

FEZ *tival* Korean Free Economic Zones News Updates

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2004

A photograph of two men in suits shaking hands. The man on the left is older with white hair and glasses, wearing a dark suit. The man on the right is younger with dark hair, wearing a dark suit and a red tie. They are standing in front of a South Korean flag (Taegeukgi) and a patterned yellow wall.

Why Korea?
What is an FEZ?
The FEZ Advantage

Incheon, Busan/Jinhae and Gwangyang FEZs

Korea is now leveraging its geographical and geo-cultural advantages by transforming itself into the nexus of Northeast Asia.

Ministry of Finance and Economy
Republic of Korea





Incheon FEZ



**Gwangyang
FEZ**



**Busan/Jinhae
FEZ**



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| COVER STORY |

Presidential Welcome: President Roh Moo-hyun, right, shakes hands with Eckhard Rohkamm, chief executive of ThyssenKrupp Technologies, at the Blue House, Korea's presidential mansion. Germany's largest steel maker and the world's third-largest elevator manufacturer is currently strengthening its presence in Korea. The acquisition of a majority shareholding in Korea's second-biggest elevator manufacturer Dongyang in October 2003 was a first step. The company is considering further investments in the automotive supply sector and planning to expand local production capacities in Korea.



Dear Colleague:

It is with great pleasure that I introduce you to a dynamic new investment opportunity.

The opportunity lies in Northeast Asia - the area covering Korea, China, Japan and the Russian Far East. Encompassing the world's most important emerging market, China, and the world's second largest economy, Japan, Northeast Asia is expected to be the key region leading the global economy this century. At the crossroads of this critical economic sphere is Korea.

There was no more spectacular success story in the past half century than the transformation of this nation - currently the world's 12th largest economy. One might ask, what can Korea offer investors today? The short answer is: a can-do mindset; a growing domestic economy; a highly skilled workforce; a robust democracy; cutting-edge global businesses; and a technological infrastructure that is second to none.

Korea is now leveraging its geographical and geo-cultural advantages to transform itself into the nexus of Northeast Asia. To accomplish this ambitious goal, we have designated three strategic areas for development - Incheon, Busan/Jinhae and Gwangyang - as Free Economic Zones (FEZs). These zones will be fully equipped with state-of-the-art logistical facilities and an upscale living environment to create the freest and finest business hubs in Asia. These areas will serve as an ideal gateway for entrepreneurs into one of the most important economic regions in the world.

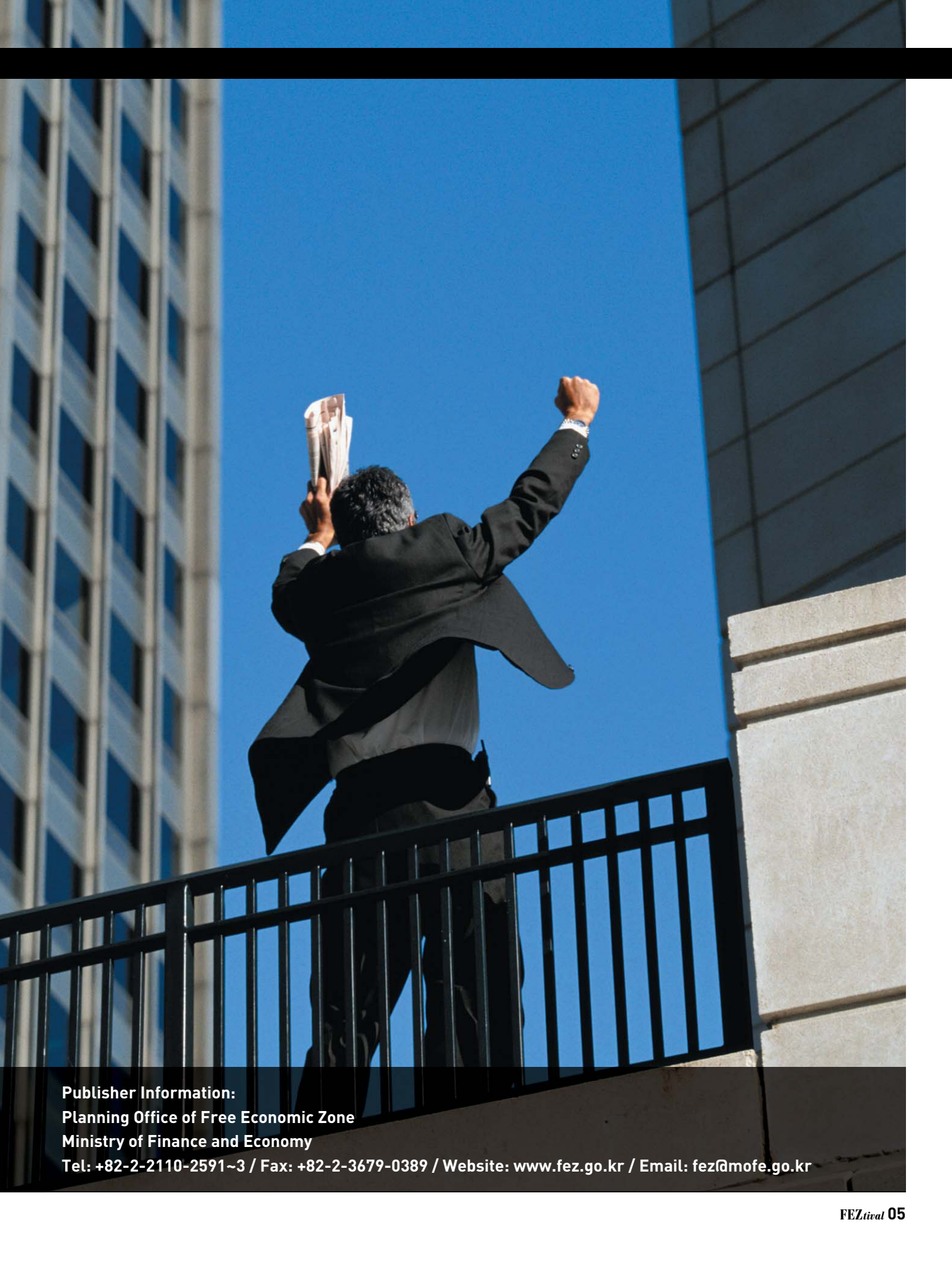
We look forward to welcoming you to Korea, and trust you will find Korean FEZs to be ideal locations for expanding your business horizons, both regionally and internationally.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hun-jai Lee'. The signature is stylized and cursive, with the first part being a large 'H' and the last part being a large 'L'.

Hun-jai Lee,

Deputy Prime Minister and Minister of Finance and Economy



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Invest in Korea: the No. 1 gateway to and hub of Asia





Why Korea?

Your Perfect Partner in Asia

The Northeast Asian population is four times that of Europe and is expected to account for 30 percent of global GDP by 2020 - making it the most dynamic economic region in the world.

Korea is strategically located between the vast markets of China and Japan, and is perfectly placed to access the abundant resources of the Russian Far East.

More than 700 million consumers live within a 1,200 kilometer radius - more than the populations of the U.S. and EU combined.

Per capita Korean income is expected to double by 2010 to US\$20,000.

Korean exports saw double digit growth in 2003 and will surpass US\$200 billion in 2004.

Once the inter-Korean railway is connected to the Trans Siberia and Trans China Railways, the linkage between Pacific Rim economies and Europe will be complete.

Korea is one of the most wired and wireless countries in the world, making it an ideal test market for digital technologies.

Korea has one of the globe's most highly-educated workforces.

Regulatory red tape is being slashed, bringing the Korean business environment in line with global best practice.

Labor market improvements are keeping Korea in step with international standards.



What is an FEZ?

Your Perfect Location in Korea

“Free Economic Zone” is a new concept for 21st century urban areas, characterized by an optimal business and living environment.

One-stop administrative services are available at each FEZ authority.

School and hospital standards are equivalent to those in the most advanced countries.

Well-established infrastructure including international airports and seaports.

The Incheon FEZ will become a logistical nexus for international business, finance and tourism.

The Busan/Jinhae FEZ is to become an international logistics and marine park.

The Gwangyang FEZ will serve as a marine logistics and industrial cluster.





The FEZ Advantage

Optimal Business, Optimal Lifestyle

Tax reductions

- Income and corporate tax exemptions
- Tariff exemption for capital goods imports
- Real estate fee and tax exemptions
- A flat 17 percent income tax for foreign corporate executives

Deregulation

- A unified FEZ construction law
- Restrictions in the Seoul metropolitan area eased
- SME business restrictions eliminated
- Foreign currency transactions under US\$10,000 allowed

Labor flexibility

- Unpaid holidays allowed
- Employment quota exemption permitted
- Temporary employment regulations eased

World-class educational and medical facilities

- Foreign schools
- Domestic residents allowed to attend foreign schools
- Foreign hospitals and pharmacies allowed

Ideal living conditions

- Spacious public areas including parks and green spaces
- International housing for non-Korean employees of foreign-invested companies
- Availability of golf course housing

Other advantages

- Public documents processed in English
- Foreign cable broadcasts to increase from 10 to 20 percent of total
- Foreign Investment Ombudsman's Office

The FEZ Advantage

Optimal Systemization

Up to 50 percent subsidy available for FEZ infrastructure construction

Basic infrastructure expansion plans

- Additional Incheon International Airport runways and Second Airport Bridge
- Six new container berths for Busan New Port
- Eight new container berths at Gwangyang Port

FEZ Authority

Investment consultation and advice available for licensing and permit approvals at each FEZ Authority

- Expert administrative service providers to meet the needs of the international business community

Port-to-port service managers for foreign investors

- A single contact person for each foreign investor to guide them through the entire investment process

Incheon International Airport (IIA) service improvements

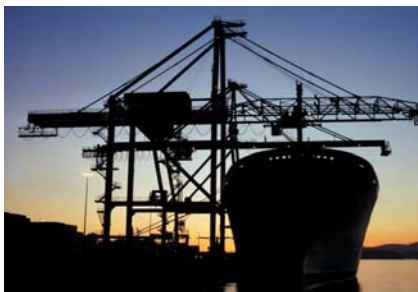
Round-the-clock airport services

- The Korean Customs Office will operate 24-hours a day
- Transportation and other IIA services will also remain open 24-hours a day

Airport operations will be streamlined to minimize arrival and departure waiting

- Random rather than comprehensive screening of passenger baggage
- An automated smart card customs system will simplify entry/exit procedures





Customs procedures will be simplified for special delivery freight worth less than US\$2,000

- The customs inspection rate will be reduced to 5 percent and single window customs clearance will become standard procedure

Logistical competitiveness

Seaports, airports and areas surrounding FEZs will be designated Free Trade Zones (FTZs)

- Machinery and raw material tariff exemptions for companies in FTZs
- Reduction in domestic consumption tax on raw materials for manufacturing and processing companies in FTZs

Expanding the pool of international logistics experts

- Additional courses will be offered to increase the number of qualified personnel in these fields
- The hiring of foreign workers will be allowed in these fields to increase availability

Integrated logistics information network

- An integrated logistics information portal site will be created to link government agencies, freight owners and logistics companies

Educational and medical services

Prestigious private schools and universities in Korea

- Korea will become a more attractive venue for overseas educational institutions
- Opening date target of 2008 at the Incheon FEZ

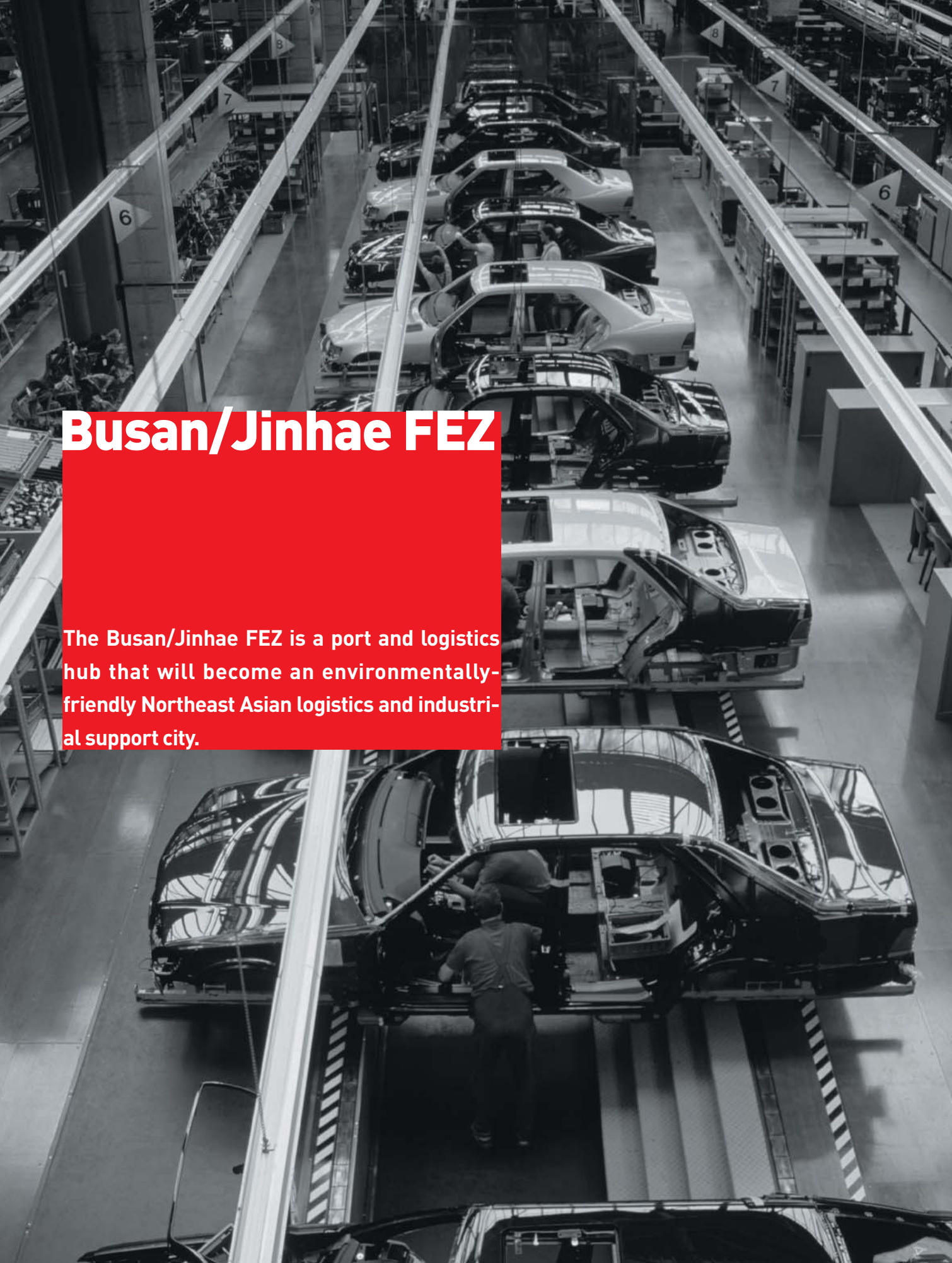
World-class medical services

- A centrally located Northeast Asian FEZ hospital partnership with a top overseas medical institution
- Opening date target of 2008 at the Incheon FEZ

An aerial photograph of the Incheon Free Economic Zone (FEZ) development. The image shows a large, modern airport terminal with a curved roof, surrounded by extensive parking lots and taxiways. In the background, there are mountains and a body of water. The foreground shows a large, rectangular area with a parking lot and some construction or development activity.

Incheon FEZ

The Incheon FEZ will include an airport, seaport, leisure park, and telecommunications/business center.



Busan/Jinhae FEZ

The Busan/Jinhae FEZ is a port and logistics hub that will become an environmentally-friendly Northeast Asian logistics and industrial support city.



Gwangyang FEZ

The Gwangyang FEZ will be developed as an international maritime logistics and business hub.

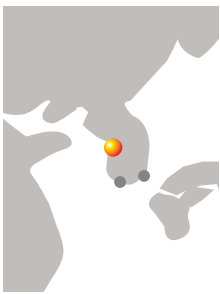
A photograph of two men in dark suits and ties shaking hands. The man on the left is wearing glasses and is smiling. The man on the right is also smiling. They are standing in a large, modern building with a high ceiling made of a complex grid of white steel beams and glass panels. The lighting is bright, suggesting a well-lit interior space.

Korea's FEZs: Northeast Asian Nexus

**Incheon, Busan/Jinhae and
Gwangyang FEZs**



Incheon FEZ



The Incheon FEZ triangle bounded by the Songdo/Yeongjong/Cheongna areas includes Incheon International Airport (IIA) and is within 30 minutes' drive of the Seoul metropolitan area with its population of approximately 20 million.

Self-sufficient new cities with international logistics and business centers, high-tech knowledge-based industries, and leisure and tourism complexes are under construction. These cities will cover 51,800 acres* near major airports and seaports with a projected population of 490,000.

The Incheon FEZ will include an airport, seaport, leisure park, and telecommunications/business center.

Songdo

Development Plan



The Incheon FEZ will become an international business and industrial axis in the Asia Pacific.

Area: 13,200 acres

Development period: first phase between 2002 and 2008, completion by 2020

Recruitment Targets

Asia-Pacific multinational headquarters, international organizations, convention centers, trade centers, and office buildings are being recruited to invest in the Incheon FEZ.

The Gale Corporation, a U.S.-based real estate company, has signed on as an investment partner for construction projects worth US\$12.7 billion that will cover 1,400 acres.

Yeongjong Air Logistics Complex

Development Plan



The Yeongjong Air Logistics Complex will be located in the area surrounding Incheon International Airport (IIA), which will be designated a "Tariff Free Zone" in the first half of 2004. Efforts to recruit logistical infrastructure investment are ongoing.

The number of IIA runways will increase from two to three by 2008, with a fourth to be completed by 2020. The IIA cargo terminal will be expanded from the current 33 to 106 acres.

The Incheon FEZ plan also includes a 2,300-acre residential, commercial and tourism complex development project in the Chungsan-dong and Wunseo-dong areas.

Area: 5,900 acres

Development period: first phase by 2008, second phase by 2020

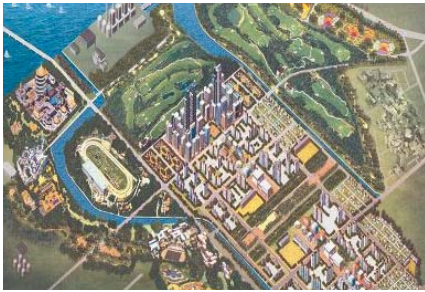
Recruitment Targets

The Incheon FEZ will include a multinational network of IT, computer, electronic communications, machinery, and aerospace manufacturers.

As a Tariff Free Zone, it will also include an international special delivery center, logistics park, and air cargo warehouse. DHL and TNT are being recruited to establish cargo terminals on a special seven acre site.

Cheongna

Development Plan



The Cheongna district will be developed as a Northeast Asian financial and tourism hub for the 21st century, hosting an international financial complex, and a commercial district called “City Walk”, as well as a golf course, a theme park and sport/leisure facilities in neighboring areas.

This area will be developed as an eco-friendly city with marine parks and well-manicured green spaces, as well as myriad cultural offerings.

Area: 4,400 acres

Development period: completion by 2008

Recruitment Targets

International businesses and financial institutions will be recruited to set up shop in the Cheongna district, including offshore financial centers, banks, and international financial institution offices.

| What Investors Say |



“We are managing a landmark US\$12.7 billion investment to develop Incheon FEZ’s Songdo Intelligent City into Korea’s most upscale urban environment. Its strategic location in close proximity to the Seoul metropolis, together with the vision of the planners, will make this one of the world’s most exciting developments this millennium. The new city- within-a-city will be a touchstone for surrounding developments and for Northeast Asia far into the future.” **Stanley C. Gale, Chairman, The Gale Company**

Tourism and leisure facilities will also be encouraged to locate in the Cheongna area. Recreational and sports facilities such as renowned theme parks and golf courses will be recruited to locate in this district. A Korean-Chinese city will also be established to attract investment from Chinese investors.

For more information about investment opportunities in the Cheongna area, please go to
<http://www.iklc.co.kr>

Or feel free to contact the Free Economic Zone Development Department in the Korea Land Corporation at:

Tel: +82-31-738-7872 / Fax: +82-31-738-8676 / Email: wjkim@iklc.co.kr

Yongyu/Muui Tourism and Leisure Complex

Development Plan



The area near IIA will be developed as a world-class marine resort that includes a marine tourism complex, a theme park, a marina, hotels, casinos and condominiums. Muui Island will be developed into a tourist gateway offering a variety of leisure activity options in a naturally beautiful setting.

Area: 1,700 acres

Development period: first phase by 2008, second phase by 2020

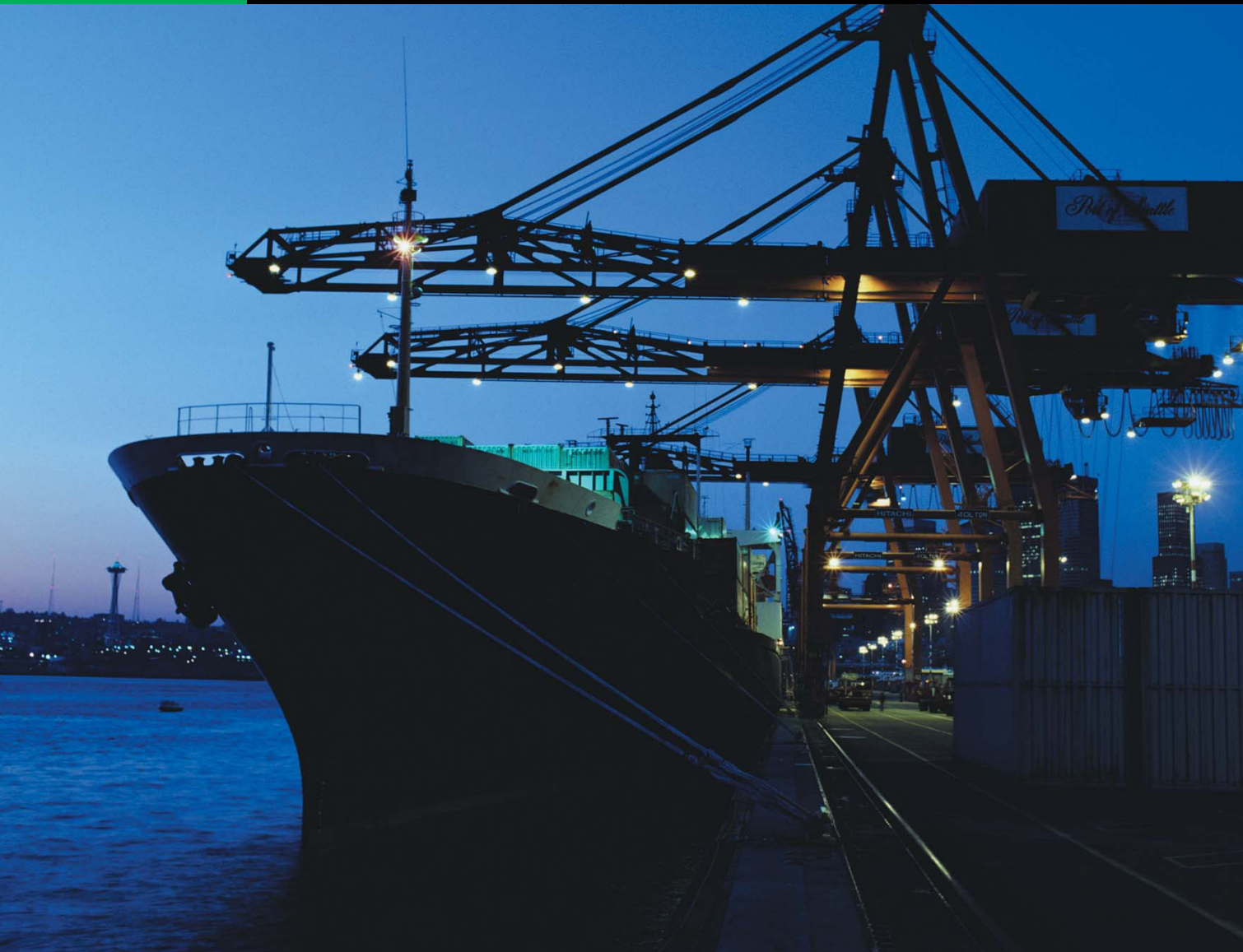
Recruitment Targets

Developers of tourism leisure facilities, marinas, hotels, sea resorts, and theme parks are being sought to help build scenic forest walks, a botanical garden and nature park on Yongyu Island.

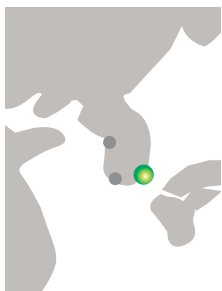
For more information about Incheon FEZ investment, please go to
<http://fez.incheon.go.kr>

Or feel free to contact the Incheon FEZ Authority Investment Promotion Division at:

Tel: +82-32-450-7304 / Fax: +82-32-740-2742 / Email: ifez@incheon.go.kr



Busan/Jinhae FEZ



The Busan/Jinhae FEZ is a port and logistics hub that will become an environmentally-friendly Northeast Asian logistics and industrial support city. This 25,800-acre project is aimed at meeting the specific needs of five smaller localities – Busan New Port, Myeongji, Jisa, Dudong and Woongdong – with more than half the area reserved for parks and other green spaces, making it an ideal environment for overseas educational and medical institutions.

Busan New Port Logistics and Distribution Complex

Development Plan



The Busan/Jinhae FEZ will be developed as a logistics, distribution and international business complex near Busan New Port, and will include a six-berth container dock and neighboring logistics park on 204 acres of land. By 2020 the number of berths will be increased to 30 and the site itself to 760 acres.

Location: Busan New Port area

Area: 2,600 acres

Development period: completion by 2011

Recruitment Targets

Comprehensive logistics service providers, distributors and multinational Asia-Pacific regional headquarters will be invited to locate in the Busan/Jinhae FEZ. Efforts to attract investment from world-renowned multinationals are underway.

Large Manufacturing Complex

Development Plan



Cutting-edge information, telecommunications and materials development industrial parks will be created in the Busan Science Industrial Complex, Sinho district and Dudong district. The Sinho district will be developed as a state-of-the-art automobile parts and materials industrial park.

Location: Jisa, Myeongji, Dudong

Area: 1,500 acres

Development period: completion by 2010

Recruitment Targets

Mechatronics, shipbuilding, and automobile-related industries will be encouraged to locate in this complex. Efforts are currently underway, for example, to invite the Asia-Pacific regional headquarters of Renault Samsung Motors. The automobile manufacturer has US\$369 million in capital and produces 240,000 units annually. Additional investment is expected from Renault Samsung to increase output by 260,000 units for a total of 500,000 per year.

The West Busan Distribution Complex adjacent to Gimhae International Airport will serve as a center for air logistics and state-of-the-art manufacturing industries.

Professional Education and R&D Center

Development Plan

Top logistical support professionals and best-of-breed manufacturing capabilities will be supported in this FEZ by the construction of a new R&D center.

Location: Myeongji, Dudong

Area: 2,000 acres

Development period: completion by 2010

Recruitment Targets

Logistics firms, distribution colleges and branch campuses of world-renowned universities are the kinds of investors who will benefit most from this area.

World-class Leisure/Recreational Complex

Development Plan

World-class leisure and recreational facilities will be built in neighboring areas to mesh with the natural surroundings. A vast stretch of land in the Woongdong area near Busan New Port will become a recreational park, for example, as the neighboring coastal areas are transformed into a marina and leisure facilities. A racetrack is also being planned to host Formula One races.

Location: Woongdong

Area: 1,600 acres

Development period: completion by 2020

Recruitment Targets



Companies specializing in leisure, recreational, resort and auto racing services will be encouraged to locate in this FEZ.

The wheels are already in motion to build a Formula One track to put Korea onto the global auto-racing map. It has been determined that an international Formula One race will be held in Southern Gyeongsang Province, in Korea's south east, in October 2009.

The five-kilometer track, which is expected to cost US\$168 million, will include seating for 100,000 spectators on 330 acres of land and is scheduled to be completed between 2004 and 2008.

For more information about investment opportunities, please contact the Busan/Jinhae FEZ Investment & Promotion Bureau at:

Tel: +82-51-888-3033 / Fax: +82-51-888-3069

Or the Southern Gyeongsang Province Investment Office at:

Tel: +82-55-211-3363~3373 / Fax: +82-55-211-3359

| What Investors Say |



"Renault Samsung has proved to be a huge success story. We have benefited from the dedication and efficiency of the workforce and the superb technical infrastructure that are hallmarks of Korea. And with Busan being the world's third largest port, we are ideally placed to export our cars around the globe. Looking ahead, with the FEZ upgrading the regulatory environment to a par with the physical environment, the outlook could not be better."

Jerome Stoll, CEO, Renault Samsung Motors



Gwangyang FEZ



A Northeast Asian logistics center and petrochemical and steel industrial cluster will be built in the Gwangyang FEZ.

This FEZ will cover 22,000 acres located in the Youlchon, Gwangyang, Sindae, Hwayang and Hadong areas with a projected population of 220,000.

Northeast Asian Gwangyang Port Logistics Center

Development Plan



The Gwangyang FEZ will be developed as an international maritime logistics and business hub. A 180-acre container dock will be completed by 2006 and expanded to 820 acres by 2015. The number of berths at Gwangyang Port will be increased from 8 to 33. A precision instruments and auto parts logistics/distribution complex is also being planned.

Locations: Gwangyang and Sindae districts

Areas: 2,400 acres, 720 acres

Development period: first phase by 2010, completion by 2020

Recruitment Targets

An international maritime business center, a London Metal Exchange (LME) warehouse, an agricultural fishery product export center, and colleges providing logistics-related curricula will be recruited to locate near the container dock.

* Dutch LME warehouse operator C. Steinweg is being recruited as a potential investor.

A central POSCO Terminal will be established to serve as a logistics and distribution center for iron ore and metal alloys.

* A joint steel works venture involving POSCO (51 percent) and Mitsui (49 percent) from Japan covers 163 acres.

A logistics/distribution complex will be created to accommodate precision instrument, auto parts, and medical industries.

Petroleum and Steel Industrial Cluster

Development Plan

This FEZ will become an industrial cluster linkage for petrochemical- and steel-related industries.



The 5,800-acre Youlchon Industrial Complex is currently home to numerous new material and auto parts developers. The 780-acre industrial complex near Seonghwang and the Hwanggeum Industrial Complex are designed to attract high value-added logistics and

IT industries. A 980-acre site near Galsan Bay is specialized for shipping- and steel-related industries.

Location: Youlchon, Hadong, and Gwangyang districts

Area: 8,700 acres

Development period: first phase by 2010, completion by 2020

Recruitment Targets

Youlchon Industrial Complex will be home to petrochemical, auto parts, and steel manufacturing firms.

Multinational manufacturers, metal fabrication plants, and electric/electronic industries will be encouraged to locate in the Hwanggeum Industrial Complex.

| What Investors Say |



“We are engaged in a joint venture project with POSCO, named POSCO Terminal Co., Ltd. POSCO Terminal, a ferrous/non-ferrous bulk raw material distribution base, is perfectly placed to serve our markets in both Korea and the surrounding Asian region. With its combination of reasonable costs, stable operational performance, local demand and close geographical proximity to Japan and China, Gwangyang FEZ is an ideal destination for Asian investors.” **Shohei Utsuda, President and CEO, Mitsui & Co., Ltd.**

Shipping and metalworking support industries such as machinery manufacturing will be encouraged to invest in the Galsan Bay area.

* Progress is being made in the recruitment of K Group, a global logistics enterprise from Belgium that specializes in transporting dehydrated petrochemicals.

Hwayang Tourism District

Development Plan



The tourism district will include a resort, leisure, and sports complex that capitalizes on its proximity to the Dado Sea. It will consist of a recreation area, a golf course, marine sports and spa facilities, an international cultural arts village, a festival center, an outdoor concert hall and green spaces.

Location: Hwayang District

Area: 2,438 acres

Development Period: first phase by 2010, completion by 2015

Recruitment Targets

Investors and developers specializing in hotels, condominiums, golf courses, resorts, and marine sport projects are being actively recruited.

* Ilsang Co. will oversee development and foreign investment recruitment efforts.

For more information about investment opportunities, please go to

<http://www.jeonnam.go.kr>

Or feel free to contact Jeollanamdo Investment Promotion Division at:

Tel: +82-62-607-4990 / Fax: +82-62-607-6163

Enter Asia's No. 1 Gateway

Not for nothing is Korea called the land of miracles. In a nation with a history spanning five millennia, the past five decades have been the most remarkable. Fifty years have transformed Korea from war-torn land to technological wonderland.

Millennial Korea is the powerfully-beating heart of Northeast Asia - a center of economic, industrial and social prosperity at the region's crossroads, host to the 1988 Olympic Games and the 2002 soccer World Cup. Today's Korea is poised to assume a dynamic role as the superhub for tomorrow's Northeast Asia.



Dynamic Location: Situated at the crossroads of North-east Asia, Korea is the gateway to Japan, China, the Russian Far East and beyond.

Dynamic Economy: As the world's 12th largest economy, Korea's growth and stability have earned it a voice in the future of world economic development.

Dynamic Industry: A world leader in shipbuilding, automotive engineering, steel and petrochemicals, Korean know-how has crossed the continents.

Dynamic Technologies: Korea is a leading-edge producer of semiconductors, LEDs, consumer electronics and

cellphones. Korea's mobile telecommunications and internet infrastructures are unrivalled globally.

Dynamic Workforce: With one of the planet's best-educated and motivated workforces, Koreans have made their mark in every discipline and industry.

Dynamic Democracy: Korea enjoys a thriving democratic system of government at all levels, supported by a robust civil society.

Dynamic Environment: Korea is blessed with some of the region's most breathtaking natural habitats, an ancient culture and energetic urban centers.