



Doing Business in Korea: 2019 Country Commercial Guide for U.S. Companies

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Doing Business in Korea

Market Overview

The Republic of Korea (ROK) is a promising country for U.S. companies to conduct business. Korea's Gross Domestic Product (GDP) is currently valued at \$2.09 trillion, ranking 11th in the world and third in East Asia. As Korea's long-established strength in the shipbuilding, steel, and petrochemical industries has begun to wane in recent years, the country's leaders are looking towards other more technology-intensive industries to drive growth. Such industries include healthcare (medical devices, pharmaceuticals, and biotechnology), industrial chemicals, information technology (IT) components, semi-conductor manufacturing, aerospace and defense, energy, environmental technology, and transportation.

U.S. companies have already begun to identify opportunities in these growing industries. In addition, U.S. companies have begun partnering with local Korean companies to expand market opportunities to third-country markets including ASEAN, the Middle East, and other markets of the Asia-Pacific. Korea remains one of the world's most trade-dependent nations, with trade valued at 90 percent of GDP. Given its robust shipping and air cargo infrastructure, Korea serves not only as a market end-point for U.S. goods and services, but also as a hub for expansion into other markets.

PROFILE

- Population (as of March 2019): 51.8 million
- Capital: Seoul
- Government: Democratic Republic

ECONOMY	2016	2017	2018
GDP (\$ billions)	1,415	1,531	1,619
GDP per capita (USD)	27,608	29,743	31,363
GDP Growth (% change)	2.9	3.1	2.7
GDP Growth Rate Per Capita (% change)	2.5	2.6	2.3
Consumer Prices (% change)	1.0	1.9	1.5
Unemployment (% of labor force)	3.7	3.7	3.8

Source: World Bank

TRADE

Foreign Merchandise Trade (\$ billions)	2016	2017	2018
Exports to World from ROK	495.4	573.7	605.2
Imports from World to ROK	406.2	478.5	535.2
U.S. Exports to ROK*	42.91	49.28	57.62
U.S. Imports from ROK*	70.39	71.81	75.01
U.S. Trade Balance with ROK*	-27.47	-22.53	-17.39
Position in U.S. Trade	2016	2017	2018
Rank of ROK in U.S. Exports*	7	7	7
Rank of ROK in U.S. Imports*	6	6	7
ROK Share of U.S. Exports (%)*	2.9	3.1	3.2
ROK Share of U.S. Imports (%)*	3.2	3.0	2.8

*bea.gov

Principal U.S. Exports to ROK (2018)

1. Mineral Fuel and Oil (17.68%)
2. Nuclear Reactors, Boilers, Machinery (13.99%)
3. Electric Machinery, Sound Equipment, and TV Equipment (10.05%)
4. Optic, Photo, Medical and Surgical Instruments (6.21%)
5. Aircraft, Spacecraft, and Parts (5.90%)

Principal U.S. Imports from ROK (2018)

1. Vehicles (24.86%)
2. Nuclear Reactors, Boilers, and Machinery (20.76%)
3. Electric Machinery; Sound Equipment, and TV Equipment (18.72%)
4. Mineral Fuel and Oil (4.27%)
5. Pharmaceutical Products (3.65%).

BUSINESS AND ECONOMIC FREEDOM RANKINGS

- World Bank Ease of Doing Business Ranking 2019: 5 of 190
- Heritage/WSJ 2019 Index of Economic Freedom Ranking: 29 of 180
- WEF World Competitiveness Ranking 2018: 15 of 140

Market Challenges

Some of the challenges faced by U.S. companies attempting to conduct business in Korea include unique industry standards, less than transparent regulations, resistance to foreign business models, and competition and price pressures from domestic manufacturers. In addition to these challenges, U.S. exporters of agricultural commodities must navigate multiple import regulations and testing requirements

(https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-10-2018.pdf).

Despite these challenges, firms that are innovative, patient, and committed to entering the Korean market will find business to be rewarding and Koreans to be eager and loyal customers. For example, Korean consumers are quick to adapt new technologies, and many U.S. firms have found their technological products to be well-received in the country.

The Korea-U.S. Free Trade Agreement (KORUS FTA), last amended in March 2018, has helped facilitate bilateral trade, making Korea an attractive market for U.S. companies to enter (<https://ustr.gov/sites/default/files/files/Press/Releases/KORUS%20Texts%20Outcomes.pdf>). With more than 92 percent of tariffs having been reduced or obsolete, U.S. products are becoming increasingly cost-competitive. In addition to U.S. products, EU products have enjoyed reduced or no tariffs since 2011. Australia, Canada, and China have also entered free trade agreements with Korea.

U.S. small and medium-sized enterprises (SMEs) must remain flexible with Korean business counterparts pertaining to contract terms, such as renegotiating price, quantity, and delivery terms, following business deals or bilateral contractual agreements. The traditional approach to business deals in Korea, where the signing of a contract is perceived as just the beginning of a business relationship, differs significantly from that in the U.S. That being said, U.S. SMEs hoping to succeed in Korea should familiarize themselves with tactics and strategies to sustaining positive relationships with their Korean counterparts.

Market Entry Strategy

Establishing and maintaining a strong business relationship is critical to succeeding in Korea. Companies hoping to enter the Korean market should visit the country frequently to cultivate contacts and to better anticipate business conditions.

A local presence is essential for success. U.S. companies should retain a manufacturer's representative or distributor, name a registered trading company as an agent, or establish a branch sales office.

The Commercial Service in Korea (CS Korea) is eager to assist U.S. companies in developing connections by identifying and introducing potential buyers, distributors, and importers. Please consult <http://export.gov/southkorea/servicesforuscompanies/index.asp>.

For support relating to U.S. agricultural commodities and processed foods, please consult https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-10-2018.pdf.

Political Environment

Political Environment

For background on Korea's political and economic environment, please consult the U.S. Department of State's Background Notes (<https://www.state.gov/r/pa/ei/bgn/2800.htm>).

Selling U.S. Products and Services

Using an Agent to Sell U.S. Products and Services

Before entering a contractual relationship with the representative (agent) of a Korean manufacturer or distributor, U.S. firms should conduct a thorough due diligence check on their prospective business partner. U.S. firms should prepare to enter a contract with the assistance of an attorney. CS Korea provide U.S. firms with assistance through the preparation of an International Company Profile (ICP). For detailed financial and related business information on the company with which you seek to work, please consult <https://2016.export.gov/southkorea/servicesforuscompanies/index.asp>.

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

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

Additionally:

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

The performances of your agent and distributor should be regularly monitored. Underperformance by either party should be addressed promptly, and guidance should be provided to improve performance. If performance continues to lag, then termination of the contract should be considered. When considering contract termination, all legal and contractual obligations must be thoroughly reviewed. Once termination is legally binding, the U.S. firm should begin searching for a new distributor or manufacturer.

Finding a Good Partner in Korea

CS Korea offers the Gold Key Service (GKS) to assist U.S. firms in establishing relationships with potential business partners. Please consult https://2016.export.gov/southkorea/servicesforuscompanies/index.asp#P22_1131.

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

U.S. exporters of food and agricultural products can also find assistance from one of USDA's State Regional Trade Groups (<http://www.fas.usda.gov/programs/market-access-program-map/state-regional-trade-groups>) or the Agricultural Trade Office in Seoul, Korea (www.atoseoul.com/).

The GKS provides:

- A customized schedule of face-to-face meetings with carefully-selected prospective candidates;
- Market briefing, interpretation service, and transportation (fee based); and
- Information regarding each meeting, focused market research, and insights gained by CS specialists in the process of setting-up the GKS.

CS Korea strongly recommends that:

- U.S. companies seek legal counsel prior to signing a contract or making major business decisions with Korean companies.
- Any distribution or agency contract should include a termination clause. If not, Korean commercial arbitrators may specify the terms for termination, including compensation claims against the principal. A mutually-signed contract between a supplier and an agent/distributor, with termination provisions, would take precedence and avoid placing the U.S. company at risk.

U.S. companies should protect their intellectual property, trademarks, and patents with the Korean Intellectual Property Office (KIPO). Please consult <https://www.kipo.go.kr/en/MainApp>.

A local Korean or U.S. attorney in Korea can easily perform these tasks. Under Korean law, applications to KIPO must be completed and submitted in Korean. This should be done in the U.S. company's name and not the Korean agent/representative's name. Since the passage of the KORUS FTA, there are now numerous U.S. law firms with offices in Korea. Additionally, there are more than 20,000 Korean lawyers practicing in Korea.

Establishing an Office

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

- **Subsidiary Office:** Established as a local company, a subsidiary has a closer relationship with the local business community and can provide the local firm the opportunity for Korean government investment incentives, as it would be eligible to receive corporate income tax incentives (Special Tax Treatment Law STTCL), if it meets certain requirements. These tax incentives are not available to branch or liaison offices.
- **Branch Office:** Not subject to audits by external auditors in Korea, a branch office's net income is automatically viewed as being included in the headquarters balance sheet. A company expecting to grow large enough to require the establishment of a subsidiary in the future should consider doing so from the beginning, rather than starting as a branch operation.
- **Liaison Office:** A liaison office can only conduct marketing and support and cannot conduct direct sales. A liaison office is subject only to the tax code of the headquarters country and is the simplest form of conducting business in Korea.

A basic checklist for setting-up an office in Korea includes:

- Review *Invest KOREA*: Consult the one-stop services offered by Invest KOREA (Consult: <http://www.investkorea.org>) a government-sponsored, non-profit organization of the Korea Trade-Investment Promotion Agency (KOTRA; <https://www.kotra.or.kr/foreign/main/KHEMUI010M.html?LOCALE=en>).
- KOTRA maintains offices throughout the United States and is poised to guide U.S. companies through the administrative, legal, and tax implications of opening an office in Korea. Consult: <https://www.kotra.or.kr/foreign/main/KHEMUI010M.html?LOCALE=en>
- *Authorization*: Once 'authorization to proceed' with an investment is granted, companies must notify the Ministry of Trade, Industry and Energy (MOTIE), a delegated authority (major Korean bank), or Invest Korea. Consult: <http://www.investkorea.org>.
- *Your Office in Korea*: Consult a reputable real estate agent or real estate consulting firm when deciding on the best location for your office. A partial list is available at: <https://2016.export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp>
- Under Korea's Foreign Land Acquisition Law, foreigners can purchase land regardless of size or purpose. Local zoning laws regulate categories of activity allowed and should be reviewed prior to making final investment decisions. It is highly recommended that anyone desiring to purchase land consult with a reputable Korean or U.S. law firm.

- *Register with the Tax Office:* Investors must register their office/investment with the local tax office. Given language issues, the complexity of Korean tax laws, and the potential for misunderstanding, companies should hire a local accounting firm to file taxes. Consult:
<https://2016.export.gov/southkorea/usefullinks/majorrealestateaccountinghrfirmsinkorea/index.asp>
- *Seek Qualified Employees:* Koreans are attracted to U.S. firms based upon issues such as salary rates, work environment, prestige, opportunities for travel, the ability to use and learn English, and the possibility to transfer to the company's home office or another foreign branch office.

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

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

Contact the *Seoul Global Center* website for information on the Seoul Metropolitan Government's program which occasionally offers free or reduced rent/office space for foreign residents (<http://global.seoul.go.kr/>).

Franchising

According to the Korea Fair Trade Commission (FTC), the franchise industry was estimated at \$100 billion with 1.4 million employees in 2016. The number of franchises increased from 4,631 (2017) to 4,882 (2018). Among 4,882 franchises, 3,617 were in food services. The average lifespan of a franchise brand is 7.2 years, and only 0.8 percent of food franchises have survived for more than 10 years in Korea. While new franchise brands are introduced in Korea every year, over 1,000 brands disappeared in 2017.

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

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

Korean franchisees are reluctant to pay high franchising fees and royalties often required by U.S. companies. Minimum facility size and number of store openings required by some U.S. franchisors are also a challenge for the Korean franchisee. The expensive nature of the

commercial real estate sector in Korea can potentially affect the feasibility of a project, which may otherwise offer great promise in other markets. Korean franchisees prefer to do business with U.S. franchisors with established brand names that are already popular among Koreans.

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

- Major retailers who have access to capital and real estate;
- Private equity funds who try to resell businesses in the future;
- Individuals and SMEs with real experience with franchising brands; and
- Individuals and SMEs who are newcomers.

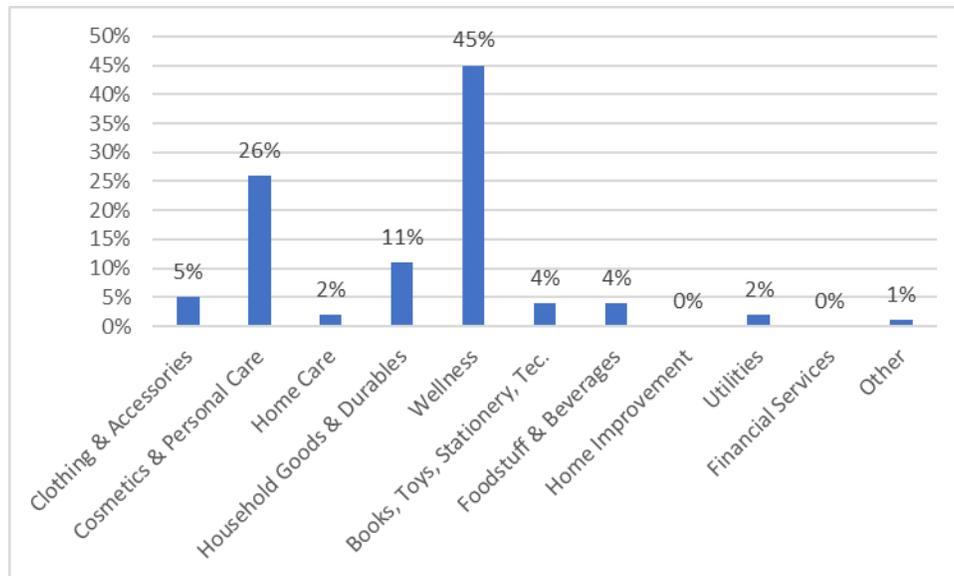
Potential franchisors should also be aware of issues relating to the Korea Commission for Corporate Partnership (KCCP). One of KCCP's important roles is the designation of the industries reserved for small and medium enterprises (SMEs). Once designated, big companies' store expansions can be limited to certain geographic areas or nationwide expansion can be limited to certain of number of stores. In 2016, the KCCP designated several service providers, which included bakeries and restaurants (Korean, Japanese, Chinese, Western and other foreign food restaurants as well as Korean fast casual and takeout restaurants) and some manufacturing industries as reserved for SMEs. The restrictions applicable to the designated companies, within the relevant industries, will be valid for 3 years.

Direct Marketing

Direct selling is the most important retailing channel in Korea as e-commerce via internet and mobile devices have become the biggest sales channel in Korea in 2016. For more information on Internet and mobile commerce, please read the *Electronic Commerce* section of this chapter. Besides e-commerce, door-to-door sales and multi-level marketing remain competitive in Korea.

Door-to-door sales and multi-level marketing are other important direct sales channels. According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), door-to-door sales and multi-level marketing sales reached approximately \$12.6 billion in 2016, up from \$12.5 billion in 2015. According to the World Federation of Direct Selling Association (WFDSA: <https://wfdsa.org>), the most common products sold through direct selling in Korea in 2017 are: wellness products (45 percent), cosmetics and personal care products (26 percent), and household goods and durable products (11 percent).

Consumer Sales in Korea via Direct Selling (2017)



Source: World Federation of Direct Selling Association (WFDSA), 2018

<https://wfdsa.org/wp-content/uploads/2018/06/Product-Report-2017-June-6-2018-v2-002.pdf>

Door-to-Door Sales

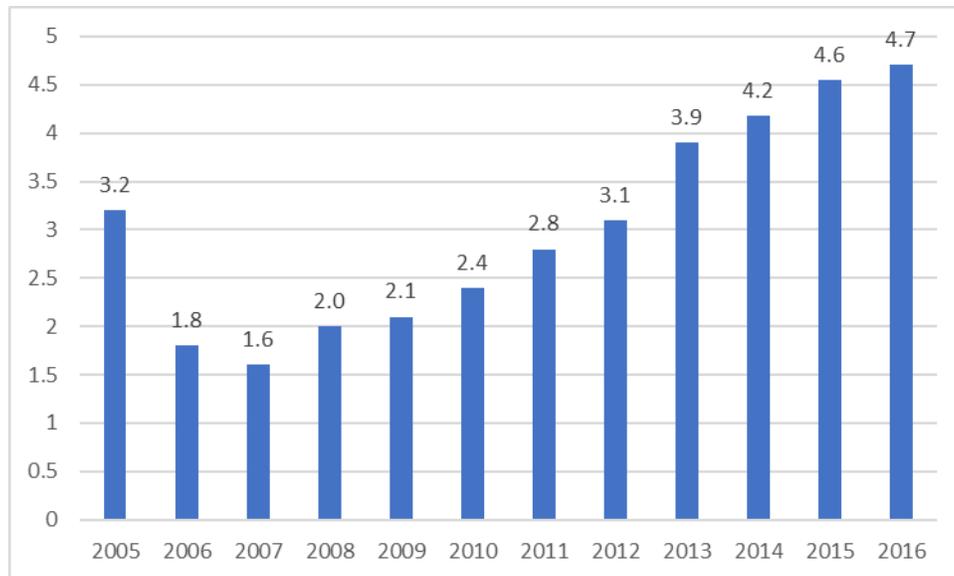
Door-to-door sales remained stable at around \$7.9 billion from 2015 to 2016. According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), the number of companies registered as a door-to-door sales company decreased from 25,161 in 2015 to 23,475 in 2016 due to 'market restructuring' and the growth of e-commerce. This stagnation or even decreasing trend could remain in the future as a by-product of the growth in e-commerce.

Multi-Level Marketing (MLM)

Korea's multi-level marketing sales for 2017 approached \$4.5 billion up from \$4.4 billion in 2016. The number of registered multi-level marketing companies in Korea has increased to 125 from 124 in 2016. It is reported that these companies employ over 8 million sellers/distributors.

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

Consumer Sales in Korea via Multi-Level Marketing (\$ billions)



Source: Korean Fair Trade Commission (FTC), 2017

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

Joint Ventures and Licensing

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

Foreign direct investment (FDI) is encouraged and promoted by the Korean government. With the ratification and implementation of the KORUS FTA in 2012, greater cooperation and encouragement of FDI is expected. Korea offers strong incentives to potential foreign investors in a bid to attract more foreign direct investment into Korea. The Korean government has frequently made clear its desire to improve the business environment for foreign investors and attract more FDI.

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

- The decreasing influence of (some) *chaebols* (conglomerates), the Korean government's promotion of SMEs, and the government's interest in seeking anti-monopolistic and more diversified JVs;
- Koreans prefer to maintain local control, regardless of percentage invested by foreign entities; and
- Management control should be evaluated on three levels: 1) shareholder equity; 2) representation on the board of directors; and 3) active management (representative director and subordinate management). Legally, Korean board meetings require the physical presence of all JV members, as well as a quorum of the directors. If a foreign investor intends to exercise day-to-day management of an operation, a representative director who resides in Korea must be appointed. The director requires the support of and access to key functional areas of the company to manage in accordance with the foreign investor's wishes.

Contractual Agreements in Korea

Well-written, well-understood, and well-executed contractual agreement provide the basis for a U.S. firm's success in Korea. Cultural differences surrounding the expectations of a contractual agreement and how one successfully arrives at a mutually beneficial agreement is often the basis of consternation and challenges. For Koreans:

- A contract represents the 'current understanding' of a deal. It is the beginning, rather than the end, to a negotiation;
- Any change in the circumstances surrounding the contract (omissions, invalid issues, new leadership, non-existent issues) may cause problems to arise;
- Koreans may regard a contract as a "gentlemen's agreement," subject to further negotiation *should conditions change*; Americans generally regard the same written agreement as legally binding.
- Contract negotiations in Korea should be viewed as an *ongoing process of dialogue* and should have the following objectives:
 - Reaching a common understanding about the deal;
 - Reaching an understanding about each party's responsibilities;
 - Recording the detailed understandings;
 - Being *prepared to modify the terms of the agreement should there be a change* in circumstances (leadership, other issues).
- Additionally, the following precautions should be addressed:

- Technology transfer, raw material supplies, marketing, and distribution should be agreed upon, in detail, in the JV agreement.
- A company's IP may not be protected and could be vulnerable in the later stages of a JV business relationship, especially if the Korean company depends upon the transfer of technology (see section on *Protecting your IP*, also in this chapter).
- Korea's legal system can be lengthy, cumbersome and expensive. When dealing with contracts, the best strategy is to prevent conflicts.

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

Selling to the Government

Government Procurement

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

Korea's GPA commitments include:

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

U.S. companies interested in Korean government procurement must work with Korea's Public Procurement Service (PPS). It is highly recommended that U.S. firms maintain a reputable representative or agent in-country to carefully monitor PPS tender opportunities. Consult: <http://www.pps.go.kr/eng/index.do>.

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

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

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

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

The KORUS FTA, in effect since March 15, 2012, has a chapter devoted to government procurement. Consult: <http://www.ustr.gov/>.

Many governments finance public works projects through borrowing from Multilateral Development Banks. Please refer to "[Project Financing](#)" Section in "Trade and Project Financing" for more information.

Defense Procurement

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

The Defense Acquisition Program Administration (DAPA: http://www.dapa.go.kr/mbs/home/mbs/dapa_eng/) is responsible for Korean defense procurement and was established to ensure transparency in the process.

ROK defense products/equipment are acquired through a sophisticated and mature procurement system which includes direct purchase, sales agents, and importer channels. U.S. manufacturers/suppliers of defense equipment should use a well-qualified/vetted Korean agent, familiar with the ROK defense system and knowledgeable of

key members of the country's Air Force (ROKAF), Navy (ROKN), Army (ROKA), and Agency for Defense Development (ADD). CS Korea, through our Gold Key Service program, can assist U.S. defense companies in identifying a potential, well-qualified representative. Former (retired) ROKAF, ROKN, and ROK A officials have good potential as commissioned representatives in Korea. Local representatives must register and be certified by DAPA to supply their products and services to the military end-users.

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

Companies wanting to supply their products/systems to Korea's military are required to register with DAPA; this is a 10 day process. For more information on the registration and bidding process, refer to DAPA's procurement portal: <https://www.dapa.go.kr>.

U.S. defense industry equipment standards are accepted in Korea as most Korean defense systems are based on American standards. Interoperability of systems is critical in what is now a 64-year U.S.-ROK defense partnership.

Distribution and Sales Channels

South Korea's geography is 70 percent mountains, and the country's nearly 50 million people are concentrated in five key population centers: 1) Seoul metro area; 10+ million; 2) Busan metro area: 3.5 million; 3) Incheon metro area: 2.9 million; 4) Daegu metro area: 2.5 million; 5) and Daejeon metro area: 2 million. Most freight forwarders use an extensive network of first-class railways, 3,000 kilometers of highways, and air routes that crisscross the country.

Incheon, Gimpo, and Busan's first-class airports and ports are the points of entry for most products. Products are then transferred by highways and railways to major modern distribution centers in Seoul, Busan, Incheon, Daegu, and Gwangyang. South Korea has 15 airports. Eight are international airports, including the world-class Incheon International Airport near Seoul. Around 77 international passenger and cargo airlines operate regularly scheduled flights between Korea and many nations around the world (see Chapter 4 of this report for additional information on Korea's airports).

The Port of Busan is the world's fifth largest cargo port. In addition, Incheon Airport Terminal 2 opened in January 2018 and a new airport in Jeju is being planned.

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

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

Korea's major cities have numerous fashionable and expensive department stores and boutiques. There are also thousands of second-tier and third-tier retail stores. Full-line discount stores (FDS) have also increased in popularity in recent years. U.S.-based Costco, which entered the Korean FDS market more than 10 years ago, is successfully competing against Korean rivals E-Mart, Lotte Mart, and Homeplus.

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

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

A handful of Korea's highly successful and sophisticated retailers have contacted CS Korea from 2012 to the present, seeking introductions to U.S. name-brand retailers and anchor stores for their respective three-to-five year mall construction plans.

In April 2015, CS Korea completed a 16-page International Market Insight (IMI) report, describing how Koreans make purchases via foreign online retailers. This document can be found under 'market research' on the CS Korea website <https://www.export.gov/article?id=Korea-eCommerce>.

Express Delivery

Korea has a very well-defined domestic express delivery service. On average, delivery times are next-day delivery (called "Taekbae") or same-day delivery (called "Quick Service"). Delivery costs depend on the size/weight of the package; usually starting at around ₩2,600 for next-day delivery (from 350g to 30 kg in weight) and around ₩10,000 for same-day delivery (if in close vicinity). Quick Service tends to be more informal in terms of pricing, but just as reliable. Some of the major domestic express delivery companies are the Korean Post Office (<https://parcel.epost.go.kr>), CJ Express Delivery (<https://www.doortodoor.co.kr/main/>), Lotte Global Logistics (www.lottegloballogis.com), Hanjin Express (<http://hanex.hanjin.co.kr>), and Logen Express (www.ilogen.com).

International express delivery from the U.S. to Korea is primarily handled by Fedex (www.fedex.com), DHL (www.dhl.com), UPS (www.ups.com) and Hanjin (www.hanjin.co.kr/Global_html/us/en/index.jsp). The average estimated delivery time is about 1-2 business days from Los Angeles to Seoul, and about four days for other areas of Korea. The approximate cost is \$55 for one pound and \$10 for every additional pound. Customs procedures are normally handled by the express delivery service company. However, Korean Customs does require that personal recipients of a parcel sign-up for a Personal Customs Clearance (PCC) code to clear the parcel through Customs. Korean Citizens can sign up for this PCC code through the website <https://p.customs.go.kr>.

Selling Factors and Techniques

Korea is a country with intense, demanding, and eager consumers. As well, Korea's retail sector is popular among the over 4.2 million Chinese visitors (as of 2017) that come to Korea every year. Although the number decreased from 8.1 million in 2016 because of a political dispute between China and Korea, Chinese tourists are returning to Korea as the tension subsides. U.S. companies wanting to sell into this market should endeavor to follow these guidelines:

- Adapt company products and procedures to Korean tastes and conditions
- Communicate regularly with both your Korean business partner and customers
- Exhibit a consistent, firm, and long-term commitment to the Korean market
- Work at building long-term relationships
- Augment the efforts of your local representative by visiting Korea frequently
- Invite Korean representatives back to the home office periodically to ensure they are fully informed, motivated, and up-to-date on your company and its offerings
- To the extent possible, allow the distributor/agent to select from all the U.S. company's product lines
- Hold demonstrations, seminars, and exhibitions of products in Korea
- Increase the distribution of technical data and descriptive brochures
- Assist local representatives with follow-up on sales leads

e-Commerce

E-commerce is a key component of the overall consumer market in Korea, a country with 99.2 percent of households having internet access via PC, mobile, or another device.

Characteristics of e-commerce in Korea include:

- Domestic online purchases reached \$100.8 billion in 2018 up from \$80.7 billion in 2017. Domestic electronic commerce, in 2018, comprised 30.8 percent of Korea's total retail industry.
- High penetration of smartphones is the main factor driving market growth. While purchases on PCs increased from \$34.5 billion in 2017 to \$38.8 billion in 2018,

purchases on mobile phones increased from \$46.2 billion in 2017 to \$62.0 billion in 2018.

- The most popular products sourced from domestic online retailers in 2018 are travel and transportation services (13.8 percent), clothing (11.2 percent), home appliances and electronics (10.4 percent), food and beverage (9.1 percent), cosmetics (8.5 percent), household items (7.9 percent), and food services (4.8 percent).
- Online purchases from foreign retailers have also been rapidly increasing because Koreans find less expensive prices on overseas websites even after adding-in international shipping fees and import duties. Cross border e-commerce has reached \$2.8 billion in 2018.
- Under the KORUS FTA, express courier service mailed goods under \$200 are duty free when sourced from the U.S., and 'made in the USA' items under \$1,000 are exempt from KORUS FTA documentation.
- Multi-brand on-line retailers such as Amazon.com and eBay are the most frequently used foreign on-line shopping sites visited by Koreans.
- The most popular foreign sourced products from on-line retailers by Koreans in 2018 are dietary supplements (16.7 percent), apparel (16.3 percent), electronics (12.1 percent), footwear (8.3 percent), handbags (6.7 percent), food (5.7 percent), and cosmetics (5.1 percent).
- Following the implementation of Korea's privacy for personal data in 2014, Korea Customs continues to push *importers of record* to clear shipments with a Customs Clearance Indigenous Code (CCIC), a Korea Customs-issued ID number, rather than a national ID number.
- U.S. based e-commerce companies should review the Personal Information Protection Act (PIPA) and ministerial data privacy/spam regulations, which may restrict e-commerce for firms managing user-data on international servers.

CS Korea completed a 16-page International Market Insight (IMI; April 2015) describing how Koreans make purchases from foreign online retailers. This IMI document can be found under 'market research' on the CS Korea's website

<http://2016.export.gov/southkorea/industries/ecommerce/ecommmarketresearch/index.asp>

Internet Penetration

According to Ministry of Science and ICT, Internet user population and smartphone user population in Korea in 2017 reached 90.3 percent and 93.0 percent respectively. In addition, Korea ranked 16th globally with over 45 million internet users.

Current Market Trends

The growth of the Korean retail sector is led by e-commerce. While e-commerce is growing rapidly, traditional retailing channels are suffering. Consumers tend to go to traditional stores for window shopping but purchase goods at online retail sites to find the best deals.

One of the biggest trends in online retailing is convergence with other platforms. Internet portal sites, social network services, TV home shopping, etc. now all have online shopping functions and the popularity of their platforms are increasing since consumers want a one-stop shopping experience that includes product reviews and price, purchasing, and paying with new online payment solutions associated with the platforms.

Domestic e-Commerce (B2C)

Domestic e-commerce sales have been increasing for the past few years reaching \$100.8 billion in 2018. Online purchases surpassed hypermarkets' sales in 2016 making e-commerce the biggest retail channel in Korea. Popular e-commerce sites include Auction, G-market, 11st, Coupang, Ticket Monster (TMON), and We Make Price. Based on the number of mobile and PC users combined, 11st was ranked the first in 2017 with 19 million visitors. 11st was also the first for mobile users followed by Coupang.

Cross Border e-Commerce

Online purchases from foreign retail sites reached \$2.8 billion in 2018, up from \$2.1 billion in 2017, with 53.3 percent purchased from U.S online retailers. Although the United States is ranked number one, the U.S. Market share, which was 57.6 percent in 2017, has been continuously decreasing due to the expanded presence of E.U. and China.

Business to Business (B2B) e-Commerce

Korean B2B e-commerce market data is not available; however, due to the explosive expansion of business to consumer (B2C) e-commerce and tough competition among e-commerce players, e-commerce companies have been looking to expand into B2B e-commerce on consumable sales to small and medium size companies. G-market was the first one to launch a B2B shopping site called 'Biz on' in 2012. Auction also has B2B sites called 'Biz club' for food ingredients and 'Biz plus' for other consumables. Interpark has 'I market Korea' that integrates B2B and B2C services. We Make Price started 'We Make Price Bizmall' in 2016. With 5.4 million business owners and 3.5 million small and medium-sized companies, the B2B e-commerce market is expected to be very competitive.

e-Commerce Services

In 2018, the most popular item sold through Korean e-commerce platforms was travel and transportation services, which makes up 13.8 percent of the total sales. Clothing (11.2 percent), home appliances and electronics (10.4 percent), food and beverage (9.1 percent), cosmetics (8.5 percent) and household items (7.9 percent) followed. Compared to 2017, home appliances and electronics showed the biggest growth rate of 29.2 percent, followed by travel and transportation services (19.9 percent).

e-Commerce Intellectual Property Rights

It is illegal to sell counterfeited products on e-commerce sites and to bring any counterfeit goods into Korea via cross border e-commerce. Before 2015, one item could be brought into the country assuming that it was for personal use. However, Korea Customs Service is enforcing a stricter policy not to bring in any illegal counterfeited goods according to the intellectual property law.

Business to Government (B2G) e-Commerce

For B2G E-commerce, Korea ON-line E-procurement System (KONEPS) is the only channel in Korea. In 2015, 48,000 public organizations and 320,000 companies were registered on this system with a total volume of business at \$42 billion. The site deals with more than 60 percent of Korea's public procurement market, which is about \$105 billion and is recognized for its high standards by the UN and OECD.

Online Payment

According to a survey by the Bank of Korea, the most preferred payment method for PC and mobile shoppers is by credit card. The next preferred method is by account transfer for PC and debit card and phone payment for mobile.

With the continuous growth of online shopping, electronic payment services via PC and mobile are increasing. For Payment Gateway (PG) service based on credit cards, the average number of usages a day exceeded 8 million, and the amount of total payments reached \$136 billion in 2018. In addition, mobile payment and digital wallet service such as Samsung Pay and Naver Pay are attracting more users. On average 3.9 million cases per day were paid by smart pay services and the total sales amount to \$41.4 billion in 2018.

Mobile e-Commerce

Mobile e-commerce is the main driver of the explosive e-commerce growth. While online shopping grew by 10.3 percent in 2018, mobile e-commerce increased by 31.7 percent. Purchases from mobile platforms make up 61.5 percent of the total market value.

Digital Marketing

In 2018, the size of the on-line advertisement market was estimated to be \$5.0 billion, up from \$4.3 billion in 2017. As to each on-line advertising channel, the sales amount of personal computer (PC) advertisements remains almost the same, while mobile channel grew by 26 percent in 2018. PC advertisements takes up 34.7 percent of the on-line advertisement market in 2018, decreasing from 40.0 percent in 2017. Mobile advertisements, however, accounts for 65.3 percent, showing an increase from 60.0 percent in 2017. Among on-line advertisement types, display advertisement takes up 51.3 percent and search ads 48.7 percent. The on-line advertisement market exceeded the size of the TV ads market in 2016 and is expected to extend the lead in the future.

Major Buying Holidays

Chu-seok (the 15th day of the 8th lunar month), Seollal (Lunar New Year's Day), Parents' Day (May 8th) and Children's Day (May 5th) are major buying holidays in Korea. When purchasing from foreign online shopping sites, Koreans also follow foreign countries' buying holidays such as Black Friday in the U.S. and China's Singles' Day (Guanggun Jie) to get the best deals.

Social Media

According to a 2018 study by App Ape, the most widely used social media in Korea is Band followed by Instagram. In a 2016 survey by Korea Information Society Development Institute, Kakao Story was the most widely-used social media in 2016 but it became the third most widely used social media in 2017.

Opportunities

Of the \$2 billion spent by Korean consumers at overseas e-Commerce platforms in 2017, \$1.1 billion was purchased from the U.S. According to the Korea Customs Service, dietary supplements, food products, and apparel are the most popularly sourced items from the U.S. while cosmetics and electronics are sourced more from the E.U. and China.

Trade Shows

CS Korea was not able to identify any trade shows focusing on electronic commerce. CS Korea does have an extensive list of Korean retail trade shows, which can be obtained upon request. However, most of these trade shows tend to be B2C instead of B2B.

Key Contacts

Ministry of Trade, Industry and Energy (MOTIE) - <http://www.motie.go.kr>

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

Korea Customs Service (KCS) -
<http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english>

Local Contact

Ms. Jinjoo Lee
Commercial Specialist
Commercial Service Korea
U.S. Embassy Seoul
188 Sejong-daero, Jongro-gu
Seoul 03141, Korea
Tel: 82-2-397-4324

Jinjoo.Lee@trade.gov
www.export.gov/southkorea

Trade Promotion and Advertising

The U.S. Government's primary trade promotion agency in South Korea is the U.S. Commercial Service. Located within the U.S. Embassy in Seoul, it is an agency of the U.S. Department of Commerce, International Trade Administration. Consult: <http://www.export.gov/southkorea>.

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

- The Korea International Trade Association (KITA): <http://www.kita.org/>. KITA organizes overseas trade missions, conducts market surveys, assists potential foreign buyers or sellers, and offers consultation and personalized advisory services regarding trade rules and regulations, export and import procedures, business management, market research, technology development and taxation. KITA has offices in Washington, DC, and New York. It also has seven offices in other countries.
- The Korean Chamber of Commerce and Industry (KCCI): <http://english.korcham.net/nChamEng/Service/Main/appl/Main.asp>. KCCI is Korea's largest private economic organization, with 71 regional chambers and approximately 135,000 members. Since its establishment in 1884, KCCI has contributed to the growth and development of the national economy and the enhancement of Korea's status in the international community.
- The Korean Importers Association (KOIMA): <http://www.import.or.kr/>. KOIMA is Korea's primary import association and represents over 4,000 businesses.
- Korea hosts many trade shows and exhibitions each year. Historically, many of these shows are highly focused on B2C activities and, thus, are not necessarily attractive to U.S. firms interested in meeting qualified companies, versus end-users. The following trade facilities and event schedules may be of interest to U.S. firms:
- COEX: <http://coex.co.kr/eng> - Korea's largest full-service trade show organization, has 36,027 square meters of exhibition space. Hundreds of shows (B2B and B2C) are held throughout the year.
- SETEC: <http://eng.setec.or.kr/index.do> - The Seoul Trade Exhibition Center is operated by the Korea Trade-Investment Promotion Agency (KOTRA).
- KINTEX: http://www.kintex.com/client/_eng/index.jsp - Located in Ilsan, Gyeonggi-do, near Seoul, KINTEX has the largest exhibition space in Korea, with 108,566 square meters.

- BEXCO: <http://www.bexco.co.kr/eng/Main.do> - Located in Busan, Korea's second largest city (southeast Korea), BEXCO holds dozens of B2C and B2B national exhibitions and features 26,446 square meters of exhibition space.

Advertising

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

Particular aspects of Korea's advertising market include the following:

- Korea's advertising market is the sixth largest in 2017 among member nations of the OECD, according to the Korea Advertisers and Media Audit Korea.
- Total media advertising spending in Korea reached \$10 billion, up 4.6 percent in 2018.
- More than 80 mega-LED screens strategically pepper commercial areas (in Seoul and other cities) with 24/7 promotions. Monthly advertising opportunities exist.
- Thousands of excellent promotional sites on Korea's well-used bus stops, subway stations, railways, and airports should be considered by U.S. firms.
- On-line advertising offers significant market growth potential. In 2018, Korea's digital advertising reached \$4.6 billion, growing by 16.0 percent compared to the previous year. Mobile advertisements made up the biggest proportion of digital marketing, with a 60 percent share. Display ads account for 44 percent, search ads for 56 percent, and visual ads for 15 percent of total on-line advertising. Currently 15 million households, or 98 percent of all, use the Internet. The Korea On-line Ad Association (KOA) can be found at the following website: <http://www.onlinead.or.kr>.
- The presence of over 3,031 foreign (to include all major ad agencies) and Korean ad agencies. Foreign equity participation is permitted at 100 percent.
- Hundreds of TV and radio stations, including:
 - KBS I, KBS II: TV and radio stations owned/operated by the Korean government
 - MBC, SBS: Independently operated, but with ROK government influence (Consult: www.kobaco.co.kr/eng)
- Comprehensive Programming Channels:
 - Launched on December 1, 2011, four new nationwide networks supplement existing conventional free-to-air TV networks like KBS, MBC, SBS, and other smaller channels. Unlike land-based television channels, new comprehensive programming channels can broadcast for 24 hours and commercial breaks are

allowed. In Korea, over 80 percent of the population watches cable or satellite TV, so the influence of these comprehensive programming channels is strong.

- Channel A www.ichannela.com is managed by Dong-A Media Group. The Dong-A Media Group consists of twelve affiliate companies, including Dong-A Ilbo, the leading newspaper in Korea since 1920.
 - TV Chosun <http://www.tvchosun.com/main.html>, also known as Chosun Broadcasting Company, is owned by the Chosun Ilbo-led consortium. Chosun Ilbo is one of the major newspapers in South Korea, with a daily circulation of over 2,200,000.
 - JTBC <http://jtbc.joins.com/> is managed by the JoongAng Media Network. JoongAng Ilbo is one of the major newspapers in South Korea.
 - MBN www.mbn.co.kr, also known as Maeil Broadcasting, Inc., is owned by Maeil Business Newspaper. MBN was formerly a news channel, between 1993 and 2011. It transitioned to a general programming cable TV channel after 17 years of operation.
- The Korea Advertising Review Board (KARB: <http://www.karb.or.kr/>) is responsible for advertising regulation and compliance.
 - The Korean Fair Trade Commission (KFTC: <http://eng.ftc.go.kr/>) assures accuracy in advertisement.
 - Korean Cable TV Association (KCTA: <http://www.kcta.or.kr/>).
 - The Korean cable TV industry serves 32 million households, with 99 system operators offering over 150 programs. Korea Digital Broadcasting (KDB), a subsidiary of Korea Telecom (KT: <http://www.kt.com/eng/>) broadcasts more than 150 satellite channels to over 2.6 million households.
 - There are seven leading shopping channels in Korea: GS, Hyundai, CJ, Lotte, Shinsegae, NS, and Home and Shopping. In 2017, Korea's market scale of the home shopping industry reached \$14 billion.

Pricing

In Korea's export-driven economy, price competitiveness is a key factor. Korean manufacturers try to purchase lower-priced, quality raw materials or equipment.

Korean buyers generally consider that U.S. goods:

- Have an *overall* good reputation

- Are of high quality and good performance
- Are relatively expensive, especially because of shipping and other logistical costs.
- According to the Korean Act on Consumers, consumer items are required to be labeled with the following (with specifics varying among products):
 1. Denomination, use, ingredients, material quality, performance, size, price, capacity, permitted number of goods and contents of services
 2. Name (including address and telephone number) of the enterprise that has manufactured, imported, sold or provided goods, etc., and the origin of the goods
 3. Method of use, matters of caution and warning in use and keeping
 4. Date of manufacture, quality guarantee period or, in case of goods such as foods, medicine etc., which are apt to be altered during distribution, the validity period of such goods
 5. Dimension, location and method of indication, and Organization (including its address and telephone number) and method of settlement for any complaint on goods etc., or any consumer's damage due to goods, etc.

A 10 percent value-added tax (VAT) is included on services and products.

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

Sales Service and Customer Support

Considered secondary to product and price considerations, after-sales service in Korea is often found lacking by foreign suppliers. After-sales service and customer support by Korea's big conglomerates, such as Samsung and LG, are often seen as better than the services offered by global enterprises or international SMEs. Korean consumers are very demanding in terms of customer support. After sales service and customer service in general should be managed closely, especially given the competition of third countries in this market. Servicing is/should be an important component of the 'sale.'

The best approaches for after-sales service and customer support include:

- Resident or offshore engineers (Japan or Taiwan) working with local engineers; service contracts should be considered

- Establishing a regional servicing facility which can effectively service and support equipment sold in Korea
- Training service and customer service personnel via U.S.-based programs.

Protecting Intellectual Property

Korea was mentioned several times in the 2018 Special 301 report though she is not on any watch list ranking

(<https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf>).

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property \(at https://www.uscib.org/register-and-apply-ud-859/\)](https://www.uscib.org/register-and-apply-ud-859/) and Stopfakes.gov for more resources.

For an IPR snapshot of Korea, please link to <https://2016.export.gov/southkorea/iprtoolkit/index.asp>.

IP Attaché Contact (For Korea)

Please contact our office at office.seoul@trade.gov for your IPR issues.

Due Diligence

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

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

CS Korea offers a fee-based service called the International Country Profile (ICP): https://2016.export.gov/southkorea/servicesforuscompanies/index.asp#P40_2693. The ICP includes the above information, obtained by the Commercial Service in Korea, in addition to a visit to the office of the Korean company, as well as obtaining financial information from DandB Korea Co., Ltd. (<http://www.dnbasia.com/kr/english/sitemap/>) and Kroll International (<http://www.kroll.com/>), both of which also provide due diligence reports.

Local Professional Services

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

Agents/distributors:

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

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

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

Major real estate and real estate consultancy firms, accounting companies and human resource firms:

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

Major newspaper contacts:

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

The “Featured U.S. Exporters” (FUSE) site provides information on how you can advertise products on our worldwide website, in various languages, for a small fee. Click

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

Principal Business Associations

For principal business associations in Korea, please see the link below:

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

Limitations on Selling U.S. Products and Services

With the signing of the U.S.-Korea Free Trade Agreement in 2012, in general, U.S. companies will not face formal limitations. However, there are special circumstances where formal or informal limitations may exist. For additional information, please contact a Commercial Specialist from the U.S. Commercial Service in Seoul:

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

Web Resources

Busan Exhibition and Convention Center (BEXCO):

<http://www.bexco.co.kr/eng/Main.do>

Agents or Distributors in Korea:

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

Banks in Korea:

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

Convention and Exhibition Center (COEX):

<http://www.coex.co.kr/eng/>

Daegu Exhibition and Convention Center (EXCO Daegu):

<http://www.exco.co.kr/en/>

Defense Acquisition and Procurement Agency (DAPA):

http://www.dapa.go.kr/dapa_en/main.do

Dun and Bradstreet Korea

<http://www.dnbasia.com/kr/english/sitemap/>

Featured U.S. Exporters (FUSE)

https://2016.export.gov/southkorea/servicesforuscompanies/index.asp#P74_5387

Government e-Procurement Service (GePS):

http://www.geps.or.kr/g_subsite/english/index.jsp

International Company Profile:

https://2016.export.gov/southkorea/servicesforuscompanies/index.asp#P40_2693

Invest KOREA:

<http://www.investkorea.org/>

Korea International Trade Association (KITA):

<http://www.kita.net>

Korea Broadcast Advertising Corporation (KOBACO):

<https://www.kobaco.co.kr/eng/>

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):

<https://www.kipo.go.kr/en/MainApp>

Korea's Main Distribution Centers:

Busan: <http://english.busan.go.kr/index>

Daegu: <http://www.daegu.go.kr/english/index.do>

Gwangyang: <http://www.gwangyang.go.kr/02en/index.gwangyang>

Incheon: <http://english.incheon.go.kr/index.do>

Korea Trade Investment Promotion Agency (KOTRA):

<http://www.kotra.or.kr/foreign/main/KHEMUI010M.html?LOCALE=en>

KINTEX

http://www.kintex.com/client/_eng/index.jsp

Kroll Korea:

<https://www.kroll.com/en>

Public Procurement Service (PPS):

<http://www.pps.go.kr/eng/index.do>

Law Firms in Korea:

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

Newspaper Agencies in Korea:

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

Real Estate Firms, Accounting Corporations and Human Resource Agencies:

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

Seoul Trade Exhibition Center (SETEC)

<http://eng.setec.or.kr/index.do>

World Federation of Direct Selling Associations

<http://www.wfdsa.org/>.

Leading Sectors for U.S. Exports and Investment

Best Prospect Overview

Defense Industry Equipment

ITA CODE: PR DFN

Overview

The Republic of Korea (ROK) has the world's seventh largest military force following China, India, U.S., North Korea, Russia, and Pakistan (based on the number of active military personnel 2019, Military Balance published by International Institute for Strategic Studies). South Korea's defense industry has grown far faster than the regional average in recent years in response to increased antagonism from North Korea. Korea continues to be a major defense and security ally of the U.S. in the Pacific region.

Market Demand

Unit: \$ millions

	2016	2017	2018 (est.)	2019 (est.)
Total Market Size	3,373	4,282	3,927	4,162
Total Local Production	5,155	5,781	6,070	6,374
Total Exports	2,558	3,122	3,309	3,474
Total Imports	776	1,623	1,166	1,262

Note: The statistical data above is based on figures announced by Defense Acquisition Program Administration (DAPA). Total local production and Import figures are based on the contracted amount and not on actual shipment. Estimated and projected figures are based on an unofficial estimate from CS Korea based on the budget of Korea's Force Improvement Plan (FIP), Defense Acquisition Program Administration (DAPA)'s procurement plan, and media reports.

For 2019, a total of \$41.69 billion has been announced for Korea's defense budget which includes \$13.73 billion for the force improvement plan (FIP). The total budget and FIP budget have increased by 8.2 percent and 13.7 percent compared to the previous year, respectively. For 2019, Korea's defense budget is around 2.41 percent of its GDP and constitutes about 14.1 percent of total national budget. Korea is estimated to have the 10th largest defense budget in the world.

Korea's Defense Budget

Breakdown	2018	2019	% increase
Total Defense Budget	38,881	41,694	+8.2%
Force Improvement Plan (FIP)	12,180	13,726	+13.7%
Operation and Management (OandM)	26,701	27,968	+5.7%

Unit: \$ million

Top Defense Budget Spending Countries

Rank	Country	Defense Budget (\$ billions)	% of GDP
1	United States	602.8	3.11
2	China	150.5	1.26
3	Saudi Arabia	76.7	11.3
4	India	52.5	2.15
5	United Kingdom	50.7	1.98
6	France	48.6	1.89
7	Japan	46.0	0.94
8	Russia	45.6	3.10
9	Germany	41.7	1.14
10	South Korea	35.1	2.33

Source: The Military Balance 2018 (IISS, 2018)

In Korea's defense budget allocation, Force Improvement Plan budget is related to the procurement. Force improvement plan reflects Korea's core defense strategy and is directly related to the plans and decisions on the weapons and defense platform procurement. In 2018, Korea's Ministry of National Defense (MND) announced following key strategies for the force improvement plan and key weapon systems procurement:



- 1) Kill Chain: Kill Chain is an offense-oriented defense system that detects missiles in real-time. The goal is to detect any potential threats from the North and take a head start in attacking the nuclear weapon within 30 minutes.
 - Related weapon system: Global Hawk (NGC), military satellites, long-range air to ground missile (TAURUS), Army Tactical Missile System (indigenous development by Hanwha), etc.
- 2) KAMD: Korea Air and Missile Defense (KAMD) is a lower ground (approx. 20km above ground) defense system where patriot missiles, AMD cell and early warning radar play indispensable roles.
 - Related weapon system: TBM early warning radar (foreign purchase), ground to air missile upgrade (indigenous development), Patriot missile upgrade (Raytheon), etc.
- 3) KMPR: Korea Massive Punishment and Retaliation (KMPR) is the system that allows to destroy the control tower of the enemy when attack occurs.
 - Related weapon system: UAV and grenade launcher for special operation (indigenous development), CH-47 upgrade, etc.
- 4) Platform Force: The major supporting platforms will be,
 - Aircrafts: F-35, Maritime Operation Helicopters (LMCO vs. Leonardo), Maritime Patrol Aircraft (Boeing's P8)
 - Vessels: Jangbogo-II/III, Gwangaeto-III batch-II

Market Access and 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 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.

Commercial sales (DCS: Direct Commercial Sale) in the defense industry account for 46 percent of DAPA procurement (average figure from 2011 to 2015). Recently the ROK government has shown a preference for DCS over Foreign Military Sales (FMS) on some programs to reduce purchase price, and work with faster and more simple process.

Foreign Procurement Contract Amount

	2013	2014	2015	2016	2017
FMS	2,388	7,671	2,486	346	687
DCS	1,568	951	2,512	430	936
Total	3,956	8,622	4,998	776	1,623

Source: DAPA's Statistics

Unit: \$ millions

Defense Offset Policy

The offset program was first introduced in Korea in 1982 to fulfill the objective of developing Korea's aerospace industry but it gradually became an important means to acquire core technologies to develop defense industry. An offset obligation is imposed upon the foreign supplier/contractor when the main defense contract amount of a unit acquisition program exceeds \$10 million. Exceptions do exist where an offset obligation is imposed on a contract of less than \$10 million value. For programs with competing suppliers, usually 50 percent of the estimated main contract amount should be allocated to an offset program. For sole source programs, 10 percent or more of the estimated main contract amount is expected. The following programs are considered for the offset: co-production, licensed production, overseas investment, technology transfer, counter purchase, buy-backs, etc. DAPA is the leading entity that governs the offset policy and oversees the executions. Technology evaluations are done by Day (Defense Agency for Technology and Quality), an organization under DAPA.

According to the data announced by DAPA in 2018, offset programs executed from 2013 to 2017 were valued at total of \$7.7 billion. Total of 79 programs were executed as offset programs and 44 programs were from U.S. suppliers consisting 56.4% of the program in quantity and 84.6% of program value.

Major Suppliers with Offset Obligations (past 5 years)

Company	# of programs	Technology transfer	Korea's export	Equipment Acquisition	Total	Share of value
Lockheed Martin	3	2,243	338	1,522	4,103	53.0%
Boeing	7	341	525	43	910	11.7%
Airbus	5	137	590	36	763	9.9%
BAE Systems	1	199	211	174	584	7.5%
GE	3	6	235	0	241	3.1%
Raytheon	9	59	96	82	237	3.1%

Northrop Grumman	1	50	20	104	175	2.3%
L-3 Com	4	123	12	7	142	1.8%
Others	43	229	157	204	590	7.6%
Total	79	3,388	2,185	2,172	7,744	100.0%

Unit: cases, \$ millions

DAPA is recently announced reforms on their offset policy. The new guideline is announced in 2019 and DAPA had renamed the policy as 'Industrial Cooperation'. With the new policy, offset is no longer required in FMS cases and more emphasis has been placed on cooperation with the local defense manufacturers.

Indigenous technology and the drive for defense exports

In 2017, Korea's total export of defense products was about \$3.1 billion, more than triple the export value in 2010. Korea is becoming an active player and one of the top countries in the Asia in defense exports. Korea not only increased its exports regionally, but also managed to export at a global level by expanding to Europe and South America. Korea exported to 83 countries in 2017 with 132 exporting companies.

Following are the list of major defense exports of Korea from 2013 - 2018:

- 6 patrol corvettes to Malaysia (\$1.2 billion)
- 12 FA-50 (Light combat aircraft) to Philippines (\$420 million); FA-50 is co-developed with Lockheed Martin
- 16 T-50s (advanced trainer) to Indonesia (\$4 billion); T-50 is co-developed with Lockheed Martin
- 12 T-50s to Thailand (\$110 million)
- Military vehicles to Philippines (\$345 million)
- K-9 Thunder (self-propelled howitzer) to India (100), Turkey (280), Finland (48), Norway (24), and Poland (120)

U.S. Position in Korea's Defense Industry

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

The U.S. remains Korea's most significant military ally, owing largely to the presence of 28,500 U.S. troops in Korea as a deterrent to any aggression from North Korea and with its 62

years of close alliance history, U.S. standards are generally accepted in Korea and most Korean defense systems are based on American standards. This has affected defense procurement decisions. U.S. constitutes about 82% of Korea's total defense imports. (This figure is the sum of U.S. share in the foreign defense procurement from 2013 to 2017. There was a sharp increase in FMS in 2014)

Although the U.S. continues to be a primary supplier in Korea, the strict U.S. export control policy and aggressive marketing of other suppliers from Europe and Israel come as a challenge for the U.S. firms.

Best Prospects and Opportunities

- C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance)
- Aircraft upgrades
- Avionics, high-tech sensors, radars, and missile system
- Support for combat equipment
- MRO legacy parts and components for old platforms
- Anti-terrorism products

Resources

Trade Shows

Seoul International Aerospace and Defense Exhibition 2019 (Seoul Air Show 2019)
October 15 - 20, 2019 - <http://www.seouladex.com>

MADEX 2019 (International Maritime Defense Industry Exhibition)
October 22 - 25, 2019 - <http://www.marineweek.org/eng/index.asp>

Key Contacts

Defense Acquisition Procurement Agency (DAPA) -
http://www.dapa.go.kr/mbshome/mbs/dapa_eng/

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

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Energy: New and Renewable (NRE)

ITA CODE: PR REQ

Overview

	2016	2017	2018	2019 (est.)
Total Market Size	7,060	5,976	6,377	6,746
Total Local Production	8,690	8,441	9,077	9,587
Total Exports	3,055	3,816	4,134	4,375
Total Imports	1,425	1,351	1,434	1,534
Imports from the U.S.	NA	NA	NA	NA
Korean Government Investment Plan	613	636	869	994
Exchange Rate: 1 USD	1,161	1,131	1,100	1,120

Total Market Size = (Total Local Production + Total Imports) - (Total Exports), Imports from U.S.: NA, Unit: \$ millions. Sources: Korea Energy Agency (KEA), and other industry sources.

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

South Korea retains industries that are considered highly energy intensive, with imported energy sources meeting almost 96% of its energy requirements, as the country lacks enough natural resources. In 2018, 569,973 gigawatt hours of electricity power was generated in South Korea, with coal representing approximately 42% of the total electricity generation. South Korea's CO₂ emissions from fuel combustion - million tons of CO₂ - was 589.2 in 2016, compared to 431.9 in 2000 (International Energy Agency (IEA) CO₂ Emissions Statistics).

In terms of deployment, the supply of new and renewable energy was 6.8 million TOE for 2010 and 16.4 million TOE in 2017 respectively, with a 2010-2017 CAGR (Compound Annual Growth Rate) of 13.3%.

New and Renewable Energy Supply (TOE thousands)

2010	2011	2012	2013	2014	2015	2016	2017
6,856	7,583	8,851	9,879	11,537	13,293	14,178	16,448

Source: Korea Energy Agency (KEA)

South Korea has taken measures to expand the deployment of new and renewable energy. State-owned power generation companies (GENCOs) and independent power producers (IPPs)

that generate over 500MW are required to include a certain percentage of renewable energy in their production portfolio.

Renewable Portfolio Standard (RPS) ratio (%)

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

Source: Korea Energy Agency

As of 2018, there are 21 companies that are applicable to the Renewable Portfolio Standard (RPS) ratio (%) mandate and thereby required to include a certain percentage of new and renewable energy in their power production portfolio.

- Korea Hydro and Nuclear Power (KHNP)
- Korea Southern Power (KOSPO)
- Korea Midland Power (KOMIPO)
- Korea Western Power (WP)
- Korea East-West Power (EWP)
- Korea South-East Power (KOEN, formerly KOSEP)
- Korea District Heating Corporation
- K-water
- SK EandS
- GS EPS
- GS Power
- POSCO Energy
- CGN Yulchon Generation
- Pyeongtaek Energy Service
- Daeryun Power
- S-Power
- Pocheon Power
- Dongducheon Dream Power
- Paju Energy Service
- GS Donghae Electric Power
- Pocheon IPP

The 8th Basic Plan for Long-term Electricity Supply and Demand (2017-2031) reflects Korea's endeavor to move forward with cleaner energy sources, such as renewables. According to the Renewable Energy 3020 Plan, as per energy targets in terms of electricity generation, renewable energy sources would account for approximately 20% by 2030.

Sub-Sector Best Prospects

Fuel Cells - With ROKG policy support, this industry is forecast to grow moving forward. The deployment and supply of fuel cells has increased and has a 2013-2017 CAGR (Compound Annual Growth Rate) of 26%.

Fuel Cell Supply Status (TOE)

Year	2013	2014	2015	2016	2017
Fuel cell	122,416	199,369	230,173	241,616	313,303

Source: Korea Energy Agency

To date, South Korea has facilitated and deployed molten carbonate fuel cells (MCFCs) and phosphoric-acid fuel cells (PAFC) type technologies, and further anticipates installing solid oxide fuel cell (SOFC) technology for industrial and commercial applications. As part of the hydrogen economy roadmap, Korea seeks to further accelerate the deployment of fuel cell for power applications:

Hydrogen Economy Roadmap (Power Application)

2018 (307 MW) 2022 (1.5 GW) 2040 (15 GW)

Source: Ministry of Trade

Photovoltaic and Wind - Since the introduction of the Renewable Portfolio Standard (RPS) in 2012, solar (photovoltaic) and wind power production have gradually increased. As an initiative to meet renewable energy targets stipulated in the 8th Basic Plan for Long-term Electricity Supply and Demand, Korea endeavors in adding 30.8 GW of solar generation capacity and 16.5 GW wind power capacity by year 2030.

Solar (Photovoltaic) and Wind Supply Status (TOE)

Year	2012	2013	2014	2015	2016	2017
Solar (photovoltaic)	237,543	344,451	547,430	849,379	1,092,832	1,516,349
Wind	192,674	242,354	241,847	283,455	355,340	462,162

Source: Korea Energy Agency (KEA)

Demand Response (DR) - Although not applicable to South Korea's Renewable Portfolio Standard (RPS) quota, Demand Response (DR) has grown substantially since its inception in 2014. Also known as the 'Negawatt' market, electricity users such as industrial factories, commercial buildings, etc., would save electricity during a specified timeframe and be compensated for saving electricity. According to the Korea Power Exchange (KPX), as of

December 2018, there were over approximately 25 qualified Demand Response (DR) service providers in South Korea:

- Gridwiz (<http://www.gridwiz.com>)
- Manage On (<http://www.kodrm.com>)
- Byuksan Power (<http://www.bspower.co.kr>)
- KT (<http://www.kt.com>)
- POSCO ICT (<https://www.poscoict.co.kr>)
- Korea ENTEC (<http://www.k-entec.co.kr>)
- Enel X (<http://www.enelx.com/en>)
- and, others

Since its inception in November 2014, the number of Demand Response (DR) consumers or participants has increased, with diverse industrial sector represented. As of April 2018, approximately 899GWh of electricity power was saved through the DR program.

Electric Vehicles (EVs) - South Korea is expanding efforts to promote deployment of electric vehicles (EVs). The country endeavors to expand deployment of electric vehicles (EVs), with targets of 430,000 EVs by year 2022. To further this effort, the country is providing purchase subsidy incentives. EV purchase subsidies to incentivize the purchase of eligible EVs can be as follows:

- National and local government can provide up to EV purchase subsidies of approximately \$17,000 to qualified EVs.

The deployment of EVs, in number of units, was: 2014 (1,075), 2015 (2,907), 2016 (5,914), 2017 (13,826), 2018 (from January to September, estimate 21,375). To facilitate new energy business through EVs, Korea seeks to further explore Vehicle to Grid (V2G) technology.

Opportunities

As of 2018, Korea Electric Power Corporation's (KEPCO) wholly owned power generation subsidiaries, collectively referred to as the GENCOs, sustained approximately 73% of the nation's gross power generation, while local Independent Power Producers (IPPs) accounted for 27%. The Korea Electric Power Corporation (KEPCO) is the state-owned power company and is responsible for the nation's transmission and distribution. The GENCOs are one of the primary end-users of NRE products and services. The trend of shifting the power source to NRE will continue under the Renewable Portfolio Standard (RPS) requirements.

The six GENCOs are:

- Korea Hydro and Nuclear Power (KHNP): <http://www.khnp.co.kr>
- Korea South-East Power (KOEN, formerly KOSEP): <https://www.koenergy.kr>
- Korea Western Power (KOWEPO): <http://www.iwest.co.kr>

- Korea Midland Power (KOMIPO): <https://www.komipo.co.kr>
- Korea Southern Power (KOSPO): <http://www.kospo.co.kr>
- Korea East-West Power Company (EWP): <http://www.ewp.co.kr>

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

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

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

Web Resources

Trade Shows

Korea Energy Show 2019 (September 3-6, 2019)

<http://www.koreaenergyshow.or.kr>

Energy Plus 2019 (October 16-18, 2019)

<http://www.energyplus.kr>

Key Contacts

Korea Energy Agency: <http://www.energy.or.kr>

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

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www.buyusa.gov/southkorea

Cyber Security

ITA Code: ICT

Overview

	2016	2017	2018	2019 (est.)
Total Market Size	1,771.68	1,875.94	2,063.61	2,084.26
Total Local Production	1,128.07	1,165.06	1,281.57	1,294.39
Total Exports	88.33	91.33	100.46	101.46
Total Imports	732.00	802.27	882.50	891.33
Imports from the U.S.	554.40	607.62	668.38	675.06
Exchange Rate: 1 USD	1,161	1,131	1,110	1,120

Source: Korea Internet and Security Agency (KISA), Korea Information Security Industry Association (KISIA) Unit: \$1 million.

The threat of cyber-attacks is increasing and as internet-enabled products become even more commonplace, the attacks become more sophisticated and serious. The ransomware “WannaCry” attack in May 2017 shook the Koreans awake to the notion that their society was being attacked at every possible vulnerability, not just with physical arms, but also through easily executable cyber-attacks. This sudden awakening created a paradigm shift in the prioritization of homeland cybersecurity and importance of educating the Korean public on cybersecurity.

Market demand for cyber security products and services in Korea has grown as the level of customer intelligence about security awareness has grown. According to “2019 Domestic and Foreign Security Market Forecast”, the market demand for cyber security in 2018 was over \$2.0 billion representing 4.2 percent growth over 2017.

The initial market growth was led by established global cyber security firms with traditional box-type products that are installed. Market share has been expanded to include next generation or superior capabilities such as Advanced Persistent Threat (APT) and next generation firewall solutions. Regardless of the size of the firms or solutions’ countries of origin, because of vulnerabilities exposed by WannaCry, Koreans sought best-in-class or cutting-edge solutions to protect their systems from the cyber-attacks.

South Korea recognizes that cyber-security is a matter of national security. Although the country boasts one of the world’s fastest and most mobile IT infrastructures, it also has an insecure infrastructure that is vulnerable to cyber-attacks. The frequency and gravity of cyber-attacks has prompted the South Korean government to re-evaluate its cyber-security strategy. There are three agencies equipped to handle issues of cyber-security: The National Cyber-Security Center, the Korea Internet and Security Agency (KISA), and the National Police Agency’s Cyber Terror Response Center. These agencies are responsible for identifying, preventing, and responding to cyber-attacks and security threats.

Reflecting current geopolitical circumstances with cyber risks, cyber-attacks from North Korea have declined since 2018 as the relationships between the two Koreas and between the U.S. and North Korea have evolved. However, as cyber-attacks from China and Russia targeting Korea became more active and more advanced, the overall volume of cyber-attacks and the risks has grown. The Korean government has developed its response capability against North Korea over a long period of time, but it seems that its response capability against China and Russia is relatively weak due to lack of preparedness and information.

Sub-Sector Best Prospects

- Encryption for network access
- Intrusion prevention systems (IPS)
- Advanced Persistent Threat (APT)
- Cloud Computing Security
- IoT Security
- Email phishing security

Opportunities

A myriad of opportunities exists for U.S. firms to provide cutting-edge cyber security solutions for critical infrastructure in South Korea. Due to its advanced ICT infrastructure, South Korea is an ideal market for U.S. firms seeking to test cyber security solutions before deployment in other markets.

To enter the cyber security market, the U.S. Commercial Service in Korea recommends that U.S. technology firms partner with qualified and capable South Korean companies, which maintain existing sales networks in the finance, energy, and other key infrastructure markets, and are fully aware of local market characteristics and unique regulatory requirements.

Web Resources

Trade Shows

RSA Security Conference 2020, San Francisco (delegation from South Korea expected) - www.rsaconference.com

Key Contacts

Ministry of Science and ICT - <https://english.msit.go.kr/english/main/main.do>

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

Korea Internet and Security Agency (KISA) - <http://www.kisa.or.kr/eng/main.jsp>

Korea Information Security Industry Association (KISIA) -
http://www.kisia.or.kr/new_kisia/english/e_s1_menu1.html

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

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Aerospace Industry

ITA CODE: PR AIR

Overview

	2016	2017	2018	2019 (est.)
Total Market Size	7,859	5,436	6,732	7,404
Total Local Production	5,117	3,969	4,714	5,329
Total Exports	2,542	2,086	2,617	2,781
Total Imports	5,284	3,553	4,635	4,856

Source: Korea Aerospace Industries Association (KAIA). Unit: \$ millions.

According to trade figures provided by Korea International Trade Association, Korea is the 11th largest market for U.S. aerospace exports in 2018. In 2018, total U.S. aerospace exports to Korea exceeded \$3.34 billion (including aerospace products in the defense sector). U.S. aerospace sales constituted about 69 percent of Korea's total aerospace imports in 2018.

Over 98 percent of the total aerospace imports to Korea are for commercial and defense aircraft and their parts and components. Of this, 71 percent of Korea's aircraft, parts and component imports were from the U.S. in 2018.

		2017		2018		2019 (est.)	
		Export	Import	Export	Import	Export	Import
Aircraft	Whole platform	814	1,295	630	2,155	823	2,062
	Parts/Components	2,305	2,079	2,317	2,263	2,541	2,378
Space parts		19	31	208	217	309	262
Total		2,300	3,150	3,155	4,635	3,673	4,702

Source: Korea Aerospace Industries Association (KAIA). Unit: \$ millions.

Major Local Players

Korea's aerospace industry is driven by Korea Aerospace Industries (KAI: www.koreaaero.com/English/main.asp) and Korean Air, one of the largest commercial airlines in Korea. KAI and Korean Air are also the leading companies which make and assemble parts for Boeing and Airbus. KAI and Korean Air are active in developing indigenous aircraft including UAVs, rotor-wings, and fixed wings. In 2008, KAI introduced its first non-

military private aircraft, 'Naraon', making Korea the 28th nation in the world to build and fly an indigenous plane. In 2015, KAI won the KF-X project - Korea's next generation fighter jets. The Korean government will invest \$17 billion in the KF-X program until 2025. Korean Air is active in providing MRO services for both commercial and defense aircraft.

There is a cluster of Korean small and medium sized aerospace companies in the Gyeongnam area comprising what is known as the Korean Aerospace Valley. The companies within this aerospace valley focus on supplying parts and components to KAI and KAL as well as exporting. Gyeongnam Export Support Corps for Aero-parts (GESCA: <http://gesca.or.kr/>) supports Korean aerospace companies and actively cooperates with foreign aerospace companies for both imports and exports.

Commercial Airlines

Korean Air is the largest passenger and cargo carrier company in Korea and is one of the largest consumers of aircraft, equipment, components, and various aerospace services. It also serves as one of the major exporters of aerospace parts and components. Asiana Airlines is the second largest airline in Korea and currently operates more than 80 aircrafts. In addition, there are six major Low Cost Carriers (LCC): Jeju Air, Jin Air, Air Busan, Eastar Jet, T'Way Air and Air Seoul. Three new LCCs have also obtained operation license from the Ministry of Land, Infrastructure, and Transport: Aero-K, Fly Gangwon, and Air Premia.

LCCs in Korea have continuously increased its operating fleets: 119 fleets in 2017, 144 fleets in 2018, and 167 fleets are expected by the end of 2019. LCCs primarily operate B737 and A320 platforms, but will adopt B737MAX and A320NEO this year to expand their routes. LCCs boasted an impressive annual sales revenue growth of 40 percent during the past five years, and they are expected to maintain rapid growth for the next few years. According to statistics provided by the Korea Airport Corporation in February 2019, the LCC share of domestic air travel in Korea was projected to be 40% for international air travel. Market share of LCCs is expected to continue to increase because of their aggressive expansion of routes to nearby international cities.

Airports

Korea has two state-owned airport companies: Incheon International Airport Corporation (IIAC) and Korea Airport Corporation (KAC). IIAC is the nation's largest and maintains its primary international airport in Incheon City. Incheon Airport was voted the top in 'airport service/quality' for ten years in a row. It has also won the highest score in the Airport Service Quality (ASQ) category by the Airports Council International (ACI), which consists of 1,700 airports around the world. KAC operates a total of 14 airports in Korea (Gimpo, Gimhae, Jeju, Daegu, Ulsan, Chungju, Muahn, Kwangju, Yeosu, Pohang, Yangyang, Sacheon, Kunsan, and Wonju), of which seven have international status with routes mainly to China and Japan.

Best Products/Services

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

Opportunities

Top U.S. aerospace exports to Korea include: complete commercial aircraft, commercial aircraft engines, equipment and parts, and military aircraft and their parts and components. The U.S. continues to be the dominant foreign supplier of aerospace/defense products and services, with a dominant import market share. This trend is projected to continue for several years due to the tremendous growth of LCCs in Korea and Korea's recent decision to purchase next generation fighters (40 F-35s) and other defense aircraft. This is expected to result in increasing demand on MRO services in the future and as related to these aircraft models.

Although small in quantity, Korea's space market also presents opportunities for foreign suppliers especially in satellite launching services, high-tech sensors and optical devices for the payload systems.

KORUS FTA Impact

All U.S. aerospace exports are duty-free as of March 15, 2012 due to the Korean-U.S.FTA (KORUS).

Resources

Trade Shows

Seoul International Aerospace and Defense Exhibition 2019 (Seoul Air Show 2019)

October 15 - 20, 2019 - <http://www.seouladex.com/eng/main.asp>

Key Contacts

Korea Aerospace Industries Association (KAIA) -
<http://www.aerospace.or.kr/dbhome/user/aeroe>

Korea Aerospace Research Institute (KARI) -<https://www.kari.re.kr/eng.do> Ministry of National Defense (MND) - <http://www.mnd.go.kr>

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

Ministry of Land, Infrastructure, and Transport (MOLIT) - <http://www.molit.go.kr>

Incheon International Airport Corporation (IIAC) - <https://www.airport.kr/co/en/index.do>

Korea Airport Corporation (KAC) - <http://www.airport.co.kr/wwweng/subIndex/4397.do>

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Air Pollution Control

ITA CODE: PR POL

Overview

According to World Health Organization (WHO), fine dust or particulate matter (PM) comprises nitrates, black carbon, and mineral dust of less than 2.5 micrometers (μm) that are harmful to the cardiovascular system when inhaled. Yonhap News reports that in a study of 35 developed countries, South Korean was determined to have the worst air quality.

The Korean Ministry of Environment notes that the South Korean air pollution control market was worth \$4.9 billion in 2015 (a 15 percent decrease from 2014). The air pollution control market accounted for 5.6 percent of the total environmental technology and engineering sector in 2015. When segmenting the market by sales of goods, services and testing, the size of air pollution control commodities and equipment sector is by far the largest.

Market Size for Air Pollution Control Industry

(unit: \$ million)

	2014	2015
Air Pollution Control Equipment and Commodity Industry	3,934	3,812
Air Pollution Control Related Construction Industry	487	555
Air Pollution Control Related Service Industry	639	71

Indoor Air Quality Control Related Equipment and Commodity Industry	418	286
Indoor Air Quality Control Related Service Industry	182	98
Air Pollution Analysis, Data Collection, and Evaluation Service Industry	100	90
Total Air Pollution Control Industry	5,760	4,912

Source: *Environmental Statistics Yearbook 2016 and 2017 by the Ministry of Environment*

The Korean Ministry of Environment monitors and regulates emissions of air pollutants under the Clean Air Conservation Act. South Korea enforces regulatory limits on sulfur oxides (SO_x), carbon monoxide (CO), nitrogen oxide (NO_x), ground level ozone (O₃), particulate matters (PM-10 and PM-2.5), lead, and benzene. Other pollutants such as total suspended particles (TSP), volatile organic compounds (VOCs), ammonia (NH₃), peroxyacetyl nitrate (PAN), peroxybenzoic nitrate (PBN), and aldehyde are also monitored.

53 coal-fired plants serve as some of the main contributors to air pollution in South Korea. These plants also account for 30 percent of the country's total power generation. The country has the highest share of super and ultra-super critical power plants in operation in the world. The government is taking measures to retrofit carbon dioxide capture and storage (CCS), selective catalytic reduction (SCR), and flue gas desulfurization (FGD) systems. Although Korea's coal-fired power plant fleets are relatively modern and large, with newer steam parameters, in July 2016, the country's Trade Minister announced further air pollution control measures by targeting the closure of 10 thirty-year-old coal-fired power plants by 2025. In addition, the government will replace turbines at several plants to boost power efficiency and expand the capacity of circulation pumps to reduce emissions. Tougher emissions standards for future coal-fired power plants will also be implemented.

The enforcement decree of tightening air quality guideline for fine dust was passed in 2018. Under the changed rules, the standards for PM 2.5 fine dust will be revised to daily average of 35 micrograms per square meters ($\mu\text{g}/\text{m}^3$) from current 50 $\mu\text{g}/\text{m}^3$ and yearly average to 15 $\mu\text{g}/\text{m}^3$ from 25 $\mu\text{g}/\text{m}^3$, the same as those of Japan and the United States. The Korean Ministry of Environment also plans to modify enforcement rules under the Clean Air Conservation Act to strengthen the standards for fine dust watch and warning.

Sub-Sector Best Prospects

The U.S. is considered a global leader in many environmental technologies. Companies with price-competitive technologies and services should have the potential to successfully penetrate the market in the following areas:

- Continuous emissions monitoring systems
- Dry sorbent injection technologies
- Flue gas desulfurization (FGD) systems
- Activated carbon injection technologies
- Inspection, adjustment, maintenance and repair services
- Selective Catalytic Reduction (SCR) technologies
- Carbon Capture and Storage (CCS)
- Volatile Organic Compound (VOC) control
- Dioxin abatement
- Energy saving and waste-to-energy products
- Pollution-free and low-emission vehicles and engineering technologies
- Pollution abatement technologies for the automobile and oil refinery industries
- Environmentally-friendly construction materials
- Ambient air quality monitoring equipment
- Source emissions measurement technologies
- Analytical and laboratory testing goods and services
- Air pollution control equipment
- Fuel vapor control systems
- H13 or above high-end air purifiers (optionally with carbon filters)
- HEPA filter media
- High-end vacuum cleaners

Opportunities

The market for electrostatic air filters has recorded 5.8 percent growth per year and is forecasted to reach \$11 billion by 2019. Several local companies, such as Doosan Heavy Industries, expects Korea's SCR market to be worth \$14 billion by 2019, with annual growth of five percent. There are also significant opportunities in the air pollution technology and environmental consultancy markets. Consumer air purifiers with high-efficiency particulate air (HEPA) filters of H13 or above are experiencing high demand. There are roughly 226 domestic and foreign manufacturers and over 1,400 models being sold locally. However, South Korean consumers have a strong preference for high-end models.

To enter the environmental technology market, U.S. suppliers should partner with qualified and capable South Korean companies which maintain existing sales networks to serve end-users and which are fully aware of the regulatory changes that drive the market. Exhibiting

at local environmental trade shows can also be a good platform to explore the market and gain exposure to end-users.

Web Resources

Trade Shows

International Exhibition on Environmental Technologies (ENVEX)

<http://www.envex.or.kr/eng/main/index.asp>

May 15 ~ May 17, 2019

COEX Hall C

Key Contacts

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

Regulation Resource

Clean Air Conservation Act (in English)

[http://www.law.go.kr/engLsSc.do?menuId=0&subMenu=5
&query=%EB%8C%80%EA%B8%B0%ED%99%98%EA%B2%BD%EB%B3%B4%EC%A0%84%EB%B2%95#liBgcolor0](http://www.law.go.kr/engLsSc.do?menuId=0&subMenu=5&query=%EB%8C%80%EA%B8%B0%ED%99%98%EA%B2%BD%EB%B3%B4%EC%A0%84%EB%B2%95#liBgcolor0)

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www.export.gov/southkorea

Medical Equipment and Devices

ITA CODE: PR MED

Overview

Unit: \$ thousands

	2016	2017	2018 (est)*	2019 (est.)
Total Market Size	5,058,911	5,479,994	5,920,286	5,812,707
Total Local Production	4,826,067	5,148,678	5,457,599	5,461,276
Total Exports	2,918,523	3,164,210	3,417,347	3,356,323
Total Imports	3,151,367	3,495,526	3,880,034	3,707,754
Imports from the U.S.	1,473,991	1,641,105	1,821,627	1,740,744
Exchange Rate: 1 USD	1,161	1,131	1,110 (E)	1,120 (E)

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

Source: Korea Medical Devices Industry Association, KMDIA

**Note: Estimates based on historical average annual growth rate of 8%. In addition, 2019 estimated dollar amounts are reflected given higher estimated exchange rate.*

The South Korean medical device market is estimated to reach \$5.8 billion in 2019. The country depends on high-end medical devices from the U.S., Germany, and Japan to supply about 60 percent of total market demand. South Korean companies make comparatively lower-end (mid-technology) medical devices. An important factor contributing to the use of imported advanced medical equipment and devices is the rapidly growing elderly population. The elderly population in Korea accounted for approximately 14% of the total population in 2017. Another contributing factor is that many local doctors are educated in the U.S. and Europe and are accustomed to using advanced medical devices from overseas. At the same time, U.S. medical device manufacturers should carefully watch government pricing and reimbursement policies as the country grapples with cost containment under its national healthcare system.

For 2019, total imports of medical devices are estimated at \$3.7 billion, with U.S. imports totaling over \$1.7 billion. The U.S. market share represents approximately 45 percent of the total import market.

The importation of medical devices requires the assignment of an importer or representative based in South Korea to manage medical device approvals and to ensure regulatory compliance. As part of pre-market approval requirements, the Government of Korea requires testing reports on safety and efficacy. In addition to medical device approvals, companies

need to negotiate pricing terms with the Korean Health Insurance Review and Assessment Service (HIRA).

Current issues facing the medical device industry in South Korea include reimbursement pricing and the new healthcare technology assessment system for medical devices. The U.S. Embassy in Korea works closely with partners to ensure that U.S. medical device industry interests are represented.

With implementation of the KORUS FTA on March 15, 2012, U.S. medical device and pharmaceutical companies can now request a review of government pricing and maximum reimbursement determinations for its products through the Independent Review Process. Established to regulate medical devices and drug prices, this review process is independent of the Ministry of Health and Welfare (MoHW), the National Health Insurance Service (NHIS), and the Health Insurance Review and Assessment Service (HIRA).

Sub-Sector Best Prospects

- Soft contact lenses
- Intravascular catheters
- Dialyzers for hemodialysis
- IVD reagents for clinical immunochemistry
- Knee joint prostheses
- MRI devices
- CT systems
- Sight corrective ophthalmic lenses
- Staples for internal use (non-absorbent)
- Analyzing products

Opportunities

An opportunity to highlight is the potential for U.S. companies to conduct clinical trials in Korea. South Korea is interested in developing a more robust clinical trial environment for medical devices and pharmaceuticals. U.S. companies that require clinical trials for their medical devices and are interested in accessing Korea's excellent hospital networks and physicians can contact the Medical Device Policy Division of the Ministry of Food and Drug Safety through their local importer.

Web Resources

Trade Shows

Korea International Medical and Hospital Equipment Show 2020: www.kimes.kr

Key Contacts

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

Ministry of Food and Drug Safety (MFDS) - www.mfds.go.kr

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

National Evidence-based Healthcare Collaborating Agency (NECA): <http://neca.re.kr/eng/>

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Travel and Tourism

ITA CODE: SV TRV

Overview

South Korea	2014	2015	2016	2017	2018
Global Outbound Travel	16,689,000	19,310,430	22,383,190	26,496,447	28,695,983
Outbound Travel to the U.S.	1,460,000	1,775,000	1,983,000	2,335,000	2,492,000 (estimate)
Global Inbound Travel	14,201,516	13,231,651	17,241,823	13,335,758	15,346,879

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

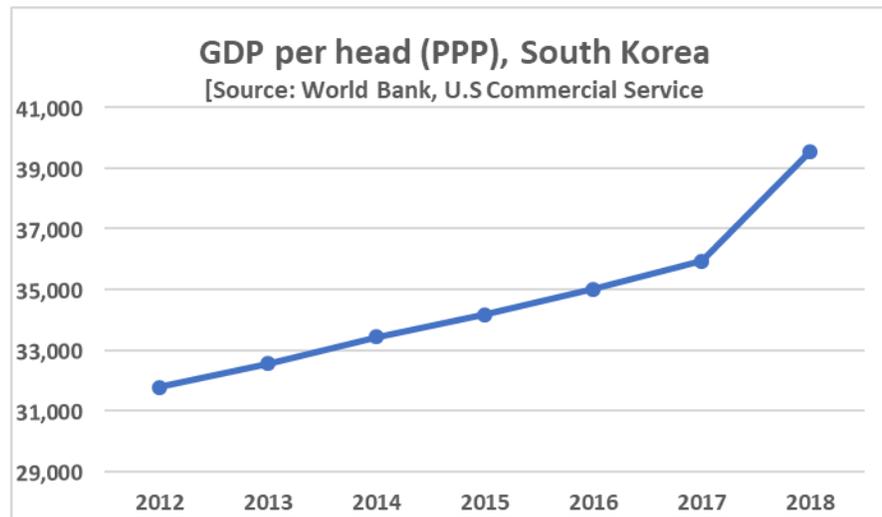
In 2018, over 28.7 million Koreans, more than half of the population, traveled abroad (up 8% from the previous year). Of the Koreans traveling overseas, 2,329,000 traveled to the U.S. in 2017 (up 18% from previous year). By 2019, it is estimated that 2.61 million Koreans will travel to the U.S. International travel is a rapidly growing activity for Koreans and offers opportunities for U.S. tourism exports. On average, a Korean visitor to the U.S. spends approximately \$4,900 per trip. This number translates to over \$10.1 billion annually of tourism revenue from Korean outbound travelers to the U.S. Korea is currently the sixth largest source of inbound travel to the U.S., behind Canada, Mexico, United Kingdom, Japan, and China.

The U.S. remains one of top five destinations for Korean outbound travelers. Koreans overwhelmingly choose the U.S. as their top non-Asian long-haul destination, primarily because of the diversity of tourism opportunities (not generally available in Asia), including U.S.-style shopping, fine dining, theme parks, cultural attractions in major U.S. cities, relatively inexpensive golf experiences, and U.S. National Parks.

Rising disposable incomes, gradual increases in vacation time, heightened globalization, and greater awareness of developments outside the Korean Peninsula are causing more Koreans to travel overseas. Korea's per capita GDP (PPP) rose to \$39,548 in 2018 (World Bank), placing it securely in the ranks of middle-income countries. Korean consumer confidence has also increased gradually, including a rise in discretionary spending on such activities as overseas travel for business and leisure.

Positive economic indicators, Korea's addition to the U.S. Visa Waiver Program (late 2008), and the U.S.-Korea Free Trade Agreement (KORUS FTA), which entered into force in March

2012, are helping spur even more leisure and business-related travel to the U.S. Currently, 9% of Korean travel to the U.S. is for business purposes.



Korean mass media is influenced by U.S. movies, advertising, popular culture, and the Internet, which continue to stimulate interest in U.S. travel destinations. The recent boom of social commerce (social networks and websites that give product/service sellers access to a large pool of international travel consumers) is also contributing to this growing trend, as they offer all types of travel products. Moreover, South Koreans' positive perception of overseas travel and the abundance of information-sharing through mass media and social media are expected to continue to boost the growth of outbound tourism in coming years.

Sub-Sector Best Prospects

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

Opportunities

The U.S. is the leading non-Asian destination for Koreans as it offers a variety of activities, climates, and cultural experiences. However, there is room for growth. U.S.-bound Koreans

account for only 9.0 percent of Korea's outbound market. Los Angeles, San Francisco, Las Vegas and Seattle, followed by the New York-Washington, DC corridor, are the most popular destinations. Koreans use group package tours or travel individually to visit friends and relatives. Group tours should focus on price-competitive products that entice travel agencies in Korea to sell these products. Korean travelers are generally interested in visiting museums, national parks, amusement parks, finding bargains at fashion outlets, purchasing OTC pharmaceuticals/vitamins and U.S. cosmetics, playing golf, and visiting restaurants and wineries.

To enter this market, travel and tourism entities should provide materials and guide experiences in the Korean language, continue knocking on doors (i.e., visit Korean travel wholesalers), and cultivate long-term relationships with the travel trade in Korea. There are approximately 11,000 tour agents in Korea. Promotional information and product training programs on the U.S. are urgently needed for developing this market. Contact CS Korea, per below, for more details.

Web Resources

Trade Events

January 5-6, 2019

Weddex Korea - www.wedex.com

June 7-9, 2019

Hana Tour International Trade Show 2019 - <https://hits.hanatour.com>

June 6-9, 2019

Korea World Travel Fair (KOTFA) - www.kotfa.co.kr

September 5-8, 2019

Mode Tour International Trade Show - www.modetour.co.kr

Key Contacts

Korea Tourism Organization: www.visitkorea.or.kr

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

Brand USA: www.gousa.or.kr

Visit USA: www.visitusakorea.com

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Cosmetics

ITA CODE: COS

Overview

	2014	2015	2016	2017
Total Market Size	7665	7,640	8,129	8,799
Total Local Production	8,511	9,481	11,241	11,950
Total Exports	1,893	2,929	4,192	4,372
Total Imports	1,047	1,088	1,080	1,176
Imports from the U.S.	323	316	293	291

Exchange Rate: \$1= ₩1,054 (2014); ₩1,132 (2015); ₩1,161 (2016); ₩1,131 (2017)

Sources: Korea Cosmetic Association (KCA), Ministry of Food and Drug Safety

Unit: \$ millions

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

South Korea is the 8th largest cosmetics market in the world, representing nearly 3.0% of the global market. In 2017, the market size was estimated to be \$8.8 billion; the total local production and total exports increased approximately 3.6% and 18.3% respectively from the previous year. The market has grown by an annual growth rate of 4.7% for the last 5 years (2013-2017).

Meanwhile, total imports of cosmetics in 2017 went up 8.9% valued at \$1.17 billion. U.S. imports accounted for 24.7% of the total import market share at \$291 million. On a country by country basis, France (\$324 million) is the largest exporter to Korea in 2017, followed by the U.S. (\$291 million) and Japan (\$182 million).

According to Korea Customs Service statistics, skincare cosmetics continued to be the largest import category at 46.8%, or \$755 million, of total cosmetic imports in 2018. Haircare products, makeup cosmetics, and perfumes and scents accounted for 14.9%, 13.7%, and 10.9% of the total import market respectively.

Distribution Channels

In South Korea, imported cosmetics are primarily sold through online shopping malls (34.7%), specialty stores (21.4%), medical institutions (9.0%; hospitals, clinics, drug stores), multi-level marketing (6.1%), department stores (5.4%), select shops (4.4%), home shopping channels (2.8%), hypermarkets (2.3%), and others. In terms of imported cosmetics sales volume, sales

through online shopping malls amounted to \$1.16 billion, accounting for 22.1% of total imported cosmetics sales, followed by department stores (\$1.06 billion, 20.0%), and select shops (\$852 million, 16.1%).

E-commerce channels are becoming increasingly popular for consumers to purchase cosmetic products. South Korea stands out as the country with the highest smartphone ownership rate/broadband penetration rate and fastest average internet speed. Sales via mobile shopping have increased dramatically in recent years. According to the Korean National Statistical Office, online shopping market transactions grew 19.2% year-on-year to \$68 billion in 2017. Of these, mobile shopping transactions amounted to \$42 billion, up 35% from the previous year, accounting for 61% of total online shopping.

Distribution channels are changing on the focus of consumer experience. Since the demand for new retail channels has become larger and consumer demands increasingly segmented, various channels such as select shops and multi shops are becoming more prevalent. In line with this trend, Shinsegae Group launched a multi-brand beauty products boutique named CHICOR in December 2016 and offers not only luxury brands but also less expensive products well-known to heavy cosmetics users. In addition, UK drugstore retailer Boots entered the Korean market as a franchise business operated by Shinsegae/E-mart in May 2017. Categories have become more segmented and specialized from existing line make-up, skin, body, hair, and men to beauty tools, kids, room fragrances, lifestyle products.

Best Prospects/Services

- Cosmeceutical/derma cosmetics
- Multi-functional products
- Home use beauty devices

Opportunities and Challenges

Strong potential subsectors for U.S. exporters to South Korea include cosmeceuticals and derma-cosmetics. The market size of the derma-cosmetics has been growing for the recent three years by more than 10%. The industry insiders expect that the derma cosmetics market, currently estimated at \$430 million, will expand to more than double in 2020 with the concept of preventative care. Anti-pollution, anti-aging, and antioxidants related technologies are hot new trends. When it comes to ingredients, natural/organic/stem cells/probiotics, and peptides ingredients are the focus of attention these days.

Two South Korean companies, Amore Pacific and LG Household and Healthcare, dominate the local market (59.6% market share) in terms of local production. In addition, Korean consumers are increasingly purchasing product directly from overseas markets. Customers can now buy foreign brands at the same prices as in the U.S., and an increasing number of brands are offering overseas shipping services. Overseas direct purchase represented more than \$2 billion in 2017 from \$274 million in 2010. Healthcare supplements (20.8%), cosmetics

(12.2%), clothes (11.6%), and electronic products (9.0%) are very popular among overseas online Korean buyers.

Regulatory Environment

In South Korea, cosmetics are regulated by the Ministry of Food and Drug Safety (MFDS). Cosmetics fall under two categories: functional cosmetics and regular cosmetics. Functional cosmetics, which was previously comprised of whitening, anti-wrinkle, and sunscreen and tanning products, have been extended to 10 categories by the MFDA including hair colorants, hair nutrients, and cosmetics that help protect damaged skin as of June 2017. MFDS reviews only functional cosmetics for pre-market approval. For all other regular cosmetics, the Korea Pharmaceutical Traders Association (KPTA) has been authorized by MFDS to review and certify import permission requests submitted by the Korean importer.

As more Korean consumers look for a healthier lifestyle, the South Korean government has introduced a new organic and natural cosmetics certification system as of March 2019. In addition, customized cosmetics system, which mixes cosmetics at cosmetics stores according to individual skin condition and preference, will also be introduced in March 2020.

As of 2016, 1,335 firms were registered as cosmetics importers. Among them, 865 were agents/distributors, 200 branch offices and 270 parallel importers and others. A qualified Korean representative is critical to successfully penetrate the market for two reasons. First, Korean distributors know their customers and competitors well, and can monitor market changes. Secondly, the importer/distributor of the foreign supplier must submit required documents to MFDS or KPTA to obtain pre-market licenses.

Under the implementation of U.S.-Korea Free Trade Agreement (KORUS FTA) in March 2012, tariffs on imported cosmetics have been reduced. Remaining Korean tariffs on imported U.S. cosmetics will be eliminated over a ten-year period. These market trends signal good opportunities for U.S. companies in the years ahead.

Resources

Trade Shows

Seoul Cosmetics and Beauty Expo 2020

<http://www.cosmobeautyseoul.com/fairDash.do?hl=ENG>

Key Contacts

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

Korea Pharmaceutical Traders Association (KPTA) -

<http://www.kpta.or.kr/eng/main/main.asp>

Korea Cosmetic Association (KCA) -

<http://www.kcia.or.kr>

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Entertainment and Media

ITA CODE: N/A

Overview

	2016	2017	2018	2019 (est.)
Total Market Size	3,104.12	3,166.19	3,251.40	3,283.91
Total Local Production	4,801.12	4,897.14	4,995.08	5,045.03
Total Exports	2,412.41	2,460.66	2,509.87	2,534.97
Total Imports	715.41	729.71	766.19	773.85
Imports from the U.S.	465.67	474.98	479.72	484.52
Exchange Rate 1 USD	1,161	1,131	1,100	1,120

Source: Korea Creative Content Agency (KOCCA), Korea Film Council (KOFIC); Unit: \$ millions.

Sub-Sector Best Prospects

Films

Market Share of Films by Country

	Korea	U.S.	China	Europe	Japan	Others
2018	50.9	44.8	0.3	1.6	1.3	1.1
2017	51.9	40.3	0.1	1.9	1.5	1.1

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

The total number of moviegoers in South Korea in 2018 was over 219 million, surpassing the 200 million viewer mark for the seventh year in a row. At the same time, the market share of Korean films has dropped to 50.9 percent (approximately 113.9 million viewers), from 51.9 percent in 2017. Foreign films accounted for over 48 percent and the number of viewers was approximately 106 million. Overall, South Korean consumers watched an average of about 4 films in 2018, which is one of highest numbers in the world.

In 2018, 501 Korean films were produced, and 454 films were released. Likewise, 1,507 foreign films were imported. 1,192 films were rated and released. Although the number of

screens is limited to 2,937 per year, imported content is increasing, due to competition among various entertainment content platforms such as internet protocol television (IPTV, or streaming content), digital cable, and the fact that there is not enough locally-produced content to cover the demands of all platforms.

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

	Korean Films		Foreign Films		Total films released
	# of films produced	# of films released	# of films imported	# of films released	
2016	373	302	1,526	1,218	1,520
2017	436	376	1,437	1,245	1,621
2018	501	454	1,507	1,192	1,646

Source: Korea Film Council (KOFIC)

Growth of Digital On-Line Market

The market demand of TV Video on Demand (VoD) has been growing steadily after explosive growth in 2016. The market demand for digital on-line services in 2018 is estimated at \$375.6 million, 5.7 percent increase over 2017. The market demand for Internet VoD increased 10.8 percent over 2017 because of newly introduced OTT (Over the Top) services for streaming, and portal service providers such as CJ and Netflix are competing for market share.

The growth of TV VoD market was led by IPTV VoD in 2018. The three IPTV service providers, KT, SKT and LGU+, dominated the VoD market. The revenue of IPTV in 2018 was over \$304 million and it was 81.2 percent of market share. The cumulative subscribers of digital services were 20.68 million, composed of 12.98 million for IPTV and 7.79 million for cable. The growth for the subscribers of digital services remains stable.

The VoD TV market is leading to changes in the Korean film industry. Even if the films were released at the cinema, the director's cuts and other value-added versions cannot be shown at the same time as the films are released. Digital on-line services can provide additional features such as a director's cut, an extended version, and additional downloads.

VoD market growth also provides various opportunities to the film industry. Certain niche genres which do not get attention from the cinemas have more opportunities to be released. More diverse filmmakers, importers, and distributors are entering the film market in Korea, which reflects this trend. There are more examples of VoD releases that are never released in cinemas that still make a profit. There are good opportunities to U.S. content providers which offer both diversity of content and box office hits.

Resources

Trade Shows

Busan International Film Festival: <http://www.biff.kr>

KCTA Show: <http://www.kctashow.com/>

Busan Contents Market: <http://www.ibcm.tv/>

Asian Film Market: <http://www.asianfilmmarket.org/structure/eng/default.asp>

Trade Associations and Government

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

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

Korea Creative Content Agency: <http://www.kocca.kr/>

Korea Cable TV Association: http://kcta.or.kr/kcta_new/comm/htmlPage.do?SEQ=35

Korea Film Council: <http://www.koreanfilm.or.kr/jsp/index.jsp>

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Education Services

ITA CODE: SV EDS

Overview

	2017	2018	2019 (est.)	2020 (est.)
Total Market Size	37,350	36,670	35,550	34,240
Total Local Production	34,175	33,705	32,650	31,565
Total Exports	125	135	160	215
Total Imports	3,300	3,100	3,060	2,890
Imports from the U.S.	925	870	860	845
Exchange Rate: 1 USD	1,131	1,110	1,120	1,120

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

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 for all students, but attainable for only a few. Many talented students instead opt for the best schools outside the country and obtain a diploma from an accredited overseas school. This translates into opportunities for U.S. schools to recruit some of Korea's most talented students. Koreans remain willing to spend a substantial portion of their income on education.

South Korea represents the third-highest source comprising 5% of total international students in the U.S. The Open Doors of Institute of International Education (IIE) indicates that a total of 55,000 Korean students were enrolled in U.S. institutions for Academic Year 2017-2018. On a per capita basis, Korea sends the second-most students to the U.S. in Asia. According to the OECD, 29% of internationally mobile Korean students chose to study in the U.S. which is second only to China (30 percent). Other significant destinations include Australia (7 percent), Japan (7 percent), the United Kingdom (5 percent), and Canada (5 percent).

The number of Korean students studying in the U.S. has trended slightly downward in each of the last five years. While the U.S. remains by far one of the most preferred overseas destinations for Korean students, especially for undergraduate studies, fewer Korean students are going to the U.S. because there are simply fewer younger people. Korea is a rapidly aging

society with one of the world's lowest birth rates of 0.8 children per family. In addition to this demographic decline, the recent economic difficulties at home are also affecting, to some degree, the declining number of Korean students in the U.S.

While this market is very attractive to a wide-swath of the U.S. educational service providers, it has become, over the last few years, an increasingly tough market. Korea's dynamic and constantly evolving education market is best characterized by the speed and power of the referrals and information that flow by word-of-mouth. This desire and tendency to 'change' the educational landscape is one of the challenges encountered by many education service providers. Good opportunities do exist, albeit with smaller numbers of U.S.-bound Korean students, if U.S. educational entities are prepared to meet a highly sophisticated, demanding, and brand-oriented market.

Although a university's reputation is still a key element for Korean students seeking degree programs, recently more Korean students are employing strategies to lower the costs of their education by studying at a community college before transferring to a four-year school or state university with less expensive living costs. A degree from one of Korea's top universities is a ticket to career success in Korea. Other high school graduates settle for the next tier of Korean universities or study overseas. Although Korean students with U.S. degrees no longer can enjoy the same advantages in the job market as they did a decade ago, English language skills, internship experience, or a degree from a mid-ranked state university in the U.S. is seen as providing a competitive advantage to secure full-time employment in Korea.

Sub-Sector Best Prospects

- Undergraduate college programs - The perception of U.S. universities of academic research and prestige as well as the chance to be equipped with English proficiency remain a strong draw for Koreans, despite challenges such as the declining Korean population and the growing appeal of China as a study abroad destination.

Opportunities

To attract Korean students and penetrate the dynamic and highly saturated Korean education market, U.S. educational entities should take an approach based on a more permanent, consistent and profound commitment to the market. Korean parents are increasingly savvy about how they acquire information on educational opportunities for their children. Traditional ways of recruiting students such as hosting school information sessions and participating in the fairs are not as effective as they were in the past. Agents or representatives are utilized less. Educational entities should consider employing a combination of on-line and off-line promotional campaigns. Building people-to-people networks through alumni advocacy as well as developing and broadening exchange programs, which could, in turn, raise the profile of the U.S. institution, helps U.S. schools attract Korean students to the United States.

Web Resources

Trade Shows

Korea Study Abroad and Emigration Fair - www.uhak2min.com/en

MBA Tours - www.thembatour.com

University Fair organized by Linden Tours - www.lindentours.com

Korea Student Fair - www.aief-usa.org

Key Contacts

Ministry of Education - <http://english.moe.go.kr/main.do?s=english>

Fulbright (Korean-American Educational Commission) - www.fulbright.or.kr

Education USA - www.educationusa.info

KOSA (Korea Overseas Studying Agencies) - www.kosaworld.org

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Manufacturing Technology - Smart Factory

ITA CODE: N/A

Overview

South Korea has emerged over the past several decades as a leading manufacturing economy and the country is in an optimal position to remain competitive in the era of the “Fourth Industrial Revolution” (also known as “Industry 4.0”), which entails the convergence of digital technologies and manufacturing industries. In Korea, this convergence of automation and data exchange in manufacturing technology is referred to as “Manufacturing Industry Innovation 3.0.”

The Korean government is urging businesses to adapt to the new direction of computerization of manufacturing and has characterized the initiative with four keywords: smart, services, sustainability, and platform. In June 2014, the Manufacturing Industry Innovation 3.0 strategy was introduced as part of Korea’s Creative Economy Initiative. Manufacturing 3.0 focused on the concept of a smart factory collectively embracing automatization, data exchange, and enhanced manufacturing technologies throughout the manufacturing process, incorporating both short- and long-term technological plans. The government laid out a roadmap for several areas of RandD projects: design technology, IIoT (Industry Internet of Things) platforms, technology to sort out defective products, software-integrated operating techniques, smart sensors, data collection and data processing technologies, and industrial standards. In addition, the Smart Factory Standard Research Council was formed within the private sector to effectively respond to international trends and activities and to undertake efforts to standardize locally-developed regulations.

A number of trends in the industry are also affecting Korea’s manufacturing technology. Rapid advances in information technology, sensors, and nanomaterials, as well as the application of cyber-physical systems, are dramatically lowering the costs of leading-edge manufacturing processes and improving performance. At the same time, companies are under mounting pressure to improve their productivity and become more responsive to changing customer expectations and needs. Korean conglomerates are accelerating manufacturing automation to bolster productivity and profitability and reduce costs across the supply chain. As a result, manufacturing environments are evolving from outdated centralized systems to module-based decentralized systems and automatically controlled systems.

Smart Factory

A smart factory refers to a fully integrated technology-based manufacturing system, which connects the entire production process. In 2017, the private and public sectors of Korea agreed to increase the number of domestic smart factories, with a goal of having more than 30,000 such factories operating with the latest digital and analytical technologies by 2025. Korea’s Ministry of Trade, Industry and Energy (MOTIE) has reinforced the government’s plans in supporting small and medium-sized enterprises, with the view toward expanding smart

factory technologies to local SMEs. More than 99% of companies in Korea are small and medium-sized businesses, and government data shows that exports from SMEs continue to increase. The government will provide support to help train 40,000 skilled workers to operate fully-automated manufacturing sites through various educational programs, while diversifying support. The current target of 30,000 smart factories by 2025 was increased from the previous goal of 10,000 by 2020, to keep pace with the fast evolution of full digitalization and automation in the era of the Fourth Industrial Revolution.

The government will also incentivize companies focused on developing technology related to smart factories by injecting \$189.3 million into RandD projects by 2020. Research and testbed projects to be sponsored by federal funds will include big data, cyber physical systems, smart sensors, and collaboration robots. Ten major sectors will each have 4,500 smart factories by 2025, according to a government plan by MOTIE. Those companies operating smart factories after receiving funds from the government indicated that their productivity improved by 25%, while the proportion of defectives dropped by 27%.

Advanced Manufacturing

According to the Manufacturing Technology Top Markets Report by the International Trade Administration, South Korea ranks seventh in terms of the United States' projected top markets for 2017-2018. U.S. manufacturing technology exports to Korea will remain stable through 2018-2019. Export growth of manufacturing technology, broadly categorized as the equipment used to produce other equipment, is largely tied to economic growth in industrialized markets, particularly in Korea. Korea's machine tool production reached \$45.7 billion in 2017, up 5% compared to the previous year. In 2018, Korea accounted for roughly 4.1% of all installed additive manufacturing systems in the world and has the third largest number of machines in the Asia-Pacific region.

Prospects of Korean Machine Tool Market

Unit: \$ millions

	Imports	Exports	Production
2017	1,220 (-1.9%)	1,930 (-4.2%)	37,020 (+2.0%)
2016	1,244 (-11.6%)	2,014 (-14.0%)	36,262 (-22.0%)
2015	1,407 (-5.9%)	2,342 (+4.7%)	47,583 (-8.3%)
2014	1,496 (-7.9%)	2,236 (+0.9%)	56,184 (+4.2%)

Source: Korea Machine Tool Manufacturers' Association

U.S. Manufacturing Technology Exports to South Korea (2017)

Category	\$ millions	% share
Cutting Machine Tools	\$55	28
Plastics and Rubber MFG Machinery	\$48	24
Tools, Dies, Jigs, Fixtures	\$40	20
Welding and Soldering Equipment	\$28	14
Machine Tool Parts	\$16	8
Forming Machine Tools	\$10	5
Industrial Molds	\$2	1

Source: U.S. Census Bureau Foreign Trade Division

Sub-Sector Best Prospects

- Automation Systems
- Industrial Machinery Manufacturing
- Additive Manufacturing
- Industrial Internet of Things (IIoT) and Virtual Plants
- Advanced Robotics and Intelligent Production Systems
- New Industrial Platform Technologies (e.g., composite materials)
- High Precision Technologies
- High Performance Computing (HPS) for Modeling, Simulation and Analysis

Opportunities

As Korea continues to cultivate expertise in advanced manufacturing technology and seeks greater productivity and connectivity in manufacturing operations, the demand for high value-added machinery and equipment is expected to increase. The Korean government is investing heavily in RandD and factory automation as advanced manufacturing technology becomes even more essential to improving the country's economic competitiveness and national prosperity. The U.S. is a major global producer of manufacturing technology, including in emerging sectors like additive manufacturing. Despite Korean companies' relatively late adaptation to this subsector, Korea is expected to be a growth market for additive manufacturing technologies through 2019 and in the years to come.

Web Resources

Trade Shows

Intermold Korea (March 12-16, 2019)

www.koreamold.com

Smart Factory and Automation World (March 27-29, 2019)

www.automationworld.co.kr

Seoul International Manufacturing Technology Show (SIMTOS) *Biennial* (March 31- April 4, 2020) www.simtost.org

Korea Machinery Fair (KOMAF) - *Biennial* (October 22-25, 2019)

www.komaf.org

Korea Heavy Equipment Parts and Attachment Show 2018 (August 28-30, 2019)

www.kohes.kr

KOFAS 2018 - International Factory Automation System Show/Digital Manufacturing Fair (May 14-17, 2019) <http://www.kofas.org/>

Korea Metal Week (June 19-21, 2019)

www.korea-metal.com

Daegu International Machinery Industry Expo (November 5-8, 2019)

www.damex.co.kr

International Advanced Materials and Application Technology Expo (November 13-15, 2019)

www.intra.or.kr

Key Contacts

Korea Association of Machinery Industry: www.koami.or.kr

Korea Machine Tool Manufacturers' Association: www.koma.org

Korea Industrial Technology Association: www.koita.or.kr

Korea Smart Factory Foundation: www.smart-factory.kr

Korea Institute for the Advancement of Technology: www.kiat.or.kr

Korea Association of Die and Mold Industry Development: www.moldmecca.org

Korea Association of Robot Industry: www.korearobot.or.kr

Korea Institute for Robot Industry Advancement: www.kiria.org

Machinery Industry Shared Growth Promoting Foundation: www.mgf.or.kr

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

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

Architectural Design Services

ITA CODE: TBD

Overview

According to the national census record, Korea’s architectural design service related industry including urban planning, landscape architecture, building related civil engineering and interior design services generated revenue estimated at \$22 billion (₩25 trillion) (architectural design \$6.7 billion; urban planning and landscape architecture \$491 million; building and civil engineering \$7.1 billion; other engineering services \$7 billion; and interior design \$734 million) in 2017. Among these sectors, the design service has provided the most business prospects for U.S. and other foreign companies.

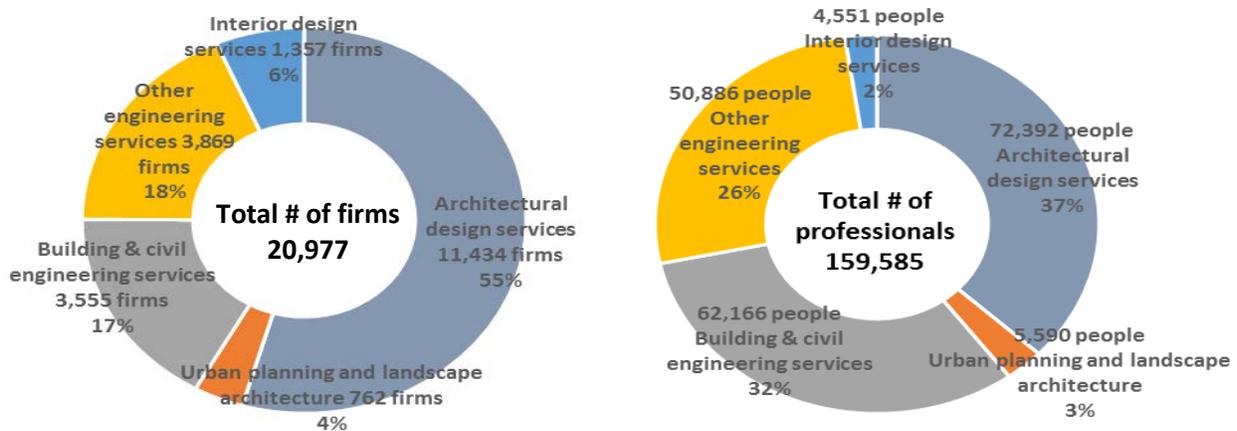
Overview of Korea’s architectural design service market

Unit: \$ millions

	2007	2011	2014	2016	2017	Growth rate (2016-2017)
Architectural design services	4,548	4,442	4,886	6,022	6,707	11.4%
Urban planning and landscape architecture	365	548	443	441	491	11.1%
Building and civil engineering services	4,722	6,463	6,457	7,646	7,119	-6.9%
Other engineering services	3,197	5,374	6,213	6,844	7,020	2.6%
Interior design services	345	592	563	608	734	20.7%
Total	13,176	17,419	18,561	21,562	22,070	2.4%

Source: Korea Economic Census and Statistics

of Design Firms and Professionals in Korea (2017)



Source: Korea Economic Census and Statistics <http://kostat.go.kr/portal/korea/index.action>

Korea has evolved considerably and became as one of major hubs of international business in Northeast Asia. Especially, Korea's three largest cities, Seoul, Incheon and Busan have positioned themselves to be new global centers for high-rise and sustainable aspirations competing against other major cities in Asia. There is a national interest in architectural design, yet the practical needs of rebuilding after the Korean war took precedence over aesthetics. If the emphasis is on developing new or renovating residential, cultural or educational spaces, Korea's growing trend is heading towards design focused architecture.

Based on this projection, over the next few years, Korea has the potential to offer business opportunities to international players in architectural design, urban planning, sustainable design consulting service and interior design services increasing activities and challenges in its architectural design services market.

Best Prospects

The U.S. is considered a global leader in many environmental technologies. Companies with price-competitive technologies and services should have the potential to successfully penetrate the market in the following areas:

- Schematic design services
- Building Information Modeling (BIM) software

Opportunities

Among the architectural design, landscape architecture and interior design firms in Korea, the top 50 firms account for about 30 percent of the country's revenue in the sector. Even though large Korean architectural service firms monopolize the industry, Korea also relies on international companies when it comes to servicing schematic designs of supertall building structures, mixed-used business complexes and high-end private residential buildings. As a result, Korea offers ample business opportunities to foreign firms with experience in the international market.

To enter the architectural design market, U.S. design firms should partner with a qualified Korean firm which maintain existing sales networks to serve end-users and which are fully aware of the regulatory changes that drive the market. Also, developing and maintaining a reliable professional relationship with these firms is an effective way for U.S. firms to tap into the Korean architectural service market. The relationship a firm is engaged in, combined with the relationships of its partners can build up an important and vast business network across markets and national boundaries. This network can help a firm connect to potential customers. Although many projects get awarded through competitions or prequalification processes more opportunities are provided through networks and referrals. The availability to build strong international reputations is strongly associated with firm's ability to network. Therefore, establishing close contact with experts, academics and associations that have the knowledge of local market is very important.

Resources

Trade Shows

Korea Architecture Fair and Festival 2018 (KAFF2018)

November 27-30, 2019 - <http://www.kaff.biz/www/doc/language1.asp>

Key Contacts

Korea Institute of Registered Architects (KIRA) - <http://www.kira.or.kr/eng/index.do>

Architectural Institute of Korea (AIK) - <http://www.aik.or.kr/>

Ministry of Land, Infrastructure, and Transport (MOLIT) - <http://english.molit.go.kr/intro.do>

Architecture and Urban Research Information Center (AURIC) - <http://www.auric.or.kr/>

Korea Agency for Infrastructure Technology Advancement (KAIA)

<https://www.kaia.re.kr/eng/main.do>

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Agriculture

Overview

For information on agricultural products including bulk commodities or processed foods and the distribution channels in Korea, please see the U.S. Department of Agriculture (USDA) Exporter Guide 2018:

(https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-10-2018.pdf).

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

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

The Seoul Food and Hotel Show (<http://www.seoulfood.or.kr/eng/main.asp>) 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.

Contact

U.S. Agricultural Trade Office Seoul (ATO)

Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550

Telephone: +82-2 6951-6848

Fax: +82-2 720-7921

E-mail: atoseoul@fas.usda.gov

Internet Homepage: www.atoseoul.com

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)

Korean Address: U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea

U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550
Telephone: +82-2 397-4297 Fax: +82-2 738-7147
E-mail: agseoul@fas.usda.gov
Internet Homepage: www.fas.usda.gov

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550
Telephone: +82-2 725-5495 Fax: +82-2 725-5496
E-mail: yunhee.kim@aphis.usda.gov
Internet Homepage: www.aphis.usda.gov

Customs, Regulations and Standards

Trade Barriers

Under the KORUS FTA, verification of goods imported from the U.S. which was an issue has been renegotiated and a joint committee of the U.S. Customs and Border Protection and Korean Customs was created to investigate this issue. The U.S. Embassy, in cooperation with the American Chamber of Commerce (AmCham) in Korea and other industry groups, actively engage the ROKG on KORUS implementation and address technical barriers to trade (TBT).

Examples of TBT include the following: transparency, due process, new standards and labeling requirements.

Information on specific trade barriers in Korea, including agricultural products (such as restrictions on rice imports) is available in the [2019 National Trade Estimate Report on Foreign Trade Barriers](https://ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf) (https://ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf)

As of March 2017, under the KORUS FTA, U.S. law firms will be allowed to establish joint venture firms with Korean law firms and employ Korean-licensed lawyers as partners or associates. This is also available for accounting and taxation services.

For more information and help with trade barriers, please contact:

- International Trade Administration
Enforcement and Compliance
(202) 482-0063
ECCcommunications@trade.gov
<http://trade.gov/enforcement/>

Import Tariffs

The U.S.-Korea FTA was implemented on March 15, 2012. Prior to that, the average basic tariff on U.S. goods was approximately 7.9 percent and duty rates were high on many high-value agricultural and fisheries products.

As of January 1, 2018, 92.3% of U.S. products enter Korea duty-free. The U.S. Department of Commerce's FTA Tariff Tool (<http://export.gov/FTA/ftatarifftool/index.asp>) can help U.S. exporters identify the harmonized system number for their products and the associated tariff rates over the next ten years. Exporters can also contact the U.S. Agricultural Trade Office (<http://www.atoseoul.com/>), affiliated with the U.S. Embassy in Seoul, for specific information on agricultural tariff rates.

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

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

Customs Valuation

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

A Value Added Tax rate of 10 percent is applied on imports based on customs value plus duties.

Import Requirements and Documentation

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

- **COMMERCIAL INVOICE:** An original invoice and two copies must be presented with the shipping documents and must include total value, unit value, quantity, marks, product description and shipping from/to information.
- **CERTIFICATE OF ORIGIN:** Prior to implementation of the KORUS FTA, a Certificate of Origin, in duplicate, was required for some products. Exporters are encouraged to discuss shipping document requirements with their respective importer.

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

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

- a. Name and contact information for the certifying person
- b. The importer
- c. The exporter
- d. The producer of the good
- e. Harmonized System Tariff classification and description of the good
- f. Information demonstrating that the good originates from the United States. This can be satisfied by either:
 - g. The producer's written or electronic certification that the product meets KORUS FTA origin requirements; or
 - h. The producer's or exporter's knowledge that the good meets KORUS FTA origin requirements.
- i. Date of the certification
- j. In the case of a blanket certification, the period that the certification covers.

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

<http://www.ustr.gov/sites/default/files/KORUS%20-CHAPTER%20SIX-%20RULES%20OF%20ORIGIN%20AND%20ORIGIN%20PROCEDURES.pdf>.

- **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.
- **IMPORT DECLARATION:** An import declaration, normally prepared by the importer in Korean, is required to clear customs

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

An overview of Korean import requirements for food is contained in the FAS Korea annual agriculture export guide at:

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report_Seoul_Korea%20-%20Republic%20of_3-22-2019.pdf

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

(https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report_Seoul_Korea%20-%20Republic%20of_3-22-2019.pdf)

The Ministry of Food and Drug Safety (MFDS) provides information on maximum residue levels and import procedures on the MFDS website at <http://www.mfds.go.kr/eng>.

Current information on which U.S. livestock and poultry products are eligible for export to the Korean market can be found on the website of the Food Safety and Inspection Service (<http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/Korea>) of the U.S. Department of Agriculture. This website also provides guidance on the documents Korea requires for livestock product shipments destined for Korea.

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

U.S. Export Controls

The U.S. Department of Commerce, Bureau of Industry and Security (BIS), develops, implements, and interprets U.S. export control policy for dual-use commodities, software, and technology. Dual-use items subject to BIS regulatory jurisdiction have predominantly commercial uses but may also have military applications. For basic information on U.S. export controls, please visit the following website:

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

Please also link to the Consolidated Screening List engine <https://www.export.gov/csl-search> or via [export.gov](https://www.export.gov/) or to [export.gov](https://www.export.gov/article?id=Consolidated-Screening-List); <https://www.export.gov/article?id=Consolidated-Screening-List>

Temporary Entry

If VAT (10%) and tariff is applicable on a product and it is brought into Korea as temporary entry, Korean Customs would collect a collateral of the total due and will release this collateral only once the product has left Korea (usually after three months). Korea has three kinds of bonded areas where goods can temporarily enter Korea for storage, manufacture, processing, sale, construction, or exhibit without going through Customs clearance. The three types of bonded areas are: 1) designated bonded areas (designated storage sites and Customs inspection zones); 2) patent bonded areas (bonded warehouses, bonded factories, bonded exhibition sites, bonded construction sites, and bonded sales shops); and, 3) comprehensive bonded areas (all five activities of patent bonded areas can be performed comprehensively in the same place). Duties are payable only when goods are cleared through Customs. To learn more about the various bonded areas, click [here](#).

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

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

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

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

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

Labeling/Marking Requirements

Korea has specific labeling and marking requirements for certain products, such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology. Details regarding these and other general labeling and marking requirements can be found on the Foreign Agricultural Service website pertaining to food and agriculture import requirements at FAIRS Country Report (https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report_Seoul_Korea%20-%20Republic%20of_3-22-2019.pdf)

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 (<http://portal.customs.go.kr/kcsipt/sso/login.jsp>). To learn more about country of origin labeling requirements, please visit <http://www.customs.go.kr/kcshome/co/CertificateOfOriginViewNew.do?layoutMenuNo=21027andlayoutSiteId=nullandlayoutType=null>.

The Korean Ministry of Trade, Industry and Energy (MOTIE) issues the KC Mark for items that fall under its jurisdiction, formerly comprised of mandatory certification marks for 13 categories, many of which overlapped in testing procedures and functions. The consolidation of these marks into the KC Mark ensures that companies, both Korean and foreign, will save time and costs due to reduced redundancies introduced into the new system. To learn more, follow this link (<http://www.kats.go.kr/kcmark/>).

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

Prohibited and Restricted Imports

Guns, narcotics, pornography, subversive material, treasonous material, and counterfeit goods are prohibited from entering Korea.

Please visit the Bureau of Industry and Security website at: <https://www.bis.doc.gov> for detailed information about export controls to the Republic of Korea and the website <https://doresearch.stanford.edu/research-scholarship/export-controls/ecitems> to view the list of export control items. The Korean Customs Service (<http://www.customs.go.kr/kcshome/site/index.do?layoutSiteId=english>) also maintains a [list of prohibited imports](#) to the Republic of Korea.

Customs Regulations

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

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

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

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

Korea Customs Service

Telephone: 82-42-472-2196

Fax: 82-42-481-7969

E-mail: kcstcd@customs.go.kr

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

Standards for Trade

Overview

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

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

(https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report_Seoul_Korea%20-%20Republic%20of_3-22-2019.pdf).

Standards

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

The Ministry of Food and Drug Safety (MFDS - <http://www.mfds.go.kr/eng>) 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 - <http://www.tta.or.kr/English/index.jsp>) covers telecommunications, information technology, radio communications and broadcasting. The Association establishes industry standards and has been instrumental in creating the current Korean Information and Communication Standards. TTA also collaborates with international and national standards organizations, such as ITU and other organizations.

NIST Notify U.S. Service

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

Testing, Inspection and Certification

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

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

Product Certification

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

Accreditation

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

Publication of Technical Regulations

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

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

Contact Information

Korean Agency for Technology and Standards (KATS)

<http://www.kats.go.kr/>

Ministry of Food and Drug Safety (MFDS)

<http://www.mfds.go.kr/eng/>

Korean Laboratory Accreditation Scheme (KOLAS)

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

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. **Notify U.S.** (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce."

Trade Agreements

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

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

Korea has Free Trade Agreements with ASEAN, Australia, Canada, Chile, China, Colombia, India, New Zealand, Peru, Singapore, the European Union, and the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein), U.S., Turkey, and Vietnam. For the complete list of Korea's FTAs, please visit the Korean Ministry of Foreign Affairs site (<http://www.fta.go.kr/main/situation/kfta/ov/>). More information on the EU-Korea FTA can be found on the European Union website at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/korea/>.

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.

Licensing Requirements for Professional Services

Under KORUS FTA, Korea will be fully opened to U.S. law firms as of March 2017, allowing them to set up joint ventures with Korean counterparts, hire Korean lawyers and partially practice domestic law. The plan also allows foreign lawyers to temporarily stay in Korea to handle cases requiring international mediation. U.S. lawyers can practice in Korea as a “Foreign Legal Consultant” (FLC) under the Korean Foreign Legal Consultants Act of the KORUS FTA. An attorney from a country with a free trade agreement in place with South Korea is eligible to apply to be an FLC. They must have at least a three-year work experience in their respective jurisdiction. In order to hold chief status, they must have seven years of experience overall. Foreign attorneys must seek approval by the Minister of Justice (http://www.moj.go.kr/moj_eng/index.do) and register with the Korean Bar Association (<https://www.koreanbar.or.kr/eng/pages/main/main.asp>).

U.S. accounting firms have to register with the Financial Services Commission (FSC - <http://www.fsc.go.kr/eng/>) in order to open an office in Korea. These U.S. firms are then allowed to hire foreign accountants and provide accounting consultations to Korean companies on overseas financial operations only. They are not allowed to hire Korean accountants. In March 2017 (five years after the launch of the KORUS FTA), foreign accounting firms will be eligible to purchase less than a 50 percent stake in a Korean accounting firm. The FSC will approve U.S. accountants who have secured accounting licenses overseas to do business in Korea for five years.

For general consultants, opening an office in Korea requires a Foreign Direct Investment (FDI) approach. For a corporation to open an office, a minimum investment of 100 million Won (~\$100,000) is required for a G8 visa, and for a consultant to practice in Korea, it would require 300 million Won (~\$300,000) for a G9 visa. To learn more about how one can open offices in Korea, please visit the site <http://www.investkorea.org/en/index.do>.

Web Resources

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

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

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

USDA Agriculture Exporters Guide

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-10-2018.pdf

USDA Animal Plant and Health Inspection Service (APHIS)

<http://www.aphis.usda.gov>

USDA Food Safety and Inspection Service

<http://www.fsis.usda.gov/wps/portal/fsis/home>

Foreign Agricultural Service (FAS), U.S. Department of Agriculture (Attaché Reports)

<http://www.fas.usda.gov>

American Chamber of Commerce Korea

<http://www.amchamkorea.org>

Department of Commerce, Bureau of Industry and Security

<http://www.bis.doc.gov/>

Annual National Trade Estimate Report

https://ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf

Korean Agency for Technology and Standards (KATS)

<http://www.kats.go.kr/>

Korea Customs Service (KCS)

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

Korean Laboratory Accreditation Scheme (KOLAS)

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

Ministry of Food and Drug Safety (MFDS)

<http://www.mfds.go.kr/eng>

Telecommunications Technology Association (TTA)

<http://www.tta.or.kr/English/index.jsp>

Investment Climate Statement

Executive Summary

The Republic of Korea (ROK) is an attractive investment destination for foreign investors due to its political stability, public safety, world-class logistics and information and communications technology (ICT) infrastructure, highly-educated and skilled workforce, and dynamic private sector. Following market liberalization measures in the 1990s, foreign portfolio investment has grown steadily, exceeding 30 percent of the Korea Composite Stock Price Index's (KOSPI) total market capitalization in 2018. The services sector offers new and promising opportunities for the next wave of foreign direct investment (FDI). However, studies conducted by the Korean International Trade Association and others have shown that the ROK underperforms in attracting FDI relative to the size and sophistication of its economy due to its burdensome regulatory environment.

Korea's FDI shortfall is due in part to its complicated, opaque, and country-unique regulatory framework. The ROK's manufacturing model is being overtaken by low-cost producers, most notably China, which threatens the country's ability to maintain competitiveness. This is especially critical with the advent of disruptive technologies such as fifth generation (5G) mobile communications that enable smart manufacturing, autonomous vehicles, and the Internet of Things - innovative technologies whose further development will be hampered by restrictive regulations that do not comport with global standards. The ROK government (ROKG) has taken some steps to address this over the last decade. It established the Office of the Foreign Investment Ombudsman to address concerns of foreign investors. It recently created a "regulatory sandbox" program to spur creation of new products in the financial services, energy, and tech sectors. Process improvements such as conducting Regulatory Impact Analyses (RIA) and soliciting substantive feedback from a broad range of stakeholders, including foreign investors, in the development of new regulations are cited by industry observers as additional steps to improve the investment climate.

The revised Korea-U.S. Free Trade Agreement (KORUS) entered into force January 1, 2019 and continues to allow U.S. investors broad access to the ROK market. Currently, all forms of investment are protected under KORUS, including equity, debt, concessions, and intellectual property rights. With a few exceptions, U.S. investors are treated the same as ROK investors (or third-country investors) in the establishment, acquisition, and operation of investments in the ROK. Investors may elect to bring claims against the government for an alleged investment breach under a transparent international arbitration mechanism. The U.S. government continues to work closely with the ROKG to ensure full implementation of KORUS investment provisions, especially in regard to the right to mount an adequate defense in competition proceedings.

Table 1: Key Metrics and Rankings

Measure	Year	Index/Rank	Website Address

TI Corruption Perceptions Index	2018	45 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report	2018	5 of 190	http://www.doingbusiness.org/en/rankings
Global Innovation Index	2018	12 of 126	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country (\$M USD, stock positions)	2017	\$41,602	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2017	\$28,380	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

The ROK government's approach toward FDI is positive, and senior policymakers realize the value of foreign investment. In a March 28, 2019, meeting with the foreign business community, President Moon Jae-in equated their success "with the Korean economy's progress." Foreign investors in the ROK still face numerous hurdles, however, including insufficient regulatory transparency, inconsistent interpretation of regulations, ongoing regulatory revisions that the market cannot anticipate, underdeveloped corporate governance structures, high labor costs, an inflexible labor system, burdensome Korea-unique consumer protection measures, and market domination by large conglomerates, known as *chaebol*.

The 1998 Foreign Investment Promotion Act (FIPA) is the basic law pertaining to foreign investment in the ROK. FIPA and related regulations categorize business activities as open, conditionally or partly restricted, or closed to foreign investment. FIPA features include:

- Simplified procedures, including those for FDI notification and registration;
- Expanded tax incentives for high-technology investments;
- 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-Investment Promotion Agency (KOTRA) to assist foreign investors; and
- Establishment of a Foreign Investment Ombudsman to assist foreign investors.

The ROK National Assembly website provides a list of laws pertaining to foreigners, including FIPA, in English (http://korea.assembly.go.kr/res/low_03_list.jsp?boardid=1000000037).

The Korea Trade Investment Promotion Agency (KOTRA) actively facilitates foreign investment through its Invest Korea office (on the web at <http://m.investkorea.org/m/index.do>). For investments exceeding 100 million won (about USD 88,000), KOTRA assists in establishing a domestically-incorporated foreign-invested company. KOTRA and the Ministry of Trade, Industry, and Energy (MOTIE) organize a yearly Foreign Investment Week to attract investment to South Korea. KOTRA also recruits FDI by participating in overseas events such as the March 2019 “South by Southwest Festival” in Austin, Texas, to attract U.S. startups and investors. The ROK’s key official responsible for FDI promotion and retention is the Foreign Investment Ombudsman. The position is commissioned by the President and heads a grievance resolution body that: collects and analyzes information concerning problems foreign firms experience; requests cooperation from and recommends implementation of reforms to relevant administrative agencies; proposes new policies to improve the foreign investment promotion system; and carries out other necessary tasks to assist investor companies. More information on the Ombudsman can be found at <http://ombudsman.kotra.or.kr/eng/index.do>.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities can establish and own business enterprises and engage in almost all forms of remunerative activity. The number of industrial sectors open to foreign investors is well above the Organization for Economic Cooperation and Development (OECD) average, according to MOTIE. However, restrictions on foreign ownership remain for 30 industrial sectors, including three that are closed to foreign investment (see below). Under the KORUS FTA, South Korea treats U.S. companies like domestic entities in select sectors, including broadcasting and telecommunications. Relevant ministries must approve investments in conditionally or partially restricted sectors. Most applications are processed within five days; cases that require consultation with more than one ministry can take 25 days or longer. The ROK’s procurement processes comply with the World Trade Organization (WTO) Government Procurement Agreement, but some implementation problems remain.

The following is a list of restricted sectors for foreign investment. Figures in parentheses generally denote the Korean Industrial Classification Code, while those for the air transport industries are based on the Civil Aeronautics Laws:

Completely Closed

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

Restricted Sectors (no more than 25 percent foreign equity)

- News agency activities (63910)

Restricted Sectors (less than 30 percent foreign equity)

- Publishing of daily newspapers (58121) (Note: Other newspapers with the same industry code 58121 are restricted to less than 50 percent foreign equity)

Restricted Sectors (no more than 30 percent foreign equity)

- Hydroelectric power generation (35112)
- Thermal power generation (35113)
- Solar power generation (35114)
- Other power generation (35119)

Restricted Sectors (no more than 49 percent foreign equity)

- Program distribution (60221)
- Cable networks (60222)
- Satellite and other broadcasting (60229)
- Wired telephone and other telecommunications (61210)
- Mobile telephone and other telecommunications (61220)
- Other telecommunications (61299)

Restricted Sectors (no more than 50 percent foreign equity)

- Farming of beef cattle (01212)
- Transmission/distribution of electricity (35120)
- Wholesale of meat (46313)
- Coastal water passenger transport (50121)
- Coastal water freight transport (50122)
- International air transport (51)
- Domestic air transport (51)
- Small air transport (51)
- Publishing of magazines and periodicals (58122)

Open but Regulated under Relevant Laws

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

Other Investment Policy Reviews

The WTO conducted its seventh Trade Policy Review of the ROK in October 2016. The Review does not contain any explicit policy recommendations. It can be found at https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=233680,233681,230967,230984,94925,104614,89233,66927,82162,84639&CurrentCatalogueIdIndex=1&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True. The ROK has not undergone investment policy reviews or received policy recommendations from the OECD or United Nations Conference on Trade and Development (UNCTAD) within the past three years.

Business Facilitation

Registering a business remains a complex process that varies according to the type of business being established and requires interaction with KOTRA, court registries, and tax offices. Foreign corporations can enter the market by establishing a local corporation, local branch, or liaison office. The establishment of local corporations by a foreign individual or corporation is regulated by FIPA and the Commercial Act; the latter recognizes five types of companies, of which stock companies with multiple shareholders are the most common. Although registration can be filed online, there is no centralized online location to complete the process. For small- and medium-sized enterprises (SMEs) and micro-enterprises, the online business registration process takes approximately three to four days and is completed through Korean language websites. Registrations can be completed via the Smart Biz website, <https://www.startbiz.go.kr/>. The UN's Global Enterprise Registration (GER) rated Smart Biz a low 2.5 on its 10-point evaluation scale and suggested improvements to provide clear and complete instructions for registering a limited liability company. The GER rated the InvestKorea information portal even lower at 2.0/10. The Korea Commission for Corporate Partnership (<http://www.winwingrowth.or.kr/>) and the Ministry of Gender Equality and Family (<http://www.moget.go.kr>) seek to create a better business environment for minorities and women but do not offer any direct support program for those groups. Some local governments provide guaranteed bank loans for women or disabled people, but a lack of data on those programs makes it difficult to measure their impact.

Outward Investment

The ROK does not have any restrictions on outward investment. While Korea's globally competitive firms complete their investment procedures in-house, the ROK has several offices to assist small business and middle-market firms.

- KOTRA has an Outbound Investment Support Office that provides counseling to ROK firms and holds regular investment information sessions.
- The ASEAN-Korea Centre, which is primarily ROKG-funded, provides counseling and matchmaking support to Korean SMEs interested in investing in the Association of Southeast Asian Nations (ASEAN) region.

- The Defense Acquisition Program Administration in 2019 opened an office to advise Korean SME defense firms on exporting unrestricted defense articles.

2. Bilateral Investment Agreements and Taxation Treaties

The ROK has 16 FTAs encompassing trade with 57 countries, including the United States, and 94 bilateral investment treaties (BITs). The most recent FTA was signed with five Central American countries (Panama, Costa Rica, Honduras, El Salvador, and Nicaragua) in February 2018 and takes effect in the first half of 2019. Ongoing FTA negotiations include the Regional Comprehensive Economic Partnership (RCEP) among 16 Asian countries, a ROK-China-Japan trilateral FTA, and bilateral FTAs with Israel and Mercado Comun del Sur (Mercosur). Negotiations are also in progress to expand the ROK-China FTA services and investment chapter, and to enhance existing FTAs with India, Indonesia, and Chile. The ROK has had free trade negotiations with Mexico, which stopped in 2003 when Mexico announced a moratorium on all FTAs. Negotiations resumed in 2008 have been suspended since then. The ROK signed a BIT with Mexico in 2002. In September 2017, the ROK and the EAEU (Eurasian Economic Union - five countries including Russia) agreed to set up a joint working group for FTA consultations but formal negotiations have not yet begun. As of March 2019, the ROK had signed bilateral tax agreements with 93 countries. The ROK National Tax Service has a special unit dedicated to processing Advance Pricing Agreement and Mutual Agreement Procedure requests from North America, Europe, and Australia, as timely processing of these requests has historically been a frequent subject of disputes. The U.S.-ROK bilateral income tax treaty entered into force in 1979. A complete list of countries and economies with which South Korea has concluded bilateral investment protection agreements, such as BITs and FTAs with investment chapters, is available at http://www.mofa.go.kr/www/wpge/m_3834/contents.do and <http://investmentpolicyhub.unctad.org/IIA>.

In December 2016, a subsidiary of World Fuel Services (WFS) received assessments of approximately USD 10.4 million and a pre-assessment notice for an additional USD 17.6 million from regional tax authorities in Seoul. The assessments were mainly fines and penalties for allegedly failing to issue value-added tax (VAT) invoices and report certain transactions from 2011-2014. WFS disputes that any VAT was due on the transactions at issue, or that its subsidiary should be required to be a local VAT-registered entity. WFS's appeal through the ROK tax administrative appeal process is ongoing.

3. Legal Regime

Transparency of the Regulatory System

ROK regulatory transparency has improved in recent years, due in part to Korea's membership in the WTO and negotiated FTAs. However, the foreign business community continues to face a large number of Korea-unique rules and regulations. Approximately 80 percent of regulations are introduced and passed by the National Assembly without a regulatory impact assessment (RIA) due to a loophole that requires only regulations written by ministries to undergo RIAs. While

these regulations may have well-intended social aims, such as consumer protection or the promotion of SMEs, they often have unintended consequences for the economy by creating new trade barriers. Laws and regulations are often framed in general terms and are subject to differing interpretations by government officials, who rotate frequently. Regulatory authorities often issue oral or internal guidelines or other legally enforceable dictates that prove burdensome and difficult to follow for foreign firms. Intermittent ROKG deregulation plans intended to eliminate the use of oral guidelines or subject them to the same level of regulatory review as written regulations have not led to concrete changes. Despite KORUS FTA provisions designed to address these issues, they remain persistent and prominent.

The ROK constitution allows both the National Assembly and the executive branch to introduce bills. The legal norm is for regulations to be introduced in the form of an act. Subordinate statutes (presidential decree, ministerial decree, and administrative rules) largely govern matters delegated by acts and relevant enforcement. Ministries are in charge of drafting such subordinate regulations. Acts and their subordinate regulations can all be relevant for foreign businesses. Administrative agencies shape policies and draft bills on matters under their respective jurisdictions. Drafting ministries are required to clearly set policy goals and complete RIAs. When a ministry drafts a regulation, it is required to consult with other relevant ministries before it releases the regulation for public comment. The constitution also allows local governments to exercise self-rule legislative power to draft ordinances and rules within the scope of federal acts and subordinate statutes. The enactment of acts and their subordinate statutes, ranging from the drafting of bills to their promulgation, must follow formal ROK legislative procedures in accordance with the Regulation on Legislative Process enacted by the Ministry of Legislation. Since 2011, all publicly listed companies have been required to follow International Financial Reporting Standards (IFRS, or K-IFRS in South Korea). The Korea Accounting Standards Board facilitates ROK government endorsement and adoption of IFRS and sets accounting standards for companies not subject to IFRS. According to the Administrative Procedures Act, proposed laws and regulations (acts, presidential decrees, or ministerial decrees) must seek public comments at least 40 days prior to their promulgation. Regulations are sometimes promulgated with only the minimum required comment period, and with minimal consultation with industry. Regulatory changes originating from legislation proposed by members of the National Assembly are not subject to public comment periods. As a result, 80 percent of all new regulations are written and passed through the National Assembly without rigorous quality control and solicitation of public comments. The Korean language text of draft acts and regulations accompanied by executive summaries are published online in the Official Gazette and simultaneously posted on the websites of relevant ministries and the National Assembly. This is required under the ROK's public notification process that includes a 40-day comment period. Foreign firms' analyses and responses are delayed because of the need to translate complex documentation. The Ministry of Government Legislation reviews whether laws and regulations conform to the constitution and monitors government adherence to the Regulation on Legislative Process. All laws and regulations also undergo review by the Regulatory Reform Committee to minimize government intervention in the economy and to abolish all economic regulations that fall short of international standards or hamper national competitiveness.

In January 2019, Korea introduced a “regulatory sandbox” program intended to reduce the regulatory burden on companies that seek to test innovative ideas, products, and services. The program is managed by MOTIE; the Ministry of Science and ICT; and the Financial Services Commission, depending on the business sector in which a particular proposal falls. The program is open to Korean companies and to any foreign company with a Korean branch office; however, the first round of companies granted exemptions under the program were exclusively domestic firms. Websites and applications are only offered in Korean. Despite its limited nature, the initiative is a welcome effort by regulators to spur innovation.

The ROKG enforces regulations through penalties (either fines or criminal charges) in the case of violations of the law. The government’s enforcement actions can be challenged through an appeal process or administrative litigation. At times the CEOs of local branches can be held legally responsible for all actions of their company and have been arrested and charged for their companies’ crimes.

Business regulation in the ROK often lacks empirical cost-benefit analysis or impact assessment on the basis of scientific and data-driven assessment because regulations are finalized without sufficient stakeholder consultation or passed by the National Assembly without a regulatory impact assessment. When ministries draft regulations, they must submit their RIA to the Regulatory Reform Committee for its determination on whether the regulation restricts rights or imposes excessive duties. These RIAs are usually not publicly available for comment, and comments received by regulators are not made public. The ROK’s public finances and debt obligations are generally quite transparent, and the ROKG has proactively improved in this area in recent years. Some concerns regarding debt related to state-owned enterprises and pseudo-government debt remain, however.

International Regulatory Considerations

Though not part of any regional economic bloc, the ROK has revised various local regulations to implement commitments under international treaties and agreements including FTAs. Treaties duly concluded and promulgated in accordance with the Constitution and the generally recognized rules of international law are accorded the same standing as domestic laws. ROK officials have repeatedly expressed a desire to harmonize standards with global norms by benchmarking the United States and the EU. The U.S., U.K., and Australian governments exchange regulatory reform best practices with the ROKG to encourage ROK regulators to incorporate more regulatory analytics, increase transparency, and improve compliance with international standards. Korea-unique rules and regulations continue to pose difficulties for foreign companies operating in the ROK, however. The ROK is a member of the WTO and notifies the Committee on Technical Barriers to Trade of all draft technical regulations. The ROK is also a signatory to the Trade Facilitation Agreement (TFA). The ROK amended the ministerial decree of the Customs Act in 2015, creating a committee charged with implementation of the TFA. The ROK is a global leader in terms of modernized and streamlined procedures for the transportation and customs clearance of goods. While the Korea Customs Service’s aggressive interpretation of rules of origin and extensive documentation requirements undermined KORUS benefits for U.S.

exporters in the past, industry sources report that KCS has largely addressed this issue over the past year, and is now taking a rational approach to enforcing country of origin issues under KORUS.

Legal System and Judicial Independence

The ROK legal system is based on civil law. Subdivisions within the district and high courts govern commercial activities and bankruptcies and enforce property and contractual rights with monetary judgments, usually levied in the domestic currency. The ROK has a written commercial law, and matters regarding contracts are covered by the Civil Act. There are only three specialized courts in the ROK: the patent, family, and administrative courts. In civil cases, courts deal with disputes surrounding the rights of property or legal relations. The ROK court system is independent and not subject to government interference in cases that may affect foreign investors. Efforts are being made to ensure the judicial process is more fair and reliable. Foreign court judgments are not enforceable in the ROK. Rulings by district courts can be appealed to higher courts and the Supreme Court.

Laws and Regulations on Foreign Direct Investment

Laws and regulations enacted within the past year include:

- The Financial Services Commission (FSC) announced a Revised Regulation for Expansion of Cloud Usage in the Financial Sector in July 2018, allowing financial services companies to make use of cloud storage solutions to process personally identifiable information (PII); this change offered limited benefit for many foreign companies, however, as it was accompanied by restrictive data localization, data protection, and reporting obligations.
- A revision to the Value-Added Tax Act passed in December 2018 and taking effect in July 2019 orders the National Tax Service to apply the standard 10 percent VAT tax on revenue earned in the ROK by foreign ICT firms.
- A revision of the Act on Promotion of Information and Communications Network Utilization and Protection took effect in March 2019 and requires global ICT firms with more than one million daily users or annual sales exceeding USD 900 million to designate a “local agent” who can be held responsible in case of a data breach or other consumer protection violation.
- A December 2018 revision to the FIPA mandated that the MOTIE Minister conduct a survey on job creation by foreign investors every three years.
- The Restriction of Special Taxation Act was revised in December 2018 to remove certain tax breaks for foreign investments registered after December 31, 2018. Industry analysts viewed this change as a move to get Korea off of the EU List of Non-cooperative Jurisdictions for Tax Purposes (NJTP). The ROK was added to the NJTP list in December 2017, and de-listed in March 2019.

Key pending/proposed laws and regulations as of April 2019 include:

- The FSC plans to further relax restrictions on cloud computing in the financial sector, but has not announced the scope of reform or an implementation schedule.
- Numerous regulations pertaining to the taxation of foreign ICT companies are currently under consideration and are popularly referred to collectively as “Google Tax” laws. Various ministry officials have publicly recommended waiting for OECD consensus recommendations before implementing a comprehensive digital services tax.

There is no single website for investment-relevant laws and regulations. However, more information is available at the following websites: <https://www.better.go.kr/>, <https://www.fsc.go.kr/>, and <http://motie.go.kr/>.

Competition and Anti-Trust Laws

The Monopoly Regulation and Fair Trade Act (KFTC Act) authorizes the Korea Fair Trade Commission (KFTC) to review and regulate competition-related and consumer safety matters. A number of U.S. firms have raised serious concerns that the KFTC has targeted foreign companies with more aggressive enforcement efforts and that KFTC procedures and practices have inhibited their ability to defend themselves during KFTC investigatory proceedings. The KFTC drafted the first full-scale amendment of the Monopoly Regulation and Fair Trade Act in 38 years and submitted the bill to the National Assembly in December 2018. However the draft amendment act does not address concerns raised by U.S. and other foreign companies regarding procedural fairness and the right to an adequate defense. Due to this omission, the U.S. Trade Representation called for the first-ever consultations under provisions of the KORUS FTA in 2019.

Expropriation and Compensation

The ROK follows generally accepted principles of international law with respect to expropriation. ROK law protects foreign-invested enterprise property from expropriation or requisition. Private property can be expropriated for a public purpose - like developing new cities, building new industrial complexes, or constructing roads - and claimants are afforded due process. Property owners are entitled to prompt compensation at fair market value. There have been many cases of private property expropriation in the ROK for public reasons and these were conducted in a non-discriminatory manner and claimants were compensated at or above fair market value; U.S. Embassy Seoul is not aware of any cases alleging a lack of due process. The ROKG allotted USD 20 billion in its 2019 budget for land expropriation, a 38 percent increase from the previous year.

Dispute Settlement

ICSID Convention and New York Convention

The ROK acceded to the International Centre for Settlement of Investment Disputes (ICSID) in 1967, and the New York Arbitration Convention in 1973. There are no specific domestic laws providing for enforcement; however, South Korean courts have made rulings based on the ROK's membership in the conventions.

Investor-State Dispute Settlement

The ROK is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency. ROK courts may ultimately be called upon to enforce an arbitrated settlement. When drafting contracts, it may be useful to provide for arbitration by a neutral body such as the International Commercial Arbitration Association. U.S. companies should seek local expert legal counsel when drawing up any type of contract with a South Korean entity. The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with the ROK that contains general provisions pertaining to business relations and investment. The KORUS FTA contains strong, enforceable investment provisions that went into force in March 2012. There have been several serious investment disputes involving foreigners in Korea in recent years. In November 2012, U.S.-based Lone Star Funds, a worldwide private equity firm, brought an investor-state dispute lawsuit against the South Korean government with the ICSID in Washington D.C. under the investment chapter of the KORUS FTA, and this case is still pending. The private equity firm blamed the ROK government for sharp declines in stock prices, claiming that it delayed the acquisition of the Korea Exchange Bank without cause. The ICSID was expected to make a ruling in 2017, but the ruling has been repeatedly postponed. Foreign court judgments, with the exception of foreign arbitral rulings that meet certain conditions, are not enforceable in the ROK. There is no history of extrajudicial action against foreign investors. An arbitration panel under the United Nations Commission on International Trade Law (UNCITRAL) made a USD 68 million ruling against the ROKG in June 2018 in an investor-state dispute settlement filed by Entekhab, owned by Iranian investor Mohammad Reza Dayyani. In July 2018, an American individual investor filed an investor-state dispute (ISD) lawsuit against the ROKG, claiming that the government had violated the KORUS FTA in expropriating her land. This case is still pending. Also in July 2018, U.S. activist fund Elliott Associates submitted a notice of arbitration over an ISD pertaining to the KORUS FTA. Elliott Associates claimed they had suffered at least USD 770 million in financial losses due to the merger between Samsung C&T and Cheil Industries, stating the ROKG illicitly intervened by mobilizing the National Pension Service as a large shareholder in the process of approving the merger in 2015. In September 2018, Mason Capital Management, another American investor, filed for arbitration seeking USD 200 million in compensation for losses incurred from the same controversial merger. Both cases pending before the UNCITRAL. In August 2018, Korea's Higher Court found former President Park Geun-hye guilty of illegally intervening in the Samsung-Cheil merger.

International Commercial Arbitration and Foreign Courts

Although commercial disputes can be adjudicated in a civil court, foreign businesses find this method impractical. Proceedings are conducted in Korean, often without adequate interpretation. ROK law prohibits foreign lawyers who have not passed the Korean Bar

Examination from representing clients in South Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in the ROK. 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. ROK law governs commercial activities and bankruptcies, with the judiciary serving as the means to enforce property and contractual rights, usually through monetary judgments levied in the domestic currency. The ROK has specialized courts, including family courts and administrative courts, as well as courts specifically dealing with patents and other intellectual property rights issues. Commercial disputes may also be taken to the Korean Commercial Arbitration Board (KCAB). The Korean Arbitration Act and its implementing rules outline the following sequential steps in the arbitration process: 1) parties may request the KCAB to act as an informal intermediary to a settlement; 2) if informal arbitration is unsuccessful, either or both parties may request formal arbitration, in which the KCAB appoints a mediator to conduct conciliatory talks for 30 days; and 3) if formal arbitration is unsuccessful, an arbitration panel consisting of one to three arbitrators would be assigned to decide the case. If one party is not resident in the ROK, either may request an arbitrator from a neutral country. If foreign arbitral awards or foreign courts' rulings meet the requirements of Article 217 of the Civil Procedure Act, then those are enforceable by local courts. The U.S. Embassy is not aware of statistics involving state-owned enterprise investment dispute court rulings. Gale International (GI), a U.S. real estate development company, has had an ongoing investment dispute with Korean conglomerate POSCO since 2015. GI claims it is owed USD 350 million and has filed criminal complaints in a Seoul court against POSCO alleging misappropriation of funds and approving documents with the GI seal without authorization. The case is still pending, and GI has closed its office in the ROK.

Bankruptcy Regulations

The Debtor Rehabilitation and Bankruptcy Act (DRBA) stipulates that bankruptcy is a court-managed liquidation procedure where both domestic and foreign entities are afforded equal treatment. The procedure commences after a filing by a debtor, creditor, or a group of creditors and determination by the court that a company is bankrupt. The court designates a Custodial Committee to take an accounting of the debtor's assets, claims, and contracts. Creditors may be granted voting rights in the creditors' group, as identified by the Custodial Committee. Shareholders and contract holders may retain their rights and responsibilities based on shareholdings and contract terms. The World Bank ranked ROK policies and mechanisms to address insolvency 11th among 190 economies in its 2019 Doing Business report. Debtors may be subject to arrest once a bankruptcy petition has been filed, even if the debtor has not been declared bankrupt. Individuals found guilty of negligent or false bankruptcy are subject to criminal penalties. Under the revised DRBA enacted on March 28, 2017, Korea established the Seoul Bankruptcy Court (SBC) with nationwide jurisdiction to hear major bankruptcy or rehabilitation cases and to provide more effective, specialized and consistent guidance in bankruptcy proceedings. Any Korean company with debt equal to or above KRW 50 billion KRW (about USD 44 million) and 300 or more creditors may file for bankruptcy rehabilitation with the

SBC. Thirteen local district courts continue to oversee smaller bankruptcy cases in areas outside Seoul.

4. Industrial Policies

Investment Incentives

The ROK government provides the following general incentives for foreign investors:

- Cash incentives for qualified foreign investments in free trade zones, foreign investment zones, free economic zones, industrial complexes, and similar facilities;
- Tax and cash incentives for the creation and expansion of workplaces for high-tech business plants and research and development centers;
- Reduced rent for land and site preparation for foreign investors;
- Grants for establishment of convenience facilities for foreigners;
- Reduced rent for state or public property;
- Preferential financial support for investing in major infrastructure projects; and
- Support from the Seoul Metropolitan government, separate from the central government, for SMEs, high-technology businesses, and the biomedical industry.

The ROKG does not issue guarantees or jointly finance foreign direct investment projects.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Ministry of Economy and Finance (MOEF) 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 (i.e., Free Economic Zones, Free Investment Zones, and Tariff Free Zones), where favorable tax incentives and other support for investors are available. The ROK aims to attract more foreign investment by promoting its seven Free Economic Zones: Incheon (near Incheon airport, to be completed in 2022); Busan/Jinhae (in South Gyeongsang Province, to be completed in 2020); Gwangyang Bay (in South Gyeongsang Province, to be completed in 2020); Yellow Sea (in South Chungcheong Province, to be completed in 2020); Daegu/Gyeongbuk (in North Gyeongsang Province, to be completed in 2022); East Sea (in Donghae and Gangneung, to be completed in 2024); and Chungbuk (in North Chungcheong Province, to be completed in 2020). Additional information is available at <http://www.fez.go.kr/global/en/index.do>. There are also 26 Foreign Investment Zones designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options. In addition, there are four foreign-exclusive industrial complexes in Gyeonggi Province designed to provide inexpensive land, with the national and local governments providing assistance for leasing or selling in the sites at discounted rates.

Performance and Data Localization Requirements

There are no local employment requirements in the ROK. Anyone who is planning to work during his or her stay in the ROK is required by law to apply for a visa. Sponsoring employers often file the work permit and visa applications, and companies should confirm that a candidate of foreign nationality has a valid work permit prior to making a job offer. Once an expat's work permit has been approved, the Ministry of Justice will issue a Certificate of Confirmation of Visa Issuance (CCVI). This certificate must then be submitted with the relevant visa application forms to the South Korean embassy or consulate in the applicant's country of residence. Work visas are usually valid for one year, and work visa issuance generally takes two to four weeks. Changing a tourist visa to a work visa is not possible within the ROK and must be applied for at a ROK embassy or consulate. Sectors such as public administration, national defense, and diplomacy are subject to certain restrictions imposed by the ROK government, but there are no government-imposed conditions or restrictions on investing in the ROK in most sectors. The conditions to invest in the ROK are elaborated in the FIPA. Foreign companies are not required to use domestic content or technology, nor are they required to turn over source code or provide access for surveillance to ROK authorities. The ROK government, however, is implementing policies to foster the domestic software industry, which sometimes creates obstacles for foreign companies pursuing public procurement projects. The ROK ceased imposing performance requirements on new foreign investment in 1989 and eliminated all pre-existing performance requirements in 1992. There are no performance requirements that force foreign companies to ensure a certain level of local content, local jobs, R&D activity, or domestic shares in the company's capital. There are no legal requirements for foreign information technology (IT) providers to turn over source code and/or provide access to encryption. However, the security certifications required for some IT products can prove burdensome. These certifications are referred to as "Common Criteria certification" (CC certification), the standards and assessments for which are established and implemented by the IT Security Certification Center. The source code for IT products might need to be submitted to the IT Security Certification Center during the review process to apply for CC certification. In January 2016, the ROK government announced guidelines stating that the CC certification is a requirement for cloud computing services to be provided to ROK government agencies or public institutions. ROK data privacy law has various requirements for companies that collect, use, transfer, outsource, or process personal information. This law applies uniformly to both domestic and foreign companies that process personal information in the ROK. The law imposes strict restrictions on transferring personal information outside of the country. If a data controller intends to transfer the personal information of end-users outside of the ROK, it is required to obtain each end-user's consent. In the case of overseas transfer of personal information for the purpose of IT outsourcing, the data controller may forgo obtaining each individual's consent if the data controller discloses in its privacy policy: (i) the purpose of overseas transfer; (ii) the transferees of personal information; and (iii) other certain items about overseas transfer. There are similar requirements for a data controller to transfer the personal information of end-users to a third party within the ROK. To transfer the personal information of end-users to a third party, a data controller must obtain each end-user's consent. In addition, regulations prohibit financial companies in the ROK from transferring customers' personal information and related financial transaction data overseas. As such, this financial transaction data cannot be outsourced to overseas IT vendors, and financial companies in the ROK must store customers' financial transaction data in the ROK. The Financial Services Commission sets Korea's

financial policies, and directs the Financial Supervisory Service in the enforcement of those policies.

5. Protection of Property Rights

Real Property

Property rights and interests are enforced under the Civil Act. Mortgages and liens exist, and the ROK's recording system is reliable. The Alien Land Acquisition Act (amended in 1998) grants non-resident foreigners and foreign corporations the same rights as Koreans in purchasing and using land. The Real Estate Investment Trust (REIT) Act supports indirect investments in real estate and restructuring of corporations. The REIT Act allows investors to invest funds through an asset management company and in real property such as office buildings, business parks, shopping malls, hotels, and serviced apartments. Property interests are enforced, and there is a reliable system for registering mortgages and liens, managed by the courts. Legally-purchased property cannot revert to other owners, but squatters may have very limited rights in special situations, such as a right to cultivation of unoccupied land.

Intellectual Property Rights

Four ROK ministries share primary responsibility for protection and enforcement of intellectual property rights (IPR): the Ministry of Culture, Sports, and Tourism (MCST); the Korea Copyright Protection Agency (KCOPA); the Korean Intellectual Property Office (KIPO); and the Korea Customs Service (KCS). Now a decade removed from exiting the Special 301 Watch List in 2009, the ROK has become a regional leader in terms of legal framework and enforcement for IPR. Enforcement efforts have been primarily focused on online activity in recent years, but some industry sources have reported a loss of momentum in preventing the sale of physical counterfeit goods. No new IP-related laws or amendments were enacted in 2018, and no relevant reforms are expected in the near future.

Industry sources have expressed satisfaction with the ROK legal framework, saying Korea has become a "model Asian nation" for IPR protections. KIPO Special Judicial Police seized 542,505 counterfeit items from 361 persons in 2018, down from 691,630 items seized from 362 persons in 2017. KIPO also suspended 6,181 online transactions in 2018, up from 6,156 cases in 2017; and closed 225 illegal online shopping malls in 2018, up from 191 in 2017. In addition, KIPO provides training to law enforcement officers, educates the public through television and other media, and rewards those who report counterfeit goods. KCS seized USD 470 million of IP-infringing goods in 2018, an increase of 249 percent from 2017. Trademark enforcement accounted for 88 percent of these cases, which were mostly for counterfeit watches, apparel, and other consumer goods. KCS also promotes IPR protection by posting public service announcements on public transportation (trains and subways) and via social media.

Some industry sources have expressed concern about the prosecution of IPR violations in the ROK, stating that light sentences do not correspond to the lucrative nature of infringing activity and do not serve as an effective deterrent. Though MCST Judicial Police recommended 670 IPR cases for

legal action to the Supreme Prosecutor's Office (SPO) in 2018, a 24 percent increase on the previous year, the total number of people indicted by the SPO for Copyright Act violations dropped from 24,309 in 2017 to 18,392 in 2018.

Stakeholders have expressed concern, however, that Korea's pharmaceutical reimbursement is not conducted in a fair, transparent, and nondiscriminatory manner that recognizes the value of innovation. In March 2018, negotiations to improve and better implement the KORUS FTA concluded with a commitment from Korea to amend its Premium Pricing Policy for Global Innovative New Drugs to ensure non-discriminatory and fair treatment for pharmaceutical products and medical devices, including imported products and devices. Korea's implementation of this commitment has resulted in amendments that appear to make it so that very few, if any, companies or products will qualify for premium pricing.

The ROK was not listed in the 2019 Special 301 report, nor was it included in the 2018 Notorious Markets List. For additional information about national laws and points of contact at local intellectual property offices, please see World Intellectual Property Organization's country profiles at <http://www.wipo.int/directory/en/>.

6. Financial Sector

Capital Markets and Portfolio Investment

The Korea Exchange (KRX) is comprised of a stock exchange, futures market, and stock market following a 2005 merger of the Korea Stock Exchange, Korea Futures Exchange, and Korean Securities Dealers Automated Quotations (KOSDAQ) stock market. It is tracked by the Korea Composite Stock Price Index (KOSPI) and has an effective regulatory system that encourages portfolio investment. There is sufficient liquidity in the market to enter and exit sizeable positions. In 2018, over 2,000 companies were listed with a combined market capitalization of USD 1.9 trillion. The ROK government uses various incentives, such as tax breaks, to facilitate the free flow of financial resources into the product and factor markets. The ROK respects International Monetary Fund (IMF) Article VIII on the general obligations of member states by refraining from restrictions on payments and transfers for current international transactions. Credit is allocated on market terms. The private sector has access to a variety of credit instruments, but non-resident foreigners are not able to borrow money in South Korean won, although they can issue bonds in local currency. Foreign portfolio investors enjoy open access to the ROK stock market. Aggregate foreign investment ceilings were abolished in 1998, and foreign investors owned 35.8 percent of benchmark KOSPI stocks and 11.1 percent of the KOSDAQ as of the end of 2018. Foreign portfolio investment decreased slightly over the past year, reflecting slowing global growth.

Money and Banking System

Financial sector reforms are often cited as one reason for the ROK's rapid rebound from the 2008 global financial crisis. These reforms aimed to increase transparency and investor confidence and generally purge the sector of moral hazard. Since 1998, the ROK government has recapitalized its

banks and non-bank financial institutions, closed or merged weak financial institutions, resolved many non-performing assets, introduced internationally-accepted risk assessment methods and accounting standards for banks, forced depositors and investors to assume appropriate levels of risk, and taken steps to help end the policy-directed lending of the past. These reforms addressed the weak supervision and poor lending practices in the South Korean banking system that helped cause and exacerbate the 1997-98 Asian financial crisis. The ROK banking sector is healthy overall, with a low non-performing loan ratio of 0.97 percent at the end of 2018, dropping 0.22 percent from the prior year. Korean commercial banks held more than USD 2.2 trillion in total assets at the end of 2018. The ROK central bank is the Bank of Korea (BOK). Foreign banks or branches are allowed to establish operations in the country, and are subject to prudential measures and other relevant regulations. The ROK has not lost any correspondent banking relationships in the past three years, nor are any relationships in jeopardy. There are no restrictions on a foreigner's ability to establish a bank account in Korea.

Foreign Exchange and Remittances

Foreign Exchange

In categories open to investment, foreign exchange banks must be notified in advance of applications for foreign investment. All ROK banks, including branches of foreign banks, are permitted to deal in foreign exchange. In effect, these notifications are pro forma, and approval can be processed within three hours. Applications may be denied only on specific grounds, including national security, public order and morals, international security obligations, and health and environmental concerns. Exceptions to the advance notification approval system exist for project categories subject to joint-venture requirements and certain projects in the distribution sector. According to the Foreign Exchange Transaction Act (FETA), transactions that could harm international peace or public order, such as money laundering and gambling, require additional monitoring or screening. Three specific types of transactions are restricted:

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

Funds associated with any form of investment can be freely converted into any world currency. However, there might be some cost or technical problems in case of conversion into lesser used currencies, due to the relatively small foreign exchange market in the country. In 2018, 71.9 percent of spot transactions in the market were between the U.S. dollar and Korean won, while daily transaction (spot and future) was equal to USD 55.5 billion, up 9.6 percent from the previous year. Exchange rates are generally determined by the market. In the past, the U.S.

Department of the Treasury has assessed that ROK authorities have intervened on both sides of the currency market, but the sustained rise in their reserves and net forward position indicate that they had intervened on net to resist won appreciation. In May 2019, however, the U.S. Treasury assessed that on net in 2018 ROKG authorities intervened to support the Won, making small net sales of foreign exchange. In March 2019, the ROK released a report on its net foreign currency intervention for the second half of 2018, the first in a series of regular reports expected to transition from biannual to quarterly in late 2019. Treasury welcomed the ROK report on its foreign exchange intervention, urged the ROK to continue to limit currency intervention, and observed that Korea now only falls short on one of three monitoring criteria and could be removed from the monitoring list in its next report.

Remittance Policies

The right to remit profits is granted at the time of original investment approval. Banks control the now pro forma approval process for FETA-defined open sectors. For conditionally or partially restricted investments (as defined by the FETA), the relevant ministry must provide approval for both investment and remittance. When foreign investment royalties or other payments are proposed as part of a technology licensing agreement, the agreement and the projected stream of royalties must be approved by either a bank or MOEF. Approval is virtually automatic. An investor wishing to enact a remittance must present an audited financial statement to a bank to substantiate the payment. The ROK routinely permits the repatriation of funds but reserves the right to limit capital outflows in exceptional circumstances, such as situations when uncontrolled outflows might harm the balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of domestic financial markets. To withdraw capital, a stock valuation report issued by a recognized securities company or the ROK 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. There are no time limitations on remittances.

Sovereign Wealth Funds

The Korea Investment Corporation (KIC), a sovereign wealth fund, was established in July 2005 under the KIC Act. KIC is wholly government-owned, with an independent steering committee that has the authority to undertake core business decisions, composed of six professionals from the private sector, the Chief Executive Officer (CEO) of KIC, and the heads of MOEF and the BOK. KIC is on the Public Institutions Management Act (PIMA) list. KIC is mandated to manage assets entrusted by the ROK government and the BOK and generally adopts a passive role as a portfolio investor. KIC's assets under management stood at USD 134.1 billion at the end of 2017. KIC is required by law to publish an annual report, submit its books to the steering committee for review, and follow all domestic accounting standards and rules. It follows the Santiago Principles and participates in the IMF-hosted International Working Group on Sovereign Wealth Funds. The KIC has never invested entrusted money in domestic assets but did once

invest USD 23 million of the Corporation's own money into a domestic real estate fund in January 2015.

7. State-Owned Enterprises

Many ROK state-owned enterprises (SOEs) continue to exert significant control over segments of the economy. There are 35 remaining SOEs active in the energy, real estate, and infrastructure (railroad, highway construction) sectors. The legal system has traditionally ensured a role for SOEs as sectoral leaders, but in recent years, the ROK has tried to attract more private participation in the real estate and construction sectors in particular. SOEs are generally subject to the same regulations and tax policies as private sector competitors and do not have preferential access to government contracts, resources, and financing. The ROK is party to the WTO Government Procurement Agreement; a list of SOEs subject to WTO government procurement provisions is available in annex three of the ROK's agreement. The state-owned Korea Land and Housing Corporation is given preferential access to developing state-owned real estate projects, notably housing. The court system functions independently from the government and gives equal treatment to SOEs and private enterprises. The ROK government does not provide official market share data for SOEs. It requires each entity to disclose financial statements, the number of employees, and average compensation figures. The PIMA gives authority to MOEF to administer control of many SOEs, mainly focusing on administrative and human resource management. However, there is no singular government entity that exercises ownership rights over SOEs. SOEs subject to PIMA are required to report to a line minister; the President or line ministers appoint senior government officials or politically-affiliated individuals as CEOs or directors. SOEs are explicitly obligated to consult with government officials on their budget, compensation, and key management decisions (e.g., pricing policy for energy and public utilities). For other issues, the government officials informally require the SOEs to either consult with them before making decisions or report ex post facto. Market analysts generally regard SOEs as a part of the government or entities fully guaranteed by the government, with some exceptions: SOEs listed on local security markets, such as the Industrial Bank of Korea and Korea Electric Power Corporation, are regarded as semi-private firms. The ROK adheres to the OECD Guidelines for Multinational Enterprises and reports significant changes in the regulatory framework for SOEs to the OECD. A list of South Korean SOEs is available on this Korean-language website: <http://www.alio.go.kr/home.html>. The ROK government officially does not give any non-market based advantages to SOEs competing in the domestic market, but U.S. Embassy Seoul has noted that the state-owned Korea Development Bank enjoys lower financing costs because of the government's guarantee. This does not appear to have a major effect on the U.S. retail banks operating in Korea.

Privatization Program

Privatization of government-owned assets historically faced protests by labor unions and professional associations and a lack of interested buyers in some sectors. No state-owned enterprises were privatized between 2002 and November 2016. In December 2016, the ROK sold part of its stake in Woori Bank, recouping USD 2.07 billion, and plans to sell its remaining 21.4

percent stake at an undetermined future date. Given the current administration's pro-labor stance, most analysts do not expect significant movement with regard to privatization in the near future. Foreign investors may participate in privatization programs if they comply with ownership restrictions stipulated for the 30 industrial sectors indicated in Section 1: Openness To, and Restrictions Upon, Foreign Investment. These programs have a public bidding process that is easy to understand, non-discriminatory, and transparent. The authority in charge or a delegated private lead manager provides the relevant information.

8. Responsible Business Conduct

Awareness of the economic and social value of responsible business conduct and corporate social responsibility (CSR) is growing in the ROK but is still in a nascent stage. The Korea Corporate Governance Service, founded in 2002 by entities including the Korea Exchange and the Korea Listed Companies Association, encourages companies to voluntarily improve their corporate governance practices. Since 2011, its annual assessments have included reviews of corporate environmental responsibility and CSR, in addition to the issuance of associated guidelines. The United Nations Global Compact (UNGC) Network Korea, established in 2007, actively promotes corporate involvement in the UN Public Private Partnership for Sustainable Development Goals 2016-2030 and guides the values and direction of CSR to be not only about charity, but also about future corporate sustainability. UNGC is focused on human rights, anti-corruption, labor standards, and the environment, with 249 ROK companies listed as UNGC members as of April 2018. Government-supported subsidies and tax reductions for social enterprises have contributed to an increase in the number of organizations tackling social issues related to unemployment, the environment, and low-income populations. The ROKG promotes the OECD Guidelines for Multinational Enterprises online, via seminars, and by publishing and distributing promotional materials. To enhance implementation, the ROKG established a National Action Plan overseen by the International Human Rights Division of the Ministry of Justice, established a National Contact Point (NCP), and designated the Korea Commercial Arbitration Board (KCAB) as the NCP Secretariat. The KCAB recently addressed two cases by facilitating discussion of the concerned parties and inviting outside experts on arbitration to settle the issues to the parties' satisfaction.

The National Human Rights Commission, the Ministry of Employment and Labor (MOEL), the Korea Consumer Agency, and the Ministry of Environment enforce ROK law in the fields of human rights, labor, consumer protection, and environment effectively and fairly. Shareholders are protected by laws such as the Act on an External Audit of Corporations under the jurisdiction of the Financial Services Commission, the Act on Monopoly Regulation and Fair Trade under the jurisdiction of the KFTC, and the Commercial Act under the jurisdiction of the Ministry of Justice. The Commercial Act is currently under revision to better represent minority shareholders and enhance the value of shareholders. Other organizations involved in responsible business conduct include the ROK office of Trade Union Advisory Committee to the OECD, the Korea Human Rights Foundation, and the Korean House for International Society. The Korea Sustainability Investing Forum (KOSIF) was established in 2007 and is dedicated to promoting and expanding socially responsible investment and CSR. Through regular fora, seminars, and publications, KOSIF provides educational opportunities, conducts research to establish a culture

of socially responsible investment in the ROK, and supports relevant legislative processes. It actively engages with National Assembly members and stakeholders to influence decision-making processes.

The ROK does not maintain regulations to prevent conflict minerals from entering supply chains; however, MOTIE supports companies' voluntary adherence to OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. ROK companies are often obligated to follow the conflict-free regulations of economies to which they export goods. The Korea International Trade Association and private-sector firms provide consulting services to companies seeking to comply with conflict-free regulations. The ROK is not a member of the Extractive Industries Transparency Initiative but has a mining industry and has participated in the Kimberly Process since 2012. The ROK government is taking measures to guarantee transparency through the Mining Act, Overseas Resources Development Business Act, other relevant law on taxation, environment, labor, and anti-bribery, and OECD Guidelines for Multinational Enterprises.

9. Corruption

In an effort to combat corruption, the ROK has introduced systematic measures to prevent civil servants from inappropriately accumulating wealth and conducting opaque financial transactions. The Public Service Ethics Act, drafted in 1981 and entered into force in 1983, requires high-ranking officials to disclose their assets, including how they were accumulated, and report gifts they receive, thereby making their holdings public. The Act on Anti-Corruption and the Establishment and Operation of the Anti-Corruption and Civil Rights Commission (previously called the Anti-Corruption Act) concerns reporting of corruption allegations, protection of whistleblowers, institutional improvement, and training and public awareness to prevent corruption, as well as establishing national anti-corruption initiatives through the Anti-Corruption and Civil Rights Commission (ACRC). The ROK still faces challenges in effectively implementing anti-corruption laws, however. Transparency International's Corruption Perception Index in 2018 ranked the ROK 45 out of 180 countries and territories and gave it a score of 57 out of 100 (with 100 being the best score). Public concern about government corruption reached an apex between 2016 and 2017, when local press began exposing the link between then-President Park Geun-hye and her friend and adviser Choi Soon-sil. Choi was arrested and sentenced to 20 years in jail on charges of fraud, coercion, and abuse of power and President Park was impeached by 234-56 vote in the National Assembly in December 2016. Following her removal from office, a presidential by-election was held on May 9, 2017, bringing President Moon Jae-in into office. Former President Park was found guilty of multiple counts of abuse of power, bribery, and coercion and sentenced to 24 years in prison on April 6, 2018. Separately, on October 5, 2018, Park's predecessor, former President Lee Myung-bak was sentenced to 11 months of imprisonment for graft, embezzlement, and abuse of power, including accepting bribes from a major consumer electronics conglomerate in return for a presidential pardon for its chairman. Political corruption at the highest levels of elected office have occurred despite efforts by the ROK legislature to pass and enact anti-corruption laws such as the Act on Prohibition of Illegal Requests and Bribes, also known as the Kim Young-ran Act, in March 2015. The anti-corruption law came into effect on September 28,

2016, and institutes strict limits on the value of gifts that can be given to public officials, lawmakers, reporters, and private school teachers. It also extends to the spouses of officials. The Act on the Protection of Public Interest Whistleblowers is designed to protect whistleblowers in the private sector and equally extends to reports on foreign bribery, with a reporting center operated by the ACRC.

In 2014, to reduce collusion between government regulators and regulated industries that contributed to the tragic sinking of the Sewol ferry, the ROK government attempted to tighten regulations governing the employment of retired government officials, who were seen as having used their insider knowledge and high-level government contacts to help their new employers skirt legal requirements. The sinking, which resulted in the deaths of 304 passengers (mostly school children on a field trip) and crew in April of that year, resulted in widespread criticism of the ferry operator, the regulators who oversaw its operations, and the ROK government for its poor disaster response and attempts to downplay government culpability. The government expanded the list of sectors restricted from employing former government officials during a mandated period after retirement, extended the mandated post-retirement period from two to three years, and increased scrutiny of retired officials seeking jobs in fields associated with their former official duties. The Public Service Ethics Commission, between May 2017 and February 2019, approved approximately 85 percent, or 1335, of the requests made by former political appointees and former government officials to accept government affiliated or private sector positions, according to local press. Most companies maintain an internal audit function to prevent and detect corruption. Government agencies responsible for combating government corruption include the Board of Audit and Inspection, which monitors government expenditures, and the Public Service Ethics Committee, which monitors civil servants' financial disclosures and their financial activities. The ACRC focuses on preventing corruption by assessing the transparency of public institutions, protecting and rewarding whistleblowers, training public officials, raising public awareness, and improving policies and systems. In reporting cases of corruption to government authorities, nongovernment organizations and civil society groups are protected by the Act on the Prevention of Corruption and the Establishment and Management of the Anti-Corruption and Civil Rights Commission, as well as the Protection of Public Interest Reporters Act. Individuals reporting cases of corruption to the ACRC must provide their full name and other personally identifiable information (PII) to make the submission. However, in April 2018, the law was updated to allow would-be filers to report cases through one's attorney without disclosing PII to the courts. Violations of these legal protections can result in fines or prison sentences. U.S. firms have not identified corruption as an obstacle to FDI. The ROK ratified the UN Convention against Corruption in 2008. It is also a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and a member of the Asia-Pacific Economic Cooperation Anti-Corruption and Transparency Working Group. The Financial Intelligence Unit has cooperated fully with U.S. and UN efforts to shut down sources of terrorist financing. Transparency International has maintained a national chapter in the ROK since 1999.

Resources to Report Corruption

Government agency responsible for combating corruption:

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

Contact at “watchdog” organization:

Anti-Corruption Network in Korea (aka Transparency International Korea)
#1006 Pierson Building, 42, Saemunan-ro, Jongno-gu, Seoul 110-761
Telephone: +82-2-717-6211
Fax: +82-2-717-6210
Email: ti@ti.or.kr
<http://www.transparency-korea.org/>

10. Political and Security Environment

The Democratic People’s Republic of Korea (DPRK) and the ROK continue to have a tense relationship despite rapprochement efforts in 2018. The two Koreas still share what is arguably the most heavily-fortified border in the world, with their militaries ready to face off at a moment’s notice. The United States has had a security alliance with the ROK since 1953, with nearly 28,000 U.S. troops currently stationed in the ROK. The presence of U.S. forces have allowed the Korean Peninsula to maintain general peace and stability since 1953 and enabled the ROK to grow into a modern, prosperous democracy boasting one of the largest and most dynamic economies in the world. In addition, both the ROK and U.S. governments are engaging with the DPRK in dialogue in an effort to resolve tensions and to realize the complete denuclearization of North Korea. The two Koreas committed in the April 27, 2018, inter-Korean summit to reduce tensions on the border and to work toward a permanent peace regime on the Korean Peninsula. Likewise, the United States and DPRK agreed in the June 12, 2018, Singapore Summit between President Trump and Chairman Kim to work toward denuclearization and to build a lasting and stable peace regime on the Korean Peninsula. Further progress in inter-Korean relations will, however, depend DPRK’s denuclearization efforts. The ROK does not have a history of political violence directed against foreign investors. There have not been reports of 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. There have also been large-scale protests in the past directed at U.S. trade actions (e.g. beef imports in 2008). The ROK is a modern democracy with active public political participation and well organized political demonstrations are common. For example, large-scale rallies were a regular occurrence throughout former President Park Geun-hye’s impeachment in 2016 and 2017.

The protests were largely peaceful and orderly, with almost no instances of violence. The presidential by-election and transition that followed Park's impeachment also proceeded smoothly and without incident.

11. Labor Policies and Practices

Upon taking office in May 2017, President Moon Jae-in declared himself the "Jobs President," and his administration has introduced a number of employment-related reforms since. According to Statistics Korea (<http://kostat.go.kr/portal/eng/index.action>), there were approximately 28 million economically active people in the ROK as of March 2019, with an employment rate (OECD standard) of approximately 60.4 percent. The overall unemployment rate of 4.3 percent in March 2019 was much lower than the unemployment rate of youth ages 15-29, which, at 9.3 percent, is a serious domestic concern. The country has two major national labor federations. As of December 2018, the Federation of Korean Trade Unions (FKTU) had 1,036,236 members, and the Korean Confederation of Trade Unions (KCTU) had 995,861 members. KCTU and FKTU are affiliated with the International Trade Union Confederation. Most of FKTU's constituent unions maintain affiliations with international union federations.

The minimum wage is reviewed annually. Labor and business set the minimum wage for 2019 at KRW 8,350 (approximately USD 7.35 per hour), a 10.9 percent increase from 2018. The Labor Standards Act was revised in 2018 to reduce maximum working hours to 52 per week. According to Statistics Korea, non-regular workers received 54.5 percent of the wages of regular workers in 2018. Non-regular workers received KRW 1.64 million per month (about USD 1,444) while regular workers received KRW 3.09 million (about USD 2,649).

For regular, full-time employees, the law provides employment insurance, national medical insurance, industrial accident compensation insurance, and participation in the national pension system through employers or employer subsidies. Non-regular workers, such as temporary and contracted employees, are not guaranteed the same collection of benefits. With regard to severance pay for regular workers, ROK law does not distinguish between the firing of an employee versus the laying off of an employee for economic reasons. Employers' reliance on non-regular workers is partially explained by the costs that may be associated with dismissing regular full-time employees and the savings that may be realized through not having to provide insurance and other benefits. There are no government policies requiring the hiring of ROK nationals. In 2004, the ROK implemented a "guest worker" program known as the Employment Permit System (EPS) to help protect the rights of foreign workers. The EPS allows employers to legally employ a certain number of foreign workers from 16 countries, including the Philippines, Indonesia, and Vietnam, with which the ROK maintains bilateral labor agreements. In 2015, the ROK increased its annual quota to 55,000 migrant workers. At the end of 2018, approximately 222,374 foreigners were said to be working under the EPS in the manufacturing, construction, agriculture, livestock, service, and fishery industries.

Legally, unions operate with autonomy from the government and employers, although national labor federations, comprised of various industry-specific unions, receive annual government

subsidies. The ratio of organized labor to the entire population of wage earners at the end of 2017 was 10.7 percent; this ratio has remained relatively stable over the last 10 years. ROK trade union participation is lower than the latest-available OECD average of 16.7 percent in 2014. More information is available at <http://stats.oecd.org/>. Labor organizations are permitted in export processing zones (EPZs), but foreign companies operating in EPZs are exempt from some labor regulations. Exemptions include provisions that mandate paid leave, require companies with more than 50 people to recruit persons with disabilities for at least two percent of their workforce, encourage companies to reserve three percent of their workforce for workers over 55 years of age, and restrict large companies from participating in certain business categories. Foreign companies operating in Free Economic Zones have greater flexibility in employing “non-regular” workers in a wider range of sectors for extended contractual periods. ROK law provides workers with the right to associate freely and allows public servants and private workers to organize unions. The Trade Union and Labor Relations Adjustment Act provides for the right to collective bargaining and collective action, and allows workers to exercise these rights in practice.

The National Labor Relations Commission is the primary government body responsible for labor dispute resolution. It provides arbitration and mediation services in response to dispute resolution requests submitted by employees, employers, or both parties. Labor inspectors from the Ministry of Employment and Labor also have certain legal authorities to participate in dispute settlement related to violations of labor rights. The Korea Workers’ Compensation and Welfare Service handles labor disputes resulting from industrial accidents or disasters. In June 2018, the ROK President established the “Economic, Social, and Labor Council” that serves as an advisory group on economic and labor issues. The Act on the Protection of Fixed-Term and Part-Time Workers prohibits discrimination against non-regular workers and requires that non-regular workers employed longer than two years be converted to permanent status. The two-year rule went into effect on July 1, 2009. Both the labor and business sectors have complained that the two-year conversion law forced many businesses to limit the contract terms of non-regular workers to two years and incur additional costs with the entry of new labor every two years. More information can be found in the Department of State’s Report on Human Rights Practices for 2018: <https://www.state.gov/reports/2018-country-reports-on-human-rights-practices/republic-of-korea/>

12. OPIC and Other Investment Insurance Programs

U.S. investments in the ROK are eligible for insurance programs sponsored by the U.S. Overseas Private Investment Corporation (OPIC). OPIC has not, however, guaranteed any U.S. investments in the ROK since 1998, when OPIC reinstated coverage it had suspended in 1991 due to concerns about worker rights. Coverage issued prior to 1991 is still in force. The United States and the ROK signed an investment incentive agreement on July 30, 1998. The ROK has been a member of the World Bank’s Multilateral Investment Guarantee Agency since 1987. In the second quarter of 2018, Korean firm ARK Impact Asset Management and OPIC embarked on a joint investment in the Mumbai Slum Redevelopment Project.

13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

Economic Data	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2017	KRW 1,730,399	2017	\$1,530,750	https://data.worldbank.org/country/korea-rep
Foreign Direct Investment	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2017	\$30,325	2017	\$41,602	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Host country's FDI in the United States (\$M USD, stock positions)	2017	\$94,528	2017	\$51,770	BEA data available at https://www.bea.gov/international/direct-investment-and-multinational-enterprises-comprehensive-data
Total inbound stock of FDI as % host GDP	2017	12.6%	2017	15.4%	UNCTAD data available at https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx

*ROK Sources: GDP - <http://ecos.bok.or.kr/> (as of March 2019); inbound FDI - <http://www.motie.go.kr>; (as of January 2018) outbound FDI - <http://www.koreaexim.go.kr> (as of March 2018)

Table 3: Sources and Destination of FDI

Direct Investment From/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	\$211,962	100%	Total Outward	\$337,425	100%
Japan	\$47,566	22%	China, P.R. (Mainland)	\$77,800	23%
United States	\$33,973	16%	United States	\$77,792	23%
Netherlands	\$28,446	13%	Vietnam	\$14,582	4%
Singapore	\$15,074	7%	China, P.R. (Hong Kong)	\$14,084	4%
United Kingdom	\$14,941	7%	Australia	\$12,457	4%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	\$420,681	100%	All Countries	\$250,248	100%	All Countries	\$170,433	100%
United States	\$184,361	44%	United States	\$113,073	45%	United States	\$71,288	42%
United Kingdom	\$26,246	6%	Luxembourg	\$17,047	7%	United Kingdom	\$13,054	8%

Luxembourg	\$20,896	5%	Japan	\$14,574	6%	France	\$11,921	7%
Japan	\$19,523	5%	United Kingdom	\$13,191	5%	Brazil	\$9,909	6%
France	\$18,207	4%	China, P.R. (Mainland)	\$13,006	5%	International Organization	\$7,415	4%

14. Contact for More Information

Economic Section
U.S. Embassy Seoul
188 Sejong-daero, Sejongno, Jongno-gu
Seoul, South Korea 03141
Telephone +82 2-397-4114

Trade and Project Financing

Methods of Payment

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

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

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

Common overseas payment methods include:

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

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

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

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

For more extensive details on international payment methods, please see: <https://www.export.gov/article?id=How-to-Get-Paid>. For specifics on letters of credit and documentary collections, please see here <https://www.export.gov/article?id=Chapter-3-Letters-of-Credit> and here <https://www.export.gov/article?id=Trade-Finance-Guide-Chapter-4-Documentary-Collections>. For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

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

CS Korea can provide valuable information, including a company's credit standing, through our fee-based International Company Profile Service https://2016.export.gov/southkorea/servicesforuscompanies/index.asp#P40_2693. The Korean Commercial Arbitration Board http://www.kcab.or.kr/servlet/kcab_adm/memberauth/5000 and private collection agencies can provide arbitration and collection services. KCAB's mediation staff can counsel on the arbitration procedure to suit both Korean and foreign companies' specific needs and assist in communication and negotiation.

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

Banking Systems

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

Financial Services and KORUS FTA

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

commitments that increase the transparency, predictability, and cost-efficiency for operating in the Korean financial services market.

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

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

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

Foreign Exchange Controls

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

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

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

U.S. Banks and Local Correspondent Banks

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

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

Project Financing

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

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

The state-run Export-Import Bank of Korea (KEXIM) finances overseas projects where Korean companies participate in a consortium and typically undertake the entire process from construction to operation of the project. In 2018, KEXIM provided \$1.15 billion for an LNG import terminal project in Kuwait, \$600 million for a mega-scale investment development project in Turkey, \$367 million for a refinery modernization project in Bahrain, EUR 243 million for Korean subway trains in Egypt, \$200 million for a Peruvian copper mine project, \$173 million for a new Cebu international port project, and \$88.5 million to build a national oncology center in Senegal.

Web Resources

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

Commercial Service / International Company Profile (ICP)

<http://www.export.gov/southkorea/servicesforuscompanies/icp/index.asp>

Country Limitation Schedule: <http://www.exim.gov/tools-for-exporters/country-limitation-schedule>

Dun and Bradstreet: <https://www.dnb.com/product/contract.htm>

Export-Import Bank of Korea: <https://www.koreaexim.go.kr/site/main/index002>

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

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

Korea Investors Service: <http://www.kisrating.com/en/>

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

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

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

National Agricultural Cooperative Federation:
<http://www.fsc.go.kr/eng/rl/list.jsp?menu=01andbbsid=BBS0060> and
<http://www.nonghyup.com/eng/main/main.aspx>

OPIC: <http://www.opic.gov>

Overseas Private Investment Corporation Small Business Administration's (SBA) Office of International Trade: <http://www.sba.gov/oit/>

Trade and Development Agency: <http://www.ustda.gov/>

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

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/about-fsa/structure-and-organization/commodity-credit-corporation/index>

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

Country Limitation Schedule: <http://www.exim.gov/tools-for-exporters/country-limitation-schedule>

Business Travel

Business Customs

Knowledge of Korean history and culture is essential for U.S. businesses hoping to succeed in the country.

Korean history is characterized by a series of rich dynasties and conquests by neighboring East Asian countries, particularly Japan and China. In 1910, Japan annexed Korea and established a 35-year long period of colonial rule lasting until the surrender of Japan at the end of World War II. Following Japan's surrender in 1945, the Korean Peninsula was divided at the 38th parallel into two occupation zones, with the U.S. in the South and the Soviet Union in the North. Despite initial hopes for reunification, the northern Democratic People's Republic of Korea and Republic of Korea in the south soon became engulfed in a civil war (1950-1953), and the Peninsula has remained divided since.

Following the Korean War, Korea was one of the poorest countries in the world. However, due to the expertise of *chaebols* (conglomerates) and development of heavy industry, Korea was able to achieve significant growth and transform into what is now one of the largest modern economies in the world.

Today, Korea boasts significant strengths across multiple industries. While Korea's historic heavy industries remain strong, the country is now known for being home to world-acclaimed electronic appliances, award-winning cars, and smart phones. Korean popular culture, including idol bands and television dramas, has captured the hearts of fans worldwide in a phenomenon known as *Hallyu*, or the "Korean Wave." Korea has also hosted numerous global events such as the Summer Olympics (1988), the Soccer World Cup (2002; along with Japan), the G-20 Leaders Summit (2010), and the 2018 Winter Olympics in Pyeongchang (<http://www.export.gov/southkorea/pyeongchangolympics/index.asp>). These major events, a source of pride and accomplishment, have intensified Korea's push to have a first-rate infrastructure, hospitality, and transportation system.

Seoul, the capital of Korea, is a lively cosmopolitan city. The city is divided by the Han River, which can be crossed by 27 bridges. Most international flights arrive at the award-winning Incheon Airport, which is located about one hour from the city center. The airport and U.S. Embassy are located on the north side of the Han River. Traffic congestion, a persistent problem in Seoul, must be factored into arriving on-time for business appointments. Punctuality is critical when conducting business in Korea, so you should plan to arrive at least 20 minutes early to any meetings or appointments.

Other important business success factoids:

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

Travel Advisory

Consult: U.S. State Department

<https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/south-korea-travel-advisory.html>

Visa Requirements

Visa Requirements for U.S. Citizens

- No visa is needed for a stay of up to 90 days if the purpose of the trip is for tourism, business meetings, visiting families or relatives.
- A stay of over 90 days requires a visa.

If planning to stay more than 90 days or for any purpose other than tourism or business, U.S. passport holders must obtain a visa prior to entering Korea. For U.S. citizens, a five-year

valid multiple entry F-4 visa is issued. This visa holder can stay up to 2 years each time he/she visits the Republic of Korea, until their visa expires.

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

For information about visas to Korea, please also see the Korean Ministry of Foreign Affairs website at: <http://overseas.mofa.go.kr/us-en/index.do>.

U.S. companies that require the travel of foreign business representatives to the United States should be advised that security evaluations are handled via an interagency process.

Visa applicants should go to the following link:

<https://kr.usembassy.gov/visas/nonimmigrant-visas/>

Currency

- Cards with the *Visa*, *Mastercard*, *Plus* and *Cirrus* logos are the most widely accepted in Korea.
- CDs (Cash Dispenser Machines) only offer cash withdrawal services.
- CD machines located in: subway stations, bus terminals, and department stores.
- ATMs offer withdrawals, deposits and fund transfers.
- ATM transactions require an account with a Korean bank.
- Paying via credit card on a Korean website generally requires credit cards issued by Korean banks.
- Prominent Korean banks include: Korea Exchange Bank (KEB), Shinhan Bank, and Citibank.
- Questions about ATM/CD machines while in Korea: call 1330.
- The symbol for Korean currency (*won*) is written using “₩” or “KRW.”

Telecommunications/Electric

- Local calls
 - Dial the 7 or 8-digit local phone number within the same province or city.
 - Dial the 9 or 11-digit local phone number, including the area code, to a different province or city.

- There are 17 area codes as follows:

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

- International calls
 - Dial 00799 for a service that features: station-to-station calls, collect or reverse charge calls, and calls providing interpretation.
 - For direct calls dial 001/002/00700 and country code, area code then subscriber's number.
- Rent a mobile phone at kiosk, Incheon International Airport and/or contact numbers of these providers are:
 - SK Telecom: 82-2-6343-9000
 - KT Olleh: 82-2-2190-0901
 - LGU+: 82-2-3416-7010
- Roaming and wireless internet
 - Consult your U.S. service provider to determine if your cell phone and plan will work in Korea. Beware of roaming and affiliated charges.
 - Wi-Fi service is available and accessible in most of areas including subway, hotels, shopping areas, restaurants, coffee shops, etc.

Transportation

Transportation

- From Incheon International Airport (Terminal 1 and Terminal 2) to Downtown Seoul:
 - Train (AREX)

- Direct railway links from the Incheon Airport to Seoul Station.
- Takes 51 minutes (from Incheon Airport Terminal 2), and 43 minutes (from Incheon Airport Terminal 1), to Seoul Station. For departure and arrival time table, please refer to: <https://www.arex.or.kr>
- Express Train Cost: ₩9,000 (approx. \$8).
- Take the subway (inexpensive option) or taxi to your hotel from Seoul Station
- Airport Buses
 - Widely available to/from major cities in and around Seoul
 - Bus tickets can be purchased at both Terminal 1 and Terminal 2.
 - Cost: ₩10,000-15,000 (approx. \$9-14) depending on destination
 - Consult: https://www.airport.kr/ap_lp/en/tpt/pblcpt/busstoinft1/busstoinft1.do
- Taxis
 - Regular and international taxi stops located at Terminal 1 and Terminal 2.
 - Base Fare (Seoul/Gyeonggi): ₩3,800 (approx. \$3.40)
 - Consult: <https://www.airport.kr/ap/en/tpt/pblcTptTaxi.do>
 - If overcharged, contact Korea Tourism Organization Tourist Complaint Center 02-1330 <https://www.touristcomplaint.or.kr>

Other Transportation Recommendations

- Subway: Excellent, extremely clean and safe
 - Widely available to/from Seoul and Gyeonggi Province
 - Recommend T-money M-Pass (only for foreigners)
<https://www.tmoneympass.co.kr>
 - Covers large area around Seoul, other subway systems, and airport railroads.
 - Consult:
https://english.visitkorea.or.kr/enu/TRP/TP_ENG_6.jsp

- Rush hour congestion: 7:00-9:00 a.m. and 5:00-7:00 p.m., especially on lines 2 and 3.

- Taxis
 - Base fare begins at ₩3,800 (approx. \$3.40)
 - 20% cost increase between midnight and 4:00 a.m.
 - No tipping required.
 - Consult:
http://english.visitkorea.or.kr/enu/TRP/TP_ENG_7.jsp

- KTX (Korea Train Express)
 - Very clean, affordable and comfortable high-speed transportation to major cities throughout Korea. A trip from Seoul to Busan, for example, is less than 3 hours.
 - Consult: http://www.letskorail.com/ebizbf/EbizbfForeign_pr16100.do?gubun=1

Language

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

Health

- Dial 1339 for the Emergency Medical Information Center; trained medical personnel are on call 24 hours a day, 7 days a week.
- Most hotels will assist you if you are sick. Call the front desk.
- You can purchase simple medications, such as Tylenol, Band-Aids, ointments and cold medication in pharmacies or in any general or “24-hour stores.” For other medications, you will need a prescription from a doctor.
- International clinics at large prominent hospitals in Seoul include:
 - Severance Hospital (02-2228-5800):134, Sinchong-dong, Seodaemun-gu

- Asan Medical Center (02-3010-5001): 388-1, Pungnap-dong, Songpa-gu, Seoul
- Samsung Medical Center (02-3410-0200): 50, Irwon-dong, Gangnam-gu

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

Local Time, Business Hours and Holidays

Local Time Zone

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

Business Hours and Lunch Hours

- Offices and organizations: 9:00 a.m.-6:00 p.m.; closed weekends and national holidays
- Banks: 9:00 a.m.-4:00 p.m.; closed weekends and national holidays
- Department stores: 10:30 a.m.-8:00 p.m.
- Koreans typically eat lunch from 12:00 p.m. to 1:00 p.m., requiring luncheon reservations even for the smallest restaurants. You can avoid lines and crowds by taking lunch before or after this period.

Holidays

Observed Korean Holidays - 2019

New Year's Day: January 1 st	Independence Day: August 15 th
Lunar New Year's Day: February 4 th , 5 th , 6 th	Chuseok: September 12 th and 13 th
Independence Movement Day: March 1 st	National Foundation Day: October 3 rd
Children's Day: May 6 th	Korean Alphabet Day: October 9 th
Memorial Day: June 6 th	Christmas: December 25 th

- During Lunar New Year and Chuseok, all businesses and government offices are closed.

- The U.S. Embassy is closed on both U.S. and Korean holidays.
- Consult: <https://www.timeanddate.com/calendar/?year=2018&country=70>

Temporary Entry of Materials or Personal Belongings

Prohibited Items

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

Articles in Excess of Duty-Free Allowance

Coming into Korea, consult: <http://www.korea4expats.com/article-entering-korea-immigration-customs.html>

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

Web Resources

Affordable hotels: <https://www.benikea.com/main.do>

Airport Bus: http://www.airportlimousine.co.kr/eng/lbr/lbr02_1.php

Currency: http://english.visitkorea.or.kr/enu/AK/AK_EN_1_5_4.jsp

Holidays: <https://www.timeanddate.com/calendar/?year=2019&country=70>

Incheon Int'l Airport: <https://www.airport.kr/ap/en/index.do>

Korean Embassy. in U.S.: <http://usa.mofa.go.kr/english/am/usa/main/index.jsp>

Korean Railroad: <http://info.korail.com/mbs/english/index.jsp>

M Pass: http://english.visitkorea.or.kr/enu/TR/TR_EN_5_4.jsp#M-PASS

Returning to the U.S: <http://www.cbp.gov/travel/us-citizens>

Subway Map: http://english.visitkorea.or.kr/enu/TR/TR_EN_5_1_4.jsp

Taxi: http://english.visitkorea.or.kr/enu/TR/TR_EN_5_2.jsp

Time Zone: <http://www.timeanddate.com/worldclock/converter.html>

U.S. State Dept.: <https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/SouthKorea.html>

U.S. Customs: <http://www.cbp.gov>

U.S. Embassy Seoul Consular Section: <https://kr.usembassy.gov>

Visas: <http://usa.mofa.go.kr/english/am/usa/visa/Visa/index.jsp>

Weather: http://english.visitkorea.or.kr/enu/AK/AK_EN_1_1_2.jsp