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Doing Business in **South Korea**



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Kay H. Lee/Managing Partner, e-mail: kayhlee@sungjeeacc.com

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- Incorporation
- Statutory Financial Audit
- Due Diligence & Valuation



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South Korea Overview

Nestled between two great powers, Japan and China, South Korea remains off the radar to most UK companies even though it is home to 50 million people generating GNP of US \$1 trillion, making it the world's 12th largest economy – just less than the size of the entire Association of Southeast Asian Nations (ASEAN) and equal to 2% of global GDP.

Sophisticated, affluent, globally aware consumers are eager to experience the latest fashions and products from around the world. Particularly, many South Koreans in their 20s and 30s have travelled internationally and have substantial disposable income. South Koreans are disciplined, hard-working, loyal, motivated, well-educated and eager to excel. Participating in this resilient and vibrant economy is about to become easier with the implementation of the EU-South Korea Free Trade Agreement.

Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That's as much as the UK and more than France or Italy. Despite the global economic slowdown, South Korea's economy grew by 2.8% in 2013, and is predicted by the Bank of Korea to grow 3.8% in 2014.



Based upon over 25 years of local Business experience MES Co Ltd offers real, hands on experience in developing an effective Market Entry Strategy for this attractive market.



We offer Market Entry:

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- Market Surveys and Market Research
- Set Up and Start Up Business Plans
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- Corporate and Personal Due Diligence
- Reputation Assessment

Korea is a rapidly developing attractive market, with many business sectors in the world's top 10, but it can be difficult and very culturally sensitive.

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MARKET ENTRY SERVICES



British Embassy
Seoul

Foreword from Scott Wightman, British Ambassador to the Republic of Korea

Many thanks for your interest in the South Korean market.

Korea possesses a dynamic and modern economy: a population of over 50 million, a stable and business friendly political environment, excellent transportation links, and Internet connectivity (both in terms of speeds and penetration) consistently ranked as the best in the world. Rapid development since the 1970s (dubbed 'The Miracle on the Han') saw the emergence of world-leading brands such as Samsung, LG and Hyundai. Koreans retain the spirit and work-ethic of the 'Miracle'. This means a high income, high growth market.

The EU-Republic of Korea Free Trade Agreement will eliminate tariffs on 97% of goods by 2014. This is already leading to increased British exports. Non-oil goods exports increased by 15% in 2012 and were up by 30% in the first half of 2013. Developing further our trade and investment relationship with Korea is a high priority for the UK government.

The British Embassy and UKTI stand ready to support British-Korean trade. We will continue to offer high quality market research, to lobby and monitor FTA implementation, and to offer the British Embassy and Residence as one of the premium reception venues in Seoul.

I hope this guide will encourage you to take advantage of all the British Embassy and Korea has to offer.

Scott Wightman

British Ambassador to the Republic of Korea

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Introduction from UKTI Deputy Director of Trade South Korea, Andrew Dalglish

Korea is an exciting market. This is an exciting time for UK companies to do business in Korea.

2012 was a great year. UK exports to Korea reached a new high, with Korea becoming the 3rd largest destination for UK goods in Asia-Pacific; and Korea made the largest contribution to the UK's growth in exports to the world. Since 2011, Korea's growth continues; 2% in 2012, and 0.7% in the first quarter of 2013. Opportunities for UK firms in Korea have never been better. The EU-South Korea Free Trade Agreement is becoming firmly embedded, on course to remove 97% of all trade tariffs. Alongside this, President Park is championing a new 'creative economy' to foster an environment supportive of design, advertising and start-ups; all areas where UK companies are particularly strong. Korea's economy, and with it the tastes of Korean consumers, are diversifying. British firms are already active and successful across a wide range of sectors, including Food and Drink, ICT and Advanced Tech, Green Growth, Shipping, Chemicals, Education, and Fashion.

What's more, UK companies are increasingly choosing Korea as their base for wider East-Asian expansion. Korea's tourism has risen to around 11 million visitors per year and is now an important test bed for selling goods to Chinese, Japanese, Taiwanese and other Asian tourists. We have seen the growing importance of the Korean market first hand here at UKTI where the demand for our market research reports and other services has more than tripled in 4 years. We bring our expertise to over 1,000 UK businesses every year in Korea.

Over the next five years the South Korean economy is set to make the 10th largest contribution to world growth. UK firms with an interest in Asia cannot afford to overlook South Korea.

Andrew Dalglish

UKTI Deputy Director of Trade South Korea

Keeping ahead of the curve in international trade?



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Foreword from David Lee, Chief Executive Officer of the British Chamber of Commerce in Korea

South Korea over the past four decades has demonstrated incredible growth and global integration to become a high-tech industrialised economy. In the 1960s, GDP per capita was comparable with levels in the poorer countries of Africa and Asia. In 2004, South Korea joined the trillion-dollar club of world economies. The Asian financial crisis of 1997-98 exposed longstanding weaknesses in South Korea's development model including high debt/equity ratios and massive short-term foreign borrowing. South Korea adopted numerous economic reforms following the crisis, including greater openness to foreign investment and imports. In 2011 The Korea-EU Free Trade Agreement (FTA) came into effect, which was followed by the Korea-US FTA in 2012. These along with six other FTAs and eight Free Economic Zones provide a multitude of opportunities for foreign companies wanting to grow and expand their business into and on the peninsula.

However, entering Korea is not always straightforward and its uniqueness can pose challenges to companies new to the market. The British Chamber of Commerce in Korea (BCCK) supports and promotes the business interests of all member companies and works to strengthen cultural and economic ties between the UK and Korea. We create value for our membership by offering a wide range of events, information services and networking. UK companies can access expert support and advice from organisations such as the BCCK and UK Trade & Investment (UKTI). The BCCK has over 35 years of experience of helping UK companies to develop their business in Korea. Working in close partnership with the British Embassy in Seoul and the UKTI, the BCCK can offer support and guidance to mitigate the risk factors of entering the Korean market. As such, I urge you to leverage the experience that the BCCK has to offer. If you require more detailed advice we can link you to experts in every possible field, many of them members of the BCCK.

It is my hope that this guide encourages you to explore and challenge the wealth of opportunities that await you and your organisation in South Korea. And if you need help, the BCCK will be there to assist you.

David Lee

Chief Executive Officer

British Chamber of Commerce in Korea

www.bcck.or.kr



About International Market Advisor (IMA)

International Market Advisor (IMA) has been working 'in association' with UK Trade & Investment (UKTI) for eight years and during this time IMA and UKTI have collaborated on more than 80 market- and industry-specific trade and investment projects.

Working together IMA and UKTI support British and foreign Embassies, High Commissions and international Chambers of Commerce throughout the world. Our work has helped to identify the most efficient ways for British companies to trade with and invest in opportunity-rich overseas markets.

IMA in association with UKTI produces 'market' and 'industry sector' reports, the multi-media based 'Market Advisor' series of trade publications and the multi-format 'Doing Business in' guides, all of which are designed to advise and assist UK companies when looking to do business internationally.

The reports, publications and guides are published in a variety of formats including websites, CD ROMs, full-colour printed brochures and PDFs, and are now available in the 'new' free-to-download mobile device-friendly apps!

The hardcopies (brochures and CD ROMs) are distributed across the UK and throughout the world to key strategic offices such as British Embassies, High Commissions, Consulates, British trade offices, UKTI's UK-wide network of International Trade Advisers (ITAs), and local and international Chambers of Commerce, where they can be directly accessed, free of charge, by those involved in international trade.

For more information on IMA please visit our website:

www.DoingBusinessGuides.com

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Visit the Website and download the free Mobile App



About UK Trade & Investment (UKTI)

UK Trade & Investment (UKTI) is the British Government Department that helps UK-based companies succeed in an increasingly global economy. UKTI's range of expert services are tailored to the needs of individual businesses to maximise their international success. UKTI provides companies with knowledge, advice and practical support.

Through a range of unique services, including participation at selected tradeshows, outward missions and providing bespoke market intelligence, UKTI can help you crack foreign markets and get to grips quickly with overseas regulations and business practice.

UKTI is an international organisation with headquarters in London and Glasgow. Across the network UKTI employs 2,400 staff and advisors, including those overseas in UK Embassies, High Commissions, Consulates and trade offices, and in the English regions.

UKTI brings together the work of the Foreign & Commonwealth Office (FCO) and the Department for Business, Innovation & Skills (BIS). It draws staff and associated administration funding from both the parent departments, but has its own stream of programme funding, for which the Chief Executive is directly responsible as accounting office.

To find out more visit the UKTI website – www.gov.uk/ukti

You can also contact the UKTI enquiry service on +44 (0) 207 215 5000

Visit the Website and download the free Mobile App

Website and Mobile App features include:

- Latest business news
- Up-to-date travel advice
- Detailed 'Supporting Organisations' and 'Market Experts' profiles
- Essential contact details
- Listings with links to up-and-coming trade shows
- Access to the UKTI video library



ABOUT THIS GUIDE

This guide aims to provide a route map of the way ahead, together with signposts to other sources of help.

The main objective of this **Doing Business in South Korea Guide** is to provide you with basic knowledge about South Korea; an overview of its economy, business culture, potential opportunities and to identify the main issues associated with initial research, market entry, risk management and cultural and language issues. We do not pretend to provide all the answers in the guide, but novice exporters in particular will find it a useful starting point. Further assistance is available from the UK Trade & Investment team in South Korea. Full contact details are available in this guide.

Much of the information presented in this guide has been contributed by experts at UK Trade & Investment, British Diplomatic Posts and the British Chambers of Commerce. The South Korea Business Guide is intended to provide general business advice and should not be used as a substitute for market research, due diligence or legal and professional services.

- Website (www.SouthKorea.DoingBusinessGuide.co.uk)
- a 'free' downloadable 'mobile device-friendly' App
- PDF Download (please see the website for more details) and
- this full colour hard-copy Brochure

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SOUTH KOREA

South Korea is a hi-tech economy. It is a world leader in electronics manufacturing, including semiconductor chips, flat-screen TVs and mobile phones. Samsung – the world's largest electronics company – originated in South Korea.



Why South Korea

Background

Nestled between two great powers, Japan and China, South Korea remains off the radar to most UK companies even though it is home to 50 million people generating GNP of US \$1 trillion, making it the world's 12th largest economy – just less than the size of the entire Association of Southeast Asian Nations (ASEAN) and equal to 2% of global GDP.

Sophisticated, affluent, globally aware consumers are eager to experience the latest fashions and products from around the world. Particularly, many South Koreans in their 20s and 30s have travelled internationally and have substantial disposable income. South Koreans are disciplined, hard-working, loyal, motivated, well-educated and eager to excel. Participating in this resilient and vibrant economy is about to become easier with the implementation of the EU-South Korea Free Trade Agreement.

Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That's as much as the UK and more than France or Italy. Despite the global economic slowdown, South Korea's economy grew by 2.8% in 2013, and is predicted by the Bank of Korea to grow 3.8% in 2014.

South Korea is a hi-tech economy. It is a world leader in electronics manufacturing, including semiconductor chips, flat-screen TVs and mobile phones. Samsung – the world's largest electronics company – originated in South Korea.

The organisation has a turnover greater than that of Apple, Google and Microsoft combined. South Korea also has the highest level of broadband penetration in the world (with speeds of 100 megabytes), as well as the highest 3G mobile usage. Moreover, the country is a world leader in shipbuilding, steel and automotive. Its construction and energy companies are increasingly successful overseas. The population is highly educated. 7% of the country's entire GDP is spent on education and nearly three quarters (74%) of South Koreans undertake postgraduate-level study. This creates excellent opportunities for UK educational institutions.

In July 2011, the EU-South Korea Free Trade Agreement (FTA) came into force. The historic agreement presents opportunities for greater UK-South Korean collaboration – based on current trading patterns it will be worth at least £500 million per annum to the UK economy. The most comprehensive FTA ever agreed between two parties, the deal will create outstanding opportunities in financial services, telecommunications and legal services. 97% of tariff barriers between South Korea and the EU will be eliminated within three years and €1.6 billion of duties for EU exporters will be abolished annually. See the **Business Opportunities** section of this guide for more detail on the EU-South Korea Free Trade Agreement.

A leading choice for investors

According to the South Korean government, the UK was the 9th largest foreign direct investor in South Korea in 2011, investing US \$4.42 billion. In fact, over the last 45 years, the UK has been the second-largest EU investor in South Korea, in cumulative terms. Source: MKE, EXIM Bank

Tesco and Standard Chartered are among the country's largest foreign investors, investing between £2-3 billion each. Other major UK investors include: HSBC, Prudential, Barclays, Fidelity Asset Management, Diageo, Burberry, Unilever, BAT, AMEC, Rolls-Royce, AstraZeneca, GSK, Edwards, Shell and BP.

UK Trade & Investment (UKTI) in 2010, published a report entitled "South Korea – Open for Business", which detailed 100 commercial opportunities resulting from the EU-South Korea Free Trade Agreement (FTA). In March 2011, the second edition of the report was published, with updated information. To download the report, email:

Opportunity.Korea@fco.gov.uk

South Korea is making stringent efforts to ease excessive regulations in a bid to make the market more accessible for both foreign and local companies. It has become one of the top 10 business-friendly economies in the world. This has the potential to increase foreign direct investment to US \$20 billion. The Foreign Investment Promotion Act (FIPA) governs foreign investment in South Korea.

You can find more information in the Business section of www.korea.net – the South Korean government's official website, or at www.investkorea.org

Strong bilateral trade

There is strong bilateral trade between the UK and South Korea, and this is set to increase even further with the FTA created in March 2011.

Exports: UK exports to South Korea have risen 21% since 2003.

The UK has a 1.2% share of the South Korean market for goods and services. This compares with 0.6% for France and 0.8% for Italy.

Inward investment: Many South Korean companies have chosen to invest in the UK. There are currently around 170 South Korean firms doing business in Britain, with the largest investors being Doosan (which owns Doosan Babcock HQ in Scotland and has offices across the UK), Samsung and LG Electronics (both of whom have their European headquarters and design/R&D facilities here). The Korea National Pension Service, while not yet physically present in the UK, has spent over US \$1 billion on infrastructure assets in the country, including the HSBC Tower in London's Canary Wharf and a 12% stake in Gatwick Airport.

South Korean economy

Manufacturing output grew for the first time in four months (June 2013), expanding 0.7% from the previous month. A 3.2% rise in exports accounts for much of this pick-up in manufacturing, driven by strong demand in China and ASEAN.

The new Park Geun-hye government expressed early signals that it would boost fiscal spending to promote jobs and growth, representing quite a shift in policy thinking for a nation which has commonly put fiscal prudence ahead of fiscal multipliers, and with one of the OECD's lowest public debt-to-GDP levels.

In response to downgrading of 2013 growth forecasts, the new Finance Minister announced an interest rate cut in May 2013. The central bank lowered the benchmark interest rate by 25 Basis Points (bps) to 2.5% to provide a boost to growth.

The South Korean government welcomed the central bank's move, saying that the rate cut is expected to maximise the effect of the recently announced fiscal stimulus package.

Below target inflation has given the Bank of Korea the scope to loosen monetary policy. South Korea's consumer prices increased at the slowest pace in nearly 14 years in May 2013, at 1% year-on-year. Falling international oil prices, economic uncertainty and the prolonged slowdown in consumer spending are the main explanatory factors. Weak consumption continued to weigh down consumer prices over the remainder of the year. Core inflation was marginally higher in May at 1.6% year-on-year (0.4% month-on-month).

The new South Korean administration has solid government finances to address future challenges including an ageing population and potential cost of unification with DPRK. Experts said that South Korea's gross government debt should be around 30% of GDP through 2014. Public sector finances remain strong, with a budget surplus recorded since 2010.

Challenges for UK companies

Although the business climate in South Korea is improving all the time, obstacles still remain. The main market access issues faced by UK companies include:

- restrictions on the opening of new retail stores
- pricing and reimbursement for pharmaceuticals – the Drug Expenditure Rationalization Plan has controlled prices, to the detriment of R&D-intensive companies producing patented drugs

- restrictions on the provision of legal and professional services
- restrictions on IT delegation/server location.

Business opportunities for UK companies

UKTI has designated South Korea as a high growth market and identified significant opportunities in the following sectors:

- **Aerospace** – The South Korean government is looking to develop a small and medium-sized aircraft manufacturing value chain, led by its single aircraft manufacturer, Korean Aerospace Industries Ltd. There are opportunities for UK companies to supply and collaborate.
- **Creative industries (Design)** – South Korea's overall design market is worth £10.6 billion. Seoul was the World Design Capital in 2010 and encouraged new and creative design concepts in and around the city. Most Recently, President Park Geun-hye pledged during her election campaign to focus on building South Korea's 'Creative Economy'. UK design is highly valued by South Korean companies.
- **ICT (Communications, Industrial Electronics, Consumer Electronics)** – South Korea leads the world in many applications, including digital media broadcasting (DMB).

There are many opportunities for UK companies involved in areas such as: embedded software, 4G mobile telephony, games (including mobile games), bio-recognition systems, internet security and green ICT.

In addition to these strategic priority sectors, there are also many other commercial opportunities for UK companies in the following areas:

- **Automotive** – South Korea has been the world's fifth-largest automotive producer for three consecutive years and offers wide-ranging opportunities for auto supply, component and design companies, particularly in the development of low carbon and electric vehicles.
- **Consumer products** – South Korea is a sophisticated market with steadily increasing levels of disposable income. Most major luxury brands are represented, with many rating South Korea as one of their most profitable markets. Major opportunities exist in fashion, and in food and drink.
- **Education** – South Korea is one of the largest education markets in the world. English language training, including training delivered via e-learning, offers considerable opportunities.
- **Energy** – South Korea currently imports 96% of its primary energy needs, but is seeking to reduce significantly its dependency on oil and gas imports by generating power from renewable sources. Opportunities exist in wind, wave, solar and CCS (Carbon Capture & Storage), in R&D and full commercial-scale projects. Major opportunities also exist in nuclear, both in South Korea and in partnership in third markets – initially the UAE.
- **Environment** – President Park Geun-hye's "Green Growth" policies are creating multiple opportunities in the development and application of green technologies, particularly in reducing carbon emissions from industry and buildings. There are also niche opportunities in water and waste management, and in air pollution abatement.
- **Financial and legal services** – The EU-South Korea FTA will remove some key barriers to the profitability of UK banks in the country and gradually allow UK law firms access to the South Korean market. There are particular opportunities for asset management companies to work alongside South Korean sovereign wealth funds, including the Korean National Pension Service (the fourth largest in the world), and the Korean Investment Corporation.
- **Life Sciences** – South Korea's rapidly ageing population and societal drivers for a healthier lifestyle ensure a wide range of opportunities, from the supply of branded drugs to over-the-counter supplements, with natural ingredient-based products in particularly high demand. South Korea is a developed market for healthcare provision, offering niche opportunities in the supply of high end equipment and telemedicine.

See the "Business Opportunities" section of this guide for more details.

Market strengths

These are the essential facts that UK companies doing business in South Korea need to know:

- South Korea is the world's 12th-largest economy. Over the next five years, it is set to make the 10th-largest contribution to world growth – more than France or Italy and roughly the same as the UK.
- The new landmark EU-South Korea FTA will be worth £500 million to UK businesses per annum. 97% of tariff barriers between South Korea and the EU will be eliminated within three years.
- South Korea is a world leader in electronics, shipbuilding, steel and automotive.
- Nearly three quarters (74%) of South Koreans undertake postgraduate-level education. The country spends 7% of GDP on education.
- South Korea has the highest level of broadband penetration in the world, with speeds of 100 megabytes. Pilots are now using 1GB broadband to allow consumers to download HD television. It also leads the world in 3G mobile usage and technology.
- The South Korean government is committed to green growth. It has pledged to spend US \$50 billion, or 2% of GDP, over the next five years to transform South Korea into a low carbon, green-growth economy.
- The UK was the largest foreign direct investor in South Korea in 2011, investing US \$1.9 billion.



Researching The Market

Where to begin

Doing business with South Korea may seem rather daunting for those new to the market, but taking a strategic approach is the key.

Companies should conduct reliable research before venturing into business in any new territory and South Korea is no exception. Good research saves money and improves efficiency and performance right from the start.

Desk research

General introductory business information about South Korea is readily available and companies can obtain a reasonable amount of preliminary insights through desk research.

Economic research and sector analysis can be obtained from a large number of leading consultancies, research agencies and public-sector trade promotion organisations.

Furthermore, the increasing use of e-commerce and B2B websites in South Korea has made it possible to identify, and gain access to, potential partners across the globe. A good place to start is the UKTI website:

www.gov.uk/government/world/organisations/uk-trade-investment-south-korea, which provides detailed country and sector information. Registration is free and offers additional benefits, such as access to business opportunity alerts and information updates.

Consultation and bespoke research

You should not rely solely on desk research. Websites and online materials can be out of date and the quality and reliability of content varies widely.


Sometimes you may simply be unable to find the information you're looking for. This is why it is essential to verify initial research findings and conduct further investigations.

Often this requires you to map out a bespoke research brief with the help of specialists, exploring what additional information you might need to make an effective entry into the market and how you can make the contacts vital to success.

Speaking to an expert

UKTI provides support for UK companies through a network of International Trade Teams based in the English regions. UKTI services are also available to companies in Scotland, Wales and Northern Ireland.

To arrange a consultation with your local UKTI International Trade Adviser, call +44 (0)20 7215 8000 or visit: www.gov.uk/government/organisations/uk-trade-investment



Questions to ask yourself before you begin:

- What are our company's unique selling points?
- Is there likely to be a market for our product or service in South Korea?
- Are there any legal barriers to our business model?
- Whereabouts in South Korea should we start?
- Do we have sufficient resources (management time, project finance and expenses) to fund our South Korean project?
- Who will be leading the project within our company?
- Do we need to work with a partner in South Korea to succeed?
- If so, can we communicate effectively with them?
- Have we evaluated business risks (such as protecting our IP) and conducted research and due diligence?
- Do we know how to secure payments and get the right quality products?

It is unlikely that you will have the answers to all these questions at the outset and these "knowledge gaps" should form the basis of further research and investigation.

Help available for you

British Embassy Seoul

If you are interested in pursuing business opportunities in South Korea, you can register your interest on www.gov.uk/government/organisations/uk-trade-investment and arrange for an International Trade Adviser based in your UK region to help you. The UKTI team in Seoul can also be contacted at trade.korea@fco.gov.uk. UKTI also offers the following services for UK exporters:

Overseas Market Introduction Service (OMIS)

The Overseas Market Introduction Service (OMIS) is a chargeable, UKTI-led tailored service available to companies interested in finding out more about an overseas market. In South Korea, it can assist you by undertaking tailored research using UKTI's extensive network of dedicated researchers based across South Korea.

Typically, OMIS can provide market research and analysis (e.g. sector reports, market initiatives, regulatory environment, market opportunities), identification of local contacts (e.g. agents, distributors, suppliers, potential partners), in-market activities (e.g. meeting arrangements, event organisation such as workshops, seminars, promotional activities and product launches).

Events and seminars

UKTI organises business events, seminars and workshops in the UK and South Korea, covering a wide range of business interests and issues. Not only do these events inform companies about business opportunities and offer the latest market information, they also provide a valuable platform for networking and sharing experiences with like-minded peers, not to mention regular access to visiting South Korean delegations. Sign up to a forthcoming event by visiting www.events.ukti.gov.uk

Market visits and trade missions

Visiting South Korea is an invaluable part of the process of market entry. You will experience the marketplace first-hand and make the contacts necessary to do business. This is essential, but it will be much more effective with careful planning.

UKTI organises regular trade missions to South Korea where you can benefit from group activities, in addition to your own programme. OMIS can be used to support visits, providing bespoke meeting arrangements with appropriate potential partners, agents and distributors, or with relevant government officials.

As part of UKTI's package of follow-up market support for British companies, they are running a number of focused sector inward missions to South Korea in the following areas:

- Global Sports
- Nuclear
- Wind energy / renewables
- Green Building
- Printed Electronics
- Creative & Design
- Fashion
- Financial / Legal

If you are interested in participating in one of these events please contact the UKTI Seoul office at: trade.korea@fco.gov.uk

Passport to Export

This provides new and inexperienced exporters with the training, planning advice and ongoing UKTI support they need to succeed overseas.

Gateway to Global Growth

This is a free UKTI service to experienced exporters. It offers a strategic review, planning advice and support to help companies build on their previous success and develop new overseas markets.

Business opportunities

These can be emailed directly into your in-box, highlighting hot leads in your chosen overseas market. Companies can sign up for this free service by visiting www.businessopportunities.ukti.gov.uk/uktihome/search.html?search=§or=-1&country=%2Fasiapacific%2Ffar-east%2Fkoreasouth&x=15&y=17

Fiscal Stimulus Initiatives

These have been introduced by governments around the world. UKTI can help UK companies of all sizes to identify the opportunities created by fiscal stimulus packages and major spending programmes.

For example, the South Korean government introduced a huge fiscal stimulus in response to the global financial crisis, made up of roughly one-third tax cuts and two-thirds public spending. In total, the measures equate to around 5% of GDP, spread over two years.

Export Communications Review (ECR)

ECR assesses the way companies communicate with overseas customers and makes practical recommendations for improvement. The service is managed for UKTI by the British Chambers of Commerce.

Export Marketing Research Scheme (EMRS)

EMRS offers support, advice and grant funding to eligible companies wishing to research a potential export market. The service is managed for UKTI by the British Chambers of Commerce.

Foreign & Commonwealth Office (FCO) Country Updates

Country Updates provide authoritative analysis of emerging markets and identify key issues relevant to UK businesses. The updates are compiled by British embassies, which have access to high-level government and business contacts. Visit: www.gov.uk/government/organisations/foreign-commonwealth-office For more information on any of these services, please contact your local UKTI International Trade Team.

SOUTH KOREA

In July 2011, the EU-South Korea Free Trade Agreement (FTA) came into force. This historic agreement presents opportunities for greater UK-Korea trade and collaboration. Based on current trading patterns it will be worth at least £500 million per annum to the UK economy.



Choosing The Right Location

Geography

The Korean Peninsula lies in the north-eastern part of the Asian continent. It is bordered to the north by Russia and China, to the east by the East Sea and Japan, and to the west by the Yellow Sea. In addition to the mainland, South Korea comprises around 3,200 islands.

At 99,313 sq. km, the country is slightly larger than Austria. It has one of the highest population densities in the world, after Bangladesh and Taiwan, with more than 50% of its population living in the country's six largest cities.

Korea has a history spanning 5,000 years and you will find evidence of its rich and varied heritage in the many temples, palaces and city gates. These sit alongside contemporary architecture that reflects the growing economic importance of South Korea as an industrialised nation.

In 1948, Korea divided into North Korea and South Korea. North Korea was allied to the, then, USSR and South Korea to the USA. The divide between the two countries at Panmunjom is one of the world's most heavily fortified frontiers. Surrounded on three sides by the ocean, it is easy to see how South Korea became a world leader in shipbuilding.

Climate

South Korea has a temperate climate, with four distinct seasons. Spring, from late March to May, is warm, while summer, from June to early September is hot and humid. Autumn, from late September to November, is generally mild. Winters in South Korea tend to be bitterly cold, due to Siberian airflows, and there can be heavy snow in northern and eastern parts.

Centres of business

Seoul – is the capital of South Korea and its largest commercial centre. With a population of around 10 million, it is one of the largest cities in the world. The Seoul National Capital Area, which is generally referred to as Sudogwon, is the second-largest metropolitan area in the world. It has over 24.5 million inhabitants and includes the Incheon metropolis and most of Gyeonggi province. There are a range of industrial clusters outside Seoul, including:

Osong Bio-Technopolis – South Korea's first bio cluster, located 170km south of Seoul. Osong is designated a special zone for foreign direct investment, securing US \$260 million to date. Foreign companies seeking to invest in the complex will be exempt from rent and corporate taxes for five to seven years, with additional tax benefits offered by the local government



South East Coast and Ulsan – is where South Korea's world-leading shipbuilding cluster is located. The cluster is home to manufacturers of steel plates, steel structures and engines, as well as colleges specialising in shipbuilding and marine engineering. Ulsan shipyard is currently the largest in the world and has the capacity to build a variety of vessels, including commercial cargo, offshore and naval.

Busan (officially Busan Metropolitan City and formerly spelled Pusan) – is the second-largest metropolis in South Korea after Seoul. It is the largest port city in the country and the fifth-largest port in the world. Busan has played host to several high-profile international business and sporting events, including the APEC Economic Leaders Meeting in 2005.

The largest department store in the world, Shinsegae Centum City, is located here and Busan is building many super-skyscrapers, including the 110-floor Lotte Super Tower.

Incheon (officially Incheon Metropolitan City) – is part of the Seoul National Capital Area and is the third-largest urban area in South Korea, behind Seoul and Busan. Incheon is the country's most important transport hub, housing the largest seaport on the west coast and the country's largest airport. Global business is centred around the hi-tech Songdo International City, which is the site of South Korea's tallest building, the Northeast Asia Trade Tower.

Incheon was South Korea's first Free Economic Zone, providing various types of government services to promote foreign investment. For example, English is the official language for government documents in this area and, in September 2010, the Chadwick International School – the first in the region – opened in the Songdo district. Incheon's goal is to transform three of its districts (Songdo, Yeongjong and Cheongna) into the logistics, leisure & tourism, and international business hubs of the Northeast Asia region.

Incheon will play host to the Asian Games in 2014, from 19 September to 4 October. It beat off India to host the Games and is the third city in South Korea after Seoul (1986) and Busan (2002) to stage the event.

Songdo – this district of Incheon is aiming to become a global city of hi-tech knowledge and international business. The Samsung Group recently announced a US \$266 million venture with partner Quintiles Transnational Corp. to make biologic drugs here. The new plant, which will contract-make medicines from living cells, will help Samsung to tap into South Korea's massive biopharmaceuticals market, which has produced five of the world's 10 best-selling medicines.

Daegu (officially the Daegu Metropolitan City) – is one of the largest metropolitan areas in South Korea, with more than 2.5 million people. The city is located in south eastern South Korea; about 80km from the coast, there are 5 international ports in an hour distance. It is a centre for fashion, textiles, and hi-tech industries. The city is home to 3 largest manufacturing and R&D clusters in South Korea (Transportation Components, Steel/Energy, and IT). With expressway corridors organised to connect major industry clusters nearby, a large number of parts and materials companies in Daegu supply their customers effectively.

Yeongjong – is aiming to become an international logistics city. It is the site of Incheon International Airport and harbour. Expansion plans for the airport include creating a free trade zone, international business district and special economic zone. In March 2009, it was named Best Airport Worldwide in the Airport Service Quality Awards.

Pyeongchang – Pyeongchang is set to host the Winter Olympics in 2018, and is looking for international support and advice on sports event management, stadiums, green building and many other areas related to tourism and event hosting.

Other major centres in South Korea include: Suwon, Goyang, Seongnam and Bucheon.



GLOBAL POWERHOUSE

More than \$2bn of investment has flowed into South Korea's Daegu Gyeongbuk Free Economic Zone since 2008 – a tribute to the zone's attractiveness to foreign investors

Prime location, end-to-end supply chain, and customised facilities are only some of the many advantages that the Daegu Gyeongbuk Free Economic Zone (DGFEZ) in South Korea provides clients.

Established in 2008, DGFEZ was created with the goal of creating a 'global best' working environment for both Korean and foreign companies. Five years later, the efforts of local investment promotion agencies have been paying off. With \$2bn in investment, more than 4000 workers and 100 companies, it is clear that DGFEZ is building something special.

But why have multinationals such as Dassault Systèmes (France), Daicel (Japan) and Boeing (US), as well as Korean conglomerates Hyundai Motors, Hyundai Heavy Industries and Samsung, committed to DGFEZ?

KOREA'S LARGEST MANUFACTURERS

A global powerhouse when it comes to manufacturing for exports (eighth in trade volume), South Korea's exports totalled \$547.9bn in 2012, with 41% (\$225bn) coming from Daegu Gyeongbuk and the surrounding 100-kilometre region. In South Korea, the Daegu Gyeongbuk region is known as the birthplace of industry, a place where Samsung, Hyundai and POSCO were founded.

This area, Yeongnam, is home to South Korea's largest manufacturing clusters (transportation, IT and mobile, and steel and energy). Samsung Electronics operates a mobile handset manufacturing factory there that produced 325 million units in 2011; LG Display operates a liquid crystal display factory with sales of \$379m. Yeongnam is also home to South Korea's largest automotive cluster, which includes Hyundai Motors, GM Korea and Renault-Samsung Motors. That's not to mention the many suppli-

"DAEGU-GYEONGBUK WILL BE THE NEXT BEACON OF INDUSTRIAL DEVELOPMENT. WE HAVE A PROVEN SUCCESS MODEL – FOUNDED ON STABLE ECONOMIC INFRASTRUCTURE AND TALENTED MANPOWER – THAT WE ARE EAGER TO SHARE WITH THE WORLD"

ers, including 11 of the world's top 15 automotive components companies. To top it off, the world's fourth largest steel company, POSCO, provides lightweight metals to automotive and shipbuilding companies from its Yeongnam base.

EXCELLENT HUMAN RESOURCES

Supporting the industry with valuable manpower are a myriad of well-respected universities and colleges. These 52 universities and colleges supply 70,000 graduates annually, including 17,000 engineering graduates. In addition to a well-educated workforce, Daegu Gyeongbuk boasts low employee turnover (2.04%) and has the lowest man hours lost due to strike in Korea.

SPECIAL R&D ZONE

Part of the free economic zone concept is to incorporate research and development (R&D) centres to work alongside nearby industrial complexes to become a research and business development hub of north-east Asia. To accomplish this goal, DGFEZ was designated by the central government as a special R&D

zone, enabling tenant companies greater opportunities to participate in national projects and receive funding. With some 50 government-funded R&D centres in the region, several companies have taken advantage of this infrastructure, particularly in the medical device, automotive and IT fields.

FUTURE GROWTH

Among such projects is Medieval, a 4-million-square-metre medical complex that will house an international hospital and various medical and pharmaceutical R&D activities aimed at advancing the healthcare industry as a driver of Korea's economy for the next 20 years. The \$4.5bn project is slated to open its core facilities in 2014.

Interested investors can rely on DGFEZ's one-stop service programmes, which guide resident companies from feasibility study to registration and after-service assistance. "Daegu-Gyeongbuk will be the next beacon of industrial development," DGFEZ commissioner ByungRok Choi states. "We have a proven success model – founded on stable economic infrastructure and talented manpower – that we are eager to share with the world."

For more information
www.dgfez.net

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SOUTH KOREA

Increased success for Korean companies abroad has opened up a range of opportunities for British companies to collaborate and share in their success across third-country markets. UK firms with appropriate products, expertise and connections in the Gulf, North Africa, ASEAN and beyond can seize a range of opportunities to work with them.

Business Opportunities

As the 12th largest economy worldwide and the fourth largest in Asia, South Korea is a dynamic and vibrant place to do business. Its 50 million strong domestic population is wealthy, savvy and out to buy the best. With the introduction of the EU-South Korea Free Trade Agreement and a passion for UK goods, the country ranks among the most lucrative and exciting overseas markets for British companies, with numerous and varied opportunities for export.

The figures speak for themselves. Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That's as much as the UK and more than France or Italy. South Korea's economy grew by 3.6% in 2011, the fastest in the OECD (Organisation for Economic Cooperation and Development), and despite the global economic slowdown, the economy grew by 2.8% in 2013, and is predicted by the Bank of Korea to grow 3.8% in 2014.

South Korea is a hi-tech economy. It is a world leader in electronics manufacturing, including semiconductor chips, flat-screen TVs and mobile phones. Samsung – the world's largest electronics company – originated in South Korea.


The organisation has a turnover greater than that of Apple, Google and Microsoft combined. South Korea also has the highest level of broadband penetration in the world (with speeds of 100 megabytes the norm), as well as the highest 3G mobile phone usage.

Moreover, the country is a global pioneer in shipbuilding, steel and the automotive industries. South Korean companies have delivered more than US \$500 billion of overseas projects in 130 countries since the 1960s, including over US \$50 billion in 2012 alone; six of the top ten contractors in the Arabian Gulf's oil and gas markets are Korean. Samsung C&T built the Burj al-Khalifa, the world's tallest building in Dubai, and state power utility KEPCO is delivering four new nuclear plants in Abu Dhabi, the Arab world's first civil nuclear power facilities.

Increased success for these Korean companies abroad has opened up a range of opportunities for British companies to collaborate and share in their success across third-country markets. UK firms with appropriate products, expertise and connections in the Gulf, North Africa, ASEAN and beyond can seize a range of opportunities to work with them. They acknowledge the UK's global footprint, and show interest in the capacity of UK companies to help them manage project risk in all its forms.

The EU-South Korea Free Trade Agreement (FTA)

In July 2011, the EU-South Korea Free Trade Agreement (FTA) came into force. This historic agreement presents opportunities for greater UK-Korea trade and collaboration. Based on current trading patterns it will be worth at least £500 million per annum to the UK economy. The most comprehensive FTA ever agreed between two parties, the deal has created outstanding opportunities in financial services, telecommunications and legal services.



97% of tariff barriers between Korea and the EU will have been eliminated by July 2014 with £1.6 billion of duties for EU exporters abolished annually. South Korea is currently the only country in Asia to have concluded an FTA with the European Union:

- **Increased opportunities for trade in goods and services:** Duties will be eliminated on 98% of products accounting for 70% of the trade between the EU and South Korea. The FTA is expected to create more than £17 billion in new trade in goods and services for the EU. The schedule of tariffs can be found online at: http://trade.ec.europa.eu/doclib/docs/2009/october/tradoc_145133.pdf
- **EU first mover advantage over the US:** The EU negotiators of the FTA had a target of equalling or exceeding the South Korea-US (KORUS) FTA (termed KORUS Plus). Furthermore, EU companies have had a significant first-mover advantage over US companies, as the EU-Korea FTA took effect on 1 July 2011, before KORUS FTA implementation in March 2012.
- **Exchange rate fluctuations offer advantages to the UK in the short term:** The UK had an advantage over many other EU countries at the launch of the FTA due to the relative weakness of the UK pound. Once British firms have captured the market, it will be easier to sustain even when rates change in the future. Fluctuations in exchange rate are a more significant factor than tariff reductions.
- **UK strength in services is big advantage in South Korea:** A major focus of the FTA is trade in services where the UK is particularly strong (especially legal and financial services) and where South Korea is weak. This represents a special advantage for the UK over other EU countries.
- **Intellectual property is protected in South Korea:** Intellectual property protection in South Korea is relatively advanced, so UK companies can approach the market with confidence that trade secrets will be safe. Protection is further strengthened by the FTA.
- **FTA supports removal of “non-tariff” barriers:** Non-tariff barriers (such as harmonisation of local safety and testing standards with international standards) were a major issue that were extensively addressed in the FTA. South Korea has committed to transparency of its regulatory processes and to making the regulatory process more readily available to foreign firms. This should lead to a consistent, predictable regulatory regime.
- **FTA is an added benefit to the already open South Korean market:** South Korea is already relatively open to trade and foreign investment. However, the FTA will ensure that South Korea cannot ‘back track’ on liberalisation.

- **Joint collaboration:** The EU-South Korea FTA commits both parties to encouraging and supporting cross border collaboration particularly in the areas of scientific and technical co-operation.
- **FTA provides structure and leverage for dispute resolution:** South Korea has a well established legal structure but enforcement has often been perceived to be discriminatory. The FTA addresses this issue by establishing Working Groups as a forum for dialogue on issues that arise. This is expected to provide 'leverage' for dispute resolution and help businesses address discriminatory practices.
- **Positive perceptions of the UK by Korean consumers:** The UK has a relatively positive image with Korean consumers and the FTA is likely to increase the level of awareness of the EU. The FTA is also expected to increase awareness of South Korea among UK companies.

The full text of the EU-South Korea FTA can be accessed on line at:
<http://trade.ec.europa.eu/doclib/press/index.cfm?id=443&serie=273&langId=en>

The European Commission has established a mailbox at TRADE-EU-KOREA-FTA@ec.europa.eu for British companies who have queries about the implementation of the FTA. If you have any questions about the FTA please email to this address.

Low carbon opportunities

On green energy, the South Korean Government is leading the way in the Asia-Pacific region with an ambitious low carbon strategy. In July 2009, the Government committed to spending 2% of GDP annually on the low carbon economy. Its Presidential Committee for Green Growth has set an ambitious target of a 30% reduction in carbon emissions by 2020. British business can help South Korea meet these targets.

Both the UK and South Korea are pursuing Low Carbon, Green Growth strategies. However, the focus of the policies and objectives of the two countries exhibit some differences. The UK is clearly committed to achieving Low Carbon targets. A detailed, year-by-year timeline of carbon reduction targets and specific plans on how to achieve them has been laid out and progress towards those targets is being carefully tracked. Growth is a by-product that the UK government hopes will be generated by pursuing carbon reduction policies. The UK has a wide array of strengths but most notably in the areas of green buildings, construction and deployment of offshore wind power systems, environmental impact assessments, wind assessments and connection to the grid.

South Korea also has targets but is primarily focused on economic growth, and low carbon activities are defined as a "new growth engine". Policies and objectives are defined in terms of anticipated employment generation and potential for exports.

The commercial viability of new technologies and energy conservation products are at the forefront of South Korean policies. The South Korean government is hoping to create a sustainable business model that utilises market forces to drive green developments. A reduction in Korea's carbon footprint is a welcome addition to its green growth policy. Carbon reduction targets certainly exist but the link between the targets and the low carbon activities is less strong than in the UK. South Korea has a wide array of strengths but most notably in building materials, hardware for wind power and ICT components for smart grids.

Due to the differences in the approach to green building in South Korea, the opportunities in green buildings have been slow to evolve. UK green building policies take a systematic approach looking at the whole spectrum of contributors to carbon emissions: building design, building materials, materials manufacturing processes, transportation, demolition, recycling and reuse. South Korea is focused almost exclusively on reducing energy consumption through energy saving materials (primarily insulation) and active energy reduction systems at the expense of passive solutions. Unfortunately, South Korea's electricity costs are relatively low in minimising commercial motivation to save energy.

However, New and Renewable Energy (NRE) offers much more potential for cooperation. Both countries are actively working to increase power generation from new and renewable sources, both face the need to develop a grid that can handle diversified power inputs and two-way flow, with the UK focusing on system design and management while South Korea is focused on developing ICT devices to monitor and regulate power flow.

More than 30 specific low carbon, green growth opportunities are presented in a UKTI report "Low Carbon Opportunities in the Republic of Korea" (updated 31 October 2012) which can be accessed at: www.businessgreen.com/digital_assets/5950/UKTI_Low_Carbon_English_version_pdf1.pdf

Sector-specific opportunities

For UKTI Korea Sector Reports on any of the below industries please contact Opportunity.Korea@fco.gov.uk to request a PDF.

The South Korean population is highly educated. 7% of the country's entire GDP is spent on education and nearly three quarters (74%) of South Koreans undertake postgraduate level study. This creates excellent opportunities for UK educational institutions.

Education – South Korea is one of the largest education markets in the world. English language training, including training delivered via e-learning, offers considerable opportunities. British English, our accent and linguistic expertise are held in high regard.

Financial and legal services – Korea has a highly developed and profitable financial services sector including the second largest insurance market and third largest banking market in Asia. The EU-South Korea FTA has removed some key barriers to the profitability of UK banks in the country and gradually, allows UK law firms access to the South Korean market. There are particular opportunities for asset management companies to work alongside South Korean sovereign wealth funds, including the South Korean National Pension Service (the fourth largest in the world), and the South Korean Investment Corporation.

Creative industries (Design) – South Korea's overall design market is worth £10.6 billion. Seoul was the World Design Capital in 2010 and encouraged new and creative design concepts in and around the city. UK design is highly valued by South Korean companies.

Life Sciences – South Korea's rapidly ageing population and societal drivers for a healthier lifestyle ensure a wide range of opportunities, from the supply of branded drugs to over-the-counter supplements, and natural-ingredient-based products in particularly high demand. South Korea is a developed market for healthcare provision, offering niche opportunities in the supply of high-end equipment and telemedicine.

Global Sports – South Korea will host the Winter Olympics in 2018 in the city of Pyeongchang in Gangwon Province. British companies with expertise in managing and delivering major international sporting events are well placed to offer their services to the South Korean organisers.

The following includes detailed information on these key sectors, but UKTI in Seoul publish detailed information on more than 15 different sectors, highlighting the opportunities:
www.gov.uk/government/world/organisations/uk-trade-investment-south-korea

Education

The South Korean education system is based on the US model consisting of six years of elementary schooling, three years of middle school, and three years of high school, with four-year undergraduate degrees and two-year masters degrees the norm. Pre-school children are educated in day care centres (or nurseries at ages of two to three) and kindergartens (at four to six).

Historically spending 11 out of every 14 days at school, South Korean primary and secondary school students adopted a five-day school week in March 2012. Young South Korean students are now free on Saturdays and parents, teachers and local education suppliers are keen to provide various educationally enriching entertainment activities for them. The South Korean Education Ministry also encourages schools to offer extra-curricular education programmes for its students.

There is a culture of paying for education at all levels in South Korea, from pre-school to college and university. Private 'crammer' academies (Hagwon in Korean) attract students as young as two, and cover all subjects ranging from English and maths to history and IT. The value of this market is estimated at approximately US \$20 billion. If you include preschool children and adult education, this rises to more than US \$22 billion. Some of the ways the FTA will influence the education sector are:

FTA Changes

Timing

Non-degree adult education will be open to foreign owned entities

Immediately

Enhanced cultural co-operation encouraged

Immediately

Foreign investment is now permitted

Immediately

Opportunities for UK Companies:

The South Korean government has emphasised the growing importance of English language in education and unveiled a roadmap to revamp the nation's public English education provision. This has influenced not only students but also employers who wish to strengthen their employees' English language skills as a result of globalisation.

English Language Education

English education for pre-school children in South Korea is carried out on an industrial, nationwide scale. This is delivered through a variety of media including: language institutions, group or one-to-one lessons, study materials, over the telephone and over the internet. Many South Korean companies are keen to improve their employees' English language skills and help them reach global standards. There is strong demand for:

- English for young learners
- Career-based education and training
- Company training
- Teaching materials (books and multi-media materials)

British schools such as the Dulwich College in Seoul (established in 2010) and North London Collegiate School on Jeju Island (2011) are notable as highly successful leaders in the market in offering a British-style of education.

In general, British educational expertise is now actively sought after by South Koreans who recognise the UK's reputation for high quality.

Online Education

South Korea's e-learning market is one of the most promising niche areas in the educational tools and services industry. The South Korean e-learning market was worth approximately US \$2.2 billion and had an annual growth rate of 7.4% in 2011 according to the South Korean National IT Industry Promotion Agency (NIPA).

With South Korean government initiatives in IT infrastructure and support for the development of IT industry, e-learning education has become a viable option for many South Koreans.

Over 82% of South Koreans currently own a PC and there are over 38 million South Korean internet users. According to NIPA, in 2011 49% of internet users used some form of e-learning and as many as 74% of elementary, middle and high school students are believed to use the technology.

Financial Services

South Korea has a highly developed and profitable financial services sector including the second largest insurance market and third largest banking market in Asia. The stability of the banking sector is underpinned by strong fundamentals and proactive regulation. At less than 1%, South Korea's non-performing loan ratio is low by regional standards. Foreign investors own some 70% of the banking sector.

The relaxation of controls on cross-ownership of financial services has further opened up opportunities for market entry, acquisition and business development. As international financial services groups look to develop their footprint in Asia, a presence in South Korea is becoming increasingly desirable.

Influence of the EU-South Korea FTA

The FTA contains a number of provisions on services, public procurement, intellectual property and sustainable development as well as the liberalisation of goods tariffs. Financial services firms gain substantially from the FTA. They are now able to freely transfer data from their South Korean branches and affiliates to their headquarters overseas. FTA commitments also enable financial firms to off-shore their back office functions which previously imposed additional costs (in some cases of up £10-20 million) for such firms setting-up operations locally.

Opportunities for UK companies:

Banking

There are now four strong banking groups (Shinhan, KB Kookmin, Woori & Hana) with similar asset sizes, suggesting that this highly saturated sector could see competition intensify further. Long-term strategic investors have moved into the market in recent years, in many cases acquiring the stakes of an earlier wave of private equity buyers. The FSCMA could open up new opportunities for cross-selling to bank customers, including further development of Bancassurance and capital market businesses.

Asset management

The market size is still small compared with the size of other developed economies. The value of managed assets was US \$274.8 billion as of the end of September 2011, ranked 15th among 46 countries. The asset management sector is set for rapid growth as a result of pension reform. More than a third of the country's 52 asset managers are now solely or jointly run by international groups. South Korea's retirement pension fund has consistently grown by more than 100% per year over the past several years, while private pension funds have expanded at an average of 15% per year over the same period.

Insurance

Insurance remains dominated by a small number of local players. However, foreign companies have made strong inroads. Foreign entry into the market has included both acquisition of existing companies and Greenfield start-ups. Recent listings of life insurers may create new investment targets. Given the impact of the global economic crisis on the industry, there will be limited demand for insurance products over the short term.

However, the growth scenario will likely change over the medium term because of South Korea's rapidly aging population. This creates ongoing demand for after-retirement protection products as well as health insurance products, including accident and illness as well as medical expense coverage.

Legal Services

Sovereign Wealth Funds/Pension

Funds Particular opportunities for asset management and property management companies exist to work alongside the likes of the National Pension Service ('NPS'). Their fund is the fourth largest pension fund in the world with assets of more than US \$300 billion. In the coming years the NPS will have to outsource its increasing assets to more financial services companies, pushing up the demand for funds.

The organisation recently purchased three iconic buildings in London including HSBC HQ in Canary Wharf as well as a 12% stake in Gatwick Airport. They set up a European headquarters in London last year.

There are about 12,000 lawyers in South Korea of which around 7,000 work in Seoul. Over 600 law firms (including one-man offices) and 800 in-house lawyers operate in the country. About 2,500 lawyers are licensed each year. All lawyers are required to become members of the South Korea Bar Association.

The number of lawyers is expected to double in the next five years as the South Korean Government liberalises legal services. Currently South Korea still has the lowest number of lawyers per capita in the OECD, making it a potentially strong market for UK law firms.

South Korea's largest law firm is Kim & Chang. For more information on their services, please click here to view their profile or visit: www.kimchang.com Currently, there are about 3-4 UK & US law firms in receipt of an operating licence from the Ministry of Justice to set up an office in South Korea. Approximately 15-16 more companies are currently applying for the licence.

Influence of the EU-South Korea FTA New revenue opportunities have been generated by the enhanced protection of Intellectual Property Rights and an extended copyright period the FTA has brought. The legal services element of the FTA identifies a three stage, time-based process for opening up the South Korean legal system:

- **First stage:** Solicitors and other EU law firms will have the right to establish a branch office to offer advice on foreign and international law. Foreign lawyers are permitted to use their home country titles in their home country language. By using their home country titles, domestic and foreign clients can be confident that they are receiving advice from an attorney legally registered in a specific jurisdiction.
- **Second stage:** This permits a foreign law firm to fee share with a South Korean law firm, either on a project-by-project basis or on an ongoing basis.
- **Third stage:** This will begin no later than July 2016. It will permit South Korean and foreign lawyers to go into partnership together and allow foreign law firms to employ South Korean lawyers.

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Opportunities for UK companies:

Foreign-licensed attorneys already play a vital role in cross-border transactions involving, among other areas of law, mergers and acquisitions, financial and securities dealings and joint ventures. However, local companies dominate in other areas such as litigation. There may also be opportunities in niche markets such as shipping and construction where UK law firms already have considerable expertise.

Design and creative industries

South Korea is an export-oriented economy and a number of South Korean manufacturing companies are currently competing to gain a larger share of the global marketplace. To succeed in this endeavour, South Korean companies are making investments in developing new design concepts.

One of the ways they are doing this is by establishing closer partnerships with overseas companies with a strong track record in innovation. Many UK design companies such as Seymourpowell, Tangerine, and Kinneir Dufort already work with well-established South Korean clients from a number of diverse sectors including ICT, retail, advanced engineering and medical device manufacturing in order to provide a wide range of services. Typically these include product packaging, brand identity management, corporate visibility and design research. UK design firms have a high profile in South Korea and local companies appreciate Britain's reputation for strong creative credentials.

Influence of the EU-South Korea FTA

The FTA has ushered in enhanced protection for Intellectual Property Rights and extended copyright regulation. This has improved opportunities for UK companies in service industries where the UK is traditionally strong and South Korea weak.

Opportunities for UK companies:**Product/Packaging Design and Brand Identity**

International collaboration is seen as essential in these fields. South Korean consumers have rapidly changing tastes and a strong desire for products with innovative designs. In addition, South Korean exporting companies are compelled to continue to provide goods and services featuring high quality and innovative designs in order to compete and differentiate themselves in the global marketplace. There is an increasing demand for creative designs from companies operating in the electronics, food & drink, medical devices, and other consumer goods sectors. To respond to these growing demands, South Korean companies, including ICT giants like Samsung and LG, as well as large retailers like Shinsegae, CJ, and Amore Pacific, work with UK design agencies on their product/packaging design and branding.

Design Consulting

Increasing numbers of South Korean companies seek professional advice and design solutions in both the local and global market. However, very few domestic design consultancies possess the necessary skills to meet this demand.

This has generated significant opportunities for UK design agencies particularly for those with a proven record in design research and strategy for corporate design.

Public Design

The Seoul City government has shown a strong desire to redesign the City since it was designated as 2010's World Design Capital by the International Council of Societies of Industrial Design (ICSID). It has already introduced some design projects for public spaces in Seoul. Dongdaemoon Design Park & Plaza (one of the City's major design projects) was designed by a famous UK architect Zaha Hadid and opened at the end of 2013. There is a wide range of business opportunities for UK design agencies with expertise in areas such as architecture/landscape design, interior design, public design and design consulting.

Life Sciences

Total domestic healthcare expenditure in South Korea has grown steadily from about 4.4% GDP in 1990 to 7.1% of in 2010, with an annual growth rate around 9%, twice as high as the OECD average. Part of this is a result of one of the world's most rapidly ageing populations. In 2010, the percentage of the population over 65 was 11%. It is forecast to be over 20% by 2025.

Biotechnology

The biotech industry is one of the fastest growing industries in South Korea and has grown rapidly with a constant annual growth rate in excess of 10%. South Korea is the 8th strongest biotechnology nation globally with particular technology advantages and skills in stem cell research. The South Korean government considers biotechnology as the next new growth engine for the nation. Thus, there is strong government support for the acquisition of core technologies and the development of biotechnology infrastructure.

The South Korea bio-pharmaceutical market was forecasted to reach a value of £1.1 billion during 2013, with further growth expected.

Pharmaceuticals

South Korea is the 13th largest international pharmaceuticals market, accounting for some 1.5% of global market share in 2012. By 2020, the South Korean government aims to become the 7th largest pharmaceutical producing nation, accounting for 4.5% of the total global market. The South Korean pharmaceuticals market has traditionally been generics-oriented, but recent industrial investments have enabled an increased focus on new drug discovery. The market was worth around £10.9 billion in 2012 with an annual growth rate of around 8%. Since 1999, South Korea has developed 19 unique new drugs.

Medical Devices

The South Korean medical device market accounts for 1.3% of global market share. The market was worth around £2.3 billion in 2012 with an annual growth rate of around 7%. The market is mainly serviced by imports, accounting for 65% of the total market, largely from the US, Germany and Japan.

Influence of the EU-South Korea FTA
Since its passing in July 2011, some of the ways the FTA has and will influence the Life Sciences sector are:

Item Change in Tariff Timing: Now/Later

Biotechnology Up to 8%	3 years
Pharmaceuticals 8%	Immediately
Medicines 8%	0-3 years
Medical devices 8%	0-5 years

(Source: European Commission)

Opportunities for UK companies:

There are opportunities for R&D collaboration and technology transfer in the fields of oncology, cardiology, drug discovery, metabolic diseases, vaccines, neuroscience, stem cells, cancer theranostics, tissue engineering and regenerative medicine.

Biotechnology

There is a growing demand for drugs to treat lifestyle related diseases such as hypertension, diabetes, and cancer. Korean companies are looking for overseas technology and experience which they can license in and further develop. The clinical trials are becoming more commonplace locally but there is high demand for international partnerships to conform to global standards.

Pharmaceuticals

There is a strong demand for both licensing in and out of pharmaceutical products/technology. South Korea has strong credentials in the traditional fermentation, antibiotics and diagnostic industries. Global outsourcing, partnerships and M&A are also becoming a more accepted approach to R&D and product development in South Korea.

Medical Devices

There is a strong demand for imported medical devices such as dental equipment (especially dental implants), radiotherapy/imaging equipment, and orthopaedic equipment.

Global Sports

Sports and exercise are valued in South Korean society. South Korea has a tradition of excellence on the global stage – particularly in baseball (Olympic champions), football, speed skating, ice skating and in multi-disciplined events. In the 2010 Asian Games, South Korea came second in terms of total medal tally. South Korea has hosted several iconic sporting events in the past, including the 1988 Summer Olympics in Seoul, the FIFA football World Cup in 2002, and the IAAF World Athletics Championships in Daegu in 2011.

South Korea has an ambitious programme to host additional major sporting events including:

- **Incheon Asian Games 2014:** Incheon is home to 2.8 million people, and is one hour from Seoul. In South Korea, the Asian Games are bigger than the Olympics. The Games in Incheon will feature 36 sports held at 50 competition venues. 37 of the venues will be in Incheon with 13 others in five co-hosting cities. 24 venues will be new builds.

There is a desire to host eco-friendly games with the emphasis on green building and green technologies.

- **Gwangju Universiade 2015:** Gwangju is home to 1.45 million people and is 55 minutes from Seoul via the KTX fast train line, which was completed in 2013. The Universiade will host 7,000 athletes from 170 countries. The games will feature 21 sports. There will be 77 separate facilities, including a new aquatics centre and a multipurpose hall.
- **Pyeongchang Winter Olympics 2018:** The city of Pyeongchang in Gangwon Province will host the Winter Olympics in 2018. The games will be centred in two clusters – the Alpenasia cluster and the coastal cluster. No venue will be more than 30 minutes apart. There will be 13 competition venues; 7 are existing venues which will all be updated, and the other 6 will be new builds.

There are opportunities for companies who excel in:

- Marketing and ticketing
- Hospitality & catering
- Advanced IT (where not available locally)
- Green building and design, including stadium and accommodation construction
- Low carbon solutions
- Legacy planning

Opportunities for UK companies:

South Korea has established world class football and baseball leagues. They also have a proven track record of holding large scale sporting and entertainment events. Those foreign companies that succeed in Korea differentiate themselves from the local offer.

The South Korean Government has a strong focus on moving the country to a low carbon economy. Both Incheon and Gwangju have expressed a desire to host eco-friendly games, using low carbon and green building techniques.



SOUTH KOREA

Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth. That's as much as the UK and more than France or Italy. South Korea's economy grew by 3.6% in 2011, the fastest in the OECD (Organisation for Economic Cooperation and Development), and despite the global economic slowdown, the economy grew by 2.8% in 2013, and is predicted by the Bank of Korea to grow 3.8% in 2014.





Establishing The Right Presence

Direct sales into South Korea can be difficult. For most UK companies, it is more effective to approach the market through local business partners (agents and distributors) who have the ability to distribute and provide locally based technical support. Licensing and franchising are also increasingly popular options.

It is possible to set up a representative office, a branch office, a joint venture or a wholly foreign-owned enterprise in South Korea. If you are planning to do business in South Korea, consult a lawyer about the possible options and how you plan to conduct the operation. UKTI can help you to identify local and international law and consultancy firms who can help.

They can also provide validated lists of agents/potential partners, key market players and potential customers, approach contacts on your behalf to establish if they are interested in working with you, as well as arranging appointments and organising events.

Agents and distributors

An agent is a company's direct representative in a market and is paid commission, whereas a distributor buys products from the manufacturer and sells them on to customers. The difference between the cost of purchasing products and selling them on (the profit) forms the distributor's income.

In South Korea, registered commissioned agents are known as "offer agents".

Many of them operate on a small scale and lack capital, but if they have the right contacts they can provide adequate representation, even for major projects.

Entering a market by working with an agent or distributor can have several advantages. It reduces time and costs, and companies gain the local knowledge and networks of the agent/distributor in question. However, there are also some drawbacks. Employing a third party results in an additional cost to your products and you may lose some control and visibility over sales and marketing. It also has implications for intellectual property rights protection, increasing the risk of your product being copied or counterfeited.

Given these considerations, you need to select agents and distributors carefully. Your local UKTI office will advise you on how to commission a tailored report for your specific needs and can also provide a list of the best potential partners. A visit to South Korea will enable you to meet some of them and appoint a local contact.

Suggested questions to ask agents/distributors

You should also conduct due diligence to verify this information.

Background:

- Company size, history and ownership (private or state-owned)
- Quality and quantity of the sales force
- Customer feedback and trade/bank references

Distribution channels:

- Regional coverage
- Types of outlets covered and frequency of visits
- Transportation and warehousing facilities

Are they right for you?

- Does the agent/distributor have a genuine interest in representing your product?
- Can they benefit from actively promoting your interests (is it a win-win)?
- Do they also represent any competing companies/products?
- Can you communicate effectively with your counterpart?

Once a working relationship has been established, the agent/distributor needs you to actively manage them by:

- visiting as regularly as is practicable at a senior management level. This shows interest in, and commitment to, the agent and the market. It will also provide you with an opportunity to learn about conditions in the market and see how your products are doing.
- working closely with the agent to show them how they can profit from your products.
- helping to prepare marketing and sales plans for the agent.
- providing regular training for sales staff and after-sales training for technical staff in the UK.
- linking performance to incentives and agreeing milestone targets.

There is additional guidance on working with South Korean partners in later sections of this guide.

Licensing and franchising

Licensing and franchising are alternative approaches to selling products and services, but the exact business model will vary, depending on the sector and company. It is worth noting that South Koreans have a different view of contractual agreements from UK companies. There is a tendency to regard them as “gentlemen’s agreements” that can be subject to renegotiation if circumstances change, rather than as a binding contract. It is a good idea to exercise caution when entering into licensing agreements. UKTI in South Korea can advise on this, as well as other aspects of licensing and franchising.

Establishing a permanent presence

Having a permanent in-market presence can have several benefits, including:

- demonstrating commitment
- cutting out the ‘middle man’, providing direct access to the end customer/supplier
- giving direct control over corporate strategy and activities
- enabling trading in the local currency and easing the conduct of business transactions
- fulfilling a legal requirement to have a permanent presence (relevant in certain business activities and sectors).

In the past, foreign investors who wanted to do business in South Korea were required to have a South Korean partner.

However, this has changed, thanks to the South Korean government’s continued efforts to ease regulations and encourage more foreign investors.

It is now possible for foreign companies to establish a business in South Korea, even as sole traders, providing they follow the correct guidelines and procedures and set themselves up as an appropriate legal entity. The company must also be compliant with South Korean legal and tax requirements. The South Korean government website, www.korea.net contains information about how to set up a business in the country.

Once you have decided where you’d like to establish your business, contact the local government office in your target region. These offices provide help for companies wishing to set up in their locality. There are details of metropolitan and provincial governments on the korea.net website, or alternatively consult UKTI in South Korea.

Deciding what constitutes an appropriate legal entity for your business depends on your intended scope. There are a number of legal structures that allow Foreign Invested Enterprises (FIEs) to do business in South Korea, as outlined below. Each has its own advantages, restrictions and drawbacks, so it is essential to choose the option best suited to your aims. Setting up an FIE is a common method of creating an operation in Asian countries and can have a number of legal structures.

It is usually more difficult to alter a business structure once a legal entity has been incorporated or established, so it is essential to seek professional advice during the early stages of planning. UKTI can offer dedicated one-to-one consulting and incorporation services to assist UK companies establishing various kinds of permanent presence in South Korea. Please contact UKTI for more details.

Legal structures

Foreign invested enterprises (FIEs) in South Korea are governed by the Foreign Investment Promotion Act (FIPA) and the Commercial Code of Korea. The aim of FIPA is to create a level playing field between South Korean investors and foreign investors, so that both are treated more or less equally.

FIPA states that:

- foreign investors can invest in virtually any type of business in South Korea
- potential foreign investors only have to notify the relevant government authorities, rather than having to seek consent.

FIEs established under FIPA are entitled to certain tax incentives provided by the Special Tax Treatment Control Act of Korea. In return, they are required to invest 50 million Korean Won (approximately £28,000) or more in the local corporation.

The Korean National Tax Service provides information about the taxation system for foreign investors. For detailed advice on any aspect of establishing a permanent presence in the country, contact UKTI South Korea.

Representative offices

Representative offices are often the first step taken by foreign companies when establishing a permanent presence in South Korea. They provide a vehicle through which the foreign investor can undertake activities such as market research, customer liaison and support. Representative offices can also organise business visits from company headquarters, which can make the process of obtaining business visas for visitors much easier. Public relations work and local administration are also permitted. However, a representative office cannot conduct sales activities. This means they cannot sign contracts, receive income or issue invoices and tax receipts.

Branch offices

Branch offices can be used for companies that do not plan to have their head office in South Korea but need the ability to exercise their rights, based on the South Korean legal system, and establish their own property there. A registration fee is payable, based on the authorised share capital of the parent company. A higher registration fee is payable if the parent company has a high authorised share capital.

Joint ventures

A joint venture (JV) is an organisation jointly owned by one or several South Korean and foreign partners. It can be formed by way of equity contribution, whereby ownership, risk and profit are shared, based on each party's monetary contribution. Alternatively, a JV can be incorporated, with liabilities and profit distribution being decided by contractual agreement.

JVs can be beneficial in a number of ways. A good local partner may contribute market knowledge and strong marketing and distribution channels, and they may help reduce the costs and risk of market entry.

The challenge of establishing and running a successful JV is to find and nurture the right partnership. Partners have to overcome issues such as mismatched expectations and differences in business culture and practices. The ability to maintain effective communication, and control, where necessary, is also crucial. It is essential that you carry out corporate and financial due diligence before you sign up to any partnership. Companies should also plan an exit strategy. Like a marriage, it is better to have a pre-nuptial agreement than a messy divorce.

Foreign investment procedures

Foreign investment procedures consist of the submission of a foreign investment report, remittance of investment funds, registration of a foreign-invested company and registration of incorporation and business. Where a foreign investor registers a privately-owned business, 'registration of incorporation' is not required. The procedures applied to foreigners are basically the same as for South Koreans except for the two additional areas: foreign investment reports and registration of a foreign-invested company.

Foreign investment report

A foreign investor, or an agent, may report their investment at Invest KOREA (KOTRA), Korea Business Centres (KBC) of KOTRA, headquarters and branches of domestic foreign exchange banks, or domestic branches of delegated foreign banks.

- **Reporting person:** A foreign investor or an agent
- **Delegated agency:** Headquarters and branches of domestic banks, domestic branches of delegated foreign banks, Invest KOREA (KOTRA), or Korea Business Centres (KBC) of KOTRA
- **Processing period of a foreign investment report:** Immediate (The certificate of completion of report is issued without delay).

Follow-up management of foreign investment

Where a foreign investor or a foreign-invested company has completed payment for an investment or acquired existing stocks, he/she/it shall take procedures to register a foreign-invested company to the president of KOTRA or the head of a foreign exchange bank, as prescribed by acts and statutes of the Republic of Korea. The registration may be cancelled for certain reasons.

Corporation establishment

There are four ways that a UK company can establish a business in South Korea:

- 1) a local corporation
- 2) a private business set up by a foreigner or a foreign corporation (both recognised as a foreign investment)
- 3) a local branch, and:
- 4) a local office in South Korea set up by a foreign corporation (both categorised as a domestic branch of the foreign corporation).

Comparison of a foreign-invested company and a domestic branch

A foreign-invested company under the Foreign Investment Promotion Act

Establishment of a local corporation in South Korea by a foreign national or a foreign corporation is regulated by the Foreign Investment Promotion Act and the Commercial Act. A foreigner shall invest not less than 100 million Korean Won for the local corporation concerned to be recognised as foreign investment under the Foreign Investment Promotion Act.

Private business established by a foreigner with the investment of not less than 100 million Korean Won, is also recognised as foreign investment under the Foreign Investment Promotion Act.

Domestic branch of a non-resident (a foreign company) under the Foreign Exchange Transactions Act

A 'branch' that operates its business and generates profits in South Korea is not recognised as foreign direct investment. An 'office' can be defined in that it does not carry out business that generates profits in South Korea, but instead undertakes a non-sales function such as market research, R&D etc. An 'office' is granted a distinct number (equivalent to business registration), at a jurisdictional tax office in South Korea without the need for registration, which is different from a 'branch.'

For further details on incorporating in South Korea, contact UKTI South Korea or visit the offices of the Korean Trade Promotion Agency (KOTRA).



SOUTH KOREA

Korean is the official business language of South Korea. However, English is widely spoken amongst senior business people and government officials. While high-level business meetings may be conducted mainly in English, your hosts will appreciate it if you use their language whenever possible.





Getting Started

Finding a customer or partner

Once you have identified the best market-entry option for your company in South Korea, the next step is to find potential customers or partners.

Tried and trusted methods include:

- **Overseas Market Introduction Service:** UKTI's Overseas Market Introduction Service (OMIS) can tailor-make a list of potential customers, agents, distributors or partners and arrange a programme of meetings with them when you visit South Korea. OMIS can also be used to arrange a seminar or product introduction event in South Korea, which can be an effective way of getting your message across to a number of potential customers.
- **Trade shows and exhibitions:** Trade shows and exhibitions take place in South Korea throughout the year and can be an excellent way to meet potential customers face-to-face. Arranging appointments in advance with pre-identified contacts is essential if you want to make effective use of your time.
- **UKTI-supported trade missions:** UKTI supports a large number of trade missions to South Korea, organised by trade associations and local chambers of commerce. They provide an excellent opportunity for companies to visit the country to find out how business is done and generate valuable sales leads.

Due Diligence


Many of the problems that foreign companies encounter when doing business in South Korea could have been avoided by carrying out some due diligence at the outset.

There are different levels of due diligence, appropriate for different situations. If your sole interest is in exporting, the best proof of a South Korean company's ability to pay is a letter of credit from the bank. If a company can produce this, you do not need to check its financial standing as the bank will have already done so.

A very simple piece of due diligence is to obtain a copy of a company's business licence. This will tell you the following:

- the legal representative of the company
- the name and address of the company
- the amount of registered capital, which is also its limited liability
- the type of company
- the business scope
- the date the company was established and;
- the period covered by the licence.

You should check that the information contained in the business licence matches what you already know and, if it doesn't, then find out why. You will have more security if you know who the legally responsible person is, so find out who you are dealing with. The shareholders of the company are responsible for the amount of liability as stated as registered capital on the business licence.



You can check whether or not the registered capital has been paid up by using a firm of accountants to get a Capital Verification Report.

If you want to establish a business relationship that goes beyond exporting, you will need to carry out further research. It is not enough simply to obtain a copy of a company's accounts, as they may not be accurate. Accounts in South Korea are unlikely to be audited to the standards routinely expected in the UK, and companies may have different sets of accounts for different audiences, so it is advisable to use such data in conjunction with information obtained from elsewhere.

Good-quality consultancy and assistance is available from firms resident in South Korea and the UK. These companies can carry out operational, financial, legal and technical due diligence checks, typically by looking at the actual operation of the business, and building up a more accurate picture by carefully interviewing people who work in and with the firm.

UKTI has lists of consultancies based in the UK and South Korea that can provide due diligence checks on South Korean companies.

Employing Staff

South Korea has a motivated and highly educated workforce that leads the world in a range of hi-tech disciplines. 7% of the country's GDP is spent on education and 74% of South Koreans undertake postgraduate-level education. You will find workers here to be disciplined, hard working and keen to undergo training.

South Korea greatly values its workforce and is keen to attract high-quality skills from overseas. It has recently relaxed restrictions on visas for overseas workers. The organisation Contact Korea, has Korean Business Centres in 29 countries around the world, including the UK, dedicated to attracting talented people to work in South Korea.

For further information visit:
www.contactkorea.go.kr/en

Skills development

South Korea is keen to promote ongoing skills development. South Korea's Employee Skills Development Act exists to promote employee skills development and improve the productivity of the country's businesses. For further details visit:
www.moel.go.kr/english/topic/laborlaw_view.jsp?idx=220&tab=Skills

The Ministry of Employment and Labour (MOEL) in South Korea is the body that oversees issues such as employment conditions, industrial relations, accident protection, welfare promotion, job security and vocational training. For more information visit: www.moel.go.kr/english

Recruitment channels

There are several channels for recruiting staff in South Korea. It is worth remembering that South Korea is one of the most internet-enabled countries in the world – 9 out of 10 homes have access to the internet and the country has the highest rates of broadband usage – so the internet is an ideal way of publicising job vacancies. See below for the most used channels for recruiting staff:

- Advertise jobs to UK graduates on the UK's official graduate careers website: www.prospects.ac.uk/south_korea_job_market.htm
- Online job services, such as www.contactkorea.go.kr/en and <http://jobs.asiabot.com>
- Classified adverts for jobs in English are available in English daily newspapers, such as The Korea Times and The Korea Herald.
- Other newspapers (many of which have English-language pages) include: Chosun Ilbo, Dong-a Ilbo, Korea Economic Daily, Maeil Business, Hangyore Sinmun, and JoongAng Ilbo.
- Trade journals for key industry sectors, such as Fashionbiz, M&M, VM Space, GG Game, Monthly Design and Monthly Motors.
- For industry-specific periodicals, please contact the relevant UKTI Commercial Officer in South Korea.

Recruitment companies

South Korea is a member of the International Confederation of Private Employment Agencies (CIETT). There are many experienced domestic and international recruitment agencies operating across the country's main business regions. Companies like Manpower, Heidrick & Struggles and Adecco have a permanent base in South Korea. Contact the British Embassy, British Chamber of Commerce or educational institutes.

Recruitment process

When you are recruiting in South Korea, make sure that you carry out all the normal steps that you would if recruiting in the UK:

- Ensure that candidates' technical and linguistic capabilities match their claims and that you hire staff at the right level for the role.
- Carry out due diligence. This includes conducting personal background checks and checking all references before offering the position.
- Offer appropriate remuneration. It can be difficult to find up-to-date statistics on the going rate of pay for certain types of employment. Engineers, for example, can earn between 5 million KRW (US \$4,500) a month and 8 million KRW (US \$7,200). Talk to UKTI South Korea for advice on salary levels.

Overseas training

Offering employees the opportunity to train overseas is also very attractive at all levels, although make sure that in return for providing such training employees make a commitment to stay with your company for a specified period of time.

A word of caution

A lot of smaller companies setting up an office in South Korea may well just employ one person to deal with all aspects of running the company. Although this may be convenient and cost-effective, it might not be the best way to run your operation.

If your employee is not familiar with the rules and regulations pertaining to running an international office or business in South Korea, then you may soon have to deal with issues of non-compliance, which could prove very costly. Moreover, having one person in control of all financial and legal aspects of the business is obviously risky.

Working hours

South Korea has one of the longest weeks in the world. Recent legislation limits the average working week in any two-week period to 40 hours and prevents workers being required to work a 12-hour day. However, this is not widely observed and most people still work late into the evening. Standard working hours in the country are 09.00-18.00, Monday to Friday.

Public holidays

There are 15 national holidays in South Korea and most of them are observed by the majority of offices and businesses. In addition, workers accrue leave based on their attendance record and the number of years with a company.

Public holidays are:

January 1st:

1st day of 1st lunar month:

March 1st:

8th day of 4th lunar month:

May 5th:

June 6th:

July 17th:

15th day of 8th lunar month:

August 15th:

October 3rd:

December 25th:

New Year's Day

The Lunar New Year (Seolal) is the most important of the traditional Korean holidays and lasts three days

Independence Movement Day

Buddha's Birthday (Seokka Tanshin-il)

Children's Day

Memorial Day

Constitution Day

Mid-autumn Festival (Chuseok). This is also a three-day holiday

Liberation Day

National Foundation Day

Christmas Day

Language

South Korea has its own language (Korean) and alphabet (Hangul). Hangul consists of 10 vowels and 14 basic consonants. You will find a basic explanation of Korean vowels and consonants on the Korea.net website; www.korea.net

Korean is the official business language of South Korea. However, English is widely spoken amongst senior business people and government officials. While high-level business meetings may be conducted mainly in English, your hosts will appreciate it if you use their language whenever possible.

When speaking in English, remember to talk slowly and repeat key points. In order to save face, your Korean hosts will not necessarily say that they don't understand something. Interpreters may be required for business meetings, particularly outside Seoul and other major cities. All important negotiations should be carried out with an interpreter present so as to avoid doubt. It is also advisable to have all written documents translated into Korean. UKTI can help you find a translator or interpreter.

English	Korean
Good morning	An nyeong ha se yo
Good afternoon	An nyeong ha se yo
Good evening	An nyeong ha se yo
Good night	An nyeong hi ju mu se yo
Goodbye	An nyeong hi ga se yo
See you again	To man na yo
Yes	Ne
No	Ah Ni Yo
Please	Bu tak ham ni da
Thank you	Gam Sa Ham Ni Da
Please sit down	An ja Jeu Se Yo
Please come in	Tu ro ose yo
Excuse me	Sil ley ham ni da
I come from	Eso wat seub ni da
My name is...	Je ireum eun
What is your name?	Ireum i mu eot ip ni ka?
Can you speak English?	Young eo ha se yo?

Marketing

To reflect the fast-paced nature of the South Korean marketplace, and its highly sophisticated media, your marketing strategy will need to be continually reassessed, polished and refined.

Sales literature – Trade shows and exhibitions are a good way of meeting potential new customers, but you still need to persuade them to buy your product. To be most effective, sales literature should be in Korean and in English and you need to decide what kind of advertising is appropriate.

Product and service adaptations –

You may need to adapt your product or service to meet the needs of the South Korean market. Marketing research can help you to identify any adaptations you need to make.

Brands – South Koreans are brand-savvy and price-conscious. They associate imported brand names and higher prices with superior quality. Consequently, South Koreans will pay close attention to country of origin, particularly when shopping for clothes. They tend to prefer fashion brands imported from Europe and the US over imports from other Asian countries, such as China. Luxury brands are viewed as a mark of wealth and social status.

Sales promotion – Companies that appoint local partners can usually be guided by them with regards to the type of advertising and sales promotion that would suit the launch of their product/s. UKTI in South Korea can advise on using the residence of the British Embassy in Seoul to announce the launch or presence of UK goods and services in the country.

The media – South Korea is one of the few Asian nations where there is genuine news pluralism. The country has more than 100 national and local daily newspapers and readership is high. There are several terrestrial TV networks and most of the population subscribes to digital, cable and satellite. The country leads the world in high-speed and wireless internet. You may wish to work with local marketing specialists who will understand the most appropriate channels for reaching your target market.

UKTI in South Korea can provide contact details.

TV and radio – South Korea has four main broadcasting companies: Korean Broadcasting System (KBS), Munhwa Broadcasting Corporation (MBC), Seoul Broadcasting System (SBS) and Education Broadcasting System (EBS). Most broadcast in Korean only. There are also many cable and satellite channels, including Arirang TV, Donga TV, On Game Net and MNET.

Arirang TV is the main English broadcaster and some foreign news channels are available, including the BBC and CNN. KBS runs six radio networks, including KBS World Radio, while Munhwa Broadcasting Corporation also has its own radio stations. TBS eFM is the Seoul-based English-language network.

Newspapers – Among the main daily newspapers are: Chosun Ilbo, JoongAng Ilbo, Dong-a Ilbo, Hangeore Sinmun; Hankook Ilbo and Munhwa Ilbo. There are three main English-language newspapers: The Korea Herald, The Korea Times and The JoonAng Daily, which comes bundled with The International Herald Tribune.

News agency – The news agency for South Korea is Yonhap News Agency.

Internet – According to Internet World Statistics, nearly 37.5 million South Koreans were online in June 2009. The country leads the world in wireless and high-speed internet.

Day-to-day communications

Once you have made contact with a South Korean company, it is likely that your day-to-day phone and email communication will be in English with one of the firm's English-speaking members of staff. If you do not think the standard of English is up to scratch, you might wish to ask for parallel texts in Korean and get them translated. This could form a valuable investment.

If you are going to sign anything – as obvious as it sounds – make sure you get it translated first – and by an independent translator. Do not rely on your suppliers' translation and do not be pressurised into signing anything that you do not fully understand. Most breakdowns in overseas business relations occur because of fractured communications and mutual misunderstandings.

If South Korea is likely to become a significant part of your business, you may wish to consider hiring a Korean-speaking member of staff. You might also consider taking up the challenge of learning Korean yourself. However, even if you do achieve a level of fluency, an interpreter or Korean-speaking member of staff is still an essential for business meetings.

Interpreters

While English is widely spoken among international businesses in South Korea, you will generally need to employ interpreters during formal meetings and negotiations to prevent any misunderstandings.

There are two forms of interpreting.

Consecutive interpreting means you speak and then your interpreter speaks: this is the usual form for meetings, discussions and negotiations.

Simultaneous interpreting involves the immediate translation of your words as you speak them. This requires special equipment and can be expensive. It is generally used only for large seminars and conferences.

Interpreting is a skill requiring professional training. Just because someone is fluent in English and Korean, it does not necessarily mean that they will make a good interpreter.

If you are giving a speech or presentation, remember that the need to interpret everything will cut your speaking time approximately in half (unless using simultaneous interpreting). It is essential to ensure that the interpreter can cope with any technical or specialist terms in the presentation. If you are giving a speech, give the interpreter the text well in advance and forewarn them of any changes.

To get the best out of your interpreter:

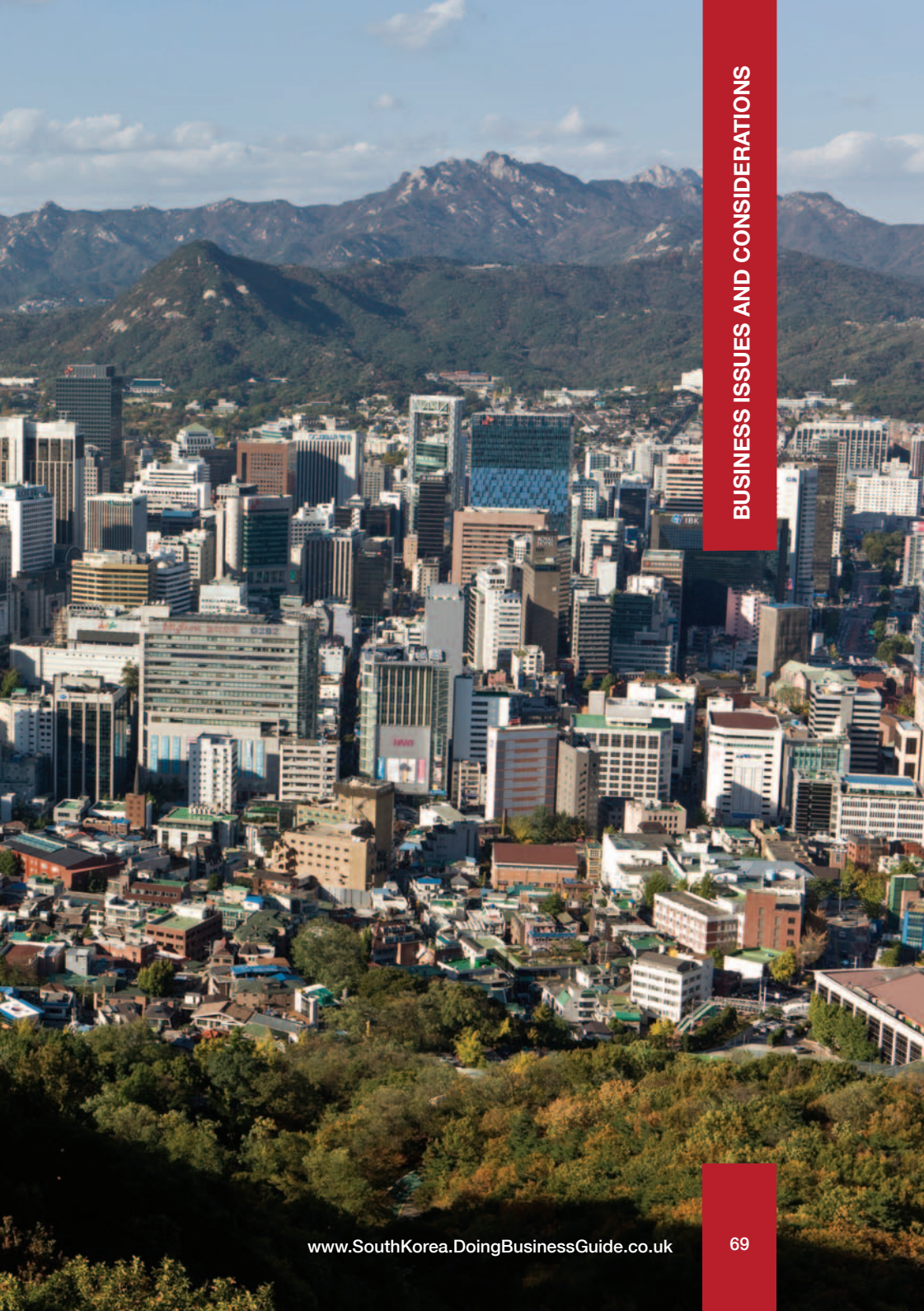
- Hire a well-briefed professional interpreter. Though this is likely to be expensive, it will be money well spent.
- Have your own interpreter available, even if your South Korean counterparts have one for their side. With your own interpreter, you should also be able to get some post-meeting feedback concerning the nuances of what was said (and – just as importantly – not said).
- Try to involve your interpreter at every stage of your pre-meeting arrangements. The quality of interpretation will improve greatly if you provide adequate briefing on the subject matter.
- Ensure your interpreter understands what you are trying to achieve.
- Speak clearly and evenly with regular breaks for interpretation.
- Don't ramble on for several paragraphs without pause. Your interpreter will find it hard to remember everything you have said, let alone interpret all your points.
- Conversely, don't speak in short phrases and unfinished sentences. Your interpreter may find it impossible to translate the meaning if you have left a sentence hanging.
- Avoid jargon, unless you know your interpreter is familiar with the terminology.
- Listen to how your interpreter interprets what you have just said. If you have given a lengthy explanation but the interpreter translates it into only a few words, it may be that they have not fully understood, or they may be wary of passing on a message that is too blunt and will not be well-received by the audience.
- Make sure that your message is getting through clearly and in a tone that will not cause resentment.

A list of translators and interpreters is available on request from UKTI in South Korea.

SOUTH KOREA

The South Korean government has transformed the country into one of the top 10 business-friendly economies in the world. It is keen to encourage foreign investors and has been making stringent efforts to ease excessive regulations and provide incentives for FDI.





Business Issues And Considerations

Intellectual Property Rights (IPR)

It is recommended that you register your patents and trademarks with the Korean Intellectual Property Office (KIPO) before you commit to any important deals with South Korean companies. In principle, the patent and trademark registration system in South Korea is based on which was the first company to register successfully with KIPO. Therefore, the sooner you register, the better. Companies that do not register in South Korea will be disadvantaged in any future disputes over IPR.

UKTI in South Korea can provide a list of local lawyers for UK companies requiring professional legal advice on business issues.

Korean Intellectual Property Office

International Co-operation Division
Government Complex
Daejeon
Dunsan-dong
Seo-gu
Daejeon Metropolitan City
Korea

Tel: +82 42 481 5208

Fax: +82 42 471 7140

Website:

www.kipo.go.kr/kpo/user.tdf?a=user.english.main.BoardApp&c=1001

Procurement

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 (GPA).

The Public Procurement Service (PPS) – handles the purchase of goods and incidental services required by central and sub-central government bodies, government construction contracts and stockpiling raw materials.

However, not all GPA-covered procurement is handled by the PPS. South Korean government-invested corporations handle procurement in-house using the same open and formal procedures required by the GPA. Potential bidders must register with the PPS at least one business day before the date the bid begins. Foreign bidders are allowed to register with the PPS prior to entering into a contract. Failure to register can mean your bid is rejected so it is a good idea to register promptly.

South Korea uses the Government e-Procurement System (GePS), which publishes details of all public procurement contracts. Bids can be viewed on the PPS website and are valid for at least 45 days after the bid opening date.

UKTI in South Korea can also offer advice on procurement.

Regulations, incentives and tax

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 into South Korea by companies with no record of trade-law violations don't require customs inspection.

Importers can make an import declaration online using the Korean Customs Service's (KCS) Electronic Data Interchange (EDI) system for paperless import clearance. There is no need to visit 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. Goods don't have to be stored in the bonded area if the import declaration is accepted.

Exporters can file an export notice to South 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.

South Korean Customs allows free customs entry to goods brought into South Korea that are hand-carried by foreign business people (such as laptop personal computers) for use during their stay in the country. There are some exceptions, but this is rare. Generally, South Korean Customs makes a note on the traveller's passport which requires them to take the item/s out of South Korea when they depart.

To view South Korean customs regulations, visit: www.customs.go.kr/eng

Exchange controls

South Korea has liberalised foreign-exchange controls in line with OECD benchmarks.

An overseas firm that invests under the terms of the Foreign Capital Promotion Act (FCPA) 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, firms must present a stock valuation report issued by a recognised securities company or the Korean Appraisal Board. Foreign companies not investing under the FCPA must repatriate funds through authorised foreign-exchange banks, once they have obtained South Korean government approval.

South Korea does not routinely limit the repatriation of funds, except in highly exceptional circumstances.

The Bank of Korea (<http://eng.bok.or.kr>) has detailed information about foreign-exchange control policies in the country.

Restrictions

Most imported goods no longer require South Korean government approval, but some products, mostly agricultural, face import restrictions, such as TRQs (Tariff-Rate Quotas) with prohibitive over-quota tariffs.

South Korea implements quantitative restrictions through its import licensing system.

Investment rules and incentives

Definition of FDI – The South Korean government describes foreign direct investment (FDI) as “an investment made by a foreigner for the purpose of establishing a continued economic relationship with a corporation in the Republic of Korea or a business owned by a citizen of the Republic of Korea”.

FDI includes the acquisition of shares or equity from a South Korean corporation or business, providing long-term loans to Korean corporations, contributing to non-profit organisations and other similar activities. FDI differs from a portfolio investment, the purpose of which is to earn margins from stock transactions for short-term profits.

Rules relating to FDI – FDI in South Korea are covered by the Foreign Investment Promotion Act (FIPA). This states that a foreigner may carry out investment activities in South Korea without restriction unless the investment is deemed harmful to national security, public order, the health and wellbeing of South Korean nationals or Korea’s environment, or unless it goes against established social morals, customs or laws.

FDI incentives – The South Korean government has transformed the country into one of the top 10 business-friendly economies in the world. It is keen to encourage foreign investors and has been making stringent efforts to ease excessive regulations and provide incentives for FDI.

The incentives include:

- **Tax support** – corporate and income tax on business income, dividends, technology introduction considerations and earned income have been reduced for foreign firms and investors. Acquisition tax, registration tax and property tax have also been lowered.
- **Cash grants** – central and local governments provide grants to foreign investors to build new factories, as long as they meet certain criteria. Among the factors taken into account are whether it is a hi-tech industry or involves technology transfer and the number of jobs created.
- **Site location support** – foreign investment zones are designated to attract FDI. Businesses that locate in these zones receive certain incentives.
- **Other support** – land, factories and other national or public properties owned by central or local government may be used, leased or sold to foreign-invested companies through a private contract, with a lease period of up to 50 years. At the end of the lease period, the contract may be renewed for up to a further 50 years.

Further information about FDI incentives is available at www.investkorea.org



British Chamber of Commerce in Korea (BCCK)

The BCCK has around 200 members, of which approximately a quarter are South Korean. Its aims are to promote the development of British trade, commerce and investment in South Korea, to represent the opinion of the British business community in South Korea on trade, commerce, finance and industry, to help create better understanding between the South Korean and British business communities and to provide opportunities for members to meet for business and social networking.

British Chamber of Commerce in Korea
20th Floor Regus Business Centre
Korea First Bank Building
100 Gongpyrong-dong
Jongro-gu
Seoul
Korea 110-702

Tel: +82 2 720 9407
Fax: +82 2 720 9411
Email: administration@bcck.or.kr
Website: www.bcck.or.kr

Free economic zones

The South Korean government has established special zones, called free economic zones, in certain areas to encourage FDI. These are self-contained living and business districts, with air and sea transport, logistics, international business centres, financial services, houses, schools, hospitals, shopping and entertainment. There are currently six free economic zones in South Korea, including: Incheon, Yellow Sea, Saemangum/Gunsan, Daegu/Gyeongbuk, Gwangyang, and Busan/Jinhae.

Customs and regulations

There are two methods of determining a duty amount: Declaration & Payment, and Notice of Assessment. In Declaration & Payment, the person wanting to import goods makes a declaration on the payment of the customs duties direct to the customs house. In Notice of Assessment, the customs house imposes and collects customs duties. In most cases, businesses use the Declaration & Payment method. The Notice of Assessment system is mainly used for the imposition of minor customs duties, such as on passengers' and crews' goods, unaccompanied baggage and postal matters.

Related information and customs forms can be found on the Korea Customs Service website:
<http://english.customs.go.kr>

Export documentation

If you are exporting to South Korea, you will need the following documents to clear South Korean Customs: commercial invoice, certificate of origin, packing lists, bill of lading and maritime insurance.

As an exporter of goods you need to develop an understanding of various issues, such as:

- the legal and regulatory requirements your consignments have to comply with
- the paperwork involved
- the right mode of transport, i.e. road, air, rail and sea
- packaging and labelling
- how freight forwarders can help you
- rules for dangerous goods.

UKTI in South Korea can provide guidance and information.

Labelling and packaging regulations Country-of-origin labelling is required for commercial shipments entering South Korea. Further labelling and marking requirements for specific products, such as pharmaceuticals and food, are covered by specific regulations from the South 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.

The Korea Food & Drug Administration (<http://eng.kfda.go.kr>) is responsible for setting and enforcing Korean labels for food products, other than livestock products. These are regulated by the Ministry of Food, Agriculture, Forestry and Fisheries (<http://english.mifaff.go.kr>) which also has its own set of standards for markings for the country-of-origin labelling of agricultural products.

The Korean Customs Service (<http://english.customs.go.kr>) publishes a list of the country-of-origin labelling requirements by Harmonised System Code number. Local importers usually print Korean language labels when imported quantities are not large, and can consult with the Korean Customs Service as to where they can be attached to the product.

The Certificate of Origin should indicate the item's description, quantity, price, place of origin, exporter and importer, and be written in English, Korean or French. For items shipped directly to South Korea from their country of origin, the Certificate of Origin should be issued by the relevant customs authorities or Chamber of Commerce. The items themselves should be clearly marked with their country of origin.

Tax

The South Korean government website, www.korea.net contains a list of district tax offices which have foreign taxpayer service desks. Further information on the country's taxation system is available from the National Tax Service www.nts.go.kr/eng or from UKTI in South Korea.

Getting your goods to South Korea

By sea: South Korea has extensive and modern infrastructure, including major port and airport facilities. Busan is the country's largest port and the fifth-largest in the world. It is located on the south eastern-most tip of the Korean peninsula, facing the Korean Strait. Busan is well connected to Seoul and the rest of South Korea by the KTX high-speed rail system. Incheon also has a major international port at Yeongjong.

By air: Incheon International Airport is the main gateway to South Korea. Located just over an hour west of Seoul, the airport is one of the most technologically advanced in Asia. Other international airports include Gimpo Airport, near Seoul, and Gimhae Airport, for Busan and other major cities.

Freight forwarding: Sea and air freight services to South Korea are provided by a range of companies. Freight forwarding companies can provide advice on the best way to ship goods to South Korea. It takes approximately two to three weeks to ship goods from the UK to South Korea by sea, but this will depend upon the level of service and the company providing it.

Courier: There are many companies providing courier services to South Korea. UKTI in South Korea can provide more information.

Postal parcel/express mail service:

The main South Korean postal service provider is Seoul-based Korea Post, part of the Ministry of Knowledge Economy. It provides postal, banking and insurance services. www.koreapost.go.kr/eng

Getting paid and financial issues

Incoterms

Exporters will find Incoterms 2000 a useful guide for specifying their obligations for delivering goods safely in international contracts. Incoterms provide guidance on the commonly used terms in international trade. It is a 'must read' for a company's marketing and sales team.

Terms of payment

The payment terms you can normally expect in South Korea are "100% Confirmed Irrevocable Letter of Credit," and these are the terms you should quote. You are unlikely to obtain deposits with order, or prior to shipment, and it may be counterproductive to try to insist on them. Letters of Credit are normally opened four to six weeks prior to the shipment date.

The expiry date of the Letter of Credit will be geared very much to the promised delivery date. It is important, therefore, that delivery promises are fulfilled or the Letter of Credit will expire.

South Koreans usually like to deal in US dollars because this is still the predominant currency in Asia. Sterling is an acceptable currency, but for price comparison purposes a sterling price will invariably be converted to US dollars, usually at a rate that is beneficial to the buyer. You may consider it appropriate, therefore, to quote in US dollars in the first instance.

South Koreans are formidable negotiators, but they will pay a fair and competitive price. The price quoted should be on a FOB (Freight on Board) basis. South Koreans usually like to organise the shipping themselves on the basis that they can negotiate more competitive rates.

Banking

Opening hours:

Banks in South Korea are open between 09.00 and 16.00, Monday to Friday. The country's central bank is the Bank of Korea.

Local commercial banks include:

Hana Bank, Kookmin Bank, Korea Exchange Bank, Shinhan Bank, Woori Bank

Foreign commercial banks include:

ABN AMRO, Bank of America, Bank of Tokyo-Mitsubishi, Citibank, Deutsche Bank, HSBC, Mizuho Corporate Bank, SC First Bank

Merchant banks include:

Kumho Investment Bank, Meritz, Tong Yang Securities Inc.

All commercial banks are authorised foreign-exchange dealers. Licensed money changers are also found in urban centres, ports, airports and major shopping complexes.

Currency

The currency of South Korea is the Korean won (KRW). A single won is divided into 100 jeon. The jeon is no longer used for everyday transactions, and appears only in foreign exchange rates.

Under exchange-control rules travellers may import or export up to US \$10,000 per person without prior approval. There are no limits on the amount of foreign currency (notes and/or traveller's cheques) travellers may import.

Insurance

The private sector in the UK provides credit insurance for exports of consumer products, raw materials and other similar goods. Speak to your banker or insurance broker for more information, or contact the British Insurance Brokers' Association for impartial advice.

British Insurance Brokers' Association

Tel: +44 (0)870 950 1790
(consumer helpline)

Email: enquiries@biba.org.uk
Website: www.biba.org.uk

Private-sector insurance has some limitations, particularly for sales of capital goods, major services and construction projects that require longer credit packages or that are in riskier markets.

Export Finance Department

(formerly Export Credits Guarantee Department, ECGD), a separate UK Government department that reports to the Secretary of State for Business, Innovation and Skills, provides a range of products for exporters of such goods and services.

UK Export Finance

Tel: +44 (0)20 7512 7000
Website: www.gov.uk/government/organisations/uk-export-finance

Management, control and quality assurance

UK companies use a variety of quality assurance and management control techniques in South Korea. These include extensive travelling by UK personnel, a controlling or liaison presence in South Korea and providing extensive training and management for South Korean staff.

It is important not to allow milestones to slip by, whether these are attending a board meeting in a joint venture or arranging a quality audit at a supplier. Particular attention to detail should be paid when sourcing products from South Korea. Specifications can be easily misunderstood, so they need to be very clearly explained and agreed, and a quality management system put in place with the South Korean company.

Consultancies can undertake all or part of this process on your behalf.

Bribery and corruption

Corruption remains an issue in South Korea. In 2010, the country was ranked 39th on Transparency International's corruption perception index. This is up from 40th place in 2008 and 43rd in 2007, so the country is moving in the right direction. Nevertheless, as the 12th-largest economy in the world, one might expect South Korea's business economy to be more transparent than it is.

Although the number of cases of corruption in the public arena has decreased, the authorities have yet to stamp out bribery and corruption completely.

Our advice to companies encountering corruption is simple - don't get involved. Not only are there issues of business integrity to bear in mind, but also, of course, it is illegal. Invariably, corruption is related to lack of professionalism and control, both of which are damaging to long-term business.

Getting to South Korea

By air

South Korea has international airports at Incheon, Gimpo and Gimhae. Two airlines, Korean Air and Asiana Airlines, operate daily direct flights from London to Seoul (flight time around 11 hours), with British Airways also operating the route 6 times a week. Incheon International Airport handles all international flights whereas Gimpo Airport handles all domestic flights and short flights to/from Tokyo, Osaka, Shanghai and Nagoya.

Getting to and from the airport

Incheon International Airport's website contains detailed information about buses, trains and taxis from the airport, including estimated times and fares to major destinations:

www.airport.kr/airport/traffic/bus/busList.iaa?flag=E

Travelling within South Korea

South Korea has a well-developed transport network, with good road, rail and air links. Most domestic destinations are within an hour's flight of Seoul.

Korea Air, Asiana Airlines and a few domestic discount carriers handle flights within the country. Gimpo Airport, located between the western area of Seoul and the newer Incheon International Airport, handles most domestic flights, as well as short-haul flights to Japan and China.

Gimpo Airport is easily accessible via Subway Line 5 from Seoul, a journey that takes around 45 minutes. The capital has an excellent subway system, as well as plentiful buses and taxis. Gimpo Airport also has its own bus service.

Places to stay, eat and shop

As well as advising on business issues, the UKTI team in Seoul can offer practical, on-the-ground assistance with all aspects of your business trip, from where to stay through to good places to eat or hold product launches.

Visas

There are different types of visa for people who want to work or invest in South Korea:

Foreign investors need to apply for a Foreign Investment Visa, known as a D-8. To obtain a D-8 you will need to apply to the South Korean Embassy in London. Before you do so, you will need to appoint a South Korean taxation accountant to act as your tax agent, to ensure that your taxes are paid on time. Your agent will fill in a form that has to be submitted to the immigration authorities.

Anyone staying in South Korea for more than 90 days must apply for an alien registration card.

South Korean Embassy

60 Buckingham Gate
London
SW1E 6AJ

Tel: +44 (0)20 7227 5500

Fax: +44 (0)20 7227 5504

Website: <http://korea.embassyhomepage.com/>

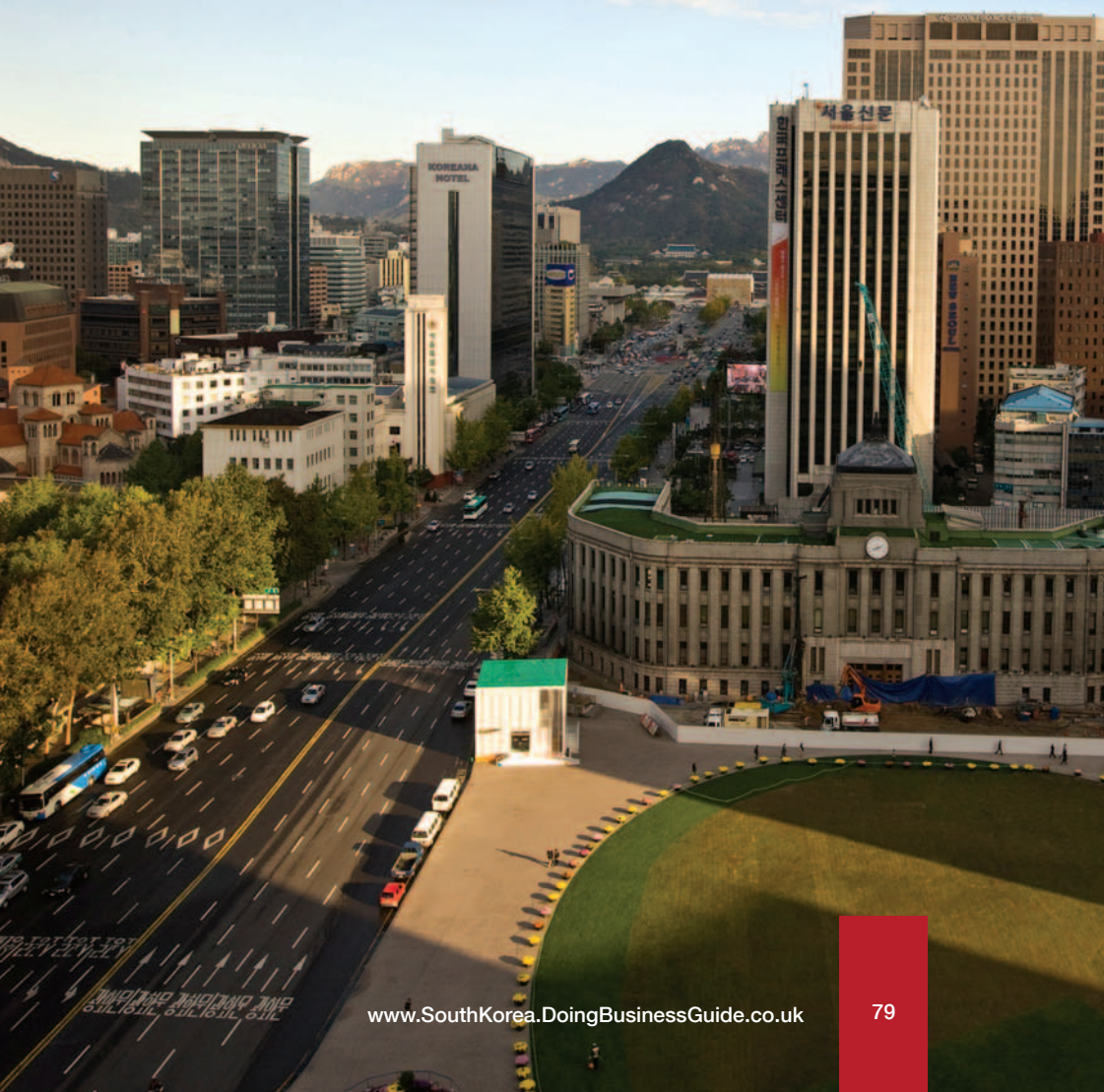
Time zone

South Korea is nine hours ahead of
Greenwich Mean Time.



SOUTH KOREA

The South Korean market is a favourite among foreign direct investors. However, while the country's thriving economy, liberalising market-place and widespread use of English in business make it an appealing choice to UK investors, there are some significant cultural differences and challenges to be aware of.



South Korean Culture

In a highly competitive business environment, it is more important than ever to understand the business culture of your target markets. Understanding business culture helps you to understand, anticipate and respond to unexpected behaviour. It also ensures that you behave in an acceptable way and avoid misunderstandings.

The South Korean market is a favourite among foreign direct investors. However, while the country's thriving economy, liberalising marketplace and widespread use of English in business make it an appealing choice to UK investors, there are some significant cultural differences and challenges to be aware of.

Confucian values: South Korean society operates according to Confucian values. These state that people should respect authority, respect the collective, behave virtuously, work hard and learn hard, avoid extremes and live moderately. You will find that, if you can demonstrate these qualities, you will be more successful in your business relationships.

Kibun: There is also the concept of "face" (kibun), which is found in so many Asian societies. South Koreans strive for harmony in their business and personal relationships. To prevent loss of face, they will avoid confrontation or will tell others what they want to hear rather than tackling issues head on. For example, rather than say "no", they might say "I'll try." This allows both the person making the request, and the person turning it down, to save face and maintain harmony in the relationship. Some Westerners can find this approach confusing.

Try rephrasing the question in different ways so you can compare the answers you get. South Koreans are very protective of their kibun, or personal dignity. If you threaten it, you risk being excluded from future decision-making, so be very careful in your business negotiations and always be respectful and mindful of kibun.



Business Etiquette

Relationship building

Everything depends on personal relationships so it is important to spend time establishing a good working relationship and building trust with South Koreans. Sport, families and hobbies are all good topics of conversation. South Koreans may enquire about your personal life, in an attempt to establish your age and status, and to build a relationship with you. You should answer these questions honestly and openly, but without being boastful.

One can 'borrow' relationships, and introductions are very helpful but successful business requires one to build ones' own relationships. Devote time getting to know your counterparts both professionally and personally. Work on developing your relationships just as you would your professional skills. Mix business with pleasure. Develop, sustain and grow your personal network. You will find being introduced to a company by a trusted third party, such as the British Embassy, more effective than going in cold – UKTI in South Korea can help you here. If you make a mistake in business, always own up to it and demonstrate what you are doing to put it right.

Communication

While many South Koreans are comfortable communicating in English, many talented and capable South Koreans are not. Accommodate your language to your audience. Speak in clear, basic English. Do not rely solely on verbal communication but reiterate your messages in writing.

Cultural differences also influence communication. Traditional culture favours harmony rather than confrontation often causing Westerners to understand silence as acceptance.

Negative questions are understood differently and 'yes/no' questions are unreliable. Ask questions from several directions to verify that the message has been successfully communicated. Your counterpart is unlikely to request clarification even if understanding is not complete.

When making presentations, minimise words and maximise graphs, charts and visuals that can communicate across languages and cultures.

South Korea is a country where things can happen extremely quickly. Same day response is the norm. A week without communication is interpreted as lack of interest and/or termination of a project.

Meetings

You will need to book meetings well in advance and make sure you arrive punctually, even if your host does not. Your approach should be formal but friendly, although avoid making jokes as this could be interpreted as a lack of respect for your host.

The top-down management style of South Korean companies means it is important to show respect for authority. Ideally, the most senior person in the team should enter the room first and greet the most senior South Korean representative. In general, you should introduce older people to younger people and women to men. Make sure that you show due respect and use people's titles correctly. Leaders should sit opposite one another around the table.

Remember that the aim of initial meetings is usually to get to know one another, so don't expect to begin business negotiations right away.

You will always be offered 'Tea' (which can also be coffee, juice, water or something else); it is awkward to refuse so better to accept even if not consumed. Wait until these rituals have been completed to commence business discussions.

Allow your counterpart plenty of time to express his opinion; avoid dominating the conversation but try to listen and understand what your counterpart is thinking. This is particularly true if your counterpart is weak at English.

Handshakes

A slight bow, followed by a handshake, is the preferred way of greeting somebody in South Korea. More junior personnel will bow first to their senior colleagues. You should wait for more senior personnel to offer their hand first.

South Koreans prefer a softer handshake and, during the handshake, you may support your right forearm with your left hand. Some senior South Koreans consider eye contact as rude, but that's not the norm. It is advisable to make direct eye contact when addressing South Korean business professionals in order to show honesty and interest. A man greeting a South Korean business woman should wait for her to initiate a handshake, as some women prefer to bow instead. Never use your index finger to point at somebody.

Body language

Body language is an important way of showing respect towards someone older or a more senior person in South Korea, as is using their honorific title when greeting them. Keeping your legs straight and your upper body in a slight stoop denotes respect. A slight bow is also used when expressing an apology (for example, if you tread on somebody's foot). You should also bow deeply when saying goodbye and say Annyeong-hee-gaseyo. Sneezing and blowing your nose in public is considered rude (and sometimes funny). If you have to sneeze, try to make it quiet. If you do sneeze in front of somebody, make sure you apologise. Use both hands when giving or receiving anything (including business cards), as it is regarded as polite.

Attire

South Koreans tend to dress appropriately for their work surroundings, as you would expect in the UK. Black, blue and brown-coloured suits are recommended. Tight skirts, low necklines and sleeveless tops should be avoided, as should shorts.

Hierarchy

Hierarchy is an important concept in South Korean business. See 'Meetings' section in this guide for details of how you should conduct business meetings with due regard for people's experience and seniority.

All South Korean relationships are hierarchical. The individual in the 'superior' position is treated with respect while the 'junior' is subservient (sometimes to the point of rudeness by Western values). Age, position in the company, education, and marital status all determine one's 'rank' in society.

Westerners are often surprised that they are asked very specific and even personal questions when they first meet a South Korean. Your counterpart is trying to determine where you fit in the hierarchy. Your 'rank' can have a major impact on who is willing to meet you and the nature of the dialogue (relative position). Titles are hierarchical rather than functional in South Korean companies. Know your counterpart and how he fits within his organisation.

Names and titles

When addressing someone in business you should use their professional (for example professor, doctor, engineer) and honorific titles.

Korean names are written Surname, and then Given Name. Often in communication with Westerners, the order is reversed to accommodate our culture. Initials and Anglicised names are sometimes used to facilitate communication with Westerners.

While this is very considerate and convenient for Westerners, fellow South Koreans often will not be aware of the Anglicised name so may not know who is being discussed. Titles are very important among South Koreans and are used when addressing individuals. The most common address in Korean is title followed by surname, for example "Director Lee".

Women in business

Although South Korean attitudes to women in business are changing slowly, it is still very rare for women to hold senior positions in South Korea. Consequently, the opportunity to work with a foreign company, with more enlightened attitudes towards equality, tends to be welcomed by many professional women in the country.

Punctuality

As has already been stated, you should be punctual for meetings and leave plenty of time for your journey to avoid arriving late. When engaged in a business relationship, you should ensure that delivery times are clear and that you act quickly to remedy any problems.



Business cards

You will need to have a good supply of business cards as it is customary to exchange these (using both hands) when meeting a business person for the first time. Your business cards should be translated on one side into Korean.

Be sure to treat someone's business card with respect as to do otherwise risks insulting them. Examine the card before putting it away, or place it face up on the table in front of you during a meeting. Never write on someone's card in their presence unless they are happy for you to do so. One good tip is to ask a question based on the information on the card.

Treat cards with respect; they represent your counterparts' 'face', provide important clues as to their importance and are a key tool for managing relationships.

Negotiations

South Koreans like to spend time getting to know their business associates, so don't expect important decisions to be reached in the initial meeting. Avoid becoming visibly frustrated or irritated as this could insult your host. Be patient, but firm, allow plenty of time for negotiations and remain dignified throughout.

Gift giving

The culture of gift giving persists in Korea, particularly for formal meetings and meetings between very senior people. Also, when travelling overseas, taking a gift for your host (and reciprocating) is not uncommon. For working level business meetings, gifts are rare. However, hosting meals is expected.

Giving small gifts is part of the process of building a business relationship in South Korea. Items from the UK or your particular region will be especially well-received, as will items branded with your company logo. It is customary for South Koreans to refuse the gift once or twice as a gesture of humility. You should give and receive a gift with both hands. Gifts should be wrapped and it is customary to wait until the giver is out of sight before opening them. Gifts should always be reciprocated at the same level.

Hospitality

Hospitality is an important part of South Korean business culture. You may be invited out to dinner in a restaurant or, occasionally, in someone's home. This is considered a great honour. You should always remove your shoes, and remember to point them towards the front door.

Drinking

Health consciousness has supplanted heavy drinking with golf and other pursuits, but eating and drinking remain important parts of relationship building, particularly among the over 50 age group – and drinking is serious not casual. While it is not common to drink at lunch, often beer or wine will be served to accommodate "Western" habits.

South Korea has one of the highest rates of alcohol consumption in the world and men are expected to partake in the country's drinking culture. Serious drinking is done at night and is often a drawn-out affair demonstrating prowess and stamina.

Be careful! Often, key commercial information is revealed at the very end of a drinking session so one needs to be alert enough to catch the message. However, although drinking and dining relationships are still important, increasingly the specifics of deals and contracts are signed in a usual business style and situation familiar to Western firms.

If you've had enough to drink, avoid emptying your glass. If you don't want to drink, excuse yourself on medical or religious grounds. It is considered polite to fill other people's glasses rather than your own.

Dining

Eating is an important component of building relationships and 'bonding' in Korea. It's rare for a meeting that ends near mealtime not to result in an invitation by the 'host', and it's common for the host to pay for the meal - sharing the cost of the meal (in a business setting) is unheard of in South Korea. Seminars and workshops always include a meal - usually hosted by the event sponsor.

There are a number of rules you should observe when dining. Most of them are basic good table manners, but there are a few that are specific to South Korea. For example, you should not hold your rice or soup bowl in your hand during the meal. Spoons and chopsticks should not be rested on any bowl or dish and you should not hold them together in one hand. When an elderly person gets up, you should also get up. Younger people should not pick up their tableware before older people.

Caution with Numbers

Simple things like numbers can lead to a breakdown in business relations. Korean counting indicates the units of time that a condition existed. As a result, the practice is to start counting at one (you are one year old when you are born, an overnight trip is a two-day trip etc).

Large numbers are confusing as Northeast Asia counts in groups of four digits (10,000, 100,000,000) rather than in thousands.

This makes converting large numbers between English and Korean quite challenging. To a Korean, 5 million is 500 ten thousands. When clarity is critical, write out the entire number with all its digits or use specific dates and times for starting and ending.

Avoid culture-bound references to time such as Easter, which may not be familiar to South Koreans. Likewise, South Koreans may refer to events in the lunar calendar (Lunar New Year, Chuseok) that will be unfamiliar to Westerners. Seek clarification when you are unsure.





British Embassy Seoul

British Embassy Seoul

Scott Wightman -
British Ambassador to the
Republic of Korea

Address:
British Embassy Seoul
Sejong-daero 19-gil 24
Jung-gu, Seoul
100-120, South Korea

Email: Enquiry.Seoul@fco.gov.uk
Telephone: (+82) (2) 3210 5500
Facsimile: (+82) (2) 725 1738

Office hours (Local time):
Monday-Thursday:
09:00-12:30 / 13:30-17:15
Friday: 09:00-12:30 / 13:30-17:00

Consular information

Address:
Consular Section
British Embassy in Seoul
Sejong-daero 19-gil 24
Jung-gu, Seoul,
100-120
Republic of Korea
South Korea

Email: Consular.Seoul@fco.gov.uk
Telephone: (+82) (2) 3210 5500
Facsimile: (+82) (2) 3210 5653

Fee-paying services:
Monday-Friday: 09:30-12:00

Source - www.gov.uk/government/world/organisations/british-embassy-seoul

For fee paying services including the acceptance of:

- notarial applications
- birth registrations etc.
- and for pre-booked appointments (marriage, notarial, citizenship ceremonies)

General enquiries:
Monday-Friday: 14:00-16:30

At these times we are open for general enquires and non-fee paying services only. Please note, we only accept non-emergency enquiry phone calls in the afternoon.

The Honorary Consulate in Busan

Address:
British Honorary Consulate
c/o Michael Trade & Engineering,
1707, Ocean Tower, Haewoondae
Busan, South Korea

Switchboard: (+82) (51) 740 5787
Facsimile: (+82) (51) 740 5754

The Honorary British Consul in Busan provides the following consular services for British nationals:

- Provision of certain fee-bearing notarial services. For example, certifying signatures, legalisation of documents, conducting affidavits and administering oaths
- Provision of assistance to British nationals in distress within the Busan area
- Provision of support to British nationals in the Busan area in the event of a major crisis

Office hours: Monday-Friday:
09.30-12.00 / 14.00-16.30
Saturday/Sunday: Closed

We develop and maintain relations between the UK and the Republic of Korea. We deal with a wide range of political, commercial, security and economic questions of interest to the UK and Korea. The embassy and its honorary consulate in Busan provide consular assistance to British nationals in Korea.

Our services

Out-of-hours emergency assistance

British nationals who need emergency assistance outside normal office hours should call +82 (0)2 3210 5500 where they will be given details on how to proceed to contact Consular staff at the Global Response Centre. They will be able to offer advice on urgent issues.

Make a Consular appointment

For all notarial and documentary services, you need to make an appointment. You can do so by visiting our Clickbook.

Emergency travel documents

An emergency travel document enables British nationals abroad whose passport is lost/stolen or unavailable because it is being renewed or has been sent for visa application, to make a single or return journey to the UK or another country of residence, via a maximum of five transit countries.

Passport renewal

For information on how to apply for your first passport or renew an existing passport, please visit the overseas passport section of this website.

Please note that our embassy cannot deal with individual enquiries about passport applications.

Visas

For information on whether you require a visa for the United Kingdom and how to apply, go to the UK Border Agency website.

Please note that our embassy cannot deal with individual enquiries about visa applications. For all visa enquiries, please contact the UK Border Agency or VFS Global South Korea.

Notarial and documentary services

Information about official documents, certificates available at British Embassy in South Korea. UK law says we have to charge for some services. See our list of consular fees.

Registering a birth or death

Information on how you can register a birth or death which occurred overseas.

List of lawyers and interpreters

A list of English speaking lawyers, translators and interpreters who may be able to help you with official translations in Korea. Please note that inclusion in this list does not constitute official endorsement by the British Embassy or the UK government.

Prisoner pack

Korea - Prisoner Pack explanation of the legal and prison system to British nationals.

Travel advice

Travel advice for Korea: Information, news and updates to ensure you stay safe, avoid problems, and make informed decisions when living or travelling in Korea.

Living in South Korea

We also produce a guide for British nationals who live in South Korea who need information about services that are not provided by our Embassy, but that you may find useful in specific circumstances.

How else we can help

In addition to the services listed we can also:

- provide information about transferring funds
- provide appropriate help if you have suffered rape or serious assault, are a victim of other crime, or are in hospital
- help people with mental illness
- do all we properly can to contact you within 24 hours of being told that you have been detained
- offer support and help in a range of other cases, such as child abductions, death of relatives overseas, missing people and kidnapping
- contact family or friends for you if you want
- make special arrangements in cases of terrorism, civil disturbances or natural disasters

UK law says we have to charge for some services. Details of our current fees and the standards of service you can expect to receive are on display in all our consular offices. (If you want to pay by credit card you can use our Credit Card Authorisation Form)

What our consulates cannot do for you

Although we try to help British nationals in a wide range of situations, we cannot:

- get you out of prison, prevent the local authorities from deporting you after your prison sentence, or interfere in criminal or civil court proceedings
- help you enter a country, for example, if you do not have a visa or your passport is not valid, as we cannot interfere in another country's immigration policy or procedures
- give you legal advice, investigate crimes or carry out searches for missing people, although we can give you details of people who may be able to help you in these cases, such as English-speaking lawyers
- get you better treatment in hospital or prison than is given to local people
- pay any bills or give you money (in very exceptional circumstances we may lend you some money from public funds, which you will have to pay back)
- make travel arrangements for you, or find you work or accommodation
- make business arrangements on your behalf

Resources:

Contact Details

If you have a specific export enquiry about the South Korean market which is not answered by the information in this guide, you can contact:



UK Trade & Investment

UK Trade & Investment Enquiry Service

Tel: +44 (0) 20 7215 8000
Fax: +44 (0)141 228 3693
Email: enquiries@ukti.gsi.gov.uk

You will be signposted to the appropriate section on our website, or transferred directly to the British Embassy in Seoul.

Alternatively, you may contact the British Embassy directly:

UKTI South Korea

British Embassy
Sejong-daero 19-gil 24
Jung-gu
Seoul 100-120
South Korea

David Slatter
UKTI South Korea Marketing Manager

Tel: +82 (0)2 3210 5647
Email: david.slatter@fco.gov.uk



BCCK
BRITISH CHAMBER OF
COMMERCE IN KOREA

Address:

British Chamber of Commerce in Korea
215th Floor
Kyobo Building
Jongno-1
Jongno-gu,
Seoul
Korea
110-714

Tel: +82-2-2010-8963
Fax: +82-2-2010-8991

Email: bcck@bcck.or.kr /
administrator@bcck.or.kr

Website: www.bcck.or.kr

Useful Links**Country information:**

The British Chambers of Commerce in South Korea: www.bcck.or.kr

BBC website:
http://news.bbc.co.uk/1/hi/country_profiles

Foreign & Commonwealth Office country profile:
www.gov.uk/government/organisations/foreign-commonwealth-office

Culture and communications:

CILT – National Centre for Languages – Regional Language Network in your area:
www.cilt.org.uk

Culture guides:
www.kwintessential.co.uk

Customs & regulations:

HM Revenue & Customs:
www.hmrc.gov.uk

Economic information:

The Economist:
www.economist.com/countries

Export control:

Export Control Organisation:
www.gov.uk/beginners-guide-to-export-controls

Export finance and insurance:
UK Export Finance: www.gov.uk/government/organisations/uk-export-finance

Market access:

Market access database for tariffs (for non-EU markets only):
<http://madb.europa.eu/mkacddb2/indexPubli.htm>

SOLVIT – Overcoming Trade Barriers (EU markets only):
www.gov.uk

Standards and Technical Regulations: British Standards Institution:
www.bsigroup.com/en/sectorsand-services/Disciplines/ImportExport

National Physical Laboratory:
www.npl.co.uk

Intellectual Property Office:
www.ipo.gov.uk

Trade statistics:

National Statistics Information:
www.statistics.gov.uk/hub

UK trade information:
www.gov.uk/government/organisations/uk-trade-investment

Travel advice:

Foreign & Commonwealth Office:
www.gov.uk/browse/abroad

NHS Healthcare abroad:
www.nhs.uk/nhsengland/Healthcareabroad

Travel health:
www.travelhealth.co.uk

Additional Useful Links

UK Trade & Investment:

www.gov.uk/government/organisations/uk-trade-investment

Foreign & Commonwealth Office:

www.gov.uk/government/organisations/foreign-commonwealth-office

British Council:

www.britishcouncil.org

Trade Tariff:

www.gov.uk/trade-tariff

Middle East Association:

www.the-mea.co.uk

British Chambers of Commerce:

www.britishchambers.org.uk

IoD (Institute of Directors):

www.iod.com

CBI (Confederation of British Industry):

www.cbi.org.uk

Institute of Export (IOE):

www.export.org.uk

British Expertise:

www.britishexpertise.org

Department for Business, Innovation & Skills (BIS):

www.gov.uk/government/organisations/department-for-business-innovation-skills

Trade Shows

A trade show is a method of promoting a business through the exhibition of goods and services, an organised exhibition of products, based on a central theme, where manufacturers meet to show their products to potential buyers.

Taking part in overseas exhibitions is an effective way for you to test markets, attract customers, appoint agents or distributors and make sales.

UKTI's Tradeshow Access Programme (TAP) provides grant support for eligible SME firms to attend trade shows overseas.

Participation is usually as part of a group, a great advantage for inexperienced businesses, and is usually led by one of UKTI's Accredited Trade Association (ATOs). ATOs work with UKTI to raise the profile of UK groups and sectors at key exhibitions.

10 Times

(previously BizTradeShows.com)
online database:
www.10times.com

British Expertise Events:
www.britishexpertise.org

EventsEye.com online database:
www.eventseye.com

UKTI South Korea related events:
www.gov.uk/ukti

Daegu Gyeongbuk

Free Economic Zone dgfez.net



Design

- 5 national R&D Centers
- Automotive Proving Ground
- 17,000 annual engineering graduates

Manufacture

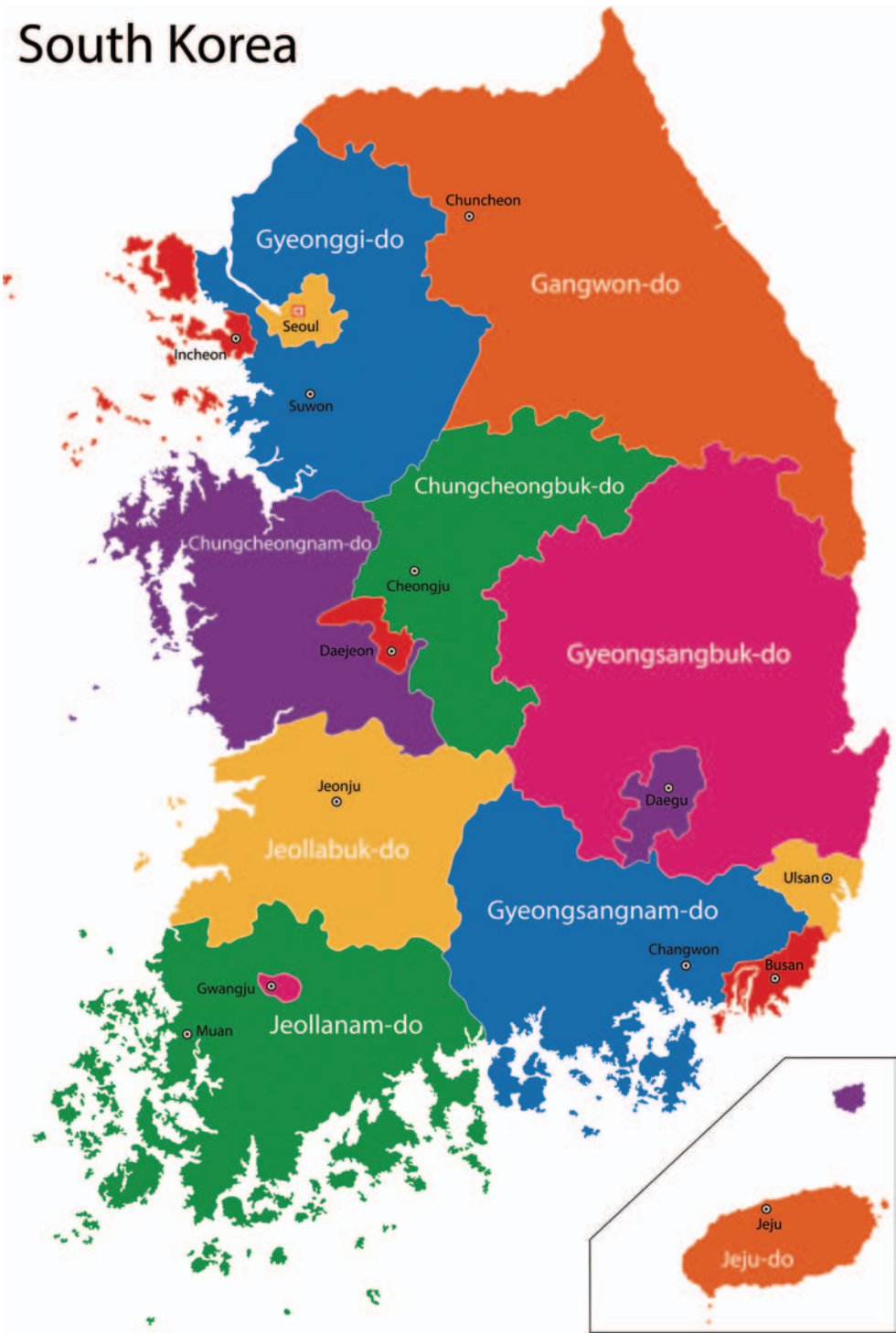
- 1 million square meters of shovel ready land
- Attractive financial support package

Sell

Within 1.5 hours of

- Hyundai Motors
- Samsung Electronics
- LG Electronics
- 2 international airports
- 4 international shipping ports

South Korea



Disclaimer

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UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British Embassies and other diplomatic offices around the world. UKTI provides companies with the tools they require to be competitive on the world stage.



Doing Business in South Korea Guide **Quick Facts**

Full name: Republic of Korea (ROK)

Geographic coordinates: 37 00 N, 127 30 E

Total area: 99,720 sq km

Population: 49,039,986 (July 2014 est.)

Capital: Seoul

Languages: Korean, English (widely taught in junior high and high school)

Religion: Christian 31.6% (Protestant 24%, Roman Catholic 7.6%), Buddhist 24.2%, other or unknown 0.9%, none 43.3% (2010 survey)

Life expectancy (at birth): 79.8 years (2014 est.)

Government: republic

Legal system: mixed legal system combining European civil law, Anglo-American law, and Chinese classical thought

Currency: South Korean won (KRW)

Exchange rate: 1 KRW = 0.00057 GBP

GDP per capita: \$33,200 (2013 est.)

Value of exports: \$557.3 billion (2013 est.)

Exports – commodities: semiconductors, wireless telecommunications equipment, motor vehicles, auto parts, computers, display, home appliances, wire telecommunication equipment, steel, ships, petrochemicals

Value of imports: \$516.6 billion (2013 est.)

Imports – commodities: machinery, electronics and electronic equipment, oil, steel, optical instruments, transport equipment, organic chemicals, plastics

Natural resources: coal, tungsten, graphite, molybdenum, lead, hydropower potential

Climate: temperate, with rainfall heavier in summer than winter

Natural hazards: occasional typhoons bring high winds and floods; low-level seismic activity common in southwest

Local time: UTC+9

Dialling code: +82

Internet domain: .kr

Source - CIA World Factbook, Google Currency Conversion



UK Trade
& Investment



When it comes
to exporting
we'll help get
you started

When it comes to expanding overseas we know our way around, and with a global network of over 2,400 staff in over 100 markets backed by International Trade Advisers throughout the UK, we can help support your business grow internationally.

For more information about expanding your business internationally contact:

enquiries@ukti.gsi.gov.uk

www.ukti.gov.uk