

Comprehensive Information Network for Distribution to Be Launched in 1997

A comprehensive information network for distribution and logistic support is to be set up by the government in 1997. This is to cut down local firms' heavy costs in delivering and storing their products. The Ministry of Economy and Finance plans to make the physical distribution information network link all on-land, maritime and air forwarders directly to their customers, removing the need for middlemen. 2.5 billion won will be invested in developing a software program for the network operation next year, and a private operator will be selected in 1997. Through an electronic data interchange (EDI) system, all information related to physical distribution will be transmitted. Without relying on middlemen, customers will be able to enter into transportation contracts with forwarding companies through the network. They will only have to pay a small fee for using the network, saving huge commissions that would have been paid to middlemen. The computer network is expected to save local firms 3 trillion won (some \$ 3.9 billion) in distribution costs per year.

Local Firms' Overseas Construction Surged for the First 9 Months of '95

From January to September of this year, Korean construction firms landed 130 overseas projects worth \$5.25 billion. This is an increase of 16% and 44% in contract amounts and number of orders won, respectively, from a year ago. Korea is expected to attain its target of \$8.2 billion in contract amounts this year, if this trend keeps up. The nation's largest overseas construction market was South Asia with orders amounting to \$3.75 billion for 87 projects, accounting for some 71% of the total contract amount. Europe and the

Middle East placed second and third with orders worth \$603.48 million for 8 projects and \$500.93 million for 14 cases, respectively. Among the nations that placed orders to Korean contractors, Malaysia ranked first with orders worth \$1.24 billion for 13 projects, up 679% from a year ago. Singapore and Indonesia came in second and third, with orders totalling \$934 million for six projects and \$798 million for 16 cases, respectively. Hyundai Engineering and Construction Co. topped other firms with orders of \$1.74 billion for 16 projects. Daewoo Corp., Ssangyong Engineering & Construction Co., and Samsung Engineering & Construction Co. placed second, third and fourth, respectively.

Local Businesses' Overseas Direct Investment Totaled \$2.47 Bil. for the First 8 Months

In the January-August period of this year, overseas direct investment of domestic firms reached \$2.47 billion for 1,021 projects on an approval basis. The number of approved projects fell 310 cases, but the amounts of investment rose \$147.4 million from a year ago. The actually carried out projects amounted to \$1.957 billion in 840 cases, which was up \$664 million and down 118 cases from the same 1994 period. A Bank of Korea official said, "The current trend exhibits a sustained decline in the number of overseas investments, but a rise in investment amounts." Small and medium-sized companies accounted for \$72.2 million in 72 projects in August this year, which is a rise of 6% in amounts from a year ago. Investments in the manufacturing industry were most active with \$1.41 billion in 730 projects for the 8 month period. The largest part of the total overseas investments (58.9%) was accounted for by Southeast Asia with \$1.455 billion.

Financing Regulation for Overseas Investment Strengthened

The Ministry of Finance and Economy announced a new policy for overseas investment that would require firms making overseas investments of more than \$100 million meet at least 20% of the financing with their own funds. For overseas investments worth \$100 million or less, a 10% self-financing ratio will be required. This is designed to curb reckless expansion of overseas investments beyond the company's financial capability. Moreover the investment ban on 14 additional business categories will be lifted, reducing the number of investment-prohibited businesses to three real-estate related ones. Under the new policy, payment guarantees by headquarters companies for their overseas branches will be permitted only within 50% of total overseas investments and any excess guarantees will be subject to the mandatory self-financing ratio for investment. Total payment guarantees will be allowed only within 100% of the net worth of the parent company. The government also drastically relaxed investment procedures by raising the ceiling for main creditor banks of investors to validate investments from \$300,000 to \$10 million.

Korea's Export Growth Rate Highest among 29 Countries

In the first half of this year, Korea's annual export growth rate of 33.4% topped those of 29 OECD (Organization for Economic Cooperation and Development) and NIEs (Newly Industrializing Economies) nations. Mexico and Spain placed second and third with the rates of 32.8% and 30.9%, respectively, followed by Turkey with 29.5% and the Netherlands with 27.3%.

Taiwan marked a rate of 22.7%, Britain 19.4%, Hong Kong 18.3%, Japan 18.1% and the US 16.3%, while the lowest rate of 6.9% was recorded by Australia. Korea's trade volume of \$167.6 billion ranked 11th in the world in the first eight months of the year. If this trend of high export growth keeps up, Korea will become a top ten trade country in the world in 1997. The brisk exports of BEMs (big emerging markets) contributed to the 20% growth in the total trade volume of 54 nations in the world in the January-August period.

Korea's Electronics Exports Surpassed Its Asian Competitors

In the January-May period of this year, Korea's exports of electronics goods outpaced those of its Asian rivals. Korea's shipments of electronics commodities reached \$15.2 billion, up 37% from a year ago. This represents the highest rate among the four largest electronics exporters of Asia including Japan, Korea, Singapore and Taiwan. Japan's electronics shipments were worth \$49.2 billion, up 20.6% over the same period last year. The electronics exports of Singapore and Taiwan posted \$25.4 billion and \$14.3 billion, rising 36.2% and 33.7%, respectively. Singapore, where almost half of its total exports are from the electronics industry, had to turn over first place to Korea for the first time since 1991. In semiconductor-chip exports, Singapore beat others by recording a 83.7% growth rate with \$5.9 billion. Japan, Korea and Taiwan exported \$11.1 billion, \$7.1 billion, and \$2.8 billion worth of chips, respectively. In color TV exports, Korea topped the list with the shipments worth \$680 million, up 11.4% from a year ago and Japan came next with a 9.5% growth rate. However, Singapore and Taiwan's exports declined 0.3% and 8.0%, respectively.

Korean Businesses' Productivity Growth Outpaced Their Rivals'

A recent survey of the Japanese Management Association Consulting (JMAC) shows that Korean firms' productivity growth outpaced their competitors over the world in the past five years. The JMAC also forecasts that the trend will continue in the next five years. In the 1990-94 period, 48% of the Korean firms included in the polls displayed a productivity growth rate over 20%. Only 11% of Japanese firms in the survey exhibited a productivity gain of the same level. The percentages of the firms in other nations with productivity growth rates over 20% stood at 29% for Southeast Asia, 20% for the US and the European Union (EU), and 14% for Australia. Productivity growth rates of the other 52% of the Korean firms were between 6% and 20%. On the other hand, the portions of other nations' firms with productivity growth less than 5% were 45% for Japan, 35% for the US and Europe, 30% for Southeast Asia, and 38% for Australia. The survey predicts that in the coming five years, 45% of the Korean firms polled will raise productivity by more than 20%. The numbers for other nations stand at 12% for Japan, 23% for the US and EU, 28% for Southeast Asia and zero percent for Australia.

Korean Chip Makers Are Expected to Post Huge Profits This Year

Thanks to surging demand for memory chips at home and abroad, each of Korea's three biggest semiconductor chip makers is expected to post a gross profit of more than 1 trillion won (about \$1.25 billion) in 1995. It is expected that the combined net profits of Samsung Electronics, LG Semicon, and Hyundai Electronics this year reach

4 trillion won (\$5 billion) on revenues of \$11 trillion won. The industry leader, Samsung Electronics has already recorded an operating profit of 2.5 trillion won in the first half of this year, outperforming its target of a 1.7 trillion won profit for this year. It has readjusted its 1995 operational goals upward to 5.4 trillion won in sales and 2 trillion won in net profit seeing the trend. Hyundai Electronics is expected to achieve sales worth over 3 trillion won by the year's end, exceeding its goal of 2.6 trillion won set in January. Its expanded production facilities will help it post a net profit surpassing \$1.3 trillion won. Industry experts say that LG Semicon will also mark sales and profit amounts of the level similar to Hyundai's. It has also changed its 1995 sales goal from 2.2 trillion won to 2.6 trillion won, having been encouraged by the brisk sales.

Korea's 30 Conglomerates Have 666 Subsidiaries Overseas

The top 30 business groups of Korea owned a total of 666 overseas subsidiaries as of the end of August according to a report of the Office of Bank Supervision (OBS). The Samsung Group and Daewoo Group topped the list with 123 overseas subsidiaries each. LG placed second with 65 subsidiaries abroad at the end of August, followed by Hyundai with 64, Ssangyong with 41, Sunkyong with 33, Kolon with 22, Hanhwa with 21 and Haitai with 18. Sammi and Dong-Ah Industrial Construction Co. ranked tenth with 15 subsidiaries each, trailed by Hanjin and Doosan with 12. VIP