



Incheon FEZ

Songdo IT, BT, international business center
Yeongjong Aviation, international logistics
Cheongna Tourism, leisure, international finance

Gwangyang FEZ

- Asian trans-shipment center
- Petroleum and steel industrial cluster
- Tourism and leisure

Busan-Jinhae FEZ

- Maritime logistics center
- Large manufacturing complex and R&D center
- International business center

Korea strives to become economic hub

By Sim Sung-tae

Capitalizing on its geographical advantage and superb logistical and industrial infrastructure, Korea is poised to reinvent itself as the economic nerve center of Northeast Asia.

At the core of the plan is a trio of free economic zones in Incheon, Busan-Jinhae and Gwangyang, complete with ports, industrial towns, tourist attractions and financial institutions.

Caught between two economic giants, China and Japan, Korea's economy, the third-largest in Asia, faces the risk of being "nutcrackered." With China developing rapidly, Korea regards the next five years as being critical to turning itself into a Northeast Asian economic hub.

"Northeast Asia is expected to be the key region leading the global economy this century," Finance Minister Lee Hun-jai told The Korea Herald.

Free economic zone is the government's approach to gaining acceptance in a country that is slow to reform quickly. With footholds in the special zones, the business system will spread to the rest of the country.

In the free economic zones, foreign-invested companies and their employees can enjoy exceptional benefits and incentives compared with the rest of Korea, including tax breaks, expanded foreign exchange circulation, language services, labor flexibility, relaxation of greater-Seoul restrictions, and establishment of foreign education and medical institutions.

The backdrop regions of Incheon International Airport, the world's third largest in cargo processing, the world's fifth-largest container port of Busan and the newly rising Gwangyang port give Korea the huge potential to become the world's premier logistics hub.

These regions have been designated as free economic zones and will soon be equipped with major facility expansions and overhauled systems management to compete with rivals.

Benefits and incentives

In late 2002, the National Assembly passed a bill that will dramatically eased regulations for foreign-invested firms and their employees in the envisioned free economic zones.

"We want to make foreigners feel like they are doing business

and living in countries like Hong Kong, Singapore and the United States," Lee said.

Under the bill, foreign manufacturers who invest \$10 million or more to set up an operation in the envisioned economic zones will pay no corporate or income taxes for three years and receive a 50 percent reduction in these taxes for another two years.

The government will also raise the tax exemption on company allowances provided to foreign executives posted in Korea — 40 percent of their fixed monthly salaries, up from the current 20 percent.

In addition, foreign companies

people who made a great contribution to the country or families of those who died for the country.

Moreover, these companies can enter any type of business, including the 45 businesses that are designated only for small and midsize companies.

The bill permits locals to attend the primary, secondary and tertiary schools to be established by foreign educational institutions in the free economic zones.

With permission from the Ministry of Health and Welfare, foreigners will be also allowed to open foreigners-only hospitals and pharmacies and employ foreign doctors and pharmacists.

In each of the free economic zones, the government will set up an ombudsman office to assist foreign companies and open a branch office of the Korean Commercial Arbitration Board to help settle business disputes.

In these special zones, foreigners will be able to use English for all administrative paperwork and help from interpreters and translators at government agencies will be made available.

They will be also able to use major international currencies such as the U.S. dollar, Japanese yen and EU euro, along with the Korean won, when paying for goods and services worth \$10,000

ulation of Europe. The Northeast Asian economy, consisting mainly of Korea, China, Japan and Taiwan, is one of the three largest economic zones in the world, accounting for nearly 20 percent of global gross domestic product.

Thanks to the high growth prospects of China and Korea in particular, this share is expected to reach almost 30 percent over the next 10 years. 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. Forty-three cities with populations of more than 1 million are located within a three-hour flight of the capital, Seoul. More than 700 million consumers live within a 1,200 kilometer radius of Seoul — more than the populations of the United States and the European Union combined.

Situated at the crossroads of Northeast Asia, Korea is the gateway to China, Japan, the Russian Far East and beyond. Moreover, Korea is expected to serve as the linkage point between the Eurasian continent and Pacific Rim economies, once the inter-Korean railway is connected to the Trans Siberia and Trans China railways.

As the world's 12th-largest economy, Korea's growth and stability have earned it a voice in the future of world economic development. Since the 1960s, the Korean economy has achieved a sustained 7.4 percent of GDP growth annually. There was no more spectacular success story in the past half century than the transformation of this nation.

In the long-term, the Korean economy is expected to achieve a considerable level of long-term growth rate of around 5 percent, with a rise in productivity being one of the important factors. The government's goal is a GDP per capita of \$20,000 in the next 10 years, reducing the gap with other advanced countries, and enabling Korea to become an advanced nation.

Korea is well known for having a highly educated population. Forty percent of the population aged 25-34 has a college education, ranking third in the world in 2001. Moreover, the government's workforce retraining programs, with an emphasis on science and technology fields, will augment the education level of

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Deputy Prime Minister Lee Hun-jai

Nation is well located to serve as regional bridge

By Lee Hun-jai

Deputy prime minister and minister of finance and economy

Korea has the strategic position of being the gateway between Northeast Asia and the Eurasian and Pacific economic zone. Surrounded by the four superpowers of the United States, Japan, China and Russia, Korea is in the position to access these markets and abundant resources. Moreover, Korea can reach a collective population of more than a billion people in 43 cities within a flight time of three hours from Seoul, and about 700 million people within a radius of 1,200 kilometers from Seoul.

The Free Economic Zone is the leading economic center in Northeast Asia. The Korean government is planning to attract the world's prominent educational institutions and hospitals where companies backed by foreign investors can benefit from world-class services.

Though in recent times, foreign investors have been hin-

dered by Korea's labor-related system, the country has already begun to adjust labor policy to meet global standards and to achieve flexibility in the labor market. To deliver further incentive, foreign investors will be exempt from paying income tax and corporate tax for three years; then taxes will be reduced to 50 percent for the next two years. A flat 17 percent income tax rate will apply thereafter.

The Ministry of Finance and Economy will provide systematic support to enable the world's leading corporations to operate their businesses in the best environment. The zone will simplify procedures for permits and will provide a one-stop service, the best infrastructure, and living conditions well-suited to the service-oriented public administration. The Ministry of Finance and Economy will make Korea the hub of logistics, business and R&D of Northeast Asia.

We eagerly anticipate your investment decision and cooperation for the success of the Free Economic Zone.

Busan/Jinhae
Incheon
Gwangyang

MAKE IT **Big** IN ASIA

Korea's growth potential

Highly skilled human resources	Highly educated population - 40% of population aged 25-34 are university graduates (ranked 3rd globally as of 2001)
World-class IT infrastructure	Rapid buildup of world class IT infrastructure - Internet accessibility ranked 3rd globally - Proportion of Internet users ranked 2nd globally - High-speed Internet penetration ranked 1st globally - Proportion of mobile users is approximately 70%
Geographical advantage	Strategically located at the center of Northeast Asia, one of the three largest economic zones in the world, accounting for nearly 20% of world GDP Gateway to major markets - Proximity to China, Japan, Southeast Asia, Central Asia

in the economic zones will be allowed to freely relocate their employees to other workplaces that need their technological expertise, except blue-collar workers in the manufacturing industry. Under current law, Korean companies can relocate workers only in 26 government-designated workplaces for a period of up to two years.

The bill also does not require foreign companies to fill 3 to 8 percent of their employees with

In July 2002, the Finance Ministry unveiled a detailed plan to create free economic zones in Incheon, when the nation's new international airport is located, and the ports of Busan and Gwangyang.

To create a favorable business environment within these special zones, the government will offer various tax incentives, one-stop administrative services, improved housing, education and medical services to foreign investors.

or less.

"Five years from now, when the free economic zones get to shape up, they will have become the world's premier cosmopolitan cities where everyone all over the world would want to live. They will be the magnet, the hub of all Northeast Asia," the minister said.

Why invest in Korea?

Northeast Asia has a population of 1.5 billion, four times the pop-