Doing Business in Korea:

2014 Country Commercial Guide for U.S. Companies


- Chapter 1: Doing Business In Korea
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research and Trade Events
- Chapter 10: Guide to Our Services
Chapter 1: Doing Business In Korea

- Market Overview
- Market Challenges
- Market Opportunities
- Market Entry Strategy
- Market Fact Sheet

Market Overview

It has been over two years since the Korea-U.S. Free Trade Agreement (KORUS) went into force on March 15, 2012, becoming our nation’s largest FTA since NAFTA. The Agreement is expected to increase U.S. exports to Korea by approximately USD 10-12 billion.

Total 2011 U.S.-Korea trade exceeded USD 100 billion for the first time ever, also surpassing that mark in 2012 and 2013. Total U.S. exports to Korea in 2013 exceeded USD 41.6 billion.

Korea is the United States’ sixth largest export market. The U.S. is the third largest exporter to Korea, with an 8.1 percent market share of Korea’s total imports. Key competitors include China (16.1 percent), Japan (11.6 percent), and the EU’s 27 nations (10.9 percent). Trade with China reflects significant re-export activity.

Korea’s projected 2014 GDP growth forecast is 4%, according to the OECD. Its commercial banks maintain strong reserves, in case of a possible global slowdown or difficulties within the Euro Zone.

Korea will continue to focus its development on key economic growth sectors. Patents, trademarks, and industrial designs issued by the Korea Intellectual Property Office (KIPO) reached 430,164 in 2013, an 8.4% year-on-year increase. This growing trend in local patent and trademark filings reflects a move toward more technology-intensive and capital-intensive industries and services.

Market Challenges

Unique industry standards, less than transparent regulations, pressures to reduce prices and ‘contract negotiations’ continue to affect U.S. business in Korea. However, firms which are innovative, patient, and which exhibit a commitment to the Korean market generally find business to be rewarding and Koreans to be loyal customers. With the implementation of KORUS, Korea’s attractiveness as a market should continue to improve. U.S. products will become increasingly cost-competitive and bilateral trade should increase over time. EU products have had reduced or zero-tariff access to this market since mid-2011. Australia and Canada are also poised for duty-free access for most goods shipped to Korea, once their already-negotiated FTAs are ratified and go into force, likely in late 2014 or during 2015.
U.S. SMEs must remain flexible and ready to work with Korean business counterparts as it pertains to amending contract terms or renegotiating price, quantity, and delivery terms, following a business deal or bilateral contractual agreement. In Korea, the principal of ‘consideration,’ as is the case in English law, is not present. In other words, a request to amend an offer or to restart negotiations with a counteroffer likely will not include any payment for consideration on the Korean side. Koreans feel that the signing of a contract is only the beginning of a business relationship.


Market Opportunities

The Korean USD 1 trillion economy is heavily-weighted toward international trade. Trade accounts for a whopping 90 percent of Korean GDP. As the country continues to move toward more technology-intensive industries, U.S. companies will find market opportunities in leading industries such as life sciences (medical devices, pharmaceuticals, and biotechnology), industrial chemicals, IT, nanotechnology, aerospace/defense, energy, environmental technology, and transportation, to name a few. U.S. companies are already partnering with local Korean companies and industries to expand market opportunities from Korea to third-country markets, including ASEAN, the Middle East, and other markets of the Asia-Pacific. Given Korea’s strong shipping and air cargo infrastructure, this is not only a market end-point for U.S. goods and services, but also a hub for expansion into other markets.

As one example, the Korean security and safety sector has not offered great opportunities for U.S. companies over the last 7-10 years. However, in late 2014, under the purview of the National Emergency Management Agency (NEMA), Korea will announce the development of a large (USD 200 million) fire-fighting and disaster training facility. This facility will be designed to be one of Asia’s largest and most comprehensive of its kind.

Following the tragic April 2014 Sewol ferry disaster, President Park initiated numerous safety and security reforms and initiatives, which even included the complete reformulation of Korea’s Coast Guard. The incident, which claimed the lives of nearly 300 children and adults, was seen by many as a clarion call for more robust security and safety measures for all aspects of Korean society.

Market Entry Strategy

• A local presence is essential for success. Retain a manufacturer’s representative, distributor, or name a registered trading company as an agent or establish a branch sales office.

• Establishing and maintaining a strong business relationship is essential. Companies should visit Korea frequently to cultivate contacts and to better understand business conditions.
• For marketing support of U.S. agricultural commodities and processed foods, consult:

CS Korea is eager to assist U.S. companies in developing the right connections/contacts in Korea, through a wide range of marketing services designed to identify and arrange introduction to potential buyers, distributors and importers. Consult:
  http://export.gov/southkorea/servicesforuscompanies/index.asp

Market Fact Sheet

COUNTRY FACT SHEET: KOREA, REPUBLIC OF

PROFILE
Population in March 2014 (Millions): 50.4
Capital: Seoul
Government: Republic

<table>
<thead>
<tr>
<th>ECONOMY</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (Current Billions US$)</td>
<td>1,082</td>
<td>1,104</td>
<td>1,135</td>
</tr>
<tr>
<td>Nominal GDP Per Capita (Current US$)</td>
<td>22,388</td>
<td>22,592</td>
<td>23,930</td>
</tr>
<tr>
<td>Real GDP Growth Rate (% change)</td>
<td>3.7</td>
<td>2.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Real GDP Growth Rate Per Capita (% change)</td>
<td>2.9</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Consumer Prices (% change)</td>
<td>4</td>
<td>2.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Unemployment (% of labor force)</td>
<td>3.4</td>
<td>3.2</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: Economic Intelligence

<table>
<thead>
<tr>
<th>FOREIGN MERCHANDISE TRADE (US$ Millions)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea, Republic of, Exports to World</td>
<td>555,214</td>
<td>548,076</td>
<td>559,632</td>
</tr>
<tr>
<td>Korea, Republic of, Imports from World</td>
<td>524,413</td>
<td>519,582</td>
<td>515,586</td>
</tr>
<tr>
<td>U.S. Exports to Korea, Republic of</td>
<td>43,415</td>
<td>42,318</td>
<td>41,555</td>
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<tr>
<td>U.S. Imports from Korea, Republic of</td>
<td>56,661</td>
<td>58,880</td>
<td>62,228</td>
</tr>
<tr>
<td>U.S. Trade Balance with Korea, Republic of</td>
<td>-13,247</td>
<td>-16,562</td>
<td>-20,673</td>
</tr>
</tbody>
</table>

Position in U.S. Trade:

| Rank of Korea, Republic of, in U.S. Exports | 7 | 8 | 6 |
| Rank of Korea, Republic of, in U.S. Imports | 6 | 6 | 10 |
| Korea, Republic of, Share (%) of U.S. Exports | 3 | 2.7 | 2.8 |
| Korea, Republic of, Share (%) of U.S. Imports | 3 | 2.6 | 2.6 |

Principal U.S. Exports to Korea, Republic of, in 2013:
1. Chemicals (16.8%)
2. Computer & Electronic Product (15.9%)

Principal U.S. Imports from Korea, Republic of, in 2013:
1. Transportation Equipment (30.5%)
2. Computer & Electronic Product (24.7%)
3. Machinery, exc. Electrical (14.4%)
4. Transportation Equipment (12.2%)
5. Food Manufactures (7.1%)

Foreign Direct Investment
U.S. FDI in Korea, Republic of (US$ Millions)  
2011  2012  2013
46,155  49,829  46,771

FDI in U.S. by Korea, Republic of (US$ Millions)  
54,833  62,079  69,814

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2013 Rank: 7 of 189
Heritage/WSJ 2014 Index of Freedom Rank: 31 of 178

Return to table of contents
Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2800.htm
Chapter 3: Selling U.S. Products and Services

- Using an Agent or Distributor
- Establishing an Office
- Franchising
- Direct Marketing
- Joint Ventures (JV) /Licensing
- Selling to the Government
- Distribution and Sales Channels
- Selling Factors/Techniques
- Electronic Commerce
- Trade Promotion and Advertising
- Pricing
- Sales Service/Customer Support
- Protecting Your Intellectual Property
- Due Diligence
- Local Professional Services
- Web Resources

Using an Agent or Distributor

Before entering into a contractual relationship with a Korean manufacturer's/commissioned representative (agent) or distributor, U.S. firms should conduct a thorough due diligence check on a prospective business partner. A contract with an agent or distributor should be handled with care and with the assistance of an attorney. The Commercial Service in Korea can assist by providing companies with an International Company Profile (ICP) (Consult: http://export.gov/southkorea/servicesforuscompanies/icp/index.asp) report, which provides detailed financial and related business information on the company you seek to work with.

The most common means of product or service representation in Korea are:

- Appointing a registered/commissioned agent or “offer agent” on an exclusive or non-exclusive basis;
- Naming a registered trading company as manufacturer’s representative or agent; or
- Establishing a branch sales office, managed by home office personnel, along with Korean staff.

Additionally:

- Any businessperson registered with the Korean government can import goods in his/her own name.
• A ‘registered trading company’ can manage all import documentation. These are typically larger firms involved in both exports and imports. However, these firms can be less attentive to building the U.S. supplier's business, even though they can be influential and well-known in the marketplace.

The performance of your agent/distributor should be regularly/frequently monitored. An underperforming or non-performing agent/distributor should be counseled and properly guided. If, after a period of time, performance is still poor (and only after careful consideration of all legal and contractual obligations), a termination of contract should be considered. Once the termination is legally binding, the U.S. firm should begin searching for a new distributor.

Finding a Good Partner in Korea

The U.S. Department of Commerce’s Commercial Service (CS) office in Seoul, like CS offices around the world, offers the Gold Key Service (GKS) (See: http://export.gov/southkorea/servicesforuscompanies/gks/index.asp) to assist U.S. companies in finding a good partner in Korea.

U.S. exporters are encouraged to contact one of over 100 U.S. Export Assistance Centers (USEACs; please contact the USEAC closest to your business). Consult: http://export.gov/usoffices/index.asp to begin the process.

The GKS provides:

• A customized schedule of face-to-face meetings with carefully-selected prospective candidates;

• A briefing, interpretation service, and transportation (fee based); and

• Information regarding each meeting, focused market research, and insights gained by CS specialists in the process of setting-up the GKS.

CS Korea strongly recommends that:

• U.S. companies seek legal counsel prior to signing a contract or making major business decisions with Korean companies.

• Any distribution or agency contract should include a termination clause. If not, Korean commercial arbitration bodies may specify the terms for termination, including compensation claims against the principal. A mutually-signed contract between a supplier and an agent/distributor, with termination provisions, would take precedence and avoid placing the U.S. company at risk.

• U.S. companies should protect their intellectual property, trademark and patents with the Korean Intellectual Property Office (KIPO). (Consult: http://www.kipo.go.kr/kpo/user.tdf?a=user.english.main.BoardApp&c=1001) as a minimum safeguard of your intellectual property rights.
• A local Korean or U.S. attorney in Korea can easily perform these tasks. Under Korean law, applications to KIPO must be completed and submitted in Korean. This should be done in the U.S. company’s name and not the Korean agent/representative’s name. Since the passage of the KORUS FTA, there are now numerous U.S. law firms with offices in Korea. Additionally, there are more than 14,000 Korean lawyers practicing in Korea.

Establishing an Office

The dynamism and maturity of the Korean market, coupled with its strategic location in East Asia, may lead U.S. companies to consider opening an office in Korea. The following options exist:

• **Subsidiary Office:** Established as a local company, a subsidiary has a closer relationship with the local business community and can provide the local firm the opportunity for Korean government investment incentives, as it would be eligible to receive corporate income tax incentives (Special Tax Treatment Law STTCL), if it meets certain requirements. These tax incentives are not available to branch or liaison offices.

• **Branch Office:** Not subject to audits by external auditors in Korea, a branch office’s net income is automatically viewed as being included in the headquarters balance sheet. A company expecting to grow large enough to require the establishment of a subsidiary in the future should consider doing so from the beginning, rather than starting as a branch operation.

• **Liaison Office:** A liaison office can only conduct marketing and support and cannot conduct direct sales. A liaison office is subject only to the tax code of the headquarters country and is the simplest form of conducting business in Korea.

Basic guidelines to setting-up an office in Korea include:

• **Review Invest KOREA:** Consult the one-stop services offered by Invest KOREA (Consult: [http://www.investkorea.org/InvestKoreaWar/work/ik/eng/](http://www.investkorea.org/InvestKoreaWar/work/ik/eng/)) a government-sponsored, non-profit organization of the Korea Trade-Investment Promotion Agency (KOTRA; [http://english.kotra.or.kr/wps/portal/dken](http://english.kotra.or.kr/wps/portal/dken)).

• KOTRA maintains offices throughout the United States, poised to guide U.S. companies through the administrative, legal and tax implications of opening an office in Korea. KOTRA also has an ‘investment ombudsman’ ready to quickly address foreign investors’ grievances. Consult: [http://www.investkorea.org/InvestKoreaWar/work/ombsman/eng/au/index.jsp?num=3](http://www.investkorea.org/InvestKoreaWar/work/ombsman/eng/au/index.jsp?num=3)

• **Authorization:** Once ‘authorization to proceed’ with an investment is granted, companies must notify the Ministry of Trade, Industry and Energy (MOTIE), a delegated authority (major Korean bank), or Invest Korea. Consult: [http://www.investkorea.org/InvestKoreaWar/work/ik/eng/](http://www.investkorea.org/InvestKoreaWar/work/ik/eng/)

• **Your Office in Korea:** Consult a reputable real estate agent or real estate consulting firm when deciding on the best location for your office. A partial list is available at:
Under Korea’s Foreign Land Acquisition Law, foreigners can purchase land regardless of size or purpose. Local zoning laws regulate categories of activity allowed and should be reviewed prior to making final investment decisions.

**Register with the Tax Office:** Investors must register their office/investment with the local tax office. Given language issues, the complexity of Korean tax laws, and the potential for misunderstanding, companies should hire a local accounting firm to file taxes. Consult: [http://export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp](http://export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp)

**Seek Qualified Employees:** Koreans are attracted to U.S. firms, given salary rates, prestige, opportunities for travel, the ability to use and learn English, and the possibility to transfer to the company’s home office or another foreign branch office.

Korea has a large pool of conscientious and highly-educated workers. Female employees are especially strong candidates, given their educational achievements, language abilities, and the prevalence of traditional Korean cultural attitudes toward female employees (which have historically prevented them from progressing as quickly as they would in a U.S. company).

Due to differences in U.S. and Korean employment practices, CS Korea recommends consulting Korean employment agencies before hiring.

- Contact the **Seoul Global Center** website for Seoul Metropolitan Government’s program, which occasionally offers free or reduced rent/office space for foreign residents ([http://global.seoul.go.kr/](http://global.seoul.go.kr/)).

**Franchising**

The franchise market in 2013 was valued at an estimated USD 89.8 billion. Nearly 2,973 franchises were registered in Korea in 2013, with about 1 million employees currently working in this industry. Approximately 2,089 were food service franchises, 283 were retail franchises, and 601 were service franchises.

Franchisors interested in this market should take into consideration the following:

- Meet the rules under Korea’s Fair Transactions in Franchise Business Act
- Register disclosure documents with the Korea FTC (Korea Fair Trade Commission). Executing the franchise contract is not allowed unless the franchisor furnishes the registered disclosure documents and 14 days have passed from the date of the registration of disclosure documents.

Korean franchisees are reluctant to pay high franchising fees and royalties often required by U.S. companies. Minimum facility size and number of store openings required by some U.S. franchisors are also a challenge for the Korean franchisee. The expensive nature of the commercial real estate sector in Korea can potentially affect the
feasibility of a project, which may otherwise offer great promise in other markets. Korean franchisees prefer to do business with U.S. franchisors offering established brand names to Korean consumers, as well as offering American-style, systematic operations and management skills.

Generally, there are four types of franchise investors in Korea:

- Major retailers who have access to capital and real estate;
- Investors with little or no experience in the franchise they seek to own/start;
- Individuals with real experience with franchising brands; and
- “Retirees” with a strong business background who wish to own their own business.

Potential franchisors should also be aware of issues relating to the National Commission for Corporate Partnership (NCCP). One of NCCP’s important roles is the designation of industries reserved for small and medium-sized enterprises (SMEs) in Korea. Once designated, store expansions can be limited to certain geographic areas, or nationwide expansion can be limited to certain of number of stores. Restrictions are applicable to large companies which are specifically designated by the NCCP. In 2013, the NCCP designated several service providers, including bakeries and restaurants, and some manufacturing industries, as ‘reserved’ for SMEs. The restrictions applicable to the designated companies, within the relevant industries, will be valid for three years.

Direct Marketing

According to the 2013 Overview and Forecast of Online Shopping Industry, published in May 2013 by the Korea Online Shopping Association (KOLSA), the online shopping industry is consistently growing and estimated to be valued at USD 51.4 billion. This is a 14.6% increase from 2012 (USD 44.9 billion). Direct marketing primarily takes the form of catalog sales, TV home shopping, internet shopping, and the mobile commerce market. Korea also has a large market for door-to-door sales, as well as a robust multi-level marketing sector. Internet sales account for nearly 80 percent of all sales among the four direct sales channels (catalog sales, TV home shopping, internet shopping, and mobile commerce). U.S. companies are encouraged to take seriously all four sales channels in this highly consumer-oriented market.

Door-to-Door Sales

The major door-to-door sales items include home education materials, books, household consumer goods, cosmetics, health food, sporting goods, and services (such as insurance). According to the Korea Direct Selling Association (KDSA: http://www.kdsa.or.kr/), the Korean door-to-door sales market was approximately USD 10.2 billion in 2012. Updated figures for 2013 will be released in May 2014.
Multi-Level Marketing (MLM)

Korea’s multi-level marketing sales for 2013 approached USD 3.9 billion, which is a 27% increase from 2012 (USD 3.1 billion). The number of registered multi-level marketing companies in Korea has increased to more than 100. It is reported that these 100-plus multi-level marketing companies employ some 4 million sellers/distributors.

The Korean government reduced restrictions on MLM companies by passing legislation eliminating most existing market barriers against MLM products, such as the obligation to disclose retail prices on MLM product labels. Oversight of the MLM industry is the responsibility of the Korean Fair Trade Commission (KFTC).

MLM activity for U.S. products is concentrated in the cosmetics, cleaning products, health and wellness products, and kitchenware industries -- and has been expanding. MLM companies should promote their products and services appropriately and efficiently by carefully analyzing Korean market trends and sophisticated and mature Korean
Accurate knowledge of the Korean retail and consumer market can prevent unnecessary conflicts with government agencies, consumer ‘watchdog’ groups, or industry groups. There are numerous consumer, business and industry associations, governmental groups and think-tanks which regularly collect valuable information on consumers and consumer-trends.

**Joint Ventures (JVs) / Licensing**

Koreans prefer to maintain local control of JV operations with foreign entities. Thus, the financial goals, internal organization and key management issues of a JV must be agreed upon by all involved parties as early as possible. Such ‘agreement’ can take time.

Foreign direct investment (FDI) is encouraged and promoted by the Korean government. With the ratification and implementation of the KORUS FTA, greater cooperation and encouragement of FDI is expected. Korea will offer strong incentives to potential foreign investors in a bid to attract more foreign direct investment into Korea. President Park has assured the government’s strong will to improve the foreign business environment and attract more FDI.

When considering FDI in Korea, it is important to consider the following:

- The decreasing influence of (some) chaebols (conglomerates), the Korean government’s promotion of SMEs, and the government’s interest in seeking anti-monopolistic and more diversified JVs;

- Koreans prefer to maintain local control, regardless of the percentage invested by foreign entities; and

- Management control should be evaluated on three levels: 1) shareholder equity; 2) representation on the board of directors; and 3) active management (representative director and subordinate management). Legally, Korean board meetings require the physical presence of all JV members, as well as a quorum of the directors. If a foreign investor intends to exercise day-to-day management of an operation, a representative director who resides in Korea must be appointed. The director requires the support of and access to key functional areas of the company in order to manage in accordance with the foreign investor’s wishes.

**Contractual Agreements in Korea**

Well-written, well-understood, and well-executed contractual agreements are the basis and backbone to a U.S. firm’s success in Korea. Cultural differences surrounding the expectations of a contractual agreement and how one successfully arrives at a mutually beneficial agreement is often the basis of consternation and challenges.

For Koreans:

- A contract represents the ‘current understanding’ of a deal. It is the beginning, rather than the end, to a negotiation;
• Any change in the contract (omissions, invalid issues, new leadership, non-existent issues) may cause problems to arise;
• Koreans may regard a contract as a "gentlemen's agreement" subject to further negotiation should conditions change; Americans generally regard the same written agreement as legally binding.

Contract negotiations in Korea must be viewed as an on-going process of dialogue and should have the following objectives:

• Reaching a common understanding about the deal/contract
• Reaching an understanding about each party’s responsibilities
• Recording the detailed understandings
• Being prepared to modify the terms of the agreement should there be a change in circumstances (leadership, other issues).

Additionally, the following precautions should be addressed:

• Technology transfer, raw material supplies, marketing and distribution should be agreed upon, in detail, in the JV agreement.

• A company’s IP may not be protected and could be vulnerable in the later stages of a JV business relationship, especially if the Korean company depends upon transfer of technology (see section on Protecting your IP, also in this chapter).

• Korea’s legal system can be lengthy, cumbersome and expensive. When dealing with contracts, the best strategy is to prevent conflicts.

• Foreign investors should consult the Korean Commercial Arbitration Board (Consult: http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000). The KCAB advises foreign companies on contract guidelines.

Selling to the Government

Government Procurement

Korea is an established member of the World Trade Organization’s Government Procurement Agency (GPA) protocols, with non-discriminatory government procurement procedures.

Korea’s GPA commitments include:

• “Threshold” amounts by certain Korean government agencies and provincial authorities
• Procurement commitments in the services and construction industries
• A prohibition against offsets as a condition for awarding contracts
• A provision allowing suppliers to pursue alleged violations through GPA-defined bid challenge procedures
• Annexes specifying certain thresholds below which GPA rules do not apply (approximately USD 180,000 and, for construction services, approximately USD 7 million)
• Korea is exempted from GPA coverage for items related to national security and
defense, procurement of satellites, and purchases of certain electrical transmission
and distribution equipment by the Korea Electric Power Corporation (KEPCO:
http://www.kepco.co.kr/eng/).

U.S. companies interested in Korean government procurement must work with Korea’s
Public Procurement Service (PPS). It is highly recommended that U.S. firms have, and
maintain, a reputable representative or agent in-country to carefully monitor PPS tender

PPS supports domestic/indigenous equipment and supplies. It is also responsible for
the purchase of goods and incidental services required by central and sub-central
government entities, government construction contracts and the stockpiling of raw
materials. There are nine provinces in Korea, seven metropolitan cities, as well as
numerous ‘new cities’ (Sejong City, Songdo City, and Hwaseong Dongtan, to name a
few).

Bidders must register with PPS at least one business day prior to the date of an opening
bid. Foreign bidders can register with PPS (Korean language only) prior to entering into
a contract. Failure to register constitutes cause for rejection of the bid.

Korea has launched its Korea On-line E-Procurement System (KONEPS) at
www.g2b.go.kr. In part, this system includes:

• A single window for public procurement, showing the entire process
• Bids which are valid at least 45 days
• Bids must be published with a summary in English, including the subject matter of
  the contract, the deadline for submission of tenders, and the address and contact
  point from which full documents relating to the contracts may be obtained
• The complete procurement process, with specifications and requirements (biases
  against imported products and services are rarely overt; if they occur, these should
  be brought to the attention of the U.S. Embassy).

The KORUS FTA, in effect since March 15, 2012, has a chapter devoted to government

Defense Procurement

Defense procurement is an active part of CS Korea’s portfolio. U.S. companies which
sell both to foreign and U.S. military should be cognizant of the importance given to
military procurement on the Korean peninsula.

The Defense Acquisition Program Administration (DAPA:
http://www.dapa.go.kr/mbshome/mbs/dapa_eng/) is responsible for Korean defense
procurement and was established to ensure transparency in the process. DAPA
consolidates eight procurement and technology development organizations under the
Ministry of National Defense (MND: www.mnd.go.kr/mndEng/main/index.jsp) and
various military services. Although a civilian agency under the authority of the Executive
Office of the President of Korea, DAPA works with the Minister of Defense and the
service branches.
U.S. defense industry equipment standards are accepted in Korea as most Korean defense systems are based on American standards. Interoperability of systems is critical in what is now a 61-year U.S.-ROK defense partnership.

ROK defense products/equipment are acquired through a fairly sophisticated and mature procurement system which includes direct purchase, sales agents, and importer channels. U.S. manufacturers/suppliers of defense equipment should use a well-qualified/vetted Korean agent, familiar with the ROK defense system and knowledgeable of key members of the country’s Air Force (ROKAF), Navy (ROKN), Army (ROKA), and Agency for Defense Development (ADD). CS Korea, through our Gold Key Service program, can assist U.S. defense companies in identifying a potential, well-qualified representative. Former (retired) ROKAF, ROKN, and ROK A officials have good potential as commissioned representatives in Korea. Local representatives must register and be certified by DAPA to supply their products and services to the MND. Consult: https://www.d2b.go.kr/English/jsp/index.jsp.

A well-selected representative will be able to provide their U.S. supplier/manufacturer with information about the status of defense bids and procurement plans. This is a very mature defense community. Thus, U.S. defense suppliers should only consider this market if they have a proven track record in the U.S. and/or in other Tier I countries.

Companies wanting to supply their products/systems to Korea’s military are required to register with DAPA; this is a 10 day process. Consult: https://www.d2b.go.kr/English/jsp/index.jsp.

In 2011, the Korean Importers Association (KOIMA: http://www.import.or.kr/) became DAPA’s sole source for legacy supplies and parts.

### Distribution and Sales Channels

South Korea is 70 percent mountains, forcing it’s nearly 50 million people into key population centers: Seoul metro area: 10+ million; Busan metro area: 3.5 million; Incheon metro area: 2.9 million; Daegu metro area: 2.5 million; and Daejeon metro area: 2 million. Most freight forwarders use an extensive network of first-class railways, 3,000 kilometers of highways, and air routes that crisscross the country.

Incheon, Gimpo, and Busan’s first class airports and ports are the points of entry for most products. Products are then transferred by first-tier roads and railways to major modern distribution centers in Seoul, Busan, Incheon, Daegu, and Gwangyang. South Korea has 14 airports. Eight are international airports, including the world-class Incheon International Airport. Around 77 international passenger and cargo airlines operate frequent flights between Korea and many nations around the world.

Distribution methods and the function of intermediaries vary widely by product in this mature market. Traditional retail distribution networks of small family-run stores, stalls in markets, and street vendors are being replaced by large discount stores.

In mid-2012, as part of Korea’s efforts to protect small “mom-and-pop” stores, under the auspices of “economic democratization,” the government imposed a rule closing big-box discount chains on Sundays. Many major retailers initially ignored the restriction. The
government then imposed financial penalties, which eventually led to compliance, with major retailers closing stores on the second and fourth Sunday of each month as of late 2012.

Korea’s major cities have numerous fashionable and expensive large department stores and boutiques. Thousands of second-tier and third-tier retail stores also abound. Full-Line Discount Stores (FDS) have gained in popularity, as have U.S.-based Costco, which entered the Korean FDS market more than 10 years ago and is successfully competing against Korean rivals E-Mart, Homeplus, and Lotte Mart.

The rapid expansion of discount chain stores is planned nationwide, with suburban satellite cities attracting the greatest number of stores. Distribution of goods through large discount chains is one of the best ways to market foreign products to Korean consumers.

It should also be noted that parallel imports can legally enter Korea. Many U.S. companies continue to give exclusive contracts, since territorial limits in neighboring countries enhance the value of an exclusive area in any one country. Any parallel importer in Korea, not receiving the support of the OEM, and not dealing with a meaningful volume of product, cannot be guaranteed a steady source of income. The legitimate exclusive distributor still has considerable advantages in Korea.

A handful of Korea’s highly successful and sophisticated retailers contacted CS Korea in 2012-13, seeking introductions to U.S. name-brand retailers and anchor stores for their 3-5 year mall construction plans.

CS Korea recently completed a 15-page Industry Sector Analysis (ISA) for the Retail Sector. This document can be found under ‘market research’ on CS Korea’s website www.export.gov/souothkorea, or by going to: http://www.buyusainfo.net/docs/x_5923414.pdf.

Selling Factors/Techniques

Korea is a country with intense, demanding and eager consumers. U.S. companies wanting to sell into this market should endeavor to follow these guidelines:

- Adapt company products and procedures to Korean tastes and conditions
- Communicate regularly with both your Korean business partner and customers
- Exhibit a consistent, firm and long-term commitment to the Korean market
- Work at building long-term relationships
- Augment the efforts of your local representative by visiting Korea frequently
- Invite Korean representatives back to the home office periodically to ensure they are fully informed, motivated, and up-to-date on your company and its offerings
- To the extent possible, allow the distributor/agent to select from all of the U.S. company’s product lines
- Hold demonstrations, seminars and exhibitions of products in Korea
- Increase the distribution of technical data and descriptive brochures
- Assist local representatives with follow-up on sales leads.
E-commerce is a key component of the overall consumer market in Korea, a country with nearly 100 percent broadband Internet penetration. (See also see the previous section on Direct Marketing.) Characteristics of e-commerce in Korea include:

- E-commerce sales revenue was 14 percent of total retail consumer business sales revenue, which was valued at USD 42.27 billion in 2012.
- A key factor driving growth is excellent broadband infrastructure, with 39,919,000 internet users, or 82.1 percent of Koreans over three years old. Another is the launching of the Long Term Evolution (LTE) standard. A third is the wide coverage of wi-fi service, which is utilized by approximately 47 million smart device users (86.3 percent of total cell phone subscribers).
- Internet shopping represents 78.1 percent of e-commerce, followed by TV home shopping, (16.63 percent), mobile shopping (which grew almost three times over 2011 and is at 3.6 percent) and catalog shopping (1.7 percent).
- New social commerce services, led by local companies like Ticket Monster, We Make Price, Coupong, etc., spurs demand for e-commerce solutions. This includes equipment, networking, software, and services.
- U.S. based e-commerce companies should review the Personal Information Protection Act (PIPA) and ministerial data privacy/spam regulations, which may restrict e-commerce for firms managing user-data on international servers.

Trade Promotion and Advertising

The U.S. Department of Commerce’s (USDOC) International Trade Administration (ITA) and the Commercial Service (CS) office in the U.S. Embassy in Seoul is the U.S. Government’s primary trade promotion agency. Consult: http://www.export.gov/southkorea.

In Korea, the Commercial Service works with numerous trading and commercial entities, to include:

- The Korea International Trade Association (KITA): http://www.kita.org/. KITA organizes trade missions, conducts market surveys, assists potential foreign buyers or sellers, and offers consultation and personalized advisory services regarding trade rules and regulations, export and import procedures, business management, market research, technology development and taxation. KITA has offices in Washington, DC and New York in U.S. and six offices in other countries.

- The Korean Chamber of Commerce and Industry (KCCI): http://english.korcham.net/. KCCI is Korea’s largest private economic organization, with 71 regional chambers and approximately 135,000 members. Since its establishment in 1884, KCCI has contributed to the growth and development of the national economy and also to the enhancement of Korea’s status in the international community.

- The Korean Importers Association (KOIMA): http://www.import.or.kr/. KOIMA is Korea’s primary importer association and represents over 8,500 businesses.

Korea hosts many trade shows and exhibitions each year. Historically, many of these shows are highly focused on B2C activities and, thus, not necessarily attractive to U.S.
firms interested in meeting qualified companies, versus end-users. The following trade facilities and event schedules may be of interest to U.S. firms:

- **COEX:** [http://coex.co.kr/eng/index.asp](http://coex.co.kr/eng/index.asp) - Korea’s largest full-service trade show organization, has 36,027 square meters of exhibition space. Hundreds of shows (B2B and B2C) are held throughout the year.

- **SETEC:** [http://www.setec.or.kr/main.do](http://www.setec.or.kr/main.do) - The Seoul Trade Exhibition Center is operated by the Korea Trade-Investment Promotion Agency (KOTRA).

- **KINTEX:** [http://www.kintex.com/client/_eng/index.jsp](http://www.kintex.com/client/_eng/index.jsp) - Located in Ilsan, Gyeonggi-do, near Seoul, KINTEX has the largest exhibition space in Korea, with 108,566 square meters.

- **BEXCO:** [http://www.bexco.co.kr/](http://www.bexco.co.kr/) - Located in Busan, Korea’s second largest city (southeast Korea), BEXCO holds dozens of B2C and B2B national exhibitions and features 26,446 square meters of exhibition space.

**Advertising**

A geographically small country, Korea is an exciting place to launch effective, sophisticated, state-of-the-art advertising. Korean advertisers are highly creative and utilize a host of media to capture the consumer’s attention.

Particular aspects of Korea’s advertising market include:

- More than 80 mega-LED screens strategically pepper commercial areas (in Seoul and other cities) with 24/7 promotions. Monthly advertising opportunities exist.

- Thousands of excellent promotional sites on Korea’s well-used bus stops, subway stations, railways and airports should be considered by U.S. firms

- Online advertising offers significant market growth potential. In 2013, the market size of online advertising was US$2,383,914,729, growing by 16% compared to the previous year. Display ads account for 26%, search ads for 54%, and mobile ads for 19% of total online advertising. Currently 15 million households, or 98 percent of all households, use the internet. Korea Online Ad Association (KOA): [http://www.onlinead.or.kr](http://www.onlinead.or.kr)

- The presence of over 694 foreign (to include all major ad agencies) and Korean ad agencies. Foreign equity participation is permitted at 100 percent.

- Hundreds of TV and radio stations, consisting of:
  - **KBS I, KBS II**: TV and radio owned/operated by the Korean government
  - **MBC, SBS**: Independently operated, but with ROK government influence
    Consult: [www.kobaco.co.kr/eng/index.asp](http://www.kobaco.co.kr/eng/index.asp)

- Comprehensive Programming Channels:
  Launched on December 1, 2011, four new nationwide general networks supplement existing conventional free-to-air TV networks like KBS, MBC, SBS and other smaller
channels. Unlike land-based television channels, new comprehensive programming channels can be broadcast for 24 hours and commercial breaks are allowed. In Korea, over 80% of the population are watching cable or satellite TV, so the influence of these comprehensive programming channels is strong.

- Channel A www.ichannela.com is managed by Dong-A Media Group. The Dong-A Media Group consist of twelve affiliate companies including Dong-A Ilbo, the leading newspaper in Korea since 1920.
- TV Chosun www.tv.chosun.com, also known as Chosun Broadcasting Company, is owned by the Chosun Ilbo-led consortium. The Chosun Ilbo is one of the major newspapers in South Korea, with a daily circulation of over 2,200,000.
- JTBC www.jtbc.joins.com is managed by JoongAng Media Network. JoongAng Ilbo is one of the major newspapers in South Korea.
- MBN www.mbn.co.kr, also known as Maeil Broadcasting, Inc., is owned by Maeil Business Newspaper. MBN was formerly a news channel between 1993 and 2011. It transitioned into a general programming cable TV channel after 17 years of operation.


- The Korean cable TV industry serves 14 million households, with 94 system operators offering over 150 programs. Korea Digital Broadcasting (KDB), a subsidiary of Korea Telecom (KT) (http://www.kt.com/eng/) broadcasts more than 150 satellite channels to over 2.6 million households. Korean Cable TV Association (KCTA): www.kcta.or.kr.

- Five popular shopping channels (CJ, Hyundai, GS, Lotte, and NH) grossed over USD 7 billion in 2012.

**Pricing**

In Korea’s export-driven economy, price competitiveness is a sensitive factor. Korean manufacturers try to purchase lower-priced raw materials or equipment, while also looking for quality.

Korean buyers generally consider that U.S. goods:

- Have an *overall* good reputation
- Are of high quality and good performance
- Are relatively expensive, because of shipping and other logistical costs

**Pricing in Korea:**
• According to the Korean Act on Consumers, consumer items are required to be labeled with the following (with specifics varying among products):
  1. Denomination, use, ingredients, material quality, performance, size, price, capacity, permitted number of goods and contents of services
  2. Name (including address and telephone number) of the enterprise that has manufactured, imported, sold or provided goods, etc., and the origin of the goods
  3. Method of use, matters of caution and warning in use and keeping
  4. Date of manufacture, quality guarantee period or, in case of goods such as foods, medicine etc., which are apt to be altered in the course of distribution, the validity period of such goods
  5. Dimension, location and method of indication, and
  6. Organization (including its address and telephone number) and method of settlement for any complaint on goods etc., or any consumer’s damage due to goods, etc.
• Include a 10 percent VAT on services and products

Commissions in Korea are dependent upon the type of products and the transaction amount. For larger contracts, commissions generally decline as the contract value for a major purchase/acquisition/contract increases.

Sales Service/Customer Support

Considered secondary to product and price considerations, after-sales service in Korea is often found lacking. As a carryover from pre-Korean War times, Koreans often use improvisation and/or expect self-reliance when handling service issues. This should be managed closely, especially given the competition of third countries in this market. Servicing is/should be an important component of the ‘sale.’

The best approaches to after-sales service and customer support include:
• Resident or offshore engineers (Japan or Taiwan) working with local engineers; service contracts should be considered
• Establishing a regional servicing facility which can effectively service and support equipment sold in Korea
• Training service and customer service personnel via U.S.-based programs.

Protecting Your Intellectual Property

Introduction on Intellectual Property Rights in Korea

In Korea, registration of patents and trademarks is on a first-in-time, first-in-right basis. Consider applying for trademark and patent protection before selling your products or services in Korea.


Protecting Your Intellectual Property in the Republic of Korea
Several general principles are important for effective management of intellectual property (IP) rights in Korea. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in the Korean market than in the U.S. Third, rights must be registered and enforced in Korea, under local laws.

Your U.S. trademark and patent registrations will not protect you in the Korean market. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Korean market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Korea. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants expert in Korean IPR law. The U.S. Commercial Service can provide a list of local lawyers, upon request. Please consult: http://export.gov/southkorea/usefullinks/lawfirms/index.asp.

While the U.S. Government stands ready to assist, there is little that can be done if rights holders have not taken the fundamental steps necessary to secure and enforce their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing rights in a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitation, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list himself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and incentive) of would-be bad actors. Projects and sales in Korea require constant attention. Work with legal counsel familiar with Korean law to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

It is also recommended that small- and medium-sized companies understand the importance of working with trade associations and other organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Korea-based and U.S.-based. These include:
The U.S. Chamber of Commerce and local American Chambers of Commerce ("AmChams")
The National Association of Manufacturers (NAM)
The International Intellectual Property Alliance (IIPA)
The International Trademark Association (INTA)
The Coalition Against Counterfeiting and Piracy
The International Anti-Counterfeiting Coalition (IACC)
The Pharmaceutical Research and Manufacturers of America (PhRMA)
The Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at http://www.stopfakes.gov/

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199

- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at 1-202-707-5959.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free on-line training program is available at http://www.stopfakes.gov/data/us/menu/index.htm

- For U.S. small- and medium-size companies, the U.S. Department of Commerce offers its "SME IP Advisory Program" through the American Bar Association, which provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and other markets. For details and to register, visit: http://apps.americanbar.org/intlaw/intlproj/iprprogram_attorneys.html.

- For information on obtaining and enforcing intellectual property rights and for a market-specific IP Toolkit for Korea visit: http://export.gov/southkorea/iprtoolkit/index.asp, as linked from www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), as well as the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works and allows you to register for webinars on protecting IP.

Due Diligence

Conducting a thorough due diligence check is critical when selecting a local partner for a joint venture, licensing, and distribution. A due diligence check should include:

- An evaluation of the company’s financial and operational history
• Accounting practices
• Hidden ownership interests
• Corporate relationships with other Korean companies
• Position in the market for the product(s) you are exporting

CS Korea offers a fee-based service called the International Country Profile (ICP): http://export.gov/southkorea/servicesforuscompanies/icp/index.asp. The ICP includes the above information, obtained by the Commercial Service in Korea, in addition to a visit to the office of the Korean company, as well as obtaining financial information from D&B Korea Co., Ltd. (http://www.dnbasia.com/kr/english/sitemap/) and Kroll International (http://www.kroll.com/), both of which also provide due diligence reports.

Local Professional Services

Korea has a highly developed economy with a full range of professional services:


Major real estate and real estate consultancy firms, accounting companies and human resources firms: http://export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp

Major newspaper contacts: http://export.gov/southkorea/usefullinks/majornewspapersbusinessjournals/index.asp

The “Featured U.S. Exporters” (FUSE) site provides information on how you can advertise products on our worldwide website, in various languages, for a small fee. Click http://export.gov/southkorea/bsp/index.asp for more information.

Web Resources

Busan Exhibition and Convention Center (BEXCO): http://www.bexco.co.kr/english/main/main.jsp

Agents or Distributors in Korea: http://export.gov/southkorea/usefullinks/usefulcontactsregardingagentsdistributors/index.asp


Convention and Exhibition Center (COEX): http://coex.co.kr/eng/index.asp
Daegu Exhibition and Convention Center (EXCO Daegu):  
http://www.excodaegu.com/

Defense Acquisition and Procurement Agency (DAPA):  
http://www.dapa.go.kr/eng/index.jsp

Dun & Bradstreet Korea  
http://www.dnbasia.com/kr/english/sitemap/

Featured U.S. Exporters (FUSE)  
http://export.gov/southkorea/bsp/index.asp

Government e-Procurement Service (GePS):  
http://www.pps.go.kr/english/

International Company Profile:  
http://export.gov/southkorea/servicesforuscompanies/icp/index.asp

Invest KOREA:  
http://www.investkorea.org/

KITA New York Office:  
http://www.kita.net/ny/eng/01/index.html

KITA Washington Office:  
http://www.kita.net/ny/eng/02/index.html

Korea Broadcast Advertising Corporation (KOBACO):  
http://www.kobaco.co.kr/eng/index.asp

Korean Commercial Arbitration Board:  
http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000

Korea Importer’s Association (KOIMA)  
http://www.import.or.kr/

Korea Intellectual Property Office (KIPO):  

Korea’s Main Distribution Centers:  
   Busan:  http://busanpa.com/Service.do?id=engmain  
   Daegu:  http://english.daegu.go.kr  
   Gwangyang:  http://www.gwangyang.go.kr/02en/  

Korea Trade Investment Promotion Agency (KOTRA):  
http://english.kotra.or.kr/wps/portal/dken

KINTEX  
http://www.kintex.com/client/_eng/index.jsp
Kroll Korea:
http://www.krollworldwide.com/

Public Procurement Service (PPS):
http://www.pps.go.kr/english/

Law Firms in Korea:
http://export.gov/southkorea/usefullinks/lawfirms/index.asp

Newspaper Agencies in Korea:
http://export.gov/southkorea/usefullinks/majornewspapersbusinessjournals/index.asp

Real Estate Consultants, Accounting Firms and Human Resource Agencies:
http://export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp

Seoul Trade Exhibition Center (SETEC)
http://www.setec.or.kr/main.do

World Federation of Direct Selling Associations
http://www.wfdsa.org/

Return to table of contents
Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Aerospace Industry
- Cosmetics
- Defense Industry Equipment
- Education Services
- Energy: New and Renewable (NRE)
- Entertainment and Media
- Franchising
- Laboratory Scientific Instruments
- Medical Equipment and Devices
- Pollution Control Equipment
- Semiconductors
- Travel and Tourism

Agricultural Sectors

- Agricultural Sectors
Korea is the 11th largest market for U.S. aerospace exports. In 2013, total U.S. aerospace exports to Korea exceeded USD 3.2 billion (including aerospace products in the defense sector). In total value, U.S. aerospace sales constituted about 68% of Korea’s total aerospace imports in 2013.

Over 91% of total aerospace imports into Korea are for commercial aircraft and their parts and components. Of this, 75% of Korea’s aircraft, parts and component imports were from the U.S. in 2013.

While imports constitute a significant portion of Korea’s high technology and aerospace products, Korean President Park Geun-hye’s administration has stressed Korea’s ‘creative economy,’ putting more emphasis in developing and then exporting Korea’s indigenous technologies (essentially this initiative was started in the previous administration of President Lee Myung-bak).

Korea’s rapidly-developing aerospace industry includes the production of military helicopters, super-sonic training jets (T-50 was the first supersonic jet developed in Korea, in conjunction with a U.S. defense company), UAVs, and even MRO parts and components for both Boeing and EADS-Airbus. Korea’s local production of aerospace products continued to grow, at USD 3.6 billion in 2013, while exports of these products grew to USD 1.7 billion in the same year. Recent major Korean exports include sales of the supersonic trainer jet, the T-50s (16 units, USD 0.4 billion) to Indonesia in 2011; the KT-1 trainer jet and KA-1 combat jet (20 units, USD 0.2 billion) to Peru in 2012; the T-50IQ trainer and combat jet (24 units, USD 1.1 billion); and the FA-50 light combat jet (2 units, USD 0.4 billion) to the Philippines in 2013.

A 2010, Ministry of Knowledge Economy (MKE) report entitled “Aerospace Industry Primary Plan (2010 – 2019)” notes that Korea plans to increase its aerospace production from USD 2 billion (2009) to USD 20 billion by 2020, and raise exports to USD 10 billion, or 3 percent of global market share. This industrial plan aims to take Korea from 16th place to the world’s seventh largest aerospace producer. Additionally, the goal is to push Korean industry to import core technologies, develop domestic capabilities to deliver a ‘complete aircraft,’ and bring effective R&D investment that will contribute to Korea’s aerospace industry.
Based on this plan, Korea will continue to focus on developing its indigenous:

- mid-sized, fixed-wing aircraft and helicopters for the commercial sector;
- a Korean fighter and attack helicopter for the defense sector;
- UAVs;
- environmentally-friendly aircraft;
- as well as supporting and exporting core components and MRO services.

**Major Local Players**

Korea’s aerospace industry is driven by Korea Aerospace Industries (KAI, www.koreaero.com/English/main.asp) and Korean Air Lines (KAL), one of the largest commercial airliners in Korea. KAI and KAL are also the leading companies which make and assemble parts for Boeing and Airbus. KAI and KAL are active in developing indigenous aircraft including UAVs, rotor-wings, and fixed wings. In 2008, KAI introduced its first non-military private aircraft, ‘Naraon’, making Korea the 28th nation in the world to build and fly an indigenous plane. In 2011, the Korean Aerospace Research Institute (KARI; http://eng.kari.re.kr/) succeeded in developing an unmanned tilt-rotor aircraft and, together with KAL, plans to commercialize it. If successful, Korea will be the first in the world, after the U.S., to commercialize a tilt rotor UAV. KAL is also active in providing MRO services for both commercial and defense aircrafts.

**Commercial Airliners**

KAL has a total of 149 aircraft and is one of the largest consumers of aircraft, equipment, components, and various aerospace services -- as well as being one of the major exporters of aerospace parts and components. Asiana Airlines is the second largest airline in Korea, currently operating a total of 83 aircraft. Additionally, there are five Low Cost Carriers (LCC): Jeju Air, Jin Air, Air Busan, Eastar Jet, and T’Way Air. In 2013, 4.9 million international travelers, or 9.6% of all international travelers, used LCCs. LCCs demonstrated a dramatic annual growth of 76.8% (in number of passengers) in the last past three years.

**Korea’s Space Program**

Korea also continues to invest in space technology development. In January 2013, Korea succeeded in launching a two-stage rocket, the Korea Space Launch Vehicle-1 (KSLV-1), from its Naro-Space Center on Korea’s southwest coast. This launch makes Korea only the 11th country in the world to successfully send a rocket and satellite into space. In November 2013, the Ministry of Science, ICT and Future Planning (MSIFP; http://english.msip.go.kr/english/wpge/m_72/eng050101.do) and Korea Aerospace Research Institute (KARI) announced their joint ‘Space Development 2020 Roadmap.’ The revised Korean rocket development plan (2020-2040) and space technology industrialization strategy has numerous ambitious mid-to-long term space development goals, to include the Korean government’s plan to develop an indigenous rocket capable of launching a 1.5 ton satellite into higher orbit (600~800km) by 2020. According to the Ministry of Science, ICT and Future Planning, Korea expects that through its space technology industrialization strategy, Korea’s space market will grow from its current 800 million USD to 2.5 billion USD. Ultimately, the Korean government plans to increase its space R&D budget and become the world’s fourth leading country in space technology by 2040.

**Airports**
Korea has two state-owned airport companies, Incheon International Airport Corporation (IIAC) and Korea Airport Corporation (KAC). IIAC is the nation’s largest and has its main international airport in Incheon City. Incheon Airport was voted the top in ‘airport service/quality’ for the eighth year in a row. It has also won the highest score in the Airport Service Quality (ASQ) category by the Airports Council International (ACI), which consists of 1,700 airports around the world. In May 2014, Incheon International Airport will host the 2014 Airports Council International Asia-Pacific Regional Assembly, Conference and Exhibition (Seoul).

KAC operates a total of 14 airports in Korea (Gimpo, Gimhae, Jeju, Daegu, Ulsan, Chungju, Muahn, Kwangju, Yeosu, Pohang, Yangyang, Sacheon, Kunsan, and Wonju), of which seven have international status with routes mainly to either China or Japan.

In April 2014, the Ministry of Land, Infrastructure, and Transport (MOLIT–http://english.molit.go.kr/intro.do) announced a plan to construct two new small airports in Ulleungdo (by 2020) and Heuksando (by 2019), designed to accommodate small aircraft of less than 50 passengers.

### Best Products/Services

- Aircraft and aircraft upgrades
- Radar/surveillance devices
- Avionics
- Unmanned Aero Vehicle Systems

### Opportunities

Top U.S. aerospace exports to Korea include: complete commercial aircraft, commercial aircraft engines, equipment and parts, as well as military aircraft and their parts and components. The U.S. continues to be the dominant foreign supplier of aerospace/defense products and services, with a dominant import market share. This trend will continue for several years, especially with Korea’s recent decision to purchase next generation fighters and other defense aircraft, thus increasing demand on MRO services in the future and as related to these aircraft models.

For Korea’s commercial airliners, media sources have disclosed the following procurement plans:
- Korean Air will acquire 64 new aircraft, including ten B787-9 Dreamliners, four A380s, and ten CS300s by 2018;
- Asiana Air will acquire five new aircraft, including two A380s, one A330, and two A321s by the end of 2014; they will acquire six A380s by 2017;
- Jeju Air will acquire six to seven new aircraft by 2014;
- Eastar Jet will acquire five B737-800s by 2014;
- Jin Air will acquire two new B737-800s.

### KORUS FTA Impact

All U.S. aerospace exports are duty-free as of March 15, 2012, and as a result of the implementation of the Korea-U.S. FTA (KORUS).
Trade Shows
ACI Asia-Pacific/World Annual General Assembly, Conference & Exhibition 2014

Seoul International Aerospace & Defense Exhibition 2015 (Seoul Air Show 2015)

In 2013, the Commercial Service Korea, together with pavilion organizer Kallman, erected the largest U.S. pavilion ever at ADEX. This was also ADEX’s largest-ever ‘country’ pavilion. Over 30 U.S. large and SME aerospace and defense companies participated in Korea’s largest and most important aerospace and defense show.

Key Contacts
Korea Aerospace Industries Association (KAIA) –www.koreaaero.com/English/main.asp
Korea Aerospace Research Institute (KARI) – http://eng.kari.re.kr/
Ministry of Trade, Industry and Energy (MOTIE) -
http://www.motie.go.kr/language/eng/index.jsp
Ministry of Land, Infrastructure, and Transport (MOLIT) –
http://english.molit.go.kr/intro.do
Incheon International Airport Corporation (IIAC) – http://www.airport.kr/eng/
Korea Airport Corporation (KAC) – http://www.airport.co.kr/mbs/kaceng/

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www.export.gov/southkorea
Total imports of cosmetics in 2013 were estimated to be USD 994 million. Of these, U.S. imports were USD 285 million, representing approximately 29 percent of import market share. On a country by country basis, the U.S. is the lead importer, followed by France (USD 257 million) and Japan (USD 134 million).

According to industry sources, the growth of parallel imports and reduced tariff rates will contribute to increasing demand for quality foreign cosmetics. Of note to U.S. exporters, remaining Korean tariffs on imported U.S. cosmetics will be eliminated over a ten-year period under the KORUS FTA. These market trends signal good opportunities for U.S. companies in the years ahead.

The Korean cosmetics market is polarized, with products focused both at the premium end and at the lower-priced, mass-market end. Thus, cosmetics companies focus their offerings toward two distinct groups of consumers or target audiences: consumers shopping at low-cost cosmetics franchise stores and those that are shopping for high-end luxury cosmetics at more expensive department stores. Imported products are primarily sold through department stores, with some sold through multi-level marketing, online sales, hypermarkets, clinics/drug stores, duty free shops, and home shopping channels. There is a large variety of products on the market; competitive imports differentiate themselves from existing offerings through brand identity, packaging, unique formulations, and ingredients.

Sales of men’s cosmetics have been and will continue expanding. According to industry sources, sales of men’s skin care products in Korea were estimated at USD 565 million in 2012. This growth reflects the expansion of interest on the part of Korean male consumers from simple skincare to other cosmetics, such as facial scrubs, facial masks, concealers, SPF products, and other cosmeceutical products. With this trend, men’s skincare salons have opened in business districts and now provide one-stop total beauty and hair care services, including hair cutting, perms, treatments, and facials. To meet this increasing demand for men’s skincare products, many department stores have opened men’s cosmetics counters on the men’s floor, featuring recognized international brands like Clinique, Clarins and Biotherm that offer after-shave lotions, cleaning foams, facial scrubs, facial packs, essences, and functional cosmetics.
In Korea, cosmetics are regulated by the Ministry of Food and Drug Safety (MFDS) and fall under two categories: functional cosmetics and regular cosmetics. Functional cosmetics include whitening, anti-wrinkle, and sunscreen & tanning products. MFDS reviews only functional cosmetics for pre-market approval. For all other regular cosmetics, the Korea Pharmaceutical Traders Association (KPTA) has been authorized by MFDS to review and certify import permission requests submitted by the Korean importer.

Cosmetics regulation changes were made in 2013. MFDS introduced revised cosmetics safety standards, adding negative and restrictive ingredient lists and establishing a safety management standard in the market. The standard applies to all cosmetics manufactured domestically or imported into Korea. In addition, MFDS announced a policy to formally recognize non-animal test results in sunscreens, anti-wrinkle products, and other functional cosmetic product safety assessments.

Cosmetic labelling and advertisement guidelines also underwent a major change in 2013. These guidelines govern the claims that can and cannot be used on cosmetic labels and in advertisements on containers, packages, or in leaflets. This is to ensure cosmetic manufacturers, market authorization holders and distributors properly label and advertise products and to protect consumers from false and exaggerated advertisements.

Best Prospects/Services

- Natural/organic skincare products
- Functional cosmetics for both women and men
- Hair care cosmetics with special functions (e.g., to protect against hair loss)

Opportunities

Pharmacies/drug stores, online shopping malls, and television home-shopping channels (such as QVC) have emerged as challengers to traditional retail channels like direct selling, multi-level marketing, "mom and pop" stores, specialty retail establishments, department stores, and discount stores.

There are currently three major franchise drug stores competing in the local market: Olive Young by CJ, W-Store by Kolon, and GS Watson’s by GS (in partnership with Watson’s). These retailers target customers focusing on wellness products by providing organic/natural cosmetics, nutritional supplements, OTC drugs, and general consumer goods. In addition, some major Korean cosmetics manufacturers are interested in importing well-known U.S. cosmetics.

Sales via mobile shopping have been and will continue expanding as the number of internet and mobile shoppers increase. Above all, the social and e-commerce market is emerging as one of the top distribution channels. Cosmetic subscription services have fast become a new and popular way of advertising and distributing products, as they enable consumers to participate in new cosmetic trends early on.
**Trade Shows**
Seoul Cosmetics & Beauty Expo 2015
http://www.cosmobeautyseoul.com

**Key Contacts**
Ministry of Food and Drug Safety (MFDS) - http://www.mfds.go.kr/eng/index.do
Korea Pharmaceutical Traders Association (KPTA) - http://www.kpta.or.kr/eng/main/main.asp
Korea Cosmetic Association (KCA) - http://www.kcia.or.kr/ENG/_Document/About/about01.html

**Local Contact**
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Commercial Specialist
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Tel: 82-2-397-4172
heesook.baik@trade.gov
The Republic of Korea (ROK) has the world’s sixth largest military force, following China, the U.S., India, North Korea, and Russia. In recent years, South Korea’s defense industry has grown far faster than the average regional militaries, principally due to the increasingly antagonistic actions of North Korea. The ROK continues to be a major defense and security ally of the U.S. in the Pacific region and is an integral part of the U.S. ‘Asian Pivot.’

As a consequence of North Korea’s attack of ROK’s navy vessel “Cheonan” (March 2010) and artillery attack on ROK’s Yeonpyung Island (November 2010), the Ministry of National Defense (MND) announced in 2011 it’s Defense Reform Plan 307 (DRP 307), consisting of short-term (2011-2012), mid-term (2013-2015), and long-term plans (2016-2030). DRP 307 is mainly designed to strengthen the ROK’s defense against North Korea’s localized military attacks and asymmetric threats, as well as optimize their own military command structure. In 2013, the MND announced its Defense Reform Basic Plan 2014-2030, as a part of DPR 307, which consists of plans to: 1) reduce the ROK’s Army; 2) restructure ROK units to enhance the response ability to North’s Korean asymmetric threats; 3) optimize ‘the commerce structure’; and 4) re-prioritize the military’s power, focusing on Kill Chain and Korean Air and Missile Defense (KAMD).

*Kill Chain* is an offense-oriented defense system that detects missiles in real-time. The goal is to detect any potential threats from the North and make a head start in attacking the nuclear weapon within 30 minutes. *Kill Chain* principally uses ROKN and ROKAF fighters and bombing aircraft. KAMD’s defense system (designed for approx. 20 km above ground) involves patriot missiles, AMD cells, and early warning radar. Some of the ROK’s major procurements are decided based on establishing these two systems, which also includes HUAVs (i.e., Global Hawk) and patriot missiles (PAC-2/PAC-3).

It is expected that there will be continued review of platform procurement requirements as Korea continues to revise what products/systems are needed in light of new threat assessments from the North. It is also expected that the force improvement plan (FIP) will focus more on command and control, surveillance, maritime patrol/littoral support and armor.

### Market Demand

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013 (Estimated)</th>
<th>2014 (Projected)</th>
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</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>8,402</td>
<td>8,348</td>
<td>9,127</td>
<td>10,466</td>
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<tr>
<td>Total Local Production</td>
<td>9,456</td>
<td>8,497</td>
<td>6,266</td>
<td>9,888</td>
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<tr>
<td>Total Exports</td>
<td>2,382</td>
<td>2,353</td>
<td>3,416</td>
<td>4,204</td>
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<tr>
<td>Total Imports</td>
<td>1,328</td>
<td>2,204</td>
<td>6,277*</td>
<td>4,782</td>
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<tr>
<td>Imports from the U.S.</td>
<td>1,015</td>
<td>1,887</td>
<td>5,022</td>
<td>3,363</td>
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<tr>
<td>Exchange Rate: 1</td>
<td>1,108</td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
</tr>
</tbody>
</table>
Note: The statistical data above is based on figures announced by Defense Acquisition Program Administration (DAPA). Estimated and projected figures are based on an unofficial estimate from CS Korea based on the budget of Korea’s Force Improvement Plan (FIP), Defense Acquisition Program Administration (DAPA)’s procurement plan, and media reports. Unit: USD Million.

* Import figures in 2013 increased dramatically due to some of the major foreign procurements including the naval combat helicopter program (Augusta Westlands’ AW159), AH-X program (heavy attach helicopter-Boeing’s AH-64E Apache), targeting pod (Lockheed Martin’s sniper pod), and Taurus missile.

For 2014, a total of USD 32.46 billion has been announced for Korea’s defense budget, which includes USD 9.55 billion for the FIP. The total budget and FIP budget received 4.0 percent and 3.9 percent increases, respectively, compared to the previous year. Korea’s defense budget is around 2.5% of its GDP and constitutes about 14.4% of the total national budget. Korea’s defense spending budget is the 11th largest in the world.

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Total Defense Budget</td>
<td>31,223</td>
<td>32,459</td>
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<tr>
<td>Force Improvement Plan (FIP)</td>
<td>9,197</td>
<td>9,554</td>
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<td>Operation &amp; Management (O&amp;M)</td>
<td>22,026</td>
<td>22,905</td>
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<tr>
<td>Exchange Rate: 1 USD</td>
<td>1,100</td>
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</table>

Unit: USD million

Korea’s 2014 FIP budget includes some of the major procurements necessary to establish Kill Chain and KAMD, which includes a multi-purpose satellite, HUAV (Global Hawk), and PAC-2/PAC-3 missiles.

Korea’s major defense projects include the following acquisition plans and contracts (some are at different phases of finalization):

- Marine Operation Helicopter: Acquisition of 8 naval combat helicopters from Augusta Westland (AW-159 Wild Cat) worth USD 0.5 billion, by 2016
- Next generation fighters: Acquisition of 40 stealth F-35s from Lockheed Martin worth USD 6.7 billion, by 2019
- HUAV: Acquisition of 4 HUAVs from Northrop Grumman (Global Hawk) worth USD 0.8 billion, by 2019
- TAURUS KEPD 350K: Acquisition of 170 long distance air-to-ground guided missile from TAURUS Systems worth USD 0.5 billion, from 2015
- KF-16 avionics upgrades: Improvement of over 100 combat planes by BAE Systems worth USD 1 billion, by 2019
- P-3C Marine Patrol Aircraft: Improvement of marine patrol aircraft by Lockheed Martin worth USD 0.3 billion, by 2016
- Aerial Refueling Tankers: Acquisition of 4 aerial refueling tankers from Boeing (KC-136) worth USD 1 billion, by 2017
- PAC-3 Missiles: Acquisition of over 100 ballistic missiles worth USD 0.2 billion, by 2018
- Maritime surveillance aircraft: Acquisition of 20 maritime patrol aircraft from Lockheed Martin (S-3B Viking) worth USD 0.5 billion, from 2018
- LAH/ LCH: Research and development project worth USD 0.7 billion, by 2022
• THX (Basic Flight Training Helicopters): Acquisition of 40 training helicopters worth USD 0.09 billion, from 2015

Source: DAPA and media

ROK’s defense industry is mainly focused on establishing independent defense competence and on modernizing its infrastructure. The Ministry of National Defense (MND) has recently announced a continuation of their plan to: optimize indigenous production, diversify suppliers, bolster air and space power, and procure sophisticated technology in the country’s continual process of modernization and advancement.

Currently around 7.1% of the total budget is allocated to defense R&D. But, in MND’s ‘2014–2030 Defense Reform Plan,’ this amount will increase to USD 5.7 billion by 2028; a nearly 15% increase in the ROK’s total defense budget. With the current government putting a greater emphasis on indigenous technology development, the ROK has set up a plan to establish a Defense Technology Support Center (DTSC) under the ADD (Agency for Defense Development) in 2014. The DTSC will be run as an independent entity by 2017. The ROK will continue to support its various indigenous technology and defense development programs, to include Korea’s helicopters, fighter jets, cruise missiles, destroyer ships, and various-sized UAVs.

In 2013, total exports of defense products were USD 3.4 billion, almost triple the amount in 2010 (USD 1.18 billion). Korea’s defense exports dramatically increased in 2011, largely attributable to two major export contracts: the export of 16 units of Korea’s T-50 trainer jet (worth USD 400 million) and three submarine exports (worth USD 1.1 billion) -- both to Indonesia. In 2013, Korea continued push its defense exports with major contracts, including its T-50 trainer and combat jet sales to Iraq (24 units, USD 1.1 billion) and FA-50 light combat jets to the Philippines (12 units, USD 400 million).

There are 28,500 U.S. troops stationed in Korea on more than 100 bases, stretching from the DMZ south to the port city of Busan. Plans call for consolidating the troops onto fewer than 50 bases, with the majority stationed in regional hubs in the areas around Pyeongtaek/Osan and Daegu. Progress is being made with regard to relocating U.S. troops from Yongsan, Seoul, to Pyeongtaek, about two hours south of Seoul. The construction of housing, schools and medical and recreational facilities on bases south of Seoul has long been considered a key element in the U.S. plan to allow more troops to bring along their families to South Korea, allowing for longer tours and greater stability among the ranks on the Peninsula.

Market Access & Obstacles

The ROK’s defense procurement agency, Defense Acquisition Program Administration (DAPA), is the sole ROK governmental agency responsible for conducting and executing the procurement of defense equipment. Established in 2006, DAPA is the only agency authorized to negotiate on behalf of the Ministry of National Defense (MND) for defense products and services, as well as being the only agency which can authorize offset credits, dictate terms and conditions (T&Cs), and make changes to delivery schedules or required deliverables. DAPA controls all formal negotiations on price, technology transfer, local work share, and offset packages, which are required by the Korean government for all projects in excess of USD10 million. Korea’s large and growing defense product exports are a result of DAPA’s defense offset program.
In 2010, DAPA announced new guidelines for the utilization of commissioned agents. The new policy requires DAPA to enter into contract directly with foreign prime contractors, without the intervention of a commissioned agent for major acquisition programs exceeding USD 2 million. The policy applies only to Force Improvement Programs (FIP), which includes purchases, development, upgrades, and associated installations. Smaller value FIP projects and sustainment projects are not affected.

**U.S. Position in Korea’s Defense Industry**

The U.S. remains Korea’s most significant military ally, owning largely to the presence of 28,500 U.S. troops in Korea as a deterrent to any aggression from North Korea. This 61-year alliance means that most Korean defense systems are based on American standards; U.S. standards are generally accepted in Korea. This history has affected defense procurement decisions. In 2012, the U.S. provided weapon systems to Korea totaling USD 1,931 million, which accounts for 87 percent of Korea’s total defense imports.

Although, the U.S. continues to be a primary supplier in Korea’s defense industry, strict U.S. export control policies and aggressive marketing from other suppliers in Europe and Israel come as a challenge to U.S. firms and Korean reps of U.S. defense products.

Direct Commercial Sales (DCS) in Korea’s defense industry account for 58 percent of all DAPA procurements (2007 to 2012). Recently, the ROK government has shown preference for DCS purchase over Foreign Military Sales (FMS) purchases, in an effort to purchase items in a more economical price range.

**End-users**

The principal point of contact for major defense projects are the service branches (ROKAF, ROKA, ROKN) and DAPA (Defense Acquisition Program Administration). The defense branches procure all necessary equipment and systems through DAPA. For projects requiring local co-production or co-development, foreign firms very often participate in consortia with leading local firms such as KAI, Korean Air, Doosan, Hyundai, Hanhwa, LIG NEX1, and Samsung Thales, among others.

**Sub-Sector Best Prospects**

- C4ISR
- Military Aerospace (fighters, multi-role airlift aircraft)
- Avionics
- Maritime Defense Electronics and Systems
- Anti-cyber terror systems and equipment

**Opportunities**

- Aircraft upgrades (fighters, multi-role airlift aircraft)
- Asymmetric warfare/littoral/coastal surveillance and patrol
- Support for combat equipment (fighter aircraft, etc.)

**Web Resources**

**Trade Shows**
Defense Expo Korea 2014

Seoul International Aerospace & Defense Exhibition 2015/ADEX (Seoul Air Show 2015)

(In 2013, the Commercial Service in Korea, together with pavilion organizer Kallman Worldwide, erected the largest U.S. Pavilion ever at ADEX. This was also ADEX’s largest-ever ‘country’ pavilion. Over 30 U.S. large and SME aerospace and defense companies participated in Korea’s largest and most important aerospace and defense show.)

Naval & Defence 2015
October, 2015 (TBD) – http://www.marineweek.org

Key Contacts
Defense Acquisition Procurement Agency (DAPA) – http://www.dapa.go.kr/eng/index.jsp
As the Defense Acquisition Program Agency (DAPA) conducts the formal contracting, presentations to DAPA are the best mechanism to introduce new products/systems/services to the Korean market. DAPA provides this opportunity every two or three months. Consult: http://www.dapa.go.kr/eng/index.jsp to confirm DAPA’s ‘future schedule’, or contact: Acquisition Policy Division, Acquisition Plan Bureau, Defense Acquisition Program Administration (DAPA), 2-15 Yongsandong 2 ga, Yongsan-gu, Seoul 140-833, Republic of Korea.

Ministry of National Defense (MND) – http://www.mnd.go.kr/eng/sub/gov_website01_1.jsp
Agency for Defense Development (ADD) – http://www.add.re.kr

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Seoul 110-710 Korea
Tel: 82-2-397-4164
sunny.park@trade.gov
http://www.export.gov/southkorea
Education Services

ITA CODE: SV EDS

Overview

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013 (est.)</th>
<th>2014 (estimated)</th>
<th>2015 (estimated)</th>
</tr>
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<tr>
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<td>42,640</td>
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<tr>
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<td>38,442</td>
<td>38,370</td>
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<td>70</td>
<td>85</td>
<td>107</td>
<td>120</td>
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<tr>
<td>Total Imports</td>
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<td>4,255</td>
<td>4,305</td>
<td>4,300</td>
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<tr>
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<td>1,132</td>
<td>1,142</td>
<td>1,150</td>
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<tr>
<td>Exchange Rate: 1 USD</td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
<td>1,050</td>
</tr>
</tbody>
</table>


Education, from pre-kindergarten to college, plays a very significant role and is important to the Korean economy and psyche. There are good opportunities for a wide swath of U.S. educational institutions - sectors and subsectors - if they are prepared to meet a highly sophisticated, demanding, and brand-oriented market. According to the Organization for Economic Cooperation and Development (OECD), Korea is one of the largest investors in education among developed countries.

Korea’s dynamic and constantly evolving education market is best characterized by the speed and power of the information that flows by word-of-mouth referrals. Especially in the educational arena. The pace of change that occurs in this sector, almost on a monthly basis, is one of the challenges encountered by many education service providers which do not have established, active local representatives. The life-span of a popular program in the education sector is relatively short, and typically lasts two to three years, on average. A new trend is taken up quickly after an old one disappears. Students are quick to abandon one program and move on to new opportunities.

Koreans feel that a degree from an elite institution is a lifelong certificate to ensure high social status. They also feel it essential for finding the right job in the right company in Korea. Many talented students opt for the best schools overseas and obtain a diploma from an accredited overseas school. With the lowest birthrates in the world with around 1.2 children per family, the total number of high school graduates is expected to decline by 37 percent within a 10 year period, from 631,000 (2013) to 397,000 by 2023. Despite the decline in population and youth, Korea continues to be a reliable source of international students for U.S. institutions as they are known to have reliable finances and high academic performance.

According to the Student and Exchange Visitor Information System (SEVIS), a total of 91,693 Korean students are currently enrolled in U.S. institutions (2014). Korea, with a population of just over 50 million, ranked third, behind China and India, in terms of the number of foreign students studying in the U.S. in 2014. According to the Korean Ministry of Education, some 296,757 students are presently studying abroad. Korean
students are generally going to the following markets: the U.S.: 34 percent; China: 17 percent; Japan: 7 percent; Australia: 6 percent; Canada: 6 percent; the UK: 5 percent; and other countries: 25 percent.

Reputation of educational institution has been key for students seeking higher education degrees, whereas students studying short-term programs, including university-to-university programs, focus on cost, living conditions, and reputation. Additionally, a growing number of Korean students are taking advantage of exchange programs that incorporate other value-added components, such as internships. As for degree programs, recently more Korean students are employing strategies to lower the cost of their education by studying at a community college before transferring to a 4-year school, or studying English in a low-cost country before applying to an American school.

Sub-Sector Best Prospects

• One-year exchange programs for elementary school students
• Community colleges
• One- or two-semester exchange programs for college students

Opportunities

Korean parents are increasingly more savvy about acquiring information on educational opportunities for their children. Agents or representatives are utilized less. Educational entities should consider employing a combination of on-line advertising, blogging, Facebook, Twitter, and advertisements in popular search engines within their promotional campaigns. Koreans prefer educational entities that have a long-term commitment to Korea and its students. Building people-to-people networks through alumni advocacy as well as developing and broadening exchange programs, which could, in turn, raise the profile of the U.S. institution, definitely helps U.S. schools attract Korean students to the United States.

Web Resources

Trade Shows
Korea Study Abroad & Emigration Fair - http://www.yuhak2min.com/new_www/intro.html
MBA Tours - http://www.thembatour.com/index.html
University Fair organized by Linden Tours - http://www.lindentours.com
Korea Student Fair - http://www.aief-usa.org/

Key Contacts
Fulbright (Korean-American Educational Commission) - http://www.fulbright.or.kr/xe/?mid=index_en
KOSA (Korea Overseas Studying Agencies) - http://www.kosaworld.org/

Local Contact
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Seoul 110-710 Korea
Tel: 82-2-397-4396
younghhee.koo@trade.gov
http://www.export.gov/southkorea
Energy: New and Renewable (NRE)

ITA CODE: PR REQ

Overview

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimated)</th>
<th>2014 (estimated)</th>
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</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>5,195</td>
<td>4,255</td>
<td>6,260</td>
<td>6,981</td>
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<tr>
<td>Total Local Production</td>
<td>8,445</td>
<td>5,744</td>
<td>8,681</td>
<td>9,373</td>
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<tr>
<td>Total Exports</td>
<td>4,770</td>
<td>2,523</td>
<td>3,984</td>
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<td>Total Imports</td>
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<td>1,563</td>
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<td>NA</td>
<td>NA</td>
<td>NA</td>
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<td>Korean government</td>
<td>906</td>
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<td>765</td>
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<tr>
<td>investment plan</td>
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<td>Exchange Rate: 1 USD</td>
<td>1,108</td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
</tr>
</tbody>
</table>

Total Market Size = (Total Local Production + Total Imports) – (Total Exports), Imports from U.S.: NA, Unit: USD mil.

Sources: Korea Energy Management Corporation (KEMCO), Export-Import Bank of Korea (KEXIM), Ministry of Trade, Industry and Energy (MOTIE)

Note: The above statistics are unofficial estimates by Commercial Service Korea, based on information from Korea Energy Management Corporation (KEMCO), Export-Import Bank of Korea (KEXIM), Ministry of Trade, Industry and Energy (MOTIE), and industry expert interview.

As one of the top importers of crude oil in the world, Korea is a non-oil producing region that relies heavily on imports to meet its crude oil requirements. Furthermore, with no natural gas resources in the region, South Korea is also the second largest importer of natural gas in the world, with Korea Gas Corporation (KOGAS) being one of the single largest purchasers of natural gas. Due to a lack of natural resources, South Korea has been consistently dependent on imported energy sources to meet over 90% of its energy needs. Thus, due to lack of natural resources and high dependency on imported energy, one initiative to mitigate potential energy crises is the development of new and renewable energy (NRE) sources.

As of 2012, total NRE supplied was 8.8 million TOE, which accounted for 3.1% of total primary energy consumption, an increase from the 2.4 million TOE (or 1.2% of total primary energy consumption) in 2001.

Under South Korea’s Renewable Portfolio Standard (RPS), which took effect in 2012, companies with power plants generating 500,000 kw and above, primarily the GENCOs, referring to the state power generation entities, and IPPs (Independent Power Producers) need to obligate themselves to renewable energy required rates. The 14 applicable companies include Korea Hydro & Nuclear, Korea South East, Korea Midland Power, Korea Western Power, Korea Southern Power, Korean East West Power, Korea District Heat, Korea Water Resources, POSCO Energy, SK E&S, GS EPS, GS Power, MPC Yulchon, and Pyeongtaek Energy Service. The required renewable energy quota for 2014 will be 3%, increasing by 0.5 percentage points every year until 2016, and further increasing by 1 percentage point annually afterward.

<table>
<thead>
<tr>
<th>[Renewable Portfolio Standard (RPS) quota (%)]</th>
</tr>
</thead>
</table>

43
According to the 2nd National Basic Energy Plan [2014–2035], which is released every 5 years and forecasts the next 20-plus years, South Korea plans to retain 11% of its energy from renewables by the year 2035. Recently, the Korea Electric Power Corporation (KEPCO), along with the GENCOs, announced plans to invest KRW 42.5 trillion (equivalent to approximately USD 40 billion) by the year 2020 in renewable energy power generation capacity of 11.5 GW. This is expected to increase their shares of Korea’s renewable power generation to over 60%.

### Sub-Sector Best Prospects

**Photovoltaic power** - Building integrated photovoltaic (BIPV) and roof-top systems are expected to generate high demand in the future.

**Wind power** - With oceans on three sides, Korea’s focus on wind power is shifting from ground applications to offshore applications.

**Fuel cells** - Korea is home to one of the world’s largest hydrogen & fuel cell power plants. With ROKG’s policy support, this industry is forecast to grow in the future.

**Marine energy** - Korea is emphasizing the development of marine energy through ongoing R&D projects and pilot construction projects.

**Integrated gasification and combined cycle (IGCC)** - Due to the high efficiency and environmental features of this technology, Korea has plans to adopt IGCC for one of its new coal-fired plants. This 300 MW demonstration plant is expected to be completed by 2015 (Korea Western Power Company).

### Opportunities

The Korea Electric Power Corporation (KEPCO) is the government-run power company and one of the primary end-users of NRE products and services. It supplies approximately 90 percent of Korea’s entire electricity needs from its six generating subsidiaries (GENCOs). The trend of shifting the power source to NRE will continue under the RPS requirements.

The six GENCOs are:

- Korea Hydro and Nuclear Power Company (KHNP): [http://www.khnp.co.kr](http://www.khnp.co.kr)
- Korea South-East Power Company (KOSEP): [www.kosep.co.kr](http://www.kosep.co.kr)
- Korea Midland Power Company (KOMIPO): [http://www.komipo.co.kr](http://www.komipo.co.kr)
- Korea Western Power Company (KOWEPO): [http://www.westernpower.co.kr](http://www.westernpower.co.kr)
- Korea Southern Power Company (KOSPO): [http://www.kospo.co.kr](http://www.kospo.co.kr)

As end-users, the GENCOs and the independent power producers (IPPs) exert strong influence in choosing what NRE core parts to use. Under the current supply chain, engineering & construction companies (E&Cs), which provide turn-key construction
services, are typically the buyers of most NRE technologies and parts. There are also several large EPC companies, which are mostly subsidiaries of Korea’s business conglomerates (Samsung, Hyundai, SK, GS, etc.). Many NRE power plant construction projects are led by business consortia that consist of end-users, EPC companies, financial service entities, and equity investors. These consortia collectively influence major procurement decisions.

Web Resources

Trade Shows

International Green Energy Expo Korea (Apr. 2-4, 2014)
http://www.energyexpo.co.kr/eng/

Expo Solar/PV Korea (Sept. 17-19, 2014)
http://www.exposolar.org/2014/

http://www.energykorea.or.kr/ab-en_hom

Key Contacts

Korea Energy Management Corp. (KEMCO) - www.kemco.or.kr/new_eng/main/main.asp
Ministry of Trade, Industry and Energy (MOTIE)- www.motie.go.kr/language/eng/index.jsp
Korea Customs Service (KCS) - http://english.customs.go.kr

Local Contact

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Fax: +82-2-739-1628
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www.export.gov/southkorea
## Entertainment and Media

ITA CODE: N/A

### Overview

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014 (E)</th>
<th>2015 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>2,614.62</td>
<td>2,775.95</td>
<td>2,940.37</td>
<td>3,005.18</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>4,097.44</td>
<td>4,270.70</td>
<td>4,697.77</td>
<td>4,797.73</td>
</tr>
<tr>
<td>Total Exports</td>
<td>2,097.44</td>
<td>2,135.35</td>
<td>2,391.59</td>
<td>2,439.42</td>
</tr>
<tr>
<td>Total Imports</td>
<td>614.62</td>
<td>640.60</td>
<td>634.19</td>
<td>646.87</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>245.62</td>
<td>256.24</td>
<td>256.24</td>
<td>261.36</td>
</tr>
<tr>
<td>Exchange Rate: USD1</td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
<td>1,050</td>
</tr>
</tbody>
</table>

Source: Korea Creative Content Agency (KOCCA), Korea Film Council (KOFIC); Unit: USD million.

### Sub-Sector Best Prospects

#### Films

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>U.S.</th>
<th>China</th>
<th>Europe</th>
<th>Japan</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>59.9</td>
<td>35.5</td>
<td>0.3</td>
<td>3.1</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>2012</td>
<td>57.6</td>
<td>35.7</td>
<td>0.3</td>
<td>4.8</td>
<td>1.2</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: Korea Film Council (KOFIC); Unit = %

In 2013, the Korean film industry had the highest revenue and profitability in its history. The total number of movie goers in 2013 was over 213 million; four times more than the total population of Korea and an increase of 9 percent over 2012. The market share of Korean films, relative to imports, increased by 3.3% from 57.6% to 59.9%. In 2013, 217 Korean films were produced, of which 183 were released. During the same period, 780 foreign films were imported and rated, and 722 were released. Although the number of screens is limited to a little less than 2,200 per year, imported content is increasing due to competition among the various platforms and the fact that locally-produced content is insufficient to cover the needs of all platforms.

### Number of Korean Films Produced, Foreign Content Imported, and Total Films Released

<table>
<thead>
<tr>
<th></th>
<th>Korean Films</th>
<th>Foreign Films</th>
<th>Total films released</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of films produced</td>
<td># of films released</td>
<td># of films imported</td>
</tr>
<tr>
<td>2011</td>
<td>216</td>
<td>150</td>
<td>551</td>
</tr>
<tr>
<td>2012</td>
<td>229</td>
<td>175</td>
<td>773</td>
</tr>
<tr>
<td>2013</td>
<td>217</td>
<td>183</td>
<td>780</td>
</tr>
</tbody>
</table>

Source: Korea Film Council (KOFIC)

### Opportunities

#### Growth of Digital On-Line Market
As the broadband Internet penetration rate is at 100 percent in Korea, and digital technologies are upgrading rapidly, VoD service is replacing DVDs in the home entertainment market. The market demand for DVDs, which was over US$ 170 million at its peak, has been shrinking dramatically since early 2000. The DVD market is currently estimated at around US$ 18 million and is still decreasing. As the DVD market has almost collapsed, new media platforms lead the growth of the content market post-first release.

The number of digital broadcasting subscribers is increasing rapidly. As of April 2013, the number of IPTV subscribers is almost 7 million and the number of digital cable TV subscribers is more than 5.4 million. Satellite TV (KT Skylife) subscribers number approximately two million, which makes the total number of digital broadcasting subscribers more than 14.4 million in a country with a population of approximately 50 million.

The increase in digital broadcasting subscribers invigorates demand for Video on Demand (VoD). According to a survey conducted by KCC (Korea Communications Committee) in 2012, VoD users were at 19.9 percent, on average, over all platforms. Almost two out of ten digital broadcasting TV subscribers are utilizing VoD service. By platform, 9.8 percent of digital cable TV subscribers are using VoD service and 33.5 percent of IPTV subscribers are, which shows that IPTV subscribers are using VoD service about three times more than digital cable TV subscribers. The reason for this is that the marketing strategy of IPTV is specifically focusing on promoting VoD service.

As VoD service becomes more and more popular, it directly affects the revenue of all the major broadcasting platforms. According to Home Choice, a VoD service provider to cable TV subscribers, it has become possible for cable TV subscribers to watch their TV programs just one or two hours after the content has been aired on terrestrial TV. Also, viewers can watch some currently released theatrical content at home while it is still in theaters, due to the shortening of the hold-back period and the advancement of network bandwidth capabilities. The Hold-back period is the time gap between the original release date of the content and the re-release date of the same content. Another factor
in the growth of the VoD market is the expansion of N-Screen service to multiple platforms, which allows viewers to watch the content on any platform and at any time. Also, service providers offer a continuously increasing content library to satisfy viewers’ demand.

According to industry experts, in 2013 it is estimated that the revenue of digital cable TV VoD was over US$ 110 million and that of IPTV was over US$ 260 million, which make the total revenue of VoD approximately US$ 370 million. This is more than double the $180 million in revenue of 2012. The market demand for VoD is expected to grow continuously in 2014.

![Outlook of VoD revenue growth by paid TV service providers](image)

While the paid TV service providers offer free VoD to their subscribers, they also provide fee-based VoD for very recently released content, including both TV and film content. Paid TV service providers have realized that fee-based VoD is very important for their revenues. They put a lot of effort into maximizing viewers’ convenience by improving the UI (User Interface). Service providers are simplifying the payment process and accepting a diversity of payment methods, i.e., payment by TV points, coupons or via subscription services. As mentioned, providers are developing their content libraries so that the viewers have more choice. In particular, they continue to add new content to their libraries and differentiate the fees with respect to the release window, e.g., first-run films (US$ 9/content), the latest films (US$ 3 to $4/content) and films past the hold-back period (US$ 2/content).

Very recently, cable TV introduced “Quick One Minute VoD Terrestrial TV Content”. This service enables viewers to watch terrestrial TV content right after the program has finished. IPTV service providers also follow this trend and try to increase the speed at which they can make content available to the viewers.

According to a survey done by the Korea Film Council, when asked for their top category, viewers overall chose the action category (23.7 percent), followed by drama (17.3 %) and crime/detective story/thriller (11.0%). When the viewer chose multiple genres they like, action is still the favorite (16.6%), followed by comedy (12.8%), drama
(12.4%), SF/fantasy/martial art (11.7%) and romantic comedy (11.3%). There are enthusiastic groups for certain niche genres, similar to when the DVD market was at its peak. The VoD market is even more subdivided and provides opportunities for indie films and content that was not popular during its first run. The diversity of content has become the selling point for VoD, as theaters focus on box office hits. This presents good opportunities for U.S. content providers which offer diversity of content.

**Web Resources**

**Trade Shows**
- Busan Int'l Film Festival: [http://www.biff.kr](http://www.biff.kr)
- Asian Film Market: [http://www.asianfilmmarket.org/structure/eng/default.asp](http://www.asianfilmmarket.org/structure/eng/default.asp)

**Key Contacts**
- Korea Communications Commission: [http://eng.kcc.go.kr/user/ehpMain.do](http://eng.kcc.go.kr/user/ehpMain.do)
- Korea Creative Content Agency: [http://www.kocca.kr/eng/index.html](http://www.kocca.kr/eng/index.html)
- Korea Cable TV Association: [www.kcta.or.kr](http://www.kcta.or.kr) (Only Korean available)
- Korea Film Council: [http://www.koreanfilm.or.kr/jsp/index.jsp](http://www.koreanfilm.or.kr/jsp/index.jsp)

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- U.S. Embassy Seoul
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- alex.choi@trade.gov
- [http://www.export.gov/southkorea](http://www.export.gov/southkorea)
Franchising

ITA CODE: SV  FRA

Overview

Franchising in Korea constitutes a USD 89.8 billion (2013) industry. According to the Korea FTC (Fair Trade Commission), approximately 2,973 franchises were registered in Korea in 2013. Nearly 2,089 were food service franchises, 283 were retail franchises, and 601 were service-related franchises. In 2013, the share of the food service franchises relative to total franchises registered has increased compared to 2010, while retail has decreased. Overall, South Koreans are well versed and knowledgeable in the products and services offered in the local retail market; thus, they are considered very demanding.

[Table 1] Number of Franchise Registered 2010 ~ 2013

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Compound Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Services</td>
<td>1,309</td>
<td>1,598</td>
<td>1,810</td>
<td>2,089</td>
<td>16.9%</td>
</tr>
<tr>
<td>Service Related</td>
<td>440</td>
<td>489</td>
<td>513</td>
<td>601</td>
<td>11%</td>
</tr>
<tr>
<td>Retail</td>
<td>293</td>
<td>318</td>
<td>355</td>
<td>283</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Total</td>
<td>2,042</td>
<td>2,405</td>
<td>2,678</td>
<td>2,973</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Sources: Korea FTC (Fair Trade Commission)

The Korean franchise market is heavily concentrated with food service and other retail franchise operations. In fact, in 2012, food service franchises consisted of 70.3% of total franchise operations, compared to 29.7% of non-food service franchises registered in Korea. This is in contrast to the United States, where the distribution by franchise sub-sector is more spread out.

[Table 2] Franchising Market Sales in Korea 2012

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Service</td>
<td>USD 9.8 (27.2%)</td>
</tr>
<tr>
<td>Service</td>
<td>USD 10.6 (29.4%)</td>
</tr>
<tr>
<td>Retail</td>
<td>USD 15.7 (43.4%)</td>
</tr>
<tr>
<td>Total</td>
<td>USD 36.1 (100%)</td>
</tr>
</tbody>
</table>

Sources: Korea’s Franchising Industry - 2012 by Korea Chamber of Commerce & Industry Retail db (KCCI), 2012 Franchise Statistics by Statistics Korea; Unit: USD billion

Franchisors interested in the local market must take into consideration the following factors:

- Meet the rules under Korea’s Fair Transactions in Franchise Business Act
- Register disclosure documents with Korea FTC (Korea Fair Trade Commission). As it relates to disclosure requirements, franchisors are required to register the
disclosure document with the Korea FTC first and then furnish the registered
disclosure documents to the potential franchisee.

[*] Note: Amendments to the Fair Transactions in Franchise Business Act took effect February of
2014. Some of the provisions reflected in Amendment to the Fair Transactions in Franchise Business
Act are as follows:

- Information on revenue projection: Franchisors - excluding those stipulated in the Framework Act
  on Small and Medium Enterprises - are obliged to provide adequate information on projected
  sales revenue.

- Requirement to share remodeling cost: Franchisor may not force the franchisees to remodel the
  interior of stores without reasonable cause. When franchisees do remodel stores with the request
  of franchisors, franchisors may have obligation to cover up to forty percent of the remodeling
cost.

Sub-Sector Best Prospects

- Senior care
- Fitness
- Aesthetic
- Pre-kindergarten/childhood education & services
- Health and organic foods

[*] Due to the vast array of franchise concepts, CS Korea can assist in pre-marketability checks
on a case-by-case basis, upon request.

Opportunities

A representative from a major retailer in Korea notes that “when assessing and
evaluating a potential brand to bring into South Korea, the current local market situation
(i.e., compatibility with current trends, competition/substitutes, etc.) and positive
expectations for market growth (in the short term) are some of the factors which need to
be taken into consideration.”

With respect to the F&B sector, the modern food service sector in South Korea can be
considered intensely competitive and saturated, with limited room for capacity
expansions in strategic locations throughout Korea. Although estimates differ, Korea
has definitely reached its saturation point. However, massively appealing and popular
brands in the U.S. that offer the sophisticated Korean consumer unique features and
experiences can still have potential.

Prior to the start of formal education, South Korean parents are eager to engage their
children in “creativity” focused curriculum. According to the Korea Institute for Child
Care and Education, approximately USD 2.4 billion is spent annually on services related
to education and development for young children. Thus, childcare, child development
and education services geared toward the pre-school segment can hold potential.

Services targeting the senior segment is also a market with potential. According to
Statistics Korea, South Korea will be an ‘aged society’ by 2016, with seniors (over the
age of 65) constituting 13.4% of the total population. Korea is expected to reach the
'super-aged society' by 2026, with over 20% of the population becoming senior citizens.
**Resources**

**Return to top**

**Trade Shows**

The 31\textsuperscript{th} Korea Franchise Business Expo 2014  
http://www.kfaexpo.kr (English website is not available)

Franchise Seoul 2014  
http://franchiseseoul.co.kr (English website is not available)

Busan International Senior Expo 2014  
http://www.busanseniorexpo.com

Gwangju International Senior & Humancare Expo 2014  
http://www.seniorfair.kr/kr/

**Key Contacts**

Korea Franchise Association (KFA) - http://www.ikfa.org  
National Commission for Corporate Partnership (NCCP) - http://www.winwingrowth.or.kr  
Korea Chamber of Commerce & Industry (KCCI) - http://english.korcham.net  
Korea Fair Trade Commission (KFTC) - http://eng.ftc.go.kr

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Korea’s market demand for laboratory scientific instruments was estimated at US$ 3.5 billion in 2013, an 8% increase from the previous year. Korea depends heavily on imports. Over 60% of total market demand is met by foreign suppliers. U.S. companies are leading suppliers, with 30% of the market, closely followed by Japan with 25% and Germany with 24%. The U.S. dominates mainly the upper-end and high value-added segments of the market.

For the last five years, Korea’s R&D budgets have recorded an annual increase of 12%, on average. These budgets are anticipated to maintain an approximate 8-10% increase year-on-year for the next five years, reaching $57 billion in 2015. Investment in laboratory scientific instruments has taken about 8% of Korea’s total R&D expenditure. The healthy increase of Korea’s ministerial and university-based R&D budgets will generate steady demand for laboratory scientific instruments.

New Growth Engine and Green Technology investments are considered top priority programs for Korea’s short and medium-term strategies. Back in 2010, the Korean government designated 17 industry areas that will lead Korea’s future economic growth. The government also committed to continuous investment in some top 27 Green Technologies, such as bioenergy and intelligent power grid, that can greatly mitigate greenhouse gases. In 2014, $2.8 billion was allocated to the New Growth Engine R&D Investment Plan, while $3.7 billion was earmarked for the Green Technology R&D Promotion Plan.

Korea’s mid-term R&D strategies also highlight R&D investment focus on development of basic science studies and core technology in areas of software content, nanomaterial, and biology. At the same time, the Korean government plans to increase its support of R&D efforts of private enterprises, especially with those indigenous technologies close to commercialization. Examples are the hybrid car, alternative vehicle fuels, and items like the ‘cleaning robot.’

Over the past seven years, government-funded research institutes (25 in total) were the largest end-user group of laboratory and scientific instruments, with 34% of Korea’s total investment in these instruments. This was followed by universities and private
enterprises – both with 17%. In the private sector, key end-user industries include electronics, automotive, chemicals, materials, and pharmaceuticals. The main private buyer groups are private research labs affiliated with major Korean conglomerates, including Samsung, LG, SK and Hyundai, and independent pharmaceutical and biotechnology companies, to name a few.

### Sub-Sector Best Prospects

In line with Korean government short- and mid-term R&D strategies, the following six industry technology areas are identified as laboratory scientific instruments best sales prospects:

- Environment
- Biotech
- Nano
- Information
- Semiconductor
- Computer

### Opportunities

Laboratory scientific instruments for technology development of the following New Growth Engine segments will find sales growth potential for at least the next few years:

**Green technology industry:** renewable & low-carbon decrease energy, water treatment, green transportation systems, IT convergence citywide, LEDs.

**High-tech convergence:** broadcast and communications media, intelligent robots, biopharmaceuticals and medical devices, IT, food industry, nano-convergence.

### Web Resources

**Trade Shows**
The 8th KOREA LAB 2014 [(http://www.korealab.org/eng)](http://www.korealab.org/eng)

**Key Contacts**

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The Korean medical device market is estimated to reach USD 4.8 billion in 2014. Korea depends on high-end medical devices from the U.S., EU, and Japan to supply about 60 percent of total market demand. Korean companies make comparatively lower-end (mid-technology) medical devices. Another factor favoring the use of imported advanced medical equipment and devices is the growing elderly population, as well as Korean doctors educated in the U.S. and Europe, who are accustomed to using advanced medical devices. At the same time, U.S. medical device manufacturers carefully watch government pricing and reimbursement policy as Korea grapples with cost containment under its national healthcare system.

In 2012, total imports of medical devices were USD 2.6 billion, with U.S. imports totaling over USD 1.2 billion. However, the Korean economy has not fully recovered to its pre-global financial crisis levels. While U.S. market share represents 45 percent of the import market, estimates are that market demand for foreign advanced and innovative medical devices showed relatively slow growth in 2013.

The importation of medical devices requires the assignment of an importer or representative based in Korea to manage medical device approvals and to ensure regulatory compliance. As part of pre-market approval requirements, the Government of Korea requires testing reports on safety and efficacy. In addition to medical device approvals, companies also need to negotiate pricing terms with the Korean Health Insurance Review & Assessment Service (HIRA). For further details on the medical device import process, please contact Ms. Yoonshil Chay of CS Korea at the e-mail address below.

Current issues for the medical device industry in Korea include reimbursement pricing and the healthcare technology assessment system for medical devices. The U.S. Embassy in Korea works closely with key associations, including AdvaMed and the American Chamber of Commerce in Korea, to ensure that U.S. medical device industry interests are well represented.
The KORUS FTA was implemented on March 15, 2012. U.S. medical device and pharmaceutical companies now have the ability to request a review of government pricing and maximum reimbursement determinations for their products through the *Independent Review Process*. Established to regulate medical devices and drug prices, this review process is independent of the Ministry of Health and Welfare (MoHW), the National Health Insurance Service (NHIS), and the Health Insurance Review and Assessment Service (HIRA).

### Sub-Sector Best Prospects

- Stents
- CT systems
- MRI systems
- Knee implants
- Soft contact lenses
- Kidney dialysis devices
- Lenses for eye glasses
- Medical probes
- Catheters
- Ultrasound imaging systems

### Opportunities

A potential area for U.S.-Korea cooperation in the healthcare technology sector is in the area of clinical trials. Korea is interested in developing a more robust clinical trial environment for medical devices and pharmaceuticals. U.S. companies that need clinical trials for their medical devices may wish to contact the Medical Device Policy Division of the Ministry of Drug and Safety for details specific to their products, through their Korean importer.

### Web Resources

#### Trade Shows

Korea International Medical, Clinical, Laboratories & Hospital Equipment Show 2015 - [www.kimes.co.kr](http://www.kimes.co.kr)

#### Key Contacts

- Ministry of Health and Welfare (MoHW) – [www.mw.go.kr](http://www.mw.go.kr)
- Ministry of Food and Drug Safety – [www.mfds.go.kr](http://www.mfds.go.kr)
- Health Insurance Review & Assessment Service (HIRA) - [www.hira.or.kr](http://www.hira.or.kr)

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yoonshil.chay@trade.gov
http://www.export.gov/southkorea
Pollution Control Equipment

ITA CODE: PR POL

Overview

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (est.)</th>
<th>2013 (est.)</th>
<th>2014 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Market Size</strong></td>
<td>4,510</td>
<td>5,062</td>
<td>6,972</td>
<td>7,656</td>
<td>8,087</td>
<td>9,480</td>
<td>11,546</td>
</tr>
<tr>
<td><strong>Total Local Production</strong></td>
<td>5,421</td>
<td>5,642</td>
<td>7,858</td>
<td>9,013</td>
<td>9,851</td>
<td>11,417</td>
<td>12,786</td>
</tr>
<tr>
<td><strong>Total Exports</strong></td>
<td>1,539</td>
<td>1,262</td>
<td>1,628</td>
<td>2,248</td>
<td>2,628</td>
<td>2,868</td>
<td>2,240</td>
</tr>
<tr>
<td><strong>Total Imports</strong></td>
<td>628</td>
<td>683</td>
<td>742</td>
<td>800</td>
<td>863</td>
<td>931</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Imports from the U.S.</strong></td>
<td>188</td>
<td>205</td>
<td>223</td>
<td>240</td>
<td>259</td>
<td>279</td>
<td>300</td>
</tr>
<tr>
<td><strong>Exchange Rate: 1 USD</strong></td>
<td>1,105</td>
<td>1,276</td>
<td>1,156</td>
<td>1,108</td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
</tr>
</tbody>
</table>

Note: The above statistics are unofficial estimates by Commercial Service Korea, based on information published by the Ministry of Environment, Korean Statistical Information Service (KOSIS) and industry experts.

Since Korea’s implementation of its Low Carbon, Green Growth Strategy in 2009, the country has continued to demonstrate a strong commitment to environmental improvement. The pollution control equipment industry continues to grow in various areas, such as water treatment, power plants, and steel mills, with support from the government.

CS Korea forecasts that the size of the pollution control equipment industry will be USD 10.5 billion in 2014. According to several industry sources, imports account for about 10 percent of the total market. Japan has been the principal foreign supplier, with approximately 50 percent import market share, followed by the U.S. at 30 percent, then Germany and France.

Local environmental equipment manufacturers in Korea have supplied a major portion of Korea’s environmental projects with medium-level technology and moderate cost products. While they have significantly improved technical levels, mostly via technology transfer and mergers with non-Korean suppliers, local manufacturers still lack core technologies to supply products that meet the government’s stringent regulatory requirements. There is, therefore, demand for advanced imported products and technologies. Because most competing Korean manufacturers target larger volumes and export markets, highly customized solutions for specific applications, like in-house recycling and ultra-pure water treatment, offer potential for U.S. exporters.

Sub-Sector Best Prospects

- Carbon capture & storage technologies and equipment
- Volatile organic compounds (VOCs) control in oil refineries and petrochemical plants
- Dioxin abatement in municipal and industrial incinerators
• Advanced sulfur oxides/nitrogen oxides abatement in power plants and steel mills  
• Energy saving and waste-to-energy in steel mills and municipal landfills  
• Pollution-free and low-emission vehicles in engineering technology, engine components and parts for CNG  
• Pollution abatement technologies for the automobile and oil refinery industries  
• Advanced water pollution control technologies  
• Environmentally-friendly construction materials

Opportunities

The Korean government plays a key role in the pollution control equipment industry, serving as both the regulator and the largest end-user in this area. Due to an overall economic downturn, the 2014 national expenditure for environmental protection will decrease by approximately 0.2 percent from the previous year. The national expenditure for environmental protection for 2014 is set at USD 5.15 billion.

Korean government project tenders are announced on the Korean government procurement (PPS) website, with detailed information on project scope and contact information (http://www.pps.go.kr/english/). For more information on PPS, readers are encouraged to review the “Selling to the Government” section of chapter three of this guide.

To enter the pollution control equipment market, we recommend that U.S. suppliers partner with qualified and capable Korean companies, which maintain existing sales networks to serve end-users and which are fully aware of the regulatory changes that drive the market. Exhibiting at local environmental trade shows can also be a good platform to explore the market, as well as gain exposure to end-users.

Web Resources

Trade Shows


Key Contacts
Ministry of Environment - http://eng.me.go.kr/main.do
Public Procurement Service (PPS) - http://www.pps.go.kr/english/

Local Contact
Nathan Huh
Senior Commercial Specialist
U.S. Commercial Service, Korea
U.S. Embassy Seoul
188 Sejong-daero, Jongno-gu
Seoul 110-710 Korea
Tel: 82-2-397-4130
Nathan.Huh@trade.gov
### Overview

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014 (E)</th>
<th>2015 (E)</th>
</tr>
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<tbody>
<tr>
<td><strong>Total Market Size</strong></td>
<td>36,274</td>
<td>40,995</td>
<td>41,498.80</td>
<td>43,515.53</td>
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<tr>
<td><strong>Total Local Production</strong></td>
<td>54,462</td>
<td>63,519</td>
<td>66,473.66</td>
<td>73,120.70</td>
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<tr>
<td><strong>Total Exports</strong></td>
<td>50,430</td>
<td>57,143</td>
<td>67,631.36</td>
<td>74,394.50</td>
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<tr>
<td><strong>Total Imports</strong></td>
<td>32,242</td>
<td>34,619</td>
<td>42,656.50</td>
<td>44,789.33</td>
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<tr>
<td><strong>Imports from the U.S.</strong></td>
<td>3,815.2</td>
<td>4,016</td>
<td>4,417.6</td>
<td>4,859.36</td>
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<tr>
<td><strong>Exchange Rate : 1USD</strong></td>
<td>1,126</td>
<td>1,069</td>
<td>1,050</td>
<td>1,050</td>
</tr>
</tbody>
</table>

Source: Korea Semiconductor Association (KSIA), Korea Association for ICT Promotion (KAIT), and Ministry of Trade, Industry & Energy (MOTIE); Unit: USD million.

The memory semiconductor industry is one of the major IT industries in Korea. Korean conglomerates Samsung and SK Hynix cover 65.8 percent of DRAM and 52.5 percent of NAND Flash in the global market. Korea is also competitive in the system memory chip industry and has five percent of that market globally. However, memory chips are only approximately 22 percent of the total semiconductor industry.

Almost eighty percent of system semiconductor applications cover diverse wireless and wired market demand such as smart phones, tablet PCs, smart home appliances, energy, and aerospace, which are generating steady market growth. The market demand for analogue semiconductor applications includes automobiles and sensors for smart devices. This trend will continue as the mobile and wireless environment evolves.

### Sub-Sector Best Prospects

**Analogue Semiconductors - Automobiles**
- Logic semiconductors for automobiles
- 32-bite Micro Controller Units (MCU)
- Tire Pressure Monitoring Systems (TPMS)
- Sensors for sound, pressure and temperature

**System Semiconductors - High-Definition Multimedia Interface (HDMI)**
- Display ports
- Mobile High-Definition Links (MHL)
- Power Control – Discrete/IC/Diode

### Opportunities

As digital IT devices become smarter, they are evolving and working toward being able to recognize, imitate, interpret and act as if they are human beings. With the expansion of smart IT devices, the market demand for analog semiconductors is rapidly growing. Korea is one of the major smart IT device, high-end TV (Digital TV, Smart TV and other high-end flat screen TVs), and automobile manufacturing countries. These industries lead Korean market demand for system and analog semiconductors.
Samsung manufactures image sensors and APs (Application Processors), which are a part of system semiconductors; in this area it has more than 20 percent of global market share. However, Korean semiconductor manufacturers other than Samsung have an insignificant market share. The major suppliers of analogue and system semiconductors are from the U.S., Taiwan, Germany, and Japan.

**Import Requirements**

Korea is a member country of the World Trade Organization Information Technology Agreement (ITA); as such, 92% of U.S. ICT products enjoy duty-free treatment into Korea. The remaining 8% enter duty-free under the Korea-U.S. FTA (KORUS), except for several items which will be duty free as of 2015. These include chemicals related to the batteries and semiconductor-related products.

Semiconductors have been duty-free under the Information Technology Agreement since 1996. However, emerging semiconductor devices may or may not be subject to duty. This issue is being handled at the Governments/Authorities Meeting on Semiconductors (GAMS). In 2006, the U.S., Japan, Korea, Europe, China and Chinese Taipei agreed to eliminate tariffs on Multi-Component Packages (MCPs). However, the definition was not as broad as hoped. Efforts continue to broaden tariff free coverage for the next set of products, Multi-Component Integrated Circuits (MCOs). At the 2012 World Semiconductor Council Meeting, industry reached a consensus definition of MCOs and recommended that WSC governments and authorities provide duty free treatment for MCOs.

There is no regulation applied to semiconductor chips, per se. However, when chips are utilized in electronic devices, the devices are subject to KC Mark conformity assessments. As the assessment procedure can be complicated, U.S. firms should consult with their Korean partners before exporting products containing these chips to the Korean market. The guidelines for the KC Mark can be found at: [http://rra.go.kr/eng/approval/process/about.jsp](http://rra.go.kr/eng/approval/process/about.jsp).

**Web Resources**

**Trade Shows**
- Korea Electronics Show - [www.kes.org](http://www.kes.org)
- Semicon Korea 2014 - [www.semiconkorea.org](http://www.semiconkorea.org)
- LED Korea 2014 - [www.led-korea.org](http://www.led-korea.org)

**Key Contacts**
- Korea Semiconductor Industry Association - [https://www.ksia.or.kr/new/eng/main/](https://www.ksia.or.kr/new/eng/main/)
- Korea Institute for ICT Promotion - [http://www.kiat.or.kr/site/main/index/index002.jsp](http://www.kiat.or.kr/site/main/index/index002.jsp)
- Korea Electronics Association - [http://www.gokea.org/neweiaek/eng/](http://www.gokea.org/neweiaek/eng/)

**Local Contact**
- Ms. Alex Choi
  Commercial Specialist
  U.S. Commercial Service, Korea
Travel and Tourism

Overview

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outbound Travel</strong></td>
<td>12,693,733</td>
<td>13,736,976</td>
<td>14,846,485</td>
<td>16,689,000</td>
</tr>
<tr>
<td><strong>Outbound Travel to the U.S</strong></td>
<td>1,145,216</td>
<td>1,251,432</td>
<td>1,359,924</td>
<td>1,482,000</td>
</tr>
<tr>
<td><strong>Inbound Travel</strong></td>
<td>9,794,796</td>
<td>11,140,028</td>
<td>12,175,550</td>
<td>13,500,000</td>
</tr>
</tbody>
</table>

Source: Korea Ministry of Culture, Sports and Tourism (MCST), Tourism Organization (KTO), U.S. Department of Commerce National Travel & Tourism Office (USDOC, NTTO).

In 2013, over 14.8 million Koreans – roughly one fourth of the population – traveled abroad. International travel is a rapidly-growing activity for Koreans and offers opportunities for U.S. tourism exports. Rising disposable incomes, gradual increases in vacation time, heightened globalization, and greater awareness of developments outside the Korean Peninsula are causing more Koreans to travel overseas. Korea’s per capita GDP rose to almost USD 33,200 in 2013, placing it securely in the ranks of middle-income countries. Korean consumer confidence has also increased gradually, including a rise in discretionary spending for such activities as overseas travel for business and leisure.

Positive economic indicators, Korea’s addition to the U.S. Visa Waiver Program (late-2008) and the U.S.-Korea Free Trade Agreement (KORUS FTA), which entered into force in March 2012, should help spur even more leisure and business-related travel to the U.S. Currently, 12.4% of Korean travel to the U.S. is for business purposes. Korean mass media is influenced by U.S. movies, advertising, popular culture, and the Internet, which continue to stimulate interest in U.S. travel destinations.

The U.S. remains one of top five destinations for Korean outbound travelers. Koreans overwhelmingly choose the U.S. as their non-Asian long-haul destination, primarily because of the diversity of tourism opportunities not generally available in Asia, including

![GDP per head (US$ at PPP), South Korea](image)
U.S.-style shopping, theme parks, cultural attractions in major U.S. cities, relatively inexpensive golf experiences, and U.S. National Parks.

According to the U.S. Department of Commerce, a total 1.36 million Koreans traveled to the U.S. in 2013, up 8.7 percent from the prior year. The increase is attributed to the stabilization of Korea’s economy after the global financial crisis in 2008 and the Visa Waiver Program that Korea joined in 2008. By 2014, it is estimated that 1.45 million Koreans will travel to the U.S. On average, a Korean visitor to the U.S. spends approximately USD 3,320 per trip. This number translates to over USD 4 billion annually of tourism revenue from Korean outbound travelers to the U.S. Korea is currently the ninth-largest source of inbound travel to the U.S., behind Canada, Mexico, the United Kingdom, Japan, Germany, Brazil, China and France.

Sub-Sector Best Prospects

- Free and independent travelers
- Group package tours
- Family vacation packages
- Honeymoon packages
- Luxury packages catering to Korea’s single, professional women, traveling for leisure
- Cultural tours and scenic/nature tour packages, especially designed for Korean travelers
- Educational travel
- MICE

Opportunities

The U.S. is the leading non-Asian destination for Koreans as it offers a variety of activities, climates, and cultural experiences. However, there is room for growth. U.S.-bound Koreans account for only 9.2 percent of Korea’s outbound market. Los Angeles, San Francisco, Las Vegas, and Seattle, followed by the New York-Washington, DC corridor, are the most popular destinations. Koreans use group tours or travel individually to visit friends and relatives. Group tours should focus on price-competitive products that entice travel agencies in Korea to sell these products. Korean travelers are generally interested in visiting museums, amusement parks, finding bargains at fashion outlets, purchasing OTC pharmaceuticals/vitamins and U.S. cosmetics, playing golf, and visiting restaurants and wineries.

To enter this market, travel and tourism entities should provide materials and guide experiences in the Korean language, continue knocking on doors (i.e., visit Korean travel wholesalers), and cultivate long-term relationships with the travel trade in Korea. There are approximately 9,000 tour agents in Korea. Promotional information and product training programs on the U.S. is urgently needed for developing this market. Contact CS Korea for more details.

Web Resources

Trade Events
May 23-25, 2014
May 29-June 1, 2014
The 29th Korea World Travel Fair (KOTFA) – http://www.kotfa.co.kr/eng/main/main.htm

May 17-18, 2014
Weddex Korea – http://www.weddex.com

Key Contacts
Korea Tourism Organization
Ministry of Culture, Sports & Tourism
Brand USA

Local Contact
Ms. Jessica Son
Commercial Specialist
U.S. Commercial Service, Korea
U.S. Embassy Seoul
188 Sejong-daero, Jongno-gu
Seoul 110-710 Korea
82-2-397-4587
Jessica.son@trade.gov
http://www.export.gov/southkorea
For information on agricultural products including bulk commodities or processed foods and the distribution channels in Korea, please see the US Department of Agriculture (USDA) Exporter Guide 2013.

When considering the Korean market, US food exporters should conduct preliminary research to determine if the market is appropriate for the product. Possible sources of market information include Korean importers, US state departments of agriculture, the US Agricultural Trade Office in Seoul and the US Department of Commerce. Lists of Korean importers, by product, can be obtained from the US Agricultural Trade Office. The next step might include sending catalogues, brochures, product samples, and price lists to prospective importers as a way of introducing the company and products.

Once contact is established, it is advisable to visit the importer(s) in person, which will increase the seller's credibility with the Korean importer and give an opportunity to see the Korean market first hand. In Korea the clichés about "seeing is believing" and "one visit is worth a 1,000 e-mails" are especially true. Especially in Korea, there is no substitute for face-to-face meetings. The supplier or exporter should bring samples as well as product and company brochures including price lists, shipping dates, available quantities, and any other information needed for negotiating a contract. While information in English is acceptable, having it in Korean is especially helpful. A general overview of the firm in Korean is a good place to start.

The Seoul Food Exhibition 2014 presents an excellent opportunity to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc.
Chapter 5: Trade Regulations, Customs and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Trade Agreements
- Web Resources

Import Tariffs

The U.S.-Korea FTA was implemented on March 15, 2012. Prior to that, the average basic tariff on U.S. goods at about 7.9 percent and Duty rates were high on a large number of high-value agricultural and fisheries products. Now that the FTA is being implemented, 95% of tariffs on U.S. imports will be eliminated by March 15, 2017. The U.S. Department of Commerce’s FTA Tariff Tool can help U.S. exporters identify the harmonized system number for their products and the associated tariff rates over the next ten years. Exporters can also contact the U.S. Agricultural Trade Office for specific information on agricultural tariff rates.

Korea also maintains a tariff quota system designed to stabilize domestic commodity markets. Customs duties can be adjusted every six months, within the limit of the basic rate, plus or minus 40 percent.

Korea has a flat 10 percent Value Added Tax on all imports and domestically manufactured goods. A special excise tax of 10-20 percent is also levied on the import of certain luxury items and durable consumer goods. Tariffs and taxes must be paid in Korean Won within 15 days after goods have cleared Customs.

Customs Valuation

Duties are assessed on a Cost-Insurance-Freight (CIF) basis. The main mode of customs evaluation is the transaction value method. Other methods under the WTO appraisement hierarchy may be used if there are doubts about Korean Customs valuation method on the stated value.

Value Added Tax rate of 10 percent is applied on imports based on customs value plus duties.
Korea continues a process of economic liberalization and deregulation, but the Republic of Korea government (ROKG) has yet to adopt a fully laissez-faire policy where the economy and trade are concerned. The U.S. Embassy, in cooperation with the American Chamber of Commerce (AmCham) in Korea, works actively to lift or loosen the many regulatory trade restrictions that currently exist.

Overcoming regulatory barriers to trade is also a major focus of the U.S.-Korea FTA. Transparency, due process, public comment/appeals procedures, and timely and written administrative procedures are among the topics that were addressed and agreed to and which affect a number of the sector-specific elements to the Agreement.

Information on specific trade barriers in Korea, including agricultural products (such as restrictions on rice imports) is available in the 2012 National Trade Estimate Report on Foreign Trade Barriers for Korea.

Import Requirements and Documentation

For companies exporting to the Republic of Korea, the following shipping documents are required to clear Korean Customs:

COMMERCIAL INVOICE: An original invoice and two copies must be presented with the shipping documents and must include total value, unit value, quantity, marks, product description and shipping from/to information.

CERTIFICATE OF ORIGIN: Prior to implementation of the KORUS FTA, a Certificate of Origin, in duplicate, was required for some products. Exporters are encouraged to discuss shipping document requirements with their respective importer.

An importer may claim preferential treatment under the KORUS FTA in order to receive the lower tariff. The importer can do this by providing written or electronic certification to Korean Customs from the manufacturer, the exporter or the importer. The importer is required to retain all documents demonstrating that the good qualifies as a U.S.-origin good for five years.

Self-certification of origin by the producer or exporter is normally the basis for deciding that the good qualifies for preferential tariff rates. If the certification is in English, an official translation into Korean must be presented by the importer to Korean Customs. A certification may be made for a single shipment or for multiple shipments of identical goods, for up to twelve months, by specifying this in the certification. The importer submits the certification to Korean Customs, in writing or electronically, including at least the following information:

a. Name and contact information for the certifying person
b. The importer
c. The exporter
d. The producer of the good
e. Harmonized System Tariff classification and description of the good
f. Information demonstrating that the good originates from the United States. This can be satisfied by either:
i. The producer’s written or electronic certification that the product meets KORUS FTA origin requirements; or

ii. The producer’s or exporter’s knowledge that the good meets KORUS FTA origin requirements.

g. Date of the certification

h. In the case of a blanket certification, the period that the certification covers.

Please note that the U.S. exporter may be required to authenticate the Certificate of Origin at some later date by Korean Customs. Penalties will be incurred if documents are not provided to Korean Customs. To learn about what is required, please refer to Chapter 6 Rules of Origin of the KORUS FTA text.

PACKING LISTS: Two copies are required.

BILL OF LADING: A clean bill of lading identifying the name of the shipper, the name and address of the consignee, the name of the port of destination, description of the cargo, a price list of freight and insurance charges (CIF), and attestation of carrier’s acceptance on board for the goods is sufficient. There are no regulations pertaining to the form of the bill of lading nor the number of bills of lading required to clear customs. As bills of lading are for ocean and overland cargos, the airway bill of lading replaces the bill of lading for air cargo shipments.

MARITIME INSURANCE: Under the Incoterms (shipping terms) agreed to by the parties in a transaction, if the exporter is responsible for insurance, a marine insurance policy or insurance certificate is required.

SPECIAL DOCUMENTATION: Information related to the need of special documentation for food and agricultural commodities, including sanitary-phytosanitary certificates and other agricultural documentation, can be found on the USDA/Animal Plant Health Inspection Service (APHIS) website at: http://www.aphis.usda.gov/import_export/index.shtml.


The Ministry of Food and Drug Safety (MFDS) provides information on maximum residue levels and import procedures on the MFDS website at http://www.mfds.go.kr/eng. Additional detail on the maximum residue limits allowed by Korean food authorities and reports on import requirements for organic products are also available on the FAS
website. Exporters of organic products should also review the FAS report on Korean regulatory requirements for transgenic content in organic processed food products.

Current information on which U.S. livestock and poultry products are eligible for export to the Korean market can be found on the website of the Food Safety and Inspection Service of the U.S. Department of Agriculture. This website also provides guidance on the documents Korea requires for livestock product shipments destined for Korea.

All commodities, except rice, can be freely imported, subject to special registrations and import approvals for categories like pharmaceuticals, medical devices, and cosmetics. The Government of Korea has stipulated requirements and procedures for importing certain products including registration, standards and safety and efficacy testing to ensure the protection of public health and sanitation, national security, safety, and the environment. Typically, health or safety related products, such as pharmaceuticals and medicines, require additional testing or certification by recommended organizations before clearing Customs. Medical device and pharmaceutical exporters must have their products registered with the Korea Food and Drug Administration and can only be imported by licensed importers which have been certified by a MFDS authorized body. In addition, special items defined by the Ministry of Trade, Industry and Energy (MOTIE) in its Annual Trade Plan require approval by the Minister. In most cases, the supplier’s qualified local agent completes the registration process.

**U.S. Export Controls**

The Department of Commerce, Bureau of Industry and Security (BIS) develops, implements, and interprets U.S. export control policy for dual-use commodities, software, and technology. Dual-use items subject to BIS regulatory jurisdiction have predominantly commercial uses, but may also have military applications. For basic information on U.S. export controls, please visit the following website: [http://www.bis.doc.gov/licensing/exportingbasics.htm](http://www.bis.doc.gov/licensing/exportingbasics.htm). For information on export controls administered by other U.S. Government agencies, please visit [http://www.bis.doc.gov/About/reslinks.htm](http://www.bis.doc.gov/About/reslinks.htm).

**Temporary Entry**

Korea has three kinds of bonded areas where goods can temporarily enter Korea for storage, manufacture, processing, sale, construction, or exhibit without going through Customs clearance. The three types of bonded areas are: 1) designated bonded areas (designated storage sites and Customs inspection zones); 2) patent bonded areas (bonded warehouses, bonded factories, bonded exhibition sites, bonded construction sites, and bonded sales shops); and, 3) comprehensive bonded areas (all five activities of patent bonded areas can be performed comprehensively in the same place). Duties are payable only when goods are cleared through Customs.

The period for which goods may be stored in a designated bonded warehouse is six months and a patent bonded warehouse is one year. Storage fees are relatively high, and the availability of a bonded warehouse to maintain inventories is limited. The storage period does not apply to the storage of live animals or plants, perishable merchandise, or other commodities that may cause damage to other merchandise or to the warehouse. The Collector of Customs bears no responsibility for goods while they are stored in Customs facilities.
Comprehensive bonded areas have no time limit for storage. Hence, storage, manufacturing, processing, building, sales and exhibition can be comprehensively carried out. U.S. exporters can store shipped goods and still maintain title until they are cleared through Customs. Korea’s customs laws specify that any person who wishes to establish a bonded warehouse shall obtain a license from the director of each Customs Zone. Applications must include the name of the bonded warehouse, location, structure, numbers and sizes of buildings, storage capacity and types of products to be stored. In addition, articles of incorporation and corporate registration must be submitted, when applicable.

Goods entering Korea for exhibition purposes must be stored in a bonded area. For example, the Korea Exhibition Center (COEX) is a bonded area. Exhibition goods will be held without charge at COEX during the exhibition period, after which they must be either: 1) reshipped directly out of Korea without payment of duty; 2) presented at Customs for payment of regular duty on value declared at time of entry; or 3) transferred to the Seoul Customs house bonded storage area. Goods stored in a bonded warehouse may incur storage costs, customs brokerage charges, local transportation costs and moving equipment fees.

Korean Customs has simplified clearance procedures for goods with particular purposes (samples, goods for warranty and non-warranty repair).

The ATA Carnet is an international customs document that a traveler may use to temporarily import certain goods into a country without having to engage in the customs formalities usually required for the importation of goods, and without having to pay duty or value-added taxes on the goods. Korea allows for the temporary importation of commercial samples, professional equipment and certain advertising materials by a non-resident individual. By definition, a temporary import is for six months or less. Therefore, a carneth is valid for a maximum of six months in Korea.

For more detailed information about guidelines for temporary entry of items into Korea, please visit the Korea Customs website.

Labeling and Marking Requirements

Korea has specific labeling and marking requirements for certain products, such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology. Details regarding these and other general labeling and marking requirements can be found on the Foreign Agricultural Service website pertaining to food and agriculture import requirements at:

Country of origin labeling is required for commercial shipments entering Korea. The Korean Customs Service (KCS) publishes a list of country of origin labeling requirements by Harmonized System Code number. Please visit Labeling and Marking.

The Korean Ministry of Trade, Industry and Energy (formerly the Ministry of Knowledge Economy) issues the KC Mark for items that fall under its jurisdiction, formerly comprised
of 13 mandatory marks, many which overlapped in testing procedures and functions. The consolidation of these marks into the KC Mark ensures that companies, both Korean and foreign agencies, will save time and costs due to reduced redundancies introduced into this new system. To learn more about this, click “KC Mark” (this site has an English version, but the initial page is in Korean).

Further labeling and marking requirements for specific products, such as pharmaceutical and food products, are covered by specific regulations from the Korean Government agencies responsible for these items. Korean language labels, except for country of origin markings that must be shown at the time of customs clearance, can be attached locally on products in the bonded area, either before or after clearance.

### Prohibited and Restricted Imports

Guns, narcotics, pornography, subversive material, treasonous material and counterfeit goods or materials are prohibited entry into Korea.

Please visit the Bureau of Industry and Security website at: [http://www.bis.doc.gov/](http://www.bis.doc.gov/) for detailed information about export controls to the Republic of Korea. The Korean Customs Service also maintains a list of prohibited imports to the Republic of Korea.

### Customs Regulations and Contact Information

Korea maintains an import declaration system that allows for the immediate release of goods upon acceptance of an import declaration filed without defect. With the exception of high-risk items related to public health and sanitation, national security, and the environment, which often require additional documentation and technical tests, goods imported by companies with no record of trade law violations are released upon the acceptance of the import declaration without Customs inspection. The Korean Customs Service’s Electronic Data Interchange (EDI) system for paperless import clearance allows importers to make an import declaration by computer without visiting the Customs House.

Import declarations may be filed at the Customs House before a vessel enters a port or before the goods are unloaded into bonded areas. In both cases, goods are released directly from the port without being stored in a bonded area, if the import declaration is accepted.

Exporters can file an export notice to Korean Customs by computer-based shipping documents at the time of export clearance. All commodities can be freely exported unless they are included on the negative list.

To view Customs regulations, please go to the website below:

Korea Customs Service  
Telephone: 82-42-472-2196  
Fax: 82-42-481-7969  
E-mail: kcstcd@customs.go.kr  

### Standards

Return to top
Under the WTO, the Korean Government is required to alert the WTO Committee of Technical Barriers to Trade (TBT) on any changes in standards with 60 days notice for comments before implementation. To be alerted on these notifications, please visit http://www.nist.gov/notifyus.

Details regarding standards and import regulations for food and agricultural products can be found on the Foreign Agricultural Service website and in the Food and Agricultural Import Regulations and Standards (FAIRS) report for Korea.

The Korean Agency for Technology and Standards (KATS) develops standards for most industrial products in Korea. The agency consults with other private organizations to develop standards and certification requirements.

The Ministry of Food and Drug Safety (MFDS) establishes standards for research, new product evaluation, test method development, product monitoring for food, medical devices, pharmaceuticals and radiation technology distributed within Korea.

The Telecommunications Technology Association (TTA) covers telecommunications, information technology, radio communications and broadcasting. The Association establishes industry standards and has been instrumental in creating the current Korean Information and Communication Standards. TTA also collaborates with international and national standards organizations, such as ITU and other organizations.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) to report to the WTO all proposed technical regulations which could affect trade with other member countries. Notify U.S. is a free, web-based e-mail subscription service that offers the opportunity to review and comment on proposed foreign technical regulations that may affect access to international markets. Register online at internet URL: http://www.nist.gov/notifyus/.

KATS establishes guidelines for government and private sector institutions to perform reliability assessment and certification. It also performs market surveillance on Korean
Certification (KC)-marked products and penalizes products that do not meet KC requirements.

Korea is a signatory to the GATT Standards Agreement. As such, Korea must apply open procedures for the adoption of standards, announce recommended standards, provide sufficient information on proposed standards or alterations in standards, and allow sufficient time for countries and other stakeholders to comment on proposed standards implementation.

### Product Certification

KATS issues certification marks for new technologies and recognizes quality products manufactured by Korean companies mainly to promote exports and also imports into Korea. On July 1, 2009, KATS began issuing the KC Mark for items that fall under its jurisdiction. Information related to the KC Mark in English can be found at the American National Standards Institute (ANSI) website at: http://www.standardsportal.org/usa_kr/e/conformity_assessment/ca_marks_used_in_korea.aspx. The KC Mark is required to reduce and minimize repetitive testing at various ministries and agencies. The consolidation of these marks ensures that companies, both Korean and foreign, will save time and costs due to reduced redundancies introduced into this new system.

### Accreditation

Established in December 1992, the Korea Laboratory Accreditation Scheme (KOLAS) is the government accreditation body under the KATS Department of Technology and Standards Planning. Additional information and accreditation bodies can be found under the KOLAS website at http://www.kolas.go.kr/english/.

### Publication of Technical Regulations

Revised or new standards or technical regulations are published by the Korean Agency for Technology and Standards (KATS) and made available at http://www.kats.go.kr. The articles are generally published only in Korean. All proposed or newly-revised/established technical regulations are consolidated on this site.

Proposed revisions or establishment of regulations in Korea are made by the Director of Technical Regulations via the website: http://www.kats.go.kr. A public meeting consisting of lawmakers as well as relevant private/public industry organizations is held to comment on proposed regulations. Contact the U.S. Embassy, Commercial Section for assistance with revised or new standards.

### Contacts

Korean Agency for Technology and Standards (KATS)
http://www.kats.go.kr/en_kats/

Ministry of Food and Drug Safety(MFDS)
http://www.MFDS.go.kr/eng/index.do

Korean Laboratory Accreditation Scheme (KOLAS)
The Republic of Korea is currently considering entry into negotiations for the Trans-Pacific Partnership (TPP) and is in ongoing talks regarding a trade agreement with China. The ROK recently signed trade agreements with Canada and Australia, but both are yet to be ratified by the legislatures of the countries involved.

The Republic of Korea and the United States implemented the Korea-U.S. Free Trade Agreement on March 15, 2012. The Agreement is the largest FTA negotiated by the United States since NAFTA. For more information about the KORUS FTA, please visit http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta.

The Republic of Korea is a member of the Asia-Pacific Economic Cooperation (APEC) forum. One goal of APEC, as outlined in its 1994 declaration, is to establish a Free Trade Area among its member countries by the year 2020. Substantive principles of the APEC forum include investment liberalization, tariff reduction, deregulation, government procurement, and strengthening IPR protection. Korea was the host country for the APEC summit in 2005.

Korea has Free Trade Agreements with Chile, India, Peru, Singapore, the European Union, and the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein). More information on the EU-Korea FTA can be found on the European Union website at http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/.

Korea also signed a framework agreement with the Association of South East Asian Nations (ASEAN) that led to an FTA in goods in 2006 and other areas by the end of 2008.

The Republic of Korea is a member of the World Trade Organization (WTO) and has signed subsidiary agreements including TRIPs (Trade Related Aspects of Intellectual Property) and the Government Procurement Agreement. Korea has been a member of the Organization for Economic Cooperation and Development (OECD) since December 1996.

**Web Resources**

U.S. Department of Commerce, Commercial Service, Korea
http://export.gov/southkorea/

U.S. Agricultural Trade Office in Seoul
www.atoseoul.com

U.S. Department of Agriculture
http://www.usda.gov

USDA Agriculture Exporters Guide
USDA Animal Plant and Health Inspection Service (APHIS)
http://www.aphis.usda.gov

USDA Food Safety and Inspection Service
http://www.fsis.usda.gov/wps/portal/fsis/home

Foreign Agricultural Service (FAS), U.S. Department of Agriculture (Attaché Reports)
http://www.fas.usda.gov

American Chamber of Commerce Korea
http://www.amchamkorea.org

Department of Commerce, Bureau of Industry and Security
http://www.bis.doc.gov/

Annual National Trade Estimate Report

Korean Agency for Technology and Standards (KATS)

Korea Customs Service (KCS)
http://english.customs.go.kr/

Korean Laboratory Accreditation Scheme (KOLAS)
http://www.kolas.go.kr/english/

Ministry of Food and Drug Safety (MFDS)
http://www.mfds.go.kr/eng

Telecommunications Technology Association (TTA)
http://www.tta.or.kr/English/index.jsp

Return to table of contents
Chapter 6: Investment Climate

- Openness to Foreign Investment
- Conversion and Transfer Policies
- Expropriation and Compensation
- Dispute Settlement
- Performance Requirements and Incentives
- Right to Private Ownership and Establishment
- Protection of Property Rights
- Transparency of Regulatory System
- Efficient Capital Markets and Portfolio Investment
- Competition from State Owned Enterprises
- Corporate Social Responsibility
- Political Violence
- Corruption
- Bilateral Investment Agreements
- OPIC and Other Investment Insurance Programs
- Labor
- Foreign-Trade Zones/Free Ports
- Foreign Direct Investment Statistics
- Contact Point at Post

The Republic of Korea (ROK) has made tremendous economic gains, transforming itself from a recipient of foreign assistance to a high technology manufacturing powerhouse and donor country in a generation. Thanks to fiscal stimulus and the beginning of a global recovery, South Korea’s export-oriented economy grew at a 3 percent rate in 2013, up from 2 percent in 2012; most economists predict GDP growth around 4 percent in 2014. Growth is expected to remain moderate in coming years, due to the ROK’s relatively developed economy, an aging population, and inflexible labor markets. Nonetheless, the ROK has so far weathered the global economic uncertainty and remains a generally favorable destination for foreign investment. Following the 1997-98 Asian financial crisis, South Korea made significant progress in reforming its financial institutions and capital markets. In addition, the Korean government took steps to strengthen its competitiveness, enacting measures to boost foreign investment incentives and allow non-Koreans to own land and real property. Korea took a major step forward in March 2012, when the high-standard U.S.-Korea Free Trade Agreement (KORUS FTA) entered into force. As it is fully implemented, the KORUS FTA should improve the climate for U.S. investors in Korea, and provide the foundation for an expanding bilateral economic partnership with the United States. President Park has committed to fully and faithfully implement the KORUS FTA, and to ensure a positive business climate for foreign investors. The U.S. government maintains active engagement with the Korean government to ensure full implementation of the letter and spirit of the KORUS FTA to promote economic growth in both our countries.

Many foreign and domestic firms alike continue to express concern with what is seen as an overly burdensome regulatory environment, including frequent issuance of “voluntary”
President Park Geun-hye publicly acknowledged that the regulatory environment was an obstacle to investment and launched a three-year “economic innovation” plan that: 1) normalizes practices, including public sector reform; 2) spurs a creative, innovative economy through support for entrepreneurship and more female participation in the workforce; and 3) boosts the domestic economy by targeting five service sectors for deregulation: education, healthcare, finance, tourism and software. President Park stated that deregulation will be one of the ROKG’s primary economic goals over the next four years and personally led a seven-hour interministry publicly-televised meeting on deregulation. ROKG officials have welcomed the recommendation of foreign business associations in the deregulation process. However, a tragic April 16 ferry sinking resulting in the loss of hundreds of lives, many from a single high school, has raised domestic questions about the adequacy of Korea’s workplace and public safety culture. President Park has vowed to “remake from scratch the whole safety system.” While sector-specific deregulation plans are expected to stay on track, undoubtedly, there will be a tightening of regulations related to workplace and public safety.

Inbound foreign direct investment (FDI) fell to USD 14.5 billion in 2013, down 11 percent from 2012, which was a record high year for capital inflow. Foreign investment in all industries except the service sector slightly decreased last year, in part due to uncertainty surrounding the economic policy direction of the new President. The Park administration took steps to ameliorate those concerns by announcing what is widely viewed as a foreign investment-friendly three-year economic plan. The ROK’s sovereign debt rating remains high, ranking only behind Japan and Taiwan. The high ranking reflects the ROK’s strong fiscal fundamentals, increasing current account surplus, its ability to withstand domestic risks and external shocks, and the continuation of a status quo in North-South Korea geopolitics. These factors serve to burnish the ROK’s reputation as a generally favorable destination for foreign investment, despite continuing concerns about household debt.

The United States retains the largest single-country share of FDI in Korea, totaling USD 53.3 billion or 24.5 percent of Korea’s total stock of FDI since the 1960’s. Japan has invested USD 35.5 billion (16.3 percent of the total), followed by the Netherlands with USD 22.3 billion (10.2 percent). EU countries have invested USD 72.2 billion or 33.1 percent of the total. The United States contributed the largest share of FDI in 2013, at USD 3.53 billion, a 4 percent decrease from the previous year. Japan recorded USD 2.69 billion of FDI in 2013, a 41 percent reduction from the USD 4.54 billion recorded in 2012, largely due to the yen’s depreciation against the Korean won. ROK FDI into Japan increased 53 percent over the same period. Investments from the EU increased over 76.9 percent from 2.7 billion in 2012 to 4.8 billion in 2013, due to continued quantitative easing policies. IT, auto parts, logistics, and other service sectors are expected to absorb the majority of FDI in Korea in the near future, largely through mergers and acquisitions (M&A), in line with global trends. Due to the importance to the Korean economy of FDI from the United States, Japan, and EU, President Park has held two investment-related meetings with the foreign business community in the last year, at which representatives of the American Chamber of Commerce in Korea, the Seoul Japan Club, and the EU Chamber of Commerce in Korea were featured prominently.

In recent years, foreign portfolio investment has fluctuated, influenced by external factors such as the U.S. Federal Reserve’s tapering of its quantitative easing policy, slowing of the Chinese economy and the yen’s depreciation. At the end of 2013, foreign
shareholders owned 35.3 percent of Korean Stock Exchange stocks and 9.9 percent of the tech-heavy KOSDAQ Index shares. In response to the global financial crisis, foreign investors significantly increased the purchase of Korean bonds. Economic analysts attribute this surge to investors’ recognition of the ROK’s generally sound economic fundamentals.

Improvement in the consistency of the ROK Government’s (ROKG) interpretation, transparency, and timeliness in the application of FDI regulations would enhance the investor climate in Korea. Unclear and opaque regulatory decision-making remain a significant concern, which can discourage FDI by creating uncertainty for investors. Investors are also concerned about small but significant interest groups that pressure the government to protect the South Korean market from what is perceived as foreign domination. Foreign and domestic businesses in South Korea increasingly report that Korean regulators issue verbal or informal guidance to industry that is commonly understood to carry the same force as formal regulation. In some cases, this practice appears to be used to avoid subjecting regulatory initiatives to the scrutiny of the normal rulemaking process, including the public comment periods required by the KORUS FTA and by Korean law.

The KORUS FTA, which entered into force on 15 March 2012, is a major step forward in enhancing the legal framework for U.S. investors in South Korea. All forms of investment are protected under the KORUS FTA, including enterprises, debt, concessions and similar contracts, and intellectual property rights. With very few exceptions, U.S. investors are treated the same as South Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea. In addition, these protections are backed by a transparent international arbitration mechanism, under which investors may, at their own initiative, bring claims against the government for an alleged breach of the investment. Submissions to investor-state arbitration tribunals as well as their hearings will be made public.

Openness to Foreign Investment

The Korean government's attitude toward foreign direct investment is positive, and senior policy makers clearly realize the value of FDI. Following the 2008-09 global financial crisis, FDI has continued to increase steadily until last year when it fell from USD 16.2 billion in 2012 to USD 14.5 billion in 2013.

Although the Korean government has indicated it recognizes the value of and intends to promulgate policies that attract more FDI, FDI in South Korea is still at times subject to insufficient regulatory transparency, including inconsistent and sudden changes in interpretation of regulations, as well as underdeveloped corporate governance, high labor costs, an inflexible labor system, and significant economic domination by Korea’s large, family-run conglomerates, known in Korea as chaebol. Regarding labor, South Korea boasts a hard-working, educated and highly productive workforce and institutional labor protections, but foreign investors cited volatility in labor-management relations as an issue that can hamper FDI. Adding to inflexible labor costs issues, in 2013, the ROK Supreme Court ruled that regularly paid bonuses should be included in the calculation of workers’ “ordinary wage,” which is used as the baseline for calculating overtime and severance pay. The ruling, depending on its implementation and the results of annual management-labor negotiations, could significantly increase labor costs. The Park Administration is urging companies to extend benefits such as insurance and pensions
to contract workers, in an effort to expand the social safety net and narrow the gap between contract and regular workers. It is encouraging companies to offer more flexible part-time employment and childcare facilities to facilitate retention in the workforce of Korea’s talented and highly educated female workers, many of whom currently drop out of the workforce when they have children.

Companies that benefited from the KORUS FTA were often subject to burdensome customs rule of origin verification requirements that significantly and negatively impacted multiple U.S. export sectors that had initially benefited from the reduction and elimination of tariffs because of the KORUS FTA. The USG has engaged with the Korean Customs Service and has made significant progress in addressing this issue. Specifically, the USG has worked with the Korean government to harmonize our customs rule of origin policies, and will continue efforts to bring our customs systems into alignment to facilitate trade.

The Foreign Investment Promotion Act (FIPA) is the basic law pertaining to foreign investment in Korea. FIPA and related subordinate regulations categorize business sectors as being either open, conditionally or partly restricted, or closed to foreign investment. Restrictions remain for 27 industrial sectors, three of which are entirely closed to foreign investment. The South Korean government reviews restricted sectors from time to time for possible further openings. In early 2013, Korea granted preliminary approval for its first foreign-owned casino, as part of an integrated resort containing hotel, conference, entertainment, shopping, and foreigners-only gaming facilities in the Incheon area, in order to try and tap into growing tourism from China. According to the Ministry of Trade, Industry and Energy (MOTIE), the number of industrial sectors open to foreign investors is well above the OECD average.

FIPA features include:

- Simplified procedures, including those for FDI notification and registration;
- Expanded tax incentives for high-technology FDI;
- Reduced rental fees and lengthened lease durations for government land (including local government land);
- Increased central government support for local FDI incentives;
- Establishment of “Invest Korea,” a one-stop investment promotion center within the Korea Trade Promotion Corporation to assist foreign investors;
- Establishment of an Ombudsman office to assist foreign investors.

MOTIE maintains the Korea Standard Industry Code (KSIC), which codifies and classifies all industry sectors. According to the KSIC, the ROK has 1,145 sectors, of which 30 are closed to foreign investment.

The following is a current list of Restricted Sectors for Foreign Investment. Figures in parentheses denote the Korean Standard Industry Code, except for air transportation-specific industries, which are governed by the Civil Aeronautics Laws:

**Completely Closed**

- Nuclear power generation (35111)
- Radio broadcasting (60100)
- Television broadcasting (60210)

**Restricted Sectors (partly open – not more than 25 percent)**
• News agency activities (63910)

**Restricted Sectors (partly open – not more than 30 percent)**
- Hydro electronic power generation (35112)
- Thermal power generation (35113)
- Other power generation (35119)

**Restricted Sectors (partly open – less than 30 percent)**
- Publishing of newspapers (58121)

**Restricted Sectors (partly open – less than 49 percent)**
- Satellite and other broadcasting (60229)
- Program distribution (60221)
- Cable networks (60222)
- Wired telephone and other telecommunications (61210)
- Mobile telephone and other telecommunications (61220)
- Satellite telephone and other telecommunications (61230)
- Other telecommunications (61299)

**Restricted Sectors (partly open – not more than 50 percent)**
- Farming of beef cattle (01212)
- Inshore and coastal fishing (03112)
- Transmission/distribution of electricity (35120)
- Wholesale of meat (46312)
- Coastal water passenger transport (50121)
- Coastal water freight transport (50122)
- Publishing of magazines and periodicals (58122)
- International air transport (51)
- Domestic air transport (51)
- Small air transport (51)

**Open but Regulated under the Relevant Laws**
- Growing of cereal crops and other food crops except rice and barley (01110)
- Domestic commercial banking except special banking area (64121)
- Radioactive waste collection, transportation, and disposal except radioactive waste management (38240)
- Other inorganic chemistry production except fuel for nuclear power generation (20129)
- Other nonferrous metals refining, smelting, and alloying (24219)

In categories open to investment, foreign exchange banks must be notified in advance of applications for foreign investment. All South Korean banks are permitted to deal in foreign exchange, including branches of foreign banks. In effect, these notifications are pro-forma, and approval can be processed within three hours. Applications may be denied only on specific grounds, including national security, public order and morals, international security obligations, and health and environmental concerns. Exceptions to the advance notification approval system exist for project categories subject to joint-venture requirements and certain projects in the distribution sector.

Relevant ministries must still approve investments in conditionally or partly restricted sectors. Most applications are processed within five days; cases that require
consultation with more than one ministry can take 25 days or longer. Korea's procurement complies with the World Trade Organization (WTO) Government Procurement Agreement, but some implementation problems remain.

Restrictions on foreign ownership of public corporations remain, although ownership limit levels have been raised. Currently, foreign ownership is limited for government-controlled utilities. Foreign ownership in South Korean telecommunications companies and cable networks is limited to 49 percent. The ROKG government intends to privatize many of the remaining state-owned corporations, but this process was slowed by the global financial crisis.

The Ministry of Strategy and Finance (MOSF) administers tax and other incentives to stimulate advanced technology transfer and investment in high-technology services. There are three types of special areas for foreign investment, including Free Economic Zones, Free Investment Zones, and Tariff Free Zones, where favorable tax incentives and other support for investors are available (see Section VI).

South Korea’s rankings in various international indices on corruption and business environment are as follows:

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<tr>
<th>Measure</th>
<th>Year</th>
<th>Index/Ranking</th>
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<tr>
<td><em>Transparency International Corruption Index</em></td>
<td>2013</td>
<td>55/46</td>
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<td></td>
<td>2012</td>
<td>56/45</td>
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Note: The Transparency International Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be; the scale for scores was 0-100 in 2013. A score of 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. The 2013 rank indicates the country’s position relative to the 177 countries and territories in the index; the 2012 index included 176 countries and territories. Additional information is available at http://cpi.transparency.org/cpi2013/results/.

| *Heritage Foundation Economic Freedom Index* | 2014 | 71.2/31       |
|                                             | 2013 | 70.3/34       |

Note: The Heritage Foundation Economic Index ranks countries on a scale of 0 - 100, where 0 means that a country is perceived as economically repressed and 100 means it is perceived as economically free. In 2014, Heritage Foundation assessed ROK as “mostly free,” with a ranking of 71.2 out of 100, and the ROK was considered the 31st freest country out of 178 countries ranked. Additional information is available at http://www.heritage.org/index/ranking.

| *World Bank Doing Business Index*          | 2014 | 7            |
|                                           | 2013 | 9            |

Note: The World Bank Doing Business Index is a ranking of 189 economies (in 2014). A high ranking means the regulatory environment is more conducive to the starting and operation of a local firm. Additional information is available at http://www.doingbusiness.org/rankings.

**Corporate Governance and Investment Decision-Making**

Investors and financial markets remain wary of corporate governance in Korea despite significant improvements since the 1997-98 Asian financial crisis. Concerns about corporate governance often reduce the price to earnings ratios to levels lower than
comparable companies elsewhere. Korean policy makers acknowledge that foreign investors often exact a "Korea Discount" when dealing with Korean companies or in making investment decisions. Large gaps continue to exist between the ownership and control of a significant number of firms in Korea, with many of Korea's conglomerates (chaebol) still controlled by their founding families, despite the family's relatively small ownership stakes. Increasing participation by foreign investors and stockholders, requiring more independent boards of directors, modernizing business-government relations, and infusing professionalism in the corporate culture would greatly help improve corporate governance.

Although the Anti-Monopoly and Fair Trade Act has been amended repeatedly – most recently in July 2013 – the practical impact of Korea's laws and policies regulating monopolistic practices and unfair competition has been limited by the long-standing economic strength of chaebol. Management control of chaebol continues to involve complicated webs of cross-shareholdings among chaebol affiliates, and many chaebol still conduct business based on family and personal connections. Chaebol-government relations can also sometimes influence the business-government dialogue, to the detriment of foreign and small and medium-sized enterprises (SMEs). Thus, chaebol influence in the South Korean economy may sometimes cause practical business problems for foreign investors. SME suppliers, for example, may be reluctant to deal with foreign firms for fear of jeopardizing a prized chaebol relationship. Obtaining access to credit may be complicated by the privileged relationships competing chaebol enjoy with local banks, although this is mitigated by the fact that regulations limit a bank's exposure to any single chaebol group's companies to 25 percent of capital, and stipulate that at least 25 percent of all banks' lending must go to SMEs.

Foreign ownership is playing a significant role in promoting corporate governance reform in Korea. Korean firms with significant foreign investment, for example, are generally understood to be more reluctant to participate in government-sponsored bailouts of troubled firms, impacting the evolution of Korean financial markets. As foreign investors now own about 60 percent of the shares in some of Korea's top companies and nearly 35 percent of stock listed on Korea's main stock exchange, the rights of minority and non-Korean stockholders are becoming more clearly expressed.

Under Korea's 2005 Securities Class Action Act, minority shareholders are able to file class action suits for manipulation of share prices, false disclosure of information, and accounting malpractice. However, in large part due to rather stringent and complex procedural requirements, only six class action suits have been filed since the law came into effect.

The Korean government implemented a new accounting system, taken largely from the U.S. Sarbanes-Oxley Act, aimed at making Korean accounting standards consistent with rigorous international standards. The International Financial Reporting Standards (K-IFRS) were adopted and implemented during the first quarter of 2011. In parallel, a committee of Korean private sector experts has established a Code of Best Practices in response to a tasking by the Ministry of Strategy and Finance. The voluntary recommendations included in this Code are in line with OECD principles, and the Korea Exchange has reinforced the importance of the Code by requiring that companies listed on the Korea Stock Exchange (KSE) provide information to investors about the extent to which they conform to the Code. Following are some of the key recommendations contained in the Code of Best Practices:
• Easing of ownership thresholds to allow small shareholders greater rights to inspect company books;
• Having outside or independent directors make up at least half (rather than a quarter) of the board members of listed companies;
• Establishing a nominating committee to choose board members, with at least half of the committee consisting of outside directors;
• Ensuring that outside directors are truly independent, with no interests in the company, the management, or the controlling shareholder;
• Having the board of directors meet at least once every three months; and
• Requiring that companies have audit committees consisting of at least three directors, of which two-thirds are outside directors.

Conversion and Transfer Policies

According to the Foreign Exchange Transaction Act (FETA), only transactions that could harm international peace or public order, such as money laundering and gambling, are controlled. Three specific types of transactions are restricted:

(1) Non-residents are not permitted to buy won-denominated hedge funds, including forward currency contracts;
(2) The Financial Services Commission will not permit foreign currency borrowing by "non-viable" domestic firms; and
(3) The Korean government will monitor and ensure that Korean firms that have extended credit to foreign borrowers collect their debts. The Korean government has retained the authority to re-impose restrictions in the case of severe economic or financial emergency.

Capital account liberalization under the Foreign Exchange Transaction Act (FETA) has also been extensive. All capital-account transactions are permitted unless specifically prohibited. In addition, 72 of the 91 transactions specified by the Organization for Economic Co-operation and Development (OECD) code of liberalization of capital movements now are permitted. Non-residents may open deposit accounts in domestic currency (South Korean won) with maturities of more than one year and may engage in offshore transactions and issue won-denominated securities abroad.

The right to remit profits is granted at the time of original investment approval. Banks control the now pro forma approval process for FETA-defined open sectors. For conditionally or partially restricted investments (as defined by the FETA), the relevant ministry must provide approval for both investment and remittance.

When foreign investment royalties or other payments are proposed as part of a technology licensing agreement, the agreement and the projected stream of royalties must be approved either by a bank or MOSF. Approval is virtually automatic. An investor wishing to enact a remittance must present an audited financial statement to a bank to substantiate the payment. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean appraisal board also must be presented. Foreign companies seeking to remit funds from investments in restricted sectors must first seek ministerial and bank approval, after demonstrating the legal source of the funds and proving that relevant taxes have been paid.
Expropriation and Compensation

The ROK follows generally accepted principles of international law with respect to expropriation. Korean law protects foreign-invested enterprise property from expropriation or requisition. If private property is expropriated, it can only be taken for a public purpose and only in a non-discriminatory manner. Property owners are entitled to prompt compensation at fair market value. U.S. Embassy Seoul is not aware of any cases of uncompensated expropriation of property owned by American citizens.

Dispute Settlement

There exists a body of South Korean law governing commercial activities and bankruptcies that constitutes the means to enforce property and contractual rights, with monetary judgments usually levied in the domestic currency. The number of serious investment disputes involving foreigners has been limited in South Korea. Foreign court judgments are not enforceable in the ROK.

Over the past several years, we have seen a few high-profile cases involving U.S. firms that have had difficulty exiting the Korean market; these cases have increased concerns of other potential U.S. investors. Although commercial disputes can be adjudicated in a civil court, foreign businesses often feel that this is not a practical means to resolve disputes. Proceedings are conducted in Korean, often without adequate translation. South Korean law prohibits foreign lawyers who have not passed the Korean Bar Examination from representing clients in Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in South Korea. During litigation of a dispute, foreigners may be barred from leaving the country until a decision is reached. Legal proceedings are expensive and time-consuming, and lawsuits often are contemplated only as a last resort, signaling the end of a business relationship.

Commercial disputes may also be taken to the Korean Commercial Arbitration Board (KCAB). The Korean Arbitration Act and its implementing rules outline the following steps in the arbitration process: 1) parties may request the KCAB to act as informal intermediary to a settlement; 2) if unsuccessful, either or both parties may request formal arbitration, in which case the KCAB appoints a mediator to conduct conciliatory talks for 30 days; and 3) if unsuccessful, an arbitration panel consisting of one or three arbitrators is assigned to decide the case. If one party is not resident in Korea, either may request an arbitrator from a neutral country.

When drafting contracts, it may be useful to provide for arbitration by a neutral body such as the International Commercial Arbitration Association (ICAA). U.S. companies should seek local expert legal counsel when drawing up any type of contract with a South Korean entity.

The ROK is a member of the International Center for the Settlement of Investment Disputes (ICSID). It has also acceded to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Korea is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency. South Korean courts may ultimately be called upon to enforce an arbitrated settlement.

Performance Requirements and Incentives
South Korea does not maintain any measures notified to the WTO as being inconsistent with (or that are alleged to be inconsistent with) the WTO Agreement on Trade-Related Investment Measures (TRIMs Agreement). The ROK ceased imposing performance requirements on new foreign investment in 1989 and eliminated all pre-existing performance requirements in 1992. The ROKG has no requirement that investors purchase from local sources or export a certain percentage of output. There is no ROKG requirement that Korean nationals must own shares in foreign investments or that technology be transferred on certain terms. The Korean government does not impose "offset" requirements on investors to invest in specific manufacturing, research and development (R&D), or service facilities. There are also no government-imposed conditions on permission to invest.

The Korean government allows the following general incentives for foreign investors:

- Cash grants for the creation and expansion of workplaces for high-tech business plants and R&D centers;
- Reduced rent for land and site preparation for foreign investors;
- Grants for establishment of convenience facilities for foreigners;
- Reduced rent for state or public property; and
- Preferential financial support for investing in major infrastructure projects.

**Right to Private Ownership and Establishment**

Korea fully recognizes rights of private ownership and has a well-developed body of laws governing the establishment of corporate and other business enterprises. Private entities may freely acquire and dispose of assets; however, the Fair Trade Act may limit cross-ownership of shares in two or more firms if the effect is to restrict competition in a particular industry.

The Alien Land Acquisition Act (amended in 1998) grants non-resident foreigners and foreign corporations the same rights as Koreans in purchasing and using land. The Real Estate Investment Trust (REIT) Act supports sound indirect investments in real estate and restructuring of corporations. The REIT Act allows investors to invest funds through an asset management company, and in real property such as office buildings, business parks, shopping malls, hotels, and serviced apartments.

Almost no restrictions remain on foreign ownership of stock in Korean firms. Korean law permits foreign direct investment through mergers and acquisitions with existing domestic firms, including hostile takeovers. Nonetheless, no hostile takeovers have occurred in Korea in part because of the lack of relevant implementation regulations for the Foreign Investment Promotion Act. In addition, the political environment for hostile takeovers remains unfriendly.

**Protection of Property Rights**

ROK’s progress on intellectual property rights (IPR) led to its removal from the Special 301 Watch List in 2009. Since then, the ROK has remained off the Watch List and demonstrated continued commitment to strong IPR enforcement. The importance that the ROKG places on IPR protection has increased in recent years as the digitization of Korea’s economy has significantly enhanced the ability to produce and spread
unauthorized reproductions of copyrighted material. With Korea’s products and trademarks enjoying global success, Korean creators of intellectual property stand to benefit from improvements in the domestic intellectual property protection regime. The KORUS FTA contains state-of-the-art protections for all types of intellectual property, requirements to join key multilateral IPR agreements, and strong enforcement provisions. However, concerns remain over new forms of online piracy, corporate end-user software piracy, unauthorized use of software in the public sector, book piracy in universities, and counterfeiting of consumer products.

The ROK amended its copyright law in 2011 to conform to commitments under the Korea-EU and KORUS FTAs. Subordinate regulations, including presidential and ministerial decrees, were also amended to implement the law in 2011. In 2012, the ROKG began implementation of the 2011 amendment to reflect the KORUS FTA. The ROKG also began implementing the presidential decree on “Authentic Software and its Management” that mandates the central government to use legal software, and in 2013 took significant actions to reduce the use of unauthorized software in government ministries. In 2013, 2,360 companies conducted self-audits and the Ministry of Culture, Sports and Tourism (MCST – the ROKG’s lead ministry on IPR issues) conducted on-site investigations at 190 agencies. In 2013, the Korean Copyright Act was amended so that people can use works for which copyrights are owned by the State or local autonomous bodies without obtaining permission. In addition, for education purposes, exhibition and public transmission of copyrighted work became possible without obtaining the permission of right holders, with some limitations.

The MCST continued its strong efforts to combat IPR violations through a variety of enforcement activities in calendar year 2013:

- In 2013, the MCST deleted a total of 130.3 million illegal online files, increased from the 86.3 million files it deleted in 2011 but down from 176.3 million files it deleted in 2012. Further, the MCST destroyed 13,743,205 illegal physical copies of music, video, publications, games, and cartoons in 2013, more than 20 times the 639,290 items destroyed in 2012, which was almost three times the 269,409 items destroyed in 2011.

- Under the 2009 “three strikes” law, when illegal material is discovered online, the Korea Communications Commission (KCC) sends corrective recommendations to both the online service provider (OSP) and user. If the OSP or user ignores the corrective recommendations after three warnings, the MCST can issue takedown orders and suspend the user’s account. In 2013, the KCC issued 170,867 corrective recommendations, up 58.6 percent from the 107,724 issued in 2011 but down 71.1 percent from the 591,772 issued in 2012. However, the MCST did not need to issue any warnings or suspend user accounts as all violators complied with corrective recommendations issued by the KCC.

- In 2013, the MCST requested KCC to block service to 13 illegal file-sharing OSPs, down from 30 OSPs in 2012. Most of the sites were music and film sites hosted on overseas servers. Although many of the sites can migrate to other servers, the action marked an important shift in Korea’s efforts to combat piracy. The MCST made use of the Telecommunications Act to block access to such illegal file-sharing sites, whereas in the past, the Telecommunications Act
has solely been used to restrict traffic to pornographic or North Korea-related online material.

- The MCST investigated Korean university campuses and confiscated 12,739 illegally copied books, down 23 percent from the 16,547 copies seized in 2012.

- The MCST Judicial Police conducted software inspections at 480 companies in 2013 with a piracy rate of 21.5 percent. In 2012, the MCST raided 596 companies and found damages amounting to 15.5 billion won (USD 14.6 million), with a piracy rate of 35 percent.

- In 2013, the MCST recommended 644 IPR related cases for legal action to prosecutors. Among the 644 cases, 630 were for online piracy, and 14 were for off-line piracy.

Lastly, the ROKG established the Online Infringement Taskforce (OIT), a multi-agency team to combat online copyright violations. The taskforce is composed of Special Judicial Police officers from the MCST, enforcement officers from the KCC, and enforcement staff from the CPC. They conducted special enforcement actions for five months from January to May, 2013 and the OIT issued search warrants and delivered 12 torrent site operators of 10 torrent sites and 41 persons who uploaded more than 1,000 seed files to prosecutors for indictment. Estimated damage from those 10 sites total 866 billion won (USD 814 million).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at [http://www.wipo.int/directory/en/](http://www.wipo.int/directory/en/).

Embassy point of contact: Office.Seoul@trade.gov

Local lawyers list: [http://seoul.usembassy.gov/acs_lawyer_list.html](http://seoul.usembassy.gov/acs_lawyer_list.html)

The Korean regulatory environment can pose challenges for all firms, both foreign and domestic. Laws and regulations are often framed in general terms and are subject to differing interpretations by government officials, who rotate frequently. Regulations are sometimes promulgated with only minimal consultation with industry and with only the minimally required comment period. Lastly, regulatory authorities often issue verbal guidelines or other legally enforceable dictates that many firms find burdensome and often difficult to follow. The Park deregulation plan seeks to eliminate the use of verbal guidelines and dictates. The KORUS FTA also includes many provisions designed to address such issues.

According to Korea's Administrative Procedures Act, proposed laws and regulations (Acts, Presidential Decrees or Ministerial Decrees) should be published and public comments solicited for at least 40 days prior to promulgation. Draft bills are often available on the websites of relevant ministries without notice that they have been published. The rule-making process often remains non-transparent, particularly for foreigners. Proposed rules are sometimes published with insufficient time to permit public comment and industry adjustment. For example, regulatory changes originating from legislation proposed by members of Korea's National Assembly are not subject to
public comment periods. When notifications of proposed rules are made public, they usually appear in the Official Gazette, but not consistently, and only in the Korean language; thus, much of the 40-day comment period can be exhausted translating complex documentation.

The Korean government may restrict investments that disrupt production of military products or equipment, or if the company the foreigner is investing in exports items that may be later used for military purposes differing from their originally intended use. Foreigners linked to a country or an organization that may pose a threat to national security will also be subject to limitations on their investments in Korean firms. Related government agencies must ask MOTIE to review the case within 30 days of a foreign investor filing an application for regulatory approval, and MOTIE must make a decision within the following 90 days.

The World Economic Forum (WEF) 2013-14 Global Competitive Index ranked Korea 25th overall in global competitiveness, among 147 nations surveyed, a deterioration from its ranking of 19 in 2012-13. The 2013-14 report cited persistent concerns in the quality of its institutions (74th), its labor market efficiency (78th), and its financial market development (81st), even though the ROK maintained a remarkable capacity for innovation (17th). For more information, visit http://reports.weforum.org/global-competitiveness-report-2013-2014.

Efficient Capital Markets and Portfolio Investment

Financial sector reforms are often cited as one reason for the ROK’s rapid rebound from the 2008 global financial crisis. Financial sector reforms have aimed to increase transparency and investor confidence and generally purge the sector of moral hazard. Since 1998, the Korean government has recapitalized its banks and non-bank financial institutions, closed or merged weak financial institutions, resolved many non-performing assets, introduced internationally accepted risk assessment methods and accounting standards for banks, forced depositors and investors to assume appropriate levels of risk, and taken steps to help end the policy-directed lending of the past. These reforms addressed weak supervision and poor lending practices in the Korean banking system that helped cause and exacerbate the 1997-98 Asian financial crisis.

In the course of stabilizing Korea's banking sector during the Asian financial crisis, the Korean government injected public funds, thereby acquiring de facto ownership of many of Korea's commercial banks, although it publicly committed to refrain from interfering in bank lending and management decisions, except with regard to prudential supervision. In late 2002, the Korean government began its ambitious plan to re-privatize the banks under its control, with the program initially scheduled to end by the first quarter of 2005. Much of this re-privatization has taken place, although the government continues to own the majority of shares in Woori Bank and minority shares in some other banks. Foreign banks are allowed to establish subsidiaries or direct branches. Further relaxation of regulations has widened foreign access to Korea's capital markets and permitted foreign financial firms to engage in non-hostile mergers and acquisitions of local financial institutions. The National Assembly in 2010 amended the Bank Act to: (1) require banks to have outside directors constitute the majority of directors; and (2) forbid majority shareholders and related individuals from being outside directors.

South Korea routinely permits the repatriation of funds, but reserves the right to limit capital outflows in exceptional circumstances, such as situations when uncontrolled
outflows might harm the balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of domestic financial markets. The Korean government did not impose such restrictions either during the Asian financial crisis or the global financial crisis, where sharp capital outflows played a major role. However, the government has installed a series of capital control measures under the name of "macro-prudential stability policy," which includes lowering foreign exchange forward-position limits for foreign bank branches in 2010, re-introducing a withholding tax on foreign investors’ government bond purchases, and imposing a bank levy on non-deposit financing in foreign currency from August 2011. On December 3, 2012, the government lowered the forward-position limits again and changed bank levy provisions to promote long-term financing.

Foreign portfolio investors now enjoy good access to the ROK stock market. Aggregate foreign investment ceilings in the Korean Stock Exchange (KSE) were abolished in 1998, and foreign investors owned 35.3 percent of KSE stocks and 9.9 percent of the Korean Securities Dealers Automated Quotations (KOSDAQ) as of the end of 2013. The market turnover rate was 231 percent of market capitalization in 2013. Retail investors are extremely active in the Korean stock markets. More than 80 percent of KSE and KOSDAQ retail trading is conducted online. Thus, a large majority of retail investors are day traders, implying a constant source of volatility for the markets. The Korean government permits stock purchases on margin, requiring that transactions be settled within three business days.

Portfolio investors have shown less appetite for the smaller, more volatile, technology-rich KOSDAQ. Since the collapse of the Daewoo Group in 1999, Korea's largest corporate bankruptcy, the country's bond market has been almost moribund, as sellers have far outnumbered buyers. The total assets of Korea's commercial banks as of the end of September 2013 were 1,419 trillion won, or about USD 1.3 trillion.

Long-term interest rates, around 3 percent, remain comparatively high. Inflation, meanwhile, remained at 1.3 percent throughout 2013. The spread between short-term money (91-day CD rate) and long-term money (the benchmark 3-year corporate bond rate) rose to 47 basis points in 2013 from 40 basis points in 2012. Concerned about inflation, the Bank of Korea (BOK) froze the benchmark rate at 2.5 percent for eleven consecutive months, from May 2013 until April 2014, even as inflationary pressure remained weak throughout the period.

**Competition from State Owned Enterprises**

Many South Korean state-owned enterprises (SOEs) continue to exert significant control over certain segments of the economy. By the end of 2002, major SOEs including Korea Telecom (KT), Pohang Iron and Steel Corporation (POSCO), Korea Tobacco and Ginseng Corporation (KT&G), and Korea Heavy Industries and Construction Corporation were fully privatized. No SOEs have been privatized since 2002. The Lee Myung-bak Administration called off most plans to restructure SOEs for reasons both political (conflict with labor unions) and economic (concern about the impact the privatizations would have on the economy in the midst of the global financial crisis). Today, there are 37 remaining SOEs in Korea, active in the energy, real estate, and infrastructure (railroad, highway construction) sectors. The law has traditionally sought to give SOEs a leading role in these sectors, but over the past several years, the government has
increasingly tried to attract more private participation as well, especially in the real estate and construction sectors.

SOE reforms are needed, but will be politically difficult to achieve. For example, the Korea Electric Power Corporation (KEPCO) continues to subsidize energy costs for certain sectors, including certain key industries. As the ROK imports 97 percent of its energy needs, this subsidization effort has benefited Korea’s manufacturing-based economy, but resulted in KEPCO absorbing significant losses. In addition, the lack of market-based pricing for energy also has hindered Korea’s domestic demand for energy-efficient technologies.

The Public Institutions Management Act (PIMA) gives authority to the Ministry of Strategy and Finance to administer control of many SOEs, mainly focusing on administrative and human resource management. Responding to political pressure and criticism of inefficiency, lax management and high levels of debt at SOEs, the Korean government introduced a plan to rein in excess debt and upgrade lax management policies in its three-year Economic Innovation Plan, introduced on February 25 this year. According to the debt reduction plans, debt for the 18 “highly indebted” SOEs, which had been forecast to continue climbing until 2017, will begin falling in 2016, and the debt ratio for 41 SOEs will drop to 200 percent in 2017 from 237 percent in 2013. As of end 2012, total debt for 173 non-financial public institutions is 389.2 trillion won (USD 345 billion), up 25.3 trillion won or 7 percent from the previous year. The debt level is equal to approximately 28 percent of the nation’s nominal GDP, similar to France (28.9%), higher than the UK (2.2%).

SOEs subject to PIMA are required to report to a line minister; the President or line ministers appoint senior government officials or politically-affiliated individuals as CEOs or directors. SOEs are explicitly obligated to consult with government officials on their budget, compensation, and key management decisions (i.e. pricing policy for energy and public utilities). For other issues, the government officials informally require the SOEs to consult with them before making decision or report to them afterward.

The South Korean government does not provide any official data on SOEs’ market shares. The ROKG requires each entity to disclose financial statements, the number of employees, and average compensation figures.

The Korea Investment Corporation (KIC), a sovereign wealth fund, was established in July 2005 under the KIC Act. KIC is wholly government-owned with an independent steering committee that has the authority to undertake core business decisions. KIC is on the PIMA list. Korea has no asset management bureau. KIC is mandated to manage assets entrusted by the ROKG and the BOK. Based on the continued increase in entrusted assets and gains realized on investments, assets under management stood at USD 63.3 billion at the end of September 2013. KIC has no role in the local economy as it has only engaged in overseas investments to date. It is required by law to publish an annual report and to submit its books to the steering committee for review. KIC is also required to follow all domestic accounting standards and rules.
Corporate social responsibility (CSR) awareness is growing in Korea but is still in a nascent stage. For those South Korean firms that publish CSR reports, environmental impact, particularly on land and water resources, is the primary focus. Korean CSR reflects the continued impact of traditional notions of CSR as charity. The Korean government is increasingly encouraging companies, including foreign subsidiaries and branches, to engage in CSR activities, particularly with the Administration’s emphasis on shared growth.

**Political Violence**

The Democratic People’s Republic of Korea (DPRK, or North Korea) and the ROK technically remain in a state of war, since the Korean War’s hostilities ended in 1953 with an armistice agreement rather than a peace treaty. There have not been general hostilities on the Korean peninsula since the armistice, but North Korea continues to threaten the peace on the peninsula through deadly military provocations. Most recently, North Korea sank an ROK naval vessel in March 2010, killing 46 sailors, and shelled a South Korean island near the North Korean landmass in November 2010, killing two marines and two civilians. North Korea has conducted both ballistic missile and nuclear tests in contravention of multiple UN Security Council Resolutions recognizing the moves as threats to international peace and security.

The ROK does not have a history of political violence directed against foreign investors. Embassy Seoul is unaware of any politically motivated threats of damage to foreign-invested projects or foreign-related installations of any sort, nor of any incidents that might be interpreted as having targeted foreign investments. Labor violence unrelated to the issue of foreign ownership, however, has occurred in foreign-owned facilities in the past.

**Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies’ acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.
**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person’s Guide at: [http://www.justice.gov/criminal/fraud/](http://www.justice.gov/criminal/fraud/)

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. Generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see [http://www.oecd.org/dataoecd/59/13/40272933.pdf](http://www.oecd.org/dataoecd/59/13/40272933.pdf)). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. The Republic of Korea is a member nation of the OECD Convention.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see [http://www.unodc.org/unodc/en/treaties/CAC/signatories.html](http://www.unodc.org/unodc/en/treaties/CAC/signatories.html)). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The Republic of Korea is a member nation of the UN Convention.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of
corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html). The Republic of Korea is not a member of the OAS.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.). The Republic of Korea is not a party of the Council of Europe Conventions.

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. The Republic of Korea has a free trade agreement (FTA) in place with the United States, the Korea-US FTA, which came into force on March 15, 2012.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy
Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

The law provides criminal penalties for official corruption, and the government generally implements these laws effectively. By law, public servants above a certain rank must register their assets, including how they were accumulated, thereby making their holdings public. According to the Transparency International Global Corruption Barometer 2013, only three percent of South Koreans had paid a bribe to receive attention from at least one of nine different service providers (in customs, education, the judiciary, land related services, medical services, the police, registry & permit services, tax authorities, and utilities) in the past 12 months. Of the 95 economies surveyed with an average of 27 percent of the population with experience paying bribes, ROK was placed in the lowest group along with other Asian countries like Japan (1%), Malaysia (3%) and New Zealand (3%).

The ROK signed the United Nations Convention against Corruption on December 10, 2003 and ratified it on March 27, 2008. The ROK is also a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and a member of the Asia Pacific Economic Cooperation Anti-Corruption and Transparency Experts Task Force (APEC ACT).

There are several government agencies responsible for combating government corruption including the Board of Audit and Inspection, which monitors government expenditures and the Public Service Ethics Committee, which monitors the civil servants’ financial disclosures and their financial activities within their tenure and first few years into their retirement. The Anti-Corruption and Civil Rights Commission manages the public complaints and administrative appeals on corrupt government practices. The Financial Intelligence Unit has cooperated fully with U.S. and United Nations efforts to identify and shut down sources of terrorist financing. Transparency International has maintained a National Chapter in the ROK since 1999. The Park Administration has increased scrutiny of potential corporate mismanagement, resulting in criminal convictions for tax evasion and embezzlement for several senior ROK chaebol owners.
Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:


- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.


- The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt/.
Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: [http://report.globalintegrity.org/](http://report.globalintegrity.org/).

**Bilateral Investment Agreements**

The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with South Korea, which contains general provisions pertaining to business relations and investment. The KORUS FTA contains strong, enforceable investment provisions that went into force in March 2012.

**OPIC and Other Investment Insurance Programs**

U.S. investments in Korea are eligible for insurance programs sponsored by the U.S. Overseas Private Investment Corporation (OPIC). OPIC has not, however, guaranteed any U.S. investments in Korea since 1998, when OPIC reinstated coverage it had suspended in 1991 due to concerns about worker rights. Coverage issued prior to 1991 is still in force. Korea has been a member of the World Bank’s Multilateral Investment Guarantee Agency since 1987.

**Labor**

According to the Ministry of Employment and Labor (MOEL), there were approximately 26 million economically active persons in ROK with an employment rate (OECD standard) of approximately 64 percent. The overall unemployment rate of 3.0 percent in 2013 was much lower than the unemployment rate of youth aged 15-29, which at 8.0 percent is becoming a domestic concern. Since 2004, South Korea has implemented a “guest worker” program known as the Employment Permit System (EPS) to help protect the rights of foreign workers. EPS allows employers to legally employ a certain number of foreign workers from 15 countries, including the Philippines, Indonesia, and Vietnam, with which the ROK maintains bilateral labor agreements. For 2014, South Korea decreased its quota to 53,000 migrant workers. At the end of September 2013, approximately 480,000 foreigners (including overseas Koreans) were said to be working under EPS in manufacturing, construction, agriculture, livestock, service, and fishery industries.

Korean law provides workers with the right to associate freely and allows public servants to organize unions. The labor law, however, restricts unions from permitting membership to those who have lost their jobs. In 2013, the application of this aspect of the law led to the decertification of the Korean Teachers and Education Workers Union (KTU) and the refusal by the government to certify the Korean Government Employees Union. The labor law was amended in 2011 to authorize union pluralism. The 2010 revision of the Trade Union and Labor Relations Adjustment Act (TULRA), which became law in 2011, restricted the number of full-time labor union officials and banned employers from paying wages to such officials for union work. The TULRA revision also allowed the formation of multiple unions at the same workplace, but required only one bargaining channel. The ratio of organized labor to the entire population of wage earners at the end of 2012 was 10.3 percent; this ratio has remained relatively stable over the last ten years. Korea’s trade union participation is lower than the latest-
available OECD average of 17.5 percent in 2011; more information is available at http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN.

The country has three national labor federations. The Korean Confederation of Trade Unions (KCTU) has 2,310 labor unions and 808,664 members, and the Federation of Korean Trade Unions (FKTU) has 383 labor unions and 604,705 members. KCTU and FKTU are affiliated with the International Trade Union Confederation (ITUC). Most of FKTU’s constituent unions maintained affiliations with international union federations. The Korean Labor Union Confederation (KLUC) is the smallest and newest federation, with only 100 unions and 17,914 members, and attracts those seeking a trade union that is neither militant nor political. There are 2,384 unions with 350,054 workers who do not belong to a nationwide federation but rather focus only on their corporate issues.

The law provides for the right to collective bargaining and collective action, and workers exercise these rights in practice. The law also empowers workers to file complaints of unfair labor practices against employers who interfere with union organizing or who discriminate against union members. The National Labor Relations Commission can require employers found guilty of unfair practices to reinstate workers fired for engaging in union activities.

Labor organizations are permitted in export processing zones (EPZs), but foreign companies operating in EPZs are exempt from some labor regulations. Exemptions include provisions that mandate paid leave, requiring companies with more than 50 employees to recruit persons with disabilities for at least 2 percent of their workforce, encouraging companies to reserve 3 percent of their workforce for workers over 55 years of age, and restricting large companies from participating in certain business categories.

The Labor Standards Act prohibits the employment of persons under age 15 without an employment authorization certificate from MOEL. Because education is compulsory through middle school (approximately age 15), few employment authorization certificates were issued for full-time employment. To obtain employment, children under age 18 must obtain written approval from either parents or guardians. Employers must limit minors’ overtime hours and are prohibited from employing minors at night without special permission from MOEL.

The minimum wage is reviewed annually. Labor and business set the minimum wage for 2014 at 5,210 won (approximately USD 5) per hour, a 7.2 percent increase from last year that is relatively in line with the 5.5 percent increase in the minimum cost of living. The Labor Standards Act also provides for a 50 percent higher wage for overtime.

The government sets health and safety standards, and the Korea Occupational Safety and Health Agency (KOSHA) is responsible for monitoring industry adherence to these standards. KOSHA conducts inspections both proactively according to regulations and reactively in response to complaints. It also provides technical assistance to resolve any deficiencies discovered during inspections. KOSHA reports on its website descriptions of and statistics on work-related injuries and fatalities biannually. In 2012, there were 92,256 work-related accidents and 1,864 fatalities, a 1.11 percent decrease and 0.22 percent increase respectively from the previous year. KOSHA provides training and subsidies to improve work safety and reduce work-related accidents. Its services are
extended to migrant workers as its training modules and materials are available in 10 languages and disseminated to various worksites.

Contract and other "non-regular" workers accounted for a substantial portion of the workforce. MOEL reported that there were approximately 6.36 million non-regular workers, comprising approximately 25.3 percent of the total workforce as of March 2014. Korea Statistics reported that in 2011 non-regular workers performed work similar to regular workers but received approximately 57 percent of the wages of regular workers.

The Act for Part-Time and Temporary Workers’ Protection prohibits the discrimination of non-regular workers and requires that non-regular workers employed longer than two years be converted to permanent status. The two-year rule went into effect on July 1, 2009. Both the labor and business sectors have complained that the two-year conversion law forced many businesses to limit the contract terms of the non-regular workers to two years and incur the sunk cost for entry of new labor every two years. As part of an overall effort to increase labor force participation rates, the Park Administration has proposed regularizing non-regular workers’ status.

**Foreign-Trade Zones/Free Ports**

The Foreign Investment Promotion Act (FIPA) is meant to support potential investors and create a business environment conducive to increased foreign investment. FIPA offers foreign investors various incentives including tax breaks and cash grants for projects.

Korea aims to attract more foreign investment by promoting its eight Free Economic Zones (FEZs): Incheon; Busan/Jinhae (in South Gyeongsan Province, to be completed in 2020); Gwangyang Bay (in South Gyeongsan Province, to be completed in 2020); Yellow Sea (in South Chungcheong Province, to be completed 2020); Daegu/Gyeongbuk (in North Gyeongsan Province, to be completed in 2020); Saemangeum/Gunsan (in North Jeolla Province, to be completed in 2020), East Sea (in Donghae and Gangrung, to be completed in 2014) and Chungbuk. The FEZs differ from other zones designated for foreign investment in their focus on creating a comprehensive living and working environment with biotechnology, aviation, logistics, manufacturing, service and other industrial clusters as well as international schools, recreational facilities, and international hospitals. In 2009, the National Assembly passed the Special Act on Free Economic Zones to increase tax benefits for investment, increase the FEZ infrastructure budget, and streamline the approval process for land development. On December 28, 2010, the government announced a plan to abolish inefficient, underperforming, and unfeasible portions of the nation’s free economic zones as part of its efforts to reorganize the specially created districts. By the plan, the Ministry of Knowledge Economy removed the FEZ status from 90.51 square kilometers (22,366 acres), or 15.9 percent of the total land in the zones in February 2012. To revitalize foreign investment and ensure it is diversified throughout the country, the Korean government designated new FEZs in North Chungcheong Province and in Gangwon Province in 2013. According to the FEZ Planning Office, the eight FEZs have attracted just USD 1.35 billion in investments since 2003. The country plans to invest 140 trillion won (USD 135 billion) on their infrastructure and promotion by 2020.

Songdo City in the Incheon FEZ in 2012 won the right to host the UN’s Green Climate Fund and aims to become an innovative, state-of-the-art Northeast Asia business hub.
The city will be the first LEED (Leadership in Energy and Environmental Design) certified district in Korea and the largest project outside North America to be included in the LEED Neighborhood Development Pilot Program. The Green Climate Fund and World Bank Korea offices opened in the Incheon FEZ in December 2013. The Incheon FEZ offers commercial office space, residences, retail shops, hotels, schools, hospitals, and cultural facilities. Additional information is available at http://www.songdo.com.

There are also six foreign-exclusive industrial complexes in Korea in different parts of the country, designed to provide inexpensive plant sites, with the national and local governments providing assistance for leasing or selling in such sites at discounted rates. In addition, there are four Free Trade Zones in Donghae, Suncheon, Gunsan, Daebul, and Masan where companies may pursue their business with government support, but without the usual legal requirements such as approval procedures for export and imports and customs duties. There are also seven Foreign Investment Zones designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options.

A good source of information on Korea's various free trade zones is the government-run "Invest Korea," an inward investment promotion organization under the Korea Trade and Investment Promotion Agency (KOTRA). More information is available here:

Invest Korea, KOTRA Bldg.
13, Heolleungno, Seocho-gu, Seoul, Republic of Korea
Tel: (82) 1600 - 7119
Fax: (82-2) 3497 - 1611
http://www.investkorea.org

In addition, the Korean government also continues to put significant effort into programs to enhance the quality of life in Korea for foreign investors and their families. There are 54 foreign schools in Korea; the Global University in the Incheon FEZ now hosts branches of the State University of New York and George Mason University; a branch of the University of Utah is expected to open in September 2014. More information on international education is available at http://www.isi.go.kr.

### Foreign Direct Investment Statistics

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<th>(USD Millions)</th>
<th>Annual Flow</th>
<th>Cumulative Stock</th>
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<td>727</td>
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<tr>
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<td>Japan</td>
<td>2,289</td>
<td>4,542</td>
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<td>Others</td>
<td>3,329</td>
<td>4,629</td>
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Return to top
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<tr>
<th></th>
<th>United States</th>
<th>China</th>
<th>EU</th>
<th>Japan</th>
<th>Others</th>
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<tr>
<td>Total Outward FDI</td>
<td>45,531</td>
<td>39,008</td>
<td>35,120</td>
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<td>21,401</td>
<td>180,479</td>
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</table>

Source: The Export-Import Bank of Korea and the Ministry of Trade, Industry & Energy
Note: This data is based on the notification of cases.

Contact Point at Post

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Economic Section
U.S. Embassy Seoul
188 Sejong-daero, Chongno-gu
Seoul 110-710
BowlesRE@state.gov
Chapter 7: Trade and Project Financing

- How Do I Get Paid (Methods of Payment)
- How Does the Banking System Operate
- Financial Services and KORUS FTA
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)

The Korean financial system is frequently hard-pressed to meet the demand for financing and capital for international commercial transactions. This is mainly attributed to banks holding BIS (Bank for International Settlement Reserves) capital adequacy ratios above the 10 percent required and to being stricter on loan requirements for SMEs and small businesses, given significant personal household debt. Foreign companies in start-up operations with a Korean partner often need to invest financial resources for the joint venture, while their Korean partner makes in-kind investments, i.e., land or facilities, for their share of equity. Joint-venture companies and foreign firms often work with branches of foreign banks for local-currency financing, although the branches of foreign banks control a small portion of available Korean Won.

Sources of Korean Won financing have included domestic commercial banks, regional banks, and specialized banks, including the Korea Development Bank, the National Agricultural Cooperative Federation, the Industrial Bank of Korea (IBK), and the Korea Housing Bank.

Korea’s major international banks offer services for all types of international trade payment methods. When you engage in business activities with a customer overseas, knowing how to collect payment on an overseas sales transaction is the single most critical factor for SME business owners who aspire to expand their international business operations.

Common overseas payment methods include:

- Sight and deferred payment Letters of Credit (L/C),
- Documents against Acceptance (D/A) and Documents against Payment (D/P), and
- Open Account Transactions.

D/A and L/Cs are forms of extended credit in which the importer makes no payment for the goods until the date called for in the L/C.

D/P is similar to D/A except that the importer cannot clear the goods from customs prior to making payment. In some cases an importer can clear goods prior to payment under
a sight L/C. L/C transactions generally follow standard international Uniform Customs and Practice (UCP) codes.

CS Korea recommends that U.S. companies consider dealing on a confirmed L/C credit basis with new and even familiar customers. A confirmed L/C through a U.S. bank is recommended because it prevents unwanted changes to the original L/C, and it places responsibility for collection on the banks rather than on the seller. Once a business relationship has strengthened over time, use of payment mechanisms other than L/Cs can be employed.

For more extensive details on international payment methods, please see: http://export.gov/tradefinanceguide/eg_main_043221.asp. For specifics on letters of credit and documentary collections, please see here http://export.gov/tradefinanceguide/eg_main_043245.asp and here http://export.gov/tradefinanceguide/eg_main_043246.asp. The complete Department of Commerce Export Finance Guide, which covers these and other aspects of international trade finance, can be downloaded here: http://export.gov/tradefinanceguide/index.asp

To reduce risk of nonpayment, U.S. companies may also contact credit rating agencies, which can provide fee-based corporate information to evaluate the financial credibility of Korean companies. Dun & Bradstreet Korea (https://www.dnb.com/english/contactus/index.htm), the Korea Investors Service (http://www.kisrating.com/eng/), and the Korean Information Service are known to provide fee-based credit rating services in Korea.

CS Korea can provide valuable information, including a company's credit standing, through our fee-based International Company Profile Service http://export.gov/southkorea/servicesforuscompanies/icp/index.asp. The Korean Commercial Arbitration Board http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000 and private collection agencies can provide arbitration and collection services. KCAB's mediation staff can counsel on the arbitration procedure to suit both Korean and foreign companies' specific needs and assist in communication and negotiation.

Whatever payment terms are agreed upon, make sure they are understood by all parties and that your client, representative or contact signs a mutually agreed document. Payment terms must be agreed to in advance. It is rarely wise to sell on open account to a brand new customer.

How Does the Banking System Operate

Korea’s financial system consists of banking and non-bank financial institutions. The Financial Services Commission (FSC: http://www.fsc.go.kr/eng/) and the Financial Supervisory Service (FSS: http://english.fss.or.kr/fss/en/main.jsp), its regulatory arm, are responsible for supervising and examining all banks, including specialized and government-owned banks, as well as securities and insurance companies. The FSC and the FSS have played a key role in financial restructuring and has strengthened the regulatory and supervisory framework governing the entire financial sector.

Korea’s 18 largest banks (the four largest hold approximately 70% of market share) in 2013 (4Q) reported a BIS average capital adequacy ratio of 14.55% and a Tier I capital ratio of 11.8%. These ratios are higher than required under Basel II (Basel II is the
international agreement requiring banks to maintain adequate capital ratios in anticipation of global slowdown or financial crises). This Basel II ratio is in accord with the Government of Korea’s efforts to strengthen the quality and quantity of bank capital, while being more conservative given the country’s reliance on trade, any future global economic downturn, and other ongoing economic concerns in the Euro Zone.

Financial Services and KORUS FTA

With the March 15, 2012 implementation of the KORUS FTA, the U.S. financial service industry can expect new and unprecedented access to the Korean market. Financial service commitments outlined in the KORUS FTA are some of the most progressive commitments made with any U.S. trade partner to date. The Agreement locks in standards, regulations, and commitments that increase the transparency, predictability, and cost-efficiency for operating in the Korean financial services market.

Some of the financial service commitments inherent in this Agreement include:

- Language allowing for cross-border data flow and giving U.S.-based “back-office” support to U.S. firms with operations in Korea. This commitment has a two-year phase-in period, designed to identify, review, and modify data transfer practices to ensure protections in Korea that are no less stringent than those in the U.S.
- Permitting U.S. financial institutions the ability to establish or acquire financial institutions in Korea and choose the corporate form that best meets their business needs
- Encouraging Korea to implement several reforms that would contribute to the transparency of rules and procedures, including regional integration of data processing.


Foreign-Exchange Controls

Korea has liberalized foreign exchange controls in line with OECD benchmarks. A foreign firm that invests under the terms of the Foreign Capital Promotion Act (FCPA: http://legal.un.org/avl/pdf/ls/Shin_RelDocs.pdf) is permitted to remit a substantial portion of its profits, providing it submits an audited financial statement to its foreign exchange bank.

To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean Appraisal Board must be presented. Foreign companies not investing under the FCPA must repatriate funds through authorized foreign exchange banks after obtaining government approval. Although Korea does not routinely limit the repatriation of funds, it reserves the right to do so in exceptional circumstances, such as in situations which may harm its international balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of its domestic financial markets. To date, the Korean government has had no instance of limiting repatriation for these reasons, even during and after the 1997-98 financial crisis.

The Bank of Korea has detailed information about foreign-exchange control policies in Korea. Consult: http://eng.bok.or.kr/.
For a list of major U.S. and Korean banks in Korea, consult:
http://export.gov/southkorea/usefullinks/majoruskoreanbanks/index.asp

Project Financing

Project financing (PF) is designed to facilitate funding of large-scale projects. The concept was first introduced in Korea to finance a highway construction project between Seoul and the Incheon International Airport. The government's decision to introduce this financing technique was prompted by the need to boost domestic demand by stimulating investments in large-scale projects, including housing construction and social infrastructure facilities.

Most of Korea’s social overhead capital (SOC) projects are funded through PF. PF is also used for the financing of private sector projects, to include real estate development and buy-outs of financially troubled companies. Several Korean and foreign banks provide PF and offer venture capital investment programs for social infrastructure projects, private projects and SMEs in Korea. These banks support companies through direct equity investments, although domestic companies generally have access to local funding, as well as to informal and secondary financial markets charging higher interest rates. Debentures are also used as a financing alternate, although slightly more expensive than bank financing. Finally, financing in the form of long-term debt is available from the Korea Development Bank (KDB), but generally for high priority industries.

In February 2014, the state-run Export-Import Bank of Korea announced that it will provide a total of KRW 76 trillion (USD 72 billion) in loans (KRW 52 trillion) and loan guarantees (KRW 24 trillion) to finance industrial activities and international development projects involving Korean companies amid a diminishing quantitative easing trend in USA and continuous depreciation of JPY. It will first finance large projects overseas related to engineering, procurement and construction (EPC), general construction, shipbuilding, and trade finance and the amount would be KRW 43 trillion (USD 41 billion). The total financing support is a slight increase from the USD 66 billion executed in the previous year. It also set aside KRW 22.5 trillion (USD 21.4 billion) for SMEs to promote shared growth between large and small enterprises and which is same amount compared with previous year. In addition, the bank allocated KRW 2.4 trillion (USD 2.3 billion) which doubled compared from previous year to support oversea expanding SMEs which corporate with large companies. These loans can help Korean firms finance purchases from U.S. firms if the correct criteria are met.

Web Resources

Bank of Korea: http://eng.bok.or.kr/

Commercial Service International Company Profile (ICP) www.export.gov/southkora/ICP


Dun and Bradstreet: https://www.dnb.com/english/contactus/index.htm


Korea Investors Service: www.kisrating.com/eng/

Korean Appraisal Board: http://www.kab.co.kr/kab/home/eng/index.jsp

Korean Commercial Arbitration Board: www.kcab.or.kr/jsp/kcab_eng/index.jsp


OPIC: http://www.opic.gov
Overseas Private Investment Corporation

Small Business Administration’s (SBA) Office of International Trade: http://www.sba.gov/oit/

Trade and Development Agency: http://www.tda.gov/


USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm


Return to table of contents
Chapter 8: Business Travel

- Business Customs
- Travel Advisory
- Visa Requirements
- Telecommunications
- Transportation
- Language
- Health
- Local Time, Business Hours and Holidays
- Temporary Entry of Materials and Personal Belongings
- Web Resources

Business Customs

U.S. businesses aiming to be successful in this dynamic nation of over 50 million people should take time to learn about, and be cognizant of, some important facts.

Long history: Korea’s over 10 thousand year history is one filled with dozens of rich dynasties and unfortunate conquests by rival Asian nations -- Japan and China. Japan first invaded Korea in 1592, followed by a Manchurian invasion in 1636, and another Japanese invasion from 1910 to 1945. The Republic of Korea, founded in 1948, soon experienced a civil war (1950-1953) which ended, in part, thanks to the arrival of U.S. military forces that have been present on the Peninsula for over 60 years.

One of the world’s most homogeneous societies, Korea is dominated by Confucian and Buddhist logic and traditions, which place great importance on age, rank, hierarchy and the value of one’s community and collective society -- all elements important in understanding how to navigate business in Korea. Whereas U.S. business culture places more emphasis on the merits of the deal, in Korea the emphasis is on the personal connection with the other party in the contract.

Post-Korean War: Korea in the 1950s and 1960s was one of the poorest countries in the world. Determined leaders gave economic/financial power to some privileged families, called chaebols (families that grew into multi-national, multi-sector industrial empires). The chaebols effectively and persistently combined their ‘evolving sector expertise,’ helped by a dense population in a geographically small area, into what is now a highly-respected and world-renown trillion-dollar economy driven by trade.

Today, Korea is known around the world for its popular and attractive white appliances, award-winning cars, smart phones and LED screens. It has a top-tier ranking in such diverse industries as ship building and the K-Pop “Korean Wave” culture called hallyu, which has captured fans worldwide, TV dramas, and attractive youth bands. Korea, hands-down, is also the most wired country in the world.

Korea hosted the Summer Olympics (1988), the Soccer World Cup (2002; along with Japan), the G-20 Leaders Summit (2010), and will host the 2018 Winter Olympics.
These major events, a source of pride and accomplishment, have intensified Korea’s push to have a first-rate infrastructure, hospitality and transportation system.

The Han River divides Seoul: Seoul is a modern, bustling, international city with all the first-class culinary, cultural and business amenities, variety, and accommodations of any large metropolitan European or Asian city. The city is divided graciously and elegantly by the Han River and 27 bridges (they all have a different architecture and feel; there were only three bridges crossing the Han in the 1960s.) After you arrive at the award-winning Incheon Airport, your hotel will be located either on the north side of the Han (where the airport and U.S. Embassy are located) or south side. Traffic congestion, persistent and chronic, must be factored into arriving on-time for business appointments. In Korea, you should never be late. Instead, arrive 20 minutes early. That’s the norm.

Other important business success factoids:

- Last names and titles: Always use Mr., Mrs., or any title (like Director) followed by the last name. Also appropriate is: Mr. LEE (last name, followed by the first name) Ji-hoon (two syllables of the first name); in this order.
- Business cards: Your business cards say a lot about you and your business and are extremely important in Asian and Korean cultures. Hand them out using both hands (thumbs at the top corners of your card) while giving a gentle and slight bow, while avoiding too much direct eye contact. Never put a newly-received business card away or in your back pocket. Rather, look at it for a moment and place it on the desk or table where you are meeting. Bilingual cards are best.
- Handshakes: Unlike the hard, firm Western-style handshake, a Korean’s handshake may be a bit gentler.
- Cold calls are generally unacceptable and seen as culturally inappropriate and disrespectful.
- Negotiating: A rigid negotiating style does not work in Korea. Koreans interpret contracts as loosely structured consensus statements, broadly defining what has been negotiated/discussed, but leaving room to permit flexibility and adjustment. Koreans are subtle and effective negotiators. See Chapter 3 of this guide for additional insights into negotiating.
- While you learn Korean, these two important words should serve you:
  - Ann-yong-ha-sayo – Hello and goodbye
  - Gam-sa-ham-nida – Thank you

Travel Advisory


Visa Requirements

Visa Requirements for U.S. Citizens

- No visa is needed for a stay of up to 90 days if the purpose of the trip is for tourism, business meetings, visiting families or relatives.
- A stay of over 90 days requires a visa
If planning to stay more than 90 days or for any purpose other than tourism or business, U.S. passport holders must obtain a visa prior to entering Korea. For U.S. citizens, a five-year valid multiple entry F-4 visa is issued. This visa holder can stay up to 2 years each time he/she visits the Republic of Korea, until their visa expires.

Americans coming to Korea for activities such as employment, teaching English, or study must obtain a visa at a Korean embassy or consulate abroad.

For more information about Korean visa and entry requirements, please see the Korean Ministry of Justice's website at http://www.moj.go.kr/HP/ENG/index.do.

For information about visas to Korea, please also see the Korean Ministry of Foreign Affairs website at: http://usa.mofa.go.kr/english/am/usa/visa/Visa/index.jsp.

U.S. Companies that require the travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link:

U.S. Embassy to Korea Visa Website: http://seoul.usembassy.gov/visas_non-immigrant_visas.html.

### Telecommunications

**Local calls**
- Dial the 7 or 8 digit local phone number within the same province or city.
- Dial the 9 or 11 digit local phone number, including the area code, to a different province or city
- There are 17 area codes as follows;

<table>
<thead>
<tr>
<th>Seoul</th>
<th>Busan</th>
<th>Daegu</th>
<th>Incheon</th>
<th>Kwangju</th>
<th>Daejeon</th>
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<td>02</td>
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**International calls**
- Dial 00799 for a service that features: station-to-station calls, collect or reverse charge calls, and calls providing interpretation.
- For direct calls dial 001/002/00700 and country code, area code then subscriber's number.

**Rent a mobile phone at kiosk, Incheon International Airport**
- And/or contact number of these providers is;
  - SK Telecom: 82-2-6343-9000 (Press 4)
  - KT Olleh: 82-2-2190-0901
  - LGU+: 82-2-3416-7010

**Roaming and wireless internet**
- Consult your U.S. service provider to determine if your cell phone and plan will work in Korea. Beware of roaming and affiliated charges.
Wi-fi service is available and accessible in most of areas including subway, hotels, shopping areas, restaurants, coffee shops, etc.

### Transportation

- **Train (AREX)**
  - Direct railway links from the Incheon Airport to Seoul Station
  - Takes 43 minutes and runs every 30 minutes with no stops
  - Cost: KRW 8,000 (approx. USD 8) until Dec. 31, 2014 and KRW 14,300 (approx. USD 14) from Jan 2015
  - Take the subway (inexpensive option) or taxi to your hotel from Seoul Station

- **Airport Buses**
  - Widely available to/from major cities in and around Seoul
  - Located at the passenger arrival terminal level ‘1F’
  - Cost: KRW 10,000-15,000 (approx. USD 10-15) depending on destination

- **Taxis**
  - Located at the passenger arrival terminal level ‘1F’ between platforms 4D and 8C
  - Cost: KRW 60,000~80,000 (approx. USD 60-80). If overcharged, contact the airport authority (032-741-2422).

### Other Transportation Recommendations

- **Subway:** Excellent, extremely clean and safe (nine lines)
  - Consult: [seoulmetro.co.kr](http://seoulmetro.co.kr)
  - Widely available to/from Seoul and Gyeonggi Province
  - Highly recommend **M-Pass** (only for foreigners)
    - Consult: [http://www.visitkorea.or.kr/ena/TR/TR_EN_5_1_4.jsp#Subway07](http://www.visitkorea.or.kr/ena/TR/TR_EN_5_1_4.jsp#Subway07)
      - Covers large area around Seoul, other subway systems, and airport railroads
      - Purchase passes at tourism information centers at Incheon Airport
      - Cost: KRW10,000 for a one-day pass and KRW 59,500 for a week
        (plus a KRW 4,500 refundable deposit and KRW 500 non-refundable service charge)
  - Rush hour congestion: 7-9 am and 5-7pm, especially on lines 2 and 3
  - Pathfinder: [http://traffic.visitkorea.or.kr/Lang/en/](http://traffic.visitkorea.or.kr/Lang/en/)
  - Consult: [http://www.visitkorea.or.kr/ena/TR/TR_EN_5_1_4.jsp](http://www.visitkorea.or.kr/ena/TR/TR_EN_5_1_4.jsp)

- **Taxis**
- Cost based on distance and time and begin at KRW 3,000 (USD3)
- 20% cost increase between midnight and 4 am
- No tipping required
- Consult: http://asiaenglish.visitkorea.or.kr/ena/TR/TR_EN_5_2.jsp

- KTX (Korea Train Express)
  - Very clean, affordable and comfortable high-speed transportation to major cities throughout Korea. A trip from Seoul to Busan, for example, is 2.5 hours on KTX
  - Consult: http://ktx.korail.go.kr/eng/

Banking and Money

- Cards with the Plus and Cirrus logos are the most widely accepted in Korea
- CDs (Cash Dispenser Machines) only offer cash withdrawal services
  - CD machines located in: subway stations, bus terminals, and department stores
- ATMs offer withdrawals, deposits and fund transfers
  - ATM transactions require an account with a Korean bank
- Prominent Korean banks include: Korea Exchange Bank (KEB), Shinhan Bank, and Citibank
- Questions about ATM/CD machines: call 1330
- The Korean currency the ‘won’ is written with a large ‘₩’ with a line through it or ‘KRW.’

Language

- Korean (Hangul) is the official and accepted business language
- Many Koreans in tourism and first-tier retail sales speak some English

Health

- Dial 1339 for the Emergency Medical Information Center; trained medical personnel are on call 24 hours a day, 7 days a week
- Most hotels will assist you if you are sick. Call the front desk.
- You can purchase simple medications, such as Tylenol, Band-Aids, ointments and cold medication in pharmacies or in any general or “24-hour stores.” For other medications, you will need a prescription from a doctor.
- International clinics at large prominent hospitals in Seoul include:
  - Severance Hospital (☎ 2-2228-5800):134, Sinchong-dong, Seodaemun-gu
  - Asan Medical Center (☎2-3010-5001): 388-1, Pungnap-dong, Songpa-gu, Seoul
  - Samsung Medical Center (☎2-3410-0200): 50, Irwon-dong, Gangnam-gu

For international health advisories related to Korea, please visit the CDC website at: http://wwwnc.cdc.gov/travel/destinations/south-korea.htm
Local Time Zone

- Korea is 13 hours ahead of EST and 14 hours ahead of EST during daylight savings. Korea does not switch to daylight savings time.
- Consult: http://www.timeanddate.com/worldclock/converter.html

Business Hours and Lunch Hours

- Offices and organizations: 9:00 am-6:00 pm; closed weekends and national holidays
- Banks: 9:00 am-4:00 pm; closed weekends and national holidays
- Department stores: 10:30 am-8:00 pm
- Koreans take lunch at essentially the same time, requiring luncheon reservations even for the smallest restaurants. You can avoid lines and crowds by taking lunch before 12:00 p.m. or after 1:00 p.m.

Holidays

<table>
<thead>
<tr>
<th>New Year’s Day: January 1st</th>
<th>Liberation Day: August 15th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lunar New Year’s Day: January 30th – 31st</td>
<td>Chuseok Days: September 8th – 10th</td>
</tr>
<tr>
<td>Children’s Day: May 5th</td>
<td>National Foundation Day: October 3rd</td>
</tr>
<tr>
<td>Buddha’s Birthday: May 6th</td>
<td>Korean Alphabet Day: October 13th</td>
</tr>
<tr>
<td>Memorial Day: June 6th</td>
<td>Christmas Day: December 25th</td>
</tr>
</tbody>
</table>

- During Lunar New Year and Chuseok, all businesses and government offices are closed
- The U.S. Embassy is closed on both U.S. and Korean holidays
- Consult: http://www.timeanddate.com/calendar/?year=2014&country=70

Temporary Entry of Materials and Personal Belongings

Prohibited Items

- Narcotics/illegal drugs of any kind
- Pornography and subversive material
- Products originating from Communist countries
- Explosives, ammunitions and weapons
- Rifles/sport guns (require permission from Korean Police prior to import, declaration upon arrival)
- Counterfeit money and coins

Articles in Excess of Duty Free Allowance

Coming into Korea consult:
http://www.airport.kr/liacms/pageWork.ia?_scode=C1202010500

Web Resources

Affordable hotels:  http://www.benikea.co.kr
Coming to Korea: http://www.airport.kr/iiacms/pageWork.iiia?_scode=C1202010500
Currency: http://english.visitkorea.or.kr/enu/AK/AK_EN_1_5_4.jsp
Holidays: http://www.timeanddate.com/calendar/?year=2014&country=70
Incheon Int’l Airport: http://www.airport.kr/eng/
Korean Railroad:  http://www.korail.com/
M Pass: http://www.visitkorea.or.kr/enu/TR/TR_EN_5_1_4.jsp#Subway07
Subway Map: http://english.visitkorea.or.kr/enu/TR/TR_EN_5_1_4.jsp
Taxi: http://english.visitkorea.or.kr/enu/TR/TR_EN_5_2.jsp
Time Zone: http://www.timeanddate.com/worldclock/converter.html
U.S. Customs: http://www.cbp.gov
U.S. Embassy Seoul Consular Section: http://www.asktheconsul.org
Visas: http://usa.mofa.go.kr/english/am/usa/visa/Visa/index.jsp
Weather: http://english.visitkorea.or.kr/enu/AK/AK_EN_1_1_2.jsp

Return to table of contents
Chapter 9: Contacts, Market Research and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts

Go to the link below for useful contacts in Korea and the U.S.:

http://export.gov/southkorea/usefullinks/index.asp

Market Research

To view market research reports produced by the US Commercial Service please go to the following website at http://www.export.gov/mrktresearch/index.asp and click on Market Research Home.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required and is free.

Trade Events

Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

http://export.gov/southkorea/tradeevents/index.asp
Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government’s trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the U.S. Department of Commerce’s Trade Information Center at (800) USA-TRAD(E).

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.