Doing Business in Korea: 2011 Country Commercial Guide for US Companies

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Chapter 1: Doing Business in Korea

Market Overview Return to top

The Republic of Korea economy grew at 6.2 percent in 2010. Korea continues to have one of the fastest growing economies among members of the Organization for Economic Cooperation and Development (OECD). The strong outlook for Asia's fourth-largest economy is attributed to stronger domestic and export demand, a continued focus on developing next generation technologies and industries, and improvements in the global business environment. Korea's reliance on export-generated growth and its continued demand for foreign direct investment and technology inputs suggests that Korea will remain a strong trading partner in Asia. Given the continued strengthening of the local economy, Korea remains a leading market for U.S. exports. Korea is the 15th largest economy in terms of GDP purchase power parity and the 7th largest U.S. trading partner in 2010. Bilateral trade between the United States and Korea reached USD 87.7 billion, an increase of over 29% vis-à-vis 2009 trade volumes and USD 4 billion more than the 2008 trade volume high mark. The first monthly trade statistics for 2011 reported by the U.S. Commerce Department shows U.S. exports to Korea at USD 3.1 billion, which is a USD 500 million increase in exports compared to January 2010, and reflects continued strong demand for U.S. products and technologies.

U.S.-Korea bilateral trade is highly diversified and reflects a broad spectrum of products and services, of which over one-third can be categorized as "advanced technology." Korea will need to consume even more technology imports as Korea continues to pursue its national strategy of attracting international partners and acquiring technology in 22 targeted high technology growth sectors. Several industry sectors of interest include green growth, life sciences, transportation, IT, nano technology, aerospace and defense. U.S. companies will benefit from increased demand for technology products as these industries are in areas where U.S. businesses have a competitive advantage. Over the past decade, U.S. exports supported product development and other forms of R&D in Korea, thereby setting the stage for long-term relationships with Korean partners that have led to increased sales in Korea, and has also led to additional exports as products are distributed to other parts of Asia.

The United States and Korea concluded negotiations in 2007 on a free trade agreement to lower tariff rates on 95 percent of all consumer and industrial products, improve transparency and intellectual property rights protection as well as address industrial standards and regulatory issues. The agreement is awaiting passage by both the Korean and U.S. legislatures. The U.S. International Trade Commission projected upwards of USD 10 billion in additional U.S. exports will result from the FTA. Similarly, Korea and the European Union have signed a Free Trade Agreement that will come into effect on July 1, 2011. The implementation of the Korea-EU Free Trade Agreement would affect U.S. competiveness in the Korean market vis-à-vis goods made in the European Union.

Market Challenges

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Unique standards, less than transparent regulations, and pressures to reduce prices continue to affect U.S. business. However those firms that are innovative, have patience, and exhibit a commitment to the Korean market have found business to be highly rewarding and Koreans to be loyal customers. With the implementation of the Korea-U.S. Free Trade Agreement (KORUS), Korea's attractiveness as a market will further improve; U.S. products will be more cost-effective; and two-way trade will certainly expand.

Additional challenges for U.S. exporters are Korea's continued movement to negotiate and ratify free trade agreements with countries other than the United States. The Republic of Korea ratified a landmark free trade agreement with the European Union, which will clearly affect U.S. competitiveness in a market with high price sensitivity. U.S. companies would be clearly disadvantaged as other free trade agreements are entered into and those markets receive duty free or reduced duty access to Asia's fifth largest market.

U.S. exporters of agricultural commodities also face market challenges. Please see the latest Export Guide prepared by the Foreign Agricultural Service's Agricultural Trade Office in Seoul for updated information on this topic.

Market Opportunities

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- U.S. companies will find excellent niche markets for their goods and services across virtually every sector.

- Best Prospects for U.S. exports are in the following sectors:

  - Automotive Parts and Accessories
  - Broadcasting Programming and Equipment
  - Computer Software
  - Construction Machinery
  - Cosmetics
  - Defense Industry Equipment
  - Drugs and Pharmaceuticals
  - Education and Training Services
  - Healthcare Technology and Medical Devices
  - Pollution Control Equipment
  - Renewable Energy
  - Smart Grid Technology and Services
  - Specialty Chemicals
  - Travel and Tourism
  - Wireless Broadband Equipment and Services

- The U.S.-Korea Free Trade Agreement (KORUS-FTA), awaiting legislative ratification by both U.S. and Korea, aims at the removal of trade and investment barriers thereby easing American business access to the Korean market. More information is available from the office of the United States Trade Representative.

- Korea is a highly advanced, technology-oriented economy that can utilize and generate significant demand for state of the art technologies.

- Korea has several mega-projects underway aimed at establishing the country as an international business center for North-East Asia, as well as a major financial and logistics hub.

- Korean fascination with the "American Lifestyle" and related Americana, continues to draw interest and attention among Korean consumers. See CS Korea for more information.

- Specific opportunities are described in greater detail in Chapter 4 (Leading Sectors for U.S. Export).

Market Entry Strategy Return to top

- Local presence is essential for the success of American firms in the Korean market.

- The most common means of establishing a presence in Korea include: retaining a manufacturer's representative or stocking distributor, naming a registered trading company as an agent or establishing a branch sales office.

- See the latest Exporters Guide Export Guide prepared by the Foreign Agricultural Service's Agricultural Trade Office in Seoul for updated information on market entry support in the food and agriculture sector.

- Business relationships are built on personal ties. Companies should visit Korea to cultivate contacts and to better understand business conditions.

CS Korea can help U.S. companies activate the right connections in Korea through a wide range of marketing services which include identifying and arranging contact with potential buyers, distributors and importers. For more information, please visit CS Korea's website: (http://www.buyusa.gov/korea/en/ourservices.html) to see the menu of CS Korea services for U.S. companies.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment in Korea, please click on the link below to the US Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2800.htm

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Chapter 3: Selling US Products and Services

Using an Agent or Distributor

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The most common means of representation are: 1) appointing a registered commissioned agent (commonly known as an "offer agent" in Korea) on an exclusive or non-exclusive basis, 2) naming a registered trading company as the manufacturer's representative or agent, or 3) establishing a branch sales office managed by home office personnel with Korean staff.

Any businessperson registered with the Korean government can import goods in his/her own name. Appointing a registered trading company (rather than an "offer agent") as an agent has its advantages because these agents can manage all of the import documentation and imports for their own account. Registered trading companies tend to be larger firms that split their businesses between exports and imports. However, these larger firms may be less attentive to building the US supplier's business, placing a higher emphasis on diversifying their portfolio of products from different countries. Similarly, while the larger general trading companies may be influential and well known in the market, they also may not devote as much attention to a single product as do smaller firms.

To find a local representative in Korea, we recommend the Gold Key Service (GKS) offered by the US Export Assistance Centers (USEAC) located throughout the United States and by the Commercial Service Korea (CS Korea). The GKS provides visiting company representatives with a customized schedule face-to-face meetings with prospective candidates. The GKS is a very successful program providing full-service support that can often includes briefings, translation and transportation (fee based). CS Korea's industry specialists utilizing their network of industry contacts and trade associations can identify pre-screened partners for the US client. An accompanying GKS welcome kit also provides you with specific information on each meeting as well as focused market research and insights gained by CS Specialists in the process of setting up the GKS schedule.

CS Korea strongly recommends that US companies seek legal counsel prior to signing a contract. Most experts also recommend hiring a local attorney prior to making major business decisions with Korean companies. A final recommendation is that any distribution or agency contract includes a termination clause. Otherwise, Korean Commercial Arbitration bodies may specify the terms for termination, including compensation claims against the principal. A mutually signed contract between a supplier and an agent/distributor with termination provisions would take precedence and avoid placing the US company at risk.

US companies should also seek legal counsel with regard to protecting their intellectual property. Trademark and patent registration (if applicable) with the Korean Intellectual Property Office (KIPO) is the minimum safeguard for your intellectual property rights. US companies are advised to seek the services of a local attorney to directly register their trademarks and/or patents in their own names. In order to have control over IPR, registration must be done in the US company's name and not the Korean agent's name. Under Korean law, applications must be done in Korean and submitted to KIPO.

To view a list of useful contacts for agents or distributors, go to the link below.
http://www.buyusa.gov/korea/en/agentscontacts.html

Establishing an Office Return to top

Most foreign companies seeking to establish an office in Korea review location, taxation and business structure when deciding where and in what form to establish a presence in Korea. The following section provides some basic guidelines on how to set up an office in Korea. In addition, a list of real estate consultancy, taxation and human resource search services in Korea are provided.

Step 1: Assess Your Company's Commitment to Establishing a Presence in Korea

Potential investors can take advantage of the many services offered by 'Invest KOREA,' the primary investment promotion agency for Korea. 'Invest Korea' is an arm of the Korea Trade-Investment Promotion Agency (KOTRA), a government-sponsored non-profit organization with offices throughout the United States. The 'Invest Korea' Center in Seoul is staffed by KOTRA personnel and complimented by officials from relevant government ministries and specialists from the private sector in areas such as law and accounting.

Invest KOREA can provide assistance in the following areas:

- identifying necessary administrative procedures;
- consulting on forms of investment, including M&A, joint ventures and real estate acquisition;
- providing legal and taxation advice.

Invest KOREA also provides investment planning, ongoing support and follow-up support and maintains an Ombudsman ready to quickly address foreign investors' grievances.

Step 2: Receive Authorization to Proceed with an Investment

Foreign investment projects require notification to the Ministry of Knowledge Economy (MKE) or its delegated authority – the head office of a major Korean commercial bank or Invest Korea. (A list of major banks in Korea can be found at www.buyusa.gov/korea/en/bankcontacts.html.) Investment notification in liberalized sectors can be handled through banks; however other sectors require greater review or documentation.

Step 3: Identify an Office Site

Companies unfamiliar with Korean real estate should consult reputable real estate agents or a real estate consulting firm, especially one experienced in dealing with foreign firms. A list of select such agents can be found at http://www.buyusa.gov/korea/en/realestatecontacts.html#_section1.

Under the Foreign Land Acquisition Law foreigners are allowed to purchase land regardless of size or purpose. Local zoning laws do regulate categories of activity permitted, and should be investigated prior to making final investment decisions.

Step 4: Register with the Nearest Tax Office

Investors should register with the nearest tax office in their local jurisdiction for tax reporting purposes. Given language issues, the complexity of Korean tax laws, and the potential for misunderstanding provisions, companies should consider hiring a local accounting firm to file taxes. A list of local accounting firms can be found at http://www.buyusa.gov/korea/en/realestatecontacts.html#_section2.

Step 5: Seek Qualified Employees

Local Koreans are attracted to US firms given salary rates, prestige, opportunities for travel, the ability to use and learn English and the possibility to transfer to the company's home office or another foreign branch office.

Korea has a large pool of conscientious and highly educated workers. Female employees are especially strong candidates given the prevalence of traditional cultural attitudes in many Korean companies.

Whether seeking to hire local or foreign staff, US companies should consult an employment agency in Korea. Click here to view a list of employment agencies, please see http://www.buyusa.gov/korea/en/realestatecontacts.html#_section3

OTHER FORMS OF LOCAL REPRESENTATION

Subsidiary: A subsidiary of a foreign company is established as a local company, and therefore has often a closer relationship with the local business community. This may afford a subsidiary a better position to run its business and possibly allow the firm to tap into investment incentives offered by Korea. A subsidiary is eligible to receive tax incentives provided by the Special Tax Treatment Law (STTCL) in calculation of corporate income tax, if the subsidiary meets the requirements pertaining to the STTCL. No such tax incentives are available to branch or liaison offices.

Branch Office: If a company does not have a large enough presence in Korea to warrant the establishment of a subsidiary operation, it can opt to establish a branch office of the US parent firm. A branch operation is not subject to audits of external auditors in Korea, and thus, that branch's net income is automatically viewed as being included in the headquarters balance sheet. If a company were expected to grow large enough to necessitate the establishment of a subsidiary in Korea at a future date, then it would be more cost effective to establish a subsidiary at the beginning rather than a branch operation.

Liaison Office: A liaison office is established as a branch office with only marketing and support operations. No direct sales could be conducted from a liaison office, meaning that a liaison office would be subject solely to the tax code of the headquarters country and would be the simplest form of conducting business in Korea.

Franchising

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There are no specific legal requirements for US franchises to operate in the Korean market. However, franchisors need to comply with the Sub-franchisee's Fair Trade Act, which went into effect in February 2008. One of the major regulations covered by this Act is the disclosure of all business information to potential sub-franchisees at least 14 days before signing an agreement. This Act closely parallels the rules that exist for sub-franchisees in the U.S.

Korea's franchising industry has developed rapidly in the last two decades, led primarily by fast food restaurant chains. This growth has expanded to include family restaurants, discount stores, beauty salons, mailing services, cleaning services, as well as educational institutions. US franchisers have met with mixed success in this market. According to the Distribution & Logistics Division at the Ministry of Knowledge Economy, the market value of this industry in 2009 has reached an estimated USD 70.2 billion, which includes all franchise and sub-franchise fees and royalties. It also consists of product and service revenues, consulting fees, and related product sales, such as coffee equipment at coffee franchise outlets. Of the USD 70.2 billion market, 52 percent (USD 36.5 billion) is accounted for by food services, including fast food services and family restaurants. Other franchise services, such as education, real estate, cleaning services, and mailing services, account for 11.8 percent of this sector, realizing nearly USD 8.2 billion in sales. The retail sector, such as convenience stores and consumer goods, comprise the remaining 36.2 percent of this industry (USD 25.4 billion). The 2010 figures for these sub-sectors are being researched and will be available in August 2011.

Franchising in Korea first developed primarily in the food service market before expanding into other areas. Although the restaurant franchise market has matured, the service franchise market still has room for new concepts, promising possible market opportunities. Korean franchisees are seeking, and prefer to do business with, US franchisers that can offer established brand names and distinguished service to Korean consumers. Also, Korean franchisees value the transfer of American management skills provided by US headquarters. The service franchising market includes education, beauty salons, cleaning services, real estate, fitness centers, silver care, and other operations. Opportunities exist for franchisers in beauty industry, children's educational services, and services tied to elderly care, sports and leisure activities, personal service, green growth, and children's items.

Although US franchises are sought after in Korea, several challenges remain. Potential Korean franchisees are often reluctant to pay the relatively high franchising fees and royalties required by US headquarters. According to data compiled by the Seoul Global Business Center, the average capital necessary to open a food service store is between 100 million won to 200 million won (about USD 90,000 to 180,000). Therefore, domestic chains, which do not require much capital or large royalties with higher familiarity to Korean tastes, are becoming popular choice among potential sub-franchisees. Other common franchising requirements, such as minimum facility size and the required number of store openings within a certain period are often very challenging for Korean franchisers to meet given the unique nature of the commercial real estate sector. US franchises should therefore consider flexible franchising arrangements and conduct thorough research on the market and potential locations, as well as the potential master franchisee's ability to manage its stores.

Direct Marketing Return to top

According to the Overview and Forecast of Online Shopping Industry 2010 published in December 2010 by the Korea Online Shopping Association (KOLSA), the Korean consumers spend nearly USD 28 billion in purchases, which grew about 25 percent from 2010 (USD 22 billion). According to Korean Statistical Information Service (KOSIS), online shopping sales account for 46 percent among direct marketing sales, and 5 percent for the entire retail industry. Direct marketing primarily takes the form of catalog sales, TV home shopping, Internet shopping, and the e-commerce market. Korea also has a large market for door-to-door sales and multi-level marketing sector.

Door-to-Door Sales

The major door-to-door sales items include home education materials, books, household consumer goods, cosmetics, health foods, sporting goods, and service products, such as insurance counseling. According to the Korea Direct Selling Association (KDSA), the Korean door-to-door sales market is approximately USD 7 billion in 2009. Updated figure on 2010 will be released in May 2011.

Multi-level marketing:

Korea's multi-level sales for 2009 approached USD 2 billion. Nearly 70 multi-level marketing (MLM) registered companies employ about 3.1 million active distributors in Korea. In keeping with its deregulation plan, the Korean government reduced restrictions on MLM companies by passing legislation eliminating most existing market barriers against MLM products, such as the obligation to disclose retail prices on the MLM product label. Oversight of the MLM industry rests with the Fair Trade Commission (FTC). Updated figure on 2010 will be released in May 2011.

MLM activities by US firms in the cosmetics, cleaning products, and kitchenware have been expanding. In order to gain further successes, however, US multi-level sales firms should promote their products and services appropriately and efficiently by carefully analyzing Korean market trends. Prior knowledge of the market conditions can help prevent unnecessary conflicts with government officials, consumer 'watchdog' groups, or industry groups.

Joint Ventures/Licensing Return to top

The Korean government promotes foreign investment. Government policies have liberalized investment including the lifting of foreign equity ownership limits in selected sectors. President Lee and the Prime Minister's Office have spearheaded efforts to de-regulate and liberalize the economy. Foreign operations have welcomed such moves and encouraged further such steps. With ratification of the Korean-US Free Trade Agreement (KORUS-FTA), greater cooperation and the encouragement of foreign direct investment should increase.

Selecting the appropriate partner is one of the most difficult and critical aspects of establishing a joint venture in Korea. Large Korean conglomerates, known as Chaebols, still exercise considerable influence over the Korean government and financial institutions. The Korean government has recently adopted a policy shift promoting small and medium-sized businesses. With the decreasing influence of Chaebols and greater concern of for anti-monopolistic behavior, joint venturing in Korea is becoming more diversified. Regardless of the scale of Korean partner, there is a tendency within Korean business culture to maintain local control, regardless of the percentage invested by foreign entities. A US company should take into account such cultural aspects to ensure policies and operations are conducted in the best interest of the US partner.

Management control must be evaluated on three levels: 1) shareholder equity; 2) representation on the board of directors; and 3) active management (representative director and subordinate management). Legally, Korean board meetings require the physical presence of all members as well as a quorum of the directors. Therefore, if a foreign investor intends to exercise day-to-day management, a representative director who resides in Korea must be appointed. Moreover, the representative director will need the support of and access to key functional areas of the company in order to manage in accordance with the foreign investor's wishes. Therefore, the internal organization of a joint venture company as well as key management appointments should be worked out and agreed upon by all involved parties as early as possible.

Compatibility of goals between the Korean and foreign partners is also crucial to the joint venture's success. For example, a foreign investor's primary goal may be to send profit dividends offshore while the Korean counterpart may be more concerned with corporate growth in Korea, particularly by exporting to overseas markets.

Another fundamental issue to be faced is how contractual agreements are treated. To most Koreans, a contract represents the current understanding of a "deal" and is the beginning, rather than an end, to negotiations (for more, see Business Customs in Chapter 8). If changing circumstances result in omissions or points that no longer accurately reflect the original agreement, then problems will arise. The same is true if there is a change in the company leadership or the executive who agreed to the contract in the first place. Though Americans may regard a written contract as legally binding, Koreans may regard the same contract as a "gentlemen's agreement" subject to further negotiations should conditions change.

Contract negotiations with Koreans therefore should be viewed as an on-going process of dialogue having the following objectives: 1) reaching a common understanding of the deal that includes each party's responsibilities; 2) recording the detailed understandings; and, 3) being prepared to modify the terms of the agreement should there be a change in circumstances.

Certain terms of the commercial relationship between joint venture partners, such as technology transfer, raw material supply, marketing, and distribution should be agreed on in detail in the joint venture agreement.

American companies should proceed with caution when they enter into a technology licensing agreements. A company's intellectual property is not necessarily protected and may be vulnerable in the later stages of a business relationship when the survival of the Korean company is dependent on the technology. Although US companies should register their patented technology with the Korean Intellectual Property Office (KIPO) before entering into a licensing agreement, successful companies often retain cutting edge technology or key processes. This preventive strategy allows the US party to control the use of the licensed technology as well as maintain the integrity of the licensing agreement.

Korea's legal procedures can be lengthy, cumbersome and expensive when dealing with contract violations. If at all possible, the best strategy is to prevent possible conflicts. The identification of a viable and trustworthy business partner from the outset is essential, therefore foreign investors should conduct thorough assessments and due diligence when selecting a business partner.

Legal advice is always a solid move. A list of attorneys is available at the end of this chapter. In addition to consulting with an attorney, foreign investors can also consult with the Korean Commercial Arbitration Board (KCAB), which advises foreign companies on contract guidelines. A KCAB counselor can also review contracts and identify areas of potential concern. More information is available on the KCAB website at http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000.

Selling to the Government

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Korea joined the World Trade Organization's Government Procurement Agreement (GPA) on January 1, 1997. The GPA establishes non-discriminatory procedures for the procurement process so that a maximum number of qualified suppliers can fairly compete. In its accession offer, Korea agreed to cover procurements valued over certain "threshold" amounts made by Korean central government agencies, their subordinate entities, Korean provincial and municipal governments, and some two dozen government-invested companies. Korea included procurement of services and construction services. Other features of the GPA for Korea include a prohibition against offsets as a condition for awarding contracts on covered procurements, and a provision requiring procuring entities to allow suppliers to pursue alleged violations of the agreement through GPA-defined bid challenge procedures. The Korean Ministry of Strategy and Finance (MOSF) has established an International Contract Dispute

Settlement Committee to deal with any challenges by foreign suppliers that Korean procuring entities have not complied with GPA provisions.

The annexes to Korea's accession document specify certain thresholds, below which GPA rules do not apply. Thus, the threshold for Annex 1 (central government) entities for supplies and services is approximately USD 180,000, and for construction services approximately USD 7 million. Thresholds for supplies/services and construction services are considerably higher for Annex 2 (sub-central government entities) and Annex 3 (government-invested corporations). Korea also specified certain categories of purchases that would be exempt from GPA coverage altogether, including procurement related to national security and defense, Korea Telecom's purchases of telecommunications commodity products and network equipment, procurement of satellites, and purchase by the Korea Electric Power Corporation (KEPCO) of certain electrical transmission and distribution equipment.

The Public Procurement Service (PPS), who also has a responsibility for supporting domestic equipment and supplies, is responsible for the purchase of goods and incidental services required by central and sub-central government entities, government construction contracts and the stockpiling of raw materials. All bidders who wish to participate in PPS tenders for supplying goods and services must register with PPS at least one business day prior to the date of the bid opening. Foreign bidders are allowed to register with PPS (Korean language only) prior to entering into a contract. Failure to register constitutes cause for rejection of the bid. In October of 2002, Korea launched its Government e-Procurement System (GePS) at http://www.pps.go.kr/english/ designed to be a single window for public procurement which digitalized the entire process from order to payment for all public organizations. Bids can be viewed on the PPS website and are valid for at least 45 days after the bid opening date shown on the site. Additionally, as required by the GPA, the procuring entity must publish information on bid opportunities in at least two sources: the daily newspaper *Seoul Shinmun* (daily newspaper) and the Korean Government Gazette. While these sources are published in the Korean language, any given tender announcement must be accompanied by a summary in English, including the subject matter of the contract, the deadline for submission of tenders, and the address and contact point from which full documents relating to the contracts may be obtained. The tender announcement must contain a statement that the GPA covers the bid.

Not all GPA-covered procurement is handled by the PPS. In the case of many Korean government-invested corporations (listed in Annex 3 of Korea's accession agreement), procurement is handled in-house, with these entities following the same GPA rules. Thus, tendering should be done under open, formal procedures are required. However, it is not uncommon for the procurement process to include specifications or requirements designed either to overtly give preference to domestic suppliers. Biases against imported products and services are rarely overt within the documentation of a given call for a product or service. If you or your Korean representative identify preferences outside the scope of the GPA, we encourage you to inform the US Embassy.

The negotiated KORUS-FTA has a chapter devoted to government procurement, for further information please visit the website for the Office of the United State Trade Representative at http://www.ustr.gov/.

For more information on the Korean Public Procurement Service, please visit their website at http://www.pps.go.kr/english/

Defense Procurement

The Defense Acquisition Program Administration (DAPA) was launched on January 2, 2006 as a streamlined military procurement agency, replacing the former Defense Procurement Agency (DPA). DAPA is responsible for defense industry equipment purchases. The new agency was formed in order to ensure transparency in the defense procurement process and consolidates eight organizations that were responsible for procurement and the development of technology that were formerly under the purview of the Ministry of National Defense and the separate military services. Though DAPA is a civilian government agency, it works closely with the Minister of Defense, who is a civilian. Please visit the DAPA website at http://www.dapa.go.kr/eng/index.jsp for further details on the agency.

US defense industry equipment standards are generally accepted in Korea since most Korean defense systems are based on American standards and interoperatability of systems is critical within the defense partnership. Defense equipment is marketed in Korea through the following channels: direct purchase, sales agents, and importers. US manufacturers and suppliers of defense equipment generally use a well-qualified agent in Korea who is familiar with the Korean defense system and who knows key members of the Republic of Korea Air Force (ROKAF), ROK Navy (ROKN), ROK Army (ROKA), and the Agency for Defense Development (ADD). The selected representative can provide US suppliers with information about the status of bids and procurement plans for defense equipment. Former ROKAF, ROKN, and ROK Army officials have good potential as commissioned representatives in Korea. Local representatives should register and be certified by the DAPA to supply their products and services to the Ministry of National Defense (MND).

Companies that would like to supply their products/systems to DAPA are required to register with DAPA. It takes about 10 days to process DAPA registration. Required documents include application for registration, pledge for security (should be notarized), and company's business registration. Soft copy is available at www.d2b.go.kr. Foreign companies may submit above documents via fax through 82-2-2079-6129.

For enquiries on the current status of DAPA, please contact Mrs. Myoung Soo Lah at MyoungSoo.Lah@trade.gov.

Distribution and Sales Channels

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Local representation is essential for the success of foreign firms in the Korean market. This is especially true when considering the fact that business relationships in Korea are built upon personal ties and social introductions, and that much of the major third-country competition is only a few flight-hours away. In addition, for sectors that involve any type of government procurement, an entity must be registered with the Korean government in order to bid on procurement projects. Hence, many American firms enter into a consortium with a Korean company or enter into a representative agreement, especially for the purposes of market entry. Finally, the language barrier and established social/ business circles make it extremely difficult to enter the Korean market without a qualified Korean representative.

Distribution methods and the number and functions of intermediaries vary widely by product area and local conditions. The market for most consumer products is concentrated in major cities. The traditional retail distribution network of small family-run stores, stalls in markets, and street vendors is changing rapidly toward large-size discount stores. There are many large retail stores in the major cities, especially Seoul, Daegu, Busan, and the outlying suburbs. Recently, retailing concepts such as Full-Line Discount Stores (FDS) have gained popularity. US based Price Costco has entered the Korean FDS market and are successfully competing against their growing Korean rivals E-mart and Lotte mart. Rapid expansion of these discount chain stores is planned nationwide, with suburban satellite cities attracting the greatest number of stores. Distribution of goods through large discount chains is one of the best ways to market foreign products to Korean consumers.

Parallel imports can legally enter Korea. Parallel imports marginally reduce the value of an exclusive distribution agreement. Many American companies continue to give exclusive contracts, since they have in place territorial limits in neighboring countries that enhance the value of the exclusive in any one country. Likewise, any parallel importer in Korea that is not receiving the support of the OEM, and does not deal in the same volume, cannot be guaranteed a steady source of supply. As noted above, the legitimate exclusive distributor still has considerable advantages in Korea.

Most products enter Korea by air and sea at Incheon and Busan, after which they are transferred to major distribution centers by rail or road. Korea's main distribution centers are Busan, Incheon, Daegu, and Gwangyang.

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Three practices are essential for success in the Korean market: (1) adapting products and procedures to Korean tastes and conditions, (2) regular communication with Korean business partners and customers, and (3) consistently exhibiting a firm commitment to the Korean market over the long run.

In selling to manufacturers, personal contact is important not only because of the value placed on direct discussions and on building long-term relationships but in obtaining a first-hand acquaintance with new processes and equipment. In light of competition offered by Japanese suppliers, who often visit potential and existing customers throughout Korea, US suppliers should consider (1) making visits to Korea to augment the efforts of the local representative; (2) bringing representatives back to the home office periodically to ensure they are fully informed, motivated and up-to-date on the supplier and its offerings; (3) allowing the distributor or agent to appropriately select from the US company's full product line items for sale in the market, (4) holding demonstrations, seminars and exhibitions of products in Korea; (5) increasing the distribution of technical data and descriptive brochures; and (6) improving follow-up of sales leads.

Electronic Commerce Return to top

E-Commerce is a key component of the overall consumer market in Korea. There are approximately 4,500 B2C Korean language cyber shopping malls in Korea. Total E-

Commerce transactions in Korea in 2010 reached approximately USD 680 billion, an increase of 20 percent from 2009 and further growth of more than 5 percent is projected in 2011, exceeding USD 710 billion. This figure is forecast to grow at an average annual rate of 5 percent over the next five years. In Korea, the B2B, B2G, B2C and C2C transactions in 2009 accounted for 88.2, 8.8, 1.8 and 1.2 percent of the E-Commerce sector respectively.

The transaction volume of Korean E-Commerce is expected to see continued growth over the next several years. Major factors driving the growth include a nationwide broadband infrastructure with 37 million Internet users, and the introduction of 4G Long Term Evolution (LTE), Wireless Broadband (WiBro) as well as wide coverage of WiFi services utilized by mobile computers and smart communication devices. In addition, we are experiencing new social commerce services led by local companies like Ticket Monster, We Make Price, One a Day, etc. These increases are spurring demand for E-commerce solutions, and the equipment, networking, software, and services to further develop and support E-Commerce-related web-sites and transactions. Manufacturing industries that account for nearly 68 percent of total B2B transactions are willing to make investments in order to have reliable, efficient and secure E-Commerce tools. However, US based E-Commerce companies need to monitor the Personal Information Protection Act and Ministerial data privacy/SPAM regulations that Korea enacted in 2007. Although new regulations are likely to reflect concerns voiced by the public and the industry to the government, it may still be restrictive for E-Commerce firms managing user-data on international servers.

Trade Promotion and Advertising Return to top

The Commercial Service section of the US Embassy in Korea is the primary US government trade promotion agency. Among the non-USG organizations, the Korea International Trade Association (KITA) is the largest trade association in country. As a member of the World Trade Centers Association (WTCA), KITA explores new trade opportunities for Korea by organizing trade missions and market survey teams to a number of foreign countries on a regular basis. KITA's Trade Service Center also assists potential foreign buyers or sellers. The Center also offers on-the-spot consultation and personalized advisory service regarding trade rules and regulations, export and import procedures, business management, market research, technology development, and taxation. In addition, KITA maintains six overseas branch offices, two of which are based in Washington D.C. and New York.

Seoul maintains the largest trade show venue in Korea, the Convention and Exhibition Center, popularly known as "COEX." Covering 36,027 square meters of exhibition space, COEX is a full-service trade organization offering multi-lingual simultaneous translation, world-class audio-visual equipment, state-of-the-art lighting and sound systems, and up-to-the-minute information services. The Seoul Trade Exhibition Center (SETEC) is also in Seoul and is operated by the Korea Trade- Investment Promotion Agency (KOTRA).

In addition the second largest city in Korea, Busan, located in southeastern part of Korea currently holds national exhibitions. The Busan Exhibition & Convention Center (BEXCO) has a floor space of 26,446 square meters. There is also an outdoor exhibition site that is 13,223 square meters in size.

Advertising

Korea's advertising market is completely open to 100 percent foreign equity participation. Foreign advertising agencies now control more than 50 percent of the Korean advertising market. Today, all the major international agencies are present in Korea.

There are four major broadcast networks (television and radio) in Korea. KBS I and KBS II are owned and operated by the Korean government, while MBC and SBS are independently operated. However, government influence remains, since advertising time on these and other broadcast networks is sold exclusively through the government organization known as the Korea Broadcast Advertising Corporation (KOBACO). Companies must register with this corporation if they intend to advertise. As of 2010, approximately 495 foreign and Korean agencies were registered with this corporation.

Though censorship in advertisement is still practiced in Korea, it is not as strict as it was in the past. The Korea Advertising Review Board (KARB), which consists of advertising and industry associations, currently controls advertising censorship procedures. In addition, the government's Korean Fair Trade Commission is responsible for determining whether an advertisement makes accurate claims.

Several local TV stations have been established in recent years. This development, as well as the advent of cable television in 1995, has expanded advertising's potential reach to Korean audiences. As of December 2010, the Korean cable industry was served by 93 system operators and about 150 program providers offering diverse cable programs such as business news, sports, music, Buddhist programming, shows on the Korean board game "baduk" ("Go"), etc. There are also five shopping channels, including CJ, Hyundai, GS, Lotte, and Nongsusan. Estimated total sales volume for these five shopping channels in 2009 was approximately USD 3.5 billion.

Advertising market opportunities are predicted to show strong growth as more Koreans gain access to electronic media. Cable television in Korea currently has an audience of over 15 million households. Additionally, the government took steps to promote broadcast satellite television in digital format in 2001, with expectations of nationwide coverage by 2010. Korea Digital Broadcasting (KDB), a subsidiary of state-run Korea Telecom, holds the contract for digital broadcasting. In 2010, KDB broadcast 150 satellite channels reaching an estimated 2.31 million households.

Internet advertising also offers significant market growth potential, since the number of computer users will further increase in the coming years. There are currently 15 million Internet using households in Korea, which amounts to about 98 percent of total households in Korea.

Pricing Return to top

US goods have a reputation among Korean buyers of having high quality and performance; however, since Korean manufacturers are price-conscious, they often perceive US products to be very expensive. In an export-oriented economy where finished products must meet keen competition in the world market, many Korean manufacturers believe that it is essential to buy the lowest priced raw materials and equipment, even at the expense of quality. Goods from Japan and elsewhere are often considered to be better buys than goods from the US. In addition, Korean manufacturers often seek to offset labor wages with low-cost inputs. However, as Korea continues to move toward exporting higher-end and manufacturer-branded products, and tries to combat criticism of poor quality control among certain Korean products in recent years, the emphasis manufacturers place on price as a buying factor may be somewhat tempered. Other characteristics in Korean price considerations are the tendency to seek “bundled” prices and to undervalue "software" (engineering and other services components), particularly in the procurement of major systems.

Considering the factors outlined above, US exporters might consider: 1) adapting their products to Korea by marketing basic units, 2) taking into account in their price quotations the likelihood of repeat business for spare parts and auxiliary equipment, and most importantly, 3) emphasizing and marketing the idea that the superior quality of US manufactured input products ultimately results in lower production costs.

Another pricing factor that merits consideration is commissions. The commission rate for using an agent or distributor varies depending on the type of product and the transaction amount. On average, Korean agents require a 10 percent commission, particularly when a transaction is conducted on a spot basis, but this varies for different products. Generally, a 5-7 percent commission applies to product categories such as general machinery, including packaging, construction, and material handling equipment. Meanwhile, more sophisticated products such as medical, laboratory, and scientific analytical instruments usually require a commission of 15-18 percent or more, since these are products for which after-sales service is considered to be very important.

Korea has consumer-protection legislation that requires consumer items be labeled with both the manufacturer’s sales price to the retailer and the marked-up retailer’s price to the consumer. The mark-up from manufacturer to consumer ranges from 50 percent to 150 percent.

Korea has a 10 percent sales tax that is included in the price of taxable items. There is a 10 percent VAT on services provided in Korea.

Sales Service/Customer Support

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Sales and after-sales service is generally secondary to product and price considerations. Following the Korean War, at a time when foreign exchange was exceedingly scarce, Korean plant operators learned to rely on their own resources or on the many small machine shops in order to service machinery. This tradition of self-reliance and improvisation is still evident in contemporary Korean business practices. However, with heavy competition among foreign suppliers in the Korean market, servicing has become an increasingly important component of selling.

Private traders and offer agents often hire in-house engineers to install equipment. For specialized installations, however, the best sources of assistance include resident and offshore foreign engineers in coordination with local engineers, whose services are available on contract.

Japan's geographical proximity to Korea as well as the similarities in business culture between the two countries allows Japan to send teams of specialists to Korea at minimal cost and effort in order to offer skilled advice in installation, maintenance and repair. US firms should consider establishing regional servicing facilities that can effectively service and support equipment sold in Korea. The emphasis given recently by some American firms on the training of personnel, often through U.S.-based programs, has proven beneficial.

Protecting Your Intellectual Property Return to top

Protecting Your Intellectual Property in Korea:

Several general principles are important for effective management of intellectual property ("IP") rights in Korea. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Korea than in the US. Third, rights must be registered and enforced in Korea, under local laws. Your US trademark and patent registrations will not protect you in Korea. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Korea market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Korea. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Korea law. The US Commercial Service can provide a list of local lawyers upon request at http://www.buyusa.gov/korea/en/lawfirmcontacts.html.

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

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

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Korea or U.S.-based. These include:

- The US Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 866-999-HALT or register at **www**.StopFakes.gov.

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

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

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.StopFakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, please visit http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits, please visit http://**www**.stopfakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the US as well as in foreign countries), the US Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

Due Diligence

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Local representation is essential for the success of foreign firms in the Korean market. Due diligence is critical, especially when selecting a local partner for joint ventures, licensing, and distribution. A due diligence check on a potential Korean business partner should include an evaluation of the company's financial and operational history, accounting practices, hidden ownership interests, corporate relationships with other Korean companies, and position in the market for the product(s) you are exporting.

CS Korea offers a fee-based service called the International Company Profile, which provides information on potential Korean business partners to help American companies obtain accurate, up-to-date information. The report includes financial information on Korean companies from D&B Korea Co., Ltd. (http://www.dnbkorea.com) and Kroll International, Inc. (http://www.kroll.com/) which also provide due diligence services.

Local Professional Services

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Korea has a highly developed economy with a full range of professional services. For more information on professional services, please see the links below:

List of agents/distributors: http://www.buyusa.gov/korea/en/agentscontacts.html

List of law firms: http://www.buyusa.gov/korea/en/lawfirmcontacts.html

List of major banks: http://www.buyusa.gov/korea/en/bankcontacts.html

List of major real estate and real estate consultancy firms, accounting companies and human resources firms in Korea: http://www.buyusa.gov/korea/en/realestatecontacts.html

List of major newspaper contacts: http://www.buyusa.gov/korea/en/newspapercontacts.html

The US Commercial Service, Korea, provides the Single Company Promotion service to US firms. Additionally, the "Featured US Exporters (FUSE)" site provides information on how you can advertise your products on our worldwide website in various languages for a small fee. Click on "FUSE" for more information.

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

Contacts for Agents or Distributors in Korea:
http://www.buyusa.gov/korea/en/agentscontacts.html

Contacts for Employment Agencies in Korea:
http://www.buyusa.gov/korea/en/realestatecontacts.html#_section3

Contacts for Major Banks in Korea:
www.buyusa.gov/korea/en/bankcontacts.html

Contacts for Major Law Firms in Korea:
http://www.buyusa.gov/korea/en/lawfirmcontacts.html

Contacts for Major Newspaper Agencies in Korea:
http://www.buyusa.gov/korea/en/newspapercontacts.html

Contacts for Real Estate Consultants, Accounting Firms and Human Resource Agencies:
http://www.buyusa.gov/korea/en/realestatecontacts.html

Convention and Exhibition Center (COEX):
http://www.coex.co.kr/

Daegu Exhibition and Convention Center (EXCO Daegu):
http://www.excodaegu.com/

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

Dun and Bradstreet:
http://www.dnbkorea.com

Featured US Exporters (FUSE)
http://www.buyusa.gov/home/fuse.html

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

International Company Profile:
http://www.buyusa.gov/korea/en/icp.html

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

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

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

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

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

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

Korea Intellectual Property Office (KIPO):
http://www.kipo.go.kr

Korea's Main Distribution Centers:
Busan: http://busanpa.com/Service.do?id=engmain
Daegu: http://english.daegu.go.kr
Gwangyang: http://www.gwangyang.go.kr/02en/
Incheon: http://www.incheon.go.kr/icweb/html/web39/039.html

Korea Online Shopping Association
http://www.kolsa.or.kr

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

Kroll Korea:
http://www.krollworldwide.com/

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

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

Single Company Promotion: A service provided by the US Commercial Service for US firms wishing to enter the Korean market.

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

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Chapter 4: Leading Sectors for US Export and Investment

Commercial Sectors

Agricultural Sector

Automotive Parts and Accessories

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	28,789,771	35,123,521	36,177,226	37,262,543
Total Local Production	37,121,500	45,288,230	46,646,877	48,046,283
Total Exports	11,710,400	14,286,688	14,715,289	15,156,747
Total Imports	3,378,671	4,121,979	4,245,638	4,373,007
Imports from the U.S.	247,724	302,223	311,290	320,629
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:

Total Local Production: Korea Automotive Industries Coop. Association (KAICA)
Total Exports: Korea Automotive Industries Coop. Association (KAICA)
Total Imports: Korea Automotive Industries Coop. Association (KAICA)
Imports from U.S.: Korea Automotive Industries Coop. Association (KAICA)

Note:

- The above statistics are unofficial estimates by Commercial Service Korea based on the information provided by the data sources.
- For reporting purposes, a conversion rate of KW 1,120 to USD 1 is used. Actual conversion rates may vary.

In 2010, Korea manufactured 4.2 million automobiles, making it the fifth largest car manufacturer in the world after China, Japan, the U.S., and Germany. Just over one-third of the cars manufactured in Korea were destined for the domestic market. The total size of the automotive parts market in Korea was estimated at USD 35 billion in 2010, a 22 percent increase from 2009. The OEM market segment accounted for about 94 percent of market demand. The aftermarket accounts for only six percent of market size.

Imported automotive parts increased to USD 4.1 billion in 2010 from USD 3.4 billion in 2009. This accounts for 9 percent of the total market size (OEM and aftermarket). Asian countries including Japan are the principal exporters to Korea, accounting for 51 percent of total imports. The EU and North America follow Japan with a 36 percent and 9 percent market share respectively.

In the era of global competition in the automotive industry, Korean OEMs are expected to expand global outsourcing for the procurement of parts and accessories. Industry sources predict that the launch of Hyundai Motors' manufacturing plant in Alabama, and Kia Motors' Georgia plant should accelerate this trend.

Sub-Sector Best Prospects

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For OEM:

- Leading-edge engine design, engine control units (ECU), electronic engine parts
- Advanced core parts, including automatic transmissions, anti-lock brake systems and air bags, and other safety equipment

- Hybrid technologies, fuel cell cars, and other low-emission related technologies

For the aftermarket:
- Replacement parts
- Spark plugs
- Ignition cables
- Timing belts
- Wiper blades
- High-end car audio systems and components
- High-performance automotive chemicals, such as wax and rust-proofing solutions, and
- Accessories, like window films.

Opportunities Return to top

US suppliers need to be aware of the competition, and offer products with technological advantages that the competition does not have. They also need to educate end-users about the advanced features of their products. It is strongly recommended to partner with a qualified and capable Korean distributor who maintains its existing sales network to serve end-users. Exhibiting at local automotive trade shows can be a useful platform to explore the market and gain exposure to end-users.

Tapping into Korean automaker plants in the US and US parts suppliers with a manufacturing base in Korea is highly recommended to gain access to the Korean market. Most of the major auto parts suppliers have a manufacturing base in Korea, which include Delphi, Visteon, TRW, Johnson Automotive Controls, etc. Hyundai Motor America currently operates an engineering facility in Michigan, a manufacturing facility in Alabama, as well as proving grounds and a research and design center in California. Kia began production in 2009 in West Point, Georgia about 80 miles from the Hyundai factory. All are owned by Hyundai Kia Automotive Group of South Korea.

For the aftermarket, US companies are recommended to supply through existing channels that include OEM's after-sales service networks, automotive service franchises, independent auto service shops, etc. Though the consumer aftermarket sector is limited, the recent growth of Western-style automotive service centers is also expected to expand demand.

CS Korea is currently developing events to help US component manufacturers to meet with Korea's automotive manufactures during and after the 2011 Korea Autoparts & Auto-related Industry Show in November 16-25, 2011. Please contact our office to learn more about these unique opportunities.

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<u>Trade Show</u>

Korea Autoparts & Auto-related Industry Show 2011 (KOAAshow 2011)
http://www.koaashow.com/

Seoul Auto Salon - Seoul Auto Service 2011
http://www.seoulautosalon.com/e_index.html

Key Contact
Ministry of Knowledge Economy
http://www.mke.go.kr/language/eng/index.jsp

Ministry of Land, Transport and Maritime Affairs
http://english.mltm.go.kr/intro.do

Ministry of Environment

http://eng.me.go.kr/main.do

Local Contact

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Email: youngwan.park@trade.gov
Website: http://www.buyusa.gov/korea

Broadcasting Programming and Equipment

ITA CODE: AUV

Overview

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Unit: USD millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	245	237	252	263
Total Local Production	135	130	137	141
Total Exports	80	86	88	90
Total Imports	190	193	203	212
Imports from the U.S.	133	135	142	149
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Sources:

Total Local Production: KITA and Korea Communication Committee
Total Exports: KITA and KCC
Total Imports: KITA
Imports from U.S.: Korea Cable TV Association

Sub-Sector Best Prospects

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Driving the development of digital content are new and potentially exclusive channels, basic and premium tier channels, plus on-demand content from domestic and foreign program suppliers. The business of digital programming and content is made highly attractive by significant competition from cable, Direct To Home (DTH) services, and major gains in consumer purchases of digital set-top-boxes (STBs). It is forecast that total subscription revenues for pay TV will grow from over USD 427 million by 2010 and will be USD 658 million by 2015. Certain industry experts are projecting the digital TV industry in Korea could be almost all-pay services by 2015.

Currently, 93 cable system operators are transmitting cable TV content. Digital terrestrial TV was introduced in 2001, and digital cable TV services launched in 2004. As a result, Korean cable TV system operators and program providers need to digitize most of their broadcasting facilities by 2012. After the introduction of DTH services in 2000, the Korea Digital Satellite Broadcasting consortium (KDB) acquired the necessary license and launched pay TV services in March 2002 via its DTH satellite platform SkyLife. SkyLife acquired around 2.5 million digital DTH subscribers as of November, 2010, approximately a 12 percent penetration rate of TV households in Korea.

Attracting portable TV viewers is becoming more competitive. Since December 2005, terrestrial providers have moved into digital multimedia broadcasting (DMB), which allows viewers to watch TV via a cell phone. The rapid growth of DMB has become a hot trend, drawing the attention of the media and consumers. According to industry sources, it is estimated that the number of satellite DMB subscribers will exceed ten million by 2010. Though satellite DMB services now enables viewers to view different types of video content, content is seen by most as severely lacking. Lack of available content has forced providers to show amateur videos. For example, one provider runs the work of finalists in a university student video contest. According to the Korea IT Industry Promotion Agency, the market demand for digital video content is relatively small, but increasingly growing. The industry is forecast to grow to be worth several billion dollars by 2012 as new service platforms are implemented.

In 2010, market demand for TV broadcasting equipment and programming reached an estimated approximately USD 240 million. There are no major market access barriers for broadcasting equipment, and most categories of equipment enter Korea with an eight percent duty based on cost-insurance-freight (c.i.f.) value.

Best Products/Services:

- Broadcasting equipment (encoding/multiplexing/modulating equipment)
- Test and measurement equipment
- Graphic equipment
- Production equipment
- Video servers and switchers
- Content related to education, life style, documentary etc.

The shortage of quality content to supply the growing new service platforms represents a real opportunity for US content providers. The best prospects for imported content and programming are in the areas of movies, sports, animation, drama, and documentaries.

Opportunities Return to top

Korea maintains certain broadcasting quotas (e.g., cable companies are limited to using no more than 20 percent of their channels for foreign channel retransmissions, and local content must account for 35 percent of animation channel programming). While these market barriers continue, the general dearth of local content is driving demand for foreign content.

The surge of investment in new broadcasting services represents important opportunities for US program providers (PPs). Korea currently has four terrestrial TV networks, 150 satellite TV channels, and approximately 150 cable TV channels. After the launch of digital satellite and digital cable TV services, the current total number of Korea's satellite and cable channels reached approximately 200. Currently, US programs accounts for approximately 70 percent of all imported programming. With the popularity of US programming in Korea and the enormous projected increase in channels, US PPs are well positioned to expand rapidly in Korea's growing market. As of December 2010, there were about 240 registered PPs in Korea. Among this number, approximately 150 PPs are responsible for the majority of activity in the market, providing programming both to satellite and cable TV channels. Although digital broadcasting equipment for terrestrial TV services is forecast to remain the largest market segment through 2011, Korea's launch of new digital cable TV channels will continue to bolster strong market demand over the next three years.

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<u>Trade Shows</u>

2011 KCTA Show

http://www.kctashow.com/eng/main.html

Korea Electronics Show
http://www.kes.org/index.do?locale=en&

Korea International Broadcast, Audio and Lighting Equipment Show (KOBA)
http://www.kobashow.com/eng/main.asp

World IT Show 2011
http://www.worlditshow.co.kr/eng/index.php

Key Contacts

Korea Communications Commission
http://eng.kcc.go.kr/user/ehpMain.do

Ministry of Culture, Sports and Tourism
http://www.mcst.go.kr/english/index.jsp

Korea Cable TV Association
http://www.kcta.or.kr

Korea Creative Content Agency
http://www.kocca.kr/eng/index.html

Local Contact

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Fax: 82-2-739-1628
Email: alex.choi@trade.gov
Website: http://www.buyusa.gov/korea

Computer Software

Overview

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Unit: USD millions

	2009	2010	2011 (Estimated)	2012 (Estimated)
Total Market Size	2,470	2,619	2,776	2,943
Total Local Production	2,082	2,207	2,339	2,480
Total Exports	173	183	194	206
Total Imports	561	595	631	669
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Source: unofficial estimates by Commercial Service Korea

Korea's global leadership in wireless communications and broadband Internet access services has spawned tremendous demand for all types of software, especially for specialized and innovative technologies, providing opportunities for sales of advanced and specialized US software solutions. The overall software market is expected to maintain steady annual growth of 6 percent, attributed to continued market demand in new green IT services, mobile application, social networking, industry convergence, cloud computing, smart grid, security, storage, digital content as well as packaged software solutions.

New trends emerging in the Korean software services market are being driven by cloud computing as part of software application services, offering more flexible, efficient and interactive online services, through which software developers/users can conveniently purchase and customize the software to their needs at lower costs. The software distribution market is also transitioning from traditional PC bundling and packaged/licensed purchases to web-based distribution services. Market demand in digital content for Internet Protocol TV (IPTV) and mobile applications for smart devices are also growing rapidly. The new software services and distribution models are expected to influence software market growth over the next several years.

U.S.-source packaged software accounts for more than 75 percent of Korea's software import market, and US suppliers are expected to remain the principal suppliers of packaged software to Korea for the next several years. Technological advancements in Korea's software sector are still behind that of the US and Japan, a result of Korea's relatively recent computerization and an acute shortage of highly qualified software engineers. Korea's systems integration companies and software developers are actively trying to develop partnerships with global leaders in every segment of IT services and solutions to deliver total solutions to clients in a time-to-market manner and to target the domestic and global market at the same time. US suppliers will continue to enjoy the competitive advantages of strong project management and marketing skills, compared to Korean firms and third-country suppliers.

The overall market demand for packaged software has been growing in relation to the development of Korea's advanced IT infrastructure and related services in the e-commerce and telecom segments and will continue to grow at an average annual rate of

5 percent for the next five years. The Korean government has increased efforts to strengthen its IPR protection and enforcement through the Computer Program Protection Law (CPPL). The new law has also contributed to the strong growth in demand for both Korean and imported packaged software.

Sub-Sector Best Prospects Return to top

- IT services/Software as a Service (SaaS)/ Cloud Computing in telecom/ government, public, and financial sectors
- Smart Grid/ Green IT technology and services
- Internet protocol TV 2.0 solutions and content / Smart phone content
- Storage/ security technology/ digital content
- Business Intelligence/ Enterprise resource management and integration projects

Opportunities Return to top

The market demand for green IT services, cloud computing, digital content, and security software are forecast to experience high growth, driven by strong enterprise demands from efficient resource management policies through business intelligence solutions and integrated services.

Companies should also expect continued investment in Ultra Broadband convergence Network (UBcN) which is expected to launch by 2013, as well as growing demand from 4G technologies, Internet Protocol TV (IPTV) 2.0 and Voice over Internet Protocol (VOIP) services.

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Trade Shows

SEMICON Korea 2011
Date: January 26-28, 2011
http://www.semiconkorea.org/en/

World IT Show 2011
Date: May 11-14, 2011
http://www.worlditshow.co.kr/eng/index.php

Busan Contents Market 2011
Date: May 12-14, 2011
http://www.ibcm.or.kr/e_index.php

21st Korea International Broadcast, Audio & Lighting Equipment Show (KOBA)
Date: June 14-17, 2011
http://www.kobashow.com/eng/main.asp

IT Expo Busan 2011
Date: August 31-Semtember 3, 2011
http://www.itexpo.or.kr/2010/english/

Korea Electronics Show (KES) 2011
Date: October 11-14, 2011
http://www.kes.org

International Robot Industry Show 2011
Date: October 27-30, 2011
http://www.robotworld.or.kr

RFID/USN Korea 2011
Date: November 16-18, 2011
http://www.rfidkorea.or.kr

Key Contacts

Korea Communications Commission (KCC)
http://eng.kcc.go.kr/user/ehpMain.do

Ministry of Knowledge Economy
http://www.mke.go.kr/language/eng/index.jsp

Radio Research Agency
http://rra.go.kr/eng/index.jsp

Korea Software Industry Association
http://www.sw.or.kr/

Korea Creative Content Agency
http://www.kocca.kr/eng/index.html

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E-mail: chris.ahn@trade.gov
Website: http://www.buyusa.gov/korea

Construction Equipment

Overview

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Unit: USD millions

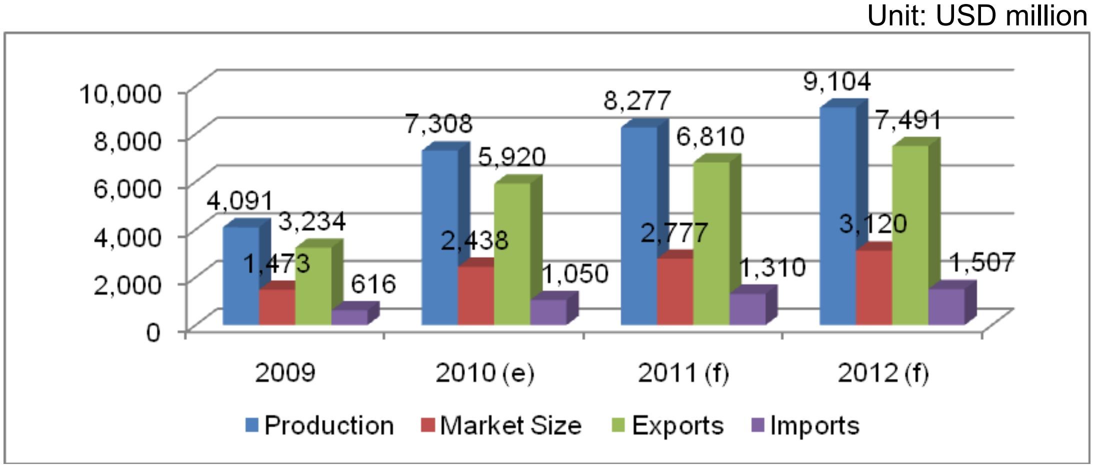
	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,473	2,438	2,777	3,120
Total Local Production	4,091	7,308	8,277	9,104
Total Exports	3,234	5,920	6,810	7,491
Total Imports	616	1,050	1,310	1,507
Imports from the U.S.	230	n/a	n/a	n/a
Exchange Rate: 1 USD	1,275.82	1,156.32	1,120.00	1120.00

Sources:
Total local production, total imports and exports: Korea Construction Equipment Manufacturers Association (KOCEMA)
Imports from US: Global Trade Atlas
Calculations by the US Commercial Service Korea

Note:
The definition for construction equipment used in this report, unless otherwise cited, includes selected products within Harmonized System (HS) Code Chapters 84 and 87.

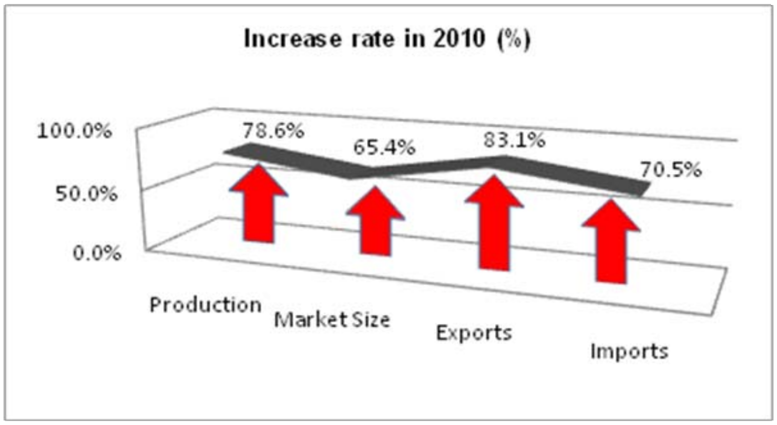
Korea is the 10th largest export market for US construction industry and the market for construction equipment is showing continued slow improvement after a lackluster 2009. According to Korean Construction Equipment Manufacturers Association (KOCEMA), market size and imports increased 65.4 and 70.5 percent in 2010 as compared to the previous year, and the forecast is for continuous growth. Despite reductions in government spending on some social infrastructure projects, domestic sales of construction equipment improved. One of the largest drivers of domestic equipment sales has been the government's initiation of the Four Major Rivers Restoration Project which is making significant investment into both engineering and construction across the Korean peninsula.

Unit: USD million



Source: Korea Construction Equipment Manufacturers Association (KOCEMA)

Given the sharp decline in Korean Won/ USD exchange rates in 2009 and 2010, the above table does not reflect the real growth we anticipate in this sector over the next several years.



According to KOCEMA, Korea's estimated demand for construction equipment is 26,395 units in 2011 (excavators: 9,500, forklift trucks: 14,960, wheel loaders: 260, skid loaders, 400, others: 1,275). In 2010, the demand of construction equipment is expected to increase 7.7 percent.

Source: Korea Construction Equipment Manufacturers Association (KOCEMA)

Sub-Sector Best Prospects Return to top

- Concrete forming systems (i.e. curb, gutter and paving machines)
- Tunnel Boring Machines
- Road repair equipment
- Mobile concrete plants

Opportunities Return to top

For exporters of US products to Korea, hiring local agents or distributors also is one of the most effective ways to sell US products in the Korean market. Also establishing strategic alliances with leading Korean construction equipment companies (distribution agreements, joint ventures or licensing agreements) is another proven strategy for improving brand recognition and market access.

Web Resources Return to top

Trade Shows

Korea International Construction Equipment Exhibition (CONEX Korea)
Date/Venue: September, 2011 / KINTEX, Korea
http://www.conexkorea.org (English site available)

Key Contacts

Ministry of Knowledge Economy (MKE)
http://www.mke.go.kr/language/eng/index.jsp (English site available)

Korea Construction Equipment Manufacturers Association (KOCEMA):
http://www.kocema.org/pages_sub/index_e.html (English site available)

Construction Association of Korea (CAK)
http://www.cak.or.kr (English site available)

Ministry of Environment:
http://eng.me.go.kr (English site available)

Korea Custom Service
http://english.customs.go.kr (English site available)

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Cosmetics

Overview

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Unit: USD millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	4,901	5,243	5,610	6,003
Total Local Production	4,615	4,929	5,274	5,643
Total Exports	416	466	499	534
Total Imports	702	780	835	894
Imports from the U.S.	171	195	209	224
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:

Total Local Production: Korea Cosmetic Association
Total Exports: Korea Pharmaceutical Traders Association (KPTA)
Total Imports: KPTA
Imports from U.S.: KPTA

Note: Given the sharp fluctuations in Korean Won / US dollar exchange rate over 2008/209, the above table distorts the actual real growth we expect for this sector.

The Korean market in 2010 is estimated at approximately USD 5.2 billion with an increase of 7 percent over 2009. The Korean market is expected grow at an average annual rate of 5-10 percent over the next several years. Total imports of cosmetics are estimated at USD 780 million, with US imports estimated to be USD 195 million, representing about 25 percent import market share.

According to industry sources, increasing parallel imports and recently reduced tariff rates are contributing to the increasing demand for quality foreign cosmetics. Also, the ratification of the US - Korea Free Trade Agreement (KORUS FTA) will further benefit US exporters as Korean tariffs on US cosmetics will be eliminated over a three to ten year period after ratification. These market trends offer good opportunities for US companies in the years ahead.

The Korean cosmetics market is polarized, with products focused at the premium end and at the low-priced cosmetics for the mass-market. Thus, cosmetic companies focus their offerings towards two distinct groups of consumers or target audiences: consumers shopping at low-cost cosmetics franchise stores and those that are shopping for high end luxury cosmetics at more expensive department stores. Foreign cosmetics companies often identify that the importation process is unnecessarily complex, time-consuming and opaque. In response, The Korea Food and Drug Administration (KFDA) is undergoing a substantial reorganization. The Korean government has announced that it will increase the budget to hire more personnel to improve the testing and approval process in response to the increasing number of functional cosmetic (cosmeceutical) products now entering the market.

Sales of men's cosmetics continue to expand from 2009 sales levels. This growth reflects the trend that men have expanded their interest from simple skincare to other cosmetics, such as facial scrubs, facial masks, congealers, SPF products, and other cosmeceutical products. With this trend, men's skincare salons have opened in business districts, providing one-stop total beauty and hair care services including hair cutting, perms, treatments, as well as facials. To meet this increasing demand for men's skincare products, many department stores have opened men's cosmetics counters on the men's floor featuring recognized international brands like Clinique, Clarins, and Biotherm that offers after-shave lotions, cleaning foams, facial scrubs, facial packs, essences, and other functional cosmetics.

Sub-Sector Best Prospects Return to top

- Men's Cosmetics
- Natural/organic Skincare Products
- Functional Cosmetics

Opportunities Return to top

The recent introduction of on-line shopping malls, television home-shopping channels such as QVC, pharmacies/drug stores, and catalogue orders have emerged as challengers to traditional retail channels such as direct selling, multi-level marketing, "mom and pop" stores, specialty retail establishments, department stores, discount stores, etc.

There are currently three major franchised Korean drug stores chains competing in the local market, Olive Young by CJ, W-Store by Kolon, and GS Watson's by GS in partnership with Watson's. These retailers target customers focusing on wellness products by providing organic/natural cosmetics, nutritional supplements, OTC drugs, and general consumer goods. In addition, some major Korean cosmetic manufactures are interested in importing or licensing well-known US cosmetics. US companies are encouraged to seek opportunities in line with this new retail concept.

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Trade Shows

Name: Seoul Cosmetics & Beauty Expo 2011
http://www.cosmobeautyseoul.com/en/index.php

Key Contacts

Korea Food & Drug Association (KFDA)
http://eng.kfda.go.kr/index.php

Korea Pharmaceutical Traders Association (KPTA)
http://www.kpta.or.kr/eng/main/main.asp

Korea Cosmetic Association (KCA)
https://www.kcia.or.kr/ENG/_Document/About/about01.html

Local Contact:

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Email: yoonshil.chay@trade.gov
Website: http://www.buyusa.gov/korea

Defense Industry Equipment

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The Republic of Korea (ROK) continues to be a major defense and security ally of the United States in the Pacific region. The country maintains the sixth largest military force in the world. In June 2010, US and the ROK agreed to delay the transition of the wartime operational control (OPCON) to December 2015 from its original April 2012 goal date.

After the sinking of the navy vessel "Cheonan" near the inter-Korean West Sea border in March of 2010, the ROK government began a redevelopment of its "Defense Reform 2020" and a full top down review of defense requirements were begun. Several projects that were priority items before the Cheonan and the artillery attack have been cancelled. It is expected that there will be a holding pattern as Korea continues to revise what products/systems are needed in light of the new threat assessment. It is expected that the force improvement plan will focus more on command and control, land systems, maritime patrol/littoral support and armor. Some USD 91.6 million has been allocated for R&D in submarine launched mobile mines, infrared flares, local air defense radars, and radars for marine patrol vessels. In addition, USD 100.6 million is also allocated for the emergency Cheonan budget allocation among which about USD 26.1 million will be spent for improvement of navy equipment.

Market Demand

Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	7,363,000	8,127,700	8,654,900	8,914,550
Total Local Production	6,525,750	7,407,220	8,208,100	8,454,350
Total Exports	1,166,000	1,188,000	1,600,000	1,648,000
Total Imports	2,003,250	1,908,480	2,046,800	2,108,200
Imports from the U.S.	1,150,900	1,270,360	1,352,930	1,393,520
Exchange Rate: 1 USD	1,170	1,120	1,120	,120

[USD 1= 1,170 won (2009), 1,120 Won (2010), 1,120 Won (2011), 1,120 Won (2012)]

Note: The statistical data for total market size is based on budget of Korea's Force Improvement Plan (FIP) while the statistical data for total imports is based on Defense Acquisition Program Administration (DAPA)'s procurement value provided by foreign suppliers.

For FY 2011, a total of USD28.03 billion for defense budget has been announced which includes USD 8.65 billion for the force improvement plan (FIP). The total budget is a 6.2 percent increase compared to the previous year in which the budget for the FIP was increased 6.5 percent.

Unit: USD, M= million

Year / Description	2010	2011 (estimated)
Total Defense Budget	26,395,3M	28,035.7M
Force Improvement Plan (FIP)	8,127.7M	8,654.9M
Operation & Management (O&M)	18,409.1M	19,383,6M
Exchange Rate	USD1=W1,120	USD1=W1,120

Just prior to the shelling of Yeonpyeong Island by North Korea, a massive overhaul of the state-led defense industry was proposed in October by presidential advisors' in order to reshape the country's domestic market-oriented industry into a new source of exports. The blueprint for those reforms mainly aimed at curtailing the role of the state-run Agency for Defense Development (ADD) while boosting the participation of civilian sectors. The reforms are designed to reduce reliance on imported defense equipment while fostering the development of Korea's defense manufacturers. The goal is to make Korea the world's seventh largest defense exporter by 2020 with USD 10 billion in sales and defense exports reaching USD4 billion annually.

To achieve this, Korea plans to diversify its defense export markets by expanding trade with Africa and Asia. The exports will be not only selling finished products but also components and services. So far, ADD led research and defense companies primarily focused on manufacturing activity for the domestic market and not local production for export. In addition, Korea's defense products became unattractive in overseas markets due to their high price. President Lee identified defense technology as one of the stimulus sectors to help ROK come out of the recent recession that the Korean defense industry experienced.

Market Access & Obstacles

The ROK's defense procurement agency, Defense Acquisition Program Administration (DAPA) is a sole government agency in conducting and executing the procurement of defense equipment. Established in 2006, DAPA is the primary government agency conducting ROK's defense procurement and is the only agency that is authorized to negotiate on behalf of the Ministry of National Defense (MND) for defense products and services, as well as being the only agency that can authorize offset credits, dictate terms and conditions, and make changes to delivery schedules or required deliverables. DAPA controls all formal negotiations on price, technology transfer, local work share, and offset packages, which are required by the Korean government for all projects in excess of USD10 million.

On 23 April 2010, DAPA announced new guidelines on the utilization of commission agents. The new policy requires DAPA to enter into contract directly with foreign prime contractors without the intervention of a commission agent for major acquisition programs exceeding USD $2 million. The policy applies only to Force Improvement Programs (FIP), which include purchases, development, upgrades, and associated installations. Smaller value FIP projects and sustainment projects are not affected.

A large portion of Korea's export of defense products is a result of Korea's defense offset program which DAPA also oversees.

US Position in Korea's Defense Industry

The US maintains primary supplier position in Korea but the position of other major suppliers like Germany and Israel are increasing. US provided weapon systems to R.O.K. totaling USD 3,013 million and USD 1,151 million in 2008 and 2009 respectively. In 2009, many contracts of US companies with DAPA have been made through foreign military sales (FMS). US standards are generally accepted in Korea and most Korean defense systems are based on American standards.

Commercial sales in defense industry account for 65 percent of DAPA procurement but the Ministry of Defense encourages more government-to-government foreign military acquisition programs in an effort to reduce costs**.**

End-users

The principal point of contact for major defense projects are the service branches (ROKAF, ROKA, ROKN) and DAPA (Defense Acquisition Program Administration). These branches of the military procure all necessary equipment and systems through DAPA. For projects requiring local co-production or co-development, foreign firms very often participate in consortia with leading local firms such as KAI, Hyundai Heavy Industries (HHI), and Samsung etc.

Sub-Sector Best Prospects

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

Opportunities

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- Aircraft Upgrade (fighters, multi-role airlift aircraft)
- Counter Regional Provocation Measure
- Support for Combat Equipment *incl. Fighter aircraft)

Web Resources

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Trade Shows

Seoul International Aerospace & Defense Exhibition 2011 (Seoul Air Show 2011)
Date: October 18-23, 2011
http://www.seoulairshow.com

As the Defense Acquisition Program Agency (DAPA) conducts the formal contracting, Presentations at DAPA remain one of the best marketing tools to introduce new product/systems/services to potential customers. DAPA provides this opportunity every two or three months announcing this plan in on its web site. Interested parties may contact the responsible division directly to confirm the future schedule:

Acquisition Policy Division, Acquisition Plan Bureau
Defense Acquisition Program Administration (DAPA)
2-15 Yongsandong 2 ga, Yongsan-gu
Seoul 140-833, ROK
http://www.dapa.go.kr

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US Embassy Seoul
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Seoul 110-710 Korea
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Website: http://www.buyusa.gov/korea

Drugs and Pharmaceuticals

Overview

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Unit: USD millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	13,173	13,698	15,067	16,573
*Total Local Production	11,931	12,527	13,779	15,156
Total Exports	885	1,062	1,168	1,284
Total Imports	2,127	2,233	2,456	2,701
Imports from the U.S.	297	332	365	401
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:

Total Local Production: Korea Pharmaceutical Manufacturers Association (KPMA). Total local production includes production by multinational companies (MNC).

Imports and Exports: Korea Pharmaceutical Traders Association (KPTA)

According to Intercontinental Marketing Services (IMS) Korea research, local MNC industry sources estimate market size reached USD 9.8 billion in 2008, USD 10.9 billion in 2009, and USD 11.9 billion in 2010. The market is forecast to grow at an average annual rate of 10 percent over the next few years. Multinationals maintained 35 percent share of the total therapeutic (ethical and over-the-counter) pharmaceutical market in Korea in 2009.

International pharmaceutical companies continue to rank Korea as one of the larger pharmaceutical markets in Asia. Innovative preparations continue to dominate the market with foreign imports or local manufacture of foreign products taking a large share of the pharmaceuticals budget. Industry sources project single digit growth as health care spending continues to increase.

Given Korea's aging population, per capita health care expenditures will continue to rise, the Government of Korea has undertaken a number of efforts to control expenditures. The US government continues to work closely with and advocate on behalf of US exporters' market access concerns. This includes continuing to encourage the Korean Government to make the market more transparent, to reimburse innovative drugs at appropriate levels, and to ensure Korean patients have access to innovative pharmaceuticals. We advise US exporters of research-based, innovative drugs to evaluate the impact of the new reimbursement system on their potential sales before entering this lucrative but challenging market.

With the Korean government's encouragement, the Korean bio pharmaceutical industry is striving to invest more in R&D (currently only 4-5 percent based on sales revenue) and diversify from the production of generics and antibiotics to more advanced preparations. This trend presents excellent opportunities for US biotech firms to participate in Korea's strategic biotech sector. Korea's pharmaceutical industry is competitive in terms of chemical synthesizing technologies, and it is strengthening its competition in the areas of drug screening, safety evaluation and clinical trials. Korean companies are pursuing strategic alliances with multinational firms to finance R&D for new products or for cross licensing of existing technologies. Industry experts predict that the US market share will increase as more US biotechnology-based products become commercially available over the next few years.

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Therapeutic pharmaceuticals

Opportunities Return to top

Korea is pushing to become a leader in clinical trials for the pharmaceuticals and medical devices. To attract foreign clinical trials to Korea, the government is improving the quality of relevant infrastructure, such as hospitals, and hi-end medical technology. As of 2010, there are 142 KFDA-authorized hospitals which conduct clinical trials of pharmaceuticals. Companies may wish to contact the Korea Food & Drug Administration (KFDA) directly for more details.

Contact: Director, Clinical Trials Management Division of KFDA
Email: ctmt@korea.kr

Web Resources Return to top

Trade Shows

N/A

Key Contacts

Ministry of Health, Welfare and Family Matters
http://english.mw.go.kr/front_eng/main.jsp

Korea Food & Drug Administration
http://eng.kfda.go.kr/index.php

Health Insurance Review Agency
http://www.hira.or.kr/cms/rb/rbb_english/index.html

Local Contact:

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Education and Training Services

ITA CODE: EDS

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Unit: USD millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	116,076	117,114	118,005	119,155
Total Local Production	110,814	111,814	112,588	113,700
Total Exports	5	15	30	50
Total Imports	5,267	5,315	5,447	5,505
Imports from the U.S.	1,569	1,593	1,634	1,615
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Sources:

Total Local Production: Statistics Korea
Total Exports: Ministry of Education, Science and Technology
Total Imports: SEVIS and Statistics Korea
Imports from U.S.: Ministry of Education, Science and Technology, Statistics Korea

Sub-Sector Best Prospects

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Korea's education market plays a significant role in the country's overall economy and offers exceptionally good opportunities for the US education sector. According to the Organization for Economic Cooperation and Development (OECD), Korea is one of the largest investors in education among developed countries. Korea's education sector offers good opportunities for US educational institutions because Koreans still prefer the US to other English speaking nations like the UK, Canada, Australia and New Zealand competing for education dollars. The Korean market also looks promising for cooperative programs involving e-learning and educational training in the fields of language training, business administration, and technical programs.

Higher education throughout Korean history has been synonymous with privilege and power. A degree from a well-known institution is a status symbol and essential for finding the right job in the right company. Coveted spaces in Korea's top schools are open to competition from all students, but are attainable only by a few. Many talented students thus opt for the best schools overseas. The desire to obtain a diploma from an accredited overseas school translates into opportunities for US schools to recruit some of Korea's most talented students, and Koreans remain willing to spend a substantial portion of their incomes on education.

The market for overseas education continues to grow. According to the Student and Exchange Visitor Information System (SEVIS), US Immigration and Customs Enforcement, as of October, 2010, 112,306 students from Korea were studying in the US As the table below shows, Korea remains one of the leading sources for Asian students studying in America.

Place of Origin	September, 2008	January, 2010	October, 2010
Korea	115,852	103,889	112,306
India	100,000	99,932	114,267
China	94,100	118,379	158,501
Japan	40,000	32,295	31,827

Source: Student and Exchange Visitor Information System (SEVIS), US Immigration and Customs

The Korean Ministry of Human Resources and Science statistics show that as of April 2010, a total of 251,887 Korean students were studying abroad. The US (29.8 percent), China (25.5 percent), Japan (11.1 percent), U.K. (8.56 percent), Australia (7.08 percent), Canada (5.6 percent), and other countries (13.36 percent) host most of these Korean students. Although US schools and institutes remain very popular with Koreans, other countries such as Britain, China, Australia, Japan, and Canada are also vigorously promoting themselves as attractive destinations for Korean students.

Best products/Services:

- One year exchange program for elementary and secondary school students
- Community colleges
- Short-term English language training
- One or two semester exchange program for college students

Opportunities Return to top

Market demand continues to grow for short-term (four weeks to two months) or long-term (one year) English language training in US schools for college students during summer (typically from the middle of June until the end of August) and/or winter breaks (typically from the end of December until the end of February). English language training in the US not only improves language skills but also provides cultural familiarity which, in turn, leads many students to choose the US for subsequent academic study.

Participation in education fairs held in Korea is one way to recruit potential students. The fairs are categorized by level of schools (high schools, community colleges, four-year colleges and graduate programs). Almost all education fairs are held during the spring (March) and fall (September and October).

Utilizing educational consulting agents is the most efficient way to recruit Korean students. As Korea sends the largest number of students to the U.S., choosing the right partners in Korea is a key for US higher education institutions to enter the Korean market.

Web Resources Return to top

Trade Shows

MBA Tours
http://www.thembatour.com/index.shtml

University Fair organized by Linden Tours
http://www.lindentours.com

Korea Student Fair
http://www.aief-usa.org/

Key Contacts

Ministry of Education, Science and Technology
http://english.mest.go.kr/

Fulbright (Korean-American Educational Commission)
http://www.fulbright.or.kr/xe/?mid=index_en

KOSA (Korea Overseas Studying Agencies)
http://www.kosaworld.org/

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Email: alex.choi@trade.gov
Website: http://www.buyusa.gov/korea

Healthcare Technology and Medical Devices

Overview

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Unit: USD millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	3,157.4	3,608.4	3,969.3	4,366.4
Total Local Production	2,468.1	2,838.3	3,122.1	3,434.4
Total Exports	1,190.1	1,297.2	1,426.9	1,569.6
Total Imports	1,879.4	2,067.3	2,274.1	2,501.6
Imports from the U.S.	763.0	839.3	923.3	1,015.6
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:

Total Local Production: Korea Medical Devices Industry Association (KMDIA)
Imports and Exports: KMDIA

The market for foreign advanced and innovative medical devices in 2010 saw slow growth due to the global economic turndown and fluctuating exchange rates of the Korean Won vis-à-vis the US dollar. The Korean medical device market was estimated at USD 3.6 billion in 2010 and is expected to increase to approximately USD 4.0 billion in 2011. According to industry sources, the medical device market is forecast to grow at an average annual rate of 10-15 percent over the next few years.

One important factor that may slow the import market growth rate will be reimbursement pricing measures that the Korean government grapples with under its national healthcare system. Korea depends on high end medical devices (as listed in Best Products/Services below) from the U.S., EU, and Japan to supply about 60 percent of total market demand. In 2010, total imports of medical devices were estimated at USD 2.1 billion, with US imports, estimated to be USD 839.3 million, representing approximately 40 percent of the import market. Some factors favoring the use of imported advanced medical equipment and devices is the growing elderly population and the swelling ranks of Korean doctors educated in the US and Europe who are accustomed to such devices.

The importation of medical devices requires the assignment of an importer or representative based in Korea to manage medical device approval and to ensure regulatory compliance. As part of the pre-market approval requirements, the Government of Korea requires testing reports of imported devices for safety and efficacy. In addition to the medical device approvals, companies must also negotiate pricing terms with the Korean Health Insurance Review & Assessment Service (HIRA). Current issues for medical device industry in Korea include reimbursement price re-evaluation and healthcare technology assessment system for medical devices. The Commercial Section at the US Embassy works closely with associations including AdvaMed and the US Chamber of Commerce in Korea to ensure US interests are maintained in the medical device industry.

Sub-Sector Best Prospects
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- Stent
- Orthopedic implant (Knee)
- Soft contact lens
- CT systems
- Dialyzer
- MRI
- Accelerator system collimator electron applicator
- Ophthalmic lens
- Staple
- Surgical instruments
- Ultrasound imaging system, etc.

Opportunities
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One of the potential areas for U.S.-Korea cooperation in the healthcare technology sector is in the area of clinical trials. Korea seeks to become a leader in providing clinical trials for both medical devices and pharmaceuticals. To attract foreign clinical trials to Korea, the Korean government supports improving the caliber of hospitals, hi-end medical technology, deregulation, etc. US companies, which need clinical trials for medical devices, may wish to contact the Korea Food & Drug Administration (KFDA) directly for more details.

Contact: Director, Clinical Trials Management Division of KFDA
Email: ctmt@korea.kr

The Korean government also plans to construct world-class hospitals with 350-600 beds in the Incheon Free Economic Zone (IFEZ). The first hospital at the FEZ is targeted to open in 2016. Since this is the first time that Korea has invited foreign capital participation in healthcare, the development of the Incheon FEZ would provide a good export opportunity for US suppliers of high-end medical products. (Note: Relevant regulations have not been passed at the Korea's National Assembly yet, and opening of the hospitals might be delayed.)

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Trade Shows

Korea International Medical, Clinical, Laboratories & Hospital Equipment Show 2011
http://www.kimes.kr/eng/default.asp

Key Contacts

Ministry of Health and Welfare (MHW)
http://english.mw.go.kr/front_eng/index.jsp

Korea Food & Drug Administration (KFDA)
http://eng.kfda.go.kr/index.php

Health Insurance Review & Assessment Service (HIRA)
http://www.hira.or.kr/cms/rb/rbb_english/index

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Website: http://www.buyusa.gov/korea

Pollution Control Equipment

Overview

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	8,295,000	8,543,850	8,800,166	9,064,170
Total Local Production	7,825,000	8,059,750	8,301,543	8,550,589
Total Exports	313,000	322,390	332,062	342,024
Total Imports	783,000	806,490	830,685	855,605
Imports from the U.S.	234,900	241,947	249,205	256,682
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:
Total Local Production: Bank of Korea (BOK)
Total Exports: Korea Environmental Industry Association (KEIA)
Total Imports: Industry Experts
Imports from U.S.: Industry Experts

Note: The above statistics are unofficial estimates by Commercial Service Korea based on the information provided by the data sources. For reporting purposes, a conversion rate of KW 1,120 to USD 1 is used.

As Korea forges ahead with its economic stimulus campaign, the Government has signaled that environmental projects and the development of green technologies will be a key priority for job creation and a growth engine to recover in the current global downturn in the economy. In 2009, the South Korean Government announced its "Green New Deal", which intends to develop environmental projects to spur economic growth in the current economy.

CS Korea estimates the size of the pollution control equipment industry at USD 8.5 billion in 2010. According to industry experts, imports account for about 10 percent of the total market. Japan has been the principal foreign suppler with about a 50 percent market share, followed by the US with about 30 percent market share, Germany and France.

Local environmental equipment manufacturers in Korea have supplied a major portion of environmental projects with medium-level technology and medium-cost products. While they have significantly improved their technical levels, mostly through technology transfer and merger with non-Korean suppliers, they still lack the core technologies to supply the products that meet the government's stringent regulatory requirements, and are seeking more advanced imported products and technologies. Because most Korean manufacturers target larger volume and export markets, highly customized solutions for specific applications like in-house recycling and ultra-pure water treatment offer potential for US exporters.

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- Volatile organic compounds (VOCs) control in oil refineries and petrochemical plants

- Dioxin abatement in municipal and industrial incinerators
- Advanced sulfur oxides/nitrogen oxides abatement in power plants and steel mills
- Energy saving and waste-to-energy in steel mills and municipal landfills
- Pollution-free and low-emission vehicles in engineering technology, engine components and parts for CNG; pollution abatement technologies for automobile, oil refinery industries
- Advanced water pollution control technology
- Environmentally friendly construction materials

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The Korean government plays a key role in the pollution control equipment industry, as both the regulator and also the second biggest end-user in this category behind the Korean industry. Based on Bank of Korea Environmental Institute's statistics, CS Korea estimates the yearly expenditure on environmental protection by Korean industry and Korean government at about USD 15 billion and USD 13 billion each.

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

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

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Trade Show

International Exhibition on Environmental Technologies (ENVEX)
http://www.envex.or.kr/english/main/main.asp

Water Korea 2011
http://www.wakoex.co.kr/main/index.asp

Key Contacts

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

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

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Website: http://www.buyusa.gov/korea

Renewable Energy

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Unit: USD thousands

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	3,128,964	4,570,964	6,620,054	8,671,220
Total Local Production	3,816,964	7,766,964	12,812,054	17,857,143
Total Exports	2,040,000	4,600,000	7,650,000	10,700,000
Total Imports	1,352,000	1,404,000	1,458,000	1,514,077
Imports from the U.S.	NA	NA	NA	NA
Exchange Rate: 1 USD	1,120	1,120	1,120	1,120

Sources:

Total Local Production: Korea Energy Management Corporation (KEMCO)
Total Exports: Ministry of Knowledge Economy
Total Imports: Ministry of Knowledge Economy
Imports from U.S.: NA

Note: The above statistics are unofficial estimates by Commercial Service Korea based on information provided by the data sources. For reporting purposes, a conversion rate of KW 1,120 to USD 1 is used.

Korea is the world's 10th largest energy consumer, with virtually no domestic traditional energy sources of its own. As a result, the Country imports 97 percent of its energy resources, and is currently the 6th largest oil importer in the world. To reduce this heavy dependency on foreign fossil-fuels, the Republic of Korea Government (ROKG) has launched a bewildering array of plans and initiatives to promote the domestic development and use of new and renewable energies (NRE). Korean industry is responding by investing in more power plants using alternative fuels. Though the Korean Government is making focused investments to address the lack of core technologies and experience in NRE, the Korean power industry continues to seek imports of related advanced technologies, providing good business opportunities for US NRE companies with innovative technologies.

The highlight of ROKG's policy initiatives towards NRE is Korea's new National Energy Plan announced in August 2008. Dubbed the "Low Carbon, Green Growth Plan," it is Korea's first long-term energy plan proposed to serve as the governing policy for energy generation and use for coming 20 years. According to the Plan, ROKG will increase the ratio of NRE generation from 2.4 percent to 11 percent by 2030. By NRE subsector, specifically; 1) solar power will grow from 80 MW to 3,504 MW (44 times); 2) wind energy will grow from 199 MW to 7,301 MW (37 times); 3) bio energy from 1,874 KGcal to 36,487 KGcal (19 times); 4) and geothermal energy from 110 KGcal to 5,606 KGcal (51 times).

ROKG's principal policy drivers for NRE are basically two-fold: 1) providing financial incentives such as subsidiaries, low interest loans, tax reduction/exemption, and feed-in-tariffs to power generation companies using NRE, and 2) mandating power utility companies generate a certain portion of their power generation from NRE, known as Renewable Portfolio Standard (RPS). ROKG's primary policy driver had been its much lauded feed-in-tariff (FIT), but due to escalating costs, the Government is shifting to RPS that is scheduled to be in full effect starting 2012.

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Photovoltaic power- Next-generation solar cells including thin-film modules and roof-top systems are expected to generate substantial demand in the future.

Wind power - With ocean on three sides, Korea's focus on wind-power is rapidly shifting from ground applications to offshore applications.

Fuel cells - Korea is home to some of the world's largest hydrogen & fuel cell power plants. With ROKG's strong policy support and Korean industry's active participation, this industry is forecast to grow to be one of most rapidly growing NRE sectors in the future.

Marine energy - Korea has an abundant access to marine energy and is aggressively emphasizing such development through on-going R&D projects and pilot construction projects.

Integrated gasification and combined cycle (IGCC) - For the high efficiency and environmentally friendly feature of this technology, Korea has plans to adopt it for new coal-fired plants including one with a capacity of 300 MW which is planned to be completed by 2012 by Korea Western Power Company.

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Korea Electric Power Corporation (KEPCO), the state-run power company, is the primary end-user of NRE products and services. It supplies more than 90 percent of Korea's entire electricity needs from its six generating subsidiaries (Gencos) that include 5 fossil fuel-fired companies and one nuclear company. Required by ROKG's policy initiatives towards NRE, the Gencos have diversified their energy sources, and are now generating a certain amount of electricity from low-carbon methods. They will need to continue to shift the power source to NRE as RPS will be fully in effect starting 2012.

Here is the list of six Gencos.

- Korea Hydro and Nuclear Company (KHNP): http://www.khnp.co.kr/index_en.jsp
- Korea South-East Power Company, Ltd. (KOSEP): www.kosep.co.kr
- Korea Midland Power Company, Ltd. (KOMIPO): http://www.komipo.co.kr/
- Korea Western Power Company, Ltd. (KOWEPO): http://www.westernpower.co.kr
- Korea Southern Power Company, Ltd. (KOSPO): http://www.kospo.co.kr
- Korea East-West Power Company, Ltd. (KEWESPO): http://www.kewp.com

As end-users, the Gencos and the fledgling independent power producers (IPPs) have very strong influence in choosing what NRE core parts to use. Under the current supply chain, engineering & construction companies (E&C) who provide turn-key construction service usually are the buyer of most NRE technologies and parts. There are several large-sized EPC companies who are mostly subsidiaries of Korea's business conglomerates like Samsung, Hyundai, SK, GS, etc. Nowadays, with the popular concept of project financing for power plant industry, many of NRE power plant construction projects are led by business consortia that consist of end-users, EPC companies, financial service entities, equity investors, etc. that now have big influence together in procurement decision of major products.

Korean domestic production and the acceptance of new renewable energy solutions continues to be hampered by opaque and changing rules regarding how technologies are tested and selected. Many importing firms have observed that shifting government incentives and certification regimes are designed to discourage the selection of imported products. The US Commercial Service continues to work closely with US companies to ensure these rules are applied uniformly to domestic and international competition alike.

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Trade Shows

International Green Energy Expo Korea 2011
http://www.energyexpo.co.kr/eng/

Korea Energy Show
http://www.koreaenergyshow.or.kr/

Key Contacts

Ministry of Knowledge Economy
http://www.mke.go.kr/language/eng/index.jsp

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Specialty Chemicals

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Unit: USD thousands

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	39,591	41,571	43,649	45,831
Total Local Production	32,738	34,375	36,094	37,898
Total Exports	5,069	5,322	5,589	5,868
Total Imports	11,922	12,518	13,144	13,801
Imports from the U.S.	1,904	1,999	2,100	2,203
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Sources: Korea Specialty Chemical Industry Association

Korea has maintained healthy growth in specialty chemicals with an average annual increase of 5 percent over the last several years. In 2009, the total market size of Korea's specialty chemicals was valued at USD 39 billion, representing a 5 percent increase over 2008. During the same period, foreign suppliers satisfied approximately 33 percent of Korea's total demand for raw and intermediate materials and new substances. Specifically Korea's imports from the US totaled 1.9 billion. The US holds a 16 percent share of the specialty chemical import market. (Due to exchange rate fluctuation year-to-year, the percentage increases noted in this paragraph are based on Korean Won.)

Korean demand for high quality, sophisticated chemical products and associated substances for the development of new products is steadily increasing. Korea's specialty chemical industry has matured by focusing on the development of finished products as well as multi-application products such as dyes, paints, and surfactants. The technological level of dye & pigment of domestic producers appears to be on par with advanced countries. However, the characteristics of specialty chemicals that require the accumulation of fundamental core technologies developed over a long period time, substantial R&D investment, as well as relatively short product life cycle presents challenges to Korean local companies. As a result, local demands for specialty chemical still depends on the imports of chemical ingredients and intermediates to produce finished goods.

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- Specialty chemicals for the medical and pharmaceutical industries
- Specialty chemicals for the cosmetics industry
- Specialty chemicals for the photochemical and catalyst industries

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Market demand continues to grow especially from Korean companies in the medical, pharmaceutical and cosmetic industries. These companies are very interested in using advanced chemical ingredients and materials to produce new products. Recently, high molecular new materials and chemical ingredients for electronics and biologically active materials are in the spotlight as the demand from Korea's relevant end-use sectors surge. Additionally the market is seeing increased demands for functional or high-performance biologically active chemical ingredients to produce zero pollution and environmentally friendly products. Korean companies and government agencies actively pursue alliances with multinational companies in countries with an advanced chemicals industry to secure know-how for the production of these high-end products.

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Trade Shows

XpoChem Conference 2011 (Annual)
http://www.kscia.or.kr/

Key Contact

Ministry of Environment
http://eng.me.go.kr/

Ministry of Labor
http://www.moel.go.kr/english/main.jsp

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Travel and Tourism

ITA Industry Code: TRA

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	2009	2010	2011 (estimated)	2012 (estimated)
Outbound Travel	9,494,111	12,488,364	13,000,000	13,500,000
Outbound Travel to the U.S	743,846	1,100,000	1,200,000	1,400,000
Inbound Travel	7,817,533	8,797,658	11,200,000	14,000,000

Source: Korea Ministry of Culture and Tourism, Tour.go, Tourism Organization (KTO), US Department of Commerce Office of Travel & Tourism Industries

International travel is a rapidly growing leisure activity for the Korean population and offers ample opportunities for continued growth. The Ministry of Culture and Tourism estimates that only 12 million of Korea's almost 50 million citizens have travelled abroad. Out of the top five travel destinations for Koreans, the United States remains a major travel destination alongside closer regional travel destinations in Asia. Despite a small downturn in 2009, international travel by Korean citizens has been spurred by rising disposable incomes, gradual increases in leisure time, heightened globalization, and greater awareness of developments outside the Korean peninsula. Korea's per capita GDP rose to almost USD 20,000 in 2010, placing it securely in the ranks of middle-income countries. Korean consumer confidence has also increased along with a sharp rise in discretionary spending for such activities as overseas travel for both business and leisure.

Continuing positive economic indicators coupled with Korea's addition to the list of US Visa Waiver Program in late 2008 should help spur even more leisure and business travel to the US. Koreans are showing an increased desire to travel to the US despite lengthy travel times and the relatively high airfares. Korean mass media is influenced by US movies, advertising, popular culture, and the Internet, which continue to stimulate Koreans' interest in US travel destinations. Koreans overwhelmingly choose the US as a non-Asian long-haul destination because of the diversity of tourism opportunities not easily available back home, including U.S.-style shopping, theme parks, cultural attractions in major US cities, relatively inexpensive golf experiences, and the major US national parks.

According to the US International Trade Administration, Office of Travel and Tourism Industries (OTTI), it is estimated that 1.1 million Koreans will travel to the US in 2010. The increase is attributed to the stabilization of Korea's economy after the global financial crisis in 2008 and also the Visa Waiver Program that Korea joined in November 2008. As reported by OTTI, Korea is currently the eighth-largest source of inbound travel to the U.S., behind Canada, Mexico, the United Kingdom, Japan, Germany, France and Brazil.

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- High quality group package tours to the U.S.
- Free Independent Travelers (particularly online travel booking)
- Luxury packages catering to Korean single, professional women travelling for leisure.
- Cultural tours / natural scenic tour packages designed for Korean travelers
- Family vacation packages
- Golf Excursions
- Educational Travel

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Based on the strong ties with the US and the variety of activities, climates, and cultural experiences offered, the US is by far the leading non-Asian destination for Koreans. Travelers to the US account for 8.8 percent of the Korean outbound tourism market. Korean travel industry sources indicate that Los Angeles, San Francisco, Las Vegas, and Seattle are the most popular US destinations, followed by the East Coast New York-Washington D.C corridor. Koreans usually travel to the US on package group tours or individually to visit their friends, families, and relatives. The market for group tours has significant untapped demand for higher-class services that provide a variety of activities and cater to the more sophisticated tastes of seasoned Korean travelers. Koreans who travel to the US are very much interested in visiting not only museums and amusement parks, but in looking for bargains at fashion outlets, purchasing OTC pharmaceuticals and vitamins, purchasing US cosmetics, playing golf, and visiting restaurants and wineries, for example. Tour firms offering Korean language materials and guide experiences will continue to see growing interest among Korean travelers.

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Major Event

Name: Korea World Travel Fair
http://www.kotfa.co.kr/eng/main/main.htm

Name: 2011 HanaTour Travel Exhibition
http://hanatoursesang.com/english.pdf

Key Contacts

Korea Tourism Organization
http://kto.visitkorea.or.kr/enu/index.jsp

Ministry of Culture, Sports and Tourism
http://www.mcst.go.kr/english/index.jsp

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Wireless Broadband Equipment and Services

Overview

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Unit: USD millions

	2009	2010	2011 (Estimated)	2011 (Estimated)
Total Market Size	320	510	536	546
Total Local Production	290	650	683	696
Total Exports	120	320	336	343
Total Imports	150	180	189	193
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Source: unofficial estimates by Commercial Service Korea

Korea's total number of broadband subscribers is estimated to have reached 98.8 percent of the nation's 16.9 million households as of May 2010 and more than 7 million smart phone subscribers have accessed wireless Internet in 2010. As a result, service providers are launching more innovative and interactive convergence services through wireless broadband services and related technologies.

Wireless Internet access service in Korea can be categorized into two major services; fixed wireless Internet (WLAN) based on WiFi or WiMax technology and mobile Internet based on code division multiple access (CDMA) and Wideband CDMA technologies. "Mobile Wimax," or 'Wireless Broadband' (WiBro). The latter service was commercialized in June 2006 by KT and SK Telecom using the 2.3 GHz spectrum and is now deployed in Korea's major cities. Investments in these sectors is expected to continue based on requirements of the Korea Communications Commission (KCC) and the launch of 4G Lonterm Term Evolution (LTE) networks expected later this year.

In December 2008, the KCC authorized Voice over Internet Protocol (VoIP) service on WiBro and allocated a '010' call prefix to allow competition with existing mobile phone services. WiBro is now expected to trigger new demand from consumers along with interactive IPTV 2.0 and become the foundation of "Ubiquitous-Korea," a seamless and Giga bit per second (Gbps) speed Internet access/communication environment planned by the Korean government in cooperation with industry by 2013.

WiBro technology is part of the IEEE802.16 family of wireless Internet specifications, Wimax, and is expected to offer up to 5-15 Mbps bandwidth to mobile devices traveling at over 60 kilometers per hour (about 37 miles per hour). Major local companies, including Samsung, LG, and PosData, as well as the Electronic Technology Research Institute (ETRI), an R&D think tank sponsored by the Ministry of Knowledge Economy (MKE), are developing a new standard with the help of the Telecom Technology Association (TTA). This development includes the evaluation and adaptation of different types of foreign and local technologies in conjunction with all IP-based 4G network. MKE goal is to make a minimum of 20 percent of the technology homegrown in order to minimize payments of licensing fees and royalties to foreign firms.

Korean innovations in wireless communications and broadband Internet access services will continue in 2011 and spawn tremendous demand for all types of equipment, digital and application store contents, and solutions, especially for specialized and innovative technologies. Thus, we see continued opportunities for sales of advanced and highly specialized US telecommunications equipment, solutions, and content.

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- Wireless Broadband Technology and wireless VoIP services
- Application store content and services for smart phones and tablet PCs
- Ultra Broadband convergence Network (UBCN) and 4G technology
- 3D and Internet Protocol (IP) TV Technology 2.0 and storage technology

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Market demand for Wireless Broadband services should drive investment in the telecom sectors for the next three years. KT and SK Telecom are expected to begin targeted investments to develop the nationwide infrastructure for WiBro's expected completion date of 2012. These companies are also expected to drive investment in relevant services and content, including, cloud computing, wireless VoIP, Internet protocol TV 2.0, application stores and mobile IPTV.

The Korea Communications Commission (KCC) plans to invest USD 1 billion to deploy an all-IP based Ultra Broadband convergence Network (UBcN) by 2013, which will support up to 1Gbps for wireline and 10Mbps for wireless services and act as complementary service to Long Term Evolution (LTE) 4G service. KCC ambitiously forecasts that the private sector will invest as much as USD 30 billion in the UBcN and LTE during the same period boosting the Korean high-tech economy.

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Trade Shows

SEMICON Korea 2011
Date: January 26-28, 2011
http://www.semiconkorea.org/en/

World IT Show 2011
Date: May 11-14, 2011
http://www.worlditshow.co.kr/eng/index.php

Busan Contents Market 2011
Date: May 12-14, 2011
http://www.ibcm.or.kr/e_index.php

21st Korea International Broadcast, Audio & Lighting Equipment Show (KOBA)
Date: June 14-17, 2011
http://www.kobashow.com/eng/main.asp

IT Expo Busan 2011

Date: August 31-Semtember 3, 2011
http://www.itexpo.or.kr

Korea Electronics Show (KES) 2011
Date: October 11-14, 2011
http://www.kes.org/index.do

International Robot Industry Show 2011
Date: October 27-30, 2011
http://www.robotworld.or.kr

RFID/USN Korea 2011
Date: November 16-18, 2011
http://www.rfidkorea.or.kr/

Key Contacts

Korea Communications Commission (KCC)
http://eng.kcc.go.kr/user/ehpMain.do

Ministry of Knowledge Economy
http://www.mke.go.kr/language/eng/index.jsp

Radio Research Agency
http://rra.go.kr/eng/index.jsp

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

Electronics and Telecommunications Research Institute (ETRI)
http://www.etri.re.kr/eng/

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Smart Grid Technology and Services

Overview

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Unit: USD millions

	2009	2010	2011 (Estimated)	2012 (Estimated)
Total Market Size	20	30	60	120
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A	N/A
Exchange Rate: 1 USD	1,170	1,120	1,120	1,120

Source: unofficial estimates by Commercial Service Korea

As a key part of the Korean Government's "Green Growth, Low Carbon" plan and a much promoted "engine of export growth," Korea's Ministry of Knowledge Economy (MKE) is investing in smart grid demonstration projects and relevant technologies both within Korea and abroad. Korea hopes to become leaders in smart grid by leveraging its technology and infrastructure strengths in the information and communications technology (ICT) industry. The basis for Korea's Smart Grid promotion can find its roots in the country's Ubiquitous Cities initiatives which dates back to 2005 and earlier.

Industry analysts forecast that global market demand for smart grid technologies and equipment could reach USD 170 billion by 2014, which was valued at USD 70 billion in 2009. Korean government and industry are planning to invest up to USD 30 billion in smart grid infrastructure and technologies over the next 20 years by 2030. A large portion of these and other announced investments are expected to be borne by the Korean companies themselves.

Smart Grid is an intelligent network of electricity and communications that allows two-way communications between various types of energy suppliers and consumers to optimally save energy and cost by monitoring, storing and managing the energy demand and distribution real-time through smart ICT network and equipment, including, smart meters, home gateways, storage, sensors, software solutions, etc. Primary smart grid technologies include; Advanced Metering Infrastructure (AMI), Smart Display, Demand Response (DR), Real Time Pricing (RTP), Energy Management System (EMS), energy storage infrastructure, electric Vehicle, etc.

MKE has already funded a pilot project using almost exclusively Korean technology in a small district of 6000 households in Jeju Island spending around USD 50 million over the past two years. The MKE consortium, lead by the Korea Electric Power Corporation (KEPCO), KT, SK telecom and LG U+ plan to complete the USD 200 million smart grid pilot project in Jeju Island by 2013.

In 2009, MKE announced plans to invest USD 8 billion in the green IT by 2013 (with as much as an additional USD 90 billion in promises from Korea's leading companies) in a list of related technologies including: Smart Grid, Renewable energy, LED, low carbon energy, green delivery system, IT convergence, telecom/broadcasting convergence, robotics, new materials and nano convergence, biotechnology, software/digital content.

The Korean government's commitment to green IT, especially in the smart grid infrastructure and technologies, is expected to generate new opportunities for U.S.-based software and technology service companies as well as smart grid solutions and equipment manufacturers. However it is recommended that US companies partner with local companies that have experiences with past projects since it is most likely that future government tenders will continue to favor existing consortiums led by major Korean companies.

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Smart Grid/ Green IT technology and services

- Advanced Metering infrastructure (AMI) including smart meter and concentrator
- Energy Management System (EMS)
- Demand Response (DR)
- Grid Optimization
- Electric Vehicle

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MKE expects a nationwide installation of smart grid system by 2030, reducing the power demand by 8 percent and 40 million tons of greenhouse gas emissions every year, generating up to USD 20 billion worth of new demand for the related equipment and solutions in the ICT and energy industry. Power consumption will be measured and managed by Advanced Metering Infrastructure (AMI), replacing traditional mechanical meters and MKE plans to spend over a USD 1 billion to replace all the traditional meters with AMI by 2020.

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Trade Shows

2nd Asia Pacific Electricity Innovation Smart Grid Conference
Dates: March 17-18, 2011
http://www.magenta-global.com.sg/apeisgc11/index.php

Global Electric Power Tech 2011
Dates: May 18-20, 2011
http://www.electrickorea.org/e_index.asp

Key Contacts

Ministry of Knowledge Economy (MKE)
http://www.mke.go.kr/language/eng/index.jsp

Korea Smart Grid Institute (KSGI)
http://www.smartgrid.or.kr/eng.htm

Korea Smart Grid Association (KSGA)
http://www.k-smartgrid.org/english/main/main.asp

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For information on agricultural products including bulk commodities or processed foods and the distribution channels in Korea, please see the US Department of Agriculture (USDA) Exporter Guide 2010.

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

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

The Seoul Food 2011 Exhibition presents an excellent opportunity to explore possible market opportunities in Korea. This show is a trade only show and targets importers, wholesalers, distributors, retailers, hotels, restaurants, food processors, media, etc.

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Chapter 5: Trade Regulations, Customs and Standards

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Korea bound 92 percent of its tariff-line items as a result of the Uruguay Round negotiations with its average basic tariff at about 7.9 percent. Duty rates still remain very high on a large number of high-value agricultural and fisheries products. For example, Korea imposes tariff rates of 30-100 percent on many agricultural and horticultural products of interest to US suppliers. Under the WTO "Zero for Zero" initiatives, Korea is in the process of reducing tariffs to zero on most or all products in the following sectors: paper products, toys, steel, furniture, semiconductors, and farm equipment. Tariff reduction or elimination was also a key subject under discussion in the bilateral U.S.-Korea Free Trade Agreement (KORUS FTA) negotiations.

Korea also maintains a tariff quota system designed to stabilize domestic commodity markets. Customs duties can be adjusted every six months within the limit of the basic rate plus or minus 40 percent. On December 21, 2010, the Ministry of Strategy and Finance (MOST) released the 2011 list of products subject to tariff adjustments. 67 products were subject to adjustment tariffs.

In accordance with the 1997 Information Technology Agreement (ITA), Korea has reduced tariffs on 203 types of telecommunication and information related equipment to zero. Korea is also a party to the Government/Authorities on the Manufacture of Semiconductors (GAMS) Agreement to Eliminate Tariffs on Multi-Chip Integrated Circuits, and reduced its tariffs on certain semiconductor to zero in 2006.

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

Tariffs for agricultural products vary considerably from product to product. In general, tariff rates are higher for products that are produced domestically. Processed products generally have lower tariffs. Exporters can contact the US Agricultural Trade Office for specific information on tariff rates.

Customs Valuation

Most duties are assessed on an ad valorem basis. Specific rates apply to some goods, while both ad valorem and specific rates apply to a few others. The dutiable value of imported goods is the cost, insurance, and freight (C.I.F.) price at the time of import declaration.

Import duties are not assessed on capital goods and raw materials imported in connection with foreign investment projects. Authorization to import on a duty-free basis is usually accompanied by the Ministry of Strategy and Finance's approval of a foreign investment project.

Trade Barriers

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Korea continues a process of economic liberalization and deregulation, but the Korean government (ROKG) has yet to adopt a fully laissez-faire policy where the economy and trade are concerned. The US Embassy, in cooperation with the American Chamber of Commerce (AmCham) in Korea, works actively to lift or loosen the many regulatory trade restrictions that currently exist.

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

Information on specific trade barriers in Korea, including agricultural products such as the beef ban and restrictions on rice imports, is available in the 2010 National Trade Estimate Report on Foreign Trade Barriers for Korea.

Import Requirements and Documentation

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

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

CERTIFICATE OF ORIGIN: A Certificate of Origin in duplicate may be required. Exporters are encouraged to discuss shipping document requirements with their respective importer. Once the respective parties ratify the Korean-US Free Trade Agreement, certificates of origin would be the basis for confirming and extending preferential duties (duty free) to US exporters as noted in the KORUS-FTA.

PACKING LISTS: Two copies are required.

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

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

SPECIAL DOCUMENTATION

SANITARY/PHYTOSANITARY CERTIFICATES: Sanitary and phytosanitary certificates are required for shipments of live animals, animal products, plants, and plant products. The United States Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) issues inspection certificates indicating conformity of health and sanitary standards of the destination country. The Animal and Plant Health Inspection Service is located at the US Department of Agriculture, 4700 River Road, Riverdale, MD 20737. Veterinary product exporters can also call Tel: (301) 734-7885; Fax: (301) 734-6402 or E-mail vs_content_management@aphis.usda.gov. For plant products exports can contact APHIS at Tel: (301) 734-8537; Fax: (301) 734-5786 or E-mail: APHIS.Web@aphis.usda.gov.

WHOLESOMENESS CERTIFICATES: Meat and poultry products require a certificate of wholesomeness. Information can be received from the United States Food and Inspection Service, Landmark Center, Suite 300, 1299 Farnam St., Omaha, NB 68102. Exporters can call Tel: (402) 221-7400; Fax: (402) 221-7438 or E-mail TechCenter@fsis.usda.gov.

AGRICULTURE EXPORT CERTIFICATES: Meat (beef and beef products), poultry and poultry meat, pork meat, sheep and goat meat, requires certification. Exporters can receive additional information from the Agricultural Marketing Service, Audit, Review and Compliance Branch, 100 Riverside Parkway, Suite 135 Fredericksburg, VA 22406, Tel: (540) 361-7640.

An overview of Korean import requirements for food is contained in the Gains Report-Exporters Guide 2010. Additional detailed information about import requirements and documentation needs for agricultural and food products (including biotechnology products) are included in the Food and Agricultural Import Regulations and Standards (FAIRS) report for Korea. The Korean Food and Drug Administration (KFDA) provides information on maximum residue levels and import procedures on the KFDA website. Additional detail on the maximum residue limits allowed by Korean food authorities and reports on import requirements for organic products are also available on the FAS website. Exporters of organic products should also review the FAS report on Korean regulatory requirements for transgenic content in organic processed food products.

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

Free Sales Certificates: Imports of pharmaceuticals, medical devices and cosmetics require a free sale certificate issued by an authority of the exporting country reflecting that the product in question are in free circulation in the country of export

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

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

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Korea has three kinds of bonded areas where goods can temporarily enter Korea for storage, manufacture, processing, sale, construction, or exhibit without going through customs clearance. The three types of bonded areas are: 1) designated bonded areas (designated storage sites and customs inspection sites); 2) licensed bonded areas (bonded warehouses, bonded exhibition sites, bonded construction sites, and bonded sales shops); and, 3) integrated bonded areas. Duties are payable only when goods are cleared through customs.

The period for which goods may be stored in a licensed bonded warehouse is one year and can be extended for another year. Storage fees are relatively high, and the availability of a bonded warehouse to maintain inventories is limited. The storage period does not apply to the storage of live animals or plants, perishable merchandise, or other commodities that may cause damage to other merchandise or to the warehouse. The Collector of Customs bears no responsibility for goods while they are stored in customs facilities.

Integrated bonded areas have no time limit for storage. Hence, storage, manufacturing, processing, building, sales and exhibition can be comprehensively carried out. US exporters can store shipped goods and still maintain title until they are cleared through customs. Korea's customs laws specify that any person who wishes to establish a bonded warehouse shall obtain a license from the director of each Customs Zone. Applications must include the name of the bonded warehouse, location, structure, numbers and sizes of buildings, storage capacity and types of products to be stored. In addition, articles of incorporation and corporate registration must be submitted, when applicable.

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

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

The ATA Carnet is an international Customs document that a traveler may use to temporarily import certain goods into a country without having to engage in the Customs formalities usually required for the importation of goods, and without having to pay duty or value-added taxes on the goods. Korea allows for the temporary importation of commercial samples, professional equipment and certain advertising materials by a nonresident individual. For more information about carnets in Korea, please click here. By definition a temporary import is for six months or less, therefore, a Carnet is valid for a maximum of six months in Korea.

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

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

Korea has specific labeling and market requirements for organic and functional food as well as food produced through biotechnology. Details regarding these and other general labeling and market requirements can be found on the Foreign Agricultural Service website in the Food and Agricultural Import Regulations and Standards (FAIRS) report for Korea.

Prohibited and Restricted Imports

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Please visit the Department of Commerce, Bureau of Industry and Security for detailed information about export controls to the Republic of Korea. The Korean Customs also maintains a list of prohibited imports to the Republic of Korea.

Customs Regulations and Contact Information

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

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

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

With rare exceptions, Korean Customs allows free customs entry of goods brought into Korea that are hand-carried by foreign businesspersons (such as laptop personal computers) for use during their stay in Korea. In such cases, Korean Customs makes a note on the traveler's passport and then requires the traveler to take the item(s) out of Korea when departing.

To view customs regulations, go to the website below.

Korea Customs Service
Tel. 82-42-472-2196
Fax. 82-42-481-7969
Email: kcstcd@customs.go.kr
Website: http://english.customs.go.kr/

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The Korean Government adopted the ISO 9000 system (modified as the KSA 9000) as the official standard system in April 1992. The Korean Agency for Technology and Standards (KATS) continues to work to make Korean standards consistent with international standards. The Korean Industrial Standardization Act requires 60 days' notice before implementing new standards. Whenever there is a change in standards, the government is required to notify the WTO's Committee on Technical Barriers to Trade (TBT).

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

For a full list of Korean standards bodies and their contact information, please see: http://www.buyusa.gov/korea/en/standardscontacts.html

Standards Organizations

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

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

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

NIST Notify US Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify US is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at http://www.nist.gov/notifyus/.

Conformity Assessment

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KATS establishes guidelines for government and private sector institutes to perform reliability assessment and certification. It also performs market surveillance on KS-marked products and penalizes products that do not meet KS requirements.

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

Product Certification

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KATS issues certification marks for new technologies and recognizes quality products manufactured by Korean companies mainly to promote exports and also imports into Korea. On July 1, 2009, KATS began issuing the KC mark for items that fall under its jurisdiction. To date, some 13 mandatory marks were issued, many that overlap in testing procedures and functions. The consolidation of these marks ensures that companies, both Korean and foreign agencies, will save time and cost due to reduced redundancies introduced into this new system.

Accreditation

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

Publication of Technical Regulations

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Revised or new standards or technical regulations are published by the Korean Agency for Technology and Standards (KATS) and made available at http://www.kats.go.kr/. The articles, more frequently than not, are published only in Korean. All proposed or newly revised/established technical regulations are consolidated at this site.

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

Labeling and Marking

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Country of origin labeling is required for commercial shipments entering Korea. The usage of "Assembled in *Country*" was allowed starting October of 2010. To learn more about Country of Origin labeling requirements for Korea, click "Country of Origin".

The Korean Ministry of Knowledge Economy began issuing the "KC" mark for items that fall under its jurisdiction. To date, some 13 mandatory marks were issued, many that overlapped in testing procedures and functions. The consolidation of these marks into the "KC" mark ensures that companies, both Korean and foreign agencies, will save time and cost due to reduced redundancies introduced into this new system. To learn more about this, click "KC Mark".

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

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

Contacts

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

Korean Food and Drug Administration (KFDA
http://eng.kfda.go.kr/index.php

Korean Laboratory Accreditation Scheme (KOLAS)
www.kolas.go.kr

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

Korea has Free Trade Agreements with Chile, Singapore and the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein), and hopes to have a Free Trade Agreement in place with the European Union this year. The EU-Korea FTA can be found on the European Union website at http://trade.ec.europa.eu/doclib/press/index.cfm?id=443. Korea also signed a framework agreement with the Association of South East Asian Nations (ASEAN) that led to an FTA in goods by the end of 2006 and other areas by the end of 2008.

Korea has also has negotiated a FTA with the United States that remains to be ratified by the national assemblies of the two countries. The KORUS-FTA promises to remove significant trade and investment barriers and increase access to the Korean market for US businesses. For additional information on the KORUS-FTA please see the following website at http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta.

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

Web Resources

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US Department of Commerce, Commercial Service Korea
http://www.buyusa.gov/korea/en/

US Agricultural Trade Office in Seoul
www.atoseoul.com

US Department of Agriculture

http://www.usda.gov

USDA Agriculture Exporters Guide
http://www.fas.usda.gov/agx/exporter_assistance.asp

USDA Animal Plant and Health Inspection Service (APHIS)
www.aphis.usda.gov

USDA Food Safety and Inspection Service
http://www.fsis.usda.gov/Regulations_&_Policies/Republic_of_Korea_Requirements/index.asp

Foreign Agricultural Service (FAS), US Department of Agriculture (Attaché reports)
www.fas.usda.gov

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

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

Annual National Trade Estimate Report
http://www.ustr.gov/sites/default/files/uploads/reports/2010/NTE/2010_NTE_Korea_final.pdf

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

Korea Customs Service
http://english.customs.go.kr/

Korean Food and Drug Administration (KFDA)
http://eng.kfda.go.kr/index.php

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

Telecommunications Technology Association (TTA)
www.tta.or.kr

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Chapter 6: Investment Climate

Openness to Foreign Investment

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The Republic of Korea (ROK) enjoyed six percent growth in 2010 and its benchmark stock index, the KOSPI, began 2011 at record high-levels. Many credit the ROK's strong rebound from the global economic crisis to fundamental reforms made in the aftermath of the 1997-98 Asian financial crisis, when Korea made rapid progress in reforming its financial institutions and capital markets, sold its interest in a number of large, high-profile companies to foreign investors, and many Koreans in general began to see more foreign investment as something positive for the nation's development. In addition, the Korean government took steps to strengthen competition policy and enacted measures to enhance foreign investment incentives, and to allow non-Koreans to own land and real property. President Lee Myung-bak has made foreign direct investment an important part of his administration's growth strategy. While there was a dip following the global financial crisis, in-bound flows quickly recovered and rose from USD 11.5 billion in 2009 to USD 12.9 billion in 2010. Inbound investment in the manufacturing sector increased by 75.6 percent from 2009 while the investments into service industries dropped about 18 percent from a year before. Noteworthy improvements in the protection of intellectual property – recognized by the removal of the ROK from the Special 301 Watch List in 2009 – continue to improve the foreign investment climate. The ROK's role as host of the 2010 G20 served to burnish the ROK's reputation as a favorable destination for foreign investment.

The United States retains the largest single-country share of foreign direct investment (FDI) in Korea, totaling USD 43.8 billion or 25.2 percent of Korea's total stock of FDI since the 1960's. Japan has invested USD 26 billion (14.8 percent of the total) followed by the United Kingdom with USD 10.7 billion (6.2 percent). Overall, the inbound FDI increased 12 percent year on year in 2010, to USD 12.9 billion on a filing basis. The financial, transportation and other service sectors are expected to absorb the majority FDI in Korea in the near future, largely through mergers and acquisitions (M&A), in line with global trends.

Since Korean financial markets bottomed out in March 2009, foreign portfolio investment has been resurgent. At the end of 2010, foreign shareholders owned 32.9 percent of Korean Stock Exchange stocks and 10.3 percent of the tech-heavy KOSDAQ Index shares.

The environment for FDI in Korea would benefit from an improvement in the consistency of the ROKG's interpretation, transparency and timeliness in the application of regulations. These regulatory issues, such as a set of newly introduced capital control measures, can discourage FDI by creating uncertainty for investors and fostering an impression that Korea remains hostile to foreign investment. Although Korea boasts a hard-working, educated and highly productive workforce and high levels of institutional labor protections, foreign investors cite volatility in labor-management relations as an issue that can hamper direct investment. The highest levels of the Korean government remain committed to maintaining a welcoming environment for foreign investors, ensuring a "level playing field" for foreign investors, and reforming labor laws.

The Korea-US (KORUS) Free Trade Agreement (FTA) promises to be a major step to enhance the legal framework for US investors operating in Korea. All forms of investment would be protected under the FTA, including enterprises, debt, concessions and similar contracts, and intellectual property rights. With very few exceptions, US investors will be treated as well as Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea. In addition, these protections would be backed by a transparent international arbitration mechanism, under which investors may, at their own initiative, bring claims against a government for an alleged breach of the investment. Submissions to investor-State arbitration tribunals would be made public and hearings would be open to the public.

The Korean government's attitude toward foreign direct investment is positive and senior policy makers clearly realize the value of FDI. President Lee Myung-bak champions a foreign investment-friendly philosophy and has taken important steps to reverse the former government's ambivalent attitude toward foreign investment. FDI has since rebounded to USD 11.7 billion in 2008, USD 11.5 billion in 2009, and USD 12.9 billion in 2010.

Despite these improvements and attitude changes however, FDI in Korea is still seen as subject to insufficient regulatory transparency, including inconsistent and sudden changes in the interpretation of regulations, an inflexible labor system, high labor costs, underdeveloped corporate governance, and lingering economic domination by the country's remaining conglomerates or "chaebols".

Korea's Foreign Investment Promotion Act (FIPA) and related regulations categorize business activities as either open, conditionally or partly restricted, or closed to foreign investment. Restrictions remain for 29 industrial sectors, three of which are entirely closed to foreign investment. The Korean government reviews restricted sectors from time to time for possible further openings. According to the Ministry of Knowledge Economy (MKE), the number of industrial sectors open to foreign investors is well above the OECD average.

FIPA features include:

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

MKE published a 2009 Consolidated Public Notice, updating new code numbers and titles for business sectors in accordance to the ninth revision of the Korea Standard Industry Code (KSIC). According to the 2009 Notice, the number of KSIC industrial classifications of business sectors increased from 1,121 to 1,145 and by the reclassification, business sectors where foreign investment is restricted increased from 28 to 29.

The following is a current list of Restricted Sectors for Foreign Investment. Figures in parentheses denote the Korean Industrial Classification Code:

Completely Closed

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

Restricted Sectors (partly open not more than 25 percent)

- News agency activities (63910)

Restricted Sectors (partly open not more than 30 percent)

- Publishing of newspapers (58121)

Restricted Sectors (partly open less than 30 percent)

- Hydro electronic power generation (35112)
- Thermal power generation (35113)
- Other power generation (35119)

Restricted Sectors (partly open less than 33 percent)

- Satellite and other broadcasting (60229)

Restricted Sectors (partly open less than 49 percent)

- Program distribution (60221)
- Cable networks (60222)

- Wired telephone and other telecommunications (61210)
- Mobile telephone and other telecommunications (61220)
- Satellite telephone and other telecommunications (61230)
- Other telecommunications (61299)

Restricted Sectors (partly open not more than 50 percent)

- Farming of beef cattle (01212)
- Inshore and coastal fishing (03112)
- Transmission/distribution of electricity (35120)
- Wholesale of meat (46312)
- Coastal water passenger transport (50121)
- Coastal water freight transport (50122)
- Scheduled air transport (51100)
- Non-scheduled air transport (51200)
- Publishing of magazines and periodicals (58122)

Open but Regulated under the Relevant Laws

- Growing of cereal crops and other food crops except rice and barley (01110)
- Domestic commercial banking except special banking area (64121)
- Asset management service (64201)

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

Relevant ministries must still approve investments in conditionally or partly restricted sectors. Most applications are processed within five days; cases that require consultation with more than one ministry can take 25 days or longer. Korea changed its procurement law effective in 1997, to comply with its accession to the WTO Government Procurement Agreement. The Government's procurement law no longer favors domestic suppliers over foreigners, but some implementation problems remain.

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

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

A Korean government initiative to encourage research and development (R&D) in strategic industries -- the New Growth-Driving Forces (NGF) program -- wound down in 2004. In its place the Korean government has increased its R&D budget to local areas from 27 percent to 32 percent to support its 21st Century Frontier R&D Project, designed to raise Korean technology to the level of the G8 countries. Focusing on information technology, biotechnology, nanotechnology and new materials, the Korean government launched development programs in 20 new strategic areas at the end of 2003, at a total cost of USD 3.5 billion. Much Korean government-funded R&D taps the expertise of foreign partners. In January 2009, the government also picked 17 industries as it New Engines of Growth relating to the green technology sector, high-tech, and high value-added sector.

Between 2004 to September 2010, 24 global companies including many US firms have opened R&D centers in Seoul. In 2010, Qualcomm announced it would set up a technology R&D center in the ROK and also invest around USD 4 million in a local digital audio chip maker.

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The Korean government has substantially removed restrictions on financial transfers into and out of Korea. Prior to 1999, the Foreign Exchange Control Act and associated regulations strictly regulated foreign exchange transactions. The Korean government subsequently liberalized transactions in medium-and long-term overseas borrowings, purchase and sale of local real estate, and trading in over-the-counter (OTC) stocks and bonds.

In 1999, the Foreign Exchange Transaction Act (FETA) fully liberalized all current-account transactions by business firms and banks, and pared down a formerly long list of restricted transactions to five items, most of which cover foreign exchange transactions by individuals. A second-stage liberalization dismantled most of the remaining restrictions in 2001. Only transactions that could harm international peace or public order, such as money laundering and gambling, remain controlled. Three specific types of transactions were not liberalized:

(1) Non-residents are not permitted to buy won-denominated hedge funds, including forward currency contracts;

(2) The Financial Services Commission will not permit foreign currency borrowing by "non-viable" domestic firms; and

(3) The Korean government will monitor and ensure that Korean firms that have extended credit to foreign borrowers collect their debts. The Korean government has retained the authority to re-impose restrictions in the case of severe economic or financial emergency.

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

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

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

Expropriation and Compensation

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

Dispute Settlement

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Serious investment disputes involving foreigners are the exception rather than the rule in Korea. There exists a body of Korean law governing commercial activities and bankruptcies that constitutes the means to enforce property and contractual rights, with monetary judgments usually levied in the domestic currency. Foreign court judgments are not enforceable in Korea.

Although commercial disputes can be adjudicated in a civil court, foreign businesses often feel that this is not a practical means to resolve disputes. Proceedings are conducted in Korean, often without adequate translation. Korean law prohibits foreign lawyers who have not passed the Korean Bar Examination from representing clients in Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in Korea. During litigation of a dispute, foreigners may be barred from leaving the country until a decision is reached. Legal proceedings are expensive and time-consuming and lawsuits often are contemplated only as a last resort, signaling the end of a business relationship.

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

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

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

Performance Requirements and Incentives Return to top

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

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

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

Right to Private Ownership and Establishment Return to top

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

Korea liberalized its property ownership law in 1998. The Alien Land Acquisition Act (as amended) grants even non-resident foreigners and foreign corporations the same rights as Koreans in purchasing and using land. Korea took further steps to liberalize its property ownership laws by implementing the Real Estate Investment Trust (REIT) Act in 2001, which supports sound indirect investments in real estate and restructuring of corporations. The REIT Act allows investors to invest funds through an asset management company, and in real property such as office buildings, business parks, shopping malls, hotels and serviced apartments.

Almost no restrictions remain on foreign ownership of stock in Korean firms. As of 2000, Korean law permits foreign direct investment through mergers and acquisitions with existing domestic firms, including hostile takeovers. Nonetheless, no hostile takeovers have occurred in Korea in part because of the lack of relevant implementation regulations for the Foreign Investment Promotion Act. In addition, the political environment for hostile takeovers remains unfriendly.

Protection of Property Rights

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Korea's progress on Intellectual Property Rights led to its removal from the Special 301 Watch List in 2009. Korea remained off the Watch List in 2010 and demonstrated continued commitment to strong IPR enforcement. The importance the Korean government places on IPR protection has increased dramatically in recent years as the digitization of Korea's economy has significantly enhanced the ability to produce and spread unauthorized reproductions of copyrighted material. With Korea's products and trademarks enjoying global success, Korean creators of intellectual property stand to benefit from improvements in the domestic intellectual property regime. In addition, although significant progress has been made, concerns remain with elevated levels of online piracy, software piracy, book piracy in universities, counterfeiting of consumer products, protection of undisclosed test and other data for pharmaceutical marketing approval, and a lack of coordination between Korean health and IPR authorities to prevent the issuance of marketing approvals for patent infringing products. The KORUS trade agreement includes provisions to address these issues.

The Ministry of Culture, Sports, and Tourism (MCST) amended its Copyright Law in July 2009 to include a "Three Strikes" program, a graduated response regime to confront illegal online file sharing. The provisions are aggressive and strong implementation in 2010 remained one of the year's most important developments in IPR. Under the amended law, MCST can order online service providers (OSPs) to issue warning letters to users downloading illegal materials or direct users to delete illegal files.

Separately, under the Information and Telecommunication Network Act, MCST took unprecedented steps to block access to illegal file-sharing sites. MCST issued three separate sets of orders in 2010 to block service to a total of 25 OSPs, most of which were hosted on overseas servers (16 online shopping sites, 7 game servers, and 2 webhard operators). Although many of the sites can migrate to other servers, the action marked an important shift in government efforts to combat piracy. This is the first use of the Telecommunication Act to block access to file-sharing sites, which is usually used to restrict traffic to pornographic or North Korea-related online material.

The ROKG continues to demonstrate commitment to investigating and prosecuting "topsites." Little known to the general public, topsites are computer servers that hold tens of thousands of pirated software, games, music and movie files. ROKG ministries met with music industry stakeholders to discuss investigatory techniques. The ROKG has expressed to US Embassy Seoul its intention to carry out enforcement actions against topsites.

In the area of software enforcement in 2010, MCST concentrated most its efforts on the corporate sector. MCST raided 1,161 companies for software infringement issues, compared to 809 in 2009. MCST says its inability to tackle both public and private simultaneously is due to staff shortages stemming from a 2008 government reorganization effort. For 2011, MCST and other relevant government agencies have received funding for additional staff that should increase capacity and enable MCST to address software issues across both public and private sectors.

MCST also increased the number of IPR-related cases referred to prosecutors in 2010, recommending 539 cases for legal action compared to 312 in 2009. Of the 539 cases, prosecutors secured indictments for 248, the same number as 2009.

Korean patent law is a “first to file” regime. Although the law is fairly comprehensive and affords protection to most products and technologies, a US company must be registered with the Korean Intellectual Property Office (KIPO) to obtain legal protection. KIPO has amended relevant laws regarding restrictions on patent term extension for certain pharmaceutical, agrochemical, and animal health products that are subject to lengthy clinical trials and domestic testing requirements. An issue of continuing concern, however, has been the lack of coordination between the Korean Food and Drug Administration and KIPO and related issues that have resulted in the granting of marketing approval for unauthorized copies of pharmaceutical products.

Korea’s Trademark Act has been amended to strengthen provisions that prohibit the registration of trademarks without the authorization of foreign trademark holders by allowing examiners to reject any registrations made in "bad faith." Despite this change, the complex legal procedures that US companies must follow to seek cancellation have discouraged US companies from pursuing legal remedies. In particular, problems still arise with respect to "sleeper" trademark registrations filed and registered in Korea without authorization in the late 1980s and early 1990s, when KIPO was still developing a more effective and accurate trademark examination and screening process.

Korean laws on unfair competition and trade secrets provide a basic level of trade secret protection in Korea, but are insufficient in some instances. For example, foreign firms, most notably in chemicals, pet food, cosmetics, and food products, face continuing problems with government regulations requiring submission of very detailed product information, such as formula or blueprints, as part of registration or certification procedures. These firms report that, although the release of business confidential information is clearly forbidden under Korean law, there is not sufficient controls over such materials and trade secrets appear to have been made available to Korean competitors or to relevant Korean trade associations.

Transparency of Regulatory System

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The Korean regulatory environment can pose challenges for all firms, both foreign and domestic. Laws and regulations are often framed in general terms and are subject to differing interpretations by government officials, who rotate frequently. This creates frustrations for foreign investors that are looking for certainty in the Korean market. The KORUS FTA includes many provisions designed to address such issues.

The Korean government may restrict investments that disrupt production of military products or equipment, or if the company the foreigner is investing in exports items that may be later used for military purposes differing from their originally intended use. Foreigners linked to a country or an organization that may pose a threat to national security will also be subject to limitations on their investments in Korean firms. Related government agencies must ask MKE to review the case within 30 days of a foreign investor filing an application for regulatory approval, and MKE needs to make a decision within the following 90 days. Older bureaucratic practices designed to influence the decisions of businesses and investors through prescriptive regulations and placements of officials on corporate boards are sometimes still encountered.

According to Korea's Administrative Procedures Act, proposed laws and regulations (Acts, Presidential Decrees or Ministerial Decrees) should be published and public comments solicited for at least 20 days prior to promulgation. Draft bills are often available on the web sites of relevant ministries, without notice that they have been published. The rule-making process often remains non-transparent, particularly for foreigners. Proposed rules are often published with insufficient time to permit public comment and industry adjustment. For example, regulatory changes originating from legislation proposed by members of Korea's National Assembly are not subject to public comment periods. When notifications of proposed rules are made public, they usually appear in the Official Gazette, but not consistently, and only in the Korean language; thus, much of the 20-day comment period can be exhausted translating complex documentation.

President Lee Myung-bak has made regulatory reform one of the key elements of his economic policy, and progress is expected to be gradually achieved. President Lee established and heads the National Competitiveness Committee to identify measures to improve Korea's competitiveness, including regulatory reform. Likewise, the Prime Minister's Deregulation Taskforce Team, the Corporate Resolution Center and the standing Regulatory Reform Committee focus on regulatory reform as well.

Efficient Capital Markets and Portfolio Investment Return to top

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

In the course of stabilizing Korea's banking sector during the Asian financial crisis, the Korean government injected public funds, thereby acquiring *de facto* ownership of many of Korea's commercial banks -- although it publicly committed to refraining from interfering in bank lending and management decisions, "except with regard to prudential supervision." In late 2002, the Korean government began its ambitious plan to re-privatize the banks under its control, with the program initially scheduled to end by the first quarter of 2005. Much of this re-privatization has taken place, although the government continues to own the majority of shares in Woori Bank and minority shares in some other banks. The total assets of Korea's commercial banks as of the end of September 2009 were 1,185.2 trillion won, or about USD 1.03 trillion.

Foreign banks are allowed to establish subsidiaries or direct branches. Further relaxation of regulations has widened foreign access to Korea's capital markets and permitted foreign financial firms to engage in non-hostile mergers and acquisitions of local financial institutions. Currently, foreign interests control three of Korea's eight major commercial banks: Citibank Korea (formerly KorAm Bank); Korea Exchange Bank and SC/Korea First Bank. The National Assembly in 2010 amended the Bank Act to: (1) require banks to have outside directors constitute the majority of directors; and (2) forbid majority shareholders and related individuals from being outside directors.

Korea routinely permits the repatriation of funds, but reserves the right to limit capital outflows in certain circumstances, such as situations when uncontrolled outflows might harm the balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of domestic financial markets. The Korean government did not impose such restrictions either during the Asian financial crisis or the global financial crisis, where sharp capital outflows played a major role. But the government recently put a series of capital control measures under the name of “macro-prudential stability policy” - lowering FX forward-position limits for foreign bank branches in June 2010, re-introducing a withholding tax on foreign investors’ government bond purchases in December and imposing a bank levy on non-deposit financing in foreign currency in the second half of 2011.

Foreign portfolio investors now enjoy good access to the ROK stock market. Aggregate foreign investment ceilings in the Korean Stock Exchange (KSE) were abolished in 1998, and foreign investors owned 32.9 percent of KSE stocks and 10.3 percent of the KOSDAQ as of the end of 2010. The market turnover rate was 292 percent of market capitalization in 2010. Retail investors are extremely active in the Korean stock markets. More than 80 percent of KSE and KOSDAQ retail trading is conducted online. Thus, a large majority of retail investors are day traders, implying a constant source of volatility for the markets. The Korean government permits stock purchases on margin, requiring that transactions be settled within three business days.

Short-term interest rates, currently at around 2.8 percent, remain competitively high. Inflation, meanwhile, remained at 2.9 percent throughout 2010. The spread between short-term money (the overnight call rate) and long-term money (the benchmark 3-year corporate bond rate) rose from its 54-plus basis points maximum in 2007 to 153-basis points in 2008 to 318-basis points in 2009. The spread fell below 150-basis points in late 2010. As a countermeasure against financial instability and potential economic recession, the Bank of Korea (BOK) cut its target rate six times by 325-basis points from 5.25 percent in August 2008 to a record-low level of 2.0 percent in February 2009. The central bank raised rate twice by 25-basis point in July and November last year amid potential risks of inflation in the near future.

Competition from State Owned Enterprises

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

Corporate Social Responsibility

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Investors and financial markets remain wary of corporate governance in Korea despite significant improvements since the 1997-98 Asian financial crisis. Concerns about corporate governance often reduce the price/earnings ratios to levels lower than comparable companies elsewhere. Korean policy makers acknowledge that foreign investors often exact a "Korea Discount" when dealing with Korean companies or in making investment decisions. As the Chairman of the Korean Free Trade Commission (KFTC) stated in 2005, "the main reasons for the Korea Discount are opaque accounting techniques, less respect for minority shareholders, insufficient openness and excessive control by controlling families." Large gaps continue to exist between the ownership and control of a significant number of firms in Korea, with many traditional "chaebol" conglomerates still controlled by their founding families, despite the family's apparently low ownership stakes. Korea's accounting reform plan and Code of Best Practices are admirable efforts, but more can be done in these areas as well. Increasing participation by foreign investors and stockholders, modernizing business-government relations, and infusing professionalism in the corporate culture could go a long way toward improving corporate governance.

Although the Anti-Monopoly and Fair Trade Act has been repeatedly amended (most recently in March 2009), the practical impact of Korea's laws and policies regulating monopolistic practices and unfair competition remain limited by the long-standing economic strengths of the chaebol or family-run and vertically integrated Korean conglomerates. Management control at the Korean chaebol continues to involve complicated webs of cross-shareholdings among chaebol affiliates, and many chaebol still conduct business based on family and personal connections.

Chaebol-government relations can also sometimes influence the business-government dialogue, to the detriment of foreign and small and medium-sized enterprises (SME's). Thus, chaebol influence in the Korean economy may sometimes cause practical business problems for foreign investors. SME suppliers, for example, may be reluctant to deal with foreign firms for fear of jeopardizing a prized chaebol relationship. Obtaining access to credit may be complicated by the privileged relationships competing chaebol enjoy with local banks -- although this is mitigated by the fact that regulations limit a bank's exposure to any single chaebol group's companies to 25 percent of capital, and stipulate that 25 percent of all banks' lending, at least, must go to SME's.

There are several large Korean corporations that have transformed themselves into well-managed multinational corporations that have adopted "best practices" in corporate governance consistent with US and international standards. Some of their "best practices" include more frequent board meetings covering real operational issues; boards with more independent board members and fewer or no founding family members; a nominating committee for the board; financial report certifications; and frequent and substantive outside audits.

Foreign ownership is also playing a significant role in promoting corporate governance reform in Korea. Korean firms with significant foreign investment, for example, are generally understood to be more reluctant to participate in government-sponsored bailouts of troubled firms, impacting the evolution of Korean financial markets. As foreign investors now own about 60 percent of the shares in some of Korea's top companies and nearly 33 percent of stock listed on Korea's main stock exchange, the rights of minority and non-Korean stockholders are becoming more clearly expressed.

Under Korea's 2005 Securities Class Action Act, minority shareholders are able to file class action suits for manipulation of share prices, false disclosure of information, and accounting malpractice. The first class-action suit was filed in April 2009 by 1700 shareholders against Jinsung, a KOSDAQ-listed maker of machine parts, for losses allegedly caused by accounting fraud. The case settled out of court in January 2010 for approximately USD 2.5 million.

The Korean government is currently implementing an accounting reform plan, taken largely from the US Sarbanes-Oxley Act, aimed at making Korean accounting standards consistent with rigorous international standards. The International Financial Reporting Standards (K-IFRS) will become Korea's Generally Accepted Accounting Principles by 2011. In parallel, a committee of Korean private sector experts has established a Code of Best Practices in response to a tasking by the finance ministry.

The voluntary recommendations included in this Code are in line with OECD principles, and the Korea Exchange (KRX) has reinforced the importance of the Code by requiring that companies listed on the Korea Stock Exchange (KSE) provide information to investors about the extent to which they conform to the Code. Following are some of the key recommendations contained in the Code of Best Practices:

- Easing of ownership thresholds to allow small shareholders greater rights to inspect company books;
- Having outside or independent directors make up at least half (rather than a quarter) of the board members of listed companies;
- Establishing a nominating committee to choose board members, with at least half of the committee consisting of outside directors;
- Ensuring that outside directors are truly independent, with no interests in the company, the management, or the controlling shareholder;
- Having the board of directors meet at least once every three months; and
- Requiring that companies have audit committees consisting of at least three directors, of which two-thirds are outside directors.

Political Violence Return to top

Legally, the Democratic People's Republic of Korea (also known as North Korea or the DPRK) and the Republic of Korea (ROK) are in a state of war. There is general peace and stability on the Korean peninsula because of an armistice agreement that has lasted for close to 60 years. From time to time incidents involving military and political provocations have attributed to increased tension between the countries. The unprovoked sinking of a ROK naval vessel by the DPRK in March 2010 and the artillery shelling of an island off the northwest coast of the ROK in November 2010 resulted in increased tensions. Military incidents have remained limited to the area surrounding the five geographically isolated Northwest Islands.

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

Corruption Return to top

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

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

The US Government seeks to level the global playing field for US businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate US agencies, as noted below.

US Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a US person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is US Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of US free trade agreements. The Republic of Korea is also party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions since 1999, and a member of the Asia Pacific Economic Cooperation Anti-Corruption and Transparency Experts Task Force (APEC ACT).

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

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The ROK signed the United Nations Convention against Corruption on December 10, 2003 and ratified it on March 27, 2008.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see http://www.coe.int/t/dghl/monitoring/greco/default_en.asp).

Free Trade Agreements: While it is US Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All US FTAs may be found at the US Trade Representative Website at http://www.ustr.gov/trade-agreements/free-trade-agreements. The Republic of Korea-US Free Trade Agreement is awaiting Congressional approval. Consult the USTR Website at http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta.

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

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

The Departments of Commerce and State provide worldwide support for qualified US companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by US companies in seeking such foreign business opportunities can be brought to the attention of appropriate US government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the US FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables US firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to US exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, US Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

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

Public sector corruption: The law provides criminal penalties for official corruption, and the government generally implemented these laws effectively. According to the

Transparency International Global Corruption Barometer 2010, only two percent of South Koreans asked said they had paid bribe to at least one nine different service providers (in customs, education, the judiciary, land related services, medical services, the police, registry & permit services, tax authorities, and utilities) in the past 12 months. Of the 21 economies surveyed in the Asia Pacific, ROK enjoyed the lowest percentage along with Australia.

The ROK signed the United Nations Convention against Corruption on December 10, 2003 and ratified it on March 27, 2008 and is also a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions since 1999, and a member of the Asia Pacific Economic Cooperation Anti-Corruption and Transparency Experts Task Force (APEC ACT). The law provides criminal penalties for official corruption, and the government generally implemented these laws effectively. By law, public servants above a certain rank must register their assets, including how they were accumulated, thereby making their holdings public.

There are several government agencies responsible for combating government corruption including the Board of Audit and Inspection, which monitors government expenditures and the Public Service Ethics Committee, which monitors the civil servants' financial disclosures and their financial activities within their tenure and first few years into their retirement. Since February 2008, the Anti-Corruption and Civil Rights Commission manages the public complaints and administrative appeals on corrupt government practices. The Korean government in 2008 also established a Financial Intelligence Unit and has cooperated fully with US and United Nations efforts to identify and shut down sources of terrorist financing. Transparency International has maintained a National Chapter in ROK since 1999.

Anti-Corruption Resources

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

- Information about the US Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the US Department of Justice's Website at http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies at http://www.oecd.org/dataoecd/11/40/44176910.pdf

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

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

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption at http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment at http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the US State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at http://report.globalintegrity.org/.

Bilateral Investment Agreements Return to top

The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with Korea, which contains general provisions pertaining to business relations and investment. During former Korean President Kim Dae-jung's visit to the United States in 1998, President Clinton and President Kim agreed to negotiate a Bilateral Investment Treaty (BIT) between the two nations. However, negotiations in 1998 and 1999 stalled after the two sides could not resolve differences on certain issues. The Korea-US FTA contains strong, enforceable investment provisions that will go into force if the agreement is approved and implemented.

OPIC and Other Investment Insurance Programs Return to top

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

Investment Guarantee Agency (MIGA) since 1987. The Ruby Tuesday franchise used an OPIC loan in 2005 to open its first restaurant in the ROK.

Labor

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According to the Ministry of Employment and Labor (MOEL), there were approximately 25 million economically active persons in ROK with employment rate (OECD standard) of approximately 63 percent as of September 2010. In August 2004, ROK implemented a “guest worker” program known as the Employment Permit System (EPS) to help protect rights of foreign workers, who previously entered ROK as “trainees” and were exposed to egregious abuses from their employers. Since the mid-1980s, ROK companies began hiring “unskilled” foreign workers to overcome labor shortages in what were termed "3-D" jobs - the difficult, dirty and dangerous ones that most Koreans shun. The EPS allows employers who cannot hire Korean workers to legally employ a certain number of foreign workers from countries such as the Philippines, Indonesia and Vietnam where ROK maintains bilateral labor agreements.

At the year’s end, approximately 220,000 foreigners were said to be working under EPS in manufacturing, construction, agriculture, livestock, service and fishery industries. The law provides workers with the right to associate freely and allows public servants to organize unions. In January, the labor law was amended to authorize union pluralism starting in July 2011. The ratio of organized labor to the entire population of wage earners in 2009 was approximately 10 percent. The country has two national labor federations, the Korean Confederation of Trade Unions (KCTU) and the Federation of Korean Trade Unions (FKTU), and an estimated 4,886 labor unions. The KCTU and the FKTU affiliated with the International Trade Union Confederation (ITUC). Most of the FKTU's constituent unions maintained affiliations with international union federations.

The law provides for the right to collective bargaining and collective action, and workers exercised these rights in practice. The law also empowers workers to file complaints of unfair labor practices against employers who interfere with union organizing or who discriminate against union members. The National Labor Relations Commission can require employers found guilty of unfair practices to reinstate workers fired for union activities. The law permits public servants to organize trade unions and bargain collectively, although it restricts the public service unions from collective bargaining on topics such as policy-making issues and budgetary matters.

Workers in export processing zones (EPZs) have the rights enjoyed by workers in other sectors, and labor organizations are permitted in the EPZs. However, foreign companies operating in the EPZs are exempt from some labor regulations, including provisions that mandate paid leave, obligate companies with more than 50 persons to recruit persons with disabilities for at least 2 percent of their workforce, encourage companies to reserve 3 percent of their workforce for workers over 55 years of age, and restrict large companies from participating in certain business categories.

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

Korea's minimum wage is reviewed annually. This year, labor and business set the minimum wage at 4,110 won (approximately $3.50) per hour, which was a 2.75 percent increase from last year. This increase was in line with 2.75 percent increase in the minimum cost of living. The Labor Standards Act also provides for a 50 percent higher wage for overtime.

The government sets health and safety standards, and Korea Occupational Safety and Health Agency (KOSHA) is responsible for monitoring industry adherence to these standards. KOSHA conducts inspections both proactively according to regulations and reactively in response to complaints. It also provides technical assistance to resolve any deficiencies discovered during inspections. KOSHA reports on its website descriptions of and statistics on work-related injuries and fatalities on a quarterly basis. As of June, there were 48,066 work-related accidents and 1,028 fatalities, which were 6.3 percent increase and 2.9 percent decrease respectively from the same period last year. KOSHA provides training and subsidies to improve work safety and reduce work-related accidents. Its services are extended to the migrant workers as its training modules and materials are available in 10 languages and disseminated to various worksites. Contract and other "non-regular" workers accounted for a substantial portion of the workforce. MOEL reported that there were approximately 5.7 million non-regular workers, comprising approximately 33 percent of the total workforce as of August 2010. The MOEL reported that in 2009 non-regular workers performed work similar to regular workers but received approximately 84.3 percent of the wages of regular workers.

Korea passed significant legal reforms in late 2006 to expand protections for non-regular workers. The reforms banned discrimination against these workers and required that non-regular workers employed longer than two years be converted to regular workers. The two-year rule went into effect on July 1, 2009. In addition, Korean courts have ruled in favor of non-regular workers in several cases and directed employers to convert them to permanent status after two-years of employment. Both the labor and business sectors have complained that the two year conversion law forces many businesses to limit the contract terms of the non-regular workers to two-years and incur the sunk cost for entry of new labor every two years.

Foreign-Trade Zones/Free Ports Return to top

Korea aims to attract more foreign investment by promoting its six Free Economic Zones (FEZ): Incheon (near Incheon Airport, to be completed in 2020); Busan/Jinhae (in South Gyeongsan Province, to be completed in 2020); Gwangyang Bay (in South Gyeongsan Province, to be completed in 2020); Yellow Sea (in South Chungcheong Province, to be completed 2025); Daegu/Gyeongbuk (in North Gyeongsan Province, to be completed in 2020); and Saemangeum/Gunsan (in North Jeolla Province, to be completed in 2030). The FEZs differ from other zones designated for foreign investment in their focus on creating a comprehensive living and working environment with biotechnology, aviation, logistics, manufacturing, service and other industrial clusters as well as international schools, recreational facilities, and international hospitals. In 2009, the National Assembly passed the Special Act on Free Economic Zones to increase tax benefits for investment, increase the FEZ infrastructure budget, and streamline the approval process for land development.

On December 28, 2010, the government announced a plan to abolish inefficient, underperforming and unfeasible portions of the nation's free economic zones (FEZs) as part of its efforts to reorganize the specially created districts. By the plan, the Ministry of Knowledge Economy will remove the FEZ status from 90.51 square kilometers (22,366 acres) within the designated districts by February, accounting for 15.9 percent of the total land in the zones. According to the ministry, the six FEZs have attracted just USD 2.73 billion in investments since 2003 - yet the country has spent 85.4 trillion won (USD 74.3 billion) to promote the areas and build infrastructure in them.

There are also six Foreign-exclusive Industrial Complexes in Korea in different parts of the country, designed to provide inexpensive plant sites, with the national and local governments providing assistance for leasing or selling in such sites at discounted rates. In addition, there are four "Free Trade Zones" in Iksan, Gunsan, Daebul and Masan where companies may pursue their business with government support, but without the usual legal requirements such as approval procedures for export and imports and customs duties. There are also seven Foreign Investment Zones designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options. A good source of information on Korea's various free trade zone schemes is the government-run "Invest Korea," an inward investment promotion organization under the Korea Trade and Investment Promotion Agency (KOTRA). It can be reached at:

Invest Korea, KOTRA Bldg. 300-9
13, Heolleungno, Seocho-gu, Seoul, Republic of Korea
Tel: (82-2) 3460-7545
Fax: (82-2) 3460-7946/7
http://www.investkorea.org

The Korean government also continues to put significant effort into programs to enhance the quality of life in Korea for foreign investors and their families. There are 45 foreign schools in Korea and two large foreign schools in the Incheon FEZ and Jeju will open their doors in September 2011 (More information is available in a government website, "www.isi.go.kr"). The government more recently launched three-year programs aimed at enhancing the foreign investment climate in Korea. The Korean government has improved the legal framework for those areas by revising the FEZ Act and the Foreign Investment Act to provide cash grants for foreign investments of more than USD 10 million.

Foreign Direct Investment Statistics Return to top

(USD Millions)	**Annual Flow**			**Cumulative Stock**
	2008	**2009**	**2010**	**2010**
Total Inward FDI	**11,711**	**11,484**	**12876**	**173,585**
United States	1,328	1,486	1,974	43,783
China	335	160	414	3,086
Japan	1,424	1,934	2,083	25,975

United Kingdom	1,233	1,953	650	10,699
Other	7,391	5,951	7,756	90,042
Total Outward FDI	**36,722**	**30,406**	**24,790**	**232,686**
United States	6,233	3,910	3,555	39,262
China	4,587	2,624	2,587	43,401
Japan	639	412	275	3,887
United Kingdom	237	1,936	3,270	8,594
Other	25,026	21,524	15,103	137,542

Source: The Export-Import Bank of Korea and Ministry of Knowledge Economy
Note: This data is based on the notification of cases. The 2010 outflow is data reported for the first nine months of the year.

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

Korean Fair Trade Commission
http://eng.ftc.go.kr/

Korean Intellectual Property Office
http://www.kipo.go.kr/en/

Korean Ministry of Knowledge Economy
http://www.mke.go.kr/language/eng/index.jsp

Korean Ministry of Strategy and Finance
http://english.mosf.go.kr

Korean Ministry of Foreign Affairs and Trade
http://www.mofat.go.kr/english/main/index.jsp

Korean Ministry of Labor
http://english.molab.go.kr/

Invest Korea
http://www.investkorea.org

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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International financial capital transactions are the continued focus of Korean government concern. The export of capital has grown substantially due to huge reserve accumulation that result from Korea's trade surpluses and private capital flows. The Korean financial system is frequently hard-pressed to meet the demand for financing and capital for international commercial transactions. Foreign companies in start-up operations with a Korean partner often need to invest financial resources for the joint venture, while their Korean partner makes in kind investments, i.e., land or facilities, for their share of equity. Joint-venture companies and foreign firms often work with branches of foreign banks for local-currency financing, although the branches of foreign banks control a small portion of Korean Won availability. It has been challenging to obtain a high level of international reserves in order to allow companies to participate properly in the global financial markets. Some of the potential sources of Korean Won financing include domestic nationwide commercial banks, regional banks, and specialized banks, including the Korea Development Bank, the National Agricultural Cooperative Federation, the Industrial Bank of Korea and the Korea Housing Bank.

There are many ways to make and receive payment in international trade. When you are doing a business with a customer overseas, knowing how to collect payment on an overseas sales transaction is the single most critical yet too often overlooked detail for small to medium sized business owners who aspire to expand international business operations. Three documentary practices for settling import payments are: (1) sight and deferred payment (usance) Letters of Credit (L/C), (2) Documents against Acceptance (D/A) and Documents against Payment (D/P); and, (3) Open Account Transactions. D/A and usance L/Cs are forms of extended credit in which the importer makes no payment for the goods until the date called for in the credit; however, the importer may clear the goods from customs prior to payment. D/P is similar to D/A except that the importer cannot clear the goods from customs prior to making payment. In some cases an importer can clear goods prior to payment under a sight L/C. L/C transactions generally follow standard international Uniform Customs and Practice (UCP) codes. Limitations on the use of deferred payment terms for imports, D/A and usance L/Cs have been abolished.

CS Korea recommends that US companies consider dealing on a confirmed L/C credit basis with new and even familiar customers. A confirmed L/C through a US bank is recommended because it prevents unwanted changes to the original L/C, and it places responsibility for collection on the banks rather than on the seller. This may cost a bit more, but may be well worth it.

To reduce risk of nonpayment, US companies may also contact credit rating agencies, which can provide fee-based corporate information to evaluate financial credibility of Korean companies. Dun & Bradsteet Korea, the Korea Investors Service, and the Korea Information Service are known to provide fee-based credit rating services in Korea. CS Korea can also provide valuable information, including a company's credit standing, through our fee-based International Company Profile service. The Korean Commercial Arbitration Board (KCAB) and private collection agencies can provide arbitration and collection services. The KCAB is staffed with counselors who advise US companies on contract guidelines.

The Commodity Credit Corporation (CCC), US Department of Agriculture, administers export credit guarantee programs for commercial financing of US agricultural exports to Korea. Under the GSM-102 Export Credit Guarantee Program for Korea, CCC underwrites credit extended by the private banking sector in the United States to approved Korean banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to Korean buyers.

Whatever terms of payment you negotiate, you must make sure they are understood by all parties and that your customer signs a document (e.g., proforma invoice) that indicates acceptance. This prevents some unpleasant surprises later on and reduces your shipment liability exposure. It's essential that you agree on the terms of payment in advance, and never ever sell on open account to a brand new customer.

How Does the Banking System Operate

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Korea's financial system consists of banking and non-bank financial institutions. The Financial Supervisory Commission (http://www.fsc.go.kr/eng/) and the Financial Supervisory Service (http://english.fss.or.kr/fss/en/main.jsp) its regulatory arm, are responsible for supervising and examining all banks, including specialized and government-owned banks, as well as securities and insurance companies. The FSC has played a key role in financial restructuring and has strengthened the regulatory and supervisory framework governing the entire financial sector. Oversight standards are improving but they will need more time to meet international standards. Currently a total of 13 local commercial and 5 local specialized banks as well as 37 branches of foreign banks are in operation in Korea.

Foreign-Exchange Controls

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Korea has liberalized foreign exchange controls in line with OECD benchmarks. A foreign firm that invests under the terms of the Foreign Capital Promotion Act (FCPA) is permitted to remit a substantial portion of its profits, providing it submits an audited financial statement to its foreign exchange bank. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean Appraisal Board must also be presented. Foreign companies not investing under the FCPA must repatriate funds through authorized foreign exchange banks after obtaining government approval. Although Korea does not routinely limit the repatriation of funds, it reserves the right to do so in exceptional circumstances, such as in situations which may harm its international balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of its domestic financial markets. To date, the Korean government has had no instances of limiting repatriation for these reasons, even during and after the 1997-98 financial crises.

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

US Banks and Local Correspondent Banks

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A listing of major US and Korean banks in Korea is available at http://www.buyusa.gov/korea/en/bankcontacts.html

Project Financing

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Project financing was first introduced in Korea in 1995 for a highway construction project between Seoul and the Incheon International Airport. Currently, most of Korea's social overhead capital (SOC) projects are funded though this method. Project financing has also become a popular method of financing for private sector projects that include real estate development and buy-outs of financially troubled companies. Several Korean and foreign banks provide project financing and offer venture capital investment programs for social infrastructure, private projects and investing in small and medium sized companies in Korea. These banks are committed to support the financial strength of companies through direct equity investments, yet domestic companies generally have better access to local funding as well as informal and secondary financial markets charging higher interest rates. Debentures are a financing alternate, although slightly more expensive than bank financing. Long-term debt is available from the Korea Development Bank, but generally for high priority industries.

Financial institutions including commercial banks, insurers, securities, lenders, savings banks and licensed lenders in Korea are subject to supervision by Korean financial regulators such as the Financial Supervisory Service (FSS) in Korea with regards to project financing (PF) for property development.

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Export-Import Bank of the United States (ExIm)
http://www.exim.gov

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

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

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

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

Korea Investors Service

http://www.kisrating.com/eng/ (English site available)

Korea Information Service
http://www.kisinfo.com/eng/index.asp (English site available)

Korean Commercial Arbitration Board
http://www.kcab.or.kr (English site available)

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Chapter 8: Business Travel

Business Customs

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With over 5000 years of history, Korea is steeped in its unique cultural heritage and customs. Though the export-focus that permeates business here encourages a respect for 'western ways' of business, it is not necessarily how Koreans conduct business between themselves. Therefore, US Business persons are encouraged to take some time learning the nuances of meetings and interacting with Korean executives and officials. The scope of this is too deep for this chapter but there are many resources to refer to about Korean business culture. Only a few more salient points are provided below.

Most of Korea appears to be like any modern country with pockets of rural and traditional life intermixed with first-class telecommunications, five-star hotels, Western restaurants, modern transport systems (including very efficient subway networks in Seoul, Busan, and Daejeon), and so forth. Nonetheless, it is still very homogenous and it is imperative that one realizes that Seoul is not Los Angeles (even though the latter, in fact, has a sizeable Korean community). Given the depth and complexity of the cultural aspects of Korean business, Koreans will repeatedly say that you are not expected to follow their traditions, but most immediately admire when you show familiarity with their customs. Koreans generally appreciate a foreigner's effort in expressing a thank you (gam-sa-ham-ni-da) or a hello (an-yong-ha-say-yo) in the Korean language.

Koreans have a great respect for age and hierarchy, often attributed to Confucian logic. Historically, Individuals who are the most senior in age are generally the highest ranking and Koreans almost automatically assume the oldest person in the room is also the ranking person. The rank of a person, especially as indicated on a business card is very important to Koreans. US businesspersons should remember that hierarchy is deeply entrenched in the Korean psyche. Indeed, a key aspect of the Korean language is its plethora of verb endings, designed to impart numerous levels of respect being accorded to another person.

Koreans reliance on a hierarchical code mean they generally prefer to meet to discuss business with persons of the same, parallel rank. The exchange of business cards is very important and a means by which Koreans learn about the name, position and status of the other person. Businesspersons should always have their (preferably bilingual) business cards ready and should treat the exchange of a Korean counterpart's card with respect, always pausing to read the card. It is also a sign of respect to receive and present items with both hands.

Even though Korean attitudes towards gender roles are constantly evolving, women professionals at the highest levels are still very rare. Thus many experienced and highly qualified Korean women welcome the opportunity to work as a professional with a foreign company where attitudes toward gender equality and professional respect prevail. Foreign businesswomen (especially, non-Asian looking women) are accorded almost an equal amount of respect as foreign businessmen. Though foreigners are generally exempt from Korea's societal classification system, it is common practice for Koreans to ask direct questions about your age, marital status, and other personal information to help them determine how they should interact with you.

Koreans often mix business with social life but US business persons should not feel pressured into heavy drinking of alcohol at lunches and dinners. Though it is a facet of the old ways of business here, the dynamics are changing and Koreans generally appreciate individuals who are clear in regard to their morals. Also common after-work activity is the "no-rae-bang" (Korean karaoke) where businesspeople relax and sing along to a video machine playing music.

When doing business, Americans should also be sensitive to Korea's long history, especially the last century; from Japan's forced colonization in the early 1900s, through the ravages of the Korean conflict, and years the heavy government involvement in business that has made the country the economic powerhouse it is today. In general, it is recommendable to avoid drawing any comparisons between Korea and other Asian countries except where Korea is clearly held in higher regard. Of all the Asian nations, Koreans often mention Singapore as a worthy peer.

Korea still observes Confucian ethics based on strong ties to the community. Whereas an American may think in individual terms, (i.e., what is in my best interest?), a Korean frequently thinks in group terms, (i.e., what is in the best interests of my country or how can I help to maintain harmony within the current order or group?). Thus Korean patriotism and the economy's recognized reliance on exports is quite important to remember when negotiating business deals. Korea's economy is over 80 percent dependant on exports and imports are often seen as necessary evils, an impression the government still promotes through a variety of mechanisms. History shows that many imported products introduced into the Korean market will, in time, see domestic variants develop and later compete with them in other markets.

Two important things to remember in pursuing business in Korea is 1) a strong grasp of the English language is not common and 2) relationships are very important. Thus, "cold calls" generally will not work and introductions are crucial. Koreans prefer to do business with people with whom they may have formed a personal connection or when a trusted intermediary has made an introduction. English is a required course in Korean primary educational systems and Koreans are often pleased to show off what they remember.

However, US businesspersons should never take for granted that important points made in negotiations are clearly understood.

Negotiating style is particularly important. Koreans can prove subtle and effective negotiators, and a commitment to a rigid negotiating stance early on may work to the American's disadvantage. Your offer may include the best price, technology and profit potential but still be turned down because the Korean customer does not like your style. Another important distinction is Koreans may not place the same importance on the letter of a contract as Westerners do. It is often seen as a start of a process with Koreans interpreting contracts as a loosely structured consensus statement broadly defining what has been negotiated, but leaving sufficient room to permit flexibility and adjustment. The Korean Government has recognized this as a big challenge for promoting Korean companies and has attempted to address this dual perception by promulgating model contracts for licensing technology and other arrangements. As stated before, both parties should assure that the obligations spelled out in a negotiated contract are fully understood the same way by both sides.

Most Koreans have three names. These names usually follow the Chinese pattern of a surname followed by two given names. In a Korean household, all brothers and sisters have the same last name and a common given name; the only distinguishing mark is the remaining given name. In addressing Koreans, foreigners should observe the use of surnames (e.g., Mr. Kim; Ms. Lee), using formal titles if possible (e.g. Dr. Yoo; Director Song). While particularly challenging to many English speakers, being able to acknowledge individuals with their complete name, including the two given names, is a definite sign of respect. It is also quite valuable since there can often be several Mr. Park's or Dr. Lee's in the same meeting.

It is sensible to know about the culture of the country you are doing business with but Korea's history and homogeneity make it indispensible to doing business here.

Travel Advisory

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Go to link below for information on traveling to Korea.
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1018.html

Visa Requirements

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Visa-Free Travel
The Republic of Korea was one of seven countries to be admitted to the US Visa Waiver Program as of November 17, 2008. As of that date, Koreans can travel to the US for business or tourism for up to 90 days without a visa. As a reciprocal measure, Americans can now travel to South Korea for tourism or business without a visa for a stay of up to **90** days. Previously, Americans could only stay up to **30** days without a visa.

If planning to stay more than 90 days or for any purpose other than tourism or business, American passport holders must obtain a visa prior to entering Korea. Americans coming to Korea for activities such as employment, teaching English, or study must obtain a visa at a Korean embassy or consulate abroad.

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

For information about visas to Korea, please see the Korean Ministry of Foreign Affiars and Trade website at http://www.mofat.go.kr/english/visa/apply/index.jsp

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

State Department Visa Website at http://travel.state.gov/visa/

US Embassy Seoul Consular Section Website at http://www.asktheconsul.org

Telecommunications Return to top

There are three types of public telephones; prepaid, credit card and the increasingly rare coin phones. If you want to make a local call in the same city or province, simply dial the 9- or 10- digit local phone number with no area code. For international phone calls, press the red button and then dial 0072911 for AT&T, or 0072916 for Sprint. However, please note that it is often difficult to find a public pay phone because Korea has one of the highest penetration rates in the world for mobile phones. The most convenient way is to rent a mobile phone is upon arrival at Seoul-Incheon International Airport. You can contact either of the numbers below for reservations or simply sign up for a rental phone at the rental desks at the airport.

SK Telecom: 82-32-743-4011/4042
KT: 82-32-743-4018/4078
LG Telecom: 82-32-743-4001/4019

As of December 2010, mobile phone penetration rate in Korea is over 100 percent, with about 50.8 million of Korea's 48.2 million population subscribing to three different local carriers, SK Telecom, KT, and LG Telecom. Currently Korean mobile technology is based on both Code Division Multiple Access (CDMA) and Wideband CDMA (WCDMA), which can offer roaming capabilities for Global System for Mobile Communications (GSM) based technologies. Many US Carriers have established roaming contracts in Korea. There are significant differences in phone type and service plans so we strongly urge you to check in advance with your local service provider to determine if your plan and handset type will work in Korea and make sue you are aware of the charges for those services.

Korea ranks among the top countries in the world in terms of Internet usage and broadband penetration, primarily on xDSL or cable networks. KT and SK Telecom are the two major facility-based wireline telephone operators and broadband service providers. There are also many small-and-medium sized Internet service providers. Korea also boasts a robust 'PC Baang' (meaning PC room) service industry here. These are a type of enhanced internet cafes with custom designed systems offering the latest computer systems, software, and accessories for on-line gaming. These centers offer dedicated broadband access and charge visitors by the amount of time used. Major urban hotels are also fully equipped with broadband access for hotel guests (charges vary). Several upscale hotels and coffee shops have established hotspot zones in their lobbies for wireless Internet access.

Transportation

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Flying time for direct flights from the US to Korea ranges from 12-16 hours depending on the point of departure. Flights with connections can take as long as 18 hours, door to door.

Incheon International Airport is the primary gateway for international travel to and from Korea. The state-of-the–art airport is one of the most modern projects in East Asia. The airport continues to be voted as one of the top three airports globally in terms of passenger satisfaction by Skytrax Magazine. Incheon Airport is accessible by car, bus and Airport Express (AREX). The new AREX line, transporting passengers from Seoul Station to the airport in 43 minutes, has opened at the end of December 2010. Airport buses and taxis are widely available, although availability may be limited later in the evenings. Travel time to Incheon Airport from downtown Seoul typically takes about one-and-a-half hours. To learn more click "Transportation via trains and Check-in Stations to and from Incheon Airport ".

The cost of travel by taxi from downtown Seoul to Incheon Airport averages 60,000 ~ 80,000 Korean Won, although some taxis charge more. Some taxi drivers may also try to charge higher fares to make up for revenue lost by having to drive back to Seoul without a passenger. If this happens, the traveler should contact the airport authority (032-741-2422) and provide the taxi's license plate number so the authorities can take action and have the driver banned from driving to the airport.

A less expensive option is the widely available airport bus to/ from major cities in Korea. City Coach and airport buses cost 9,000~13,000 Korean Won (approximately USD 9 ~ USD 13) and depart from various locations throughout Seoul about every 15 minutes. Korean Air offers an airport/hotel shuttle bus service (KAL LIMOUSINE), which costs 14,000 Korean Won (approximately USD 14). These buses have several different routes, so it is necessary to check the route prior to boarding. KAL airport limousine buses depart every 20 minutes from major hotels throughout the city. Even though these two bus services are substantially cheaper than taking a taxi to Incheon Airport, passengers must factor in extra time, given the additional stops to pick up passengers at the various hotels.

The fastest option is the Incheon International Airport Railroad (AREX). AREX is a direct railway linking Seoul Station to Incheon International Airport that carry travelers to their flights in 43 minutes, which is approximately 15 minutes shorter than traveling by the airport limousine. The fare of express train running every 30 minutes with no stops costs 13,300 won (approximately USD 13). A local non-express train that makes 10 stops will travel the same route in 53 minutes and costs 3,700 won (approximately USD 4). Passengers taking the express train can check in for their flights at Seoul Station.

Seoul's public transportation system is very well organized. With nine subway lines and city buses that service the entire city, as well as a multitude of taxis, traffic is the only major obstacle to movement. The seemingly endless rush-hour traffic can be a major hindrance, so early preparation, as well as patience, is required. Fortunately, buses take less travel time than taxis because of a bus-only lane traffic system. The Seoul Metropolitan Government maintains an English language interactive bus map that allows passengers to obtain bus route and schedule information based on point of origin and destination.

Public transportation is also recommended for travel throughout Korea. KTX provides high-speed transportation to major cities throughout Korea. There are also intercity urban rail networks connecting Seoul to the rest of the country. Travel by bus also provides a cost-effective way of navigating throughout Korea.

Language Return to top

Korean is the official and accepted business language. English is taught throughout primary and secondary school, and is spoken at some government agencies and companies that engage in international business. However, although many Koreans will have some English capabilities, it is not widely spoken in daily Korean life.

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For more information on health issues in Korea, please click on the link below: http://www.cdc.gov/travel/eastasia.htm

Local Time, Business Hours, and Holidays Return to top

Local Time Zone:
Korea is 13 hours ahead of Eastern Standard Time during daylight savings time, and 14 hours ahead of Eastern Standard Time at all other times. Korea does not subscribe to daylight savings time.

Business Hours:
Business hours are normally from 8:30am to 5:30pm Monday through Friday, and 8:30 am to 1:00 pm on Saturdays for some government agencies.

Holidays:
For more information on holidays in Korea, please click on the link below:
http://www.buyusa.gov/korea/en/holidays.html

Temporary Entry of Materials and Personal Belongings Return to top

Korea

Travelers are allowed to bring USD400 worth of goods into Korea duty/tax free. Goods bought overseas or bought duty/tax free before leaving Korea are included when determining your duty free allowance. Common examples of acceptable items include: cameras, electronic equipment, leather goods, perfume concentrate, jewelry, watches, sporting goods, new clothing, footwear, articles for personal hygiene/grooming, one liter of alcoholic liquor (including wine, beer or spirits) for travelers aged 20 years and over. The tobacco allowance is 200 cigarettes, 50 cigars and 250g of tobacco products, other than cigarettes, for travelers aged 19 years of age and over.

Personal goods that you have used may also be brought into Korea without payment of duty and tax (proof of the date of purchase may be required). Your clothing, toilet articles, personal jewelry (including watches) will be admitted free of duty and other taxes irrespective, if they accompany you or are sent separately, provided:
1) They are intended for your own personal use or wear; and
2) They are not intended for any other person or persons or as a gift, sale or exchange.

Commercial quantities of individual items are not permitted under the provisions of this concession since the term "personal effects" only covers used articles or those that a traveler may reasonably require for his or her personal use during a journey.

Members of the same family who are traveling together may combine their individual duty/tax free allowances.

Gifts (given to you or intended for others) are counted as part of the USD400 duty free allowance.

Non-residents must declare in writing to Korean Customs all foreign currency with a value in excess of USD 10,000 that they carry into or acquire in Korea. This rule is enforced. When buying Korean Won in Korea, be sure to keep the receipt(s) because re-exchange is allowed up to the amount specified in the receipts. Without receipts only USD 500 worth of Korean Won can be re-converted into USD.

Articles in Excess of the Duty Free Allowance Return to top

All goods and proof of purchase must be declared to the Korea Customs Service (KCS) for calculation of any duty and tax to be paid. Customs will collect customs duty, VAT (Value Added Taxes) and special consumption taxes on imported items. The KCS has adopted a Simplified Duty Rate that reflects all duties and taxes to facilitate customs procedures.

General Examples of Simplified Duty Rates

Total value of articles acquired or purchased abroad	Less than USD 400, or personal belongings that have been used	More than USD 400 (above duty free allowance)	Liquor, Tobacco, etc.
Customs duty and other taxes	None	20~55%	Individually taxed

It is important to note that there are different rates of duty and tax. When purchasing items, caution should be exercised to ensure that the imported items are not in excess of the duty/tax free allowance. For further information, contact Korean Customs or go to their website at http://english.customs.go.kr/.

Calculation of Customs Duties and Payment Method Return to top

Customs duty and other taxes, where applicable, are levied on the transaction value of the goods, i.e., the price actually paid for them. Where there is no identifiable transaction cost (such as a gift), Customs will endeavor to have the goods valued independently. Payment will only be accepted in cash and in Korean Won. Passengers cannot pay Customs duties by credit card or any other means of payment.

Business Travelers Return to top

Business travelers carrying commercial goods or samples may need to obtain permits for their goods depending on the nature of the goods, regardless of value. Quarantine and wildlife regulations and other restrictions may also apply to certain goods. Laptop computers and other similar electronic equipment for personal/professional use may be brought in duty/tax free, provided Customs is satisfied that these items will be removed from Korea on departure.

Temporary Importation of Commercial Goods Return to top

Carnets may be obtained for temporary duty/tax free entry of goods such as commercial samples, jewelry, goods for international exhibitions, equipment for sporting events, professional televisions and film equipment, etc. Contact your local International Chamber of Commerce for application details.

Carnets in the United States are issued by the United States Council for International Business and information can be found on the website: www.uscib.org. Application information can be found at http://www.uscib.org/index.asp?documentID=859. The Republic of Korea holds a six month validity period for the Carnet.

For more information on importing goods, the International Cooperation Division of the Korean Customs Administration can provide assistance with general customs questions.

Korea Customs Service
Tel: (82)-2-3438-1114
Fax. (82)-2-3438-1665.
http://english.customs.go.kr/

Returning to the U.S.

Returning US residents can bring duty-free articles totaling USD 800 when the articles are for personal use. After the USD 800 exemption, the next USD 1,000 worth of personal or gift items are taxed at a flat rate of 10 percent. Beyond USD 1,400, various duty rates, mostly 20-30 percent, apply according to the item. Both residents and non-residents are limited to one carton of cigarettes, 100 cigars and one liter of alcoholic beverages or two ounces of perfume for duty-free import. The duty-free limit is USD 50 for bona fide gifts mailed to the United States. Every mail shipment must contain a written declaration.

Non US citizen visitors to the United States are allowed to bring in duty-free gifts with a value of up to USD100. For travelers within this limit, no written declaration is required. Additional gifts and other items that will remain in the United States are taxed at a rate of 10 percent up to USD 1,000, and at variable rates thereafter.

Foreign-made personal articles are dutiable each time they are brought into the United States, unless one can prove prior possession. Articles bought in "duty free" shops in foreign countries are subject to US customs duty. Articles purchased in US "duty free" shops are also subject to US duties if they are brought back into the United States.

Americans visiting Korea should be aware of possible trademark and copyright violations when purchasing articles in Korea. Makes such as Coach, Reebok, Gucci, Polo, Rolex, Disney, Chanel, Warner Brothers and computer software are often counterfeit. Due to the high potential for counterfeiting, items bearing the above-named trademarks (and several others) can only be legally mailed or carried into the United States, if they are the authentic articles. By attempting to carry counterfeit goods through US Customs, one runs the risk of having them confiscated. Possession of significant amounts of counterfeit goods can lead to criminal prosecution. Questions regarding the import of counterfeit goods into the US should be directed to the US Customs office at the Embassy in Seoul at 82-2-397-4644. The US Customs website is www.cbp.gov.

Web Resources

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Health Issues
http://www.cdc.gov/travel/eastasia.htm

Holidays in Korea
http://www.buyusa.gov/korea/en/holidays.html

Incheon International Airport
http://www.airport.or.kr/eng/airport/

Information about Visas to Korea
http://www.mofat.go.kr/english/visa/apply/index.jsp

Korean Embassy and Consulates in the U.S
http://www.koreaembassyusa.org

KTX
http://ktx.korail.go.kr/eng/

State Department Visa
Website http://travel.state.gov/travel/tips/brochures/brochures_1229.html

State Department Travel Advisory on Korea
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1018.html

US Customs
http://www.cbp.gov

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Chapter 9: Contacts, Market Research and Trade Events

Contacts

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

http://www.buyusa.gov/korea/en/partnerlinks.html

Market Research

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

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

Trade Events

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

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

http://www.buyusa.gov/korea/en/cskoreaupcomingevents.html

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare US companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

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

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

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

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

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

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov.

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