

CORPORATE AFFAIRS

The Korea Society fosters dialogue and cooperation between American and Korean business leaders by arranging opportunities for frank and interactive discussions of current issues affecting the economic and political partnership between the United States and Korea.



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Sovereign Credit Trends in Korea

January 29 • New York, NY

John B. Chambers, a managing director in Credit Market Services and the deputy group head of the Sovereign Ratings Group at Standard & Poor's (S&P), placed South Korea's credit ratings in the context of other regional and non-regional sovereign governments by reviewing the factors that constrain and support Korea's ratings at a business roundtable. Chambers stated that S&P's current A-rating, with a stable outlook, on South Korea's foreign currency debt

would likely remain unchanged in 2004. However, concerns over the fallout from the credit card crisis, a weak household sector and corporate governance problems could constrain the rating. He suggested that a positive change in the credit outlook could be generated by a decline in geopolitical risk, less state intervention in the economy or the revival of stalled economic reforms. However, the prospects of such developments did not seem very hopeful. According to an S&P research report Chambers distributed, South Korean legislators

are showing less enthusiasm for reform initiatives, and the general election on April 15 will become a test for whether or not the government can win approval to carry out its reforms. Chambers stated that advances in structural and regulatory reforms would not only enhance South Korea's credit strength but also improve its economic growth potential. Economic output could recover to around 5% this year, up from an estimated 2.9% expansion in 2003, with exports expected to lend significant support to that performance.

Issues in Korean Economy & Policy Direction in 2004

February 5 • New York, NY

In a distinguished visitors series lecture moderated by Jeffrey R. Shafer, vice chairman of International Investment Banking at Citigroup Global Markets Inc., Kwon Tae-Shin, deputy minister for International Affairs in the R.O.K.'s Ministry of Finance and Economy, discussed the current status of the Korean economy, Korea's macroeconomic policy directions for 2004 and the prospects for a sustainable recovery. Kwon began his presentation saying that the Korean economy overall has been on the road to recovery since the third quarter of 2003 as the GDP growth rate bottomed out in the second quarter and has risen subsequently. Kwon indicated that the Korean government will push ahead with several major policies in 2004 to promote a full-fledged economic recovery. He indicated that the government will contin-

ue expansionary macro policies, maintain the current low interest rates and allow the FX rate to be determined by the FX market. He also spoke of plans to put in place various policy measures to boost private investment and generate jobs. Addressing North Korea and the nuclear issue, Kwon contended that since last year's Six-Party Talks, North Korea has shown a change in attitude, thereby increasing the possibilities of a peaceful settlement. Kwon wrapped up his presentation by providing an overview of Korea's mid-to-long term vision for transforming the country into a Northeast Asian financial hub by attracting foreign financial institutions and reinforcing the competitiveness of domestic firms. Shafer moderated a lively Q&A session in which Kwon addressed such issues as foreign investment in Korea, North Korea's risk to the South Korean economy and the Korean government's concerted efforts to reduce intervention and regulation in the private financial sector.



The Korean Economy in 2004: The Future of Korea's Financial Sector

March 9 • New York, NY

Three financial sector experts presented their views on Korea's economy in 2004 at an afternoon forum. The forum started with a presentation by **Choongsoo Kim**, president of the Korea Development Institute, outlining the country's overall economic outlook, policy initiatives and his vision of Korea's economy in 2004. **Thomas Byrne**, vice president and senior credit officer of Moody's Financial Institutions and Sovereign Risk Group, gave an overview of South Korea's credit rating. He pointed out that Korea's overall rating has improved in terms of the external payments position, government debt and long-term growth prospects. On the other hand, he noted negative aspects such as the instability caused by the North Korean nuclear program and labor unrest in Korea. A brief review of the achievements of the Korean financial sector in recent years, and its future tasks, was presented by **Heungsik Choe**, vice president of the Korea Institute of Finance. The final presenter, **Robert Flint**, news editor at Dow Jones, stimulated a lively and interesting discussion by asking the presenters to state their views on the implications of possible unification, Korea's response to China's increased role in the global economy and the Korean government's attitude toward free trade and globalization. **Theodore Roosevelt IV**, managing director, Lehman Brothers, moderated the program.



(l-r)
Theodore Roosevelt,
Choongsoo Kim,
and Thomas Byrne

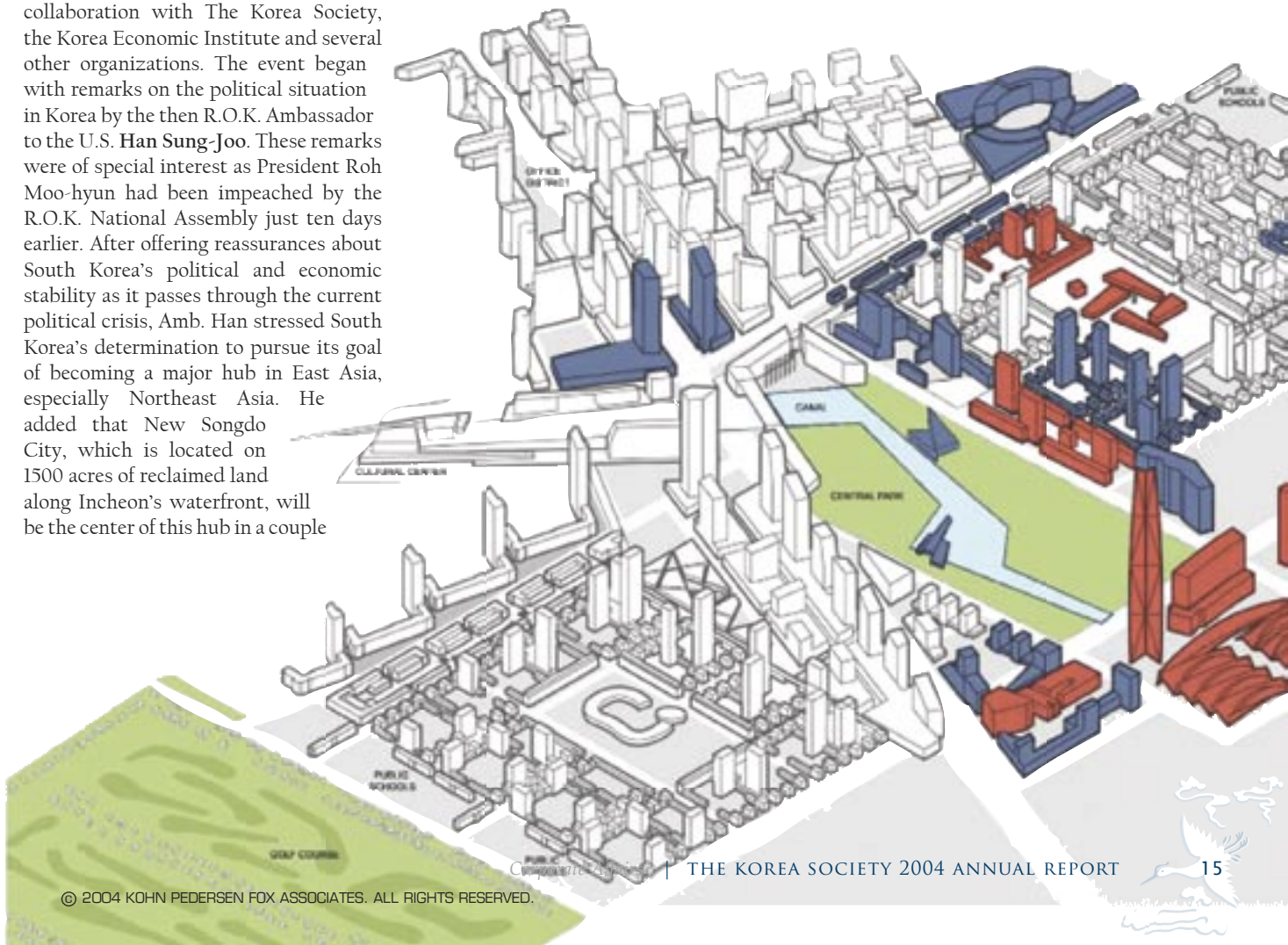
Gateway to Northeast Asia: New Songdo City

March 18 • New York, NY

A CEO Breakfast Forum with **Stanley C. Gale**, chairman and CEO of The Gale Company and **John Hynes**, president of New Songdo City Development, LLC, was held at the Asia Society in collaboration with The Korea Society, the Korea Economic Institute and several other organizations. The event began with remarks on the political situation in Korea by the then R.O.K. Ambassador to the U.S. **Han Sung-joo**. These remarks were of special interest as President Roh Moo-hyun had been impeached by the R.O.K. National Assembly just ten days earlier. After offering reassurances about South Korea's political and economic stability as it passes through the current political crisis, Amb. Han stressed South Korea's determination to pursue its goal of becoming a major hub in East Asia, especially Northeast Asia. He added that New Songdo City, which is located on 1500 acres of reclaimed land along Incheon's waterfront, will be the center of this hub in a couple

of decades. The program continued with presentations by the two main American leaders of the New Songdo City project. Gale spoke first and elaborated on his firm's plans to ensure that New Songdo City will be a major component in the planned transformation of South Korea into the hub of Northeast Asia. He also

noted that the project represents the first U.S.-Korea real estate joint venture. Hynes continued the discussion of how this unprecedented effort will change the map of South Korea. In closing, he predicted that the New Songdo City model will have a major impact on real estate developments across Asia.





(l-r) Jeffrey Jones, James Blaszczyk, Tami Overby, William Oberlin, Il Young Maing and Chae-Wook Lee

Current Overview of the Korean Economy: A Firsthand Account from the American Chamber of Commerce in Korea

March 29 • New York, NY

In an economic forum cosponsored by the Korea Economic Institute and KOCHAM, senior members of the American Chamber of Commerce in Korea (AMCHAM-K) pointed to reasons why Korea will develop a stronger economy and more positive business conditions this year. The AMCHAM-K delegation included: **William Oberlin**, Boeing International Corporation-Korea president and AMCHAM-K president; **Il Young Maing**, United Technologies International Operations-Korea president and AMCHAM-K vice president; **James Blaszczyk**, Owens Corning Korea president and AMCHAM-K vice president; **Chae-Wook Lee**, GE International Korea president and AMCHAM-K governor; **Jeffrey Jones**, AMCHAM-K foundation chairman and former presi-

dent and **Tami Overby**, AMCHAM-K executive vice president. The discussion was more lively than usual due to the uncertainties stemming from President Roh Moo-hyun's March 12 impeachment. In response to questions about the impact of the impeachment, Oberlin expressed the view that Korea is strong enough to survive any potential negative repercussions. Maing added that the impeachment issue is an opportunity for the country to gain more global recognition as a maturing democracy able to handle such problems. The members of the delegation also voiced their confidence in the dialogue between North and South Korea over nuclear and military tensions. They characterized recent developments such as the building of the inter-Korean railroad as steps in the right direction. Despite some concerns that China's thriving economy will threaten South Korea's bright outlook, Jeffrey Jones noted that Korea is taking advantage of its neighbor's impressive performance. As evidence, he noted

how China has become the number one destination for Korean products while at the same time Korean companies are increasingly using Chinese manufacturers to export to other countries, including the United States. Jones also noted that Seoul's export performance has been outstanding over the last year—which provides further evidence that South Korea is continuing to thrive as an international competitor. On the downside, he expressed concern that the domestic side of the Korean economy may take longer to catch up. Consumption has dropped significantly, he said, bringing consumer confidence down with it, while consumer credit default rates continue to rise. On balance, however, Jones said he remains confident that the quick resolution of the Roh impeachment issue and more direct foreign investment will lead to a boost in profits for Korean companies and help improve corporate governance and transparency. These in turn, he said, will make Korean consumers "wake up very quickly."

Korea: A Strong Partner in a Changing World

April 28 • New York, NY

At a special luncheon presentation delivered at The Pierre Hotel, Deputy Prime Minister and Minister of Finance and Economy **Lee Hun-Jai** encouraged approximately 200 guests to explore financial opportunities in Korea. Lee told the audience of business executives that Korea has and will continue to meet the challenges of today's world, namely threats to global security, tests that come with political change and demands that arise from a shifting economic environment. The two-

time finance minister expressed confidence in the successful outcome of the Six-Party Talks to denuclearize the Korean Peninsula as well as South Korea's ability to overcome political and economic uncertainty surrounding President Roh Moo-hyun's impeachment. Lee also expanded on Seoul's efforts to accelerate ongoing financial revitalization reforms, citing reforms that focus on boosting consumer spending and facilitating corporate transparency. His presentation was followed by a stimulating Q&A session. The event was cosponsored by Citigroup and Goldman Sachs & Co.



(l-r) Lee Hun-Jai, Kwon Tae-Shin and Cho Taeyong



KEI Advisory Council Luncheon with Amb. Sun Joun-yung

May 3 • New York, NY

During a members-only KEI Advisory Council luncheon held at The Korea Society, **Sun Joun-yung**, a former permanent representative with the Permanent Mission of the Republic of Korea to the United Nations, spoke about the April 15 general elections for the R.O.K. National Assembly. He noted that the election results provided President Roh with all the tools needed to move ahead with his political agenda, including a majority in the National Assembly. Amb. Sun said he remained confident that President Roh would avoid a “winner take all” response to the electoral results and attempt instead to achieve his goals through accommodation and harmony. He cited the need to provide a politically literate voting population with visible economic and other benefits, while maintaining their support, as the most important challenge facing the Roh administration. He presented several important sub-issues: the need to maximize growth while mini-

mizing disparities in income; the need to boost domestic consumption; the need to create jobs, especially for the young; the need to make South Korea more attractive for foreign investment; and the need to minimize labor unrest. Amb. Sun also expressed confidence that the Roh administration would become more aware of the value of the Korea-U.S. alliance and the importance of cooperation between the two countries. At the same time, however, he noted that it is extremely important to engage the politically empowered younger generation of South Koreans in a continuing dialogue with Americans and stressed the need for the U.S. to make greater efforts to understand, and adjust to, the new political realities in today's South Korea—a democracy in full blossom. In closing, he expressed his conviction that the role of KEI in facilitating understanding of Korea in the U.S. was more important than ever.

Citibank's Perspective on the Korean Banking Industry and Economy

May 6 • New York, NY

This forum was held shortly after Citigroup and KorAm Bank announced that Citibank Overseas Investment Corporation, a subsidiary of Citigroup, would acquire KorAm Bank. **William Ferguson**, who has served Citigroup for more than 30 years, mainly as a corporate banker and business manager in the Asia Pacific region, discussed how Korea's financial world has evolved in recent years and outlined some of the key issues it faces today. Ferguson noted that Citigroup has honed its views on Korea's economic performance and structure, financial services sector development and current trends and outlook based on its experience as Korea's largest and most active foreign financial institution. He also highlighted the expanding role of foreign institutions in general in Korea's financial markets, including Citigroup's own initiatives to increase its presence and scope of operations. Ferguson also shared some impressions of the Korean people and leaders in the corporate and financial sector, emphasizing such admirable traits as their strong commitment to restoring their economy. Noting how quickly Korea overcame the problems created by the credit card bubble and an unstable financial infrastructure, Ferguson expressed optimism in Korea's economic future and offered a prediction that domestic demand will rebound soon.

Envisioning the World's Next Great Market: Korea and the Economic Future of Northeast Asia

May 12-14 • Seoul, Korea

Along with many other organizations, The Korea Society lent its support to a conference on South Korea's role in the economic future of Northeast Asia organized by the Asia Society. A wide range of U.S. and South Korean political and business leaders participated in the conference, which was held at the Shilla hotel in Seoul.

ing session featured case studies of foreign investment successes. The afternoon session was devoted to one-on-one meetings with representatives from each of the FEZs to allow potential investors to form a more concrete picture of the requirements and benefits of investing in Korea.



Korea's FEZ Investment Bonanza

May 13 • New York, NY

The Korea Society and the Korea Trade-Investment Promotion Agency (KOTRA) jointly organized a conference on investment opportunities in Korea at the Waldorf-Astoria Hotel. The conference was designed to publicize three Free Economic Zones (FEZs)—Incheon, Busan/Jinhae and Gwangyang—and assist foreign companies in identifying profitable investment opportunities in Korea. The representatives, from many of the world's leading companies, who participated in the conference were given a unique opportunity to learn about Korea's investment climate, particularly with regards to the FEZs. The morn-



Alan Timblich



Robert E. Fallon

Korea's International Bank in Transition

May 25 • New York, NY

A group of about 80 bankers, fund managers, investors and press representatives gathered at a CEO luncheon to hear Robert Fallon report on his first four months as the only American to ever lead a major Korean bank. With more than 25 years of experience in Asia with Chase Manhattan Bank and J.P. Morgan Chase, Fallon was clearly prepared to take on the major challenges awaiting him at Korea Exchange Bank (KEB). In the aftermath of the Asian financial crisis of 1997, KEB lost almost \$1.5 billion and had a massive array of nonperforming loans. Then, in 2003, KEB was faced with a further blow due to an enormous increase in delinquent receivables through its credit card subsidiary (KEBCS). To pull itself out of an ever-deepening hole, KEB sought a major capital infusion from Lone Star, an American private equity fund that had a record of successful investments in Korea. Lone Star invested \$1.1 billion in KEB in exchange for a 51% ownership stake, and on January 30, 2004, Fallon took over. He immediately decided not to try to rescue KEBCS, began negotiations with militant labor leaders, stressed the need to improve services to KEB customers and moved quickly to write off large numbers of non-performing loans that he judged to be beyond recall. His efforts were rewarded by the first profitable quarter that KEB has registered in several years. Fallon was frank in admitting that labor militancy remains his most daunting issue, at least in the short term. Overall, however, he spoke with enthusiasm and optimism about his first four months in Korea and said that he was very glad to have accepted his challenging position at KEB. Following his prepared remarks, Fallon answered a wide array of questions, many from potential investors. He stressed that Korea is not an easy place in which to do business, but that the discriminating and patient investor can be very successful.

Korean Corporate Global Roadshow

June 10 • New York, NY

The senior management of Korea's largest corporations and top officials from the Roh administration arrived in New York City on June 10, marking the last stop on a nearly impossible three day, three continent global roadshow. Cosponsored by The Korea Society, Deutsche Bank and the Federation of Korean Industries, the roadshow was aimed at acquainting investors with the participating companies and the Korean economy as a whole. Starting out from Korea on June 7, the business delegation spoke to audiences in Hong Kong and London before arriving in New York. The keynote address was delivered by Lee Soo-hyuk, South Korea's deputy minister for foreign affairs. Individual presentations were given by Chu Woosik, a senior vice president of Samsung Electronics, Lee Dong Hee, CFO of POSCO and Cho Whajoon, a managing director at KT.

GNP Leaders Meet with U.S. Businessmen

August 30 • New York, NY

Five senior members of the Grand National Party (GNP) met with a small group of U.S. businessmen at an invitation-only event to discuss the current state of U.S. relations with both North and South Korea. The GNP delegation included: Park Jin, chairman of the International Relations Committee of the Grand National Party and member of the National Defense Committee of the National Assembly; Hong Joon-Pyo, member of the Unification, Foreign Affairs and Trade Committee of the National Assembly; Na Kyoung Won, president of the "Disabled Child, We Can" National Assembly Study Group; Chang Yoon Seok, former chief of the Prosecution Bureau of the Ministry of Justice and member of the Legislation and Judiciary Committee of the National Assembly; and Kwon Shin Il, director of public relations and communications of the Grand National Party.

The Korean Equity Market: Investment Opportunities in Fast-Growing Under-Researched Companies

October 21 • New York, NY

Speaking to a business roundtable audience of financial experts and Korea specialists, John J. Lee, a managing director at Deutsche Asset Management and portfolio manager of the Korea Fund, asserted his strong conviction that Korea is positioned for long-term out-performance by virtue of its attractive valuation in relation to other markets. He said he holds this conviction despite a variety of risks that continue to characterize the current investment environment for equities worldwide. Citing the fact that the total market capitalization of the Korean equity market has grown significantly over the last ten years, especially since the Korean equity market was open to foreign investors in 1992, Lee said there is every reason to be confident that the future will echo the past.



John J. Lee



Yoon Jeung-Hyun

Financial Reform in Korea: An Unfinished Agenda

October 27 • New York, NY

The chairman/governor of South Korea's Financial Supervisory Commission/Financial Supervisory Service, **Yoon Jeung-Hyun**, outlined the progress Seoul has been making in the far-reaching financial reforms it embarked upon in the wake of the 1997 Asian financial crisis. Yoon led a discussion on issues ranging from consumer and small-to-medium-sized enterprise loans, stability and transparency in the financial sector, changes in financial regulation and supervision and foreign capital investment. Despite a lot of progress, he said, there are still problematic areas in the financial sector and challenging tasks lie ahead.



U.S.-Korea Relations Following Bush's Re-election

November 16 • New York, NY

Speaking to an invited audience at a chairman's special event, **Donald P. Gregg**, offered some impromptu thoughts on the outcome of the recent U.S. presidential election. Touching on the impact of a second Bush administration on America's policies towards Northeast Asia, he noted that many South Koreans expressed concern about the prospect of four more years of the Bush administration during conversations with him during a recent visit to Seoul. In particular, he said, they were worried that a posture of moral absolutism would be maintained and the threat of preemption would continue unabated. North Koreans appear to be concerned about the outcome of the U.S. elections for the same reasons, and fear that a continuation of these policies will end in a U.S. attack on the current regime. While admitting he didn't hold out much hope that the Bush administration would change overnight, Gregg suggested that some good might come from the latest shuffle in Washington since the State Department and White House are less likely to send mixed messages with Condoleezza Rice as secretary of state. He also noted that President Bush may adopt a more conciliatory approach toward resolving the North Korean nuclear impasse as he eventually becomes more concerned about his legacy.

The Elephant and the Ballerina: Korea Facing the 21st Century

November 18 • New York, NY

Addressing a business roundtable audience, **James P. Rooney**, president and CEO of Market Force Company, presented his view that South Korea today is in the midst of a crisis greater than any it has conquered over the last 40 years. As no one has publicly declared it, however, the swift response that mobilized Korea in 1998 is still lacking. In Rooney's view, Korea is at this pivotal crossroads in its political, social and economic development despite the rich variety of extraordinary capabilities and world-class industries created by 40 years of unparalleled economic growth and stability under a command economy development model. This model was all the more impressive for its ability to provide so many of the trappings of prosperity and an advanced economy notwithstanding the unusual geopolitical equilibrium in Northeast Asia. But now, as Korea enters the 21st century, pivotal changes are taking place both inside and outside the country. The government has shifted away from setting economic priorities to fostering an evolution of political, judicial and social structures. Korean democracy has become vibrant and dynamic. Sincere efforts have been made to address corruption, dishonest accounting and many other forms of illegal or undesirable activity. At the same time, the lack of clear economic leadership and a failure to

resolve fundamental structural problems in the labor market, as well as continued systemic weaknesses in the financial sector threaten both current and future economic growth. Meanwhile, huge changes are taking place in Korea's neighborhood. The geopolitical outlook of the U.S. has changed, China is rising and a new generation of Japanese leaders has quietly been changing their country's long-standing pacifist posture.



James P. Rooney



Cross-Border Mergers and Joint Ventures: Practical Considerations for Acquiring or Starting Joint Ventures with Korean Businesses

December 2 • New York, NY

Investment strategies that can help investors in Korea navigate through the unfamiliar, but potentially rewarding, merger and acquisition process were the subject of a stimulating business roundtable presentation by Nelson K. Ahn, a partner in the law firm of Sidley, Austin, Brown & Wood, LLP. Making acquisitions and starting joint ventures remain as significant challenges for U.S. investors in South Korea, he said, notwithstanding the government's continuing efforts to create a better legal and regulatory environment for foreign investment. Patience, appreciation for cultural differences and a willingness to work within the limits of the legal/regulatory system are critical to the successful completion of a transaction in Korea. Korean sellers and businesses have become less desperate recently and are quite sophisticated, Ahn noted. Therefore, the difference between success and failure hinges on assembling the right transaction team of insiders and outside advisors to handle due diligence, negotiations and documentation.

The Korean ICT Industry: New Opportunities for Global Partners

December 8 • New York, NY

A bright vision of Korea's economic future and a plan to realize it—the IT839 Strategy—was outlined by R.O.K. Minister of Information and Communication Dae-je Chin in an address on the topic of the Korean ICT industry. As little as its name gives away, the new government initiative aims to transform the country from a high quality manufacturing hub to an IT and communications tech powerhouse. South Korea already has a running start on the competition when it comes to developing high tech products and applica-

tions. Chin demonstrated this by showing the audience his cell phone—which is a generation ahead of what's available in the United States. Korea's spot as the number one ranked nation for broadband access and its high cell phone usage make it a great place to research and test cutting-edge technology before marketing it to the rest of the world. Over the next few years, these advantages will only get larger, according to Chin. The IT839 Strategy being promoted by his ministry entails identifying specific products whose de-

velopment will push the economy to new heights. Products such as digital TV, robots and next generation mobile phones are just a few of those being targeted. As Chin noted, South Korea is currently building the advanced IP and ubiquitous network infrastructure to support those products. And, he added, it is offering major incentives to companies willing to invest in developing them, including matching funds for R&D projects and cash grants for employment, equipment and training costs.