



Doing Business in Korea:

2015 Country Commercial Guide for U.S. Companies

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Market Overview

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It has been over three 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, 2013 and 2014. Total U.S. exports to Korea in 2014 exceeded USD 44.5 billion.

Korea is the United States' seventh largest export market. The U.S. is the third largest exporter to Korea, with an 8.6 percent market share of Korea's total imports. Key competitors include China (17.1 percent), Japan (10.2 percent), and the EU's 27 nations (16.2 percent). Trade with China reflects significant re-export activity.

Korea's projected 2015 GDP growth forecast is 3.4%, according to the Bank of Korea. 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 434,000 in 2014, a 0.9% increase from 2013. This growing trend in local patent and trademark filings reflects a move toward more technology-intensive and capital-intensive industries and services.

Market Challenges

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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 negotiating Free Trade Agreements (FTA) with Korea.

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.

U.S. exporters of agricultural commodities also face market challenges related to import regulations and testing requirements. Please see the latest USDA/Agricultural Trade Office (ATO) Korea Export Guide at:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-16-2014.pdf

Market Opportunities

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The US\$1 trillion Korean economy is heavily-weighted towards 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, during 2014, President Park initiated numerous safety and security reforms and initiatives, which even included the complete reformulation of Korea's Coast Guard. Additionally, 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.

Market Entry Strategy

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- 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:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-16-2014.pdf

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

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COUNTRY FACT SHEET: KOREA, REPUBLIC OF

PROFILE

Population in May 2015 (Millions): 50.6

Capital: Seoul

Government: Republic

ECONOMY	2012	2013	2014
Nominal GDP (Current Billions US\$)	1,104	1,135	1,740
Nominal GDP Per Capita (Current US\$)	32,676	33,700	35,140
Real GDP Growth Rate (% change)	2.0	2.9	3.3
Real GDP Growth Rate Per Capita (% change)	1.7	2.4	2.8
Consumer Prices (% change)	2.2	1.3	1.3
Unemployment (% of labor force)	3.2	3.1	3.5

Source: The Economist Intelligence Unit

FOREIGN MERCHANDISE TRADE (US\$ Millions)

	2012	2013	2014
Korea, Republic of, Exports to World	548,076	559,632	572,665
Korea, Republic of, Imports from World	519,582	515,586	525,515
U.S. Exports to Korea, Republic of	42,318	41,555	44,544
U.S. Imports from Korea, Republic of	58,880	62,228	69,606
U.S. Trade Balance with Korea, Republic of	-16,562	-20,673	-25,062

Position in U.S. Trade:

Rank of Korea, Republic of, in U.S. Exports	8	6	7
Rank of Korea, Republic of, in U.S. Imports	6	10	6
Korea, Republic of, Share (%) of U.S. Exports	2.7	2.8	2.7
Korea, Republic of, Share (%) of U.S. Imports	2.6	2.6	3.0

Principal U.S. Exports to Korea, Republic of, in 2014:

1. Chemicals (15.6%)
2. Computer & Electronic Product (15.0%)
3. Machinery, exc. Electrical (14.1%)
4. Transportation Equipment (11.6%)
5. Food Manufactures (7.8%)

Principal U.S. Imports from Korea, Republic of, in 2014:

1. Transportation Equipment (31.5%)
2. Computer & Electronic Product (23.4%)
3. Machinery, exc. Electrical (8.6%)
4. Primary Metal Mfg (7.8%)
5. Petroleum & Coal Products (5.4%)

Foreign Direct Investment	2012	2013	2014
U.S. FDI in Korea, Republic of (US\$ Millions)	5,624	5,675	5,109
FDI in U.S. by Korea, Republic of (US\$ Millions)	2,656	2,885	2,676
<i>Korea EXIM Bank, US Bureau of Economic Analysis</i>			

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank “Ease of Doing Business” in 2014 Rank: 5 of 189
Heritage/WSJ 2015 Index of Freedom Rank: 29 of 178

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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>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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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 competed 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 20,000 Korean lawyers practicing in Korea.

Establishing an Office

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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/ikwork/iko/eng/main/index.jsp>) a government-sponsored, non-profit organization of the Korea Trade-Investment Promotion Agency (KOTRA; <http://english.kotra.or.kr/kh/index.html>).
- 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: https://www.kotra.or.kr/foreign/biz/KHENKO140M.html?TOP_MENU_CD=INVEST
- *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/ikwork/iko/eng/main/index.jsp>
- *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:

<http://export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp>

- 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. We of course recommend that anyone desiring to purchase land consult with a reputable Korean or U.S. law firm.
- *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>
- *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/>).

Franchising

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According to Korea FTC (Fair Trade Commission), in 2014, nearly 3,482 franchises were registered in Korea (i.e., approximately 2,521 were food service franchises, 313 were retail franchises, and 648 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 Korea FTC (Fair Trade Commission). Franchisors also need to report any revisions and/or changes in the disclosure documents. KOFAIR (Korea Fair Trade Mediation Agency), in behalf of the Korea FTC (Fair Trade Commission), would receive the 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 franchisees. 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 that offer 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 that wish to own their own business.

Potential franchisors should also be aware of issues relating to the Korean Commission for Corporate Partnership (KCCP). One of KCCP’s important roles is the designation of the industries reserved for small and medium enterprises (SMEs). Once designated, store expansions can be limited to certain geographic areas or nationwide expansion can be limited to certain of number of stores. In 2013, the KCCP designated several service providers, which included bakeries and restaurants, and some manufacturing industries as reserved for SMEs. The restrictions applicable to the relevant industries will be valid for 3 years.

Direct Marketing

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Despite a very intense brick-n-mortar retail environment -- over 70 percent of direct sales in Korea are made via the Internet and the mobile commerce market. For more information on internet and mobile commerce, please read the *eCommerce* leading sector in Chapter 4 of this 2015 Korea CCG.

As well, door-to-door sales, and multi-level marketing are other important direct sales channels. According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), door-to-door sales and multi-level marketing sales reached approximately USD 12 billion in 2013 up from USD 11 billion in 2012. The most common products sold through direct selling are: wellness products (38 percent), cosmetics & personal care products (24 percent), and household goods and durable products (13 percent).

Chart 1: Consumer Sales in Korea via ‘Direct Selling’ by Product Category – 2014

Source: World Foundation of Direct Selling Association (WFDSA), 2014

Door-to-Door Sales

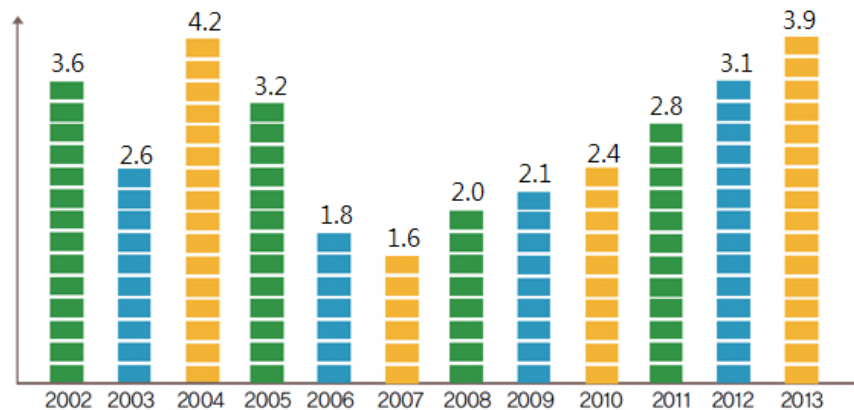
Door-to-door sales remained at USD 8 billion from 2011 to 2013. According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), the number of companies registered as door-to-door sales company decreased to 22,537 in 2013 from 26,711 in 2012 due to 'market restructuring' and the growth of eCommerce. This stagnant growth trend would remain in the future and could be a by-product of the growth in eCommerce.

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).

Chart 2: Consumer Sales in Korea via 'Multi-Level Marketing'- 2013 (in billions of USD)



Source: Korean Fair Trade Commission (FTC)

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 consumer. 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.

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

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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 opportunities. Consult: <http://www.pps.go.kr/english/>.

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 procurement. Consult: <http://www.ustr.gov/>.

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 62-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

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South Korea is 70 percent mountains, forcing its 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 **15 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 (See Chapter 4 of this CCG and the Leading Aerospace Sector for additional information on Korea's airports).

The Port of Busan is the world's fifth largest cargo port. As well, Incheon Airport is building a new terminal (to be completed in 2017) and a new airport is being contemplated for Korea's southeastern Region presently being served by Busan's Gimhae Airport.

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, and Lotte Mart as well as Homeplus by TESCO, a UK retailer.

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 from 2012 to the present seeking introductions to U.S. name-brand retailers and anchor stores for their three to five year mall construction plans.

CS Korea, in 2013, completed a 15-page Industry Sector Analysis (ISA) on the Retail Sector. This document can be found under 'market research' on CS Korea's website www.export.gov/southkorea, or by going to: http://www.buyusainfo.net/docs/x_5923414.pdf.

As well, CS Korea in April 2015 completed a 16-page International Market Insight (IMI) describing how Koreans make purchases from foreign online retailers. This IMI document can be found under 'market research' on the CS Korea's website www.export.gov/southkorea, or by going to: http://buyusainfo.net/docs/x_958961.pdf.

Selling Factors/Techniques

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Korea is a country with intense, demanding and eager consumers. As well, Korea's retail sector is popular among the over 6M Chinese visitors (as of 2014) that visit Korea every year (up from 4.3M in 2013). 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.

Electronic Commerce

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E-commerce is a key component of the overall consumer market in Korea, a country with nearly 100 percent broadband Internet penetration, and over 70 percent smartphone phone penetration.

The domestic eCommerce industry in 2014 was \$43 billion, up from \$36 billion in 2013. Korea's eCommerce industry is about 16.9 percent of Korea's total retail industry and is worth about \$253 billion. Given Koreans' propensity to do everything on-line, eCommerce is expected to continue to grow in the coming years.

Online purchases from foreign, non-Korean retailers have also been rapidly increasing as Koreans find less expensive prices on overseas websites even after adding-in international shipping fees and import duties. Online purchases by Koreans reached \$1.5 billion in 2014, up from \$274 million in 2010. In 2015, on-line purchases from foreign retailers are expected to grow to become one percent of Korea's total retail industry.

Many Koreans plan to increase their foreign, on-line purchases which are expected to reach \$8 billion by 2018. U.S. firms should carefully develop a thorough strategy for promoting their products to Korean consumers via E-commerce.

CS Korea completed a 16-page International Market Insight (IMI; April 2015) describing how Koreans make purchases from foreign online retailers. This IMI document can be found under 'market research' on the CS Korea's website www.export.gov/southkorea, or by going to: http://buyusainfo.net/docs/x_958961.pdf.

Trade Promotion and Advertising

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The U.S. Government's primary trade promotion agency in South Korea is the U.S. Commercial Service. Located at the U.S. Embassy in Seoul, it is an agency within the Department of Commerce, International Trade Administration. 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 overseas 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. It has seven 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 4,000 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> - 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/index.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 - 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/> - 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 2014, the market size of online advertising was US\$2,773,055,028, growing by 19% compared to the previous year. Display ads account for 23%, search ads for 48%, and mobile ads for

29% 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>

- The presence of over 3,031 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 influenceConsult: 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 is 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 <http://www.tvchosun.com/main.html>, 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 <http://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 Korea Advertising Review Board** (KARB: <http://www.karb.or.kr/>) is responsible for advertising regulation & compliance and the Korean Fair Trade Commission (KFTC) (<http://eng.ftc.go.kr/>) assures accuracy in advertisement.
- 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.
- There are six popular shopping channels in Korea: CJ, Hyundai, GS, Lotte, NS, and Home & Shopping. Sales revenue in 2014 was US \$4 billion.

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

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Considered secondary to product and price considerations, after-sales service in Korea is often found lacking by foreign suppliers. After-sales service and customer support by Korea's big conglomerates such as Samsung and LG are often seen as better than that offered by global enterprises or international SMEs. Korean consumers are very demanding in terms of customer support. After sales service and customer service 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.

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.

For U.S. small- and medium-size companies, the U.S. Department of Commerce provides one hour of free legal advice via the "SME IP Advisory Program" of the American Bar Association. Consult:

http://apps.americanbar.org/intlaw/intlproj/iprprogram_attorneys.html.

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 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

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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

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

Agents/distributors:

<http://export.gov/southkorea/usefullinks/usefulcontactsregardingagentsdistributors/index.asp>

Law firms: <http://export.gov/southkorea/usefullinks/lawfirms/index.asp>

Major banks: <http://export.gov/southkorea/usefullinks/majoruskoreanbanks/index.asp>

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://www.export.gov/fuse/> for more information.

Web Resources

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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>

Banks in Korea:
<http://export.gov/southkorea/usefullinks/majoruskoreanbanks/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):
<http://www.kipo.go.kr/kpo/user.tdf?a=user.english.main.BoardApp&c=1001>

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/>
Incheon: <http://www.incheon.go.kr/icweb/html/web39/039.html>

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.a
sp](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/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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Aerospace Industry

ITA CODE: PR AIR

Overview

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	2012	2013	2014	2015 (Est.)
Total Market Size	5,193	5,766	6,402	6,393
Total Local Production	2,697	3,606	4,339	5,317
Total Exports	1,366	1,652	1,983	2,723
Total Imports	3,862	3,812	4,046	3,799

Source: Korea Aerospace Industries Association (KAI). Unit: USD Million.

Korea is the 13th largest market for U.S. aerospace exports. In 2014, total U.S. aerospace exports to Korea exceeded USD 2.9 billion (including aerospace products in the defense sector). In total value, U.S. aerospace sales constituted about 40 percent of Korea's total aerospace imports in 2014.

Over 99 percent of all aerospace imports into Korea are for commercial and defense aircraft and their parts and components. Of this, 40 percent of Korea's aircraft, parts and component imports were from the U.S. in 2014.

While imports are a significant portion of Korea's high technology and aerospace products, Korean President Park's stress on the 'creative economy' is giving more importance on the development and export of Korean indigenous technologies. Korea's indigenous aerospace industry includes the production of military helicopters, super-sonic training jets (the T-50 was Korea's first supersonic jet developed indigenously 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. Although products are still in production Korea is making advances with their sophisticated indigenous products by securing the sale and export of such products as:

- Korea's supersonic trainer jet, the T-50 (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 "*Aerospace Industry Primary Plan (2010 – 2019)*" aims to raise Korea's 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. The industry plan aims to take Korea from 16th place -- to the world's seventh largest aerospace producer. Additionally, the goal is to: push Korean industry into importing 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;
- 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.koreaaero.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 aircraft.

In 2015, KAI won the KF-X project - Korea's next generation fighter jets. The Korean government will invest 17 billion USD in the KF-X program until 2025.

Commercial Airliners

KAL has a total of 151 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 84 aircraft. Additionally, there are five Low Cost Carriers (LCC): Jeju Air, Jin Air, Air Busan, Eastar Jet, and T'Way Air. In 2014, 11.5 percent of all international travelers and 51.2 percent of domestic travelers used LCCs. LCCs demonstrated a dramatic sales revenue growth of 200~300 percent in the past two 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 MSIFP, 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.

Following is the budget allocated for space development announced by the Ministry of Science, ICT, and Future Planning:

(Unit: USD Thousand)

Project Name	2014	2015	Increase
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	Budget	Budget	rate (percent)
Korea Multi-Purpose Satellite Development	7,293	8,242	13
Geostationary Satellite Development	39,127	64,416	65
Small Satellite Development	7,255	8,800	21
Korean Rocket Launcher Development	213,636	232,273	9
Space Core Technology Development	20,909	21,688	4
Next Generation Medium Size Satellite Development	0	2,727	New Budget
Building Science Rocket Center	0	909	New Budget
Space International Cooperation Support	91	118	30
Space Technology Development Planning Review and Evaluation	818	727	11
Total	289,129	339,901	18

Source: Ministry of Science, ICT, and Future Planning

Following is the list of Korean satellites:

Upcoming Korean Satellite Programs			
Type	Satellite Name	Launched Date	Rocket Launcher
Communication and Broadcasting Satellite	KOREASAT 5A	2016 (4th quarter) Scheduled	U.S.Space X 'Falcon 9'
	KOREASAT 7	2016 (4th quarter) Scheduled	France Arianespace 'Ariane 5'
	KOMPSAT-3A	2015.3	Ukraine Yuzhnoye 'Dnieper'
	KOMPSAT-5	2019 Scheduled	TBD
	KOMPSAT-6	2020 Scheduled	TBD

Note: For a list of all Korea's satellite programs beginning in 1999, please contact Sunny Park.

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 ten years 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. 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.

Incheon Airport is presently building a second terminal. This 4.6 billion USD project is scheduled to be completed by 2017. This expansion will correspond to increased international travelers and will improve its strength as an international hub airport. With the second terminal, Incheon International Airport will be able to accommodate 6.2 million travelers and 1,000 airplanes.

At the end of 2015, the Ministry of Land, Infrastructure, and Transport (MOLIT–<http://english.molit.go.kr/intro.do>) will start construction of two new small airports in Ulleungdo (by 2020) and Heuksando (by 2019), designed to accommodate small aircraft with less than 50 passengers.

In February 2015, MOLIT (Airport Policy Division) initiated a feasibility study on a new airport in Korea's southeastern region. This feasibility study is planned to be carried out for about a year. Based on the result of this study a decision will be made as to whether to construct a new airport in the southeastern region and specifically where to build it.

Best Products/Services

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- Aircraft and aircraft upgrades
- Radar/surveillance devices
- Avionics
- Parts and components & MRO

Opportunities

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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, due to the tremendous growth of low cost carriers (LCCs) in Korea, and due to Korea's recent decision to purchase next generation fighters (40, RF-35s) and other defense aircraft. This will increase demand on MRO services in the future.

For Korea's commercial airliners, media sources have disclosed the following procurement plans:

- Korean Air will acquire four B747-8i, six B777-300ER, four A330-300, four B737-800 in 2015. They will also acquire new cargo planes including one B747-8F by 2015 and Six B777-F by 2016.
- Asiana Air will acquire two A380, two A320 in 2015 and two more A380 in 2016. They will also acquire thirty A350 and twenty five A321 NEO by 2025.
- Jeju Air will acquire four new 737-800 aircraft by 2015;
- Eastar Jet will acquire three B737-800s by 2015;
- Jin Air will acquire six more aircraft including four B737-800 and two B777-200ER.

KORUS FTA Impact

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All of the U.S. aerospace exports are duty-free as of March 15, 2012 as a result of the Korean-U.S. Free Trade Agreement (KORUS).

Resources

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Trade Shows

Seoul International Aerospace & Defense Exhibition 2015 (Seoul Air Show 2015)
October 20 - 25, 2015 - <http://www.seouladex.com/eng/main.asp>

For a complete list of the few small defense and aerospace trade shows please contact Commercial Specialist Ms. Sunny Park. The Seoul Air Show is Korea's premier aerospace and defense trade show.

Key Contacts

Korea Aerospace Industries Association (KAIA) – <http://www.aerospace.or.kr/dbhome/user/aeroe>
Korea Aerospace Research Institute (KARI) – <http://eng.kari.re.kr/>
Ministry of Knowledge Economy (MKE) - <http://english.motie.go.kr/>
Ministry of National Defense (MND) - http://www.mnd.go.kr/mbshome/mbs/mnd_eng/
Ministry of Science, ICT, and Future Planning (MSIP) – <http://english.msip.go.kr/index.do>
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/wwweng/subIndex/4397.do>

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Cosmetics

ITA CODE: COS

Overview

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	2011	2012	2013	2014
Total Market Size	5,947	6,236	6,962	7,767
Total Local Production	5,763	6,326	7,280	8,519
Total Exports	805	1,067	1,290	1,800
Total Imports	989	978	972	1,048
Imports from the U.S.	257	270	285	323

Exchange Rate: USD1=KW1,108 (2011), 1,126 (2012); 1,095 (2013); 1,053 (2014)

Sources: Korea Pharmaceutical Traders Association (KPTA), Korea Cosmetic Association (KCA)

Unit: USD million

Total market size: Total local production – total exports + total imports

Korea is the 10th largest cosmetics market in the world, representing nearly 2.8% of the global market. In 2014, the size of Korean cosmetic market was estimated to be USD 7.8 billion, 11.5 % of increase from the previous year. This market is expected to grow at an average annual rate of approximately 7-8% over the next three years.

Meanwhile, total imports of cosmetics in 2014 reached USD 1 billion, which increased by 7.8% compared to the previous year. Of these, U.S. imports were USD 323 million representing approximately 30.7% of import market share. On a country by country basis, the U.S. is the lead importer, followed by France (USD 298 million) and Japan (USD 121 million).

According to Korea Customs Service statistics, skincare, haircare, and make-up products captured 81.3% of total cosmetic imports in 2014. Skincare products continued to be the largest import category with USD 749 million, accounting for 55.9% of total import market. Imports of skincare products from the U.S. in 2014 rose 17.4% to USD 277 million from USD 236 million in 2013. The U.S. maintained its position as the largest exporter with 37% market share in the skincare products, followed by France (24.6%) and Japan (11.1%).

The hair care product category which includes shampoos, rinses, preparations for hair perms, hair lacquers, hair creams, and hair dyes has become the second largest import category representing 14.3% of import market share. In this category, the U.S. ranked number one with USD 64 million (33.3%) in 2014, a 21.2% increase of the previous year. Japan was second with USD 42 million (21.9%) and the third place was taken by Thailand with USD 33 million (17.4%).

Imported cosmetics take approximately 40% market share in Korea. 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. Imported cosmetics are primarily sold through department stores (31.9%), with some sold through multi-level marketing (17.7%), hypermarkets (12.3%), online sales (10.2%), brand shops (8.4%), clinics/drug stores (4.0%), home shopping channels (2.5%), and duty free shops (1.9%).

The significant features of Korean cosmetics distribution in 2014 include the stagnation of the premium end market while the lower-priced, mass market is booming. Consumer buying habits are changing; they are focusing on purpose and functionality rather than brand awareness. This change of consumption pattern directly affected the distribution structure, resulting in the rapid growth in low- and middle-priced market including brand shops, TV home shopping and online shopping while the high-priced market of door-to-door sales and department stores strived to hold the line.

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.

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.

Best Prospects/Services

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- Convergence/multifunctional products such as a combination of aging-care, skin whitening, and/or sunscreen.
- Functional cosmetics
- Natural/organic skincare products
- Hair care cosmetics with special functions (e.g., to protect against hair loss)
- Men's cosmetics from simple skincare to facial scrubs, facial masks, SPF products and other functional products

Opportunities

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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.

Since the demand for new retail channels has become bigger, various channels such as select shops and multi shops are entering the market. For example, Belport, benchmarking Sephora, launched its first store in September 2014. It then quickly expanded its footprint in Korea, and we continue to monitor its development. In 2015, it is

expected that select shops similar to retail multi shops, brand shops would become the primary distribution channel.

In addition, 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.

Resources

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Trade Shows

Seoul Cosmetics & Beauty Expo 2016

<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

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Defense Industry Equipment

ITA CODE: PR DFN

Overview

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The Republic of Korea (ROK) has the world's sixth largest military force following China, U.S., India, Russia, and North Korea. South Korea's defense industry has grown far faster than the regional average in recent years in order to face the increasingly antagonistic actions of North Korea. Korea continues to be a major defense and security ally of the U.S. in the Pacific region.

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), Ministry of National Defense (MND) has announced *Defense Reform Plan 307* (DRP 307) in 2011 consisting of short-term plans (2011-2012), mid-term plans (2013-2015), and long-term plans (2016-2030). DRP 307 is mainly designed to strengthen the defense against North Korea's localized military attacks and asymmetric threats as well as optimize a military command structure. In 2014, MND announced its Defense Reform Mid-term Plan 2016-2020 and stated that 212.5 billion USD will be allocated for the next five years to: 1) improve overall conditions ROK military forces, 2) re-prioritize the military power focusing on Kill Chain and Korea Air and Missile Defense (KAMD), 3) optimize the troop structure, and 4) increase defense R&D initiatives.

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 take a head start in attacking the nuclear weapon within 30 minutes. The Kill Chain's main attack means are the fighters and bombing aircraft of the Navy and Air Force. Korea Air and Missile Defense (KAMD) is a lower ground (approx. 20km above ground) defense system where patriot missiles, AMD cells and early warning radar play an indispensable roles. Some of the major procurements of the ROK government are decided on based on establishing these two systems, which includes HUAV (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 this new threat assessment. It is also expected that the force improvement plan will focus more on command and control, surveillance, maritime patrol/littoral support and armor.

Market Demand

	2012	2013	2014 (Estimated)	2015 (Projected)
Total Market Size	9,386	13,055	16,261	11,493
Total Local Production	9,586	10,666	10,719	10,773
Total Exports	2,353	3,416	3,600	3,780
Total Imports	2,153	5,805	9,142	4,500

Exchange Rate: 1USD is equivalent to 2012: 1,126 won, 2013: 1,069 won, 2014: 1,054 won, and 2015: 1,100 won.

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.

** In an effort to modernize the force and in part to meet the Alliance's operational requirements, the ROK government has initiated \$12-14 billion worth of U.S. Foreign Military Sales (FMS) acquisition programs over the past three years, an amount that exceeds the cumulative ROK defense procurements for the proceeding decade. The ROK government recently approved the acquisition of the Global Hawk Unmanned Aerial Vehicle, AH-64E Apache Heavy Attack Helicopters, the F-35 Joint Strike Fighter, and Patriot PAC-3 upgrades. Along with these significant U.S.-origin defense items, the ROK is pursuing an ambitious domestic procurement plan, with its KF-X advanced fighter, Long Range Surface-to-Air Missile (L-SAM) system, Medium Range Surface-to-Air Missile (M-SAM) system, and others. Currently, the ROK government is also seeking to acquire four Aerial Refueling Tankers at a cost of \$1.3 billion.*

For 2015, a total of USD 34.05 billion has been announced for Korea's defense budget which includes USD 24.04 billion for the force improvement plan (FIP). The total budget and FIP budget has both increased by 4.9 percent compared to the previous year. Korea's defense budget is around 2.3 percent of its GDP and constitutes about 9.99 percent of total national budget and Korea is the 10th country in the world for the defense spending budget.

Breakdown	2014	2015
Total Defense Budget	32,459	34,050
Force Improvement Plan (FIP)	9,554	24,038
Operation & Management (O&M)	22,905	10,012

Unit: USD million

'14,'15 Currency rate 1 USD = 1,100 KRW

Following is the major plans and budgets allocated under FIP which is part of the Defense Reform Mid-term Plan announced by MND in 2014:

Improving Core Military Strength	Ensuring Necessary Power for Reorganization of Unit
<ul style="list-style-type: none"> • Kill Chain (5.5 billion USD) <ul style="list-style-type: none"> - Secure pinpoint strike capability, HUAV, long range air to surface missile, GPS guided missile • KAMD (2.5 billion USD) <ul style="list-style-type: none"> - Build capability to strike North Korea's missile before it hits the ground, PAC, GEMT, M-SAM's improvement • Enforcing battle capability (1.6 billion USD) <ul style="list-style-type: none"> - Enforce Corp's UAV capability, new detect radar, long range fire control, main facility surveillance system and harbor surveillance system. 	<ul style="list-style-type: none"> • Ensuring surveillance and command capability (4.7 billion USD) <ul style="list-style-type: none"> - Division patrol UAV, thermal detection devise, TICN (Tactical Information Communication Network) • Improving combat strength of battalion (2.2 billion USD) <ul style="list-style-type: none"> - Multipurpose observation glasses, improved 81mm mortar and new 7.62mm machine gun • Building necessary facilities for reorganization of unit (1.2 billion USD)

Enhancing Defense Capability	National Defense R&D and Defense Industry Development
<ul style="list-style-type: none"> • Ensuring real time surveillance, and status sharing (1 billion USD) • Multidimensional high-speed maneuver warfare (4.6 billion USD) <ul style="list-style-type: none"> - Bullet proof command and combat vehicle, improve LAH and K9 self-propelled artillery • Securing maritime control & landing operation (10 billion USD) <ul style="list-style-type: none"> - Build Jang Bo Go -3, Ulsan class convoy, high speed boat, landing ship • Securing air superiority and pinpoint strike capability (11 billion USD) <ul style="list-style-type: none"> - KF-X, air tanker, multipurpose cluster bomb • Ensuring survivability & continuous combat capability (0.36 billion USD) <ul style="list-style-type: none"> - New CBR mask, 30mm multi anti-aircraft firearm 	<ul style="list-style-type: none"> • Improve R&D environment <ul style="list-style-type: none"> - Increase R&D budget percentage from 6.5 percent to 8.4 percent of the total defense budget by 2020 • Creating Innovative economy by collaborating military and commercial sector <ul style="list-style-type: none"> - Technology transfer • Support defense export and its competitiveness <ul style="list-style-type: none"> - Export T-X (to U.S.) - Increase export from 3.6 billion USD (2014) to 5 billion USD by 2020 • Ensuring creative national defense <ul style="list-style-type: none"> - Apply IoT, ICT, rail gun and etc.

Korea has announced the following plans on acquisition contracts of several major defense projects:

- Marine Operation Helicopter: Acquisition of 12 naval combat helicopters
- KF-16: Improvement of combat planes by 2021 at a cost of USD 1.6 billion by 2021
- P-3C Marine Patrol Aircraft: Improvement of marine patrol aircraft
- Aerial Refueling Tanker: Acquisition of 4 aerial refueling tankers worth USD 1.4 billion by 2018
- PAC-3 Missile: Acquisition of 136 ballistic missile worth USD 0.2 billion by 2018
- Maritime surveillance aircraft: Acquisition of 20 maritime patrol aircrafts
- LAH/ LCH: Research and development project worth USD 0.7 billion by 2022
- THX (Basic Flight Training Helicopter): Acquisition of 42 training helicopters worth USD 0.1 billion from 2016
- KF-X: Developing a new Korean fighter jet; 120 fighters will be manufactured by 2025 at a cost of USD 16 billion.
- KF-X engines: 120 fighter aircraft engines are needed.
- Aegis KDX-III Batch-II will apply U.S. Aegis battle system by 2028

Source: DAPA and media

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

Indigenous technology and the drive for defense exports

In 2014, around 6.5 percent of the total budget was allocated to the defense research and development. MND has announced its plan to increase defense R&D budget up to 8.5 percent of the total defense budget by 2018 and maintain 15 percent level in future. To develop high added-value core technologies dominated by a few defense technologies and leading countries, around 10 percent of Korea's total defense R&D budget will be allocated for the development of these core technologies and the budget will be increased up to 15 percent in the future. With current government putting a great emphasis on the indigenous technology development, the ROK government set up in 2014 a Defense Technology Support Center under ADD (Agency for Defense Development). DTSC will run as an independent entity by 2017. The Korean government is continuously supporting various indigenous technology development programs including Korean helicopter, fighter jet, cruise missile, destroyer ship, and various sized-UAVs.

In 2014, total exports of defense products exceeded USD 3.6 billion, almost triple the amount in 2010 (USD 1.18 billion). Korea is becoming an active player and one of the top countries in the Asia in defense exports. Korea not only increased its exports regionally but also managed to export at a global level, expanding to Europe and South America. Korea exported its defense products to 47 countries in 2006 and utilized some 47 Korea defense companies to do so. In 2014 Korea exporting and expanded its defense exports to 80 countries utilizing some 119 Korean companies to do so. exporting. In the past Korea exported mostly ammunition and fire extinguishers; currently Korea is exporting warships, submarines, propeller training aircrafts and, most recently, light supersonic combat aircraft.

Market Access & Obstacles

The ROK's defense procurement agency, Defense Acquisition Program Administration (DAPA) is a sole government agency in conducting and executing the procurement of defense equipment. Established in 2006, DAPA is the primary government agency conducting ROK's defense procurement and is the only agency that is authorized to negotiate on behalf of the Ministry of National Defense (MND) for defense products and services, as well as being the only agency that can authorize offset credits, dictate terms and conditions, 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. A large portion of Korea's defense products for export are a result of DAPA's defense offset program.

In 2010, DAPA announced new guidelines on the utilization of commissioned agents. The new policy requires DAPA to enter into contract directly with foreign prime contractors without the intervention of commission agents 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.

US Position in Korea's Defense Industry

There are over 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 regards to relocating the U.S. troops in Yongsan, Seoul to Pyeongtaek, south of Seoul and 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.

For 61 years the U.S. has been Korea's most significant military ally, owing largely to the presence of U.S. troops in Korea as a deterrent to any aggression from North Korea. U.S. standards are generally accepted in Korea and most Korean defense systems are based on American standards. This has affected defense procurement decisions. U.S. provided weapon systems to Korea totaling USD 1,931 million in 2012, which accounts for 87 percent of Korea's total defense imports.

Although, the U.S. continues to be a primary supplier in Korea, the U.S.'s strict export control policies and the aggressive marketing of European and Israeli suppliers come as a challenge for U.S. firms.

Commercial sales (called 'DCS' or Direct Commercial Sales) in the defense industry account for 44 percent (an average from 2009-2013) of DAPA's procurement. It should be noted that over the last two to three years the ROK government has shown its preference for DCS over Foreign Military Sales (FMS) in an effort to purchase items at a less expensive price range. DCS procurements/purchases are also simpler and faster.

End-users

The principal point of contact for major defense projects are the service branches (ROKAF, ROKA, ROKN) and DAPA (Defense Acquisition Program Administration). These branches of the military conduct their procurement of 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 etc.

Sub-Sector Best Prospects

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- C4ISR
- Military Aerospace (fighters, multi-role airlift aircraft)
- Avionics
- Maritime Defense Electronics and Systems

Opportunities

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- Aircraft Upgrade (fighters, multi-role airlift aircraft)
- Asymmetric warfare/littoral/coastal surveillance and patrol
- Support for Combat Equipment (Fighter aircraft, etc.)

Web Resources

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Trade Shows

Seoul International Aerospace & Defense Exhibition 2015 (Seoul Air Show 2015)
October 20 - 25, 2015 - <http://www.seouladex.com/eng/main.asp>.

Naval & Defense 2015
October 20-23, 2015 - <http://www.marineweek.org/eng/index.asp>

Defense Expo Korea (DX Korea) 2016
September 7 -10, 2016 - <http://www.dxkorea.org/>

For a complete list of the niche defense and aerospace trade shows please contact Commercial Specialist Ms. Sunny Park. The Seoul Air Show is Korea's premier aerospace and defense trade show.

Key Contacts

Defense Acquisition Procurement Agency (DAPA) –

http://www.dapa.go.kr/mbshome/mbs/dapa_eng/

Ministry of National Defense (MND) – http://www.mnd.go.kr/mbshome/mbs/mnd_eng/

Agency for Defense Development (ADD) – <http://www.add.re.kr>

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E-Commerce

ITA CODE: ECC

Overview

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E-commerce is a key component of the overall consumer market in Korea, a country with nearly 100 percent broadband Internet penetration, and over 70 percent smartphone phone penetration. Characteristics of e-commerce in Korea include:

- Domestic online purchases, including purchases on PC and mobile phones, reached \$43 billion in 2014 up from \$36 billion in 2013. Domestic electronic commerce, in 2014, comprised 16.9 percent of Korea's total retail industry and was worth \$253 billion.
- High penetration of smartphones is the main factor driving market growth. While purchases on PCs decreased from \$30 billion in 2013 to \$29 billion in 2014, purchases on mobile phones increased from \$6 billion in 2013 to \$14 billion in 2014.
- The most popular products sourced from domestic online retailers are: fashion (18 percent), travel & other services (17 percent), home & car accessories (12 percent), IT (11 percent), and food (8 percent).
- Online purchases from foreign retailers have also been rapidly increasing because Koreans find less expensive prices on overseas websites even after adding-in international shipping fees and import duties. It reached \$1.5 billion in 2014, up from \$274 million in 2010. In 2015, on-line purchases from foreign retailers are expected to grow to one percent of Korea's total retail industry.
- Under the KORUS FTA, *express courier service mailed goods*, under \$200, are duty free when sourced from the U.S., and, 'made in the USA' items under \$1,000 are exempt from KORUS FTA documentation.
- Multi-brand on-line retailers such as Amazon.com and eBay are the most frequently used foreign on-line shopping sites visited by Koreans.
- The most popular sourced products by Koreans of products from foreign on-line retailers are: apparel (19 percent), dietary supplements (14 percent), footwear (13 percent), food (11 percent), cosmetics (11 percent), and handbags (8 percent).
- Following the implementation of Korea's privacy for personal data in 2014, Korea Customs continues to push *importers of record* to clear shipments with a Customs Clearance Indigenous Code (CCIC), a Korea Customs-issued ID number, rather than a national ID number.
- 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.

CS Korea completed a 16-page International Market Insight (IMI; April 2015) describing how Koreans make purchases from foreign online retailers. This IMI document can be found under 'market research' on the CS Korea's website www.export.gov/southkorea, or by going to: http://buyusainfo.net/docs/x_958961.pdf.

Best Products/Services

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- Fashion: Apparel, footwear, and accessories
- Dietary supplements
- Food
- Cosmetics
- Travel and other services

Opportunities

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Many Koreans plan to increase the amount of their purchases from foreign online retailers. Purchases from foreign online retailers were \$1.5 billion in 2014, and is expected to reach \$8 billion by 2018.

U.S. firms should carefully develop *a thorough strategy* for promoting their products to Korean consumers via E-commerce.

Resources

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Trade Shows

FCS Korea was not been able to identify any trade shows focusing on electronic commerce. Although *Coupang*, a major social commerce company in Korea, had an exhibit booth at *Korea Pet Show 2014*. At present, it is not common for on-line retailers to participate in trade shows.

FCS Korea does have an extensive list of Korean retail trade shows which can be obtained upon request. However most of these trade shows tend to be B2C instead of B2B.

Key Contacts

Ministry of Trade, Industry and Energy (MOTIE) -

<http://www.motie.go.kr/language/eng/index.jsp>

Ministry of Strategy and Finance (MOSF) - <http://english.mosf.go.kr/>

Korea Customs Service (KCS) -

<http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english>

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Education Services

ITA CODE: SV EDS

Overview

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	2013	2014 (est.)	2015 (estimated)	2016 (estimated)
Total Market Size	42,409	41,280	39,750	38,460
Total Local Production	38,361	37,570	36,252	35,180
Total Exports	70	95	107	120
Total Imports	4,118	3,805	3,605	3,400
Imports from the U.S.	1,030	982	955	910
Exchange Rate: 1 USD	1,095	1,053	1,100	1,100

Sources: Bank of Korea, Ministry of Education, Science & Technology, and Statistics Korea. Note: Total Market Size = Total Local Production + Total Imports – Total Exports. Total Local Production=Total educational expenditures by Korean families. Total Exports=Total educational expenditures of foreign students in Korea. Total Imports =Total educational expenditures of Korean students studying abroad. Imports from U.S = Total educational expenditure of Korean students studying in the U.S. Unit: USD millions.

Education, from pre-kindergarten to college, has played an extremely significant role in Korean culture for millennia. Education is a very important ‘ingredient’ of the Korean economy and the Korean ‘psyche’. While this market is very attractive to a wide-s swath of the U.S. educational industry, it has become, over the last six years, an increasingly tough market for a number of reasons. Good opportunities do exist, albeit with smaller numbers of U.S.-bound Korean students, if and when U.S. educational entities are prepared to meet a highly sophisticated, demanding, and brand-oriented market. This U.S. service export to South Korea constitutes 11 percent of our service exports to our sixth largest trading partner. According to the Organization for Economic Cooperation and Development (OECD), Korea is one of the world’s largest investors in education among developed countries. As a country, Korea’s educational system is consistently ranked as one of the top three in all major global educational indices.

Korea’s dynamic and constantly evolving education market is best characterized by the speed and power of the referrals and information that flow by word-of-mouth. Changes occur in this sector, most promulgated by the Ministry of Education, almost on a monthly basis. This desire and tendency to ‘change’ the educational landscape is one of the challenges encountered by many education service providers (Korean, U.S. or foreign service providers). 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. Thus Korean students and their parents are quick to abandon one program and move on to new opportunities.

From about 2008 to 2013, the Korean educational market changed fairly dramatically, and it is continuing to evolve. Bottom-line, to attract Korean students and penetrate the dynamic and highly saturated Korean education market, U.S. educational entities should not make the episodic/once-a-year-trade-fair -- but rather take an approach based on: *a creative, dynamic, an on-going and growing relationship with Korea, with Korean students, their schools, and with Korean parents.* This approach ensures a more permanent, consistent and profound commitment to the market.

According to the Student and Exchange Visitor Information System (SEVIS), a total of 87,384 Korean students are currently enrolled in U.S. institutions (1st quarter of 2015). 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. With the lowest birthrates in the world with around 1.2 children per family, the total number of Korean high school graduates is expected to decline by 37 percent within a 10 year period, from 631,000 (2013) to 397,000 by 2023. This has started to have a serious impact on both Korea's existing educational system as well as the number of students that will travel abroad for their studies.

There are over 175 four year universities and over 145 two year community colleges in Korea. These universities average 15 to 30 buildings/structures. Maintaining this developed infrastructure in light of a severely decreasing student body is a major concern of the Ministry of Education.

Although a university's reputation is still a key element for a Korean student seeking a 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 four-year school or state university with less expensive living costs. Another noticeable trend is that the fields of study of Korean students in the U.S. have now become more diversified (and promoted by the Ministry of Education). Currently 30 percent of Korean students are seeking STEM majors, while 17 percent are studying business management, 13 percent are studying fine and applied arts, while 12 percent are studying social studies. The remaining 4 percent are enrolled in English language programs.

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- Community colleges
- One or two-semester exchange programs for college students

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Korean parents are increasingly more and more savvy about how they acquire 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.

Additional opportunities, insights and strategies about Korea's education sector and how to enter it -- can be found in the eight-page International Market Insight (IMI) document on the Korea's educational market which can be found at:

<http://buyusainfo.net/info.cfm?loadnav=&id=14272754&keyx='36CD131BDFE060A77D5FFA1F15084C79>.

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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/>

For a complete listing of all of Korea's many educational trade shows please go to the above mentioned IMI, or
<http://buyusainfo.net/info.cfm?loadnav=&id=14272754&keyx='36CD131BDFE060A77D5FFA1F15084C79>.

Key Contacts

Ministry of Education - <http://english.moe.go.kr/enMain.do>
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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Energy: New and Renewable (NRE)

ITA CODE: PR REQ

Overview

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	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	4,197	5,412	5,828	6,583
Total Local Production	5,744	6,863	7,381	8,336
Total Exports	2,523	2,604	2,808	3,119
Total Imports	976	1,153	1,255	1,366
Imports from the U.S.	NA	NA	NA	NA
Korean government investment plan	886	777	761	709
Exchange Rate: 1 USD	1,126	1,095	1,053	1,100(est)

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

Sources: Korea Energy Management Corporation (KEMCO), Statistics Korea (KOSTAT), and other industry sources.

Note: The above statistics are unofficial estimates by Commercial Service Korea, based on above information sources.

South Korea retains industries that are highly energy intensive (i.e., ship, oil and petrochemical, cement, steel etc.). Given that the country also lacks sufficient natural resources, it relies on imported energy sources to meet almost 96% of its energy requirements. Korea is considered the world's fifth largest importer of crude oil, second largest importer of liquefied natural gas, and the fourth largest importer of coal. According to Korea Electric Power Corporation (KEPCO), these fossil fuels accounted for approximately 70% of Korea's power generation in 2013. South Korea is also ranked as one of the largest CO₂ emission countries in the world. In an effort to mitigate the effects of overdependence on imported energy sources, South Korea has taken measures to expand the deployment of new and renewable energy.

Generally, in terms of deployment, the supply of new and renewable energy was 5.8 million TOE for 2008 and 9.8 million TOE in 2013, respectively, with a 2008-2013 CAGR (Compound Annual Growth Rate) of 11%.

[Table 1 New and Renewable Energy Supply]

2008	2009	2010	2011	2012	2013
5,858	6,086	6,856	7,582	8,850	9,879

Source: KEMCO (Korea Energy Management Corporation), Unit: Thousand TOE (Ton of Oil Equivalent)

Korea's Renewable Portfolio Standard (RPS) quota % mandate took effect in 2012. State-owned power generation companies (GENCOs) and independent power producers (IPPs) that generate over 500MW are required to include a certain percentage of new and renewable energy in their production portfolio. GENCOs and IPPs that meet 500MW threshold must generate 10% of its electricity from new and renewable energy by 2024. Due to the difficulties of meeting the Renewable Portfolio Standard (RPS) quota %, the 10% target by 2022 has been postponed to 2024, with revised target goals in the intervening years as shown in table 2-2.

[Table 2-1 Previous: Renewable Portfolio Standard (RPS) quota%]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2%	2.5%	3%	3.5%	4%	5%	6%	7%	8%	9%	10%

Source: KEMCO (Korea Energy Management Corporation)

[Table 2-2 Revised: Renewable Portfolio Standard (RPS) quota %]

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2%	2.5%	3%	3%	3.5%	4%	4.5%	5%	6%	7%	8%	9%	10%

Source: KEMCO (Korea Energy Management Corporation)

As shown below, as of 2015, there are 17 companies that are applicable to the Renewable Portfolio Standard (RPS) quota % mandate and thereby required to include a certain percentage of new and renewable energy in their power production portfolio:

- | | |
|--|--------------------------------|
| 1. Korea Hydro & Nuclear Power (KHNP), | 9. SK E&S, |
| 2. Korea Southern Power (KOSPO), | 10. GS EPS, |
| 3. Korea Midland Power (KOMIPO), | 11. GS Power, |
| 4. Korea Western Power (WP), | 12. POSCO Energy, |
| 5. Korea East-West Power (EWP), | 13. MPC Yulchon Generation, |
| 6. Korea South-East Power (KOSEP), | 14. Pyeongtaek Energy Service, |
| 7. Korea District Heating, | 15. Daeryun Power, |
| 8. Korea Water Resources, | 16. S-Power, |
| | 17. Pocheon Power |

In March of 2014, the Korea Electric Power Corporation (KEPCO), along with the GENCOs, announced plans to invest approximately KRW 42.5 trillion (i.e., equivalent to approximately USD 40 billion) by the year 2020 in new and renewable energy.

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Biomass – The thermal power Korea GENCOs are expanding the usage of biomass wood pellets as part of fulfilling their Renewable Portfolio Standard (RPS) quota % requirements, via mainly co-firing with coal to produce electricity. According to industry sources, majority of the wood pellet demand is in the power generation segment. Currently, 5 thermal power generation GENCOs import and use/co-fire biomass wood pellets. Overall, wood pellet imports increased by more than 3 times during 2013-2014 and by almost 4 times during the 2012-2013 period.

[Table 3 South Korea, '14 Wood Pellet Imports]

Country	Quantity (tons)	Share (%)
Vietnam	742,794	40.16
Canada	344,261	18.61
China	287,063	15.52
Malaysia	168,336	9.10
Thailand	110,752	5.99

USA	61,977	3.35
Others	134,458	7.27
Total	1,849,641	100

(Source: Korea Association of Pellet)

Hydrogen & Fuel Cells – South Korea’s Gyeonggi Green Energy is considered to be one of the world’s largest hydrogen & fuel cell power plant, with an estimated capacity of 58.8MW. With ROKG’s policy support, this industry is forecasted to grow in the future. The installed capacity for fuel cell has increased by more than 36 times during 2012-2013.

[Table 4 South Korea, Fuel cell installation in terms of MW capacity]

Year	2010	2011	2012	2013
MW	14	24	3	109

(Source: Meritz Securities Research Center and others)

Integrated Gasification and Combined Cycle (IGCC) – Due to the efficiency and environmental feature of this technology, Korea has plans to adopt integrated gasification and combined cycle (IGCC) for one of its new coal-fired plants. The 300 MW demonstration plant is expected to be completed by 2015 (Korea Western Power Company’s Taean IGCC power plant project).

Opportunities

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As of 2014, Korea Electric Power Corporation’s (KEPCO) wholly owned power generation subsidiaries, collectively referred to as the GENCOs, produced approximately 85.4% of the nation’s power generation, while local Independent Power Producers (IPPs) generated approximately 14.6% of the electricity. The Korea Electric Power Corporation (KEPCO) is the government-run power company and is responsible for the nation’s transmission and distribution. The GENCOs are one of the primary end-users of NRE products and services. The trend of shifting the power source to NRE will continue under the Renewable Portfolio Standard (RPS) requirements.

The six GENCOs are:

- Korea Hydro & Nuclear Power Company (KHNP): <http://www.khnp.co.kr>
- Korea South-East Power Company(KOSEP): <http://www.kosep.co.kr>
- Korea Midland Power Company(KOMIPO): <http://www.komipo.co.kr>
- Korea Western Power Company(KOWEPO): <http://www.westernpower.co.kr>
- Korea Southern Power Company(KOSPO): <http://www.kospo.co.kr>
- Korea East-West Power Company (KEWESPO): <http://www.ewp.co.kr>

Independent Power Producers (IPPs) include, but not limited to:

- POSCO Power: <http://www.poscoenergy.com>
- GS EPS: <http://www.gseps.com>
- GS Power: <http://www.gspower.co.kr>
- SK E&S: <http://www.skens.com>
- Pocheon Power: <http://www.pocheonpower.com>
- Pyeongtaek Energy Service: <http://www.pyeongtaekes.co.kr>

As end-users, the GENCOs and the Independent Power Producers (IPPs) exert strong influence in choosing what NRE core parts to use. 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

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Trade Shows

Expo Solar/PV Korea (Sep 9-11, 2015)

<http://www.exposolar.org/2015/>

World Clean Coal Conference Korea 2015 (Oct. 21-22, 2015)

<http://www.worldcleancoal.org/KR/>

Energy Korea 2015 (Nov. 17-20, 2015)

<http://www.energykorea.or.kr/eng/main/main.aspx>

Key Contacts

Korea Energy Management Corporation (KEMCO): www.kemco.or.kr

Ministry of Trade, Industry and Energy (MOTIE): www.motie.go.kr

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Entertainment and Media

ITA CODE: N/A

Overview

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	2013	2014	2015 (E)	2016 (E)
Total Market Size	3,005.95	3,088.84	3,110.62	3,113.84
Total Local Production	4,750.70	4,775.77	4,791.29	4,801.12
Total Exports	2,385.35	2,391.59	2,399.42	2,412.41
Total Imports	640.60	704.66	718.75	725.13
Imports from the U.S.	356.24	393.11	421.55	465.67
Exchange Rate: USD1	1,095	1,053	1,100	1,100

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

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Films

Market Share of Films by Country

	Korea	U.S.	China	Europe	Japan	Others
2014	50.1	45.3	0.3	2.9	1.2	0.2
2013	59.9	35.5	0.3	3.1	0.8	0.4

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

The total number of movie goers in 2014 was over 215 million, an increase of 7.3 percent over 2013. At the same time, the market share of Korean films decreased to 50.1 percent from 59.9 percent in 2013. For the first time, foreign films had over 100 million viewers in 2014. U.S. film market share increased by approximately 10 percent and was the key driver for the growth of the foreign film market share.

In 2014, 248 Korean films were produced and 217 films were released. Likewise, 1,036 foreign films were imported and rated –a dramatic increase of almost 33% over 2013— and 878 were released. Although the number of screens is limited to a little less than 2,300 per year, imported content is increasing, due to the competition among the various platforms and the fact that there is not sufficient locally produced content to cover the needs of all platforms.

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

	Korean Films		Foreign Films		Total films released
	# of films produced	# of films released	# of films imported	# of films released	
2012	229	175	773	459	634
2013	217	183	780	722	905
2014	248	217	1,036	878	1,095

Growth of Digital On-Line Market

Video-on-Demand (VoD) service, which makes possible to watch content anytime viewers want, is growing explosively. Although VoD service started as a complementary cable TV service using terrestrial TV content, gradually paid VoD services are increasing. As of 2014 November, the number of households subscribing to IPTV is approximately 11 million, while 7.11 million subscribe to digital cable TV. In total, this is 4 million more households than in 2013. According to the 'Korea Media Panel Survey' conducted by the Korea Economic Association (http://eng.kea.ne.kr/main/?load_popup=1&filter=on), approximately 89 percent of digital TV service subscribing households use VoD service.

Sales of VoD services were USD 394 million in 2014, an increase of 45% over 2013. The three IPTV service providers, KT, SKT and LGU+, dominated the VoD market. They recorded sales of USD 266 million, representing 67.7 percent of total VoD sales. The other 32.3 percent, with a value of USD 128 million, was from cable TV VoD services.

The growth of the digital on-line market was led by IPTV VoD and digital cable TV VoD in 2014. The share of TV VoD is increasing considerably year after year. In 2012 it was 60.7 percent, in 2013, 64.9 percent and in 2014 it was 75.8 percent. In 2010, film VoD sales were around USD 91 million. In 2014, market demand went up to USD 271 million and was 15 percent of total film market demand, valued at USD1.8 billion.

Although VoD consumers prefer box office hits, the popularity of films in the VoD market is not exactly the same as at the box office. The price of the content and the genre are equally important. The price of films released at the same time as in the cinema is approximately USD10. It drops to around USD 4 within a year after cinema release, and it becomes lower after that.

The rapid growth of the VoD TV market is leading to change in the film industry. The number of films released on IPTV, but not released in the cinemas, is small, but increasing. Recently, major film production companies such as Warner Brothers and Sony Pictures are joining this trend. "22 Jump Street", "No Good Deed" and "Tammy" were first released through IPTV. These three films were successful in the U.S. market. "Horrible Bosses 2" was released through IPTV in December of 2014 at about the same time that the film was released in the States. VoD market growth also provides various opportunities to the film industry. Certain niche genres which do not get attention from the cinemas have more chances to be released. More diverse film makers, importers and distributors are entering the film market in Korea, which reflects this trend. According to one industry expert, there are more cases of VoD releases that never are released in cinemas making profits. Further, he expects that there will be noticeable changes in the areas of film production and distribution. This presents good opportunities to U.S. content providers who offer both diversity of content and box office hits.

Trade Shows

Busan Int'l Film Festival: <http://www.biff.kr>
KCTA Show: <http://www.kctashow.com/eng/main.html>
Busan Contents Market: <http://www.ibcm.tv/eng/index.php>
Asian Film Market: <http://www.asianfilmmarket.org/structure/eng/default.asp>

Key Contacts

Ministry of Science, ICT and Future Planning:
<http://english.msip.go.kr/english/main/main.do>
Korea Communications Commission: <http://eng.kcc.go.kr/user/ehpMain.do>
Ministry of Culture, Sports and Tourism: <http://www.mcst.go.kr/english/index.jsp>
Korea Creative Content Agency: <http://www.kocca.kr/eng/index.html>
Korea Cable TV Association: www.kcta.or.kr (Only Korean available)
Korea Film Council: <http://www.koreanfilm.or.kr/jsp/index.jsp>

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Environmental

ITA CODE: PR POL

Overview

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Despite the 2008-2009 global financial and economic downturn, the global environmental industry recorded annual growth rates between 2.5 and 5 percent during the last five years. The biggest driving force for the industry is the national economic stimulus from countries like China, U.S., Germany, Japan, France and Canada. Government investment supported the industry, and much of the spending is forecasted to continue. According to Environmental Business International Inc., a leading industry publishing and research firm, the global environmental industry recorded 3.6 percent growth in 2013, generating revenue of USD 1.047 trillion. Several industry experts expect even a greater growth in 2015, led by negative environmental impact of redundant use energy and natural resources, rapid economic growth of emerging countries and improving living standards.

Korea also devoted its effort to keep pace with the global trend and become competitive in the market in advance. In 2001, the Korean government announced a ten year program called “Environmental Technology Action Plan (ETAP)” within the promotion of cleaner technology R&D and nurtured environmental sub-sectors and technologies in water and wastewater, solid waste, hazardous waste, air pollution, environmental engineering & consulting services. ETAP invested approximately USD 1 billion until 2011. As a result, Korea gained competitiveness in twenty (20) different technologies such as liquid phase injection system, low emission engines, recycling of electronic wastewater and water filtration membranes. The government is encouraging various industries to implement pollution abatement production processes. Since 2011, Korea implemented a successor to the ETAP called “the Eco-Innovation Action Plan (EcoAP)” which seeks to foster a comprehensive range of eco-innovative product and service sectors. Korea’s environmental industry is still less than one percent of the global market. Nevertheless the double-digit annual market growth during recent years has been encouraging. Also, over 95 percent of manufacturers in the industry consist of SMEs with an average annual sales revenue of USD 1.5 million and average number of employees is 6.3.

Unit: Million USD

	2010	2011	2012	2013 (est.)	2014 (est.)	2015 (est.)
Total Market Size	48,054	53,576	73,000	92,256	112,064	140,235
Total Local Production	50,159	57,268	78,621	101,292	125,841	161,684
Total Exports	2,847	4,492	6,484	9,987	14,784	22,547
Total Imports	742	800	863	951	1,007	1,098
Imports from the U.S.	223	240	259	286	302	329
Exchange Rate: 1 USD	1,156	1,108	1,126	1,094	1,053	1,100

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.

Korea's environmental industry size by sub-sector

Unit: Million USD

	2010	2011	2012
Pollution control equipment	7,858	9,103	17,972
Resource management equipment	7,015	13,278	22,926
Pollution control construction services	6,796	10,096	6,965
Resource management product distribution business	13,966	12,845	6,035
Other general pollution control services	12,420	8,252	19,103
Total	48,054	53,576	73,002

Source: by the Ministry of Environment, Korean Statistical Information Service (KOSIS)

Korea has implemented policies including the Low Carbon, Green Growth Strategy in 2009 and continues to demonstrate a strong commitment to environmental improvement. CS Korea forecasts that the size of the environmental industry will be worth USD 140 billion in 2015. According to several industry sources, Japan has been the leading exporter to Korea, 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, Korean manufacturers still lack value-added advanced technologies to supply products that meet the stringent global standard. There is, therefore, demand for advanced imported products and technologies from US.

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The US is considered as a global leader in many environmental technologies. US companies with competitiveness in price should be able to penetrate into the Korea's market with new and state-of-the art products and services.

U.S. environmental technology exports by sub-sector in 2008 Unit: Billion USD

Equipment	US ind.	%export
Water Equipment & Chemicals	28.5	36.2%
Air Pollution Control	18	16.2%
Instruments & Info. Systems	5.9	46.0%
Waste Mgmt Equipment	11.4	25.0%
Process & Prevention Tech.	1.9	8.0%
Services		
Solid Waste Management	53.1	0.3%
Hazardous Waste Mgmt	9.2	1.0%
Consulting & Engineering	27.1	12.8%
Remediation/Industrial Services	12.5	6.0%
Analytical Services	1.9	7.4%
Water Treatment Works	40.7	0.6%

Resources		
Water Utilities	39.2	0.2%
Resource Recovery	28.5	58.0%
Clean Energy Systems & Power	21.5	16.0%
Total	299.5	14.6%

Source: Environmental Business International, Inc. (San Diego, CA) and the Office of Energy and Environmental Industries (OEEI), the International Trade Administration (ITA) of the US DOC
Note: U.S. Industry is equal to revenues generated by U.S. companies worldwide. U.S. market refers to revenue from U.S. customers. Exports do not include ownership of overseas companies but do include repatriated profits.

Opportunities

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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. To stimulate the Korean economy, the 2015 national expenditure for environmental protection increased approximately 4 percent from the previous year. The national expenditure for environmental protection for 2015 is set at USD 6 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 environmental technology 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

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Trade Shows

International Exhibition on Environmental Technologies (ENVEX 2015), June 2-5, 2015 - <http://www.envex.or.kr> (English website available)

Water Korea, August 25-28, 2018 - <http://waterkorea.kr> (English website not available)

Key Contacts

Ministry of Environment - <http://eng.me.go.kr/main.do>

Korea National Cleaner Production Center - <http://www.kncpc.or.kr/en/main/main.asp>

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

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Medical Equipment and Devices

ITA CODE: PR MED

Overview

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Unit: USD thousands

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	4,229,724	4,850,548	5,335,602	5,722,160
Total Local Production	3,857,689	4,324,153	4,721,099	5,051,575
Total Exports	2,356,952	2,445,220	2,535,693	2,637,120
Total Imports	2,728,987	2,971,615	3,150,196	3,307,705
Imports from the U.S.	1,230,563	1,299,247	1,370,705	1,446,093
Exchange Rate: 1 USD	1,095	1,053	1,100	1,100

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Source: Korea Medical Devices Industry Association, KMDIA

The Korean medical device market is estimated to reach USD 5.3 billion in 2015. 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 2014, total imports of medical devices were USD 3.0 billion, with U.S. imports totaling over USD 1.3 billion. However, the Korean economy has not fully recovered to its pre-global financial crisis levels. While U.S. market share represents approximately 45 percent of the import market, estimates are that market demand for foreign advanced and innovative medical devices showed relatively slow growth in 2014.

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

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- Stent
- Soft contact lens
- Sight corrective ophthalmic lens
- Dialyzers for hemodialysis
- Knee joint prosthesis
- MRI device
- Analyzing products, Analyzing products, Chemiluminescence immunoassay (CLIA)
- Intravascular catheter
- CT system
- IVD reagents for clinical immunochemistry

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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

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Trade Shows

Korea International Medical, Clinical, Laboratories & Hospital Equipment Show 2016 - www.kimes.co.kr

Key Contacts

Ministry of Health and Welfare (MoHW) – www.mw.go.kr

Ministry of Food and Drug Safety – www.mfds.go.kr

Health Insurance Review & Assessment Service (HIRA) - www.hira.or.kr

Local Contact

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<http://www.export.gov/southkorea>

Semiconductors

ITA Code: N/A

Overview

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	2013	2014	2015 (E)	2016 (E)
Total Market Size	39,676	42,211	42,473	45,273
Total Local Production	62,200	68,400	71,820	75,411
Total Exports	57,143	62,650	67,631	70,336
Total Imports	34,619	36,461	38,284	40,198
Imports from the U.S.	4,016	4,232	4,417	4,859
Exchange Rate : 1USD	1,095	1,053	1,100	1,100

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 almost 70 percent of DRAM and approximately 50 percent of NAND Flash in the global market. However, memory chips are less than 30 percent of the total semiconductor chip industry.

More than 70 percent of system semiconductor chip applications cover diverse wireless and wired market demand such as smart phones, tablet PCs, smart home appliances, energy, automobiles and aerospace. The diversity of chip applications allows the Korean semiconductor industry to experience steady market growth. Korea is competitive in certain sectors of the system semiconductor chip industry, but it has only 5.8 percent of that market globally. The market demand for analogue semiconductor chip applications includes automobiles and sensors for smart devices. This trend will continue as the wired and wireless environment evolves.

Sub-Sector Best Prospects

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Automobile related Semiconductors:

- Electronic Controller Units (ECU)
- 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

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Digital IT devices are being developed 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 global producers of smart IT devices, high-end TVs (Digital TV, Smart TV and other high-end flat screen

TV), and automobiles. These industries drive the demand for Korean 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 the global market share. However, Korean semiconductor chip manufacturers other than Samsung have an insignificant market share. The major suppliers of analog 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 several items, which are duty free from this year, 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 had been 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 MCO and recommended that WSC governments and authorities provide duty free treatment for MCOs however, the status is still pending.

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>

Web Resources

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Trade Shows

Korea Electronics Show - www.kes.org

Semicon Korea 2015 - www.semiconkorea.org

LED Korea 2015 - www.led-korea.org

World IT Show 2015 - <http://www.worlditshow.co.kr/eng/index.php>

Key Contacts

Ministry of Science, ICT and Future Planning - <http://english.msip.go.kr/index.do>

Ministry of Trade, Industry and Energy – www.motie.go.kr/language/eng/index.jsp

Korea Semiconductor Industry Association - <https://www.ksia.or.kr/new/eng/main/>

Korea Institute for ICT Promotion - <http://www.kiat.or.kr/site/main/index/index002.jsp>

Korea Electronics Association - <http://www.gokea.org/neweaiak/eng/>

Local Contact

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<http://www.export.gov/southkorea>

Travel and Tourism

SV TRA

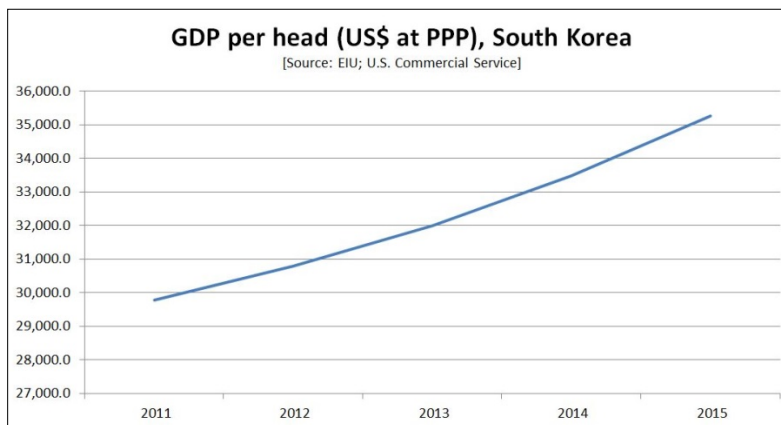
Overview

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	2011	2012	2013	2014	2015 (estimated)
Global Outbound Travel	12,693,733	13,736,976	14,846,485	16,689,000	17,400,000
Outbound Travel to the U.S	1,145,216	1,251,432	1,359,924	1,449,538	1,514,000
Global Inbound Travel	9,794,796	11,140,028	12,175,550	13,500,000	15,500,000

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

In 2014, over 16.6 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 33,100 in 2013 (World Bank), 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 recent boom of social commerce (social networks and websites that give product/service sellers access to a large pool of international travel consumers) is also contributing to this growing trend as they offer all types of travel products. Moreover, South Korean's positive perception of overseas travel and the abundance of information sharing through mass media and social media are expected to continue to boost growth of outbound tourism in the coming years.

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 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 1.45 million Koreans traveled to the U.S. in 2014, up 6 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 2015, it is estimated that 1.51 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, Brazil, Germany, China and France.

Sub-Sector Best Prospects

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

Opportunities

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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.

Trade Events

June 5-7, 2015

Hana Tour International Trade Show 2015 - <http://www.hits2015.co.kr>

October 29-November 1, 2015

Mode Tour International Trade Show 2015

June 11-14, 2015

The 30th Korea World Travel Fair (KOTFA) – <http://www.kotfa.co.kr/eng/main/main.htm>

May 16-17, 2015

Weddex Korea – <http://www.weddex.com>

Key Contacts

Korea Tourism Organization

<http://kto.visitkorea.or.kr/eng.kto>

Ministry of Culture, Sports & Tourism

<http://www.mcst.go.kr/english.index.jsp>

Brand USA

<http://discoveramerica.co.kr>

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<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 2014](#).

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 2015](#) 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.

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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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. With the FTA, 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.

Trade Barriers

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Korea continues a process of economic liberalization and deregulation, but the Republic of Korea government (ROKG) has yet to fully implement the KORUS Free Trade Agreement. The U.S. Embassy, in cooperation with the American Chamber of Commerce (AmCham) in Korea and other industry groups, actively engages the ROKG on implementation and address technical barriers to trade (TBT).

Examples of TBT include the following: transparency, due process, public comment/appeals procedures, new standards and labeling requirements, and timely and written administrative procedures.

Information on specific trade barriers in Korea, including agricultural products (such as restrictions on rice imports) is available in the [2015 National Trade Estimate Report on Foreign Trade Barriers](#).

Import Requirements and Documentation

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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.

An overview of Korean import requirements for food is contained in the FAS Korea annual agriculture export guide at [Exporter Guide to Republic of Korea](#)

Additional detailed information about import requirements and documentation needs for agricultural and food products (including biotechnology products) are included in the import requirements report at: [FAIRS Country Report](#)

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

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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>. For information on export controls administered by other U.S. Government agencies, please visit <http://www.bis.doc.gov/About/reslinks.htm>.

Temporary Entry

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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 carnet 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

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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 [FAIRS Country Report](#)

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](#). To learn more about country of origin labeling requirements, please visit <http://www.import.or.kr/viewContents.do?action=view&subid=5&fPageNum=&mnId=law04>.

The Korean Ministry of Trade, Industry and Energy 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

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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/> for detailed information about export controls to the Republic of Korea and the website http://export.gov/ecr/eg_main_027617.asp to view list of export control items. The Korean Customs Service or <http://www.koreapost.go.kr/eng/sub/subpage.jsp?contId=e1010505> also maintains a list of prohibited imports to the Republic of Korea.

Customs Regulations and Contact Information

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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
<http://english.customs.go.kr/>

Standards

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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 sign up on <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.

Standards Organizations

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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/>.

Conformity Assessment

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[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

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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

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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

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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

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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)
<http://www.kolas.go.kr>

Trade Agreements

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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 Republic of Korea and the United States implemented the Korea-U.S. Free Trade Agreement on March 15, 2012. The Agreement is the largest Free Trade Agreement (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). For the list of Korea's FTA, please visit the [Korean Ministry of Foreign Affairs](#) site. 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

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

U.S. Agricultural Trade Office in Seoul
<http://www.atoseoul.com>

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

USDA Agriculture Exporters Guide
http://www.usda.gov/wps/portal/usda/usdahome?navid=EXPORTING_GOODS

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
<http://ustr.gov/sites/default/files/2015%20NTE%20Combined.pdf>

Korean Agency for Technology and Standards (KATS)
<http://www.kats.go.kr/english/index.asp>

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>

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Chapter 6: Investment Climate

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The Republic of Korea (ROK) has made tremendous economic gains during the past four decades, transforming itself from a recipient of foreign assistance to a high technology manufacturing powerhouse and middle-income donor country in the span of two generations. South Korea experienced real GDP growth of 3.3 percent in 2014, a slight increase from 2013's 3 percent, but lower than the 3.9 percent originally targeted, largely because of a decrease in domestic consumption and investment due to national malaise in the wake a tragic ferry sinking and slower growth in many of its export markets. 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 continues to remain 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. With these changes, most Koreans recognize foreign investment and free trade as positive for the nation's development, despite continuing protectionist sentiment among certain elements of society. The highest levels of the Korean government remain committed to ensuring a level playing field for foreign investors. However, many foreign -- and domestic -- firms continue to express concern with what is seen as an overly burdensome regulatory environment. Many regulations are unique to Korea and not consistent with global standards. The regulations are prescriptive and generally only allow activities that are explicitly authorized, thereby constricting the development of disruptive business models. Multiple foreign firms have asserted that they have refrained from increasing

investments in the ROK due to what they view as an intrusive bureaucracy that does not create sufficient incentives to invest in the country. President Park Geun-hye publicly acknowledged that the regulatory environment is seen as an obstacle to investment and has initiated efforts to deregulate five sectors: education, healthcare, finance, tourism and ICT. Park has asserted that deregulation will be one of her primary economic goals, and administration officials have allowed limited participation of foreign business associations in the deregulation process. While foreign and domestic industry is receptive to Park's deregulation drive, it remains cautious about committing increasing investments in the ROK.

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 remained a significant concern, including informal "window guidance." This can discourage FDI by creating uncertainty for investors and fostering an impression that the ROK remains hostile to foreign investment. Foreign investors were also concerned about small but significant interest groups that pressure the ROK government to protect the South Korean market from what is perceived as foreign domination. Regarding labor, South Korea boasts a hard-working, educated workforce and high levels of institutional labor protections. However, foreign investors cited volatility in labor-management relations and increasing labor costs as issues that can hamper FDI.

The Korea-U.S. (KORUS) Free Trade Agreement (FTA), which entered into force on March 15, 2012, was a major step forward in enhancing the legal framework for U.S. investors in South Korea. All forms of investment are protected under the FTA, including equity, debt, concessions, and similar contracts, as well as provision of 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, this equal treatment of domestic and foreign investors is backed by a transparent international arbitration mechanism, under which investors may, at their own initiative, bring claims against the government for an alleged investment breach. Submissions to investor-state arbitration tribunals as well as their hearings will be made public. The U.S. government continues to work closely with the ROK government to ensure full implementation of the KORUS FTA.

Openness to Foreign Investment

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Attitude toward Foreign Direct Investment

The Korean government's attitude toward foreign direct investment is positive, and senior policy makers realize the value of FDI. Following the 2008-09 global financial crisis, inbound FDI continued to trend upwards from USD 5.4 billion in 2010 to USD 11.5 billion in 2014.

Although the Korean government indicates it recognizes the value of FDI and intends to enact policies to attract FDI, foreign investment in South Korea is still at times hindered by 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 large conglomerates, or chaebol.

Other Investment Policy Reviews

The WTO conducted a Trade Policy Review of South Korea in 2012. The report can be accessed here:

[https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=\(@Symbol=%20wt/tpr/g/*\)%20and%20\(\(%20@Title=%20korea%20\)%20or%20\(@CountryConcerned=%20korea\)\)&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(@Symbol=%20wt/tpr/g/*)%20and%20((%20@Title=%20korea%20)%20or%20(@CountryConcerned=%20korea))&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#)

Laws/Regulations of Foreign Direct Investment

The Foreign Investment Promotion Act (FIPA) is the basic law pertaining to foreign investment in Korea. FIPA and related regulations categorize business activities as either open, conditionally or partly restricted, or closed to foreign investment.

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.

Korea's court system is independent and not subject to government interference in cases that may affect foreign investors.

The Korean National Assembly website provides a list of laws pertaining to foreigners (including the FIPA) in English. The site can be accessed here:

http://korea.assembly.go.kr/res/low_03_list.jsp?boardid=1000000037

Industrial Promotion

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 (FEZ), Free Investment Zones (FIZ), and Tariff Free Zones (TFZ), where favorable tax incentives and other support for investors are available. 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>

KOTRA also maintains offices in many countries, including the United States.

Limits on Foreign Control

Restrictions on foreign ownership remain for 27 industrial sectors, three of which are entirely closed to foreign investment. The South Korean government reviews the list of restricted sectors from time to time for possible changes. 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. KORUS provides for U.S. companies to be treated as non-foreign entities in selected sectors including broadcasting and telecommunications.

Relevant ministries must 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 processes comply with the WTO Government Procurement Agreement, but some implementation problems remain.

The Ministry of Knowledge Economy (MKE – reformed and now called MOTIE) published a 2011 Consolidated Public Notice, updating new code numbers and titles for business sectors in accordance to the ninth revision of the Korea Standard Industry Code (KSIC). According to the 2009 Notice, the number of KSIC industrial classifications of business sectors increased from 1,121 to 1,145 and by the reclassification, business sectors where foreign investment is restricted increased from 28 to 30. There was no further modification of the industry code in the recent MOTIE notice on May 30, 2013.

The following is a current list of Restricted Sectors for Foreign Investment. Figures in parentheses denote the Korean Industrial Classification Code while the numbers of air transport industries are based on 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)

Privatization Program

The ROKG government efforts to privatize government owned assets have been slowed by protests from labor unions and professional associations as well as a lack of interested buyers in some sectors. Foreign investors are allowed to participate in privatization programs as long as they comply with ownership restrictions stipulated for the 27 industrial sectors indicated above.

In the course of stabilizing Korea's banking sector during the 1997-98 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.

No State Owned Enterprises (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).

Screening of FDI

The Korean government may review foreign investments that affect national security. The 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. The Korean government may also restrict foreign investment in cases where contracts classified as

state secrets may be disclosed or the investment considerably impedes international efforts for achieve world peace or assure security. 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.

If the investment fails the review, the foreign investor must transfer ownership to a Korean national or corporation within six months of the close of the corporate fiscal year.

Competition Law

The Monopoly Regulation and Fair Trade Act authorizes the Korea Fair Trade Commission (KFTC) to review and regulate competition related matters as well as consumer safety. The KFTC is proactive in carrying out its mandate. The Korea Commission for Corporate Partnership (KCCP) reviews competition between SMEs and large corporations and is empowered to limit large corporations from entering or expanding in markets designed for SMEs.

Although the Anti-Monopoly and Fair Trade Act has been amended repeatedly – most recently in January 2015 – the practical impact of Korea's laws and policies regulating monopolistic practices and unfair competition, however, has been limited by the long-standing economic strength of the chaebol. Management control at the 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.

Investment Trends

Inbound foreign direct investment (FDI) rose to record high USD 11.5 billion in 2014, up 17 percent from 2013. Foreign investment in all industries except the finance and insurance sector rebounded last year due to increased capital inflow from China and Asian countries. The Park administration has taken steps to ameliorate those concerns by announcing what is widely viewed as a foreign investment friendly 3-year economic plan. The ROK's sovereign debt rating is ranked at the same levels as 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.

U.S. FDI in Korea totals USD 25.5 billion or 16.8 percent of Korea's total stock of FDI since the 1960's which is comparable to the Japanese investment totaling 28.2 billion or 18.5 percent of Korea's total stock of FDI. Investments from the United States in 2014 increased 4 percent over the previous year whereas investments from Japan decreased over 28 percent, due to continued quantitative easing policies and significant Japanese yen depreciation. Japan recorded USD 2.1 billion of FDI in 2014, much reduced from

the USD 2.9 billion recorded in 2013, as the yen depreciated significantly against the Korean won under Japan's Abenomics policy. The 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.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	43 of 175	Transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	5 of 189	Doingbusiness.org/rankings
Global Innovation Index	2014	16 of 143	Globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 25,920	Data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Foreign Exchange

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.

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 (FSC) 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.

Exchange rates are determined by the market.

Remittance Policies

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.

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. On February 27, 2015, the MOSF gave notice that the government would change the bank levy scheme in the second half to exempt the levy on short-term Chinese yuan -denominated debt.

The U.S. Treasury Department reports the South Korean authorities have intervened on both sides of the currency market, but the sustained rise in their reserves and net forward position indicates that they have intervened on net to resist won appreciation. The U.S. government urges South Korea to reduce foreign exchange intervention, allow the won to appreciate, and increase transparency in foreign exchange operations.

South Korea has been a member of Financial Action Task Force (FATF) since 2009 and is identified as a country of concern.

Expropriation and Compensation

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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

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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 few in South Korea. Foreign court judgments are not enforceable in the ROK.

Bankruptcy

The Debtor Rehabilitation and Bankruptcy Act stipulates that bankruptcy is a court-managed liquidation procedure where both domestic and foreign entities are afforded equal treatment. The procedure commences after a filing by either a debtor, creditor or group of creditors and determination by the court that a company is bankrupt. The court will designate a Custodial Committee to account of the debtor's assets, claims, and contracts. Creditors may be granted voting right in the creditors' group identified by the Custodial Committee. Shareholders and contractor holders may retain their rights and responsibilities based on shareholdings and contract terms.

Debtors may be subject to arrest once a bankruptcy petition has been filed even if the debtor has not been declared bankrupt. Individuals found guilty of negligent or false bankruptcy are subject to criminal penalties.

Investment Disputes

Over the past several years, there have been a few high-profile cases involving U.S. firms that have had difficulty exiting the Korean market; these cases have increased the concerns of other potential U.S. investors.

International Arbitration

Korea is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency (MIGA). South Korean courts may ultimately be called upon to enforce an arbitrated settlement. 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.

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 to 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.

Disputes with the South Korean government may be brought before the International Center for Settlement of Investment Disputes (ICSID). South Korea ratified the ICSID convention in 1967.

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. During former Korean President Kim Dae-jung's visit to the U.S. in 1998, President Clinton and President Kim agreed to negotiate a Bilateral Investment Treaty (BIT) between the two nations. However, negotiations in 1998 and 1999 stalled after the two sides could not resolve differences on certain issues. The KORUS FTA contains strong, enforceable investment provisions that went into force in March 2012.

ICSID Convention and New York Convention

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).

Duration of Dispute Resolution

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.

Performance Requirements and Incentives

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WTO/TRIMS

South Korea does not maintain any measures notified to the World Trade Organization (WTO) as being inconsistent with (or that are alleged to be inconsistent with) the WTO Agreement on Trade-Related Investment Measures (TRIMs Agreement).

Investment Incentives

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 (research and development) 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.

Research and Development

Several organizations affiliated with the Small and Medium Business Association (SMBA) support private sector R&D. The Korea Technology and Information Promotion Agency (TIPA) supports R&D investment and the Korea Technology Credit Guarantee Fund (KIBO) provides credit guarantees for technology development. The Ministry of Science, ICT, and Future Planning also support R&D projects. According to the SMBA, foreign companies are eligible to apply for public R&D funds through a South Korean subsidiary.

Performance Requirements

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, R&D, or service facilities. There are also no government-imposed conditions on permission to invest.

Data Storage

Foreign companies are not required to use domestic content or technology, nor are they required to turn over source code or provide access to surveillance to South Korean authorities. However, the government restricts the off-shore transfer of financial and consumer payment data. Payment systems and mobile credit information of Korean consumers must be maintained on servers based in South Korea. ROK implementation of KORUS FTA commitments governing cross-border data transfer in the financial services sector has fallen short. A cumbersome and non-transparent application process has resulted in few approvals and has hindered integration of Korea-based financial institutions with global systems. The U.S. government is working with ROK government and relevant industry stakeholders to resolve this issue. The Financial Service Commission sets the policy regarding financial information and the Financial Supervisory Service is the enforcement body.

Right to Private Ownership and Establishment

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Korea fully recognizes the 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.

Protection of Property Rights

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Real Property

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. Property interests are enforced and there is a reliable system for registering mortgages and liens

Intellectual Property Rights

The 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 ROK government 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. Investors can submit online registrations for all types of intellectual property with the Korean Intellectual Property Office (<http://www.kipo.go.kr/>). 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. In 2014, 2,478 agencies conducted self-audits and the MCST (ROKG's lead ministry on IPR issues) conducted on-site investigations at 199 agencies. The Korean Copyright Act was amended so that people can use material for which copyrights are owned by the State or local autonomous bodies without obtaining permission. In addition, educational use, exhibition use, and public transmission of copyrighted material became possible without obtaining the permission of right holders, with some limitations. The amendment was announced on Dec. 30, 2013 and implemented from July, 2014.

The MCST continued its strong efforts to combat IPR violations through a variety of enforcement activities in calendar year 2014:

- In 2014, the MCST deleted a total of 141.7 million illegal online files, an increase from the 130.3 million files it deleted in 2013 but down from 176.3 million files it deleted in 2012. Furthermore, the MCST destroyed 15.7 million illegal physical copies of music, video, publications, games, and cartoons in 2014, more than 24 times the 639,290 items destroyed in 2012.

- Under the 2009 "three strikes" law, when illegal material is discovered online, KCC sends corrective recommendations to both the online service provider (OSP) and the user. If the OSP or the user ignores the corrective recommendations after three warnings, MCST can issue takedown orders and suspend the user's account. In 2014, the KCC issued 296,360 corrective recommendations, up 73 percent from the 170,867 issued in 2013 but down 49.9 percent from the 591,772 issued in 2012. However,

MCST did not need to issue any warnings or suspend user accounts as all violators complied with corrective recommendations issued by the KCC.

- In 2014, the MCST requested that the KCC block service to 44 illegal file-sharing OSPs, up from 13 OSPs in 2013. 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. MCST made use of the Telecommunications Act to block access to such illegal file-sharing sites, whereas in the past, the Telecommunications Act had solely been used to restrict traffic to pornographic or North Korea-related online material.

- The MCST investigated Korean university campuses in and confiscated 15,474 illegally copied books in 2014, up 21 percent from the 12,739 copies seized in 2013.

- In 2014 the MCST Judicial Police conducted software inspection at 431 companies in 2014 and found 9,374 copies of illegal software with a piracy rate of 30.2 percent. In 2013, the MCST raided 480 companies with a piracy rate of 21.5 percent.

- In 2014, the MCST recommended 2,136 IPR related cases for legal action to prosecutor up 79 percent from 1,192 cases in 2013. Total number of people who were indicted by prosecutors for Copyright Act violations was 41,679, up 10.5 percent from 2013's 37,692.

Lastly, the MCST judicial police conducted special enforcement of five illegal game sites and 10 web storage and torrent sites. From those raids, MCST submitted to prosecutors for indictment 15 operators of game sites and 58 persons who illegally uploaded on web storage and torrent sites. Estimated damage from the 10 web storage and torrent sites was around 82.6 billion won (USD75 million).

The Korea Intellectual Property Office (KIPO) also stepped up its enforcement activities in 2014. KIPO's Special Judicial Police seized 1,114,192 counterfeit items from 430 persons in 2014, up from the 822,360 items seized from 376 persons in 2013 and up dramatically from the 131,599 items from 302 persons in 2012. In addition, KIPO suspended 5,348 online transactions in 2014, up from 4,422 cases in 2013. KIPO closed 454 online shopping malls in 2014, down from 828 in 2013.

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/>.

Resources for Rights Holders

The contact at U.S. Embassy Seoul for IPR issues is:

Hyon Sim
Economic Officer
Tel: +82-2-397-6424
Email: simhb2@state.gov

Additional local resources are as follows:

The American Chamber of Commerce in Korea
#4501, Trade Tower 159-1

Samsung-dong, Kangnam-gu
Seoul, 135-729
Tel: +82-2-564-2040
Fax: +82-2-564-2050
Email: amchamrsvp@amchamkorea.org
<http://www.amchamkorea.org/index.php>

U.S. Embassy Seoul List of Attorneys
http://photos.state.gov/libraries/korea/187344/ACS/Lawyers_List.pdf

Transparency of Regulatory System

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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. President Park's deregulation plan seeks to eliminate the use of verbal guidelines and dictates or subject them to the same level of regulatory review as written regulations. The KORUS FTA also includes 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 at least 40 days prior to promulgation. Draft bills are often available on the web sites 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.

Efficient Capital Markets and Portfolio Investment

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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 31.6 percent of KSE stocks and 12.7 percent of the Korean Securities Dealers Automated Quotations (KOSDAQ) as of the end of 2014. The market turnover rate was 254 percent of market capitalization in 2014. 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 2014 were 1,465 trillion won, or about USD 1.3 trillion.

In recent years, foreign portfolio investment has fluctuated, influenced by external factors such as 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 2014, foreign shareholders owned 31.6 percent of KSE stocks and 12.7 percent of the tech-heavy KOSDAQ Index shares.

Foreign firms are able to access credit on the local market. However, obtaining access to credit may be complicated by the privileged relationships competing Korean family-run conglomerates, 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.

Money and Banking System, Hostile Takeovers

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.

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 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.

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.

Competition from State Owned Enterprises

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Many South Korean state-owned enterprises (SOEs) continue to exert significant control over certain segments of the economy. Today, there are 34 remaining SOEs in Korea, active in the energy, real estate, and infrastructure (railroad, highway construction) sectors. The legal system 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. Generally, SOEs are subject to the same regulations and tax policies as private sector competitors and do not have preferential access to government contracts, resources, and financing. The state-owned Korea Land and Housing Corporation is given preferential access to developing state-owned real estate projects, notably housing. The court system functions independently from the government and gives equal treatment to SOEs and private enterprises.

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.

OECD Guidelines on Corporate Governance of SOEs

The Public Institutions Management Act (PIMA) gives authority to the Ministry of Strategy and Finance (MOSF) to administer control of many SOEs, mainly focusing on administrative and human resource management. 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 either consult with them before making decisions or report ex post facto. South Korea is an OECD Member state and reports significant changes in the regulatory framework for SOEs to the OECD.

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 3-Year Plan for Economic Innovation, introduced on February 27 2014. 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 2013, total debt for 231 non-financial public institutions was 1,238 trillion won (USD 1.1 trillion), up 75 trillion won or 6 percent from the previous year. The debt level was equal to approximately 87 percent of the nation's nominal GDP, up 2.3 percent point from the previous year.

Sovereign Wealth Funds

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 Government and the BOK. Based on the continued increase in entrusted assets and gains realized on investments, assets under management stood at USD 72 billion at the end of 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. Many NGOs promote CSR activities and business associations maintain CSR committees. Korean CSR reflects the continued impact of traditional notions of corporate 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. The American Chamber of Commerce Korea (AmCham) strongly encourages CSR activities and publishes the CSR activities of both U.S. and South Korean member companies in its quarterly journal.

Foreign companies operating in Export Processing Zones are exempt from some labor regulations. Exemptions include provisions that mandate paid leave, requiring companies with more than 50 persons 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.

OECD Guidelines for Multinational Enterprises

South Korea is an OECD member country, and adheres to the OECD Guidelines for Multinational Enterprises.

Political Violence

The Democratic People's Republic of Korea (DPRK, or North Korea) and the ROK technically remain in a state of war. There is general peace and stability on the Korean peninsula because of an armistice agreement that has lasted over 60 years. From time to time, DPRK military provocations, including missile launches and nuclear tests, have increased tension between the countries. The unprovoked sinking of a ROK naval vessel by the DPRK in March 2010 killed 46 South Korean sailors. The artillery shelling of an island off the northwest coast of the ROK in November 2010 resulted in the deaths of two South Korean soldiers and two civilians. While cross-border military incidents have primarily been limited to the area surrounding the five geographically isolated Northwest Islands, in October and November 2014, ROK and DPRK forces exchanged gunfire within the Demilitarized Zone (DMZ). In February 2013, North Korea conducted its third nuclear test which the international community roundly condemned.

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

Korea, in an effort to combat corruption, has introduced systematic measures to prevent civil servants from inappropriately accumulating wealth and conducting opaque financial

transactions. Korea has passed the Anti-Corruption Act, which requires high-ranking officials to disclose their assets, including how they were accumulated, and report gifts they receive, thereby making their holdings public. The Anti-Corruption Act also requires companies to put measures in place to prevent corruption. Most companies maintain an internal audit function to prevent and detect corruption. However, Korea still faces challenges in effectively implementing anti-corruption laws. Transparency International's Corruption Perception Index ranks Korea 43 out of 175 countries and gives it a score of 55 out of 100 (with 100 being very clean) and rates Korea's anti-corruption enforcement efforts as moderate.

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 (ACRC), South Korea's main anti-corruption agency, manages the public complaints and administrative appeals on corrupt government practices and reports annually to the National Assembly and the President and makes its reports publicly available. 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.

In 2014, to reduce collusion between government regulators and regulated industries that contributed to the tragic sinking of the Sewol ferry, the Korean government tightened regulations governing the employment of retired government officials. The government expanded the list of sectors restricted from employing former government officials during a mandated period after retirement, extended the mandated post-retirement period from two to three years, and increased scrutiny of retired officials seeking jobs in fields associated with their former official duties.

On March 3, 2015, the Korean legislature passed a comprehensive anti-corruption law known as the "Kim Young-ran Act," named after the original drafter of the bill and former head of the ACRC. The anti-corruption law institutes strict limits the value of gifts that can be given to public officials, reporters, and private school teachers. The law also extends to the spouse of officials, but does not specifically cover political parties. The law is scheduled to take effect in September 2016; however, concerns over its constitutionality may lead the government to revise the law before implementation.

The Act on the Protection of Public Interest Whistleblowers is designed to protect whistleblowers in the public and private sectors and equally extends to reports on foreign bribery. The Anti-Corruption and Civil Rights Commission (ACRC) operates a whistleblower reporting center.

UN Anticorruption Convention, OECD Convention on Combating Bribery

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).

Resources to Report Corruption

The Korean government anti-corruption agency is:

Anti-Corruption and Civil Rights Commission
Government Complex-Sejong, 20, Doum 5-ro
Sejong-si, 339-012
Tel: +82-44-200-7151
Fax: +82-44-200-7916
Email: webmaster@acrc.go.kr
<http://www.acrc.go.kr/eng/index.do>

An independent anti-corruption monitoring organization is:

Anti-Corruption Network in Korea (aka Transparency International Korea)
#1006 Pierson Building, 89-27 Sinmunro 2-ga, Jongno-gu
Seoul, 100-761
Tel: +82-2-717-6211
Fax: +82-2-717-6210
Email: ti@ti.or.kr
<http://ti.or.kr/x/eintro>

Bilateral Investment Agreements

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South Korea has signed 91 Bilateral Investment Treaties and 15 International Investment Agreements including nine FTAs.

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. During former Korean President Kim Dae-jung's visit to the U.S. in 1998, President Clinton and President Kim agreed to negotiate a Bilateral Investment Treaty (BIT) between the two nations. However, negotiations in 1998 and 1999 stalled after the two sides could not resolve differences on certain issues. The KORUS FTA contains strong, enforceable investment provisions that went into force in March 2012.

Bilateral Taxation Treaties

South Korea has a bilateral income tax treaty with the United States that entered into force in 1979.

OPIC and Other Investment Insurance Programs

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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 (IBRD) Multilateral Investment Guarantee Agency (MIGA) since 1987.

Labor

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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 65.3 percent. The overall unemployment rate of 3.4 percent in 2014 was much lower than the unemployment rate of youth aged 15-29, which at 9.0 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 2015, South Korea increased its quota to 55,000 migrant workers. At the end of May 2014, approximately 459,000 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 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 2013 was 10.3 percent; this ratio has remained relatively stable over the last ten years or so. Korea's trade union participation is lower than the latest-available OECD average of 16.9 percent in 2013; 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 2,313 labor unions and 819,755 members and the Federation of Korean Trade Unions (FKTU) has 356 labor unions and 626,035 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 21,000 members, and attracts those seeking a trade union that is neither militant nor political. There are 2,509 unions with 318,575 workers who do not belong to a nationwide federation but rather focus just on their corporate issues.

The Trade Union and Labor Relations Adjustment Act provides for the right to collective bargaining and collective action, and allows workers to 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 persons 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 2015 at 5,580 won (approximately USD 5) per hour, a 7.1 percent increase from last year that is relatively in line with the 2.3 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 2013, there were 91,824 work-related accidents and 1,929 fatalities, a 0.47 percent decrease and 3.49 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 are its training modules and materials which 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 6.59 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 additional costs with the entry of new labor every two years. The government had proposed extending the two-year limit to four-years as part of efforts to reform the labor sector, however, labor unions did not agree with this proposed change. A tripartite commission consisting of labor, government, and companies was formed to come to consensus on labor reform, however, discussions fell apart in April 2015 when labor representatives quit the discussions and threatened strikes.

Foreign-Trade Zones/Free Ports

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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 (FEZ): Incheon (near Incheon Airport, to be completed in 2020); 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 (in North Chungcheong Province, to be completed in 2010). 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 (now named the Ministry of Trade, Industry, and Energy) 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 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 is 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. It offers commercial office space, residences, retail shops, hotels, schools, hospitals, and cultural facilities. Additional information is available at <http://www.songdo.com>.

As of April 2014, there are also four foreign-exclusive industrial complexes in Gyeonggi Province (Hyungok, Pyosung, Chupal, and Hansan), 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 13 Free Trade Zones in Donghae, Suncheon, Gunsan, Daebul, Masan, Ulsan, Gimje, Yulchon, and seven logistics areas near airports and harbors, 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 23 Foreign Investment Zones designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options.

Foreign Direct Investment Statistics

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Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	1,410,000	2013	1,300,000	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	25,527	2013	32,807	
Host country's FDI in the United States (\$M USD, stock positions)	2014	56,776	2013	32,456	http://bea.gov/international/factsheet/factsheet.cfm?Area=626
Total inbound stock of FDI as % host GDP	2014	10.8%	2013	13.3%	http://data.imf.org/CDIS

*Sources: GDP - <http://ecos.bok.or.kr/>; inbound FDI - http://www.motie.go.kr; outbound FDI - <http://www.exim.go.kr>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	172,554	100%	Total Outward	230,506	100%
Japan	48,003	28%	China, Mainland	64,348	28%
United States	31,303	18%	United States	41,319	18%
Netherlands	16,617	10%	China, Hong Kong	11,168	5%
UK	13,630	8%	Australia	8,206	4%
France	7,157	4%	Netherlands	7,393	3%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	196,420	100%	All Countries	138,383	100%	All Countries	58,037	100%
United States	73,333	37%	United States	57,258	41%	United States	16,075	28%
UK	13,632	7%	Luxembourg	10,206	7%	France	6,953	12%
Luxembourg	12,420	6%	UK	7,906	6%	Brazil	6,180	11%
France	10,593	5%	Japan	7,703	6%	UK	5,726	10%
Japan	9,511	5%	China, Mainland	7,155	5%	Cayman Islands	2,410	4%

Source: IMF Coordinated Portfolio Investment Survey

Contact Point at Post

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Kendrick Liu
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 U.S. Embassy Seoul
 188 Sejong-daero, Jongno-gu
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liukm@state.gov

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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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

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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 2014 (4Q) reported a BIS average capital adequacy ratio of 13.89% and a Tier I capital ratio of 11.32%. 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

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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.

Consult: <http://www.uskoreacouncil.org/wp-content/uploads/2014/12/Financial-Services-and-the-U.S.-Korea-FTA.pdf>

Foreign-Exchange Controls

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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/>.

U.S. Banks and Local Correspondent Banks

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For a list of major U.S. and Korean banks in Korea, consult:

<http://export.gov/southkorea/usefullinks/majoruskoreanbanks/index.asp>

Project Financing

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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 January 2015, the state-run Export-Import Bank of Korea (KEXIM) announced that it will provide a total of KRW 56 trillion (USD 51 billion) in loans/investment and KRW 24 trillion (USD 22 billion) in loan guarantees 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), and the amount would be KRW 27.5 trillion (USD 25 billion). The total financing support increased five percent from the USD 69 billion executed in the previous year. It also set aside KRW 26.5 trillion (USD 24 billion) for SMEs to promote shared growth between large and small enterprises and which is same amount compared with previous year.

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

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

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

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

Export-Import Bank of Korea: <http://www.koreaexim.go.kr/en2/index.jsp>

Financial Supervisory Commission: <http://www.fsc.go.kr/eng/>

Financial Supervisory Service: <http://english.fss.or.kr/fss/en/main.jsp>

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

KORUS FTA – Financial Services:

<http://www.uskoreafta.org/sites/default/files/Financial-Services-KORUS.pdf>

National Agricultural Cooperative Federation:

<http://www.fsc.go.kr/eng/rl/list.jsp?menu=01&bbsid=BBS0060> and

<http://www.nonghyup.com/eng/main/main.html>

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/>

U.S. Agency for International Development: <http://www.usaid.gov>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

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Business Customs

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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

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Consult: U.S. State Department http://travel.state.gov/travel/cis_pa_tw/cis/cis_1018.html

Visa Requirements

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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 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.

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- 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;

Seoul 02	Busan 051	Daegu 053	Incheon 032	Kwangju 062	Daejeon 042
Ulsan 052	Sejong 044	Kyeonggi 031	Kangwon 033	Chungbuk 043	Chungnam 041
Jeonbuk 063	Jeonnam 061	Kyungbuk 054	Kyungnam 055	Jeju 061	

- 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 are:
 - 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.

- Consult: <http://www.Koreapass.or.kr/en> or call 1330 once in Korea

From Incheon International Airport to Downtown Seoul:

- 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. US \$8)
 - 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
 - Consult: <http://www.airport.kr/airport/traffic/bus/busList.iaa?flag=E>
- 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
 - Widely available to/from Seoul and Gyeonggi Province
 - Highly recommend **M-Pass** (only for foreigners)
Consult:
http://www.visitseoul.net/en/article/article.do?_method=view&art_id=52380&lang=en&m=0004007002011&p=07
 - 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
 - Consult: 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://www.letskorail.com/ebizbf/EbizBfIndex.do>

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

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

Health

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- 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, Business Hours, and Holidays

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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

Observed Korean Holidays – 2015

New Year's Day: January 1 st	Liberation Day: August 15 th
Lunar New Year's Day: February 18 th – 20 th	Chuseok Days: September 25 th – 29 th
Labor Day: May 1 st	Korean Alphabet Day: October 9 th
Children's Day: May 5 th	Christmas Day: December 25 th
Buddha's Birthday: May 25 th	

- 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=2015&country=70>

Temporary Entry of Materials and Personal Belongings

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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/iiacms/pageWork.iaa?_scode=C1202010500

Returning to the U.S., consult: <http://www.cbp.gov/travel/us-citizens> and <http://www.tsa.gov/traveler-information>

Affordable hotels:	http://www.benikea.co.kr
Airport Bus:	http://www.airport.kr/airport/traffic/bus/busList.iaa?flag=E
Coming to Korea:	http://www.airport.kr/iiaacms/pageWork.iaa?_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 Emb. in U.S.:	http://usa.mofa.go.kr/english/am/usa/main/index.jsp
Korean Railroad:	http://www.korail.com/
M Pass:	http://www.visitkorea.or.kr/ena/TR/TR_EN_5_1_4.jsp#Subway07
Returning to the U.S.:	http://www.cbp.gov/travel/us-citizens
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. State Dept.:	http://travel.state.gov/travel/travel_1744.html and http://travel.state.gov/travel/cis_pa_tw/cis/cis_1018.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

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

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

Market Research

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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.

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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>

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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.

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