



Doing business in South Korea

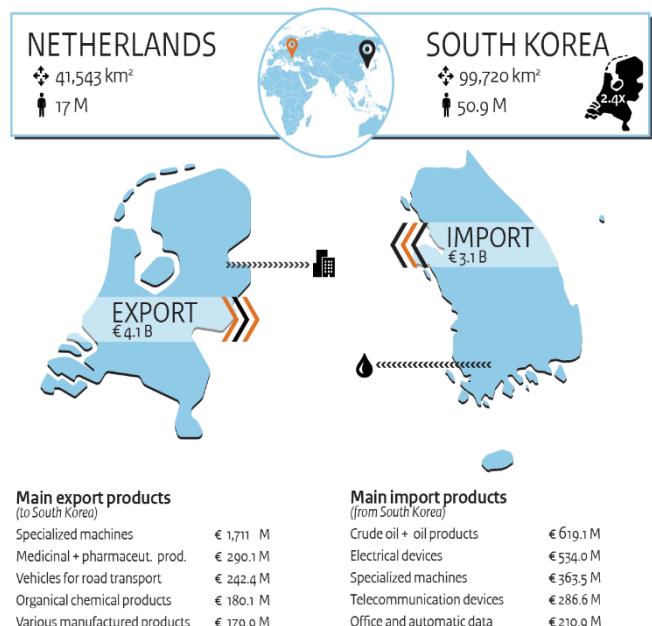
South Korea's unique geographic position, its developed economy, and hardworking population have made the country an attractive investment and trade destination. These are not the only reasons why Korea is the 2nd export market for the Netherlands in East Asia. The Dutch have built a reputation offering quality products and services that match Korean interests.

In the 1960s Korea adopted an outward-looking strategy to stimulate economic growth. During this period an emphasis was placed on labor-intensive manufacturing, allowing Korea to export an increasing amount of goods. In the 1980s more liberalization measures were taken, accelerating growth. Economic growth has since stabilized to around 3.0% (2017). The conglomerates (chaebols) account for nearly 62.3% (2016) of Korea's exports. To accommodate this, Korea concluded a large number of Free Trade Agreements (FTAs). The FTA with the European Union, in force since 2011, aims at relieving most import duties, which is to the benefit of Dutch companies as well.

A number of similarities between the Netherlands and Korea make both countries natural partners. Both countries dedicate a large share of GDP to R&D. Korea and the Netherlands are coastal states and strategically located hubs in their respective regions, resulting in maritime, transport and logistics cooperation. Korean companies built ships for the Dutch and the Dutch manufacture electronics used in Korean smartphones.

Trade in goods between the Netherlands and Korea has been steadily increasing over the past years, reaching 9.1 billion

euro in 2017. Of this, 5.2 billion euro is export from the Netherlands to Korea, the rest import from Korea by the Netherlands.



Trade figures for 2016. Source: Statistics Netherlands (CBS) 2017

Priority sectors

Agriculture and Horticulture

Agriculture

The Korean primary agriculture is relatively under-developed compared to other industries. Over the past 40 years nationwide investments have been concentrated on steel, shipping, automotive and IT industries and agriculture has remained behind in development. The average age of farmers is 64 and the farming area per farm is still very small: 1.54 ha. Since 2016 the Korean government is trying to develop its agriculture sector and the Netherlands is frequently mentioned as a model country. Recent trends in the development of Korean agriculture are 1) smart farming through agriculture-IT convergence 2) export-boosting support 3) biosecurity from animal diseases and 4) agrilogistics. In these areas companies from the Netherlands can find opportunities.

Food

Unlike agriculture, the processed food business in Korea is quite developed. Big conglomerates are doing business with processed food, and the efficiency and chain quality are very good. In spite of that, Koreans are increasingly looking for food from abroad to enjoy authentic western food with high quality. The imports of dairy products, meat, beer and confectionary products from the Netherlands are continuously growing.

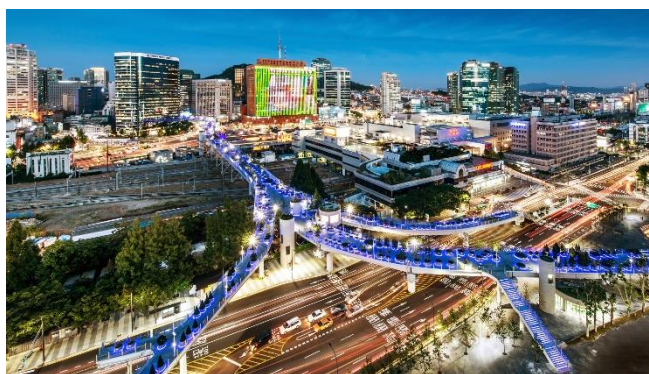
Vegetable

Vegetable farming is one of promising sectors in Korean horticulture. The climate is suitable for greenhouse horticulture and big markets such as Japan, China, Russia and South-east Asian countries are nearby. Korea has some success stories with vegetables; Korea is the largest exporter of paprika to Japan. Korean policy makers and researchers are trying to promote greenhouse high-added-value vegetable farming rather than traditional rice farming. However, the development is not making a fast progress due to lack of investment. There have been several attempts to start horticultural business by Korean conglomerates, however due to protests by Korean farmers, most of them failed. This also has disappointed Dutch greenhouse builders involved in those projects. Opportunities are still there but there are some challenges remaining.



Flower

The Korea flower industry is having hard time due to decreasing consumption of flowers. It is an unusual phenomenon because per capita income in Korea has increased. Expensive flower prices, inefficient distribution system and cultural aspect could be the reasons. The new anti-bribery law has made the situation even worse. Many farmers left the sector and the local production went down. However, this is giving opportunities to foreign flower exporters. The market still demands high-quality flowers and foreign flowers are replacing local flowers. The export of cut flowers from the Netherlands has increased 208 % over the last 3 years.



Creative Industries

The gaming industry has become an important sector in Korea with a total revenue of 8.8 billion euro in 2017. It is expected to grow with five percent annually in the next few years. Focus of the industry is shifting to mobile games and VR. It is targeting worldwide audiences and is partnering with global studios and publishers.

In Korea interest for architecture and design is growing. The trend is to improve the quality of life in the cities and embellish them with signature buildings. An increasing number of Dutch architects and designers is successful in Korea. There are also opportunities for luxury consumer products from the Netherlands, as European culture is increasingly popular.

Energy

As a production-focused economy Korea requires large amounts of energy. Korea imports most of its energy to fulfill this need. Power is mostly generated using coal, followed by nuclear energy. Hydro and other renewable energies so far represent a tiny portion of the total energy used within the country. Korea does not possess sufficient space and weather conditions favorable for large scale wind and solar energy. However, Korea is an increasingly attractive wind energy market as the country continues diversifying its energy mix.

In 2017, new Korean president Moon announced an ambitious energy transition, shifting from coal and nuclear to more LNG and renewables. Target for renewable energy is 20% of the energy mix by 2030. This offers business opportunities for Dutch companies, notably in LNG for shipping and offshore wind energy.

High-tech

High-tech and automotive are the largest earners for the manufacturing-focused Korean export. In these areas Korea belongs to the top of the world. These industries are supported by large government R&D spending. Refining existing products is a key focus for many Korean companies.

Technology

Korean export depends for a large part on the technological devices produced by the various conglomerates (chaebols). Smartphones, TVs, and semiconductors are all manufactured in large amounts by Korean companies. For these products the export has steadily increased over the past few years. Particularly, large amounts of smartphones are sold, with Korean conglomerates representing over 30% (2016) of the worldwide market share in this area. Korean-made TVs represent a significant market share worldwide, of over 32% (2016). In the future Korea will most likely continue to be one of the largest suppliers of these products, faced by increasing competition from Chinese companies.

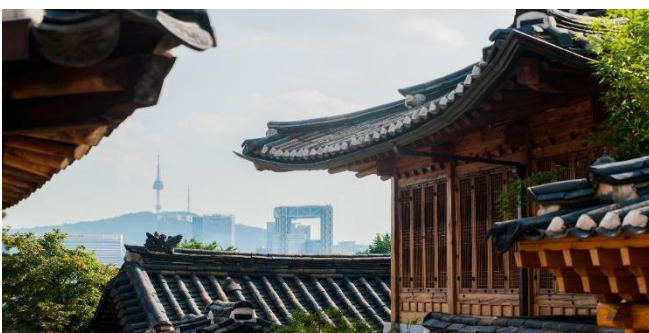
Automotive

The automotive sector is dominated by large Korean companies, although foreign cars are becoming increasingly popular. Car parts need to be imported from abroad since these are not locally manufactured. Export of Korean cars is also done on a large scale; Korean car manufacturers such as Hyundai and Kia export cars worldwide.

The popularity of electric vehicles in Korea is gradually increasing and provides business opportunities in the longer run. Smart cities and Smart mobility are key terms, where the integration of various technologies, communication, and infrastructure for example help to reduce car accidents and maximize comfort and efficiency.

5G Network

5G trials were completed by KT Corporation, the second largest Telecom operator in Korea, during the Pyeong Chang



Winter Olympics in February 2018. The Korean government, local Telecom companies such as SK Telecom, KT and LG U+ as well as broadband operator SK Broadband will launch commercial 5G services in 2019. The well-established fast internet connection brings opportunities for Dutch companies in the smart city and smart industry sector to test their technologies such as autonomous vehicle, ITS, IoT and AR/VR.

Logistics

The Korean government has made a massive investment in construction of infrastructures such as expressway, high speed railway (KTX), subways, seaports and airports over the past decades. Former President Roh Moo-hyun had focused on developing Korea into a logistics hub in North East Asia by



investing a large amount of money into Busan New Port, Gwangyang Container Terminal and Incheon International Airport. Thanks to joint efforts by the public and private firms, the Port of Busan is the 6th largest container port with a throughput of 18 million containers in 2016, while Incheon International Airport has been selected as the best international airport in the world for 10 years in a row.

The Korean government has been making efforts together with the Korean EPC contractors to advance into infrastructure projects (seaports) in the South Eastern countries, the Middle East, Africa and South America etc. over the decade. The Netherlands Embassy in Seoul has been recently seeking to find out business opportunities to jointly participate in infrastructure projects (seaports) in the third nations by formulating strategic business partnership agreements among interested companies between Korea and the Netherlands.

The high speed railroad system within Korea is a vast network linking major cities. These links allow for rapid transportation of people, goods and services throughout the country. Besides railroads there is a highway system supported by toll stations to allow for proper road maintenance.

Water

Delta and water technology

Korea is a country with a limited space of arable land and land suitable for living/building and is 'landlocked' by its northern border. The efficient usage of land and effective transportation by sea are essential. There are various ambitious projects and landmarks in Korea that show the strife for advanced delta and water technology to optimally use the land:

- The underwater tunnel near Busan linking the island of Geoje to the mainland.
- The Kyungin Arabetgil is the first inland waterway system to connect Incheon with Gimpo whose length is 18 kilometers. Korea Water Resources Corporation (K-Water) had invested a total of 2 billion USD.
- Incheon Bridge between Incheon and Songdo, which is one of the longest bridges in the world.
- A land reclamation project near Incheon which aims to create more space for factories and living areas. With the expansion of the Incheon harbor, new opportunities present itself with regards to delta and water technology.

Shipbuilding

Shipbuilding is a core sector. Conglomerates such as Hyundai and Samsung have ensured that Korea is heralded as the largest shipbuilder in the world. For Dutch companies this has resulted in projects such as the world's largest ship: the Prelude FLNG (Floating Liquefied Natural Gas facility) which was manufactured by Samsung Heavy Industries. The largest harbors in Korea are Busan in the southeast, followed by Incheon in the northwest near Seoul.



Source: Royal Dutch Shell

How can we support your business?

The Netherlands Embassy in Seoul offers active support to Dutch companies already present in Korea and Dutch companies interested in doing business in Korea:

- Providing information on sectors and potential business partners.

- Monitoring business opportunities.
- Facilitating trade missions and visiting programs to Korea.
- Organizing meetings with relevant authorities at the local, provincial or government level.
- Providing information on Korean rules and regulations.
- Trouble shooting and assistance in conflict situations.
- Advising on available instruments and services.

Do's and don'ts in Korea

Be prepared

For success, get to know the country and its culture, as well as the economic and political climate. Make good use of the knowledge and services available from branch organizations and government authorities. Talk to entrepreneurs and company representatives who have experience with doing business in Korea; for example, by contacting the Dutch Business Council Korea (DBCK).

Build relationships

Building and maintaining good relationships are essential for doing business in Korea. Initially, Koreans keep the conversation light, usually over dinner or drinks. It requires an **investment of time** that will pay off in the long run. Tip: a reliable local partner can speed up the preparatory work considerably.

Understand business etiquette

The Korean business culture is complex, which makes having knowledge of their business etiquette even more crucial than in other countries. Particular attention should be paid to the following:

- Be aware that age, seniority and authority matter; Hierarchy is central in Korean culture.
- Prepare some business cards; business cards are important and widely used. Hand business cards over with both hands with your name clearly readable to the other person.
- Call persons by their title and family name; this usually appears as the first part of one's full name (i.e. Mr. Park Minho, Secretary. Should be called Secretary Park).
- Find out whether your counterpart speaks English.
- Be modest and humble about your own achievements. Assertive self-selling is not appreciated in Korea.
- Show up exactly on the agreed time either for dinner or working meetings, especially at meetings with the authorities and introductory/first business meetings.
- Avoid conflict (loss of face).
- In Korea 'yes' means yes, but 'no' can be put in ways that non-Koreans can understand as 'maybe'. For example, 'I will think about it' means 'no'.

- Always bring presents with you, make sure to not open the presents you receive in front of the person who gave them.

Know your challenges

Korea has a lot to offer, but also has many challenges:

- Understand where to expect challenges: culture and language, laws and regulations, intellectual property rights, trade barriers, logistics, personnel and bureaucracy.
- Develop a solid business plan and do market research: set clear goals and ambitions, know your niche market and know about your competitors. Without this background knowledge, starting a successful business operation is most unlikely.
- Talk to peers and people who have experience in dealing with the business culture.

Act responsibly

The Netherlands' Government supports companies that embrace Corporate Social Responsibility (CSR). Such companies integrate social, environmental, and ethical concerns into their business operations and strategy, working closely with stakeholders.

Relevant trade fairs, facts & figures

Please refer to the latest overview of trade fairs and exhibitions in Korea to: www.tradefairdates.com.

Below is an overview of relevant facts & figures:

Official name	Republic of Korea
Government type	Unitary Presidential Constitutional Republic Head of State: President MOON Jae-in Head of Government: Prime Minister LEE Nak-yeon
Population	51.1 million (March 2018), Main cities: Seoul (capital, 9.5 million), Busan (3.5 million), Incheon (3.0 million), Daegu (2.5 million)
Area	100,295 km ² (2.4 times larger than the Netherlands), coastline 2,413 km
Time difference	+ 8 hrs. (NL winter time), + 7 hrs. (NL summer time)
Currency	Korean Won (KRW): EUR 1 ≈ KRW 1296 (Aug, 2018)
GDP growth rate	3.1% in 2017, 2.9.% (expected 2018), 3.0% (expected 2019) source: World Bank
FDI	2017: Registered FDI inward: €15bn, outward: €25bn source : OECD
Trade volume	2017: \$1,052bn (export: \$573.9bn, import \$478.1bn) source: Korean Ministry of Trade, Industry and Energy
Inflation	2.3 % (2017) source: World Bank
Global Competitiveness Index	Rank 26/138 (2017-2018) source: World Economic Forum
Ease of Doing Business	Rank 4/189 (2017) 5/189 (2016) source: World Bank
Starting a business	Rank 9/190 (2017) source: World Bank
Innovation Index	Rank 1/50 (2018) source : Bloomberg
Corruption Perceptions Index	2017: Rank 51/176 (Score 54/100) source: Transparency International
Memberships	APEC (1989), WTO (1995), OECD (1996), ASEM (2008)
Main trading partners/FTAs	China, EU, US, ASEAN, Japan. FTAs with among others EU, US, China
Major exports	Semiconductors, wireless telecommunications equipment, motor vehicles, auto parts, computers, display, home appliances, wire telecommunication equipment, steel, ships, petrochemical.
Major imports	Crude oil/petroleum products, natural gas, coal, steel, semiconductors, computers, wireless communication equipment, automobiles, fine chemicals, textile
Dutch-Korean trade	The Netherlands is the 2 nd EU trading partner for Korea (trade volume 2017: € 9.1bn (NL to KR: € 5.2bn, KR to NL € 3.9bn) source: Bank of Korea.
Dutch-Korean FDI	Aggregated Dutch FDI in Korea: €19bn, Aggregated Korean FDI in the Netherlands: €2bn (2016) source: De Nederlandsche Bank

More information/follow-up

If your company is in need of support, do not hesitate to visit the website of the Netherlands Enterprise Agency (RVO) at www.rvo.nl or contact the Embassy of the Kingdom of the Netherlands through seo-ea@minbuza.nl.

Relevant addresses

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Dutch Business Council Korea (DBCK)

www.dbckorea.com

Korea Chamber of Commerce & Industry (KCCI)

<http://english.korcham.net>

European Chamber of Commerce in Korea (ECCK):

www.ecck.eu

Korea-EU FTA

www.ec.europa.eu

Ministry of Trade, Industry, and Energy (MOTIE)

www.english.motie.go.kr

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