1. Industry Status and Prospects

Logistics Industry

Total sales of the Korean logistics market in 2012 were estimated to be KRW 47.1 trillion. The market grew steadily, by approximately 5.5%, to over KRW 44.6 trillion in 2011, despite the business setback triggered by the European financial crisis and the rising price of oil.

Growth by Sector

- **Seaports**
  - The container handling volume of ports nationwide in 2012 increased to 22 million TEU, 4.3% over the preceding year.
  - In the port stevedoring industry, container volume in 2012 increased to 22.49 million TEU, indicating an increase of 4.1% over the preceding year despite the slowdown in global and domestic business.
  - The volume of cargo handled at ports nationwide as of August this year increased to 187.5 million tons, a rise of 8.1% over the same month in the preceding year (160 million tons).
  - The volume of containerized cargo also increased to 1,919,000 TEU, an increase of 9.7% over the same period in the preceding year. This represents significant growth given that the volume in the same period of the preceding year was quite low due to Typhoon Bolaven.
  - Reviewed by type of cargo, import and export cargo (1,149,000 TEU) saw an increase of 7.9% (84,000 TEU) over the same period of the preceding year.
  - Transshipment cargo (762,000 TEU) also increased by 14.8% (98,000 TEU) over the same period of the preceding year thanks to the growth of transshipment cargo at Busan port.

- **Airports**
  - The total volume of air cargo handled in 2012 increased by 4.7% to 3.51 million tons over the preceding year. The volume of domestic air cargo, which accounted for 7.9% of total air cargo, increased by 7.4% to 280,000 tons over the preceding year. The volume of international air cargo, which accounted for 92% of total air cargo, decreased by 2.7% to 3.23 million tons from the preceding year.

Korea’s Advantages 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. Incheon International Airport, a hub airport in the region, is directly linked with 184 cities in 56 countries by 88 airlines. It offers direct flights to 43 cities in China and 24 cities in Japan (as of June 2013). Furthermore, Busan, a hub port in the region, is equipped with the best geographic conditions for transshipment services, as it is located on the main maritime service routes to the entire world. As many as 368 regular container routes visit Busan port en route to 45 ports in China, 70 ports in Japan, 72 ports in Southeast Asia, and 46 ports in North America.
- Incheon International Airport is ranked number 2 in the world in terms of international air cargo volume, with transshipments among the three main Northeast Asian countries accounting for more than 50% of it. Busan port also handles a significant volume of transshipment cargo to or from China and Japan. The Korean logistics market in 2010 increased by 12.9% to KRW 13,069.4 billion over the preceding year. The figures have been growing steadily thanks to the growing volume of logistics and the active growth of value-added logistics services.
1. Industry Status and Prospects

· Since the enforcement of the Korea-EU FTA in Q3 of 2011 and the Korea-US FTA in April of 2012, Korean airports and seaports have attracted attention from many global manufacturers and logistics service providers that intend to use Korean ports as a part of their trunk routes to the global logistics market. The FTAs will act as a driving engine for deploying the Korean market as a global hub of physical distribution services as well as a base for enjoying the benefits of exemption from import duties.

· In line with these advantages, the Korean government is actively seeking potential investors in logistics services in Europe, North America and Japan by selecting "the construction and operation of port terminals and the major distribution centers within logistics complexes" as promising areas of investment inducement in order to enhance the competitiveness of the local logistics industry. It also strives to improve any institutions that impede the development 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</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 (KWR 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. Competition (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.

- The global logistics market grew at an annual average rate of 6%, from USD 3.6 trillion in 2008 to USD 4.2 trillion in 2012, and is expected to reach USD 8 trillion in 2020.
  - The added value created by the port logistics industry at the Port of Rotterdam in 2011 amounted to USD 37 billion, accounting for 20% of the Netherlands’ GDP.
  - 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.
- As the container volume of Korea, China and Japan accounted for 39.5% of that of the world in 2012, Asia is expected to move toward the center of the global economy in terms of the cargo handling volume of its seaports and international trade.

- Logistics market trends in Northeast Asia
  - Japan
    Total sales of the Japanese physical distribution markets amounted to JPY 24 trillion, with trucking accounting for JPY 12 trillion, domestic shipping for JPY 2 trillion, foreign shipping for JPY 3.6 trillion, port transport for JPY 1 trillion, and warehouse services for JPY 1.8 trillion.

The Japanese economy, which had started to recover from a long recession in 2002, experienced a drastic decline in the latter half of 2008 due to the global recession triggered by the financial crisis that originated in the United States. The country’s real economic growth rate in 2008 declined by 3.5% from the preceding year, and GDP growth in January through March of 2009 shrank by -14.2%, recording the country’s worst decline for two consecutive quarters.

The economic downturn, reduced consumer spending, and reduced investment by businesses resulted in decreased sales and a fall in production and sales of the manufacturing and service industries. This, in turn, reduced the sales of logistics companies by reducing cargo volume. Japan’s real GDP from April to June 2009 switched to positive growth in one year thanks to measures taken by the government to recover from the economic crisis, but the majority of private research institutes announced that they forecast almost no active economic recovery in the near future. Additionally, the Japanese logistics industry is expected to experience severe difficulties for some time.
2. Competition (Trends in Neighboring Markets)

- **China**
  The total volume of containers handled by the ten major Chinese ports in 2012 increased by 7%, to 0.14 billion TEU, over the preceding year. Furthermore, 2012 was the first year in history that all of the 10 major Chinese ports handled more than 5 million TEU.
  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 890.4 billion).
  Logistics costs in 2012 rose to CNY 9.4 trillion, an increase of 11.4% over the preceding year. The logistics cost of China represents 18% of the GDP, a much higher figure than those recorded for Europe, the USA, and other advanced countries whose physical distribution costs represent only 8% to 10% of their GDP.
  The added value of the nationwide logistics service businesses in the same year rose to CNY 3.5 trillion, an increase of 9.1% over the preceding year, representing 6.8% of China’s GDP or 15.3% of the total added value of its service industries.
  The added value of the logistics industry accounted for 16.1% of that of the entire services sector, down 0.3% from the previous year.

**Distribution Industry**

**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

- World’s 5th largest container port (2012 throughput: 17,046,000 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
- Busan New Port: Opened in 2006, 22 berths, 15 million TEU of throughput, water depth of 15-17 meters
- 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 largest in Korea)
- Containers handled: 2,148,000 TEU, an increase of 4.1% over the preceding year
- 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)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Project contents</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| Rental Fees & Area for Lease | - Rental fee: KRW 30/m², monthly  
                          - 50% 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 | Limited to companies that move in            |
| Incentives              | - Corporate tax, income tax: 100% exemption for 3 years; 50% reduction for 2 years  
                          - Exemption from tariff, surtax, registration tax |                                              |
| Time                    | - East Hinterland Logistics Complex: Fully occupied  
3. Prospects by Sector and Region

- Appropriate business models

01 | Base for re-exports of agricultural products
Attracting the construction of distribution centers and processing plants for high value added agricultural products imported to Korea, Japan and China, and re-exporting them to China and Japan after processing

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></td>
<td></td>
<td></td>
<td>Actual creation of added values</td>
<td></td>
</tr>
<tr>
<td>Player</td>
<td>Local farmers</td>
<td>Importing/exporting companies</td>
<td>Coffee processors</td>
<td>Self consumption by coffee processors</td>
</tr>
<tr>
<td></td>
<td>Manufacturers with arable land</td>
<td>Coffee processing and brokering firms</td>
<td>- Marubeni</td>
<td>- Sales to major coffee retailers including Starbucks, Coffee Bean &amp; Tea Leaf, Twosome Place, Pascucci</td>
</tr>
</tbody>
</table>

| Process                | Coffee harvest | Part of cleaning process | Sales / Distribution |
|                       | - Cultivation, Purchase | - Filtering out impurities, sorting by size | - Simple storing |
|                       | - Cleaning | - Putting in pockets | - Roasting / branding / grinding |
|                       | - Polymetal cleaning | - Shipping 320 pockets of 60kg (19.2 tons total) | - Packaging |
|                       | - Sorting out stones | - Exported as beans | |
|                       | - Threshing | | |

02 | Connecting exports to FTAs
Exports connected 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.
Incheon International Airport and Incheon Port

- **Incheon Port**
  - Korea’s 3rd largest container port (based on container throughput)
  - Specializes in sea & air intermodal service
- **Incheon International Airport**
  - Gateway to the Seoul metropolitan area
  - World’s 2nd best airport for airfreight volume
  - Selected the world’s best airport for seven 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.
3. Prospects by Sector and Region

**International Labor before FTA**

- **EU**
  - Export (tariff)
- **Korea**
  - End products / Half-finished products
- **China**
  - End products
- **Japanese**
  - Half-finished products

**International Labor after FTA**

- **EU**
  - Export (duty free)
  - Reprocessing / Logistics
- **Korea**
  - End products
- **China**
  - End products
- **Japanese**
  - End products

**TYPE 01: End Products**

- **EU**
  - Export (duty free)
  - End products: Wine, alcohol, etc.
- **Korea**
  - Display / Counsel / Storage / Delivery
- **China**
  - End products
- **Japanese**
  - End products

**TYPE 02: Half-finished products**

- **EU**
  - Export (duty free)
  - Half-finished products: Pork, women’s specialty items, cosmetics
- **Korea**
  - Display / Counsel / Storage / Delivery / Reprocessing / Labeling
- **China**
  - End products
- **Japanese**
  - Standardization tailored to the needs of different countries
Pyeongtaek Port

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

Cargo throughput

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tons</td>
<td>50,723,000</td>
<td>51,321,000</td>
<td>76,680,839</td>
<td>95,219,180</td>
</tr>
</tbody>
</table>

Container throughput

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEU</td>
<td>355,991</td>
<td>377,511</td>
<td>446,550</td>
<td>522,079</td>
</tr>
</tbody>
</table>

Automobiles throughput

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars</td>
<td>589,671</td>
<td>659,648</td>
<td>947,363</td>
<td>1,272,354</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 secondhand 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.
3. Prospects by Sector and Region

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-supporting industries
- 2012 cargo throughput: 196.97 million tons (14.3% of the national total, Korea’s 3rd largest)
- 2012 export/import handling volume: 174.12 million tons
- World’s 4th largest port for liquid cargo handling
- **Korea’s No. 1 port for liquid cargo handling**
  - Liquid cargo: Crude oil, petrochemical products, gas, etc.
- **2008 throughput: 17th in the world**
- **Appropriate business models**
  
  **01 | New port development (SOC)**
  - Purpose: Port development to serve as a Northeast Asian hub for liquid cargo and Korea’s south-east logistics hub
  - Period: 1995 - 2015
  - KRW 3.51 trillion
  - Expected project effects
    - Berth capacity: 25 berths (including 4 for containers)
    - Cargo throughput: 24 million tons/year (including 480,000 TEU of containers)

  **02 | Northeast Asian oil hub**
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 3.66km². 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
  - December 2012 – June 2015: Site renovation, groundbreaking and construction completion
Siheung Gunja City Complex

- Project outline
  - Period: 2006 - 2014
  - Location: 1771-1, Jeongwang-dong, Siheung-si
  - Area: 4,906,19m²
  - 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 (661,157m²) below cost: Siheung Campus of Seoul National University
3. Prospects by Sector and Region

Gyeongin Ara Waterway Gimpo Terminal

- **Project outline**
  - Investment scale: KRW 415 billion / Area: 903,000m²
  - 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 / 3.3m², building coverage ratio (60%), floor area ratio (150%), up to 3 stories
  - Residential facilities: 2 lots, KRW 7 million / 3.3m², building coverage ratio (60%), floor area ratio (500%), up to 10 stories
  - Commercial facilities: 2 lots, KRW 6.8 million / 3.3m², building coverage ratio (60%), floor area ratio (500%), up to 10 stories

- **Current status**
  - May 2010: Groundbreaking of Gimpo Gochon Logistics Park
  - 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
  - Plans in place to promote the project and induce foreign investment at IR events in North America and Europe in 2013

### Land use plan

<table>
<thead>
<tr>
<th>Remarks</th>
<th>Area (m²)</th>
<th>Ratio (%)</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>57.8%</td>
</tr>
<tr>
<td>- Logistics facilities</td>
<td>266,788</td>
<td>29.5%</td>
</tr>
<tr>
<td>- Commercial facilities</td>
<td>8,557</td>
<td>0.9%</td>
</tr>
<tr>
<td>- Mixed-use complex</td>
<td>96,773</td>
<td>10.7%</td>
</tr>
<tr>
<td>- Supporting facilities</td>
<td>150,200</td>
<td>16.6%</td>
</tr>
<tr>
<td>* Public facilities</td>
<td>380,586</td>
<td>42.2%</td>
</tr>
<tr>
<td>Warehouses, logistics, terminals, collection and delivery facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large stores, specialized stores</td>
<td></td>
<td></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>Roads, parks, green areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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
  - Other (3.95km²): Myeongji Yaebiji (2.0km², included in Myeongji International Business Town), Dunchi-do (1.95km², reserved area)

*Project Status by Stage of the International Industrial Logistics Complex*
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.

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 (270) (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.
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: 82-61-797-4450)

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)

Gyeonggi 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)
Invest KOREA’s Global Network

Korea Business Centers (42)

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