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Korea 2020

Table of Contents

<i>Doing Business in Korea</i> _____	4
Market Overview _____	4
Market Challenges _____	6
Market Opportunities _____	6
Market Entry Strategy _____	6
<i>Leading Sectors for U.S. Exports and Investment</i> _____	7
Defense Industry Equipment _____	7
Energy: New and Renewable (NRE) _____	12
Information and Communication Technologies (ICT) _____	17
Artificial Intelligence (AI) _____	17
Cybersecurity _____	19
Semiconductor _____	22
Cloud Computing _____	24
Aerospace Industry _____	26
Air Pollution Control _____	29
Specialty Chemicals _____	32
Medical Equipment and Devices _____	34
Travel and Tourism _____	37
Cosmetics _____	41
Entertainment and Media _____	44
Film _____	44
Gaming _____	46
Education Services _____	48
Manufacturing Technology - Smart Factory _____	51
Construction Services _____	55
Agriculture _____	57
<i>Customs, Regulations and Standards</i> _____	58
Trade Barriers _____	58
Import Tariffs _____	58
Import Requirements and Documentation _____	59
Labeling and Marking Requirements _____	61
U.S. Export Controls _____	61
Temporary Entry _____	62

Prohibited and Restricted Imports _____	63
Customs Regulations _____	63
Standards for Trade _____	64
Trade Agreements _____	65
Licensing Requirements for Professional Services _____	66
<i>Selling US Products and Services</i> _____	67
Distribution & Sales Channels _____	67
eCommerce _____	74
Selling Factors & Techniques _____	77
Trade Financing _____	81
Protecting Intellectual Property _____	83
Selling to the Public Sector _____	83
<i>Business Travel</i> _____	86
<i>Investment Climate Statement (ICS)</i> _____	92
<i>Political Environment</i> _____	93

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Doing Business in Korea

Market Overview

Korea's market experienced a dramatic decline beginning with the first reported COVID-19 case on January 20, 2020. The Korea Small Business Federation reported that 97.6 percent of small businesses in Korea saw sales drop starting in mid-January due mainly to reduced consumer foot traffic and weaker sales. Indeed, the Korea Ministry of Land, Infrastructure, and Transport (MLIT) reported that public transportation usage in the country declined 51 percent for express buses, 56 percent for railroad trains, and 15 percent for highway traffic between February 21-24 compared to the same period last year. Conversely, SSG.com, a leading on-line grocery store, reported that its grocery food sales grew 98 percent January 20 through February 20. Market Curly, a top fresh food on-line retailer, reported that its daily sales of food products almost doubled in February as consumers opted for home-delivery orders.

According to Korea Development Institute, the value of the Korean won, in terms of the real effective exchange rate, will decline by about four percent in 2020 and change little into 2021. Exports and imports will see huge initial downward pressure due to COVID-19, followed by a gradual upward trend led by increased goods exports in the second half of 2020. Inflation is expected to remain low due to shrinking economic activity and falling oil prices. Despite the sharp economic contraction, the unemployment rate is expected to edge only slightly upward to 3.9 percent in 202 from 3.8 percent in 2019 due to the drastic fall in the labor force participation rate.

In response to disruptions by COVID, the ROK Government announced a third rescue package in mid-April meant to protect businesses from failing. In all, the ROK Government has spent or announced plans to spend 135 trillion Korean won (\$110 billion USD) in its COVID economic rescue effort, or around seven percent of GDP.

Korea's Gross Domestic Product (GDP) in 2019 was \$1.64 trillion, ranking 12th in the world and third in East Asia (IMF estimates). As Korea's long-established strength in the steel and petrochemical industries has begun to wane in recent years, the country's leaders are looking to 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, transportation (including reviving the shipbuilding industry).

U.S. companies have already begun to identify opportunities in these growing industries. Additionally, U.S. firms have started partnering with local Korean companies to expand market opportunities to third-country markets, including ASEAN, the Middle East, and other Indo-Pacific markets. Korea remains one of the world's most export-dependent industrialized nations, with exports valued at 40 percent of GDP. Given its robust shipping and air cargo infrastructure, Korea serves not only as a market destination for U.S. goods and services, but also as a hub for expansion into other markets.

PROFILE

Population (as of May 2020): 51.27 million

Capital: Seoul

Government: Democratic Republic

ECONOMY	2017	2018	2019
GDP (\$ billions) *	1,624	1,720	1,642
GDP per capita (USD) *	31,617	33,340	31,682
GDP Growth (% change) *	3.2	2.7	2.0

Average Consumer Prices (% change)	1.9	1.5	0.4
Unemployment (% of labor force)	3.7	3.8	3.8

Source: *OECD/Bank of Korea

TRADE

Foreign Merchandise Trade (\$ billions)	2017	2018	2019
Exports to World from ROK	542.23	604.86	573.69
Imports from World to ROK	503.34	535.20	478.48
U.S. Exports to ROK*	49.28	57.62	57.89
U.S. Imports from ROK*	71.81	75.01	78.09
U.S. Trade Balance with ROK*	-22.53	-17.39	-20.20
Position in U.S. Trade	2017	2018	2019
Rank of ROK in U.S. Exports*	7	7	7
Rank of ROK in U.S. Imports*	6	7	7
ROK Share of U.S. Exports (%)*	3.1	3.2	3.2
ROK Share of U.S. Imports (%)*	3.0	2.8	2.9

*bea.gov

Principal U.S. Exports to ROK (2019)

1. Mineral Fuel and Oil (23.10%)
2. Nuclear Reactors, Boilers, Machinery (11.47%)
3. Electric Machinery, Sound Equipment, and TV Equipment (10.04%)
4. Optic, Photo, Medical and Surgical Instruments (6.10%)
5. Organic Chemicals (4.53%)

Principal U.S. Imports from ROK (2019)

1. Vehicles (26.95%)
2. Nuclear Reactors, Boilers, and Machinery (19.37%)
3. Electric Machinery; Sound Equipment, and TV Equipment (18.22%)
4. Mineral Fuel and Oil (5.50%)
5. Plastics and Articles Thereof (3.70%).

BUSINESS AND ECONOMIC FREEDOM RANKINGS

World Bank Ease of Doing Business Ranking 2020: 5 of 190

Heritage/WSJ 2020 Index of Economic Freedom Ranking: 25 of 180

WEF World Competitiveness Ranking 2019: 13 of 141

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://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Exporter%20Guide_Seuul%20ATO_Korea%20-%20Republic%20of_12-31-2019).

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 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 Opportunities

Please see Leading Sectors for U.S. Exports and Investment chapter of this report.

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, although in the current COVID environment travel to Korea is a challenge.

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 the [Exporter Guide](#).

Leading Sectors for U.S. Exports and Investment

Defense Industry Equipment

ITA CODE: PR DFN

Overview

The ROK's defense industry has grown far faster than the regional average in recent years as ROKG defense budget outlays have grown in response to the increasing threat and security challenges posed by North Korea. Korea continues to be a major defense and security ally and partner of the U.S. in the Pacific region.

For 2020, a total of 40.69 billion USD has been announced for Korea's defense budget which includes 13.62 billion USD for the force improvement plan (FIP). The total budget and FIP budget have increased by 7.4 percent and 8.5 percent compared to the previous year, respectively. For 2020, Korea's defense budget is around 2.69 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	2019	2020	% increase
Total Defense Budget	38,133	40,961	+7.4%
Force Improvement Plan (FIP)	12,550	13,623	+8.5%
Operation & Management (O&M)	25,583	27,338	+5.7%

Unit: USD million

Top defense budget spending countries (for 2018):

Rank	Country	Defense Budget (\$ Billion)	% of GDP
1	United States	643.3	3.14
2	China	168.2	1.25
3	Saudi Arabia	82.9	10.77
4	Russia	63.1	2.88
5	India	57.9	2.15
6	United Kingdom	56.1	2.00
7	France	53.4	1.91
8	Japan	47.3	0.93
9	Germany	45.7	1.13
10	South Korea	38.2	2.28

Source: The Military Balance 2019 (IISS, 2019)

According to the mid-term defense plan from 2020 to 2024 announced by the Ministry of National Defense, a total of 84.6 billion USD had been allocated for the Force Improvement Plan for next five years. Following are the detailed plans for Force Improvement:

- Allocated 27 billion USD to cope with nuclear/weapons of mass destruction threat
 - Improve surveillance capability: Establish Korea's independent surveillance capability with military satellite, mid/high altitude surveillance UAV, and etc.
 - Improve ballistic missile capability with Hyunmoo (ballistic missile), SSM-700K Haeseong (anti-ship missile), TAURUS missile and etc.
 - Expand coverage and missile capability for Korea Air and Missile Defense (KAMD): Acquire additional early-warning radar and Aegis combat system radar, upgrade Patriot and Cheolmae II missiles, and upgrade Korea Theater Missile Operation Cell
- Allocated 46 billion USD to cope with defense force restructuring
 - Conventional weapons will be replaced with the high-tech weapon systems to cope with defense force reduction: Artillery detection radar-II, 230mm rocket artillery system, Korean tactical surface-to-surface missile system, indigenously developed tanks, small tactical vehicles, and armed helicopters, warrior platform based on 4th industrial revolution, 'drone-bot system', and indigenously developed unmanned attack, surveillance, and operation vehicles
 - Improve warship and submarine capabilities and acquire maritime patrol capability: Acquire additional Great-class destroyer with Aegis combat system, 3,000-ton submarine, multi-purpose large carrier, latest maritime patrol aircraft and maritime operation helicopters
 - Replace old fighter platforms to latest fighter jets and develop space operation capabilities: Phase out F-4 and F-5s and replace them with F-35A and continue invest in KFX project, acquire additional large military transport aircrafts, develop capabilities for satellite surveillance and monitoring
- Allocated 2 billion USD to utilize advanced 4th industrial revolution technologies for military operation
 - Smart Defense Innovation: Apply big data, AI, IOT into defense field
 - Foster Advanced Concept Technology Demonstration (ACTD)
- Improve maritime surveillance and monitoring capabilities
 - Deploy maritime surveillance radar and newest TOD-III
 - Develop and deploy fixed long-range radar

Market Access & Obstacles

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

FMS (Foreign Military Sales) in the defense industry account for 69 percent of DAPA procurement from 2014 to 2018 due to major U.S. strategic asset purchases such as F-35, Global Hawk, and etc. Recently the ROK government has shown a preference for DCS (Direct Commercial Sales) over FMS on some programs in an effort to reduce purchase prices, and work with a faster and simpler process.

Foreign procurement contract amounts (figures are based on contract amount)

	2014	2015	2016	2017	2018
FMS	8,019	2,407	465	693	2,562
DCS	951	2,514	422	948	1,304
Total	8,970	4,921	887	1,641	3,866

Source: DAPA's Statistics

Unit: Million USD

(Currency rates: 2014: USD 1 = KRW 1,053, 2015: USD 1 = KRW 1,131, 2016: USD 1 = KRW 1,160, 2017: USD 1 = KRW 1,131, 2018: USD 1 = KRW 1,110)

Defense Offset Policy

The offset program was first introduced in Korea in 1982 as a way to facilitate development of Korea's aerospace industry, but it gradually became an important means to acquire core technologies to develop the defense industry. An offset obligation is imposed upon foreign suppliers/contractors when the main defense contract amount of a unit acquisition program exceeds 10 million USD. Exceptions do exist where an offset obligation is imposed on a contract of less than 10 million USD 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 execution. Technology evaluations are done by DTaQ (Defense Agency for Technology and Quality), an organization under DAPA.

According to data announced by DAPA in 2019, offset programs executed from 2014 to 2018 were valued at a total of 5.7 billion USD. Fifty-eight programs were executed as offset programs, 29 of those programs were from U.S. suppliers, accounting for 50% of the programs in quantity and 80.5% of program value.

Following is the list of major suppliers who had offsets in 2014 to 2018:

Company	No. of programs	Tech. transfer	Korea's export	Equipment acquisition	Total	Share of value
Lockheed Martin	2	2,191.4	338.2	1,447.7	3,977.3	70.0%
Airbus	4	87.9	559.3	33.9	681.2	12.0%
Northrop Grumman	1	46.7	20.3	104.4	171.3	3.0%
Raytheon	7	47.5	83.0	28.3	158.8	2.8%
GE	1	6.2	127.9	0	134.0	2.4%
ELTA	2	0	85.4	3.0	88.5	1.6%
Elbit	3	8.9	20.3	14.3	43.4	0.8%

Boeing	4	16.6	25.3	0.6	42.5	0.7%
Others	34	120.3	114.7	146.8	381.8	6.7%
Total	58	2,525.4	1,374.4	1,779.0	5,678.8	100.0%

(Unit: cases, million USD)

DAPA announced reforms to its offset policy in 2019, renaming it as “Industrial Cooperation.” With the new policy, offsets are no longer required in FMS cases and emphasis has been placed on cooperation with local defense manufacturers. Based on new office policy, some of foreign companies are struggling to commit to offset programs due to unlimited liability terms and conditions.

Indigenous technology and the drive for defense exports

In 2017, Korea’s total defense products exports were about 3.1 billion USD, 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, expanding to Europe and South America. Korea exported to 83 countries in 2017 with 132 exporting companies.

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

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

US Position in Korea’s Defense Industry

The U.S. remains Korea’s most significant military ally, due largely to 62 years of close alliance and the presence of 28,500 U.S. troops in Korea as a deterrent to any aggression from North Korea. U.S. standards are generally accepted in Korea and most Korean defense systems are based on American standards. This has affected defense procurement decisions. The U.S. constitutes about 84 percent of Korea’s total defense imports. (This figure is the sum of U.S. share in the foreign defense procurement from 2014 to 2018. There was a sharp increase in FMS in 2014)

Although the U.S. continues to be a primary defense supplier in Korea, strict U.S. export control policy and aggressive **marketing of other suppliers from Europe and Israel have cut into U.S. firms’ advantages..**

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
- Anti-terrorism products

Resources

Trade Shows

Seoul International Aerospace & Defense Exhibition 2021 (Seoul Air Show 2021)

October 15 - 20, 2021 - <http://www.seouladex.com/eng/main.asp>

MADEX 2021 (International Maritime Defense Industry Exhibition)

Date TBD

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

	2017	2018	2019	2020 (est.)
Total Market Size	5,976	7,204	7,806	8,607
Total Local Production	8,441	8,968	9,723	10,776
Total Exports	3,816	3,145	3,453	3,893
Total Imports	1,351	1,381	1,536	1,724
Imports from the U.S.	NA	NA	NA	NA
Korean Government Investment Plan	636	862	955	989
Exchange Rate: 1 USD	1,131	1,110	1,165	1,196

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 percent of its energy requirements, as the country lacks sufficient natural resources. In 2019, 562,239 gigawatt hours of electricity power was generated in South Korea, with coal representing approximately 40 percent of the total electricity generation. South Korea's CO2 emissions from fuel combustion – million tons of CO2 – was 600 in 2017, compared to 432 in 2000 (International Energy Agency (IEA) CO2 Emissions Statistics).

In terms of deployment, the supply of new and renewable energy was 7.5 million TOE for 2011 and 17.8 million TOE in 2018 respectively, with a 2011-2018 CAGR (Compound Annual Growth Rate) of 13%.

New and Renewable Energy Supply (TOE thousands)

2011	2012	2013	2014	2015	2016	2017	2018
7,583	8,851	9,879	11,537	13,293	14,178	16,448	17,838

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 (KEA)

As of 2020, there are 22 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 E&S
- 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
- SPPC

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 17.2%.

Fuel Cell Supply Status (TOE)

Year	2014	2015	2016	2017	2018
Fuel cell	199,369	230,173	241,616	313,303	376,304

Source: Korea Energy Agency (KEA)

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 cells for power applications:

Hydrogen Economy Roadmap (Power Application)

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

Source: Ministry of Trade, Industry and Energy (MOTIE)

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	2013	2014	2015	2016	2017	2018
Solar (photovoltaic)	344,451	547,430	849,379	1,092,832	1,516,343	1,977,148
Wind	242,354	241,847	283,455	355,340	462,162	525,188

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., can save electricity during a specified timeframe and be compensated for saving electricity. According to the Korea Power Exchange (KPX), as of December 2019, there were over approximately 28 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://smartfuture-poscoict.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 July 2019, approximately 1,257GWh of electricity power was saved through the DR program.

Opportunities

As of 2019, Korea Electric Power Corporation's (KEPCO) wholly owned power generation subsidiaries, collectively referred to as the GENCOs, sustained approximately 73 percent of the nation's electric power generation, while local Independent Power Producers (IPPs) accounted for 27 percent. 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 E&S: <http://www.skens.com>
- Pocheon Power: <http://www.pocheonpower.com>
- Pyeongtaek Energy Service: <http://www.pyeongtaekes.co.kr>

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

Resources

Trade Shows

Korea Energy Show 2020 (October 21-23, 2020)

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

Energy Plus 2020 (October 21-23, 2020)

<http://www.energyplus.kr>

Key Contacts

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

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

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Information and Communication Technologies (ICT)

South Korea has earned a reputation as a leading global information and communication technology center and is ranked second in Bloomberg Index of Most Innovative Nations 2020. With its cutting-edge ICT infrastructure boasting the world's fastest internet speeds, the country is home to global leading electronics and IT companies such as Samsung Electronics, LG Electronics, SK Hynix and Naver. Korea is motivated to keep its reputation as a global ICT powerhouse by investing heavily into innovative technologies such as 5G Network, Artificial Intelligence and Big Data.

Artificial Intelligence (AI)

ITA Code: ICT

Overview

South Korea is developing its AI capabilities and has expressed its ambition to position itself as a global contender in AI technologies markets. ROK officials see AI as a crucial element for the country's prowess in the ICT sector and are committed to Korea becoming an AI powerhouse. In support of this goal, in 2019, the ROK Government announced its first national [AI strategy](#) which included focusing on heavy investments in AI infrastructures and greater use of AI technologies across all industries. In 2020, the government released the Digital New Deal which envisions state-led industrial and educational efforts on the potential opportunities in AI.

South Korea recognized that there is an engineering gap for experienced and skilled AI talent and therefore in 2019, the ROK designated five universities as AI Engineering schools. Additionally, the ROK plans to add more schools in the coming years with a focus on developing highly qualified AI engineers. Many in the country see the creation and development of AI startups and businesses as vital to building a strong AI ecosystem. As a result, the ROK is supporting the creation of an AI-oriented startup incubator to help develop emerging AI businesses.

The major Korean ICT companies are aggressively pursuing AI technologies. Two leading electronics companies - Samsung and LG Electronics, the top internet companies - Kakao and Naver, and the major telecom companies - SK and KT, have invested significantly in Artificial Intelligence. Just to highlight a few investments:

- Samsung has opened seven AI centers in five countries and worked on various projects such as new machine learning algorithms, AI Chip and On-Device AI.
- Naver, Korea's largest search engine and portal site, acquired Xerox AI research center Europe in 2017 and developed its own core AI engines for speech/image recognition, machine learning platform and test analytics, etc. Also, in 2019, the company and the Softbank group jointly committed to invest \$1 billion investment, annually.
- KT, the second largest mobile carrier in Korea, has committed \$300M investment on core AI research for the next three years, and announced a plan to expand its AI engineer headcount and partnership with other AI companies.

Regardless of the size of the firms or solution's countries of origin, these companies are seeking cutting-edge technology and applications to enhance their AI capabilities and implement AI technologies to their products and services.

Sub-Sector Best Prospects

- On-Device AI: In order to lower the power consumption of devices and increase the speed of AI computation, the Korean electronics companies are interested in developing light and fast deep learning solutions which allows devices to perform AI computation independent of any external server.
- AI Chip: By reducing the need to send and receive data over the internet, AI chips enable devices to perform intensive AI computations on all IT devices. All the major Korean ICT companies have been investing heavily on developing AI chips for adding new product and services based on AI.

- Monetization of AI: As Korean companies are leveraging AI as part of core technology stacks, they need to monetize the technology on a large scale. These companies are actively seeking to learn more on how to monetize AI through their new/existing products and services.
- Explainable AI: As the influence of AI technology spreads across sectors such as healthcare, finance and defense, companies are looking for the AI models that provide greater interpretability or users and guarantee the reliability of the model.

Resources

Trade Shows

- AI EXPO Korea (September, Seoul)
- Organized by KORAI, AI Expo is the only AI exhibition in South Korea. In 2019, 127 Korean/global companies and 21,000 participants attended the event. The exhibition also featured technology seminars and network events.

Web Resource

- Ministry of Science and ICT (MSIT): <https://www.msit.go.kr/english>
- National Information Society Agency (NIA): <https://eng.nia.or.kr/>
- NIA AI Hub: <http://www.aihub.or.kr/>
- Korea Artificial Intelligence Association (KORAI): <https://www.korai.org/>
- Artificial Intelligence Industry Association (AIIA): <https://k-ai.or.kr/>

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Cybersecurity

ITA Code: ICT

Overview

	2016	2017	2018	2019 (est.)
Total Market Size	2,113.7	2,427.0	2,777.4	2,813.5
System & Product	N/A		1,886.2	1,923.2
Consulting & Service			891.2	890.2
Exchange Rate: 1 USD	1,161	1,131	1,110	1,165

Source: Ministry of Science and ICT, Korea Internet and Security Agency (KISA) Unit: \$1 million.

As the world becomes more interconnected, cyberattacks have become more serious and sophisticated. Due to the focus of global hacker groups and cyber terrorists, cyberattacks are better organized, more persistent and executed on a larger scale. That focus broadened to include not just critical infrastructure but also private sector assets. The borderless nature of the internet contributed to the vulnerabilities of certain devices or data storage.

With South Korea's introduction of a 5G network, high degree of network connectedness, high penetration of mobile devices, and significant intellectual property, the country has become a prime target for cyberattacks. According to the recent Deloitte Cyber Smart Index, South Korea is the second-most exposed country to cyberattacks in the APAC region. The ransomware WannaCry attack in 2017 shook the Koreans awake to the notion that their society was being attacked at every possible vulnerability, not just with real world weapons, but also through easily executable cyberattacks. Cyberattacks in South Korea continue to increase in both frequency and complexity. The latest attacks on South Korea include the use of advanced malwares, phishing mails, crypto-jacking and zero-day attacks.

Not surprisingly, as the awareness of cyber vulnerabilities became apparent, the market demand for cybersecurity products and services in Korea continues to grow. According to a Korean government survey, the market demand for cybersecurity in 2019 was expected to be over \$2.8 billion in 2019.

South Korea deemed cybersecurity as a matter of national security. Although the country boasts one of the world's fastest and most mobile IT infrastructures, it also has an infrastructure that is vulnerable to cyberattacks. The frequency and gravity of recent cyberattacks prompted the South Korean government to re-evaluate its cybersecurity strategy. In 2019, led by the office of the President, the Korean government announced its National Cybersecurity Strategy (https://www.krcert.or.kr/data/noticeView.do?bulletin_writing_sequence=34989). This strategy includes strengthening partnerships with foreign countries and companies and expanding investment to the domestic cybersecurity industry.

There is a growing number of domestic and U.S. companies providing cybersecurity services in Korea. As of 2019, 473 cybersecurity firms were registered in Korea. While most of these firms have developed their own products, some are opened to partnering with small and medium sized exporters from the United States. These Korean companies are interested in filling gaps in technology and product/service line-up, helping the company to meet a wide range of cybersecurity needs.

Sub-Sector Best Prospects for 2020

The Korean public and private sectors predict that the key sub-sectors for the domestic cybersecurity market in 2020 include anti-ransomware, cloud security, IoT security etc.

	KISA	FSI	Boan News
Key-Sectors for 2020	Anti-ransomware	Spear Phishing	Cloud Security
	Anti-malware	Cloud Security	Ransomware
	APT	Bio Information	Industrial Security
	Industrial Security	Opensource Security	Smart Monitoring
	Cryptocurrency	AI threats	Privacy
	IoT Security	Dark Web	Smart City

Source: Korea Internet and Security Agency (KISA), Financial Security Institute (FSI), Boan News (www.boannews.kr)

Opportunities

Due to its leads in high-speed internet use and advanced ICT infrastructure, South Korea is an ideal market for U.S. firms seeking to test cybersecurity solutions before deployment in other markets. While firms that produce sophisticated and cutting-edge products for critical infrastructure are more likely to succeed, there are also opportunities for firms that provide cybersecurity related consulting and training services. Overall, the Korean market favors the quality and reliability of U.S. products and demand for American products is expected to continue.

To enter the cybersecurity 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 both private/public sectors and are fully aware of local market characteristics and unique regulatory requirements.

Resources

Trade Shows

- SECON 2020 (July, Seoul) <https://www.seconexpo.com/2020/kor/main.asp>
Hosted its first event back in 2001, SECON is the Korea's largest security exhibition covering all sectors of both cyber and physical security. In 2019, 500 companies attended the event and exhibited their products and solutions.
- ISEC 2020 (September, Seoul) <http://www.iseconference.org/2020/>
Hosted by Ministry of Interior and Safety, ISEC is the largest cybersecurity conference in South Korea. The conference provides 35 sub- sessions and opportunities to engage with relevant domestic ministries and companies.

Key Contacts

- Ministry of Science and ICT - <https://english.msit.go.kr/english/>
- Korea Communications Commission - <http://eng.kcc.go.kr/user/>
- Korea Internet and Security Agency (KISA) – <http://www.kisa.or.kr/eng/>
- Korea Information Security Industry Association (KISIA) - <http://www.kisia.or.kr/>
- Korea Information Society Development Institute (KISDI) – <http://www.kisdi.re.kr>
- Korea Institute for ICT Promotion (KAIT) - <http://www.kiat.or.kr/>

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Semiconductor

ITA Code: ICT

Overview

Semiconductors is a core industry in South Korea. According to the Ministry of Trade, Industry and Energy, the industry accounts for 7.8 percent of GDP and makes up 17.3 percent of exports (\$93B). Thanks to solid demand for memory chips for IT devices and datacenters over the past few years, and the emergence of innovative devices (smartphones) and services (cloud computing), the demand for chips has grown, resulting in the industry posting strong growth before a downturn which began in January 2019.

Korea is home to two semiconductor giants – Samsung Electronics and SK Hynix. According to the DRAM exchange, these two Korean companies held 73 percent of the global DRAM and 44 percent of the NAND flash memory market. Additionally, Korea has many small and medium-sized companies producing various semiconductor products.

As South Korea is a leading producer of semiconductors, the country is an enormous market for suppliers of equipment, materials and services for semiconductor production. According to SEMI ([Semiconductor Equipment and Materials International](#)), in 2019 the semiconductor equipment market in Korea was \$10B while the domestic material market was about \$9B. South Korea still imports significant amounts of semiconductor manufacturing equipment and materials from other countries—mainly from the United States and Japan. In total, South Korea imported more than \$55B of semiconductor related products in 2019.

Opportunities

The rapidly growing A.I. and cloud computing markets are key growth factors for semiconductors. Market demand will be driven further by increasing connectivity through innovative technologies such as 5G network and IoT. As one of the world's major semiconductor manufacturers, Korea will be among the primary beneficiaries of such technology innovation. Moreover, as the total production increases, more equipment and materials will be needed, including imports.

While South Korea is considered a leader in technological competitiveness in memory chips, other types of semiconductor products such as microprocessors and sensors still need to be improved to compete on the global stage. To retain its leadership in the semiconductor market, local governments and companies are proactively investing in the next step of miniaturizing semiconductors with innovative processes such as utilizing extreme ultraviolet lithography, developing new materials and diversifying its supply chain beyond existing suppliers. Another promising sector is core technology used in specialized chips for AI, cybersecurity etc.

- Samsung Electronics: In 2019, Samsung announced that it will invest \$116B in non-memory chips through 2030 to change its current dependence on the volatile memory chip market and develop specialized chips for A.I. and Autonomous Driving Vehicles. Also, in 2020, the company announced plans to expand its foundry capacity at Pyeongtaek to accelerate the company's capabilities for sub-5nm process and extreme ultraviolet lithography-based solution.
- SK Hynix: In 2019, SK announced \$107B size long-term investment plan which includes building four fabrication plants after 2022. However, with recent downturn in the industry, the company decided to hold its plan for this year.

Resources

Trade Shows

- SEDEX (October, Seoul) - http://www.sedex.org/public_html_eng/index.asp
Organized by Korea Semiconductor Industry Association, the exhibition covers the full spectrum of the semiconductor industry supply chain and products including SoC, memory, sensor, equipment and material. During the 2019 event, 192 companies including Samsung Electronics and SK Hynix presented their products to more than 60,000 participants.

- SEMICON KOREA (February, Seoul) - <https://www.semiconkorea.org/en> Focusing on semiconductor equipment and materials, SEMICON is one of the major trade events in the semiconductor industry in Korea. The event features keynote speeches from global companies such as Intel and SK, 469 exhibition booths, technology conferences and network events.

Key Contacts

- Ministry of Trade, Industry and Energy - <http://english.motie.go.kr/www/main.do>
- Ministry of Science and ICT - <https://english.msit.go.kr/english/>
- **Korea Semiconductor Industry Association** - <https://www.ksia.or.kr/>

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Cloud Computing

ITA Code: ICT

Overview

With Korean enterprises and government institutions are adopting cloud services with increasing frequency, the cloud computing market in Korea is expected to grow at a faster rate than other IT services market sectors. According to Gartner, the South Korea cloud computing market is estimated to reach \$2B in 2019, a 15 percent increase over 2018. The market is forecasted to grow at a CAGR of 16 percent until 2022 even though only one third of South Korean companies are currently using cloud services, according to a recent survey by Bespin Global.

South Korea was one of the first countries to establish a national cloud computing strategy. The government presented its first blueprint for the promotion of the cloud computing industry in 2015. To stimulate the sector, the government released new guidelines in 2018 on the use of the private cloud services by the public sector. The guidelines designate cloud computing as an alternative measure to network separation for cybersecurity and for storage of important data such as financial information. Lastly, this year the government included cloud computing as one of the sub-areas for its digital New Deal projects with the goal of transitioning to cloud services through state-led projects and investments.

Global players such as Amazon Web Services and Microsoft have led the cloud computing market in Korea. According to IDC, as of 2018, AWS had more than 50 percent of market share within Infra as a Service (IaaS) sector, while Microsoft led Platform as a Service (PaaS) sector. In order to further increase their market share, these global players have accelerated their investments in Korea.

- AWS opened its third data center in Korea in 2019.
- Microsoft plans to open its third data center in Busan this year.
- Google opened its first data center in Seoul early this year.

The recent boost in demand for cloud computing has caught the attention of Korean companies. Major Korean IT companies (Naver) and mobile carriers (KT, LG U+) have entered the market, but struggled to increase their presence.

Cloud Computing Market Share by sectors in Korea

Rank	IaaS	PaaS	SaaS
1	AWS (51%)	Microsoft (18%)	SAP (9%)
2	KT (20%)	AWS (13%)	Microsoft (9%)
3	LG U+(3%)	Oracle (10%)	Douzone (5%)
Market Size	\$600M	\$390M	\$825M

* Source: IDC (2018), Gartner (2019, Figures excluding the cloud management/security service sector)

As the global companies' presence is expected to strengthen further within the IaaS and PaaS sectors, there will be more opportunities for SaaS companies in the Korean market as more local companies seek to adopt various and customized applications and services on their cloud. Also, cloud management service would be another promising sector as a smooth cloud migration is critical for local companies new to cloud computing.

Resources

Trade Shows

- Grand Cloud Conference (December, Seoul) – <http://www.grandcloud.co.kr>

- Cloud Impact Conference (February, Seoul) - <http://seminar.ddaily.co.kr/seminar26/>
- AWS Summit Seoul (April, Seoul) - <https://aws.amazon.com/ko/events/summits/>
- Azure Cloud Summit (January, Seoul) - <https://azure.microsoft.com/ko-kr/community>

Key Contacts

- Ministry of Trade, Industry and Energy - <http://english.motie.go.kr/www/main.do>
- Ministry of Science and ICT - <https://english.msit.go.kr/english/>
- **Korea Association of Cloud Industry** – <http://www.kcloud.or.kr/>
- **Korea Software Industry Association** - <https://eng.sw.or.kr/>

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Aerospace Industry

ITA CODE: PR AIR

Overview

	2017	2018	2019	2020 (Est.)
Total Market Size	5,436	6,732	8,487	9,223
Total Local Production	3,969	4,714	6,028	6,298
Total Exports	2,086	2,617	2,822	2,646
Total Imports	3,553	4,635	5,281	5,571

Source: Korea Aerospace Industries Association (KAIA). Unit: USD Million.
 Note: 30% decrease in civil aerospace market expected due to COVID 19 which is reflected in 2020 market size estimate

According to trade figures announced by the Korea International Trade Association, Korea was the 15th largest market for U.S. aerospace exports in 2019. In 2019, total U.S. aerospace exports to Korea exceeded 2.5 billion USD (including aerospace products in the defense sector). In total value, U.S. aerospace sales constituted about 69 percent of Korea's total aerospace imports in 2019.

Over 98 percent of the total aerospace imports into Korea are commercial & defense aircraft and their parts and components. Of this, 69 percent of Korea's aircraft, parts and component imports were from the U.S. in 2019.

Category		2018		2019		2020 (est.)	
		Export	Import	Export	Import	Export	Import
Aircraft	Whole platform	630	2,155	499	2,810	476	2,963
	Parts/Components	2,317	2,263	2,421	2,268	2,567	2,392
Space parts		19	208	20	203	21	214
Total		2,300	3,155	2,890	5,281	3,065	5,569

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

Major Local Players

Korea's aerospace industry is driven by Korea Aerospace Industries (KAI: www.koreaero.com/English/main.asp) and Korean Air, one of the largest commercial airliners 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 its own indigenously produced plane. In 2015, KAI won the KF-X project - Korea's next generation fighter jet. The Korean Government will invest 17 billion USD

in the KF-X program thru 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 forming a Korean Aerospace Valley. The companies within this aerospace valley focus on supplying parts and components to KAI and KAL and also exporting. Gyeongnam Export Support Corps for Aero-parts (GESCA: <http://gesca.or.kr/>) supports these aerospace companies and is currently actively cooperating 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 -- as well as being one of the major exporters of aerospace parts and components. Asiana Airlines is the second largest airline in Korea, however, it is experiencing financial difficulties. As of April 2020, HDC Hyundai Development had postponed its acquisition of Asiana Airlines indefinitely due to the COVID 19 outbreak.

LCCs in Korea have continuously increased their operating fleets; 119 planes in 2017, 144 planes in 2018, and 167 planes expected by the end of 2019. LCCs mainly operate B737 and A320 platforms but will adopt B737MAX and A320NEO from this year to expand their routes. LCCs demonstrated a dramatic annual sales revenue growth of 40 percent in the past five years, however, due to the outbreak of COVID 19 in 2020, they have been greatly impacted and restructuring, mergers and acquisitions are expected to take place.

Airports

Korea has two state-owned airport companies, Incheon International Airport Corporation (IIAC) and Korea Airport Corporation (KAC). IIAC is the nation's largest and has its main international airport in Incheon City. Incheon Airport has been 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 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 & MRO

Opportunities

Top U.S. aerospace exports to Korea include: complete commercial aircraft, commercial aircraft engines, equipment and parts, as well as military aircraft and their parts and components. The U.S. continues to be the dominant foreign supplier of aerospace/defense products and services, with a dominant import market share.

As smart technologies evolve, unmanned aerial vehicles is considered as the future growth industry and the Korean Government announced plans in 2019 to develop the drone industry with supporting regulation.

Although small, 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 as a result of the implementation of the Korean-U.S.FTA (KORUS).

Resources

Trade Shows

Seoul International Aerospace & Defense Exhibition 2021 (Seoul Air Show 2021)
October 15 - 20, 2021 - <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) – <http://eng.kari.re.kr/>

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

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

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

Incheon International Airport Corporation (IIAC) – <http://www.airport.kr/eng/>

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

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Air Pollution Control

ITA CODE: PR POL

Overview

According to the World Health Organization (WHO), fine dust or Particulate matter (PM) in the air is a serious health threat in Korea as it contains nitrates, black carbon and mineral dust with aerodynamic diameters of less than 2.5 micrometers (μm) that can be inhaled to penetrate the cardiovascular system. Yonhap news reports that in 2019, South Korea registering a PM 2.5 level – the worst air quality among the 35 rich countries.

The Korean Ministry of Environment notes that the South Korean air pollution control market was worth \$4.6 billion in 2016, decreasing from the previous year by approximately 5.9 percent. The market accounted for 5.5 percent of the total environmental technology and engineering sector in 2016. When segmenting the market by sales of goods, services and testing/analysis, the size of the air pollution control commodity and equipment sector is by far the largest.

Market size for air pollution control industry

(unit: \$ million)

	2014	2015	2016
Air Pollution Control Equipment & Commodity Industry	3,934	3,812	3,532
Air Pollution Control Related Construction Industry	487	555	555
Air Pollution Control Related Service Industry	639	71	64
Indoor Air Quality Control Related Equipment & Commodity Industry	418	286	282
Indoor Air Quality Control Related Service Industry	182	98	91
Air Pollution Analysis, Data Collection, and Evaluation Service Industry	100	90	96
Total Air Pollution Control Industry	5,760	4,912	4,621

Source: Environmental Statistics Yearbook 2016, 2017 and 2018 by the Ministry of Environment

The Korean Ministry of Environment monitors and regulates emissions of air pollutants and hazardous air substances under the Clean Air Conservation Act. In May 2019, a revised bill with more strict guidelines was announced. Emission standards were strengthened by 30 percent compared to the previous bill and new standards were set for substances that had not been regulated before. As of 2020, South Korea enforces regulatory limits on 11 air pollutants and 32 hazardous air substances which are up from 11 air pollutants and 18 hazardous air substances in the previous bill.

Korea's 61 coal-fired plants are one of the main contributors to air pollution. These plants also accounted for 52.5 percent of the country's total power generation in 2018. 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 the plants with carbon dioxide capture and storage (CCS), selective catalytic reduction (SCR), and flue gas desulfurization (FGD) systems. Although Korea's coal-fired power plants 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. Also, by 2024, outdoor coal storage facilities will be replaced to indoor storage facilities.

The enforcement decree of tightening air quality guidelines for fine dust was passed in 2018. Under the changed rules, the standards for PM 2.5 fine dust will be revised to a 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 standards for fine dust watch and warning.

Sub-Sector Best Prospects

The U.S. is considered a global leader in many environmental technologies. While companies with competitive technologies and services should have the potential to successfully penetrate the market, this sector has a high level of competition and is price sensitive. The following areas may hold prospects:

- Continuous emissions monitoring systems
- Dry sorbent injection technologies
- Flue gas desulfurization (FGD) systems
- Activated carbon injection technologies
- Selective Catalytic Reduction (SCR) technologies
- Carbon Capture and Storage (CCS)
- Volatile Organic Compound (VOC) control
- Dioxin abatement
- Pollution abatement technologies for the automobile and oil refinery industries
- Ambient air quality monitoring equipment
- Source emissions measurement technologies
- Analytical and laboratory testing goods and services
- Fuel vapor control systems
- H13 or above high-end air purifiers (optionally with carbon filters)

Opportunities

There are opportunities in the air pollution technology and environmental consultancy markets.

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.

Resources

Trade Shows

International Exhibition on Environmental Technologies (ENVEX)

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

May 15 ~ 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>

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Specialty Chemicals

Overview

Unit: USD million

	2017	2018	2019	2020 (estimated)
Total Market Size	51,016	52,546	54,122	55,746
Total Local Production	44,316	45,645	47,014	43,424
Total Exports	11,384	11,725	12,076	12,438
Total Imports	15,992	16,471	16,965	17,474
Imports from the U.S.	3,422	3,524	3,629	3,738
Exchange Rate: 1 USD	1,131	1,110	1,165	1,196

Data Sources: Korea Specialty Chemical Industry Association

In Korea, demand for high quality, sophisticated chemical products and associated substances for use in product development and production presents a lucrative opportunity for U.S. chemical manufactures. In 2019, the estimated total value of Korea's specialty chemicals market was USD 54 billion, representing a 3 percent increase over 2018. During the same period, foreign suppliers satisfied approximately 31 percent of Korea's total demand for raw and intermediate materials and new substances. Specifically, Korea's imports from the U.S. totaled USD 3.5 billion. The U.S. holds a 21 percent share of the specialty chemical import market.

Korea's specialty chemical market has matured by focusing on the development of finished multi-application products such as dyes, paints, and surfactants. The technological level of dyes & pigments from domestic producers appears to be on par with other advanced countries. However, Korea lags in the development of specialty chemicals that require the accumulation of fundamental core technologies developed over a long period of time and with substantial R&D investments. As a result, market demand for sophisticated specialty chemicals present opportunities for foreign importers.

Korea imports raw materials to process and re-export them to 3rd countries. Imported chemicals are essential in the production of some of Korea's top exports, which include: semiconductors, electronics, wireless communication equipment, flat display, computers, automobile/auto parts, ships, plastics, and petrochemicals. Korean manufacturers have long been conservative in changing supply channels that often require the modification of the production process. However, Korean manufacturers, especially for electronic and semi-conductor sectors, are now more receptive than they have ever been for alternative supplies after Japan's recent export bans on some raw chemicals.

U.S. chemical exports receive duty-free treatment under KORUS FTA (US and Korea Free Trade Agreement). Korea's regulatory environment, however, presents challenges to U.S. companies in terms of significant administrative and technical burdens that translate into an overall increased cost of doing business. The other most frequently raised regulatory issues have been a lack of transparency, inconsistency, as well as concerns over the protection of confidential business information.

Sub-Sector Best Prospects

- Specialty chemicals for the medical and pharmaceutical industries
- Specialty chemicals for the cosmetics industry
- Specialty chemicals for the electronics & IT industries

Opportunities

While competition is becoming intense with local and 3rd country suppliers, there is strong demand for highly innovative materials from the U.S. Korea has been a proven market for U.S. raw and intermediate chemicals used to produce finished pharmaceutical, cosmetic, and surfactant products. Recently, high molecular new materials and chemical ingredients for electronics & IT and biologically active materials are in high demand as Korea's relevant end-use sectors increase. Additionally, the market has seen an increase in demand for functional or high-performance biologically active chemical ingredients to produce zero pollution and environmentally friendly products.

Resources

Trade Shows

Int'l Coating, Adhesive, and Film Industry Expo 2020 (Annual)

August 5-7, 2020

Songdo Convention Center, Incheon

<http://coatingkorea.com/>

Key Contact

Ministry of Environment

www.me.go.kr

Ministry of Labor

www.molab.go.kr

National Institute of Environmental Research

www.nier.go.kr

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Medical Equipment and Devices

ITA CODE: PR MED

Overview

Medical Device Market Overview - By Year

Unit: \$1 million

Year	2010	2015	2016	2017	2018
Market Size	2,920	4,113	4,362	4,850	5,629
Production Amount	2,218	3,906	4,161	4,557	5,375
Exports	1,258	2,396	2,515	2,800	3,280
Imports	1,961	2,602	2,716	3,093	3,534
Import from the U.S.	816	1,215	1,270	1,452	1,651
Exchange Rate: USD 1	1,156.00	1,131.52	1,160.41	1,130.48	1,100.58

Source: MFDS (Ministry of Food and Drug Safety), the Bank of Korea
 Note: Market size = Production - Exports + Imports

According to the Ministry of Food and Drug Safety (MFDS), the market size for the medical device sector in South Korea has doubled since 2010. Ranked 9th in the world in 2018, Korea's market reached approximately \$6.2 billion in 2018 and imports from the U.S. increased from 0.9 billion in 2010 to \$1.8 billion in 2018.

To successfully identify business opportunities, it is essential to take a closer look into the unique aspects of Korea's medical device market. The ratio of local production to imports has been steady at less than 40 percent over the past decade. In addition, nearly 80 percent of South Korean medical device manufacturers are small- and medium-sized enterprises (SMEs) with less than \$1 million in revenue. South Korea's medical devices are classified into the four categorical levels according to the product's purpose and the degree of potential risk. As of 2018, over 65 percent of Korean medical device manufacturers are producing relatively low-risk medical devices (level 1 and 2).

In other words, South Korean companies make comparatively lower-end (mid-technology) medical devices. Therefore, market demand for high-end medical devices relies on imports. Among the list of importing countries in 2018, the U.S. consists of nearly half (47 percent) of total imports, followed by Germany (17 percent), and Japan (10 percent).

The List of Top 5 Imports for Medical Device Products - By Year

Unit: \$1 thousand

		2010	2015	2016	2017	2018
1st	Product	Stent	Soft contact lens	Soft contact lens	Soft contact lens	Soft contact lens
	Amount	104,759	124,623	137,593	120,309	153,384

2nd	Product	X-ray system	Stent	Stent	stent	stent
	Amount	98,452	122,038	118,677	95,501	102,152
3rd	Product	MRI system	Dialyser	Dialyser	Dialyser	MRI system
	Amount	87,438	69,757	75,234	85,461	93,469
4th	Product	Knee prosthesis	Knee prosthesis	CT system, full-body	IVD reagents	Dialyser
	Amount	71,720	64,989	73,354	66,966	87,171
5th	Product	Soft contact lens	Intravascular catheter	Intravascular catheter	Knee prosthesis	CT system
	Amount	64,395	63,670	72,841	65,022	82,284

Source: MFDS (Ministry of Food and Drug Safety)

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

Regulatory Environment

U.S. medical device manufacturers should follow Korean government pricing and reimbursement policies as the country grapples with cost containment under its national healthcare system.

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 governed by the National Health Insurance (NHI), the new healthcare technology assessment system for medical devices, and the recently passed regulation requiring devices to be registered every 5 years, which takes effect in 2025.

With the implementation of the KORUS FTA, U.S. medical device and pharmaceutical companies can now request a review of government pricing and maximum reimbursement determinations for its products through an 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).

Opportunities

An opportunity to highlight the potential for U.S. companies is via 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.

According to the Report on the Prospect of Advanced Medical Devices by MFDS (Ministry of Food and Drug Safety), another opportunity to consider is the emerging market of Artificial Intelligence-based (AI) medical device software.

The market size for AI-based medical device software was approximately \$41 million in 2018 and approximately \$55.5 million in 2019, with an annual average growth rate of nearly 45 percent. It is expected to record approximately \$244.5 million in 2023.

Resources

Trade Shows

Korea International Medical and Hospital Equipment Show 2021:

<http://www.kimes.kr/eng/>

March 18 - 21, 2021 / COEX, SEOUL KOREA

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	2015	2016	2017	2018	2019
Global Outbound Travel	19,310,430	22,383,190	26,496,447	28,695,983	28,714,247
Outbound Travel to the U.S.	1,775,000	1,983,000	2,335,000	2,211,000	2,298,000
Global Inbound Travel	13,231,651	17,241,823	13,335,758	15,346,879	17,502,756

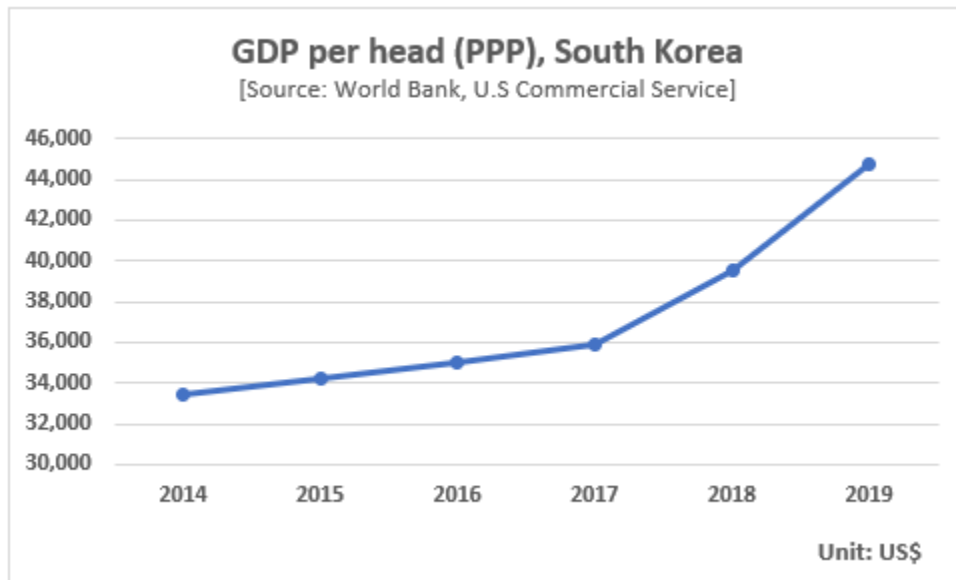
Source: Korea Ministry of Culture, Sports and Tourism (MCST), Korea Tourism Organization (KTO), U.S. Department of Commerce National Travel & Tourism Office (USDOT, NTTO).

In 2019, 28.7 million Koreans, more than half of the population, traveled abroad with 2.3 million Koreans traveling to the U.S. (the number of Koreans traveling to the U.S. is an increase of four percent over the previous year). International travel is rapidly growing for Koreans and offers significant opportunities for U.S. tourism exports. The U.S. remains one of the top five destinations for Korean outbound travelers and is the top non-Asian and long-haul destination. Koreans overwhelmingly choose the U.S. as a top travel 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.

On average, a Korean visitor to the U.S. spends approximately USD 4,900 per trip. This number translates to over USD 11 billion in tourism revenue in 2019 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, the United Kingdom, Japan, and China.

Korean consumer confidence has increased gradually across generations. Rising discretionary spending on activities, gradual increases in vacation time, heightened globalization, and greater awareness of international developments outside the Korean Peninsula are motivating more Koreans to travel overseas. Korea's GDP per capita (PPP) rose to USD 44,740 in 2019 (according to the World Bank), placing it securely in the ranks of middle-income countries. Positive perception of overseas travel and the abundance of information-sharing through mass media and social networks are expected to continue to boost the growth of outbound tourism in the coming years.

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, nine percent of Korean travel to the U.S. is for business purposes.



The recent boom of social commerce (social networks and websites that give product/service sellers access to a large pool of Korean consumers) is contributing to this growing trend, as it offers all types of travel products and unique experiences. Moreover, travel booking on mobile devices continues to expand for Korean consumers and is becoming a widely-used method of travel planning. Nine out of 10 Korean travelers own a smartphone and roughly half of those users booked flights/hotels via smartphones in the past twelve months. The number of internet and smartphone users has reached 90 percent of the Korean population. Korean mass media is influenced by U.S. movies, advertising, and popular culture, which continue to stimulate interest in U.S. travel destinations. 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 the 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 year 2020 has been a challenging year. The advent of coronavirus had brought forth an unprecedented crisis and the Korean travel industry is among the hardest hit by the pandemic. Between March and June 2020, Korean outbound departures decreased by more than 95 percent over the same period last year. However, Korea is recognized for its successful handling of COVID-19 without complete lockdown and the Korean market is to become one of first markets to travel to the U.S. following the pandemic. U.S. airlines resumed flights to U.S. destinations from July 2020 after a

three-month flight suspension. As more countries reopen, Koreans are preparing to travel overseas to those selected less-hit countries. However, Korean government's strict preventive measures such as a 14-day mandatory quarantine upon arrival, is a barrier for Koreans to travel overseas. Instead, domestic travel has increased, driven by pent-up travel demand and changes in travel behavior seeking safer road trips and outdoor activities.

As the travel and tourism industry prepare comprehensive recovery plans, Korean market is expected to bounce back after COVID-19. The U.S. is the leading non-Asian destination for Koreans as it offers a variety of activities, culinary tours and cultural experiences. U.S.-bound Koreans account for 8.0 percent of Korea's outbound market and there is room for further growth. Los Angeles, San Francisco, Las Vegas and Seattle, followed by the New York-Washington, DC corridor, are the most popular destinations. Koreans use group tours or travel individually to visit friends and relatives. Group tours can focus on price-competitive products that entice travel agencies in Korea to sell these products. Korean travelers are generally interested in the following activities: visiting museums, national parks, amusement/theme parks, fashion outlets, golf courses, buying OTC pharmaceuticals/vitamins and U.S. cosmetics, and visiting unique local restaurants and wineries.

To tap into this market, American travel and tourism entities should provide marketing collaterals on their destinations in the Korean language and cultivate long-term relationships with the travel trade industry in Korea. There are approximately 11,000 tour agents in Korea. Having effective training programs and promotional information on the U.S. are key factors in accessing and developing the Korean market. Contact the U.S. Commercial Service in Korea, per below, for more details.

Resources

Trade Events

November 9-12, 2020

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

November 9-12, 2020

Seoul International Tourism Industry Fair – www.sitif.or.kr

November 11-19, 2020

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

Key Contacts

National Travel and Tourism Office (NTTO): www.travel.trade.gov

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

	2015	2016	2017	2018
Total Market Size	7,640	8,129	8,799	9,370
Total Local Production	9,481	11,241	11,950	13,966
Total Exports	2,929	4,192	4,372	6,223
Total Imports	1,088	1,080	1,176	1,627
Imports from the U.S.	448	398	378	380

Exchange Rate: ₩1,132 (2015); ₩1,161 (2016); ₩1,131 (2017); ₩1,110 (2018);

Sources: Korea Cosmetic Association (KCA)

Unit: \$ million

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

South Korea is the 9th largest cosmetics market in the world, representing nearly 2.8 percent of the global market. In 2018, the market was estimated to be \$9.3 billion; total local production and total exports increased approximately 14.7 percent and 26.5 percent respectively from the previous year. The market has grown annually by 5.4 percent for the last 5 years (2014-2018).

Meanwhile, total imports of cosmetics in 2018 rose 5.4 percent from 2017 and was valued at \$1.6 billion. U.S. imports accounted for 23.3 percent of total imports. On a country by country basis, France (\$453 million) was the largest exporter to Korea in 2018, followed by the U.S. (\$380 million) and Japan (\$257 million).

According to the Korea Customs Service statistics, skincare cosmetics continued to be the largest import category representing 47.8 percent, or \$755 million of total cosmetic imports in 2019. Haircare products (14.3 percent), makeup cosmetics (13.8 percent), and perfumes and scents (11.3 percent) accounted for the next largest import categories.

Distribution Channels

There has been a growing demand for new retail channels as consumer demand is becoming increasingly more segmented. The market has reacted, making select shops and multi shops more prevalent. In line with this trend, the three major health & beauty stores (Olive Young, Lalavla, and LOHB's) grew for three consecutive years with 1,356 stores in 2017, 1,490 in 2018, and 1,512 in 2019. In addition, Sephora, the world's biggest cosmetics retailer owned by LVMH Group, opened its first store in Korea in October 2019, featuring a total of 99 brands ranging from affordable to luxury. By 2020, Sephora plans to open 14 more stores. The addition of these stores is expected to intensify the competition in the market with major H&B stores and select shops such as Chicor and Boots.

South Korea stands out as the country with the highest smartphone ownership rate/broadband penetration rate and fastest average internet speed. It is not surprising that South Korea's e-commerce channels are becoming increasingly popular for cosmetic products consumers. Sales via mobile shopping have increased dramatically in recent years. According to the Korean National Statistical Office, cosmetics online shopping transactions grew 25 percent year-on-year to \$10.5 billion in 2019. Of these, mobile cosmetics transactions amounted to \$6.3 billion, up 32.6 percent from the previous year, accounting for 59.4 percent of total cosmetics online shopping. The domestic cosmetics industry is

actively using social network services (SNS) as a key tool in the business, from the development stage of the product to sales and customer inflow.

Best Prospects/Services

- Cosmeceutical cosmetics
- Multi-functional products
- **Organic Cosmetics**

Opportunities and Challenges

Strong potential subsectors for U.S. exporters to South Korea include cosmeceuticals and derma-cosmetics. Cosmeceutical is a cosmetic that has or claims to have medicinal properties, for example a product with anti-aging property may be classified as a cosmeceutical. Korea's domestic cosmeceutical market, about \$430 million in 2014, experienced 15 percent annual growth since then to reach \$1 billion in 2019. Currently, the hottest trends are products that claim anti-pollution, anti-aging, and antioxidant related technologies. 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 local production market. In addition, Korean consumers are purchasing more products 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 purchases represented more than \$3 billion in 2019, up 22.3 percent from the previous year. Clothes/fashion (38.7%), food and beverages (25.1%), electronic products (12.7%), and cosmetics (5.3%) are very popular among overseas online Korean buyers.

New Trends

In March 2020 the South Korean government introduced the world's first customized cosmetics system, which mixes cosmetics at stores according to individual skin condition and preference. For example, a local cosmetics flagship store now offers a tailored 3D mask. The skincare product utilizes a smartphone app, which measures customer's facial dimensions, generates a skin diagnosis, and sends the information to a special 3D printer, which then prints a hydrogel facial mask that is tailored to the user's face shape and skin conditions.

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 previously comprised whitening, anti-wrinkle, and sunscreen and tanning products, were extended in 2017 to 10 categories by the MFDS. The new categories include hair colorants, hair nutrients, and cosmetics that help protect damaged skin. MFDS only reviews 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.

Also South Korea implemented the [Recycling Act](#) in December 2019, which is applicable and impacts all products available in South Korea including cosmetics. Under the Recycling Act, the usage of plastic materials that are difficult to recycle such as PVC and colored PET bottles has been banned.

Under the implementation of U.S.–Korea Free Trade Agreement (KORUS FTA) in March 2012, tariffs on imported cosmetics were reduced. All remaining Korean tariffs on imported U.S. cosmetics will be eliminated by January 1, **2021**.

Resources

Trade Shows

COSMOBEAUTY SEOUL 2021 (May 5-7, 2021)

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

COSMOBEAUTY SEOUL has been growing as Korea's most renowned beauty exhibition by providing latest beauty trends in Korea. COSMOBEAUTY SEOUL 2018 drew 342 exhibitors from 14 countries and in excess of 50,000 visitors including manufacturers, distributors, wholesalers, agents, retailers, press, and general public.

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

One of South Korea's goals is to become the world's leading exporter and importer of entertainment and media. Today, the Korean wave (Hallyu) has gained global popularity, seen everywhere from Korean TV shows and films on media service platforms to pop artists' videos and games. The Korean government considers the entertainment and media industry as a key driver for the future national economy.

Thanks to abundant ICT infrastructure such as high-speed mobile connectivity and diverse purchasing power in entertainment, South Korea has become an ideal test bed for new entertainment technology and media. For example, Virtual Reality has been widely adopted from gaming to sports broadcasting and many Hollywood movies are launching their world premieres in Seoul.

Film

ITA CODE: N/A

Overview

	2016	2017	2018	2019
Total Market Size	1,957.8	2,057.6	2039.8	2,017.1
Theater	1,501.5	1,553.1	1557.1	1538.5
Digital/Online VOD	355.3	385.7	406.8	409.4
Export	101.0	118.7	76.0	69.1
Number of Screens	2,575	2,766	2,937	3,079
Exchange Rate: 1 USD	1,161	1,131	1,100	1,165

Source: Korea Film Council (KOFIC, 2019); Unit: \$ millions.

The film industry in Korea has become one of the world's most active markets through the development of multiplexes and the popularity of the movie-going culture. In 2019, the total number of moviegoers in South Korea was over 226 million, surpassing the 200 million mark for the eighth year in a row. Overall, South Korean consumers watched an average of about 4.37 films per capita in 2019, one of highest numbers in the world compared to the U.S. average of 3.51 films.

In 2019, domestic movies accounted for about 51 percent of all films screened in Korean Cinemas. During the year, 502 Korean films were screened while 1,238 films were imported to be screened. In order to protect the domestic film industry, the Korean government maintains a screen quota which stipulates that each of the country's screens must show domestic films for 73 days per year. Although the number of screens available for imported films is limited, Korea continues to import foreign-made films. Hollywood films make up the majority of the South Korean box office, representing more than 46 percent market share. For the second year in a row, six of the top ten grossing films in Korea hailed from Hollywood.

Market Share of Films by Country

	Korea	U.S.	Europe	Japan	Others
2019	51.4	46.5	0.9	0.8	0.4

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

Opportunities

Thanks to increased competition between internet protocol television (IPTV) providers, which provides television content over the internet rather than delivery via traditional terrestrial, satellite or cable formats and over-the-top (OTT) players, which is a streaming media service offered directly to viewers via the internet, the market demand for internet video on demand (VOD) has been growing steadily in recent years. Demand for internet VOD services in 2019 is estimated at \$425.8 million, a 4.7 percent increase over 2017.

VOD popularity is changing the Korean film industry. Traditionally (or previously), director's cuts and other value-added versions could not be shown at the same time new films were released in cinemas. Now with the new service, film makers can provide additional features such as an extended version and additional downloads. Moreover, niche genres are finding more opportunities in Korea. In the past, niche genres did not receive attention or time slots at the cinemas; however, with VOD services, niche genres have more opportunities for viewings. Korea is welcoming more diverse filmmakers, importers, and distributors into the Korean film market. There are growing examples of films that are by-passing the cinema and being released directly through VOD methods, and are making a profit. There are opportunities for U.S. content providers in both the traditional cinema path and via new VOD services.

Resources

Trade Shows

Busan International Film Festival (October, Busan): <http://www.biff.kr>

Busan Contents Market (May, Busan): <http://www.ibcm.tv>

Asian Film Market (October, Busan): <http://www.asianfilmmarket.org/structure/eng>

Trade Associations and Government

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

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

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

Korea Cable TV Association: <http://kcta.or.kr/>

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

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Gaming

Overview

	2016	2017	2018	2019
Total Market Size	9,383,7	11,620.0	12,874,1	12,890,2
PC	4,029.8	4,014.9	4,525.8	4,457.4
Mobile	3,729.6	5,490.9	5,996.2	6,079.3
Console	226.3	330.5	476.1	469.2
Arcade	70.1	159.0	16.7	16.3
Others	1,328.0	1,625.1	1,708.9	1,720.5
Exchange Rate: 1 USD	1,161	1,131	1,100	1,165

Source: Ministry of Culture, Sports and Tourism (2019); Unit: \$ millions.

Korea is the fourth largest game market in the world. According to the 2019 White Paper on Korean Games published by the Ministry of Culture, Sports and Tourism, the size of Korean game market is estimated to be \$12.9 billion. The penetration rate of gamers within the general population in Korea is among the highest in the world. According to a survey by the Korea Creative Content Agency, more than 64 percent of Koreans between 10-65 years old are playing games on a regular basis.

Thanks to high-speed internet connection and a culture of internet cafés, Korea earned its name in the global game industry with PC games. Recently Korea diversified its profile into mobile gaming. For the first time, in 2017 the industry generated more sales from mobile games than PC games. In 2019, mobile games accounted for 90 percent of the total app revenue in Korea, an estimated \$6.3 billion in sales. In terms of hottest genre, role-playing games are trending. Strategy, puzzle and board games are also popular genres in Korea.

In 2006 the Korean government introduced the “Game Industry Promotion Act,” which introduced several measures and regulations on games. For example, one specific measure, the shutdown regulation, prevents those under 16 from playing online games during the shutdown period, which is from 12 am – 6 am. Also, the government has put a limit on the amount of money one can bet in online board and card games. In 2020 the government is looking to relax some of the legal restrictions to support the growth of the industry rather than constrain it. The discussion includes implementing flexible game ratings system, increasing a limit on the amount of money one can bet within games and promoting the government led industry events, to name a few.

Opportunities

While domestic games might be the preference for Korean gamers, U.S. developers can jump into trendy genres and seize opportunity in the Korean market. International Gaming companies have successfully developed certain titles within genres, like strategy and casual games where there has been limited supply from local brands which have continued to focus on role playing games (RPGs). In order to be successful in the Korean market, it is important to comply with local regulations and invest in the localization process such as translating games and content into Korean.

Resources

Trade Shows

- G-Star (November, Busan): <https://www.gstar.or.kr>
Organized by KOTRA, a trade promotion organization operated by the South Korea government, G-Star is the largest trade show for game industry in Korea. Major Korean game developers as well as international companies have been participating the event.
- Play X4 (May, Seoul): <https://www.playx4.or.kr/>
Hosted by the Gyeonggi Provincial government, Play X4 is an exhibition focusing on small and medium developers in the Korean game industry.

Trade Associations and Government

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

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

Game Rating and Administration Committee: <https://www.grac.or.kr>

Korea Association of Game Industry: <https://www.gamek.or.kr>

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Education Services

ITA CODE: SV EDS

Overview

	2017	2018	2019 (estimated)	2020 (estimated)
Total Market Size	37,350	36,670	35,550	32,528
Total Local Production	34,175	33,705	32,650	29,987
Total Exports	125	135	160	204
Total Imports	3,300	3,100	3,060	2,746
Imports from the U.S.	925	870	860	803
Exchange Rate: 1 USD	1,131	1,110	1,165	1,196

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

South Korea represents the third largest source of foreign students matriculating at U.S. universities, comprising five percent of total international students in the U.S. The Open Doors of Institute of International Education (IIE) indicates that a total of 54,600 Korean students were enrolled in U.S. institutions for academic year 2018-2019. On a per capita basis, Korea sends the second-most students to the U.S. from Asia. The fields of study of Korean students in the U.S. have now become more diversified (and promoted by the Ministry of Education). Currently 25 percent of Korean students are seeking STEM majors, while 16 percent are studying business management, 12 percent are studying fine and applied arts, and 12 percent are studying social studies.

A degree from a well-known institution is a status symbol in Korea and essential to finding the “right job at the right company.” Coveted spaces in Korea’s top schools are open to competition from all students, but attainable by only a few. Many talented students instead opt for the best schools outside of the country and obtain a diploma from an accredited overseas school. 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. 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.

While this market is very attractive to a wide swath of U.S. educational service providers, it has become, over the last few years, an increasingly tough market. 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, 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 at 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.

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 community colleges before transferring to four-year schools or state universities with less expensive living costs. 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. Good opportunities do exist, albeit with smaller numbers of U.S.-bound Korean students, if and when U.S. educational entities are prepared to compete in a highly sophisticated, demanding, and brand-oriented market.

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 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.

Resources

Trade Shows

Korea Study Abroad & Emigration Fair – www.uhak2min.com/en/

The 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 – english.moe.go.kr

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 digitalization 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 R&D projects: design technology, IIoT (Industrial 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, 5G, 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 solutions to bolster productivity and profitability and reduce costs across the supply chain. As a result, advanced manufacturing environments are evolving from outdated centralized systems to module-based decentralized systems and automatically controlled platforms.

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 to support small and medium-sized enterprises to help them adopt and expand smart factory technologies. More than 99 percent 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.

In 2020, the Korean government injected \$414.4 million into R&D projects to incentivize SME companies to advance and upscale automated technologies. As such, smart factories are more geared towards having automated manufacturing facilities that utilize artificial intelligence (AI) and real-time monitoring using Industrial Internet of Things (IIoT) devices. Research and testbed projects to be sponsored by government funds include big data, cyber physical systems, smart sensors, wireless networks, 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 percent, while the proportion of defectives dropped by 27 percent.

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 2018-2019. U.S. manufacturing technology exports to Korea will remain stable through 2020-2021. 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 \$49.2 billion in 2018, up three percent 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 for the Korean Machine Tool Market

Unit: USD Million

	Imports	Exports	Production
2018	1,520 (+10.9%)	2,460 (+5.9%)	54,200 (+3.0%)
2017	1,371 (+12.9%)	2,323 (+15.0%)	52,623 (+5.0%)
2016	1,214 (-13.7%)	2,020 (-13.7%)	50,118 (-15.5%)
2015	1,407 (-5.9%)	2,342 (+4.7%)	59,297 (+0.9%)
2014	1,496 (+7.9%)	2,236 (+0.9%)	58,770 (+4.2%)

Source: Korea Machine Tool Manufacturers' Association

Machine Tool Imports by Products

(Unit: USD Million)

Category	2015		2016		2017	
NC Lathes	133	-7.0	126	-4.9	104	-17.9
Machining Centers	291	-19.3	250	-14.1	261	4.7
Presses	74	-20.5	93	24.5	68	-26.5
Boring Machines (incl. NC)	22	-35.8	16	-27.3	15	-2.9
Grinding Machines (incl. NC)	173	-5.1	138	-20.2	134	-2.7
Milling Machines (incl. NC)	51	2.1	29	-43.1	36	23.6
Non-NC Lathes	16	-30.2	12	-29.0	16	34.5

Source: Korea Customs Service, Korea Machinery Manufacturers' Association

Sub-Sector Best Prospects

- Automation Systems
- Industrial Machinery Manufacturing
- Industrial Internet of Things (IIoT) and Virtual Plants

- Additive Manufacturing
- Advanced Robotics and Intelligent Production Systems
- New Industrial Platform Technologies (e.g., composite materials)
- High Precision Technologies
- Advanced Machine Tools/Machinery and Equipment
- 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 R&D and factory automation as advanced manufacturing technology becomes even more essential to improving the country's economic competitiveness and national prosperity. Market opportunities exist for the U.S. being a major global producer of manufacturing technology, including advancing sectors like additive manufacturing. Despite Korean companies' relatively late adaptation to this subsector, Korea is anticipated to be a growth market for additive manufacturing technologies through 2020 and in the years to come.

Resources

Trade Shows

Intermold Korea (March 2021)

www.koreamold.com

Automation World 2020 and Smart Factory (March 2021)

www.automationworld.co.kr

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

www.simtos.org

Korea PACK 2020 (April 14-17,2020)

www.koreapack.org

Korea Metal Week (June 17-20, 2020)

www.korea-metal.com

Korea International Machinery Expo 2020 (July 21-24, 2020)

www.komaf.org

Korea Heavy Equipment Show and Sale for Parts and Attachment (August 26-28, 2020)

www.kohes.kr

Tool Tech 2020 (October 28-31, 2020)

www.tooltechkorea.com

Korea International Construction Equipment Exhibition (October 29 - November 1, 2020)

www.conexkorea.org

International Advanced Materials & Application Technology Expo (November 15-17, 2020)

www.intra.or.kr

Key Contacts

National Institute of Standards and Technology: www.nist.gov

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

Local Contact

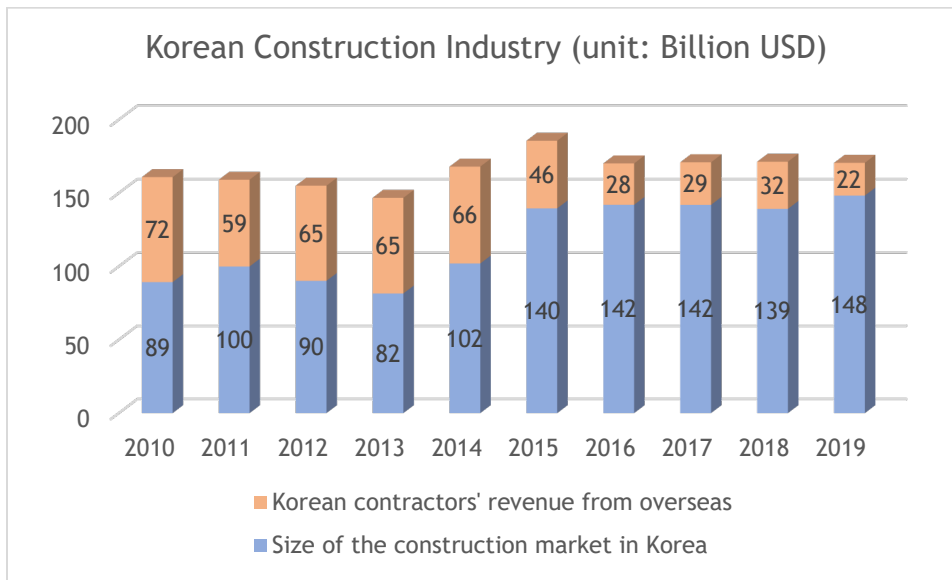
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Construction Services

ITA CODE: TBD

Overview

Since Korea began its industrial expansion in the mid-1960s, the construction industry has been an important local and export industry for Korea. It remains as a key economic driver and a critical source of foreign currency and invisible-export earnings. According to the Construction Association of Korea (CAK), Korea's construction related industry, including public and private infrastructure and civil engineering services, generated revenue estimated at \$148 billion (KRW166 trillion) in 2019. Revenue categories include residential construction of \$58.4 billion, commercial and industrial infrastructure at \$45.4 billion and civil engineering services \$44.2 billion. Korea's local construction market is nearly equal to its construction business in overseas markets and an a vital part of the economy primarily led by large conglomerates, "chaebol" companies. Korean builder Hyundai E&C expanded into construction projects overseas in 1965 by constructing a two-lane, 98-kilometer highway between the cities of Pattani and Narathiwat in Thailand in a contract for \$5.2 million with the Thai government. Fifty-five years later, Korea's cumulative value of construction contracts from overseas exceeded \$848 billion mainly attributed to the construction boom in the Middle East and Asia Pacific. Approximately 13 percent of Korean construction firms' total revenue in 2019 was generated from services overseas. Korea continues to put heavy emphasis on increasing revenues from overseas projects.



Source: Construction Association of Korea (CAK) and International Contractors Association of Korea (ICAK)

Due to the new coronavirus outbreak that has impacted the global economy, many experts in Korea expect that many industries are not likely to rebound immediately in the post-pandemic era. The Korean President recently announced a range of measure to address the mounting economic challenges. These measures include infrastructure projects such as building new satellite cities, industrial complexes, roads, transportation networks and renovating aging national infrastructure with artificial intelligence and digital embedded technology. Based on this outlook, over the next few years, Korea has the potential to offer business opportunities to international players in project financing and project management services.

Best Prospects

The U.S. is considered a global leader in project management for engineering, procurement and construction (EPC) projects. Companies with price-competitive technologies and services should have the potential to successfully penetrate the market in the following areas:

- Project management (PM)
- Project financing
- Building Information Modeling (BIM) software

Opportunities

Although the Korean construction industry has been monopolized by large Korean conglomerates, “chaebol” companies, these companies also actively partner with international companies for engineering, procurement, and construction EPC projects overseas. To identify consortium and partnership opportunities, U.S. design firms should partner with a qualified Korean firm which maintains existing sales networks to serve end-users and which are fully aware of the regulatory changes that drive the market. Also, developing and maintaining an ongoing relationship with these firms is an effective way for U.S. firms to tap into the market. The relationship a firm is engaged in, combined with the relationships of its consortium partners, can build 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 competitive or prequalification processes, some opportunities are provided directly through clients with a high preference for contracting with either U.S. or Korean contractors. Therefore, establishing close contacts and maintaining a vast network of industry leaders, academics who have project knowledge and commonly involved in the decision-making procurement process, and associations that have knowledge of the global construction market is very important.

Resources

Trade Shows

Global Infrastructure Cooperation Conference, September 2020 <https://www.gicc.kr/eng/index.php>

Key Contacts

Construction Association of Korea (CAK) <http://www.cak.or.kr>

International Contractors Association of Korea (ICAK) <http://www.icak.or.kr>

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

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 2020: (https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-31-201).

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 03141, 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

President Trump and President signed an updated KORUS in September of 2018. The update included the following positive outcomes:

Key New KORUS FTA Outcomes

- **U.S. Truck Tariffs:** Korea will extend the phase out of the 25 percent U.S. tariff on trucks until 2041, or a total of 30 years following the implementation of the KORUS FTA in 2012. (*currently scheduled to phase out by 2021*).
- **Growing U.S. Auto Exports:** Exports of U.S. motor vehicles to Korea will be improved through the following steps:
 - **Greater Access for U.S. Exports:** Korea will double the number of U.S. automobile exports, to 50,000 cars per manufacturer per year, that can meet U.S. safety standards (in lieu of Korean standards) and enter the Korean market without further modification.
 - **Harmonization of Testing Requirements:** U.S. gasoline engine vehicle exports will be able to show compliance with Korea's emission standards using the same tests they conduct to show compliance with U.S. regulations, without additional or duplicative testing for the Korean market.
 - **Recognition of U.S. Standards for Auto Parts:** Korea will recognize U.S. standards for auto parts necessary to service U.S. vehicles, and reduce labeling burdens for parts.
 - **Improvements to CAFE Standards:** Korea will expand the amount of "eco-credits" available to help meet fuel economy and greenhouse gas requirements under the regulations currently in force, while also ensuring that fuel economy targets in future regulations will be set taking U.S. regulations into account and will continue to include more lenient targets for small volume manufacturers.
- **Customs Improvement:** Korea will address long-standing concerns with onerous and costly verification procedures through agreement on principles for conducting verification of origin of exports under KORUS and establish a working group to monitor and address future issues that arise.
- **Pharmaceutical Reimbursements:** Within 2018, Korea will amend its Premium Pricing Policy for Global Innovative Drugs to make it consistent with Korea's commitments under KORUS to ensure non-discriminatory and fair treatment for U.S. pharmaceutical exports.

Nonetheless, some trade barriers remain. Information on specific trade barriers in Korea is available in the 2020 National Trade Estimate Report on Foreign Trade Barriers (https://ustr.gov/sites/default/files/2020_National_Trade_Estimate_Report.pdf)

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

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

Import Tariffs

The original 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, 2020, 98.8% 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:
 - Name and contact information for the certifying person
 - The importer
 - The exporter
 - The producer of the good
 - Harmonized System Tariff classification and description of the good
 - Information demonstrating that the good originates from the United States. This can be satisfied by either:
 - The producer's written or electronic certification that the product meets KORUS FTA origin requirements; or
 - The producer's or exporter's knowledge that the good meets KORUS FTA origin requirements.

- Date of the certification
- 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://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Exporter%20Guide_Seoul%20ATO_Korea%20-%20Republic%20of_12-31-2019

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://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Seoul_Korea%20-%20Republic%20of_12-31-2019)

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.

Labeling and Marking Requirements

Korea has specific labeling and marking requirements for certain products, such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology. Details regarding these and other general labeling and marking requirements can be found on the Foreign Agricultural Service website pertaining to food and agriculture import requirements at [FAIRS Country Report \(https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Seoul_Korea%20-%20Republic%20of_12-31-2019\)](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Seoul_Korea%20-%20Republic%20of_12-31-2019)

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>). Learn more [about country of origin labeling requirements](#), please visit <http://www.customs.go.kr/kcshome/co/CertificateOfOriginViewNew.do?layoutMenuNo=21027andlayoutSiteId=nulldandlayoutType=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.

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/>.

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, and compiled "Know Your Customer" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check a [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed.

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

Temporary Entry

If VAT (10%) and tariff is applicable on a product and it is brought into Korea as temporary entry, Korean Customs will 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.

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 (<https://www.customs.go.kr/english/main.do>) 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 review 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

<https://www.customs.go.kr/english/main.do>

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 at <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://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Seoul_Korea%20-%20Republic%20of_12-31-2019).

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 country or 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 (amended in September 2018). 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, Central America (Partial), 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 must 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 <http://www.investkorea.org/en/index.do>.

Selling US Products and Services

Distribution & Sales Channels

Overview

South Korea's geography is over 70 percent mountains, and the country's nearly 50 million people are concentrated in five key population centers: 1) Seoul metro area; 9.7 million; 2) Busan metro area: 3.4 million; 3) Incheon metro area: 2.9 million; 4) Daegu metro area: 2.5 million; 5) and Daejeon metro area: 1.5 million. Most freight forwarders use an extensive network of first-class railways, 3,000 miles 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. Eighty-eight international passenger airlines operate regularly between the Incheon International Airport and many nations around the world.

The Port of Busan is the world's fifth largest cargo port and the Incheon Airport is the world's third biggest cargo airport. In addition, FedEx is currently building its own cargo terminal at the Incheon airport expecting it to be operational by the first half of 2022. This will allow FedEx to double the freight frequency from 24 times per week to 48 times per week.

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

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 large department stores and boutiques. Thousands of second-tier and third-tier retail stores also abound. Full-line discount stores (FDS) have gained in popularity. U.S.-based Costco, which entered the Korean FDS market more than 10 years ago, is successfully competing against its rivals E-Mart, Lotte Mart, and Homeplus.

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. Legitimate exclusive distributors still have considerable advantages in Korea.

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

Before entering a contractual relationship with a Korean representative (agent), U.S. firms should conduct a thorough due diligence check on their prospective business partner. U.S. firms should seek the assistance of an attorney in this effort. CS Korea can also provide U.S. firms with assistance through its International Company Profile (ICP). For detailed financial and related business information on the company with which you seek to work, please consult <https://www.trade.gov/perform-due-diligence>.

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 are 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 can then begin searching for a new distributor or manufacturer.

Finding a Good Partner in Korea

CS Korea offers its Gold Key Service (GKS) to assist U.S. firms in establishing relationships with potential business partners. Please consult <https://www.trade.gov/gold-key-service>. U.S. exporters are also encouraged to contact one of over 100 U.S. Export Assistance Centers (USEACs) as part of this process. Please contact the office closest to your business. Please consult <https://www.trade.gov/about-us> to begin the process.

To find information about the Korean Agriculture markets go to <https://www.fas.usda.gov/regions/korea-south>. 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 (fee-based), 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 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

Korea’s dynamic and mature 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 subsidiary access to 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:

- **Contact 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 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 criterion 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

A 2018 report by the Ministry of Trade, Industry and Energy (MOTIE) estimated the Korean franchise industry to be \$106 billion with 1.26 million employees in 2017. According to the Fair Trade Commission, the number of franchise companies increased from 4,882 (2018) to 5,175 (2019). Among the 5,175 franchise companies, 3,861 were in food

service, and one company owned 1.2 brands on average. The average lifespan of a food service franchise brand is six years and five months. While over 1,000 new franchise brands disappear, new brands are regularly being introduced every year.

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

- Meet the rules under Korea's Fair Transactions in Franchise Business Act, https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=38506&type=part&key=19
- Register disclosure documents with the Korea Fair Trade Commission (KFTC). As it relates to disclosure requirements, franchisors are required to register the disclosure document with the KFTC first and then furnish the registered disclosure documents to the potential franchisee.

Korean franchisees are reluctant to pay the 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 Korean travelers to the U.S. Industry experts point out that U.S. food service brands that have outlets in the west coast or New York city, increase brand recognition for them.

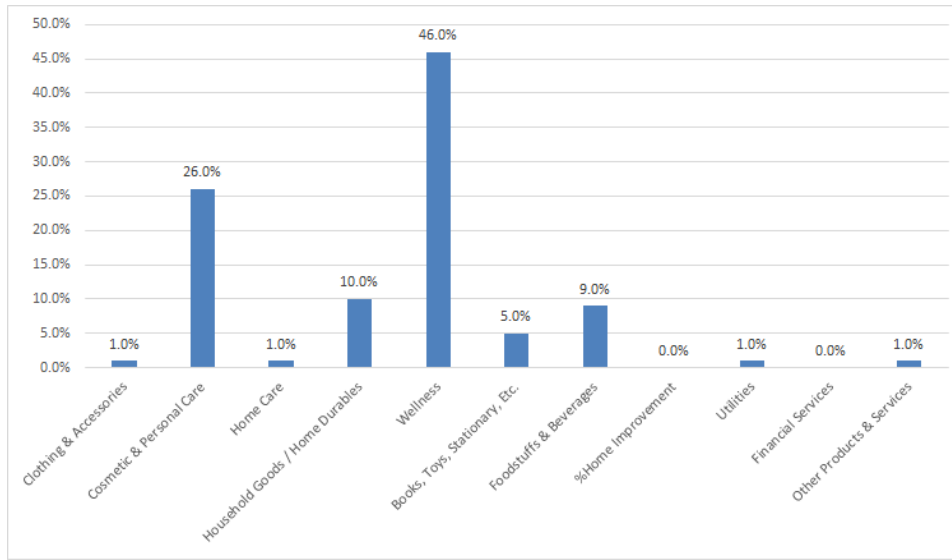
Generally, there are four types of franchise investors in Korea:

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

Direct Marketing

Door-to-door sales and multi-level marketing remain competitive in Korea. However, convergence among e-commerce, door-to-door sales and multi-level marketing has become more common making it difficult to estimate each subsector's market size. According to the World Federation of Direct Selling Association (WFDSA: <https://wfdsa.org>), Korean direct selling market reached \$18.0 billion in 2018 up from \$17.6 billion in 2017. The most common products sold through direct selling in Korea in 2018 were: wellness products (46 percent), cosmetics & personal care products (26 percent), and household goods & durable products (10 percent).

Chart 1: Consumer Sales in Korea via ‘Direct Selling’ by Product Category – 2018



Source: World Federation of Direct Selling Association (WFDSA), 2020

Door-to-Door Sales

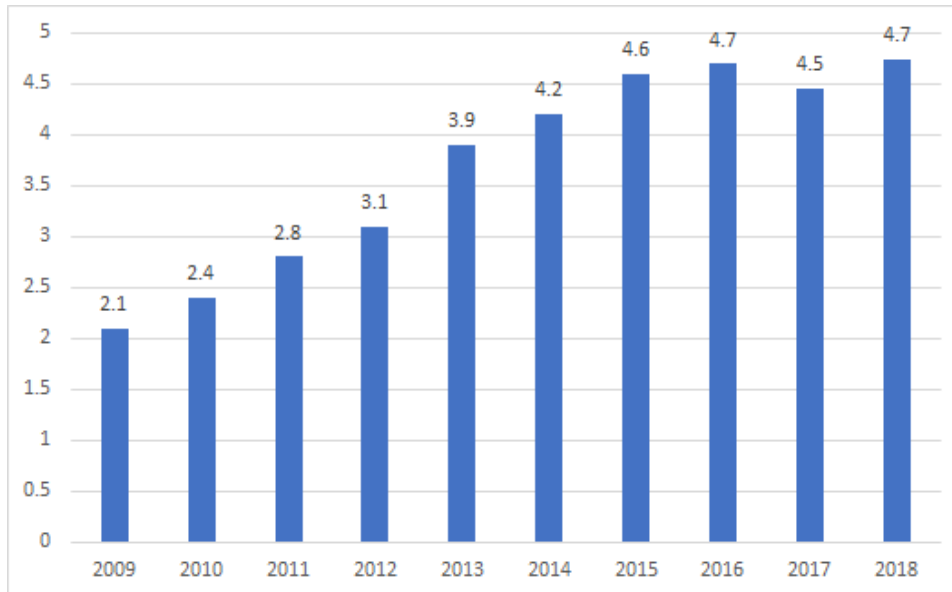
According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), door-to-door sales declined from \$7.9 billion (2016) to \$7.7 billion (2017). According to the Korea Direct Selling Association (KDSA: <http://www.kdsa.or.kr>), the number of companies registered as a door-to-door sales company decreased from 23,475 in 2016 to 20,153 in 2017 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)

According to Fair Trade Commission, Korea’s multi-level marketing sales for 2018 approached \$4.7 billion up from \$4.5 billion in 2017. The number of registered multi-level marketing companies in Korea has increased to 130 from 125 in 2017. 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).

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



Source: Korean Fair Trade Commission (FTC), 2019

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 & 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 agreements 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 (<http://www.kcabinternational.or.kr/main.do>). The KCAB advises foreign companies on contract guidelines.

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 KRW for next-day delivery (from 350g to 30 Kg in weight) and around 10,000 KRW 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.lotteglogis.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 \$50 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>.

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://www.trade.gov/perform-due-diligence>. The ICP includes the above information, obtained by the Commercial Service in Korea, in addition to a visit to the office of the Korean company, as well as obtaining financial information from D&B Korea Co., Ltd. (<http://www.dnbasia.com/kr/english/sitemap/>) and Kroll International (<http://www.kroll.com/>), both of which also provide due diligence reports.

eCommerce

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 \$115.4 up from \$100.8 billion in 2018. High penetration of smartphones is the main factor driving market growth. While purchases on PCs increased from \$38.8 billion in 2018 to \$41.0 billion in 2019, purchases on mobile phones increased from \$ 62.0 billion in 2018 to \$74.3 in 2019.
- The most popular products sourced from domestic online retailers in 2019 are travel & transportation services (12.6 percent), clothing (11.0 percent), home appliances & electronics (10.7 percent), food & beverage (9.9 percent), cosmetics (9.1 percent), household items (7.4 percent), and food services (7.2 percent).
- Online purchases from foreign retailers have also rapidly increasing because Korean find less expensive prices on overseas websites even after adding-in international shipping fees and import duties. Cross border e-commerce has reached \$3.3 billion in 2019.
- 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.
- According to Korea Customs Agency, the most popular foreign sourced products from on-line retailers by Koreans in 2019 are dietary supplements (19.7 percent), apparel (17.9 percent), and electronics (11.3 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. The most recent PIPA was amended in January 2020.

In April 2019, CS Korea completed an 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://2016.export.gov/southkorea/industries/ecommerce/ecommmarketresearch/index.asp>.

Internet Penetration

According to Ministry of Science and ICT, by 2019, Korea’s internet user population and smartphone user population reached 91.5 percent and 91.8 percent respectively. In addition, Korea ranked 16th globally with over 46 million internet users.

In April 2019, Korea became one of the first countries to launch commercial 5G network services nationwide. Thanks to its 5G networks, Korea ranks first in the world for mobile connection speed according to the Speedtest Global Index, April 2020. As of now, the country has 5.36 million 5G subscribers. With the domestic mobile carriers’ aggressive promotion along with the government pressure on expanding 5G infrastructure, the country expects to have 10 million 5G subscribers within 2020.

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 \$115.4 billion in 2019 up from \$100.8 billion in 2018. Beginning in 2016, online purchases surpassed hypermarkets’ sales making e-commerce the biggest retail channel in Korea. Popular e-commerce sites include Auction, G-market, 11st, Coupang, and Naver Store. Coupang was ranked as the top e-commerce site in 2019 (combined mobile and PC users).

Cross Border E-commerce

Online purchases from foreign retail sites reached \$3.1 billion in 2019, up from \$2.7 billion in 2018, with 48.6 percent purchased originating from U.S online retailers. Although in 2018, the United States was ranked number one with 53.3 percent of market share, the EU and China are expanding their presence in the Korean e-commerce market.

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. In 2012, G-market was the first one to launch a B2B shopping site called “Biz on.” 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 2019, travel and transportation services were the most popular items sold through Korean e-commerce platforms, representing 12.6 percent of the total e-commerce sales. Food delivery orders via mobile apps have been growing by eight times in the past five years. It recorded \$2.6 billion of sales in 2019, representing 2.2 percent of the total e-commerce sales.

E-commerce Intellectual Property Rights

It is illegal to sell counterfeit products on e-commerce sites and to bring any counterfeit goods into Korea via cross border e-commerce. Prior 2015, one counterfeit item could be brought into the country assuming that it was for personal use. However, Korea Customs Service is enforcing a stricter intellectual property law and no longer allows any counterfeited goods to be brought into the country.

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 customers using personal computers (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 & 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 at \$5 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 the mobile channel grew by 26 percent in 2018. PC advertisements declined to 34.7 percent of the on-line advertisement market 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

Seollal (Lunar New Year's Day- Winter), Children's Day (May 5th), Parents' Day (May 8th), and Chu-seok (Fall - the 15th day of the 8th lunar month), are major buying holidays in Korea. When purchasing from foreign online shopping sites, Koreans also follow foreign countries' buying holidays such as China's Singles' Day (November 11- Guanggun Jie) and Black Friday in the U.S. (Day after Thanksgiving) 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 United States. According to the Korea Customs Service, dietary supplements, apparel, and food products are the most popularly sourced items from U.S. while cosmetics and electronics are sourced more from the E.U. and China than the U.S.

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/language/eng/index.jsp>

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

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

Local Contact

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

Selling Factors & Techniques

Overview

Korea is a country with intense, demanding, and eager consumers. Also, 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, as not all products may be marketable in the Korean market.
- To the extent possible, consider utilizing an exclusive distributor for the entire Korean market in order to prevent price competition between distributors. This can lead to damaging profitability and disputes between distributors.

- 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.

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 also to the enhancement of Korea's status in the international community.
- The Korean Importers Association (KOIMA): <http://www.import.or.kr/>. KOIMA is Korea's primary 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 consumer attention.

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

- Korea's advertising market is the eighth largest in 2018 among member nations of the OECD, according to the Korea Advertisers and Media Audit Korea.
- Total media advertising spending in Korea reached \$11.97 billion, up 2.3 percent in 2019.
- 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 at/in 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 2019, Korea's digital advertising reached \$5.6 billion, growing by 21 percent compared to the previous year. Mobile advertisements made up the biggest proportion of digital marketing, with a 67 percent share. Display ads account for 33 percent, search ads for 47 percent, and visual ads for 20 percent of total on-line advertising. Currently 19 million households in Korea, or 99 percent of all, use the Internet (45 million Koreans are active internet users – or 95.1% of the population). The Korea On-line Ad Association (KOA) can be found at following website: <http://www.onlinead.or.kr>.
- The presence of over 3,200 foreign (to include all major ad agencies) and Korean advertising 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 90 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 & 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 subscribers, with 99 system operators offering over 200 programs. Korea Digital Broadcasting (KDB), a subsidiary of Korea Telecom (KT: <http://www.kt.com/eng/>) broadcasts more than 150 satellite channels to over 93 percent of the households.
- There are seven leading shopping channels in Korea: GS, Hyundai, CJ, Lotte, Shinsegae, NS and Home & Shopping. In 2019, Korea's market scale of the home shopping industry reached USD 17.4 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):
 - Denomination, use, ingredients, material quality, performance, size, price, capacity, permitted number of goods and contents of services
 - Name (including address and telephone number) of the enterprise that has manufactured, imported, sold or provided goods, etc., and the origin of the goods
 - Method of use, matters of caution and warning in use and keeping
 - 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
 - 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 by foreign suppliers is often found lacking. 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.

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>

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>.

Trade 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 <https://www.export.gov/article?id=Chapter-3-Letters-of-Credit> and <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 <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>.

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/main/1000> 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

The KORUS FTA has provided the U.S. financial service industry unprecedented access to the Korean market. The Agreement locks in standards, regulations, and commitments that increase the transparency, predictability, and cost-efficiency for operating in the Korean financial services market. However, restrictions on the use of overseas cloud computing services in the financial services industry still presents regulatory obstacles which limit market access for U.S. global financial service providers. Korean regulations mandate cloud system service providers to maintain a control system in Korea, which restricts the flexibility of foreign financial service suppliers offering services on a cross-border basis. The United States continues to engage the Korean government on FTA commitments in financial services.

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>

Protecting Intellectual Property

Korea was mentioned several times in the 2018 Special 301 report though it is not on any watch list ranking (https://ustr.gov/sites/default/files/2020_Special_301_Report.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/>) 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.

Selling to the Public Sector

Selling to the Government

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.kepcoco.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/>.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy for Foreign Government Contracts for additional 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 ten-day process. For more information on the registration and bidding process, refer to DAPA's procurement portal: <https://www.dapa.go.kr>.

Financing of Projects

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.

Business Travel

Business Customs

PLEASE NOTE: Effective April 1, 2020, the Republic of Korea's Ministry of Health and Welfare (MOHW) imposed a mandatory 14-day quarantine for all inbound passengers. To learn more, please visit the US Embassy Covid-19 information website at <https://kr.usembassy.gov/022420-covid-19-information/>.

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 world's largest modern economies.

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, healthcare 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. 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 is spanned by 27 bridges. Most international flights arrive at the award-winning Incheon Airport, which is located about one hour from the city center where the U.S. Embassy is 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, Korean handshakes are typically gentler.
- Cold calls are generally unacceptable and seen as culturally inappropriate and disrespectful.
- Negotiating: A rigid negotiating style does not work in Korea. Koreans interpret contracts as loosely structured consensus statements, broadly defining what has been negotiated/discussed, but leaving room to permit flexibility and adjustment. Koreans are subtle and effective negotiators. See Chapter 3 of this guide for additional insights into negotiating.

- 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 two 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	KT Olleh	LG U+	Wide Mobile
Kiosk	Terminal 1	Exit 5-6, 1F	Exit 6-7, 1F	Exit 6-7, 1F	Exit 7, 1F
	Terminal 2	Exit 3, 1F	Exit 2-3, 1F	Exit 4-5, 1F	
Contact number		82-2-6343-9000	82-2-2190-0901	82-2-6343-9000	82-2-775-1401

- 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.
 - Prepaid data SIM is available at Incheon Airport or outlets run by major mobile service providers
 - Portable WiFi, a router that acts as a mobile WiFi hotspot, is also available for rent. Consult Korean mobile phone kiosk at Incheon Airport for more details.
 - Wi-Fi service is 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 timetable, please refer to: <https://www.arex.or.kr>
 - Express Train Cost: ₩9,000 (approx. \$7.50).
 - Effective April 1st, Express Train and Seoul Station City Airport Terminal is temporarily suspended, until further notice. Please check for updates at: <https://www.arex.or.kr>
 - 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. \$8.30-12.50) 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. \$3.18)
 - 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, very clean and safe
 - Widely available to/from Seoul and Gyeonggi Province
 - Recommend T-money M-Pass (only for foreigners) - <https://www.t-money.co.kr/ncs/pct/tmnyintd/ReadFrngKoreaTourCardEngIntd.dev>
 - 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. \$3.18)
 - 20 percent 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

- For updates on Covid-19 status in Korea, visit the U.S. Embassy in Seoul website: <https://kr.usembassy.gov/022420-covid-19-information/>
- Dial 1339 for the Emergency Medical Information Center; trained medical personnel are on call 24 hours a day, seven 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 – 2020

New Year’s Day: January 1 st	Children’s Day: May 5 th
Lunar New Year’s Day: January 24 th , 27 th	Chuseok: September 30 th , October 1 st and 2 nd
Buddha’s Birthday: April 30 th	Hangeul Day: October 9 th
Labor Day: May 1 st	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=2020&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>

Investment Climate Statement (ICS)

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State's [Investment Climate Statement](#) website.

Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.