

TOP STORY

Hyundai-Kia Make Foray into Europe

Hyundai-Kia Automotive Group lifted the curtain on the European market penetration plan by establishing a local production base in the Eastern Europe.

Hyundai-Kia Chairman Chung Mong-gu disclosed its plan to make the Kia Motors' Slovakian plant profitable within the first year of its operation and to raise 2010 European sales goal to 1.22 million units and a 5.3 percent market share, with Hyundai Motor's Czech plant.

A ceremony to celebrate the completion of Kia Motors Slovakia (KMS) plant was held on April 24 (local time) in Zilina, a city located in the northeast of the country, with 1,500 political, governmental and business figures from both nations, including Chairman Chung Mong-gu, Kia Motors, CEO Chung Eui-sun and Slovakian Prime Minister Robert Fico.

Meanwhile, the ground-breaking ceremony for the Hyundai Motor plant, boasting annual production forecast of 300,000 units in the Czech's northeast Nosovice region near Austria is scheduled for April 25.

If this Czech plant also begins operation, Hyundai-Kia will be equipped with production facilities that yield annual production of 600,000 units in the world's largest automobile market.

Through the establishment in the three largest car markets in the world, Asia, U.S. and Europe, Hyundai-Kia is now capable of tactfully countering-by minimizing foreign exchange risks and expanding sales through localization-the common obstacles experienced by companies operating in foreign countries.

Chairman Chung stressed in his opening speech, "By commencing the operation of the Slovakian plant, Kia Motors has taken its first step towards a truly global management era. Backed by high productivity and ceaseless management innovations, profit will be actualized within the first year of its operation."

"I truly congratulate completion of the factory and successful launching of 'Cee'd,' the first car brand manufactured in Europe. For the success and development of Kia Motors

in Europe, both our people and the government will give wholehearted support,”
promised PM Fico.

[Dong-eun Lee / KHS]

EDITORIAL

Country of Origin on Imported Beef Must be Labeled

South Korea resumed importation of U.S. beef since it was banned for more than three years in December, 2003, due to concerns over mad cow disease.

South Korea, once the third-largest market for U.S. beef, has planned to return only the packages containing banned bone fragments to the U.S.

As Korea is expected to continue its U.S. beef imports, the consumers now will be able to purchase beef from both Australia and the U.S.

In other words, the consumers will have a wider spectrum of choices depending on their preferences in price or quality-inexpensive beef from overseas or top quality beef from domestic farms.

However, the consumers often fail to distinguish the difference between the imported and domestic since the products bear no information concerning place of origin.

As long as South Korea resume imports of, the consumers must be granted with the “right to know” the origin and type of the beef they are purchasing.

According to the Food Regulation Law which was revised in December, 2005, the restaurants over 90 pyeong (300 square meters) must indicate origin country of all beef on the premise while those under 90 pyeong are not required to make the information available.

However, considering that most of the restaurants are small- and medium-sized, it is necessary to make it mandatory for all restaurants nationwide, to provide that information.

If possible, name of the farmer, name of the farmland, and contact information should be provided as well.

[Translated by Bo-yung Kim / KHS]

ECONOMY

Total Gov't Financial Expenditure for 2008 to Hit 256 Trillion Won

Korean government's total expenditure next year is expected to surge by 7 to 8 percent, reaching 256 trillion won maximum, the highest record in 6 years.

Unexpected expenditure needs generated by political parties' introduction of the basic old-age pension has caused such a dramatic increase. If a separate financial supply measure is not prepared, this is highly likely to increase national debt.

The government held a Cabinet council Tuesday morning superintended by President Roh Moo-hyun and confirmed the "2008 Budget Compilation Guide" and "2008 Fund Management Plan Guide" prepared by the Ministry of Planning and Budget (MPB). Specifics of the guidelines will be notified to central government offices by the end of this month.

MPB disclosed on the guidelines that the amount of the government's total financial expenditure (sum of general and special accounts and funds) is somewhere between 253 and 256 trillion won, 7 to 8 percent higher than this year's 237.1 trillion won. This is 1.2 to 2.2 percent higher than this year's 5.8 percent increase rate.

Summing of general and special accounts and funds in calculating government's total expenditure has begun since 2004. The increase of government's total expenditure was recorded to be 6.4 percent in 2005 and 6.9 percent in 2006.

Previously, financial scales had been calculated by adding general accounts and net tax revenue of public investments and loan special accounts. By this calculation method, financial expenditure increased by 9.6 percent in 1999, 7.3 percent in 2000, 11.8 percent in 2001, 9.1 percent in 2002, 2.7 percent in 2003 and 1.6 percent in 2004.

MPB stated that although calculation methods may have changed, the financial expenditure increase is estimated to be the highest record since 2002.

[Dong-eun Lee / KHS]

Korea Attracts \$1.7 Billion by Resolving Foreign Investors' Complaints

The Ombudsman of Korea for the foreign-invested companies has settled approximately 353 complaints and succeeded in raising additional investment worth \$1.72 billion, according to the Korea Trade-Investment Promotion Agency (KOTRA) on April 24.

According to the report “2006 Foreign-invested Ombudsman Annual Report” released by KOTRA, the foreign-invested companies Ombudsman has either handled or consulted about 2,842 complaints from 1999 to 2006.

The number of complaints has recorded an all-time high, 475 in 2002.

However, the complaints figure has dropped to 324 in 2004, but climbed back to 351 in 2005 and 353 in 2006, showing a steady uptrend for three consecutive years.

The ratio of the complaints resolved recorded 54.7 percent in 2004, 75.9 percent in 2005, and jumped to 82.6 percent in 2006.

The additional investment of \$1.72 billion won is 26 percent of the total incremented investment of the existing companies, \$6.61 billion.

Segments of the complaints in 2006 were analyzed: approximately 19 complaints have been registered in the system improvement sector, 12 of which were resolved and 73 complaints in the administrative management field, 66 of which were taken care of.

Ahn Choong-youn, Ombudsman of foreign-invested complaints management has proposed the government: 1) provide active administrative service to the foreign-invested companies, 2) introduce global standard and relax legislation and policies that satisfy the current technology and business environment, 3) expand information service in English and strengthen promotion to attract foreigner’s direct investment, 4) help the foreign companies already advanced into the domestic market to carry out systematic Investment Relations (IR), 5) seek for selective authorization regarding political influence.

[Bo-yung Kim / KHS]

Australian Beef Price Plunges

The price of Australian beef is declining due to the importation of U.S. beef.

Australian beef had been traded in a high price range in Korea thanks to barred importation of U.S. beef but its price started falling since the end of last year and now plunged by a great chunk after the KORUS FTA had closed.

According to beef suppliers on Tuesday, wholesale price of Australian chuck roll dropped by 30 to 40 percent relative to the price at the end of last year. 120 to 150-day old frozen meats which had been priced 10,000 won per kg November last year plunged by 40 percent to 6,000 won now. The price of 80 to 100-day old frozen meat had been priced 7,300 won per kg but fell to 4,800 won.

Importation price also dipped by 20 to 25 percent compared to last November and such price dive is expected to continue.

An official said, "To quickly circulate the remaining stock in the market before full-fledged importation of American beef begins, Australian beef prices would be slashed greatly."

Retail prices are also tumbling. Retail prices of Australian beef sold in large discount stores such as E-mart and Lotte Mart have been cut approximately by 20 percent relative to previous months.

[Dong-eun Lee / KHS]

Korean Companies Have 'Not So Much' Cash on Hand

While domestic companies have been criticized for "sitting on" too much cash, not actively investing, a recent research report stated that such symptom has been observed only in some companies, and Korean companies, after all, does not really have so much idling cash compared to their global peers.

The Korea Development Institute (KDI) said in the "Research on changes in patterns that companies reserve cash and decisive factors" report released on April 24 that, "Korea's listed manufacturing companies do not have a larger amount of cash than they did during the time of the financial crisis, and indeed scored a cash reserve ratio lower than that posted by the U.S. companies."

According to the survey conducted by the institute, the top six companies-Samsung Electronics, Hyundai Motor, POSCO, LG.Philips LCD, SK and Samsung Heavy Industries-accounted for more than 50 percent of the total cash reserve by the top 15 domestic companies in 2005.

Samsung Electronics posted 6.4 trillion won in cash reserve and topped the list again in 2006, followed by POSCO (5 trillion won), Hyundai Motor (4.4 trillion won), Samsung Heavy Industries (2.3 trillion won) and S-Oil (2 trillion).

Nine companies among top 15 surveyed were revealed to have over 1 trillion won in cash, while they reported that they maintain such a high cash level to guard themselves against possible financial difficulties and to take precautionary measures against uncertain business conditions.

While American companies reported to hold cash accounting for 24 percent of the companies' total assets (as of 2004), Korean companies posted a cash reserve ratio of 10 percent on average, top nine firms among them, 16.3 percent.

[Sun-young Park / KHS]

MARKET

Venture Companies Disappearing from KOSDAQ

The effects of venture boom are rapidly withering in the KOSDAQ market, the birth place of venture companies in Korea.

The KOSDAQ-listed venture companies were discovered to be decreasing in number amid their notably poor business performances recorded recently. The group of venture firms that was reported to have faired poorly in the KOSDAQ market, attributed their weaknesses to a decrease in blue-chip venture companies entering into the market, flat performance of the established venture firms, and lack of policy measures supporting the companies listed in the KOSDAQ market.

According to the KOSDAQ-Listed Companies Association on April 24, venture firms numbered 374 in the KOSDAQ market, accounting for 38.5 percent of a total of 971 KOSDAQ-listed companies as of April 23.

This is the first time in eight years since 1999 when a venture boom first have sprung in the market that venture companies account for less than 40 percent in the KOSDAQ market.

Then the number of venture firms listed in the KOSDAQ increased to 405, 44.1 percent of the market in 2005, boosted by the government's venture promotion policy intended to induce the "second venture boom" in the market.

However, the number decreased to 390 (40.5 percent) in 2006, followed by a decline that seems interminable, at least till now.

The situation has engendered from that venture companies newly entering into the KOSDAQ market are decreasing in number and that those extending validity of the venture company certifications after their expiring.

The venture firms that transformed into regular companies due to expiration of their venture company certifications totaled 37 since the beginning of this year, while those which opted for the other alternative-being designated as a R&D enterprise and/or a technology valuation guarantee firm-numbered 12 only.

KOSDAQ-listed companies are expected to reach 1,000 by the year end; however, venture firms are most likely to remain weak in the KOSDAQ market if the decline continues.

[Sun-young Park / KHS]

COMPANIES

FKI Chairman Stresses Deregulation and Stabilization of Industrial Relations

Chairman Cho Suk-rae of the Federation of Korean Industries (FKI) insisted on Tuesday that regulations for domestic business activities be eased and industrial relations be stabilized so as to create an environment that is conducive to business activities and bring benefits to the nation's economic development, ultimately.

In his presentation on the "Diagnosis of Korean economy and its vision for the future" during the Radio & TV Reporters' Club Forum held at 63 Building in Yeoido on April 24, FKI Chairman Cho stated, "In order to reinvigorate domestic economy and ultimately advance in the world, the domestic business system must improve to meet global standards and create a business environment where companies can thrive capitalizing their potential in full."

Cho spoke figuratively, "A pebble thrown into a pond where fish swim scatters them away. Likewise, a fluctuating business environment deters companies from making aggressive and timely investment decisions. Political stability and reconciliation of social conflicts will constitute the optimal business environment for companies, inviting exuberant investment activities."

Cho additionally asserted that, "For Korea to take advantage of the KORUS FTA for an economic takeoff, business regulations and labor-management relations must also be elevated to the global standards. Otherwise, a large number of domestic companies will shift their operations overseas for a better business environment."

Cho compared the relations between labor and management to "a group sharing a common destiny" when he said, "Stabilization of labor-management relations is the key to success in business. Thus, both parties of labor and management should collaborate as they are sharing a common objective."

[Sun-young Park / KHS]

Chung Mong-gu Visits Slovakia to Kick Off Europe's Best Plant

Chung Mong-gu, chairman of Hyundai-Kia Motor Group, met Robert Fico, Prime Minister of Slovak Republic, at Zilina City Holiday Inn to celebrate completion of the Kia's on-field plants and said Hyundai Motor Group will bring up its plants in Slovakia to be among the best in Europe, which is expected to become the platform for the company to make marks in the European automobile market.

Chung has expressed gratitude to the government of Slovakia and regional officials who have showed unlimited support and cooperation for the plants construction.

“We will manufacture top-notch cars in the European market and put all our efforts to satisfy expectations of the public and government of Slovakia,” said Chung.

In regards to Chung’s remark, Fico has said that Kia Motors’ plants in Slovakia will bolster Slovakia’s economic development.

Slovakia will provide utmost support and collaboration to Kia Motors to enhance economic cooperation and improve friendship.

Chung and Fico have also shared views on the ways to improve the development plan, to fortify mutual economic cooperation, and to foster both automobile industries.

[Bo-yung Kim / KHS]

Domestic Constructor to Create Virtual Residence in ‘Second Life’

A domestic construction company is to develop a “Second Life,” a 3D virtual reality service which has recently gained much popularity in North America.

Moreover, Korea’s largest Second Life community is to partake in the development, in a joint-project format.

According to related industry sources on April 24, ELD Developer & Construction is to build show houses and virtual residential complexes in Second Life, a first in such a realm.

ELD Developer & Construction is to conduct a joint-development project with Joywind Korea, the largest community within Second Life for Korean users and to complete construction of show houses of the apartments currently on sale by May. Joywind Korea is Korea’s largest Second Life community with 7,800 members.

Joywind Korea is to provide technical support to construction of show houses while ELD Developer & Construction purchases lands surrounding Joywind’s territory in Second Life and donate it to the community, free of charge.

ELD Developer & Construction continues to further publicize its show houses and virtual residences to the domestic and international Second Life users.

ELD Developer & Construction’s headquarter is located in Incheon. Apartment complexes had already been constructed in Siheung and Hwaseong of Gyeonggi province, Jeonju and Imsil of Northern Jeolla province and two other regions in Korea. The constructor is currently selling two apartment complexes in Iksun and Jeongeup cities of Northern Jeolla province and plans to put additional apartment complexes up

for sale in Daejeon's Seogu.

[Dong-eun Lee / KHS]

Samsung SDI Reports Loss

Samsung SDI Co., South Korea's leading manufacturer of Plasma Display Panels (PDP), has turned into red with revenue of 1.14 trillion won, operating loss of 110.2 billion won in the first quarter of the year due to the price drop in its key products in the global market.

The operating loss was a record in nine quarters while the volume of deficit culminated since the company has been established.

The loss was greater than market expectation of 37 billion won, causing the financial analysts to lower the stock's target price.

Samsung SDI has attributed such worse-than-expected earnings to the seasonal factors and brutal price competition among the set companies in the display market.

Since the sales by all business sectors other than PDP have plummeted, ominous signs loom on the horizon that even quarters-to-come are not so promising.

The secondary battery business which is expected to offset the sluggish PDP business has also suffered from a price hike in raw materials and reduction in sales.

The Braun tube business has also reported a slowdown in large-sized product sales followed by the price drop in flat display products.

Thus, the sales volume of the company has took a deep dive by 30 percent in the first quarter of this year.

"We will expand the large-sized PDP supply capacity via the fourth line scheduled to begin operation in May, fortify full High Definition (HD) line-up, and improve performance in the second quarter by excelling our competitors," stressed an official from Samsung SDI.

Also, Samsung SDI has planned to galvanize the global manufacturing system to establish a new big-slim Braun tube manufacturing line in China, Hungary and Brazil.

[Bo-yung Kim / KHS]

GENERAL

English Subtitles to be Inserted in Terrestrial Broadcastings

Trial service of English subtitles for terrestrial broadcasted programs will be administered this year.

Moreover, domestic corporations in need of foreign direct investments (FDI) will be permitted to move into the foreign investment zone.

The government held the first 2007 FDI Promotion Committee meeting on April 24 chaired by DPM and Minister of Finance and Economy Kwon O-kyu to confirm measures to accelerate FDI in Korea.

According to the recent policy, the government is to broadcast English subtitles on one terrestrial broadcasted program this year.

A governmental official stated, "A program with once or more weekly airing by a broadcasting center will be selected."

The government expected to improve Korea's investment environment by better educating foreigners about the Korean culture and the language.

Meanwhile, to shorten the working process for FDI companies, the Korean government decided to restrictively permit domestic business partners of foreign enterprises, without foreign shares, to enter the foreign investment zone, if necessary.

[Dong-eun Lee / KHS]

Korea-U.S. FTA Fails to Boost Employment by Conglomerates

Korean conglomerates have decided to maintain their current employment levels even after Korea-U.S. Free Trade Agreement (FTA) comes into effect.

According to a survey conducted by Incruit, an online career site, 91.3 percent of 103 domestic companies with top ten sales records across industries reported that they will maintain their current recruiting plans despite the Korea-U.S. FTA agreement, which is expected to bring forth changes in the overall market environment.

Only 7.8 percent of the respondents have decided to ameliorate the current job drought, while one percent has planned to even cut short their current recruiting needs.

As 50 percent of the pharmaceutical companies have decided to deliver a rosy picture in the job market, the experts in the job market projected that aggressive employment changes in the overall corporate management climate will be centered on the pharmaceutical industry.

About 25 percent of the IT companies, 14.3 percent of the petrochemical companies and 12.5 percent of the food and beverage companies have announced to pull up employment while industries including automobile, logistics & trade, distribution & transportation, construction and finance have expressed to adhere to their already-fixed recruiting plans.

The Small- and Medium-sized Enterprises (SMEs) have showed little interest in changing in their employment levels.

About 69.4 percent of the 235 SMEs with less than 300 employees have stated that Korea-U.S. FTA will not alter their directions in employment decisions.

However, 25.5 percent of the SMEs have responded to increase the number of employees, revealing more interest than the conglomerates.

Sectors which expressed inclination to increase employment are: petrochemicals (50 percent), manufacturing shoes & fiber (50 percent), IT (41.7 percent), construction (36.4 percent), pharmaceutical (33.3 percent), and service (33.3 percent).

[Bo-yung Kim / KHS]

Domestic Companies to be Admitted into Foreign Investment Zone

Some domestic corporations are permitted to move into the foreign investment zone under certain stipulated restrictions. An IR meeting intended for the U.S. enterprises interested in investing in the Gaesong Industrial Complex is expected to be held some time in October.

In addition, English subtitles will be superimposed within the year on the ground-wave broadcast for a test service, while ten industries including the machinery, chemical and electricity/electronics, have been selected to focus on foreign investment for advancement of their industrial structures.

The government held the first meeting of the FDI (foreign direct investment) Promotion Committee for the year 2007 with DPM and Minister of Finance and Economy Kwon O-kyu as the chairperson on April 24, where the government committee has revised policies regarding operation of the country's foreign investment zone and resolved FDI promotion policies for 2007, as stated above.

Particularly, the government has decided to allow some domestic companies without foreign shares to enter into the foreign investment zone within the limits if the

companies have needs to do so as a foreign-invested firm's business partner.

Currently, domestic corporations without foreign shares are not admitted into the foreign investment zone.

An official of the Ministry of Commerce, Industry and Energy (MOCIE) specified that, "We will allow some domestic companies, for example, suppliers to foreign-invested firms, to move into the foreign investment zone, while benefits bestowed upon the firms within the zone, i.e. tax reduction or exemption, will not be provided to domestic companies."

[Sun-young Park / KHS]

For questions or comments, please contact 82-2-2000-2271 or e-mail maeilnews@mk.co.kr

Readers' contributions of opinions and ideas are all welcomed.
Please post your name and contact information when submitting your contributions.