COUNTRY COMMERCIAL GUIDE

KOREA

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Chapter 1. Executive Summary

This Country Commercial Guide (CCG) presents a comprehensive look at the Republic of Korea's commercial environment through economic, political and market analysis. The CCGs were established by the recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various responding documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Korea remains an economic leader in East Asia, with sustained growth since the 1997-98 recession, and continued, although reduced, growth forecast for 2003. At the same time, however, some cautionary indications of possible problems ahead have begun to emerge. Last year, ROKG-approved foreign direct investment, at USD 9.1 billion, was at its lowest level since the 1997-98 economic crisis, and continued concerns over North Korea, the global economic slowdown, as well as Korea's own domestic economic woes, have caused many observers to scale back their previous predictions for Korea's economic performance in 2003, and beyond. In addition, following several years of relative peace, the possibility of labor unrest has increased, and some signs of tension over the future direction of corporate and financial reform have become evident. Finally, Korean consumer spending, an increasingly important pillar for Korea's economy, has rapidly declined, clouding the horizon even further. Nonetheless, with a per capita GDP of just over USD 10,000 in 2002, Korea has the capacity to purchase even more imported products.

Since the 1997-98 economic crisis, Korea has, indeed, implemented important structural reforms aimed at transforming its economy into a more transparent, less regulated and more market-driven business environment. However, some signs of equivocation in these reforms have emerged over the past few years, causing increased concern for investors and the U.S. government alike. Corruption, still a problem in Korea, increases the cost and difficulty of doing business for foreign and Korean firms alike. This issue has received substantial local press recently, and the Korean government is well aware of this problem and is trying to resolve it. Korea's GDP reached USD 477 billion in 2002, an increase of more than 6% from 2001. In 2002, its per capita GDP was USD 10,004, placing it in the middle rank of OECD countries and as number two in North East Asia, behind Japan. Korea's USD 124 billion in foreign exchange reserves (as of April 2003) placed it among the leaders in Asia, behind only China, Japan, and Taiwan, and ahead of Hong Kong.

Korea is the sixth largest U.S. export market, with purchases of U.S. products that exceed U.S. sales to China, France, Taiwan, the Netherlands, and Australia. It also is the fourth largest U.S. customer for agricultural product exports. This huge opportunity has not gone unnoticed by America's European and Asia-Pacific competitors, who are increasingly focusing their business efforts in Korea, as well. Korea's purchases of U.S. products totaled USD 22.6 billion in 2002, up 2% over the 2001 level of USD 22.2 billion, but still far below 2000, when they reached a record USD 27.8 billion. Korean demand for U.S. exports remained soft as a result of continued weak demand from Korea's electronic equipment (including IT) and power generation sectors for technology imports. (Although U.S. power equipment exports to Korea remained low in 2002, they are slated to pick-up sharply in 2003, following the late 2002 signing of a USD multi-billion contract between a U.S. supplier of nuclear power technology and a Korean power company.) Korea is also becoming an increasingly important market for U.S. services, with Korean service imports from the U.S. (according to the Bank of Korea) reaching USD 11.6 billion in 2001.

U.S. companies will find excellent markets for their goods and services across virtually every sector. The opportunities are described in greater detail in Chapter 5 (Best Prospects) of this year's CCG. For example, as Korea rushes to catch up on the development of its infrastructure over the next ten years, an estimated 159 billion dollars in project management and general construction opportunities await foreign businesses as Korea struggles to bring its infrastructure up to par with its goal of being a logistics hub of North East Asia. The Korean government has begun a comprehensive power sector expansion program designed to insure that Korea's power generation capacity keeps up with its energy demand. This ambitious investment will include USD 30 billion for an additional 86 power plants through 2015. Korea's public and private expenditures for environmental improvement are forecast to reach USD 13 billion by 2005, given its need for technologically advanced products and expertise required to meet its increasingly strict regulatory requirements. Korea has become one of the world leaders in information technology (IT), and boasts one of the highest per capita usage rates for the Internet and mobile telephony. It also has become the world leader in broadband Internet access. This is reflected in its very large overall Korean market for IT, which is forecast to reach an estimated USD 126 billion in 2003, and to grow by 8-10% annually over the next few years.

Other Korean business trends also offer very promising opportunities for U.S. exporters. The Korean cosmetics market jumped 23% in 2002, reaching USD 3.6 billion, while cosmetic imports rose 37%, to a record USD 520.9 million. Korea's cosmetic demand is forecast to reach an estimated USD 4.5 billion in 2003, while its franchising market, one of the most dynamic in Asia, will reach USD 62 billion. Korea is experiencing an explosive growth in E-Commerce transactions, with 2002 online mall transactions totaling USD 4.8 billion, an increase of more than 80% over 2001. The future looks even brighter since Korea currently has 26 million Internet subscribers in a population of 47 million. Korea is one of Asia's largest markets for medical devices and pharmaceuticals, with market demand for medical devices at USD 1.6 billion in 2002, while the market for pharmaceuticals in Korea reached USD 4.2. Opportunities for foreign suppliers are good since Korea depends on imports for most advanced medical equipment. U.S. retail operations are expanding their presence in Korea, particularly in the large, mass-retailing segments and in direct marketing. At the same time, new high-end apparel shops, up-scale restaurants and foreign coffee shops continue to open their doors throughout the country.

Over the past few years, senior Korean officials have stressed the importance of foreign participation in their economy, and this view generally has resulted in a public that has grown steadily more supportive of foreign investment. Nonetheless, year-on-year, foreign direct investment (approval-basis) fell 19% in 2002, following an even sharper decline of 28% in 2001. FDI is down for a number of reasons, including the perception that many of the best "bargains" already have been purchased, greater interest on the part of foreign investors in other countries, especially China (the recent concerns over SARS, notwithstanding, which appear to be short-term in duration), and heightened concerns over possible labor issues. In 2002, as noted earlier, FDI on an approval basis totaled USD 9.1 billion. Inbound foreign direct investment (approval basis) from the U.S. led, with USD 4.5 billion, followed by the EU (USD 1.7 billion) and Japan (USD 1.4 billion). While the FDI numbers are down, attracting additional FDI is a top priority of President Roh's administration. The presence of foreign investment in the Korean economy remains important and foreign portfolio investors now own about one-third of the market capitalization of the Korean Stock Exchange (KSE).

While the Korean business environment has seen many positive changes over the past few years, Korea's reputation as a challenging place in which to do business has only recently begun to fade. Many problems with protectionism, bureaucratic hurdles and persistent non-tariff barriers remain, particularly for U.S. exporters of medical devices and pharmaceuticals, automobiles, and telecommunications equipment and services. Although many of the long-standing standards issues for imported autos are being resolved bilaterally or through international harmonization, U.S. autos still face the long-term challenge of overcoming negative consumer perception of imported cars. As Korea grapples with a solution to the large deficit in its national health insurance system and struggles to cut costs, U.S. suppliers are facing new and increasingly complex regulatory and bureaucratic barriers. Despite Korea's standing as one of the world's most dynamic IT markets, U.S. suppliers of IT equipment, software, and services face some foreign investment restrictions and governmental interference in the selection of standards and equipment for major projects. Korea's commitment to intellectual property protection has strengthened somewhat in recent years, however U.S. firms must still maintain vigilance to ensure that their intellectual property rights are not violated. Concerns over implementation of Korean government food labeling requirements, safety assessments and environmental requirements related to GMO products, which could negatively affect hundreds of millions in export sales of U.S. processed food products to Korea, have emerged. For example, in March 2003, Korea notified the WTO of its intention to tighten its current inspection regime in order to focus additional scrutiny on imported food products, including fresh produce.

While being cognizant of these concerns, many business people also realize that Korea has delivered sustained economic growth since the 1997-98 economic crisis. The new Korean government of President Roh Moo-hyun has reiterated Korea's commitment to continue following through with the fundamental and unprecedented changes begun by the previous administration of President Kim Dae-jung, which helped bring about an improved business climate, providing good opportunities for U.S. business. While the pace of Korea's economic reforms shows some signs of decelerating, the ROKG's stated commitment to continuing along the path of implementing structural reforms aimed at transforming the Korean economy into a more transparent, less regulated, and more market-driven business environment remains critical. In this context, potential foreign investors and exporters will need to see more frequent and more numerous examples of successes in the Korean market in order to reassure them of this market's potential. As the world's 12th largest economy (according to the World Bank and the UN), Korea is a hugely important market offering across-the-board export opportunities that merit even more active consideration by U.S. exporters. Many U.S. companies appreciate this and also realize that in order to be competitive in all of North East Asia, the strategic importance of being active in this key market continues to be vital.

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Chapter 2. Economic Trends and Outlook

Major Trends and Outlook

Shrugging off a global economic slowdown, Korea's economy grew 6.3% in 2002 but will be lucky to turn a 3% performance in 2003. Although export performance has been brisk, Korea's 2003 prospects have deteriorated due to faltering consumer demand following a rapid rise in consumer indebtedness in 2001 and 2002, a continued slump in local and foreign investment, shocks from an accounting scandal at SK Global, and the uncertain prospects for global economic growth. The Bank of Korea's current estimate for 2003 GDP growth is 4.1% although some pessimists have suggested that growth rates as low as 2% for the year are possible. Nonetheless, prospects are likely for gradual improvement in the second half of 2003.

In late 2002 and early 2003, the economy was set back by uncertainties related to the increasingly volatile situation with North Korea and worries about its nuclear weapons program, high oil prices, and fears that a war with Iraq could derail the global economy's slow recovery. Exports have been strong, particularly as Korean firms move their production lines overseas, principally to China. In January - April 2003, Korea's manufactured exports jumped 20.5%, led by its heavy industries. However, consumer demand rose only 0.4% year-on-year in Q1 2003.

Korean credit card users, who were the mainstay of the 2002 economy, are mired in $9.5 billion of debt, while the list of non-performing debtors has risen to over 3 million in this nation of 46 million people.

Inflation remains low and under control. The CPI dropped to 2.8% year-on-year growth at the end of 2002 from the 4.1% rate recorded in 2001. Analysts predict an inflation rate for 2003 of about 3.8%.

Foreign direct investment (FDI) commitments have continued their steady decline since 1999. The figures for 1999-2002 are as follows: $15.5 billion, 1999; $15.2 billion, 2000; $11.3 billion, 2001; $9.1 billion, 2002. FDI declined 48.4% in Q1 2003 after jumping 39.2% year-on-year In Q1 2002. U.S. and EU investors reduced new investments in Q1 2003 by 71.7% and 24.0%, respectively. The facilities investment ratio, the proportion of facilities investment to the nation's gross domestic product (GDP), fell to a four-year low of 10.4 percent in the first quarter of the year, according to the Bank of Korea (BOK). The central bank said the Q1 2003 ratio is the lowest since the second quarter of 1999.

As of March 2003, foreign portfolio investors owned 35.1% of the market capitalization of the Korean Stock Exchange (KSE) (KRW 118.7 trillion), a slight drop from 36.5% in 2001.

Continued high indebtedness among Korean companies and weak profit performance, often exacerbated by chronic over-capacity and over-staffing (partly due to Korea's inflexible labor laws), remain important problems. Many analysts have commented that, at any given time, 25-30% of Korean firms are unable to meet their interest payments from operating profits, rendering them technically bankrupt. The bankruptcy of Jinro, a successful but highly indebted Soju (Korean distilled rice wine) maker, in the spring of

2003 exemplifies this problem. A Korean court placed Jinro in receivership on May 14, 2003 after it missed a $58 million debt payment on $1.54 billion outstanding debt on April 1, the day after a 5-year moratorium on payments expired.

Markets were on edge starting from autumn 2002. Following the arrest of SK Group Chairman Chey Tae-won in November 2002, the 2003 announcement that SK Global, SK Group's trading arm, had overstated profits to the tune of KRW 1.6 trillion and had a negative net worth of KRW4.38 trillion at the end of 2002 upset investors. The SK Global scandals made many market participants painfully aware that much reform still remains to be finished in Korean conglomerate corporate governance and transparency. In June 2003, Korean creditor banks, led by Hana Bank, were working out a debt-equity swap deal to put SK Global on sounder financial footing, which some critics contended would just postpone the firm's inevitable demise. Some foreign creditor banks, including U.S. banks, were questioning whether to continue lending to Korean corporate customers.

On the bright side, as the attractions of lending to large Korean corporations diminishes, small and medium sized enterprises are enjoying lower rates and better terms and access to loans due to increased competition in the banking sector. Also, corporate debt has increased only slightly since the 1997 economic crisis, while corporate debt-GDP ratios have decreased. Questions remain over how many more stricken companies have yet to emerge and whether corporations can soon increase profitability given the current economic slowdown.

President Roh Moo-hyun has promised to continue the reform policies of former President Kim Dae-jung's government, and to further relax business regulations and to restructure the tax and financial systems. President Roh is committed to creating a business-friendly environment by eliminating corporate and government corruption and to globalize Korea's business environment with the aim of making the country into the "business hub of Northeast Asia." It remains to be seen whether this lofty goal can become more than slogan and whether significant numbers of foreign firms will decide to base their East Asia operations in Seoul. Observers have suggested that the Korean public is not yet prepared for the sweeping changes to the economy and to Korea's legal, labor, and education systems that the "hub" idea would entail.

Wide-ranging reforms undertaken during President Kim's administration have accelerated the evolution of Korea's financial and corporate sectors away from the previous state-led economic model toward a more free-market model, but the Korean government's continued direct or indirect involvement in the economy, particularly its continued ownership of most of Korea's commercial banks, often has conflicted with its goal of pushing toward a market economy.

In 2002, the Korean government announced an ambitious phased plan to privatize the banks under its control by 2005. It got a good start on its promise, selling Seoul Bank to Hana Bank late in 2002 and making final preparations to sell Chohung Bank to Shinhan Bank by mid-summer 2003. It also has made progress on its promise to privatize dozens of state-owned enterprises. For instance, the government sold all its remaining shares of Korea Telecom (KT) in May 2002. KT had been a state-owned and operated monopoly and remains the largest and most powerful telecom firm in Korea. In finishing the sale of its KT holdings (49% of which were sold to foreigners), the government reassured investors and analysts of its commitment to denationalizing key industries and its administrative capacity to get it done. Like other governments that have spun off state-owned industries, Korean officials are having a hard time letting go and giving up their control, but on the whole they seem committed to stepping back and using regulatory oversight (rather than bureaucratic machinations) to moderate industry developments.

Korea possibly is the world's most "wired" economy. Certainly it is difficult to think of another society where Internet or cell phone usage is higher than in Korea. With 26 million Internet users in March 2003, out of a population of 47 million, Korea has the world's highest broadband Internet usage rate, as well as the highest per-capita usage rates for wireless telephones. Some 65% of retail stock transactions in Korea occur over the Internet. As of June 2003, there were more than 33 million mobile phone subscribers, which accounts for nearly 70% of the population. Despite the global slowdown and the burst of the tech bubble in 2000, the Korea IT sector has performed relatively stronger than its regional partners thanks to robust domestic demand. The number of homes connected to the Internet via broadband technology has nearly doubled since 2001, and on a smaller scale, the demand for wireless technology components continues to rise. These developments have opened up opportunities to a variety of new markets that focus on information communication services via the Internet and wireless content platforms.

Long-term predictions for 2003 indicated that the Korean won may trade a range centering around a midpoint of 1200 KRW/dollar. By the end of 2002, the currency strengthened to 1251 won/dollar from 1291 won/dollar in 2001. The won also trades in a range around ten won to one Japanese yen.

Manufacturing grew 6.3% in 2002 compared with 2.1% in 2001. In Q1 2003, the year-on-year manufacturing growth rate was 5.2%. The lingering economic slowdown has slowed growth across the market, and in some cases, sectors have been contracted. As of the first half of 2003, transportation, communication, shipbuilding, autos, and construction were the major industries. Social services and light industry suffered declines during the same period.

The unemployment rate was 3.1% at the end of 2002, down from 3.8% a year earlier, but rose again to 3.3% in April 2003. Compensation levels and private consumption have tapered off in recent months, and unemployment rates still exceed the 2.6% level of 1997. Many workers permanently lost their jobs in 1997-98 and were replaced by part-time, contract, and temporary workers.

The number of newly established firms has fluctuated somewhat in 2002 and the first half of 2003, ranging from 3,647 new firms in May 2002 to 2,684 firms for May 2003. For the same period, the total number of firms declaring bankruptcy was nearly 2,000 while newly established firms numbered close to 40,000. Given the much higher rate of firm bankruptcy in Western economies, many observers agree that Korea's bankruptcy rate does not accurately reflect the actual number of non-viable firms.

Despite the strong rebound in 2001, Korea's financial and banking industries have fallen hard due to the prolonged economic slump and mounting credit card defaults. Net profits for domestic banks have fallen 80% year-on-year in the first quarter of 2003. The return on assets however climbed 0.67% in 2002, as compared to the 1.3% drop in 1997.

Construction grew 9.5% in the final three months of 2001, nearly maintained that pace in the first quarter of 2002 (8.9%), and recorded a 3.2% growth rate for the year. For the first quarter of 2003 as well, construction output mirrored previous years by holding steady at 8.8% thanks to an increase in non-residential building construction

Combined output from the agriculture, forestry, and fisheries sector declined by 4.1% in 2002. In Q1 2003, these industries rebounded strongly and posted a 4.8% increase. Output from mining has decreased 2.1% in Q1 2003 after climbing 3.9% in 2002. These two sectors comprised for less than 5% of Korea's GDP in 2002.

Investment

Investment in 2002 increased over a variety of subsectors that had suffered declines in 2001. While facilities investments rose only 1.6% for 2002, domestic and import machinery orders climbed 21.0% and 17.9%, respectively. In Q1 2003 though, facilities investment fell by 3.4% and domestic machinery orders declined by 18.2%. Import machinery orders have marched on and grew an impressive 47.5% in the same period. On the other hand, there has been a boom in Korean direct investment overseas, particularly to China. In 1999, Korean FDI to China stood at $481 million and by the end of 2002 it reached $2.7 billion. In Q1 2003, FDI to China reached $470 million, a year-on-year increase of 67%.

Consumption

Domestic consumption, which had been the engine of the new Korean economy, has cooled down considerably after posting growth rates of 6.7% in 2000, 4.2% in 2001, and 6.2% in 2002. In Q1 2003 though, overall consumption has fallen 1.3%, year-on-year, largely due to the 2.1% decline in private consumption for that period. The decline in overall consumption was mitigated by strong government consumption that recorded a 2.9% rise for 2002 and a 3.7% increase for Q1 2003. In January and February 2003, the consumer goods sales index rose by 2% year-on-year, but then decreased 2.4% in March. The consumer goods sales index for 2002 rose nearly 8% but the first half of 2003 has been lackluster though there are hopes that the second half will yield improved domestic conditions. No one expects a return of the heady growth rates seen in 2002, as the consumer credit industry is suffering from a hangover.

Exports

Korea's manufactured exports grew 8% in 2002 to $162.5 billion. Despite an initial dropoff in exports in Q1, the export sector regained strength in Q2 due to a surge in overseas demand for mobile phones, computers, and semiconductors and continued to gain momentum through Q1 2003. Korean exports climbed 20.5% year-on-year in January-April 2003. For the first time in five years, the market share of Korean exports bound for the U.S. dropped below 20%. China (including Hong Kong) now has overtaken the United States as Korea's leading export market.

Telecommunications equipment was the largest single Korean export category by value, accounting for $27.0 billion. Semiconductors remained important at $16.6 billion but fell 45.2% from 2000. Automobile exports rose to $13.3 billion in 2002, a 16.3% gain from a year earlier. Korean steel exports grew 2.8% to $10.3 billion, while shipping vessels rose 10.0% to $10.7 billion. Telecom, steel, autos, and shipbuilding posted solid gains in Q1 2003, while semiconductors continued to decline during that period.

Main Export Destinations by Proportion (% of Total)

	2001	2002	Q1 2003
USA	20.7%	20.2%	17.9%
Japan	11.0%	9.3%	9.3%
China	18.4%	20.9%	23.6%
Southeast Asia	21.1%	21.7%	20.8%

Main Exports (USD billions)

	2002	YoY Change	Q1 2003	YOY Change
Total Exports	162.5	8.0%	43.1	21.0%
Semiconductors	16.6	16.6%	4.1	9.7%
Telecom Equipment	27.0	22.9%	7.4	24.6%
Steel	10.3	2.8%	3.0	34.4%
Passenger Cars	13.3	16.3%	3.7	28.5%
Shipbuilding	10.7	10.0	2.8	20.4%

Source: The Bank of Korea

Imports

Korea's imports fell 12.1% in 2001 to USD 141.1 billion. As in 2000, raw materials made up the largest subsector at USD 71.9 billion, while capital and consumption goods imports totaled USD 52.5 billion and USD 16.6 billion respectively. In the first four months of 2002, total imports fell 6.3%, due largely to a drop in raw material and capital imports, however consumption goods imports rose an astounding 19.1% year-on-year during this period.

Korea was the U.S.' sixth-largest export market in 2001. Japan topped the list of exporters to Korea again in 2001 at USD 26.6 billion, but that figure represents a drop from 2000. Likewise, the U.S.' USD 22.2 billion in exports to Korea were 20% lower than a year earlier. Chinese imports rose 3.9% while Southeast Asian imports fell 11.1%.

The first four months of 2002 saw a decline of 6.3% in imports from Q1 2001. U.S. exports to Korea fell again during this period, as did Japanese exports, while Chinese exports rose 24.5% year-on-year, positioning China for substantial 2002 increases.

Main Import Origins by Proportion (% of Total)

Korea's imports rose 7.8% in 2002 to $152.1 billion. As in 2001, raw materials made up the largest subsector at $73.9 billion, while capital and consumption goods imports totaled $58.0 billion and $20.3 billion respectively. In the first four months of 2003, total imports dropped to 27.5%, due to a deceleration in the rate of growth of capital and consumption goods imports that resulted from stabilized oil prices and sluggish domestic demand.

Korea was the sixth-largest importer of U.S. goods in 2002. Japan topped the list of exporters to Korea again in 2002 at $29.9 billion, a 12.4% increase over 2001. Likewise, Korea's imports from the U.S. of $23.0 billion increased moderately from last year's import value ($22.4 billion). Chinese imports rose by an astounding 30.8% while Southeast Asian imports increased slightly to 5.3%.

The first four months of 2003 saw a year-on-year increase of 27.4% in Korea's imports from Q1 2002. While Korean exports from its major trading partners all rose during this period, imports from China rose 60.8% year-on-year, positioning China to experience substantial 2003 increases.

	2001	2002	Q1 2003
USA	14.7%	15.1%	14.2%
Japan	17.5%	19.6%	19.2%
China	8.7%	11.4%	11.0%
Southeast Asia	14.1%	15.3%	15.5%

Korean imports for calendar year 2001 and first four months 2002 with year-on-year percentage change, CIF basis ($billions)

	2002	Change	Q1 2003	Change
Total Imports	152.1	7.8%	44.2	30.9%
Crude Petroleum	19.2	-10.1%	6.5	50.7%
Semiconductors & Parts	17.5	12.4%	5.2	40.4%
Machinery & Equipment	18.0	17.9%	5.3	47.5%
Food grain	2.7	5.4%	0.7	9.5%
Non-durable consumer	4.1	33.0%	1.0	26.1%

Source: The Bank of Korea

Inflation

Korean price inflation fell in 2002. The consumer price index grew only 2.8% while producer prices increased by 1.7%. Inflation forecasts for 2003 average 3.8%.

Prices & Wages (annual % change)

	Consumer Prices	Producer Prices	Mfg. Wages
1980-89(average)	8.4	6.9	15.3

1995	4.5	4.7	9.9
1996	5.0	3.2	12.2
1997	4.5	3.9	5.2
1998	7.5	12.2	-3.1
1999	0.8	-2.1	14.9
2000	2.3	2.0	8.5
2001	4.1	1.9	6.3
2002	2.8	1.7	12.0

Sources: Ministry of Labor and National Statistics Office

Interest Rate Policy

The ROKG has followed a low-interest rate policy since 1998, after it introduced high interest rates late in 1997 as part of its IMF agreement. High interest rates were intended to ensure foreign currency liquidity and stabilize the exchange rate at a time when capital outflows rose rapidly due to Korea's weakened international credibility. Although high interest rates were inevitable in the context of the financial crisis, they caused the real economy to contract and pushed many firms toward bankruptcy.

Starting in Q2 1998, in consultation with the IMF, the government pursued lower interest rates to rescue the economy from a deep recession. As a result, the interbank call market rate slid to 6% in 1998 from its 20% peak in late 1997, before falling to as low as 4% in Q1 1999. Since mid-1998, the economy has fully recovered and the ROKG has maintained a low-interest rate policy with the benchmark call rate stabilized at slightly over 4%, since year-end 1999.

Principal Growth Sectors

Year-on-Year % Change in Economic Indicators by Economic Activity (in 1995 constant prices) and sectoral share of GDP (2002 and Q1 2003 figures are preliminary) are as follows:

	2001	2002	Share of 2002 GDP	Q1 2003
Gross Domestic Product (GDP) Growth Rate	3.1	6.3		3.7
Industry	2.1	6.3	29.6	5.1
Mining	0.6	3.9	(0.4)	-2.1
Manufacturing	2.1	6.3	(29.2)	5.2
- Light Industry	-2.4	1.9		-1.9
- Heavy Industry	3	7.2		6.5
Services	3.9	8.8	56.0	2.1
Electricity, Gas & Water	5.1	13.2	(2.9)	7.6

Construction	5.6	3.2	(8.5)	8.8
Wholesale/Retail Trade, Restaurants & Hotels	4	5.6	(12.3)	-1.4
Transport, Storage & Communications	10.5	7.4	(9.4)	3.3
Finance, Insurance, Real Estate & Business Services	3	10.6	(18.3)	1.6
Agriculture, Forestry & Fisheries	1.9	-4.1	4.0	4.8
Others *			10.4	
Total			100.0	
Exports of Goods, Services	-12.7	5.8		21.3
Imports of Goods, Services	-11.3	7.8		29.3
Gross Domestic Income (GDI)	1.1	4.5		-2.0

Note: Exports are on a free-on-board (FOB) basis, while imports are on a cost, insurance and freight (CIF) basis.

* Includes government services non-profit services to households, import duties, but excludes imputed bank service charges.

Year-on-Year % Change in Economic Indicators by Expenditure in 1995 Constant Prices. (2001 and Q1 2002 figures are preliminary)

	2001	2002	Q1 2003
(by proportion of GDP)			
Final Consumption Expenditure	4.2	6.2	-1.3
Private consumption	4.7	6.8	-2.1
Government consumption	1.3	2.9	3.7
Gross Fixed Capital Formation	-2.4	4.3	1.9
Construction	5.3	9.3	3.5
Machinery & Equipment	-9.6	3.6	-0.3

Source: The Bank of Korea

Government Role in the Economy

The Korean government traditionally has pursued conservative macroeconomic policies. Government spending and taxes as a share of GDP are comparatively low by international standards, averaging about 21%-22% over the last few years. For several years before the 1997-98 financial crisis, the central government budget was virtually in balance. Moreover, the quality of public expenditure is high, with an emphasis on education and public works rather than on transfer payments. In 1998, with the support and encouragement of the IMF and World Bank, government spending rose 13.1% to stimulate the economy, raising its GDP share to 24.5%, with a fiscal deficit of about 5%

of GDP. The quicker-than-expected recovery boosted tax revenues and allowed the government to balance the budget in 2000, earlier than the previous goal of restoring a balanced budget by FY 2006. The Korean government posted a consolidated fiscal budget surplus of $4.1 billion in 2002.

At the microeconomic level, past government intervention has been extensive and costly in terms of economic efficiency. Financial capital was and continues to be expensive, due in part to large non-performing loan portfolios saddled on banks during the highly interventionist 1970-1989 period, to government credit controls (with credit allocated largely by firm size) and to the overall lack of competition and rigidities in the financial system. Overseas capital transactions were tightly controlled. Investment and product safety regulations inhibited domestic competition across all sectors and often discriminated against foreign products, to the detriment of Korean consumers.

Under the terms of the 1998 IMF agreement, Korea largely opened its financial and corporate sectors to foreign investment, and reduced or removed controls on overseas capital transactions. President Roh Moo-hyun’s administration has continued to stress the role of markets over the government. The policies described in the investment climate section of this report show how the government is striving to put the economy and Korean companies on a market-driven commercial footing.

During the 1997-98 financial crisis, the government was forced to acquire the majority of Korea’s commercial banks, which faced insolvency. Even though the government has always declared its intention of reversing its nationalization of the banking sector, it has yet to publish an actual time schedule for selling the banks to private investors, saying that market conditions are not yet right. The government’s continued ownership of much of the banking sector has produced a continual conflict of interest between its role as economic regulator and its interest in protecting government investments.

The Korean government also owns a total of 26 non-financial public enterprises. The government has begun to privatize and sell off many of these enterprises to raise funds and to reduce the government’s economic role. Although details remain to be worked out, the government has announced it will allow private and foreign investors to buy a varying proportion of shares (up to 100% in some cases) of these companies.

Balance of Payments

Exports and imports are up despite the sluggish global economy. Thanks to the larger-than-expected trade surplus, Korea is expected to record a current account surplus in the range of $1 billion for 2003. Korea's current account surplus has dropped sharply since its high of $40 billion in 1998; the surplus was $8.2 billion in 2001 and $6.1 billion in 2002. This narrowing of the current account surplus has been largely due to import growth outpacing exports, as imports rebounded after consumption of foreign goods fell sharply as a result of the 1997/98 financial crisis.

Korea’s capital account registered a gain ($1.5 billion) for 2001 and was $26 million during the first four months of 2002. The capital account had shown a surplus in 2000 ($11.7 billion) but then ran a deficit in 2001 ($3.6 billion).

Korea's external liabilities totaled $139.2 billion as of May 2003, a 2.1% increase compared with $136.3 billion in 2000. A debtor nation at year-end 1998 with $20.2

billion in net outstanding loans, Korea became a net creditor by year-end 1999, with net outstanding loans due of $50.3 billion. While the 1997-98 financial crisis saw Korea's foreign reserves depleted, Korea now has some of the largest foreign capital reserves in the world ($123.8 billion as of March 2003). Despite these impressively high levels, however, many Koreans are still skeptical that Korea has sufficient reserves to stave off another crisis.

Balance of Payments
in USD billions

	2000	2001	2002	Q1 2003
Current Balance	12.2	8.2	6.1	-1.7
-- Trade in Goods	16.9	13.5	14.2	-0.8
-- Export FOB	176	151.3	162.6	43.4
-- Imports CIF	159.1	137.8	148.4	44.2
-- Trade in Services	-2.9	-3.8	-7.5	-2.6
-- Net Transfers & Income	0.7	-0.2	-1.1	-0.7
Capital Account	-0.6	-0.7	-1.1	-0.3
- Direct Investment	4.3	1.1	-0.7	-0.5
- Portfolio Investment	12	6.6	0.2	-1.1
- Other Investment	-3.6	-10.2	3.1	2.9
Errors and Omissions	-0.6	2.6	4.2	1.7
Changes in Foreign Exchange Reserves*	-23.8	-7.6	-11.8	-0.9
Foreign Reserves (USD billions)	96.2	102.8	121.4	123.8

(Note: Negative numbers denote an increase in reserves.)
Source: Bank of Korea, Korea Institute of Finance, and Korea Development Institute)

Infrastructure

Korean investment in infrastructure projects is expected to reach about USD 300 billion over the next 19 years, of which an estimated USD 170 billion will be for new roads, railways, ports, and airports. The Korean government's budget for infrastructure construction and expansion in FY-03 was earmarked at USD 14.4 billion, including the Ministry of Construction & Transportation (MOCT)'s budget of USD 13.3 billion earmarked for major infrastructure projects, an increase of 4.6% over the previous year. Private sector investment in infrastructure is also required to total up to USD 3.3 billion in 2003. There is an urgent need for foreign investment since local private sector is incapable of covering such a large scale of investment. As of the end of January 2003, foreign investment in Korea's infrastructure projects was estimated at approximately USD 9 million. The Korean government has become increasingly focused on long-term infrastructure development and is more closely looking at these projects from a financial as well as risk assessment point of view as it endeavors to attract developers and investors. As private sector developers and investors have turned their attention back to government-initiated large infrastructure projects since 2002, the Korean market for infrastructure activities will continue to expand.

Korea's transportation network is in need of expansion. Though it already possesses an extensive highway system with several major North-South and East-West highway arteries, the country's exploding vehicular traffic continues to strain the country's transport network. As a result, Korea's transport authorities have launched a multi-billion dollar expansion of the nation's highways. Municipal authorities also are expanding Seoul's already extensive subway system. Also, trains and buses travel regularly to the far reaches of the country. In addition, Korea has several international and many domestic airports in the largest cities, Incheon International Airport, Busan International Airport, Cheongju International Airport, and the international airport on Cheju island. The country is moving to expand airports, including Incheon International Airport, that are currently incapable of handling ever-growing air traffic. Korea's port managers also are planning billions of dollars in major projects, as they race to catch-up with the country's sharp economic growth and jump in trade activity, which continues to strain existing facilities.

Chapter 3. Political Environment

Nature of Political Relationship with the U.S.A.

South Korean democracy has become firmly established since 1987. The last four presidential elections have been free, open and fair. Human rights lawyer Roh Moo-hyun, 56, was elected president in December of 2002. Despite some strains and friction over the past year, the U.S.-ROK relationship has continued to grow in breadth and depth; the two countries are friends, partners and allies. Korea and the United States today are working together, both in the region and in the rest of the world, to combat international terror and to advance democratization and human rights.

The United States has a strong security relationship with the Republic of Korea and is committed to maintaining peace and stability on the Korean Peninsula. The United States is obligated under the 1953 U.S.-Korea Mutual Defense Treaty to help Korea defend itself from external aggression. The United States maintains about 37,000 uniformed personnel in the country, commanded by a U.S. four-star general who is also commander of the United Nations Command. U.S. forces include the U.S. Second Infantry Division (2ID) and air force squadrons.

Major Political Issues Affecting the Business Climate

President Kim Dae-jung was elected President in December 1997 at the height of the Asian financial crisis. He promised sweeping economic and political reform, transparency in business practices, and further liberalization in trade and investment. Much of that agenda has been implemented, including legislative changes to promote labor flexibility, corporate transparency, and capital market liberalization. However, much remains to be done, and President Roh has indicated he will pursue incremental rather than drastic reform of the large conglomerates that form an important part of Korea's economy.

In the National Assembly, President Kim initially fashioned a narrow working majority made up of his Millennium Democratic Party and two smaller parties. This coalition, which facilitated the passage of important legislation, eventually dissolved, and the Millennium Democratic Party (MDP) is now in the minority in the Assembly. Young reformers in the MDP are talking of forming a new party, and may do so before the next general election (for all National Assembly seats) on April 15, 2004.

Major clashes with labor have been avoided. Labor has, however, criticized the Korean government's economic reform program, and there has been some labor unrest -- most recently evidenced by strikes in April of 2002 by electrical and railroad workers opposed to privatization. President Roh appears to be approaching the privatization of both the railroads and the national electric company cautiously.

A work stoppage by truck drivers in May, 2003, seriously disrupted exports at Pusan, Korea's major port. The drivers resumed hauling after several concessions by the government, including a promise to rebate in full all future fuel tax increases.

Relations between the two Koreas also affect the business climate. After the North-South Korean summit was held in June 2000, the range and frequency of inter-Korean contacts increased dramatically for a time. Ten cabinet-level meetings, including a Defense Ministerial, were held. Six reunions of families separated since the Korean War have been held, briefly reuniting several thousand members of divided families. However, key economic projects and agreements have not been fully implemented, including re-linking the main rail line between South and North, establishing a Special Economic Zone at Kaesong in the DPRK, and opening a land route for southern tourists to the scenic tourist zone of Mt. Kumgang in the North. Presently, there is limited official contact between the two governments, but private exchanges continue. North Korea continues to maintain and develop its massive military force. Tensions on the peninsula have increased since the onset of a nuclear impasse that began in October of 2002, when North Korea admitted that it was continuing with a program to develop and manufacture nuclear weapons. Both South Korea and the U.S. have agreed that the presence of nuclear weapons anywhere on the peninsula is undesirable, and the issue should be resolved through dialogue and diplomacy.

Brief Synopsis of the Political System, Schedule for Elections and Orientation of Major Political Parties

Korea is governed by a directly-elected President and a unicameral National Assembly selected through direct elections. The president serves a single five-year term. National Assembly legislators are elected every four years.

Roh Moo-hyun was elected president in December 2002. The last National Assembly election was held in April 2000; the next one will be in April, 2004. The last regional elections, which select mayors, governors and other local government officials, were held in June 2002. The opposition Grand National Party won most offices in that election. By-elections for vacant National Assembly seats were held in August 2002 and April 2003.

As of April 2003, the Millennium Democratic Party had 102 seats in the 273-person National Assembly. The Grand National Party held 153 seats followed by former Prime Minister Kim Jong-Pil's United Liberal Democrats (ULD) with 11 seats. Independents and members of minor parties held five seats, and two seats were vacant.
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Chapter 4. Marketing U.S. Products and Services

Distribution and Sales Channels

Local representation is essential for the success of foreign firms in the Korean market. This is especially true when considering the fact that in Korea, business relationships are built upon personal ties and social introductions, and that much of the major third-country competition is only a few flight-hours away. In addition, for sectors that involve any type of government procurement, an entity must be registered with the Korean government in order to bid on the procurement projects. Hence, many American firms enter into a consortium with a Korean company or enter into a representative agreement, especially for the purposes of market entry. Finally, the language barrier and established social/ business circles make it extremely difficult to enter the Korean market without a qualified Korean representative.

Distribution methods and the number and functions of intermediaries vary widely by product area and local conditions. The market for most consumer products is concentrated in major cities. Retail distribution is accomplished through a highly complex network, the majority of which are small family-run stores, stalls in markets, and street vendors, though this traditional distribution method is changing rapidly toward large-sized discount stores. There are many large retail stores in the major cities, especially Seoul, Daegu, Busan, and their outer-lying suburbs. This distribution channel is one of the best ways to market foreign products to Korean consumers. Recently, retailing concepts such as Full-Line Discount Stores (FDS) including Price Costco (USA), Wal-Mart (USA), Carrefour (France), and E-mart (Korea) have gained tremendous popularity in Korea. Rapid expansion of these discount chain stores is planned nationwide, with suburban satellite cities attracting the greatest number of stores.

In November 1995, regulations from the Korean Ministry of Finance and Economy (MOFE) went into effect, which allowed the legal entry of parallel imports. Prior to this legislation, distribution was disciplined with exclusive distributor/agents agreements. Besides an authorized and registered distributor/agent, no other importer could legally clear goods through Korean customs. As a result, importers that were not the exclusive distributor/agent found their shipments frequently held up at customs.

The effect of parallel imports is to marginally reduce the value of an exclusive distribution agreement. Many American companies continue to give exclusives, since they have in place territorial limits in neighboring countries that enhance the value of the exclusive in any one country. Likewise, any parallel importer in Korea that is not receiving the support of the OEM, and does not deal in the same volume, cannot be guaranteed a steady source of supply. As noted above, the legitimate exclusive distributor still has considerable advantages in Korea.

Information on Typical Product Pricing Structures

The rate of commission for using an agent or distributor varies depending on the type of product and the transaction amount. On average, Korean agents require a 10% commission, particularly when a transaction is conducted on a spot basis, but this varies for different products. Generally, a 5-7% commission applies to product categories such as general machinery including packaging, construction, and material handling equipment. Meanwhile, more sophisticated products such as medical, laboratory, and scientific analytical instruments usually require a commission of 15-18% or more, since these are products for which after-sales service is considered to be very important.

On August 1, 2000, the Korean Ministry of Commerce, Industry, and Energy (MOCIE) passed consumer-protection legislation requiring that consumer items be labeled with both the manufacturer's sales price to the retailer and the marked-up retailer's price to the consumer. The mark-up from manufacturer to consumer ranges from 50% to 150%.

Use of Agents/Distributors; Finding a Partner

The most common means of representation include: 1) appointing a registered commissioned agent (more commonly known as an "offer agent" in Korea) on an exclusive or non-exclusive basis, 2) naming a registered trading company as an agent, or 3) establishing a branch sales office managed by home office personnel with Korean staff.

Any traders registered with the Korea International Trade Association (KITA) can import goods in their own names. Appointing a registered trading company (rather than an "offer agent") as an agent has its advantages because these agents can handle all of the importing paperwork and imports for their own account. Registered trading companies tend to be larger firms and they split their businesses between exports and imports. However, these larger firms may be less attentive to building the U.S. supplier'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 smaller firms do.

To find a local representative, a good place to begin with is a fee-based service called the International Partner Search (IPS) through the U.S. Export Assistance Centers (USEAC) located throughout the U.S. and Commercial Service Korea (CS Korea). For a modest fee, CS Korea's industry specialists will tap into their well-established network of industry contacts and trade associations. The client will soon receive an annotated list of three to five potential, qualified representatives. The next step would be to plan a visit to Korea, perhaps calling upon CS Korea to arrange market briefings, a meeting schedule, and an interpreter/secretary under another fee-based service called the Korea Gold Key (KGK).

Another good contact is the Korea Importers Association (KOIMA), a well-established, private trade association founded under government auspices dedicated to increasing imports into Korea. To fulfill its original mission of promoting balanced trade, KOIMA helps execute Korea's import diversification plan, leads annual purchasing missions to the United States, Latin America, and Europe, and holds monthly meetings between member agents and the commercial sections of various embassies located in Korea.

In the past, Korean law stipulated that a sales agent must be a member of KOIMA to issue and make price quotations, or make pro forma invoices in their own names. However, since the beginning of January 2000, this once mandatory registration requirement is now voluntary. Quotations, locally used as 'offers,' issued directly by foreign suppliers are no longer subject to case-by-case approval by KOIMA. A commissioned agent/distributor does not have to be registered with KOIMA. American businesses can contact KOIMA by sending their company catalogs with a letter specifying the items for which they are seeking an agent or visit the KOIMA office directly. Catalogs are displayed in the KOIMA library and inquiries are published free of charge on the association's web site or in the monthly KOIMA Magazine (KOIMA contact information is listed at the end of this section). The U.S. Commercial Service of the U.S. Embassy also works closely with KOIMA to advertise requests for agents received from American companies.

Generally speaking, an agency contract includes an outline on the termination of the contract. When there are no specific provisions in a contract on agent termination, the Korean Commercial Arbitration Code can specify the provisions for terminating an agent contract. This compensation clause allows the agent to claim compensation from the principal. The amount of compensation is usually determined as the total year average of one year's sales commission (i.e. total sales commission over the years divided by the number of years). As a mutually signed contract between supplier and agent/distributor overrules the default Korean provisions of claims for a commercial agent, U.S. companies are advised to include provisions on agent termination.

The U.S. Commercial Service in Korea recommends that U.S. companies seek legal counsel prior to signing a contract in Korea. The legal advice that a law firm with international experience provides is very important. Most experts recommend hiring a local attorney prior to making major business decisions in dealing with Korean companies.

U.S. companies should also seek legal counsel with regards to protecting their intellectual property. Trademark and patent registration (if applicable) with the Korea Industrial Property Office (KIPO) is the minimum safeguard for your intellectual property rights in Korea. U.S. companies are advised to seek the services of a local attorney to directly register their trademarks and/or patents in their own names, not the Korean agent's name. In order to have control over these important intellectual property rights, registration must be done in the U.S. company's name. Korean law requires that only local attorneys be allowed to fill out and submit applications to KIPO. A list of major attorney firms in Korea is listed at the end of this chapter in the section entitled "Need for a Local Attorney."

List of Useful Contacts Regarding Agents/Distributors

(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2, which is the city code for Seoul)

Association of Foreign Trading Agents of Korea
AFTAK Bldg., 218 Hankangro 2-ka
Yongsan-ku, Seoul 140-012, Korea
TEL: 82-2-792-1581/4
FAX: 82-2-785-4373
Website: www.aftak.or.kr

The Korean Commercial Arbitration Board (KCAB)

43rd Floor, Trade Tower 159 Samsung-dong
Kangnam-ku, Seoul 135-729 Korea
Trade Center P.O.Box 50
TEL: 82-2-551-2000/19
FAX: 82-2-551-2020
Website: www.kcab.or.kr

Branch Office, Pusan Korea (KCAB)
Rm. 805, Daehan Tongun Bldg.
1211-1, Choryang-dong
Dong-ku, Pusan 601-714 Korea
TEL: 82-51- 441-7036/8
FAX: 82-51-441-7039
Website: www.kcab.or.kr

Korea International Trade Association (KITA)
6th floor, Trade Tower, KWTC
159-1, Samsung-dong, Kangnam-gu, Seoul, Korea
Tel: 82-2-6000-5267
Fax: 82-2-6000-5161
E-mail: trio@kotis.net
Website: www.kita.or.kr

Direct Selling and Marketing

I. Direct Selling

Door-to-Door Sales:

There were 17,786 door-to-door sales firms in Korea, as of December 31, 2002. The major door-to- door sales items include home education materials, books, household consumer goods, cosmetics, health foods, sporting goods, and service products, such as insurance and travel counseling. According to the Korea Direct Selling Association (KDSA), the Korean door-to-door sales market for 2002 totaled about USD 3.9 billion.

Multi-level Marketing:

Korea's multi-level sales for 2002 reached USD 4.8 billion. As of December 31, 2002, the multi-level marketing (MLM) industry employed about 3 million active distributors. Over the years, the Korean government has derided MLM as an "undesirable or inappropriate business form" for Korea, claiming that it neglects consumer safety, profits "excessively," and threatens the Korean social fabric through its "pyramid schemes." However, MLM's negative image in Korea appears to be changing due to the combined efforts of U.S. firms, Commercial Service Korea, the U.S. Trade Representative (USTR), AmCham Korea, and the Korea Direct Selling Association (KDSA), whose membership includes almost all U.S. MLM companies doing business in Korea. KDSA also is a member of the World Federation of Direct Selling Associations in Washington, D.C.

In keeping with its deregulation plan, the Korean Ministry of Commerce, Industry and Energy (MOCIE) reduced the restrictions on MLM companies by amending its original Door-to-Door Sales Act (DDSA), which the Korean National Assembly recently passed on January 5, 1999. The new legislation eliminated most existing market barriers against MLM industry's products, such as the obligation to disclose retail prices on the MLM product label. In addition, on May 25, 1999, the authority to enforce this new legislation was transferred from MOCIE to the Fair Trade Commission (FTC) by the newly revised Government Reorganization Law.

On July 2002, with a continued effort of Commercial Service Korea, USTR, and U.S. MLM companies, the new DDSA passed after it cleared through the National Assembly and was signed by the Korean President. The new DDSA has raised price limitations on business transactions to KW 1.3 million (about USD 1130) from KW 1 million (about USD 870) to open up the market. Despite these recent changes, DDSA still contains some restrictive provisions that the MLM industry is working on modifying in order to further protect Korean consumers. For example, the new DDSA requires all MLM companies take out a consumer protection and compensation insurance policy. The insurance is to protect distributors and consumers in the event MLM companies go out of business. Currently, in the case of misfortune, a distributor is to receive a 70% refund of the price of goods, whereas a consumer is to receive 90% of the price of goods.

As a result of these market liberalization measures, multi-level marketing activities by U.S. firms in the cosmetics, cleaning products, and kitchenware sectors have been expanding. In order to garner further successes, however, U.S. multi-level sales firms should promote their products and services appropriately and efficiently by carefully analyzing Korean market trends. Prior knowledge of the market conditions can help prevent unnecessary conflicts with government officials, consumer 'watchdog' groups, or industry groups.

II. Direct Marketing

The Korea E-Commerce & Direct Marketing Association (KEDMA) estimates that by December 2002, there were approximately 33,000 direct marketing firms in Korea. Gross revenues for the Korean direct marketing industry in 2002, including catalog sales and TV and Internet shopping, are as follows:

Catalog sales:	USD 705 million
TV home shopping:	USD 3,070 million
Internet shopping:	USD 2,113 million
Total:	USD 5,888 million

Joint Ventures/Licensing

Since the late 1997 economic crisis, the Korean government has made a dramatic and high-profile effort to attract foreign investment for the purposes of restructuring the Korean economy and bringing in much needed foreign capital. In its efforts to counter the economic downturn, the government has not only publicly encouraged foreign investment, but it has also implemented liberalization policy measures, including an increase in foreign equity ownership, in order to accommodate its goals. Though a group of high-level officials headed by President Roh and the Prime Minister's Office have spearheaded efforts to de-regulate and liberalize the economy, some foreign companies have responded negatively to the initiatives, with claims that the policies block restrictive regulations that would eliminate trade and investment barriers at the working level.

Nevertheless, many foreign companies that already have operations in Korea chose this opportunity to increase their involvement in Korea, such as Coca-Cola and Pfizer. Meanwhile, other U.S. investors continue to be cautious because of continued concerns over corporate transparency and indebtedness. Opportunities exist for such prudent investors though it may be some time before many investors regain former levels of confidence.

Foreign investment approval is controlled by the Ministry of Finance and Economy (MFE) and governed by the Foreign Investment Promotion Act (FIPA) of 1998. The FIPA is expected to enhance investor rights and incentives as well as remove bureaucratic obstacles to investment.

Selecting the appropriate partner is one of the most difficult and crucial aspects of initiating a joint venture in Korea. The large Korean conglomerates “chaebols” still exercise considerable influence in Korea, permeating throughout the country’s government and financial institutions. On the other hand, the Korean government's attempts at a policy shift toward the support of small and medium-sized businesses mean that the participation of a “chaebol” in a joint venture could create additional obstacles in terms of obtaining necessary approvals and local financing. This is further compounded because of the recent government policy shift towards anti-monopoly behavior. In addition, “chaebols” tend to insist on operating a joint venture in accordance with the overall policies and business culture of the group, sometimes to the detriment of the foreign shareholder's interest. Though an injection of foreign capital may be deemed necessary for the survival of a company, there is a tendency inherent in Korean business culture to maintain local control, regardless of the percentage invested by foreign entities. A U.S. company may therefore consider assigning its headquarters staff to Korea in order to closely monitor and influence the activities of a newly established joint venture company.

Management control must be evaluated on three levels: 1) shareholder equity; 2) representation on the board of directors; and 3) active management (representative director and subordinate management*)*. Legally, Korean board meetings require the physical presence of all members as well as a quorum of the directors. Therefore, if a foreign investor intends to exercise day-to-day management, he/she must appoint a representative director who resides in Korea. Moreover, the representative director will need the support of and access to key functional areas of the company in order to manage in accordance with the foreign investor’s wishes. Therefore, the internal organization of a joint venture company as well as key management appointments should be worked out and agreed upon by all involved parties as early as possible.

The compatibility of goals between the Korean and foreign partners is also crucial to the joint venture's success. Problems may arise due to conflicting goals. For example, the foreign investor's primary goal may be to send profit dividends offshore while his/her Korean counterpart may be most concerned with corporate growth in Korea, particularly through exporting to overseas markets.

To most Koreans, a contract represents the current understanding of a "deal" and is the beginning of rather than an end to negotiations with a Korean partner. If changing circumstances result in omissions or points that no longer accurately reflect the original agreement, then problems will arise. The same is true if the contracting parties change. This type of experiences in Korea has led many foreigners to believe that Koreans place less importance on a written contract than Westerners. Though Americans may regard a written contract as legally binding, Koreans may regard the same contract as a "gentlemen's agreement" that is subject to further negotiations should conditions change. Therefore, contract negotiations with Koreans should be viewed as a process of extensive dialogue and as having the following objectives: 1) reaching a common understanding of the deal that includes each party's responsibilities; 2) recording that detailed understanding; and 3) being prepared to modify the terms of the agreement should there be a change in circumstances.

Certain terms of the commercial relationship between the joint venture partners, such as technology transfer, raw material supply, marketing and distribution, should be agreed upon in detail in the joint venture agreement. Though circumstances are slowly changing, Korean companies have not invested a great portion of their operating funds towards research and development. For this reason, there is a large Korean demand for technology transfer licensing agreements from foreign countries, particularly the United States, whose companies have a comparative advantage in the high technology area.

American companies should proceed with caution when they enter into a transfer technology licensing agreement. A company's intellectual property is not necessarily protected and may be particularly vulnerable in the later stages of a business relationship when the survival of a Korean company is dependent on the technology. Though U.S. companies oftentimes register their patented technology with the Korean Industrial Property Office (KIPO) before entering into a licensing agreement, the most successful American companies intentionally withhold a small but key component of the manufacturing process or component from their Korean partner. This preventative strategy allows the U.S. company to control the use of the licensed technology as well as maintain the integrity of the licensing agreement.

If a contract is violated in Korea, the country's legal procedures can be lengthy, cumbersome and expensive. Hence, if at all possible, the best strategy to employ is to prevent all possible conflicts. The identification of a viable and trustworthy business partner from the outset is essential; therefore, foreign investors should exercise due diligence when selecting a business partner.

One precautionary approach is to consult with attorneys throughout negotiations of a contract. (Please refer to a list of attorneys in Korea at the end of this chapter.) In addition to consulting with an attorney, foreign investors should also consult with the Korean Commercial Arbitration Board (KCAB). The KCAB is staffed with counselors who advise U.S. companies on contract guidelines. At the company's request, an assigned KCAB counselor can review the contract and stress the importance of an arbitration clause in the contract. The KCAB contact information is as follows:

Mr. Lee, Joo-Won, Manager
Public Information Section
The Korean Commercial Arbitration Board
43rd Floor, Trade Tower (Korea World Trade Center)

159 Samsung-dong, Kangnam-ku
Seoul 135-729, Korea
Tel. 82-2-551-2073
Fax. 82-2-551-2020

Steps to Establishing an Office

The following section provides some basic step-by-step guidelines on how to set up an office in Korea. In addition, a list of real estate and real estate consultancy, taxation and human resource search services in Korea is provided in this section.

Step 1: Assess Your Company's Ability to Conduct Business in Korea

Depending on your company's particular industry sector, each investment will be different in terms of its size and complexity. Investment is also dependent on any relevant Korean laws and regulations. Because the Ministry of Finance and Economy (MOFE) continually revises its negative list, the best way to verify that you may establish your business in Korea is to contact the "Korea Investment Service Center (KISC)".

The Korea Investment Service Center (KISC), formerly the Investing in Korea Service Center (and before that, the Comprehensive Center for Foreign Investment), provides general counseling for potential investors who wish to establish an office in Korea. The Center not only studies the feasibility of such an endeavor but also provides general assistance both prior to and during the set up of the office once it is approved. Under the auspices of the Ministry of Commerce, Industry and Energy (MOCIE), the Center provides both assistance and advice to foreign investors, including information and consultations regarding trade and investment regulations, taxation, financing, customs clearance, plant/office site location, and the resolution of any problems related to foreign investment.

The Center is located in Seoul. The contact information for the KISC is as follows:

Jeong, Dong-Sik
Managing Director
Korea Investment Service Center (KISC)
6th Fl., #300-9, Yumgok-dong, Seocho-ku
Seoul 137-170, Korea
Tel: 82-2-3460-7500/7501
Fax: 82-2-3460-7943
E-Mail: jeong49@kotra.or.kr
Website: www.kisc.org

Step 2: Receive Authorization to Proceed with an Investment

Once approved to conduct business in Korea, the next step is to complete and submit the necessary notification documents. Approved foreign investment projects are subject to notification from the Ministry of Commerce, Industry, & Energy (MOCIE), which delegates its authority to the head office of a major commercial bank in Korea. (A list of major banks in Korea can be found at the end of Chapter VIII - Trade and Project Financing.)

The head office of any major commercial bank has the ability to accept notification from companies proposing to engage in business in a liberalized sector. In practice, a commercial bank's head office will also generally accept notification of partially liberalized sectors provided that the foreign investment meets the criteria for the specific business. However, the bank will reject those notifications in sectors that prohibit foreign entry.

Your company's designated representative should visit a commercial bank's head office and consult with staffers who deal with foreign clients and foreign investment. The bank provides application documents that are to be completed then re-submitted to the bank for authorization. Once all the documents have been submitted, along with Korean translations, the authorization process should be completed within three hours.

Step 3: Search for an Office Site

Companies are required to submit notification documents to the head office of a Korean commercial bank for approval prior to setting up an office. However, as finding and negotiating an office site may take more time than completing the necessary documents, companies should consider completing steps 2 and 3 simultaneously. To a company unfamiliar with Korean real estate, it is vital that the company locate a reputable real estate agent or real estate consulting firm with experience in foreign investment in order to locate a suitable office site. A list of select real estate agents and real estate consulting firms can be found at the end of this section.

Due to the scarcity of and high demand for land, property in Seoul is expensive even by U.S. and Asian standards and has remained so especially given Korea's growing economy. The rental rates for office space in Seoul are not as high as other East Asian capitals such as Tokyo or Hong Kong. A recent spot survey indicated that the range of monthly rents in popular Seoul commercial buildings ranged from USD 50 to USD 85 per pyong (equal to 3.3 square meters). These rates are inclusive of maintenance fees and are based on gross floor area, which include common areas.

In addition to the monthly rent, another major expense is the substantial deposit payment (or "key money"), which is a one-time charge that is refundable upon termination of the lease. Nearly all Korean landlords require key money, which ranges from USD 3,000 to USD 6,000 per pyong. There are various combinations of monthly rental fees and key money deposits, and the price per pyong varies based on the negotiated terms. Office parking, another scarce commodity in Seoul, is usually available with monthly charges.

Most foreign companies in Seoul are located in the following four well-known districts: 1) City Hall -- the historic downtown area where the U.S. Embassy and a few Korean ministries are located; 2) Yoido -- or "Manhattan Island," which is adjacent to the Han River, where many financial firms and the National Assembly can be found; 3) Kangnam -- the expensive, bustling, new city center south of the river where one can find the World Trade Center complex and the American Chamber of Commerce in Korea; and 4) Mapo District – which is halfway between Yoido and City Hall. While heavy urban traffic is an ongoing source of frustration and delay, Seoul has an excellent public transportation grid that allows foreign investors to consider various locales for their Korean offices.

In the past, the Korean government limited the foreign acquisition of Korean land under the Enforcement Decree of the Alien Land Acquisition and Management Law. Under the former law, foreign investors were required to obtain permission from the government in order to acquire land. However, according to the revised Foreign Land Acquisition Law that is presently in effect, the Korean government allows foreigners to purchase land regardless of the size and purpose. Local zoning laws- which restrict certain types of activity- should also be taken into consideration by the investor before making the final purchase.

Step 4: Register with the Nearest Tax Office

After locating the site for the branch office and providing notification to the Bank, the investor should register with the nearest tax office within the jurisdiction of the site area for tax reporting purposes. Local Korean tax authorities, in addition to performing tax audits, provide new tax information and counseling at the request of the company. However, the complexity of Korean tax laws and the language barrier make it difficult for foreign companies to file taxes with Korean authorities. Therefore, foreign companies should consider hiring a local accountant firm to file taxes. A list of local accountants is provided at the end of the section entitled "Steps to Establishing an Office."

Step 5: Seek Qualified Employees

One of the final steps in setting up an office in Korea is to locate and hire qualified employees, whether local or foreign, to staff the office. Oftentimes, a U.S. company's headquarters designates one or two Americans to head the company's Korean office, while the remainder of the staff in the office typically are local nationals or Koreans educated in the U.S. Some major factors that attract local Koreans to work at the Korean branch office are a high salary, prestige in position, opportunities for travel, the ability to both use and learn English, and finally, the possibility of transferring to the company's home office or another foreign branch office.

Korea has a large pool of conscientious, highly educated, enthusiastic, and underutilized women workers who are usually unable to find equivalent employment in Korean companies due to traditional cultural attitudes toward women in the work force and the prevalence of the "old boy network" in Korea's corporate culture. Due to the rarity and infrequency of opportunities for professional advancement in many Korean companies, frustrated Korean women- particularly professionally qualified Korean women- often welcome employment offers from foreign firms.

Korean employees' complete dedication and loyalty to the company is slowly decreasing. Company loyalty still exists, but it, along with high productivity, should not be taken for granted. It is essential that the employer first earn the respect of his/her Korean employees. Many foreign managers have successfully used recognition and increased pay to reward increased productivity.

Whether seeking to hire local or foreign staff or obtaining consultation and information on the local labor laws, a foreign investor should consult an employment agency in Korea. A list of employment agencies is shown below.

List of Major Real Estate and Real Estate Consultancy Firms in Korea

*(*Note: ALL lists and contact information in this Country Commercial Guide are provided only to assist U.S. companies or individual investors to identify companies in Korea who may be able to meet the specific needs of U.S. companies. The lists are not meant to be an exhaustive one, nor is it intended that inclusion in the list be construed as a U.S. Embassy endorsement or recommendation of the companies so listed. The Department of Commerce and the U.S. Embassy assume no responsibility for the professional ability or integrity of the persons or firms whose names appear in the lists given below. The companies listed below are arranged in alphabetical order according to category, and the order in which they appear has no other significance.)*

*(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2, which is the city code for Seoul)*

Century 21 Korea Co., Ltd.
3/F., Daewon Bldg.,
946-18, Daechi-dong, Kangnam-ku, Seoul 135-280
Phone: 82-2-561-0021; Fax: 82-2-561-0361
www.century21korea.co.kr
Contact: Mr. O.J. Kwon, CEO & President
(Specialized in commercial & residential real estate)

ERA Korea Co., Ltd.
1/F & 3/F, Jungjin Bldg., 706-9, Yuksam-dong, Kangnam-ku, Seoul
Phone: 82-2-565-9114; Fax: 82-2-565-9113
www.erakorea.co.kr
Contact: Mr. Young-Suk Lee, Chairman
(Specialized in commercial & residential real estate)

Morgan Stanley Properties Korea
9/F., Sam Hwan Bldg.,
98-5, Unni-dong, Chongro-ku, Seoul 110-742
Phone: 82-2-3668-8300; Fax: 82-2-3668-8301
Contacts: Mr. Craig Blomquist, President & CEO
(Specialized in asset management)

KIRA Consulting
13/F., Construction Bldg.,
71-2, Nonhyun-dong, Kangnam-ku, Seoul 135-701
Phone: 82-2-544-8400; Fax: 82-2-547-8480
www.kira.co.kr
Contacts: Mr. Won-Jae Chun, President; Mr. Won-Kyum Kim, Manager
(Specialized in commercial real estate)

Korealand Co.
Room 3603, Trade Tower, KWTC,
159, Samsung-dong, Kangnam-ku, Seoul 135-090
Phone: 82-2-548-4900; Fax: 82-2-551-6611
www.koreailand.com
Contact: Mr. Young-Dae Kang, Planning Director
(Specialized in real estate development/ REITS/North Korea business counseling)

Korea Asset Advisors (KAA)
11/F., Seoul Finance Center,
63 Mukyo-dong, Chung-ku, Seoul 100-768
Phone: 82-2-2124-4251; Fax: 82-2-2124-4277
www.kaa-amc.com
Contact: Mr. Kyoungdon Jeon, Senior Manager

Le Meilleur Co., Ltd.
15/F., F.K.I. Bldg.,
28-1, Yoido-dong, Youngdungpo-ku, Seoul 150-756
Phone: 82-2-761-0600; Fax: 82-2-786-0901
www.lemeilleur.co.kr
Contacts: Mr. K. T. Chung, President; Mr. Choi, Soo Young, General Manager
(Specialized in real estate marketing/construction)

Lend Lease Korea Ltd.
18/F., Dong-A Media Center
139 Sejong-ro, Chongro-ku, Seoul 110-715
Phone: 82-2-2003-8000; Fax: 82-2-2003-8080
Contact: Mr. R.L. (Chip) Good III, President & CEO

Cushman & Wakefield
15/F., Kwanghwamun Bldg.,
64-8 Taepyung-ro 1-ga, Chung-ku, Seoul 100-101
www.cushwakeasia.com
Phone: 82-2-399-2600; Fax: 82-2-399-2601
Contact: Mr. Sebastian Skiff, Associate Director

CB Richard Ellis Korea Co., Ltd.
12/F., Korea First Bank Bldg.,
100 Kongpyong-dong, Chongro-ku, Seoul 110-702
www.cbre.com
Phone: 82-2-2170-5800; Fax: 82-2-2170-5899
Contact: Mr. Tony S. Choi, Managing Director

Lehman Brothers
10/F., Hanwha Bldg.,
110 Sokong-dong, Chung-ku, Seoul 100-755
Phone: 82-2-317-5252; Fax: 82-2-317-5262
Contact: Mr. Kevin Auger, Senior Vice President

List of Accounting Corporations

Ahn Kwon Accounting Corp.
4-7, 10,11 &13 /F., Tae Young Bldg.,
252-5, Gongduk-dong, Mapo-ku, Seoul 121-717
Phone: 82-2-3271-3114; Fax: 82-2-3271-3200
www.ahnkwon.co.kr
Foreign Partner: Deloitte Touche Tohmatsu

Anjin Accounting Corp.
14/F., Hanhwa Security Bldg.,
23-5, Yoido-dong, Youngdungpo-ku, Seoul 150-010
Phone: 82-2-784-6901; Fax: 82-2-785-4753
www.anjin.co.kr
Foreign Partner: Arthur Andersen (U.S.A)

Daejoo Accounting Corp.
3, 5, 6 & 7/F., Dongha Building,
629, Daechi-dong, Kangnam-ku, Seoul 135-081
Phone: 82-2-568-7683; Fax: 82-2-568-6857
www.bdodaejoo.co.kr
Foreign Partner: BDO International (Netherlands)

Samduk Accounting Corp.
12/F., Seohung Bldg.,
68, Gyunji-dong, Chongro-ku, Seoul 110-170
Phone: 82-2-397-6700; Fax: 82-2-730-9559
www.samduk.cpa.co.kr
Foreign Partner: Nexia International (Netherlands; has several business networks in the U.S.A)

Samil Accounting Corp.
21/F., Kukje Center Bldg.,
191, 2-ka, Hangangro, Yongsan-ku, Seoul, 140-702
Phone: 82-2-709-0800; Fax: 82-2-792-7001
www.samil.co.kr
Foreign Partner: PriceWaterhouseCoopers(U.S.A.)

KPMG Samjong Accounting Corp.
10/F, Star Tower, 737, Yuksam-dong, Kangnam-ku, Seoul, 135-984
www.kr.kpmg.com
Phone: 82-2-2112-0100; Fax: 82-2-2112-0101
Foreign Partner: Klynveld Peat Marwick Goerdeler (U.S.A)

Shin Han Accounting Corp.
5/F., Samwhan Camus Bldg.,
17-3, Yoido-dong, Youngdungpo-ku, Seoul 150-010
www.shinhan-rsmi.com
Phone: 82-2-782-9200; Fax: 82-2-786-1890
Foreign Partner: Robinson Rhodes, Salustro Reydel, McGladrey & Pullen (multi-national)

Young Wha Accounting Corp.
4-14/F., Bridge Securities Bldg.,
25-15, Yoido-dong, Youngdungpo-ku, Seoul 150-010
Phone: 82-2-783-1100; Fax: 82-2-783-5890
www.youngwha.co.kr
Foreign Partner: Ernst & Young Int'l (U.S.A)

List of Human Resources/Executive Search Agencies

Adecco Korea
35/F., ASAM Tower
159-1, Samsung-dong, Kangnam-ku, Seoul 135-090
Tel: 82-2-555-0606; Fax: 82-2-3452-1911
www.adecco.co.kr
Contact: Ms. Jung-A Choe, President

AMROP International
14/F., Jongkeundang Bldg.
368, Chungjungro 3-ka, Seodaemun-ku, Seoul 120-756
Tel: 82-2-393-3701; Fax: 82-2-393-1811
www.amrop.co.kr
Contact: Mr. Theodore In-Shig Shim, President

Boyden International, Inc.
Rm. 1105, Changkyo Bldg.
1, Changkyo-dong, Chung-ku, Seoul 100-760
Tel: 82-2-756-9305; Fax: 82-2-755-4632
www.boyden.co.kr
Contact: Mr. Ki-Soon Yim, Managing Director

Dream Search Inc
5/F., Jae Il Bldg.
99-3, Garak-dong, Saongpa-ku, Seoul 138-160
Tel: 82-2-569-3833; Fax: 82-2-569-3834
www.dreamsearchkorea.com
Contact: Ms. Byung-Sook Lee, President

Global Human Bank
7/F., Yoo Won Bldg., 75-95,
Seosomun-dong, Chung-ku, Seoul 100-110
Tel: 82-2-7750-113; Fax: 82-2-7750-112
www.jobghb.co.kr
Contact: Mr. David H. Lim, President

IBK Consulting Group
22/F., Hanhwa Bldg.
23-5, Yoido-dong, Youngdungpo-ku, Seoul 150-010
Tel: 82-2-782-2807; Fax: 82-2-786-6743
www.ibkconsulting.com
Contact: Mr. Han-Seok Kim, President

I-tec Consulting Co., Ltd.
7/F., Seoul Bldg.
831-11, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Tel: 82-2-3453-3058/9; Fax: 82-2-554-8374
www.itec-consulting.co.kr
Contact: Mr. Dae-Shik Kim, President

KK Consulting, Inc.
Suite 514, City Air Terminal
159-6, Samsung-dong, Kangnam-ku, Seoul 135-728
Tel: 82-2-551-0203; Fax: 82-2-551-0220
www.kkconsulting.com
Contact: Mr. Kuk-Kil Kim, President

P & E Consulting, Inc.
Rm. 1007, Ilshin Bldg.
541, Dowha-dong, Mapo-ku, Seoul 121-040
Tel: 82-2-719-7902; Fax: 82-2-719-7907
www.pneconsulting.co.kr
Contact: Mr. Sunnie Hong, Rep. Director & Sr. Consultant

Search International
2/F., Myounghwa Bldg.
629-31, Shinsa-dong, Kangnam-ku, Seoul 135-120
Tel: 82-2-514-3522; Fax: 82-2-514-3044
www.searchi.co.kr
Contact: Ms. Hyuk-Hee Kwon, President

ServeCorp.
13/F., Hong Eun Bldg.
824-22, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Tel: 82-2-508-0073; Fax: 82-2-508-1007
www.i-servcorp.co.kr
Contact: Ms. Sung-Hee Song, President

Solution Inc.
15/F., Dongshin Bldg.
141-28, Samsung-dong, Kangnam-ku, Seoul 135-090
Tel: 82-2-565-5362; Fax: 82-2-565-5599
www.solution.co.kr
Contact: Mr. Sang-Hoon Han, President

Star Communications, Inc.
16/F., Songchon Bldg.
642-9, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Tel: 82-2-2185-5450; Fax: 82-2-756-0755
Contact: Ms. Joanne Lee, President

Tack International, Inc.
Rm. 303, Hyunjin Bldg.
798-30, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Tel: 82-2-564-0581; Fax: 82-2-564-0584
www.tack.co.kr
Contact: Mr. Sang-Tack Choi, President

Top Business Consultant Service
Room 3501, KWTC
159-1, Samsung-dong, Kangnam-ku, Seoul 135-729

Tel: 82-2-551-0361; Fax: 82-2-551-0369
www.headhunter.co.kr
Contact: Mr. Kang-Shik Koh, President

Unico Search Inc.
Suite 1705, City Air Tower
159-9, Samsung-dong, Kangnam-ku, Seoul 135-973
Tel: 82-2-551-0313; Fax: 82-2-551-4959
www.unicosearch.com
Contact: Mr. Soon-Shin Yoo, President

Selling Factors/Techniques

Three practices are essential for success in the Korean market: (1) adapting products and procedures to Korean tastes and conditions, (2) regular communication with Korean business partners and customers, and (3) consistently exhibiting a firm commitment to the Korean market over the long run.

In selling to manufacturers, personal contact is important not only because of the value placed on direct discussion and on building long-term relationships but also because such contact brings the end-user in touch with new processes and equipment. In light of the competition offered by Japanese suppliers, who often visit potential and existing customers throughout Korea, U.S. suppliers should consider (1) making visits to Korea to augment the efforts of the local representative; (2) bringing representatives back to the home office periodically to ensure they are fully informed, motivated and up-to-date on the supplier and its offerings; (3) allowing the distributor or agent to appropriately choose among the U.S. company's full product line selection for sale in the Korean market, (4) holding more demonstrations, seminars and exhibitions of their products in Korea; (5) increasing the distribution of technical data and descriptive brochures; and (6) improving follow-up of initial sales leads.

Advertising

In 1991, Korea's advertising market was completely opened to 100% foreign equity participation. As a result, a large number of joint venture agreements between major international advertising agencies and local Korean advertising firms have been established. Foreign advertising agencies have been able to take advantage of the current economic boom following the economic crisis, and with WPP acquiring the largest Korean advertising company, LG Ad, they now control more than 50% of the Korean advertising market. Today, all the major international agencies are present in Korea.

There are four major broadcast networks (television and radio) in Korea. KBS I and KBS II are owned and operated by the Korean government, while MBC and SBS are independently operated. However, government influence remains since advertising time on these and other broadcast networks is sold exclusively through the government selling organization, the Korea Broadcast Advertising Corporation (KOBACO) and companies must register with this corporation if they intend to advertise in either of these two media. As of May 2003, approximately 253 foreign and Korean agencies were registered with this corporation.

Though censorship in advertisement is still practiced in Korea, it is not as strict as it was in the past. The Korean Broadcasting Committee is the government authority that approves local broadcast advertising. In August of 2000, the Korea Advertising Review Board (KARB), which is organized by advertising associations, societies and industry associations, took control of advertising censorship procedures from the Committee. In addition, the governmental Korean Fair Trade Commission is responsible for determining whether an advertisement makes accurate claims.

Several local TV stations have been established in recent years. This development as well as the opening of cable television in 1995 has expanded advertising's potential reach to Korean audiences. As of May 2003, the Korean cable industry was served by 117 system operators, and a total of 163 program providers providing diverse cable programs such as business news, sports, music, Buddhist programming, shows on the Korean board game, baduk (“Go”), and so forth. There are also five shopping channels, including CJ 39, Hyundai, LG, Woori, and Nongsusan. The estimated total sales of these five shopping channels is USD 5.8 billion.

Advertising market opportunities are predicted to show strong growth as more Koreans gain access to electronic media. For example, while cable television in Korea currently has an audience of 8 million households, industry specialists have estimated that by the end of 2003, this figure will grow to 11 million households. In addition, the government took steps for Korea to broadcast satellite television in digital format in 2001, with expectations of nationwide coverage by 2010. Korea Digital Broadcasting (KDB), a subsidiary of state-run Korea Telecom, was awarded the contract for digital broadcast in December of 2000 and by 2002 it is expected that Korea will be broadcasting 60-70 satellite channels, and about 120 by 2005. Currently, the estimated number of KDB viewers is 900,000 households.

Internet advertising also offers significant market growth potential, since the number of computer users will further increase in the coming years. There are currently 11 million Internet using households in Korea, which amounts to more than 68% of the total households in Korea.

Trade Promotion

Seoul has several world-class trade resources including a government trade promotion agency and several modern exhibition venues. The Korea Trade-Investment Promotion Agency (KOTRA), a wholly-owned corporation of the Korean Ministry of Commerce, Industry and Energy, operates a Buyer Service Center. This Center provides assistance to foreign buyers visiting Korea in arranging business meetings with Korean companies and collecting information on Korean products and suppliers. KOTRA has built an extensive worldwide network of domestic and overseas Korea Trade Centers (KTC), with locations in 12 Korean cities, including Busan, Inchon, Ulsan, and many others. KOTRA also has 11 offices in the United States.

The Korea International Trade Association (KITA) is the largest trade association in Korea. As a member of the World Trade Centers Association (WTCA), KITA explores new trade opportunities for Korea by dispatching trade missions and market survey teams to a number of foreign countries on a regular basis. KITA's Trade Service Center also assists any potential foreign buyer or seller by responding to written inquiries from all over the world. The Center also offers on-the-spot consultation and personalized advisory service regarding trade rules and regulations, export and import procedures, business management, market research, technology development, and taxation. In addition, KITA's maintains six overseas branch offices, two of which are based in Washington D.C. and New York.

Seoul also boasts the largest trade show venue in Korea, the Convention and Exhibition Center, popularly known as "COEX." Covering 36,027 square meters of exhibition space, COEX is a full-service trade organization offering multi-lingual simultaneous translation, world-class audio-visual equipment, state-of-the-art lighting and sound systems, and up-to-the-minute information services. Also in Seoul is the newly built Seoul Trade Exhibition Center (SETEC), which is operated by KOTRA.

In addition, Busan, the second largest city in Korea located in the far southern part of the Korean peninsula, currently has one exhibition hall called the Busan Exhibition & Convention Center (BEXCO). BEXCO is directly run by BEXCO, Inc., a Busan City-invested firm, which finished construction this year and was opened in May, 2001. This new hall will more than double Busan's trade exhibition capacity. The indoor exhibition hall has a floor space of 26,446 square meters. There is also an outdoor exhibition site, that is 13,223 square meters in size.

List of Major Newspapers and Business Journals

(Note: Telephone dialing information when calling from outside of Korea: 82 is the country code for Korea, followed by 2, which is the city code for Seoul)

Chosun Ilbo
(Korean newspaper)

General:	Tel: 82-2-724-5114	Fax: 82-2-724-5329 (Int'l Div.)
Advertising:	Tel: 82-2-724-5824	Fax: 82-2-724-5809
Address:	61, 1-ka, Taepyung-ro Chung-ku, Seoul 100-756 Korea	
Web site:	www.chosun.com	

Dong Ah Ilbo
(Korean newspaper)

General:	Tel: 82-2-2020-0114	Fax: 82-2-2020-1239 (Int'l Div.)
Advertising:	Tel: 82-2-2020-0777	Fax: 82-2-2020-1429
Address:	139, Sejong-ro Chongro-ku, Seoul 110-715 Korea	
Web site:	www.donga.com	

Hankook Ilbo
(Korean newspaper)

General:	Tel: 82-2-724-2114	Fax: 82-2-723-9288 (Int'l Div.)
Advertising:	Tel: 82-2-724-2802	Fax: 82-2-720-7222
Address:	14, Chunghak-dong Chongro-ku, Seoul 110-150 Korea	
Web site:	www.hankooki.com	

Hankyoreh Shinmun
(Korean newspaper)

General:	Tel: 82-2-710-0114	Fax: 82-2-710-0715 (Int'l Div.)
Advertising:	Tel: 82-2-710-0417	Fax: 82-2-710-0410
Address:	116-25 Gongduk-dong Mapo-ku, Seoul 121-750 Korea	
Web site:	www.hani.co.kr	

Joong-ang Ilbo
(Korean newspaper)

General:	Tel: 82-2-751-5114	Fax: 82-2-751- 5420 (Int'l Div.)
Advertising:	Tel: 82-2-751-5076	Fax: 82-2-751-5806
Address:	7, Soonhwa-dong Chung-ku, Seoul 100-130 Korea	
Web site:	www.joins.com	

Korea Economic Daily
(Korean newspaper)

General:	Tel: 82-2-360-4114	Fax: 82-2-360-4319 (Int'l Div.)
Advertising:	Tel: 82-2-360-4477	Fax: 82-2-392-4168
Address:	441, Joonglim-dong, Chung-ku, Seoul 100-360	
Web site:	www.hankyung.com	

Korea Herald
(English newspaper)

General:	Tel: 82-2-727-0114	Fax: 82-2-727-0670
Advertising:	Tel: 82-2-727-0333	Fax: 82-2-727-0676
Address:	1-12, 3-ka, Hoehyun-dong Chung-ku, Seoul 100-771 Korea	
Web site:	www.koreaherald.co.kr	

Korea Times
(English newspaper)

General:	Tel: 82-2-724-2114	Fax: 82-2-732-4125
Advertising:	Tel: 82-2-724-2827	Fax: 82-2-723-1623
Address:	14, Chunghak-dong, Chongro-ku, Seoul 110-792 Korea	
Web site:	www.koreatimes.co.kr	

The Kukmin Daily
(Korean newspaper)

General:	Tel: 82-2-781-9114	Fax: 82-2-781-9330 (Int'l Div.)
Advertising:	Tel: 82-2-781-9818	Fax: 82-2-781-9830
Address:	CCMM Bldg., 12, Yoido-dong Youngdeungpo-ku, Seoul 150-010 Korea	
Web site:	www.kukminilbo.co.kr	

Kyunghyang Shinmun
(Korean newspaper)

General:	Tel: 82-2-3701-1114	Fax: 82-2-735-6140 (Int'l Div.)
Advertising:	Tel: 82-2-3701-1500	Fax: 82-2-736-4985
Address:	22, Jung-dong Chung-ku, Seoul 100-702	
Web site:	www.kyunghyang.com	

Maeil Kyungjae
(Korean newspaper)

General:	Tel: 82-2-2000-2114	Fax: 82-2-2000-2287 (Int'l Div.)
Advertising:	Tel: 82-2-2000-2250/1	Fax: 82-2-2000-2219
Address:	30, Pil-dong 1-ka Chung-ku, Seoul 100-728 Korea	
Web site:	www.mk.co.kr	

Munhwa Ilbo
(Korean newspaper)

General:	Tel: 82-2-3701-5114	Fax: 82-2-3701-5187 (Int'l Div.)
Advertising	Tel: 82-2-3701-5566	Fax: 82-2-730-4618
Address:	68, 1-ka, Choongjung-ro Chung-ku, Seoul 100-151 Korea	
Web site:	www.munhwa.co.kr	

The Herald Business
(Korean newspaper)

General:	Tel: 82-2-727-0114	Fax: 82-2-727-0664 (Int’l Div.)
Advertising	Tel: 82-2-727-0303	Fax: 82-2-727-0674/5
Address:	1-12, 3-ka, Hoehyun-dong Chung-ku, Seoul 100-053 Korea	
Web site:	www.heraldbiz.com	

Segye Ilbo
(Korean newspaper)

General	Tel: 82-2-2000-1234	Fax: 82-2-2000-1341 (Int’l Div.)
Advertising	Tel: 82-2-2000-1405	Fax: 82-2-793-7125
Address:	63-1, Hangangro 3-ka Yongsan-ku, Seoul	

Web site:	www.sgt.co.kr	

Daehan Maeil
(Korean newspaper)

General:	Tel: 82-2-2000-9000	Fax: 82-2-2000-9239 (Int'l Div.)
Advertising:	Tel: 82-2-2000-9383	Fax: 82-2-2000-9399
Address:	25, 1-ka, Taepyung-ro Chung-ku, Seoul 100-101 Korea	
Web site:	www.kdaily.com	

Seoul Kyungjae Shinmun
(Korean newspaper)

General:	Tel: 82-2-724-2114	Fax: 82-2-732-2140
Advertising:	Tel: 82-2-724-2829	Fax: 82-2-734-9009
Address:	14, Chunghak-dong Chongro-ku, Seoul 110-150 Korea	
Web site:	www.sedaily.com	

Important Business Journals

Korea Economic Report
(monthly magazine)

General:	Tel: 82-2-783-5283/7	Fax: 82-2-780-1717
Address:	Suite 903, Shinsong Bldg. 25-4 Yoido- dong, Youngdungpo-ku Seoul 150-010 Korea	
Web site:	www.economicreport.co.kr	

Korea Trade and Investment
(bi-monthly magazine)

General:	Tel: 82-2-3460-7524~6	Fax: 82-2-3460-7941
Address:	Investment Public Relations KOTRA 300-9, Yomgok-dong Seocho-ku, Seoul 137-170 Korea	
Web site:	www.kt-i.com	

Travel Trade Journal

General:	Tel: 82-2-744-4010	Fax: 82-2-765-1666
Address:	CK Bldg. 101-5, Nonhyun-dong Kangnam-ku, Seoul 135-010 Korea	

Pricing a Product

U.S. goods have a reputation among Korean buyers to be of high quality and performance; however, since Korean manufacturers are price-conscious, they often regard U.S. products as very expensive. In an export-oriented economy where finished products must meet keen competition in the world market, many Korean manufacturers believe that it is essential to buy the cheapest raw materials and equipment, even at the expense of quality. Goods from Japan and elsewhere are often considered to be better buys than goods from the U.S., even though their quality and durability are poorer. In addition, Korean manufacturers often seek to offset labor wages with low-cost inputs. However, as Korea continues to move toward exporting higher-end and manufacturer-branded products, and tries to combat criticisms of poor quality control of certain Korean products in recent years, the precedence manufacturers give to price as a buying factor may be somewhat tempered. Other characteristics in Korean price considerations are the tendency to seek “bundled” prices and to undervalue "software" (engineering and other services components), particularly in the procurement of major systems.

Considering the factors outlined above, U.S. exporters might consider: 1) adapting their products to Korea by marketing basic units, 2) taking into account in their price quotations the likelihood of repeat business for spare parts and auxiliary equipment, and most importantly, 3) emphasizing and marketing the idea that the superior quality of U.S. manufactured input products ultimately results in lower production costs.

Sales Service/Customer Support

In determining the long-term success of U.S. suppliers in the Korean market, sales and after-sales service, or A/S, are second only to the selection of the appropriate product and price. Immediately following the Korean War, at a time when foreign exchange was exceedingly scarce, Korean plant operators learned to rely on their own resources or on the many small machine shops in order to service machinery. This tradition of self-reliance and improvisation is still evident in contemporary Korean business practices. However, with heavy competition among foreign suppliers in the Korean market, servicing has become an increasingly important component of selling.

Private traders and offer agents often hire available in-house engineers to install equipment. For specialized installations, however, the best sources of assistance include resident and offshore foreign engineers in coordination with local engineers, whose services are available for contract.

Japan's geographical proximity to Korea as well as the similarities in business culture between the two countries allow Japan to send teams of specialists to Korea at minimal cost and effort in order to offer skilled advice in installation, maintenance and repair. U.S. firms should consider establishing regional servicing facilities that can effectively service and support equipment sold in Korea. The emphasis given recently by some U.S. firms on the training of personnel, often through American programs, has proven beneficial.

Selling to the Government

The purpose of the World Trade Organization's Government Procurement Agreement (GPA) is to establish non-discriminatory procedures for the procurement process so that a maximum number of qualified suppliers can fairly compete. The GPA defines steps to be followed regarding qualification of suppliers, publication, opening and award of tenders, and specifies minimum bid deadlines. It also limits circumstances under which open and competitive tendering procedures may be waived, such as cases of extreme urgency or follow-on procurement of spare parts. The GPA strives for greater transparency by requiring Korea and other signatories to publish laws, regulations, and detailed statistics regarding government procurement. The Agreement also requires procuring entities to make public basic information about contract awards, including (if requested and if not deemed contrary to the public interest) an explanation of why a supplier failed to qualify or was disqualified from competing on a bid, why its tender was not selected, or the reasons why the winning tender was selected. Another novel feature about the GPA is that it establishes bid challenge procedures in cases where a supplier believes a procuring entity has breached the Agreement. While such procedures have yet to be tested in Korea's case, they have been successfully used in other GPA signatory countries to the benefit of U.S. suppliers.

Korea began implementing the GPA on January 1, 1997. In its accession offer, Korea agreed to cover procurements valued over certain "threshold" amounts made by Korean central government agencies, their subordinate entities, Korean provincial and municipal governments, and some two dozen government-invested companies. In addition, procurement of services--including construction services--by covered Korean entities is included. Other features of the GPA for Korea include a prohibition against offsets as a condition for awarding contracts on covered procurements, and a provision requiring procuring entities to allow suppliers to pursue alleged violations of the Agreement through GPA-defined bid challenge procedures. Accordingly, the Korean Ministry of Finance & Economy (MOFE) has established an International Contract Dispute Settlement Committee to deal with any challenges by foreign suppliers that Korean procuring entities have not complied with GPA provisions.

The annexes to Korea's accession document specify certain thresholds, below which GPA rules do not apply. Thus, the threshold for Annex 1 (central government) entities for supplies and services is approximately USD 180,000, and for construction services approximately USD 7 million. Thresholds for supplies/services and construction services are considerably higher for Annex 2 (sub-central government entities) and Annex 3 (government-invested corporations). Korea also specified certain categories of purchases that would be exempt from GPA coverage altogether, including procurement related to national security and defense, Korea Telecom's purchases of telecommunications commodity products and network equipment, procurement of satellites, and purchase by the Korea Electric Power Corporation (KEPCO) of certain equipment related to electrical transmission and distribution.

The Supply Administration of the Republic of Korea (SAROK, formerly the Office of Supply or OSROK) is responsible for the purchase of goods and incidental services required by central and sub-central government entities, government construction contracts and related services, and stockpiling raw materials. Not all GPA-covered procurement is handled by SAROK. In the case of Korean government-invested corporations (listed in Annex 3 of Korea's accession agreement), procurement is handled in-house, with these entities following the same GPA rules. Thus, tendering under open, formal procedures are required.

U.S. suppliers are required to register in advance with SAROK (or any other procuring entity), which maintain lists of pre-qualified suppliers for given materials, equipment and services. Invitations to bid are announced 40 calendar days in advance of the bid deadlines. As required by the GPA, the procuring entity must publish information on bid opportunities in at least two sources: the daily newspaper Seoul Shinmun (daily newspaper) and the Korean Government Gazette. While these sources are published in the Korean language, any given tender announcement must be accompanied by a summary in English, including the subject matter of the contract, the deadline for submission of tenders, and the address and contact point from which full documents relating to the contracts may be obtained. The tender announcement must contain a statement that the bid is covered by the GPA.

While SAROK features tender information in English on its internet home page at http://www.sarok.go.kr, other procuring entities only sporadically publish information on their respective web sites (if available) and the information is not always timely. While not required in order for foreign firms to be eligible to bid on Korean Government contracts, any foreign firm with local representation tends to have a competitive advantage on Korean tenders, since it can better track tender notices, arrange for translation, and ensure that bids are properly submitted.

Protecting Your Product from IPR Infringement

For further details on the protection of intellectual property rights, with regards to patents, copyrights, trademarks and their policy implications, please refer to Chapter VII (Investment Climate). For the purposes of this chapter on how to market U.S. products and services in Korea, however, we have briefly outlined measures on how U.S. firms, wishing to approach the Korean market, should protect their intellectual property rights (IPR), in particular, trademarks.

Why You Should Register Your Intellectual Property in Korea

Basic intellectual property laws exist in Korea. However, protection of intellectual property and the laws governing enforcement of these protections are not necessarily extra-territorial. What is understood and practiced in the United States is not always practiced in Korea as well. So, U.S. companies wishing to sell their products or services in Korea should first and foremost find out if they have to register their intellectual property rights (copyright, trademark or patents) in Korea itself because when encountering problems in the IPR area, a firm (whether U.S. or Korean) is required to prove that they are the legal right-holders of an intellectual property, whether copyright, trademark or patent. Consequently, the speediest means to enforce the right-holder's claims is to have their intellectual property recognized by the Korean authorities and government.

One of the most frequent IPR problems facing U.S. businesses in Korea is trademark protection. Unlike the trademark registration system in the United States, which is based on "first commercial use" or "first intent to use," the trademark registration system in Korea is based on "first-to-file," or more accurately, first to successfully register with the Korea Intellectual Property Office (KIPO). If a U.S. company is fortunate enough to have the foresight to consider entering into the Korean market, and no one has yet filed to register the same or similar trademark in Korea, it is highly advised that the U.S. company register its trademark first before another unauthorized party registers it. The company will save a lot of time, energy, resources, and legal fees in the long run. In order to successfully register a trademark, one must hire a qualified local attorney who is familiar with registration procedures. To have maximal effect using this prevention strategy, the company should be prepared to register the trademark in each product class category which is applicable for the product(s); should the trademark be challenged, protection is not generally provided under the Korean legal system if the company does not register in the pertinent particular product class category. Again, U.S. companies should be the first to file their trademark in Korea, and file in every applicable class category.

During the course of trademark registration, information on registration pending applications becomes initially available from publications of the Korea Invention and Patent Association two to three months after the initial application. Official announcements of pending applications are published for comment by KIPO in its Official Gazette. Generally, U.S. companies hire a local attorney and ask the firm to look into the status of the company's trademark in Korea. Sometimes, the U.S. company discovers from the aforementioned publications that an unauthorized party has already filed the trademark and is awaiting registration. In this case the company is eligible to file an Opposition Action Petition within a 30-day period of official publication. In an opposition action petition, the company states their case as to why the unauthorized party's application should be rejected during the course of initial review. After reviewing the opposition action petition, KIPO can decide either to proceed to successfully register the unauthorized trademark application, or, KIPO can decide to reject the trademark application, enabling the U.S. company to clear the path for the American company's successful registration at a later date.

If the American company is not yet fully engaged in the process of registration but plans to enter the Korean market in the distant future, then the company may at least want to monitor KIPO's public notices to see if someone tries to register the mark. If the company cannot monitor the situation from America, then the U.S. company should consider hiring someone in Korea, such as an attorney, who can.

The March 1998 Trademark Act includes a new provision to increase the possibilities of a successful action of U.S. trademark holders. It provides KIPO, grounds to reject a third-party application of the same or similar trademark application if KIPO is convinced that the registration is done in "bad faith." Even if an unauthorized party has filed for a U.S. company's trademark, hopefully, the capable trademark examiner at KIPO will have done his/her homework and have the knowledge to reject a famous/well-known trademark application.

As capable as trademark examiners can be, some trademark registrations by unauthorized registrants have slipped through the cracks and have been successfully registered. A registration by an unauthorized party is particularly unscrupulous in cases where the party registers the mark without intent to use the mark in a "predatory registration" (i.e., knowing that the mark belongs to another company, the unauthorized applicant registers the mark in hopes of cashing in when the legitimate trademark owner tries to enter the Korean market).

In this case, because the Korean legal system is based on first to file, and because the unauthorized registrant successfully registered with KIPO, the unauthorized registrant is the legal owner of the trademark in Korea—even if it is the U.S. company's mark and the American company has been using it in international commerce for the past several years! Provided that the mark was not used in commerce by the successful but unauthorized registrant in Korea for the past three years, the company can file a Cancellation Action petition to cancel the existing mark. If the cancellation action is successful and there is no appeal, the company can immediately file to register the trademark with KIPO, therefore, reclaiming the trademark.

The most onerous scenario takes place when an unauthorized trademark application has been successfully registered with KIPO, and the party is actually using the U.S. company's trademark in commerce in Korea. In this case, the legal remedy available is an Invalidation Action. An invalidation action petition can be filed anytime during the course of the 10-year life of a trademark, provided the trademark is actually being used by the unauthorized registrant. The American company's petition would outline why the unauthorized trademark owner's registration should be voided (invalidated), i.e. that the American company is the legitimate and original trademark owner, and that consumers know the trademark to be associated with the U.S. company.

If the company follows either the invalidation or cancellation action routes, the burden of proof lies with the petitioner. U.S. companies should be prepared to provide all kinds of documentation showing commercial use (include samples of the product and show the uniqueness of the trademark and product); to substantiate financial investment in advertisements (include advertisements in every way, shape, or form); even to provide the results of a survey conducted to show that the brand name is recognized by the public at large in Korea and that the company is the source of the legitimate goods touting the trademark.

Provided that the company and their attorneys put forth a convincing argument with meticulously documented details as to why the company is the legitimate trademark owner, the company has a good chance of winning the case before the KIPO Trial Board. However it may not be over as cancellation and invalidation actions have an appeals process from the KIPO Tribunal Board to the Korean Patent Court and finally, to the Supreme Court of Korea. The rule of thumb for trial date is first come, first served; petitions are filed by date with the trial dates occurring in order of the date of petition.

Unlike the case of a successful cancellation action where the company may file for the trademark immediately with KIPO, in the event an invalidation action is successful and there are no appeals, the US company cannot officially file to register the trademark until one year has passed from the invalidation action date. However, US companies can seek enforcement measures from the date of invalidation of the Korean registration.

Suffice it to say that the above means are legal means. There is always the possibility of settling out of court. And, because of the lengthy time it takes to go from the KIPO Tribunal Board to the Korean Patent Court, all the way up to the Supreme Court of Korea, some companies just cannot wait that long to re-claim their trademark. Time is money. Four years or more is not unheard of for a final decision using the legal process, and even then, there is no guarantee that the US company would win. Because the opportunity cost of not entering the lucrative Korean market is so great, some companies have opted to settle out of court, i.e., to buy their own trademark from the unauthorized (but legal) registrant for use in the Korean market. However, some companies have strictly limited themselves to legal battles based on moral principle; in either case, good legal counsel is an absolute must. Ultimately, the decision is up to the US company with good legal counsel as to how to proceed.

How and Where to Register Your Intellectual Property in Korea

U.S. companies can seek trademark and patent registration from the Korea Industrial Property Office (**KIPO**). Foreign applicants are required to retain a licensed local attorney in order to prepare applications in Korean and to conduct necessary follow-up correspondences locally. Under international law, copyrights do not have to be registered in order to be protected; however, like in the U.S. where copyright registration is possible, registration is also possible in Korea with the Ministry of Culture and Tourism. Enforcement of legally registered copyrights, trademarks, and patents are under the jurisdiction of the Prosecutor's Office in Korea.

Type of Intellectual Property	Where to Register
Trademark, Patent	Korea Industrial Property Office (KIPO) www.kipo.go.kr
Copyright	Ministry of Culture and Tourism (MOCT) www.moct.go.kr Copyright Registration Division: Copyright Deliberation and Conciliation Committee www.copyright.or.kr

In addition, if a U.S. company wanted to see if their trademark was registered without authorization, they would have to employ the services of a qualified Korean attorney because Korean law requires that foreign applicants designate a qualified attorney to represent them at legal proceedings in the Korean language (e.g. at trials to revoke or invalidate unauthorized registrations). If a U.S. company wanted to pursue legal avenues in the Korean legal system or in the KIPO Trial Board System, the intricacies of Korean IPR law in addition to the immense paperwork and documentation needed to be completed and compiled in the Korean language can be a daunting task for a U.S. firm that has neither full time local presence nor any contacts in the Korean government. Hence, in order to attempt to remedy most IPR problems in Korea, an effective local attorney is a key asset.

Also, when registering for a copyright, trademark or patent, US companies, should maintain control of their intellectual property, even if they request their Korean agent to do the processing. This control is particularly relevant should the Korean-American partnership dissolve. In such previous cases where the Korean agent maintained control of the intellectual property, long, costly legal battles have ensued. The legal system is structured on an appeals process which could take at a minimum three to four years in the courts should a case go to the Supreme Court of Korea or to the Supreme Civil/Criminal Court. Again, even then, there is no guarantee that the US party would win. Hence, to avoid such legal disputes and hefty legal fees, US companies are urged to do their due diligence when choosing a potential Korean partner.

Need for a Local Attorney

Although the industry is in the process of liberalization, the legal services sector is presently closed to foreign firms. Though in theory, foreign citizens may sit for the Korean judicial exam and eventually become a licensed attorney, in practice there are no licensed non-Korean attorneys. However, an increasing number of foreign attorneys are hired as consultants by Korean law firms. In international transactions, many so-called "foreign consultants" are essentially practicing law, with the exception of a final approval signature, which must be completed by a Korean attorney.

Out of a population of 47 million people, the present Korean examination system establishes a limit of eight hundred newly graduated law students to enter into the ranks of practicing attorneys each year. Over the last several decades, the Korean government has worked to liberalize the sector by allowing more graduates to enter into the profession. Since 1996, the quota has been raised from 300 per year to the current 800 per year, and further liberalization to 1,000 new attorneys per year is expected soon. Due to the limits placed on the number of new attorneys accredited each year, experienced counsel is at a premium.

The Korean legal community has divergent opinions on liberalizing the market. The large established firms, which have a virtual monopoly on lucrative international transactions, resolutely oppose opening to foreign competition, which may drive legal fees down and provide more choices for Korean and foreign consumers. On the other side of the argument is an emerging group of small law firms that see the arrival of foreign firms in Seoul as an opportunity to forge new partnerships and capture some of the established business of the larger firms.

A large proportion of the practice by Korean law firms focuses on international business and transactions. Most experts advise engaging a local attorney before making major business decisions in dealing with Korean companies. The legal advice that Korean firms with international experience can provide can be very important. In addition to advice on structuring deals or arranging contracts, Korean law firms are usually well connected into the power structure and have extensive contacts in the government ministries that can determine the fate of foreign companies and international transactions.

Although it is important to have legal representation when a business in Korea reaches even a modest level of complexity, it is important to remember two things. First, as a matter of legal culture, Korean lawyers do not see themselves as businessmen and try to avoid intruding on business judgments. It is rather rare for Korean lawyers to venture far from recitation of applicable statutes. This is one reason why it is a good idea to seek a Korean firm employing foreign legal consultants who tend to provide a proactive, commercial-oriented practice philosophy. Second, although major Korean firms have extensive and excellent contacts with the Korean bureaucracy, for anyone planning long-term business involvement in Korea, it is often useful to establish direct contacts with the officials who oversee any given industry.

List of Major Law Firms in Korea

*(*Note: ALL lists in this Country Commercial Guide are provided only to assist U.S. companies or individual investors to identify companies in Korea who may be able to meet the specific needs of U.S. companies. The lists are not meant to be an exhaustive one, nor is it intended that inclusion in the list be construed as a U.S. Embassy endorsement or recommendation of the companies so listed. The Department of Commerce and the U.S. Embassy assume no responsibility for the professional ability or integrity of the persons or firms whose names appear in the lists given below. The companies listed below are arranged in alphabetical order according to category, and the order in which they appear has no other significance.)*

(Note: Telephone dialing information when calling from outside of Korea: 82 is the country code for Korea, followed by 2, which is the city code for Seoul)

Aram International Law Offices
5th Fl., Hoesung Building, 51-7, Banpo-dong, Seocho-gu, Seoul 137-040
Tel: 82-2-592-0892; Fax: 82-2-596-6081
Web site: www.aramlaw.com

Aurora Law Offices
9th Fl. KNTO Bldg., 10 Da-dong Jung-gu, Seoul 100-180
Tel: 82-2-771-8885; Fax: 82-2-771-8886
Web site: www.auroralaw.co.kr

Bae, Kim & Lee, P.C.
6th - 12th Fl., Hankuk Tire Building, 647-15, Yuksam-dong, Kangnam-gu, Seoul 135-080
Tel: 82-2-3404-0000 Fax: 82-2-3404-0001
Web site: www.bkl.co.kr

Central International Law Firm
5th Fl., Korea Re-insurance Bldg., 80 Soosong-dong, Jongno-gu, Seoul 110-140
Tel: 82-2-735-5621/6; Fax: 82-2-733-5206/7
Web site: www.cilf.co.kr

Chin, Ahn, Ha & Seo
8th Fl, Il-Heung Building, 1490-25, Seocho-dong, Seocho-gu, Seoul 137-870
Tel: 82-2-586-2240; Fax: 82-2-586-3184
Web site: www.tllawyer.co.kr

C.J. International Law Offices
8th Floor, Daedong Bldg., 51-5, Banpo 4-dong, Soecho-gu, Seoul 137-044
Tel: 82-2-736-0145; Fax: 82-2-3476-5995
Web site: www.barunlaw.com

DW Partners Attorneys-at-law
6th Fl., Do Won Security Bldg., 51-11, Banpo 4-dong, Seocho-ku, Seoul 137-044
Tel: 82-2-586-2240, Fax: 82-2-595-0020

First Law Offices of Korea
275-7, 17th Fl., KEC building
Yangjae-dong, Seocho-gu, Seoul 137-130
Tel: 82-2-589-0001; Fax: 82-2-589-0002

Web site: www.firstlaw.co.kr

Hwang Mok Park & Jin Law Offices
9th Fl., Daekyung Building, 120, 2-ka, Taepyong-no, Jung-gu, Seoul 100-724
Tel: 82-2-772-2700; Fax: 82-2-772-2800
Web site: www.hmpj.com

Kim & Chang Law Offices
Seyang Building, 223, Naeja-dong, Jongno-gu, Seoul 110-720
Tel: 82-2-737-4455; Fax: 82-2-737-9091/3

Kim, Chang & Lee
171, 5th Fl., Wonseo building, Wonseo-dong, Jongno-gu, Seoul 110-280
Tel: 82-2-397-9800 Fax: 82-2-725-8727
Web site: www.kimchanglee.co.kr

Kim, Shin & Yu
12th Fl., Leema Bldg., 146-1, Susong-dong, Jongno-gu, Seoul 110-755
Tel: 82-2-2000-5000 Fax: 82-2-739-6606, 82-2-739-6182
Web site: www.ksy.co.kr

Law Offices of Lee & Ko
17th-20th Fl. Marine Center Main Bldg.
118, 2-ga, Namdaemunno, Jung-gu, Seoul 100-770
Tel: 82-2-772-4000 Fax: 82-2-772-4001/4002
Web site: www.lawleeko.com

Shin & Kim
Samdo Bldg., 4th Fl., 1-170, Soonhwa-dong, Jung-gu, Seoul 100-130
Tel: 82-2-316-4114; Fax: 82-2-756-6226
Web site: www.shinkim.com

Shin & Shin
Suite 1913 Champs Elysees Center Building
#889-5, Daechi-dong, Gangnam-gu, Seoul 135-280
Tel: 82-2-565-6300; Fax: 82-2-565-7400

Sojong Partners
9th Floor, Star Tower, 737 Yeoksam 1-dong
Kangnam-gu, Seoul 135-984
Tel: 82-2-2112-1122; Fax: 82-2-2112-1115
Web site: www.sojong.com

Wonjon Intellectual Property Law Firm
8th Fl., Poong Lim Bldg. 823-1
Yeoksam-dong, Gangnam-gu, Seoul 135-784
Tel: 82-2-553-1246 to 1250; Fax: 82-2-553-0990 or 0987
Web site: www.wonjon.co.kr

Yoon & Partners
Suite 831, Korea Chamber of Commerce & Industry Bldg.

45, Namdaemunno-4-ga, Jung-gu, Seoul 100-743
Tel: 82-2-773-0161; Fax: 82-2-773-4947; 82-2-773-4948
Website: www.yoonpartners.co.kr

Chapter 5. Leading Sectors for U.S. Exports and Investment

Best Prospects for Non-Agricultural Goods and Services

Note: The Best Prospects for Non-Agricultural goods and services are ranked based on a standard criterion for all Country Commercial Guides throughout the world. The industry sectors are ranked based on estimated growth, in dollar value, of U.S. exports to Korea over the coming year (i.e., 2003(E) figures minus 2002 figures). Please note that the statistical figures are unofficial estimates. In addition, the 2003 estimated exchange rate used is not necessarily a forecast of the average rate for the remainder of the year, but only the rate at the time of publication.

Sector Rank: 1
Franchising
ITA Industry Code: FRA

Korea's franchising industry has been developing rapidly within the last few years, led by fast food restaurants, and later expanding to include family restaurants, discount stores, clothing, mailing services, cleaning services, as well as education institutions. This sector has expanded up due to the "new generation" of affluent Korean consumers coupled with the changes in Korea's distribution sector that favors new product and marketing concepts. The market value of this industry has reached an estimated USD 50 billion, 45% of which, USD 22.5 billion is accounted for by food services, including fast food services and family restaurants. (Note: Korea's USD 50 billion franchise market includes all franchise and sub-franchise fees, and royalties accruing to members of this industry. It also consists of product and service revenues, consulting fees, and related product sales, such as coffee equipment at coffee franchise outlets.) Other franchise services, such as education, real estate, cleaning services, mailing services, and others account for 30% of this sector, realizing about USD 15 billion in sales. Lastly, the retail sector, such as convenient stores and consumer goods, comprise the remaining 25% of this industry (USD 12.5 billion).

Korean National Statistical Office (NSO) figures indicate that by the end of 2002, the average monthly household income of Korea's urban salaried workers reached 10.6% (USD 2,305). At the same time, the average monthly spending for such households on goods and services increased by 13.1% to USD 1,568. With Korea's gradual adoption of a five-day workweek and the Korean government plans to continue encouraging the development of franchises, this sector will become even more active, especially as it continues to satisfy new consumer demands arising from continued expansion in Korean consumer spending and heightened investment operations.

MARKET OVERVIEW
As noted above, franchising in Korea first developed primarily in the food service market, an area that required large amounts of capital for facility start-up and market development costs, before expanding into other areas. Although the restaurant franchise market is beginning to mature, the service franchise market has just begun to see new concepts, promising future market opportunities. Korean franchisees are seeking, and prefer to do business with U.S. franchisers that can offer their established brand names to Korean consumers as well as American management skills provided by

U.S. headquarters. As of September 2002, the U.S. lead in the total number of foreign-owned franchises in Korea with 59, followed by 16 from Japan, seven from France, and three each from Switzerland and England. The service franchising market includes education, beauty salons, cleaning services, real estate, fitness centers, and other operations. As highlighted below, many new opportunities in these areas have emerged.

During the last few years, Koreans have become increasingly conscious of foreign cosmetics, especially for imported beauty products and services (Please see the Cosmetics Best Prospects section in this year's CCG for greater detail). More Korean women are entering the labor force, are earning higher incomes, and have begun to embrace western lifestyle concepts, particularly for beauty services and products. Korean men are also using cosmetics. This heightened demand is helping create opportunities for foreign cosmetic franchises. For example, Jacques Dessange International and Orly International, among others have established a presence in the market.

Franchise activity related to children's educational services and services tied to sports and leisure activities have become very prominent, especially with Korean parents' increased interest in providing better education for their children. Korea places a high emphasis on education, and as a result, most students engage in after school study programs at private academies or at home with tutors. At the same time, interest in activities such as field trips to the countryside, camping excursions, creative thinking classes, and book clubs is increasing, as highlighted by the recent successes of foreign companies such as Gymboree, New Horizon, Montessori, and Mad Science in entering this market.

Although U.S. franchises are sought after in Korea several challenges remain. Potential Korean franchisees are often reluctant to pay the relatively high franchising fees and royalties often required by U.S. headquarters. Other common franchising requirements, such as minimum facility size and the required number of stores within a certain period, are often very challenging for Korean franchisers to meet. U.S. franchises should therefore consider flexible franchising arrangements when entering this prominent market, and conduct thorough research on the market and location, as well as the potential master franchisee's ability to manage its stores.

In 2002, total market demand increased to USD 50 billion, an increase of an increase of 7% in real terms over 2001. At the same time, the Korean won's 10.9% appreciation (from 1,291 won to 1,150 to the dollar) favorably influenced the ability of Koreans to partake in foreign franchisees' products and services. Total imports increased by 7% to a value of USD 41.5 billion. U.S. imports increased by 23.5% to USD 29.0 billion. The market share for total imports is 83.0% and U.S. imports represent a 58% market share.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Foreign Franchise Services	33,587	41,476	51,845
B. Local Franchise Activities	7,746	9,565	11,957
C. Local Franchise Abroad	843.5	1,042	1,302
D. Total Market	40,490	49,999	62,499

E. U.S. Franchise Services	23,511	29,033	36,291
F. Exchange Rates (USD 1:Won)	1,291	1,300	1,200

Source: Franchise Information Co., Ltd., Changup TV.com, Korea Franchise Association, Ministry of Commerce, Industry and Energy, Fair Trade Commission, Franchise Plaza

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Sector Rank: 2
Drugs and Pharmaceuticals
ITA Industry Code: DRG

The Korean market, one of the largest in Asia for pharmaceuticals, was valued at USD 4.2 billion in 2002 and will be the most important Asian growth market for research-based, innovative pharmaceuticals over the near to mid-term. The market demand for pharmaceuticals in Korea has grown on average 8% annually for the past five years, outpacing the growth in the global market.

According to industry sources, the Korean market demand for pharmaceuticals is forecast to grow by 14% in 2003 to reach USD 4.8 billion and to grow at an average annual rate of 5% over the next several years. The Korean pharmaceutical market has continued to experience unprecedented restructuring since 1999 when the Korean government implemented significant reform initiatives to improve the cost effectiveness of the health care system. Among the major initiatives that have had a significant impact on market demand for research-based drugs are the implementation of Separation of Prescribing and Dispensing (SPD), Actual Transaction Pricing (ATP) and the A-7 policy of pricing local, innovative drugs at the level of advanced countries. These reform initiatives have helped increase transparency in the reimbursement system and have, to some degree, leveled the playing field for multinationals. There have also been positive changes in the regulatory climate that have allowed smoother and earlier market access for new, innovative drugs. Since the implementation of SPD in 1999, multinationals have expanded their share of the total therapeutic (ethical and over-the-counter) pharmaceutical market from 23% in 2000 to 26% in 2001 and to 29% in 2002. Industry sources forecast that multinationals will continue to increase sales of the latest innovative drugs to meet a 31% ethical market share in 2003.

One important factor which may slow the rate of growth in overall market demand and market demand for innovative pharmaceuticals over the next few years will be the nature of the measures that the Korean government decides to take to manage its approximately USD 2 billion deficit in the financing of the national healthcare insurance system. Among these possible measures is Lowest Transaction Pricing (LTP), which was initiated in September 2002 as a one year pilot program. Many downward adjustments to reimbursement pricing on pharmaceuticals under Triennial Repricing went into effect in January 2003. The Korean Government has not yet decided whether to launch a Reference Pricing System (RPS), which, when first proposed in 2001, drew strong opposition from stake holders, including the public at large, civic groups, doctors' associations, and the Korean and U.S. pharmaceutical industries. Industry sources predict that RPS, if implemented, will seriously limit market access for innovative, research-based pharmaceuticals and will introduce a two-tiered health care delivery system in Korea.

Notwithstanding the Korean Government's cost containment measures, Commercial Service Korea, in coordination with other U.S. government agencies at the U.S. Embassy in Seoul, and government trade agencies in Washington, DC, will continue to work closely with and advocate on behalf of U.S. exporters' market access concerns. This includes continuing to encourage the Korean Government to make the market more transparent, to reimburse innovative drugs at appropriate levels, and to ensure Korean patients' access to innovative pharmaceuticals. Industry sources speculate that the Korean government's need to reduce costs will be balanced by satisfying consumer demands for advanced health care over the next few years. U.S. exporters of researched-based, innovative drugs are urged to enter this challenging, yet potentially very lucrative and growing market.

With the Korean Government's encouragement, the Korean biotech pharmaceutical industry is striving to invest more in R&D (currently only 4% based on sales revenue) and diversify from the production of mainly generics and antibiotics, presenting excellent opportunities for U.S. biotech firms to participate in Korea's strategic biotech sector. Although Korea's pharmaceutical industry is competitive in terms of chemical synthesizing technologies, it is much less competitive in drug screening, safety evaluation, and clinical trials. Therefore Korean companies are pursuing strategic alliances with multinational firms for financing of R&D for new product commercialization or for cross-licensing of completed technologies for marketing. Industry experts forecast that the U. S. industry's market share should rise as more of U.S. biotechnology-based products become commercially available over the `next few years.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Total Market Size	3,800	4,200	4,805
B. Sales by Local Firms	2,800	3,000	3,328
C. Sales by Multinational Firms	1,000	1,200	1,477
D. Exchange Rate (USD 1:Won)	1,291	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

Note: Sales data by U.S. firms is included in that of multinational firms.

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Sector Rank: 3

<u>Defense Industry Equipment</u>

ITA Industry Code: DFN

The Korean government is currently reviewing its national self-defense plans and has targeted defense spending at 3% of Korea's GDP in the years to come. Defense spending as a proportion of GDP was 2.7% in 2003. Based on the Ministry of National Defense's (MND) 2003-2007 mid-term plan calling for a steady 6.3% increase in capital spending, the overall defense market is projected to grow at a respectable average rate of 10% over the next several years. Spending priorities will focus on enhancing core capabilities to prepare for, and protect itself from, future threats. Given the close relationship between U.S. Forces Korea and the Korean military, inter-operability of defense equipment between the two militaries continues to be an important driver of procurement decisions. This close-knit relationship has benefited the U.S. defense industry, which has been the dominant foreign supplier of defense products and services in Korea averaging an 80% market share over the last decade.

MND's Defense Improvement Program (DIP) procurement plan continues to move forward in 2003 with USD 4.6 billion designated for major projects. This budget is divided into two categories, new and existing projects. The MND has allocated USD 171 million for new projects and USD 3.9 billion for continuing projects. Additionally, as part of Korea's continuing efforts to develop new capabilities in a variety of areas, Korea allocated USD 39.8 million for Research & Development (R&D). Korea aggressively continues to procure major defense equipment with USD 4.6 billion designated this year for major projects such as the F-X Fighter (Boeing F-15K), the KDX-III Naval Destroyer Aegis Radar System, the Airborne Early Warning (E-X) Project, the Korea Multi-purpose Helicopter (KMH) Project, and the SAM-X Missile Program.

Pricing has recently become an increasingly important factor, along with technology transfer and offsets, in the MND's procurement decision-making process. The MND has a stated policy of diversification and is increasingly considering 3rd country alternatives and insists upon high offset trade/technology transfer ratio of 30%-70% to promote the development of the Korean defense industry. U.S. industry must closely follow any and all program developments and be prepared to move quickly if the need arises. The Korean government has made it clear that they will procure leading edge technologies to defend Korea, a country which will remain an important ally, and a rewarding, and challenging market for the U.S. defense industry.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Total Market	2,847	8,802	9,520
B. Total Local Production	2,674	2,750	2,850
C. Total Exports	287	335	355
D. Total Imports	460	6,387	7,025
E. Imports from U.S.	344	5,635	6,200
F. Exchange Rates (USD 1:Won)	1,265	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 4
Semiconductors (Non-Memory)
ITA Industry Code: ELC

Korean market demand for non-memory semiconductors reached approximately USD 10 billion in 2002. Korea also is one of the leading manufacturers of electronic and telecommunication handsets as well as the world's number one DRAM chip maker and exporter. However, it does not yet have the advanced technology to make state-of-the-art non-memory semiconductors. In 2002, nearly 80% of the total Korean market demand for non-memory semiconductors, USD 8.4 billion, was supplied by imports. Imports from the U.S. dominate the market, representing more than 57% of total market demand.

As a result of the down turn in the global market demand for IT related products in 2001, the Korean market demand for non-memory semiconductors decreased by approximately 17%. However, growth in market demand for non-memory semiconductors was estimated at 10% in 2002, as demand in the global IT sector has slowly revived. The growth in market demand was led by the increased volume of handset units manufactured in Korea plus an increase in diversity of product lines, including GSM (Global System for Mobile Communication). Korea's increasing CDMA (Code Division Multiple Access) mobile handset market share in China and Korea market demand for consumer/business PC upgrades are additional factors influencing growth in demand. According to industry sources, market demand for non-memory semiconductors is forecasted to increase by 10 to 13% in 2003, driven by demand for components for telecommunications equipment and advanced digital consumer electronics, including digital TVs, digital recorders, and DVDs.

U.S. suppliers account for nearly 100% of imports of microprocessors for PCs and for about 70% of imports of Application Specific ICs (ASICs) in Korea. The largest Korean market segment for non-memory semiconductors is comprised of components for communications applications (mobile handsets, ADSL equipment, LAN switches, and routers, etc.) and accounts for around 40% of the total market demand. According to statistics from Dataquest, Korean mobile phone manufacturers used an estimated U.S. $1.7 billion worth of devices (except Memory ICs) in 2001. Industry sources estimate that USD 2.0 billion worth of devices (except Memory ICs) were used by Korean mobile manufacturers in 2002. The next largest market segment is non-memory semiconductors for data processing equipment (PCs, personal digital assistants, and optical disk drives, etc.), a segment which accounts for approximately 30% of the total market demand. Advanced semiconductors for digital consumer electronics, including digital TVs, comprise about 20% of the total market demand, and those for automotive and other industrial applications comprise the rest of total Korean market demand for non-memory semiconductors.

As Korea is a leading global manufacturer of handsets, future growth in market demand will be dependent especially on the expanding CDMA (Code Division Multiple Access) market in China, increasing market share for GPRS (General Packet Radio Service) of 2.5G GSM (Global System of Mobile Communication) in Europe, and the introduction of cutting edge cell phones (i.e. color phones and camera phones) to the world in 2003. Although the Korean market demand for telecommunications-related chipsets is driven largely by export demand for Korean handsets, it is also driven by the broad penetration of wireless phones in Korea as 32 million Koreans of a total population of 46 million carry wireless phones. Anticipated upgrades in services, including 3G and wireless LAN will lead to demand for more advanced handsets. Korean mobile phone manufacturers import from the U.S., Japan, and the EU approximately 90% of all baseband and core radio frequency-related (RF) integrated circuits (ICs), the core non-memory semiconductor parts needed for the manufacture of mobile phones. These baseband and RF-related ICs receive and transmit data and are used for process controls. Currently, the U.S. dominates the market with a 100% share of baseband chipsets used in CDMA phones. The U.S. also has a strong market share in RF ICs for CDMA, while Japan has strong competitiveness in RF ICs for GSM. The EC is the leading supplier of baseband chips for GSM in the Korean market.

Statistics (USD millions)

	2001	2002	2003E
A. Imports	7,650	8,341	9,008
B. Local Production	2,550	2,780	3,002
C. Exports	1,020	1,112	1,190
D. Total Market	9,180	10,009	10,820
E. Imports from U.S.	5,355	5,839	6,306
F. Exchange Rates (USD1:Won)	1,291	1,300	1,200

Note : The data for 2002 is compiled with the information from MOCIE, KOTIS and KSIA

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Sector Rank: 5

Electrical Power Systems
ITA Industry Code: ELP

To meet its demand for electric power, Korea currently uses a combination of thermal, nuclear, and hydro electricity. Korea Electric Power Corporation (KEPCO) power generation subsidiaries provide 92% of the nation's overall power generation capacity. The current installed power generation capacity is 53,801 MW (as of December 2002), of which 63% is fossil fuel power, 29% nuclear power, 7% hydro power and one percent is derived from alternative energy sources. In the long-term, there are plans to invest USD 30 billion to meet future electricity demand through construction of 86 new power plants of all types. These plants will have a combined capacity of 37,900 MW, and are targeted for completion by 2015. This will boost Korea's overall power generation capacity to 85,438 MW. KEPCO will invest an additional $12.9 billion in the power transmission and distribution sector by 2015. Its transmission lines will be expanded by 8,291 C-km to 33,874 C-km and the substations will be increased by 297 units to 767 units.

With the inauguration of the new Korean governmental administration in early 2003, the privatization of the Korean power industry has been postponed because of insufficient preparation and strong opposition from labor unions. In 2001, KEPCO divided its power generation division into five thermal power generation subsidiaries (Gencos) and one nuclear/hydro Genco, and set up a power pool system. As the first step of this privatization program, KEPCO planned to sell one of its five thermal Gencos in 2002, but Korea has recently decided to list the Genco on the Korean stock market in early 2004 and to then privatize the Genco in 2005. The privatization of the distribution sector has also been postponed. The distribution sector was to be split into several distribution companies (Disco) by 2004 in order to introduce competition at the retail level, but will be split in 2005 and will keep these Discos as a public entity. The decision on how to separate Discos will be made at a later date through further discussion with industry leaders. Also, and it appears that MOCIE will maintain KEPCO's Discos as a public company. It is expected that KEPCO will remain as a transmission company and will continue to provide the following functions: market operator, system operator, asset management, and trade settlement.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Total Market	4,864	5,270	5,700
B. Total Local Production	3,233	3,977	4,300
C. Total Exports	1,978	2,554	2,600
D. Total Imports	3,609	3,847	4,000
E. Imports from U.S.	907	1,120	1,200
F: Exchange Rate (USD1:Won)	1,265	1,300	1,200

* The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 6

Software

ITA Industry Code: CSF

The Korean market for software and related services was valued at USD 12.8 billion in 2002 and is forecast to reach USD 16.5 billion in 2003 and to grow at an average annual rate of 20% for next five years. Korea's global leadership in wireless communications and broadband Internet access services has spawned tremendous demand for all types of software, especially for specialized and innovative technologies, providing opportunities for sales of advanced and highly specialized U.S. software solutions. U.S. suppliers' willingness to modify their software slightly to meet specific user needs is a critical factor in end-user purchasing decisions. Although U.S. software is considered superior, Korean end-users, more often than not, will avoid purchasing from U.S. suppliers if localization cannot be achieved.

In 2002, the total import market share, valued at USD 756 million, represented 5.9% of the total software market demand, which, in general, consists of packaged software, computing-related services/software and digital contents. Although the statistics show that the import market share to be relatively low, in reality, the substantial amount of localized software and Systems Integration (SI) services provided by major U.S. subsidiaries that participate in large projects as strategic partners is counted in local production. U.S.-sourced packaged software accounts for more than 90% of Korea's software import market, and U.S. suppliers are expected to remain the principal suppliers of packaged software to Korea for the next several years. Technological advancement in Korea's software sector is still behind that of the U.S. and Japan, a result of Korea's relatively recent computerization and an acute shortage of highly qualified software specialists. Korea's SI companies and software developers are actively trying to develop partnerships with global leaders in every segment of IT services and solutions to deliver total solutions to clients in a time-to-market manner and to target the domestic and global market at the same time. U.S. suppliers will continue to enjoy the competitive advantages of strong project management and marketing skills, compared to Korean firms and third-country suppliers.

In 2002, the market demand for packaged software, including system infrastructure software (e.g. operating systems, security software), application software (e.g. Word, Excel, enterprise solution package) and application development/deployment software, was valued at USD 2.95 billion, representing 23% of the total software market demand. The market demand for application software accounts for 50% of total market demand for packaged software and is valued at USD 1.5 billion. Demand for system infrastructure software accounts for 30% of total market demand for packaged software and is valued at USD 900 million. Market demand for Electronic Resources Planning (ERP) and Customer Relationship Management (CRM) in the application software market reached USD 230 million and USD 65 million in 2002, respectively, growth rates of 50% over that of 2001. The overall market demand for packaged software has been growing in relation to the development of Korea's advanced IT infrastructure and related services in the e-commerce and telecom segments and will continue to grow at an average annual rate of 20% for the next three years. The fact that the Korean government has increased efforts to strengthen its IPR protection and enforcement through the Computer Program Protection Law (CPPL) has also contributed to the strong growth in demand for both Korean and imported packaged software.

Computing-related services and software, consisting of SI, software development, system management and maintenance, accounts for 71% of total market demand and was valued at USD 9.1 billion in 2002. Growth in demand is forecast to be 21% over the next five years. The demand for SI software/services and system management software represented 69% and 23%, respectively, of the total computing-related services/software market, valued at USD 6.2 billion and USD 2.4 billion.

The digital contents market, valued at USD 700 million in 2002, includes on-line games, education software and multimedia contents. The market demand for digital contents software, growing at an average annual rate of 36% since 2001, is forecast to continue to experience strong growth, driven by Korea's unprecedented high rate of subscriptions for broadband internet service as well as by growing demand for mobile internet services. In 2002, the number of Korea's broadband subscriptions reached 10 million of 14 million households and mobile internet service users reached 10 million of 30 million mobile phone users.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Import Market	631	756	908
B. Local Production	9,793	12,452	16,563
C. Exports	290	446	942

D. Total Market	10,134	12,762	16,529
E. Exchange Rate (U.S. $1:Won)	1,291	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 7
Architectural/Engineering Services
ITA Industry Code: ACE

Rapid technological, economic, and market changes in Korea's construction sector are generating increased activity in its architectural/engineering (A&E) services market that, over the next few years, will offer billions of dollars in new opportunities for U.S. A&E service companies. The Korean market for A&E services was valued at USD 5.9 billion in 2002, and is expected to increase to USD 6.3 billion in 2003. The import market accounts for 36% of the total market. Total imports were USD 2.1 billion in 2002, and are expected to slightly increase by 6% to USD 2.25 billion in 2002. Korean imports from the U.S. represented 36% of the total import market and 13% of total market demand. Korean A&E firms continue to require new design and engineering technologies that generally are unavailable in Korea and foreign A&E firms have been filling this important gap.

The key architectural/engineering technologies required by the domestic market include telecommunication, transportation, water supply, sewage and waste, and industrial processing services. For that reason, most of the leading domestic A&E firms have formed strategic alliances with foreign competitors on the implementation of large public and private projects. In Korea, U.S. architectural/engineering systems also have become prominent in the standardization of the design-build systems. As the Korean A&E services market evolves, the demand for better services continues to rise creating additional demand for very creative services and technologies from overseas.

Much of Korea's residential stock dates from the 1970s and early 1980s and it is in need of either renovation or replacement. The Korean A&E services market is being spurred by rising homeowner demand for new and innovative architectural design services, different building products as well as imported appliances and fixtures in their homes. Korean homeowners' gradually shifting preference toward larger and more luxurious homes, and toward single family homes as well, will provide U.S. A&E firms with additional opportunities to introduce U.S.-style building techniques into Korea. Also, since over one-third of the Korean housing stock is over 20 years old, as well as about 10% of its commercial real estate, Korea's repair and remodeling activities will generate substantial new business for foreign A&E companies, given that many of these new projects will include building design and facility upgrades.

Tourism infrastructure will become an increasingly important market segment with Korea's program of expanding tourism facilities over the next few years. This initiative also will generate a significant spike in construction of new hotels, second homes and other tourism amenities. This development bodes well for U.S. companies as Korean construction firms increasingly turn to foreign A&E companies to help them design these large projects designed to attract more foreign tourists.

Since the Korean market was opened to foreign competitions as of January 1, 1997, most of the licensing and administrative requirements for performing A&E services in Korea have been removed and foreign A&E firms are permitted to manage and operate architectural/engineering service businesses. (Korea's National Architectural Code and Construction Technology Management Act defines and substantiates the activities of the licensed architectural/engineering firms.) There are currently 6,366 registered architecture firms and 2,209 registered engineering firms in Korea. Registered engineering firms include 670 firms specializing in construction management (CM) services. Of that number, there are 32 foreign architecture firms in Korea, including 17 from the U.S., nine from France, three from England, two from Germany, and one from Japan. There also are 13 foreign engineering firms with operations in Korea, of which five are American, three are French, and two each are from England and Germany, while one is Japanese.

Statistics (USD millions)

	2001	2002	2003 (E)
A. Total Market Size	5,255	5,937	6,391
B. Total Local Production	4,624	5,318	5,795
C. Total Exports	1,313	1,509	1,660
D. Total Imports	1,944	2,128	2,256
E. Exchange Rate (USD 1:Won)	1,291	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated

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Sector Rank: 8

Cosmetics

ITA Industry Code: COS

During the last few years, Korean women have become more receptive to western products, especially for foreign health and beauty items. As more of them enter into the labor force and earn higher incomes, they also have become avid users of imported cosmetics, yielding significant gains for U.S. suppliers. In tandem with the continued strong expansion of the Korean market for imported cosmetics, other important developments also became more prominent in 2002, including the introduction of cosmetics in pharmacies, continued growth in market demand for "prestige" high-end, imported cosmetics, the further expansion of cosmetics use by Korean men, and a modification of ROKG's regulations on importing and testing new cosmeceuticals. As described below, these market changes present good export opportunities for U.S. companies.

Korean pharmacies have traditionally focused on selling medical care products, but local pharmacies are now also offering skin care, lip care, and baby care lines from many different sources. In 2002, the size of this rapidly emerging niche market (skin/lip/baby care), reached approximately USD 51 million, and it is expected to grow substantially in the years ahead.

Imported cosmetics in high-end specialty stores represent about 40% of the products sold in these outlets. European cosmetics dominate this market, while U.S., and to a much lesser extent Japanese cosmetics, account for most of the remainder. Imported hair care products, such as shampoos, conditioners, and hair creams, have shown significant market growth especially those directly sold to Korean women in their 30s and 40s. Among imported cosmetics, sales of skin care products have risen the most, especially to women in their 20s who favor shopping for luxury imported brands at department stores, as well as to female shoppers in their 30s and 40s who purchase imported skin care products through direct selling companies.

Purchases of cosmetics by Korean men have expanded significantly, to approximately USD 222 million, 6% of the overall market. In 2002, an additional market outlet opened with the establishment of men's skin care salons in many Korean office buildings, as sellers sought to tap into a ready-made market area where many thousands of potential customers work. Cosmetic companies also have broadened their line of men's cosmetics to include not just after-shave and lotions but also cleaning foams, facial scrubs, facial packs, essences and other functional cosmetics.

In October 2002, the Korea Food and Drug Administration (KFDA) modified some of its pre-existing regulations on cosmeceuticals, making the process of importing and testing foreign cosmetics in Korea less time consuming. With these changes, the ROKG has begun to address some of the concerns of cosmetics manufacturers in Korea as well as foreign producers. The ROKG also announced that its Food and Drug Administration (KFDA) is taking initiatives to increase its budget for cosmeceuticals R&D. In conjunction with this announcement, the KFDA introduced its plan to launch five projects aimed toward streamlining Korea's cosmetic administrative regulations in the future.

New cosmetics, generally termed "highly functional", continue to be introduced in Korea, and many are gaining wide consumer acceptance since they often provide a wide variety of skin care needs. Accordingly, most cosmetic companies have added these items to their product lines. Many firms have also begun to realize that cosmetics often are not only sought by women, but also by men and even children, and many firms have begun developing marketing programs targeting these consumers. Until recently, cosmetics were considered a luxury item, but they now are considered to be a daily necessity, as well as a cultural item. This industry's distribution retail channels also have expanded. Besides traditional retail channels, such as direct selling, multi-level marketing, "mom and pop" stores, specialty retail establishments, department stores, discount stores, and others, internet shopping has emerged as a contender in this field. Specialty stores, located inside most major shopping areas, also registered strong sales growth in 2002. Finally, the use of e-commerce as a marketing tool within the cosmetics industry has also helped this industry to grow significantly over the last few years.

In 2002, the total market demand increased to USD 3.6 billion, an increase of 23% over the previous year. Total imports increased by 37.3% to a value of USD 520.9 million. U.S. imports increased by 61.1% to USD 157.1 million. The market share for total imports is 14.4%, and for U.S. imports, the market share is 4.3%. Double-digit growth for this industry sector is forecast over the next five years as a result of increased receptivity to western styles and trends relating to health and beauty products among Korean women, leading to the increasing acceptance of quality import cosmetics.

Statistics (USD millions)

	2001	2002	2003E
A. Imports	380	521	677
B. Local Production	2,641	3,235	4,044
C. Exports	77	133	226
D. Total Market	2,944	3,623	4,528
E. Imports from U.S.	98	157	251
F. Exchange Rates (US $1: Won)	1,291	1,300	1,200

Source: Korea Cosmetic Industry Association, Korea Pharmaceutical Trade Association

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Sector Rank: 9
Medical Equipment
ITA industry code: MED

One of the largest Asian markets for medical devices, the Korean market was valued at approximately USD 1.6 billion in 2002 and was estimated at USD 1.9 billion in 2003. According to industry sources, it is forecast to grow at an average annual rate of 10-15% over the next several years. However, one important factor which may slow the rate of growth in market demand over the next few years will be the nature of the measures that the Korean government decides to take to deal with its approximately USD 2 billion deficit in financing of the national healthcare insurance system.

Korea depends on advanced medical devices from the U.S., Japan and the EU to supply about 60% of the total market demand. In 2002, total imports of medical devices were valued at an estimated USD 1billion, and U.S. imports, at an estimated USD 423.7million, representing a 42% import market share. Market demand for advanced and innovative medical devices is forecast to remain strong in 2003 and over the next several years as Korea's hospitals continue to purchase technology intensive products from abroad and as increasing numbers of elderly Korean patients require sophisticated medical procedures. In general, Koreans are increasingly expecting better care from their national healthcare system as their standard of living continues to improve. Another factor favoring the use of imported advanced medical equipment and devices is the growing number of Korean doctors educated in the U.S. and Europe.

Artificial joints, magnetic resonance imaging (MRI) systems, and coronary vascular devices represent the major categories of imports. Medical products that present the best export prospects for U.S. exporters include: orthopedic joints, magnetic resonance imaging systems, diagnostic ultrasound scanners, endoscopes, patient monitors, sterilizers, rehabilitation equipment, respiration equipment, computer tomography scanners, catheters, artificial kidneys and dialysis machines, ophthalmic equipment, intraocular lenses, artificial heart valves, and dental equipment and supplies.

Equipment and supplies for cardiac treatment and orthopedic devices represent about 50% of Korea's total market demand for medical devices. Demand for cardiac treatment devices grew at a rate of 15-30% annually from 1999 through 2001, outpacing overall market growth. As Korea's population of ages, the number of cardiac procedures is on the rise. In 2002, over 40,000 diagnostic and 13,000 therapeutic cardiac procedures were performed on Korean patients, and those figures are forecast to rise in 2003.

A major factor that may temper growth in market demand for all medical devices over the next few years is strong pressure on cost containment in Korea's national healthcare system. As a result of the healthcare system's bankruptcy, the government has already launched some initiatives to reduce patient healthcare costs, including insurance reimbursement price cuts. In 2002, the Korean government continued to face increasing pressure to reduce expenditures in its national health insurance system in order to address a mounting deficit. One of the major factors leading to this financial crisis was the implementation of a new policy in 2000 to separate the prescribing and dispensing of pharmaceuticals. However, the anticipated savings to the health care system did not happen and, as a result, the Ministry of Health and Welfare (MHW) has proposed cost-savings initiatives to reduce spending in all areas, including reimbursement for medical devices. In late 2002, the Health Insurance Policy Steering Committee approved the proposed MHW price reductions on medical products from 2% to 75%, depending on the product and category. These reductions, effective January 1, 2003, are especially burdensome for all categories of orthopedic devices for which reimbursement prices have been reduced between 14% to 75%. U.S. exporters need to closely monitor how these changes will affect their market potential.

Notwithstanding the Korean government's prospective cost containment measures, Commercial Service Korea, in coordination with other U.S. government agencies at the U.S. Embassy in Seoul, and government trade agencies in Washington DC, will continue to work closely with and advocate on behalf of U.S. exporters' market access concerns. This includes continuing to encourage the Korean Government to make the market more transparent, to reimburse innovative products at appropriate levels, and to ensure Korean patients' access to advanced medical devices and equipment. U.S. exporters of advanced and innovative products are urged to enter this challenging, yet potentially very lucrative and growing market.

Medical Devices

Statistics (USD millions)

	2001	2002	2003E
A. Imports	840	985	1,196
B. Local Production	900	985	1,196
C. Exports	424	454	526
D. Total Market	1,317	1,597	1,991
E. Imports from U.S.	375	424	514
F. Exchange Rates	1,326	1,300	1,200

(USD 1:Won)

* Above exchange rates were used in KMDIA for the statistics

Source: Korea Medical Devices Industry Association (KMDIA)

Note: For more information on the Korean market for medical devices, please view Commercial Service Korea's webcast entitled, "Opportunities and Challenges in Korea's Healthcare Market".

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Sector Rank: 10
Education and Training
ITA Industry Code: EDS

According to the Ministry of Education, Korea invests almost 7% of its GDP in educational expenditures. This investment is one of the larger proportions in the Korean economy and one of the largest in the world. This important segment of Korea's economy offers exceptionally good opportunities for the U.S. educational sector since Koreans are increasingly looking to the U.S. as an education option, while educational investments inside Korea itself are becoming increasingly profitable for U.S. businesses. U.S. academic institutions are also finding expanding opportunities to attract additional Korean students with the Korean government's recent policy changes which now permit elementary, middle and high school students to study abroad. These government policy changes are generating heightened interest by younger students in enrolling at overseas primary and secondary schools, preparatory academies, ESL programs, and colleges and universities. The Korean market also looks promising for cooperative programs involving distance learning and educational training in the fields of language courses, business administration, and technical programs.

The number of international students attending colleges and universities in the United States increased by 6.4%, to 582,996, according to Open Doors 2002, the annual report on international education published by the Institute of International Education (IIE). Asian students comprised over half (56%) of this number. India (66,836) surpassed China (63,211) in 2002 as the leading country of origin for international students in the United States, followed by Korea (49,046), Japan (46,810), and Taiwan (28,930). The 7% increase of Korean students studying in U.S. schools in 2002 marked the third year of steady growth in their numbers, following declines in the late 1990s during the Asian economic crisis. The numbers of Korean students studying abroad, including at U.S. schools, continues expanding because of the desire of greater numbers of Koreans to spend at least part of their academic career in other countries, especially English language nations, and their heightened concerns over perceived inadequacies in their own country's education system. In 2002, total Korean spending on education services in the U.S. also grew 10% in real terms over the previous year, reaching an estimated U.S. $1.47 billion in cumulative contributions to the U.S. economy.

Other countries also are strongly competing for Korean students. Korean Ministry of Education statistics indicate that in 2001, a total of 161,435 Korean students, 88.5% in long-term programs, studied abroad. The United States (36%), Canada (14%), China

(10%), Japan (9%), the United Kingdom (8%), and Australia (7%) hosted most of these Korean students. Over the past few years, the U.S. share of the Korean study abroad market has remained fairly constant, although in 2001 it began to see a slight erosion as some Korean students considered other options to U.S. schools, primarily because of relatively higher costs to attend American schools and perceived challenges of receiving U.S. F-1 student visas. Although American schools and institutes remain very popular with Koreans, other countries such as Canada, Japan, Australia, and China, are also vigorously promoting themselves as attractive destinations for Korean students.

On a per capita basis, Korea is one of the world's most Internet connected nations. As a result, Koreans are eagerly embracing distance learning (learning through the Internet) as an alternative to traditional classroom-based education. With Korea's Ministry of Education and Human Resources Development projected investment of U.S. $2.6 billion (more than 70% of which will be spent on purchasing IT-related hardware, software and solutions) through 2005 to promote the use of IT in education, the outlook for its distance learning market is expected to become even more favorable in the months ahead. The distance learning market is expanding at an annual growth rate of 25% and is slated to reach U.S. $1.7 billion by the end of 2003. Given the growing importance of Internet-based learning, the Ministry of Education continues pushing ahead with a plan to foster the use of the Internet as a learning tool and establish cyber universities. The Ministry of Education and Human Resources Development plans to inject 600.8 billion won, equivalent to U.S. $462 million, to provide all Korean schools with Internet connections and computers. Korea already operates 15 cyber education-related institutions involving 65 universities.

Korean companies are increasingly sending their employees abroad specifically for business and IT training. These training sessions usually last from six to twelve months and student expenditures typically range from U.S. $15,000 to U.S. $45,000, depending on the duration of stay. Korean companies have become increasingly interested in training their staff in order to compete and this is helping fuel the market for executive training programs. Korean businesses demand innovative vocational training with an international focus and value the quality of U.S. training programs with their global networks. Programs currently in favor are those geared toward the IT, finance and manufacturing sectors. In the past decade, U.S. educational institutions have developed partnership programs with Korean businesses and government offices for executive training in Korea.

In 2002, Korea's total expenditures on education, which include imports, reached U.S. $84 billion, an increase of 10% in real terms over the previous year. Ministry of Education data indicate that Korea's domestic expenditure on education (production) totaled U.S. $80.8 billion in 2002. Yearly expenditures by Korean students worldwide (imports) increased to U.S. $3.3 billion, an increase of 10% in real terms over the previous year. Total expenditures of Korean students in the United States (imports from the U.S.) accounted for U.S. $1.5 billion, an increase of 3.8% in real terms.

Statistics (USD millions)

	2001	2002	2003E
A. Imports	2,985	3,284	3,612
B. Local Production	73,448	80,792	88,871
C. Exports	59	62	65

D. Total Market	76,375	84,014	92,415
E. Imports from U.S.	1,416	1,471	1,528
F. Exchange Rates (USD 1:Won)	1,291	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 11

Digital TV Broadcasting Equipment (For Terrestrial TV Services)

ITA Industry Code: TEL

With Korea's recent introduction of digital TV broadcasting for terrestrial TV and satellite TV, the market for digital TV broadcasting equipment has increased dramatically over the past few years. Although Korean broadcasters are currently procuring equipment primarily for terrestrial TV broadcasting, the market demand is forecast to be very strong over the next three to five years, based on Korea's launch of satellite TV in 2002 and on plans to introduce digital cable TV services in 2003.
Korean digital broadcasting for terrestrial TV, first launched in Seoul in December, 2001, will expand nationwide by 2010. The total market demand for terrestrial digital TV equipment in 2002 was estimated to be USD 100.6 million, a 23.7% increase over 2001. One of Korea's largest TV networks estimates that market demand for digital broadcasting equipment in 2003 will increase by approximately 20% over 2002. According to industry sources, Korean terrestrial TV networks project purchases of a total of approximately USD 1.5 billion ($1 = W1,250) worth of digital broadcasting equipment for studio and transmission from 2000-2010. According to statistics from Korea's Ministry of Information and Communication (MIC), market demand for digital TV broadcasting equipment for terrestrial TV services from 2002 through 2006 is estimated to reach a cumulative total of more than USD 900 million, and investment in equipment will continue through 2010. Presently, imports of digital broadcasting equipment represent about 90% of total market demand, dominated by imports from Japan and the U.S.

Among total Korean imports of digital TV broadcasting equipment, Japan is still a leading supplier of studio equipment, including VCRs, cameras, and some transmission equipment, while the U.S. is a leading supplier of transmission equipment. In light of Korea's growing demand for digital broadcasting technology, the U.S. share of Korea's market for broadcasting equipment is forecast to increase rapidly. Already, U.S. equipment supplies nearly 100% of the total market demand for test and measuring equipment and graphic equipment. U.S. suppliers also have a competitive advantage in production equipment, such as video servers and switchers. Currently, Korean manufacturers of broadcasting equipment are making minimal investments in R&D mainly in the development of some data broadcasting related equipment and sophisticated automatic program controllers (APC), localized for Korean broadcasting.

Although digital broadcasting equipment for terrestrial TV services is forecast to remain the largest market segment through 2010, the growth of satellite TV broadcasts and the anticipated launch of digital cable TV broadcasts in 2003 will continue to bolster strong market demand over the next three to five years. KDB (Korea Digital Satellite Broadcasting), the platform operator for satellite TV in Korea, has projected purchases of a total of USD 100 million (120 billion won) worth of digital broadcasting systems for satellite broadcasting by 2005. KDB invested approximately USD 42 million in 2001 in digital broadcasting systems for its broadcasting center in Seoul and is projected to spend an average of USD 14.5 million (10-15 billion won) annually from 2002 to 2005 for more equipment. However, the investment plan will be contingent upon increases in the number of subscribers. Best prospects for U.S. suppliers for sales to KDB include the following: baseband equipment & master control room (MCR) equipment, enc/mux systems, uplink equipment, software for subscriber management systems (SMS), and chip sets for set-top-boxes (STBs). Since KDB's greatest need is for monitoring and transmission equipment, U.S. digital broadcasting equipment is in a very competitive position. U.S. equipment is forecast to account for 60% of KDB's total planned broadcasting systems for satellite TV services, while European and Japanese products are forecast to account for 25% and 15%, respectively.

Korean digital cable TV services are scheduled to be launched in late 2003, with a test run in October 2003, according to the Korea Cable Television Association (KCTA). As an initial investment in preparation for the launch, local system operators (SOs) plan to construct a total of five Digital Media Centers (DMCs) in Seoul, Pusan, Taejon, Taegu, and Gwangju as regional super "headends", while some multiple system operators plan to invest in their own digital headend systems, beginning in 2003. According to KDMC (Korea Digital Cable Media Center), if the DMCs are constructed as planned, the five Digital Media Centers combined would purchase a total of approximately USD 27.2 million (1USD =1,250 Won) worth of digital broadcasting systems, and about 70 SOs, subsequently, would purchase approximately a total of USD 22.4 million worth of headend systems. The main role of the DMCs will be to receive programs from program providers (PPs), modulate the program signals to digital signals, and transmit the digital signals from the hub to each SO's headend. As of January 2003, there are 118 cable TV system operators nationwide in Korea.

The surge of investment for new broadcasting services represents important opportunities for U.S. program providers as well. Korea currently has four terrestrial TV networks, 83 satellite TV channels, and approximately 70 cable TV channels. After the launch of digital satellite and planned digital cable TV services, the total number of Korea's satellite and cable channels is expected to reach approximately 200 over the next five years. Also, the number of subscribers to the satellite and expanded cable TV services is projected to increase dramatically and will create a soaring demand for foreign programming. Currently, U.S. programming accounts for approximately 70% among total imported programming. With the popularity of U.S. programming in Korea and the enormous projected increase in channels, U.S. program providers are well-positioned to expand rapidly in Korea's growing market. As of January, 2003, there are about 200 registered PPs in Korea, however, among them, approximately 70 program providers (PPs) are doing business actively, which provide programming both to satellite and cable TV channels.

Statistics (USD millions)

	2001	2002	2003E
A. Imports	73	91	199
B. Local Production	8	10	22

C. Exports	0	0	0
D. Total Market	81	100	221
E. Imports from U.S.	24	30	66
F. Exchange Rates (USD 1:Won)	1,280	1,300	1,200

Source: Compiled by CS Korea based on statistics from Ministry of Information and Communication

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Sector Rank: 12
Pollution Control Equipment
ITA Industry Code: POL

The environment is an overriding concern of the Korean government, which has been aggressively seeking solutions to environmental problems, ranging from chronic water shortages to a serious air quality problem. The environmental market in Korea offers one of its highest growth potentials of Korea's industry sectors, reaching USD 8.9 billion in 2002. Given Korea's continued economic growth as well as its increased government and private sector expenditures in this sector, this market will expand to USD 13 billion by 2005.

Foreign companies hold about 10% of Korea's entire environmental services and equipment market. Japan has been the principal foreign suppler with a 47% market share, due to its lengthy commercial experience with Korea and attractive financial packages that it frequently offers its buyers. The U.S. share was 32%, distantly followed by Germany with a 9% market share. France, U.K., Sweden, Denmark and Taiwan were other important suppliers of environmental equipment.

Water pollution projects primarily are government driven, and they constitute the single largest category of Korean environmental expenditures, accounting for 48% of the entire environmental market (USD 4.2 billion) in 2002. The Korean government's water management projects focus on improvements in both water quality and water supplies, which encompass construction and upgrade of municipal, livestock, industrial wastewater treatment plants, sewer pipeline retrofit, multi-purpose dam construction, water supply development for industry, agriculture and drinking purposes, and flood prevention management. For instance, the Korean government has plans to construct or augment 400 small-to-medium scale treatment plants by 2005, and has allocated a budget of USD 1.4 billion for this purpose in 2003. Also, the Korean government will invest USD 788 million in 2003 for construction and retrofit of 1.5 million and 428 thousand kilometers of sewer pipelines.

Korea's solid waste treatment market is its second largest environmental sector, accounting for 34% of the entire market (USD 3 billion) in 2002, a 15% increase over the previous year. Given the limited availability of land and a high population density, solid waste treatment has been an overriding concern of both the Korean government and industry. Korea's typical solid waste treatment methods are; landfill, sea dumping, incineration, and recycle. Recent landfill sites are built using technologies which reduce environmental pollution caused by landfill gas and leachate. Utilizing landfill gases (LFG) from expired landfill sites is an emerging business in the solid waste treatment market.

Incineration has emerged as the best available solution to deal with non-recyclable solid wastes given the limited landfill space in Korea. Incineration rate was only 4% of total solid waste treatment in 1995, expanding to 12% in 2000, and it is forecast to keep growing to reach 25% by 2005. Unfortunately, it causes a secondary health problem through the emission of dioxin which has provoked a massive public backlash to incinerators. Recycling is the most preferred waste disposal option for Korea, which the government is fostering by obligating producers to recycle their own products.

Korea's air pollution control equipment market accounted for 14.6% of the total environmental market in 2002, or USD 1.3 billion. In contrast to the water pollution sector, Korea's air control market is mostly driven by its private sector which represented 86% of the total market (USD 1.1 million). Despite some improvements, overall air quality in major Korean cities continues to deteriorate, in particular, the level of nitric oxide compounds (NOx) and ozone (O_3), has been rising as a result of its large increase in automobile usage. To abate this problem, the Korean government is converting 20,000 diesel-fueled buses to compressed natural gas (CNG) buses by 2007, and USD 606 million will be spent on the engine conversion and CNG gas station construction. Several U.S. firms already have supplied their CNG engine technologies, and there still exist excellent opportunities for foreign companies through additional large orders to provide more advanced environmental technologies.

To comply with more stringent volatile organic compounds (VOCs) regulations, Korea's oil and petrochemical industry will begin construction of several VOC emission control facilities by 2004. The Korean government also is attempting to reduce air pollutants emissions from heavy industry such as power generation plants, by mandating the installation of desulfurization and denitrification facilities.

Korea's local environmental companies significantly improved their technological capability in the last decade but still lack the requisite expertise and experience necessary to develop sophisticated environmental technologies to meet strengthened regulatory requirements. A Korean national institute recently evaluated Korea's environmental technology prowess at 30-60% of most advanced countries' capabilities. It is unlikely that this technology gap will be closed anytime soon. Consequently, American environmental technologies are, and will continue to be, in great demand.

The following figures represent the market size of Korea's most promising environmental sectors in 2002:
- Water pollution control sector: USD 4.2 billion
- Solid waste treatment: USD 3 billion
- Air pollution control market: USD 1.3 billion

Statistics (USD millions)

	2001	2002	2003 (E)
A. Total Market Size	7,708	8,865	9,928
B. Total Local Production	6,954	7,998	8,960
C. Total Imports	754	867	968
D. Imports from the U.S.	247	284	317

E. Exchange Rate (USD 1:Won)	1,300	1,300	1,200

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 13
Automotive Parts and Accessories
ITA Industry Code: APS

Korea ranks fifth in the world in automobile unit production with a total market demand for automotive parts and accessories valued at USD 18.5 billion in 2002. Imports accounted for 7% of the total market demand, and U.S. imports, for 1.5%. However, parts supplied by U.S. and other foreign joint venture firms in Korea represent a significant and growing segment of the market. The OEM market segment currently accounts for about 90% of total market demand, and the aftermarket represents about 10% of total market demand.

The total import market share, currently about 7% of total market demand, is dominated by imports from Japan (49%), followed by imports from the U.S. (21%) and Germany (11%). Imports are forecast to increase by 9% annually over the next three years to reach a value of USD 1.7 billion in 2005, while total market demand is projected to grow by 5% annually to reach a value of USD 21.4 billion. Projections for growth rates for imports are higher than the projections of growth rates for market demand since automobile manufacturers operating in Korea are expected to expand global outsourcing practices in their procurement of parts and accessories in order to improve competitiveness in this age of industry consolidation and globalization. Korean industry sources predict that with the launch of GM Daewoo Auto & Technology Co. in 2002 as well as Hyundai Motors' decision to invest in manufacturing, the United States will accelerate the trend toward global procurement of auto parts for automobile manufacturers in Korea. However, since price competitive products made in Korea currently dominate the market, U.S. auto parts manufacturers need to address price as a key competitive factor for success in the market. With the growing trend for Korean drivers to use their cars longer than in previous years, the aftermarket segment is forecast to grow at a faster rate than that of the OEM market segment over the next three to five years.

A number of U.S. and European parts makers have already aggressively expanded their manufacturing bases and equity interests in Korea amidst massive industry consolidation and restructuring over the past few years. According to Korean industry sources, there are 130 foreign-invested joint venture companies producing automotive parts in Korea of which 63 companies have become joint ventures by introducing foreign capital since 1997. Meanwhile, many struggling Korean suppliers are also increasing efforts to improve their competitive edge through mergers and strategic alliances with foreign partners in order to survive in these times of rapid industry consolidation and globalization.

Since imports represent only 6 to 7% of the total market demand for automotive parts, the great majority of the OEM and aftermarket demand is supplied locally by Korean and joint-venture parts manufacturers. Major international parts makers operating in Korea include Delphi (U.S.), Bosch (Germany), Valeo (France), and Visteon (U.S.). The Korean automotive industry depends heavily on foreign suppliers for several core components and parts, including automatic transmissions, engine control units (ECU), electronic engine parts, anti-lock brake systems, and air bags, particularly for large passenger cars, SUVs and commercial vehicles. Japan's strong position with a 49% import market share is attributable to its advantage in technological tie-ups and logistics in addition to geographic proximity. From the early stage of the Korean automobile industry, Hyundai and Kia have relied largely on Japanese technologies and parts, while Daewoo has maintained close relationships with General Motors in equity interest and parts supply. Japanese parts suppliers tend to have a competitive advantage in price, technical services, and delivery over their U.S. and European competitors.

The after-sales demand for foreign parts is still small for both domestic and imported cars. However, the growing trend for Koreans to keep and maintain their vehicles for longer periods of time than in the past will lead to growth in aftermarket sales. In 2002, there were 14 million vehicles in use in Korea. Passenger cars comprised 70% with 9.7 million units, while 2.9 million units of trucks and 1.3 million units of buses comprise 21% and 9% of the total, respectively. Currently, only about 66,000 foreign cars are in use in Korea, including imported car sales of 16,119 units in 2002. According to the Korea Auto Industries Coop. Association (KAICA), there are no special Korean standards or certifications that apply to imported auto parts. However, all re-manufactured, imported engines must be tested for Korean emission standards prior to being cleared by Korean Customs. Over the long term, however, an increasing number of foreign cars in the Korean market will also contribute to growth in imports of aftermarket parts. Annual automobile imports are forecasted to reach 41,900 units by 2007, when a total of 220,000 foreign cars will be in use in Korea. Korean end-users are receptive to many categories of imported aftermarket products, including road wheels for commercial vehicles; replacement parts, including spark plugs, ignition cables, timing belts, and wiper blades; high-end car audio systems and components; and high-performance automotive chemicals, such as wax and rust-proofing solutions.

Among industry trends that are expected to increase demand, Korean automobile manufacturers are focusing increasingly on mid and large-sized passenger cars, which generate greater profits than do smaller vehicles. With the introduction in many Korean companies of a five-day workweek system, demand is growing for mid and large-sized passenger cars and recreation vehicle (RVs), including minivans and SUVs. In addition, many Korean consumers have begun to perceive the benefit of owning a larger vehicle to be greater than the lower rates of special consumption tax and highway toll fees from owning a lightweight compact passenger cars. Furthermore, in 2002, sales of lightweight compact passenger cars decreased dramatically over 30% from 7.7% to 4.7% of the total market demand for passenger cars in units. This trend, which started in 2000, picked up speed in 2002.

Statistics (USD Millions)

	2001	2002	2003E
A. Imports	1,190	1,297	1,414
B. Local Production	17,847	19,096	20,051
C. Exports	1,785	1,933	2,049
D. Total Market	17,252	18,459	19,415

E. Imports from U.S.	250	277	305
F. Exchange Rates (USD 1:Won)	1,265	1,300	1,200

The above statistics are unofficial estimates. E=Estimated, P=Projected. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 14
Dental Devices and Equipment
ITA Industry Code: Med

The Korea dental device market is the second largest in the Asia Pacific region, surpassed only by Japan. According to industry sources, the market demand, excluding alloys, was estimated to be valued at approximately USD 250 million in 2002 and is forecasted to grow around 10 to 12% in 2003. The Korean dental market is heavily dependent on imports for most dental materials as well as devices. Imports from the U.S., the E.U., and Japan dominate the market. U.S. imports account for the largest import market share, followed by imports from Germany and Japan. In 2002, imports of dental devices were valued at about USD 199 million, representing more than 84% of total market share, and total imports increased by 21% over the previous year. U.S. imports, which increased by 14%, have a 32% share of the total market. The market is forecasted to increase by 10 to 15% annually as the Korea economy grows and Koreans' expectations for improved health care rise over the next several years. Imports are expected to increase at the same rate of 10 to15% growth, in balance with the total market growth. With small economies of scale in the Korean market, Korean manufacturers of dental devices are relatively few and concentrate on producing low/medium-tech devices and materials. Best prospects for U.S. exporters are high-tech dental devices, including X-ray equipment, compressors, autoclaves, orthodontics, and implantology-related materials and devices.

As the number of dental clinics has grown in Korea, so has demand for dental equipment. The Korean government qualifies an average of 800 dentists each year, and, in general, 400 to 500 new dental clinics are opened annually in Korea. It is estimated that around 19,000 dentists are currently practicing in Korea while the total number of dental clinics is more than 11,000. Over 3,400 dental clinics, around 31% of total number, are located in Seoul, the capital of Korea with a population of around 11 million, or 25% of the total population. The expenditure for a new dental clinic set-up is on average USD 167,000, and purchases of dental devices and equipment account for 85% of the total expenditure. Representing the majority of all purchases of equipment, new dental clinics are expected to continue to be a primary driving force to influence the growth of the market. For existing dental clinics, dental materials account for most purchasing. Since dental devices/materials and services are not reimbursed by the Korean national health insurance system, dentists can purchase high-tech dental equipment without restrictions imposed by national insurance reimbursement policies. Nonetheless, price is an important competitive factor.

Korean dentists have begun to realize that better service and quality increase their revenues; nonetheless, Korean consumers have a tendency to delay dental treatment during economic downturns**.** A new trend is for Korean dentists to form large-scale clinics and franchised clinics. The larger clinics can provide more services, which require more purchases. Most Korean dentists search the Internet to comparison shop and obtain information on devices and materials before making purchasing decisions through Korean importers/distributors.

Statistics (USD millions)

	2001	2002	2003E
A. Imports	175	199	214
B. Local Production	52	61	65
C. Exports	20	22	24
D. Total Market	207	238	255
E. Imports from U.S.	67	76	81
F. Exchange Rates (USD1:Won)	1,291	1,300	1,200

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Sector Rank: 15

Telematics Equipment and Solutions

ITA Industry Code:

The total size of the Korean market for telematics equipment (terminal) and solutions expanded from USD 2.5 million in 2001 to USD 65 million in 2002. (Note: The term *telematics* is a combination of the words, telecommunication and informatics, and refers to the delivery of real time information and services through a wireless telecommunication network for navigation, safety and emergency, and remote vehicle control and diagnoses.) Over the next three years, Korean market demand is projected to increase at an annual average growth rate of 100%, reaching USD 510 million by 2005. Although the Korean market for telematics equipment and solutions is presently in its infancy, Korea's automobile manufacturers and wireless telecommunication service providers (herein after referred to as "telcos") have all embraced telematics services, ensuring huge market potential for suppliers of related equipment and solutions. Other market factors that point to rapid market growth include projected growth in the number of registered vehicles in Korea from 14 million units, presently, to 19 million by 2009; strong wireless penetration of over 30 million subscribers in a population of 47 million; and Koreans' early adoption of new wireless technologies. Best prospects for U.S. suppliers include solutions and terminal components.

Statistics (USD thousands)

	2001	2002	2003E
A. Terminal Market	2,483	62,080	115,293
B. Solution Market	54	2,772	5,148
C. Total Market	2,537	64,852	120,441
D. Exchange Rates (USD 1:Won)	1,291	1,300	1,200

Source: Electronics and Telecommunications Research Institute (ETRI), Softbank Research, and industry estimates

GM Daewoo Auto & Technology Company and KTF, Korea's second largest telco, jointly launched a telematics service named DreamNet in November 2001. Hence, Korean automobile manufacturers, telcos, mobile handset manufacturers, and insurance companies have actively jumped into the market. Soon thereafter, SK Corp. and SK Telecom launched their telematics services, Entrac and NateDrive, in March, 2002, and Hyundai-Kia Motors plans to launch telematics service with LG Telecom in July, 2003. In addition, Renault Samsung Motors with SK Telecom, and Ssangyong Motor with KTF will participate in the market in the near future. Among insurance companies, Samsung Fire with KTF launched AnyNet Service in October, 2002, and Dongboo Fire and Hyundai Marine & Fire Insurance Co. plan to join the market soon.

The Korean telematics equipment and solution market will expand rapidly from 2003 when nation-wide service for CDMA2000 1x EV-DO (Evolutionary Data Only) will be launched, and Hyundai-Kia Motors, with 74% market share of automobile market, will participate in the telematics market.

Unlike foreign telematics markets which tend to evolve from penetration in the high-end market with luxury sedans, followed by the low-end market with small and medium-sized passenger cars, the Korean market encompasses both segments from the beginning stages. Automobile manufacturers, utilizing embedded terminals, are targeting luxury sedan owners who have already experienced car navigator system (CNS). Non-automobile companies are providing telematics services via comparatively low-price cell phones and PDAs and are targeting the low-income customer segment. Telematics service providers still favor cell phone type terminals (60% market share), while embedded terminals comprise 40% of the market. However, when Hyundai-Kia Motors launches telematics services in summer, 2003, the portion of demand for embedded terminals is expected to grow.

Korean drivers' driving patterns and high preference for wireless services, including telematics, will also boost the expansion of the telematics equipment and solution market. Annual average driving hours per driver is over 700 hours in Korea, while that in the U.S. is 550 hours and that in EU countries is 300 hours. According to a survey by MindBranch, 37% of Korean drivers interviewed plan to subscribe to telematics services, and 56% will positively consider a subscription. This data indicates that although Korea is in the beginning stage of telematics, the market has strong potential. By 2005, over six million Korean subscribers will enjoy telematics service in their cars.

Married salaried men in their 30s to 40s (43%) and independent business owners (29%) with small and medium-sized passenger vehicles comprise 72% of registered passenger vehicle owners and are primary targets for telematics services. Five specific telematics services preferred by Korean potential customers are Navigation (45.3%), Emergency (24.2%), Location base (24.1%), Remote control and diagnosis (3.9%), and Information and mobile telecommunication (2.5%).

Currently, only a few foreign companies are active in the Korean telematics equipment and solution market. According to industry sources, Japanese competitors may be active in Korean telematics market in the future. The technology level of current telematics systems/solutions in Korea is still low. For instance, terminals and solutions are currently not able to support complete voice recognition service, which is a critical factor to ensure successful telematics. Industry sources predict that U.S. solutions, hardware for customer centers, terminal components, including chips and terminal CPUs, have good market potential. Hyundai Motor recently adopted center operating solutions from IBM and hardware from HP for its telematics customer center. The specific solutions that have good market potential in Korea include customer center operating solutions, voice recognition, Location Based Systems (LBS), Global Positioning Systems (GPS), Geographic Information Systems (GIS), navigation, and mapping solutions.

Statistics (USD millions)

	2001	2001	2003E
A. Imports	0	4	7
B. Local Production	2	61	114
C. Exports	0	0	0
D. Total Market	3	65	120
E. Imports from U.S.	0	4	7
F. Exchange Rates (USD1:Won)	1,291	1,300	1,200

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Sector Rank: 16

Air Traffic Control Systems

ITA Industry Code: ATC

The Korean government has been making strenuous efforts to maintain the rating upgrade to category 1 for aviation safety it received from the FAA. The Civil Aviation Authority (CAA) was launched in August 2002 to implement more efficient aviation safety policy. It is expected that the CAA will take a leading role in upgrading current air traffic systems to advanced systems.

Korea's aerospace infrastructure is currently undergoing a major modernization. As part of Korea's aerospace modernization program, one of the objectives of Ministry of Construction & Transportation's (MOCT) is to successfully expand the limited capabilities of the present navigation and ATC system. For this, implementation stage 2 project for a 5-year (2001-2005) plan is undergoing for upgrading communication navigation surveillance (CNS) and air traffic management (ATM) systems which amounts to $203.4 million. The budget will be used for replacement and new installation of CNS/ATM systems mainly for regional airports such as Muan, Yeosu, Daegu and Uljin. The stage 3 of CNS/ATM project amounts to $25 million will be provided from 2006 to 2010.

Korea's air traffic market depends heavily on foreign technologies & equipment. In particular, almost all core equipment & components used in radar and measuring systems are provided by United States, European and Japanese manufacturers. U.S. is a primary foreign supplier with 46.5% market share.

With the completion of Incheon Airport's phase one in 2001, Korean import demand for air traffic control systems decreased about 10% in 2002. Over the next few years imports are forecast to maintain their 2002 level as the Korean government continues replacing and upgrading systems in the nations regional airports. At these airports, It is expected that advanced technologies & equipment will be required as they upgrade their facilities over the next few years, offering U.S. good business opportunities. U.S. systems have an excellent reputation in Korea and the Korean government has made procurement contracts for the installation of CNS/ATM systems in December 2002. The installation costs were $800,000 and all the air traffic systems were dominated by U.S. suppliers.

Procurement plan for local airports by ATC project value for the next two years is as follows:

(Unit: $1 million) (US$1=W1,200)

Name of Airport	Installation Year	Amount of Budget
Muan	2003	$3.3 million
Uljin	2003	$2.5 million
Yeosu	2003	$2.5 million
Daegu	2003	$1.25 million
Cheju	2004	$12.5 million
Uljin/Muan	After 2004	$12.5 million
Total		$34.55 million

Korean Market for Air Traffic Control (ATC) Systems

Statistics (USD millions)

	2001	2002	2003E
A. Imports	13	14	14
B. Local Production	0	0	0
C. Exports	1	2	2
D. Total Market	12	12	12
E. Imports from U.S.	12	13	14
F. Exchange Rates (USD 1:Won)	1,291	1,300	1,200

(Source: Korea Export/Import Statistical Book, CNS Division, the Civil Aviation Authority)

The above statistics are unofficial estimates. E=Estimated. The exchange rate is 1 U.S. dollar to the Korean won as indicated.

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Sector Rank: 17

Travel and Tourism

ITA Industry Code: TRA

Koreans' rapidly rising GNP, their gradual increase in more free time, heightened globalization, and greater awareness and interest in developments outside the Korean peninsula are spurring their interest in international travel. Korea's per capita GDP has risen to almost USD 10,000, placing it securely in the ranks of the middle-income countries along with most European countries and Japan. Korean consumer confidence also has increased along with a sharp rise in discretionary spending for such activities as overseas travel for both business and leisure. Korea's economy grew by over 6% in 2002, and is expected to expand by an additional 3-4% in 2003, helping illustrate that Koreans increasingly have the means to travel abroad. (Note, Korea also has begun to upgrade it domestic tourism sector infrastructure. As a result, building products and construction opportunities are unfolding for U.S. businesses.

With these changing cultural and income factors, conditions look promising for more growth in the outbound Korean travel market. Koreans are showing an increased desire to travel to the United States despite the lengthy travel time and the relatively high air fares required to make the trip. The ever-present U.S. influences in Korean mass media, including movies, advertising, popular culture, and most recently the Internet, continue to accentuate Koreans' interest in U.S. travel destinations. Koreans overwhelmingly choose the United States as a non-Asian destination because of the diversity of tourism opportunities not easily available back home, including U.S.-style shopping, theme parks, cultural attractions at the major U.S. cities, relatively inexpensive golfing experiences, and the major U.S. national parks.

In 2002, 7.1 million Koreans traveled abroad, an increase of 17.1% over 2001. Korean outbound travel numbers also bode well for U.S. hospitality and travel services providers. According to the Korean National Tourism Organization (KNTO), 692,407 Koreans traveled to the United States in 2002, a 3.3% increase over 2001, when 670,456 visited America. Nonetheless, while these 2002 travel figures indicate an increase over the year before, the numbers of Koreans visiting U.S. destinations are still down from their 1996 peak, when 749,474 traveled to America. As reported by the U.S. International Trade Administration, Korea is currently the fifth largest source for inbound travel to the United States, behind the United Kingdom, Japan, Germany, and France. While the number of Korean tourists to the States continues to track gradually upward, the figures for Koreans traveling to U.S. destinations is dwarfed by those for the United Kingdom and Japan, which sent over 4,3 and 4.0 million visitors, respectively, to the United States. In 2002, Korea accounted for a modest 1.5% of the total 45.4 million foreign visitors to the United States.

Korean National Tourism Organization figures indicate that in 2002, a record 7.1 million Koreans traveled to other countries. (By comparison, due in large part to the World Cup games, the number of inbound foreign tourists to Korea reached a new high mark of 5.35 million people.) Out of the top five favorite destinations for Koreans (i.e., China, Japan, U.S., Thailand and Philippines) one out of four outbound travelers chose Korea's neighbor, China, as their site of recreation and leisure, as well as for business purposes.

With 9.7% of the Korean outbound tourism market, the United States ranks third behind China and Japan which held a 24.2% and 17.8% market share, respectively, in 2002.

Relatively strict U.S. visa requirements, the geographical proximity of China and Japan to Korea and some similarities with language and culture have helped these two countries garner much of the recent increase in numbers of Korean tourists traveling outside their country. Although still behind China and Japan, the United States is, by far, the leading non-Asian destination for Koreans. Korean travel industry sources indicate that Los Angeles, San Francisco, Las Vegas, and Seattle are the most popular U.S. destinations, followed by the East Coast New York-Washington D.C route.

Unit: (Number of Travelers)

	2001	2002	2003
A. Outbound Travel	6,084,476	7,123,407	7,835,747
B. Domestic Travel	36,000,000	N/A	54,000,000
C. Inbound Travel	5,147,204	5,347,328	5,507,747
D. Outbound Travel to U.S.	670,456	692,407	727,027
E. Total T & T Market (In Billion US Dollars)	17	20.7	22.77
F. Exchange Rate (U.S. $1:Won)	1,291	1,350	1,200

Source: Ministry of Culture and Tourism, Korea National Tourism Organization, The Bank of Korea

* Domestic travel data for 2002 not available since such data is published every other year.

(Note: The overall size of the Korean travel and tourism market was estimated by CS Korea drawing on a number of sources, including the Korean Ministry of Tourism, industry, and various other sources. Precise data on per person expenditures while traveling overseas were not available, and the per person numbers also vary, depending on which country they visited. Therefore, in order to provide a meaningful picture of the size of the Korean outbound and inbound markets, apart from the total size of this market, all other figures are expressed in terms of the numbers of outbound Koreans and Korea inbound travelers.)

Prospects for Agricultural Products

BEST PROSPECTS FOR U.S. FOOD & AGRICULTURE SECTOR EXPORTERS TO KOREA

Total imports of agricultural, food, fishery and forest products in Korea increased to US$ 937 million during January – March 2003 from US$ 890 million during the same period in 2002. Imports of fish and seafood products from the United States increased significantly by 52% to US$ 192 million during the first 3 months in 2003 from US$ 127 million during the same period in 2002 while bulk product imports decreased by 11% to US$ 169 million during the cited period of 2003. Consumer demand for consumeroriented food items that increased 3% during this period to US$ 348 million along with fish products will continue to grow significantly in the future. The above figures are from the BICO reports, Foreign Agricultural Service, U.S. Department of Agriculture.

Note: All statistics are estimates for 2003 and projections for 2004. E = Estimated, P=Projected.

All statistics as listed in the charts below are quoted in Metric Tons (M/T = metric ton), except wine which is reported in Kiloliters.

Animal By-Products (oxtail, feet, stomachs, etc.)
HS Code: 0206 & 0504

	2001 (M/T)	2002 (M/T)	2003E (M/T)	2004P (M/T)
A. Total Market Size	N/A	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A	N/A
C. Total Exports	5,560	1,886	2,000	2,000
D. Total Imports	46,067	68,633	70,000	72,000
E. Total Imports from U.S.	28,597	44,689	45,000	46,000

Note: Koreans like to eat beef and pork by-products such as ox tails, head, feet, tongues, stomachs, livers, etc. Total imports of animal by-products reached US$ 137 million in 2002. Imports from the United States increased to US$ 90 million in 2002. Because of the strong demand for these products, prices are considerably higher in Korea compared to the U.S. where consumer demand is relatively low for these items. Imports of animal by-products increased steadily over the past several years. Trade numbers are from the Korea Customs Service.

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Beef
HS Code: 0201 & 0202

	2001 (M/T)	2002 (M/T)	2003E (M/T)	2004P (M/T)
A. Total Market Size	316,900	416,900	419,100	429,000
B. Total Local Production	162,500	141,200	139,700	143,000
C. Total Exports	0	0	0	0
D. Total Imports	154,400	275,700	279,400	286,000
E. Total Imports from U.S.	86,700	175,000	178,000	183,000

Note: Beef imports were liberalized on January 1, 2001 at a 41.4% tariff, and the 2003 tariff for beef is 40.5%. There are no more quotas or restrictions on beef. U.S. beef is extremely competitive in both quality and price vis-a-vis domestic and competitor products. After beef imports from the United States decreased significantly to US$ 320 million in 2001 because of negative reports about mad cow disease, and foot and mouth disease, it jumped to US$ 592 million in 2002. This was due to the consumers' preference for high quality U.S. beef in addition to rocket high prices for domestic beef.

Numbers are on a boneless basis (carcass divided by 1.36). Trade numbers are from Korea Customs Service and the National Livestock Cooperatives Federation.

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Poultry

HS Code: 0207

	2001 (M/T)	2002 (M/T)	2003E (M/T)	2004P (M/T)
A. Total Market Size	494,437	533,400	559,000	568,200
B. Total Local Production	401,000	432,000	447,000	446,000
C. Total Exports	1,950	1,947	2,000	2,200
D. Total Imports	91,487	99,453	110,000	120,000
E. Total Imports from U.S.	54,244	67,643	74,800	81,600

Note: Total imports of poultry in value in 2002 slightly increased to $102 million from $100.4 million in 2001. Imports of poultry products from the United States increased to $56.2 million in 2002 from $48.2 million in 2001. Poultry meat with a healthy image was substituted for some portion of red meat due to consumer fears over BSE and foot and mouth disease. Numbers are based on boneless meat.

1/ Local production refers to broiler production. Other poultry production is not available.

Trade numbers are from Korea Trade Information Service and the Ministry of Agriculture & Forestry.

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Citrus Fruit

HS Code: 0805

	2001 (M/T)	2002 (M/T)	2003E (M/T)	2004P (M/T)
A. Total Market Size	753,357	897,589	845,000	742,000
B. Total Local Production	646,023	780,000	714,000	600,000
C. Total Exports	9,091	9,000	11,000	12,000
D. Total Imports	98,243	108,589	120,000	130,000
E. Total Imports from U.S.	95,422	104,957	115,000	125,000

Note: Citrus imports consist of grapefruit, lemons, and oranges that come almost exclusively from the United States. Fruit is a major component of the Korean diet. The high quality and reasonable price of U.S. oranges resulted in continued strong demand for imports of California Navels in 2002 and 2003. Imports of citrus fruits from the United

States increased to $91 million in 2002 from $81 million in 2001. Imports of citrus into Korea will be another record high in 2003. However, the tariff for oranges remains high and citrus imports, in general, encounter many phyto-sanitary and customs clearance problems. Trade numbers are from Korea Trade Information Service.

Local production numbers are from Jeju Provincial Government & Jeju Citrus Grower's Agricultural Cooperative

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Processed Fruits, Nuts and Vegetables
(e.g. pickles, juices, tomato paste, peanut butter, canned fruit and vegetables, etc.)
HS Code: 2001 – 2008

	2001 ($000)	2002 ($000)	2003E ($000)	2004P ($000)
A. Total Market Size	N/A	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A	N/A
C. Total Exports	84,255	97,013	100,000	100,000
D. Total Imports	189,158	215,242	220,000	230,000
E. Total Imports from U.S.	91,638	91.045	95,000	100,000

Note: The demand for consumer-ready, high value products continues to surge as the number of two-income families increases. Consumer confidence in and a growing acceptance of western food products has also increased demand for prepared fruit and vegetable products. The excellent reputation and quality of U.S. food products puts U.S. suppliers in a strong position to take advantage of this market. Trade numbers are from the Korea Trade Information Service.

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Other Prepared Foods
(e.g. soups, seasonings, ketchup, sauces, etc.)
HS Code: 2103, 2104 & 2106

	2001 ($000)	2002 ($000)	2003E ($000)	2004P ($000)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	125,375	146,240	150,000	160,000
D. Total Imports:	341,279	367,330	375,000	385,000
E. Total Imports from U.S.:	145,035	141,035	150,000	160,000

Note: Total imports of prepared foods reached USD 367.3 million in 2002, up 7.6% from $341.3 million 2001. Imports of these products from the United States slightly decreased in 2002, after a big 28% increase in 2001 from $113 million in 2000. Competition is expected to be even fiercer among many countries. Superior quality and a rapidly increasing demand for convenience foods make the outlook especially bright for exporters of these U.S. products. Tariffs for this category of imports are relatively low, around 8% and strong growth is expected to continue in the coming years. Trade numbers are from the Korea Trade Information Service.

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Pet Foods
HS Code: 2309.10

	2001 ($000)	2002 ($000)	2003E ($000)	2004P ($000)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	10,306	9,425	9,500	10,000
D. Total Imports:	19,749	35,560	40,000	48,000
E. Total Imports from U.S.:	11,535	16,553	20,000	25,000

Note: One feature of the growing affluence of Koreans is the trend to own pets. More consumers are turning to ready-made imported pet food such as Kibble and canned products. Pet food is one of the fastest growing products in this market. We expect double-digit growth in this market as the number of pets increases. Trade numbers are from the Korea Trade Information Service.

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Fish and Seafood
HS Code: Chapter 03

	2001 ($000)	2002 ($000)	2003E ($000)	2004P ($000)
A. Total Market Size:	4,140,940	4,636,464	4,850,000	4,950,000
B. Total Local Production:	3,553,952	3,759,876	3,700,000	3,600,000
C. Total Exports:	878,045	799,477	700,000	650,000
D. Total Imports:	1,465,033	1,676,065	1,850,000	2,000,000
E. Total Imports from U.S.:	146,958	162,584	185,000	200,000

Note: The demand for seafood in Korea is especially strong and supplies are short. Korea's local catch is shrinking. Total imports of seafood increased to USD 1.68 billion in 2002 from US$ 1.47 billion in 2001. The U.S. market share in Korea is small but is expected to grow substantially in the future. Fish imports are expected to increase continuously in the coming years in order to meet supply shortages. Trade numbers are from the Korea Trade Information Service and Office of Korea Statistics Administration.

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Wine
HS Code: Chapter 2204

	2001 ($000)	2002 ($000)	2003E ($000)	2004P ($000)
A. Total Market Size:	N/A	N/A	N/A	N/A
B. Total Local Production:	N/A	N/A	N/A	N/A
C. Total Exports:	179	51	40	40
D. Total Imports:	23,109	29,432	35,000	40,000
E. Total Imports from U.S.:	5,672	4,369	5,300	6,000

Note: Although the Korean wine market is small, there is very big potential. Wine imports are increasing rapidly. Total wine imports increased to USD 29.4 million in 2002 from USD 23.1 million in 2001. Wine imports from the United States decreased in 2002 after a sharp 67% increase in 2001 from 3.4 million in 2000. The U.S. market share is expected to grow strongly. Trade numbers are from the Korea Trade Information Service.

Significant Investment Opportunities

The U.S. government recognizes the contribution that outward foreign direct investment can make to the U.S. economy since U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly 60% of total U.S. exports originate from American firms with investments abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, bilateral investment treaty negotiations and business facilitation programs that support U.S. investors.

Construction Sector:
The Korean construction market is driven by demand from the Korean government initiated infrastructure projects and public and private housing construction projects. Korea's public and private investment in infrastructure will total an estimated USD 170 billion over the next 15-20 years as Korea struggles to bring its infrastructure up to par with its national needs. Korea's housing construction market will expand over the next couple of years, with the Korean government's implementation of its plan to provide USD 9.7 billion to build 550,000 new homes through 2004. About 50% of these new residences are expected to be apartments, 40% multi-family low rise homes while the remaining 10% will be single family houses (double the 4.8% level for single family residences registered in 2001). This doubling of new homebuilding that will be comprised of single family residences offers U.S. construction firms the opportunity to promote U.S.-style 2X4 housing.

In Korea, the residential and commercial remodeling and renovating activity is growing more important for the construction industry. The remodeling business currently accounts for 20-25% of Korea's housing construction industry, but through 2010, that percentage is forecast to grow as builders increasingly opt to refurbish their older properties over constructing new units. Korea's remodeling and renovating market segment is expected to result in an annual growth of 10% through 2010. This repair and remodeling industry offered USD 8.7 billion in business opportunities in 2002.

Partnerships with major Korean companies; including consulting services for advanced design and technology, and financing packages for construction projects, are two promising business opportunities for U.S. companies in Korea. Intelligent Building System (IBS) technology also is another opportunity which has a short history in Korea but is increasing in significance. It is anticipated that this sector will generate business opportunities for U.S. companies in Korea specializing in system engineering, and the design of IBS building construction. The best prospects include:

- Remodeling Industry
- Intelligent Building Systems(IBS)
- Cyber Apartments

Energy Sector:
The privatization of the Korea Electric Power Corporation (KEPCO) will offer investment opportunities for U.S. companies. In 2001, KEPCO divided its power generation division into five thermal power generation subsidiaries (Gencos) and one nuclear/hydro Genco, and set up a power pool system. As the first step of this privatization program, KEPCO planned to sell one of its five thermal Gencos in 2002, but the Korean government has recently decided to list the Genco on the Korean stock market in early 2004 and to then privatize the Genco in 2005. The government will sell the shares of the Genco as well as the management rights of Genco slated for privatization. The management rights of each Genco will be sold under the principle of one investor for one Genco. Foreigners will be able to buy and control no more than 30% of Korea's entire power generation capacity of 53,801MW. It is also anticipated that foreigners will be able to buy and own two of the five Genco units that will be sold. However, with the inauguration of the new administration in early 2003, the privatization of the Korean power industry has been postponed because of insufficient preparation and strong opposition from labor unions. The privatization of the distribution sector has also been postponed. The distribution sector was to be split into several distribution companies (Disco) by 2004 in order to introduce competition at the retail level, but will be split in 2005 and will keep these Discos as a public entity.

U.S. companies also will find further opportunities in the Korean gas industry.
The Korea Gas Corporation (KOGAS) is now operating a total of three LNG receiving terminals in Korea (Pyeongtaek, Incheon, and Tongyoung) with the current LNG reserve ratio of 9.3% of overall demand. From the existing stock of twenty six operating tanks with sixteen more tanks currently under construction, The Korean Ministry of Commerce, Industry and Energy (MOCIE) plans to increase the LNG reserve ratio up to 12% by constructing 48 additional LNG tanks for a total storage capacity of 738,000 kilo liters. This will bring the total of LNG storage tanks to 74 units by 2015, with a total investment of USD 6.5 billion. MOCIE also plans to expand its nationwide trunk line from the current 2,442km to 2,597km through the investment of USD 2.8 billion by 2015. To introduce competition into the gas industry, MOCIE originally planned to spin off the import and wholesale units of KOGAS into three subsidiaries by 2002 if the National Assembly passed the enabling legislation. However, MOCIE indicated that there would be further delays in the execution of the gas sector restructuring and it may also be altered at a later date.

Port Development:
The Ministry of Maritime Affairs and Fisheries (MOMAF) is newly engaged in negotiations with major foreign and local shipping firms, which have submitted their proposals to invest in the expansion and management of four Korean ports (Ulsan, Mokpo, Pyoungtaek and Pohang Port). MOMAF has concluded agreements with U.S. and Dutch firms to invest in the construction of Busan New Port and Kwangyang Ports. The opportunities for investment have developed because some Korean concessionaires are still experiencing a shortage of capital to invest in completing these projects. They also welcome the management expertise these foreign firms bring. Korean government has implemented many fiscal and financial incentives for direct foreign investment in major port development projects, including a reasonable return on investment and risk allocation for currency exchange risk. If both concessionaires (or successful bidders) and potential foreign investors reach agreement on a specific project, MOMAF will then approve the foreign firm's investment, based upon guidelines in the Private Capital Inducement Act of Korea. As of January 1, 1999, international ocean freight transport was fully liberalized, opening all shipping operations except for coastal shipping. To facilitate the foreign investment, the 40% equity limit on ship ownership was abolished, and foreign ownership and registration of Korean-flag ships are unlimited.

Automotive Parts:
Korea ranks fifth in the world in automobile unit production with a total market demand for automotive parts and accessories valued at an estimated USD 17.25 billion in 2001. Imports of auto parts accounted for 7% of the market demand, and U.S. imports, for just 1.5%. However, parts supplied by U.S. and other foreign joint venture firms operating in Korea represent a significant and growing segment of the market. As a result of Korea's massive industry consolidation, restructuring, and the effects of globalization over the past five years, a growing number of U.S. and European parts makers have already aggressively expanded their manufacturing bases and equity interests in Korea. There are currently 130 foreign-invested joint venture companies producing automotive parts in Korea, 63 of which have been established since 1997. Many of Korea's small parts suppliers continue to seek mergers and strategic alliances with foreign investors in order to survive. The Korean automotive industry depends heavily on foreign suppliers for several core components and parts, including automatic transmissions, engine control units (ECU), electronic engine parts, anti-lock brake systems, and air bags, particularly for large passenger cars, SUVs and commercial vehicles. In April, 2002, decisions by General Motors to acquire the bankrupt Daewoo Motors and by Hyundai Motors to build a manufacturing plant in the State of Alabama will accelerate an emerging trend for global procurement of parts in Korea's automobile industry.

Information Technologies:
In the past few years, the Korean Government has taken steps to relax foreign investment restrictions in telecommunications services, and foreign ownership of up to 100% is permitted for simple international resale services interconnected to the Public Switch Telephone Network. However, foreign ownership in Type 1, facilities-based telecommunications services is still capped at 49%, restricting market access for facilities-based telecommunications services firms. Nonetheless, new opportunities for investment in the telecommunications sector may emerge stemming from the Korean government's full privatization of Korea Telecom (KT) in May, 2002. Although now

privatized, KT is still subject to bilateral and WTO agreement on government procurement. Over time, privatization should inject more competition into the market and should allow for more U.S. equipment suppliers to qualify for KT procurement through Korean representatives as well as through JV investments. Korea's rapidly developing wireless, third-generation (3G) market represents key investment opportunities for U.S. suppliers of IT equipment, systems and software. Korea's three mobile carriers and licensees for 3G services, SK-IMT, KT-Icom, and LG Telecom, plan to launch 3G services in 2003 for Seoul and expand gradually to other major cities by the end of June 2006. For the full implementation of 3G service, these companies plan to invest a total of USD 350 million in 2003 to provide the service in Seoul alone. Korea's emerging wireless local area network (WLAN) represents another key opportunity for investment. Korea Telecom and Hanaro Telecom commercially launched WLAN services in February, 2002, and plan to continue nationwide WLAN service in 2003 and to launch Wireless Internet access services. The Korean WLAN services market, estimated at USD 54 million in 2002, is projected to reach USD 100 million in 2003. Korea's three mobile carriers have also launched wireless Internet services. The new services have sparked a demand for personal digital assistants (PDAs). Estimated at 219,000 units in 2001, the Korean demand for PDAs is projected to reach 1.35 million units, valued at USD 266 million by 2006. New opportunities in portable Internet service on the 2.3 GHz spectrum and in Location Based Services (LBS) will lead to huge investment plans by the local carriers and manufacturers in the next several years. The wireless data service market is forecast to grow at an annual rate of 250% over the next five years and to reach USD 6 billion in 2007.

Pharmaceutical & Biotech:
Although Korea's pharmaceutical biotech industry is in its infancy, it represents significant opportunities for investment over the long term. In recent years, the Korean government's encouragement of the development of a biotech industry has resulted in 86 research institutes and 300 small biotech R&D firms, 79 of which are pharmaceutical biotech firms with a total number of 400 research staff. Of these firms, about 50 are considered to be research-based firms. The Korean government has also established eight facilities-based, Bio-venture Support Centers, each of which incorporates around 30 bio-venture companies. The government is also promoting the development of bio clusters centered on cooperative relationships among industry, academia and research. Another government-funded project in progress is the development of an integrated database and system for e-commerce in the BT industry. The Korea Drug Research Association (KDRA) plays an active role in funneling government subsidies to pharmaceutical biotech firms and also assists its members in seeking potential partners for strategic alliances through its Pharma Tech Business Center. Relatively weak in drug screening, safety evaluation, clinical trials, and commercialization of products, Korean pharmaceutical biotech firms are very interested in partnering with U.S. firms through joint investments or research activities for R&D projects in Korea or overseas and through cross-licensing for the marketing of completed technologies.

Chapter 6. Trade Regulations, Customs and Standards

Korea continues a process of economic liberalization and deregulation, but the Korea government (ROKG) has yet to adopt a hands-off policy where the economy and trade are concerned. The U.S. Embassy, in addition to the American Chamber of Commerce (AmCham) in Korea, works actively to liberalize the many regulatory trade barriers that currently exist.

In its annual Improving Korea's Business Climate (IKBC), AmCham Korea lists the following areas of concern: market access for imported goods; advertising; aerospace and defense; agricultural/food products; animal health; automobiles; chemicals; construction and engineering; environment; financial services (banking, capital markets, insurance); information technology; intellectual property rights; investment; labor and employment; legal services; medical devices; pharmaceuticals; real estate; taxation; telecommunications; travel and tourism; venture; and competitive issues affecting American companies' ability to do business abroad. Interested people may contact this organization directly at: The American Chamber of Commerce in Korea, #4501 Trade Tower 159-1, Samsung-dong, Kangnam-gu, Seoul 135-731, Korea; Tel. 564-2040; Fax. 564-2050; E-mail: info@amchamkorea.org. Also, for a full description of trade barriers in Korea the annual National Trade Estimate (NTE) report produced by USTR should be consulted.

Trade Barriers, Customs Regulations, Tariffs Rates and Import Taxes

Korea bound 92% of its tariff-line items as a result of the Uruguay Round negotiations with its average basic tariff at about 7.9%. Duties still remain very high on a large number of high-value agricultural and fisheries products. For example, Korea imposes tariff rates of 30-100% on many agricultural and horticultural products of interest to U.S. suppliers. Under WTO "Zero for Zero" initiatives, Korea is in the process of reducing tariffs to zero on most or all products in the following sectors: paper products, toys, steel, furniture, semiconductors, and farm equipment.

Korea also maintains a tariff quota system designed to stabilize domestic commodity markets. Customs duties can be adjusted every six months within the limit of the basic rate plus or minus 40%. As of July 1, 2001, 70 items were selected, up from 60 items as of year-end 2000, and 55 items on July 1, 2000. Among the 70 items, 20 items are agricultural, forestry and fishery related. In operating the quota rate system, the government has agreed to notify foreign business associations like AmCham when local industry recommends items for quota rate designation to the government. Korea also uses "adjustment tariffs" at the four-digit H.S. code level to respond to import surges and to protect domestic producers. The system is adjusted on an annual basis. Effective January 1, 2001, Korea reduced the number of items subject to adjustment tariffs from 27 items to 26 items, 20 of which are agricultural, forestry and fishery related.

In accordance with the Information Technology Agreement (ITA), Korea is reducing tariffs on 203 types of telecommunication and information related equipment to zero. The tariff reduction was completed for most tariffs in 2000, but implementation will be phased in for 10 categories (six by 2002 and four by 2004). Korea has also participated in the ITA - 2 negotiations aimed at eliminating tariffs on 108 other items with a target year of 2002.

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

Customs Valuation

Most duties are assessed on an ad valorem basis. Specific rates apply to some goods, while both ad valorem and specific rates apply on a few others. The dutiable value of imported goods is the cost, insurance, and freight (C.I.F.) price at the time of import declaration.

Import duties are not assessed on capital goods and raw materials imported in connection with foreign investment projects. Authorization to import on a duty-free basis those items and supplies designated in a foreign investment application usually accompanies the Ministry of Finance and Economy's approval of a foreign investment project.

Import License Requirements/ Special Import-Export Requirements

Following a revision of the Foreign Trade Act and its Enforcement Decree, import procedures and the required documentation were simplified effective January 1, 1997. Goods entering Korea no longer require an import license (I/L) issued by a foreign exchange bank. Separate approval for payment in foreign currency is also no longer required. All commodities can be freely imported, subject to special registrations and import approvals for categories like pharmaceuticals and medical devices, unless they are included on the Negative List, which includes commodities that are either prohibited or restricted.

The Negative List is officially known as the Export and Import Notice. About fifties individual laws stipulate requirements and procedures for importing certain products (about 1,074 items, or 1% of all items) to ensure the protection of public health and sanitation, national security, safety, and the environment.

Applications for licenses to import items on the Negative List are approved on a case-by-case basis after screening and approval by the government agencies concerned, or by the relevant manufacturer’s association. Typically, health or safety related products, such as pharmaceuticals and medicines, require additional testing or certification by recommended organizations before clearing customs. In addition, special items defined by the Ministry of Commerce, Industry and Energy (MOCIE) in its Annual Trade Plan (firearms, illicit drugs, endangered species, etc.) require approval by the Minister of MOCIE. In most cases, the supplier’s qualified local agent completes the registration process. In accordance with the amendment of the Foreign Trade Act, all restrictions on trading companies were eliminated by changing from the previous approval system to a new system under which firms simply file import notifications with MOCIE.

The IMF program called on Korea to improve the transparency of its import certification procedures. The government has reviewed 54 laws and regulations to identify necessary improvements in transparency. The amendment of the relevant laws and regulations was completed in 2000. Streamlining efforts on import certification continues through the amendment of the Export and Import Notice. Whether or not these changes are liberalizing trade remains to be seen.

Import/Export Documentation & Procedures

Customs clearance procedures were simplified by the revision of the Customs Act and its Enforcement Decree in December 1995. The import license system was replaced by the import declaration system so that an import declaration filed without defect was immediately accepted for release of goods. 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 by companies with no record of trade law violations are to be released upon the acceptance of the import declaration, without customs inspection. The Korean Customs Services (KCS)'s Electronic Data Interchange (EDI) system for paperless import clearance came on line in July 1999 and allows importers to make an import declaration by computer, without visiting the customs house. Another noteworthy change in customs clearance effective January 1, 1999, is that goods can be released even before the filing of an import declaration and payment of tariffs. In 1999, the KCS linked its computer database with all the agencies dealing with exports and imports, allowing all exchanges of documents (approval, issuing recommendation, inspection and quarantine) to be done electronically.

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

Along with import procedures, export procedures and documentation were also simplified effective January 1, 1997. Exported goods no longer require an export license (E/L) issued by a foreign exchange bank. Exporters can file their export notices to Korean Customs by computer based on their shipping documents at the time of export clearance. All commodities can be freely exported unless they are included on the negative list.

With rare exceptions, Korean Customs allows free customs entry of goods brought into Korea that are hand-carried by foreign business persons (such as laptop personal computers) for use during their stay in Korea. In such a case, Korean Customs makes a note on the traveler's passport and then requires the traveler to take the item(s) out of Korea when departing.

Goods entering Korea for exhibition purposes must be stored in a bonded area. For example, the Korea Exhibition Center (COEX) is a bonded area. Exhibition goods will be held without charge at COEX during the exhibition period, after which they must be either: 1) reshipped directly out of Korea without payment of duty; 2) presented at Customs for payment of regular duty on value declared at time of entry; or, 3) transferred to the Seoul Customs house bonded storage area. Goods stored in a bonded warehouse can incur, if applicable, storage costs, customs brokerage charges, local transportation costs, and moving equipment fees. As of January 1, 1999, six separate types of bonded facilities that previously required individual licenses can be designated as an integrated bonded area. A Foreign Investment Zone can also be designated as an integrated bonded area by simply filing a notice, which does not require approval. There are no restrictions on the types of businesses and goods, as long as the goods do not threaten national security, health and environment. The storage period is unlimited. Within the bonded area, goods can be stored, manufactured, processed, sold, constructed or exhibited without going through customs clearance.

Bonded storage facilities in Korea are under the supervision of the Collector of Customs. With the introduction of the new comprehensive bonded area, Korea has three kinds of bonded areas: 1) designated bonded areas (designated storage sites and customs inspection sites); 2) licensed bonded areas (bonded warehouses, bonded exhibition sites, bonded construction sites, and bonded sales shops); and, 3) integrated bonded areas. The period for which goods may be stored in a licensed bonded warehouse is one year and can be extended for another year. Duties are payable only when goods are cleared through customs. Storage fees are relatively high, and the use of a bonded warehouse to maintain inventories is limited. The storage period does not apply to the storage of live animals or plants, perishable merchandise, or other commodities that may cause damage to other merchandise or to the warehouse. The Collector of Customs bears no responsibility for goods while they are stored in customs facilities. Integrated bonded areas, however, have no time limit for storage. At this type of bonded area, storage, manufacturing, processing, building, sales and exhibition can be comprehensively carried out.

In addition to the Integrated Bonded Area designated as a Foreign Investment Zone, bonded warehouses are the facilities available in Korea to foreign companies where a U.S. exporter can store shipped goods and still maintain title until they are cleared through customs by normal import procedures. Korea's customs laws specify that any person who wishes to establish a bonded warehouse shall obtain a license from the director of each Customs Zone. Applications must include the name of the bonded warehouse, location, structure, numbers and sizes of buildings, storage capacity and types of products to be stored. In addition, articles of incorporation and corporate register must be submitted, when applicable.

Labeling, Marking Requirements

Country of origin labeling is required for commercial shipments entering Korea. The Korean Customs Service (KCS) publishes a list of the country of origin labeling requirements by Harmonized System Code number. Further labeling and marking requirements for specific products, such as pharmaceutical and food products, are covered by specific regulations from the Korean Government agencies responsible for these items. Korean language labels, except for country of origin markings that must be shown at the time of customs clearance, can be attached locally on products in the bonded area either before or after clearance. The Korea Food & Drug Administration (KFDA) is responsible for setting and enforcing Korean labels for food products other than livestock products. The Ministry of Agriculture and Forestry (MAF) regulates livestock products. MAF also has its own set of standards for markings for the country of origin labeling of agricultural products. Detailed information on country of origin labeling is provided in the guideline for country of origin labeling. Local importers usually print

Korean language labels when imported quantities are not large, and can consult with the KCS as to where they can be attached to the product.

Effective April 1, 1998, the government made the following changes in relation to country of origin listing requirements: (1) defined “minimum processing” in more detail to increase transparency; (2) gave a more concrete description of when country of origin listing is required; and, (3) replaced value added reports with Harmonized System Code Number when determining the country of origin for six items.

For pharmaceuticals, all imported containers and packages must be conspicuously marked to show:
1) country of origin and manufacturer’s and importer’s names and addresses;
2) name of product;
3) date of production and batch number;
4) names and weights of ingredients;
5) quantity;
6) number of units;
7) storage method;
8) distribution validity date;
9) instructions for use;
10) import license number;
11) effectiveness;
12) import price and suggested retail price.

Food Labeling

All imported food products (livestock products are regulated by MAF standards) are required to have Korean language labels. (Stickers may be used instead of Korean language labels, but such stickers must be in Korean. The sticker should not be easily removable and should not cover the original labeling).

Labels should have the following inscriptions printed in letters large enough to be readily legible:

(A) Product Name: The label should state the name of the product. The product name should be identical to the product’s name as declared to the licensing/inspection authority.

(B) Product type: This is mandatory for specially designated products such as teas, health supplementary foods, etc.

(C) Importer's name and address, and the address where products may be returned or exchanged in the event of defects.

(D) Manufacturing date, month, and year: This is mandatory for specially designated products such as lunch box, sugar, liquor, and salts. For liquors a manufacturing number (lot number) or bottling date can substitute for the manufacturing date.

(E) Shelf life: Food products should identify the manufacturer-determined shelf life. If various kinds of products are packaged together, the shelf life date of the product with the shortest life should be applied on the label.

(F) Contents: Weight, volume or number of pieces (if the number of pieces is shown, the weight or volume must be indicated in parentheses).

(G) Ingredient(s) or raw material(s) and a percent content of the ingredient(s): The name of the major ingredient must be included on the label as well as the names of at least the next four principle ingredients. These should be listed with the highest percentage first followed by the others. Artificially added purified water does not count as one of the five major ingredients.

(H) Nutrients: Only special nutritional foods, health supplementary foods, products wishing to carry nutritional labels and products wishing to carry a nutrient emphasis mark are subject to nutritional labeling.

(I) Other items designated by the detailed labeling standards for food et al.: This includes cautions and standards for use or preservation (e.g., drained weight for canned products, radiation-processed products, etc.).

Cases where the above application of the labeling requirements are exempted are as follows:

(A) Agricultural/forestry/livestock/marine products that are not in a container/package and are in the natural state.

(B) Foods, etc. to be used for manufacturing or cooking for a company's own use. (Documents that show such intent need to be provided.). The package for such foods shall be labeled with the name of manufacturer, and manufacture date or shelf life.

(C) Products imported for the purpose of acquisition of foreign currency, under the provisions of Article 34 of the Ministerial Ordinance to the Foreign Trade Act. These products should be labeled with the name of the company, company address and manufacture date or shelf life.

Organic labeling requirements for processed products:

All imported processed products labeled as organic must be accompanied by KFDA-required documentation. For US origin processed organic products, shipments must be accompanied by 1) copy of the certificate issued for the plant or farm certified by an Agricultural Marketing Service (AMS)/USDA accredited certifying agent and 2) an original transaction certificate issued by an AMS accredited certifying agent that certifies that the specific shipment lot is organic, with information on the lot number, volume, etc.

Nutritional labeling requirements:

Currently, nutritional labeling is optional for most food products. Korea only requires nutritional labeling for the following:

(A) Special nutritional food or health supplementary food,

(B) In the event that specific nutrients are emphasized (e.g., if a product is labeled as "calcium added yogurt," the content of the calcium must be labeled),

(C) If you wish to put on nutritional labeling

Regarding health claims, Korea currently does not allow health claims on food product labels.

The Korea Food & Drug Administration issued the latest revision of labeling standards in August 2002.

Liquor Labeling

As of October 1, 2002, liquor products must have labels that distinguish liquors for home use, discount stores and duty-free shops. Liquor products sold on-premise do not need such information but at the same time they cannot sell any liquor that has one of the above three labels.

1) The classification of usage must be indicated on the main label or supplementary label for imported liquor and only on the main label for domestic products.

2) Liquors for home use and discount stores must have a warning that reads, “Not allowed to be sold in restaurants and bars” on the main label or supplementary label.

Note: Labeling standards for livestock products, food additives, equipment, container and packaging for food products are set separately. Information covering labeling standards for livestock products, organic, and nutritional labeling is available from Food & Agricultural Import Regulations and Standards Report 2002 provided on the USDA website. Please refer to Attaché Report at www.fas.usda.gov.

In August 1998, the requirement to list the import prices on the label was eliminated. Retail price marking is still required for both imported and domestic products for goods sold in shops with a floor-space greater than 33 square meters.

Biotech Labeling Requirements

Non-Processed GMO products (Administered by Ministry of Agriculture & Forestry)

On April 22, 2000, MAF issued final guidelines for labeling of unprocessed GMO commodities. Starting March 1, 2001, mandatory labeling went into effect for unprocessed GMO soybeans, bean sprouts, and corn for shipments that contain 3 percent or more of biotech-enhanced ingredients. Starting March 1, 2002, unprocessed GMO potatoes were added to the list of commodities subject to this labeling standard.

Labels shall be in accordance with the following:

(A) Raw GMO agricultural commodities shall be labeled as “Genetically Modified (a name of agricultural product).”

(B) Agricultural commodities containing a GMO component shall be labeled as “Containing Genetically Modified (a name of agricultural product).”

(C) For agricultural commodities that may contain a GMO agricultural component (but the importer is not certain), the agricultural commodity shall be labeled as “May contain Genetically Modified (a name of agricultural product).”

(D) For agricultural commodities that are 100-% GMO free, the agricultural commodity may be labeled as “Non-GMO” or “GMO Free” on a voluntary basis.

To get an exemption from this labeling requirement, a full set of Identity Preservation Handling Certification that proves the level of accidental mixing of biotech ingredients in the shipment is less than 3% shall be submitted. MAF officials have indicated that U.S. fresh potatoes will be exempt from biotechnology labeling requirements with no requirement for extra documentation as long as biotech potatoes are not produced in the United States.

Processed Food Products (Administered by Korea Food & Drug Administration)

In August 2000, KFDA announced the Labeling Standards for Recombinant Food (labeling standards for processed food products containing ingredients enhanced through biotechnology).

Effective July 13, 2001, the Korea Food & Drug Administration (KFDA) required processed food products containing ingredients enhanced through biotechnology (hereinafter refer to as GM ingredients) to be labeled when: (1) the primary ingredient is subject to Ministry of Agriculture & Forestry (MAF) biotech labeling requirements, (2) the GMO ingredient is one of five major raw materials used in the product, and (3) recombinant DNAs or foreign proteins are still present in the final products.

Labels shall be in accordance with the following:

(A) “Recombinant Food” or “Food Containing Recombinant XX” (e.g., "Food Containing Recombinant Corn") is to be indicated on the principle display panel in a way that the consumer may easily recognize the label, and

(B) “Recombinant” or “Recombinant XX” (e.g., "Recombinant Corn") is to be indicated in parentheses’ aside the name of the GMO ingredient listed as a raw material of the food.

(C) “May Contain Recombinant XX” (e.g., "May Contain Recombinant Corn") is to be indicated when it is not clear whether a product contains GMO ingredients or not.

Please note that the terminology "Non-GMO" and "GMO Free" is prohibited for use on labels of processed foods. No such labeling shall be affixed to the product even if the processed food is made using non-GM ingredients or if none of the top five major ingredients contains more than 3% GMO component. Concerning the maximum threshold, the MAF threshold (3% in raw ingredients) is the default threshold for imported processed food products containing a GMO ingredient.

Non-detachable stickers may be used for imported foods or food additives. Indelible ink, stamp or brand, etc., shall be used.

<u>Documentation Requirements to qualify for exemption from GMO labeling requirements are as follows</u> (four options):

(A) Test Verification that recombinant DNA or foreign protein is not present in the final products (can be done by a domestic commercial laboratory, foreign government or foreign commercial laboratory and the original test certificate must be submitted to KFDA)

(B) Identity Preserved (IP) handling certification for raw corn or soybeans and certification (or a statement) for the finished product (Both are required)

(C) Government-issued certification equivalent to IP handling certification

(D) Other documents recognized by the government of the exporter or manufacturer as equivalent to IP handling certificates

As one of options of (D), KFDA permits acceptance of a notarized self-declaration as certification that a product is exempt from GMO labeling requirements after lengthy negotiations.

Details for these regulations are also available on the FAS/USDA website (Attaché Report KS 1004, 1046, and others at www.fas.usda.gov).

Prohibited Imports

In principle, all commodities, subject to specific conditions, may be freely imported into Korea unless they are included on the negative list of prohibited or restricted items. The negative list is published by the Ministry of Commerce, Industry and Energy as the Annual Trade Plan (Export and Import Notice). Restricted items include firearms, illicit drugs, endangered species, etc. More important than the negative list, however, are market access barriers related to imports prohibited from entry into Korea due to non-compliance with standards and/or testing as set by the relevant Korean ministries responsible for the particular industry/agricultural category. Pharmaceuticals (including over-the-counter products), medical devices, cosmetics and food products are particularly vulnerable to lengthy, cumbersome and costly testing requirements. See the "Standards" section that follows.

Export Controls

Although not a member of COCOM, Korea has observed COCOM licensing procedures since 1993. In 1995, the Korean government became a member of the post-COCOM regime, known as the “Wassenaar Arrangement.” Korea is also a signatory to the Chemical Weapons Convention (CWC). Under the Foreign Trade Act, if an export control is deemed necessary for the maintenance of international peace and security, national security, or other national interests, an exporter or importer is required to obtain a certificate or permit from the head of the related administrative agency or MOCIE. The list of controlled items is published, and includes nuclear products, arms, chemical weapons, and missiles.

Standards

The Korean Government adopted the ISO 9000 system (modified into the KSA 9000) as its official standard system as of April 1992, and published related regulations in September 1993. In 1997, Korean companies also adopted the ISO 14000 environment management system. However, there are still concerns over Korea's implementation of the commitments that were made when the GATT Agreement on Technical Barriers to Trade (the "Standards Code") was signed in 1980. Korea seems to develop standards that effectively block imported goods by affecting only imported goods, or which are not applied in an equal manner to domestic products. In addition, the Korean government sometimes issues new regulations without adequate public rule-making procedures. The absence of a comment period and adequate time for industries to adjust can be a significant barrier to trade. Finally, implementation periods sometimes do not give foreign exporters sufficient time to comply, which often leads to unnecessary and costly interruptions in trade.

In light of the fact that Korean firms consider compliance with the ISO 9000 necessary to compete in the international market, the Korean government has indicated that it will address such problems and reduce barriers. From Jan. 1, 2000, the National Standard Basic stipulates that all new national standards shall be in compliance with ISO international standards. The Korean Industrial Standardization Act was also amended to require 60 days notice before announcing new standards. Whenever there is a change of standards, the government is required to notify the WTO's Committee on Technical Barriers to Trade (TBT). The Korean Agency for Technology and Standard is undertaking a program from 2000 through 2005 to make Korean standards consistent with international standards.

There are local testing laboratories authorized to certify firms under the ISO 9000 system. As Korea has joined the IAF-MLA (International Accreditation Forum-Multilateral Recognition Arrangement), the local certificate on the ISO 9000 system is recognized in 27 member countries of the IAF-MLA.

In 2000, the Korean Laboratory Accreditation Scheme (KORAS) signed a multilateral mutual recognition agreement with International Laboratory Accreditation Cooperation (ILAC) on testing and calibration. As a result, tests that are done in laboratories of member countries of ILAC can be mutually recognized by 28 countries and 38 accreditation entities.

Free Trade Areas/Warehouses

The government has designated several free trade zones (MOCIE changed the name from "free export zones" to "free trade zones" in 2000) for the bonded processing of imported materials into finished goods for export. The free trade zones are specially established industrial areas where foreign invested firms can manufacture, assemble, or process export products using freely imported, tax-free raw materials, or semi-finished goods. Tax incentives are provided for foreign invested firms.

There two Free Trade Zones are currently in operation in Korea: The Masan Free Trade Zone located near Busan in southern Korea and the Iksan (formerly Iri) Free Trade Zone located near Kunsan on the western coast. In addition to these two Free Trade Zones, the Korean government designated Kunsan in 2000 and Daebul in 2002 as Free Trade

Zones, which will be in operation from 2005 and 2007 respectively. There are three industrial parks for foreign firms in Pyungdong and Cheonan and Daebul (for high technology industries), offering incentives including large discounts on land rental fees and self-contained shopping and educational facilities. To encourage foreign investment, the government set the minimum foreign ownership requirement at 10% for Pyungdong and Daebul, and 30% for Cheonan.

Following the revision of the Foreign Investment Promotion Act in November 1998, there are now four ways in which a foreign investor can request designation as a Foreign Investment Zone (FIZ). For example, any foreign investor whose investment exceeds USD 50 million can request designation as a Foreign Investment Zone (FIZ). From 2000, more than two investors in similar industrial sectors can apply for a designation as a FIZ. (In the past, only one investor could be designated for one FIZ.) This new system is aimed at attracting large-scale foreign direct investment by providing various incentives. Once designated as an FIZ, national taxes on the investment (income tax and corporate tax) are waived for the first seven years and reduced by 50% for the following three years. Local taxes (acquisition tax, registration and property tax) can also be waived for 8-15 years in accordance with a decree by local authorities. In addition, national property can be rented free of charge and financial support for infrastructure construction can be given.

As of January 1, 1999, six separate types of bonded facilities that previously required individual licenses can be designated as an integrated bonded area. A Foreign Investment Zone can also be designated as an integrated bonded area by simply filing a notice, which does not require approval. There are no restrictions on the types of businesses and goods, as long as the goods do not threaten national security, health and environment. The storage period is unlimited. Within the bonded area, goods can be stored, manufactured, processed, sold, constructed or exhibited without going through customs clearance.

Bonded storage facilities in Korea are under the supervision of the Collector of Customs. With the introduction of the new comprehensive bonded area, Korea has three kinds of bonded areas: 1) designated bonded areas (designated storage sites and customs inspection sites); 2) licensed bonded areas (bonded storage sites, bonded warehouses, bonded factories, bonded exhibition sites, bonded construction sites, and bonded sales sites); and, 3) integrated bonded areas. The period for which goods may be stored in a licensed bonded warehouse is one year and can be extended for another year. Duties are payable only when goods are cleared through customs. Storage fees are high, and the use of a bonded warehouse to maintain inventories is limited. The storage period does not apply to the storage of live animals or plants, perishable merchandise, or other commodities that may cause damage to other merchandise or to the warehouse. The Collector of Customs bears no responsibility for goods while they are stored in customs facilities. Integrated bonding areas, however, have no time limit for storage. At this type of bonded area, storage, manufacturing, processing, building, sales and exhibition can be comprehensively carried out.

In addition to the Integrated Bonded Area designated as a Foreign Investment Zone, bonded warehouses are the facilities available in Korea to foreign companies where a U.S. exporter can store shipped goods and still maintain title until they are cleared through customs by normal import procedures. Korea's customs laws specify that any person who wishes to establish a bonded warehouse shall obtain a license from the director of each Customs Zone. Applications must include the name of the bonded warehouse, location, structure, numbers and sizes of buildings, storage capacity and types of products to be stored. In addition, articles of incorporation and corporate register must be submitted, when applicable.

Membership in Free Trade Agreements (FTA)

The Republic of Korea is a member of the Asia-Pacific Economic Cooperation (APEC) forum. One goal of APEC, as outlined in its 1994 declaration, is to establish a Free Trade Area among its member countries by the year 2020. Substantive principles which are encompassed in the APEC forum include investment liberalization, tariff reduction, deregulation, government procurement, and strengthening IPR protection. In February, 2003, Korea and Chile signed the Free Trade Agreement, but the Korean National Assembly has not ratified the FTA because of strong opposition from farmers.

The Republic of Korea is a member of the World Trade Organization (WTO) and has signed subsidiary agreements including TRIPs (Trade Related Aspects of Intellectual Property) and the Government Procurement Agreement. In December 1996, Korea joined the Organization for Economic Cooperation and Development (OECD).

Customs Contact Information

The International Cooperation Division of the Korean Customs Administration can provide assistance with general customs questions. Contacts are Mr. Kim, Jong-Woong, Director of International Cooperation Division, Korea Customs Service based in Daejeon, Tel. 82-42-481-7755, Fax. 82-42-481-7979

Chapter 7. Investment Climate Statement

Since the 1997-98 financial crisis, the ROKG has undertaken numerous measures to reforms its regulations on foreign investment. Its most prominent accomplishments since 1998 are that foreigners can own land and real property; the ROKG and most of the Korean public now see foreign investment as a positive for Korea, rather than a negative; and the ROKG has sold many large, high-profile companies to foreign investors, such as Hanbo Steel to AK Capital in 2003, Daewoo Motor to General Motors (GM) in 2002, and Korea First Bank to Newbridge Capital in 2000, to name just a few. All that has helped to make the Korean economy shed its long-standing reputation as a difficult environment for foreign capital and to become more attractive to investors.

Through 2002, the United States had the largest share of foreign direct investment in Korea with USD 26.7 billion or about 31% of Korea's total stock of FDI. Europe is the second-largest investor with USD 24.9 billion (29% of the total) followed by Japan with USD 12.9 billion (15%). Overall FDI has declined 48.4% in Q1 2003 after jumping 39.2% year-on-year in Q1 2002. The drop in FDI can be attributed to the increasing difficulties in attracting new investments. In the wake of the financial crisis, foreign firms had eagerly invested in Korea and acquired a number of struggling corporations. As a result, the number of valuable firms available for purchase has decreased. However, the ROKG plans to continue to sell off to foreign investors a number of firms that it had acquired after the crisis.

The still-dominant position of Korean conglomerates -- the chaebol -- in the domestic economy continues to represent a significant problem for foreign competitors. For instance, the chaebol purchase from "family" suppliers whenever possible. The ROKG has initiated a program of corporate restructuring which aims to make the business activities of Korean companies, including the chaebol, more transparent and more accountable to share holders. Those measures, combined with market realities, have encouraged the chaebols to sell off some of their constituent companies and have weakened chaebol dominance in the economy at large. For example, serious financial troubles have led to the demise of the Daewoo and the splintering of Hyundai, Korea's two most powerful chaebol until several years ago, and the disappearance of twelve of Korea's top-30 chaebol prior to 1998. However, the recent decision by the SK chaebol to bail out troubled SK Global over the strong opposition of SK's minority shareholders again showed the tenacity of the chaebol system, and the possible neglect of shareholder interests.

Openness To Foreign Investment

The new Foreign Investment Promotion Act (FIPA) went into effect on November 17, 1998, replacing the former 1966 Foreign Capital Inducement Act (FCIA). Like the FCIA before it, the FIPA (and related regulations) categorizes business activities as either open, conditionally or partly restricted, or closed to foreign investment. The FIPA considerably reduced the number of restricted sectors, although restrictions remain on 29 industrial sectors, two of which are entirely closed to foreign investment. (Please see accompanying chart.) In contrast, 120 categories were restricted in 1996. Two completely closed sectors (inshore fishing and coastal fishing) were moved from the "completely closed" to "partly closed" in 2001. The ROKG reviews restricted sectors from time to time for possible further openings. According to the Ministry of Commerce, Industry, and Energy (MOCIE), the number of industrial sectors open to foreign investors is well above the OECD average. Further opening could be accomplished in the context of a U.S.-Korea Bilateral Investment Treaty (BIT), negotiations for which began in July, 1998.

The major points of the 1998 FIPA are as follows:
- Simplified procedures, including those for FDI notification and registration;
- Expanded tax incentives for high-technology FDI;
- Reduced rental fees and lengthened lease durations for government land (including local governments);
- Increased central government support of local FDI incentives;
- Establishment of a one-stop Investment Promotion Center (IPC) within the Korea Trade Promotion Corporation to assist foreign investors in dealing with the bureaucracy;
- Establishment of an ombudsman office within the IPC to assist foreign investors.

List of Restricted Sectors for Foreign Investment (as of March 14, 2001)
(Figures in parentheses denote Korean Industrial Classification Code)

A. Completely closed

1. Radio broadcasting (92131)
2. Television broadcasting (92132)

B. Restricted sectors (partly closed)

1. Growing of cereal crops and other crops for food (01110)
2. Farming of beef cattle (01212)
3. Inshore fishing (05112)
4. Coastal fishing (05113)
5. Publishing of newspapers (22121)
6. Publishing of magazines and periodicals (22122)
7. Processing of nuclear fuel (23300)
8. Electric power generation (40110)
9. Transmission of Electricity (40121)
10. Distribution and Sale of Electricity (40122)
11. Wholesale of meat (51312)
12. Coastal water passenger transport (61121)
13. Coastal water freight transport (61122)
14. Scheduled air transport (62100)
15. Non-scheduled air transport (62200)
16. Leased line services (64211)
17. Wired telephone and other telecommunications (64219)
18. Mobile telephone services (64221)
19. Cellular telephone services (64229)
20. Other telecommunications (64299)
21. Domestic commercial banking (65121)
22. Investment trust companies (65931)
23. Program providing (87221)
24. Cable broadcasting (87222)

25. Satellite broadcasting (87223)
26. News agency activities (88100)
27. Radioactive waste disposal (90230)

In sector categories open to investment, foreign exchange banks (all banks are permitted to deal in foreign exchange, including branches of foreign banks) must be notified in advance of applications for foreign investment. In effect, these notifications are pro-forma, and approval can be processed within three hours. Applications may be denied only on specific grounds, including national security, public order and morals, international security obligations, and health and environmental concerns, but it is rare for these grounds to be invoked. Exceptions to the advance notification approval system exist for project categories subject to joint-venture requirements and certain projects in the distribution sector.

The relevant ministry or ministries still must approve investments in conditionally or partly restricted sectors. Most applications are processed within five days; cases which require consultation with more than one ministry can take up to 25 days or longer. The Fair Trade Commission no longer reviews large foreign investments, and the Ministry of Environment no longer conducts prior reviews of environmentally sensitive projects.

The ROKG's procurement law no longer favors domestic suppliers over foreigners, but some implementation problems remain. Korea changed its procurement law effective January 1, 1997, to comply with its accession to the WTO's Government Procurement Agreement. In addition, under the proposed BIT, U.S. investors would be treated as favorably as Korean nationals (that is, they would receive "national treatment") from the "pre-establishment" stage of investment.

Restrictions on foreign ownership of public corporations remain, though ownership limits have increased. Currently, foreign ownership is limited for Korea Electric Power Corp. (KEPCO 49%), Korea Telecom (49%), and Korean Gas (30%). Foreign ownership in Korean telecommunications companies (such as KT Telecom, Dacom, SK Telecom) is limited to 49%. The Korean government plans to privatize many state-owned corporations. The Korea Heavy Industrial Corp. was privatized in 2000. Korea Telecom and Korea Tobacco and Ginseng Corp. were fully privatized in 2002.

The Ministry of Finance and Economy (MOFE) administers tax and other incentives to stimulate advanced technology transfer and investment in high-technology services. Effective December 5, 1998 and expanded on January 14, 2002,foreign investments in 578 categories of high technology, including services, are eligible for an increased range of tax reductions and other incentives. In addition, the scope of incentives was broadened to include tax waivers, including taxes on corporate profits and dividends for seven years after the foreign-invested project first realizes profits, and a 50% tax reduction for a further three years. On top of that, local taxes, such as acquisition tax, registration tax, property tax, and aggregate land tax are exempted for the first five years and cut by 50% for the next three years. Local tax reductions can be extended to 15 years by the legislature of the local government.

The most prominent of the ROKG's programs to encourage research and development (R&D) is the Highly Advanced National (HAN) project, a ten-year, USD 4.1 billion program to develop 17 strategic technologies needed to raise Korea's scientific capability to OECD levels. As the HAN projects are winding down this year, the ROKG has introduced a new USD 3.5 billion initiative -- the 21st Century Frontier R&D Project -- intended to raise Korean technology to the level of G-7 countries. Focusing on information technology, biotechnology, nanotechnology and new materials, the ROKG will launch development programs in 20 new strategic areas by the end of 2002. Much ROKG-funded R&D is conducted by tapping the expertise of foreign partners.

The Korean public's formerly negative attitude toward foreign investment has improved considerably in recent years and senior levels of the ROKG continually stress the importance of foreign investment for Korea's future. The January 2000 sale of Korea First Bank – which had been Korea's largest commercial bank – to U.S.-based Newbridge Capital, was a watershed event. Korea First Bank is the first and so far only Korean bank majority-owned by foreign investors. No significant NGOs oppose foreign investment. In fact, public opinion grew steadily more favorable during the 1990's, though vested interests and pockets of protectionist sentiment remain.

General Motors Corp., Daewoo Motor, and Daewoo creditors on October 16, 2002 signed a final agreement to establish a new auto manufacturing company, with GM and its business partners agreeing to pay USD 400 million in cash for a 67% stake in the new entity.

A variety of barriers to the importation of automobiles has limited the best U.S., European and Japanese exporters to a small share (1.1%) of Korea's booming 1.3 million-unit domestic passenger car market. The imbalance between exports and imports is quite pronounced. In 2002, Korea sold more cars in one day in the U.S. market than U.S. manufacturers sold in Korea during the entire year. In fact, in 2002, Korea exported more than one million vehicles to the United States and Europe while all foreign manufacturers sold only 16,200 vehicles in Korea. The United States and Korea signed a Memorandum of Understanding in 1998 to try to improve market access for foreign autos in Korea. Since then, a series of steps have been taken that have improved market conditions; however, meaningful market access remains elusive.

Right to Private Ownership and Establishment

Korea fully recognizes rights of private ownership and has a well-developed body of laws governing the establishment of corporate and other business enterprises. Private entities may freely acquire and dispose of assets; however, the Fair Trade Act may limit cross-ownership of shares in two or more firms if the effect is to restrict competition in a particular industry.

In a significant step, Korea liberalized its property ownership law in 1998. The Alien Land Acquisition Act (as amended) grants even non-resident foreigners and foreign corporations the same rights as Koreans in purchasing and using land. Portfolio investment in real estate is now permitted as well. In fact, since the liberalization of real estate regulations in June 1998 through the end of February 2003, foreign entities had cumulatively purchased 2.52 million square meters of land in the Seoul area.

Almost no restrictions remain on foreign ownership of local shares. As of 2000, Korean law permits foreign direct investment through mergers and acquisitions with existing domestic firms, including hostile takeovers. Nonetheless, no hostile takeovers have occurred because of a lack of implementing regulations for the new law. The prohibition on cross-ownership between companies was repealed on April 1, 1998.

Protection of Physical and Intellectual Property Rights

Korea could maintain its “Watch List” status under the 2003 Special 301 Decision. However as a result of the incomplete implementation of several key April 2002 commitments that Korea made and the emergence of new IP issues in telecommunication standards and film title registration, USTR will conduct an Out of Cycle Review and decide again in the Fall 2003 whether Korea should be maintained on the Watch List or moved to Priority Watch List.

The ROKG strengthened IPR enforcement actions over the past year. A total of 41,742 cases of IPR infringements were reported in 2002, which was up 14% over 2001. Despite the ROKG’s strengthened efforts, IPR enforcement continues to be an issue of concern particularly on transparency and sustainability. More data is needed concerning the ROKG’s enforcement efforts and deterrent penalties in order to fully evaluate the enforcement activities and to allow right holders to have the opportunity to take action against infringers.

In 2002, a Special Investigation Team (SIT) of the Ministry of Information and Communication (MOIC) was established to conduct inspections for software piracy. The legislation to grant the SIT full policy powers to allow the team to conduct effective enforcement raids on its own was submitted to the National Assembly in November 2002. As of June 2003 the bill is still being considered by the National Assembly Justice Committee. The SIT enforcement continues to be an issue of concern particularly, transparency of the enforcement process. The United States will continue to monitor the implementation even after police powers are approved.

In December 2002, the CPPA amendment bill was passed by the National Assembly with an effective date of July 1, 2003. The amendment added transmission rights, a key element to protect right holders in the digital age. The amendment also includes that online service providers should immediately stop the infringing activity upon request of the copyright owner. Its implementation regulations are under process and U.S. government and industry provided comments asking to further strengthen further the notice and takedown procedure of on-line service providers.

In July 2000 and again in December 2001, the Government of Korea drafted revisions to the Copyright Act and this legislation was sent to the National Assembly in April 2002. The amendments were finally passed by the National Assembly in April 2003. Although previous versions of draft addressed the U.S. concerns about exceptions relating to reproduction in libraries, the U.S. is concerned about changes made before final passage of the amendment that introduced a statutory licensing system for reproduction in analog form (print out) of digital books and for transmission among libraries for reading purposes. U.S. Government has also asked the ROKG to draft and submit legislation to the National Assembly that establishes the exclusive right of transmission for sound recordings, including both the full right of making available and the full right of communication to the public and seeks its enactment by the end of 2003. In addition, the U.S. has urged Korea to delete the reciprocity provision relating to database protection in the Copyright Act as it discourages the introduction of databases fro other countries without such legislation. The lack of full retroactive protection for pre-existing copyrighted works remains a concern.

Both for the CA and the CPPA, the U.S. has urged Korea to make additional amendments to clarify that the copyright owner has the exclusive right to make copies, temporary or permanent of a work or phonogram. Additional areas where further improvement is needed are provisions on technical protection measures (TPMs) and restriction on circumvention of those measures in both the CA and the CPPA, with logical exceptions and limitations. Also, the article providing limitations on the copyright liability of on-line service providers needs to be clarified. The United States also remains concerned with respect to the availability of injunctive and ex-parte relief in civil enforcement actions, as required under the TRIPS agreement.

In 2002, a new concern emerged in the Korean film and video-rating system that allows foreign moves to be fraudulently registered in Korea. Although an interim solution has been agreed upon, it is burdensome to the right holders. A permanent solution needs to be sought through an amendment to the law to stop film piracy without placing undue burdens on legitimate rights holders to prove their rightful ownership.

Thanks to the efforts of the Korean government, the IP issues regarding the WIPI (wireless internet platform) were resolved in April 2003. The USG will monitor the situation to ensure the agreement is implemented fully.

Korean patent law is fairly comprehensive, offering protection to most products and technologies. Over the past year, changes to the Patent Act strengthened and streamlined the application process. In 2002, Laws was amended to streamline the procedures for foreign PCT (Patent Cooperation Treaty) members. From March 2003, the time limits for entering into the national phase of PCT international applications in Korea will be extended to 30 months after the priority date regardless of any international preliminary examination. The revisions also gave the KIPO (Korean Industrial Property Office) more power to protect technologies exchanged through the Internet. Despite such progress, U.S. industry still believes that deficiencies remain in the interpretation of claims and in the treatment of dominant and subservient patents. As a result, KIPO has amended various Korean laws to address U.S. concerns on restrictions on patent term extension for certain pharmaceutical, agrochemical and animal health products, which are subject to lengthy clinical trials and domestic testing requirements. But problems remain, including the lack of coordination between Korean health and safety and intellectual property officials. This lack of coordination results in the granting of marketing approval for products that may infringe existing patents. However, in March 2002, Korea agreed to provide full protection against unfair commercial use of test data submitted for marketing approval, as required by Article 39.3 of the TRIPS Agreement.

The Madrid Protocol, an international trademark application system, entered into force in Korea on April 10, 2003. In preparation for membership, the Trademark Act was changed to bring the country into compliance with the Madrid Protocol and Trademark Law Treaty. The Madrid system streamlines international application procedures for trademarks and service marks and enables trademarks registered in the contracting countries to be managed collectively by the International Register. Applicants can now apply for international trademarks with more convenient procedure and lower expenses.

A single trademark application submitted to KIPO in English can be filed designating one or more countries that adopted the Madrid Protocol.

The Trademark Act, which was amended in March 1998, contains provisions for prohibiting the registration of trademarks without the authorization of foreign trademark holders by allowing examiners to reject registrations made in “bad faith”. Despite this change, the burdensome legal procedures that U.S. companies must pursue in order to seek cancellation proceedings reportedly act as a barrier to effective enforcement by discouraging U.S. companies from pursuing legal remedies. As such, problems still arise with respect to “Sleeper” trademark registrations. (“Sleepers” are marks filed and registered by Korean entities without authorization in the late 1980s and early 1990s, when KIPO was still developing a more effective and accurate trademark examination and screening process) These are registrations that – although infringing of the rights of legitimate trademark owners – are not challenged and removed.

On a more positive note, a domain name dispute resolution committee was created in 2002 to arbitrate such disputes (without using courts). Refer to the following website (www.ddrc.or.kr) for details. The U.S. government has recommended that Korea include foreign participants on this committee. Also in 2002, Ministry of Information and Communication prepared draft legislation for the Internet Address Space Management Act that gives more legal ground to a domain name dispute resolution committee and prohibits cyber-squatting.

The U.S. government continues to urge Korean government to increase their efforts toward halting the trade in counterfeit goods. To enhance border enforcement against exports of counterfeit goods, the Korean Customs Service has upgraded its computer system.

Textile designs were afforded copyright protection (in addition to protection under Korean design law) through a July 2000 revision to the Copyright Act. However protection remains problematic largely because of the lack of enforcement and some Korean companies allegedly pirate U.S.-copyrighted textile designs and export them to third countries.

Korean laws on unfair competition and trade secrets provide some trade-secret protection in Korea but these laws remain lacking. For example, some U.S. firms face continuing problems with government regulations requiring submission of very detailed product information (i.e. formula or blueprints) as part of registration or certification procedures. U.S. firms report that, although the release of confidential business information is forbidden by Korean law, government officials have not sufficiently protected submitted information and in some cases, proprietary information has been made available to Korean competitors or to their trade associations. To its credit, the Korea Food & Drug Administration (KFDA) revised Pharmaceutical Affairs Act implementing regulations to stipulate that submitted data must be protected from unauthorized disclosure when the submitting party requests protection.

Taxation Issues Affecting U.S. Business

There is a tax treaty in force between the United States and Korea. Negotiations have begun between the two nations on a revised treaty.

The American Chamber of Commerce in Korea has identified the principal tax issues affecting U.S. companies as follows: the need for comprehensive revision of Korea's Corporation Tax Law to foster greater certainty in business planning and economic efficiency; the lack of a tax regime for non-corporate entities such as partnerships and trust; inadequate coordination between national and local taxes; inflexibility of Korea's tax penalty system and short time limits on the filing of amended tax returns; the tax treatment of stock options; donation expense rules; misclassification of some sales-related expenses as entertainment expenses; and increased tax burden on dependent tuition expenses for expatriate employees.

Performance Requirements/Incentives

Korea ceased imposing performance requirements on new foreign investment in July 1989 and eliminated all preexisting performance requirements in December 1992.

Transparency of the Regulatory System

The Korean regulatory environment is difficult for domestic firms to work in and poses an even greater challenge to foreign firms. Laws and regulations are framed in general terms and are subject to differing interpretations by government officials, who rotate frequently. The regulatory process is not transparent and frequent informal discussions with the bureaucracy are necessary. Mid-level bureaucrats rely on unpublished ministerial guidelines and unwritten administrative advice for direction.

Korea has an Administrative Procedures Act and proposed rules (Act, Presidential Decree and Ministerial Decree) should be published and public comments solicited for 20 days prior to promulgation. Draft bills are often available on the web sites of relevant ministries. Nonetheless, the rule-making process continues to be opaque and non-transparent, particularly for foreigners. Most notifications of proposed rules, including those in the government gazette, are only in the Korean language. Proposed rules are still not always published prior to promulgation, or are published with insufficient time to permit public comment and industry adjustment. For example, regulatory changes originating from legislation proposed by members of Korea's National Assembly are not subject to public comment periods. After promulgation, rules can be applied retroactively and arbitrarily.

President Kim Dae-jung has made deregulation one of the cornerstones of his economic policy. The ROKG has made a major effort to cut back on the number of regulations in force, but deregulation has so far taken a back seat to more "critical" economic and financial system restructuring. The regulatory picture is mixed depending on the ministry or agency. Some have made unprecedented outreach efforts to foreign business. Complaints about regulatory impediments vary by business sector.

The practical effect of Korea's laws regulating monopolistic practices and unfair competition is limited by the long-standing economic dominance of a few large business conglomerates, referred to locally as "chaebol." The Anti-Monopoly and Fair Trade Act has been repeatedly changed -- most recently in December 1999 -- to address the issue of unwieldy chaebol growth. In this latest revision, the ROKG re-instituted restrictions on chaebol cross ownership, including the planned March 2001 implementation of a ceiling -- equal to 25% of a chaebol's net assets -- on chaebol investments in affiliated firms.

(These restrictions do not apply, however, to chaebol investments in foreign invested companies for five years.) In May 2001, the Korean government decided to delay implementation of this ceiling until March 2003 in response to complaints that it would thwart legitimate business opportunity. New intra-group payment guarantees had been prohibited for the top 30 chaebol since April 1998. Moreover, the top 30 chaebol committed to eliminating all pre-existing intra-group payment guarantees by March 31, 2001. The top four chaebol have eliminated almost all cross-guarantees (up to 97.6% of total 1.5 trillion won as of March 31, 2001.)

Chaebol domination of the Korean economy causes some practical business problems for foreign investors. Small-and medium suppliers, for example, may be reluctant to deal with foreign firms for fear of jeopardizing a prized chaebol relationship. Distribution channels may be blocked by chaebol competitors who own or dominate distribution channels, although such practices are declining as result of the Fair Trade Commission's (FTC) intervention and consumer advocate activities. Obtaining access to credit may be complicated by the privileged relationships competing chaebol enjoy with local banks, though regulations limit a bank's exposure to any single chaebol group to 25% of capital and stipulate that 35% of lending must go to small and medium enterprises.

Corruption

Korea's historic style of governance -- lack of transparency in the formation of laws and regulations, inadequate institutional "checks and balances," and a societal structure heavily based on personal relationships -- has provided ample opportunities for corruption and influence peddling.

The Kim Young-sam administration (1993-1998) resolved to break with this tradition and began a momentous reform process by requiring all bank accounts to carry "real names" by the end of 1993. This basic change had a profound impact in an economy where illegal wealth traditionally was hidden through the use of multiple bank accounts established under fictitious names. Yet, the original conditions that contributed to corruption -- principally the lack of transparency in government actions and close relationships between the government, the banks, and the chaebol -- continue to receive more lip service than critical attention. The ROKG has taken important steps forward, including public hearings held by ministries to solicit popular views on proposed changes in regulations and laws, but much remains to be done. The Kim Dae-jung administration (1998-2003) committed itself from the beginning to a more open and transparent system of government but was distracted by numerous scandals involving the friends and family of President Kim. Kim's early eagerness to rid Korea of corruption is now derided by most Koreans as opportunistic hypocrisy. Nevertheless, Korea continues to make progress against corruption, and the government hopes that its hosting of the third Global Forum on Fighting Corruption in 2003 reinvigorated anti-corruption efforts and project a positive image of Korean "cleanness" overseas.

Bribing a Korean official is a criminal act. Penalties for bribery range from probation to life imprisonment, depending on the amount involved. Bribing a foreign official is not a crime under Korean law, but anti-bribery legislation has been approved, bringing Korea into compliance with the OECD initiative against bribery. The Supreme Prosecutor in each province is responsible for ferreting out corruption. Many business leaders and officials -- including ministers and now presidents -- have been found guilty of corruption in recent years, yet few have paid heavy fines or served much time in prison. Amid spreading public sentiments denouncing bribery and corruption, particularly during the April 2000 general legislative election, civic groups have become very vocal and achieved considerable progress by identifying supposedly “corrupt” officials and working against their re-election. Public outrage helped propel Roh Moo-hyun, viewed by many as an untainted outsider, to the presidency.

The controversial Anti-Corruption Law passed by the National Assembly is now in effect. Most notably, this law created the Korea Independent Commission Against Corruption (KICAC), which is semi-autonomous and is empowered to investigate public complaints of corruption at every level of government. KICAC has established "reporting centers" in each of Korea's six largest cities and invites citizen complaints about their public officials via telephone, facsimile, email or Internet. Despite KICAC's quick start and seeming sincerity, many Koreans believe corruption is rampant in Korea and will be hard for even the most well-meaning independent body to root out.

The National Assembly passed an Anti Money Laundering Bill in September 2001 that went into effect in November 2001. The new legislation met the objectives of the Financial Action Task Force on Money Laundering’s 40 recommendations and created a Financial Intelligence Unit (FIU) to trace suspect accounts and transactions and to facilitate international cooperation. The enactment of this bill should contribute to reducing irregular practices in financial transactions by criminalizing money laundering. The ROKG has cooperated fully with U.S. and UN efforts to identify and shut down sources of terrorist financing.

Labor

Korea has a skilled, highly educated labor force. Although labor-management relations can be contentious, they have improved over the last decade as wages have risen considerably and working conditions have improved. Labor disputes numbered in the thousands between 1987 and 1989 but have declined steadily to fewer than 500 annually in recent years. Nevertheless, the early months of the Roh administration have witnessed increased labor agitation, and the government’s weak response has led recently to greater investment-related uncertainty among both domestic and foreign businesses. Korean labor groups are quick to escalate disputes and commonly resort to work slowdowns, abuse of leave, and disruption of business by holding rallies, wearing casual clothes, or displaying protest signs at the workplace. These tactics fall outside the scope of Korea's labor law and lead to confrontations with management and authorities. Sit-in strikes are common, and workers have on a few occasions occupied company offices or factories. Korean workers are united in seeking a reduction in the workweek from 44-45 hours a week (five-and-one-half-work days) to 40 hours a week (five work days) while keeping the same pay. The Tripartite Commission, composed of representatives of labor, management and government, continues to discuss implementation of the 40 hour week, which the government plans to phase in over seven years.

While labor disputes are more frequent at Korean companies, union members at foreign-invested firms tend to make greater demands on management. Workers at foreign-owned firms perceive, most often incorrectly, that job stability and career prospects are relatively less attractive than at Korean firms, and as a result, labor is increasingly concerned about reductions-in-force and issues such as severance pay. Although actions by striking employees may be illegal, police have been reluctant to enforce the law and arrest unionists unless violence occurs. At times, organized labor may portray a dispute as a nationalist issue. For some companies such as banks, whose activities are considered to be essential public services, the government has the right, although seldom used, to order binding arbitration to solve labor disputes. In the case of the Chohung Bank strike in June 2003, where labor unionists had occupied bank offices, the government did not intervene forcefully, and mediated a compromise between the strikers and Shinhan, the corporation that had acquired the government's shares in Chohung.

In December 1991, following its admission to the United Nations, Korea joined the International Labor Organization (ILO). However, Korea still has not ratified the basic ILO conventions on Workers Rights (Convention 87 on the freedom of association, Convention 98 on the right to organize and collective bargaining, and Convention 151 on public service employees' right to organize), and a number of international and domestic labor groups filed complaints against the Korean government with the ILO's Committee on Freedom of Association.

In 1997, Korea amended its labor laws to permit more than one national labor federation. At the time of this writing (June 2003), Korea had two national labor federations, the Korean Confederation of Trade Unions ("Minnochong" in Korean) and the Federation of Korean Trade Unions ("Hannochong" in Korean), as well as around 1,600 distinct labor unions. Also in 1997, the government repealed its ban on intervention by "third parties" in labor disputes, thus enabling labor unions to seek outside assistance and counsel.

Capital Markets and Portfolio Investment

Financial sector reform is an ROKG priority. The Korean banking and financial sectors are undergoing thorough structural reform, overseen by the ROKG, initially in close collaboration with the IMF and the World Bank. The reforms aim at increasing transparency and investor confidence, and generally purging the sector of moral hazard, that is, the assumption that government would make good all losses and not permit large companies to fail. Since 1997-98, the ROKG has recapitalized the banks and non-bank financial institutions; closed or merged weak financial institutions; resolved many non-performing assets; introduced western risk assessment methods and accounting standards; forced depositors and investors to assume appropriate levels of risk; and ended the policy-directed lending of the past. Weak supervision and poor lending practices in the Korean banking system helped cause and exacerbate the 1997-98 economic crisis.

In the process of recapitalizing the banks, the ROKG also acquired de facto ownership of most of Korea's commercial banking system, although it has publicly committed to refrain from interfering in bank lending and management decisions, except with regard to prudential supervision. In late 2002, the ROKG began its ambitious plan to reprivatize the banks under its control by first selling Seoul Bank to Hana Bank. Shinhan Bank purchased Chohung Bank in June 2003. The remaining four nationalized banks – Hanvit, Kwangju, Kyongnam, and Peace Banks – have been consolidated under Woori Holding. (Hanvit and Peace Banks were merged into the Woori Bank brand name, while Kwangju and Kyongnam Banks have been maintained as separate entities under Woori Holding's umbrella). However, the government owns minority shares in other banks, including Korea Exchange Bank. Foreign banks are allowed to establish subsidiaries or direct branches. Further relaxation of regulations has widened foreigners' access to

Korea's capital markets and permit foreign financial firms to engage in non-hostile mergers and acquisitions of domestic financial institutions.

Korea routinely permits the repatriation of funds but reserves the right to limit capital outflows in exceptional circumstances, such as situations when uncontrolled outflows might harm the balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of domestic financial markets. However, the ROKG did not impose such restrictions even during the height of the financial crisis in late 1997.

Foreign portfolio investors now enjoy almost completely unrestricted access to Korea's stock markets. Aggregate foreign investment ceilings in the Korean Stock Exchange (KSE) were abolished on May 25, 1998 and foreign investors owned 35.1% of KSE stocks and 4.3% of the KOSDAQ by the end of March 2003. The market turnover rate was 6 times market capitalization in 1999. Retail investors are extremely active in the Korean stock markets. Around 80% of retail trading is conducted online. Thus, a large majority of retail investors are day traders, implying a constant source of volatility for the markets. The ROKG permits stock purchases on margin, requiring that transactions be settled within three business days.

Aside from KSE, foreign portfolio investors have shown little appetite for the smaller, more volatile, technology-rich KOSDAQ or for Korean fixed-income investments. In fact, since the spectacular collapse of Daewoo Group in 1999, the largest corporate bankruptcy in modern history, the bond market has been almost dysfunctional as sellers have far outnumbered buyers. The total assets of Korea's commercial banks as of the end of 2001 were 641 trillion won, or about USD 496 billion.

Short-term interest rates remain low at around 4% and inflation at 2.8% remained subdued throughout 2002. Inflation for 2003 is expected to be around 4%. The spread between short-term money (the overnight call rate) and long-term money (the benchmark 3-year corporate bond rate) fell from its 400-plus basis points high in 2000 to about 300-basis points in May 2002. The Bank of Korea (BOK) maintained until April 2002 its target for the overnight call rate at the comparatively low level of 4.0%. However, the BOK decided to raise its target rate by 25-basis points to 4.25% in May 2002. The interest hike sought to avoid excessive liquidity and strengthen price stability. The central bank maintained its target rate at 4.25% from May until April 2003. On May 13, the BOK lowered its target rate to 4.0% to avoid a sharp contraction of business activities.

Conversion and Transfer Policies

The ROKG has substantially removed past restrictions on financial transfers in and out of Korea. In the past, foreign exchange transactions were strictly regulated by the Foreign Exchange Control Act and its associated regulations. Even before this act was replaced in 1999, the ROKG liberalized transactions in medium- and long-term overseas borrowings, purchase and sale of local real estate, and trading in over-the-counter (OTC) stocks and bonds.

On April 1, 1999, the Foreign Exchange Transaction Act (FETA) came into effect, replacing the Foreign Exchange Control Act. This act liberalized the foreign transfer law in two stages. The first stage, which took effect immediately, fully liberalized all current-account transactions by business firms and banks, thereby paring down the former list of restricted transactions to five items, most of which cover foreign exchange transactions by individuals.

The FETA's second-stage liberalization dismantled most of the remaining restrictions as of January 1, 2001. Only transactions that could harm international peace and public order, such as money laundering and gambling, remain controlled. Three specific types of transactions were not liberalized: 1) non-residents are not permitted to buy won-denominated hedge funds, including forward currency contracts; 2) the Financial Supervisory Commission will not permit foreign currency borrowing by "non-viable" domestic firms; and 3) the ROKG will monitor and ensure that Koreans firms which have extended credit to foreign borrowers collect their debts. The ROKG has retained the authority to re-impose restrictions in the case of severe economic or financial emergency.

Capital account liberalization under FETA also has been extensive. All capital-account transactions are permitted unless specifically prohibited. In addition, 72 of the 91 transactions specified by the OECD code of liberalization of capital movements now are permitted. For instance, non-residents now may open deposit accounts in domestic currency (won) with maturities of more than one year and may engage in offshore transactions, such as issuing domestic currency (won) denominated securities abroad.

The right to remit profits is granted at the time of original investment approval. Banks control the now pro-forma approval process for FETA-defined open sectors. For conditionally or partially restricted investments (as defined by FETA), approval for both the investment and remittance rests with the relevant ministry.

When foreign-investment royalties or other payments are proposed as part of a technology licensing agreement, the agreement and the projected stream of royalties must be approved either by a bank or by the Ministry of Finance and Economy (MOFE). Again, approval is virtually automatic. An investor wishing to effect a remittance must present an audited financial statement to a bank to substantiate the payment. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean appraisal board also must be presented. Foreign companies seeking to remit funds from investments in restricted sectors first must seek appropriate ministerial approval and must obtain bank approval, after demonstrating the legal source of the funds and proving that relevant taxes have been paid.

Limits on how much money foreign and domestic travelers may take out of Korea per trip were dropped at the beginning of 2001.

Conversion of the national currency (the won) into foreign currencies for the importation of goods and services is possible at local banks. The external value of the won is the responsibility of the Bank of Korea. Daily fluctuation limits have been completely removed, and the Bank of Korea committed under the IMF program to limit its interventions to "smoothing" operations (rather than to attempt to manage the exchange rate). As a reference price, the Bank of Korea uses the previous day's weighted-average of won-dollar interbank transactions.

Expropriation and Compensation

Korea follows generally accepted principles of international law with respect to expropriation. The law protects all foreign-invested enterprise property from expropriation or requisition. If private property is expropriated, it can only be taken for a public purpose, and then only in a non-discriminatory manner. Property owners are entitled to prompt compensation at fair market value. The Embassy is not aware of any cases of uncompensated expropriation of property owned by American citizens.

Dispute Settlement

Serious investment disputes involving foreigners are the exception rather than the rule in Korea, except in cases involving intellectual property rights. There exists a body of Korean law governing commercial activities and bankruptcies which constitutes a means to enforce property and contractual rights, with monetary judgments usually made in the domestic currency. The judgments of foreign courts are not enforceable in Korea.

Although commercial disputes can be adjudicated in a civil court, foreign businesses often feel that this is not a practical means to resolve disputes. For example, proceedings are conducted in the Korean language, often without adequate translation. Foreign lawyers (i.e., who have not passed the Korean Bar) are almost always prohibited by Korean law from representing clients in Korean courts. Civil procedures common in the United States, such as pretrial discovery, do not exist in Korea. During litigation of a dispute, foreigners may be barred from leaving the country until a decision is reached. Legal proceedings are expensive and time-consuming. Lawsuits often are contemplated only as a last resort, signaling the end of a business relationship.

Commercial disputes may also be taken to the Korean Commercial Arbitration Board (KCAB). The Korean Arbitration Act and its implementing rules outline the following steps in the arbitration process: 1) parties may request the KCAB to act as informal intermediary to a settlement; 2) if unsuccessful, either or both parties may request formal arbitration, in which case the KCAB appoints a mediator to conduct conciliatory talks for 30 days; and 3) if unsuccessful, an arbitration panel consisting of one or three arbitrators is assigned to decide the case. If one party is a not resident in Korea, either may request an arbitrator from a neutral country.

Under the proposed U.S.-Korea BIT, U.S. investors may obtain the right to refer investment disputes with Korean firms to binding international arbitration.

When drafting contracts, it always is a good idea to provide for arbitration by a neutral body such as the International Commercial Arbitration Association (ICAA). U.S. companies should seek local expert legal counsel when drawing up any type of contract with a Korean entity.

Korea is a member of the International Center for the Settlement of Investment Disputes (ICSID). It has also acceded to the New York Convention (formally called the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards). Korea is a member of the International Commercial Arbitration Association and the World Bank's Multilateral Investment Guarantee Agency (MIGA). It is important to keep in mind that Korean courts may ultimately be called upon to enforce an arbitrated settlement.

Political Violence (as it may affect investments)

Korea does not have a history of political violence directed against foreign investors. The Embassy is not aware of any politically motivated threats of damage to foreign-invested projects and/or foreign-related installations of any sort, nor of any incidents which might be interpreted as having targeted foreign investments. Labor violence unrelated to the issue of foreign ownership, however, has occurred in foreign-owned facilities in the past.

The historic summit meeting in June 2000 between South Korean President Kim Dae-jung and North Korean leader Kim Jong-il was a positive turn that improved inter-Korean relations. However, dialogue between the two Koreas has stalled since early 2001.

Tensions on the Korean peninsula were again raised by the revelation in October 2002 that North Korea had undertaken a second nuclear weapons program after it had agreed to freeze an earlier one under the U.S.-DPRK agreement signed in Geneva in October 1994.

Bilateral Investment Agreements

The United States has a bilateral Treaty of Friendship, Commerce, and Navigation with Korea, which contains general provisions pertaining to business relations and investment. During President Kim's visit to the United States in June of 1998, President Clinton and President Kim agreed to negotiate a Bilateral Investment Treaty (BIT) between the two nations. If such a treaty is realized, regulations dealing with foreign investment will be further liberalized.

OPIC and Other Investment Insurance Programs

U.S. investments in Korea are eligible for insurance programs sponsored by the U.S. Overseas Private Investment Corporation (OPIC). OPIC has yet to guarantee any U.S. investments in Korea since June 1998, when OPIC reinstated coverage it had suspended in 1991 due to concerns about worker rights. Coverage issued prior to 1991 is still in force. Even the lack of OPIC coverage was not seen as a serious obstacle to U.S. investors because OPIC never has had to cover claims in Korea for expropriation, political risk or currency inconvertibility.

Korea has been a member of the World Bank's (IBRD) Multilateral Investment Guarantee Agency (MIGA) since November 1987.

Capital Outflow Policy

Since liberalization began in 1986, Korean foreign direct investment abroad has been growing at an average annual rate of over 24%. At the end of 2002, Korea's investment abroad totaled USD 62.99 billion, with USD 5.3 billion in the year 2002. Much of the recent investment has gone to China and Southeast Asia in labor-intensive industries such as textiles and component assembly. In recent years, outward investment in capital- and technology-intensive industries such as machinery and autos has increased markedly. Asia has replaced the United States and Canada as the largest recipient of new Korean investment. Since the establishment of formal diplomatic relations with

China in 1992, Korean investors have been particularly active in China's northern provinces, where sizable ethnic Korean populations reside.

In early 1996, the government announced changes designed to ease controls on Korean portfolio investments overseas. As of April 1, 1996, Korean corporate investors and individuals can purchase certain foreign securities (stocks, bonds, commercial paper and certificates of deposit) without limits; institutional investors have been able to buy these foreign securities since 1995.

Foreign Direct Investment Statistics

Foreign Direct Investment Flows - Into and Out of Korea
(in USD millions)

	--------Flow--------			Stock
	2000	2001	2002	
Total Inflow	15,217	11,292	9,101	84,650
- United States	2,448	772	1,403	26,299
- Japan	504	1,750	2,449	12,715
- EU	4,391	3,062	1,663	24,579
- Others	5,455	3,569	1,535	21,057
Total Outflow	5,907	6,236	5,317	62,990
- North America	1,379	1,880	1,427	16,823
- Asia	2,225	1,696	2,706	25,711
- Europe	351	4,396	1,559	14,196
- Others	133	15	70	3,478

Source: The Export-Import Bank of Korea and Ministry of Commerce, Industry and Energy

Partial list of major U.S. investors in Korea

U.S. Investor------------------	Products-------------------
Amkor Technology Inc.	Electric/Electronics
S&K Development Co., LTD	Hotel/ Ski Resorts
Wal-Mart Stores Inc.	Wholesale/Retail
Microsoft Corporation	Other Services
Asia Recovery Fund L.P	Life Insurance
Bowater Incorporated	Wood and Paper
E.I. Du Point De Nemours & Co.	Chemicals
Fairchild Semiconductor Corp.	Electric/Electronics
Caltex (Overseas) Ltd.	Oil Refining
Morgan Guaranty Co.	Finance
Procter & Gamble Far East. Inc	Wood and Paper
Seminis Vegetable Seeds. Inc	Agriculture/Forestry
The Gillette Company	Electric/Electronics
3M Co. Ltd.	Electric/Electronics
J. Lyons Inc.	Foods
Ford Motor Company	Transport Equipment

Airtouch Communications Inc.	Other Services
World CI USA, Inc.	Resort
Yahoo Inc.	Other Services

Host and Country Contact Information for Investment-Related Inquires

The Korea Investment Service Center (KISC) is a one-stop shop for foreign investment in Korea, which was opened in Seoul in May of 1998 by the Korea Trade and Investment Promotion Agency (KOTRA). This office provides Korean government publications on foreign investment as well as a consulting service for foreigners, made up of an investment consulting team, an administrative support team, and a project support team. Most importantly, with the passage of the Foreign Investment Promotion Law, KISC will be able to handle up to 70% of all civil procedures related to the foreign investment process. For more information, please contact:

Korea Investment Service Center
KOTRA Building (6th Floor)
300-9, Yomgok-dong, Seocho-ku, Seocho P.O.Box 101 Seoul, Korea
Tel: (82-2) 3460-7545; Fax: (82-2) 3460-7946
E-Mail: iksc@unitel.co.kr Website: http://www.kotra.or.kr

Chapter 8. Trade and Project Financing

In response to the 1997-98 financial crisis, the Korean government closed or merged scores of insolvent banks and financial institutions; and by March 2003 had injected upwards of 160.3 trillion won (about USD 128 billion) into the banking system, with plans to spend 5,490 billion won (about USD 4.6 billion) more; set up the Korean Asset Management Corporation (KAMCO) to dispose of non-performing assets; required banks to raise their capital adequacy ratios to the BIS standard of 8%; introduced strengthened asset classification standards for banks; and imposed “forward-looking” criteria (FLC) to force the banks to provision adequately for non-performing loans, among other reforms. More stringent prudential oversight has generally tightened bank credit.

The government has exercised tight control over its domestic credit markets, largely to reduce inflationary pressures, but also to meet other economic policy objectives. In the 1970’s, the government allocated credit (so-called "policy loans") through Korean banks at subsidized interest rates to priority export industries and the agriculture sector. In the 1980's the Korean economy grew rapidly. Growth-oriented Korean chaebol (conglomerates) expanded domestically and overseas, often without regard for profitability and accumulating debt. The government slowly abandoned its policy-loan approach, but did not use its financial supervisory authority to pressure banks and other financial institutions to assess credit risk adequately. In the 1990's the government tried without apparent success to limit loans to 30 large business conglomerates to reduce economic concentration. The result was high levels of non-performing loans in the Korean banking system, due to distortions in credit allocation due to government controls; limited risk-analysis; weak prudential oversight; tightly bound societal relationships; and moral hazard arising from the widespread belief that the government would make good any and all losses.

Traditionally, most trade and project financing has gone to large Korean conglomerates (chaebol), due to their perceived financial security and immense capital base. The banking industry gave scant attention to domestic small and medium-sized companies. This attitude has changed, particularly since the spectacular mid-1999 collapse of Daewoo Group, at that time Korea’s second-largest chaebol. Daewoo’s demise, which involved around USD 80 billion of unpaid debt, was easily the world’s biggest corporate bankruptcy. Since then, banks have moved to modernize their lending capabilities. SMEs, particularly information-technology firms, have benefited from easier access to bank lending.

Korean companies often request or insist on extended credit terms for international trade, such as open account, even for the first transaction. U.S. exporters might want to resist granting too favorable terms to Korean businesses until they have carried out some initial transactions on a secured basis and established mutual business confidence.

The Daewoo bankruptcy and following liquidity crisis suffered by Hyundai affiliates further aggravated conditions in the financial sector, which was already undergoing restructuring initiated as result of the 1997 financial crisis. Non-performing loans at banking and non-banking financial institutions amounted to 28.7 trillion won (USD 22.9

billion) at the end of 2002. The government has encouraged mergers among banks by offering government support and enacted a financial holding company law.

Effective July 1, 2000, Investment Trust Companies (ITC's) must use "mark-to-market" accounting (instead of par value) for new investment into existing funds and for funds launched after November 1998.

Brief Description of the Banking System

Korea's financial system consists of banking and non-bank financial institutions. The Financial Supervisory Commission (FSC) and the Financial Supervisory Service (FSS), its regulatory arm, are responsible for supervising and examining all banks, including specialized and government-owned banks, as well as securities and insurance companies. The FSC has played a key role in financial restructuring and has strengthened the regulatory and supervisory framework governing the entire financial sector. Oversight standards are improving but they will need more time to meet international standards. Audits generally are performed by the Korean branches of international accounting firms. Although audit quality is recently improving, it is still far behind the global standard. The accounting fraud of SK Global, SK group's trade arm, last March amounted to 5 trillion and it ruined very much the positive outlook on the financial and accounting system in Korea. (The government reduced the unlimited guarantee for bank deposits to 50 million won (USD 38,000) per account beginning in 2001 to further activate market disciplines.

Foreign Exchange Controls Affecting Trade

The 1998 Foreign Exchange Transaction Act liberalized foreign exchange controls, easing restrictions on capital movements in two phases over two years. The Ministry of Finance and Economy (MOFE) described its guiding reform principles as creating a simplified and transparent framework in line with OECD benchmarks. The first phase of liberalization, implemented on April 1, 1999, included five major changes: (1) a negative list system replaced the previous positive system for capital account transactions; (2) all capital account transactions related to business activities of firms and financial institutions were liberalized, including a firm's short-term borrowings from abroad; (3) non-residents were allowed to issue won-denominated securities abroad; (4) all qualified financial institutions were permitted to engage in the foreign exchange business, with most remaining restrictions on the foreign exchange business to be removed; and, (5) participants in the spot and forward markets no longer had to demonstrate their business purpose to purchase forward currency contracts. Also, a commercial foreign currency brokerage system was introduced.

Second stage measures, effective January 1, 2001, liberalized most capital account transactions that were not liberalized in the first stage, including those related to national security and crime prevention. Non-residents are now able to invest in won-denominated domestic deposits with maturities of less than one year, and residents will have the right to invest in foreign-currency-denominated overseas deposits. Some foreign investors complain that MOFE's foreign-exchange-transaction reporting requirements are burdensome.

According to the revised Foreign Exchange Management Regulations, limits on foreign exchange purchases by Korean overseas travelers as well as on monthly overseas expenses were removed. Korean residents living offshore longer than two years can purchase foreign real estate without any limit. In addition, Korean residents are now permitted to hold deposits abroad; however, individuals should inform the BOK of the transaction if the deposit is more than USD 50,000.

Proposed foreign capital remittances are guaranteed when investment approval is obtained.

A foreign firm that invests under the terms of the Foreign Capital Promotion Act (FCPA) is permitted to remit a substantial portion of its profits, providing it submits an audited financial statement to its foreign exchange bank. To withdraw capital, a stock valuation report issued by a recognized securities company or the Korean Appraisal Board must also be presented. Foreign companies not investing under the FCPA must repatriate funds through authorized foreign exchange banks after obtaining government approval. Although Korea does not routinely limit the repatriation of funds, it reserves the right to do so in exceptional circumstances, such as in situations which may harm its international balance of payments, cause excessive fluctuations in interest or exchange rates, or threaten the stability of its domestic financial markets. To date, the Korean government has had no instances of limiting repatriation for these reasons, even during and after the 1997-98 financial crisis.

A three-stage long-term plan for improving the Korea Foreign Exchange market by 2011 was announced in April 2002. During the first stage (2002-2005), procedural regulations for individual external payments and corporate current account transactions are to be eased. The second stage (2006-2008) will continue easing FX transaction regulation even further, particularly eliminating the need for capital transaction permission. During the final stage (2009-2010), the FX market will be fully liberalized with only safeguard provisions remaining.

General Financing Availability

Medium and short-term credit is available from Korean and foreign banks and through the issuance of debentures. Domestic companies generally have better access to local funding as well as informal and secondary financial markets charging higher interest rates. Debentures are a financing alternate, although slightly more expensive than bank financing. Long-term debt is available from the Korea Development Bank, but generally for high priority industries.

After the 1997-98 economic shock, the government decided that its foreign loan system was distorted, and eased its restrictions on foreign long-term credit. In the past, Korean companies were obliged to obtain approval from MOFE for loans over USD 10 million with maturities of over one year. As of July 1, 1998, companies need only to notify MOFE of loans over USD 50 million with maturities over one year.

How to Finance Exports/Methods of Payment

The Korean financial system is perennially hard-pressed to meet the demand for financing and capital. Foreign companies in a start-up operation with a Korean partner often invest financial resources for the joint venture, while their Korean partner makes an investment in kind, i.e., land or facilities, as the Korean share of equity. Joint-venture companies and foreign firms often work with branches of foreign banks for local-currency financing, although the branches of foreign banks control a small portion of won availability. Other potential sources of won financing include domestic nationwide commercial banks, regional banks and specialized banks including the Korea Development Bank, the National Agricultural Cooperative Federation, the Industrial Bank of Korea, and Korea Housing Bank.

There are three documentary practices in settling Korea's imports: (1) sight and usance Letters of Credit, (2) Documents against Acceptance (D/A) and Documents against Payment (D/P); and, (3) Open Account Transactions. D/A and usance LCs are forms of extended credit in which the importer makes no payment for the goods until the date called for in the credit; however, the importer may clear the goods from customs prior to payment.   D/P is the same as D/A except that the importer cannot clear the goods from customs prior to payment. In some cases an importer can clear goods prior to payment under a sight LC. LC transactions generally follow standard international UCP codes.

Limitations on the use of deferred payment terms for imports, D/A and usance L/Cs were abolished in July 1998.

The Commercial Service of the U.S. Embassy in Seoul recommends that U.S. companies consider dealing on a confirmed letter of credit basis with new and even familiar clientele. A confirmed L/C through a U.S. bank is recommended because it prevents unwanted changes of the original L/C, and it shifts responsibility for collection onto the familiar banks involved, rather than onto the seller. This may cost a bit more, but may be well worth it.

Types of Available Export Financing and Insurance

In 1991, the Overseas Private Investment Corporation (OPIC) stopped writing insurance policies for companies making new investments in Korea under Section 231A of the Foreign Assistance Act. In light of economic difficulties in Korea, OPIC announced in June of 1998 that it would resume operations in Korea. OPIC has never had to cover claims for expropriation, political risk or currency inconvertibility in Korea. Further, the United States and Korea are negotiating a Bilateral Investment Treaty (BIT). The conclusion of a BIT would provide greater confidence to the American investment community.

Prior to the economic crisis, loans and guarantees from the U.S. Export-Import Bank (Eximbank) of the United States were not commonplace because international trade transactions were being conducted in a stable environment. At the height of the economic crisis, when many foreign banks reduced their exposure to Korea, Eximbank agreed to provide short and medium-term credit guarantees for capital goods and services to help to ensure confidence in the Korean market.

Since 1987, Korea has been a member of the Multilateral Investment Guarantee Agency of the World Bank Group. The Republic of Korea (ROK) is a recent graduate of the

International Bank for Reconstruction and Development (The World Bank), though it is again a recipient of World Bank loans. Within the World Bank Group, the ROK is a member of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The Commercial Service of the U.S. Department of Commerce has a presence at the World Bank Group within the Office of the U.S. Executive Director. Contact information at the World Bank is as follows:

Janice Mazur, The World Bank, The Commercial Service Liaison Staff
Office of the U.S. Executive Director, 1818 H Street, NW, Washington, DC 20433
Tel. 202-458-0120/0118, Fax. 202-477-2967
E-mail: Jmazur@mail.doc.gov

List of Major American and Korean Banks in Korea

(Note: Telephone dialing information when calling from outside of Korea:
82 is the country code for Korea, followed by 2 which is the city code for Seoul)

List of American Banks in Seoul

American Express Bank Ltd. (Seoul Branch)
15th Floor, Kwangwhamoon Bldg.
64-8, Taepyungro 1-ka, Chung-ku, Seoul 100-101
Tel: 82-2-399-2900, Fax: 82-2-399-2923
Web site: www.aexp.com

Fleet National Bank (Seoul Branch)
15th Floor, Kyobo Bldg.
1, 1-ka Chongro, Chongro-ku, Seoul 110-714
Tel: 82-2-397-3300, Fax: 82-2-733-6989
Web site: www.fleet.com

Bank of America NA & SA (Seoul Branch)
9th Floor, Hanhwa Bldg.
1, Jangkyo-dong, Chung-ku, Seoul 100-797
Tel: 82-2-729-4500, Fax: 82-2-729-4560
Web site: www.bankamerica.com

Bank of California, N.A. (Seoul Branch)
12th Floor, Kyobo Bldg.,
1, 1-ka Chongro, Chongro-ku, Seoul 110-714
82-2-721-1830, Fax: 82-2-732-9526
Web site: www.uboc.com

Bank of New York (Seoul Branch)
23rd Floor, Young Poong Bldg.,
33, Seorin-dong, Chongro-ku, Seoul 100-752
Tel: 82-2-399-0001/6, Fax: 82-2-399-0055
Web site: www.bankofny.com

Chase Manhattan (Seoul Branch)
Chase Plaza Bldg.
34-35, Jung-dong, Chung-ku, Seoul 100-120
Tel: 82-2-758-5114, Fax: 82-2-758-5423
Web site: www.chase.com

Citibank, N.A. (Seoul Branch)
CitiCorp Center Bldg.
89-29, Shinmoonro 2-ka, Chongro-ku, Seoul 110-062
Tel: 82-2-2004-1760 Fax: 82-2-722-1426
Web site: www.citibank.co.kr

First Chicago NBD (Seoul Branch)
15th Floor, Oriental Chemical Bldg.
50, Sokong-dong, Chung-ku, Seoul 100-718
Tel: 82-2-316-9700, Fax: 82-2-753-7917
Web site: www.bankone.com

First Union National Bank, NA (Representative Office)
10th Floor, Samhwa Bldg.
21, Sogong-dong, Chung-ku, Seoul 100-070
Tel: 82-2-3706-3114, Fax: 82-2-3706-3141~3
Web site: www.firstunion.com

List of Major Korean Banks in Seoul

Chohung Bank
14, Namdaemoonro 1-ka, Chung-ku, Seoul 100-757
Tel: 82-2-733-2000, Fax: 82-2-3700-4971/4972 (Int'l. Div.)
Web site: www.chb.co.kr

Hana Bank
101-1, Ulchiro 1-ka, Chung-ku, Seoul 100-191
Tel: 82-2-2002-1111, Fax: 82-2-773-8515 (Int'l. Div.)
Web site: www.hanabank.co.kr

Woori Bank
203, 1-ga, Hoehyun-dong, Chung-ku, Seoul 100-792
Tel: 82-2-2002-3000, Fax: 82-2-2002-5685/5686 (Int'l. Div.)
Web site: www.wooribank.com

Kookmin Bank
9-1, Namdaemoonro 2-ka, Chung-ku, Seoul 100-703
Tel: 82-2-317-2114, Fax: 82-2-317-2704 (Int'l. Div.)
Web site: www.kookmin.co.kr

Koram Bank
39, Da-dong, Chung-ku, Seoul 100-180
Tel: 82-2-3455-2114, Fax: 82-2-3455-2966 (Int'l. Div.)
Web site: www.goodbank.com

Korea Exchange Bank
181, Ulchiro 2-ka, Chung-ku, Seoul 100-793
Tel: 82-2-729-8000, Fax: 82-2-775-9819 (Int'l. Div.)
Web site: www.keb.co.kr

Korea First Bank
100, Gongpyoung-dong, Chongro-ku, Seoul 100-702
Tel: 82-2-3702-3114, Fax: 82-2-3702-4936 (Int'l. Div.)
Web site: www.kfb.co.kr

Seoul Bank
10-1, Namdaemoonro 2-ka, Chung-ku, Seoul 100-746
Tel: 82-2-3709-5114, Fax: 82-2-3709-6443/6445 (Int'l. Div.)
Web site: www.seoulbank.co.kr

Shinhan Bank
120, Taepyoungro 2-ka, Chung-ku, Seoul 100-865
Tel: 82-2-756-0505, Fax: 82-2-774-7013 (Int'l. Div.)
Website: www.shinhanbank.com

Chapter 9. Business Travel

Business Customs

At first glance, Korea appears to be "just like any other nation." Its capital city, Seoul, is a modern, thriving metropolis with all of the latest technology the world has to offer. All over Korea, you'll find first-class telecommunications, the requisite five-star hotels, Western restaurants, modern transport systems (including very efficient subway networks in Seoul and Busan), innovative architecture, and so forth. Nonetheless, it is still very Korean and it is imperative that any American doing business in Korea realizes that Seoul is not Los Angeles (even though the latter, in fact, has a sizeable Korean community). Every year Korea becomes more and more modern, but it is important to recognize that modern does not equal Western. Koreans will not expect you to be an expert on the nuances of their culture, but they will appreciate a show of interest in matters that are important to them. Koreans generally appreciate a foreigner's effort in expressing a thank you (gam-sa-ham-ni-da) or a hello (an-yong-ha-say-yo) in the Korean language.

Though Koreans have transitioned greatly into Western society, the traditional ways of thinking in many areas are still practiced. Koreans have a great respect for the family and hierarchy. Extended families (i.e. parents living with middle-aged married "children" and their grandchildren) are still commonplace, although this is rapidly changing. Among the older generation, the father is the primary wage earner, while the mother stays at home. The social concept, economic necessity, and cultural desire of a double income family is rapidly growing in Korea. Though fathers are the primary income earners, in the majority of cases, salaries are entrusted to their wives, and most day to day consumption decisions are at the discretion of the female spouse. US companies may wish to take into consideration these traditional family roles when marketing to Korean consumers.

Even though Korean attitudes are making incremental changes and women are making progress, women professionals at the highest levels are still very rare. The majority of working women, many with top university degrees, are still relegated in Korean companies to secretarial jobs, accounting, or educational work. Many qualified women welcome the opportunity to work as a professional with a foreign company whose attitudes toward gender equality and professional respect and responsibility prevail.

Koreans still have a great respect for anyone senior in age, and intuitively establish their hierarchical position relative to others based on age. Indeed, one of the fundamental principles of the Korean language is based on the plethora of verb endings which indicate the level of respect accorded to another person. In addition, a man generally receives more respect in the business world than a woman, though foreign businesswomen (especially, non-Asian looking women) are accorded almost an equal amount of respect as foreign businessmen. Single women generally receive less - respect than married women whose ties to their husband oftentimes establish their position in society. The American businessperson, as a foreigner, is generally exempt from the above societal classification system, though one should be prepared to answer questions that Koreans may regard as common to establish societal hierarchy but which foreigners may regard as personal, such as questions of age and marital status.

Americans should be ready to mix business with social life as the Koreans base their business relationships on personal ones. The heavy drinking of the Korean alcohol, Soju, beer, whiskey or other liquor is commonplace in establishing a personal, business relationship. Also commonplace is the “no-rae-bang” where a group of businesspeople go to an establishment to drink and sing along to a video machine playing music. As most no-rae-bang machines come equipped with songs in English, a business person may want to be prepared to sing at least one song in order to gain social favor with their Korean counterpart. Though not as common as the no-rae-bang, businessmen should also be aware of “room salons” where Korean women serve food and drink to their patrons.

When doing business, Americans should be sensitive to Korea's historical relationship with Japan which made a virtual colony of the Korean peninsula. Because of the Japanese colonial period, Koreans have an emotionally intense reaction at times to things Japanese, though there is an admiration for Japanese business acumen. A businessperson should show great respect towards Korean society. Any comparative mention of Japan versus Korea, where Japan has the upper edge may harm a business deal.

Korea still observes Confucian ethics based on a strong belonging to a group. Whereas an American may think in individual terms, (i.e., what is in my best interest?), the Korean oftentimes thinks in-group terms, (i.e. what is in the best interest of the group and how can I help to maintain harmony within the group?) For this reason, the majority of Koreans are intensely patriotic, calling Korea by the term, “oo-ri-na-ra,” (“our” country). In order to close a deal during the context of negotiations, the benefits to the group, whether it is to the company or country, should be persuasively put forth.

For Koreans, relationships are all important; "cold calls" don't work -- introductions are crucial! Koreans want to do business with people with whom they have formed a personal connection or whereby a mutual intermediary has made an introduction. As alumni contacts are a major source of networking in Korea, a particularly well-connected Korean will have attended a prestigious Korean university like Yonsei University, Seoul National University, Korea University, or Ehwa Women’s University.

The exchange of business cards is very important and a means by which Koreans learn about the name, position and status of the other person. Koreans observe a very strict hierarchical code, where Koreans will generally meet to discuss business with persons of the same, parallel rank. Businesspersons should always have their (preferably bilingual) business cards ready and should treat the exchange of Korean counterpart's card with respect. (It is a sign of respect to receive and present items with both hands, followed in business etiquette by passing and receiving a card with the right hand. One should never give a card, or anything else for that matter, with the left hand as it shows disrespect). For historical reasons, Chinese characters, which Koreans can generally understand, are regarded as more sophisticated. As such, a business card written in Chinese characters can serve for a business trip to Korea, China, and Japan.

Negotiating style is particularly important. Koreans can prove subtle and effective negotiators, and a commitment to a rigid negotiating tact early on may work to the American's disadvantage. Your offer may include the best price, technology and profit potential but still be turned down because the Korean customer does not like your style.

An important point to keep in mind concerns the nature of reaching an agreement with a Korean firm. Westerners attach great importance to a written contract which specifies each detail of the business relationship. Koreans, on the other hand, value a contract as a loosely structured consensus statement that broadly defines what has been negotiated, but leaves sufficient room to permit flexibility and adjustment. The Korean Government has attempted to address this dual perception by formulating "model" contracts for licensing technology and other arrangements. Both parties must be assured the obligations spelled out in a negotiated contract are fully understood.

Most Koreans have three names. These names usually follow the Chinese pattern of a surname followed by two given names. In a Korean household, all brothers and sisters have the same last name and a common given name; the only distinguishing mark is the remaining given name. In addressing Koreans, foreigners should observe the use of surnames (e.g. Mr. Kim; Ms. Lee), using formal titles if possible (e.g. Dr. Yoo; Director Song). The most common last names are Kim, Lee, and Park. In the use of formal titles as appropriate, one should always be familiar with the complete name, including the two given names, for identification purposes, as there may be several Mr. Park's or Doctor Lee's in the same company and even the same work space.

Travel Issues

Travelers with questions or concerns about traveling to Korea should check with the U.S. Department of State's Office of Overseas Citizen Services, 2201 C Street, N.W., Washington, D.C. 20520. For recorded travel advisory information, contact tel. 202-647-5225. For faxed travel advisory information sent to your fax machine, contact tel. 202-647-3000. Additional travel advisory information is available on the World Wide Web at http://travel.state.gov.

Although Korea has not yet made its mark as a tourist destination, with the Korean won devaluation, more and more foreigners are visiting Korea. In addition, Seoul has long been a well-established center of business. Thus, Seoul has the selection of deluxe hotels one would expect. These hotels cater to the needs of busy professionals with business centers offering secretarial, translation and interpretation services, courier services, printing and photocopying, telecommunications, and equipment rental services.

It is relatively easy to get to Korea from the United States. For direct flights, flying time ranges from 12-16 hours, depending on the point of departure. For those flights which include connection time, the trip from the East Coast of the U.S. to Korea can take as long as 24 hours, door to door.

Incheon International Airport opened on March 29, 2001, replacing Seoul's Kimpo Airport as the primary gateway for international travel to and from the Republic of Korea. The new airport has been designed with state-of-the-art technology and is one of the most modern in East Asia. Incheon International Airport, which is twice as far from downtown Seoul as Kimpo, will not be accessible by rail until at least 2005 and, at present, hotel rooms near the airport are very limited. Airport buses and taxis are widely available, though availability may be limited late in the evening. Travel time to Incheon Airport from downtown Seoul typically takes about one-and-a-half hours. The only road to the new airport is a toll road which charges 6,400 Korean Won (approx. USD 5) per passenger vehicle.

The cost of travel by taxi from downtown Seoul to Incheon Airport averages 50,000 ~ 70,000 Korean Won (approx. USD 40 ~ USD 55), though some taxis charge more. Some taxi drivers also charge higher fares to make up for revenue lost by having to drive back to Seoul without a passenger. If this happens, the traveler should contact the airport authority (032-741-0114) and provide the taxi's license plate number so the authorities can take action and have the driver banned from driving to the airport.

A less expensive option is the widely available airport buses. City Coach and airport buses cost 5,500~10,000 Korean Won (approx. USD 4.50 ~ USD 8.00) and depart from various locations throughout Seoul about every 15 minutes. Korean Air offers an airport/hotel shuttle bus service (KAL LIMOUSINE) which costs 10,000 Korean Won (approx. USD 8). These buses run several different routes, so it is necessary to check the route prior to boarding. The KAL airport limousine buses depart every 30 minutes from major hotels throughout the city. Even though these two bus services are substantially cheaper than taking a taxi to Incheon Airport, passengers must factor in extra time, given the additional stops to pick up passengers at the various hotels.

For information about Incheon International Airport, please telephone 032-741-0114 (information is available both in English and Korean).

Visas

Although passports are required, visas are not required for American tourists or business visitors, or those in-transit, who wish to remain in Korea for up to 30 days and hold outbound tickets. (The day of arrival counts as day number one.) However, since there are no extensions and a substantial penalty at departure for those who exceed 30 days, it is a good idea to get a visa from the Korean Embassy or a Korean Consulate prior to coming to Korea, if the stay might approach four weeks.

American visitors may stay up to 90 days, if one obtains a business or tourist visa before arriving in Korea. A photograph and a letter from an American company stating the purpose of travel must be submitted with the visa application; no written invitation from a Korean firm is required.

A long-term resident visa (beyond 90 days) is more difficult to obtain than a business or tourist visa. An application must be made to the Korean Ministry of Justice from outside Korea. An application for a long-term resident visa requires considerable documentation, including a letter of invitation from a Korean company and contractual evidence of legal employment. Since July 1, 1994, the Justice Ministry extended the length of stay authorized for some long-term foreign residents, and has simplified the visa renewal process by eliminating the 15-day, out-of-the-country waiting period. Renewals are available at overseas Korean diplomatic and consular missions and should be done before leaving the United States.

For help with all matters pertaining to Korean visas during a stay in Korea, businesspersons should contact the nearest immigration office under the Korean Ministry of Justice in Seoul. Upon arrival in Korea, an immigration card and customs declaration form (given on the plane) should be completed before reaching the first floor arrival processing area. No vaccination certificate is required for entrance under Korean quarantine regulations. In clearing customs, gifts with a value of up to USD 400 (which can include liquor up to one liter (33.8 fl. oz.), two ounces of perfume and 200 cigarettes) may be brought in duty-free by non-residents. Currency in excess of USD 10,000 must be declared.

All travelers are advised that a departure tax of Korean Won 17,000 (about USD 13.50) is assessed at the airport for regular passport holders. Also, the Cultural Preservation Properties Law prohibits the export of "significant" Korean cultural properties.

Korean Customs Information

Non-residents must declare in writing to Korean Customs all foreign currency with a value in excess of USD 10,000 that they carry into or acquire in Korea. This rule is enforced. When buying Won in Korea, be sure to keep the receipt(s) because re-exchange is allowed up to the amount specified; without receipts only USD 500 worth of won can be re-converted to dollars.

Non U.S. citizen visitors to the United States are allowed to bring in duty-free gifts with a value of up to USD 100. For travelers within this limit, no written declaration is required. Additional gifts and other items that will remain in the United States are taxed at a rate of 10% up to USD 1,000, and at variable rates thereafter.

Returning U.S. residents can bring in duty-free goods into the United States, articles totaling USD 400 in value when the articles are for personal use. After the USD 400 exemption, the next USD 1,000 worth of personal or gift items are taxed at a flat rate of 10%. Beyond USD 400, various duty rates, mostly 20-30%, apply according to the item. Both residents and non-residents are limited to one carton of cigarettes, 100 cigars and one liter of alcoholic beverages or two ounces of perfume for duty-free import. The duty-free limit is USD 50 for bona fide gifts mailed to the United States. Every mail shipment must contain a written declaration.

Foreign-made personal articles are dutiable each time they are brought into the United States, unless one can prove prior possession. Articles bought in "duty free" shops in foreign countries are subject to U.S. customs duty. Articles purchased in U.S. "duty free" shops are also subject to U.S. duties if they are brought back into the United States.

Americans visiting Korea should be aware of possible trademark and copyright violations when purchasing articles in Korea. Makes such as Coach, Reebok, Gucci, Polo, Rolex, Disney, Chanel, Warner Bros., and computer software are often counterfeit. Due to the high potential for counterfeiting, items bearing the above-named trademarks (and several others) can only be legally mailed or carried into the United States, if they are the authentic articles. By attempting to carry counterfeit goods through U.S. Customs, one runs the risk of having them confiscated. Possession of significant amounts of counterfeit goods can lead to criminal prosecution. Questions regarding the import of counterfeit goods into the U.S. should be directed to the U.S. Customs office at the Embassy in Seoul at 82-2-397-4644.

Korean National Holidays

2003

January 1:	New Year Holiday
January 31:	Lunar New Year
March 1:	Independence Movement Day
April 5:	Arbor Day
May 5:	Children's Day
May 8:	Buddha Birthday
June 6:	Memorial Day (Hyun Choong Il)
July 17:	Constitution Day (Je Hun Jul)
August 15:	Independence Day (Kwang Bok Jul)
September 10, 11 & 12:	Korean Thanksgiving (Chusok) Days
October 3:	National Foundation Day (Kae Chun Jul)
December 25:	Christmas Day

Note: All holidays are annually fixed calendar days with the exception of Lunar New Year and Korean Thanksgiving (Chusok) Day which vary every year in timing and duration depending on the Chinese lunar calendar.

Business Travel to Korea

(e.g. Transportation, Language, Communications, Housing, Health, Food)

When visiting Korea on business, it is best to reserve your room well in advance. This is doubly true during Lunar New Year and Chusok (Korea's major travel holiday) because of the holiday season. Furthermore, it is a good idea to confirm your hotel reservation and any special requests by fax. One may contact the Korea National Tourism Corporation at tel. 82-2-757-0086, fax. 82-2-777-0102, or visit website www.knto.or.kr and ask for an English assistant for help in finding a hotel, especially for hotels outside of Seoul. By faxing the Seoul Tourist Association at 82-2-556-3818/ 9 or calling 82-2-556-2356, one can request a comprehensive listing of Seoul hotels, inns and hostels.

Tipping is not customary, but a 10% service fee is automatically charged at most hotels, as is a 10% Value Added Tax. Many of the hotels offer attractive corporate discounts, but they are usually not available if you book through a travel agent. Finally, participants on official federal government programs (such as trade shows, "matchmakers" and other official trade missions) sponsored by the Commercial Service of the American Embassy or other entities of the U.S. government can often be accorded an Embassy discount rate at certain hotels.

Seoul's public transportation system is very well organized. With timely subways and city buses that service the whole city, the only real problem is the traffic. The seemingly endless rush-hour traffic can be a major hindrance, so early preparation, as well as lots of patience, is required.

Thanks to the new non-stop limousine bus service commissioned by the government and operated by Korean Airlines, travel from the Incheon Airport to the major hotels is quite easy. The fare is quite reasonable and the buses travel to the major deluxe hotels about every 20 minutes. For travel to and from Kimpo Airport, the Seoul subway line conveniently stops at this hub.

Most private offices are open from 9:a.m. to 6:00 p.m. weekdays and from 9:00 a.m. to 12:00 p.m. on Saturdays. Some companies are beginning to provide Saturday mornings or every other Saturday off. Korean Government offices keep similar hours, except for a 5:00 p.m. closing from November through February. Banking hours are from 9:30 a.m. to 4:30 p.m., Monday-Friday.

The U.S. Embassy is officially open from 8:30 a.m. to 5:00 p.m. weekdays and closed on Saturdays, Sundays, and American and Korean holidays. The Embassy Consular Section's American Citizen Service Office is open 9:30-11:30 AM and 1:30-3:30 PM each weekday except Wednesday. Recorded information on passport, notarial and other ACS services is available 24 hours a day at 397-4603/4604. On-line information is also available at: www.asktheconsul.org Our website includes information for American citizens about renewing passports, registering with the Embassy, notarials, voting and other services we provide.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, tel. (202) 512-1800, fax (202) 512-2250. Business travelers to Korea seeking appointments with U.S. Embassy Seoul officials should contact the commercial section in advance. The commercial section can be reached by telephone at 82-2-397-4221, by fax at 82-2-739-1628.
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For further information from the U.S. Embassy in Seoul, the U.S. Embassy has a website: www.usembassy.state.gov/seoul. Finally, for information on commercial events and the Commercial Service Korea, interested American businesspersons can search the following website address: www.cskorea-doc.gov.

Chapter 10. Economic and Trade Statistics

Appendix A: Country Data

- Population: 47 million (Dec, 2002)
- Population growth rate: 0.6%
- Religions (Dec. 1999) : Buddhist (26.3%); Christian (25.6%); Other (1.7%); No affiliation (46.4%). Strong philosophical Confucian traditions.
- Government system: Representative democracy with a popularly-elected President, who is Chief of State and Head of Government, and a unicameral National Assembly.
- Languages: Korean, with English widely taught in schools.
- Work Week: Monday to Saturday; Average work week of 47 hours.

Appendix B: Domestic Economy

(In million U.S. Dollars unless otherwise noted)

	2001	2002	2003 (est.)
GDP (billions)	427.3	476.6	531.6 (DSI)
Real GDP Growth Rate (%)	3.1	4.1 (BOK)	4.2(KDI)
GDP per capita (US dollars)	9,026	10,004	11,093(DSI)
Government Spending as % of GDP	23.0	22.7	23.2(KDI)
Retail Inflation Rate (%)	4.1	3.9(BOK)	3.8(KDI)
Foreign Exchange Reserves (end-period)	102,821	121,412	
Average Exchange Rate (won per USD 1)	1,291	1,251	1200(SERI)
Gross Foreign Debt	118.8	131.0	
Debt Service Payments	21.7	N/A	N/A

Source: The Bank of Korea, Korea Development Institute and Korea Economic Research Institute
( ) is the institution or person who made the estimate. (BOK=The Bank of Korea, KDI = Korea Development Institute, DSI= DONG Sang-il, SERI=Samsung Economic Research Institute)

Appendix C: Trade
(In million U.S. Dollars)

	2001	2002	(Jan-Mar) 2003
Total ROK Exports	150,439	162,470	43,145
Total ROK Imports	141,098	152,126	44,237
ROK Exports to U.S.	31,211	32,780	7,731
ROK Imports from U.S.	22,376	23,008	6,271
U.S. Share of ROK Imports (%)	15.9	15.1	14.3

Appendix D: Investment Statistics

Table 1: Summary Of Foreign Equity Investment Notifications
(US$ million)

	New/Additional		Cumulative Approvals/Notification	
1962~1990	7,874	(5,337)	7,874	(5,337)
1991	1,396	(510)	9,270	(5,847)
1992	894	(444)	10,164	(6,291)
1993	1,044	(458)	11,208	(6,749)
1994	1,317	(646)	12,525	(7,395)
1995	1,947	(873)	14,472	(8,268)
1996	3,203	(967)	17,675	(9,235)
1997	6,971	(1,055)	24,646	(10,290)
1998	8,852	(1,401)	33,498	(11,691)
1999	15,541	(2,104)	49,039	(13,795)
2000	15,217	(4,140)	64,256	(17,935)

2001	11,292	(3,340)	75,448	(21,275)
2002	9,101	(2,435)	84,649	(23,710)
Jan-Mar 2003	1,108	(558)	85,757	(24,268)

Notes:- Recorded on an approval or notification acceptance basis. - Figures in parenthesis indicate number of projects.
Source: Ministry of Commerce, Industry and Energy (MOCIE).

Table 2: Notifications/Approvals Of Foreign Equity Investment By Major Countries, 1962-March 2003
(US$ Million)

	TOTAL	U.S.	JAPAN	EUROPE	OTHERS
1962~90	7,874 (5,593)	2,243 (1,219)	3,798 (3,289)	984 (552)	848 (553)
1991~95	6,598 (3,040)	1,970 (793)	1,520 (1,026)	2,145 (601)	964 (620)
1996	3,203 (1,007)	875 (286)	255 (262)	892 (187)	1,181 (272)
1997	6,971 (1,110)	3,190 (278)	265 (247)	2,306 (245)	1,210 (340)
1998	8,852 (1,147)	2,971 (457)	504 (330)	2,885 (296)	2,493 (374)
1999	15,541 (2,173)	3,739 (554)	1,750 (392)	6,250 (312)	3,802 (915)
2000	15,217 (4,271)	2,922 (803)	2,448 (614)	4,391 (375)	5,455 (2,479)
2001	11,292 (3,418)	3,889 (658)	772 (591)	3,062 (306)	3,569 (1,863)
2002	9,101 (2,435)	4,500 (488)	1,403 (474)	1,663 (264)	1,535 (1,209)
Jan-Mar 2003	1,108 (558)	356 (97)	156 (121)	355 (60)	240 (280)

Total (1962-Mar2003)	85,757 (25,061)	26,655 (5,633)	12,871 (7,345)	24,934 (3,198)	21,297 (8,885)

Notes: - Recorded on an approval or notification acceptance basis. - Figures in parenthesis indicate number of projects. Investments by multiple sources were counted individually, resulting in larger number of projects compared to table 1.
Source: Ministry of Commerce, Industry and Energy (MOCIE).

Table 3: Equity Investment By Industry, 1962-March 2003
(US$ Million)

	Cumulative 1962 – Mar 2003		2001		2002		Jan-Mar 2003	
Agriculture/Fishery	303	(162)	9	(10)	18	(7)	0	(2)
Mining	75	(85)	0	(2)	0	(1)	-	-
Manufacturing	38,219	(9,761)	3,090	(698)	2,437	(597)	215	(136)
-Food Processing	3,455	(532)	623	(30)	144	(40)	2	(4)
-Textiles/Clothing	656	(566)	46	(21)	10	(23)	0	(1)
-Wood/Paper	2,327	(175)	65	(9)	47	(12)	-	-
-Chemicals	5,521	(1,316)	474	(52)	93	(38)	9	(14)
-Fertilizers	50	(12)	-	-	-	-	-	-
-Pharmaceuticals	919	(340)	26	(23)	78	(13)	0	(2)
-Petroleum	1,469	(37)	12	(1)	-	-	-	-
-Ceramics	1,068	(244)	238	(13)	72	(15)	4	(4)
-Metals	1,615	(481)	41	(18)	455	(14)	35	(8)
-Machinery	4,569	(1,688)	231	(67)	305	(48)	51	(17)
-Electronics	10,635	(2,383)	1,014	(178)	288	(117)	85	(34)
-Transport Equip.	3,935	(581)	65	(32)	528	(39)	4	(10)
-Others	2,000	(1,406)	256	(254)	417	(238)	26	(42)
Services	47,160	(14,223)	8,193	(2,630)	6,646	(1,797)	893	(416)
-Electricity & Gas	2,423	(42)	432	(11)	955	(3)	-	-
-Construction	791	(175)	325	(18)	120	(31)	143	(7)
-Wholesale/Retail	4,764	(1,346)	388	(257)	339	(215)	146	(45)
-Foreign Trade	2,200	(6,721)	167	(1,342)	109	(841)	25	(204)
-Restaurants	199	(458)	14	(78)	3	(56)	1	(10)
-Hotels	11,321	(317)	2,436	(28)	1,209	(13)	200	(2)

-Trnsprt/Wrhouse	1,482	(347)	12	(30)	404	(25)	5	(11)
-Banking	8,610	(768)	1,650	(161)	527	(131)	124	(25)
-Insurance	1,893	(129)	156	(8)	396	(15)	15	(5)
-Real Estate	1,367	(173)	217	(39)	598	(37)	133	(14)
-Others	12,111	(3,747)	2,397	(658)	1,984	(430)	100	(93)
TOTAL	85,757	(24,231)	11,292	(3,340)	9,101	(2,402)	1,108	(554)

Notes: - Recorded on an approval or notification acceptance basis.
- Figures in parenthesis indicate number of projects.
Source: Ministry of Commerce, Industry and Energy (MOCIE).

Chapter 11. U.S. and Country Contacts

Appendix E: Major Contacts

Mr. Jae-Hoon Lee
Commercial Counselor
Embassy of the Republic of Korea
2450 Massachusetts Ave., NW
Washington, DC 20008
Tel: 202-939-5667, Fax: 202-939-5669
Website:www.mofat.go.kr

Mr. Wang-Kyu Lee, Director
Korea International Trade Association (KITA)
8526 Harvest Oak Dr.
Vienna, VA 22182
Tel: 703-242-5713
Fax: 703-242-5714
E-mail: wayne@kotis.net
Web site: www.kitany.org

Mr. Joo-Nam Kim, Director
Korea Trade Investment Promotion Agency (KOTRA)
1129 20th St., NW. Suite 410
Washington, DC 20036
Tel: 202-857-7919, Fax: 202-857-7923
Web site: www.kotra-usa.com

The American Chamber of Commerce in Korea
Ms. Tami Overby, Executive Director
4501, Trade Tower, 159-1, Samsung-dong
Kangnam-ku, Seoul 135-731, Korea
Tel: 82-2-6201-2282
Fax: 82-2-564-2050
Web site: www.amchamkorea.org

U.S. Government Contacts in Washington, D.C.

Mary-Beth Morgan
Desk Officer for Korea/Taiwan
U.S. Department of Commerce
14th street and Constitution Avenue, NW
Washington, DC 20230
Tel: 202-482-2523
Fax: 202-482-3316
Web site: www.ita.doc.gov

Trade Information Center
U.S. Department of Commerce

14th and Constitution Avenue, NW
Washington, DC 20230
Tel: 1-800-872-8723
Fax: 202-482-4473
Web site: www.ita.doc.gov

Amy Jackson
Deputy Assistant U.S. Trade Representative for Bilateral Asian Affairs
Office of the United States Trade Representative
Executive Office of the President
600 17th Street, N.W.
Washington, DC 20506
Tel: 202-395-6813, Fax: 202-395-9515
Website: www.ustr.gov

Jeffrey Beller
Desk Officer for South Korea
U.S. Department of State
2201 C Street, NW
Washington, DC 20520
Tel: 202-647-7717
Fax: 202-647-7388
Website: www.state.gov

Peter Wisner
International Economist
Office of East Asian Nations
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220
Tel: 202-622-4375
Fax: 202-622-0349
E-mail:peter.wisner@do.treas.gov
Web site: www.treas.gov

AgExport Services Division
U.S. Department of Agriculture
Foreign Agricultural Service
Ag Box 1052
1400 Independence Avenue, S.W.
Washington, DC 20250-1052
Tel: 202-720-6343
Fax:202-690-0193
Web site: www.fas.usda.gov

The Bureau of Industry and Security
U.S. Department of Commerce
Outreach and Educational Services Division
Room 1099D
14th Street and Pennsylvania Ave., N.W.
Washington, DC 20230

Tel: 202-482-4811
Fax: 202-482-2927
Web site: www.bis.doc.gov

Jill Wilkins
Regional & Issues External Affairs - East Asia & Pacific
The World Bank
Room MC9-117, 1818 H Street, NW
Washington, DC 20433
Tel: 202-473-1792
Fax: 202-522-3405
E-mail:jwilkins@worldbank.org
Web site: www.worldbank.org

Talaat Rahman
International Business Development Officer
East & South-East Asia Region
Export-Import Bank of the United States (Eximbank)
811 Vermont Ave., NW, Suite 929
Washington, DC 20571
Tel: 202-565-3911, Fax: 202-565-3628
Web site: www.exim.gov

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: 202-336-8400/8799
Fax: 202-408-9859
Web site: www.opic.gov

Doug Shuster, Mark Dunn and Paul Marin
Country Managers for Asia
Geoff Jackson
Regional Director-Asia/Pacific
U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Tel: 703-875-4357
Fax: 703-875-4009
Web site: www.tda.gov

Appendix F: Country Contacts

Contacts at the American Embassy in Seoul

Carmine D’Aloisio, Minister-Counselor for Commercial Affairs
USFCS, American Embassy in Seoul
Unit #15550
APO AP 96205-5550

Tel. 82-2-397-4535, Fax. 82-2-739-1628
web site: www.cskorea-doc.gov

Kurt Tong, Minister-Counselor for Economic Affairs
Economic Section, American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4400, Fax. 82-2-722-1429

Edward B. Howard, Counselor for Scientific & Technological Affairs
Science & Technology Affairs, American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4159, Fax. 82-2-722-1429

Grant Pettrie, Minister-Counselor for Agricultural Affairs
Agricultural Affairs Office (AGAFF), American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4297, Fax. 82-2-738-7147

Marucus Lower, Director
Agricultural Trade Office (ATO)
Room 303, Leema Building
146-1, Soosong-dong, Chongro-ku
Seoul, Korea
Tel. 82-2-397-4188, Fax. 82-2-720-7921

Bernard Alter, Consul General
American Embassy in Seoul
Unit #15550
APO AP 96206-0001
Tel. 82-2-397-4429, Fax. 82-2-397-4214

Eric John, Minister-Counselor for Political Affairs
Political Section, American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4210, Fax. 82-2-733-4791

Don Q. Washington, Minister-Counselor for Public Affairs
Public Affairs Section, American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4695, Fax. 82-2-794-2889

Celmouth Stewart Jr., Customs Attaché
U.S. Customs Service,American Embassy in Seoul
Unit #15550
APO AP 96205-5550
Tel. 82-2-397-4524, Fax. 82-2-736-6850

Col. John A. Freund
Joint US Military Affairs Group, Korea (JUSMAG)
Unit #15339
APO AP 96203-0187
Tel. 82-2-725-3292, Fax. 82-2-793-3846

Col. Steven F. Bill, Defense Attaché
Defense Attache Office, American Embassy in Seoul
APO AP 96205-5550
Tel. 82-2-397-4254, Fax. 82-2-725-5262

<u>Contact List of Select Korean Government Officials</u>
(compiled by the Political Section of the U.S. Embassy; based on Official Gazettes of the Republic of Korea and Newspaper reports; edited for the purposes of this Country Commercial Guide. Names are listed according to the preferred spelling.)

<u>Note:</u> If calling from outside of Korea, 82 is the country code for Korea and 2 is the city code for Seoul.

GOVERNMENT OFFICIAL & TITLE PHONE NUMBER

BLUE HOUSE (CHONG WA DAE) 770-0011
1, Sejong-ro, Chongro-ku, Seoul (110-050)

The President
Roh, Moo-Hyun
First Lady, Kwon, Yang-Suk

Presidential Secretariat

Chief of Staff to the President	Moon Hee Sang	770-2100
Protocol Secretary	Suh, Gab Won	770-2140
Senior Secretary for Political Affairs	Yoo, In Tae	770-2500
Senior Secretary for Civil Affairs	Moon, Jae In	770-2520
Senior Secretary for Public Information	Lee, Hae Seong	770-2540
Senior Secretary for Public Participation	Park, Joo Hyun	770-2570
Senior Secretary for National Policy	Kwon, O-Kyu	770-2220
Senior Advisor for National Security	Ra, Jong-Yil	770-2300
Advisor for Information, Science and Technology	Kim, Tai Yoo	770-2340
Presidential Spokesperson	Yoon, Tai-Young	770-2556

Presidential Security Service

Chief	Kim, Se Ok	770-0234

National Intelligence Service
Seocho P.O. Box 200, Seoul

Director General	Ko, Young Koo	3412-3100
First Director	Yeom, Don-Jay	3412-3474
Second Director	Park, Jung Sam	3412-3116

National Security Council

Deputy Secretary General	Yoo, Jin-Kyu	770-0631/3

Advisory Council on Democratic & Peaceful Unification
209, Jangchoong-dong 2-ka, Choong-ku, Seoul (100-392)

Senior Vice President	Shin, Sang Woo	2234-7125

Civil Service Commission
Kolong Bldg., 35-34, Tongeui-dong, Chongro-ku, Seoul (110-040)

Chairman	Cho, Chang Hyun	725-2700

The Presidential Commission on Small-Medium Industries
2, Choongang-dong, Kwacheon, Kyunggi Province (427-010)

Chairman	Han, Joon Ho	507-6640

OFFICE OF THE PRIME MINISTER
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Prime Minister	Goh, Kun	737-0l07
Minister, Office for Government Policy Coordination	Lee, Young Tak	720-2003
Chief Secretary	Oh, Tark Byoung	737-0095
Senior Secretary for Political Affairs	Kang, Tae-Ryong	737-0098
Senior Secretary for Petitions & Information	Chung, Ik Rae	720-3831
Senior Press Secretary	Kim, Duck-Bong	720-2006
Secretary for Administrative Affairs	Huh, Shin-Wook	737-0094
Secretary for Protocol	Rho, Byung In	720-2001
Chairman, Emergency Planning Committee	Yoon, Kwang Woong	503-7701

Ministry of Planning & Budget
520-3, Banpo-dong, Seocho-ku, Seoul (137-756)

Minister	Park, Bong Heum	3496-5000

Ministry of Legislation
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Sung, Kwang Won	720-4471

Government Information Agency

80, Soosong-dong, Chongro-ku, Seoul (110-140)

Minister	Cho, Young Dong	723-0340

Ministry of Patriots & Veterans Affairs
17-23, Yoido-dong, Youngdeungpo-ku, Seoul (150-010)

Minister	An, Joo Seob	780-9091

Fair Trade Commission
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Chairman	Kang, Chul-Kyu	503-9009

Financial Supervisory Commission
27, Yoido-dong, Youngdeungpo-ku, Seoul (150-743)

Chairman	Lee, Jung-Jae	3771-5001

The Ombudsman of Korea
267, Mikeun-dong, Seodaemoon-ku, Seoul (110-020)

Chairman	Lee, Won-Hyoung	360-2600

National Commission for Youth Protection
77-6, Chongro-ku, Sejong-ro, Seoul (110-760)

Chairman	Lee, Seung Hee	735-6255

MINISTRY OF FINANCE AND ECONOMY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim, Jin-Pyo	503-9001
Vice Minister	Kim, Gang-Lim	503-9006
Deputy Minister	Kim, Young Ju	503-9018
Public Information Officer	Lee, Jung Hwan	503-9019
Planning & Management Office		
Tax & Customs Office	Kim, Gyu Bok	503-9013

National Tax Administration
108-4, Soosong-dong, Chongro-ku, Seoul (110-140)

Administrator	Lee, Yong Sup	397-1201

Korea Customs Service
71, Nonhyun-dong, Kangnam-ku, Seoul (135-702)

Commissioner	Kim, Yong-Duk	512-2001

Office of Supply
520-3, Banpo-dong, Seocho-ku, Seoul (137-040)

Commissioner	Kim, Kyung Sup	(042) 472-2231

National Statistical Office
920, Doonsan-dong, Seo-ku, Kwangyeok-si, Daejeon City (302-701)

Commissioner	Oh, Jong Nam	(042)481-2100

MINISTRY OF UNIFICATION
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Jeong, Se-Hyun	738-0064
Vice Minister	Cho, Kun-Shik	738-0067
Public Information Officer	Han, Sang Il	3703-2415

MINISTRY OF GENDER EQUALITY
77, Sejeong-ro, Chongro-ku, Seoul (110-760)

Minister	Chi, Eun-Hee	3703-2505
Vice Minister	Ahn, Jae-Hun	3703-2511

MINISTRY OF FOREIGN AFFAIRS AND TRADE
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Yoon, Young-Kwan	720-2301
Vice Minister	Kim, Jae-Sup	720-2305
Deputy Minister for Foreign Affairs	Lee, Soo Hyuck	732-2306
Deputy Minister for Planning & Management	Cho, Young Jai	720-2314
Spokesman	Seok, Tong Youn	720-2687

Office of Policy Planning

Deputy Minister for Policy Planning	Lee, Sun Jin	720-3379

Office of Protocol

Chief of Protocol	Choi, Jung Il	720-2403

Asian & Pacific Affairs Bureau

Director General	Shin, Jung Seung	720-2316

North American Affairs Bureau

Director General	Shim, Yoon Joe	720-2320

Latin American & Caribbean Affairs Bureau

Director General	Shin, Soong Chull	720-3356

European Affairs Bureau

Director General	Kim, Young Seok	720-2347

Middle East & African Affairs Bureau

Director General	Lee, Kang Jae	720-4480

Treaties Bureau

Director General	Shin, Kak Soo	725-1015

Cultural Affairs Bureau

Director General	Park, Heung Shin	725-7602

Overseas Residents & Consular Affairs Bureau

Director General	Kim, Wook	720-2343

Institute of Foreign Affairs & National Security (IFANS)
1376-2, Seocho 2-dong, Seocho-ku, Seoul (137-072)

Chancellor	Choi, Young Jin	571-1011

MINISTRY OF JUSTICE
1, Choongang-dong, Kwacheon, Kyunggi Province (427-720)

Minister	Kang, Kum-Sil	503-7001
Vice Minister	Choung, Sang-Myoung	503-7003

MINISTRY OF NATIONAL DEFENSE
1, Yongsan-dong 3-ka, Yongsan-ku, Seoul (140-023)

Minister	Cho, Young-Kil	795-6201
Vice Minister	Yu, Bo-Sun	795-6202
Spokesman	Hwang, Young Soo	748-6703
Director, Foreign Policy Division	Kim, Hyung Ki	748-6240

ROK-US Combined Forces Command (CFC)

Deputy Commander in Chief	GEN Shin, Il Soon	7915-6281

MINISTRY OF GOVERNMENT ADMINISTRATION AND HOME AFFAIRS
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Kim, Doo-Kwan	3703-4000
Vice Minister	Kim, Joo-Hyun	3703-4010
Public Information Officer	Jung, Jin Chul	3703-4110

MINISTRY OF EDUCATION
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Yoon, Deok-Hong	720-3400
Vice Minister	Suh, Bum-Suk	720-3266
Public Information Officer	You, Sun Gyu	739-3345

Planning & Management Office	Kim, Young Shik	720-3267
International Cooperation Office	Kim, Dong Ok	720-3044

MINISTRY OF SCIENCE AND TECHNOLOGY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Park, Ho-Koon	503-7601
Vice Minister	Kwon, Oh-Kab	503-7604
Public Information Officer	Kim, Young Shik	503-7608
Planning & Management Office	Choi, Seok-Sik	503-7623
Office of Science & Technology Policy	Moon, You Hyun	503-7740
Office of Planning & Coordination	Park, Jong Yong	503-7637
Director General for Research & Development	Park, Young Il	503-7630
Director General for Nuclear Energy	Cho, Chung-Won	503-7644
Director General for Science & Technology Cooperation	Park, Chung Taek	503-7663
Director General for Basic Science & Manpower	Lee, Man Ki	503-7616

MINISTRY OF CULTURE AND TOURISM
32, Sejong-ro 1-ka, Chongro-ku, Seoul (110-050)

Minister	Lee, Chang-Dong	3704-9000
Vice Minister	Oh, Jee-Chull	3704-9010
Public Information Officer	Kim, Tae Geun	3704-9030
Assistant Minister	Jung, Tae Hwan	3704-9020
Planning & Management Officer	Shin, Hyun Taek	3704-9200

Cultural Properties Administration
920, Doonsan-dong, Seo-ku, Kwangyeok-si, Daejeon City (302-701)

Administrator	Rho, Tai-Sup	(042) 472-3400

MINISTRY OF AGRICULTURE AND FORESTRY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim, Young-Jin	503-7201
Vice Minister	Kim, Jung-Ho	503-7204
Public Information Officer	Kim, Young Man	503-7210
Planning & Management Office	So, Man Ho	503-7207
Deputy Minister	Kim, Joo Soo	503-7206
Agriculture Information & Statistics	Park, Hyun Chool	503-7250
Agriculture Policy Office	Jung Hak Su	503-7260
International Agriculture Bureau	Lee, Myung-Soo	503-7290
Rural Development Bureau	Choi, Do Il	504-9400
Marketing Policy Bureau	Kim, Sun Oh	500-1815
Agricultural Production & Horticulture Bureau	Lee, June Young	503-7280
Livestock Bureau	Kim, Dal Joong	500-1885

Rural Development Administration
Seodoon-dong, Kwonseon-ku, Suwon City, Kyunggi Province

Administrator	Kim, Young Wook	(031)292-4201/3

Forestry Administration
207, Chungryangri 2-dong, Dongdaemoon-ku, Seoul (130-012)

Administrator	Choi, Jong Soo	(042) 472-3211

MINISTRY OF COMMERCE, INDUSTRY AND ENERGY
1, Choongang-dong, Kwacheon, Kyunggi-do (427-760)

Minister	Yoon, Jin-Sik	2110-5001
Vice Minister	Kim, Chil-Doo	2110-5002
Public Information Officer	Rim, Che Min	2110-5010
Planning & Management Office	Lee, Hyun Jae	2110-5200
Electric Power Industry Restructuring Bureau	Oh, Il Hwan	2110-5510
Trade & Investment Policy Office	Park, Bong Kyu	2110-5300
Energy & Resources Policy Office	Bae Sung Ki	2110-5400
Industrial Policy Bureau	Choi, Jun-Yeong	2110-5110
Technology Policy Bureau	Oh, Young Ho	2110-5150
Capital Goods Industries Bureau	Vacant	2110-5550
Electronics, Textile & Chemical Industries Bureau	Koh, Jung Sik	2110-5650
Korean Trade Commission	Lee, Young-Rahn	504-0103

Small-Medium Business Administration
2, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Administrator	Ryu, Chang Moo	503-7900

Korea Industrial Property Office
4-dong, Government Complex, 920, Doonsan-dong, Seo-ku, Daejeon City (302-701)

Administrator	Ha, Dong-Man	(042) 481-5001

MINISTRY OF INFORMATION AND COMMUNICATION
100, Sejong-ro, Chongro-ku, Seoul (110-777)

Minister	Chin, Dae-Je	750-2001
Vice Minister	Byun, Jae-Il	750-2020
Public Information Officer	Ko, Kwang Sup	750-2800
Planning & Management Office	Rho, Jun Hyong	750-2100
International Cooperation Office	Yang, Jun Cheol	750-1400

Information & Communication Policy Bureau	Yoo, Young Hwan	750-2300
Information Planning Office	Suk, Ho Ick	750-1200
Information & Communication Promotion Bureau	Kim, Dong Soo	750-1300
Radio & Broadcasting Bureau	Ryoo, Pil Gye	750-2400

MINISTRY OF HEALTH AND WELFARE

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim, Hwa-Joong	503-7500
Vice Minister	Kang, Yoon-Koo	503-7502
Public Information Officer	Park, Yong Joo	503-7504
Planning & Management Office	Moon, Kyung Tae	503-7519

Korean Food & Drug Administration

5, Nokbon-dong, Eunpyung-ku, Seoul (122-020)

Commissioner	Shin, Chang Koo	382-0184

MINISTRY OF ENVIRONMENT

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Han, Myung-Sook	504-9211
Vice Minister	Kwak, Kyul-Ho	504-9217
Public Information Officer	Kim, Ji Tae	504-9220
Planning & Management Office	Lee, Kyoo-Yong	504-9230
International Cooperation Bureau	Kim, Sang Il	504-9238
Environmental Policy Bureau	Yoon, Seong-Kyu	504-9236
Nature Conservation Bureau	Vacant	504-9281
Air Quality Management Bureau	Ko, Yun-Hwa	504-9246
Water Quality Management Bureau	Moon, Jung-Ho	504-9251
Water Supply & Sewage Treatment Bureau	Nam, Kung-Eun	507-2451
Waste Management & Recycling Bureau	Ryu, Ji-Young	504-9258

MINISTRY OF LABOR

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kwon, Ki-Hong	503-9700
Vice Minister	Park, Kil-Sang	503-9702
Public Information Officer	Nam, Seok-Hyun	503-9713
Planning & Management Office	Chung, Byung Suk	503-9704

MINISTRY OF CONSTRUCTION AND TRANSPORTATION

1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Choi, Jong-Chan	504-9001
Vice Minister	Choi, Jae-Duck	504-9005
Assistant Minister	Kim, Il Joong	504-9008
Public Information Officer	Choi, Yeon Choong	504-9030
Planning & Management Office	Jang,Dong Kyoo	504-9010

Transport Policy Office	Chung, Soo Il	504-9020
National Development Policy Bureau	Kang, Kyo-Sik	504-9110
Land Bureau	Ryu, Yoon Ho	504-9120
Housing & Urban Affairs Bureau	Jung, Chang Soo	504-9130
Surface Transportation Bureau	Yang, Sung Ho	504-9140
Construction & Economy Bureau	Park, Sung-Pyo	504-9050
Technology & Safety Bureau	Hwang, Hae Sung	504-9021
Public Roads Bureau	Nam, In Hee	504-9070
Water Resources Bureau	Kim, Chang-Se	504-9040
Civil Aviation Bureau	Kang, Young Il	504-9180

MINISTRY OF MARITIME AFFAIRS AND FISHERIES

826-14, Yeoksam-dong, Kangnam-ku, Seoul (135-080)

Minister	Huh, Sung-Kwan	3148-6100
Vice Minister	Choi, Lark-Jung	3148-6200

National Maritime Policy Agency

105, Booksung-dong, Choong-ku, Incheon (400-201)

Commissioner	Suh, Jae Kwan	(032) 888-1335

MAYORS AND GOVERNORS

Mayors

Seoul	Lee, Myung-Bok	735-6060
Pusan	Ahn, Sang-Young	(051) 851-8001
Taegu	Cho, Hae Nyoung	(053)423-1061
Incheon	Ahn, Sang Soo	(032)425-0010
Kwangju	Park, Kwang Tae	(062)224-8001
Taejon	Yum, Hong Chul	(042)471-9247
Ulsan	Park, Maeng Woo	(052) 229-2001

Governors

Kyunggi	Sohn, Hak Kyu	(031)242-4800
Kangwon	Kim, Jin-Sun	(033)254-3467
North Choongchung	Lee, Won-Jong	(043)220-2001
South Choongchung	Shim, Dae-Pyung	(042)251-2001
North Cholla	Kang, Hyon Wook	(063)280-
2001South Cholla	Park, Tae Young	(062)222-0690
North Kyungsang	Lee, Eui-Keun	(053)943-0001
South Kyungsang	Kim, Hyuk-Kyu	(055)283-7175

Chapter 12. Market Research

Appendix G: Market Research

Proposed Industry Sector Analysis (ISA) Analysis (ISA) report list to be completed by the U.S. Department of Commerce (The Commercial Service of the U.S. Embassy Seoul), and Agricultural Commodity Reports completed by the Department of Agriculture (Foreign Agricultural Services at the U.S. Embassy Seoul).

Table 1: Department Of Commerce Industry Sector Reports

Title of Industry Sector Analysis Report	Expected Completion Date
Note: The proposed list of topics is subject to change.	
Educational Services Market in Korea	November 2003
Network Security	February 2004
Location Based Service (LBS) Solutions	February 2004
Korea's Faucet and Sanitary Ware Market	March 2004
Korea's Television Home Shopping Industry	March 2004
Laboratory and Scientific Instruments	March 2004
Medical Laser Equipment	March 2004
Low Emission Vehicle Industry Market	March 2004
Heavy Electrical Equipment	April 2004
Travel and Tourism Industry: Post-five Day Work Week	July 2004
Vitamins and Supplements	July 2004
Plastic Production Machinery	July 2004
Korea's Furniture Market	July 2004
Water Pollution Control Market	August 2004
Automotive Parts and Accessories	August 2004
Electronics Test and Measurement Equipment	August 2004
Cardiac Devices	August 2004
Korean Defense Market	August 2004
Life Insurance Industry	August 2004
Airport Ground Support Equipment	August 2004

Table 2: Department of Agriculture Reports

*List of Agricultural Commodity Reports	
Livestock and Products Semi-Annual	1 Feb. 2003
Oilseed and Products Annual	1 Mar. 2003
Grain and Feed Annual	1 Apr. 2003
Sugar Annual	10 Apr. 2003
Citrus Semi Annual	1 May 2003
Tobacco and Products Annual	1 May 2003
Cotton and Products Annual	1 Jun. 2003
Fresh Potato Report (voluntary)	30 Jun. 2003

Solid Wood Products Annual	15 Jul. 2003
Country Report (FAIRS) Annual	31 Jul. 2003
Livestock and Products Annual	1 Aug. 2003
Poultry and Products Annual	15 Aug. 2003
Exporter Guide	30 Sep. 2003
Promotional Opportunities Annual	30 Sep. 2003
Fishery and Products Annual	1 Oct. 2003
Planting Seeds Annual	15 Oct. 2003
Dairy and Products Annual	20 Oct. 2003
Citrus Annual	1 Nov. 2003
Competitor Report	1 Nov. 2003

* *All commodity and market reports are available to subscribe on FAS Homepage* *http://www.fas.usda.gov*

Chapter 13. Trade Events

Appendix H: Commercial Service Korea Trade Events Schedule For FY 2004

A. Weftec 2003
October 11-15, 2003 (Los Angeles, CA)

B. PackExpo Las Vegas 2003
October 13-15, 2003 (Las Vegas, NV)

C. AAIW
November 4-7, 2003 (Las Vegas, NV)

D. Cosmoprof Asia 2003 (Hong Kong)
November 12-14, 2003

E. Comdex 2004
Nov 13-18 (Las Vegas, NV)

F. Irrigation Show
November 18-20, 2003 (San Diego)

G. The Western Show 2003
December 3-5, 2003 (Anaheim, CA)

H. International CES
January 8-11, 2004 (Las Vegas NV)

I. International Builders Show
January 19-22, 2004 (Las Vegas)

J. Water Quality Association Show
March 16-20, 2004 (Baltimore)

K. Seoul International Food Exhibition/Food & Hotel Korea
March 18-20, 2004 (Seoul)

L. CTIA Wireless
March 22-24, 2004 (Atlanta, GA)

M. Electric Power 2004
March 30-April 1, 2004 (Baltimore)

N. NAB2004
April 17-22, 2004 (Las Vegas, NV)

O. Digestive Disease Week
May 16-19, 2004 (New Orleans, LA)

P. American Water Works Association Show (AWWA)
June 13-17, 2004 (Orlando)

Q. ENVEX 2004
June 14-17, 2004 (Korea)

R. Supercomm 2004
Chicago, IL, June 20-24

S. International Hardware Show
August 15-18, 2004 (Chicago)

T. MAGIC International Apparel Show
August 30 – September 2, 2004 (Las Vegas)

U. Seoul International Franchise Expo 2004
TBD (Korea)

V. Cosmobeauty Seoul 2004
TBD (Korea)

Appendix I: ATO Trade Events Schedule For FY 2003/2004

A. Pusan Agent Show
June 14, 2003

B. Jeju Traveling Show
July 1, 2003

C. Wine Educator Mission
August TBD, 2003

D. Busan EFOHR Show/Wine Seminar
September 6, 2003

E. Horse Buying Mission
October TBD, 2003, or April TBD 2003

F. Korea Day Event, Tokyo FoodEx Show
March TBD, 2004

G. Food & Hotel Korea
March TBD, 2004

H. Seafood Buying Mission
March TBD, 2004

I. Organic Trade Mission to Organic Food Show

TBD, 2004

J Consumer-Ready Buying Mission
TBD, 2004

K. Korean Delegation to NRA Show, Chicago
May TBD, 2004

L. Korean Delegation to NASDA/FMI Show, Chicago
May TBD, 2004

M. Seafood Buying Mission
TBD, 2004

N. Produce Buying Mission
TBD, 2004

O. Confectionery Buying Mission
TBD, 2004

P. Pet Food Buying Mission
TBD, 2004