

Joint R&D efforts and development to secure competitiveness

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- POSCO benefits from the localization of resources and the development of new markets.

POSCO is a recognized world-class company. As POSCO possesses world-level competitiveness in the area of steel production, the dominant feeling in the global steel industry is that few companies will emerge as “threatening rivals” to POSCO in the foreseeable future. This year POSCO was included in US business magazine, *Forbes*’ listing of Global 500 companies.

The site of POSCO’s Pohang Works is three times larger than Yoido in Seoul (2.97 km square). Located on the site at Pohang are iron-making plants and steel making plants equipped with state-of-the-art facilities. Companies that are related to steel production are also found on the site, as are many small and medium sized companies specializing in various areas, such as supply of expendables and services, distribution and recycling of by-products.

POSCO has directly and indirectly exerted enormous influence on small and medium sized companies. POSCO has sought close cooperative relationships with small and medium sized companies. One such example is POSCO’s “small and medium sized company joint research and development (R&D) system” that was established in 1999. Under this system, POSCO, in cooperation with small and medium sized companies, develops technologies that the company requires and that have good commercial prospects. POSCO bears 50% of the R&D expenses, so when multiple other companies are involved in a project, these companies each take a smaller share of the R&D expense.

POSCO said that since projects are hosted by the POSCO Technical Research Laboratories, Research Institute of Industrial Science & Technology (RIST) and the Pohang University of Science and Technology, there is a high possibility that these joint

R&D efforts will result in the birth of innovative and viable technologies. POSCO and the cooperating companies jointly own the intellectual property rights resulting from this R&D.

The ensuing relationships are win-win. On one hand, POSCO benefits from the localization of resources and the development of new markets, while on the other, small and medium size companies can make direct profits through such channels as increased sales. POSCO stresses that the system is aimed at cooperation and win-win results, not at supporting small and medium sized companies. In other words, POSCO establishes relationships with small and medium sized companies on a long-term and fundamental basis.

Joint R&D projects are classified into four main areas; materials research, equipment research, energy-saving technologies and technologies that create a further demand for steel. A key aim of the R&D is to localize and improve the quality of materials, measuring instruments, hardware and software, which are all necessary for POSCO's progression. When good results are achieved, cooperating companies can form stable supply contracts with POSCO.

POSCO reported that since 1999, 10.5 billion won (8.75 million \$US) has been invested in, and 60 projects have been carried out under, the small and medium sized company joint research and development system. It was reported that 79 small and medium sized companies participated in the joint R&D projects, investing a combined 4.3 billion won (3.6 million \$US). In April 1999, during the initial stage of the system, POSCO formed joint R&D contracts with 14 small and medium sized companies.

POSCO said that this system provides a great opportunity to secure competitiveness for small and medium sized companies that possess the necessary production technology, but suffer from a lack of funds, personnel or sales channels. The system concurrently enables POSCO to develop essential technology within a short timeframe. In this sense, the system is rated as the best example of a big company forming long-term cooperative relationships with small and medium sized companies to mutually enhance competitiveness.

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