 million tons. Domestic cargo accounted for 63.94% of this amount, at 7.22 million tons, rising by 15.5% from the previous year. International cargo took up 36.06% of this amount, at 4.07 million tons, increasing 27%.

Advantages of Korea in the Logistics Industry

- Korea is located at the center of Northeast Asia, so it can rapidly connect cities in the region and the rest of the world. As a hub airport of Northeast Asia, Incheon International Airport is directly connected to 157 cities in 49 countries, with direct flights to 33 Chinese cities and 27 Japanese cities (as of October 2008). Additionally, Busan Port is located on the global trunk line, directly connected to 45 ports in China, 60 ports in Japan and 5 ports in Russia.
- Incheon International Airport ranks 2nd in the world for international air cargo volume, with transshipments accounting for more than 50%. Busan Port also handles a large volume of transshipments from China and Japan. The Korean logistics market is expanding, valued at KRW 93 trillion as of 2008.
- The Korea-EU FTA, which went into effect in the third quarter of 2011, and the Korea-U.S. FTA, which went into effect in April 2012, are drawing attention from global manufacturing and distribution companies that want to use Korea’s air and sea ports as a trunk route. These companies will contribute to turning Korea into a global logistics hub that provides tariff exemption benefits.
- In line with these advantages, the Korean government has selected "the construction and operation of port terminals and the major distribution centers within logistics complexes" as the key to investment promotion, in order to boost the competitiveness of the logistics industry. To achieve this goal, the government is actively inducing investors from Europe, North America and Japan, and improving laws and regulations that undermine the growth of the industry.

Distribution Industry

Domestic Market Size and Prospects

- The industry accounts for 6.1% of the GDP (2005), compared to the United States' 12.5% (2005) and Japan’s 14.2% (2003). However, the industry is expected to grow by 15% annually, so it will reach 10% of the GDP in 2015.
- The share of the distribution industry in the service sector is the third largest, at 13%, following the finance and insurance industry and the real estate industry.
- This year, the industry is expected to grow by 6.9% from the previous year to KRW 232 trillion (retail market), showing steady growth despite the slowdown of the global economy due to the European fiscal crisis, concerns about a double dip recession in the United States and the sluggish growth of emerging economies.

Trends and Prospects of Retail Market

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (KRW trillion)</td>
<td>157.1</td>
<td>165.5</td>
<td>174.7</td>
<td>184.4</td>
<td>200.5</td>
<td>217.0</td>
<td>232.0</td>
</tr>
</tbody>
</table>

Source: Statistics Korea, Shinsegae Retail Research

2012 Revenues and Growth Rate by Business Status

<table>
<thead>
<tr>
<th>Business Status</th>
<th>Revenues (KRW trillion)</th>
<th>Growth Rate [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Department Stores</td>
<td>24.3</td>
<td>27.0</td>
</tr>
<tr>
<td>Big-Box Stores</td>
<td>33.7</td>
<td>36.9</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>23.8</td>
<td>25.2</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>7.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Non-store Retailers</td>
<td>31.1</td>
<td>35.0</td>
</tr>
</tbody>
</table>

Source: Statistics Korea, Shinsegae Retail Research

- The distribution industry is important also in terms of job creation and foreign investment. The number of employees in the Korean distribution industry (wholesale and retail combined) is 3.75 million as of 2005, accounting for 16.4% of the entire labor force and 46.2% of all jobs created by foreign-invested distribution companies.
2. Trends in Neighboring Markets

Logistics Industry

Due to the expansion of the global logistics market and increase in trade volume, competition to gain high added values is becoming fiercer among major hub nations.

- In 2010, the global logistics market amounted to USD 3.7 trillion (13% of the global GDP), and is expected to grow to USD 8 trillion by 2020.
  - The hinterlands of the Port of Rotterdam creates 58,000 jobs and USD 24.5 billion of added values per year as of 2009.
  - Shanghai Port: 170,000 jobs and USD 8 billion of added values.

Northeast Asian Logistics Market

- Container volume of Northeast Asia in 2010 stands at 1.85 million TEU, accounting for 38.5% of that of the world (4.81 million TEU), and has been on a steady rise since 2000.
- Due to the rapid growth of the Chinese economy, the Asian logistics market is continuously expanding, amounting to 45% of the global container volume.
- Logistics market trends in Northeast Asia.
  - Japan
  Revenue of Japan’s logistics market amounts to JPY 24 trillion (JPY 12 trillion from trucking, JPY 2 trillion from domestic shipping, JPY 3.6 trillion from foreign shipping, JPY 1 trillion from port transport and JPY 1.8 trillion from warehousing).
  The Japanese economy started to recover in 2002 from a decade-long recession, but experienced a sudden drop in 2008 due to the global financial crisis. Real economic growth in 2008 shrank by 3.5% from the previous year, and in the first quarter of 2009, the GDP recorded negative growth of 14.2%, contracting for two consecutive quarters and the largest fall since World War II. The economic downturn, decrease in consumption and fall in corporate investment have led to a drop in the production and sales of relevant industries, ranging from manufacturing to services. This, in turn, reduced the sales of logistics companies by reducing cargo volume. Japan’s real GDP posted positive growth in the second quarter of 2009 thanks to the government’s policy responses to the economic crisis, but experts say the economy will not likely recover fully in the near future. The Japanese logistics industry is also expected to face long-term difficulties.
  - China
  In 2010, port trading volume increased dramatically thanks to a rapid recovery of exports and imports.
  Due to large-scale government-led port development projects, container ports along the Western coast [including Shanghai’s Yangshan Port, Ningbo, Qingdao, Yantai, Weihai] rank high in terms of container volume, which is closely related to the expansion of the Northeast Asian logistics market.
  The share of logistics costs in China’s GDP is declining every year, but it still accounts for a relatively large part of the GDP, at 18% of the GDP in 2009 (CNY 6.08 trillion or USD 898.4 billion).

Global Distribution Market

- Rapid globalization of companies.
  The globalization of distribution companies was a major issue in the distribution industry last year. Distribution businesses are expected to advance into emerging economies more actively in 2012, as markets in Asia Pacific, Africa and Latin America are maintaining high growth. Also, they will seek to maintain high growth rates in emerging regions by expanding investment in their operations already in the markets.
- Strategy for localization of distribution industry.
  The importance of real estate is growing to secure favorable locations, because local companies are dominating the markets.
- Diversification of distribution channels.
  According to the Deloitte 2011 Annual Holiday Survey, 71% of respondents replied that they will use multiple distribution channels as they check items through one channel and buy them through another.
Distribution Market Trends in Northeast Asia

- Japan

The Japanese distribution market is valued at JPY 510 trillion, accounting for 12.5% of the GDP. Both wholesale and retail revenues increased in 2010 for the first time in two years since the 2008 global financial crisis, recording JPY 365 trillion (9.5% increase) in wholesale and JPY 136 trillion (2.5% increase) in retail. The market growth is attributable to the rising sales of home appliances due to the eco-point system and strong beverage sales during summer because of heat waves, while the increase in prices of commodities had negative effects.

The paradigm of the industry is also shifting – from large department stores and general supermarkets in the 80s and 90s to specialty stores, convenient stores and online shopping malls in the 2000s, and to shopping centers, specialty stores, convenient stores and drug stores in 2011. Major category killers including Uniqlo (clothing SPA), Daiso (100-yen store), Nitori (furniture), Yamada-Denki (home appliances) and Don Quijote (discount chain store) are showing stable growth, as they are well received by Japanese consumers in a slow-growth era.

The convenience store market had been saturated but in 2011 posted JPY 8.68 trillion in revenues, soaring 9.8% compared with the previous year, because its convenience was highlighted after the massive earthquake in March 2011. Steady growth is expected to continue.

- China

China’s service industry accounts for 43% of its GDP as of 2010, and it is expected to grow to 47% by 2015. China has focused on manufacturing for economic growth, so its service industry is relatively weak.

The 43.4% share of the service industry in China’s GDP is much lower than the 60-70% of advanced countries. This shows the weakness of the Chinese service industry but also its large potential for growth.

Recently, the Chinese government has been seeking to shift the focus from export-driven growth to domestic demand-driven growth, due to the limitations of export-driven growth and changes in consumption patterns.

The Chinese government realized the instability of export-driven growth during the 2008 global financial crisis. In addition, its domestic demand is expected to rise drastically due to an increase in middle-income class based on soaring incomes, the rise of new generations born after the 1980s (a.k.a. "balinghou") and increase in consumption thanks to development projects in Western China.

Some global service companies have successfully advanced into China, but there are still many difficulties.

China’s logistics service has been one of the most successful and where foreign companies have been the most successful, but in many cases, the success is a secondary effect of global manufacturing companies’ operation in China.

This is partly due to the lack of competitiveness of Korean companies, but another important reason is the closed Chinese service market.

The Chinese government has recently been easing restrictions on foreign investment, but many explicit or implicit regulations still exist against foreign service companies.

3. Prospects by Sector and Region

Logistics Industry

Busan Port

- The world’s 5th largest container port (2011 throughput: 16.19 million TEU), Northeast Asian center of transshipments; feeder networks connecting most of the ports in Japan and coastal area of China.
- North Port: 5 operators, 20 berths.
- Handling 75% of national port container cargo.
- Appropriate business models.

01 | Connecting exports to FTAs: Parts produced in China and Japan can be re-processed in the hinterlands of the New Port and exported to Korea’s FTA partners without tariff, benefiting from the Korea-EU FTA and Korea-U.S. FTA.

02 | Multi Country Consolidation (MCC)

Products from various countries are gathered in one logistics center and directly delivered to the final destination to reduce logistics costs.

This model classifies FCL or LCL cargoes from around the world by item and then sends containers filled with a small amount of each item to a distribution center.

The MCC model is applicable only to ports with a feeder network, such as Busan Port, so that it can carry out timely and rapid delivery.

* See 5. Case Study
Global sourcing hub for parts and materials.

Facing global competition, multinational companies are expanding global sourcing to secure low-cost, high-quality parts and materials. As a result, the production bases and sourcing bases of multinational companies are located worldwide. In particular, businesses are looking for new bases for sourcing in Northeast Asia for cutting-edge materials of transport equipment, electric and electronic devices and machinery.

Yeosu Gwangyang Port

- World’s 15th largest container port (2nd in Korea).
- 2011: Container volume 2.3 million TEU, other cargo 2.37 million tons.
- Easy access to China.
- Major facilities:
  - 83 berths total, including Gwangyang container pier, Yeosu petrochemical pier, the materials pier of POSCO Gwangyang Iron & Steel Co.
  - Promoting investment in the hinterlands of Gwangyang Harbor (468,359m² for rent).

Classification

<table>
<thead>
<tr>
<th>Classification</th>
<th>Project contents</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| Rental Fees & Area for Lease | Rental fee: KRW 30K/m², monthly.  
- 30% or 100% reduction of rental fees according to scale of investment.  
- Areas 1 and 2 on the map of the East Hinterland Logistics Complex.  
- Areas 1-9 on the map of the West Hinterland Logistics Complex. |         |
| Incentives             | Corporate tax, income tax: 100% exemption for 3 years, 50% reduction for 2 years.  
- Exemption from tariff, surtax, registration tax. | Limited to companies that move in |
| Time                   | East Hinterland Logistics Complex: Fully occupied.  

Appropriate business models

Base for re-exports of agricultural products.

Connecting exports to FTAs: Parts produced in China and Japan can be re-processed in the hinterlands of Gwangyang Harbor, considering the characteristics of the companies in the area, and then exported to Korea’s FTA partners without tariff using the Korea-EU FTA and the Korea-U.S. FTA.

Gwangyang Harbor can become a base for European electronics companies to advance into Northeast Asia by connecting the Posco steel plate plant at Gwangyang Harbor Hinterland or the consumer electronics division of Samsung Electronics in Gwangju with large Chinese electronics corporations, using the FTA network.

Coffee Processing

<table>
<thead>
<tr>
<th>Stage</th>
<th>Production</th>
<th>Export</th>
<th>Reprocessing / Simple storing</th>
<th>Sales / Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Player</td>
<td>Local farmers with arable land</td>
<td>Importing/exporting companies</td>
<td>- Coffee processors</td>
<td>Self consumption by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffee processing and brokering firms</td>
<td>- Marubeni</td>
<td>coffee processors</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Nokcofe</td>
<td>Sales to major coffee</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Kosm</td>
<td>retailers including</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Kraft Foods</td>
<td>Starbucks, Coffee Bean</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Armapano</td>
<td>&amp; Tea Leaf, Twosome</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Noble Group</td>
<td>Plaza, Pascucci</td>
</tr>
<tr>
<td>Process</td>
<td>Coffee harvest: Cultivation, Purchase</td>
<td>Part of cleaning process</td>
<td>- Simple storing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cleaning</td>
<td>- Filtering out impurities, sorting by size</td>
<td>- Roasting / branding /</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Polymetal cleaning</td>
<td>- Putting in pockets</td>
<td>grinding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Sorting out stones</td>
<td>- Shipping 320 pockets of 60kg (19.2 tons total)</td>
<td>Packaging</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Threshing</td>
<td>- Exported as beans</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Incheon International Airport and Incheon Port

- Incheon Port
  - Korea’s 3rd largest container port (as measured by container throughput).
  - Specializing in sea & air inter-modal transport.
- Incheon International Airport
  - Gateway to the Seoul Metropolitan area.
  - World’s 2nd in terms of cargo throughput.
  - Selected the world’s best airport for 7 consecutive years.
  - Facilitation of ferries between Korea and China, and Korea and Japan.

- Appropriate business models
  01 | Global Distribution Center (GDC) of global electronics companies.
      Encourages the construction of GDCs based on R&D capability, abundant human resources,
      geographical proximity to relevant companies and easy access to the air and sea ports of the
      hinterlands.

  02 | Showroom / Business Center
      A business model that collects and distributes products imported from the EU and consumed in
      Korea, China and Japan.
      The business center serves as not only a reprocessing base but also an international shopping
      business center that carries out various functions including promotion, storing and logistics.
      Showrooms and distribution centers are founded in the free trade zone at Incheon Port, so that
      products can be purchased, reprocessed or delivered to wholesalers from Japan, China and
      Southeast Asia.
      There are two types of this model: A model that imports end products and then displays or
      sells them, or a model that imports half-finished products and then sells end products after
      reprocessing them to fit the needs of each target country.
Logistics and Distribution

3. Prospects by Sector and Region

Pyeongtaek Port

- Korea’s 4th largest port.
- Largest pier for exports and imports of automobiles.

<table>
<thead>
<tr>
<th>Cargo throughput (Unit: Million Tons)</th>
<th>Container (Unit: Thousand TEU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006: 10,723,000</td>
<td>2008: 195,991</td>
</tr>
<tr>
<td>2009: 9,201,000</td>
<td>2009: 337,531</td>
</tr>
<tr>
<td>2010: 7,648,837</td>
<td>2010: 446,550</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Automobiles (Unit: Thousand Cars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006: 597,671</td>
</tr>
<tr>
<td>2009: 657,648</td>
</tr>
<tr>
<td>2010: 942,363</td>
</tr>
<tr>
<td>2011: 1,772,336</td>
</tr>
</tbody>
</table>

- Appropriate business models

01 | Processing and distribution base for automobiles.
Promotion of PDI centers for imported automobiles, re-export centers for second-hand cars and KD operation centers, using production bases in the hinterlands and large customer base in the Seoul Metropolitan area. An automobile cluster can be formed, linking demand for imported cars and supply of used cars using the infrastructure including the automobile pier and the production base within the hinterland.

02 | Connection between remanufacturing and after-sales services.
Remanufacturing is a business model that upgrades the functions or appearances of products in order to create added values. Remanufacturing auto parts can reduce costs by 60-70% as it requires only 30-40% of the manufacturing costs for new products. Global and Korean markets are expanding steadily.

Ulsan Port

- Korea’s largest port for industrial support.
- 2010 cargo throughput: 177.66 million tons (14.3% of Korea: 3rd largest)
- 2010 export/import handling volume: 148.93 million tons
- World’s 4th largest liquid cargo port.

<table>
<thead>
<tr>
<th>Remanufacturing Auto Parts</th>
<th>Singapore: 176,510</th>
<th>Total: 176,510</th>
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</thead>
<tbody>
<tr>
<td>Antwerp: 38,020</td>
<td>Rotterdam: 198,000</td>
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<td>Arnhem: 39,520</td>
<td>Total: 275,540</td>
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<td></td>
</tr>
</tbody>
</table>
3. Prospects by Sector and Region

**Distribution Industry**

**Seoul Metropolitan Area (Seoul, Gyeonggi-do)**

**Magok District**
- **Project outline**
  - **Location**: Gayang-dong and Magok-dong, Gangseo-gu, Seoul.
  - **Area**: 3.66 km²
  - **Developer**: SH Corporation
  - **Groundwork**: September 2009 – June 2014
  - **Characteristics**: Only large undeveloped district left in Seoul.
  - Seoul is a built-up area without many undeveloped parts left. Magok district is the only large undeveloped district in the city and located in the southwestern part, with an area of 3.66 km². It is appropriate for internationally strategic functions.
  - The district offers easy access to Incheon International Airport and Gimpo International Airport through subway lines 5 and 9, and the Incheon Airport Railroad.
  - **Course of development**
    - Forming state-of-the-art industry clusters encompassing work and residential areas to attract next-generation growth industries.
  - **Land sales**
    - 1st sale of the Magok industrial complex to the general public in September 2012.

**Ojeong Logistics Complex, Bucheon**

**Vitalizing the local economy by developing multi-level urban logistics center to meet skyrocketing demand for air cargo linking Incheon, Gimpo, Seoul and areas in the vicinity.**

- **Project outline**
  - **Location**: Samjeong-dong and Ojeong-dong, Ojeong-gu, Bucheon, Gyeonggi-do.
  - **Area**: 543,000 m²
  - **Total project cost**: KRW 350 billion
  - **Period**: 2010 - 2012
  - **Developer**: Land and Housing Corporation
  - **Approval for changes in plan and enforcement plan**: December 2011.
  - **Schedule**
    - June 2012 – October 2012: Land compensation
**Siheung Gunja City Complex**

- **Project outline**
  - Period: 2006 - 2014
  - Location: 1771-1, Jeongwang-dong, Siheung-si
  - Area: 4,906,19 m²
  - Expected population: 31,000 (11,073 households)
  - Total project cost: KRW 1.6 trillion (including land acquisition, site renovation)
  - Development method: Public development (Urban Development Act)
  - Facilities: housing, multipurpose residential buildings, theme park, tourist accommodation facilities, shopping malls.

- **Conditions**
  - Connected to Sihwa Industrial Complex, Incheon Songdo, Sorae and Nonhyeon district.
  - Proximity to major cities in the Seoul Metropolitan Area including Seoul, Incheon, Bucheon and Ansan.
  - More effects expected based on the waterside environment.

- **Schedules**
  - December 2011: Groundbreaking
  - December 2014: Construction completion

- **Gunja District land use planning map**
  - Plans to supply land for educational and medical complex (661,157 m²) below cost: Siheung Campus of Seoul National University.

**Gyeongin Ara Waterway Gimpo Terminal**

- **Project outline**
  - Investment scale: KRW 415 billion / Area: 903,000 m²
  - Location: Singok-ri and Jeonho-ri, Gochon-eup, Gimpo-si.
  - Period: 2009 - June 2012
  - Project concept: Logistics, distribution and marine leisure complex linking the western sea and the Han River.
  - Major sites to promote investment
    - Street malls: 11 lots, KRW 4.96 - 5.74 million / 3.3 m², building coverage ratio (40%), floor area ratio (150%), up to 3 stories.
    - Residential facilities: 2 lots, KRW 7 million / 3.3 m², building coverage ratio (60%), floor area ratio (500%), up to 10 stories.
    - Commercial facilities: 2 lots, KRW 6.8 million / 3.3 m², building coverage ratio (60%), floor area ratio (500%), up to 10 stories.
  - **Current status**
    - April 17, 2012: Introduction of the project at the forum to commemorate the establishment of diplomatic ties between Korea and China.
    - June 2012: Completion of construction of Gyeongin Ara Waterway.

**Land use plan**

<table>
<thead>
<tr>
<th>Area (m²)</th>
<th>Ratio (%)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>902,904</td>
<td>100.0%</td>
</tr>
<tr>
<td>Land for sale</td>
<td>522,318</td>
<td>57.6%</td>
</tr>
<tr>
<td>Logistics facilities</td>
<td>266,788</td>
<td>29.5%</td>
</tr>
<tr>
<td>- Warehouses, logistics, terminals, collection and delivery facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial facilities</td>
<td>8,557</td>
<td>0.9%</td>
</tr>
<tr>
<td>- Large stores, specialized stores</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed-use complex</td>
<td>94,773</td>
<td>10.7%</td>
</tr>
<tr>
<td>Supporting facilities</td>
<td>190,200</td>
<td>16.6%</td>
</tr>
<tr>
<td>- Hotels, waterparks, street malls, recreational facilities, cultural facilities, commercial facilities, processing or manufacturing facilities, neighborhood living facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public facilities</td>
<td>380,386</td>
<td>42.2%</td>
</tr>
<tr>
<td>- Roads, parks, green areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Land and facilities are expected to be sold as soon as they are constructed.

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Logistics and Distribution  16

3. Prospects by Sector and Region  17
Southeastern Region

International Industrial Logistics Complex in the hinterlands of Busan New Port

- **Project Outline**
  - Location: 33km² at Gangseo-gu, Busan (mouth of Nakdong River).
  - Period: 2008 - 2020
  - Total project cost: KRW 11 trillion (5.5 trillion for land compensation, 4.6 trillion for construction, 0.9 trillion for others).

- **Development plans**
  - Industrial complex (20km²): Strategic industries for the southeastern area, convergence parts and materials, comprehensive maritime industry.
  - Comprehensive logistics complex (9km²): Assembly and processing, production base for parts and materials.
  - Creative knowledge city (4km²): International business, R&D, education, tourism, housing.

- **Schedule**
  - Stage 1 (5.7km²): City government-led development of general industrial complex.
    * December 2012: Construction begins to the north of Songjeong (0.74km²).
    * December 2014: Completion of stage 1.
  - Stage 2 (23.35km²): Designation and development as national industrial complex.
  - Others (3.95km²): "명지예비지 (2.0km²), included in Myeongji International Business Town, Dunchi-do (1.95km²), reserved area.

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**4. Government Support and Incentives**

Foreign Investment Promotion Act, Chapter 4. Designation of foreign investment zone (over USD 10 million)

Special Act on Designation and Management of Free Economic Zones: Foreign-invested companies are subject to exemption or reduction of income tax and corporate tax for 5 years (100% for the first 3 years and 50% for the subsequent 2 years, exemption from acquisition tax and property tax for 15 years and tariff for 5 years)

Framework Act on Logistics Policies

Act on the Development and Management of Logistics Facilities, Article 2-4

Distribution Industry Development Act, Article 2-15

Harbor Act, Articles 2, 6 & 7

Aviation Act, Articles 2, 8 & 9
5. Case Study

Amway (Access Business Group, United States)

MCC Model: ABG Group
- Access Business Group (ABG) moved to Busan Port to carry out the sourcing, packaging and manufacturing of home-care products and rapidly deliver them to the Asian market.
- Delivering more than 6,000 products including health-functional foods and various household items to subsidiaries across Asia after packaging and classifying them in Busan Port.
- Value-added activities are possible across various household items.
- The processes caused by re-exporting products to every corner of Asia contribute largely to job creation.

6. Relevant Organization

Ministry of Land, Transport and Maritime Affairs (www.mltm.go.kr)
Ports and Logistics Planning Division (Phone: 82-2-2110-8536)

Port Authorities
- Busan Port Authority (www.busanpa.com)
  - Marketing Team (Phone: 82-51-999-3162)
- Yeosu Gwangyang Port Authority (www ygpa.or.kr)
  - Marketing Team (Phone: 82-61-797-4490)
- Incheon Port Authority (www.icpa.or.kr)
  - Marketing Team (Phone: 82-32-886-6406)
- Incheon International Airport Corporation (www.airport.kr)
  - Cargo Marketing Group (Phone: 82-32-741-6343)
- Gyeongi Pyeongtaek Port Corporation (www.gppc.or.kr)
  - Promotion and Marketing Division (Phone: 82-31-686-0672)
- Ulsan Port Authority (www.upa.or.kr)
  - Business Development Team (Phone: 82-52-228-5431)

Korea Maritime Institute (www.kmi.re.kr)
Maritime Industry & Logistics Division (Phone: 82-2-2105-2830)

Korea Transport Institute (www.koti.re.kr)
Department of Transport Economics and Logistics Research (Phone: 82-31-910-3154)

Tesco (Britain)
- Tesco grew dramatically in Korea after founding a joint venture (Samsung Tesco) with Samsung C&T in 1999. The Korean branch of the company has recorded the highest revenues among its overseas operations.
- Nationwide distribution network with more than 400 stores: Hypermarkets (127) + express stores (278) as of 2009
- Successful localization strategy through a joint venture with a local company.
- Carrefour (France) and Walmart (USA) shut down Korean branches after their failure to localize.
- Tesco’s market share is the second largest in Korea, following E-mart, an indigenous brand.
# Invest KOREA's Global Network

Korea Business Centers Supporting Foreign Investors Worldwide

## Europe

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