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Daewoo's Globalization: Uz-Daewoo Auto Project

On a weekend morning in August 1997, Mr. Woo Choong Kim, chairman and CEO of Daewoo Group, was chairing a small-group discussion about Daewoo's business projects in Uzbekistan. Reviewing progress over the last five years, Chairman Kim was preparing for an upcoming visit to Uzbekistan. Daewoo's investments in the automobile, electronics, textile and banking sectors were bearing fruit. Preparations for the rollout of its telecommunication business were going well. Uz-Daewoo Auto Co., which opened the way for cooperation with Uzbekistan, was stepping up its production as planned, but facing several marketing and operational challenges. While the Uzbekistan government was pushing for more export sales, current moves announced by Ford, Opel, and Kia threatened to increase competitive pressure on Uz-Daewoo Auto in both the domestic and export markets. A shortage of hard currency and the limited convertibility of the local currency (Sum) constrained further investment.[1] With two new investment projects outside the automobile industry proposed by the Uzbekistan government, Chairman Kim and his senior managers had to answer the challenges facing the automobile business and, at the same time, review Daewoo's overall strategy in Uzbekistan.

Company Background

Founded in 1967 as a small textile trading company, the Daewoo Group was one of the world's largest industrial enterprises. Consisting of 31 domestic companies and 454 overseas subsidiaries and branch offices with more than 250,000 employees worldwide as of June 1997, the Daewoo Group was engaged in trading; in domestic and overseas construction; in shipbuilding; and in the manufacture of motor vehicles, heavy machinery, telecommunications equipment, consumer electronics, home appliances, textiles, and other products. Daewoo also had investments in financial and telecommunication services, and operated hotels worldwide. The Daewoo Group recorded total sales of US$68 billion in 1996 and ranked 24th on the *Fortune* Global 500. **Exhibit 1** summarizes the sales and export growth of Daewoo, and **Exhibit 2** breaks down Daewoo's overseas business network by region and by line of business.

As of June 1997, Daewoo had investments in 380 projects in over 85 nations. Daewoo expected to increase its global network to 1,000 locations by the year 2000. Unlike many

[1] US$1 was equivalent to 64.2 Sum at the official rate, and to 141.3 Sum at the market rate, as of July 1997.

Doctoral Candidate Chanhi Park prepared this case under the supervision of Professor John A. Quelch as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Confidential data have been disguised.

multinationals, more than half of Daewoo's overseas investments since 1991 had been concentrated in emerging markets, which management thought had the greatest potential for the coming century. By meeting the development needs of these emerging markets, Daewoo hoped to fully realize its commitment to "mutual prosperity."

Fully operational overseas investment programs included electronics and home appliances manufacturing in the United Kingdom, France, Spain, Poland, Mexico, Uzbekistan, and Kazakhstan. Daewoo also had investments in major vehicle and component production plants in Poland, Romania, the Czech Republic, Uzbekistan, India, China, the Ukraine, Vietnam, the Philippines, Iran, and Indonesia.

By the year 2000, Daewoo aimed to be among the world's top 10 companies in automobiles, electronics and home appliances, heavy equipment manufacturing, shipbuilding and telecommunication services. Chairman Kim had founded the company at the age of 31 and still exercised intimate leadership over key strategic issues in all 31 subsidiary companies. His entrepreneurial spirit, hard work, and business insights made him an important role model among younger Koreans. He authored the book, *It's a Big World and There's Lots to be Done,* published in August 1989. The Korean edition sold 1 million copies in record time. The English translation was published in 1992 under the title, *Every Street Is Paved with Gold*. Chairman Kim spent more than 260 days abroad every year, always worked more than 130 hours a week, and had never taken a vacation throughout his career.

Company History

Daewoo Corporation was founded in 1967 as a producer and exporter of textile products. The company became the parent of what was known in 1997 as the Daewoo Group, which comprised 31 companies. Exports grew from US$580,000 in 1967 to US$40 million in 1972. In that year, the company became the second-largest Korean exporter and was awarded the "Order of Industrial Merit, Gold Tower" by the Korean government.[2] Daewoo Corporation went public in 1973 and diversified into construction, financial services, and apparel manufacturing, in each case by acquiring financially distressed companies. Predicting the imposition of textile import quotas by the U.S. government, Chairman Kim strongly pushed for maximum textile exports. As a result, when the quotas were allocated among suppliers based on their shares of exports into the United States, Daewoo Corp. benefited by reselling a portion of its quota, as well as by making profits on its own export sales. According to a senior Daewoo executive :

> With the quota premium alone, we could have bought 10 top-of-the-line 20-story office buildings in downtown Seoul every year. With that much money on hand, we decided instead to pursue our entrepreneurial ambition and contribute to our country by doing real business.

Taking advantage of that success, Daewoo diversified further into heavy machinery industries in late 1970s. It was the Korean government that pushed for this diversification. Due to the worldwide recession and the energy crisis, the Korean government's industrial restructuring drive toward heavy machinery and petrochemicals faced great challenges. A senior Daewoo executive explained :

> Once we became famous thanks to a couple of successful turnarounds, the government and the financial community consistently pushed us to do more

[2] Korea's total exports were less than $2 billion in 1972.

> acquisitions. Some people criticize us for the acquisition drive, but we were compelled to acquire many of the current Daewoo companies. We turned Korea Heavy Industries into a profit in our first year running its operations in 1976, and dedicated the Okpo shipyard (currently the main facility of Daewoo shipbuilding) in 1981. We also acquired the 50% stake in GM Korea in 1978.

By 1979, Daewoo was Korea's biggest exporter and one of the five largest conglomerates in Korea. By 1981, the number of Daewoo overseas offices had grown to 65. In 1982, consumer electronics and telecommunications were added to Daewoo's business portfolio. Daewoo Telecom's 16 bit personal computer Model D became a popular choice in the U.S. market under the Leading Edge brand. Expansion into emerging markets including several former communist nations laid the foundation for Daewoo's continued growth. Daewoo played a leading role in developing Korea's economic (and diplomatic) relations with Libya, Sudan, Iran, China, and Russia throughout the 1970s and 1980s. Korea's first commercial office in Eastern Europe was established by Daewoo in East Berlin in 1988, followed by other Daewoo offices in Prague in 1989 and Moscow in 1990. A refrigerator plant was dedicated in China in 1988. Daewoo formed the first Korean-Chinese joint venture in 1989 to produce color-picture tubes. Throughout the 1990s, Daewoo continued its leading role in building economic relations with Poland, Romania, and North Korea.

Chairman Kim and Daewoo people attributed the growth to their hard work and willingness to take on new challenges. Overcoming a variety of environmental threats and administrative challenges during the high growth period, Daewoo built a refined and flexible management system supported by the entrepreneurial initiative of front-line managers rather than by management and planning processes. Industry insiders also explained Daewoo's growth in terms of its financial expertise, its use of governmental subsidies for turnarounds, and its exploitation of opportunities in both the domestic and international financial markets.

Above all, an international orientation had been the engine of Daewoo's growth. Having started as a trading company, Daewoo had developed competencies in international trade and finance from the outset. When Daewoo became one of the biggest Korean conglomerates in the early 1980s, its managers discovered that the 40-million domestic market was too small to fuel Daewoo's continued growth. So, international expansion was inevitable. Moreover, some of Daewoo's export goods were more technically sophisticated than the domestic market could absorb at that time. A senior Daewoo executive in the textile business stated :

> When we considered introducing some of the apparel products developed for export into the domestic market in the early 1980s, we realized that many of the incumbent firms would be driven out of the market. We decided to pursue the larger overseas market rather than trying to steal share from our weaker competitors in Korea. As we built our credential in international markets, our business partners offered bigger deals in a wider variety of businesses.

Exhibit 3 lists the principal Daewoo Group companies in Korea, and **Exhibit 4** lists the principal overseas Daewoo subsidiaries.

Overseas automobile investments were central to Daewoo's globalization and growth strategy in the 1990s. Faced with stiff competition in a slow growth domestic market, Chairman Kim took charge of the automobile business and led the series of overseas automobile investments detailed below. In addition to the automobile projects, overseas investments were also initiated in electronics and telecommunications services. Daewoo was running mobile communication services in China and Uzbekistan. Local banks and financial institutions were established in 18 nations. Daewoo's bid for

Thomson Multimedia was still on hold.[3] As of June 1997, Daewoo had invested $3.3 billion in more than 380 overseas projects. Chairman Kim anticipated $15 billion worth of overseas projects by 2005. According to the plan, Daewoo would employ 250,000 foreign workers at 1,000 overseas subsidiaries and branches that would help generate a group total of $177 billion in revenues by 2000.

Daewoo's Automobile Business: 1972-1992

Daewoo Motor Company (DMC) was the automobile subsidiary of Daewoo Group. In 1972, General Motors had set up an automobile plant (GM Korea) as a joint venture with a Korean local partner. Daewoo acquired the local partner's 50% share of GM Korea in 1978 and assumed management responsibility. The company was renamed Daewoo Motor Company in 1983. DMC was the market share leader in the domestic compact car market (considered the "luxury" end of the market at that time in Korea) and was second in the domestic subcompact car market until the mid-1980s. As a partner in GM's "world car" project, Daewoo invested $1.1 billion to set up a new production line for the Pontiac Lemans (a 1500cc subcompact) targeted at both the United States and Korean markets, and started production in 1986. Exports to the United States began in April 1987. Domestic sales of the Lemans were encouraging at first, but exports were fewer than expected. According to a DMC executive, Daewoo gradually saw the need to pursue a more independent strategy :

> GM considered DMC as just one more factory in its worldwide network serving the Korean domestic market (60,000 vehicles/year) and providing low cost vehicles for the U.S. market (40,000 vehicles/year). However, DMC wanted to pursue a larger market opportunity. The relationship soured and Daewoo set up a minicar plant with cooperation from Suzuki in 1988. In 1991, the new plant located in Changwon started to produce the Tico (with an 800cc engine) and the Damas (a light commercial vehicle) based on the design platform of the Suzuki Alto.

By mid-1991, the divergence of interests between Daewoo and GM had become acute, and industry insiders began to forecast the possible breakup of the joint venture. Meanwhile, in the late 1980s, domestic competition became tougher. Hyundai, Daewoo's biggest domestic rival, introduced new compact (2000cc, Sonata) and subcompact (1500cc, Excel) models with enhanced features, thanks to continued R&D investment and technical assistance from Mitsubishi. Hyundai launched the Excel and the Sonata in the U.S. market in 1986 and 1988 respectively. Kia, which had been a small number-three manufacturer with a limited product line until the mid-1980s, was permitted by the Korean government to enter the passenger vehicle segment in 1984. Kia introduced subcompact and compact cars in 1986 and 1990 respectively. Ford and Mazda had equity stakes and technology licensing agreements with Kia. Kia's 1300cc subcompact model (Pride) was exported to the U.S. market as the Ford Festiva. Under the trade liberalization program, import tariffs and sales taxes on vehicles imported into Korea were scheduled to be lowered gradually. In the face of stiff competition, market growth was expected to slow down due to growing traffic congestion on the roads, increasing parking charges, and reduced tax incentives for buyers. **Exhibit 5** shows trends in automobile ownership in Korea.

Faced with mounting competitive pressures, DMC had several problems. A labor strike in 1986 that lasted three months diluted the launch of the Lemans. Another strike in 1990 was also

[3]In February 1996, the Chirac government announced a privatization plan for Thomson S.A., the French conglomerate comprising Thompson CSF (defense and electronics), Thomson SGS (semiconductor), and Thomson Multimedia (TMM: consumer electronics and telecommunications equipment). TMM had acquired 100% of GE's Audio & Video Division including GE's 100% share of RCA in 1987. In 1996, Daewoo announced its plan to bid and was selected as the final bidder for TMM. The deal was put on hold due to the pressure of domestic politics in France. If Daewoo succeeded in the bid, it would become the biggest consumer electronics company in the world.

timed to coincide with a model change, and further hurt DMC's market position. The Changwon minicar plant did not suffer from labor disputes, but market demand for its minicars did not meet expectations due to the increasing consumer preference for bigger cars. One analyst in Seoul stated:

> During the turnaround of Daewoo Shipbuilding Company in the late 1980s, DMC did not get enough top management attention, which drives the resource allocation process at Daewoo. DMC management underestimated how quickly its domestic rivals were closing the technology gap. DMC focused on short-term profits and only invested enough to give periodic face-lifts to the existing products. DMC tended to rely on technical assistance from GM rather than make the effort to develop new technologies internally; this threatened DMC's position as the technology leader among Korean automobile manufacturers. Faced with mounting competitive pressure from domestic competitors with redesigned and improved product lines and the prospect of a breakup with GM, DMC's market position looked increasingly fragile by 1992. Morale and production quality were also deteriorating.

This analysis was not shared by DMC managers. According to a DMC executive in Seoul:

> I agree that the market response for the 1992 model was lower than expected. However, we were not ignorant of the need for technology investment. As the joint venture with GM increasingly seemed likely to limit the growth of our automobile business, we knew we had to prepare to be technologically self-sufficient. The problem was the magnitude of investment commitment required to achieve this.

The Globalization Drive Since 1992

In 1992, Chairman Kim decided to take charge of DMC's strategy. Relying on his previous turnaround experience at Daewoo Shipbuilding Company, he first mandated closer cooperation between DMC and other Daewoo Group companies and developed new foreign markets for existing models. An aggressive grass-roots sales campaign was launched to place Daewoo cars with all Daewoo employees and their relatives and friends. Financing assistance to DMC was provided by the entire network of Daewoo companies. Second, Chairman Kim initiated major new-product development efforts. Three new passenger vehicle projects were started in fall 1993, each led by young general managers, and the organization was reshaped to meet the challenge. Following the breakup of the joint venture with GM in the winter of 1992, Chairman Kim merged the minicar plant operation into DMC. While searching for a technology cooperation partner, DMC bought automobile R&D firms in Worthing, United Kingdom (new model design and development) and Munich, Germany (engine development), which would be the basis for a global R&D network in collaboration with the existing R&D centers both in and outside of Korea.[4] Third, Chairman Kim set out to restore employee morale. He met all 12,000 DMC employees in 100 group meetings, which helped him secure support for implementing the changes needed to restore DMC's competitive edge.

Globalization was crucial to this effort. Chairman Kim believed that Daewoo had a unique strength in international operations (in comparison with other domestic competitors and foreign companies) and built his strategy on this. He exploited foreign markets with existing products and set up sales beachheads that would ensure sufficient demand to generate the scale economies needed for the next generation of models. After initiating exports to Western Europe in early 1995, DMC achieved 1% market share in the United Kingdom within 10 months. This confirmed Chairman Kim's belief in Daewoo's ability to penetrate new markets. Beyond the sales generated, Daewoo acquired invaluable learning about the automobile export market. Responses from emerging markets were even more favorable. Beginning with a knock-down plant in India (where Daewoo acquired existing

[4] Daewoo was also planning to open an R&D center in the United States as of July 1997.

facilities owned by Toyota and a local company) and the Uz-Daewoo Auto project in Uzbekistan, Daewoo acquired RODAE (the biggest automobile plant in Romania) in 1994 and FSO (the biggest automobile plant in Poland formerly owned by the government) in 1995. The Uzbekistan project encouraged other emerging market governments to work with Daewoo. Between 1992 and 1997, Daewoo also invested in production facilities in Vietnam, Indonesia, Philippines, the Czech Republic, Iran and China. Daewoo's corporate-size (sales of $65 billion in 1996), its financing capacity, and its global business network facilitated these transactions. **Exhibit 6** and **Exhibit 7** detail Daewoo's automobile operations in Korea and overseas.

Daewoo sold 636,000 vehicles worldwide in 1995, and 857,000 in 1996. Around half of the sales outside Korea were sold in emerging markets, the other half in developed markets. DMC was the eighteenth-largest auto producer in 1996 with $12 billion sales and 27,000 employees, but aimed to be in the top ten by 2000. In that year, DMC expected to produce 2.5 million vehicles, valued at $40 billion. DMC's domestic production capacity goal of 1 million vehicles was accomplished with the dedication of Daewoo Motor's Kunsan plant in 1997.

Some industry experts raised concerns about this drive for scale. Given the over-capacity in the global automobile industry, they argued that fewer than 10 automobile companies could survive into the next century. However, Chairman Kim was confident that Daewoo's global strategy to achieve the necessary scale economies would work. He stated:[5]

> For the last twenty years, there have always been concerns about over-capacity in the global automobile industry. Daewoo is creating new demand in the emerging markets of Eastern Europe, the former CIS countries, and Asia.[6] With the rapid industrial development and the growth of consumer buying power, Daewoo can benefit from being the first mover in these markets. Of course, Daewoo will also pursue opportunities in developed country markets. There, we will define unique market niches and adopt differentiated marketing strategies. Our U.S. market launch in 1998 will show the way. To seize the opportunity in emerging markets, Daewoo is acquiring existing plants in those countries. We cannot rely on direct exports of finished vehicles because they will inevitably come up against trade barriers. Acquisitions save time and money for both sides. The capital-intensive nature of the automobile industry is such that it takes around $1,000 fixed cost per unit of annual production to build a new plant; with careful renovation of existing plants, a large part of this cost can be saved. Daewoo's expanded market base will be the basis for achieving the necessary scale economies.
>
> To remain competitive in the international market, we have to commit to an annual product development investment of $1 billion across five platforms. We need 300,000 to 400,000 unit production for each platform (including the variants such as convertibles and wagons), totaling 2 million units of annual production. At this level of production, per unit R&D cost can be kept under $500. This is why leading automobile makers are maintaining production output of over 2 million vehicles per year. To maintain consumer interest, Daewoo is planning to introduce two or three new models every year. We launched the Lanos (a 1500cc subcompact) and the Nubira (an 1800cc or 2000cc subcompact) in 1996, and the Leganza (a 2200cc or 3000cc compact) in 1997. Export of these new models will begin in late 1997. Overseas plants will soon switch their production lines to these new models.

[5] *The Monthly Chosun*, February 1995.

[6] The CIS (Commonwealth of Independent States) included the independent republics that formerly comprised the Soviet Union.

As of July 1997, more industry insiders were accepting the logic of Daewoo's move toward globalization. As one put it :

> Korea's domestic automobile market is too small for three producers (Daewoo, Hyundai, Kia). With the expected market entry of Samsung in 1998 (based on a technology licensing agreement with Nissan) which will add capacity to produce 200,000 vehicles a year, competition in the domestic market will intensify further. At the same time, tariff and nontariff barriers on foreign cars coming into the domestic market will be lowered. Korean producers are losing their cost advantage due to rising wage and land costs. Exports to emerging markets will be restricted by protective trade policies to nurture their industrialization goals. Overseas production is therefore essential. Without it, even the export of components will become economically infeasible in the near future. Current overseas moves by Hyundai and Kia prove this point.

As of July 1997, Daewoo's three new models were enjoying strong sales in Korea. Both the Lanos and the Leganza broke the first month sales record for a new model, and DMC was regaining market share leadership. The Leganza would be launched in the United States in 1998.

History of the Uz-Daewoo Auto Project

Daewoo and the Uzbekistan Economy

Uzbekistan was liberated from the former Soviet Union in August 1991. Under President Kharimov's strong leadership, Uzbekistan was actively pursuing industrialization. Located in the middle of the historic Silk Road trading route in Eurasia, Uzbekistan had a rich heritage of Islamic culture and was geographically positioned to serve as a distribution center of Central Asia. **Exhibit 8** and **Exhibit 9** report key economic indicators of Uzbekistan, while **Exhibit 10** shows a map of Uzbekistan. The population of 22 million was well educated; the adult literacy rate was 95%, 80% of the adult population had secondary education, and 16% had higher education. Uzbekistan was the world's fourth-largest producer of cotton (1.5 million tons/year) and had important deposits of gold (70 tons/year: 25% of former CIS annual production), natural gas (40 billion cubic meters/year: 5% of former CIS annual production), copper, molibdenum, zinc, and tungsten. Uzbekistan was agriculturally self-sufficient (mainly through rice). Soviet assembly plants in machinery, aircraft production, and steel refining had created a skilled labor force. The political environment was stable. Though still experiencing high inflation and a shortage of hard currency, Uzbekistan had the best record of macroeconomic stability among the former CIS countries in Central Asia. According to Mr. V. Golishev, the presidential economic advisor:

> During the first stage of economic reform (from independence to mid-1994), Uzbekistan created a new commercially based legal framework and started market reforms. During the second stage (from mid-1994 to 1996), macroeconomic stabilization was the main objective. While Russia experienced a 50% decline in GDP from 1990 to 1996, Uzbekistan's GDP fell only 18% and the country achieved 1.6% GDP growth in 1996. The national budget deficit has been less than 3.5% each of last two years. Inflation in 1996 was 5.6% per month (half of the 1995 level), and is expected to drop further in 1997. The labor market is stable with 4% unemployment despite 1.5%-2% population growth each year. Now, the government is pursuing a stabilization policy together with privatization and price reform. We are also promoting the formation of small- and medium-size business through a variety of ownership structures. To attract foreign investment, additional tax and customs duty concessions are planned.

Some Western analysts were more cautious, pointing to the large current account deficit, growing external debt burden, continuing restrictions on currency convertibility, regulatory controls on banking transactions, and the legacy of the communist bureaucracy, all of which discouraged importers and investors, particularly small and medium-size businesses.

A senior Daewoo executive involved in the Uzbekistan automobile project commented:

> In emerging markets, we always find that there is an opportunity on the other side of any threat. If everything were fine, these countries wouldn't need us. We jump into difficult markets and take advantage of the opportunities they present while managing the risk. By working hard, we build credentials with our partners (whether they are government officials or entrepreneurs) and find the best solutions for mutual prosperity. By being the first mover, we are in a better position to obtain cooperation. As a country becomes richer, it doesn't have to concede as much to later entrants.

After gaining independence from the Soviet Union, Uzbekistan needed managerial talent, financial capital, and technology to realize its growth potential. Because Uzbekistan had to specialize in the production of cotton and other raw materials when it was part of the Soviet Union, it had relied on Russia for most of capital goods and consumer durables. President Kharimov's ambition was to turn Uzbekistan into a strong economic power in Central Asia through industrial development and export promotion. This required foreign investment. However, multinationals from the developed countries were concerned about political risk, macroeconomic instability, and various regulatory barriers. Siemens, Lufthansa, and Cargill had business interests in Uzbekistan, but none of them had been willing to commit to substantial investment. Japanese firms that had been active investors in developing countries in the 1960s and 1970s were also reluctant. It was Daewoo that first answered the call.

Daewoo's unique commitment to Uzbekistan was described by Golishev, the presidential economic advisor :

> Daewoo was the first foreign company to commit to a large-scale manufacturing plant in Uzbekistan. My country needs long-term, reliable partners, not casual partners in pursuit of a quick profit. The speedy entrepreneurial decision making of Daewoo management and the leadership of President Kharimov helped to overcome the bureaucratic obstacles. For example, it took only 24 months to build the Uz-Daewoo plant while it usually took at least three years to build an automobile plant in Korea. The Uz-Daewoo plant became the leading symbol of Uzbekistan industrial development. The day the plant opened was declared a national holiday [Uzbekistan-Korea Friendship Day]. Today, Daewoo's presence is not limited to automobile production. Daewoo is increasing its role in other key industries such as cotton, electronics, and telecommunications.

The Uz-Daewoo Auto Project

President Kharimov visited Korea in June 1992 and expressed interest in Daewoo's Changwon auto plant. Daewoo signed a 50:50 joint venture agreement with Uzautoprom[7] in August 1992 to build an automobile plant in Uzbekistan which would manufacture 200,000 vehicles annually including 100,000 Nexias, 50,000 Ticos, 50,000 Damas. **Exhibit 11** shows pictures and specifications of

[7]Uzautoprom was the Automobile Manufacturing Association of Uzbekistan and was fully controlled by the Uzbekistan government. Hence, the project was effectively a joint venture between the Uzbekistan government and Daewoo.

these models.[8] Construction of the Uz-Daewoo automobile plant began in 1994, and once completed in July 1996, it became the first modern automobile factory in Central Asia. Uz-Daewoo Auto would reach full-scale production by the end of 1997. Two-shift production commenced in February 1997, and three-team two-shift production was scheduled to begin in October 1997.

Located 350 kilometers from Tashkent and next to the rail link in Andijan, the plant offered good logistics. Previously, the plant had been used as a tractor assembly factory with 550 employees. The refurbished plant followed the same design as the Changwon plant in Korea. See **Exhibit 12** for a plant diagram.

Production of the Damas, Tico, and Nexia models started on March 15, June 3, and June 17, 1996, respectively. Uzbekistan engineers and technicians (all of whom were trained at the Changwon and Bupyung plants in Korea) were in charge of production. Among the 3,200 workers at the factory, only 25 expatriate personnel were sent from Korea. Most of the local employees were in the 20-30 age range with a technical school background. Some had previously worked in the old tractor factory. Jobs at the new plant were highly prized, even though the average worker earned the equivalent of $200 a month. **Exhibit 13** documents the production and sales record while **Exhibit 14** provides data on the long-term operating plan of Uz-Daewoo Auto Co.

The total project investment was $658 million of which shareholders' equity was $200 million and debt was $458 million. The Uzbekistan government provided 50% of the equity capital through Uzautoprom, and Daewoo Corp. provided the other 50%. Of the $458 million debt, $396 million was sourced through foreign loans ($222 million by the supplier's credit of Daewoo Corp. and $174 million by the National Bank of Uzbekistan) and the equivalent of $62 million was sourced through a local loan prepared by Asaka Bank. The Uzbekistan government provided a payment guarantee for Daewoo's $222 million supplier's credit. Following the "Uzbekistan cabinet decree on Uz-Daewoo Auto," the Uzbekistan government not only infused investment money but also provided administrative support for the project. A deputy prime minister was appointed to oversee and expedite the construction of the factory. The Uzbekistan government granted a five-year exemption for income tax, value added tax, and customs on imported components, and promised to protect Uz-Daewoo's privileged position in the domestic market for two years.[9]

As of July 1997, Daewoo was meeting the expectations of the Uzbekistan government. The plant was credited with creating more than 10,000 new jobs, including jobs in construction, in auto dealerships, and in 10 local component companies established since 1996. A bank was set up to provide financial support for international trade and automobile sales. Technology transfer was achieved through the technology licensing agreements and the personnel exchange program for employees of Uz-Daewoo Auto and local component manufacturers. All of 3,200 employees of Uz-Daewoo completed a three-month training program in Korea; they were followed by dealer technicians and component manufacturer technicians. According to a senior executive in charge of the Daewoo Human Resource Development Institute in Korea :

> Both parties learn from each other. Our Uzbekistan friends learn technology and hard work in Korea, and both parties benefit from the international exposure. I heard that, one day, President Kharimov asked a Uzbekistan technician to say a few words in Korean when he visited the plant.

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[8] These brand names were the same as those used in Korea. Performance characteristics and specifications of the vehicles were almost identical, with minimal local adaptation.

[9] The value-added tax was 18% in Uzbekistan. The Uzbekistan government imposed a 5.26% customs duty on auto imports from Russia and other former CIS countries and 60% customs duty on auto imports from non-CIS countries.

Uz-Daewoo's production capacity was scheduled to reach 300,000 units by the year 2000. In 1996, 26,000 vehicles were produced. The production goal for 1997 was 125,000 vehicles. Of these, 60,000 were expected to be exported to the Central Asian Republics and Russia (30,000 for each), and 50,000 were expected to be sold in Uzbekistan. The remaining 15,000 would be held in factory and dealer inventories. Of the actual 40,000 units actually produced by July 31, 30,000 were sold domestically and 10,000 were exported.

The plant ran two shifts 250 working days a year, which could produce 40 vehicles per hour (20 Nexia, 10 Tico, and 10 Damas). Suppliers were selected ahead of production. By July 1997, six Korea-Uzbekistan joint ventures had been set up to work with Uz-Daewoo Auto, and small stamping parts were produced by wholly owned Uzbekistan companies. Uz-Daewoo was working closely to source components from other Daewoo plants such as RODAE of Romania and Daewoo-FSO of Poland. Imported parts and components were shipped from Korea to the Andijan plant by ship and train. Deliveries took 40 days. Local component sourcing was gradually increasing. In 1997, local content was expected to be 40% by value, including interior seats, bumpers, switchboards, and other components. By the year 2000, the value of locally made components was to reach 70%.[10]

In addition to the Uz-Daewoo Auto plant, Daewoo had many other investments in Uzbekistan. Cumulative investments totaled $1 billion by July 1997. Daewoo was the first Korean company to establish a trade office in Tashkent. Uz-Daewoo Electronics, a joint venture between Daewoo and the Uzbekistan government, was established in 1994, and, by 1997, manufactured 400,000 television sets and VCRs, which were sold in Uzbekistan and Russia. In telecommunications, Daewoo provided 210,000 TDX lines to the Fergana region of Uzbekistan and was preparing for telephone and global satellite-delivered mobile telecommunication services. Daewoo also established the Uz-Daewoo Bank and was participating in the construction of railroads between China and Central Asia, as well as various natural resource development projects. **Exhibit 15** summarizes the history of Daewoo's operations in Uzbekistan, and **Exhibit 16** lists Daewoo's business activities in Uzbekistan. According to Daewoo executives, there was a certain complementarity between Daewoo and Uzbekistan. President Kharimov was impressed by Korea's history of government-led high-growth economic development in the 1960s through 1970s, and hoped that Uzbekistan might be able to replicate this experience. Daewoo's extensive experience in emerging markets was also valued by Uzbekistan officials. Daewoo's many lines of business and its sheer size also helped. According to a Western businessman in Tashkent :

> Size helps in Uzbekistan. Small companies are often frustrated by the regulations and bureaucracy. Given the limited currency convertibility and the various development needs, Daewoo's multiple lines of business help a lot. For example, it seems that Daewoo can buy cotton with local currency earnings and export it, which is impossible for me to do. While other firms are still hesitant to invest, Daewoo has a myriad of business opportunities to offer to Uzbekistan, because the company operates in so many fields.

Decision Making and Negotiation

Critical issues regarding the Uz-Daewoo Auto project and other Daewoo businesses in Uzbekistan were negotiated directly between President Kharimov and Chairman Kim. The two leaders had developed a great mutual respect since the start of the project. President Kharimov was believed to consider Chairman Kim and Daewoo his most important economic development partner. It was Chairman Kim's strong entrepreneurial leadership that helped Daewoo open the new market

[10] Local content referred to the proportion of locally made components and parts to the total value of the finished good.

and made things happen. According to a senior Daewoo executive involved in the Uzbekistan operation:

> Chairman Kim always initiates our business deals and takes charge not only of strategic decisions but also of operational details. Experienced aides in the corporate office and operating divisions provide analysis reports to aid him in his decision making. However, it is usually Chairman Kim who senses the opportunities and judges the business prospects of each. He really thinks that every street is paved with gold. After a project has progressed to a certain stage, he focuses on key strategic issues and delegates operational issues to the corporate staff and local subsidiary managers. As the project matures further, the local subsidiary takes more of the initiative. Whenever necessary, Chairman Kim intervenes and deals with a problem, but the process is quite simple. With only a couple of phone calls or faxes, he cuts to the heart of the problem and identifies a solution. He also benefits from the wisdom of experienced executive assistants and front-line managers, but the process mainly involves very brief informal discussions. I've never seen him sit through a lengthy internal presentation. This business style is reflected in the simple internal reporting process of Daewoo. The direct experience of front-line managers is appreciated more than an ornate analysis written from behind a desk. Strategy is important. But it should be no more than a direction for the whole company. Bureaucratic haggling and sticking to routine procedures are the biggest enemies of progress in Daewoo. Having started as a trading company, Daewoo still values flexibility and deal making rather than building and running routinized operating systems.

Another senior Daewoo executive assisting Chairman Kim in managing overseas operations stated:

> In emerging markets, the window of opportunity is not always open. Timing is often critical. Detailed environmental surveys or market research are important, but not always obtainable and often used for internal battles to make excuses or to avoid responsibility. In addition, market research studies often focus on the existing state-of-affairs, underestimating or ignoring future potential. We negotiate the environment. Chairman Kim visits the investment site, negotiates the deal personally, and makes an up-or-down decision. In this process, Chairman Kim carefully evaluates the business prospects and develop solutions. Once faced with a decision, he spends enormous energy verifying investment information from various sources. In Uz-Daewoo Auto project, he visited Uzbekistan more than 10 times in a six-month period before he made the final decision to sign the agreement. This is one of the reasons why we have been able to penetrate so many emerging markets.

Some outsiders including business scholars, consultants, and business reporters criticized this entrepreneurial style. According to them, Daewoo relied too much on the entrepreneurial leadership of Chairman Kim, leaving little room for systematic management. There was also a concern that Daewoo was expanding much too fast and widely without sufficient core competencies and financial base. An investment banker in Seoul provided an interesting affirmative view :

> When I first looked into Daewoo's investment decision processes, I was frustrated. Formal feasibility studies were often considered "ornamental" by the front-line managers and even by some of the financial managers. One Daewoo executive once told me that formal investment analysis is never sufficient to assess a project's feasibility without the benefit of business intuition. Now, I have a better understanding of Daewoo's way of doing business. First, Daewoo applies excellent project financing skills to its overseas investments. For example, in the Uz-Daewoo Auto case, Daewoo provides 50% of the equity capital over three years, and the debt

is arranged with a payment guarantee from the Uzbekistan government. So, Daewoo can inject the initial portion of equity capital and reinvest the earnings from the project later on. Daewoo's financing terms and risk management approaches are quite creative. I've also found that the core of Daewoo's investment information is strictly confidential due to the nature of deals in emerging markets. This is one of the reasons why Daewoo's investment decisions may seem improvised to outsiders.

According to a Daewoo executive who had helped Chairman Kim coordinate Daewoo's global operations for many years:

> We use quantitative analyses in our feasibility studies, but we do not rely solely on them in making our investment decisions. Daewoo's experience in emerging markets is very useful. Published data on emerging markets are not reliable and, due to political and economic volatility, are quickly outdated. Critical information bearing on the deal may come from the key players, but in many cases, they do not have the complete picture either. So, we learn as we go. For example, Daewoo and the Uzbekistan government invented a new approach to currency convertibility and import duties. Local experts can tell you something, but it is not a simple matter of retaining a consultant. Often, there is no base case for comparison. Strict confidentiality is essential, so only a limited number of people can be involved in the deal. As the deal is negotiated, mutual trust builds and we gain access to better information with the help of our ever-improving credentials. In this process, we can negotiate the details of the business environment in which we are going to operate. So, planning which market to enter while standing in front of a map of the world is impossible. Sometimes, we worry that there might have been better alternatives. However, it is impossible to know everything about every country in the world.

Marketing

Market Size

A senior Daewoo manager involved in the deal commented on the size of the potential market and its relationship to the initial plant size and product mix:

> In the late 1980s when Uzbekistan was still a part of the Soviet Union, there were 1 million cars on the road in Uzbekistan. The typical Russian car used to sell in Uzbekistan for 6,000 rubles when the average worker earned 250 rubles per month.[11] Around 80,000 new cars were sold each year. A European Union study in 1996 suggested that Uzbekistan could absorb 4,000 imported cars per year based on the GNP per capita level. Considering the average age of cars on the road and a 10% annual replacement rate, annual demand for new cars in Uzbekistan should be 100,000 units. With 80% of the 14 million adults in Uzbekistan holding a driver's license, the long-term market potential is much larger. Considering an annual market demand for 2 million cars in the whole CIS region, we thought that 100,000 car exports to the neighboring countries was feasible. President Kharimov had initially suggested a 100,000 vehicle plant to produce the Tico and Damas models

[11] The typical Uz-Daewoo Auto employee earned 10,000 Sum a month in mid-1997.

during his visit to the Changwon minicar plant. Daewoo subsequently offered to build a 200,000-vehicle-capacity plant. Originally, we planned to produce 40,000 Rabo (a small truck based on the Tico body), 60,000 Damas vans, 80,000 Tico cars, but we subsequently changed our product mix to 50,000 Damas, 50,000 Tico, and 100,000 Nexia when we considered the market preference for larger, C-class cars.

As of 1995, there were 834,000 passenger cars and 266,000 trucks in Uzbekistan. The average age of vehicles on the road was nine years. Ninety-five percent of the vehicles had been made in Russia. **Table A** shows the mix of cars on the road according to vehicle size class.

Table A Mix of Cars on the Road[a]

	Mix of cars on the road : 1996	1997 Forecast mix of new car sales
Class A	7,000 (0.9%)	1.5-2%, Tico has 100% share
Class B	88,000 (11.8%)	15%, Oka, Tavria
Class C	611,000 (81.7%)	80%, VW Golf, Fiat (Turkey), Nexia
Class D	12,000 (1.7%)	2-3%, Mercedes, BMW, Opel
Class E	29,000 (3.9%)	1-2%, Mercedes, BMW

Source : Interview with Mr. Yusupov, general director of Uz-Daewoo Auto Co.

[a]Across the whole CIS region, demand for C-Class cars was 81% of the total while A-Class cars represented only 2%.

Sales, Distribution and Service

Exhibit 13 shows the sales and production history of Uz-Daewoo Auto. Of the 42,000 vehicles produced by the end of July 1997, 26,000 vehicles were sold for cash, 4,000 vehicles were sold via bank transfer, and 1,300 vehicles were exported. A further 2,980 vehicles were in manufacturer's inventory, and 5,800 vehicles were in dealer inventory. Ninety percent of the exports were made to Russia, while the other 10% went to Kazakhstan, Kyrgystan and Belarus.

At the company-owned flagship retail dealership in Andijan, the sales manager reported that 45 vehicles had been sold in May 1997, up from 20 in April. In a typical day, 50-60 customer prospects visited the dealership. No trade-ins were negotiated. All new cars carried a one-year warranty. The four sales people were paid salaries with no sales commission. Two spare parts sales people also worked at the dealership. Daewoo was not closely involved in domestic marketing. Uz-Daewoo Auto was in charge of production, nationwide promotion and sales to dealers, and Uzautosanoat was in charge of distribution.[12] Due to high inflation (5%-6% per month in 1997), Uz-Daewoo changed its price schedule every month subject to government approval. **Table B** reports the retail price tags at the flagship dealer. **Table C** shows the comparative cost structure for Tico and Nexia cars produced in Uzbekistan.

[12]Uzautosanoat was an automobile sales and distribution company wholly owned by the Uzbekistan government. A ministrial level official was appointed the CEO of the company.

Table B Retail Sticker Prices on July 29, 1997[a]

	Local Currency: Cash	Local Currency: Bank Transfer	US$/Export
Nexia GL: Basic Model	$13,000	$15,600	$9,026
Nexia GL: Fully Loaded Model	$17,400	$20,880	$10,626
TICO: Basic Model	$6,790	$8,830	$4,800
TICO: Fully Loaded Model	$7,960	$10,350	$5,540
DAMAS: Basic Model	$9,110	$11,840	$5,900

[a]**Exhibit 17** shows the exchange rate trends in more detail.

Table C Comparative Cost Structure for Tico and Nexia produced in Uzbekistan: July 1997 (%)

	Tico	Nexia
Factory Price	100.0	100.0
Cost of Goods Sold	71.1	72.1
Administrative Cost	9.6	8.6
Transportation & Other[a]	6.0	6.0
Profit Margin	13.3	13.3
Interest on Loans from Daewoo	7.1	7.1
Construction Fee to Daewoo	8.2	8.2
3% Royalty to Daewoo	3.0	3.0

[a]Transportation costs for imported parts were $3,200 per container for 2,000 containers per month (at full production).

According to a Daewoo manager involved in the Uzbekistan operation :

> The retail price tags don't tell you the whole story. The high inflation and continuous devaluation of the Sum against the U.S. dollar creates an arbitrage opportunity. If you can buy in U.S. dollars (at the official rate), you should earn an arbitrage profit due to the discrepancy between the official rate and the black market rate.

In Uzbekistan, Uz-Daewoo Auto had appointed 40 direct dealers, who in turn had appointed 150 subdealers. Eighteen of the direct dealers were wholly owned by Uzautosanoat. Most of the dealers were former automotive service stations. Dealers earned a 5% retail sales margin on the Nexia and a 10% margin on the Tico and Damas. New dealers received discounts on purchases of their initial inventory. Outside Uzbekistan, Uz-Daewoo had appointed 22 dealers in Russia and other CIS countries. Of these, 5 were wholly owned, and 6 were partly owned by Uzautosanoat. By mid-1997, 1 billion Sum and $4 million had been spent to establish the distribution and service network. Uz-Daewoo and Uzautosanoat were planning to expand them. Further expansion of the service network would emphasize private service centers. Around 200 service centers were to be set up in Uzbekistan, and 50 of them were to be supplied with parts and components through Uzautosanoat. Dealer sales managers and service technicians received training provided by Daewoo in Korea as part of the personnel exchange program.

Uz-Daewoo Auto advertised daily on Uzbekistan's national television network. One advertisement showed the Nexia's maneuvering and performance capabilities in a circus arena, dodging the animals. Uz-Daewoo Auto's television advertising was part of an overall corporate image-building campaign by Daewoo, which would cost $1 million in 1997—almost one-quarter of all paid television advertising in Uzbekistan.

Competition

The Uzbekistan government was pushing Uz-Daewoo Auto to increase exports to generate hard currency. However, Daewoo claimed that sluggish domestic sales growth had limited the achievement of scale economies, and kept unit costs high. Smugglers from neighboring countries also restricted export sales. As long as the black market exchange rate of Sum/US$ was almost twice the official rate, export sales through official channels were problematic. In the absence of tight border controls, it was impossible to prevent the smugglers from neighboring countries from bringing in U.S. dollars, converting them into Sum at the black market rate, and then smuggling Uz-Daewoo cars back to their countries.

Daewoo had hoped that Uz-Daewoo would be a useful production base for the growing Russia market. In Russia, imported cars from Uzbekistan had to pay a 5.26% tariff while those from Korea and other non-CIS countries paid 60%. Value-added tax in Russia was 20% (18% in Uzbekistan); the sales tax differential was absorbed by Uz-Daewoo Auto on officially exported cars. It cost $480 to transport a Nexia ($420 for a Tico) from Uzbekistan to Moscow.

Autovaz, the largest Russian automobile manufacturer which had formerly produced Rada, was producing and selling the VAZ2109 (1500cc) and the VAZ2110 (a new 1500cc model). Its production capacity was 900,000 vehicles a year, of which 600,000 were assigned for sale in the Russian domestic market. **Table 4** shows price comparisons between Russian cars and Uz-Daewoo cars.

Table D Comparable Retail Car Prices in Russia

Russian Cars			Uz-Daewoo Cars		
Producer	**Model**	**Price** [a]	**Producer**	**Model**	**Price**
Autovaz	OKA	US$3,000	Uz-Daewoo	Tico	US$6,000
Tavria	Tavria	US$3,000			
Autovaz	VAZ2109	US$9,496	Uz-Daewoo	Nexia	US$12,000[b]
	VAZ2110	US$11,870			

[a] U.S. dollar prices were as of July 27, 1997, at the official exchange rate.
[b] On the black market, the Nexia could retail for $8,000 if payment was made in U.S. dollars. The VAZ2109 sold for $8,500 on the black market.

According to Mr. Yusupov, general director of Uz-Daewoo Auto, competition in the export market was tough and getting tougher :

> The Nexia is better equipped to compete in the export market. Traditionally, Russian and Uzbekistan consumers prefer C class cars [with engine sizes between 1500-1800cc] due partly to rough road conditions. Uz-Daewoo should consider shifting the production mix in favor of the Nexia. Ford is planning a 50,000 vehicle capacity plant to make Ford Escorts in Belarus; the retail price will be around $10,000-$12,000. Opel [the German subsidiary of General Motors] has a strategic alliance with Autovaz to introduce Astras in 1998 which will be made in a 50,000 vehicle capacity plant. Moscvich is also working on an alliance to produce Renault cars. Kia is planning a 50,000-vehicle-capacity CKD plant in Kaliningrad, Russia. There will be a flood of C-Class cars. Moreover, these competitors are spreading the word that the Nexia is no longer in production in Korea. Uz-Daewoo will be in trouble if Daewoo doesn't enable us to introduce a new model.

Daewoo managers also acknowledged the increasing competitive challenge, but viewed the situation differently:

At present, Russian-made cars do not match Uz-Daewoo cars in terms of quality or performance. It will take some time before the competitive pressure materializes. Autovaz will only be doing joint CKD production of Opel's Astra and Calibra at the end of 1998. It will be another year before they start producing Opel engines for those cars. There are many strategic alliances on paper, but as yet, no cars are rolling off production lines. Actions speak louder than words, and these deals always take longer than expected to bear fruit. Of course, Daewoo is preparing for the challenges. We will start producing state-of-the-art models (which are still under development) from 2000. The new model line will cover C, D, and E class cars. The Uz-Daewoo plant is designed to be able to shift to production of these new models.

Hard Currency Problem

Due to the shortage of hard currency in Uzbekistan, the convertibility of the Sum was strictly limited. Because the Uz-Daewoo project was designed to generate hard currency through exports, the Uzbekistan government gave Daewoo a higher priority in hard currency allocation for plant construction and component imports.[13] However, currency convertibility and repatriation of the earnings were ongoing challenges, and constrained further investment. Daewoo arranged foreign loans (under supplier's credit) from Western banks and institutions for its Uzbekistan projects, but recognized that it would take time for those projects to generate hard currency earnings. From the outset, Daewoo had been trying to alleviate this problem through becoming involved in the cotton business. From simple cotton exports, Daewoo was planning to expand its business into cotton plantations and spinning. Detailed operational decisions dealing with raw material allocation and pricing were still pending, but the business prospects were bright.[14] According to a Daewoo manager involved in the cotton business, a new textile industry complex in Uzbekistan that included the whole value-added processes from spinning to apparel manufacturing could generate $15 billion annual exports within 10 years.

Management Challenges

When construction work started on the plant, a task force was appointed by Chairman Kim to implement the Uz-Daewoo project. Mr. Kwan-Ki Lee (also the chairman of Uz-Daewoo Auto) was in charge of the team. Overall Daewoo operations in Uzbekistan were coordinated by Daewoo Corporation and reported to Chairman Kim. However, managing an operation in a remote foreign environment was still a daunting task. Early on, the telecommunications infrastructure was not reliable: in 1993, it could take 30 minutes to send a 5-page fax from Seoul to Tashkent. Chairman Kim visited Uzbekistan whenever necessary. Mr. Lee and his staff were spending half their time in Uzbekistan and usually traveled on weekends to save time. Due to the variety of Daewoo's businesses in Uzbekistan, the company was planning to appoint a senior executive stationed there to coordinate all Uzbekistan operations. Due to both the cultural and physical distance between Tashkent and Seoul, life in Uzbekistan was still a challenge for Korean managers. All 20 Uz-Daewoo Auto expatriates in Uzbekistan had their families in Korea. There was no reliable international school in Uzbekistan. At first, they could only obtain Korean food through monthly shipments from Daewoo's Seoul Office. Managing cross-cultural conflict was also a challenge. It took great patience and understanding to persuade Uzbekistan workers to adopt attitudes of hard-work and competitiveness.

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[13] Due to limited hard currency reserves and a growing current account deficit, the Uzbekistan government allocated hard currency for each business.

[14] Due to the importance of cotton to the Uzbekistan economy, the Uzbekistan government was in charge of the quantity allocation and the pricing of cotton trade.

Conclusion

Preparing for his upcoming visit to Uzbekistan, Chairman Kim reviewed the progress of Daewoo's cooperative ventures there and reflected on the role that cooperative ventures with other companies and with national governments had played in the growth of Daewoo. Uz-Daewoo Auto was facing several challenges. Faced with the pressure from the Uzbekistan government for increased export sales, Uz-Daewoo had to meet various competitive challenges in both the domestic and the export markets. Smugglers from neighboring countries were a major obstacle to export sales. Several multinational companies planning entry in Uzbekistan were criticizing the benefits Daewoo had earned as a first mover. While hard currency shortages and limited convertibility constrained further investment, the Uzbekistan government was offering Daewoo two new investment projects outside the automobile sector. Chairman Kim had to resolve these issues as he sought to advance Daewoo's overall strategic relationship with Uzbekistan.

Exhibit 1 Daewoo's Total Sales and Exports in US $ Billions : 1970-1997

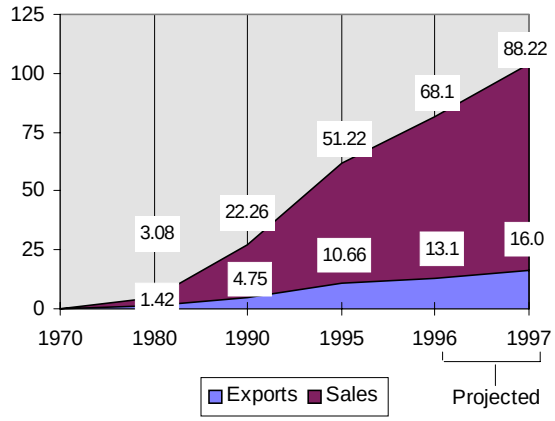


Exhibit 2 Overseas Network by Region (as of June 1997)

	Subsidiaries	Branches	R&D Centers	Construction Sites	Total	Cumulative Investment[a]
Asia	135	68	3	29	235	$1,390 million
Africa/Middle East	24	27		40	91	$ 315 million
CIS	25	13	2		40	$ 270 million
Eastern Europe	37	6		1	44	$ 571 million
Western Europe	36	9	5		50	$ 364 million
Americas	54	20	3	1	78	$ 394 million
Total	**311**	**143**	**13**	**71**	**538**	**$3,304 million**

Overseas Network by Lines of Business

	Subsidiaries	Branches	R&D Centers	Construction Sites	Total	Cumulative Investment[a]
Trade	138	86			224	$ 910 million
Construction	41	21		71	133	$ 676 million
Electronics/ Telecommunications	74	24	9		107	$ 680 million
Automotive Industry	20	1	2		23	$ 767 million
Heavy Industry	11	5	2		18	$ 100 million
Finance	13	4			17	$ 125 million
Others	14	2			16	$ 46 million
Total	**311**	**143**	**13**	**71**	**538**	**$3,304 million**

[a]Investment amount = equity investment + loans to the subsidiaries

Exhibit 3 Major Daewoo Group Companies (Domestic)[a]

	1996 Sales	Company	Business Fields and Products
Trading	$19.4 billion (Automobile-related: $12.5 billion)	Daewoo Corporation (General Trading Division)	Trading, Financing, Resource Development, Investment, Project Organization, Logistics
Construction & Hotels	$7.2 billion	Daewoo Corporation (Construction Division	Architectural Works, Civil Works, Plants, R&D, Development Programs, Design Engineering
		Keangnam Enterprises, Ltd.	Architectural Works, Civil Works, Plants, Engineering and Consulting
		Kyungnam Metal Co., Ltd.	Aluminum Extrusion, Curtain Walls, Frame, Profiles, Fabrication of Aluminum Sash
		Daewoo Development Co. Ltd.	Hotels and Museum
Heavy Industry & Shipbuilding	$5.1 billion	Daewoo Heavy Industries Ltd. (General Machinery Division)	Diesel Engines, Construction Equipment, Machine Tools, Factory Automation, Defense Products, Materials, Precision Machines, Aerospace Products, Machinery & Equipment
		Daewoo Heavy Industries Ltd. (Shipbuilding Division)	Shipbuilding, Offshore Platforms, Specialty Vessels, Repair & Conversion, Offshore Workships, Drilling Rigs, Steel Structures, Industrial Plants
		Korea Industrial Systems Co., Ltd.	Computer Numerically Controlled Equipment
Automotive Industry[b]	$4.5 billion	Daewoo Motor Co., Ltd.	Vehicle Manufacturing (Passenger Cars, Buses, Trucks)
		Daewoo Heavy Industries Ltd. (Public Motors Division)	Minivehicle Production
		Daewoo Automotive Components Ltd.	Alternators, Cranking Motors, Ignition Coils, Distributors, Brake Systems, Catalytic Converters, Steering Systems, FWD Axles, Compressors, Car Air Conditioner, Components, Radiators
		Daewoo Precision Industries Ltd.	Automotive Components, Materials Nuclear Fuel Components, Machinery, Pneumatic Tools, Defense Industry Products
		Koram Plastics Co., Ltd.	Rim Bumpers, Battery Cases
		Korea Automotive Fuel Systems	Automotive Fuel Systems
		Daewoo Motor Sales Co., Ltd.	Vehicle Sales
Electronics & Telecommuni-cations	$4.2 billion	Daewoo Electronics Co., Ltd.	TVs, VCRs, Microwave Ovens, Audio Systems, Home Appliances
		Daewoo Electronic Components Co., Ltd.	E-Tuners, Hybrid-Ics, DYs, Capacitors (Film, Aluminum. Electrolytic, Tantalum), FBTs, Thermistors, Relays, Keyboards and SAW Filters
		Orion Electric Co. Ltd.	Monochrome CRTs, Electron Guns, Color CRTs, Electron Gun Parts, Computer Monitors, Flat Panel Display Devices (LDC, PDP and ELD)
		Orion Electric Components Co. Ltd.	Color CRT Manufacturing and Sales
		Daewoo Electric Motor Industries Ltd.	Motor Manufacturing
		Daewoo Telecom Ltd.	Computers, Peripherals, System Integration, Telecommunications Systems
		Daewoo Information Systems Co., Ltd.	System Integration, System Products, System Services
Finance & Services	$1.2 billion	Daewoo Securities Co., Ltd.	Brokerage, Underwriting, Overseas Investment, Settlement and Standing Proxy, Dealing, Mergers & Acquisitions
		Daewoo Economic Research Institute	Advanced Analysis of Economic Factors
		Daewoo Capital Management, Co., Ltd.	Korea Fund Advisor, Investment Advisor, Portfolio Manager
		Korea Financial Service Co., Ltd.	Factoring
		The Diners Club of Korea	Credit Cards
		Dongwoo Management Co., Ltd.	Building Maintenance
		Daewoo Venture Capital Co., Ltd.	Technical & Financial Support to Small & Medium-Size Enterprises

[a]This figure is the annual consolidated sales by domestic companies.

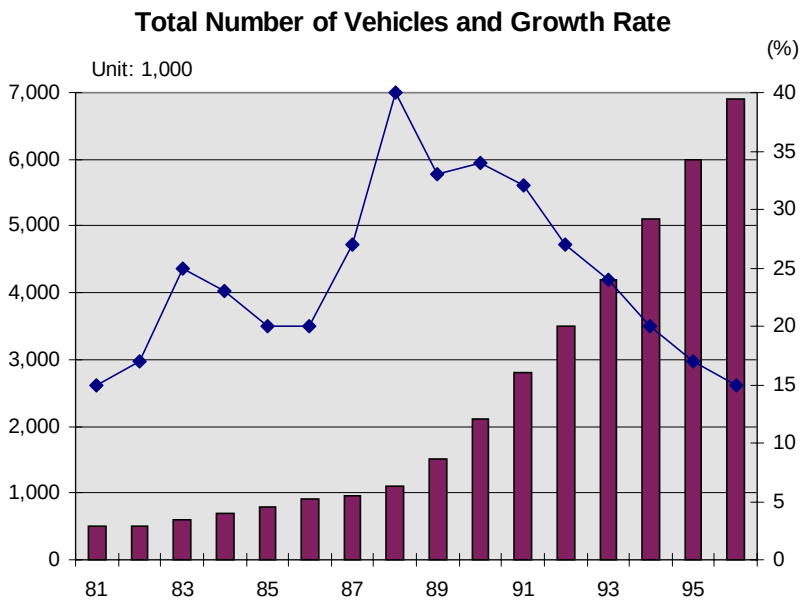
[b]Daewoo's automobile-related sales by overseas subsidiaries were estimated to be $8.6 billion as of 1996.

Exhibit 4 Major Daewoo Group Subsidiaries (Overseas)

	Western Europe	Business Fields and Products
United Kingdom	Daewoo Worthing Technical Center	Car Design and Engineering
	Daewoo Electronics U.K.	Home Appliances Manufacturing
France	Euro Daewoo	Heavy Machinery
	Daewoo Cars	Car Sales
	Daewoo Electronics Manufacturing	Home Appliances Manufacturing
	Daewoo Orion	CRT Manufacturing
	Daewoo Automobile France	Car Sales
Germany	Daewoo Automobile Germany	Car Sales
	Daewoo Motor Engineering	Car Engineering
	Euro Daewoo	Heavy Equipment Sales
	Eastern Europe	
Poland	Daewoo-FSO Motor	Passenger Car Manufacturing
	Daewoo Motor Polska	Commercial Vehicles Mfg.
	Centrum Daewoo	Car Sales
	Daewoo Electronics Poland	Home Appliances Mfg.
Romania	Daewoo Automobile Romania	Passenger Cars Manufacturing
	Daewoo Mangalia Heavy Industries	Shipbuilding and Repair
	Daewoo Romania Bank	Banking
Czech Republic	Daewoo AVIA	Commercial Vehicles Mfg.
Hungary	Daewoo MBM	Bearing Production
	Daewoo Bank	Loans, Trusts
	Daewoo Securities	Securities Brokerage
	Daewoo Leasing	Leasing
	CIS	
Uzbekistan	Uz-Daewoo Auto	Passenger Cars Manufacturing
	Uz-Daewoo Electronics	Home Appliances Manufacturing
	Uz-Daewoo Bank	Banking
	Uz-Daewoo Textile	Cotton Fabrics
	Uz-Daewoo Telecom	Telecommunications Services
Kazakhstan	Daewoo Almaty Electronics	Home Appliances Mfg.
	Kazaktelecom	Telecommunications Services
Ukraine	Auto ZAZ	Passenger Cars Manufacturing
	Dniepr-Daewoo	Telecom. Equipment Mfg.
	Asia	
China	Daewoo China	Holding Company
	FAW-Daewoo Automotive Engines	Engine, Transmissions
	Shandong-Daewoo Automotive Components	Automotive Components
	Daewoo Cement Plant	Cement Production
	Guilin Daewoo Bus	Buses
	Daewoo Heavy Industries Yantai	Excavator Manufacturing
	Beijing Lufthansa Center	Hotel, Office, Apartments
	Yanbian Daewoo Hotel	Hotel
	Guilin Sheraton Hotel	Hotel
	Shanghai Business Center	Business Center Construction
	Heilangijang Electronic Technology	Telecommunications Services

	Asia	Business Fields and Products
Vietnam	Daeha Business Center	Hotel, Offices, Apartments
	Daewoo Hanel Electronics	Home Appliances Mfg.
	Orion Hanel Picture Tube	CRT Manufacturing
	Vietnam Daewoo Motor	Passenger Cars Manufacturing
	Firstvina Bank	Banking
	Saidong Industrial Zone Development	Plant Site Development
India	Daewoo Motors India	Passenger Cars Manufacturing
	Daewoo Securities India	Securities Brokerage
	Daewoo Power India	Power Plant Construction
	Africa and Middle East	
Iran	Kerman Motor	Passenger Cars Manufacturing
Morocco	Rabat Hilton Hotel	Hotel
Sudan	International Tire Manufacturing	Tire
	Port Sudan Spinning Mill	Cotton Yarn
Algeria	Algiers Hilton Hotel	Hotel
Nigeria	Daewoo Nigeria	Construction
Angola	Oil Exploration Project	Oil Exploration
	Latin America	
Mexico	Daewoo Electronics, Mexico	Color TV Manufacturing
	DECOMEX	Home Appliances Sales
	DEHAMEX	Home Appliances Manufacturing
	Daewoo Electro-Components Mexico	Components Manufacturing
	Daewoo Orion Mexicana	CPT Manufacturing
Chile	DECSA	Home Appliances Sales
Peru	Oil Exploration Project	Oil Exploration
Colombia	DECO	Home Appliances Sales
	North America	
U.S.A.	Daewoo Motor America	Car Sales
	Daewoo International America	Trading
	Daewoo Electronics America	Home Appliances Sales
	Daewoo Securities	Securities Brokerage
	Daewoo Machinery	Heavy Equipment Sales

Exhibit 5 Trends in Automobile Ownership in Korea



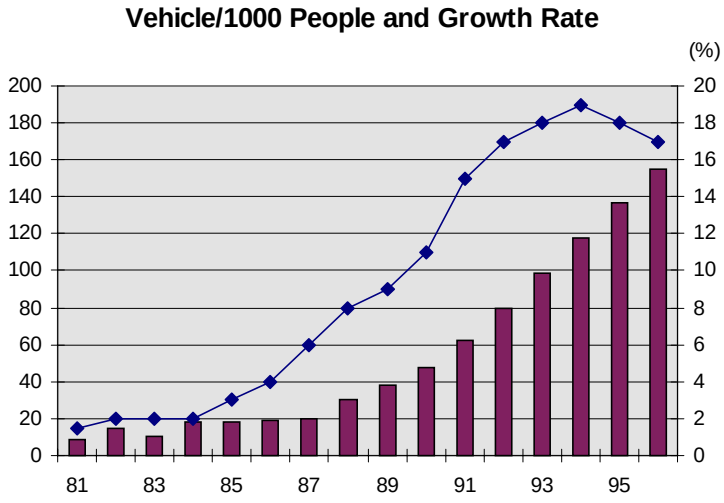


Exhibit 6 Companies Affiliated with Daewoo's Automobile Production

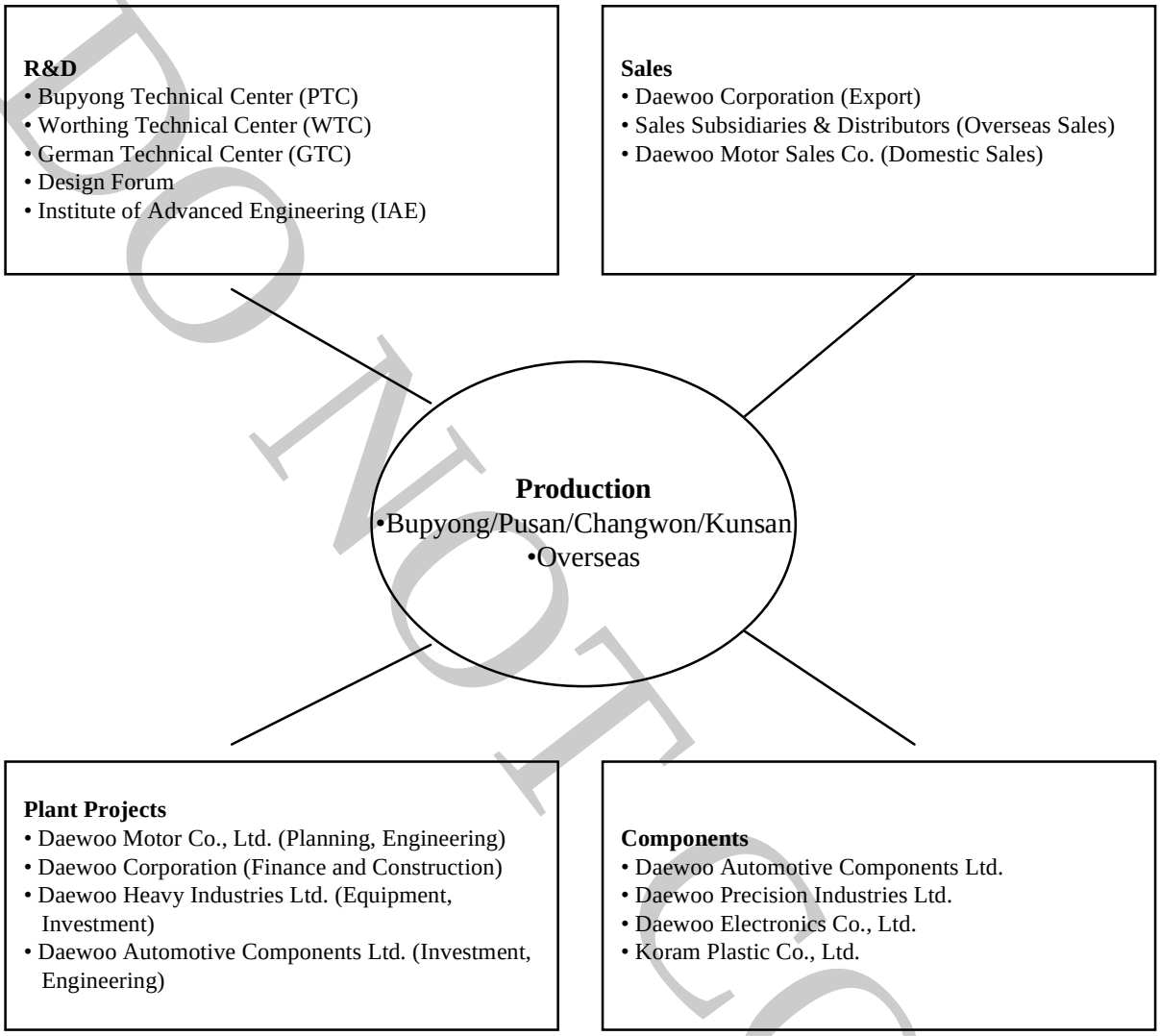


Exhibit 7 Daewoo's Domestic and Overseas Automobile Operations

A. Domestic Plants

Location	Products	Capacity/Year 1997
Bupyong	Passenger Cars	500,000
	KD (Knock-Down Kits)	200,000
Pusan	Buses	6,000
Changwon	Minicars/Light Commercial Vehicles	240,000
Kunsan	Passenger Cars	300,000
	Trucks	20,000

B. Overseas Plants

Country	Plant	Products	Capacity (by 1998)
Poland	DW-FSO	Passenger cars (local model)	120,000
		Commercial vehicles	40,000
	DMP	Passenger cars	20,000
		Commercial vehicles	45,000
Romania	RODAE	Passenger cars	200,000
Czech Republic	Avia	Commercial vehicles	25,000
Uzbekistan	UZ-Daewoo	Passenger cars	150,000
		Mini-commercial	50,000
India	DDML	Passenger cars	160,000
		Commercial vehicles	10,000
China	Guilin	Bus	5,000
Iran	KMC	Passenger cars	25,000
Philippines	TAMC	Passenger cars	10,000
	FDIC	Large bus	500
Vietnam	Vidamco	Passenger cars	25,000
		Large bus	2,000
Indonesia	PT.SD	Passenger cars	3,000

C. Domestic and Export Sales : 1994-1996

Location	Product	1994	1995	1996
Domestic[a]	Passenger cars	284,734	233,555	278,617
	Commercial vehicles	24,863	20,886	21,460
	Sub-total	*309,597*	*254,441*	*300,077*
Export[b]	Passenger cars	107,283	262,185	348,545
	Commercial vehicles	3,640	3,044	5,168
	KD[c]	--	15,672	118,199
	Sub-total	*110,923*	*280,901*	*471,912*
Total		420,520	535,342	771,989

[a]Domestic sales in Korea
[b]Exports of finished vehicles from Korea
[c]Exports of knock-down kits from Korea

Exhibit 8 Key Economic Indicators for Uzbekistan

		1994		1995				1996			
		3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1Qtr	2 Qtr	3 Qtr	4 Qtr
Industrial production	Monthly av.										
General index	1990 = 100	93.4	130.7	72.7	82.2	99.4	n/a	n/a	n/a	n/a	n/a
Cement	1000 tons	428	328	261	276	322	280	211	305	307	248[a]
Mining											
Lignite	1000 tons	336	298	221	234	269	278	232	239	253	190[a]
Natural gas	mil. cu metres	3,313	4,207	4,406	3,968	3,544	4,066	4,526	3,879	3,564	4,069[a]
Crude petroleum	1000 tons	326	402	437	430	439	464	402	432	398	461[a]
Employment											
Industry	1000	1,100	1,084	1,120	1,110	1,100	1,070	1,050	1,035	1,020	n/a
Unemployment, registered		19.3	21.2	27.6	32.8	28.4	26.4	28.9	32.9	33.4	n/a
Wages											
Monthly earnings	Sum	480	600	973	1,475	1,551	2,118	2,244	3,350	3,920	n/a
Construction											
Dwellings completed	1000	6.9	6.4	2.4	5.6	6.4	5.1	2.0	5.9	8.7	n/a
Foreign trade	Qtrly totals										
Exports	$ mil.	449.2	1,276.3	449.0	779.7	577.8	1,243.5	453.4	518.1[b]	n/a	n/a
of which: CIS		224.1	998.9	478.7	442.5	255.6	252.7	109.5	109.6[b]	n/a	n/a
Imports		648.2	790.7	517.9	592.8	488.8	1,148.4	603.4	559.8[b]	n/a	n/a
of which: CIS		375.2	378.3	220.0	273.5	316.8	307.3	187.0	205.2[b]	n/a	n/a

Source: OECD
[a]October only.
[b]Total for April-May.

Exhibit 9 Former Soviet Republics: GDP and GDP per Head (at purchasing power parity)

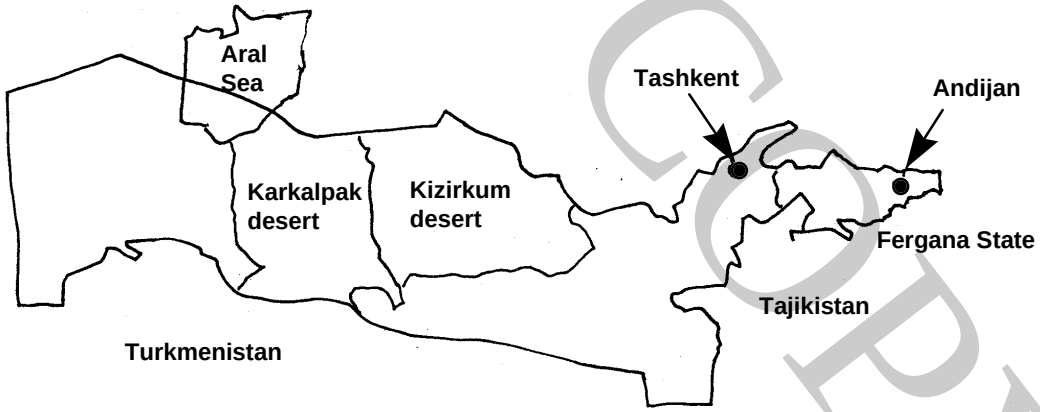
	1989	1990	1991	1992	1993	1994	1995	1996
Armenia--GDP								
$ bn	17.6	17.0	16.1	7.9	6.9	7.3	8.0	8.6
per head ($)	5,062	4,804	4,469	2,143	1,853	2,051	2,124	2,275
Azerbaijan--GDP								
$ bn	21.8	20.0	20.7	13.8	10.9	8.7	7.4	7.6
per head ($)	3,076	2,804	2,872	1,866	1,474	1,163	986	1,005
Belarus—GDP								
$ bn	49.9	50.4	51.4	47.7	43.8	37.7	34.8	36.5
per head ($)	4,879	4,910	5,006	4,631	4,228	3,645	3,365	3,525
Estonia—GDP								
$ bn	7.7	7.4	6.8	6.2	5.8	5.8	6.1	6.4
per head ($)	4,896	4,670	4,334	3,988	3,803	3,836	4,067	4,349
Georgia								
$ bn	24.1	21.4	17.8	10.9	7.7	5.6	5.5	6.2
per head ($)	4,420	3,919	3,275	2,005	1,405	1,032	1,005	1,139
Kazakstan								
$ bn	71.9	74.6	72.4	64.7	56.0	43.0	40.1	41.4
per head ($)	4,327	4,477	4,304	3,827	3,316	2,523	2,416	2,507
Kyrgyz Republic								
$ bn	11.0	11.9	11.2	9.7	8.3	6.3	6.0	6.5
per head ($)	2,550	2,706	2,524	2,164	1,842	1,364	1,311	1,372
Latvia								
$ bn	14.5	14.6	13.6	9.1	8.0	8.2	8.3	8.6
per head ($)	5,437	5,471	5,118	3,462	3,070	3,209	3,288	3,463
Lithuania								
$ bn	33.0	33.9	30.0	19.2	13.7	14.2	14.9	15.8
per head ($)	8,945	9,121	8,031	5,141	3,681	3,813	4,025	4,255
Moldova								
$ bn	15.9	16.2	13.9	10.2	10.3	7.2	7.2	6.8
per head ($)	3,666	3,722	3,195	2,336	2,362	1,666	1,661	1,563
Russia								
$ bn	856.7	875.4	865.0	759.9	711.9	636.4	626.2	601.4
per head ($)	5,815	5,918	5,835	5,124	4,805	4,301	4,227	4,066
Tajikistan								
$ bn	9.9	10.2	9.7	7.0	5.2	4.5	4.0	3.4
per head ($)	1,915	1,920	1,770	1,248	916	781	693	577
Turkmenistan								
$ bn	10.0	10.7	10.5	10.2	9.5	7.7	6.8	6.7
per head ($)	2,798	2,903	2,815	2,675	2,413	1,930	1,627	1,522
Ukraine								
$ bn	216.5	217.6	206.6	191.3	168.4	132.4	119.2	109.5
per head ($)	4,181	4,197	3,978	3,668	3,227	2,551	2,308	2,138
Uzbekistan								
$ bn	44.6	47.5	49.1	46.0	45.0	43.1	42.6	41.9
per head ($)	2,219	2,312	2,351	2,122	2,058	1,928	1,892	1,847

Source: IMF; World Bank, *Statistical Handbook of States of the Former USSR;* UN Economic Commission for Europe, *Bulletin for Europe*, Vol. 44, 1992: EIU calculations.

Exhibit 10 Map of Uzbekistan

Central Asian Republics

Uzbekistan



Source: *Financial Times*

Exhibit 11 Pictures and Specifications of Vehicles Produced by Uz-Daewoo Auto

NEXIA

GLE
- 1.5 SOHC engine
- Flush 13-inch wheel covers
- Power steering (option)
- Air conditioning (option)
- AM/FM stereo radio & cassette
- Power windows • Power antenna

GL
- 1.5 SOHC engine
- Front bucket seats, sliding & reclining
- Floor mat, carpet • Door pocket
- Door lock, manual • Speaker(FRT/RR)
- Variable speed wipe • Digital clock
- Remote trunk lid release, electric

Tico

DLX
- Back glass - heated
- Driver's side map pocket
- AM/FM Stereo, Digital clock
- Speaker(LH/RH) • Manual antenna
- Air conditioning (option)
- Manual transmission (5-speed)

GLE
- Front bucket seats, sliding & reclining
- Full flat seat • Ventilator
- Manual transmission (4-speed)
- Door lock, manual
- Wiper speed • Cigar lighter

Both DLX and STD with 800cc 3 cylinder gasoline engine.

DAMAS

MINI BUS DLX
- Wheel ctr cap • Headrest
- Air conditioning (option)
- Windshield washer - combined with wiper
- Back glass - heated • AM/FM stereo. ETR
- Driver's side map pocket • Manual antenna
- Speaker LH/RH (on door side)
- Capacity: 7 person

MINI BUS DLX
- Door key - driver & codriver
- Front driver's seat, sliding
- Headrest (front - separate - slim)
- Air conditioning (option)
- Seatbelt warning - driver
- Capacity: 450kg

VAN
- Mud flap FRT & RR
- Head lamp - round (halogen)
- Door lock, manual, FRT
- Glove box • Locking fuel lid

All models with: Both DLX and STD with 800cc 3 cylinder gasoline engine.

Exhibit 12 Uz-Daewoo Auto: Plant Diagram

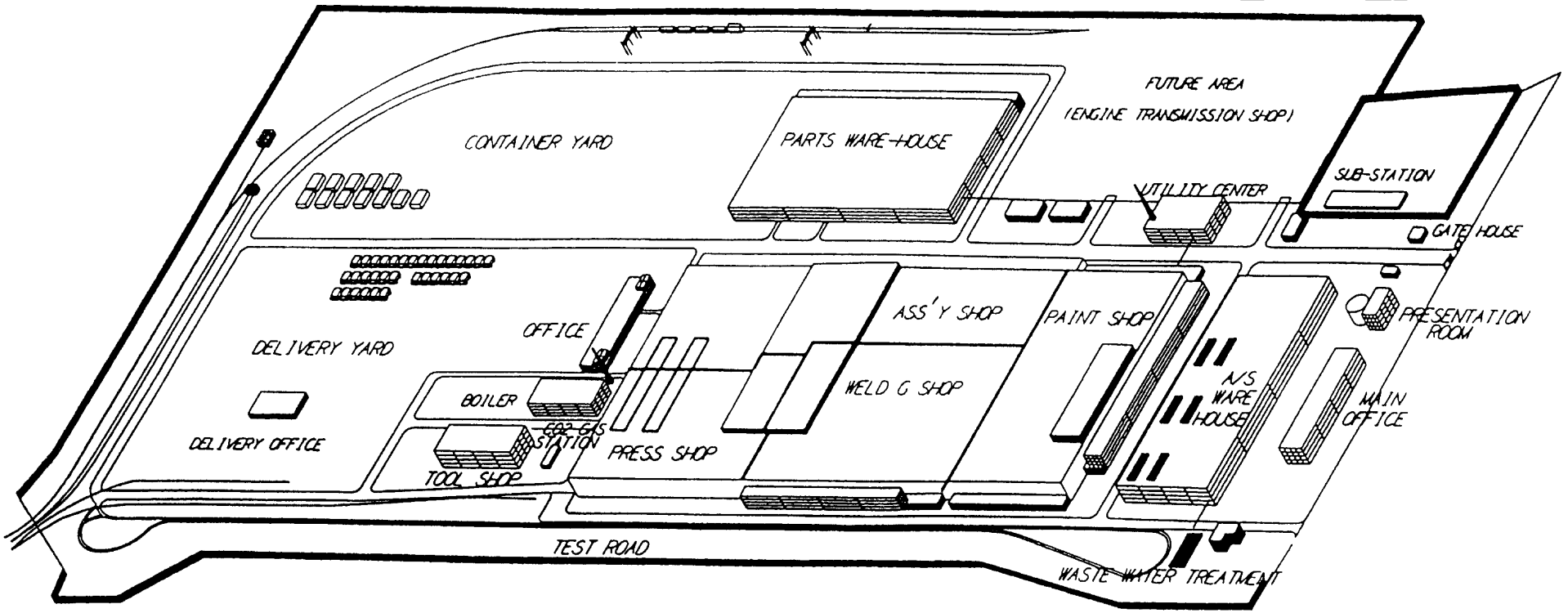


Exhibit 13 Uz-Daewoo Auto: Sales and Production Through July 1997

					1997 (Monthly Data)						
		Total	1996	1997	1	2	3	4	5	6	7
Production [a]	TICO	18,607	4,764	13,843	1,686	2,041	1,641	2,552	2,157	2,231	1,535
	DAMAS	14,420	8,664	5,756	1,012	415	493	992	1,077	1,026	741
	NEXIA	35,111	12,229	22,882	2,984	3,496	2,418	4,313	3,545	3,616	2,510
	Total	68,138	25,657	42,481	5,682	5,952	4,552	7,857	6,779	6,873	4,786
Sales [b]	TICO	17,426	4,525	12,901	1,247	1,888	1,822	2,302	1,745	2,213	1,684
	DAMAS	14,105	8,266	5,839	1,031	576	472	836	1,148	870	906
	NEXIA	33,601	11,345	22,256	2,152	3,192	2,980	4,054	3,281	3,030	3,567
	Total	65,132	24,136	40,996	4,430	5,656	5,274	7,192	6,174	6,113	6,157
Inventory [c]	TICO		239	n/a	678	831	650	900	1,312	1,330	1,181
	DAMAS		398	n/a	379	218	329	395	324	480	315
	NEXIA		884	n/a	1,716	2,020	1,458	1,717	1,981	2,567	1,510
	Total		1,521	n/a	2,773	3,069	2,437	3,012	3,617	4,377	3,006
Domestic	TICO	16,833	4,220	12,613	1,240	1,851	1,654	2,257	1,739	2,208	1,664
	DAMAS	13,923	8,214	5,709	1,024	570	454	808	1,094	865	894
	NEXIA	30,453	10,777	19,676	2,076	3,029	2,105	3,751	2,624	2,681	3,410
	Total	61,209	23,211	37,998	4,340	5,450	4,213	6,816	5,457	5,754	5,968
Export	TICO	593	305	288	7	37	168	45	6	5	20
	DAMAS	182	52	130	7	65	18	28	54	5	12
	NEXIA	3,148	568	2,580	76	163	875	303	657	349	157
	Total	3,923	926	2,998	90	265	1,061	376	717	359	189

[a] Production since March 1996 for Damas, and June 1996 for Tico/Nexia.

[b] Sales: Domestic sales + Export sales (shipped from the Andijan factory). Sales since August 1996 for all three models.

[c] Inventory: inventories at the factory at the end of the year or month (inventories at dealers are not included).

Exhibit 14 Uz-Daewoo Auto Long-term Operating Plan : 1996-2000

A. Long-term Production Plan (Units: 1,000 vehicles)

		1996	1997	1998	1999	2000	Other
Tico	STD	1	11	11	13	15	A/C: 35%[a]
	DLX	4	27	27	32	35	
	(Total)	5	38	38	45	50	
Damas	STD	1	1	4	5	5	A/C: 6%
	DLX	5	9	23	27	30	
	Van	2	4	11	13	15	
	(Total)	9	15	38	45	50	
Nexia	GL	5	29	30	36	40	A/C: 66%
	GLX	7	43	44	54	60	
	(Total)	12	72	74	90	100	
Total		26	125	150	180	200	Export 50%

[a]A/C = air conditioning

B. Local Content Plan (% of Value)

Year	1996	1997	1998	1999	2000
Tico/Damas	20%	30%	40%	60%	70%
Nexia	10%	20%	30%	40%	60%

C. Local Content Plan (parts added by year)

	1996	1997	1998	1999	2000
Locally supplied parts	seat, bumper, instrument panel (T/D), paint, trim part, wiring harness, brake/fuel pipe, blow molding, tuner, small plastic parts small press parts	glass, muffler, fuel tank, carpet, insulator (T/D), large press parts, large plastic parts, battery, regulator, fastener	tire, brake disc, mirror, weatherstrip, speaker, instrument panel (Nexia)	engine parts, transmission parts, combustion switch, knuckle, brake hose, seat belt, speedometer, head lamp, parking brake lever	heater, caliper, brake system, shock absorber

Exhibit 15 History of Daewoo's Operation in Uzbekistan

June 1992	Uzbekistan President I. Kharimov visited Korea
July 1992	Chairman Kim visited Uzbekistan
August 1992	Automobile joint venture contract signed between Daewoo and Uzbekistan government
September 1992	Daewoo Corp, opened trading office in Tashkent
May 1993	Electronics joint venture plant established
June 1994	Korean President Y.S. Kim visited Uzbekistan
February 1995	Uzbekistan President I Kharimov visited Korea
May 1995	Trading joint venture (KOSMO) established
June 1995	Uzbekistan Prime Minister visited Korea
October 1995	$100 million cotton import contract signed
March 1996	Telecommunication joint venture plant established
May 1996	Mobile Telecommunications (GSM) joint venture established
July 1996	Opening ceremony of Uz-Daewoo automobile joint venture plant (declared a national holiday)
May 1997	Daewoo Bank opened
June 18, 1997	Daewoo textile plant opened
June 24, 1997	Uzbekistan Telecommunication Minister visited Korea
December 11, 1997	Automobile parts plant scheduled to open

Exhibit 16 List of Daewoo Businesses in Uzbekistan as of July 1997

Total investment amount: $1 billion
Total number of expatriate managers: 75
Total number of local employees: 6,000

Name:	Daewoo Corp. Tashkent Office
Business:	Trading office of Daewoo Corp. (trading and investment arm of Daewoo Group)
Figures:	$900 million sales in 1996
Employment:	1 expatriate, 14 local
Plan:	Increased cotton trade ($150 million in 1996 → $500 million in 2000), investment in cotton plantation (30K hectares/25K ton in 2000), $500 million investment in ginning plant (50K ton capacity)
Name:	KOSMO
Business:	International trade JV (trading electronics and automobile parts)
Figures:	$3.1 million sales in 1996
Employment:	1 expatriate, 14 local
Plan:	$22 million sales in 2000
Name:	Daewoo Textile Co.
Business:	Cotton yarn plant (13K ton/year: first case of 100% ownership by foreign investor) 70% of output is export, existing textile plant was renovated
Figures:	$60 million investment, $40 million export
Employment:	10 expatriate, 800 local
Plan:	Expansion into spinning, dyeing and apparel manufacturing, vertical integration of cotton-related operations
Name:	Uz-Daewoo Auto Co.
Business:	Automobile JV, 3 passenger car lines (Nexia 100K units, Tico 50K units, Damas 50K units), CKD assembly of bus and truck (bus 1K units, truck 110 units), 8 JVs for parts and 3 local firms under technology license
Figures:	$658 million investment, 200K production capacity
Employment:	25 expatriate, 4,000 local
Plan:	Increasing local content from 40% (1997) to 80% (2000), establishing national sales and service network
Name:	Uz-Daewoo Electronics Co. (36% stake for Uzbekistan government)
Business:	TV, VCR, car-audio
Figures:	$20 million investment, $100 million sales in 1997 (expected): 30% for export
Employment:	7 expatriate, 660 local
Plan:	Extending local sales network (currently 14 outlets in Tashkent, 24 outside Tashkent), increasing local content
Name:	Daewoo Telecom Tashkent office
Business:	Trading TDX system and telecommunication equipment
Figures:	TDX 210K lines (nationwide)

(continued on next page)

Exhibit 16 (continued)

Name:	Asloka-Daewoo Co. (49% owned by the Uzbekistan government)
Business:	Manufacturing, installation and maintenance of TDX system (since August 1996)
Figures:	$20 million investment, TDX 200K lines/year
Employment:	5 expatriate, 200 local
Plan:	Exporting 30% of output to CIS countries, main provider of National Telecommunications Network Plan (2 million lines over 15 years)
Name:	Uzbekistan Mobile Telecom System (division of Daewoo Corp.)
Business:	GSM cellular phone network ($50 million investment), Local telephone network in Fergana region (JV contract signed in July 1996: $192 million investment), long distance provider (1 out of 3 providers: 2 others are Russian firms)
Name:	Uz-Daewoo Bank
Business:	Universal banking (mainly serving government-invested firms and Daewoo-related firms) (Daewoo Securities 55%, Uzbekistan partner 10%, EBRD 25%, Koram Bank 10%)
Figures:	$20 million investment by Daewoo
Plan:	Expanding service boundaries, expanding asset base up to $60 million by 2000

Currently Planned

Business:	Business center (400-room hotel, 22-floor office building, department store) foreign residential units
Situation:	JV agreement signed in July 1997, construction scheduled to start on December 1997

Academic cooperation between Uzbekistan National Academy and Daewoo Research Institutes (Economics, Advanced Engineering)

Exhibit 17 Exchange Rate Trend: Sum/US$

	Official Rate	Market Rate	Official Rate/Market Rate
1996			
January 1996	36.2	44.2	122%
February 1996	36.4	45.5	125%
March 1996	36.4	47.9	132%
April 1996	336.9	49.3	134%
May 1996	37.7	51.3	136%
June 1996	37.8	51.5	136%
July 1996	37.9	53.2	140%
August 1996	38.6	56.1	145%
September 1996	39.7	63.4	160%
October 1996	42.3	75.5	178%
November 1996	49.5	103.1	208%
December 1996	52.9	109.5	207%
1997			
January 1997	55.6	118.0	212%
February 1997	56.7	126.6	224%
March 1997	58.0	138.5	239%
April 1997	59.3	150.0	253%
May 1997	60.1	144.2	240%
June 1997	61.8	142.8	231%
July 1997	64.2	141.3	220%

To be read: In January 1996, one U.S. dollar was equivalent to 36.2 Sum at the official rate (and 44.2 Sum at the market rate)