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Policies and Incentives

Policies and Incentives for R&D (Apr.24, 2014)

Government support is granted to foreign-invested R&D centers in line with individual-type foreign investment zones, but with a greater focus on attracting highly skilled talent.

Incentives include income tax cuts, site support, closer cooperation between industry and universities, more opportunities to take part in state-financed projects, investment promotion activities and the use of global joint R&D.

The 4th Master Plan for Parts & Materials Development (Dec.27, 2016)

With the participation of 15 parts & materials research institutes and 18 project directors from different industries, a Roadmap for the Development of High-Tech New Parts & Materials Technology will be established by 2025.

Top 100 technologies selected by Korea Evaluation Institute of Industrial Technology (KEIT).

A Blueprint for Korea's Transformation from a General-Purpose Material Powerhouse into a Global High-Tech, Value-Added Material Leader (Sep.30, 2016)

The government provides tax benefits and industrialization support to assist large-scale technological development in the private sector.

A 'New Industry Development Fund'(KRW 300 billion) is offered for R&D investments related to corporate restructuring and reshuffling.

Functional materials and value-added products (e.g., agricultural chemistry and cosmetics) have been added to the list of "target industries for extensive support" to facilitate support from Korea Technology Finance Corporation.

Success Case

Solvay

The Ewha-Solvay Research & Innovation (R&I) Center at Ewha Womans University is Solvay's first research center in Korea and the fourth in Asia. The R&D center houses research labs for the development of OLED display technologies, on which Solvay has placed an extra focus.

Solvay's specialty chemicals business at the R&I Center is responsible for the management and sales of specialty chemicals products produced by Solvay in four continents and serves as a regional center in Asia.

KOTRA WORLD WIDE

As Korea's Trade-Investment Promotion Agency, KOTRA has 127 overseas offices and 10 headquarters worldwide.

* Invest Korea(IK), Korea's national investment promotion agency, was established as part of KOTRA to support the foreign businesses in Korea.



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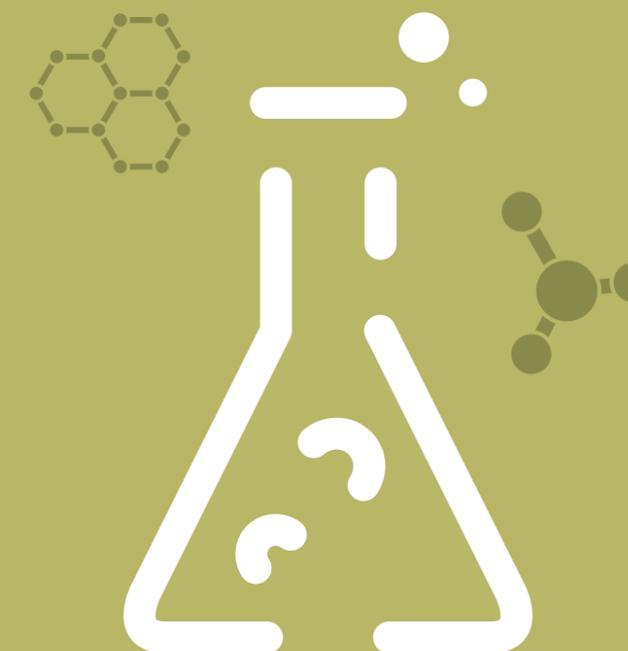
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KOREA'S LEADING INDUSTRIES

SPECIALTY CHEMICALS



01

Korea's Specialty Chemicals Industry

Global Status

Korea boasts the fifth largest chemicals industry in the world as of 2015 (ACC, 2016). Korea's specialty chemicals industry has grown dramatically since the 2000s, thanks to the rapid growth and surging exports of electronic devices and parts such as semiconductors, LCDs and secondary cells.

Korea's specialty chemicals industry has strong growth potential, with its large-scale, highly competitive electronic device and automobile markets. The global trend of enhancing technologies of final materials is also a positive factor for the industry's growth.

Four Korean firms were included in the Global Top 50 Chemical Companies 2015 (C&EN, July 25, 2016).

Global Status of Korean Chemical Companies (2015)

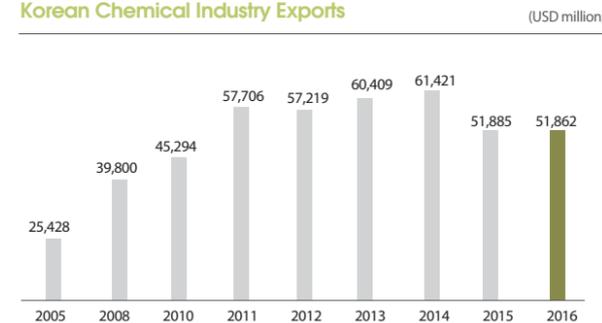


Source: Chemical & Engineering News, Jul.27,2016

Export of Korean Chemical Industry

Korean chemical industry exports are rapidly increasing by 6.7% annually (2005–2016), mainly to China and other countries in East Asia. Specialty chemical exports are expected to rise as well.

Korean Chemical Industry Exports



Source: Korea International Trade Association (KITA)

02

Competitiveness

Manufacturing Powerhouse

A manufacturing powerhouse, Korea has a broad range of industries, including automotive, electrics and electronics, construction, textile, and plastics, forming an extensive market for the chemicals industry. In particular, demand is surging for value-added and high-tech specialty chemicals in the automotive and electronics industries.

- Automotive**
 - Global No.5 automobile manufacturer (4.5 million units in 2015)
 - Green smart cars and electric vehicles are increasingly being developed raising demands for lightweight chemical materials such as carbon fibers and PPS
- DRAM**
 - No.1 global market share in the first half of 2016 (72%)
 - Samsung and SK Hynix are constantly on the rise market shares
- Display and LCD TV**
 - Samsung and LG Electronics are leading the global market
- Compact Secondary Battery**
 - In 2015, Samsung SDI and LG Chem respectively ranked first and second in the compact secondary battery field
 - SK innovation is third company in the world to develop a separator material for secondary batteries
- Mobile Phone**
 - Samsung and LG are the biggest and the sixth biggest mobile phone manufacturers in the world, respectively
 - Korea is the second largest mobile phone manufacturer as of 2016

Human Resources

In Korea, about 120 colleges, universities and graduate schools including Seoul National University, Yonsei University, Korea Advanced Institute of Science & Technology (KAIST) and Pohang University of Science and Technology (POSTECH) with chemistry, applied chemistry, and chemical engineering departments are producing over 80,000 professionals with bachelor's, master's, and doctoral degrees every year.

Infrastructure

Korea has multiple public research institutes in the chemicals industry, such as Korea Institute of Science and Technology (KIST), Korea Research Institute of Chemical Technology (KRICT), Korea Testing & Research Institute (KTR), Korea Institute of Carbon Convergence Technology (KCTECH), Korea Institute of Materials Science (KIMS) and the Fine Chemicals Technology Research Institute in Ulsan Techno Park.

Korea has a solid R&D foundation for high-tech chemical materials. Many R&D centers of private chemical businesses including LG, SK and Hanwha are located in the Daedeok Research Complex, and focus on the development of specialty chemicals.

03

Industry Clusters

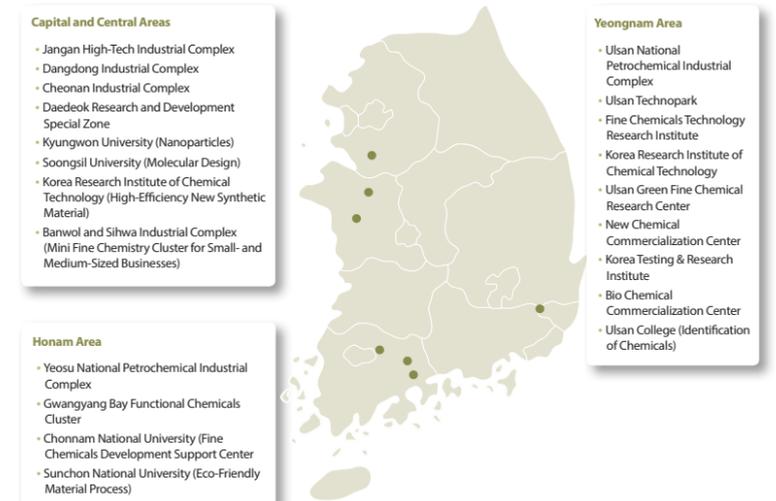
Fine Chemicals Clusters

Korea's fine chemical companies are concentrated in the capital area and traditional petrochemical industrial complexes across the country, providing easy access to skilled workers and logistics services.

About 57% of fine chemical clusters are located in Seoul, Incheon and Gyeonggi-do, while 12% are situated in the Chungcheong Provinces.

Fine chemicals clusters are located in Haknam District in Ulsan, Gwangyang Sepung Industrial Complex in Jeollanam-do (under construction), Chemical Valley near Specialized Petrochemical Industrial Complex in Daesan, Seosan-si, Chungcheongnam-do (in planning).

High-Tech Chemical Clusters



Source: KOTRA (2015), IR (Fine Chemicals) Pamphlet.

Petrochemical Industrial Complex

In Korea, a petrochemical industrial complex is formed in the areas that have easy access to industrial water as well as ports that can store large amounts of petroleum. It also boasts a close proximity to Korean major suppliers and global key markets including China, which enables the country's seamless logistics activities.

Korea has huge petrochemical industrial complexes in three major coastal areas: Ulsan; Yeosu, Jeollanam-do; and Seosan (Daesan), Chungcheongnam-do.