

Recent Developments in Korea's IT Industry

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Potential Impact of KORUS FTA

A successful KORUS FTA could position Korea among the top three electronics manufacturing countries, according to a senior researcher from the Korea Institute for Industrial Economics. *The Korea Herald* cited Joo Dae-young as saying that an FTA with the United States would give Korea (which currently ranks fourth in terms of electronics output) an advantage over competitors Japan and China in the U.S. market for consumer electronics goods. Joo further asserted that, "Korea's strength lies in consumer electronics, while America's strength is in industrial electronics, such as medical equipment, so both markets will complement each other." Joo explained that an FTA would eliminate Korea's current 8% import duty on U.S. electronics goods, and U.S. levies of 2% on Korean goods. U.S.-Korea trade in the electronics sector totaled over \$24 billion in 2005, and constituted over 15 percent of Korea's total trade for the year.

There does however, exist some controversy over the issue of the impact that an FTA would have on foreign ownership of Korea's telecom assets. *The Korea Times* reported that the United States seeks to open Korea's telecom market through an FTA. Currently, foreign investors collectively may not have more than a 49% share of control of telecom assets. Washington and Seoul have not yet directly addressed the issue, which will be discussed during the third round of negotiations set for early September. A recent report by the American Chamber of Commerce in Korea calls for the FTA to remove limitations on foreign investment in the Korean telecom industry. *The Korea Times* article explained that Korean experts remain split on the issue.

Hynix Experiences Gains from D-RAM Sales

The Financial Times reported in late July that Hynix Semiconductor experienced a substantial rise in profits in the second quarter, attributed to higher shipments of memory chips. Although other Korean technology companies such as Samsung and LG Electronics struggled to cope with lower prices of cell phones and flat screen panels, the relatively firm price for D-RAM has enabled Hynix to enjoy growth within the technology sector. Hynix is the only big South Korean technology company that has reported positive quarterly results in the current round.

Samsung and Sony Expand Joint LCD Production

With regard to flat panel technology, Reuters news service reported that a new flat-screen production line for 50-inch panels by Samsung and Sony is expected to generate \$2.3 billion in annual sales by 2008. Samsung and Sony signed an agreement, paving the way for a \$1.9 billion expansion of their existing LCD plant. Production is expected to begin in the fall of 2007, with a capacity of 50,000 panels a month. Samsung's domestic rival, LG Philips, has delayed plans to build a similar new TV panel line, after posting a record quarterly loss on falling panel prices.

Korea Looking Abroad for R&D Professionals

The Arirang News reported that a shortage of highly-skilled researchers and engineers and a growing need for research and development expertise has resulted in a greater number of South Korean companies' turning to foreign talent in staffing the information and technology industry. As a consequence of many Korean engineers moving abroad to work, there is an increasing demand for foreign engineers. One example cited was a visit last November of LG Electronics President and Chief Technology Officer Lee Hee-kook to Russia, the primary purpose of which was to attract Russian talent to LG's research and development centers. To facilitate the attraction of foreign researchers and engineers, the Korean government offers a special visa to foreign technology workers which allows free entry for three years. However, the country is in need of an extra 30,000 engineers and researchers, with South Korea reporting a spectacular annual growth of 40 per cent in R&D investment in 2004-05.

Cell phone Companies Find Niche Market Among Korean Americans

Cell phone companies are finding a niche market for high-tech products among Korean Americans. A staff writer for *The Washington Post* recently addressed this issue in an article, explaining that, when the firm Helio LLC wanted to market its newest high-tech cell phone, it targeted teens, techophiles, and Korean Americans. Although Korean Americans account for less than one percent of the overall U.S. population, U.S. telecom firms target them as being generally very tech-savvy, with many Korean Americans holding higher expectations of cell phone service and applications, due to their experience with Korea's ubiquitous wireless broadband service, available from Seoul's subways to remote national parks. Consequently, some Koreans who come to the United States find the technology to be lagging behind that of Korea by a few years.