



GOING GLOBAL ACCESS ASIA **EXPORTING TO SOUTH KOREA**

A guide for clients



Capital
Seoul



Currency
Korean Won



Population
51m¹



GDP per capita for 2018
c.€31,350²



GDP Growth for 2018
2.7%³



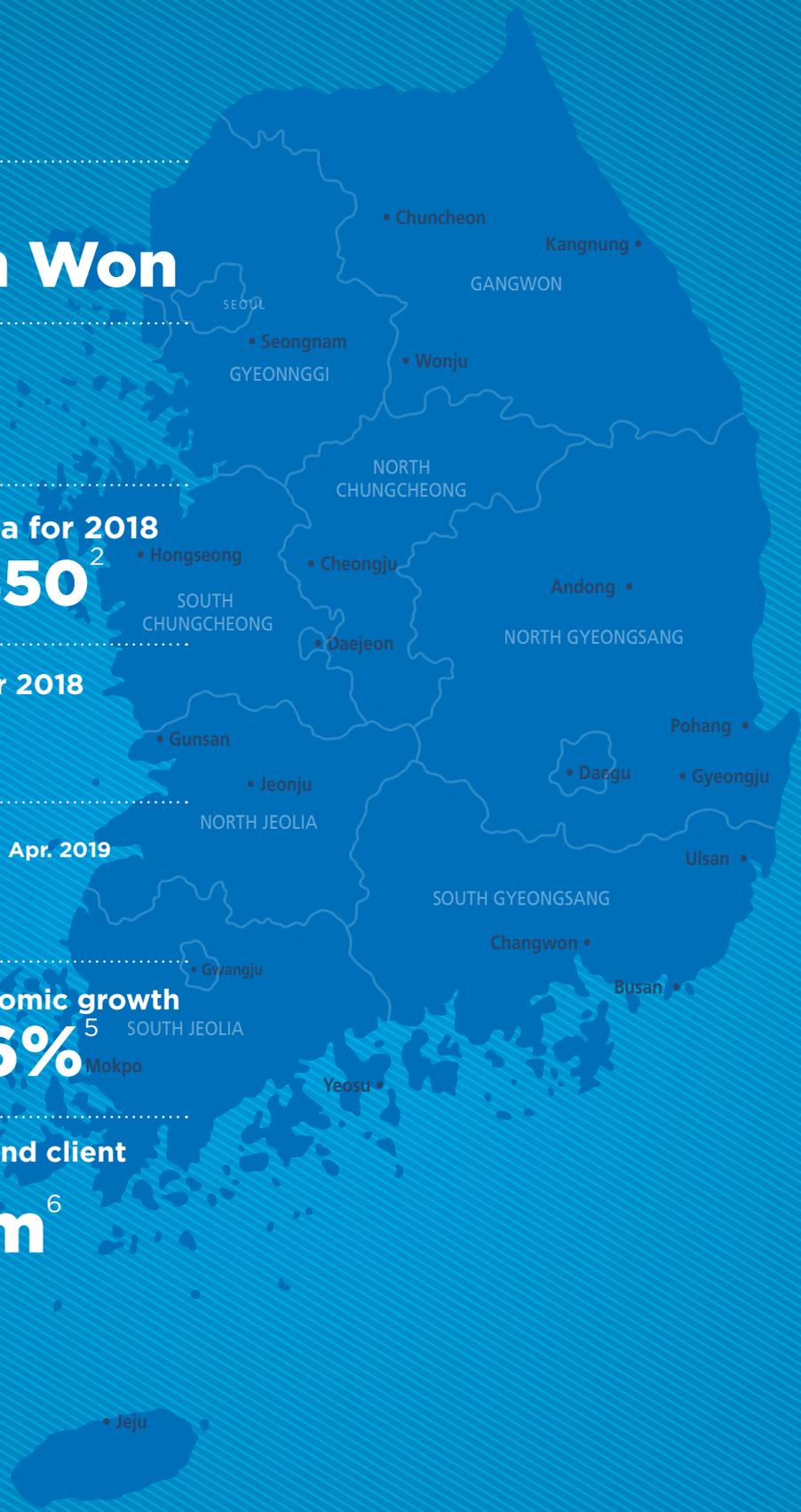
Unemployment Apr. 2019
4.4%⁴



Predicted economic growth
for 2019 **2.6%**⁵



Enterprise Ireland client
exports (2018)
€88.6m⁶



WHY EXPORT TO SOUTH KOREA?



The Republic of Korea is known for its rapid economic growth and its prominence as a global trendsetter in technology and culture.

Korea is the 12th largest economy in the world, and the 4th largest in Asia-Pacific.⁷ Korea's economy, particularly its technology sector, is buoyant and the country continues to be an export powerhouse. Korea is home to some of the world's biggest conglomerates, including Samsung, Hyundai, LG and SK, and is also a leading global exporter of semiconductors, telecommunications equipment, automobiles, chemicals, ships and consumer electronics. The country leads the world in broadband internet penetration and has one of the world's highest rates of internet and mobile telephone use.

With the EU-South Korea FTA providing a positive backdrop, this is a country which offers business-strong opportunities for Irish firms willing to make the commitment needed for export success.

Sectoral success

- Agricultural technologies, animal nutrition and vet pharma companies all benefit from a variety of incentives offered by the Korean Government to improve agricultural productivity, presenting opportunities in agri-machinery, smart farm solutions, manure treatment systems and automated dairy farm equipment.
- The rapid development of Korea's Internet of Things (IoT) industry and impending its status as the first country to launch commercial 5G network presents opportunities for network solutions and equipment, system chips, and low-power electronics components for IoT devices.
- Ireland continues to be a top tier destination for English as a Foreign Language (EFL) courses.
- Korea's rapidly aging population presents opportunities for high-end cardiovascular, diagnostic, patient aid, orthopaedic, and prosthetic medical devices.

REASONS TO CONSIDER KOREA IN YOUR EXPORT STRATEGY

Korea is the world's **6th largest exporter** and **9th largest importer** in the world⁸



According to the World Bank Korea ranks **5th in the world for ease of doing business**⁹



Korea ranks **4th in patent applications worldwide**¹⁰



Korea ranked **12th in the 2018 Global Innovation Index**¹¹



Korea has the **2nd largest market share globally for semiconductors at 22%**¹²



Korea is the world's **7th largest automobile manufacturing country by production** (passenger and commercial vehicles combined)¹³



Korea ranks **1st amongst OECD countries** for the proportion of **25-35 year-olds with tertiary education**¹⁴



GET READY TO DO BUSINESS IN KOREA

Korea has a fast-moving business culture that places importance on relationship building and hierarchy. Skills in developing and managing relationships and the knowledge of how to face challenging price negotiations will increase the chances of success.

Travelling and geography

Many companies have their headquarters in the capital city of Seoul, as more than half the country's population live in the Greater Seoul metropolitan area. Other large cities in Korea include Busan, Incheon, and Daegu.

The largest international airport in the country is Incheon Airport, about 50km from downtown Seoul. Gimpo Airport, located closer to downtown Seoul, handles domestic flights and a small number of international flights to Japan, China and Taiwan. Gimhae Airport serves Korea's second largest city, Busan.

Try to avoid travelling to Korea for business during the main holiday seasons, which include Lunar New Year (Seollal, late January or early February) and Korean Thanksgiving (Chuseok, late September). Many Korean businesspeople take holidays during the summer (late July to mid-August).

For more details on national holidays see the Korea Tourism Organization's website:

english.visitkorea.or.kr/enu/TRV/TV_ENG_1_1.jsp

Korea is 9 hours ahead of GMT (8 hours in the summer). There is no daylight savings time (DST) in Korea.

Business culture

Initiate arrangements for meetings at least four weeks in advance. Securing meetings at short notice can be difficult.

When meeting a Korean businessperson for the first time, it is best to be introduced by a trusted third party rather than introducing yourself. Introductions are a vital part of doing business in Korea whose culture does not encourage a laissez-faire approach to relationships.

Punctuality is an absolute must in Korea. Arrive 10 minutes early to meetings.

Korean business people often bow while shaking hands. Keep in mind that some Korean businesswomen may prefer to bow instead of shaking hands. Showing respect, modesty and patience are characteristics much admired.

In a highly competitive business environment, it is more important than ever to understand the business culture of your target markets. Understanding business culture helps you to anticipate, interpret and respond to unexpected behaviour. It also ensures that you behave in an acceptable way and avoid misunderstandings. Respect for age and status are very important in Korean culture, with hierarchy affecting all aspects of social interactions. Everyone has a role in society as a result of hierarchy - therefore it is vital to respect it. Koreans are most comfortable interacting with someone they consider their equal. Status is largely determined by someone's role in an organisation, which organisation they work for and which university they attended.

Korean companies tend to be price sensitive, so be prepared to face challenging price negotiations. Maintaining a cordial personal relationship with the Korean side will help you get through the difficulties you may face during the negotiating process.

Your Korean partner needs to be assured that the Irish party is committed for the long-term, and most will ask for exclusivity.

Follow up quickly on any requests for further information. Korean companies are expected to provide high levels of customer service, so make sure to be responsive.

Language

The overall level of English proficiency in Korea is moderate. While many Koreans have studied English, they will have had little practice using the language, especially when it comes to verbal communication.

Ask the Korean company beforehand if they are comfortable conducting a meeting in English. If not, hire a professional interpreter.

Make sure that documents (e.g. business cards, contracts, marketing material, presentations, websites, etc.) are translated professionally into Korean.

Routes to market

DISTRIBUTORS: It is not recommended that Irish exporters ship directly to a distribution-only partner because many distribution-only businesses are not staffed with English-speaking resources. The other reason is their limited expertise in handling local regulatory affairs and product registration/certification.

TRADING COMPANY: Appointing a trading company has its advantages because they can manage all the import documentation and imports on their own. However, these trading companies tend to be large and may not devote as much attention to a single product as a smaller distributor. Also, they may place a higher emphasis on diversifying their portfolio. A thorough investigation of what is suitable for the particular Irish exporter is essential.

DIRECT SALES: Going direct tends to be very time and resource intensive. Most foreign SMEs enter with the support of local partners, and it is important to carefully consider the risks versus benefits of such an approach.

Aligning with high-reputation, professional local partners with solid sales networks will afford Irish companies the best chance for successful entry and long-term growth in the Korean market.

THINGS TO CONSIDER

Market landscape

Irish companies have historically found Korea to be a challenging market, not least because of its price sensitive nature. However, there are notable exceptions and Korea can be a very significant market for innovative and leading-edge Irish technology. Companies that have world-class capability and have committed strategically, rather than opportunistically, to this market have enjoyed significant success.

Irish companies that are best positioned to win in Korea tend to have the following attributes:

- A world-class technology, product or service innovation with a clear value proposition
- The commitment to stay the course over lengthy sales cycles
- A budget to travel regularly initially, and ultimately to have in-market representation
- The ability to deal with demanding technical and customer servicing requirements

EU trade deal

The EU South Korea FTA was formally ratified in 2015, eliminating the majority of custom duties on industrial and agricultural products and saving EU exporters €2.8 billion by 2016 since the FTA implementation.¹⁵

The FTA boosts opportunities for Irish exporters, particularly in machinery, appliances and chemicals sectors which benefited most from the FTA. It is important to bear in mind, however, that the FTA will not change the fundamentals of successfully doing business in Korea.

For more information on the EU-South Korea FTA, see: <http://www.ec.europa.eu/trade/policy/countries-and-regions/countries/south-korea/>

Market trends

Korea is in the process of transforming itself into a “creative economy” with an emphasis on convergence, creative content and the development of service industries to nurture new economic growth, accelerate start-ups and create new jobs for its young people. Korea also has ambitious plans

for the development of a homegrown biosimilar pharmaceuticals industry and some major companies, including Samsung, have become very active in this emerging sector.

As the Korean economy has become increasingly sophisticated, a key challenge is to continue to find ways to maintain and drive competitiveness.

Competitors

Korea has well-entrenched domestic and international competitors and new entrants will need to research the market thoroughly to identify a niche offering. Products need to be competitive against Korea's high-technological standards to be successful.

Market research

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

The Korea Trade-Investment Promotion Agency (KOTRA) and its branch agency Invest KOREA provide comprehensive and regularly updated information and support for companies entering and trading in the Korean market, as well as providing industry specific information. See:

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

<http://www.investkorea.org/en/index.do>

Boots on the ground

Because of the significance of relationship building in Korean business culture it is important to visit Korea regularly in the initial stages to build a strong and visible local presence. Regular visits demonstrate to potential partners your seriousness and long-term commitment to the market. Depending on the nature of the business, aiming for in-market representation can be important in the longer term, especially for products and services that require demanding technical and customer support.



KEY GROWTH OPPORTUNITIES IN KOREA

Agricultural technologies, animal nutrition & vet pharma

The Korean livestock industry is being re-engineered, with medium and large-scale farms of over 50 to 100 animals gradually increasing at the growing expense of smaller-scale production. The Korean Government provides incentives to encourage livestock farmers to invest in mechanisation to improve productivity. Leveraging these mechanisation grants, Irish exporters have made big inroads in the supply of forage farming machinery, supplying 80% of the country's new balers and 60% of wrappers.

Although the mechanisation grant is diminishing, grants for smart ICT and eco-farm solutions in the livestock industry have been recently introduced. There is also a move to change the legislation to the western standard for livestock manure treatment due to environmental issues. Key growth opportunities for Irish companies in this environment include: smart farm solutions; manure treatment systems; and automated dairy farm equipment.

While the Korean equine industry has been dominated by horse racing, the Korean Government's 'Horse Industry Promotion Act' is intended to foster the industry to boost domestic tourism and new job creation. This presents potential growth opportunities for the Irish equine sector, not only for feed but for nutrition/vet pharma and accessories.

Information and Communication Technology (ICT)/digital/Fintech

Commercial trials and investments associated with IoT and 5G networks have been growing in Korea since 2016 in the areas of communication infrastructure, devices and applications.

Korea's own producers of memory chips, smart mobile devices and home appliances have accelerated investment and product R&Ds to meet the growing demands under the new IoT ecosystem and Industry 4.0 Initiatives. The explosion in data stemming from converged wireless and wired networks, along with the emergence of IoT combined with cloud computing, big data and Artificial intelligence (AI) is generating huge demand for optimised networks.

In this environment, key growth opportunities for Irish companies include: Next generation networks equipment/networks solutions related to optimization; security and performance monitoring systems; system chips for sensors; telecom devices; processors enabling big data mining, transmission and analysis; and low-power electronic components for IoT enabled equipment, terminals and appliances.

Potential opportunities for Irish companies include Fintech services and software related to regulatory technology solutions that can assist Korean financial institutions manage credit risk, end-to-end regulatory onboarding process, lifecycle management, and the collection/validation of highly complex data in light of the international regulatory requirements.

Education

Ireland is a top tier destination for EFL courses, with an average of 2,500 to 3,000 students visiting Ireland per annum. The challenge and opportunity for Ireland's tertiary providers is to convert the significant cohort of language students into full-time graduate/post-graduate study in Ireland.

Medical Devices

Korea is rapidly transitioning from an "ageing" to an "aged" society, generating greater demand for medical care. Korea will become a "super-aged" society by 2020, where more than one in five of the population is 65 or older.¹⁶

The Korean medical devices industry is shifting from low-medium end to high-tech products. Key growth opportunities for Irish companies include: Cardiovascular devices; diagnostic devices and agents; patient aids; and orthopaedics and prosthetics.

LEGAL & TAXATION INFORMATION

Visa requirements

Irish passport holders are typically granted a 90-day visa initially. Longer stays require application for an alien registration card. For more information on visa requirements see the Korea Immigration Service website:

http://www.immigration.go.kr/immigration_eng/index.do

Import rules and regulations

Tariffs rates under the EU-South Korea FTA are available on the European Commission's Market Access Database:

madb.europa.eu/madb/indexPubli.htm

Intellectual Property Rights (IPR)

The patent and trademark registration system in Korea is based on a "first-to-file" principle at the Korean Intellectual Property Office (KIPO).

For more information see the KIPO website:

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

Setting up a business

There are four main ways that a foreign company can establish a business in Korea:

- Establish a subsidiary
- Operate as an individual entrepreneur
- Open a branch
- Create a liaison office

Details on incorporating in Korea can be found on the Invest KOREA website:

www.investkorea.org/en/index.do

Labour law

Employment law in Korea differs significantly from that of Ireland, so obtaining professional advice in this area is essential.

Korea's labour laws are divided into four categories: individual employment-related laws, collective labour relations laws, cooperative labour relations laws and employment-related laws.¹⁷ The major individual employment-related laws include legislation on labour standards, minimum wages, occupational

safety and health, industrial accident compensation/insurance, and equal employment opportunities.¹⁸

Details and the latest information on the application of labour laws can be found on the Invest KOREA website:

www.investkorea.org/en/management/personnel.do

The Korean Government also has a website, Contact KOREA, to help foreign organisations looking to hire Korean staff for their companies:

contactkorea.kotra.or.kr/en/index.do

Taxes

Resident corporations and branches of foreign corporations are subject to corporate tax, which varies from 10% to 25% as of January 2018, depending on the size of the company's taxable income.¹⁹

For more comprehensive and the latest information on taxation in Korea see the Invest Korea website: www.investkorea.org/en/management/taxation.do

or the National Tax Service's website:

www.nts.go.kr/eng/index.asp

The Seoul Metropolitan Government's Seoul Global Centre provides a variety of services for foreign SMEs establishing businesses in Korea, including incorporation/registration, tax/accounting, intellectual property and legal advice.

For more information see:

global.seoul.go.kr/user.do?menu_id=0302000000&site_code=0101

Helping You Win In Korea

Enterprise Ireland assists clients entering new markets with:

Pre-visit support

Prior to engaging with an overseas market, client companies should engage with their Development Adviser (DA) and the Enterprise Ireland Market Research Centre in Dublin to ensure they leverage the full range of possible supports in preparation for engaging with the Enterprise Ireland team in the market.

- General market and country level information
- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources

In-market support

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitation of buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites

Mentors

Enterprise Ireland has built up an excellent network of individuals in Korea who are able to work with Irish client companies on developing their businesses. This includes market and sector specialists, business accelerators and members of Irish business associations.

International trade events programme

Every year Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers' missions to Ireland
- Group stands at important international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts
- Further information is available at:
www.enterprise-ireland.com/events

Additional supports

- Recommendations for translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation

Power up your progress by plugging into an Irish network

Embassy of Ireland, Republic of Korea:

www.dfa.ie/irish-embassy/republic-of-korea/

IDA Ireland Korea Office:

<https://www.idaireland.kr/contact-us>

Irish Association of Korea:

www.irishassociationofkorea.kr/

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CONTACT DETAILS

Taewon Um

Director, Korea

Enterprise Ireland, Ireland House 13F Leema B/D,
42 Jongro 1-gil, Jongro-gu, Seoul 03152, Republic of Korea

Tel: +82- (0)2-721-7250

Email: taewon.um@enterprise-ireland.com

Twitter: Enterprise Ireland Asia Pacific: twitter.com/ei_asiapacific

Facebook: www.facebook.com/EnterpriseIreland/



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