

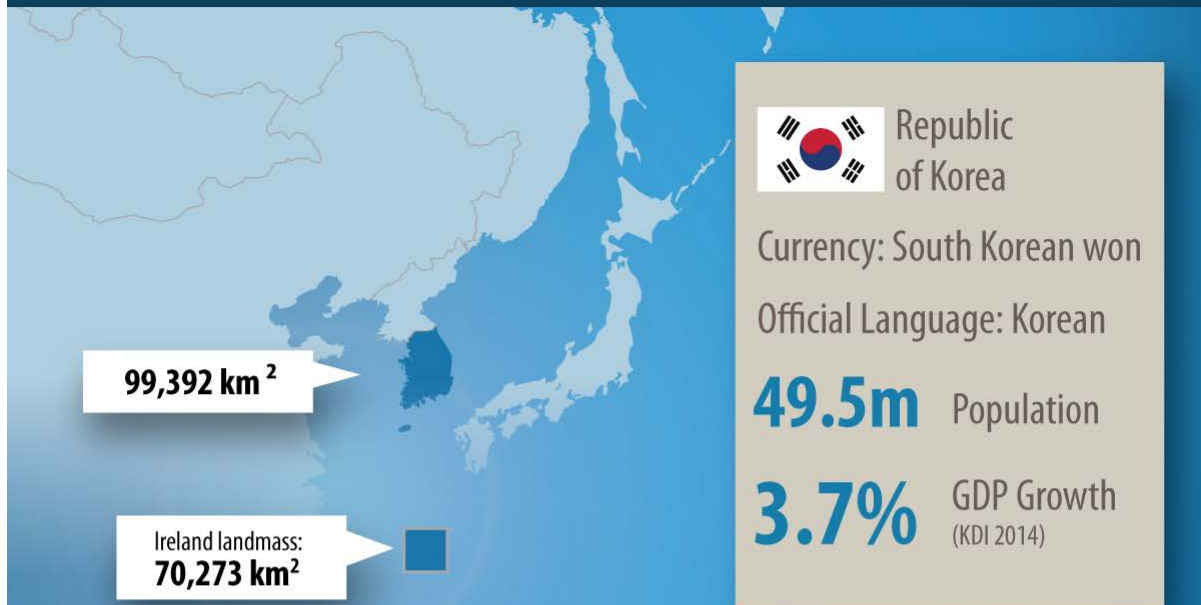
# ACCESS SOUTH KOREA



## A Guide to Doing Business in SOUTH KOREA



# ACCESS KOREA: OPEN FOR BUSINESS



**The World's 2nd largest metropolitan area**  
is the Seoul Capital Area (including Incheon  
metropolis and Gyeonggi province)

## MAIN EXPORTS



## GROWTH SECTORS



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# 1. Introduction

**“Korea is the fourth largest economy in South-East Asia, and GDP is expected to grow by 4% for 2014, driven by higher consumer and business spending. It has an unemployment rate of just 3% and ranks sixth among the economies with the most business-friendly regulations.”**

**Source: Bloomberg April 2014**

## Why this market is important

Korea is the world's 15<sup>th</sup> largest economy and Asia's 4<sup>th</sup> according to the World Bank. Recently, the World Bank gave Korea the number 6 ranking in its *Ease of Doing Business* category for 2013, establishing Korea as a top trading partner and a world leader in doing business. Over the next five years, the South Korean economy is set to make the 10th-largest contribution to world growth - that's as much as the UK and more than France or Italy.

It has a population of 50 million and is highly urbanised, with over 50% living in the Greater Seoul metropolitan area. Korea is home to some of the world's biggest producers of semiconductors. Korea is also a leading global exporter of telecommunications equipment, automobiles, chemicals, ships and consumer electronic products. The country leads the world in broadband Internet penetration and has one of the world's highest rates of internet and mobile telephony use.

The '*Miracle on the Hangang River*' refers to the enormous economic growth that has transformed Korea from the destruction of the Korean War into one of Asia's economic power-houses. This industrialisation was achieved primarily by a relatively small number of companies with operations across numerous sectors, and had unprecedented access to foreign loans, underwritten by the Government, with which to build their empires. Called chaebols, meaning '*wealth clans*', these family-run businesses include global brand names such as Samsung, Hyundai, LG and Daewoo, and Korea's economic and political landscape is still dominated by these chaebols today.

The Samsung Group alone accounts for almost 20 percent of the country's gross domestic product (GDP). The manufacturing giant makes everything from smart phones to ships and aerospace equipment, and employs more than 270,000 people worldwide.

## Purpose of the report

The objective of "Access Korea" is to give practical and up-to-date information on the Korean market for Irish companies. Here you will find useful, easy-to-digest advice on the critical aspects of doing business in Korea for companies at all levels of business development. This guide covers:

- How to get started in the Korean market
- Korea's business culture and how it differs from Ireland's
- Market research sources
- Routes to market
- Key legal issues, tax, and recruitment considerations
- Information on sector opportunities for Irish companies
- Case studies from Irish exporters currently exporting to Korea
- How to sell to the Government in Korea

## How it was compiled

This report (written in May 2014) is based on the practical experience and knowledge of highly successful people in the market as well as by specialists in areas such as taxation, immigration law and marketing, and is informed by the lessons learned by a selection of Irish business people who have already succeeded in Korea. This report also includes commentary from a number of these people.

“Access Korea” is intended to be of use to a wide audience, from companies thinking of exporting to Korea for the first time, to those already selling in the market, and wishing to examine strategic options for further growth.

## A note on naming conventions

The use of the word Korea is meant to denote The Republic of South Korea, and for brevity's sake it has been referred to as simply Korea.



## 2. Critical Success Factors

**“In Korea, it is expected to provide high levels of service and to be very responsive at all times. Especially in large corporations, there is a tendency to move quickly and to expedite important tasks. This attitude is often known in Korea as “Pali Pali” – “Rush! Rush!”(빨리 빨리). This high level of customer service means that Irish exporters need to ensure they are highly responsive and follow up any business communications quickly with their Korean contacts.”**

**Robert Kavanagh, Global Business Director, Metallization - Growth Technologies, Dow Electronic Materials, Korea**

### Introduction

Korea has a dynamic and fast-moving business culture, and as it is so different to that of Ireland and even Europe's culture, it's important to take the time to understand how it works before launching any business venture there. In this section, you'll find information on all aspects of Korean business culture – from what to wear, to how to conduct business whilst you are there, to how to maintain good relations once you return, as well as case studies from those who have already been successful in the Korean market.

### Business culture

If you are considering doing business in Korea, there are a few key facts to note. In common with other Asian countries, the concepts of group harmony and “keeping face” are essential in understanding how the Koreans operate in business.

Relationships are the basis for all business and social dealings, and hospitality is an important part of the process. Relationships between parties can be even more important than the substance of a contract; in fact, many important deals in the Korean business world are transacted on a hand-shake and no more, so honour is very important. Status, education and titles are highly esteemed so sending senior personnel for meetings will always create the right impression.



#### NEED TO KNOW – Korean Society Values

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

**Kibun:** The concept of “face” (kibun), which is found in so many South-East Asian societies, means that Koreans strive for harmony in their business and personal relationships. To prevent loss of face, they will avoid confrontation or will tell others what they want to hear rather than tackling issues head on. If you threaten kibun, you risk being excluded from future decision-making, so be very careful in your business negotiations.

## **Starting the relationship**

### **Greeting**

When meeting a Korean business person for the first time, it is best to be introduced by a 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; hence, the strategy of cold-calling on any businesspeople is not a good idea: where possible you should try to arrange an introduction first by a trusted intermediary.

Here's a few tips to help you when meeting Koreans for the first time:

- When addressing someone in business, you should use their professional (professor, doctor, and engineer) and honorific titles.
- In general, you should introduce older people to younger people and women to men.
- Hierarchy is an important concept in Korean business, so conduct business meetings with due regard for people's experience and seniority. Ideally, the most senior person in the team should enter the room first and greet the most senior Korean representative. Leaders should sit opposite one another around the table.
- Your approach should be formal but friendly, although avoid making jokes as this could be interpreted as a lack of respect for your host.
- Remember that the aim of initial meetings is usually to get to know one another, so don't expect to begin business negotiations right away.

### **Handshakes**

When introduced, you should bend your upper body slightly. Koreans generally bow sparingly, unlike the Japanese. Amongst men, you should also offer your hand. A man greeting a Korean businesswoman should wait for her to initiate a handshake, as some women prefer to bow instead.

More junior personnel will bow first to their senior colleagues. You should wait for more senior personnel to offer their hand first. It is not necessary to provide a 'firm' handshake, just a touch will do.

Beware of hand gestures in business and never use your index finger to point at somebody as it is considered bad manners.

### **Business cards**

In Korea, the business card represents the person, and as such they need to be treated with great care and respect. Business cards are generally exchanged after an introduction. Take many with you as they are frequently exchanged.

- Business cards should be printed in English on one side and Korean on the other.
- Show advanced degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions.
- It is also important to emphasise one's title so that, right away, the correct authority, status and rank are established and understood. Koreans generally prefer to deal only with someone of equal rank as opposed to someone of lower rank.
- Present your card with both hands, with the print facing the recipient.
- Accept others' cards using both hands if possible. Smile and make eye contact while doing so, then examine the card carefully. Not reading someone's card can be an insult.
- Next, place the card on the table in front of you or into your card case. Never put someone's card into your back pocket, write on it, or otherwise treat it disrespectfully.

### **Business Attire**

Koreans tend to dress formally for their work surroundings. Black, blue and brown-coloured suits are recommended. Men will generally wear dark Western suits. Note that 'casual wear' in Korea may be

more formal than you are used to and actually means a blazer and tie. For women, tight skirts, low necklines and sleeveless tops should be avoided, as should shorts.



### **NEED TO KNOW - Gift-giving is an important part of relationship building**

Giving small gifts (the value should be modest) is part of the process of building a business relationship in Korea. The gifts given at the first meeting are intended to acquire favour and to build relationships. Wait until your host has presented his gift and use both hands to accept it. The gifts exchanged should be of similar value, with that of greatest value going to the most senior person.

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

## **Business Meetings in Korea**

The primary purpose of the first meeting is to become acquainted and build relationships, so consider the time spent before discussing any actual business issues as a vital part of the relationship-building process whose importance should never be underestimated.

- It is important to make an appointment a few weeks in advance of a business meeting. Most business meetings are scheduled mid-morning (10 AM to 12 PM) or mid-afternoon (between 2PM and 4 PM).
- Traffic congestion, persistent and chronic, must be factored into arriving on-time for business appointments. In Korea, you should never be late and punctuality is important as it is a sign of respect; however, don't be surprised if top Korean executives arrive a few minutes late for appointments due to their extremely busy and pressured schedule.
- Demonstrate respect to the senior member of the Korean delegation by addressing questions to the senior person - even if the senior person is not the best speaker of English.
- When presenting, stick to the facts and keep it formal. You should be careful not to push opinions too strongly or be tough or confrontational as Koreans value harmony, and do not like disruption or emotions.
- Decisions are generally not made during meetings, so expect a long negotiation and discussion process. Meetings may feel a bit slow and key details are often discussed in a roundabout way - but don't mistake indirectness as non-commitment. Data is valued, so come prepared with information, data and references.

### **Business language and interpretation of meaning**

Although English is the common language of business in Korea, the reality is that while most Koreans have studied English since secondary school, they will have had little practice using the language, especially when it comes to verbal communication.

Koreans will rarely let on, however, if they have not understood and in fact, will frequently act as though they have (to save their own face but also to save yours). In addition, some are able to use (relatively fluently) some learned-off phrases, giving the impression that they understand much more than they actually do.

You can help reduce miscommunications by:

- Avoiding Irish colloquialisms which are unlikely to be understood and may be interpreted literally, causing confusion.
- Speaking patiently and slowly (no need to speak particularly loudly though)
- Avoid using the 'or' structure. Break things down to a question that require a yes or no answer.

- Use simple short words if possible
- If you are speaking to more than one person, give them time to translate and/or explain to each other what you are saying.
- Write key points if you can since most Koreans read English quite well.
- Find a diplomatic way to have the person repeat/paraphrase what you've been saying.
- Learning some Korean – especially key words that you would use in your business. No need to become fluent, but key words and phrases can only help you do business more effectively and easily.
- Learn to figure out the Korean 'yes' which is more likely to mean "I understand" or "I'll try and do my best" as opposed to the Western "I agree" or "I'll do it".
- Deciphering the Korean "No" is equally important but challenging. In traditional Korean culture, it is impolite to say "No" directly. So, instead of doing so, many Korean will find an indirect way of doing so. For example, they may impose conditions that make the deal impossible for the other party to accept. Or rather than reject an invitation, they may keep putting it off, which is an indirect "no" or they may simply not show up, expecting that you would have understood that they never intended to come.
- Non-verbal communication is also very important in Korea, so watch closely to see if it matches with what is being expressed.
- Always confirm any agreements or discussions in writing to ensure that there has been no misunderstanding.



#### NEED TO KNOW– The Korean Language

Korea has its own language (Korean) and alphabet (Hangul). Hangul consists of 10 vowels and 14 basic consonants. Korean is the official business language of Korea. English is not an official language of the country, but is widely spoken amongst senior business people and Government officials.

When conducting business in English, your Korean hosts will not necessarily say that they don't understand something, in order to save face. Therefore, interpreters may be required for business meetings, particularly outside Seoul and other major cities, and all important negotiations should be carried out with an interpreter present so as to avoid doubt. It is also advisable to have all written documents translated into Korean.

### Business Negotiation

Before your visit, it can be a good idea to send your proposals for your contact to review. In selecting your negotiating team, find out who will be the participants in the Korean delegation. Ensure that the people you choose to represent your side match the rank of the Korean members, since status is very important and a mismatch may prove embarrassing to both sides. Sending a senior representative will be perceived as a sign of serious interest and commitment.

- In negotiations be prepared to be patient, but firm. Be as dignified as possible and don't push your position too hard. Be prepared for the 'price war' but don't give in easily as Koreans are persistent and admire this quality in others. If there is silence in communication, respect it, as they need the time for translation and prudence.
- During negotiations, some Koreans may jump from one topic to another, rather than following the agenda. Similar questions may be asked on numerous occasions by different negotiators. If you are confused about their priority in negotiation terms, you can ask them.
- Koreans are very hospitable and friendly, but negotiations can be very aggressive in tone. You may find that your Korean counterparts can be very direct and quick to express frustration; however, it would be a mistake to take everything said during these meetings literally, and maintaining a solid, cordial personal relationship with the Korean side will help you get through the difficulties you may face during the negotiating process.
- Although it's important to have a firm position, insisting on having your own way will be viewed unfavourably by your Korean counterparts and appearing to be in a hurry will put you at a disadvantage. Nevertheless, being flexible does not imply giving in to unreasonable demands.

## Maintaining Business Relationships

Once you have established contact with a Korean business partner or client, it is important to nurture that relationship.

- Maintain the relationship by ongoing gift-giving. It is common to give gifts to clients and your Korean business partners to mark major holidays such as Chuseok (Korean Thanksgiving) Lunar New Year, and Christmas.
- If you are not based in Korea, make a point of visiting the client/partner on every business trip there, as Koreans worry that foreign businesses are only here to make a quick profit and run and therefore it is important to demonstrate that you have a long-term commitment to the market and to the relationship.
- Korean business people devote a great deal of time, energy and money in getting to know the people with whom they are dealing in order to build long-term relationships. Your willingness to participate is often interpreted as a measure of your sincerity and commitment.



### NEED TO KNOW– Alcohol in Korean Society

Korea has one of the highest rates of alcohol consumption in the world and men are expected to partake in the country's drinking culture. Drinking alcohol together is part of the relationship process and your hosts may even ask you to sing (try to sing something with good grace, even if it's only a nursery rhyme, as a refusal is considered rude).

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

## Hospitality

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

Don't be surprised if you are asked personal questions regarding your age, salary, religion, and family life. These questions may be asked to determine your status, which means everything in Korean business culture. For the age- and very status-conscious Koreans, it is important to guess and or know the approximate age or relative status of their counterparts. If you don't want to answer, remain polite but try to gracefully side-step such questions. In most cases, people make these inquiries because they think that they can establish rapport by finding common denominators.

Suitable topics of conversation when dining out would be family, sport, your impressions of Korea, your organisation, future plans etc. Topics to avoid might be politics, any mention of Japan, as well as the tensions with North Korea.

Some common phrases in Korean

Good morning / afternoon / evening	An nyeong ha se yo
Goodbye	An nyeong hi ga se yo
Yes	Ne
No	Ah Ni Yo
Please	Bu tak ham ni da

Thank you	Gam Sa Ham Ni Da
Please sit down	An Jeu Se Yo
Please come in	Tu ro ose yo
Excuse me	Sil ley ham ni da
I come from	Eso wat seub ni da
My name is	Je ireum eun
What is your name?	Ireum i mu eot ip ni ka?
Can you speak English?	Young eo ha se yo?

## Case study: Building and managing relationships with a Korean partner

### John Spain, Sales Manager, Sona Nutrition

*Sona is the oldest established producer of nutritional supplements and herbal remedies in Ireland. With 30 years' experience in formulating quality vitamins, nutritional supplements and other health aids, Sona is GMP licensed by the Irish Medicines Board and operates out of a state-of-the-art facility in Dublin, Ireland.*

[www.sona.ie](http://www.sona.ie)

#### How did Sona source a partner for the Korean market?

“We were very lucky as the introduction to our current Korean partner (Cilantro) came about through an inward buyer/partner visit to Ireland that was organised by Enterprise Ireland in 2012. Cilantro was looking at a number of suppliers and Enterprise Ireland recommended that they meet with us. Cilantro was initially interested in our effervescent multi-vitamin tablets and we provided them with a few samples for them to trial.

#### How did things progress from there?

I was aware of the importance of gift-giving as part of the Korean business etiquette, and therefore gave the Cilantro team several boxes of Irish made chocolates which they seemed to really appreciate. We spent almost a whole afternoon together talking about our products, our processes and that we were GMP (Good Manufacturing Practice) licensed by the Irish Medicines Board which is globally recognised. After a couple of months, Cilantro contacted us and asked us for further information on volumes and prices, which then progressed to further negotiations and agreement on our first order.

#### Did it take long to establish a market presence in Korea – and was the process easy or complicated?

We found the process of establishing a market presence in Korea relatively easy and very quick thanks to the hard work put in by our partner. The registration and testing process was very quick - it only took approximately 3 weeks for them to organise the full array of tests and to have our product market ready. They also managed all facets of our market launch hand-in-hand with us and developed a bespoke campaign targeted at professional workers.

### **How do you manage the on-going relationship with your Korean partner?**

We work very closely with our Korean partner and have found them to be very trustworthy and honourable. They keep us up to date regularly on their marketing plans, which marketing techniques, campaigns and collateral are working best for our product in Korea. Most of our contact is via email or texting via What's App so it is very easy to stay in constant contact. Also, we have already visited Korea and intend to visit on a regular basis to further strengthen our relationship and understand the Korean culture and market trends.

### **How would you describe working with the Koreans in a few words?**

Extremely organised, hard-working and very open and friendly.”

## **Case study: providing personalised support to the Korean market**

### **John Biggins, Sales Manager, McHale**

*McHale is a specialist farm machinery company focusing on balers and bale wrappers for the production of round and square baled silage, and round bales of hay and straw. McHale balers and bale wrappers can be seen working in over 40 countries around the world.*

[www.mchale.net](http://www.mchale.net)

### **What prompted your decision to enter the South Korean market?**

“The catalyst for McHale entering the Korean market was a referral from our dealer in Uruguay. He was asked by a Korean distributor if he could recommend a baler manufacturer and he recommended McHale. The Korean distributor then contacted us and we met with him to find out his requirements, demonstrated how our machinery worked and then subsequently visited Korea to ensure our machinery worked effectively in Korean weather and land conditions.

### **How long have you been servicing the Korean market?**

We have been servicing the Korean market since 2007, which is approximately 8 baling seasons.

### **What advice would you give other Irish companies looking to export to Korea?**

I would encourage anybody entering the Korean market to source a comprehensive list of potential distributors/partners and evaluate them carefully. Establish two things - number one, have they got a network to cover the country of Korea? And number two, do they distribute any conflicting products to yours? If they have a conflicting product in their portfolio, it can be a hindrance to you, as this may result in them not giving your product or service their full focus or dedication.

### **How do you currently service your clients in Korea?**

Due to being an agricultural machinery manufacturer, we ensure that we provide support on the ground in-country when our machines are being used during the baling seasons. In Korea, they split the seasons annually which is a bit unusual, as they have a grass season in April/May and then they have a rice-straw season in October/November. We, therefore, tend to put somebody out there for approximately four to six weeks to ensure we are there on hand to help with any technical requirements for our machinery and to provide direct support to our Korean distributor so they have the security that there is an expert with them.

### **How would you describe the Korean working culture?**

The Korean working hours are very, very long in comparison to other countries. They tend to start work early and finish work late. Bear in mind that the Koreans are very hospitable, especially on farms when you are all working together and may expect you to join them in their tradition of drinking rice wine. If you refuse, this can be seen as an insulting their traditions so be careful of how you handle such situations.”

# STARTING IN THE SOUTH KOREAN MARKET



### 3. Starting in the Korean market

**“Korea is an extremely important market for building your reputation in the high-tech industry. A design win in Korea is just as important to the hi-tech industry as a win in California or Israel.”**

**Ciaran Connell, CEO, Decawave**

#### Introduction

The Korean market is a very different one to that of Ireland and even Europe, so a considerable amount of research will be required to be undertaken before transacting any business. In this section, you will find some basic information on the market and resources for further research, as well as advice relating to how you can best market your products and services there.

#### Geography



In 1948, Korea divided into North Korea and South Korea. North Korea was allied to the (then) USSR and South Korea to the USA. The divide between the two countries at Panmunjom is one of the world's most heavily fortified frontiers.

The Korean Peninsula lies in the north-eastern part of the Asian continent. South Korea comprises the mainland as well as around 3,200 islands. It has one of the highest population densities in the world, (at about 1,271 people per square mile) with a population of 50 million, of which over half live in the Greater Seoul metropolitan area.

#### Religion in Korea

A little over 65 per cent of the population of Korea is a member of an organised religion. The largest of these is Christianity with about 32 per cent of the population identifying itself as a part of a Christian Church, and 23 per cent of the population as Buddhist. The rest of the religious population is made up

of those that practise Islam or the Bahai faith. The constitution guarantees religious freedom and there is no declared state religion.

## Travelling from Ireland

There are no direct flights from Dublin but there are many international airlines offering flights to Korea, and the flight time from London to Seoul is around 11 hours.

Korea has international airports at Incheon, Gimpo and Gimhae. Incheon International Airport handles all international flights while Gimpo Airport handles all domestic flights and short flights to/from Tokyo, Osaka, Shanghai and Nagoya, and Gimhae is the Asian hub.

Travelling to and from Incheon International Airport is easy. Their website contains detailed information about buses, trains and taxis from the airport, including estimated times and fares to major destinations: [www.airport.kr/airport/traffic/bus/busList.iaa?flag=E](http://www.airport.kr/airport/traffic/bus/busList.iaa?flag=E)

## Transport in Korea

Korea has a well-developed transport network, with good road, rail and air links. Most domestic destinations are within an hour's flight of Seoul. The capital has an excellent subway system, as well as plentiful buses and taxis.

As traffic can be heavy in Korean metropolitan areas, particularly in Seoul, business travellers should attempt to stay in the same general area as the bulk of their appointments, and ensure that they schedule enough time between business meetings.

There are [15 national holidays in Korea](#) and most of them are observed by the majority of offices and businesses. Irish business travellers should avoid visits to Korea during these, particularly when planning to meet with new customers, suppliers or partners, as meetings and transportation arrangements can be difficult to schedule and confirm during these periods.

## Visitor entry visas

EU member countries are granted a 90-day visa initially and if you want to stay longer you must apply for an alien registration card, and be aware that there are different types of visa for people who want to work or invest in Korea.

Visas may in some cases be renewed online and the Hi Korea website ([www.hikorea.go.kr](http://www.hikorea.go.kr)) is the official Government website for foreigners, and has links to visa application forms and information on each visa type.

## Korean country time

Seoul is eight hours ahead of Greenwich Mean Time, but depending on the region of Korea, it may even be nine hours ahead and as there is no Daylight Saving Time, their time remains constant. Be aware that this time difference will mean some very early morning calls if you intend speaking to your Korean counterparts during their working day.

## Market Research

Successful Irish companies in Korea will have prepared well for the challenges it can present, and good preparation starts with thorough research of the market to identify whether there is a niche for your company and how you can go about profiting from it. Being abreast of local trends, especially the ones affecting your market sector will help enormously when it comes to building your knowledge about the market.

Below are some websites that will help you to source industry-specific information:

### General Information

- KOTRA assists businesses in foreign trade through business matchmaking, trade missions, exhibitions, and by providing information on overseas markets. <http://www.kotra.or.kr/>

- Invest KOREA, a branch of KOTRA, is the Government of Korea's inward investment promotion agency. [www.investkorea.org](http://www.investkorea.org)
- Invest KOREA also operates the [Invest KOREA Plaza](#), a short-term, low-cost option for foreign investors entering or expanding in the Korean market.
- The Seoul Global Centre provides support for business start-up procedures in Seoul, particularly for small and medium-sized enterprises. It also helps foreign business people gain a better understanding of the local market through conferences and various publications, and provides general information and advice on life in Seoul. [global.seoul.go.kr](http://global.seoul.go.kr)
- KOREA.net is an official website of the Government of the Republic of Korea, providing general practical information on Korea. <http://www.korea.net>
- Local government centre links in Korea can be found here <http://www.moel.go.kr/english/sai/saiLinksLocal.jsp>
- The KCCI is Korea's largest private economic association, with more than 47,000 members. [www.korcham.net](http://www.korcham.net)
- It also operates [Korechambiz](#), a comprehensive website that provides information on member companies, their products and their financial status. Korechambiz includes a trade enquiries feature, allowing buyers and sellers to connect with one another.
- KOICA (Korea International Cooperation Agency) implements and administers the grant aid and technical cooperation programmes provided by the Korean Government. <https://www.koica.go.kr/>
- Korea National Statistical office (KNSO) is a central Government organisation for statistics, which aims at providing various statistical data. <http://www.kostat.go.kr/potal/english/index.action>

## Industry

- Korean Agency for Technology and Standards [www.kats.go.kr](http://www.kats.go.kr)
- Ministry of Food and Drug Safety [www.mfds.go.kr](http://www.mfds.go.kr)
- Information and customs forms can be found on the Korea Customs Service website: <http://english.customs.go.kr>
- The Korea Food & Drug Administration (<http://eng.kfda.go.kr>) is responsible for setting and enforcing Korean labels for food products, other than livestock products.
- These are regulated by the Ministry of Food, Agriculture Forestry and Fisheries (<http://english.mifaff.go.kr>) which also has its own set of standards for markings for the country-of-origin labelling of agricultural products.
- The Korean Customs Service (<http://english.customs.go.kr>) publishes a list of the country-of-origin labelling requirements by Harmonised System Code number.

## Irish-Korea Networking Organisations

Networking in Korea can be a very efficient way to go about making contacts to help in developing your business there, especially as relationships and personal introductions are so important. If you wish to get introduced to contacts there, please speak to Enterprise Ireland for information on forthcoming network events.

- The Irish Association of Korea <http://www.iak.co.kr/>
- Asia Ireland Pacific Business Forum [www.apibf.com](http://www.apibf.com)
- Asia Ireland Chamber of Commerce in Korea: <http://www.aicck.org/>



### NEED TO KNOW- ENTERPRISE IRELAND RESEARCH RESOURCES

The Enterprise Ireland 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. Please visit [www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre](http://www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre) for more information on the market research facilities available.

## Case study – beginning relationships with your Korean partners

### Ciaran Connell, CEO, Decawave

*DecaWave is an award-winning Irish fabless semiconductor company which develops ICs for indoor location and communication based on its UWB wireless technology platform.*

*DecaWave is headquartered in Dublin, Ireland, with offices in France, China, and South Korea.*

[www.decawave.com](http://www.decawave.com)

#### When did Decawave first enter the Korean market?

“We initially entered the South Korean market in 2009 due to an opportunity arising from an enquiry from our current partner on the ground, Young Lim. Having Young Lim on the ground in Korea helped us investigate interest from the large Korean conglomerates such as LG and Samsung. This then resulted in early phase investment by LG, which helped our growth in the Korean market immensely through increasing our profile and building our reputation as a solid and innovative fabless semiconductor company.

#### How does your company currently manage its relationships with its Korean clients?

We ensure that we visit Korea at least three times a quarter. It is essential to visit Korea frequently to show ‘face’ and to strengthen our business relationship with our key clients. Our Korean clients also reciprocate this effort and visit us in Ireland a minimum of twice a year – and usually come in large numbers. However, all final deals and meetings are always held in Korea.

#### How would you describe the Koreans in a few words?

The one thing to note about the Koreans, is when they say they are going to do something, they will do it - as when they commit to something, they go after it with a vengeance! In summary, I would describe the Koreans as very hi-tech, committed, highly driven, honest and hardworking.

#### What advice would you give to a first-time exporter to Korea?

First of all, don't underestimate the sheer size of Korean companies - for example, Samsung alone employs 270,000 people and navigating the organisational structure and who the most relevant person to speak to is time-consuming and difficult. It is vital that you have a reliable and well-connected contact/partner on the ground in Korea to help you through this navigation process and to ensure that you are meeting with the right people.

Also, you need to respect and understand the Korean business culture - traditional Western business development methods such as cold calling don't work and are not deemed appropriate. It is important that you demonstrate decorum and humility at all times. Korean food is also very important - even if we are meeting with Korean clients in the US, they always prefer to go to Korean restaurants and decisions are usually made over dinner.

And last but not least, be aware that Korea is an extremely important market for building your reputation in the high-tech industry. A design win in Korea is just as important to the hi-tech industry as a win in California or Israel.”

## Building Market Presence

Ireland is generally unknown in Korea. This means thinking carefully about what marketing messages you wish to communicate about your product, especially if being from Ireland is an important part of your communications. As your company or brand is most probably totally unknown in the marketplace, this requires spending more on marketing and/or being more innovative in messaging than your competitors, especially domestic ones.

The most effective way to invest your marketing budget is to use an integrated approach from some of the following options.

### Professionally translated materials

Because the Korean language and culture are so completely different to that of Ireland, it is essential that you enter there with professionally translated materials. The benefits of this are outlined below:

- Korean clients/trading companies will be more open to do business if all materials and documentation are provided in Korean as it shows the foreign company's commitment to the market.
- A professional quality translation can get your message across better, however Korean translators used by Korean companies in Korea may not have the same grasp of English nuances. For technical translations, software localisation or where health & safety are critical, any poor translations can have serious consequences, so always double-check your translations with a local person to ensure all meanings are clear.
- It is important to remember that some marketing messages in English will not make sense in direct translation. These messages may need to be 'adapted' or localised. A professional translation agency can take care of this for you.

### Hard-copy marketing material

Corporate marketing material is very useful in establishing your credentials for prospective Korean customers and they are a useful sales tool at events such as trade fairs, which may play some role in your initial market building. Brochures should always be translated into Korean and should include an overview of the product or service you provide, contact details, and if possible, some endorsement by a significant customer. Just as with presentations, your marketing collateral should focus on the benefit to the customer rather than the features of your offer.



#### NEED TO KNOW - BRANDS ARE IMPORTANT

Koreans are both brand-savvy and price-conscious, as well as being quick to identify and switch to superior products so importers are always on the look-out for new products that are innovative, cost-efficient, well-designed and of high quality. By investing time into researching what does and does not work in the marketplace, you can take advantage of this desire for the "latest thing".

## Developing a marketing strategy

### Introduction

A successful marketing strategy for Korea will involve both thorough research of the competitive environment and your specific target market in order to maximise your marketing budgets. Set out to have a clear understanding of the culture, customs and economic conditions of the Korean marketplace before launching any marketing activity.

## Marketing Channels

### Internet

Korea currently leads the world in wireless and high-speed Internet, and this is set to increase even further in the future. It has the highest global broadband adoption rate at 93 per cent as well as the world's average fastest Internet speed (greater than 15.7 Mbps), and 94 per cent of the population have high-speed internet. More than 78 per cent of Korea's 50 million people use smartphones; among 18-24 year olds, the proportion rises to a staggering 97 per cent. In January 2014, the Government announced that it will upgrade the country's network to 5G by 2020.

All of this points to the fact that, whether you are a B2B or B2C company, usage of the Internet (and increasingly the mobile Internet) by the Korean population is widespread, so it is an essential part of doing business there. Make sure to take advantage of this with the best website you can possibly afford, and ensure that it is optimised for mobile.

### Developing a web presence in Korea

Having a strong web presence in your new target market is critical to export success, irrespective of whether you operate in the B2B or B2C space. Research has shown that companies looking for a new B2B supplier will have made about 60 per cent of their decision before making contact with or inviting proposals from potential vendors. Most of this initial fact-finding and due diligence is based on what they find online, which is why it is vital to have a **competitive, compelling** and **highly visible** web presence in your target market.

#### *Competitive*

- Who are your main online competitors in Korea? How do they articulate their USP on their website? What is their approach to Internet marketing?
- What content and features does your website in Korea have to provide so that it can successfully compete with its competitors online?
- What Internet marketing strategies do you need to adapt to stand out amongst the noise created by your online competitors in Korea?

#### *Compelling*

- Trust and credibility: What content and features does your Korean website need to provide to build trust and credibility in your company and offering, given your brand is likely to be unknown or less well known in Korea?
- Culture: How can you adapt your Korean site to the country's specific cultural requirements (see 'need to know' panel below)?
- Language: What changes are required to written and spoken text on your website to adapt the language of the Korean website to your target audience?
- Standards and conventions: What adaptations do you have to make to the website content and design with respect to Korean standards and conventions?

#### *Highly visible*

- How do you optimise your Korean website for the leading search engines in Korea: e.g. domain strategy, keywords, links?
- The Korean top-level domain is .kr but it's not essential for international companies to use this address; Korean companies are comfortable with .com; however, using .ie for this market is not advisable as it could be perceived as too parochial

- What other Internet marketing approach do you need to implement to make sure potential customers in Korea become aware of and visit your website, e.g. search engine marketing, social media, online directories, price comparison engines etc.?

For more information on how to create a successful web presence in Korea, go to [\[link with more detailed document\]](#).



### NEED TO KNOW - TAILORING WEB CONTENT TO LOCAL NEEDS

Internationalising your web presence for the Korean market isn't just a matter of translating the content on your existing site word for word. A Korean audience will have very different expectations of your site. For example, they will not be interested in your company's mission statement but will want to know the physical dimensions of your product and all of its relevant specifications. Your content should be geared towards helping them to make an informed decision about whether to buy your product or work with your company.

Providing comprehensive detail about your products and services, and listing the contact details of the relevant people in your company, will go a long way towards establishing your credibility and trustworthiness with a Korean prospect. It's also worth considering a short video with a brief demo, or showing your staff and premises. Giving the viewer a sense of your product in action, or that you have the capacity to deliver on a large customer order, will also be positively received by prospects in Korea.

## Social Media

Korea is one of the few developed countries in the world where Google is not the number 1 search site, a position which is held by [Naver](#). Therefore, when setting up and organising SEO for your Korean website, ensure that a SEO expert helps you to optimise your keywords and search terms for Naver, which is quite different to Google.

Korean organisations have been [ramping up social media spending](#), and the focus is still on Facebook. According to a 2013 study 87.1 per cent of companies and public institutions surveyed said they were on Facebook, more than were on any other social media platform, despite its penetration of the population being only 7.3 per cent.

**The media** - Korea encourages a wide array of views. The country has more than 100 national and local daily newspapers and readership is high. There are several terrestrial TV networks and most of the population subscribes to digital, cable and satellite.

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

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

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

## Exhibitions and Trade Fairs

### Exhibitions and Trade Fairs

These are very popular in Korea, and attendance can provide an exporter with a wealth of information as well as contact with potential partners/distributors. Below is a selection of trade fairs you may find useful:

- G-Star ([www.gstar.or.kr](http://www.gstar.or.kr)), the largest digital gaming show in Korea
- E-Learning Korea Expo ([www.elek.or.kr](http://www.elek.or.kr))
- World IT Show ([www.worlditshow.co.kr](http://www.worlditshow.co.kr))
- Digital Media Fair ([www.digimfair.or.kr](http://www.digimfair.or.kr))
- Korea Electronics Show ([www.kes.org](http://www.kes.org))
- KIMES (Korea International Medical & Hospital Equipment Show) [www.kimes.co.kr/eng/main.asp](http://www.kimes.co.kr/eng/main.asp)
- IWIM (International Well-being & Integrated Medicine EXPO) [www.iwimexpo.co.kr](http://www.iwimexpo.co.kr)

## Case study: importance of optimising for mobile in Korea

### Feargal Mooney, CEO, Hostelworld.com (Web Reservations International Ltd)

*Hostelworld.com is the leading provider of online reservations to the budget, independent and youth travel market. It offers confirmed online reservations for over 30,000 hostels, B&Bs and budget hotels in 180 countries worldwide. Hostelworld.com is headquartered in Dublin and is fully owned and operated by Web Reservations International Ltd.*

[www.Hostelworld.com](http://www.Hostelworld.com)

#### 1. Why South Korea?

“Web Reservations Ltd has been exporting for over 14 years and over the past two years we have noticed an increasing number of Asian customers using our site. This is due to many reasons; the speed of growth in developing Asian economies and also the relaxation of visa restrictions and agreements between different Asian countries which has resulted in more people travelling around Asia. In particular, the traffic from Korea had increased significantly for two of our brands - hostelworld.com, and hostels.com. Both of these already had Korean language sites and due to this increase of traffic, we invested more into SEM and SEO in Korea. We were also aware that there is considerable opportunity in Korea due to their young, digitally savvy population, that are used to conducting bookings and financial transactions via their smart phones.

#### 2. Has the Korean language posed any barriers to conducting business?

Not in terms of bookings as we didn't have a Korean language mobile offering, yet Koreans are our third highest nationality booking on our mobile products. This demonstrated that the Koreans are comfortable with the Western brand and are also not hung up on apps being fully translated or localised into Korean. However, we are about to launch a Korean version of our app and it will be interesting to see if this changes the data to date.

#### 3. How would you describe the Korean culture?

Although the Korean culture is similar to other Asian cultures, the Koreans embrace many elements of Westernised cultures and are eager to use Western brands. Building business relationships outside of the office environment is normal – we met with a number of hostel owners for dinner, yet their preference was to continue the rapport building after our dinner was over and they insisted that we joined them in Karaoke, which was a very interesting experience! Also, the Koreans are obsessed with technology and this is very prevalent in Seoul, where we noticed that almost everyone had a Samsung device. They are very focused on social media, particularly local social media platforms and the K-Pop music phenomenon is massive.

#### **4. What marketing techniques work well for the Korean market?**

Korea is probably one of the most advanced nations when it comes to mobile technology; they use their phones constantly, and are very comfortable with using that technology for m-commerce. The K-Pop phenomenon is a huge movement not only in Korea, but across South-east Asia, so any marketing that can leverage an association with this will get immediate attention.”

# ROUTES TO MARKET



## 4. Routes to Market

***“I would encourage exporters to Korea to find the right Korean partner for your business. It may sound obvious but finding the right partner that can represent you in the Korean marketplace is crucial as you’re probably going to be forced into exclusivity, so the right partner can be the difference in succeeding or not succeeding in Korea.”***

**Drewry Pearson, CEO, Marco Beverage Systems**

### Introduction

Korean business customers are very demanding so be aware that for Irish companies wishing to develop new business there, how you address the high customer-service levels, as well as the very different language, cultural and time-zone differences will be major factors in influencing how successful you will be. There are some exceptions, but Irish companies working there have realised the need (and have been requested by the customer in many cases) to locate somebody local who can follow up business details in the Korean language and their time zone.

Another point to note is that English is not an official language in Korea (in contrast to other South-East Asian Countries, such as Singapore and Malaysia, for example) so it's important to have a fluent Korean speaker on your team. For all of these reasons, the vast majority of Irish exporters enter the Korean market with a local Korean partner.

Below you will find a number of different options that can help you develop your route to market.

### Options for exporting to Korea

There are three main options for export to Korea:

1. Exporting directly from Ireland
2. Appointing a representative - partner, agent or distributor
3. Establishing an on-the-ground presence (see Section 5 for more on this)

Distribution methods vary widely by product area and local conditions, so it is essential to invest time researching and ideally visit the marketplace before deciding on the appropriate entry strategy for your business and/or committing to any sort of business partnership.

### 1. Exporting directly from Ireland

Going direct involves you supplying your products or services to your clients without involvement of any intermediaries. It is very time and resource intensive as it means you will need to gain the knowledge of who you are selling to, obtain end users' direct feedback and understand the customer needs, as well as dealing with a large amount of communication directly, which may lead to potential communication difficulties and misunderstandings. It may work for your company, but this very much depends on the nature of your business and your considerations around the risks versus benefits of such an approach.

## 2. Appointing a representative in Korea - partner, agent, distributor

In general, you will need to invest time and energy into finding the right partner in Korea if you are to give yourself the best chance of success in the market. Korea is a business culture built on relationship-building and nurturing, so be prepared to visit there regularly.

Local representation is essential for the success of Irish firms in the Korean market. This is especially true when considering the fact that business relationships in Korea are built upon personal ties and social introductions, and that the fast-moving business culture requires equally fast responses, which necessitates having someone local on the ground.

The most common forms of representation are below and for more information or to find an expert in any of these areas, it is advisable to speak to Enterprise Ireland for additional support and direction:

1. Distribution-only partners
2. Appointing a registered commissioned agent (commonly known as an "offer agent" in Korea) on an exclusive or non-exclusive basis
3. Naming a registered trading company as a manufacturer's representative or partner, or
4. Establishing a branch sales office managed by home office personnel with Korean staff. (See section 5 for more on this)

For more information or to find an expert in this area, speak to Enterprise Ireland for additional support and direction.

**1. Distribution-only partners** - It is not recommended that Irish exporters ship directly to a distribution-only partner because many of the distribution-only businesses are not staffed with English-speaking resources, which would impede not only communication, but also business development. The other reason is limited expertise in handling local regulatory affairs and product registrations or certification. Korean regulatory processes or compliance requirements (e.g. for MFDA, KTL) requires technical know-how to interpret and adapt the relevant local regulations for successful importation.

**2. Registered commissioned agent** - Any businessperson registered with the Korean Government can import goods in his/her own name, and establish themselves as an "offer agent" and this is another common form of partnership, depending on the type of products and sales channels.

**3. Appointing a registered trading company** (rather than an "offer agent") as a partner has its advantages because they can manage all of the import documentation and imports for their own account. Registered trading companies tend to be larger firms that split their businesses between exports and imports. However, these larger firms may be less attentive to building the Irish company's business, placing a higher emphasis on diversifying their portfolio of products from different countries. Similarly, while the larger general trading companies may be influential and well known in the market, they also may not devote as much attention to a single product as do smaller firms, so a thorough investigation of what is suitable for you is essential.

### Sourcing a Korean partner

Given that the choice of partner is so critical, it should not be done in haste. Ask multiple contacts and acquaintances familiar with the Korean market for recommendations. Inquire amongst other Korean suppliers about the reputation of the potential partner. Visit each and every potential representative.

When you speak to potential partners, you should be aware that it will be a two-way assessment: it is not only you who will be trying to assess suitability; they will also be assessing you. You should assess potential partners' appropriateness from various aspects:

- Their sector knowledge, experience and evidence of a clear marketing strategy at the outset (short-mid-long term)
- Their network in Korea with prospective end-user clients
- Their market coverage - are they nationwide or regional?
- The language skills you can call on

In addition, if your products or services are subject to specific regulations (e.g. medical devices, cosmetics, footwear, financial services, etc.) you need to verify your potential partner's level of expertise with handling regulatory affairs. The presence of a section committed to regulatory issues is one way to judge this matter.

The most important characteristic of a good partner is their network. A company or individual with twenty or thirty years' experience in the market will know the key players and know how to appeal to them. If the potential partner is supported by a field force of ten or more salesmen, then it has a strong capability and will be among the top players in the market.

Do not assume that if you ask a question and the reply is "Yes, we can do that" that it is true. As Koreans avoid saying "No", all answers to questions would need to be independently verified by you.

### 3. Elements for success and working with Korean partners

The Korean partner needs confidence that you are committed for the long term. Most will ask for exclusivity and offering it will demonstrate your commitment. Changing partners is viewed with suspicion in Korea but nevertheless, the contract should be written to permit the Irish company to change if they do not perform. Exclusivity should only be offered verbally and conditional upon performance rather than included in the contract.

In order to enhance and grow sales, Irish companies must visit Korea regularly, ideally on a quarterly basis, as this dramatically improves market acceptance of a product and enhances relationships. The Korean partner can then use that visit to call on difficult customers, or the visit could be linked to a product demonstration, or service personnel could visit installations to insure that equipment is working properly. This would then be an opportunity to improve the service skills of local personnel and may also identify un-met needs at the customer, leading to additional sales.

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

#### Working with Korean partners

Regardless of the size of the potential Korean partner, there is a tendency within Korean business culture to maintain local control, regardless of the percentage invested by foreign entities. There are three particular points to remember in order to be successful:

1. Establishing a strong level of trust between the two parties is extremely important. This rule can be said to apply to all business relationships, but is especially important for relationships with Korean companies as culturally this takes precedence over the contractual situation.
2. Upon forming a business relationship, one needs to support the partner company to achieve the business goals. There will be major differences in business methods due to cultural or other differences. Acknowledging these differences in the beginning will prove beneficial for preventing unproductive conflicts and souring of relationships.
3. Thirdly, after signing the contract related to a specific project, both parties will need real commitment in order for the project to be successful. The motivation and dedication levels of the most senior leader of the project will also be very important. There also needs to be a designated employee with the responsibility of being aware of the project's progress and issues at all times.



#### NEED TO KNOW - CUSTOMS IN KOREA

With the exception of high-risk items related to public health and sanitation, national security and the environment, which often require additional documentation and technical tests, goods imported into Korea by companies with no record of trade-law violations don't require customs inspection.

Most imported goods no longer require Korean Government approval, but some products, mostly agricultural, face import restrictions, such as TRQs (Tariff-Rate Quotas) with prohibitive over-quota tariffs. Korea implements quantitative restrictions through its import licensing system.

## Case study – establishing your presence in a growth market

### Drewry Pearson, CEO of Marco Beverage Systems

*Marco Beverage Systems Ltd is a leading Irish hot water delivery systems company specialising in providing hot water delivery systems, creative ideas and solutions to coffee brewers and tea brewers in the Food & Beverage Industry around the world.*

[www.marco beveragesystems.com](http://www.marco beveragesystems.com)

**When did you enter the Korean market and had you much experience with exporting beforehand?**

“We initially entered the Korean market in 2009 and we already had experience of exporting to the UK, Europe, Middle East, USA, Japan, China and Australia so we were well versed in exporting overseas. The main difference we found in exporting to Korea was the time it takes to attain certification for our coffee machines and the necessity of having a partner on the ground to assist with the certification process. Also, language was a barrier initially as the requirement for technical translation proved to be arduous and is fairly complicated, so it is vital to have access to technical people in Korea who can assist you translate documents which in turn expedites the certification process.

**Would you describe Korea as an important market for the coffee industry?**

Yes, Korea is an important market for us as the coffee industry there is huge. It is considered as one of the fastest growing and most explosive markets within the coffee industry globally. Korea currently ranks as the 11th largest coffee market in the world and this is very noticeable in Korea itself as there are coffee chains everywhere.

**How would you describe Korea to first time exporters that haven't yet visited Korea?**

Korea is very advanced in comparison to some other major Asian countries. It has an excellent transport infrastructure which enables easy travel and has very high standards across hotels and restaurants. Due to the gigantic Korean manufacturing brands that are famous worldwide (Samsung, Hyundai, Kia etc) Korea has a tremendously thriving and very fast-growing economy. Half the population of Korea live in Seoul, which is home to 25 million people and is where the majority of business is conducted. Seoul is absolutely massive - to put it in context, it's as big as Tokyo, Beijing or Shanghai. It's a massive, massive great city.

**What are your top pieces of advice to pass onto first-time exporters to Korea?**

Firstly, I would encourage exporters to Korea to find the right Korean partner for your business. It may sound obvious but finding the right partner that can represent you in the Korean marketplace is crucial as you're probably going to be forced into exclusivity, so the right partner can be the difference in succeeding or not succeeding in Korea. The second thing is make sure your partner develops a comprehensive sales plan so that you have a clear idea of what they are going to deliver in that year and that timeframe. And then push to get involved with them directly at exhibitions, shows or when they are dealing with their clients. We call it “push and pull”. You push your distributor to sell, but you try and get to the end person so that you actually are pulling some of the sales through from the end user.”

# LEGAL ISSUES IN SOUTH KOREA



# 5. Legal issues in Korea

## Introduction

It is relatively easy to open a business in Korea, which stands at 6<sup>th</sup> in the ranking of 189 economies on the ease of starting a business. This ranking identifies how easy or difficult it is for a local entrepreneur to open and run a small- to medium-sized business when complying with relevant regulations, by measuring and tracking changes in those regulations.

## Starting a business in Korea

In the past, foreign investors who wanted to do business in Korea were required to have a Korean partner. However, this has changed, thanks to the Korean Government's continued efforts to ease regulations and encourage more foreign investors, and it is now possible for foreign companies to establish a business in Korea, even as sole traders, providing they follow the correct guidelines and procedures and are compliant with Korean legal and tax requirements.

In 2010, Korea simplified the business start-up process by removing the minimum capital requirement, removing the notary role, cutting taxes, putting time limits on VAT registration and making registration payments payable on-line.

The Korean Government website, [www.korea.net](http://www.korea.net) contains information about how to set up a business in the country. Once you have decided where you'd like to establish your business, contact the local government office in your target region. These offices provide help for companies wishing to set up in their locality.

## Intellectual Property

The Korean market is very competitive, so it's important to protect your Intellectual Property. It is recommended that you register your patents and trademarks with the Korean Intellectual Property Office (KIPO) before you commit to any important deals with Korean companies. In principle, the patent and trademark registration system in Korea is based on which was the first company to register successfully with KIPO. Therefore, the sooner you register the better. Companies that do not register in Korea will be disadvantaged in any future disputes over IPR. In order to have control over IPR, registration must be done in the Irish company's name and not the Korean agent's name. Under Korean law, applications must be done in Korean and submitted to KIPO.

Korean Intellectual Property Office International Co-operation Division  
<http://www.kipo.go.kr/kpo/user.tdf?a=user.english.main.BoardApp&c=1001>

Enterprise Ireland can provide a list of local lawyers for Irish companies requiring professional legal advice on business issues.

## Contractual Agreements

It is strongly recommended that Irish companies seek legal advice prior to signing a contract or even making any major business decisions with Korean companies. Contract negotiations with Koreans should be viewed as an on-going process of dialogue having the following objectives:

1. Reaching a common understanding of the deal that includes each party's responsibilities;
2. Recording the detailed understandings; and,
3. Being prepared to modify the terms of the agreement should there be a change in circumstances.

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

One important recommendation is that any contract includes a termination clause, as the termination provisions would avoid risks for an Irish company, otherwise the Korean Commercial Arbitration bodies could specify the terms for termination, including compensation claims against the Irish company. Irish companies need to invest sufficient time in getting to know their Korean partner before any contracts are signed, as well as conducting thorough assessments in advance.

## Options for establishing a business in Korea

The vast majority of Irish companies enter Korea through an intermediary such as an agent, partner or joint venture. However, if you decide that you want to establish a business in Korea, there are four ways to do so:

A foreign company has to either

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

### 1. A subsidiary

A subsidiary established by a foreigner is considered to be a native corporation, since it is subject to the Foreign Investment Promotion Act and other commercial laws. Here, the definition of a foreigner is an individual with foreign citizenship, a corporation established under a foreign regulation, or an organisation executing Economic Development Cooperation tasks for a foreign government. A foreigner must invest more than 100,000,000 KRW (€72,000) in order to establish a domestic corporation.

The majority of companies are *chusik hoesa*, or stock companies. However, *yuhan hoesa*, or private companies, may also be suitable for foreigners if the number of shareholders is not expected to exceed 50. Domestic commercial laws apply to investments made through a company.

### 2. An individual entrepreneur

A foreigner investing more than 100,000,000 KRW (€72,000) as an individual entrepreneur is also acknowledged as a foreign investment, and is also subject to the Foreign Investment Promotion Act. Even though operating a business as an individual entrepreneur has the advantage of being a simpler operation, it could be difficult to obtain financing since a foreigner's credit rating is relatively low.

### 3. Branch

In order for a foreign company to carry out general business tasks, it has to set up a domestic branch, follow through with the branch-founding process, and obtain a registration from the Court. A branch is recognised as a permanent establishment since it operates a business activity that generates revenue within the country, and the revenue generated from operating a business within the country is subject to the same corporate tax applied to Korean corporations.

### 4. Liaison office

Unlike a branch, a liaison office is not permitted to perform a business activity. Since it fulfills non-business tasks for the head office, it is only required to obtain a unique business number and does not need a court registration.

The tasks performed by a liaison office are limited to preliminary and auxiliary works such as business-related contact with the head office, market research, research and development activities, quality assurance, advertising, data collection, etc. Since there is no source of domestic revenue, direct sales or maintaining a stock of products for the purpose of sale are not permitted.

For further details on incorporating in Korea, please access the Korean Trade Promotion Agency (KOTRA) website at <http://english.kotra.or.kr/>

## Taxes

Corporate and personal income taxes in Korea are administered by the National Tax Service. Ireland has a double taxation agreement with Korea, and the tax year runs from Jan 1st to December 31st.

Resident corporations and branches of foreign corporations are subject to corporate tax, which varies from 10 per cent to 16 per cent depending upon the size of the company's taxable income. A comprehensive and in-depth compilation on corporation taxes can be found on the website from Invest Korea, [www.investkorea.org](http://www.investkorea.org), under the section "Doing business/taxation".

### Value Added Tax (VAT)

All corporations and individuals that supply goods or services, regardless of whether for profit or not, are subject to 10 per cent VAT. VAT is levied on supplies of goods and services, and on the import of goods into the country. There is a zero tax rate for exporting goods, providing foreign services, shipbuilding, flight services for foreign destinations, or other goods which provide foreign currencies.

There is a VAT exemption for the following goods and services:

- Basic living necessities such as food and services
- National welfare services such as medical and education
- Goods and services related to culture such as books, culture, sports
- Services producing value-added possibilities such as finance, insurance services
- Goods and services provided by public organisations such as religious societies, charities, etc.
- Land

### Personal Income Tax rates (PIT)

The following tax table summarises the basic tax rates applicable for income received from 1 January 2014 and thereafter.

Up to 12 Million Won (€8,640)	6.6 per cent*
12 Million – 46 Million Won (€8,640-€33,120)	16.5 per cent*
46 Million – 88 Million Won (€33,120-€63,360)	26.4 per cent*
88 Million – 150 Million Won (€63,360-€108,000)	38.5 per cent*
Over 150 Million Won (over €108,000)	41.8 per cent*

\*Rates include local income tax surcharge equal to 10 per cent of national tax liability.

The local income tax surcharge is assessed at a rate of 10 per cent of income tax liability, and is payable to the city or province that is the domicile of the taxpayer.

Further information on the country's taxation system is available from the National Tax Service <http://www.nts.go.kr/eng/>

## Employing staff in Korea

Given the very different business culture plus associated language difficulties, it is advised that you put into place someone from your own business to do the recruitment, and use a local recruitment agency to help you do so.

The unemployment rate in Korea is 3.9 per cent and South Korea's labour shortage has grown well beyond the sectors already struggling to fill positions, such as manufacturers of wood, metal and

plastic products, nursing and restaurant/service staff. The shortage is more serious with labour-intensive industries such as clothing, small and medium industries and the construction industry.

Korea's aging population and low birthrate means that the country's working-age population is projected to start declining in 2017, which implies there will be stiff competition to hire the best workers.

Working and managing staff in Korea can be very challenging, based on the very rigid work culture and the general lack of empowerment culture for employees. Because Korean workers expect to be told what to do, using their initiative is a foreign concept to them, which can lead to frustration on the part of a non-Korean manager. Therefore, all job descriptions would have to be exceptionally clear and outline not only what is expected, but also how the employee should respond to challenges and problems.

### **Websites to help you**

A website has been developed by the Korean Government to help facilitate Koreans finding jobs internationally, and organisations looking to hire Korean staff for their company.

<http://www.contactkorea.go.kr/ko/intro/aboutUs.do?paramVo.boardType=19&paramVo.language=1>

The Ministry of Employment and Labour is responsible for establishing and coordinating employment and labour policies, employment insurance, vocational skills development training, equal employment, work-family balance, labour standards, workers' welfare, industrial relations adjustment, cooperation between labour and management, occupational safety and health, industrial accident compensation insurance, and other affairs. <http://www.moel.go.kr/english/moel/moelObjPurpose.jsp>

- Korean Employment Information Service (KEIS) is a specialised employment information agency committed to analysing employment trends and providing vocational guidance. <http://www.keis.or.kr/>
- Work-Net is an online recruiting and employment portal site for Korea. <http://www.work.go.kr/>

## Social Insurance costs

Before you employ any staff in Korea, speak to a compensation and remuneration expert. In summary, there are four types of social security contributions payable by both the employer and the employee in Korea, based on the gross income of an employee:

- National pension
- Health insurance
- Unemployment insurance
- Workers accident compensation insurance

It is important to note that South Korea's National Health Insurance programme is a compulsory social insurance system and can out very costly as by law, any company that employs more than five foreign workers must enrol their foreign workers in a health insurance programme. The company is expected to pay 50 percent of their employees' health insurance premiums each month, and employees the other half.



### **NEED TO KNOW- Working hours and productivity**

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

While the Koreans have some of the longest working hours according to the OECD, they have the lowest productivity. The business culture requires that if the superiors don't leave then neither can the employees, which can lead to exhaustion and burnout. Be aware of this if you do employ Koreans, and formulate a strategy to help to reduce this.

Source: McKinsey Korea report April 2013



## 6. Growth Sectors

**“South Korea’s economy became one of the most diversified and technologically advanced in the world in the last 50 years. Like in most developed countries, services account for the highest percentage of GDP (around 57 per cent of GDP). Within services, the most important ones are public administration (around 5.8 per cent of GDP); education (5.3 per cent of GDP); information and communication (5 per cent of GDP); and business activities (4.6 per cent of GDP). A strong manufacturing industry which has turned South Korea into a major exporter accounts for 32 per cent of GDP.”**

**Source: Trading Economics, 2014**

### Introduction

The Korean economy is heavily weighted towards international trade, which accounts for 90 per cent of its GDP. As Korea continues to move toward more technology-intensive industries, Irish companies will find market opportunities in leading industries such as financial services and business process services, industrial engineering and electronics, lifesciences (e.g. pharma services, healthcare, medical devices & diagnostics), green technology, cleantech and renewable energy, information and communications technology as well as E-learning and education services.

The elimination of trade barriers between the EU and Korea in 2011 was a significant step. In addition to eliminating duties on nearly all trade in goods, the agreement addresses non-tariff barriers to trade. It also includes provisions on issues ranging from services and investments, competition, Government procurement, intellectual property rights, and transparency in regulation to sustainable development.

The following sectors have a myriad of opportunities for Irish exporters:

1. Healthcare & Lifesciences
2. Environmental Technologies & Renewable Energy
3. Industrial Electronics
4. Information, Communications & Digital Technology
5. Education & Online Training
6. Additional sectoral opportunities (Financial Services, BPO, Construction, Engineering & Agri-machinery)

### Healthcare & Lifesciences

#### Healthcare

Statistics Korea states that 12 per cent of the country's population were aged 65 or older in 2013, and it expects that percentage to further increase to 24.3 per cent by 2030 and 32.3 per cent by 2040, respectively.

Over the last decade, due partly to the ageing society trend, the Korean healthcare market (including medical devices, health services etc.) has been growing in response to increasing demand, such as increases in chronic illnesses and the resulting increase in healthcare expenditure. This is likely to continue with the healthcare market expecting to grow with a CAGR in the range of 12 to 15 per cent by 2020.

Given these demographic trends, more “silver” industries (those industries targeting senior citizens) will emerge to meet the new demands in healthcare and related equipment. For example, as the

number of senior citizens lacking mobility increases, extended care facilities and remote monitoring/diagnosis devices are expected to do especially well. Opportunities for Irish exporters will increase in this area as the Government boosts investment to support technology-based manufacturing and services to meet these needs.

Like most OECD countries, the Korean Government provides public health services; however, unusually, private providers are responsible for the provision of the majority of medical services in Korea. Private hospitals and clinics comprise over 90 per cent of the total number of medical institutions and operate nearly 92 per cent of the total number of beds. Additionally, over 90 per cent of specialist doctors are employed in the private sector.

Total health expenditure in 2010 was €57.62 billion, and the share of public spending on total health expenditure represents was 58.2 per cent, which is well below the OECD average of 72.2 per cent, so Korea has some way to go in catching up. Given all of these trends, Irish companies with expertise and/or innovative products in these areas will find significant growth opportunities here.

## **Medical Devices & Diagnostics**

Korea's rapid shift to an ageing society has been creating strong demand for medical care, supported by the national health insurance scheme. In line with these trends, the Korean diagnostic test market has been growing by 13 per cent since 2005, presenting opportunities for cardio-medical devices and sub-supplies.

The Korean medical devices sector is still heavily dependent on imported medical devices, mainly due to insufficient R&D investment by local manufacturers, so the Korean Government is pursuing a plan to become one of the top 7 countries in the medical device sector by 2020. Its strategies include investment in research and development (R&D) to successfully penetrate the market; support for the entry of medical device suppliers in the domestic market by securing reliability and streamlining regulations; and support for penetration into overseas value-added markets.

To encourage product development and local market entry, the Government is planning to construct an open and innovative ecosystem to connect companies and hospitals throughout the R&D process, and a system to evaluate the reliability of locally-made products, where high-tech medical complexes, hospitals, and certification agencies are all linked. Irish companies who can provide either products or services to support this initiative will benefit enormously from being involved.

In order to foster a more competitive healthcare industry, Korean companies will find it necessary to take on strategic alliances or partnerships so there are opportunities for Irish companies to establish ventures here to take advantage of this process.

## **Pharma Services**

Korea is the fourth-largest pharmaceutical market in Asia, following Japan, China and India. Whereas most new drugs are imported from multinational companies, the local pharmaceutical industry consists of a number of large domestic generics players who are now turning to seek export-oriented business under new changes and challenges.

The Korean Government announced in 2012 the reduction of the Maximum Reimbursement Price (MRP) for pharmaceutical and medical device products - both local and imported - and simultaneously also reinforced the requirement of clinical research for generic drugs. This move negatively affected the P&L of Korean pharmaceutical companies which has relied heavily on the local market and the benefits of the national health insurance scheme and therefore, they are looking for export markets with generic or modified generic drugs.

Both the Korean Government and industry have positioned "Biosimilars" as one of the new growth initiatives for the economy and they are aiming for global leadership – the goal being achievement of 22 per cent of the world market share by 2020. Biosimilars are not only a key area of investment for the Government, similarly private companies are also investing huge sums to increase their R&D and manufacturing capacities.

The Korean pharma industry's shift to export markets means it has a need to accelerate to meet global standards in terms of product R&D, production facilities and process management – all areas where Irish companies can add value to them. In addition, the investment in Biosimilars also provides Irish companies with significant opportunities to add value to the manufacturing and research and development processes.

## **Health IT**

The ubiquitous health (u-health) industry (as Health IT is referred to in Korea) is a new industry in which communications technology and healthcare services meet to deliver illness prevention, diagnosis, treatment and follow-up from anywhere, at any time. In ubiquitous computing, individuals are surrounded by networked, co-operating computers, some of them worn or carried, some of them encountered on the move, used in an intuitive, hardly noticeable way. U-health implies that devices will be connected, and embedded in such a way that the connectivity is unobtrusive and always available, and that the information will be personalised to the user, available and processed in real-time.

Fusing technologies such as biotechnology and nanotechnology with state-of-the-art medical devices and IT applications, the embryonic u-healthcare industry is of particular relevance in Korea with its aging population and is also attracting keen interest from observers around the world. The Korean Government has established four implementation and growth strategies which include:

- Growth by market expansion in the ubiquitous medical (u-Medical) area by securing safety and reliability of remote medical diagnosis systems and treatment services through establishment of model Smartcare projects, deregulation of relevant regulations and increasing R&D investment in core u-medical technologies.
- Growth in the ubiquitous silver (u-silver) market by promoting the benefits of u-silver products and test services through deregulations and supporting relevant R&D activities.
- Creation of a ubiquitous wellness (u-wellness) market by developing business models for wellness electronic business (e-biz) project, supporting a u-wellness forum which is a private sector consultation body, and investing in u-wellness software commercialisation.
- Standardisation of ubiquitous health (u-health) technologies and establishment of certification systems.

Korea has been conducting several u-health pilot projects since the 1990s for technical verification. The u-health service area has been expanded to include remote health monitoring and management. Korea is a leader in the Picture Archiving Communications System (PACS), Electronic Health Record (EHR) systems, and Computerised Physician Order Entry (CPOE). According to a recent industry news article, more than 80 per cent of hospitals use either Full or Partial PACS.

Although these systems are well in place at a desk-top level, the mobile use of these systems is still at the initial stages, thereby providing significant opportunities for Irish businesses with expertise in this arena.

## **Environmental Technologies & Renewable Energy**

Korea has virtually no native energy resources, and energy demand is skyrocketing thanks to growth in population and per capita income. It is the world's 10th largest consumer of energy and, while its energy requirements are growing for oil and gas, it is also focused on developing greater clean-source generation capacity, particularly for its energy-intensive industrial sector.

In 2009, Korea announced its "National Strategy for Green Growth" through to 2050, providing a blueprint for how to shift its economic structure away from energy-intensive industries that have driven the majority of the development paths in Asia. The target goal is to reduce greenhouse gas emissions by thirty per cent from a business-as-usual path by 2020, and increase the country's renewable energy to 11 per cent of total energy supplies by 2030.

With initial funding of €60 billion (representing two per cent of GDP), Korea's first five-year plan for Green Growth has successfully turned strategy into working operational policy initiatives toward achieving green growth and resource efficiency. The funding is to be spent mostly on such green objectives as fresh water security, waste conversion, energy-efficient buildings, greater use of renewable energy, and development of green vehicles. Korea's Government will continue making investments in innovative, low-carbon technologies for renewable energy, waste management, public transportation and construction, all areas of opportunity for Irish exporters.

## **Clean-Tech**

In 2010, the Korean environmental market was valued at an estimated €3.3 billion and continues to increase steadily, with annual growth rates of more than 10 per cent. Given the Government of Korea's continued commitment to improving the environment, this growth is expected to continue throughout the next decade. Green technology industries have recently been selected as one of the strategic national economic growth engines over the next decade by the Korean Government and thus will receive priority supports from the Government in the areas of research, technology development and commercialisation.

The Korean Government has committed to spending €55 billion to promote clean-tech growth during the next five years, roughly 2 per cent of GDP annually. At the same time, a number of new policies are being enacted to grow the domestic market, encourage investment, and promote the participation of foreign firms.

For example, the levels of pollution prevention technology and environmental restoration technology in Korea are still lagging behind those of more advanced nations and are thus considered to be good targets for future development. Consequently, market demand for pollution prevention and remediation solutions is forecast to increase over the next decade.

Government spending and policies will positively impact on demand and technology development, with subsidies and laws creating opportunities for both corporates and vendors. For Irish clean-tech companies, there are multiple opportunities in Korea as a source of both clean-tech innovation and demand.

Irish exporters who have an interest in and products for, important market sub-sectors such as water/waste-water treatment waste recycling, solid waste disposal, and air pollution control, will find areas for potential investment here.

The Korean environmental market is dominated by large local conglomerates including Samsung, Hyundai, Doosan, Kolon, Posco, and Daewoo. Although domestic technical capacity has improved over the past ten years, Korea still lacks some of the core technical expertise required to meet Government regulations. Therefore, Korean industry is continually looking overseas for the latest technology and, as a result, they often choose to form partnerships with foreign companies.

Currently, Japan is the primary source of imports, due to both its geographic proximity to Korea and the extensive commercial experience of Japanese companies in the market. The largest shares of the import market are held by companies from Japan and the United States, but European technology is often considered superior to that of the United States, however. Opportunities of relevance to the Irish clean-tech sector are in water and waste-water treatment and waste-to-energy sectors. Other areas of interest include biotech analytical systems, biomass heating solutions, as well as tidal energy solutions.

## **Renewable and Alternative Energy**

Given that Korea is one of the world's largest energy importers, as well as one of the fastest-growing greenhouse gas producers, the development of clean fuel and new/renewable energy is crucial to the country. The Ministry of Environment and energy-related Government agencies are striving to find a customised solution that will meet Korea's needs. Government initiatives to replace diesel-fuelled city buses and trucks with natural gas-fuelled models are currently underway. Commercial use of bio-diesel fuel was introduced in the market in 2007 and Government plans are in progress to raise the biodiesel content of diesel fuel by half a per cent each year.

The renewable and alternative energy sector is expected to present even more growth opportunities in the future. The Korean Government has pledged to raise the country's renewable energy rate to 11 per cent by 2030, nearly four times the current rate. In late 2010, the Government released a Renewable Energy Industry Development Strategy which involves an investment of €2.8 billion (20 per cent from the Government and the remainder from the private sector) until 2015, with an aim to become one of the global top five countries in the industry.

Priority areas for investment are solar (€1.4billion) and wind (€0.7 billion), together accounting for three-quarters of the total investments, followed by the fuel cell and bioenergy. The strategy also includes a plan to invest €10 billion by 2015 for strategic R&D and commercialisation of 10 original technologies, such as next-generation solar-cell and large offshore wind power.

A number of foreign companies are active in the Korean market, having established a subsidiary, licensed their technology, or partnered with a local representative. Irish companies in the fields of hydrogen/fuel cells, bioenergy, wind power (including offshore wind power), and solar PV, as well as waste recycling, contaminated soil and groundwater remediation, carbon capture and storage (CCS) will find significant opportunities in this marketplace.

## **Industrial Electronics & Semiconductors**

As digital IT devices become smarter and smarter, they are evolving and working toward being able to recognise, imitate, interpret and act as if they are human beings. With the expansion of smart IT devices, the market demand for analog semiconductors is rapidly growing.

Korea is one of the major smart IT device, high-end TV (Digital TV, Smart TV and other high-end flat screen TV), and automobile manufacturing countries. These industries lead Korean market demand for system semiconductors and analogue semiconductors.

### **Analogue Semiconductor opportunities**

- Cars
- Logic semiconductors for cars
- 32-byte Micro Controller Units (MCU)
- Tyre Pressure Monitoring Systems (TPMS)
- Sensors for light, sound, pressure and temperature

Eighty per cent of system semiconductor applications cover diverse wireless market demand for smart phones, tablet PCs, smart home appliances, automobiles, and aerospace, generating steady market growth. The market demand for system semiconductor major applications includes communications applications (smart phones and others) and data-processing applications (media tablets, solid state drives and others). There are tremendous opportunities for Irish companies as the mobile environment continues to evolve.

### **System Semiconductor opportunities**

- High-Definition Multimedia Interface (HDMI)
- Display Ports
- Mobile High-Definition Links (MHL)

## **Information, Communication & Digital Technologies**

Korea has one of the world's most active telecommunications and Information Technology markets, backed by strong support from the Government. It has the highest broadband penetration in the world with around 70 per cent of households and 84 per cent of the population linked via high-speed broadband connections. More than 70 per cent of local stock trading is done online and over 74 per cent of Korean broadband subscribers play online games.

The drive towards a 'new economy' has seen significant investments in Smart Infrastructure including Cloud Computing, Smart Grids and Smart Cities. The emergence of a National Strategy for Green IT

has seen Government promotion of new industry creation into 2018 such as 4G broadcasts and 3D and smart TV.

## **Mobile Media**

Korea continues to be a booming mobile market as it innovatively explores the options for value-added services. The market passed the 110 per cent penetration rate mark into 2013 with many individuals carrying at least one mobile phone. The Korean Government has set a goal to become the world's leading mobile powerhouse by 2015 by establishing a mobile industry ecosystem through early use of next-generation mobile markets, by securing core software and part technologies and the completion of 4G wireless networks.

Mobile Internet-related solutions, coupled with the explosive growth of smart phone and smart hand-held devices, will extend the market horizon for Irish application solution providers. Exploding data traffic stemming from the convergence of wireless and wired networks and the emergence of cloud computing and big data is leading to critical demand for efficient and optimised network operations. There are new market opportunities for SDN (Software Defined Network) solutions or SDN-enabled telecom system providers. Pay TV/IPTV/SmartTV are expected to present new opportunities in certain sectors including roaming, billing and converged network testing. Irish companies with products and/or services related to this sector would do well to investigate Korea as a potential export market.

The dramatic increase of smartphones and tablet PCs in Korea during recent years leaves no other choice for Korea but to implement these plans at a faster rate. This trend is increasing market demand for mobile games and SMS-based social games that can be played easily on a smartphone. This also offers further opportunities for Irish businesses with expertise in smartphone-based Government to Customer (G2C), Government to Business (G2B), Government to Government (G2G), Business to Business (B2B) and Business to Customer (B2C) services, as well as mobile cloud computing services for corporate and individual users. The overall mobile content market in Korea was expected to reach €2 billion in 2013.

## **Communication Collaboration Technologies**

Although Korea has become a leader in LTE (Long Term Evolution) 4G equipment, devices and mobile network deployment, it still requires completion of various initiatives such as the strategic development of core technologies, reinforcement of technology infrastructure, implementation of Giga-Korea plan for the post-4G era (development and deployment of gigabit wireless networks), completion of world-leading broadband wireless networks and development of 4G-based mobile services (such as high-speed and high-capacity multimedia such as 3D and HD video contents), and creating open mobile ecosystems for diverse mobile services, mobile cloud computing and inter-industry convergence services. Irish exporters with expertise in any of these areas will find a wealth of opportunities in the Korean marketplace.

Emotional ICT is defined as technology's ability to recognise, classify and respond to human emotions. Korea has proposed a vision – 'The world's emotional ICT industry leader by 2020' - encouraging collaboration between private and public sectors to develop emotional ICT-based mobile devices, PCs, TVs, entertainment, content, automobile, aviation, construction, building interiors, and medical therapy. This is expected to become a new industry that expands into every possible direction of convergence, bringing innovation to entire industries. Irish companies that can aid this objective will be well placed to benefit from such an initiative.

## **Education & Online Training**

### **Education Services**

Korea is a major player in the international education market. The total number of Koreans studying abroad (over 20 years old) was 239,210 in 2012 with total spending of €2.5 billion, and 57 per cent going to English-speaking countries. Higher education courses account for 70 per cent and EFL (English as Foreign Language) courses accounted for 30 per cent of the students. The number of Korean students going to Ireland was 611 including EFL courses, while as a contrast, over 12,580 went to the UK.

In terms of total scale, Korea has great potential as an emerging market for Irish Colleges and EFL schools seeking to recruit both third-level and English language students. The Ireland Korea Working Holiday Programme (WHP) is one in which a maximum of 400 authorisations is issued each year to citizens of each country aged 18-20. Working holiday-takers are entitled to travel, study, and take up employment for 12 months during this time. This type of initiative tends to have a positive effect in the growth of EFL courses and in the medium to long term, on higher-education courses as well.

Joint degree programmes at reputable Korean universities could increase exposure and could involve one or more years of study in Ireland. Language schools could grow their appeal by promoting enjoyable sporting and travel activities in conjunction with study. Vocational programmes, particularly those in globally recognised disciplines, could tap into the growing interest in professional and non-degree programmes - an important new emerging segment which Irish exporters should consider developing.

Increasing English language capability and greater understanding of, and engagement in, global business is now a core requirement to be competitive in the Korean job market, with wage growth in this sector much faster than in other management sectors. Korea's education sector will increasingly focus on producing graduates who are more internationally literate, which creates new delivery opportunities for Irish education providers.

### **e-Learning & Online Training**

Korea ranks 5<sup>th</sup> in terms of e-Learning readiness and with its excellent broadband infrastructure, courseware and content can be easily delivered over the Internet. The content and e-Learning solutions market and education through Broadcasting & IPTV delivery is forecast to continue to grow aggressively in future years.

The Korean Government's objective is to establish and promote "smart education" ecosystems based on broadband networks as well as 4G mobile devices such as smartphone and tablet PCs. This calls for various converged educational contents – realistic and sensory-based content using 3D, augmented reality and game technologies, all of which provide excellent growth opportunities for Irish exporters.

Corporate training content, encompassing IT & business skills courses and financial training are sub-sectors that are areas of significant opportunity for Irish exporters, particularly as Korea develops its international business expertise.

## **Additional Sectoral Opportunities**

### **Financial Services & Software**

The increasing internationalisation of Korea's investment industry is generating opportunities in the professional services sector.

Funds & investment management is a new prospective sector for Irish companies. Korea is also the third-largest fund market in Asia by total assets. Its listed-derivatives trading volume is the largest, accounting for 20 per cent of global trade and the Korean national pension fund is the fourth-largest worldwide. There is a general trend to diversify investment portfolios both in products and global market reach. Such market trends could offer a new opportunity for Irish fund and investment management companies dealing in assets and equities across the borders for operators, retailers of pensions, and commercial and sovereign funds.

As more Korean credit card companies enter into the market, there are new opportunities emerging in the financial services sector for Global Payments/DCC (Dynamic Currency Convergence), as well as mobile payment options, all of which Irish companies could look to take advantage.

# SELLING TO THE GOVERNMENT IN SOUTH KOREA



# 7. Selling to the Government in Korea

## Introduction

Selling to the Korean Government can be complicated and given the linguistic differences, possibly problematic. It definitely requires a Korean partner and possibly investment in bodies on the ground, as there are not only high customer service-level expectations, but also bureaucratic hurdles to be overcome. It is also important to ensure that any procurement projects are going to be profitable as the Koreans will always attempt to negotiate a hard bargain. However, the sector is potentially lucrative as the Government and local authorities spend approximately 10 per cent of GDP in Korea on public services and amenities.

## Government Procurement

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

Potential bidders must register with the PPS at least one business day before the date the bid begins. Foreign bidders are allowed to register with the PPS prior to entering into a contract.

Failure to register can mean your bid is rejected so it is a good idea to register promptly. Korea uses the Government e-Procurement System (GePS), which publishes details of all public procurement contracts. Bids can be viewed on the PPS website and are valid for at least 45 days after the bid opening date.

Making the e-procurement system the only channel for public notification has created a real-time procurement information centre, with information on more than 420,000 standardised products. All domestic bid notices and results, including price data, are now available online. The system allows cross-agency comparisons of procurement methods and prevents pre-arranged bidding based on corrupt relationships with potential suppliers.

Sharing information among Government agencies and various associations not only reduces the volume of paperwork submitted by bidders—for example, business licences, tax reports, and many other documents are no longer needed—it also significantly shortens payment periods. Vendors can request payment as soon as inventory inspection has been approved. Using the e-payment system, payments are usually wired to vendors' bank accounts within four hours. (By law, payment is required within 14 days.) The simplified process has helped triple the number of bidders.

The PPS website gives a comprehensive overview of the bids available as well as the processes required to be followed. <http://www.pps.go.kr/eng/index.do>

## Tips for exporters selling to Government

The Korean Government cannot be treated as a single organisation. One of the first things that a foreign company must learn is how Koreans act and how the Government of the Republic of Korea operates. For example, current Korean practices can be different from stated Korean policies.

This is also true of Korean ministries, agencies, and business organisations. Furthermore, the foreign businessperson must deal with several levels within each agency and each level will often interpret Government policies and regulations differently. These interpretations may differ from time to time, and each representative of each agency may try to achieve some renegotiation of portions of an already “signed-and-sealed” agreement. Each level of each agency also has a measure of veto power. Therefore, it is essential to work with a trusted Korean business partner who has experience of dealing with the Government, and knows how to surmount any potential difficulties.



### **NEED TO KNOW - CORRUPTION**

Public sector corruption, including bribery of public officials, remains a challenge for foreign firms operating in Korea. Korea has passed the Anti-Corruption Act, which requires high-ranking officials to disclose their assets, report gifts they receive from foreign entities and the Public Service Ethics Act 1993 Article 15 regulates gifts and hospitality offered to civil servants; however, the regulations are sometimes ignored. To learn more click [here](#).

# HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN SOUTH KOREA



## 8. How Enterprise Ireland can help you succeed in Korea

Enterprise Ireland is committed to assisting and supporting our clients in entering new markets and expanding in your current markets. Our team of experienced marketing professionals in our network of overseas offices are ready to help you. An overview of our service offering is listed below:

### Pre-Visit Support

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An 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

Services available include:

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

### International trade events programme

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

- Inward buyer 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](http://www.enterprise-ireland.com/events)

## International market contacts

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

## Additional supports

We can offer additional supports in the following areas:

- Access to translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation
- Access to mentors.

For further information on the services of Enterprise Ireland overseas, please go to <http://www.enterprise-ireland.com/en/Export-Assistance/>

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## Diplomatic and Consular Information for Korea

### Embassy of Ireland

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Tel. 82-2-721-7200  
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