

South Korea rides new wave of creativity and innovation

Ranked as the world's top innovator in the 2015 Bloomberg Innovation Index, South Korea is investing heavily in R&D as it looks to nurture a "Creative Economy" at the forefront of the 4th Industrial Revolution

Strategically located at the mouth of the Hangang River, Incheon is a city that will be forever linked with a seismic event that changed the destiny of the Korean peninsula. It was here in 1950 that U.S. and South Korean troops made a surprise amphibious landing that enabled them to recapture Seoul, reversing a string of losses to North Korean Communist forces. Six decades later, Incheon is once again poised to serve as a springboard for cataclysmic change in a country that has risen from the ashes of the Korean War to become the world's 11th largest economy. Now home to South Korea's main international airport and second busiest seaport, this city of three million inhabitants

offers a glimpse into the future of a nation that has been experiencing the gradual decline of its export-led growth model.

Hit hard by falling oil prices, the slowdown in emerging markets and increased competition from China and Japan in its core industries, national government policy over the past four years has been largely focused on fostering a "Creative Economy" that will enable South Korea to become a "first mover" in the Fourth Industrial Revolution and the convergence industries of the 21st century.

Incheon was ahead of the game in this sense. The city boasts Incheon Free Economic Zone (IFEZ), a sprawling business and residential area spanning three districts. Since its inception in 2003, IFEZ has served as a magnet for domestic and foreign investment in high-tech industries and services. Last year, IFEZ attracted some \$1.2 billion in FDI, accounting for 88 percent of the total international investment in all eight free economic zones in South Korea.

"Incheon Free Economic Zone is a new growth engine for the whole country," explains Mayor Yoo Jeong-

bok. "Differentiated future cities are being developed in the districts of Songdo, Yeongjong and Cheongna. Songdo International Business District alone is home to the offices of 13 international bodies and a total of 36 foreign companies."

Many of these companies operate in sectors that have been identified locally and nationally as "new growth engines" that will counteract the decline in some traditional industries such as shipbuilding and petrochemicals.

"Incheon is a prime investment destination with easy accessibility, excellent human resources and outstanding infrastructure," says Mayor Yoo. "We enjoy an extraordinary geographical location at the center of Northeast Asia, a region that accounts for 20 percent of the global economy. In fact, Incheon is located within a two-hour flight from 84 major cities with populations of more than one million. We are in the best position to take advantage of Korea's extensive free trade network."

Fostering new growth engines

Last year, under the project name, "Eight Strategic Industries of Incheon City: Vision 2050", the Incheon metropolitan government selected eight industries that will underpin the city's emergence as the new business hub of Northeast Asia. These are high-tech automobiles, robotics, biotechnology, cosmetics, tourism, aviation, marina and services (logistics, medical and education).

In terms of biotechnology, Incheon is aiming to become one of top five cities in the world. Songdo has emerged as a major production base for Korean and international biopharmaceutical companies and the metropolitan government's target is to create 250,000 new biotech jobs and reach KRW 33 trillion (approx. \$28 billion) in annual exports.

Whilst South Korea's rapid economic development was built on being a "fast follower" in industries such as electronics, Dr. Jeong-Sun Seo, President of the Korea Biotechnology Industry Organization (KoreaBio), points out that biotech is one of the sectors where the country has the potential to seize the initiative as a "first mover".

"There are two main sectors that can be future growth engines of major economies: entertainment and healthcare," says Dr. Seo, who is also



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Dr. Jeong-Sun Seo, President of KoreaBio and Chairman of MacroGen



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the founding chairman of MacroGen, a biotech company specialized in genomic research. "When the basic needs of society are fulfilled, people wish for continued health and longevity. This is especially the case in countries with an increasing population like Korea. These needs can only be fulfilled by the biotech industry and its growth is of absolute importance."

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From Dr. Seo's perspective, South Korea is well positioned to spearhead a revolution in predictive healthcare using genomic information, potentially saving the government billions of dollars by enabling patients to avoid chronic health problems before they occur. Dr. Seo pointed out that South Korea benefits from state-of-the-art IT infrastructure with standardized and transferable electronic medical records that can be easily integrated with genomic information. At the same time, Dr. Seo's company, MacroGen, is at the forefront of efforts to understand Asia-specific genomic variations through the Genome Asia 100K project, which could pave the way for implementing precision medicine across the continent.

Improving the startup ecosystem
 There were a total 975 biotech companies in Korea as of 2014, but 60 percent of these were start-ups with limited financial resources. According to Dr. Seo, who founded MacroGen as a bio-venture in 1997 before listing it on the KOSDAQ market three years later, government initiatives to fund and nurture start-ups are beneficial but insufficient by themselves. "We also need to learn as a society to tolerate failure, because ventures by their nature are highly risky. We need young Koreans with imaginative ideas for startup companies. We need to adapt our education system to foster creative minds and fearless entrepreneurs," Dr. Seo says.

According to a study by the Korea International Trade Association published last year, nearly 75 percent of Korean startups closed within five years. In response, one of the government's flagship policies since 2012 has been to establish a network of 18 Creative Economy Innovation Centers across the nation in collaboration with South Korea's most successful companies. The integrated facilities are

focused on region-specific industries with the highest growth potential. They serve as incubation hubs that support start-ups and small and medium-sized enterprises (SMEs) in overcoming bottlenecks to their development. According to government figures, the number of companies supported by the nationwide network of Creative Economy Innovation Centers between September 2014 and May 2016 totaled 2,105, of which 929 were start-ups and 1,176 were SMEs.

Globalization of Korean firms
 One of the primary objectives of the Creative Economy Innovation Centers is to help start-ups and SMEs to globalize. Whilst the nation's flagship firms such as Samsung and Hyundai are known the world over, South Korea has long suffered from a significant productivity gap between SMEs and the dominant conglomerates. However, as the country begins to feel the demographic squeeze caused by an aging population, companies across all sectors are being forced to look abroad for future growth.

One company leading the international charge in its sector is SAMOOCM Architects & Engineers. In 2014, the design part of the company became an affiliate of Samsung, whilst the remaining rump transformed itself into an expert standalone construction management firm. Last year it was ranked by Engineering News Record as the largest construction management company in South Korea and the 13th largest in the world outside the U.S.A.

Not content with this, SAMOOCM Architects & Engineers CEO, Hur In, explains that the company has created an Infrastructure Business Team with the remit of converging civil engineering and architecture and expanding its local and international business lines into power plants, railways, roads and water treatment. Based on its

cumulative know-hows in healthcare and industrial facilities, SAMOOCM has already entered markets in the Middle East, Africa, and Eurasia. Also, through overseas affiliated companies in Philippines and Vietnam, it is building key bases to expand service lines to the global construction management/engineering market.

"We aim to create a 100-year company by not only quantitatively expanding our core businesses, CM and design, but also by exploring new engines of growth and qualitatively enhancing our sound management practices," Mr. In says.

Just as South Korea has successfully extended its cultural influence abroad thanks to the global popularity of Korean pop music, drama and film – known as the 'Korean Wave' – Korea Inc. is also determined to make bigger splash internationally through a cross-sectorial commitment to innovation.



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Hur In, CEO, SAMOOCM

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South Korea's third most populous city and gateway to the world, Incheon is emerging as the economic growth engine of the country and the business and logistics hub of Northeast Asia. Following the establishment of the Incheon Free Economic Zone in 2003, the bustling port city has become a magnet for FDI and the home of large local companies and global enterprises in areas such as biotechnology, cosmetics, logistics, aerospace, high-tech automobiles and ICT. With South Korea's main international airport located within Incheon, the city is ideally situated within two hours' flight of 84 major cities with a population of at least one million, making it the beating heart of Northeast Asia, a region that makes up one fifth of the global economy.

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