U.S. DEPARTMENT OF STATE
DIPLOMACY IN ACTION

Executive Summary

The Republic of Korea (ROK) has made tremendous economic gains, transforming itself from a recipient of foreign assistance to a high technology manufacturing powerhouse and donor country in a generation. Thanks to fiscal stimulus and the beginning of a global recovery, South Korea's export-oriented economy grew at a 3 percent rate in 2013, up from 2 percent in 2012; most economists predict GDP growth around 4 percent in 2014. Growth is expected to remain moderate in coming years, due to the ROK's relatively developed economy, an aging population, and inflexible labor markets. Nonetheless, the ROK has so far weathered the global economic uncertainty and remains a generally favorable destination for foreign investment. Following the 1997-98 Asian financial crisis, South Korea made significant progress in reforming its financial institutions and capital markets. In addition, the Korean government took steps to strengthen its competitiveness, enacting measures to boost foreign investment incentives and allow non-Koreans to own land and real property. Korea took a major step forward in March 2012, when the high-standard U.S.-Korea Free Trade Agreement (KORUS FTA) entered into force. As it is fully implemented, the KORUS FTA should improve the climate for U.S. investors in Korea, and provide the foundation for an expanding bilateral economic partnership with the United States. President Park has committed to fully and faithfully implement the KORUS FTA, and to ensure a positive business climate for foreign investors. The U.S. government maintains active engagement with the Korean government to ensure full implementation of the letter and spirit of the KORUS FTA to promote economic growth in both our countries.

Many foreign and domestic firms alike continue to express concern with what is seen as an overly burdensome regulatory environment, including frequent issuance of "voluntary" guidelines which have the effect of regulations. President Park Geun-hye publicly acknowledged that the regulatory environment was an obstacle to investment and launched a three-year "economic innovation" plan that: 1) normalizes practices, including public sector reform; 2) spurs a creative, innovative economy through support for entrepreneurship and more female participation in the workforce; and 3) boosts the domestic economy by targeting five service sectors for deregulation: education, healthcare, finance, tourism and software. President Park stated that deregulation will be one of the ROKG's primary economic goals over the next four years and personally led a seven-hour interministry publicly-televised meeting on deregulation. ROKG officials have welcomed the recommendation of foreign business associations in the deregulation process. However, a tragic April 16 ferry sinking resulting in the loss of hundreds of lives, many from a single high school, has raised domestic questions about the adequacy of Korea's workplace and public safety culture. President Park has vowed to "remake from scratch the whole safety system." While sector-specific deregulation plans are expected to stay on track, undoubtedly, there will be a tightening of regulations related to workplace and public safety.

Inbound foreign direct investment (FDI) fell to USD 14.5 billion in 2013, down 11 percent from 2012, which was a record high year for capital inflow. Foreign investment in all industries except the service sector slightly decreased last year, in part due to uncertainty surrounding the economic policy direction of the new President. The Park administration took steps to ameliorate those concerns by announcing what is widely viewed as a foreign investment-friendly three-year economic plan. The ROK's sovereign debt rating remains high, ranking only behind Japan and Taiwan. The high ranking reflects the ROK's strong fiscal fundamentals, increasing current account surplus, its ability to withstand domestic risks and external shocks, and the continuation of a status quo in North-South Korea geopolitics. These factors serve to burnish the ROK's reputation as a generally favorable destination for foreign investment, despite continuing concerns about household debt.

The United States retains the largest single-country share of FDI in Korea, totaling USD 53.3 billion or 24.5 percent of Korea's total stock of FDI since the 1960's. Japan has invested USD 35.5 billion (16.3 percent of the total), followed by the Netherlands with USD 22.3 billion (10.2 percent). EU countries have invested USD 72.2 billion or 33.1 percent of the total. The United States contributed the largest share of FDI in 2013, at USD 3.53 billion, a 4 percent decrease from the previous year. Japan recorded USD 2.69 billion of FDI in 2013, a 41 percent reduction from the USD 4.54 billion recorded in 2012, largely due to the yen's depreciation against the Korean won. ROK FDI into Japan increased 53 percent over the same period. Investments from the EU increased over 76.9 percent from 2.7 billion in 2012 to 4.8 billion in 2013, due to continued quantitative easing policies. IT, auto parts, logistics, and other service sectors are expected to absorb the majority of FDI in Korea in the near future, largely through mergers and acquisitions (M&A), in line with global trends. Due to the importance to the Korean economy of FDI from the United States, Japan, and EU, President Park has held two investment-related meetings with the foreign business community in the last year, at which representatives of the American Chamber of Commerce in Korea, the Seoul Japan Club, and the EU Chamber of Commerce in Korea were featured prominently.

In recent years, foreign portfolio investment has fluctuated, influenced by external factors such as the U.S. Federal Reserve's tapering of its quantitative easing policy, slowing of the Chinese economy and the yen's depreciation. At the end of 2013, foreign shareholders owned 35.3 percent of Korean Stock Exchange stocks and 9.9 percent of the tech-heavy KOSDAQ Index shares. In response to the global financial crisis, foreign investors significantly increased the purchase of Korean bonds. Economic analysts attribute this surge to investors' recognition of the ROK's generally sound economic fundamentals.

Improvement in the consistency of the ROK Government's (ROKG) interpretation, transparency, and timeliness in the application of FDI regulations would enhance the investor climate in Korea. Unclear and opaque regulatory decision-making remain a significant concern, which can discourage FDI by creating uncertainty for investors. Investors are also concerned about small but significant interest groups that pressure the government to protect the South Korean market from what is perceived as foreign domination. Foreign and domestic businesses in South Korea increasingly report that Korean regulators issue verbal or informal guidance to industry that is commonly understood to carry the same force as formal regulation. In some cases, this practice appears to be used to avoid subjecting regulatory initiatives to the scrutiny of the normal rulemaking process, including the public comment periods required by the KORUS FTA and by Korean law.

The KORUS FTA, which entered into force on 15 March 2012, is a major step forward in enhancing the legal framework for U.S. investors in South Korea. All forms of investment are protected under the KORUS FTA, including enterprises, debt, concessions and similar contracts, and intellectual property rights. With very few exceptions, U.S. investors are treated the same as South Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea. In addition, these protections are backed by a transparent international arbitration mechanism, under which investors may, at their own initiative, bring claims against the government for an alleged breach of the investment. Submissions to investor-state arbitration tribunals as well as their hearings will be made public.

1. Openness to, and restrictions upon, foreign investment

The Korean government's attitude toward foreign direct investment is positive, and senior policy makers clearly realize the value of FDI. Following the 2008-09 global financial crisis, FDI has continued to increase steadily until last year when it fell from USD 16.2 billion in 2012 to USD 14.5 billion in 2013.

Although the Korean government has indicated it recognizes the value of and intends to promulgate policies that attract more FDI, FDI in South Korea is still at times subject to insufficient regulatory transparency, including inconsistent and sudden changes in interpretation of regulations, as well as underdeveloped corporate governance, high labor costs, an inflexible labor system, and significant economic domination by Korea's large, family-run conglomerates, known in Korea as chaebol. Regarding labor, South Korea boasts a hard-working, educated and highly productive workforce and institutional labor protections, but foreign investors cited volatility in labor-management relations as an issue that can hamper FDI. Adding to inflexible labor costs issues, in 2013, the ROK Supreme Court ruled that regularly paid bonuses should be included in the calculation of workers' "ordinary wage," which is used as the baseline for calculating overtime and severance pay. The ruling, depending on its implementation and the results of annual management-labor negotiations, could significantly increase labor costs. The Park Administration is urging companies to extend benefits such as insurance and pensions to contract workers, in an effort to expand the social safety net and narrow the gap between contract and regular workers. It is encouraging companies to offer more flexible part-time employment and childcare facilities to facilitate retention in the workforce of Korea's talented and highly educated female workers, many of whom currently drop out of the workforce when they have children.

Companies that benefited from the KORUS FTA were often subject to burdensome customs rule of origin verification requirements that significantly and negatively impacted multiple U.S. export sectors that had initially benefited from the reduction and elimination of tariffs because of the KORUS FTA. The USG has engaged with the Korean Customs Service and has made significant progress in addressing this issue. Specifically, the USG has worked with the Korean government to harmonize our customs rule of origin policies, and will continue efforts to bring our customs systems into alignment to facilitate trade.

The Foreign Investment Promotion Act (FIPA) is the basic law pertaining to foreign investment in Korea. FIPA and related subordinate regulations categorize business sectors as being either open, conditionally or partly restricted, or closed to foreign investment. Restrictions remain for 27 industrial sectors, three of which are entirely closed to foreign investment. The South Korean government reviews restricted sectors from time to time for possible further openings. In early 2013, Korea granted preliminary approval for its first foreign-owned casino, as part of an integrated resort containing hotel, conference, entertainment, shopping, and foreigners-only gaming facilities in the Incheon area, in order to try and tap into growing tourism from China. According to the Ministry of Trade, Industry and Energy (MOTIE), the number of industrial sectors open to foreign investors is well above the OECD average.
FIPA features include:

- Simplified procedures, including those for FDI notification and registration;
- Expanded tax incentives for high-technology FDI;
- Reduced rental fees and lengthened lease durations for government land (including local government land);
- Increased central government support for local FDI incentives;
- Establishment of "Invest Korea," a one-stop investment promotion center within the Korea Trade Promotion Corporation to assist foreign investors;
- Establishment of an Ombudsman office to assist foreign investors.

MOTIE maintains the Korea Standard Industry Code (KSIC), which codifies and classifies all industry sectors. According to the KSIC, the ROK has 1,145 sectors, of which 30 are closed to foreign investment.

The following is a current list of Restricted Sectors for Foreign Investment. Figures in parentheses denote the Korean Standard Industry Code, except for air transportation-specific industries, which are governed by the Civil Aeronautics Laws:

Completely Closed
- Nuclear power generation (35111)
- Radio broadcasting (60100)
- Television broadcasting (60210)

Restricted Sectors (partly open – not more than 25 percent)
- News agency activities (63910)

Restricted Sectors (partly open – not more than 30 percent)
- Hydro electronic power generation (35112)
- Thermal power generation (35113)
- Other power generation (35119)

Restricted Sectors (partly open – less than 30 percent)
- Publishing of newspapers (58121)

Restricted Sectors (partly open – less than 49 percent)
- Satellite and other broadcasting (60229)
- Program distribution (60221)
- Cable networks (60222)
- Wired telephone and other telecommunications (61210)

- Mobile telephone and other telecommunications (61220)
- Satellite telephone and other telecommunications (61230)
- Other telecommunications (61299)

Restricted Sectors (partly open – not more than 50 percent)

- Farming of beef cattle (01212)
- Inshore and coastal fishing (03112)
- Transmission/distribution of electricity (35120)
- Wholesale of meat (46312)
- Coastal water passenger transport (50121)
- Coastal water freight transport (50122)
- Publishing of magazines and periodicals (58122)
- International air transport (51)
- Domestic air transport (51)
- Small air transport (51)

Open but Regulated under the Relevant Laws

- Growing of cereal crops and other food crops except rice and barley (01110)
- Domestic commercial banking except special banking area (64121)
- Radioactive waste collection, transportation, and disposal except radioactive waste management (38240)
- Other inorganic chemistry production except fuel for nuclear power generation (20129)
- Other nonferrous metals refining, smelting, and alloying (24219)

In categories open to investment, foreign exchange banks must be notified in advance of applications for foreign investment. All South Korean banks are permitted to deal in foreign exchange, including branches of foreign banks. In effect, these notifications are pro-forma, and approval can be processed within three hours. Applications may be denied only on specific grounds, including national security, public order and morals, international security obligations, and health and environmental concerns. Exceptions to the advance notification approval system exist for project categories subject to joint-venture requirements and certain projects in the distribution sector.

Relevant ministries must still approve investments in conditionally or partly restricted sectors. Most applications are processed within five days; cases that require consultation with more than one ministry can take 25 days or longer. Korea's procurement complies with the World Trade Organization (WTO) Government Procurement Agreement, but some implementation problems remain.

Restrictions on foreign ownership of public corporations remain, although ownership limit levels have been raised. Currently, foreign ownership is limited for government-controlled utilities. Foreign ownership in South Korean telecommunications companies and cable networks is limited to 49 percent. The ROKG government intends to privatize many of the remaining state-owned corporations, but this process was slowed by the global financial crisis.
The Ministry of Strategy and Finance (MOSF) administers tax and other incentives to stimulate advanced technology transfer and investment in high-technology services. There are three types of special areas for foreign investment, including Free Economic Zones, Free Investment Zones,

and Tariff Free Zones, where favorable tax incentives and other support for investors are available (see Section VI).

South Korea's rankings in various international indices on corruption and business environment are as follows:

Measure	**Year**	**Index/Ranking**
Transparency International Corruption Index	2013	55/46
	2012	56/45

Note: The Transparency International Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be; the scale for scores was 0-100 in 2013. A score of 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. The 2013 rank indicates the country's position relative to the 177 countries and territories in the index; the 2012 index included 176 countries and territories. Additional information is available at http://cpi.transparency.org/cpi2013/results/.

Heritage Foundation Economic Freedom Index	2014	71.2/31
	2013	70.3/34

Note: The Heritage Foundation Economic Index ranks countries on a scale of 0 - 100, where 0 means that a country is perceived as economically repressed and 100 means it is perceived as economically free. In 2014, Heritage Foundation assessed ROK as "mostly free," with a ranking of 71.2 out of 100, and the ROK was considered the 3[1st] freest country out of 178 countries ranked. Additional information is available at http://www.heritage.org/index/ranking.

World Bank Doing Business Index	2014	7
	2013	9

Note: The World Bank Doing Business Index is a ranking of 189 economies (in 2014). A high ranking means the regulatory environment is more conducive to the starting and operation of a local firm. Additional information is available at http://www.doingbusiness.org/rankings.

Corporate Governance and Investment Decision-Making

Investors and financial markets remain wary of corporate governance in Korea despite significant improvements since the 1997-98 Asian financial crisis. Concerns about corporate governance often reduce the price to earnings ratios to levels lower than comparable companies elsewhere. Korean policy makers acknowledge that foreign investors often exact a "Korea Discount" when dealing with Korean companies or in making investment decisions. Large gaps continue to exist between the ownership and control of a significant number of firms in Korea, with many of Korea's conglomerates (chaebol) still controlled by their founding families, despite the family's relatively small ownership stakes. Increasing participation by foreign investors and stockholders, requiring more independent boards of directors, modernizing business-government relations, and infusing professionalism in the corporate culture would greatly help improve corporate governance.

Although the Anti-Monopoly and Fair Trade Act has been amended repeatedly – most recently in July 2013 – the practical impact of Korea's laws and policies regulating monopolistic practices and unfair competition has been limited by the long-standing economic strength of chaebol. Management control of chaebol continues to involve complicated webs of cross-shareholdings among chaebol affiliates, and many chaebol still conduct business based on family and personal connections. Chaebol-government relations can also sometimes influence the business-government dialogue, to the detriment of foreign and small and medium-sized enterprises (SMEs). Thus, chaebol influence in the South Korean economy may sometimes cause practical business problems for foreign investors. SME suppliers, for example, may be reluctant to deal with foreign firms for fear of jeopardizing a prized chaebol relationship. Obtaining access to credit may be complicated by the privileged relationships competing chaebol enjoy with local banks, although this is mitigated by the fact that regulations limit a bank's exposure to any single chaebol group's companies to 25 percent of capital, and stipulate that at least 25 percent of all banks' lending must go to SMEs.

Foreign ownership is playing a significant role in promoting corporate governance reform in Korea. Korean firms with significant foreign investment, for example, are generally understood to be more reluctant to participate in government-sponsored bailouts of troubled firms, impacting the evolution of Korean financial markets. As foreign investors now own about 60 percent of the shares in some of Korea's top companies and nearly 35 percent of stock listed on Korea's main stock exchange, the rights of minority and non-Korean stockholders are becoming more clearly expressed.

Under Korea’s 2005 Securities Class Action Act, minority shareholders are able to file class action suits for manipulation of share prices, false disclosure of information, and accounting malpractice. However, in large part due to rather stringent and complex procedural requirements, only six class action suits have been filed since the law came into effect.

The Korean government implemented a new accounting system, taken largely from the U.S. Sarbanes-Oxley Act, aimed at making Korean accounting standards consistent with rigorous international standards. The International Financial Reporting Standards (K-IFRS) were adopted and implemented during the first quarter of 2011. In parallel, a committee of Korean private sector experts has established a Code of Best Practices in response to a tasking by the Ministry of Strategy and Finance. The voluntary recommendations included in this Code are in line with OECD principles, and the Korea Exchange has reinforced the importance of the Code by requiring that companies listed on the Korea Stock Exchange (KSE) provide information to investors about the extent to which they conform to the Code. Following are some of the key recommendations contained in the Code of Best Practices:

- Easing of ownership thresholds to allow small shareholders greater rights to inspect company books;
- Having outside or independent directors make up at least half (rather than a quarter) of the board members of listed companies;
- Establishing a nominating committee to choose board members, with at least half of the committee consisting of outside directors;
- Ensuring that outside directors are truly independent, with no interests in the company, the management, or the controlling shareholder;
- Having the board of directors meet at least once every three months; and
- Requiring that companies have audit committees consisting of at least three directors, of which two-thirds are outside directors.

2. Conversion and Transfer Policies

According to the Foreign Exchange Transaction Act (FETA), only transactions that could harm international peace or public order, such as money laundering and gambling, are controlled. Three specific types of transactions are restricted:

(1) Non-residents are not permitted to buy won-denominated hedge funds, including forward currency contracts;
(2) The Financial Services Commission will not permit foreign currency borrowing by "non-viable" domestic firms; and
(3) The Korean government will monitor and ensure that Korean firms that have extended credit to foreign borrowers collect their debts. The Korean government has retained the authority to re-impose restrictions in the case of severe economic or financial emergency.

Capital account liberalization under the Foreign Exchange Transaction Act (FETA) has also been extensive. All capital-account transactions are permitted unless specifically prohibited. In addition, 72 of the 91 transactions specified by the Organization for Economic Co-operation and Development (OECD) code of liberalization of capital movements now are permitted. Non-residents may open deposit accounts in domestic currency (South Korean won) with maturities of more than one year and may engage in offshore transactions and issue won-denominated securities abroad.

The right to remit profits is granted at the time of original investment approval. Banks control the now *pro forma* approval process for FETA-defined open sectors. For conditionally or partially restricted investments (as defined by the FETA), the relevant ministry must provide approval for both investment and remittance.

When foreign investment royalties or other payments are proposed as part of a technology licensing agreement, the agreement and the projected stream of royalties must be approved either by a bank or MOSF. Approval is virtually automatic. An investor wishing to enact a remittance must present an audited financial statement to a bank to substantiate the payment. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean appraisal board also must be presented. Foreign companies seeking to remit funds from investments in restricted sectors must first seek ministerial and bank approval, after demonstrating the legal source of the funds and proving that relevant taxes have been paid.

3. Expropriation and Compensation

The ROK follows generally accepted principles of international law with respect to expropriation. Korean law protects foreign-invested enterprise property from expropriation or requisition. If private property is expropriated, it can only be taken for a public purpose and only in a non-discriminatory manner. Property owners are entitled to prompt compensation at fair market value. U.S. Embassy Seoul is not aware of any cases of uncompensated expropriation of property owned by American citizens.

4. Dispute Settlement

There exists a body of South Korean law governing commercial activities and bankruptcies that constitutes the means to enforce property and contractual rights, with monetary judgments usually levied in the domestic currency. The number of serious investment disputes involving foreigners has been limited in South Korea. Foreign court judgments are not enforceable in the ROK.

Over the past several years, we have seen a few high-profile cases involving U.S. firms that have had difficulty exiting the Korean market; these cases have increased concerns of other potential U.S. investors. Although commercial disputes can be adjudicated in a civil court, foreign businesses often feel that this is not a practical means to resolve disputes. Proceedings are conducted in Korean, often without adequate translation. South Korean law prohibits foreign lawyers who have not passed the Korean Bar Examination from representing clients in Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in South Korea. During litigation of a dispute, foreigners may be barred from leaving the country until a decision is reached. Legal proceedings are expensive and time-consuming, and lawsuits often are contemplated only as a last resort, signaling the end of a business relationship.

Commercial disputes may also be taken to the Korean Commercial Arbitration Board (KCAB). The Korean Arbitration Act and its implementing rules outline the following steps in the arbitration process: 1) parties may request the KCAB to act as informal intermediary to a settlement; 2) if unsuccessful, either or both parties may request formal arbitration, in which case the KCAB appoints a mediator to conduct conciliatory talks for 30 days; and 3) if unsuccessful, an arbitration panel consisting of one or three arbitrators is assigned to decide the case. If one party is not resident in Korea, either may request an arbitrator from a neutral country.

When drafting contracts, it may be useful to provide for arbitration by a neutral body such as the International Commercial Arbitration Association (ICAA). U.S. companies should seek local expert legal counsel when drawing up any type of contract with a South Korean entity.
The ROK is a member of the International Center for the Settlement of Investment Disputes (ICSID). It has also acceded to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Korea is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency. South Korean courts may ultimately be called upon to enforce an arbitrated settlement.

5. Performance Requirements and Incentives

South Korea does not maintain any measures notified to the WTO as being inconsistent with (or that are alleged to be inconsistent with) the WTO Agreement on Trade-Related Investment Measures (TRIMs Agreement). The ROK ceased imposing performance requirements on new foreign investment in 1989 and eliminated all pre-existing performance requirements in 1992. The ROKG has no requirement that investors purchase from local sources or export a certain percentage of output. There is no ROKG requirement that Korean nationals must own shares in foreign investments or that technology be transferred on certain terms. The Korean government does not impose "offset" requirements on investors to invest in specific manufacturing, research and development (R&D), or service facilities. There are also no government-imposed conditions on permission to invest.

The Korean government allows the following general incentives for foreign investors:

- Cash grants for the creation and expansion of workplaces for high-tech business plants and R&D centers;
- Reduced rent for land and site preparation for foreign investors;
- Grants for establishment of convenience facilities for foreigners;
- Reduced rent for state or public property; and
- Preferential financial support for investing in major infrastructure projects.

6. Right to Private Ownership and Establishment

Korea fully recognizes rights of private ownership and has a well-developed body of laws governing the establishment of corporate and other business enterprises. Private entities may freely acquire and dispose of assets; however, the Fair Trade Act may limit cross-ownership of shares in two or more firms if the effect is to restrict competition in a particular industry.

The Alien Land Acquisition Act (amended in 1998) grants non-resident foreigners and foreign corporations the same rights as Koreans in purchasing and using land. The Real Estate Investment Trust (REIT) Act supports sound indirect investments in real estate and restructuring of corporations. The REIT Act allows investors to invest funds through an asset management company, and in real property such as office buildings, business parks, shopping malls, hotels, and serviced apartments.

Almost no restrictions remain on foreign ownership of stock in Korean firms. Korean law permits foreign direct investment through mergers and acquisitions with existing domestic firms, including hostile takeovers. Nonetheless, no hostile takeovers have occurred in Korea in part because of the lack of relevant implementation regulations for the Foreign Investment Promotion Act. In addition, the political environment for hostile takeovers remains unfriendly.

7. Protection of Property Rights

ROK's progress on intellectual property rights (IPR) led to its removal from the Special 301 Watch List in 2009. Since then, the ROK has remained off the Watch List and demonstrated continued commitment to strong IPR enforcement. The importance that the ROKG places on IPR protection has increased in recent years as the digitization of Korea's economy has significantly enhanced the ability to produce and spread unauthorized reproductions of copyrighted material. With Korea's products and trademarks enjoying global success, Korean creators of intellectual property stand to benefit from improvements in the domestic intellectual property protection regime. The KORUS FTA contains state-of-the-art protections for all types of intellectual property, requirements to join key multilateral IPR agreements, and strong enforcement provisions. However, concerns remain over new forms of online piracy, corporate end-user software piracy, unauthorized use of software in the public sector, book piracy in universities, and counterfeiting of consumer products.

The ROK amended its copyright law in 2011 to conform to commitments under the Korea-EU and KORUS FTAs. Subordinate regulations, including presidential and ministerial decrees, were also amended to implement the law in 2011. In 2012, the ROKG began implementation of the 2011 amendment to reflect the KORUS FTA. The ROKG also began implementing the presidential decree on "Authentic Software and its Management" that mandates the central government to use legal software, and in 2013 took significant actions to reduce the use of unauthorized software in government ministries. In 2013, 2,360 companies conducted self-audits and the Ministry of Culture, Sports and Tourism (MCST – the ROKG's lead ministry on IPR issues) conducted on-site investigations at 190 agencies. In 2013, the Korean Copyright Act was amended so that people can use works for which copyrights are owned by the State or local autonomous bodies without obtaining permission. In addition, for education purposes, exhibition and public transmission of copyrighted work became possible without obtaining the permission of right holders, with some limitations.

The MCST continued its strong efforts to combat IPR violations through a variety of enforcement activities in calendar year 2013:

- In 2013, the MCST deleted a total of 130.3 million illegal online files, increased from the 86.3 million files it deleted in 2011 but down from 176.3 million files it deleted in 2012. Further, the MCST destroyed 13,743,205 illegal physical copies of music, video, publications, games, and cartoons in 2013, more than 20 times the 639,290 items destroyed in 2012, which was almost three times the 269,409 items destroyed in 2011.

- Under the 2009 "three strikes" law, when illegal material is discovered online, the Korea Communications Commission (KCC) sends corrective recommendations to both the online service provider (OSP) and user. If the OSP or user ignores the corrective recommendations after three warnings, the MCST can issue takedown orders and suspend the user's account. In 2013, the KCC issued 170,867 corrective recommendations, up 58.6 percent from the 107,724 issued in 2011 but down 71.1 percent from the 591,772 issued in 2012. However, the MCST did not need to issue any warnings or suspend user accounts as all violators complied with corrective recommendations issued by the KCC.

- In 2013, the MCST requested KCC to block service to 13 illegal file-sharing OSPs, down from 30 OSPs in 2012. Most of the sites were music and film sites hosted on overseas servers. Although many of the sites can migrate to other servers, the action marked an important shift in Korea's efforts to combat piracy. The MCST made use of the Telecommunications Act to block access to such illegal file-sharing sites, whereas in the past, the Telecommunications Act has solely been used to restrict traffic to pornographic or North Korea-related online material.

- The MCST investigated Korean university campuses and confiscated 12,739 illegally copied books, down 23 percent from the 16,547 copies seized in 2012.

- The MCST Judicial Police conducted software inspections at 480 companies in 2013 with a piracy rate of 21.5 percent. In 2012, the MCST raided 596 companies and found damages amounting to 15.5 billion won (USD 14.6 million), with a piracy rate of 35 percent.

- In 2013, the MCST recommended 644 IPR related cases for legal action to prosecutors. Among the 644 cases, 630 were for online piracy, and 14 were for off-line piracy.

Lastly, the ROKG established the Online Infringement Taskforce (OIT), a multi-agency team to combat online copyright violations. The taskforce is composed of Special Judicial Police officers from the MCST, enforcement officers from the KCC, and enforcement staff from the CPC. They conducted special enforcement actions for five months from January to May, 2013 and the OIT issued search warrants and delivered 12 torrent site operators of 10 torrent sites and 41 persons who uploaded more than 1,000 seed files to prosecutors for indictment. Estimated damage from those 10 sites total 866 billion won (USD 814 million).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Office.Seoul@trade.gov

Local lawyers list: http://seoul.usembassy.gov/acs_lawyer_list.html

8. Transparency of the Regulatory System: The Korean regulatory environment can pose challenges for all firms, both foreign and domestic. Laws and regulations are often framed in general terms and are subject to differing interpretations by government officials, who rotate frequently. Regulations are sometimes promulgated with only minimal consultation with industry and with only the minimally required comment period. Lastly, regulatory authorities often issue verbal guidelines or other legally enforceable dictates that many firms find burdensome and often difficult to follow. The Park deregulation plan seeks to eliminate the use of verbal guidelines and dictates. The KORUS FTA also includes many provisions designed to address such issues.

According to Korea's Administrative Procedures Act, proposed laws and regulations (Acts, Presidential Decrees or Ministerial Decrees) should be published and public comments solicited for at least 40 days prior to promulgation. Draft bills are often available on the websites of relevant ministries without notice that they have been published. The rule-making process often remains non-transparent, particularly for foreigners. Proposed rules are sometimes published with insufficient time to permit public comment and industry adjustment. For example, regulatory changes originating from legislation proposed by members of Korea's National Assembly are not subject to public comment periods. When notifications of proposed rules are made public, they usually appear in the Official Gazette, but not consistently, and only in the Korean language; thus, much of the 40-day comment period can be exhausted translating complex documentation.

The Korean government may restrict investments that disrupt production of military products or equipment, or if the company the foreigner is investing in exports items that may be later used for military purposes differing from their originally intended use. Foreigners linked to a country or an organization that may pose a threat to national security will also be subject to limitations on their investments in Korean firms. Related government agencies must ask MOTIE to review the case within 30 days of a foreign investor filing an application for regulatory approval, and MOTIE must make a decision within the following 90 days.
The World Economic Forum (WEF) 2013-14 Global Competitive Index ranked Korea 25th overall in global competitiveness, among 147 nations surveyed, a deterioration from its ranking of 19 in 2012-13. The 2013-14 report cited persistent concerns in the quality of its institutions (74th), its labor market efficiency (78th), and its financial market development (81st), even though the ROK maintained a remarkable capacity for innovation (17th). For more information, visit http://reports.weforum.org/global-competitiveness-report-2013-2014.

9. Efficient Capital Markets and Portfolio Investment

Financial sector reforms are often cited as one reason for the ROK's rapid rebound from the 2008 global financial crisis. Financial sector reforms have aimed to increase transparency and investor confidence and generally purge the sector of moral hazard. Since 1998, the Korean government has recapitalized its banks and non-bank financial institutions, closed or merged weak financial institutions, resolved many non-performing assets, introduced internationally accepted risk assessment methods and accounting standards for banks, forced depositors and investors to assume appropriate levels of risk, and taken steps to help end the policy-directed lending of the past. These reforms addressed weak supervision and poor lending practices in the Korean banking system that helped cause and exacerbate the 1997-98 Asian financial crisis.
In the course of stabilizing Korea's banking sector during the Asian financial crisis, the Korean government injected public funds, thereby acquiring *de facto* ownership of many of Korea's commercial banks, although it publicly committed to refrain from interfering in bank lending and management decisions, except with regard to prudential supervision. In late 2002, the Korean government began its ambitious plan to re-privatize the banks under its control, with the program initially scheduled to end by the first quarter of 2005. Much of this re-privatization has taken place, although the government continues to own the majority of shares in Woori Bank and minority shares in some other banks. Foreign banks are allowed to establish subsidiaries or direct branches. Further relaxation of regulations has widened foreign access to Korea's capital markets and permitted foreign financial firms to engage in non-hostile mergers and acquisitions of local financial institutions. The National Assembly in 2010 amended the Bank Act to: (1) require banks to have outside directors constitute the majority of directors; and (2) forbid majority shareholders and related individuals from being outside directors.

South Korea routinely permits the repatriation of funds, but reserves the right to limit capital outflows in exceptional circumstances, such as situations when uncontrolled outflows might harm the balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of domestic financial markets. The Korean government did not impose such restrictions either during the Asian financial crisis or the global financial crisis, where sharp capital outflows played a major role. However, the government has installed a series of capital control measures under the name of "macro-prudential stability policy," which includes lowering foreign exchange forward-position limits for foreign bank branches in 2010, re-introducing a withholding tax on foreign investors' government bond purchases, and imposing a bank levy on non-deposit financing in foreign currency from August 2011. On December 3, 2012, the government lowered the forward-position limits again and changed bank levy provisions to promote long-term financing.

Foreign portfolio investors now enjoy good access to the ROK stock market. Aggregate foreign investment ceilings in the Korean Stock Exchange (KSE) were abolished in 1998, and foreign investors owned 35.3 percent of KSE stocks and 9.9 percent of the Korean Securities Dealers Automated Quotations (KOSDAQ) as of the end of 2013. The market turnover rate was 231 percent of market capitalization in 2013. Retail investors are extremely active in the Korean stock markets. More than 80 percent of KSE and KOSDAQ retail trading is conducted online. Thus, a large majority of retail investors are day traders, implying a constant source of volatility for the markets. The Korean government permits stock purchases on margin, requiring that transactions be settled within three business days.

Portfolio investors have shown less appetite for the smaller, more volatile, technology-rich KOSDAQ. Since the collapse of the Daewoo Group in 1999, Korea's largest corporate bankruptcy, the country's bond market has been almost moribund, as sellers have far outnumbered buyers. The total assets of Korea's commercial banks as of the end of September 2013 were 1,419 trillion won, or about USD 1.3 trillion.

Long-term interest rates, around 3 percent, remain comparatively high. Inflation, meanwhile, remained at 1.3 percent throughout 2013. The spread between short-term money (91-day CD rate) and long-term money (the benchmark 3-year corporate bond rate) rose to 47 basis points in 2013 from 40 basis points in 2012. Concerned about inflation, the Bank of Korea (BOK) froze the benchmark rate at 2.5 percent for eleven consecutive months, from May 2013 until April 2014, even as inflationary pressure remained weak throughout the period.

10. Competition from State-Owned Enterprises

Many South Korean state-owned enterprises (SOEs) continue to exert significant control over certain segments of the economy. By the end of 2002, major SOEs including Korea Telecom (KT), Pohang Iron and Steel Corporation (POSCO), Korea Tobacco and Ginseng Corporation (KT&G), and Korea Heavy Industries and Construction Corporation were fully privatized. No SOEs have been privatized since 2002. The Lee Myung-bak Administration called off most plans to restructure SOEs for reasons both political (conflict with labor unions) and economic (concern about the impact the privatizations would have on the economy in the midst of the global financial crisis). Today, there are 37 remaining SOEs in Korea, active in the energy, real estate, and infrastructure (railroad, highway construction) sectors. The law has traditionally sought to give SOEs a leading role in these sectors, but over the past several years, the government has increasingly tried to attract more private participation as well, especially in the real estate and construction sectors.

SOE reforms are needed, but will be politically difficult to achieve. For example, the Korea Electric Power Corporation (KEPCO) continues to subsidize energy costs for certain sectors, including certain key industries. As the ROK imports 97 percent of its energy needs, this subsidization effort has benefited Korea's manufacturing-based economy, but resulted in KEPCO absorbing significant losses. In addition, the lack of market-based pricing for energy also has hindered Korea's domestic demand for energy-efficient technologies.

The Public Institutions Management Act (PIMA) gives authority to the Ministry of Strategy and Finance to administer control of many SOEs, mainly focusing on administrative and human resource management. Responding to political pressure and criticism of inefficiency, lax management and high levels of debt at SOEs, the Korean government introduced a plan to rein in excess debt and upgrade lax management policies in its three-year Economic Innovation Plan, introduced on February 25 this year. According to the debt reduction plans, debt for the 18 "highly indebted" SOEs, which had been forecast to continue climbing until 2017, will begin falling in 2016, and the debt ratio for 41 SOEs will drop to 200 percent in 2017 from 237 percent in 2013. As of end 2012, total debt for 173 non-financial public institutions is 389.2 trillion won (USD 345 billion), up 25.3 trillion won or 7 percent from the previous year. The debt level is equal to approximately 28 percent of the nation's nominal GDP, similar to France (28.9%), higher than the UK (2.2%).

SOEs subject to PIMA are required to report to a line minister; the President or line ministers appoint senior government officials or politically-affiliated individuals as CEOs or directors. SOEs are explicitly obligated to consult with government officials on their budget, compensation, and key management decisions (i.e. pricing policy for energy and public utilities). For other issues, the government officials informally require the SOEs to consult with them before making decision or report to them afterward.

The South Korean government does not provide any official data on SOEs' market shares. The ROKG requires each entity to disclose financial statements, the number of employees, and average compensation figures.

The Korea Investment Corporation (KIC), a sovereign wealth fund, was established in July 2005 under the KIC Act. KIC is wholly government-owned with an independent steering committee that has the authority to undertake core business decisions. KIC is on the PIMA list. Korea has no asset management bureau. KIC is mandated to manage assets entrusted by the ROKG and the BOK. Based on the continued increase in entrusted assets and gains realized on investments, assets under management stood at USD 63.3 billion at the end of September 2013.
KIC has no role in the local economy as it has only engaged in overseas investments to date. It is required by law to publish an annual report and to submit its books to the steering committee for review. KIC is also required to follow all domestic accounting standards and rules.

11. Corporate Social Responsibility

Corporate social responsibility (CSR) awareness is growing in Korea but is still in a nascent stage. For those South Korean firms that publish CSR reports, environmental impact, particularly on land and water resources, is the primary focus. Korean CSR reflects the continued impact of traditional notions of CSR as charity. The Korean government is increasingly encouraging companies, including foreign subsidiaries and branches, to engage in CSR activities, particularly with the Administration's emphasis on shared growth.

12. Political Violence

The Democratic People's Republic of Korea (DPRK, or North Korea) and the ROK technically remain in a state of war, since the Korean War's hostilities ended in 1953 with an armistice agreement rather than a peace treaty. There have not been general hostilities on the Korean peninsula since the armistice, but North Korea continues to threaten the peace on the peninsula through deadly military provocations. Most recently, North Korea sank an ROK naval vessel in March 2010, killing 46 sailors, and shelled a South Korean island near the North Korean landmass in November 2010, killing two marines and two civilians. North Korea has conducted both ballistic missile and nuclear tests in contravention of multiple UN Security Council Resolutions recognizing the moves as threats to international peace and security.

The ROK does not have a history of political violence directed against foreign investors. Embassy Seoul is unaware of any politically motivated threats of damage to foreign-invested projects or foreign-related installations of any sort, nor of any incidents that might be interpreted as having targeted foreign investments. Labor violence unrelated to the issue of foreign ownership, however, has occurred in foreign-owned facilities in the past.

13. Corruption

The law provides criminal penalties for official corruption, and the government generally implements these laws effectively. By law, public servants above a certain rank must register their assets, including how they were accumulated, thereby making their holdings public. According to the Transparency International Global Corruption Barometer 2013, only three percent of South Koreans had paid a bribe to receive attention from at least one of nine different service providers (in customs, education, the judiciary, land related services, medical services, the police, registry & permit services, tax authorities, and utilities) in the past 12 months. Of the 95 economies surveyed with an average of 27 percent of the population with experience paying bribes, ROK was placed in the lowest group along with other Asian countries like Japan (1%), Malaysia (3%) and New Zealand (3%).

The ROK signed the United Nations Convention against Corruption on December 10, 2003 and ratified it on March 27, 2008. The ROK is also a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and a member of the Asia Pacific Economic Cooperation Anti-Corruption and Transparency Experts Task Force (APEC ACT).

There are several government agencies responsible for combating government corruption including the Board of Audit and Inspection, which monitors government expenditures and the Public Service Ethics Committee, which monitors the civil servants' financial disclosures and their financial activities within their tenure and first few years into their retirement. The Anti-Corruption and Civil Rights Commission manages the public complaints and administrative appeals on corrupt government practices. The Financial Intelligence Unit has cooperated fully with U.S. and United Nations efforts to identify and shut down sources of terrorist financing. Transparency International has maintained a National Chapter in the ROK since 1999. The Park Administration has increased scrutiny of potential corporate mismanagement, resulting in criminal convictions for tax evasion and embezzlement for several senior ROK chaebol owners.

14. Bilateral Investment Agreements

The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with South Korea, which contains general provisions pertaining to business relations and investment. The KORUS FTA contains strong, enforceable investment provisions that went into force in March 2012.

15. OPIC and Other Investment Insurance Programs

U.S. investments in Korea are eligible for insurance programs sponsored by the U.S. Overseas Private Investment Corporation (OPIC). OPIC has not, however, guaranteed any U.S. investments in Korea since 1998, when OPIC reinstated coverage it had suspended in 1991 due to concerns about worker rights. Coverage issued prior to 1991 is still in force. Korea has been a member of the World Bank's Multilateral Investment Guarantee Agency since 1987.

16. Labor

According to the Ministry of Employment and Labor (MOEL), there were approximately 26 million economically active persons in ROK with an employment rate (OECD standard) of approximately 64 percent. The overall unemployment rate of 3.0 percent in 2013 was much lower than the unemployment rate of youth aged 15-29, which at 8.0 percent is becoming a domestic concern. Since 2004, South Korea has implemented a “guest worker” program known as the Employment Permit System (EPS) to help protect the rights of foreign workers. EPS allows employers to legally employ a certain number of foreign workers from 15 countries, including the Philippines, Indonesia, and Vietnam, with which the ROK maintains bilateral labor agreements. For 2014, South Korea decreased its quota to 53,000 migrant workers. At the end of September 2013, approximately 480,000 foreigners (including overseas Koreans) were said to be working under EPS in manufacturing, construction, agriculture, livestock, service, and fishery industries.

Korean law provides workers with the right to associate freely and allows public servants to organize unions. The labor law, however, restricts unions from permitting membership to those who have lost their jobs. In 2013, the application of this aspect of the law led to the decertification of the Korean Teachers and Education Workers Union (KTU) and the refusal by the government to certify the Korean Government Employees Union. The labor law was amended in 2011 to authorize union pluralism. The 2010 revision of the Trade Union and Labor Relations Adjustment Act (TULRA), which became law in 2011, restricted the number of full-time labor union officials and banned employers from paying wages to such officials for union work. The TULRA revision also allowed the formation of multiple unions at the same workplace, but required only one bargaining channel. The ratio of organized labor to the entire population of wage earners at the end of 2012 was 10.3 percent; this ratio has remained relatively stable over the last ten years. Korea's trade union participation is lower than the latest-available OECD average of 17.5 percent in 2011; more information is available at http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN.

The country has three national labor federations. The Korean Confederation of Trade Unions (KCTU) has 2,310 labor unions and 808,664 members, and the Federation of Korean Trade Unions (FKTU) has 383 labor unions and 604,705 members. KCTU and FKTU are affiliated with the International Trade Union Confederation (ITUC). Most of FKTU's constituent unions maintained affiliations with international union federations. The Korean Labor Union Confederation (KLUC) is the smallest and newest federation, with only 100 unions and 17,914 members, and attracts those seeking a trade union that is neither militant nor political. There are 2,384 unions with 350,054 workers who do not belong to a nationwide federation but rather focus only on their corporate issues.

The law provides for the right to collective bargaining and collective action, and workers exercise these rights in practice. The law also empowers workers to file complaints of unfair labor practices against employers who interfere with union organizing or who discriminate against union members. The National Labor Relations Commission can require employers found guilty of unfair practices to reinstate workers fired for engaging in union activities.
Labor organizations are permitted in export processing zones (EPZs), but foreign companies operating in EPZs are exempt from some labor regulations. Exemptions include provisions that mandate paid leave, requiring companies with more than 50 employees to recruit persons with disabilities for at least 2 percent of their workforce, encouraging companies to reserve 3 percent of their workforce for workers over 55 years of age, and restricting large companies from participating in certain business categories.

The Labor Standards Act prohibits the employment of persons under age 15 without an employment authorization certificate from MOEL. Because education is compulsory through middle school (approximately age 15), few employment authorization certificates were issued for full-time employment. To obtain employment, children under age 18 must obtain written approval from either parents or guardians. Employers must limit minors' overtime hours and are prohibited from employing minors at night without special permission from MOEL.
The minimum wage is reviewed annually. Labor and business set the minimum wage for 2014 at 5,210 won (approximately USD 5) per hour, a 7.2 percent increase from last year that is relatively in line with the 5.5 percent increase in the minimum cost of living. The Labor Standards Act also provides for a 50 percent higher wage for overtime.

The government sets health and safety standards, and the Korea Occupational Safety and Health Agency (KOSHA) is responsible for monitoring industry adherence to these standards. KOSHA conducts inspections both proactively according to regulations and reactively in response to complaints. It also provides technical assistance to resolve any deficiencies discovered during inspections. KOSHA reports on its website descriptions of and statistics on work-related injuries and fatalities biannually. In 2012, there were 92,256 work-related accidents and 1,864 fatalities, a 1.11 percent decrease and 0.22 percent increase respectively from the previous year. KOSHA provides training and subsidies to improve work safety and reduce work-related accidents. Its services are extended to migrant workers as its training modules and materials are available in 10 languages and disseminated to various worksites.

Contract and other "non-regular" workers accounted for a substantial portion of the workforce. MOEL reported that there were approximately 6.36 million non-regular workers, comprising approximately 25.3 percent of the total workforce as of March 2014. Korea Statistics reported that in 2011 non-regular workers performed work similar to regular workers but received approximately 57 percent of the wages of regular workers.

The Act for Part-Time and Temporary Workers' Protection prohibits the discrimination of non-regular workers and requires that non-regular workers employed longer than two years be converted to permanent status. The two-year rule went into effect on July 1, 2009. Both the labor and business sectors have complained that the two-year conversion law forced many businesses to limit the contract terms of the non-regular workers to two years and incur the sunk cost for entry of new labor every two years. As part of an overall effort to increase labor force participation rates, the Park Administration has proposed regularizing non-regular workers' status.

17. Foreign Trade Zones/ Free Ports

The Foreign Investment Promotion Act (FIPA) is meant to support potential investors and create a business environment conducive to increased foreign investment. FIPA offers foreign investors various incentives including tax breaks and cash grants for projects.

Korea aims to attract more foreign investment by promoting its eight Free Economic Zones (FEZs): Incheon; Busan/Jinhae (in South Gyeongsan Province, to be completed in 2020); Gwangyang Bay (in South Gyeongsan Province, to be completed in 2020); Yellow Sea (in South Chungcheong Province, to be completed 2020); Daegu/Gyeongbuk (in North Gyeongsan Province, to be completed in 2020); Saemangeum/Gunsan (in North Jeolla Province, to be completed in 2020), East Sea (in Donghae and Gangrung, to be completed in 2014) and Chungbuk. The FEZs differ from other zones designated for foreign investment in their focus on creating a comprehensive living and working environment with biotechnology, aviation, logistics, manufacturing, service and other industrial clusters as well as international schools, recreational facilities, and international hospitals. In 2009, the National Assembly passed the Special Act on Free Economic Zones to increase tax benefits for investment, increase the FEZ infrastructure budget, and streamline the approval process for land development. On December 28, 2010, the government announced a plan to abolish inefficient, underperforming, and unfeasible portions of the nation's free economic zones as part of its efforts to reorganize the specially created districts. By the plan, the Ministry of Knowledge Economy removed the FEZ status from 90.51 square kilometers (22,366 acres), or 15.9 percent of the total land in the zones in February 2012. To revitalize foreign investment and ensure it is diversified throughout the country, the Korean government designated new FEZs in North Chungcheong Province and in Gangwon Province in 2013. According to the FEZ Planning Office, the eight FEZs have attracted just USD 1.35 billion in investments since 2003. The country plans to invest 140 trillion won (USD 135 billion) on their infrastructure and promotion by 2020.

Songdo City in the Incheon FEZ in 2012 won the right to host the UN's Green Climate Fund and aims to become an innovative, state-of-the-art Northeast Asia business hub. The city will be the first LEED (Leadership in Energy and Environmental Design) certified district in Korea and the largest project outside North America to be included in the LEED Neighborhood Development Pilot Program. The Green Climate Fund and World Bank Korea offices opened in the Incheon FEZ in December 2013. The Incheon FEZ offers commercial office space, residences, retail shops, hotels, schools, hospitals, and cultural facilities. Additional information is available at http://www.songdo.com.

There are also six foreign-exclusive industrial complexes in Korea in different parts of the country, designed to provide inexpensive plant sites, with the national and local governments providing assistance for leasing or selling in such sites at discounted rates. In addition, there are four Free Trade Zones in Donghae, Suncheon, Gunsan, Daebul, and Masan where companies may pursue their business with government support, but without the usual legal requirements such as approval procedures for export and imports and customs duties. There are also seven Foreign Investment Zones designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options.
A good source of information on Korea's various free trade zones is the government-run "Invest Korea," an inward investment promotion organization under the Korea Trade and Investment Promotion Agency (KOTRA). More information is available here:

Invest Korea, KOTRA Bldg.
13, Heolleungno, Seocho-gu, Seoul, Republic of Korea
Tel: (82) 1600 - 7119
Fax: (82-2) 3497 - 1611
http://www.investkorea.org

In addition, the Korean government also continues to put significant effort into programs to enhance the quality of life in Korea for foreign investors and their families. There are 54 foreign schools in Korea; the Global University in the Incheon FEZ now hosts branches of the State University of New York and George Mason University; a branch of the University of Utah is expected to open in September 2014. More information on international education is available at http://www.isi.go.kr.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

	Annual Flow			Cumulative
(USD Millions)	2011	2012	2013	Stock
Total Inward FDI	13,673	16,286	14,548	218,092
United States	2,372	3,674	3,525	53,349
China	651	727	481	4,945
EU				

	5,032	2,714	4,802	72,210
Japan	2,289	4,542	2,690	35,494
Others	3,329	4,629	3,050	52,094
Total Outward FDI	45,531	39,008	35,120	363,528
United States	16,530	6,904	5,355	69,814
China	4,770	6,477	4,797	61,622
EU	3,705	4,950	2,711	45,817
Japan	259	652	856	5,796
Others	20,267	20,025	21,401	180,479

Source: The Export-Import Bank of Korea and the Ministry of Trade, Industry & Energy
Note: This data is based on the notification of cases.

19. Contact Point at Post

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