U.S. Department of State
FY 2001 Country Commercial Guide: Korea

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CHAPTER I. 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 CCG's 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 Guide are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Korea is one of the United States' largest trading partners. Currently, it is our sixth largest export market, bigger than those of Australia, Brazil, China, France, or Italy. It is our second fastest growing market for high-tech exports, and it is our fourth largest market for food products. U.S. exports to Korea are increasing and will continue showing double-digit growth in the months ahead. However, it would be a mistake for corporate America to become complacent about this market. This huge export opportunity has not gone unnoticed by our EU and Asia-Pacific competitors. Their direct investments in Korea are steadily expanding and the EU has displaced the U.S. as Korea's largest investor. We predict that the months ahead will see extreme competition as both foreign and domestic firms vie for positions of leadership in this lucrative and growing market.

These opportunities notwithstanding, Korea also has been described as one of the toughest markets in the world for doing business, a place where foreign firms must do their homework and take nothing for granted. A thorough read of this 2001 Country Commercial Guide (CCG) for Korea will go a long way toward helping U.S. companies realize success in this exciting and dynamic market.

On the macro and microeconomic front, and in response to the Asian financial crisis, the Kim Dae Jung administration is implementing structural reforms aimed at making the Korean economy a more transparent, less regulated, and more market-driven business environment. Many of these reforms are paying off. Led by very strong corporate and private demand, Korea's 1999 GDP was up 10.7% over 1998; GDP growth in 2000 is expected to be close to 9%. Continued strength in the country's capital inflows and Korea's growing current account surplus will push reserves over their present level of $90 billion.

Korean consumers will continue on their shopping spree. Domestic passenger car sales and cell phone purchases have soared, appliances and TVs remain hot items, while apparel shops and upscale family restaurants are bustling with customers. The sharp jump in retail sales has been dramatic, with projected activity this year reaching $98 billion, up 6.9% over 1999. Overseas travel and spending have soared, and it is clear that the Korean consumer is showing continued confidence and optimism.

The United States has been able to report significant gains in its long-running effort toward further opening the Korean market to U.S. goods and services. For instance, after protracted discussions, progress has been made in the pharmaceutical sector. Headway has also been made with the preliminary decision by the WTO in favor of U.S. beef exporters. Both Korea and the U.S. continue to work toward crafting a bilateral investment treaty. At the same time, long-standing concerns about the Korean government's involvement in the country's steel industry, as well as continuing problems with steel exports to the U.S., remain unresolved. Auto imports are also a contentious issue. Although the domestic industry is being restructured, and while Korean manufacturers exported over 1.5 million vehicles last year, foreign car manufacturers only sold about 2,400 vehicles in Korea last year – persuasively confirming for most observers that the Korean auto sector indeed remains the world's most difficult to penetrate.

Korea has shown some progress in enforcement of its intellectual property rights (IPR) laws and bringing its standards up to those of the other OECD countries. Nonetheless, a number of longstanding issues remain, and as a result, Korea was elevated to the "priority watch list" by the U.S. Trade Representative (USTR) this year, in part, to signal the U.S. government's "serious concern" over Korea's IPR shortcomings.

Despite some of the challenges described above, there are many outstanding possibilities for U.S. goods and service providers, and we have described these possibilities in Chapter V (Best Prospects) of the CCG. New opportunities continue to abound. For instance, Korea has become of one the world leaders in information technology (IT) and boasts one of the highest per capita usages of the Internet and mobile telephony. Moreover, it is anticipated that leading-edge IT companies will soon overtake Korea's traditional manufacturers as the leaders driving Korea's future economic growth. Korean electronic commerce is expected to double annually for the next five years. With the expansion of demand, imports from the U.S. for semiconductor equipment are estimated to grow at an average annual rate of 25% through 2001. Korea's environmental market will exceed $8.8 billion this year and is expected to grow by 15% annually over the next five years, and will offer countless business opportunities for U.S. exporters.

Over the next 20 years, the Korean government will be spending over $300 billion on infrastructure projects, especially in regions outside of Seoul, (airports, roads, ports, railways, mega-resorts) and is seeking U.S. architectural and engineering expertise. In addition, Korea has allocated almost $60 billion to build nation-wide, over 100 new power generation facilities, while the Korean state-owned energy sector (power generation, oil and gas) is being privatized and is providing great opportunities for U.S. energy companies.

In sum, we believe that Korea is undergoing a fundamental and unprecedented period of change. While obstacles and inconveniences remain, what is clear is that Korea is evolving into a more competitive, more transparent, and more user-friendly international business environment, driven by increased deregulation, local autonomy, and foreign direct investment. Moreover, the rapidly evolving political and economic situation on the Korean Peninsula, as evidenced by the historic summit between the North and the South, and the partial easing of U.S. trade and investment sanctions against North Korea, may eventually create huge, heretofore unknown commercial opportunities. We urge serious U.S. firms wishing to be competitive in all of North East Asia to not underestimate the strategic importance of being present and active in the Korean market.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at HTTP://WWW.STAT-USA.GOV and HTTP://WWW.STATE/GOV. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

The Korean economy rebounded sharply in 1999 and during the first half of 2000 from its unprecedented 1997-98 economic crisis, led mainly by buoyant domestic consumption and investment and a surge in exports, Korea's Gross Domestic Product (GDP) grew 10.7% in real terms in 1999, propelled by strong recoveries in principal industrial sectors, decisively reversing 1998's 6.7% contraction, Korea's worst performance since the Korean War. GDP growth was particularly impressive in Q4 1999 (13%) and Q1 2000 (12.8%). The Korean economy is expected to grow around 8% in 2000 and slightly slower in 2001 with inflation expected to remain in the 3-4% range.

Large and unprecedented foreign portfolio and direct investment flows aided Korea's recovery. Foreign direct investment (FDI) during the years 1998 ($8.9billion) and 1999 ($15.5billion) almost exceeded total FDI during the previous 35 years (1962-1997). FDI continue to increase in 2000, with $3.7 billion in commitments during the first four months, or 33% above the same 1999 period.

Korea's December 1997 financial crisis coincided with the inauguration of President Kim Dae Jung, who embraced a $58 billion IMF package, including loans from the IMF, World Bank, and the Asia Development Bank, as Korea's best chance to recover. Under the terms of the Korean government's IMF program, Korea agreed to open its financial and equity markets to foreign investment and to reform and restructure its financial and corporate sectors to increase transparency, accountability and efficiency.

By mid-2000 the government injected close to $90 billion in public funds to recapitalize the banks and the financial sector. To strengthen lending practices, banks were forced to adopt international accounting standards and use forward-looking criteria (FLC) as a provision against non-performing loans. A new "mark-to-market" system, which more accurately reflected the actual value of the assets of the investment trust industry, went into effect on July 1, 2000. In corporate restructuring, the debt-to-equity ratios of the top four Korean chaebol or conglomerates (Hyundai, Samsung, LG, and SK) fell from 469% in 1997 to 352% in 1998 and 174% in 1999, well below the government-mandated 200%. These large businesses will be required to consolidate their financial statements beginning the fiscal year 2000.

The success of Korea's financial and corporate-sector restructuring is essential to encourage a high pace of productive domestic and foreign investment. President Kim's government has been instrumental in opening Korea's economy to foreign investment and reducing trade barriers to an unparalleled degree. These reforms have accelerated the evolution of Korea's financial and corporate sectors away from the previous state-led economic model toward a commercial free-market model.

The biggest challenge to the government's program of financial reform and Korea's continued financial stability to emerge in 1999 was the mid-year collapse of Daewoo, Korea's second-largest chaebol (conglomerate). With around $80 billion in debt, Daewoo's demise was by far the largest corporate bankruptcy in modern history. Moving swiftly to restore investor confidence and avoiding any hint of a bail out, the Korean government facilitated agreements between the stricken company's affiliates and Daewoo's domestic and foreign creditors. Korea's investment trust industry, a heavy buyer of Daewoo bonds, was hit hard by huge losses and a large loss of confidence as investors withdrew their won by the trillions. As buyers for corporate paper of any type all but disappeared, the bond market was dominated by sellers and almost ceased to function, causing problems for companies which needed to raise money. The government's handling of the Daewoo collapse ended the myth of "too big to fail" and served as a warning to companies to pursue sound financial policies and for investors to more carefully assess risk, serving to move economic policy in a more market-oriented direction.

Korea is emerging as one of the world's most "wired" economies as Koreans rapidly embrace the internet and wireless information technologies. For instance, 80% of retail stock transactions in Korea occur over the internet. According to a prominent U.S. internet executive, Korea, with 14 million internet users by spring 2000 was the world's third leading internet country, after the United States and the United Kingdom and has one of the world's highest per-capita usage rates for wireless telephones. Investors have poured venture capital into thousands of "dot-com" start-ups, and thousands of young Korean workers have left traditionally secure chaebol jobs to work for venture firms and start-ups.

In July 2000, the won strengthened to 1110-1120/dollar after falling to nearly 1,700 won per dollar in late 1997. Korea's usable foreign currency reserves subsequently grew to nearly $90 billion by July 2000. Despite strong growth in foreign exchange reserves, Koreans still are concerned about a narrowing trade surplus. The ROKG has revised its trade surplus estimate for 2000 to $8 billion from the previous estimate of $12 billion.

Manufacturing led Korea′s GDP growth in 1999, jumping 21.8%, a big turnaround from its 7.4% contraction in 1998. Manufacturing's share of GDP grew to 32.6% in 1999, compared with 21.8% in 1998 and 29.3% in 1997. Within manufacturing, heavy industry and chemicals performed exceptionally well in 1999, recording 25.9% growth year-on-year. Telecommunications, electronics, industrial machinery, and transport equipment were conspicuous with 30%-plus growth. Light industry such as textile, footwear and food products, showed relatively modest growth of 7.2%.

Unemployment fell to 3.7% in May 2000, compared to 4.8% at the end of 1999, the lowest rate since unemployment peaked at 8.6% in February 1999. Compensation levels and private consumption strongly improved but unemployment in 1999 and 2000 still exceeded the 2.6% level of 1997, a figure which will be difficult to reach again in the more flexible labor market conditions that now prevail. The number of newly established firms rose steadily each month in 1999, exceeding the number of bankrupt firms by a factor of 10 or more.

Financial services and banking seriously lagged behind the rest of the economy, growing only 5.4% in 1999. The poor performance of finance and banking services was mainly due to a large amount of unresolved non-performing loans; the collapse of the Daewoo group in mid-1999; the subsequent poor performance of the bond market; a loss of investor confidence in the investment trust industry, and incomplete reform and restructuring in the banking and the financial system as a whole. Non-financial service industries grew quickly in 1999.

Construction, another sector which seriously under-performed in the economy, continued to decline, shrinking 10.1% in 1999, following a 8.6% fall in 1998. In the first quarter of 2000, the decline slowed to -7.8%. Since 1998, the government has given incentives to domestic and foreign firms to invest in infrastructure projects while removing restrictions on financing and imports. Combined output from agriculture, forestry, and fisheries grew 4.7% in 1999, reversing a 6.6% dip in 1998. Output from mining also grew 5.2%. These two relatively small sectors accounted only for about 6% of GDP in 1999.

Investment

Excessive, often ill-conceived, capital investment in the 1990s created over-capacity in many industries, contributing to the 1997-98 economic downturn. Investment rebounded strongly in 1999. After falling 21.1% in 1998, fixed capital investment grew 4.1% in 1999, although a weak construction sector reduced overall 1999 investment growth. Machinery and equipment investment grew an impressive 38%, almost entirely offsetting a nearly equal contraction in 1998. Orders for imported machinery grew 34%, outpacing the 23% rise in domestic machinery and equipment orders. The average factory utilization rate for 1999 rose to 76.5% from 68% in 1998. Brisk growth in facility investment continued through the first quarter of 2000, rising 55% year on year, including 64% growth in imported machinery orders and 18% for domestic machinery.

Consumption

Expenditure on domestic consumption grew 8.5% in 1999, compared with 1998’s 9.8% decline. Domestic consumption accounted for 60% of GDP in 1999, down from 62% in 1998. Consumption grew 10.3%, led by brisk private industrial investment and increases in private household expenditures. In contrast, government consumption declined 0.6%. Ministry of Labor statistics showed that wages for regular employees increased 14.5% (inflation adjusted) in 1999, offsetting the 11% decline (inflation adjusted) in the previous year. Wholesale and retail trade in 1999 recovered 13% (in constant value terms) reversing a similar decline in 1999. The Bank of Korea estimated that private consumption will rise about 6% in 2000.

Exports

Korea’s exports in the first five months of 2000 increased 26.9% to $67.5 billion, helped by double-digit growth in semiconductor, petrochemical, steel and vehicle exports.

On a customs clearance basis, Korea’s merchandise exports grew 8.6% 1999 to reach $143.6 billion ($132.3 billion in 1998). Despite a strengthening won (average for 1998: 1398 won/dollar; average for 1999: 1190won/dollar), exports increased thanks partly to growing world-wide demand for Korea’s semiconductor and telecommunication goods and a strong Japanese yen. The United States was Korea’s leading overseas market, followed by the E.U. and Japan. Korea was the eighth largest source of U.S. imports in 1999, selling goods worth $29.4 billion. Exports to the U.S., the E.U. and Japan rose 29.2%, 11.4% and 29.6%, respectively, compared with 1998. Korea’s exports to Asia increased 14.4% in 1999 to $65.8 billion compared with 16% growth in 1998. Asia took 43.5% of Korea's exports in 1998, but that proportion increased to 45.8% in 1999 thanks to regional economic recovery.

Semiconductors accounted for 13.1% of Korea's total 1999 exports, up slightly from 1998's 12.8% share. Korea is one of the world's leading producers of 16-megabyte and 64-megabyte DRAM chips. Rising world semiconductor prices increased Korea's semiconductor exports 10.8% to $18.8 billion in 1999.

In 1999, steel exports declined 13.4% to $7 billion, while textile exports rose 6.8% to $5.8 billion. Vehicle exports rose 12.3% to $11.1 billion.

Main Export Destinations by Proportion (% of Total)

	1998	1999	2000 (Jan-May)
USA	17.2%	20.5%	20.7%
EU	13.7%	14.1%	13.3%
Japan	9.2%	11.0%	12.0%
China	9.0%	9.5%	10.5%
Hong Kong	7.0%	6.3%	6.3%

Main Exports

Korean exports for calendar year 1999 and first quarter 2000 (with year-on-year % change), FOB basis, in US$ billions were:

	1999	Change	Q2 2000	Change
Total Exports	143.6	8.6%	39.3	30.1%
Semiconductors	18.8	10.8%	4.6	0.3%
Telecom Equip.	16.7	87.6%	6.3	125.6%
Steel	10.3	-7.3%	2.7	20.8%
Passenger Cars	9.4	15.3%	2.4	51.0%
Ships	7.5	-6.5%	1.8	43.3%

Imports

Korea's imports during the first five months of 2000 rose 48.3% to $65.4 billion compared with an 11.8% gain during the same period of 1999. These imports overwhelmingly consisted of capital goods (39.4%), and raw materials and fuel (50.8%), while consumer goods amounted to only 9.8% of the bill. U.S. exports to Korea in the first five months of 2000 rose 23% to $12.2 billion. In 1999, Korean imports rose 28.4% to $119.7 billion but did not regain their1997 level. The United States was the leading source of Korea's imports, followed by Japan and the E.U. in 1999. U.S. exports to Korea increased 22.1% in 1999 to $24.9 billion from $20.4 billion in 1998, but declined 17.2% from $30.1 billion in 1997. Korea was the sixth-largest U.S. export market in 1999, up from ninth in 1998. During the first five months of 2000, Japan became Korea's largest import market again as restrictions on Japanese imports were lifted in 1999. Korea's imports from Japan increased 54.6% to $13.1 billion during the first five months of 2000.

Main Import Origins by Proportion % of Total)

	1998	1999	2000 (Jan-May)
USA	21.9%	20.8%	18.7%
Japan	18.1%	20.2%	20.1%
EU	11.7%	10.5%	9.8%
China	7.0%	7.4%	7.7%
Saudi Arabia	4.7%	4.7%	5.8%
Australia	4.9%	3.9%	3.8%

Korean imports for calendar year 1999 and first five months 2000
(with year-on-year % change), CIF basis, in US$ billions.

	1999	Change	Five Months 2000	Change
Total Imports	119.8	28.4	38.8	51.8
Crude Petroleum	14.8	31.5	6.1	134.0
Semiconductors & Parts	16.1	31.2	4.6	21.2
Chemicals & Products	9.8	22.8	2.9	33.3
Iron & Steel Products	4.8	43.1	1.6	55.2
Machinery & Equipment	13.5	28.8	4.4	63.8
Electric & Electronic Machinery	31.7	46.7	10.3	49.9
Cereals	2.3	-7.9	0.6	8.6

Inflation

In 1999 Korean inflation reached record lows. The consumer price index grew a mere 0.8%, while producer prices fell 2.1%. In 2000, with a strong economic recovery well underway, workers' wage demands, rising consumption, and price jumps in petroleum products contributed to somewhat higher general price level in 2000 of about 3%.

Prices & Wages (annual % change)

	Consumer Prices	Producer Prices	Mfg. Wages
1980-89(average)	8.4	6.9	15.3
1994	6.2	2.7	15.5
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	12.3

Sources: KDI; Bank of Korea; Embassy estimates

Interest rate policy

After the ROKG introduced high interest rates late in 1997 as part of its IMF agreement, the ROKG returned to a low interest policy in 1998. High interest rates were intended to ensure foreign currency liquidity and stabilise the exchange rate at a time when capital outflow 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 healthy firms into bankruptcy.

Starting in Q2 1998, the government pursued lower interest rates, in consultation with the IMF, to rescue the economy from a deep recession. Thanks to these measures, the interbank call market rate slid to 6% in 1998, from its 20% peak at in late 1997 through the first quarter of the year, before falling to as low as 4% in Q1 1999. Since mid-1998, the economy has continued to recover and the ROKG has successfully maintained a low-interest-rate policy with the benchmark call rate stabilized at slightly over 5% by July 2000.

<u>Principal Growth Sectors</u> – Year-on-Year % Change in Economic Indicators by Economic Activity (in 1995 constant prices) and sectoral share of GDP (1999 and 2000 figures are provisional).

	1998	1999	Share of 1999 GDP	Q1 2000
Gross Domestic Product (GDP) growth rate	-6.7	10.7		12.8
Industry	-6.1	11.0	32.9	13.3
Mining	-24.0	5.2	(0.3)	1.0
Manufacturing	-7.4	21.8	(32.6)	23.0
- Light Industry	-12.1	7.2	-	8.3
- Heavy Industry	-6.0	25.9	-	26.7
Services			54.3	
Electricity, Gas & Water	0.6	9.1	(2.5)	18.0
Construction	-8.6	-10.9	(8.7)	-7.8
Wholesale/Retail Trade, Restaurants & Hotels	-10.9	13.1	(12.1)	12.8
Transport, Storage & Communications	-0.8	16.1	(8.2)	17.3
Finance, Insurance, Real Estate & Business Services	-1.9	5.4	(22.8)	6.0

Agriculture, Forestry & Fisheries	-6.6	4.7	(5.6)	1.0
Others *			12.8	
Total			100.0	
Exports of Goods, Services	13.2	16.3		
Imports of Goods, Services	-22.4	28.9		
Gross National Income (GNI)	-2.9	9.2		

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 1990 Constant Prices. (1999 and 2000 figures are provisional)

	1998	1999	Q1 2000 (Y-on-Y)
(by proportion of GDP)			
Final Consumption Expenditure	-9.8	8.5	9.7
Private consumption	-11.4	10.3	11.2
Government consumption	-0.4	-0.6	0.7
Gross Fixed Capital Formation	-38.4	30.4	30.6
Construction	-10.1	-10.3	-7.0
Machinery & Equipment	-38.8	38.0	63.6

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 may allow the government to balance the budget by 2003, earlier than the previous goal of balancing the budget by FY 2006.

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 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 Kim Dae Jung's administration has stressed 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.

The Korean government itself plays a direct role in the economy through a total of 108 non-financial public enterprises which account for 6-8% of GNP. The government is planning 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

Korea had a sizeable current account surplus of $25 billion in 1999, although lower than the $40-billion surplus of 1998. The narrowing of the current account surplus in 1999 was largely due to import growth outpacing exports. The 2000 current account surplus is expected to fall further, to about $10 billion, as imports continue to grow in pace with the economic recovery.

The capital account reversed from a $3.2 billion deficit in 1998 to a $0.6 billion surplus in 1999 due mainly to inflow of foreign direct and portfolio investment. FDI inflows recorded a deficit of $3.7 billion in 1998 reversed to a surplus of $5.4 billion in 1999. In contrast, Korean direct investment overseas fell 16% in 1999 as Korean businesses continued to cut back foreign operations to improve their financial positions. The capital account continues to run a large surplus in 2000, $12 billion for the first five months, thanks to continued strong foreign direct and portfolio investment in Korean markets.

Korea's external liabilities totaled $136.4 billion at the end of 1999, a decline of 8.7% compared with $148.7 billion a year earlier. A debtor nation at the end of 1998 with $20.2 billion in outstanding loans, Korea became a net creditor by the end of 1999, with net outstanding loans of $9.3 billion. At the end of April, 2000, however, Korea's gross external liabilities rose slightly to $140.4 billion, the result of increased short-term trade finance needs, such as the import of petroleum products. As result, the share of short-term debt to total debt outstanding increased to 32.9% at the end of April, 2000, from 27.9% at the end of 1999, while short-term debt as a proportion of foreign reserves rapidly increased to over 50% by the end of May. Korea's foreign exchange reserves continued to rise, from $52 billion at the end of 1998 to $74.1 billion at the end of 1999, and to $86.8 billion in April, 2000, which most observers believe is more than sufficient to cover short-term financial outflows.

The Korean currency ended 1999 at 1145.4 won/dollar (average for 1999: 1189.5 won/dollar). The won appreciated around 15% in 1999. The won's rise was linked to an oversupply of dollars from foreign portfolio investment and a trade surplus. In 2000, however, the won may stabilize between 1,100 and 1,120 won/dollar.

Balance of Payments
in US$ billions

	1997	1998	1999	Q1 2000
Current Balance	-8.2	40.6	25.0	1.3
- Trade in Goods	-3.2	41.6	28.7	2.3
— Exports FOB	138.6	132.1	145.5	1.3
— Imports FOB	141.8	90.5	116.8	9.0
- Trade in Services -	3.2	0.6	-1.0	-0.9
- Net Transfers & Income	-2.4	-5.0	-4.7	-1.0

	1997	1998	1999	Q1 2000
Capital Account	1.3	-3.3	0.6	8.5
- Direct Investment	-1.6	0.6	4.8	0.7
- Portfolio Investment	14.3	-1.9	8.8	6.7
- Other Investment	-10.8	-2.1	-12.7	1.3
Errors and Omissions	-5.1 -	6.3 -	2.6	0.8
Changes in Foreign Exchange Reserves*	11.9	-31.0	-23.0	-10.6
Foreign Reserves (US$ billions)	20.4	52.0	74.1	83.7

(* Negative numbers denote an increase in reserves.)

(Bank of Korea, Korea Institute of Finance, Korea Development Institute)

Infrastructure

Korea's infrastructure continues to expand. 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, such as Seoul's Kimpo International Airport, Pusan International Airport and the international airport on Cheju island. The country is moving to expand its airports which currently are inadequate to handle its burgeoning air traffic. Inchon International Airport, scheduled to open in 2001, will replace Kimpo as Korea's principal international air hub. After Inchon opens, Kimpo exclusively will handle domestic 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 continue to strain existing facilities.

The Korean government and private sectors continue to vigorously expand and improve Korea's excellent information and communications infrastructure. Government policy is to develop Korea as one of the world's leading information- and knowledge-based economies. An information infrastructure development effort, called "Cyber Korea 21," includes significant monetary commitments by the Korean government, and the results should benefit U.S. firms that choose to do business in Korea.

CHAPTER III. POLITICAL ENVIRONMENT

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

The ROK has witnessed a sweeping political transformation over the past decade. Korea's democratization is now deeply entrenched. The last three presidential elections have been free, open and fair. In 1992, Koreans elected Kim Young-Sam, the first president in over thirty years without a military background. In 1997, Koreans voted for opposition leader Kim Dae-Jung, the first transfer of power to the opposition since Korean independence. On a political level, the U.S-ROK relationship has matured into a close bilateral relationship; the two countries are friends, partners and allies. Korea and the United States share common democratic values and practices and are working together, both in the region and in the rest of the world, to advance democratization and human rights.

The United States has a strong security relationship with Korea and is committed to maintaining peace and stability on the Korean Peninsula. The United States is obligated under the 1954 U.S.-Korea Mutual Defense Treaty to help Korea defend itself from external aggression. In support of that commitment, the United States maintains about 37,000 uniformed men and women in the country, commanded by a U.S. four-star general who is also commander of the United Nations forces, including the Second Infantry Division and air force squadrons.

Major Political Issues Affecting the Business Climate

Kim Dae-Jung's victory in the December 1997 presidential election has had wide ranging implications for the business climate. President Kim was elected at the height of the financial crisis. He promised sweeping economic and political reform, transparency in business practices, and further liberalization in trade and investment. Already, President Kim has achieved much, including legislative changes to promote labor flexibility, corporate transparency, and capital market liberalization.

Over the short-term, President Kim's ability to deepen and consolidate economic reform will depend to a large extent on the support of labor and the National Assembly. On the labor front, despite an increase in unemployment, at one point, over 8%, President Kim has been successful in avoiding a major clash between his government and labor. Although there are signs that labor is showing some resentment towards the Kim administration's policies, labor leadership has so far failed to generate support both from the public and in the unions' rank and file for a strong stand against the government. On the political front, President Kim's popular support is around 70% and his party and its former coalition partner are one seat shy of National Assembly majority, making passage of legislation somewhat of a challenge for the Kim administration. This is exemplified by the ongoing clashes between the ruling coalition and the opposition Grand National Party which has made bipartisan passage of legislation difficult and led to boycotts of legislative sessions by members of the opposition.

A number of developments regarding North Korea could also affect the business climate. At his inauguration, President Kim laid out three principles for his policy toward the North: no tolerance of armed provocation; no intention to absorb the North; and mutual reconciliation and cooperation where possible, especially in the area of economic relations. Characterizing this policy as his engagement policy (Sunshine Policy), President Kim has shown a willingness to encourage cooperation with the North, both in economic and political issues. His policy recently bore fruit with the first-ever North-South summit in Pyongyang on June 12-14. During this historical event, President Kim and North Korean leader Kim Jong-il agreed to expand economic cooperation and to continued improvement in North-South relations which likely will lead to increased business ties between North and South Korea. One recent example of President Kim's policy to give free rein to South Korean businesses was Hyundai founder Chung Ju-Yong's visit to North Korea through Panmunjom, the first crossing of the DMZ by a South Korean businessman. Chung's visit resulted in tourist cruise ships being allowed to visit the Kumgang Mountain area of North Korea, the most significant business development to date between the two Koreas.

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 that is selected by both direct (90%) and proportional (10%) elections. The president serves a single five-year term. National Assembly legislators are elected every four years.

Kim Dae-Jung was elected president in the last presidential election, which was held in December 1997. The last National Assembly elections were held in April 2000, and the last regional elections, which select mayors, governors and other local government officials, were held in June 1998. The next presidential election will be in 2002, and the next National Assembly election will be in April 2004.

As of mid-June, the ruling Millennium Democratic Party had 119 seats in the 273-person National Assembly. The opposition Grand National Party held 133 seats followed by former Prime Minister Kim Jong-Pil's United Liberal Democrats (ULD) with 17 seats. Four seats were held by independent and members of minor parties.

CHAPTER IV. MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

Local representation is essential for foreign firms hoping to be successful in the Korean market. This is especially true in a market in which business relationships are built upon personal ties and valuable introductions, and in which much of the major third-country competition is only a few flight-hours away. In addition, in sectors related to any type of government procurement, only an entity registered with the Korean government, by law, has the ability to bid on procurement projects. Hence, a majority of 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 tight social/ business inner 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 or 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, Il-san, Taejon and Pusan, 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 store chains are planned nation-wide, with suburban satellite cities attracting the greatest number of stores.

In November 1995, regulations from the Korean Ministry of Finance and Economy (MFE) took effect, which allow the legal entry of parallel imports. Prior to that date, exclusive distributor/agents agreements implied that, other than the authorized and registered distributor/agent, no other importer could legally clear goods through Korean customs, i.e. importers in Korea who tried to bring in products through overseas secondary sources or who were not the exclusive distributor/agent found that their shipments were held up at customs.

The practical implication of parallel imports is to reduce by some margin in 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 is not getting the support of the OEM, cannot provide after sales service, etc. in the same manner, probably doesn’t deal in the same volume, cannot be guaranteed a steady source of supply, and if the trademark is registered, should not be able to display it in a store (though this still happens). As noted above, the legitimate exclusive distributor still has considerable advantages here.

Information on Typical Product Pricing Structures

The rate for commissions using an agent or distributor vary depending on the type of product and the amount of transaction. On average, Korean agents look for 10%, when a transaction is conducted on a spot basis, but it varies for different products; Generally, 7% would apply to such product categories as general machinery including packaging, construction, and material handling equipment. And, 15-18%, or even more, would apply to such sophisticated products as medical/ laboratory/scientific analytical instruments, for which after sales service is very important.

For the protection of the consumer, Korean regulations require consumer items, in general, to 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 as low as 50% to about 150%.

Use of Agents/Distributors; Finding a Partner

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

Only traders registered with the government are authorized to import goods in their own names. Appointing a registered trading company (rather than an "offer agent") as an agent has the advantage that such agents can handle all of the importing paperwork and import for their own account. Registered trading companies tend to be larger firms and to split their business between exports and imports. However, they may be less attentive to building the U.S. supplier's business and place a higher emphasis on diversifying their portfolio of products from different countries. Similarly, while the larger general trading companies may be influential and well known in the market, they also may not devote as much attention to a single product as do smaller firms.

To locate a local representative, a good place to begin is with a fee-based service called the Agent/ Distributor Service (ADS) through the Commercial Service (CS) Korea. Offered for a modest fee, the service starts with one of the many local Export Assistance Centers of the U.S. Department of Commerce located in most major cities throughout the United States. The ADS is carried out by industry specialists of CS Korea's local staff who tap into their well-established network of industry contacts and trade associations. Upon receipt of an annotated listing of three to five potentially qualified representatives, the next step is to plan a visit to Korea, perhaps calling upon CS Korea to arrange market briefings, a meeting schedule, and an interpreter/secretary under the fee-based Korea Gold Key (KGK),or special Green Key program (for environment-related firms) service.

Another good resource of contacts is the Association of Foreign Trading Agents of Korea (AFTAK), a well-established private trade association founded under government auspices uniquely dedicated to increasing imports into Korea. To fulfill its original mission of promoting balanced trade, AFTAK helps to 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 foreign commercial services of various embassies in Korea.

The Korean law used to stipulate that a sales agent must be a member of AFTAK to be able to issue and make price quotations, or pro forma invoices in their own names. However since the beginning of January, 2000, this 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 AFTAK. A commissioned agent/distributor does not have to be registered with AFTAK, although such an agent/distributor must have one of its registered agent(s)/distributor(s) in order to handle the requisite documents by paying a fee. American businesses can contact AFTAK by sending their catalog with a letter specifying the items for which they are seeking an agent or visit the AFTAK office directly. Catalogs are displayed in the AFTAK library and inquiries are published free of charge in the associations monthly, AFTAK TRADE NEWS (AFTAK contact information is listed at the end of this section). The Commercial Service of the U.S. Embassy also works closely with AFTAK to advertise requests for agents received from American companies.

Usually an agency contract specifies the terms applicable to terminating an agent's 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 specifically include provisions on agent termination.

The Commercial Service in Korea recommends that U.S. companies seek legal counsel prior to signing a contract in Korea. The legal advice that law firms with international experience can provide can prove to be very important. Most experts advise engaging a local attorney before 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, copyright, and patent (if applicable) registration with the Korea Industrial Property Office (KIPO) is the minimum safeguard for your intellectual property rights to be protected 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 make 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: 792-1581/4
FAX: 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: 551-2000/19
FAX: 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)
Trade Inquiry Office, 6th floor, Trade Tower, KWTC
159-1, Samsung-dong, Kangnam-gu, Seoul, Korea
Tel: 6000-5267
Fax: 6000-5161
Website: www.kita.or.kr

Franchising

Potential Korean franchisees prefer to do business with the U.S. franchisers that can offer their established brand names to the Korean consumer as well as the American-style systematic management skills the U.S. headquarters can provide. The financing and marketing acumen of their potential business partner are the two most important items to consider for U.S. firms as they engage in the process of selecting their Korean master franchisee. A Korean master franchisee can be either a larger corporation or a small-sized entrepreneur. A large corporation may be strong in financial support but can be less aggressive in marketing since the corporation runs the franchise as one of its operation units. A small-sized entrepreneur, on the other hand, can be more aggressive in marketing, but may not present well-organized management skills nor adequate financial resources.

Franchising opportunities in Korea are particularly promising because of its strong economic growth of over 10% in 1999 and very low inflation, just over 2%, giving the country a very desirable combination of low inflation and robust economic growth. The jump in Korean consumer spending and facility investment remain the twin engines driving Korea’s high growth. At the same time, the won-dollar rate appears to have stabilized at its current 1,100 won to $1 level over the past year helping maintain consumers’ ability to purchase imported products. Korean National Statistical Office (NSO) figures indicate that by the first quarter of 2000, the average monthly income of Korea urban salaried workers’ households was up 11.2% to $2,545. During the same period, the average monthly spending for urban salaried workers households on goods and services increased by14.3%, to $1,700.

In Korea, the franchise industry is divided into three main areas: food service, retail, and the service sectors.

Food Service:
Starting in 1994, the franchise restaurant market began to develop in Korea, and soon grew by 40-50% annually until the onset of Korea’s recent economic recession. Because of that economic downturn, U.S. franchisees almost immediately experienced a 30-50% drop in sales over the next year. However, with the renewal in Korea’s economic growth, starting in 1999, dining-out among consumers became popular again and most franchise industry specialists expect that the size of Korea’s food service sector will exceed its pre-economic crisis level this year. Korea’s total franchise restaurant market currently is valued at approximately $1.1 billion, about 5% of its total food service market of $22.7 billion.

To date, franchising in Korea has developed primarily in the restaurant market, an area that requires large investments that include start-up and market development costs. Korean business partners are seeking U.S. franchisers who can offer marketing expertise and brand name recognition.

Retail:

Franchise operations currently comprise approximately 8% of the Korean retail industry. Korea's vigorous economic recovering has spurred its domestic retail industry to grow by 9.6% to $98 billion in 2000. Gross revenues for the Korean retail industry, that includes department stores, discount stores, supermarkets, convenience stores, and conventional markets, surged 30% in 1999 to $84 billion, a sharp reversal of the negative growth it experienced in 1998. Furthermore, Korea's retail franchise market is expected to grow gradually over the next few years as a result of the Korean government's targeted financial support for its small and medium-sized businesses and venture capital businesses.

Service:

In Korea, service businesses, including franchises, are still in their nascent stage. Nevertheless, the recent opening of several U.S. service franchises in Korea point toward rapid changes in the near future. Korea offers a potentially good market for this business segment and U.S.- based service franchise operations in Korea have attracted favorable attention from Korean investors who are looking for new investment opportunities, including (small office/home office) SOHO businesses. For example, San Diego-based Mail Boxes Etc. (MBE), recently launched its first MBE center in downtown Seoul following its conclusion of a master franchise agreement with SK Global Co., Ltd. in June, 1999. Building on this success, MBE plans to open 28 MBE centers in 2000 and more than 300 altogether in Korea by the end of 2003.

As new-to-market U.S. franchisors consider the Korean market they should be cognizant of the Korean business culture and remain flexible regarding franchise fees and marketing standards. For example, in order to justify Korean franchisees' earning claims on their business franchise, the U.S. business partner may be asked to wave the royalty fees for the first several months. To expedite transactions, U.S. franchisors should counsel with private franchise consultants or CS Korea industry specialists prior to making a decision.

Currently, there are two qualified franchise consulting firms in Korea. The following is contact information for those firms:

Frannet Korea Corp.
2nd fl., Yonghyun Bldg., 50-1
Yong Kang-dong, Mapo-gu, Seoul
Phone: 82-2-701-6373; Fax: 82-2-701-6376
E-mail: korea@frannet.com
Web: www.frannetkorea.com

Franchise Information Co., Ltd.
3rd fl, Hyundaiparkville 108, Guro 5-dong
Guro-gu, Seoul
Phone: 82-2-855-6006; Fax: 82-2-855-6788

E-mail: kfcpark@chollian.net
Web: www.korafranchise.co.kr

Direct Marketing and Selling

Following the recent establishment of the Korea Direct Marketing Association (KDMA) which covers catalog sales, TV shopping, and Internet shopping, “Direct Selling” and “Direct Marketing”, became recognized as two different industries in Korea. The direct selling business is comprised of door-to-door and multi-level sales.

I. Direct Selling

Door-to-Door Sales:
There are 9,583 door-to-door sales firms in Korea as of January 31, 2000. Major products of door-to door-sales firms include home education materials, books, household consumer goods, cosmetics, health food, sporting goods and other service products such as insurance and travel. According to the Korea Direct Selling Association (KDSA), the Korea door-to-door sales market for 1999 totaled $ 1.5 billion.

Multi-level Marketing:
Korean multi-level sales for 1999 totaled $ 762 million. Over the years, Korean authorities have criticized multi-level marketing (MLM) as an “undesirable or inappropriate business form” for Korea; one which is prone to consumer safety negligence, “excessive” profitability, and “abuse” of the tight Korean social fabric through “pyramid schemes”.   However, this negative image of multi-level sales in the eyes of the Korean government finally appears to be changing as a result of combined efforts of U.S. industry, CS Korea, and the Korea Direct Selling Association (KDSA). The Korea Direct Selling Association is a member of World Federation of Direct Selling Association in Washington.

As a result of these market liberalization measures, multi-level marketing activities by U.S. firms in the cosmetics, cleaning products, and kitchenwares sectors have been expanding. In order to garner further successes, however, U.S. multi-level sales firms should analyze market trends carefully to promote their products and services successfully in Korea.   Prior knowledge of the issues can help avoid unnecessary difficulties in other relations with government officials, consumer watchdog groups or industry groups.

In keeping with its previous deregulation efforts, the Korean Ministry of Commerce, Industry and Energy (MOCIE) abolished unnecessary regulations for MLM companies by amending its Door-to-Door Sales Act (DDSA). After these changes, the draft legislation was passed by the Korean National Assembly on January 5, 1999. The newly passed regulations eliminated existing market impediments pertinent to the U.S. industry such as the obligation to disclose retail prices on the MLM product label. In addition, on May 25, 1999, the government authority that enforces the Door-to-Door Sales Act was transferred from MOCIE to the Fair Trade Commission (FTC) by the newly revised Government Reorganization Law. As a result, U.S. industry can expect more favorable and open treatment from the Korean government officials.

The current Door-to-Door Sales Act still contains some restrictive provisions however. Restrictions include maximum sales price of any product to 1 million won (about $910) and a maximum on sponsoring bonuses of 35% of the sales price. On behalf of its U.S. and Korean colleagues the KDSA recently proposed to the FTC a revision of this Act by submitting a draft Act, which includes the abolishment of these restrictive provisions. KDSA anticipates that with its input, the FTC will submit a revised bill to the National Assembly by October 2000.
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II. Direct Marketing

There are 3,525 direct marketing firms in Korea. Recently the Korea Direct Marketing Association (KDMA) was established for this industry. Gross revenues for 1999 for the Korean direct marketing industry, including catalog sales, TV shopping, and Internet shopping, are as follows:

Catalog sales:	706 billion won ($588 million)
TV shopping:	734 billion won ($611 million)
Internet Shopping:	130 billion win ($108 million)
Total:	884 billion won ($1,308 million)

Direct Mail Catalog Sales:
Although the direct mail catalog sales business is still in its infancy, there is potential in Korea, particularly in Seoul, where the heavy traffic can make even the most patient person look favorably towards convenient home delivery. However, several challenges present themselves before this market segment can realize its true potential. They include:

- expensive distribution costs.
- less competitive prices compared to other large discount or membership stores.
- the illegality in Korea of trading mailing lists, and
- delivery delays due to a vastly unorganized mailing/street address system.

Joint Ventures/Licensing

Korea has made great progress in opening its market to foreign investment. The recent economic crisis spurred the Korean government at the highest levels to make dramatic and high profile efforts to attract foreign investment for the purposes of restructuring its economy and bringing in much needed foreign capital. In its efforts to overcome the economic downturn, the government has not only publicized its open encouragement of foreign investment, but also has implemented liberalization policy measures, including an increase in foreign equity ownership, to realize its goals. Though high-level officials, lead by President Kim and the Prime Minister's Office, have led the charge to de-regulate and liberalize the economy, some foreign companies point out that restrictive regulations which would strike out trade and investment barriers at the working level are not being realized.

Yet, many foreign companies, like Coca-Cola and Pfizer, that already have operations in Korea have chosen this opportunity to increase their involvement in Korea. However, many U.S. investors continue to take a wait and see attitude because of continuing concerns over corporate transparency and indebtedness. Opportunities exist for cautious investors, though it may take a little longer before many investors are really ready to take the plunge.

Foreign investment approval is controlled by the Ministry of Finance and Economy (MOFE) and governed through the Foreign Capital Inducement Act (FCIA) which was replaced by the Foreign Investment Promotion Act (FIPA) in 1998. It is anticipated that the FIPA will 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. On the one hand, the large Korean conglomerate chaebols still exercise considerable influence which permeates the Korean government and financial institutions. At the same time, however, a gradual Korean Government policy shift in favor of small and medium sized businesses is beginning to emerge. As a result, while the chaebols continue to be important, this also means that their participation in joint ventures could create additional obstacles in terms of obtaining necessary approvals and local financing, especially with the recent government policy shift towards anti-monopoly behavior. In addition, the Chaebols tend to be insistent 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 there may be a great need for an injection of foreign capital for the survival of a company, there is a tendency built into 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 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). Since board meetings in Korea can only be legally held by a physical meeting of a quorum of the directors, if a foreign investor intends to exercise day-to-day management by appointing a Representative Director, that individual must be expected to reside in Korea. Also, in order to carry out the intentions of the foreign investor, the Representative Director will need the support of and access to key functional areas of the company which are crucial to those intentions. Therefore, the detail of the internal organization of a joint venture company should be settled and key management appointments agreed upon in the early stages.

Compatibility of goals between the partners is a crucial element to the joint venture's success. Conflicts often arise because of a conflict between the foreign investor's goal of sending profit dividends offshore and the Korean investor's goal of company growth in Korea with accompanied exports to third country markets. Korean attitudes are rooted in social and cultural factors and a continuing family orientation on the part of many companies.

To Koreans, a contract represents the current understanding of a "deal" and is the beginning of negotiations, not the end of discussions. If there are omissions or points that do not accurately express the understanding of the original deal under changing circumstances, then problems will arise. The same is true if the contracting parties change. This has led many foreigners to believe that Koreans do not place the same importance on a written contract as Westerners do. Though Americans may regard a written contract as legally binding Koreans may regard the same contract as a "gentlemen's agreement" which is subject to further negotiations dependent upon new circumstances. Therefore, contract negotiations with Koreans should be viewed as a process of extensive dialogue with the objectives of (1) reaching a common understanding on the deal and of each party's responsibilities; (2) putting that detailed understanding on paper; and (3) being prepared to modify the meanings of the terms afterwards, as conditions change.

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 concurrently with the negotiation of 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.

In this context, American companies should proceed with caution when they enter into a transfer technology licensing agreement. The protection of a company's intellectual property is not necessarily guaranteed, especially in the later stages of a business relationship when it means the survival or death of a Korean company. 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 from the Korean partner a small but key component of the manufacturing process or component. This preventative strategy allows the U.S. company to harness the use of the licensed technology in a controlled manner and maintain the integrity of the licensing agreement.

If a contract is violated in Korea, the legal procedures in Korea can be lengthy, cumbersome and expensive. Hence, if possible, the best contract strategy is a preventative one. Identification of a viable and trustworthy business partner from the very beginning is essential and due diligence should be performed regarding the potential business partner prior to any contract negotiations.

One precautionary strategy is to consult with attorneys throughout the process of negotiating a contract. (A list of attorneys in Korea is included at the end of this chapter.) In addition to consulting an attorney, another potential source to consult is the Korean Commercial Arbitration Board (KCAB). The KCAB is staffed with counselors who can 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. 822-551-2073
Fax. 822-551-2020

<u>Steps to Establishing an Office</u>

The following section provides some basic step-by-step guidelines for U.S. companies on how to establish 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

According to your company's particular industry sector, each investment will be different in terms of the size and complexity of the investment as well as the Korean laws and regulations governing operating in Korea. Because the Ministry of Finance and Economy (MOFE) continually revises its negative list, the best way to verify if your business activity can be conducted in Korea through your proposed office in Korea is to contact the "Investing in Korea Service Center."

The Korea Investment Service Center (KISC), formerly the Investing in Korea Service Center (and before that, the Comprehensive Center for Foreign Investment), can help provide general counseling in assessing whether your company's office in Korea will be allowed to conduct business in Korea. The Center can also provide general assistance before and during the set-up phase. Under the auspices of the Ministry of Commerce, Industry and Energy, the Center is charged to provide assistance and advice to foreign investors. Their one-stop service system provides services including information and consultations regarding trade and investment regulations, taxation, financing, customs clearance, plant/office site location, and investigation and resolution of difficulties or inquiries related to foreign investment.

The Center is located in an active business area of southern Seoul. The following contact information for the KISC is as follows:

KOTRA/ KISC
6th Fl., #300-9, Yumgok-dong, Seocho-ku
Seoul 137-170 Korea
Tel:(822)3460-7545
Fax:(822)3460-7946/7
Website: www.kotra.or.kr

Other References for Foreign Investment Assistance include:
(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)

Organization:	Telephone	Fax
- Investment Policy Division	500-2535	503-9655
- Investment Promotion Division (Ministry of Commerce, Industry, and Energy)	500-2539	503-9655
- International Cooperation Department (Small and Medium Industry Promotion Corp)	769-6706	769-6959
- Seoul Foreign Investment and Trade Service Center (Seoul Metropolitan Government)	731-6800/2	731-6803
- Trade Inquiry Office (Korea International Trade Association)	6000-5267	551-5161

Step 2: Receive Authorization to Proceed with an Investment

Once your company is confident that it will be allowed to conduct its business activity in Korea, the next step is to complete and submit the necessary notification documents. Permitted foreign investment projects are subject to notification to the Ministry of Commerce, Industry, & Energy (MOCIE) of the Korean government which delegates its authority to the head office of any 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 is entrusted with the authority 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 condition for the specific business. However, the bank will reject those notifications in sectors which are still considered prohibited to foreigners.

Your organization's representative should visit a commercial bank's head office and consult with the staff dealing with foreign customers and foreign investment. The bank provides application documents to be later re-submitted to the bank for authorization. Once all the documents have been thoroughly completed with the Korean translations attached, the authorization process by the head office bank should not take more than three hours.

Step 3: Search for an Office Site

It is required that a company submit notification documents and have them accepted by the head office of a bank in order to proceed with setting up an office. However, as finding and negotiating for an office site may take longer than the process of completing the documentation and notification to the bank, a company may consider taking steps 2 and 3 simultaneously. To the company unfamiliar with Korean real estate, one of the most important assets of finding a good office site is to find a good real estate agent or real estate consulting firm that is particularly skilled with foreign investments. A list of select real estate and real estate consulting firms can be found at the end of this section.

Despite the economic downturn, because of the scarcity and high demand for land, property is still expensive by U.S. and even Asian standards. The rental rates for office space in Seoul, by comparison, are not as high as East Asian capitals such as Tokyo or Hong Kong. Compared to a spot survey done in 1997, the rates were down by 50% in 1998. However, the rates are up by 40% in 2000 compared to 1999.

In combination with the monthly rental fee, another major cost item is the substantial deposit payment (or "key money"), a one-time charge which is refundable without interest upon termination of a lease. Key money is required by almost all Korean landlords. Hence in addition to the monthly rental fee, key money deposits for the rentals quoted above range from $4,000 to $6,000 per pyong (one pyong = approximately 3.3 square meters). Considering the present economic situation, the rental fee still has room for negotiation. 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 is another scarce commodity in Seoul, with monthly charges.

Foreign companies in Seoul tend to cluster in four well-known districts: City Hall — the old downtown where the U.S. Embassy and a few Korean ministries can be found; Yoido — the "Manhattan Island" alongside the Han River where financial firms and the National Assembly are located; Kangnam — the expansive, bustling, new city center south of the river district, which includes the World Trade Center complex and the American Chamber of Commerce in Korea; and the Mapo district — halfway between Yoido and City Hall. While traffic is an ongoing source of frustration and delay, Seoul has an excellent public transportation infrastructure such that newly arriving firms can consider various location options.

In the past, the Korean government limited foreign acquisition of Korean land under the Enforcement Decree of the Alien Land Acquisition and Management Law. Under the old law, foreign investors needed to obtain permission from the government, or were not able at all, to acquire land. But according to the revised "Foreign Land Acquisition Law," the Korean government allows foreigners to purchase land regardless of the size and purpose. However, local zoning laws which limit the scope of the type of activity should also be taken into consideration before making the final purchase.

Step 4: Register with the Nearest Tax Office

After locating the site for the office and providing notification to the bank, for tax reporting purposes, the investor must register with the nearest tax office within the jurisdiction of the site area. Local Korean tax authorities, in addition to performing tax audits, provide new tax information and counseling at the request of the company. However, the complicated Korean tax laws and the language barrier make it prohibitively difficult for unfamiliar foreign companies to file tax documentation with the Korean tax authorities. Therefore, a company should seriously consider hiring a local accountant firm to perform this function. (Such a list can be found in "Steps to Establishing an Office" at the end of this section.)

Step 5: Seek Qualified Employees

One last area to consider in setting up your company office may be to find local or foreign qualified employees to staff your office. Oftentimes, the headquarters of a U.S. company designates one or two expatriates to head their office in Korea while the rest of the staff tend to be local Koreans or Koreans educated in the U.S. Attractive factors to local workers can include a higher salary, a higher position earlier in one's career, opportunities for travel, the chance to learn and use English, and the opportunity for transfer to the home office or other foreign branch offices.

Korea also has a large pool of conscientious, highly educated, enthusiastic and underutilized women workers who usually cannot find equivalent employment in Korean companies due to traditional cultural attitudes towards women in the work force and the prevalence of the "old boy network." Where little opportunities for professional advancement in traditional Korean companies exist, frustrated Korean women, especially professionally qualified Korean women, often welcome a career opportunity should a foreign firm make a good offer.

The complete dedication to the company by Korean workers is slowly disappearing. Company loyalty still exists but these attributes and high productivity do not result automatically. The employer, if foreign, must first earn the respect of his/her Korean employees. Foreign managers have had success using recognition and increased pay to reward increased productivity. In addition, the basic requirements of earning loyalty, respect and friendship gained by the foreigners' own personal efforts are also important motivators.

Whether seeking to hire local or foreign staff or obtaining consultation and information on the local labor laws, one of the options is to consult an employment agency in Korea (see below).

List of Real Estate and Real Estate Consultancy, Taxation, and Human Resource Search Services

*(*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)

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

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

ERA Korea Co., Ltd.
16/F., Dusan Bearstel,
1319-11, Seocho 2-Dong
Seocho-Ku, Seoul
Phone: 82-2-3472-9114; Fax: 82-2-3472-9113
www.erakorea.co.kr
Contact: Mr. Young-Suk Lee, Chairman
(Specialized in commercial & residential real estate)

Kearny Buck Korea/Kearny Global, Inc.
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. Pietro A. Doran, President & CEO; Mr. David Yoon, Senior Director
(Specialized in commercial, retail, location analysis, leasing, project & construction management

and development consulting)

KIRA Consulting
18/F., Construction Bldg.,
71-2, Nonhyun-dong, Kangnam-ku, Seoul
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.
5/F., Soam Building,
44-10, Samsung-dong, Kangnam-ku, Seoul 135-090
Phone: 82-2-548-4900; Fax: 82-2-515-4009
www.korealand.org
Contact: Mr. Young-Dae Kang, Planning Director
(Specialized in residential real estate)

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

Pacific Consulting Co., Ltd.
Room 1205, Yoonil Bldg.,
706-13, Yeoksam-dong, Kangnam-ku, Seoul
Phone: 82-2-785-1818; Fax: 82-2-785-0249
www.land8.com
Contact: Mr. Jae-Wan Yang, President
(Specialized in commercial real estate consulting/marketing)

List of Accounting Corporations

Ahn Kwon Accounting Corp.
7/F., Tae Young Bldg.,
252-5, Gongduk-dong, Mapo-ku, Seoul 121-020 Korea
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
www.anjin.co.kr

Phone: 82-2-784-6901; Fax: 82-2-785-4753
Foreign Partner: Arthur Andersen (U.S.A)

Daejoo Accounting Corp.
6/F., Dongha Building,
629, Daechi-dong, Kangnam-ku, Seoul
Phone: 82-2-2263-2868; Fax: 82-2-2267-0470
Foreign Partner: Howarth Int'l (Switzerland).

Samduk Accounting Corp.
12/F., Seohung Bldg.,
68, Gyunji-dong, Chongro-ku, Seoul
Phone: 82/2/735-0241; Fax: 82/2/730-9559
Foreign Partner: Nexia International (Netherlands; has several business networks in the U.S.A)

Samil Accounting Corp.
21/F., Hanil Group Bldg.,
191, 2-ka, Hangangro, Yongsan-ku, Seoul, Korea
Phone: 82-2-709-0800; Fax: 82-2-796-7027
www.samil.co.kr
Foreign Partner: PriceWaterhouseCoopers(U.S.A.)

KPMG San Tong Accounting Corp.
15/F., Construction Center,
71-2, Nonhyun-dong, Kangnam-ku, Seoul 135-010 Korea
www.kr.kpmg.com
Phone: 82-2-3438-2000; Fax: 82-2-3442-3200
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
Phone: 82-2-782-9200; Fax: 82-2-786-1890
Foreign Partner: Robinson Rhodes, Salustro Reydel, McGladrey & Pullen (multi-national)

Young Wha Accounting Corp.
8-14/F., Daeyoo Securities Bldg.,
25-15, Yoido-dong, Youngdungpo-ku, Seoul
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

Top Business Consultant Service
Room 3501, KWTC,

159-1, Samsung-dong, Kangnam-ku, Seoul 135-729
Phone: 82-2-551-0361; Fax: 82-2-551-0369
www.headhunter.co.kr
Contact: Mr. Kang-Shik Koh, President

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

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

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

IBK Consulting Group
22/F., Hanhwa Building,
23-5, Yoido-dong, Youngdungpo-ku, Seoul
Phone: 82-2-782-2807; Fax: 82-2-786-6743
www.ibk-center.com
Contact: Mr. Han-Seok Kim, President

AMROP International
14/F., Jongkeundang Building,
368, Chungjungro 3-ka, Seodaemun-ku, Seoul 120-013
Phone: 82-2-393-3701; Fax: 82-2-393-1811
www.amrop.co.kr
Contact: Mr. Theodore In-Shig Shim, President

Dream Search Inc
9/F Dongyang Bldg.,
823-23, Yeoksam-dong, Kangnam-ku, Seoul
Phone: 82-2-569-3833; Fax: 82-2-569-3834
www.dreamsearchkorea.com
Contact: Ms. Byung-Sook Lee, President

Star Communications, Inc.
16/F., Songchon Bldg.,
642-9, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Phone: 82-2-756-0761; Fax: 82-2-756-0755
Contact: Ms. Joanne Lee, President

ServeCorp.
11/F., Woonam Bldg.,
824-22, Yeoksam-dong, Kangnam-ku, Seoul
Phone: 82-2-508-0073; Fax: 82-2-508-1007
www.servcorp.co.kr
Contact: Ms. Sung-Hee Song, President

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

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

Tack International, Inc.
Room 303, Hyunjin Bldg.,
798-30, Yeoksam-dong, Kangnam-ku, Seoul 135-080
Phone: 82-2-564-0581; Fax: 82-2-564-0584
www.tackinternational.com
Contact: Mr. Sang-Tack Choi, President

Adecco Korea
10/F., KyungAm Bldg.,
157-27, Samsung-dong, Kangnam-ku, Seoul
Phone: 82-2-555-0606; Fax: 82-2-3452-1911
www.adecco.co.kr
Contact: Ms. Jung-A Choe, President

Norman Braodbent International
Suite 630, Royal Bldg.,
5, Dangjoo-dong, Chongro-ku, Seoul 110-071
Phone: 82-2-735-4565; Fax: 82-2-735-4562
www.normanbroadbent.co.kr
Contact: Mr. Han-Joon Choi, Managing Director

Unico Search Inc.
Suite 603, City Air Terminal,
159-6, Samsung-dong, Kangnam-ku, Seoul 135-728
Phone: 82-2-551-0313; Fax: 82-2-551-4959
www.unicosearch.co.kr
Contact: Mr. Sang-Shin Han, President

Solution Inc.
15/F., Dongshin Bldg.,
141-26, Samsung-dong, Kangnam-ku, Seoul
Phone: 82-2-565-5362; Fax: 82-2-565-5599
www.solution.co.kr
Contact: Mr. Sang-Hoon Han, President

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

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 and Trade Promotion

In 1991, the 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 were established. Today, all the major international agencies are present in Korea.

There are two established Korean government owned and operated broadcast networks in Korea, KBS I and KBS II. Two other networks, MBC and SBS, are independent. Advertising time for all four networks is sold exclusively through the government selling organization, Korea Broadcast Advertising Corporation (KOBACO). Despite problems in the past regarding the competition for air time, the advertisement market is not just a virtually open market, but also a buyer's market.

As one of the government's efforts to privatize government-owned firms, the Korean government announced its plan to abolish KOBACO and give the sales right back to the broadcasting companies. A detailed plan will be discussed and made after the new Integrated Broadcasting Act is enacted in 1999. According to this change, the advertising sector will see a more active market after a transition period.

The networks do not televise during the early afternoon and very late night/very early morning periods. However, along with many local TV stations established in the past three years, the opening of the Cable TV industry just in 1995 has provided a phenomenal increase in the potential to reach Korean audiences. As of July 2000, there are about 20 network operators that are currently servicing the Korean cable TV industry, 77 system operators and 44 program providers providing such diverse programs from business news, sports, music, to Buddhism, to the Korean board game, baduk ("Go"). There are two shopping channels among these program providers.

The Korean Broadcasting Commission is the responsible governmental authority for approving local broadcasting advertising. The Korea Advertising Review Board (KARB) was established in 1991 under the control of the Korea Advertisers Association as an organization to protect advertisers and ad agencies. KARB, which is organized by advertising associations, societies and industry associations, completed work on advertising review regulations in 1994. In addition, the Korean Fair Trade Commission has power over the advertising sector in determining whether an advertisement accurately portrays its claims. Also, certain Korean industry trade associations have the power to approve or reject advertisements related to the industry. Though Korean censorship is still prevalent, it is not as strict as it has been when compared to the past and the Korean government is planning to move from a pre-censorship to post-censorship system in the near future.

Seoul has a world-class trade resource known as the Korea World Trade Center (KWTC). The KWTC consists of the 55 story Trade Tower and the Convention and Exhibition Center, popularly known as "COEX." The Trade Tower houses the offices of the Korea Trade-Investment Promotion Agency (KOTRA), a wholly-owned corporation of the Korean Ministry of Commerce, Industry and Energy. KOTRA has offices throughout the world and is the main international trade promotion organization of the Korean Government enhancing the export of Korean products as well as investment in Korea. Also located in the Trade Tower is the Korea International Trade Association (KITA), Korea's largest trade association for import and export trade. COEX is a profit-making, wholly-owned subsidiary of KITA. KITA opened the Aisa Europe Meeting (ASEM) Convention Center in March, 2000 which was constructed through expansion and renovation of the existing COEX. The ASEM Convention Center contains over 36,300 square feet of exhibition space, making it the largest trade show venue in Korea. The exhibition center hosts about 100 major trade shows a year, one third of which COEX organizes.

Pusan, the second largest city in Korea located in the far southern part of the Korean peninsula, currently has one exhibition hall called the Pusan Exhibition & Convention Center (PUEXCO) which has a floor space of 33,700 square feet. PUEXCO is directly run by PUEXCO Co. a Pusan City invested firm, and is now under construction. The construction work will be finished by March 2001, and PUEXCO is scheduled to officially open in September 2001. This new hall would more than double Pusan's trade exhibition capacity. There are also smaller exhibition halls in Seoul, Taegu and Changwon.

The major five star hotels in Seoul, for example, the Hilton, Hotel Shilla, Grand Hyatt, Mariott, Intercontinental, Lotte, Ramada Renaissance, Sheraton Walker Hill, and the Westin Chosun offer excellent options and services for organizers and individual firms planning exhibitions, seminars or receptions. In addition, located directly behind the U.S. Embassy in the Leema Building, the U.S. Business Information Center of the Commercial Service Korea, which is a part of the U.S. Embassy in Seoul and organizationally a part of the U.S. Department of Commerce, offers invaluable support to bring U.S. products and services to the Korean market. For a nominal fee, the Business Information Center provides modern audio and visual equipment to help U.S. businesses stage a cost effective professional promotion, technical seminar, matchmaker, and business meeting.

<u>List of Major Newspapers and Business Journals</u>

(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)

Major Newspapers in Korea

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	

Chungang Ilbo
(Korean newspaper)

General:	Tel: 82-2-751-5114	Fax: 82-2-751- 5420 (Int'l Div.)
Advertising:	Tel: 82-2-751-5076	Fax: 82-2-724-5809
Address:	7, Soonhwa-dong, Chung-ku, Seoul 100-130 Korea	
Web site:	www.joins.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: 82-2-2020-1409

Address:	139, Sejong-ro, Chongro-ku, Seoul 110-715 Korea	
Web site:	www.donga.com	

Hankuk Ilbo
(Korean newspaper)

General:	Tel: 82-2-724-2114	Fax: 82-2-732-9288/4124
Advertising:	Tel: 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: 82-2-710-0310
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	

Korea Economic Daily
(Korean newspaper)

General:	Tel: 82-2-360-4114	Fax: 82-2-319-6610
Advertising:	Tel: 82-2-3604-477	Fax: 82-2-392-4168
Address:	441, Joonglim-dong, Chung-ku, Seoul 100-360	
Web site:	www.ked.co.kr	

The Korea Economic Weekly
(English weekly newspaper)

General:	Tel: 82-2-365-3053/4	Fax: 82-2-365-3057
Address:	441, Joonglim-dong, Chung-ku, Seoul 100-791 Korea	
Web site:	www.koreaeconomy.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: 82-2-724-2716	Fax: 82-2-732-4125
Advertising:	Tel: 82-2-724-2827	Fax: 82-2-723-1623

Address:	17-11, Chunghak-dong, Chongro-ku, Seoul 110-792 Korea	
Web site:	www.koreatimes.co.kr	

Kuk Min Ilbo
(Korean newspaper)

General:	Tel: 82-2-781-9114	Fax: 82-2-7819-380 (Int'l Div.)
Advertising:	Tel: 82-2-781-9818	Fax: 82-2-781-9830
Address:	12, Yoido-dong, Youngdungpo-ku, Seoul 150-010 Korea	
Web site:	www.kukmimnilbo.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: 82-2-2277-3310 (Int'l Div.)
Advertising:	Tel: 82-2-2000-2250/1	Fax: 82-2-2275-8070
Address:	51-9, 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)
Advertising	Tel: 82-2-3701-5566	Fax: 82-2-730-0674/5
Address:	68, 1-ka, Choongjung-ro, Chung-ku, Seoul	
Web site:	www.munhwa.co.kr	

Naeway Economic Daily
(Korean newspaper)

General:	Tel: 82-2-727-0114	Fax: 82-2-727-0661
Advertising	Tel: 82-2-727-0303	Fax: 82-2-727-0674/5
Address:	1-12, 3-ka, Hoehyun-dong, Chung-ku, Seoul	
Web site:	www.naeway.co.kr	

Segye Ilbo
(Korean newspaper)

General	Tel: 82-2-2000-1234	Fax: 82-2-799-4520
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: 82-2-2000-9659
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.seoul.co.kr	

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:	19, Chunghak-dong, Chongro-ku, Seoul 110-150 Korea	
Web site:	www.sed.co.kr	

Important Newspapers and 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: 82-2-3460-7940
Address:	Investment Public Relations KOTRA 300-9, Yomgok-dong, Seocho-ku, Seoul, Korea 137-170	
Web site:	www.kt-i.com	

Travel Trade Journal

General:	Tel: 82-2-744-4010	Fax: 82-2-745-3232
Address:	3/F, Christian Women’s Mission Center 1-1, Yeonji-dong, Chongno-gu, Seoul, Korea 110-470	
Web site:	www.ttj.co.kr	

Pricing a Product

U.S. goods have a reputation among Korean buyers for high quality and performance; yet Korean manufacturing companies tend to be very price conscious and often regard U.S. input products as too expensive. In an export-oriented economy where finished products must be able to meet keen competition in the world market, many local manufacturers believe that it is essential to buy raw materials and equipment from the cheapest source, even at the expense of quality. Goods from Japan and elsewhere are frequently considered to be better buys, even though their quality and durability may be no match to that of the American item. In addition, Korean manufacturers look to offsetting labor wages with lower cost input manufactured goods. However, as Korea continues to move toward higher-end and manufacturer-branded exports — as well as to combat perceptions of poor quality control of certain Korean products in recent years — the precedence given to price as a buying factor may be somewhat tempered. Another characteristic of Korean price considerations is the tendency to bundle and often undervalue the "software" (engineering and other services components), particularly in the procurement of major systems.

U.S. exporters might consider (1) adapting their products to Korea by marketing basic units; (2) taking into account in their price quotations, as their competitors do, the repeat business generated by the demand for spare parts and auxiliary equipment; and (3) most importantly, emphasizing and selling the idea that superior quality of U.S. manufactured input products ultimately results in lower production costs.

Sales Service/Customer Support

In determining success over time for U.S. suppliers in the Korean market, sales and after-sales service (commonly abbreviated by Koreans as "A/S") rank just after the selection of the appropriate product and right price. Just after the Korean War, when foreign exchange was exceedingly scarce, Korean plant operators learned to rely on their own resources or on the many small machine shops to service machinery. The tradition of self-reliance and improvisation remains. However, with heavy competition among foreign suppliers in the Korean market, servicing has become a much more important part of selling.

Private traders and offer agents often hire in-house engineers available 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 proximity to Korea (not to mention Asian business cultural affinities which transcend deep political animosities) allow already stiff competitors from that country to send teams of specialists at less cost and time 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. Short of that, the emphasis given recently by some American firms on training personnel, often through programs in the United States, 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 tenderer 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 $180,000, and for construction services approximately $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 is 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

The protection of intellectual property rights, with regards to patents and copyrights and their policy implications, is further addressed in Chapter VII (Investment Climate). For the purposes of this chapter on marketing U.S. products and services, however, the protection of a valuable marketing tool, such as a trademark, is addressed in this section.

U.S. companies encountering problems in the intellectual property rights (IPR) area or wishing to register their trademark, patent or copyrights engage the services of an attorney firm (a list of law firms in Korea can be found at the end of this chapter). 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.

If a U.S. company wanted to see if their trademark were 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). In addition, 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 without full time local presence and without 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.

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 Industrial 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, hiring a qualified local attorney who is familiar with registration procedures is a must. 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 above publications that an unauthorized party has already been filed 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, like 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 U.S. company cannot officially file to register the trademark until one year has passed from the invalidation action date. However, U.S. 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 U.S. 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 U.S. company with good legal counsel as to how to proceed.

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. Although 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 nearly 45 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 1000 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 large firms.

A large proportion of the practice by Korean law firms focuses on international business and transaction. 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 statues. 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, commercially-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
6th Fl., Hoesung Building, 51-7, Banpo-dong, Seocho-ku, Seoul
Tel: 592-0892; Fax: 596-6081
Web site: www.aramlaw.com

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

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

Chin, Ahn, Ha & Seo
8th Fl, Il-Heung Building, 1490-25, Seocho-Dong, Seocho-Ku, Seoul
Tel: 586-2240; Fax: 586-3184

C.J. International Law Offices
8th Floor, Daedong Bldg., 51-5, Banpo 4-dong, Soecho-ku, Seoul
Tel: 736-0145; Fax: 3476-5995

First Law Offices of Korea
275-7, 17th Fl., KEC building

Yangjae-dong, Seocho-ku, Seoul
Tel: 589-0001; Fax: 589-0002
Web site: www.firstlaw.co.kr

Hwang Mok Park & Jin Law Offices
9th Fl., Daekyung Building, 120, 2-ka, Taepyong-ro, Chung-ku, Seoul
Tel: 772-2700; Fax: 772-2800
Web site: www.hmpj.com

Kim & Chang Law Offices
Seyang Building, 223, Naeja-dong, Chongro-ku, Seoul
Tel: 737-4455; Fax: 737-9091/3

Kim, Chang & Lee
171, 5th Fl., Wonseo building, Wonseo-dong, Chongro-ku, Seoul
Tel: 397-9800 Fax: 725-8727
Web site: www.kimchanglee.co.kr

Kim, Shin & Yu
12th Fl., Leema Bldg., 146-1, Susong-song, Chongro-ku, Seoul
Tel: 2000-5000 Fax: 739-6606, 739-6182
Web site: www.ksy.co.kr

Law Offices of Lee & Ko
18th-20th Fl., Marine Center Main Bldg., 118, 2-ka, Namdaemun-ro, Chung-ku, Seoul
Tel: 772-4400 Fax: 772-4001/4002
Web site: www.lawleeko.com

Shin & Kim
Samdo Bldg., 4th Fl., 1-170, Soonhwa-dong, Chung-ku, Seoul
Tel: 316-4114; Fax: 756-6226
Web site: www.shinkim.com

Shin & Shin: Suite 1913 Champs Elysees Center Building
#889-5, Daechi-dong, Kangnam-Ku, Seoul
Tel: 565-6300; Fax: 565-7400

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

Yoon & Partners: Suite 831,
Korea Chamber of Commerce & Industry Bldg.
45, Namdaemunro 4-ka, Chung-ku, Seoul
Tel: 773-0161; Fax: 773-4947; 773-4948

Website: www.yoonpartners.co.kr

Aram International Law Offices
6th Fl., Hoesung Building, 51-7
Banpo-dong, Seocho-ku, Seoul
Tel: 592-0892; Fax: 596-6081
Web site: www.aramlaw.com

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

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

Chin, Ahn, Ha & Seo
8th Fl, Il-Heung Building
1490-25, Seocho-Dong, Seocho-Ku, Seoul
Tel: 586-2240; Fax: 586-3184

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Tel: 589-0001; Fax: 589-0002
Web site: www.firstlaw.co.kr

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9th Fl., Daekyung Building, 120, 2-ka, Taepyong-ro, Chung-ku, Seoul
Tel: 772-2700; Fax: 772-2800
Web site: www.hmpj.com

Kim & Chang Law Offices
Seyang Building, 223, Naeja-dong, Chongro-ku, Seoul
Tel: 737-4455; Fax: 737-9091/3

Kim, Chang & Lee
171, 5th Fl., Wonseo building, Wonseo-dong, Chongro-ku, Seoul
Tel: 397-9800 Fax: 725-8727
Web site: www.kimchanglee.co.kr

Kim, Shin & Yu
12th Fl., Leema Bldg., 146-1, Susong-song, Chongro-ku, Seoul
Tel: 2000-5000 Fax: 739-6606, 739-6182
Web site: www.ksy.co.kr

Law Offices of Lee & Ko
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118, 2-ka, Namdaemun-ro, Chung-ku, Seoul
Tel: 772-4400 Fax: 772-4001/4002
Web site: www.lawleeko.com

Shin & Kim
Samdo Bldg., 4th Fl.,
1-170, Soonhwa-dong, Chung-ku, Seoul
Tel: 316-4114; Fax: 756-6226
Web site: www.shinkim.com

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#889-5, Daechi-dong, Kangnam-Ku, Seoul
Tel: 565-6300; Fax: 565-7400

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Korea Chamber of Commerce & Industry Bldg.
45, Namdaemunro 4-ka, Chung-ku, Seoul
Tel: 773-0161; Fax: 773-4947; 773-4948
Website: www.yoonpartners.co.kr

CHAPTER V. 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., 2000 (E) figures minus 1999(E) figures)

Please note that the statistical figures are unofficial estimates. In addition, the 2000 estimated exchange rate used is not necessarily a forecast of the average rate for 2000, but only the rate at the time of publication.

Sector Rank: **1**
Name of sector: **Wireless Mobile Telecommunications Services**
ITA Industry code: **TES**

Comments:
The total size of the Korean market for wireless mobile telecommunications services is projected to reach $10,007.3 million in 2000, a 32% increase over 1999. The market is expected to continue growing at a compounded annual growth rate of at least 5% through 2003 ($11,584.7 million). Opportunities will unfold over the next several years for U.S. sales of telecom services as deregulation in the telecommunications service sector continues in Korea.

Up until 1992, Korea Telecom (KT), the national telecom authority, retained a monopoly over local, long-distance, and international call services. During the past few years, the Korean government has awarded licenses to one more local call service provider and two more long-distance and international call service providers. In addition, the Korean government has awarded several dozen national and regional licenses to newly emerging telecom services, such as PCS, TRS, wireless data and leased line facility rental.

There are now four common carriers competing with each other in the field of wired telephone call services — two local service providers (KT and Hanaro Telecom), three long distance service providers (KT, DACOM and Onse Telecom), and three international call service providers (KT, DACOM and Onse Telecom). In addition, there are five nationwide mobile telephone operators. They include SK Telecom and Shinsegi Telecom (portable cellular phone operators) and three nationwide CDMA-type PCS mobile phone operators (KT Freetel, LG Telecom, and Hansol M.com). However, SK Telecom and Shinsegi Telecom recently merged as did KT Freetel and Hansol M.com, leaving, for all practical purposes, three wireless telecommunications carriers. From 1998-1999, the government issued more than 30 licenses for emerging telecommunications services, such as phone call reselling, Internet telephony, and in-house phoning.

The Korean government continues to open the market for new telecommunications services in accordance with its bilateral and multilateral commitments and obligations. U.S. suppliers enjoy significant export advantage in telecom products/services and are reaping substantial rewards from Korea's rapidly growing communications services market. American suppliers are well advised to stay engaged in the Korean marketplace and keep abreast of emerging technological trends in the field.

Statistics ($ million)

	1998	1999	2000 (E)	
A. Total value		4,685.9	7,607.6	10.007.3
Sales by local firms	3,655.0	5,781.8	7,405.4	
Sales by foreign owned firms		1,030.9	1,825.8	2,601.9

Sales by U.S. owned firms	979.4	1,698.0	2,341.7
Exchange Rates ($1:Won)	1,399.0	1,200.0	1,100.0

(E) = estimated.

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Sector Rank: **2**

Name of Sector: **Pollution Control Equipment**

ITA Industry Code: **POL**

Comments:

For 1999, the estimated size of the Korean environmental technology market (public and private sector inclusive) was $7.2 billion. Given continued economic growth and additional Korean and private sector expenditures in this sector, the 2000 market is forecast to expand 22% to $8.8 billion. Korea's 2000 budget for environmental projects has been increased 13% over its 1999 level, to $ 1.1 billion.

Foreign companies held 17% ($1.2 billion) of this market in 1999. Japan was the leader, among our foreign competitors, accounting for 40% of the total while the U.S. share of this market was 20%. Germany, the third ranking foreign player in this market, held a 18% market share. Others in order of market presence included France, Switzerland, The Netherlands, Belgium, and Italy.

Since the late 1970's, Korea has gradually been taking action to resolve its environmental problems. Following earlier administrations, the Kim Dae-Jung government has passed stricter environmental standards and reform measures in order to stimulate domestic engineering and construction companies, and promote foreign investment in its environmental sector. In pursuit of its ambitious environmental plans, Korea has announced a comprehensive, five-year plan to further address the country's environmental problems. The focus of the plan will be on water pollution, solid waste, air pollution reduction, and hazardous waste treatment. CS Korea estimates that the value of Korean expenditures will total 7.3 billion dollars over the next four years.

Competition for government-sponsored environmental projects is intense. Firms are looking for alliances with U.S. exporters of the latest technology to boost their bid proposals. Additionally, because of the country's recent economic crisis, many domestic suppliers went out of business, creating additional opportunities for U.S. companies.

Water pollution projects constitute the single largest category of Korean environmental expenditures in 1999, accounting for over 47% of all outlays. River clean-up projects rank on the top of the list. In 1999, Korea announced a major water clean-up initiative that will focus on the four major rivers including the Nakdong River Basin, located in the country's South. The goal of this broad ranging plan is a large reduction in industrial pollution, sewage contamination, and agricultural waste run-off. Along with these efforts, Korea also will be moving to promote water conservation by installing water recycling equipment and replacing old water pipe lines.

Solid waste pollution reduction will be receiving special attention as Korea embarks on a comprehensive plan to reduce this problem by spending almost $6 billion by 2003. On a national level, Korea plans to construct 47 new waste treatment facilities, including 24 solid waste recycling facilities and 23 incineration units. Up to now, Korea's solid waste has mostly been disposed of in landfills; these sites are reaching critical volume. Korea plans to expand incineration to 20% nationally by 2001. By 2001, it is expected to spend $1.5 billion to construct:

- 23 large-scale urban waste incineration facilities.
- 20 medium and small-sized rural incineration facilities.
- 10 comprehensive rural waste treatment facilities.
- 25 new large-area sanitary landfills, and
- 21 new municipal landfills.

Korea's clean air investment will focus on de-sulfurization in private industries, the expansion of clean fuel supplies, and the reduction of automobile pollution in large cities and industrial complexes. The government is lowering the permissible emissions level for city buses and diesel-powered heavy vehicles. The Korean government also is promoting the manufacture of new city buses that use compressed natural gas (CNG) in conjunction with the upcoming 2002 World Cup games. By the time these games begin, 1,500 CNG buses will be in use in the large cities hosting the games. Korea plans to replace around 20,000 city buses used in downtown areas of large cities with pollution-free vehicles running on CNG by 2007.

In 2000, the market size ($ millions) of Korea's most promising environmental sectors are:

- Water pollution control sector: $3,368
- Waste treatment control sector: $3,063
- Air pollution control sector: $1,348

Statistics ($ millions)		1998	1999	2000(E)
A.	Total Market Size	6,054	7,204	8,880
B.	Total Local Production	4,238	5,043	6,216
C.	Total Exports	303	360	444
D.	Total Imports	1,816	2,161	2,664
E.	Imports from the U.S.	363	432	533
F.	Exchange Rate	1,400	1,200	1,100

The above statistics are unofficial estimates. E=Estimated.

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Sector Rank: **3**
Name of Sector: **Semiconductors (Non-memory)**
ITA Industry Code: **ELC**

Comments:
The Korean market for U.S. non-memory semiconductors, particularly microprocessors and

microcontrollers, continues to heat up. U.S. integrated circuit (IC) exports (primarily non-memory semiconductors) to Korea in 1999 were more than double 1998 exports, and ICs are, far and away, the United State's single largest export to Korea.

CS Korea estimates the total Korean market for non-memory semiconductors to be approximately $8.1 billion in 2000. The market should experience robust growth of around 25% through 2001, due in large part to increasing semiconductor demand for telecommunications equipment, networking equipment, PCs, and consumer electronics. For example, local PC manufacturers predict that they will make approximately 8 million units in 2000 (3 million units for domestic use and 5 million units for exports), which will result in a significant boost to non-memory chip demand.
While Korea is the number-one DRAM chip exporter, the country still lacks the advanced technology and know-how necessary to manufacture state-of-the-art non-memory semiconductors and therefore imports most non-memory chips from abroad. Of Korea's semiconductor imports, 80% are of the non-memory variety. Microprocessors and microcontrollers account for about 30% of the non-memory imports (approximately $5.4 billion). U.S. companies hold dominant positions in these two most promising subsectors, enjoying a 90% share of the microprocessor and microcontroller market.

Most promising subsectors (U.S. millions):
- Microprocessors $ 3,238
- Microcontrollers $ 2,158

Non-Memory Semiconductors

Statistics ($ millions)	1998	1999	2000(E)
A. Total Market Size *	2,904	7,344	8,105
B. Total Local Production	1,794	2,597	3,000
C. Total Exports	10,800	10,500	12,886
D. Total Imports	11,910	15,247	17,991
E. Imports from the U.S.	5,420	6,480	7,736
F. Exchange Rates (won)	1,400	1,200	1,100

* The total market size was calculated by adding local production and imports and subtracting exports. A substantial number of semiconductors are re-exported after packaging/testing.

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Sector Rank: **4**
Name of sector: **Medical Equipment**
ITA industry code: **MED**

Comments:
The medical device market experienced a strong rebound in 1999, growing by 55% over 1998. This follows a 40% slump in 1998 over 1997 due to the financial crisis and is a clear indication that the market is recovering rapidly in parallel with overall Korean economic improvement. Due to strong growth in 1999, the medical device market is now 85% of its pre-financial-crisis size. Growth will stabilize over the next three years at approximately 15% annually.

Several planned health care reforms will likely have a significant impact on the market. Among changes proposed for the 2000 to 2001 timeframe are: (1) significant government-imposed price cuts for most medical materials; (2) the separation of responsibilities for prescribing and dispensing drugs; and (3) direct payment through implementation of a centralized price monitoring system. As the Korean health care insurance system is nationalized, the Korean Government is facing increasing pressure to contain costs, and this will result in lower prices for many types medical equipment.

Imports from the United States in 1999, which increased by only 30% over 1998, failed to keep pace with overall market growth. Part of the explanation is that there was a dramatic increase in pre-owned radiological equipment imports from Japan and other countries. Imports of pre-owned medical equipment, in general, experienced a significant increase in 1999 due to cost containment pressures. Prior to the financial crisis, few Korean hospitals would consider purchasing pre-owned equipment. While this has resulted in a slower rate of market growth for relatively more expensive new equipment from U.S. manufacturers, it should also result in increased business opportunities for U.S. refurbished/pre-owned equipment suppliers.

The effect of the country's financial crisis on purchases of specific types of medical equipment has differed from product to product. For example, in 1999, medical supplies recovered 90% of their pre-crisis market size. In contrast, the recovery for expensive durable medical equipment (e.g. MRIs and CTs) was less impressive due to cost containment pressures.

Imports represented 60% of the total medical devices market in Korea in 1999, a 10% reduction from the previous year. A large part of the decrease can be attributed to the attempt by hospitals to purchase domestic products as a substitute for relatively expensive imports. The import-substitution has occurred primarily with some types of basic medical supplies and certain capital goods, such as ultrasound diagnostic equipment. However, hospitals must still purchase technology-intensive products from abroad, as they are not manufactured in Korea.

U.S. companies account for approximately 40-percent of Korea's medical equipment imports, making the United States the largest foreign supplier. European and Japanese firms are major competitors, accounting for much of the remaining import market.

Products that present the best export prospects include medical sterilizers, rehabilitation equipment, respiration equipment, orthopedic joints, diagnostic ultrasound scanners, magnetic resonance imaging systems, patient monitors, computer tomography scanners, catheters, artificial kidneys and dialysis machines, suture needles, general surgical instruments, operation tables, ophthalmic equipment, endoscopes, intraocular lenses, and artificial heart valves.3. Statistics (U$ millions)

		1999	2000(E)	2001(E)
A.	Total Market Size	800	900	1,030
B.	Total Local Production	555	650	740
C.	Total Exports	236	300	340
D.	Total Imports	481	550	630
E.	Imports from the U.S.	192	220	250

F.	Exchange Rates	1,200	1,100	1,100

The above statistics are unofficial estimates. E=Estimated.

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Sector Rank: **5**
Name of sector: **Architectural/Engineering Services**
ITA industry code: **ACE**

Comments:
The architectural/engineering services market in Korea has displayed signs of recovering since the second quarter of 1999. The Korean market for architectural/engineering services is estimated at $5.0 billion in 1999, and is expected to increase to $5.5 billion in 2000 and $5.9 billion in 2001. The import market accounts for 40% of the total architectural/engineering market in Korea. The import market in 1999 was $2.0 billion, and is expected to expand to $2.1 billion in 2000. U.S. suppliers dominate the import market in Korea, with approximately 40% market share, followed by French suppliers who maintain an average rate of 10% market share. In Korea, U.S. architectural and engineering systems have become a factor in the standardization of the design-build systems. Furthermore, the Korean architecture/engineering firms still require new design and engineering technologies that are unavailable in Korea and are mostly provided by the U.S. suppliers to meet these newly established standards. As the Korean architectural/engineering services market evolves, the demand for better services in both quantity and quality terms continues to rise creating additional demand for foreign services.

In general, the Korean architectural/engineering services sector lags behind foreign competitors. Therefore, the domestic market demand for key architectural/engineering technologies has been met mostly by foreign suppliers. The key architectural/engineering technologies required by the domestic market include the service fields of telecommunication, transportation, water supply, sewage and waste, and industrial processing plants. Even the leading domestic architectural/engineering firms prefer to partner with foreign competitors on the implementation of large public and private projects.

There are minimal licensing and administrative requirements for performing architectural/ engineering services in Korea since the Korean market was opened to foreign competition as of January 1, 1997. Any licensed architecture/engineering firms are permitted to manage and operate architectural/engineering services businesses in Korea. The National Architectural Code and Construction Technology Management Act define and substantiate the activities of the licensed architectural/engineering firms. There are currently 6,201 registered architecture firms and 3,282 engineering firms in Korea. The registered engineering firms include 684 firms specializing in construction management (CM) services. There are 32 foreign architecture firms operating in Korea, consisting of 17 firms from the U.S., nine from France, three from England, two from Germany, and one from Japan. There are also 14 foreign engineering firms consisting of six firms from the U.S., three from France, two from England, two from Germany, and one from Japan.

Statistics ($ million)	1998	1999	2000(E)	2001(E)

A. Total Market Size	3,970	5,095	5,580	5,860
B. Total Local Production	3,870	4,975	5,340	5,870
C. Total Exports	1,690	2,160	2,350	2,290
D. Total Imports	1,590	2,040	2,110	2,280
F. Exchange Rates	1,400	1,200	1,100	1,000

The above statistics are unofficial estimates. E = Estimated.

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Sector Rank: 6
Name of Sector: Maritime Transportation Services
ITA Industry Code: TRN

Comments:
Based on statistics of the Korean government (May 2000) on the Korean transportation industry, Korea spent a total of $67.5 billion for logistical costs in 1998. This is a 6.6% increase since 1997, amounting to almost 17% of Korea's GDP. This is due in part to an increase of $4.2 billion in maritime transportation expenses and an additional increase of $483 million in air transportation expenses.

The revenues from ocean-going transportation services by Korean national flags in 1999 reached $10.2 billion with 9.2% growth from the previous year. Accordingly, this service industry is now ranked as one of Korea's top five industries, outranked only by four other industries: Semiconductors ($18.8 billion), Electronic Information and Telecommunications ($16.7 billion), Machinery ($11.5 billion), and Iron and Steel (USD10.3 billion). In addition, major Korean flagged ocean-going shipping companies, such as Cho Yang, Hanjin and Hyundai Merchant Marine (HMM), expect further growth of Korean maritime services due to quickly growing demand for Trans-pacific routes from the Pacific Rim countries, notably the Republic of China.

Foreign ships also achieved a total of $4.7 billion in sales by transporting 232 million revenue tons (R/T) of sea cargo in 1999. These include a total of $4.6 billion for general cargo and a total of $1.4 million for containerized cargo. For U.S. flags, a total of $662 million is reported for their sales in 1999. In addition, due to Korea's recent rapid volume increase in import cargo rather than export cargo, the shipment rate of import cargo by foreign flags is increasing because of their advantage over Korean flags of shipping cargo from foreign countries. Accordingly, it is expected that the market share by Korean flags will decrease in the coming years. Along with the Korean government's complete opening of the Korean marine transportation market in 1998 (except the coastal transportation services), foreign firms will have greater opportunities in the coming decade, especially in the following maritime-related service sectors ($million):

- Maritime Transportation Services: 18,030
- Port Shipping/Discharging Services: 680
- Ship Inspection/Registration Services: 450
- Shipping Agency services: 120
- Maritime Brokerage Services: 120

Note: The above figures are based on the sales in 1999.

Statistics ($ millions):				1998	1999	2000(E)	2001(E)
Total Sales		16,407	17,383	19,020	20,264		
B.	Sales by Local Firms			17,000	18,030	19,800	21,244
C.	Foreign Sales by Local Firms			4,920	5,300	5,850	6,540
D.	Sales by Foreign-owned Firms			4,327	4,653	5,070	5,560
E.	Sales by U.S.-owned Firms			541	662	730	822
F.	Exchange Rates			1,400	1,200	1,100	1,100

Note: 1. The above statistics are unofficial estimates for the maritime service market in Korea. (E=Estimated)
"Sales by U.S.-owned Firms" are estimates based on the U.S. market share (14.3%) in the Korean maritime service market for ocean-going cargo sales in 1999.
Due to the difference of nationality between the registration of a ship and its real ownership, the figures for "Sales by U.S.-owned Firms" may not be used as a real sum of sales by U.S. firms.

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Sector Rank: **7**
Name of Sector: **Retail Services**
ITA Industry Code: **GSV**

Comments: The Korean retail industry expects to grow by 6.9%, to $98 billion, in 2000. Gross revenues for the Korean retail industry, which includes department stores, discount stores, supermarkets, convenience stores and conventional markets, reached $84 billion in 1999. In particular, department stores, which comprise 13.5% of the retail industry, expect revenues of $13.4 billion, up 10.5% from 1999. Korean retail sales have shown a dramatic recovery from their negative growth recorded during the height of the economic crisis, since they have now surpassed pre-economic crisis sales figures.

The discount stores segment is forecast to show a 37% jump in revenues this year, because of Koreans' heightened interest in full-line discount shopping. Store revenues in 2000 will reach $9.1 billion. Like their counterparts in the U.S. Korea's discount stores are fast becoming larger "one stop shops" offering everything under one roof, including a supermarket. At the same time, Korean consumers continue to resist the membership wholesale clubs and, as a result, revenues of membership superstores operating in Korea have been sluggish. Over the next few years discount store sales are forecast to continue showing the most potential in the Korean retailing market. However, due to limited sites for future store location, U.S. retailers interested in penetrating or expanding into the market should consider acquiring existing retail sites.

The most promising subsector ($ millions):

Discount Store $9,090 million (10 trillion won)

Statistics ($ millions) 1998 1999 2000(E)

A. Total sales	64,356	84,167	98,182
B. Total sales by local firms	63,557	82,679	96,159
C. Total foreign sales by local firms	-	-	-
D. Total sales by foreign-owned firms	799	1,488	2,023
E. Total sales by U.S.-owned firms	409	490	568
Exchange Rates	1,400	1,200	1,100

Source:
1. National Statistical Office
2. Korea Department Stores Association
3. The Monthly Journal of Distribution, June and July 2000 issue

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Sector Rank: 8
Name of Sector: Security and Safety Equipment
ITA Industry Code: SEC

Comments:
Most Korean companies have traditionally shown minimal interest in improving their industrial safety and security levels, especially the small and medium sized firms. In light of this, the Korean government has invested a total of $480 million since 1998 to increase the industrial safety of Korean companies. The government has paid special attention to small and medium sized Korean firms, providing financial support for their efforts in improving their industrial safety and their procurement of safety equipment.

In addition, since 1982 the Korean government has provided continuous support to develop the Korean safety security industry. The Korea International Exhibition for Safety and Security Products (KISS) is an international trade show developed to highlight safety and security products supported by the Korean government, and is held annually in Seoul. Presently, this show is established as a well-known international event, effectively showcasing various safety and security products that hold market opportunities in Korea. For the KISS 2000 show, a total of 39 foreign firms from eleven countries participated and displayed their safety and security products. Based on the results of the show the following areas have been determined to have good market potential in Korea:

- Industrial safety products
- Plant engineering devices
- Fire fighting equipment
- Gas alarm and products
- Traffic control products
- Security and detection system products
- Electric safety and alarm products

Geographical Information Systems (GIS) is another fast growing market in Korea as the local industry is seeking advanced GIS technologies from foreign countries. In addition, the Korean government will invest a total of $432 million to complete the National Geographic Information System (NGIS) by 2002. Accordingly, the Korean GIS market is attracting interest from several leading foreign GIS firms, especially in the development of software and databases for GIS. U.S. suppliers dominate the domestic field and can expect to develop potential sales in Korea. The major highlighted GIS technologies offering excellent export opportunities for U.S. firms include:

- Automatic data processing machines and units
- Digital automatic data processing machines
- Records, tapes and other recorded media for sound or other similarly recorded phenomena
- Computer software bearing data or instructions for use in automatic data processing equipment
- Consulting and design services for GIS projects

The most promising subsectors (US $ million):

- Industrial Safety Products	331
- Traffic Control/Safety Products	217
- Access Control Systems	116
- Airport Security Equipment	164
- GIS-related products and services	270

Statistics ($ millions)		1998	1999	2,000(E)	2001(E)
A.	Total Market Size	927	1,067	1,141	1,280
B.	Total Local Production	689	842	890	1,050
C.	Total Exports	230	435	494	619
D.	Total Imports	468	660	745	849
E.	Imports from the U.S.	290	370	443	520
F.	Exchange Rates	1,400	1,100	1,100	1,000

The above statistics are unofficial estimates. E=Estimated.

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Sector Rank: **9**
Name of Sector: **Electrical Power Systems**
ITA Industry Code: **ELP**

Comments:
The annual average growth rate of electricity demand was 10% in the mid-1990’s. However, as a result of the economic crisis in 1998 it dropped to minus 3.6%. Accordingly, Korea Electric Power Corp. (KEPCO) postponed the construction of previously planned power plants in 1998. Since 1999, the electricity demand has been rising based on the economy’s revitalization and is expected to reach 67,510 MW in 2015. (This figure is based on an annual growth rate of 4.3% and a projected GDP growth rate of 5.2% for the period of 1999 to 2015.) The Ministry of Commerce, Industry and Energy (MOCIE) recently announced the 5th Long-term Power Development Plan (LPDP, 1999~2015) to increase Korea’s power generation capacity by 70% from 46,484 MW in 1999 to 79,060 MW by 2015. To meet the planned increase in power generation capacity, KEPCO will construct a total of 106 new power plants (combined capacity of 45,130 MW) with an investment of

$ 42 billion. In addition, KEPCO will invest $ 19 billion in the power transmission and distribution sector. The transmission lines will be expanded by 12,799 C-km to 35,165 C-km and the substations will be increased by 360 units to 756 units. According to the MOCIE's estimates of the LPDP, in 2015, 33% of the total electricity will be generated by nuclear power, 58.2% by fossil fuel power (of which 26.8% will be by coal-fired plants, 23.8% by LNG combined cycle plants, and 7.6% by oil-fired plants), and 8.8% by alternative energy sources, including hydroelectric power.

The government's plan to liberalize the power industry will provide significant commercial opportunities for private businesses. Currently the Korean power industry is dominated by state-owned KEPCO. The proposal to restructure KEPCO is to divide KEPCO into power generation, transmission and distribution sectors in order to introduce and promote competition in the generation (by 2002), wholesale (by 2009), and retail power market (after 2009). KEPCO will first be broken-up into six privatized power generation subsidiaries (Gencos) by 2002. The distribution sector will also be split into several companies by 2002 in order to allow the sale of electric power at the retail level after 2009. KEPCO is expected to retain the transmission company and will continue to provide the following functions: market operator, system operator, asset management, and trade settlement. In order to privatize KEPCO, the government's plan needs approval from the National Assembly. The MOCIE is preparing for the relevant legislation necessary to receive approval from the National Assembly within this year.

As the first step of this privatization program, KEPCO plans to sell one of its Gencos in the near future by listing it on the Korean Stock Exchange. Each Genco will have a power generation capacity of 7,700MW and is estimated to be worth $3-4 billion. KEPCO will sell 30% of the 1st Genco's share by public offering and 70% with management rights by competitive bidding. As another element of the KEPCO privatization process, KEPCO plans to sell its three subsidiaries through international competitive bidding by 2001.

KEPCO recently selected the Texaco (U.S.) and LG-Caltex consortium as the preferred bidder for the sale of the Anyang & Puchon Combined Heat and Power Plants (CHPs). Each of the plants consists of a gas-fired combined cycle co-generation power plant with 450 MW and district heating systems for 174,000 households. The asset value of these facilities is estimated at $ 700 million.

Statistics ($ millions)		1998	1999	2000(E)	2001(E)
A.	Total Market Size	4,998	5,627	5,953	6,298
B.	Total Local Production	4,881	5,297	5,604	5,928
C.	Total Exports	1,380	1,470	1,555	1,645
D.	Total Imports	1,497	1,800	1,904	2,015
E.	Imports from U.S.	288	346	367	388
F.	Exchange Rates	1,400	1,200	1,100	1,100

The above statistics are unofficial estimates. E=Estimated.

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Sector Rank: **10**
Name of sector: **Education and Training**

ITA industry code: EDS

Comments:
The Korean education market has grown rapidly due to the Korean government's liberalization of the education sector. Koreans' rising affluence and the country's accelerated move forward globalization which are spiking Korean students' interest in studying abroad. This year, the Korean government further liberalized its study abroad regulations following its earlier market measures related to professional and vocational schools and higher education institutions in 1995 and 1999, respectively. As of January this year, the Korean Ministry of Education permits elementary, and middle and high school Korean students to study overseas. These regulatory changes are expected to spur on interest from younger Korean students in enrolling in U.S. elementary and secondary schools and ultimately U.S. universities.

With Korea's 10% economic growth last year, the Korean outbound educational market again is booming. At 16.6% of the nation's GNP, the $ 62 billion spent for all public and private educational institutions in 1998 accounted for one of the largest percentages of Korea's economy. On a percentage basis, Korean educational expenditures are three to four times more than in Japan. In addition to Korea's total direct pubic educational expenditures of $25 billion, Korean families also spent about $24 billion for private tutoring in 1998. For 2000, the Korean market for education services is expected to exceed $ 66 billion. According to the Bank of Korea, tuition payments to all countries have increased approximately 10%, from $830 million in 1998 to $905 in 1999 and are expected to grow at a similar rate over the next five years.

Due to the high costs of private tutoring and rising cash transfers for overseas study, the Korean government hopes to enhance new educational opportunities within Korea. The Ministry of Education recently announced a five-year, $28.6 billion plan which envisions the recruitment of 10,000 new teachers by 2004. It also calls for the raising of teachers' wages and government financial assistance to schools to purchase computers and to provide English lessons. It also is intended to raise the quality of Korean public education to enable Korean public schools to better compete with private schools given the Korean government's recent lifting of the kwawoe (private tutoring) ban. Increasing internet access and the lack of competent English teachers in public schools also will offer new opportunities for U.S. schools interested in expanding their "distance learning" programs, which can be conducted by satellite or through the internet.

Interest shown at the recent Study USA exhibition in Korea indicates changes in the mix of Korean students studying abroad. While in the past many of the inquiries were from older students interested in pursuing ESL, four-year or graduate programs in the United States, this year, the majority of interest was registered by Korean parents looking to place their elementary, middle or high school-aged children in American schools. As a result of the recent Korean Ministry of Education's study abroad regulations, described above, this trend will only be accentuated over the next few years, resulting in more applications by younger Korean students for study in U.S. elementary, middle, and high schools as well as preparatory academies. The overseas education market looks especially promising for educational training in the fields of language courses, business administration, fashion, art, and technical programs. Including tuition and living expenses, the average annual expenditure per Korean student attending higher education institutions is estimated at over $28,000.

Competition for the Korean study abroad market is fierce. Although American schools and institutes remain very popular with Koreans, Canada, Japan, Australia, and China also are vigorously promoting themselves as attractive destinations for Korean students. The Korean Ministry of Education reports that, in 1999, over 154,000 Korean students were studying abroad, in 71 countries. In the past, the United States was the leading overseas study destination for Korean students. However, by 1999, Canada had supplanted the U.S. as the leading study abroad destination for Korean students with 53,888 students, followed by the United States which hosted 42,890 Korean students. The relatively stricter U.S. visa requirements and its higher educational costs apparently have redirected thousands of Korean students to Canadian educational institutions. In 1999, 12,746 Koreans were studying in Japan, 9,526 in Australia and 9,204 in China (including Hong Kong).

The most promising sub-sectors include:

- Intensive English Language Training
- Vocational Training
- Accounting
- Master of Business Administration (MBA)
- Art and Music Schools
- Summer Camps
- Elementary and Secondary School

Statistics ($ millions)		1998	1999	2000(E)
A.	Total Sales	62,361	64,281	66,771
B.	Total Sales by Local Firms	61,531	63,376	65,277
D.	Total Sales by Foreign-owned Firms	829.8	905	996
E.	Total Sales by U.S.-owned firms	426	453	498
F.	Exchange Rates	1,400	1,200	1,100

The above statistics are unofficial estimates. E=Estimated.

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Sector Rank: **11**
Name of Sector: **Drugs and Pharmaceuticals**
ITA Industry Code: **DRG**

Comment:
The Korean pharmaceuticals market rebounded in 1999, recovering most of the 40% shrinkage that resulted from the country’s economic crisis. The market increased from $5.2 billion in 1998 to $6.5 billion, representing 80% of its pre-financial-crisis market size (99% if measured in local currency).

Imported drugs retained 13% of the total market in 1999. The import market share of U.S.-made drugs decreased slightly to about 10.1% compared to the 13 to 14% share of imports U.S. firms normally hold. More specifically, U.S. firms supplied 13.5% of the finished drug imports and 8.8% of the raw materials imports in 1999.

In 2000, innovative drugs, which are primarily supplied by multi-national drug developers, should benefit from several health care policy reforms. In general, Korean health care policy is becoming more transparent and is creating a somewhat more level playing field for foreign pharmaceutical firms. Among the several positive policy developments in Korea are the separation of the responsibility for prescribing and dispensing medication, the inclusion of imported pharmaceuticals in the national reimbursement list, reimbursement at actual transaction prices (ATP), a more rapid and fair drug approval process, and a more transparent and fair system for pricing innovative drugs.

Despite these positive policy developments, the pharmaceuticals market in 2000 is likely to see a slight decrease due primarily to the separation of the responsibility for prescribing and dispensing medication scheduled for July 2000. Currently, pharmacists and doctors can both prescribe and dispense drugs. This has led to a financial incentive for pharmacists and doctors to over-prescribe medication and has consequently resulted in market distortions and unnecessary health risks for patients. Separation of prescribing and dispensing will control the abuse of drugs and lead to significant market corrections.

While the total market size will decrease slightly in 2000, foreign imports will benefit from the planned policy changes and should experience an increase both in sales and market share. Some analysts estimate that up to 30% of domestically-produced pharmaceuticals will be driven out of the market due to new efficacy and safety testing requirements necessary to designate drugs as over-the-counter or prescription.

At the same time, the Korean Government is under significant pressure to reduce the prices it pays for drugs under the national health insurance system. This pressure is expected to continue for the foreseeable future, and maintaining price competitiveness will be one of major challenges U.S. firms will face over the coming years.

The Korean pharmaceuticals market will continue to undergo major structural reforms over the next several years, and this should benefit U.S. research-based pharmaceuticals firms that produce quality, cost-effective drugs.

Statistics (U$ millions)

		1999	2000(E)	2001(E)
A.	Total Market Size	6,529	6,500	6,860
B.	Total Local Production	6,254	6,200	6,510
C.	Total Exports	615	670	700
D.	Total Imports	890	970	1,050
E.	Imports from the U.S.	90	120	120
F.	Exchange Rates	1,200	1,100	1,100

The above statistics are unofficial estimates. E = Estimated.

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Sector Rank: **12**
Name of Sector: **Aircraft and Parts**

ITA Industry Code: AIR

Comments:
The Korean aerospace industry is currently experiencing a turning point in its development, affected by two major factors: 1) the establishment of Korea Aerospace Industries Ltd., and 2) the grand opening of the Inchon International Airport in 2001. As a result of these factors, the Korean aerospace industry is expected to become a more dynamic and active aerospace market in the coming decade.

1. Korea Aerospace Industries Ltd. (KAI): Based on the Korean government's plan to restructure this industry, a single entity was created to consolidate the major Korean aerospace firms (Samsung, Hyundai and Daewoo) into KAI in October 1999. KAI will cover most of the government's aerospace projects including the exclusive production of all military aircraft and commercial helicopters. For foreign companies, the Korean aerospace industry through KAI is expected to create substantial increased demand for long-term procurement contracts, technical cooperation agreements, licensed production contracts, and joint ventures.

KAI is seeking a foreign direct investment partner (30%), and several foreign aerospace companies expressed interest in investing in KAI. In May 2000, the Boeing /British Aerospace (BAE) team was selected as the preferred bidder as the foreign direct investment (FDI) partner. Currently, KAI is reviewing details of the proposal and is under negotiations with the Boeing /BAE team. A decision may be announced this summer.

2. Inchon International Airport (IIA): The IIA is being constructed to be a world-class airport project equipped with CAT IIIb-based Air Traffic Control (ATC) systems and Navigation facilities. The IIA is scheduled to begin operations in March 2001 and is hoped to become the Northeast Asia Hub. The Korea Airport Authority (KAA) is also beginning their plan to upgrade 16 Korean local airports including the procurement of various parts and equipment for aircraft maintenance. In addition, the Korean Civil Aviation Bureau (KCAB) is implementing its plan to develop four additional local airports in Yangyang, Muan, Uljin and Chonju. As a result of these airport projects, the increased number of aircraft and flights will create a larger market for aircraft maintenance and parts at the Korean airports. However, Korea still imports most of its aircraft parts and equipment from foreign countries, especially from the U.S. and will continue to provide business opportunities for U.S. companies in the Korean aerospace market, mainly in the following areas:

- Parts and equipment for aircraft maintenance and repair
- Facilities for maintenance center
- Advanced technology for aircraft maintenance and repair

In cooperation with the Mitre Corporation of the U.S. and the U.S. Trade and Development Agency (TDA), the KCAB is finalizing a feasibility test for their plan to establish a new communication, navigation and surveillance (CNS) / Air Traffic Management (ATM) system. This new CNS/ATM system will influence Korea's future procurements of advanced air traffic control systems and services including the procurement of aircraft and parts based on the new system.

3. The Korea Aerospace and Defense Exhibition (formerly the Seoul Air Show): The Third Korea Aerospace and Defense Exhibition 2001, organized by the ROK Air Force (ROKAF), the Korea

Aerospace Industry Association (KAIA) and the Korea Defense Industry Association (KDIA) is scheduled for October 15 - 21, 2001 in Seoul. This show will be a worthy international event for aerospace/defense business opportunities by combining an air show with a defense industry exhibition. A total of 155 companies from 17 different countries were represented at the Seoul Air Show held in 1998, including twenty-seven U.S. aerospace and defense companies doing business in Korea. The Seoul Air Show will provide an excellent opportunity for U.S. companies to showcase their products and services in the Korean market.

4. Commercial Aircraft Purchases: Korean Air (KAL) plans to procure a total of 15 Boeing aircraft by 2001- - thirteen aircraft in 2000 and two aircraft in 2001. KAL also plans to procure four A330s in the year 2000. These procurements will provide U.S. aircraft-related companies, including the small and medium companies, with opportunities for aircraft engines, avionics and other repair parts and logistical and maintenance services.

As a result of Korea’s economic hardships in 1998, combined with the completion of several major military projects such as the production of F-16s and UH-60 helicopters, the Korean aerospace industry has experienced declining growth since 1998. However, with the Korean economy recovering rapidly - along with major aerospace projects such as the FX Fighter competition, Attack Helicopter competition (AHX), Korea Light Helicopter program (KLH), production of the Korea basic trainer (KT-1), and the development of the advanced trainer aircraft (T-50) - there is strong growth potential in the military aircraft and parts industry in Korea in the coming decade.

The most promising subsectors:

- Commercial passenger aircraft
- Military aircraft
- Aircraft parts
- Helicopters
- Engines

3.	Statistics ($ millions)	1998	1999	2000(E)	2001(E)
A.	Total Market Size	1,972	1,831	1,755	1,933
B.	Total Local Production	1,110	1,009	1,143	1,270
C.	Total Exports	313	258	305	397
D.	Total Imports	1,175	1,080	917	1,060
E.	Imports from the U.S.	944	715	830	950
F.	Exchange Rates	951	1,398	1,100	1,100

The above statistics are unofficial estimates. E=Estimated.

Remarks: 1. Total Exports in 1998 included the sales of several used passenger aircraft by Korean Air and Asiana Air Lines.
2. Above data does not include any military aircraft or parts procurement from foreign countries.

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Best Prospects for Agricultural Products

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

Total imports of agricultural, food, fishery and forest products from the United States to Korea amounted to $3.21 billion (Korean Customs - CIF value) in 1999, up 8.6% from 1998. However, imports are expected to increase significantly in 2000 as the Korean economy continues to grow. The consumer ready food sector leads the agricultural comeback.

(Note: All statistics for 2000 and 2001 are estimates. E = Estimated. All statistics as listed in the below charts are quoted in Metric Tons (M/T = metric ton) except wine whose figures are in Kiloliters.

Name of Sector: Beef by-products (oxtail, feet, etc.)
HS Code: 0206 & 0504

	1998 (M/T)	**1999 (M/T)**	**2000(E) (M/T)**	**2001(E) (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:	3,147	7,812	1,000	0
D. Total Imports:	21,600	36,634	43,000	50,000
E. Total Imports from U.S.:	13,729	20,590	24,000	28,000

Note: Koreans like to eat beef and pork by-products such as ox tails, head, feet, tongues, livers, etc. 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. However, Korea's export market for these products have been shut off due to the outbreak of the foot and mouth disease in March 2000. The amount that was exported will move into the domestic market and is expected to mitigate the increase in imports of these products. Trade numbers are from Korea Customs Service.

Name of Sector: Beef
HS Code: 0201 & 0202

	1998 (M/T)	**1999 (M/T)**	**2000(E) (M/T)**	**2001(E) (M/T)**
A. Total Market Size:	342,325	379,918	392,500	405,000
B. Total Local Production:	264,074	226,918	215,000	200,000
C. Total Exports:	0	0	0	0
D. Total Imports:	78,251	153,000	177,500	205,000
E. Total Imports from U.S.:	44,792	76,116	96,000	115,000

Note: Beef imports are subject to government-set quotas. Although imports returned to pre-crisis level in 1999 with the recovery of the economy, Korea still failed to fulfill its beef import quota in 1998 and 1999. Beef import quotas will increase by around 10% annually until 2001, when the market becomes fully liberalized. Declining domestic production will also necessitate greater imports in the future to satisfy domestic demand. U.S. red meat products are extremely competitive in both quality and price vis-a-vis domestic and competitor products. Numbers are on boneless basis. Final numbers are from the Korea Customs Service and the National Livestock Cooperatives Federation.

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Name of Sector: Pork
HS Code: 0203

	1998 (M/T)	1999 (M/T)	2000(E) (M/T)	2001(E) (M/T)
A. Total Market Size:	692,914	735,606	795,900	840,000
B. Total Local Production:	732,698	701,365739,000	700,000	
C. Total Exports:	92,730	90,005	9,600	0
D. Total Imports:	52,946	124,246	66,500	140,000
E. Total Imports from U.S.:	5,068	20,120	5,600	11,500

Note: Numbers are based on boneless meat. Korea's export market for pork was shut off due to the outbreak of the foot and mouth disease in March 2000. The amount originally exported will move into the domestic market and will slow the increase in imports of these products. Final numbers are from the Korea Customs Service and the National Livestock Cooperatives Federation.

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Name of Sector: Citrus fruit
HS Code: 0805

	1998 (M/T)	1999 (M/T)	2000(E) (M/T)	2001(E) (M/T)
A. Total Market Size:	579,215	662,529	623,000	703,000
B. Total Local Production:	543,980	633,000	550,000	630,000
C. Total Exports:	6,265	6,651	12,000	15,000
D. Total Imports:	41,500	36,180	85,000	88,000
E. Total Imports from U.S.:	41,274	34,753	82,000	85,000

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. Best quality and reasonable price of U.S. oranges results in a great demand of imports of California Navels in 2000. U.S. citrus is extremely competitive with local products in both price and quality. However, the tariff for oranges remains high and citrus imports, in general, encounter many phyto-sanitary and customs clearance problems.

Source:
Local Production: Cheju Provincial Government & Cheju Citrus Grower's Agricultural Cooperative
Export & Import: Korea Customs Service

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Name of Sector: Processed fruits, nuts and vegetables (e.g. pickles, juices, tomato paste, peanut butter, canned fruit and vegetables, etc.)
HS Code: 2001 - 2008

	1998 (M/T)	**1999** (M/T)	**2000(E)** (M/T)	**2001(E)** (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:	22,473	29,512	30,000	30,000
D. Total Imports:	121,452	177,538	215,000	250,000
E. Total Imports from U.S.:	57,079	70,815	90,000	100,000

Note: Consumer-ready, high value products are in growing demand as the number of two income families increases. Consumer confidence in and a growing acceptance of western food products are increasing the 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 rapidly expanding market.

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Name of Sector: Other prepared foods (e.g. soups, seasonings, ketchup, sauces, etc.)
HS Code: 2103, 2104 & 2106

	1998 (M/T)	**1999 (M/T)**	**2000(E) (M/T)**	**2001(E) (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:	90,548	80,333	82,000	85,000
D. Total Imports:	45,736	67,443	88,000	95,000
E. Total Imports from U.S.:	11,627	19,737	22,000	24,000

Note: Total imports of prepared foods into Korea reached $190.5 million in 1999. Competition is expected to be fierce among many countries. Superior quality and internationalization of tastes, and 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.

Name of Sector: Petfoods
HS Code: 2309.10

	1998 (M/A)	1999 (M/T)	2000(E) (M/T)	2001(E) (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:	5,058	5,408	5,500	5,500
D. Total Imports:	7,144	10,542	12,000	14,000
E. Total Imports from U.S.:	6,283	8,028	9,000	11,000

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. We expect double digit growth in this market as the number of pets increases.

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Name of Sector: Fish and Seafood
HS Code: Chapter 03

	1998 (M/T)	1999 (M/T)	2000(E) (M/T)	2001(E) (M/T)
A. Total Market Size:	3,108,977	3,239,469	3,300,000	3,350,000
B. Total Local Production:	3,243,725	2,909,022	2,950,000	3,000,000
C. Total Exports:	453,999	340,802	400,000	450,000
D. Total Imports:	319,251	671,249	750,000	800,000
E. Total Imports from U.S.:	54,752	72,021	85,000	100,000

Note: The demand for seafood in Korea is especially strong and supplies are short. Ongoing fishing disputes with various countries are further limiting Korea's catch. Fish imports are expected to increase significantly in the coming years in order to meet supply shortages.

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Name of Sector: Wine
HS Code: Chapter 2204

	1998 (K/L)	1999 (K/L)	2000(E) (K/L)	2001(E) (K/L)
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:	404	81	100	100
D. Total Imports:	2,387	5,170	8,000	10,000
E. Total Imports from U.S.:	275	670	1,200	1,500

Note: Wine imports in the first quarter of 2000 were up 156% from the same period of 1999. Between 1991 and 1997, wine imports more than quadrupled from $5.6 million to 22.8 million. The U.S. market share continues to increase.

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Significant Investment Opportunities

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. 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.

One Stop Shopping:
The Korea Trade and Investment Promotion Agency ("KOTRA") has opened its Korea Investment Service Center ("KISC") in order to provide a one-stop service system for foreign investors. The KISC advertises a comprehensive array of services including matchmaking with potential Korean joint venture or mergers and acquisition partners, arranging meetings for foreign investors with relevant governments, institutions and local companies, and supplying information and data for investment feasibility studies. KISC will also provide information on incentives for investing in Korea, a follow-up service to business after establishment, and other administrative support such as extension of the sojourn period of employees of foreign-invested companies. In addition to opening KISC, KOTRA has doubled the number of its overseas Korea trade centers from 20 to 40, and now operates 14 offices in the United States: Atlanta, Boston, Chicago, Dallas, Denver, Detroit, Houston, Los Angeles, Miami, New York, San Diego, San Francisco, Seattle, and Washington.

Construction Sector:
The Korean construction industry was severely hit by the economic difficulties of 1998. In order to assist in the recovery of the Korean construction industry, the Korean government raised its budget and eliminated many regulatory barriers related to the construction of commercial and residential buildings. As a result, the applications for new construction permits in 2000 have already exceeded last year's level by 114.3% for residential purposes and 173.9% for commercial purposes. In April 2000, orders for residential building construction amounted to $17.4 billion (W1,917.8 billion) while orders for non-residential construction totaled USD6.59 billion (W715.1 billion). These are 73.5% and 47.8% increases respectively compared to the last year's order amount.

The housing construction industry will experience gradual growth as the Korean government finances the construction of 500,000 housing units in 2000 at the cost of USD9.77 billion. While these statistics may be somewhat skewed based on the declines resulting from the Korean fiscal crisis, it cannot be denied that the commercial and residential construction industry is beginning to heat up.

Partnerships with major Korean companies, include 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 is another opportunity which has 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 System (IBS)
- Cyber Apartment

Statistical Data ($ millions)

	1998	1999	2000 (E)	2001(E)
Domestic Order By Korean Companies	10,599.1	16,919.2	22.671.5	23,691.7
* Import Contracts by Foreign Companies in Korea	n/a	n/a	n/a	n/a
Overseas contracts By Korean Companies	61,356.7	63,300.5	126,803.0	133,143.2
Exchange Rate: (USD1=W)	1,400	1,200	1,100	1,100

Source: National Statistical Office (NSO), The International Contractors Association of Korea.

* Korean organizations including the NSO and the Ministry of Construction & Transportation do not collect detailed statistics on import contracts.

Energy Sector:
The Korean government's current deregulation trend is creating new opportunities for U.S. companies interested in entering the Korean energy industry. The privatized Korea Electric Power Corporation (KEPCO) will offer huge investment opportunities for U.S. companies. One of its generation subsidiaries (Gencos) will be sold to private investors within this year and the remaining four of five Gencos will be sold at a later date. KEPCO will also sell its three subsidiaries through international competitive bidding by 2001. In addition, U.S. companies may find further opportunities from the Korean gas industry. By 2002, the Korea Gas Corporation (KOGAS) will complete the nation-wide LNG trunk line construction project that will be 2,435 km in length. KOGAS will also construct 37 LNG tank units (100,000kl class) to increase the reserve ratio up from 6.8% in 1999 to 12% with a total of 56 units by 2010. In addition, KOGAS will complete the construction of the Tongyoung receiving terminal by 2002. Korea will then have three LNG receiving terminals along with existing Pyungtaek and Inchon terminals. To introduce competition into the gas industry, MOCIE will spin off the import and wholesale units of KOGAS into three subsidiaries by 2001. MOCIE will sell two of the three import and wholesale subsidiaries, and will

sell a portion of its stake in storage facilities and main pipeline network by 2002. In addition, KOGAS will sell the Korea Gas Marine Co., one of its four subsidiaries, by the end of 2000. The remaining three subsidiaries will be sold in the near future. In an effort to privatize Hanjung, the leading player of supplying power plant equipment and construction in Korea, MOCIE plans to sell a 25% stake to GE and Westing House for a strategic alliance by September 2000. Hanjung will be listed on the Korean stock market by September 2000 and a 24% stake will be offered to the public. After selling a 49% stake, MOCIE will sell a 26% stake through competitive bidding to local firms (consortium possible) and will then decide how to sell the remaining 25% stake.

Port Development:
The Ministry of Maritime Affairs and Fisheries (MOMAF) is engaged in negotiations with four major foreign shipping firms, which have submitted their proposals to invest in Korea to develop and manage certain ports (Inchon, Kwangyang, and Masan Port). The opportunities for investment have developed because some Korean concessionaires are still experiencing a shortage of capital to invest in completing the projects due to the continued strength of the U.S. dollar against the Korean Won since November 1997. 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.

Telecommunications:
The Ministry of Information & Communication advanced by two years the concession schedule Korea submitted to the WTO/GBT in February 1997. As a result, foreign entities are now able to own up to 49% of Korea’s basic telecommunications service companies (except for Korea Telecom) and hold management control over the companies as major shareholders. The ceiling on foreign ownership of Korea Telecom (KT) was raised from 20% to 33% on September 1, 1998, ahead of the original commitment for the year 2001. The limit on individual foreign ownership also was raised from 7% to 15% in October 1998. The government sold some of its shares in KT by issuing depository of receipts (DR) in overseas capital markets, reducing its stake in KT from 71.2% to 58.99%. The government plans to further reduce it share to 33.4% by 2000.

Stock Market, M&As, Financial Services:
Beginning May 25, 1998, the Korean stock market was completely opened to foreign investors. This means that the aggregate ceiling for foreign investors is no longer capped at 55% for the stock of any individual company. Likewise, the limit for single investors is no longer capped at the 50% level. The government decided to scrap the limitations more than six months ahead of schedule in order to induce more foreign capital to enter the marketplace. At the same time, the aggregate foreign stock ceiling in state-owned companies, such as POSCO and KEPCO, will be raised to 30% from the current 25%, while the single foreign limit will increase from 1% to 3%. Additionally, restrictions on mergers and acquisitions, including hostile mergers and acquisitions, have been lifted, and foreign firms can now undertake a wide variety of financial services.

Other Sectors**:**
As of 1999, foreign ownership was allowed in two previously off-limits public corporations. For the Korean Tobacco and Ginseng Corporation, foreigners can own up to 25% of the shares, and the individual limit is 7%. For Korea Heavy Industries, there is no equity limit for foreign ownership. Foreigners are able to own real estate as of July 1, 1998, and to undertake a number of activities related to real estate transactions. In addition from 1999, companies in which foreign equity exceeds 51% can build factories in metropolitan areas for 20 technology-oriented sectors like computer, auto parts and telecomm. The government has also announced that it would sell some 30% of the new Inchon international airport operation to foreign investors, including foreign airlines.

CHAPTER VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

Korea continues a process of economic liberalization and deregulation, but the Korea government (ROKG) still maintains a hands-on 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, 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, corporate financial services, insurance); information technology, intellectual property rights; labor and employment; medical devices; pharmaceuticals; taxation; telecommunications; travel and tourism; and competitive issues affecting American companies' ability to do business abroad. Those interested in the specifics of the above issues may purchase the comprehensive book from the American Chamber of Commerce in Korea. Address: #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. Korea's average basic tariff in 1999 is about 8.9%. Duties still remain very high on a large number of high-value agricultural and fisheries products. 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, 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 within the limit of general rate plus or minus 40% every six months. As of January 1, 2000, 54 items were selected, down from 1999's 57 items. Among 54 items, 21 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 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, 2000, Korea reduced the number of items subject to adjustment tariffs from 29 items to 27 items, 22 of which are agricultural, forestry and fishery related. Seven of the nine items were eliminated at the request of China.

In accordance with the Information Technology Agreement (ITA), tariffs on 203 types of telecommunication and information related equipment will drop to zero by the year 2000, except for 10 categories where Korea's implementation will be phased in (six by 2002 and four by 2004). Korea is also participating in the ITA - 2 negotiations to eliminate 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 are payable in Korean won before goods are permitted to clear 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 those items and supplies designated in a foreign investment application on a duty-free basis usually accompanies the Ministry of Finance and Economy's approval of a foreign investment project. In addition, raw materials used in the production of export goods are often exempt from duty, and certain machinery, materials, and parts used in designated industries such as high-technology and aerospace may enter Korea either duty free or at reduced rates. Tariffs are zero% on materials used for educational purposes and on computer software.

Import License Requirements/ Special Import-Export Requirements

Following a revision of the Customs 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. Fifty-four individual laws stipulate requirements and procedures for importing certain products (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 pharmaceutical 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 registration process is completed by the supplier's qualified local agent. 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. Amendment of the relevant laws and regulations was completed in 26 of the cases. The remaining cases should be finalized with amendment of the relevant laws and regulations by the end of 1999. Among the cases still pending at the National Assembly are eliminating the requirements for obtaining permission on a category basis for importing cosmetics and for an importer to designate a local manager.

Import/Export Documentation

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 is immediately accepted for release of the goods. With the exception of high-risk items related to public health and sanitation, national security, and the environment which oftentimes 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 Administration's EDI (Electronic Data Interchange) system for paperless import clearance is 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 KCA plans to link its computer database with all the agencies dealing with exports and imports. This is supposed to expedite procedures by 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 exports notices based on their shipping documents to Korean Customs by computer at the time of export clearance. All commodities can be freely exported unless they are included on the negative list.

Temporary Goods Entry Requirements

Pursuant to Korean Customs Law, advertising material and samples of merchandise are exempt from customs duties, provided that such items are used solely for that purpose and are valued at less than 100,000 won (about $71). Some U.S. firms, however, have reported problems in receiving duty exemptions. In practice, duty-free entry of these items is left to the discretion of the customs officials at the port of entry. Valuable samples or goods for re-export may be admitted temporarily on a duty-free basis under deposit for the amount of the duty. Careful documentation and handling of samples are essential to minimize problems.

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 travelers' passport and then requires the traveler to take them out of Korea.

Goods entering Korea for exhibition purposes must be stored in a bonded area. For example, the Korea Exhibition Center (KOEX) is a bonded area. Exhibition goods will be kept without charge at KOEX 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.

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 labels, except for country of origin markings which must be shown at the time of customs clearance, are allowed to be locally attached 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. Livestock products are regulated by the Ministry of Agriculture, Forestry (MAF). MAF also has its own set of standards for markings for the country of origin labeling for agricultural products. Detailed information on country of origin labeling is provided in the guideline for country of origin labeling. Local importers usually print Korean 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 used to determine the country of origin for six items using the Harmonized System Code Number instead.

For pharmaceuticals, all imported containers and packages must be conspicuously marked to show:
1) country of origin and manufacturers’ and importers’ 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.

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:

1) Product name: The label should state the name of product. This product name should be identical to the product’s name as declared to the licensing/inspection authority.
2) Product type: Product type by classification unit as defined in the Food Code. If a product type is not classified, a product kind should be indicated.
3) Importer’s name and address, and the address where products may be returned or exchanged in the event of defects.
4) Manufacturing date, month, and year: This is mandatory only for specially designated products such as lunch box and sugar. The shelf life for these designated products must also be labeled. It is not required to label liquor with a shelf life but the manufacturing date is required. However, such requirement for liquor may be exempted if it has a manufacturing number (lot number) or bottling date.
5) Shelf life: Food products should identify their shelf life as determined by the manufacturer. If various kinds of products having different shelf lives are packaged together, the shelf life of the product that has the shortest shelf life should be used on the label. The products that are subject to mandatory shelf life limits, in accordance with the Korea Food Code, should meet such standards.
6) Contents: Weight, volume or number of pieces (if the number of pieces is shown, the weight or volume must be indicated in parentheses).
7) Ingredient(s) or raw material(s) and a percent content of the ingredient(s) should be included on the label (contents of the ingredients are included only when certain ingredients are used in the product name or as a part of the product name). The name of the major ingredient in accordance with the Article 7 of the Act 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.
8) Nutrients: Only special nutritional foods, health supplementary foods, products wishing to carry nutritional labels and products wishing to carry a nutrients emphasis mark are subject to nutritional labeling.
9) 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.). Products that must be kept at low temperatures, such temperatures should be indicated.

Please note that KFDA announced the proposed revision to the Labeling Standards for Food et al in November 1999. This proposed a wide range of changes in the current labeling standards. This proposal is anticipated to be finalized in the second half of 2000.

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 and nutritional labeling is available from Food & Agricultural Import Regulations and Standards Report 1999 provided on the USDA website. “Labeling Standards for Food et al” is available from the American Chamber of Commerce in Seoul.

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.

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 relevant the 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 which 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.

On its negative export list, Korea also prohibits the export of 13 items by Harmonized System 6 digit classification, including whale meat, uncut pieces of stone (granite, etc), and dog fur or skin products. In the past, any person wishing to export industrial equipment, or technical services together with industrial equipment, had to obtain approval from MOCIE. This mandatory license requirement was abolished in March 1997.

In accordance with the elimination of "gray area measures" under the WTO/Safeguards Agreement, the number of items which require export licenses was reduced from 834 items to 778 items. Around 90% of the 778 items are related to quota agreements, including textiles, and the remaining 10% are license requirements aiming at protecting natural resources and intellectual property rights.

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. However, there are still concerns about the implementation of the commitments Korea made when it signed the GATT Agreement on Technical Barriers to Trade (the "Standards Code") 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 using public rule-making procedures. The absence of a comment period and adequate time for industry to adjust can be a significant barrier to trade. Finally, implementation periods sometimes do not give foreign exporters sufficient time to comply, which lead to unnecessary and costly interruptions in trade. The government has indicated that it will work to address these problems and reduce these barriers. Whenever there is a change of standards, the government is required to notify the WTO's Committee on Technical Barriers to Trade (TBT).

Korean firms consider compliance with the ISO 9000 Quality Management System necessary in order to compete in the international market. There are local testing laboratories authorized to certify firms under the ISO 9000 system, so certification is locally available. In 1997, Korean companies also adopted the ISO 14000 environment management system.

Free Trade Areas/Warehouses

The government has designated several free export zones for the bonded processing of imported materials into finished goods for export. The free export 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.

The Masan Free Export Zone is located near Pusan at the southern end of the country. The Iksan (formerly Iri) Free Export Zone is located near Kunsan on the western coast. There are two industrial parks specifically for foreign firms in Kwangju and Chonan (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 reduced the minimum foreign ownership requirement from 30% to 10% for Kwangju and from 40% to 30% for Chonan in 1998. Another new industrial park solely for foreigners is planned in Daebul.

Under the Regulations on Foreign Direct Investment, which were largely revised in November 1998, any foreign investor whose investment exceeds $100 million can request designation as a Foreign Investment Zone (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.

From January 1, 1999, six separate types of bonded facilities which previously required individual licenses can be designated as a comprehensive bonded area. A Foreign Investment Zone can be designated as a comprehensive bonded area just through filing a notice which does not require approval. There is no restriction on the types of business and goods as long as those goods will not hamper 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) comprehensive bonded area. The period for which goods may be stored was extended from three months to one year in a bonded warehouse, and from one year to the valid date of the license for a bonded factory. Duties are payable only when goods are cleared through customs. The previous 15-day storage period limit in a bonded warehouse for goods for which an import declaration was made was eliminated on January 1, 1999. 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.

In addition to the Comprehensive 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 law specifies that any person who desires 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, and where applicable, must be accompanied by articles of incorporation and corporate register.

Membership in Free Trade Agreements

The Republic of Korea is a member of the Asia-Pacific Economic Cooperation (APEC) forum. The goal of the APEC as outlined in their 1994 pledge 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.

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 may be able to provide assistance with general customs questions. Contact information is: Mr. Park, Sang-Tae, Director General, International Cooperation Division, Korea Customs Service based in Taejon, Tel. 82-42-481-7950, Fax. 82-42-481-7969; Mr. Lee, Jong-In, Director, Cargo Control Division, Korea Customs Service, Tel. 82-42-481-7860; Fax. 82-42-481-7869.

CHAPTER VII. INVESTMENT CLIMATE STATEMENT

During the past several years, Korea has emerged as an attractive economy for foreign investors and has convincingly shed its decades-long prior reputation as a difficult or even hostile environment for foreign capital. Several facts stand out. In 1998, for the first time in Korean history, foreigners were permitted to own land. Also, foreign direct investment (FDI) commitments for the two most recent years, 1998 and 1999, exceeded FDI commitments during the previous 35-year period. And foreign portfolio investors now own 20-25% of the market capitalization of the Korean Stock Exchange (KSE). When he took office in 1997, as Korea faced its worst economic downturn since the 1950-53 Korean War, President Kim Dae-jung firmly declared his goal to liberalize the Korean economy. The Korean government (ROKG) was determined to attract foreign investment to restore Korea to economic growth, to modernize the economy to rise to the challenges of globalization, and to fulfill Korea's commitments to its unprecedented $58 billion IMF program and to the OECD (which Korea joined in 1996). It successfully formulated, planned, and implemented an ambitious reform package to make the economy more efficient and transparent and to give more scope for private-sector decision making. To improve the investment climate, the ROKG has simplified and deregulated investment procedures, attracting $15.5 billion in FDI commitments to Korea in 1999, although more remains to be done.

In 1999 investment from Europe took the largest share of foreign investment in Korea with $16.4 billion, or about 33% of Korea's total stock of FDI. The Netherlands, Germany and France were the leading countries. The United States became the second largest investor, with $15 billion (31% of the total) and Japan was third with $8.1 billion, (16%).

The dominant position of Korean conglomerates — the chaebol — in the domestic economy represents a significant problem for foreign competitors. 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. These measures could encourage chaebol to sell off some of their constituent companies and weaken chaebol dominance in the economy at large.

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. FIPA considerably reduced the number of restricted sectors, although restrictions remain on 28 industrial sectors, four of which are entirely closed to foreign investment. (Please see chart on next page.) As a result of a March 1, 2000, revision of the Korean Industrial Classification Standards. restricted industrial sectors increased to 28 (from 21 in 1999). The revision added several industrial subsectors, such as cable television distribution, satellite broadcasts, radioactive disposal, etc, which did not exist when the previous standards were drafted. In contrast, 120 categories were restricted in 1996. Although the ROKG has no plans to open currently restricted sectors , it will review restricted sectors from time to time for possible further openings. According to the Ministry of Commerce, Industry, and Energy (MOCIE), 99.6% of industrial sectors are open to foreign investors (that is, only four of 1121 industrial sectors are completely closed to foreign investment), 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
(figures in parenthesis denote Korean Industrial Classification Code)

A. Completely closed

1 . Inshore fishing (05112)
2. Coastal fishing (05113)
3. Radio broadcasting (87211)
4. Television broadcasting (87212)

B. Restricted sectors (partly closed)

1. Growing of cereal crops and other crops for food (01110)
2. Farming of beef cattle (01212)
3. Publishing of newspapers (22121)
4. Publishing of magazines and periodicals (22122)
5. Processing of nuclear fuel (23300)
6. Electric power generation (40110)
7. Wholesale of meat (51312)
8. Coastal water passenger transport (61121)
9. Coastal water freight transport (61122)
10. Scheduled air transport (62100)
11. Non-scheduled air transport (62200)
12. Leased line services (64211)
13. Wired telephone and other telecommunications (64219)
14. Mobile telephone services (64221)
15. Cellular telephone services (64229)
16. Telecommunications resellers (64219)
17. Other telecommunications nee (64299)
18. Domestic commercial banking (65121)
19. Investment trust compames (65931)
20. Program providing (87221)
21. Cable broadcasting (87222)
22. Satellite broadeasting (87223)
23. News agency activities (88100)
24. 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 about 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.

Investments in conditionally or partly restricted sectors, which do not qualify for the above notification procedures, still must be approved by the relevant ministry or ministries. Most applications submitted under approval procedures 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 implementation problems remain. The law was changed on January 1, 1997, to bring Korea into compliance with the WTO's Code on Government Procurement. 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 remains, though ownership limits have increased. Currently, foreign ownership is limited to 30% for Korea Electric Power Corp. (KEPCO) and Pohang Iron and Steel Corp. (POSCO), although the government plans to fully divest its POSCO shares before the end of 2000. Foreign ownership is limited to 15% for several other public enterprises, including Korea Heavy Industrial Corp, Korea Ginseng and Tobacco Corp, Korea Telecom, Korea Gas Corp. and Inchon International Airport Corp. The Korea Heavy Industrial Corp will be put up for international bidding in 2000.

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, foreign investments in 533 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.

The most prominent of the ROKG's programs to encourage research and development (R&D) by private-sector organizations is the Highly Advanced National (HAN) project. HAN seeks to raise Korea's R&D capability to OECD levels by the year 2001. The HAN program provides funding for projects carried out by Korean institutes in partnership with foreign research bodies aimed at developing new technology in specified fields. Government funding for R&D programs also is available to foreign-owned firms.

The Korean public's 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 Newbridge Capital, was a watershed event. Korea First Bank is the first and so far only Korean bank owned by foreign investors. No significant NGOs oppose foreign investment. In fact, public opinion has grown steadily more favorable during the 1990's, though vested interests and pockets of protectionist sentiment remain.

A variety of barriers to the import of automobiles has limited both U.S. and European exporters to a minuscule share (0.16%) of the booming domestic Korean market. In 1999, 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 1999 Korea exported 1.5 million vehicles to the United States and Europe while U.S. and European manufacturers sold a total of 2,401 vehicles in Korea. On October 1, 1997 the U.S. Trade Representative office (USTR) had designated the Korean auto industry as a "Priority Foreign Country Practice" and initiated an investigation under section 301 of the U.S. Trade Act on October

20, 1997. Bilateral consultations to provide fair market access for foreign autos in Korea produced an Memorandum of Understanding in 1998. The import of Japanese autos, however, was specifically prohibited until the summer of 1999.

The widespread perception that certain foreign products — particularly automobiles — are luxury products which “patriotic” Koreans should shun, is slowly fading. U.S., European, and Japanese automobile manufacturers held a highly successful, first-ever import auto show in Seoul in 2000. Although some Daewoo Motor suppliers and auto workers have been vocal in their opposition to the sale of Daewoo Motor to a foreign firm, but they hardly agree among themselves. In fact, many Daewoo workers are more afraid of a takeover by Hyundai Motor, Korea’s leading auto manufacturer, than of a foreign takeover, while others explicitly prefer a foreign takeover to any other option. In June 2000, Daewoo creditors chose Ford Motor Company as their exclusive negotiating partner for the sale of Daewoo Motor. Also in 2000, Renault bought the bankrupt Samsung Motor.

The rapidly growing pharmaceutical market is dominated by domestic firms and ROKG regulations greatly complicate the importation and distribution of foreign products. The domestic chemical and petrochemical industries have also expanded their capacity in recent years, pushing foreigners increasingly into niche, specialty markets.

Despite Korea’s position as an exporting center, the domestic capital goods industry is not able to meet demands for high-end manufacturing and electrical equipment, process controls, and customized machine tools. Japan is the United States’ main competitor as a capital goods supplier. In aircraft and parts manufacturing, Boeing and other U.S. aviation firms compete with Airbus and its suppliers in the Korean market. Large-scale power generation, nuclear and thermal, is a U.S. success story in Korea, despite strong Canadian and European competition. Korea Telecom has a history of favoring domestic suppliers but, thanks to bilateral telecommunications agreements, U.S. firms have made inroads into the equipment market, particularly with private telecom operators.

Some consumer groups and journalists continue to raise concerns about “luxury” imports, arguing that this kind of consumption harms social stability and damages the economy. These types of groups do not oppose foreign investment or foreign products per se, nor do they represent a serious obstacle to foreign investment flows.

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 but 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.

Property law was a key area of the Korean economy that was liberalized 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 until the end of March 2000, foreign entities cumulatively purchased 1.36 million square meters of land in the Seoul area (worth $2.26 billion).

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. The prohibition on cross-ownership between companies was repealed on April 1, 1998.

Protection of Physical and Intellectual Property Rights

Korea has made significant efforts to strengthen its intellectual property rights (IPR) laws and enforcement, although there have been inconsistencies with respect to court interpretation and rulings on the law. The lack of IP protection for computer software, pharmaceutical patents and proprietary information and copyrights prompted USTR to upgrade Korea to “Priority Watch List” under Special 301 in April 2000.

Pursuant to its obligations under the WTO Agreement on Trade- Related Aspects of Intellectual Property Rights (TRIPS), Korea passed four acts (patent, utility model, design and trademark) in December 1995, and implemented new copyright, computer software and customs laws in 1996. In 1997, the trademark law was amended to afford protection to three- dimensional trademarks (registered in Korea only). On March 1, 1998, the revised trademark law became effective and the new patent court was established. Korea is implementing developed- country IPR standards in many areas, but still claims developing country status with respect to its TRIPS obligations overall. In June 2000, Korea submitted to the WTO a report claiming that the country is in full compliance with TRIPS. The U. S. Government has made it clear to the Korean Government in the negotiations on the Bilateral Investment Treaty (BIT) that the issues raised with respect to Korea’s TRIPS consistency must be resolved before the BIT can be signed.

Korean patent law is fairly comprehensive, offering protection to most products and technologies. In July 1997, the Patent Act and Utility Model Act were amended to streamline the examination and appellate process and to boost monetary penalties for cases of patent infringement from 20 million won to 50 million won. U. S. industry believes that deficiencies remain in the interpretation of claims and in the treatment of dominant and subservient patents. Additionally, Korea’s recognition of international ownership of foreign patents has been inconsistent, and approved patents of foreign patent holders have been vulnerable to infringement.

The Korean Industrial Property Office (KIPO) took the lead in amending Korean laws to address U. S. concerns about restrictions on patent term extension for certain pharmaceutical, agrochemical and animal health products, which are subject to lengthy clinical trials and domestic testing requirements. In the past, pharmaceuticals’ patent term protection for the clinical trial period was lost if that period took less than two years. In the fall of 1998, the National Assembly passed legislation amending these restrictive provisions.

Although a law permitting patent extension was adopted on January 1, 1999, Korea still has failed to provide full retroactive protection to existing copyrighted works as required under the TRIPS Agreement. The trademark law requires registration of U. S. cartoon characters under a specified product class in order to be protected. Korean courts, in recent decisions, have consequently declined to extend protection to those cartoon characters and certain textile designs.

There has been some improvement over the past several years on the removal of pirated and counterfeit goods from the Korean market. Through administrative guidance, Korea curtailed the copying and selling of certain U. S. copyrighted works created before 1987. Korea also established “special enforcement periods,” during which significant resources are devoted to raids, prosecution and other copyright enforcement activities. Records of the Supreme Prosecutor’s Office indicate that 33,382 individuals were reported for IPR infringement in 1999(up 92.2% from 1998), and 1,737 individuals were arrested (up 30% from 1998). Police and prosecutors continue to make “special” IPR raids. U. S. businesses and industry groups have reported that software piracy by large Korean corporate end-users remains a significant problem. Piracy for home use and by educational institutions reportedly continues to be a problem as well, and U. S. firms report that they still have difficulties bringing law enforcement action against “small- scale” infringers. The December 1999 amendment to the Computer Program Protection Act permits the de-compilation of computer software beyond circumstances allowed by international norms, raising serious concerns by the U.S. Government and U.S. business software industry. The December 1999 Amendment to Korean Copyright Law has permitted public or school libraries to freely share the electronic versions of publications, which presents serious problems for copyright protection. The U.S. Government is working with the Korean Government in order to address concerns in these two areas.

Although Korean laws on unfair competition and trade secrets provide some trade-secret protection in Korea, they remain deficient. For example, U. S. firms, particularly some manufacturers of chemicals and candy, face continuing problems with government regulations requiring submission of very detailed product information (i. e., formulae or blueprints) as part of registration or certification procedures. U. S. firms report that although the release of business confidential information is forbidden by Korean law, submitted information has not been given sufficient protection by government officials and, in some cases, has been made available to Korean competitors or to their trade associations. To its credit, however, the Korea Food & Drug Administration (KFDA) recently amended Pharmaceutical Affairs Act Implementing Regulations to stipulate that submitted data is to be protected from unauthorized disclosure when the submitting party requests protection.

The U. S. pharmaceutical industry continues to be concerned about a lack of coordination between health and safety and IPR officials, allowing products that infringe existing patents to be approved for marketing. The U. S. Government will continue to press the Korean Government on IPR protection for pharmaceuticals until U. S. concerns are fully and satisfactorily addressed. The U.S. pharmaceutical industry is also concerned about Korea’s inadequate system to protect the original developers’ test data.

Korea has taken steps to reduce the number of cases in which Korean companies register trademarks similar to U. S.- owned marks. But cases of unauthorized registration — so- called “sleepers” are still a problem. “Sleepers” are marks filed and registered by Koreans without authorization in the late 1980s and early 1990s, when KIPO was still developing a more effective and accurate trademark examination and screening process. A new trademark law, which became effective March 1, 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.”

Until 1998, trade dress had been only partially protected under both the prevention of unfair competition law and the design law. The design law grants protection only after registration is completed. However, the amended trademark law now allows the registration of three- dimensional marks and trade dress.

Korea has long been a source of exports of infringing goods. Because textile designs are not fully protected, some Korean companies pirate U. S.- copyrighted textile designs and export them to third countries, competing with genuine U. S.- produced goods. The U. S. Government continues to urge Korean Government officials to increase their efforts toward stopping exports and imports of counterfeit goods to and from third countries.

Recent amendments to the Design Act became effective on March 1, 1998. Under the new amendments, KIPO made industrial designs more competitive by extending the duration of the design right and simplifying the design application procedures. A new design registration system was introduced to enable applications for certain goods to be registered without examination.

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 increase in tax burden on tuition expenses for expatriate employees, donation expense rules, the inconsistency between local and national tax laws with respect to cases pending in Mutually Agreed Procedures (“MAP”), limitations on recognizing goodwill in an asset transfer, foreign tax credit issues, and enhancement of entertainment expenses.

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. Basic concepts of administrative procedure are not well developed. 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. Proposed rules often are not published prior to promulgation, or are published with insufficient time to permit public comment and industry adjustment. After promulgation, rules can be applied retroactively and arbitrarily. While Korea has an administrative procedures law, the rule-making process continues to be opaque and non-transparent, particularly for foreigners.

President Kim Dae-jung has made deregulation one of the cornerstones of his economic policy. To date this has taken a back seat to more “critical” economic and financial system restructuring, though the ROKG has made a major effort to cut back on the number of regulations in force. 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." Most recently, on December 28, 1999, the ROKG amended the Anti-Monopoly and Fair Trade Act. The Act has been repeatedly changed to address the issue of unwieldy chaebol growth. In this latest revision the ROKG repealed the prohibition of cross ownership but instead instituted a new restriction on intra-group cross-payment guarantees. Therefore, no new intra-group payment guarantees were allowed for the top 30 chaebol starting from April 1, 1998. The top 30 chaebol are committed to eliminating all existing intra-group payment guarantees by March 31, 2001. The top four chaebol already have eliminated almost all cross-guarantees.

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) vigorous 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. (The ROKG earlier had backtracked on this reform somewhat, by allowing the issuing and purchase of "bearer bonds" to mobilize domestic resources to address the financial crisis. Reacting to criticism that because the bonds did not require the use of real name and thus could provide a tax shelter for illegal wealth, the ROKG decided to discontinue this type of bond.)

This single change has had profound effect and likely is irreversible. Yet, the original conditions which contributed to corruption — principally the lack of transparency in government actions and close relationships between the government, the banks, and the chaebol — have yet to be fully rectified. The ROKG has taken important steps forward, including the first 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 is fully committed to a more open and transparent system of government. To demonstrate such commitment, the ROKG has decided to host the third Global Forum on Fighting Corruption in 2003.

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.

Labor

Korea has a highly educated and hard-working labor force. Although labor-management relations can be contentious, they have improved in the past several years with wages having increased more than two and a half times over 1987 levels. Between 1987 and 1989, labor disputes numbered in the thousands. This total declined steadily to just 80 cases in 1995. Recently, due to the economic crisis and the consequential wage cuts and layoffs, labor disputes are once again on the increase. Korean labor groups are quick to escalate disputes and often 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 authorities. In general, aside from higher wages and better working conditions, Korean workers want a reduction in the work week from 44-45 hours a week (five-and-one-half-work-days) to 40 hours a week with no reduction in pay. Sit-in strikes are common, and workers have on occasion occupied company offices or factories.

While labor disputes are more common at Korean companies, union members at foreign-invested firms employees 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, unless violence occurs, police are reluctant to enforce the law and arrest unionists. 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 to order binding arbitration to solve labor disputes.

In December 1991, following its admission to the United Nations, Korea joined the International Labor Organization (ILO) but Korea still has not ratified the basic ILO conventions on Workers Rights (Convention no. 87 on the freedom of association, Convention no. 98 on the right to organize and collective bargaining, and Convention no. 151 on public service employees' right to organize). A number of international and domestic labor groups have filed complaints against the Korean government with the ILO's Committee on Freedom of Association. This committee issued a report critical of Korean labor laws and practices. Its report recommended that Korea amend its trade union law to allow workers to form plural trade unions of their choice without restriction, to allow public servants and teachers the right to organize trade unions and engage in collective bargaining, to repeal the ban on third-party intervention in the settlement of labor disputes, and to facilitate the release of imprisoned trade unionists. It should be noted that many imprisoned trade unionists were convicted for acts of violence and destruction of property and not for their union affiliations.

In 1997, Korea amended its labor laws to permit more than one national labor federation. At the time of this writing (July 2000), 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 1600 distinct labor unions. After decades of refusals, the government recently permitted Korean Air Line (KAL) pilots to form a union. Also in 1997, the government repealed its ban on intervention by "third parties" in labor disputes.

<u>Capital Markets and Portfolio Investment</u>

The Korean banking and financial sectors are undergoing thorough structural reform, overseen by the ROKG in close collaboration with the IMF and the World Bank. Financial sector reform is an ROKG priority. 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. The ROKG is attempting to recapitalize the banks and non-bank financial institutions, close or merge weak financial institutions, resolve non-performing assets, introduce western risk assessment methods and accounting standards, force depositors and investors to assume appropriate levels of risk, and end 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 crisis.

The Korean government is publicly committed to refrain from interfering in bank lending and management decisions, except with regard to prudential supervision. During the economic crisis, the Korean Government nationalized its largest commercial banks. The Korean Government retains majority ownership in several of the largest commercial banks in Korea and a significant stake in a number of others. Currently, four banks – Hanvit, Chohung, Seoul and Peace Banks – remain nationalized. Late in 1999, the Korean Government approved a sales contract for Newbridge Capital to acquire 51% of Korea First Bank, Korea's largest commercial bank at the time of the 1997-98 financial crisis. Foreign banks are allowed to establish subsidiaries or direct branches. During 1998 and 1999, the Korea opened its capital markets to foreigners, and permitted 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 accounted for 23.4% of KSE market capitalization at the end of February 2000. The market turnover rate was 11 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 big 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 is almost dysfunctional, as sellers still far outnumber buyers. The total assets (excluding acceptances and guarantees) of Korea's nationwide commercial banks as of the end of 1999 was 415 trillion won, or about $372 billion.

Short-term interest rates remain low, at around 5% and inflation, at 0.8%, remained subdued throughout 1999. Inflation for 2000 is expected to be around 3%. The spread between short-term money (the overnight call rate) and long-term-money (the benchmark 3-year corporate bond rate), fell from its 500-plus-basis-point high in late 1999 but still exceeded 400 basis points in July 2000. Notwithstanding a 25-basis-point increase in the overnight rate in February 2000, the Bank of Korea has maintained a low-interest rate policy, encouraged by the lack of any serious sign of increases in consumer price levels.

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 dealings 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 foreign transfer law in two steps, the first taking effect immediately and the second at the end of 2000. The first stage fully liberalized all current-account transactions by business firms and banks, paring down the former, very lengthy negative list to five items. Most of those items affect foreign exchange transactions by individuals, including overseas travel expenses.

The FETA's second-stage liberalization will dismantle most remaining restrictions as of January 1, 2001, except for those that could harm international peace and public order such as money laundering and gambling. Three specific types of transactions will not be 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 will collect their debts. The ROKG has retained the authority to reimpose restrictions in the case of severe economic or financial emergency.

Capital-account liberalization under FETA has been extensive. All capital-account transactions are permitted unless specifically prohibited. 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 the 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 remittances 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 both must be approved 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 for 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 will be 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, the central bank. Daily fluctuation limits have been completely removed, and the Bank of Korea has committed itself 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. Casinos are open only to foreigners, except on case-by-case ROKG approval.

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 against 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 unaware 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.

Tensions on the Korean peninsula have remained relatively high due to the threat from North Korean conventional military forces. In a U.S.-DPRK agreement signed in Geneva in October 1994, North Korea agreed to freeze and eventually dismantle its nuclear weapons program. It did so in return for improved relations with the United States and a program to provide substitute energy in the form of heavy fuel oil and the construction of light water reactors, which are less subject to use for weapons development. It is hoped that this program, in conjunction with improved inter-Korean relations, will ease the DPRK's international isolation and reduce tensions on the peninsula.

The historic meeting in June 2000 between South Korean President Kim Dae-jung and North Korean leader Kim Jong-il is a promising start in a relationship which could do much to reduce tensions on the Korean Peninsula.

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. An example of changes proposed in the U.S. model text includes giving foreigners the right to transfer funds into and out of Korea without delay at the current, market rate of exchange.

OPIC and Other Investment Insurance Programs

Since June 1998, after the ROKG took steps taken to protect workers' rights, Korean investments have been eligible for investment insurance programs sponsored by the U.S. Overseas Private Investment Corporation (OPIC), although OPIC has yet to guarantee any U.S. investments in Korea. The June 1998 action reversed a 1991 determination under the Workers Rights provisions (Section 23la) of the Foreign Assistance Act, under which OPIC decided to refrain from writing policies under its insurance programs for companies making new investments in Korea. Coverage issued prior to this determination is still in force. Even the lack of OPIC coverage was never 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 1999, Korea's investment abroad totaled $25.7 billion, much of which represented recent investment in China and Southeast Asia in such labor-intensive industries as textiles and clothing, and component assembly. In recent years, outward investment in capital- and technology-intensive industries such as machinery and autos have increased markedly. Southeast 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. Since the start of the economic crisis in December 1997, however, outward investment has been at a lull. In fact, chaebol and banks have sold a considerable amount of their overseas investments since that time.

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 US$ millions)

	Flow 1997	Flow 1998	Flow 1999	Stock
Total Inflow	6,971	8,852	15,541	49,034
- United States	3,190	2,975	3,738	14,993
- Japan	266	504	1,750	8,086
- Europe	2,409	2,968	6,423	16,381
- Others	1,106	2,405	6,630	9,574
Total Outflow	3,229	3,893	2,482	25,703
- North America	738	910	1,020	7,852
- Asia	1,504	1,549	1,002	10,611
- Europe	461	1,022	248	4,060
- Others	526	412	212	3,180

Source: Ministry of Finance & Economy 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
Costco Wholesale Int’l Inc.	Wholesale/Retail
Wal-Mart Stores Inc.	Wholesale/Retail
Microsoft Corporation	Other Services
Enron Int’l Korea Llc.	Electricity and Gas
Bowater Incorporated	Wood and Paper
E.I. Du Point De Nemours & Co.	Chemicals
Fairchild Semiconductor Corp. Of California	Electric/Electronics
Caltex (Overseas) Ltd.	Oil Refining
Morgan Guaranty Co. Of Ny.	Finance
Procter & Gamble Far East. Inc	Wood and Paper
Seminis Vegetable Seeds. Inc	Agriculture/Forestry
The Gillette Company	Electric/Electronics
Theree M Co. Ltd.	Electric/Electronics
J. Lyons Inc.	Foods
Ford Motor Company	Transport Equipment
Airtouch Communications Inc.	Other Services

Host Industry 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
#904, 9th Floor
Korea World Trade Center
159 Samsung-Dong, Kangnam-Gu, Seoul, 135-729, Korea
Tel: (82-2) 551-7378(-80)/7392(-93); Fax: (82-2) 551-7381
E-Mail: iksc@unitel.co.kr Website: http://www.kotra.or.kr

CHAPTER VIII. 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; injected upwards of $90 billion into the banking system, with plans to spent $25 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, despite frequent instances of low profitability and high debt. The government slowly abandoned its policy-loan approach, but did not use its supervisory authority to force banks and other financial institutions to adequately assess credit risk. In the 1990's the government tried to limit loans to 30 large business conglomerates to reduce economic concentration. However, distortions in credit allocation due to government controls, limited risk-analysis, weak prudential oversight, tightly bound societal relationships, and moral hazard arising from the feeling that the government would make good any losses produced high levels of non-performing loans in the Korean banking system.

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, Korea's second-largest chaebol. Daewoo's demise, which involved around $80 billion of unpaid debt, was easily the world's biggest corporate bankruptcy. Since then, banks have moved to modernize their lending capabilities and SMEs, particularly information technology firms, have benefited from easier access to bank lending.

Korean companies often request or insist on extended credit terms, 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 further aggravated conditions in the financial sector, which was undergoing a restructuring process initiated as result of the 1997 financial crisis. Non-performing loans at banking and non-banking financial institutions amounted to 67 trillion won ($60 billion) at the end of 1999. The government is encouraging mergers among banks with incentives for government support, and has proposed a financial holding company law.

Effective July 1, 2000, Investment Trust Companies (ITC's) must use "mark-to-market" accounting (instead 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 plays a key role in financial restructuring as it strengthens 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. Audit quality also is improving. The government will reduce the current unlimited guarantee for bank deposits to 20 million won ($18,000) per account beginning in year 2001 to further activate the market discipline.

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 firms' 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, to become effective by the end of 2000, will liberalize most capital account transactions that were not liberalized in the first stage, including those related to national security and crime prevention. Non-residents will be 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.

According to the revised Foreign Exchange Management Regulations, a Korean traveler may purchase up to $10,000 in U.S. currency to meet foreign travel expenses. An additional $10,000 of overseas expenses per month is authorized for overseas sojourners, including Korean residents staying in foreign countries longer than 30 days for the purpose of business, culture, public affairs, overseas training, study overseas and technical training. Korean residents living offshore longer than two years are now authorized to purchase foreign real estate of up to $500,000 per individual. In addition, Korean residents are now permitted to hold deposits abroad of up to $50,000 for individuals and $3 million for corporations.

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.

General Financing Availability

Medium and short-term credit is available from Korean and foreign banks and through the issuance of debentures. Credit may be in short supply and foreign firms must compete with domestic companies, which generally have better access to local funding and 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 the MOFE for loans over $10 million with maturities of over one year. As of July 1, 1998, companies need only to notify MOFE of loans over $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, Taipyungro 1-ka, Chung-ku, Seoul 100-101
Mailing Address: KPO Box 1390, Seoul, Telex: K24484, Tel: 399-2929, Fax: 399-2967
Web site: www.aexp.com

Fleet National Bank (Seoul Branch)
15th Floor, Kyobo Bldg.,
#1, 1-ka Chongro, Chongro-ku, Seoul 110-714
Mailing Address: CPO Box 313, Seoul, Telex: K23750, Tel: 397-3300, Fax: 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
Mailing Address: CPO Box 3026, Seoul, Telex: K23294, Tel: 729-4500, Fax: 729-4400
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.
Mailing Address: KPO Box 329, Seoul, Telex: K22815, Tel: 721-1830, Fax: 732-9526
Web site: www.uboc.com

Bank of Hawaii (Seoul Branch)
10th Floor, OCI Bldg.,
#50, Sogong-dong, Chung-ku, Seoul 100-070
Mailing Address: CPO Box 5146, Seoul, Telex: K23589, Tel: 3179-114, Fax: 757-3516

Web site: www.boh.com

Bank of New York (Seoul Branch)
23rd Floor, Young Poong Bldg.,
#33, Seorin-dong, Chongro-ku, Seoul 100-752
Mailing Address: CPO Box 4906, Seoul, Telex: K29553, Tel: 399-0001/6, Fax: 399-0055
Web site: www.bankofny.com

Chase Manhattan (Seoul Branch)
Chase Plaza Bldg.,
#34-35, Jung-dong, Chung-ku, Seoul 100-120
Mailing Address: CPO Box 2249, Seoul, Telex: K23249, Tel: 7585-114, Fax: 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
Mailing Address: KPO Box 749, Seoul, Telex: K23293, Tel: 2004-1114, Fax: 2004-1013
Web site: www.citibank.co.kr

First Chicago NBD (Seoul Branch)
15th Floor, Oriental Chemical Bldg.,
#50, Sokong-dong, Chung-ku, Seoul 100-718
Mailing Address: CPO Box 7239, Seoul, Telex: K27534, Tel: 316-9700, Fax: 753-7917
Web site: www.bankone.com

<u>American Banks with a Representative Office in Seoul</u>
First Union National Bank, NA (Representative Office)
10th Floor, Samhwa Bldg.,
#21, Sogong-dong, Chung-ku, Seoul 100-070
Telex: K27966, Tel: 3706-3114, Fax: 3706-3141~3
Web site: www.firstunion.com

<u>List of Major Korean Banks in Seoul</u>
Chohung Bank
#14, amdaemoonro 1-ka, Choong-ku, Seoul 100-757
Telephone: 3700-4037, Fax: 3700-4971/4972
Web site: www.chb.co.kr

Hana Bank
#101-1, Ulchiro 1-ka, Choong-ku, Seoul 100-191
Telephone: 2002-1111, Fax: 775-7472
Web site: www.hanabank.co.kr

Hanvit Bank
203, 1-ga, Hoihyun-dong, Jung-ku, Seoul 100-792
Telephone: 2002-3000, Fax: 2002-5685/5686

Web site: www.hanvitbank.co.kr

Housing & Commercial Bank
#36-3, Yoido-dong, Youngdeungpo-ku, Seoul 150-886
Telephone: 769-8114/7114, Fax: 769-8350
Web site: www.hncbworld.com

Kookmin Bank
#9-1, Namdaemoonro 2-ka, Choong-ku, Seoul 100-703
Telephone: 317-2114, Fax: 317-2885
Web site: www.kookmin.co.kr

Koram Bank:
#39, Da-dong, Chung-ku, Seoul 100-180
Telephone: 3455-2545, Fax: 3455-2966
Web site: www.goodbank.com

Korea Exchange Bank: #181,
Ulchiro 2-ka, Choong-ku, Seoul 100-793
Telephone: 729-8468, Fax: 775-9819
Web site: www.keb.co.kr

Korea First Bank
#100, Gongpyoung-dong, Chongno-ku, Seoul 100-702
Telephone: 3702-3114, Fax: 3702-4936
Web site: www.kfb.co.kr

Peace Bank
#647-9, Yoksam-dong, Kangnam-ku, Seoul 135-080
Telephone: 2222-2210, Fax: 564-8464
Web site: www.pbk.co.kr

Seoul Bank
#10-1, Namdaemoonro 2-ka, Choong-ku, Seoul 100-746
Telephone: 3709-5618, Fax: 3709-6443/6445
Web site: www.seoulbank.co.kr

Shinhan Bank
#120, Taepyoungro 2-ka, Choong-ku, Seoul 100-865
Telephone: 756-0505, Fax: 774-7013
Web site: www.shinhanbank.com

CHAPTER IX. 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 Pusan), 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-yang-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. In the majority of Korean households, 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 are still in their infant stages in Korea, although this is rapidly changing in the face of changing economic times. 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, assembly work positions, 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, marital status, and wage earnings.

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-ray-bang" where a group of businesspeople go to an establishment to drink and sing along to a video machine playing music. As most no-ray-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-ray-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 business person 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 at the 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 Advisory

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 business center. 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.

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. Kimpo International Airport, located 10 miles southwest of downtown Seoul, is the primary gateway to South Korea. Depending on the volume of traffic it can take anywhere from 45 minutes to two hours to travel from Kimpo Airport to Central Seoul. For information on Kimpo operations, English speakers can telephone 660-4114; Korean speakers can dial, 660-2114.

Visas

Although passports are required, visas are not required for American tourist 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 for 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. 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 $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 $10,000 must be declared.

For international departure from Kimpo there are two terminals: Terminal One for foreign carriers and Terminal Two for the two Korean airlines and seven other foreign carriers. At check-in a passenger service charge of Won 9,000 (about $6.50) must be paid. Also, the Cultural Preservation Properties Law prohibits the export of “significant” Korean cultural properties.

Non-residents must declare in writing to Korean Customs all foreign currency with a value in excess of $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 $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 $100. For travelers within this limit no written declaration is required. Additional gifts and other items which will remain in the United States are taxed at a rate of ten% up to $1,000, and at variable rates thereafter.

Returning U.S. residents can bring in duty-free into the United States, articles totaling $400 in value when the articles are for personal use. After the $400 exemption, the next $1,000 worth of personal or gift items are taxed at a flat rate of ten%. Beyond $1,400, various duty rates apply according to the item. Both residents and non-residents are limited to one carton of cigarettes, 100 cigars and one liter of alcoholic beverage or two ounces of perfume for duty-free import. The duty-free limit is $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, LA Gear, Gucci, Polo, Rolex, Disney, Chanel, and Warner Bros., and Members Only, and computer software and games 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

2000

January 1:	New Year Holiday
February 4,5:	Lunar New Year
March 1:	Independence Movement Day
April 5:	Arbor Day
May 5:	Children's Day
May 11:	Buddha's Birthday
June 6:	Memorial Day (Hyun Choong Il)
July 17:	Constitution Day (Je Hun Jul)
August 15:	Independence Day (Kwang Bok Jul)
September 11,12,13:	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 Infrastructure (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 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 and ask for an English assistant for help in finding a hotel, especially for hotels outside of Seoul. By faxing the Seoul Tourist Association on 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 Air Lines, travel from the airport to the major hotels is quite easy. The fare is quite reasonable and, as an added convenience, the buses are equipped with pay phones and tourist information and travel to the major deluxe hotels about every 20 minutes. In addition, a subway line connects Kimpo airport to the rest of Seoul.

Most private offices are open from 8:30 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. on weekdays and 9:30 a.m. to 1:30 p.m. on Saturdays.

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 AM-11:30 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.

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.

For further information from the U.S. Embassy in Seoul, the U.S. Embassy has a website: www.usia.gov/posts/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 X. APPENDICES
Economic and Trade Statistics

Appendix A: Country Data

- Population: 46.9 million (2000)
- Population growth rate: 1.0%
- Religions: Buddhist (28%); Christian (24%); Other (4%); No affiliation (44%). Strong 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 47.5 hours.

Appendix B: Domestic Economy

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

	1998	1999	2000 (est)
GDP (billions)	317.7	406.7	480.0
Real GDP growth rate (percent)	-6.7	10.7	7.0
GDP per capita (US dollars)	6,742	8,581	10,400
Government Spending as % of GDP	25.7	27.3	26.5
Retail inflation rate (percent)	7.5	0.8	3.0
Foreign Exchange Reserves (end-period)	52,041	74,050	95,000
Average Exchange Rate (won per US$1)	1,399	1,189.1	1,100
Gross Foreign Debt	148,700	136,400	125,000
Debt Service Payments	29,800	45,400	25,000

Appendix C: Trade

(In million U.S. Dollars)

	1998	1999	2000 [1]

Total ROK Exports	132,313	143,686	39,354
Total ROK Imports	93,282	119,750	38,807
ROK Exports to U.S.	22,805	29,475	8,131
ROK Imports from U.S.	20,403	24,922	7,065
U.S. Share of ROK Imports (percent)	21.9	20.8	18.2

[1] First Quarter 2000

<u>Appendix D: Investment Statistics</u>

Table 1: SUMMARY OF FOREIGN EQUITY INVESTMENT NOTIFICATIONS
(US$ million)

	New/Additional		Cumulative Approvals/ Notifications	
1962-66	47.4	(39)	47.4	(42)
1967-71	218.6	(350)	226.0	(392)
1972-76	879.4	(851)	1,145.4	(1,243)
1977-81	720.6	(244)	1,866.0	(1,487)
1982-86	1,767.7	(565)	3,633.7	(2,052)
1987-91	5,631.7	(1,622)	9,265.5	(3,696)
1992-96	8,399.2	(2,073)	17,669.0	(5,744)
1997	6,970.9	(638)	24,640.1	(6,382)
1998	8,852.4	(797)	33,492.0	(7,179)
1999	15,541.3	(1,494)	49,033.6	(8,890)
2000 Jan-Mar	2,736.2	(720)	51,775.7	(9,620)

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

Table 2: NOTIFICATIONS/APPROVALS OF FOREIGN EQUITY INVESTMENT BY MAJOR COUNTRIES, 1962-Mar 2000
(US$ Million)

	TOTAL	U.S.	JAPAN	EUROPE	OTHERS
1962-76	1,145.4	255.3	725.1	58.7	106.3
	(1,266)	(188)	(985)	(35)	(58)
1977-81	720.6	235.7	300.9	64.2	119.8
	(251)	(67)	(132)	(26)	(26)
1982-86	1,767.7	581.6	876.2	117.7	192.2
	(579)	(168)	(276)	(58)	(77)
1987-91	5,631.7	1,182.1	2,156.7	1,437.9	558.2
	(1,622)	(464)	(785)	(225)	(202)

1992-96	8,399.2	2,551.8	1,537.9	2,282.0	2,027.6
	(2,073)	(582)	(611)	(348)	(532)
1997	6,970.9	3,189.6	265.7	2,409.4	1,106.2
	(664)	(181)	(134)	(131)	(218)
1998	8,852.4	2,974.5	503.8	2,968.4	2,405.7
	(831)	(261)	(179)	(158)	(233)
1999	15,541.3	3,738.3	1,749.7	6,423.1	3,630.2
	(1,494)	(368)	(236)	(197)	(693)
2000 Jan-Mar	2,736.2	354.6	254.2	370.6	1,756.8
	(720)	(122)	(91)	(54)	(453)
TOTAL	51,775.7	15,347.8	8,345.6	16,751.8	11,330.5
1962-Mar 2000	(9,620)	(2,401)	(3,433)	(1,436)	(2,350)

Notes: - Recorded on an approval or notification acceptance basis. - Figures in parenthesis indicate number of new 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, 1998-Mar 2000

(US$ Million)

	Cumulative 1962-Mar 2000		1998		1999		2000 Jan-Mar	
Agriculture/Fishery	274.5	(107)	157.3	(8)	53.3	(7)	0.2	(2)
-Agriculture	265.5	(61)	156.9	(4)	53.1	(5)	-	(1)
-Fishery	9.0	(46)	0.4	(4)	0.1	(2)	0.2	(1)
Mining	74.5	(51)	21.7	(1)	0.3	(1)	0.2	(1)
Manufacturing	27,397.3	(4,330)	5,735.3	(266)	7,129.3	(342)	1,569.3	(101)
-Food Processing	2,656.1	(262)	718.9	(18)	315.0	(20)	14.2	(1)
-Textiles/Clothing	557.4	(340)	18.0	(22)	46.7	(25)	10.6	(8)
-Wood/Paper	2,203.4	(88)	1,643.8	(7)	23.7	(4)	4.7	1)
-Chemicals	4,319.3	(581)	755.6	(41)	771.4	(42)	29.2	(13)
-Fertilizers	50.2	(8)	0.2	(1)	-	(-)	-	(-)
-Pharmaceuticals	730.6	(111)	134.4	(7)	41.0	(6)	2.2	(3)
-Petroleum	1,475.2	(20)	0.9	(-)	510.6	(1)	-	(-)
-Ceramics	667.5	(109)	297.0	(7)	49.9	(3)	11.4	(2)
-Metals	1,355.4	(261)	7.2	(8)	601.4	(16)	485.7	(6)
-Machinery	2,405.3	(864)	587.5	(52)	647.8	(62)	15.7	(15)
-Electronics	7,783.5	(955)	1,377.2	(61)	2,998.4	(102)	944.8	(30)
-Transport Equip.	2,535.2	(224)	179.7	(13)	661.9	(22)	37.4	(3)
-Others	676.3	(507)	32.8	(20)	461.6	(39)	13.5	(15)
Services	24,029.4	(4,855)	2,938.0	(522)	8,358.5	(1,114)	1,166.4	(595)
-Electricity & Gas	831.5	(15)	344.0	(2)	368.5	(7)	14.0	(2)
-Construction	193.5	(78)	5.2	(10)	15.2	(15)	0.1	(3)

-Wholesale/Retail	2,898.6	(412)	474.3	(50)	875.7	(79)	70.9	(40)
-Foreign Trade	1,702.2	(2,229)	284.2	(239)	424.0	(548)	83.7	(340)
-Restaurants	168.8	(207)	18.0	(18)	46.1	(45)	14.9	(26)
-Hotels	6,352.2	(159)	302.7	(8)	816.9	(19)	26.5	(4)
-Trnsprt/Wrhouse	517.0	(169)	12.4	(17)	258.8	(29)	1.0	(4)
-Banking	4,977.3	(187)	505.6	(13)	2,262.3	(34)	283.5	(23)
-Insurance	918.0	(32)	74.0	(-)	510.3	(4)	44.3	(5)
-Real Estate	77.7	(42)	2.1	(12)	59.8	(25)	14.5	(3)
-Others	5,392.6	(1,325)	915.7	(153)	2,721.0	(309)	613.0	(145)
TOTAL	51,775.7	(9,343)	8,852.4	(797)	15,541.4	(1,464)	2,736.2	(699)

Notes:
- Recorded on an approval or notification acceptance basis.
- Figures in parenthesis indicate number of new projects.

Source: Ministry of Commerce, Industry and Energy (MOCIE).

CHAPTER XI: U.S. AND COUNTRY CONTACTS

Appendix E: U.S. and Country Contacts

Non-U.S. Government Contacts

Mr. Joon Suk JUNG
Commercial Counselor
Embassy of the Republic of Korea
2450 Massachusetts Ave., NW
Washington DC 20008
Tel: 202-939-5600, Fax: 202-797-0595

Mr. Moo Han Kim, Manager
Korea International Trade Association (KITA)
460 Park Ave., Room 2200
New York, NY 10022
Tel: 212-421-8804(Ext. 16)
Fax: 212-223-3827
Web site: www.kotis.net

Mr. Pung Park, Director
Korea Trade Center (KOTRA)
1129 20th St., NW. Suite 410
Washington DC 20036
Tel: 202-857-7919, Fax: 202-857-7923
Web site: www.kotra.or.kr

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: 82-2-564-2040
Fax: 82-2-564-2050
Web site: www.amchamkorea.org

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

Dan Duvall (export counseling)/William Golike (policy)
Trade Information Center/Desk Officer for Korea
U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230
Tel: 1-800-USA-TRADE
Fax: 202-482-4473
Web site: www.ita.doc.gov

Barbara Weisel
Director of Korean Affairs
Office of the United States Trade Representative
Winder Bldg., 600 17th Street, N. W.
Washington, DC 20506
Tel: 202-395-6813/4755, Fax: 202-395-3911
Website: www.ustr.gov

Ruth Hall
Desk Officers 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

Richard Lung
International Economist
Office of East Asian Nations
U.S. Department of the Treasury
15 th and New York Avenue, NW, Rm 4416
Washington, DC 20220
Tel: 202-622-2048
Fax: 202-622-0349

Web site: www.treas.gov

AgExport Services Division (AGX)
U.S. Department of Agriculture
Foreign Agricultural Service
Box 1052, 14th & Independence Ave., SW
Washington DC 20250-1052
Tel: 202-720-9487
Fax: 202-690-0193
Web site: www.fas.usda.gov

Bureau of Export Administration
U.S. Department of Commerce
Export Counseling Division
Office of Export Services
14th & Constitution Ave., NW, Hoover Bldg.
Washington DC 20230
Tel: 202-482-1455
Fax: 202-482-2387
Web site: www.bxa.doc.gov

Peter Stephens
Regional External Affairs - East Asia
The World Bank
1818 H Street, NW
Washington, DC 20433
Tel: 202-458-2281
Fax: 202-522-3405
Web site: www.worldbank.org

Cheryl Conlin
Business Development Officer
Asia/Europe
Export-Import Bank of the United States (Eximbank)
811 Vermont Ave., NW., Suite 911
Washington, DC 20571
Tel: 202-565-3955, Fax: 202-565-3717
Web site: www.exim.gov

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: 202-336-8700
Fax: 202-336-8799
Web site: www.opic.gov

Manisha Kothari and Amy Everitt
Country Managers for Asia
Geoff Jackson
Regional Director-Asia/Pacific
U.S. Trade and Development Agency
1621 North Kent Street, Suite 300
Arlington, VA 22209-2131
Tel: 703-875-4357
Fax: 703-875-4009
Web site: www.ustda.gov

Contacts at the American Embassy in Seoul

John E. Peters, Minister-Counselor for Commercial Affairs
US&FCS, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4535, Fax. 82-2-739-1628
web site: www.cskorea-doc.gov

Frederic Maerkle, Minister-Counselor for Economic Affairs
Economic Section, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
Tel. 82-2-397-4400, Fax. 82-2-722-1429

Youngeun Anderson, Counselor for Scientific & Technological Affairs
Science & Technology Affairs, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
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 96205-0001
Tel. 82-2-397-4297, Fax. 82-2-738-7147

Daryl Brehm, 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

Richard C. Hermann, Consul General

American Embassy in Seoul
Unit #15550
APO AP 96206-0001
Tel. 82-2-397-4204, Fax. 82-2-725-6843

David Straub, Minister-Counselor for Political Affairs
Political Section, American Embassy in Seoul
Unit 15550
APO AP 96205-0001
Tel. 82-2-397-4210, Fax. 82-2-733-4791

Stephen Rounds, Minister-Counselor for Public Affairs
Public Affairs Section, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4436, Fax. 82-2-794-2889

William Allen, Customs Attache
U.S. Customs Service, Unit 15550
American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4644, Fax. 82-2-736-6850

Col. Claude Crabtree
Joint US Military Affairs Group, Korea (JUSMAG)
Unit 15339
APO AP 96203-0187
Tel. 82-2-7915-3292, Fax. 82-2-793-3846

Col. Thomas Riley, Defense Attache
Unit 15550, American Embassy in Seoul
APO AP 96205-0001
Tel. 82-2-397-4254, Fax. 82-2-725-5262

List of Select Korean Government Officials
(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.)

(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)

BLUE HOUSE (CHONG WA DAE) 770-0011

1, Sejong-ro, Chongro-ku, Seoul (110-050)

The President	Kim Dae-jung	
(First Lady, Lee Hee-Ho)		

Presidential Secretariat

Chief of Staff to the President	Han Gwang-Ok	770-0072
Protocol Secretary	Kim Ha-Joong	770-0071
Senior Secretary for Policy & Planning	Kim Sung-Jae	770-0577
Senior Secretary for Political Affairs	Nam Kung-Jin	770-0005
Senior Secretary for Civil Affairs and Petition	Shin Kwang-Ok	770-0027
Senior Secretary for Economic Affairs	Lee Ki-Ho	770-0090
Senior Secretary for Foreign Policy & National Security	Hwang Won-Tak	770-0037
Senior Secretary for Education & Culture	Cho Kyoo-Hyang	770-0209
Senior Secretary for Welfare & Labor	Kim Yoo-Bae	770-0690
Senior Press Secretary (Spokesman)	Park Joon-Yung	770-0081

Presidential Security Service

Chief	Ahn Joo-Sup	770-0234

Board of Audit & Inspection
San 25-23, Samchung-dong, Chongro-ku, Seoul (110-230)

Chairman	Lee Jong-Nam	732-7228

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

Director General	Lim Dong-Won	3412-3100
First Director	Kwon Chin-Ho	3412-3124
Second Director	Kim Eun-Sung	3412-3116

National Security Council

Secretary General	Hwang Won-Tak	770-0037
Deputy Secretary General	Han Tae-Kyu	770-0631/3

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

Senior Vice President	Kim Min-Ha	2234-7125

The Presidential Advisory Council for Science & Technology
48-25, Ineui-dong, Chongro-ku, Seoul (110-410)

Chairman	Park Ik-Soo	3672-3874

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

Chairman	Kim Kwang-Woong	725-2700

The Presidential Commission on Women's Affairs
520-3, Banpo-dong, Seocho-ku, Seoul (137-756)

Chairwoman	Paik Kyung-Nam	3477-2813

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

Chairman	Cho Han-Chun	507-6640

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

Prime Minister	Lee Han-Dong	737-0l07
Minister, Office for Government Policy Coordination	Ahn Byung-Woo	720-2003
Chief Secretary	Kim Yong-Chae	737-0095
Senior Secretary for Political Affairs	Kang Tae-Yong	737-0098
Senior Secretary for Petitions & Information	vacancy	720-3831
Senior Press Secretary	Park Chung-Ho	720-2006
Secretary for Administrative Aff.	Ahn Kwang-Ki	737-0094
Secretary for Protocol	vacancy	720-2001
Chairman, Emergency Planning Committee	vacancy	503-7701

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

Minister	Jin Nyum	3480-7990

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

Minister	Park Joo-Hwan	720-4471

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

Minister	Oh Hong-Keun	723-0340

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

Minister	Choi Kyu-Hak	780-9091

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

Chairman	Jeon Yun-Churl	503-9009

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

Chairman	Lee Yong-Keun	3771-5001

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

Chairman	Choo Kwang-Il	313-1271

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

Chairman	vacancy	735-6255

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

Minister	Lee Hun-Jai	503-9001
Vice Minister	Um Nak-Yong	503-9006
Deputy Minister	Lee Keun-Kyung	503-9018
Public Information Officer	Shin Dong-Kyu	503-9019
Planning & Management Office	Lee Young-Hoi	503-9013
Tax & Customs Office		
Director General for Overall Tax Affairs	Lee Yong-Sup	503-9207

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

Administrator	An Chung-Nam	397-1201

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

Commissioner	Kim Ho-Sik	512-2001

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

Commissioner	Kim Byung-Il	(042) 472-2231

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

Commissioner	Yoon Young-Bae	(042) 481-2100

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

Minister	Park Jae-Kyu	738-0064
Vice Minister	Yang Young-Shik	738-0067
Public Information Officer	Lee Kwan-Sei	736-7203

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

Minister	Lee Joung-Binn	720-2301
Vice Minister	Ban Ki-Moon	720-2305
Deputy Minister for Foreign Affairs	Jang Jai-Ryong	732-2306
Deputy Minister for Planning & Management	Park Yang-Chun	720-2314
Spokesman	Lee Nam-Soo	720-2687

Office of Policy Planning

Deputy Minister for Policy Planning	Choi Young-Jin(acting)	720-3379

Office of Protocol

Chief of Protocol	Son Sang-Ha	720-2403

Asian & Pacific Affairs Bureau

Director General	Choo Kyu-Ho	720-2316

North American Affairs Bureau

Director General	Song Min-Soon	720-2320

Latin American & Caribbean Affairs Bureau

Director General	Chung Jin-Ho	720-3356

European Affairs Bureau

Director General	Lee Sang-Chul	720-2347

Middle East & African Affairs Bureau

Director General	Kim Jai-Kook	720-4480

Treaties Bureau

Director General	Choi Jong-Il	725-1015

Cultural Affairs Bureau

Director General	Kim Seung-Eui	725-7602

Overseas Residents & Consular Affairs Bureau

Director General	Chung Shin	720-2343

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

Chancellor	Lee Seung-Kon	571-1011

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

Minister	Kim Jung-Kil	503-7001
Vice Minister	Kim Kyung-Han	503-7003

MINISTRY OF NATIONAL DEFENSE
1, Yongsan-dong 3-ka, Yongsan-ku, Seoul (140-023)

Minister	Mr. Cho Sung-Tae	748-6000
Vice Minister	Mr. Park Yong-Ok	748-6100
Spokesman	BG Yoon Il-Young	748-6703
	Mr. Kim Kwang-Woo	748-6240

ROK-US Combined Forces Command (CFC)

Deputy Commander in Chief	GEN Chung Young-Moo	7915-6281

MINISTRY OF GOVERNMENT ADMINISTRATION AND HOME AFFAIRS
77, Sejong-ro, Chongro-ku, Seoul (110-760)

Minister	Kim Ki-Jai	3703-4000
Vice Minister	Kim Heung-Rae	3703-4010
Public Information Officer	Kim Wan-Key	3703-4110

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

Minister	Moon Yong-Lin	720-3400
Vice Minister	Kim Sang-Kwon	720-3265
Public Information Officer	Lee Hae-Young	739-3053
Planning & Management Office	Lee Gi-Woo	720-3267
International Cooperation Office	Park Kyung-Jae	720-3044

MINISTRY OF SCIENCE AND TECHNOLOGY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Seo Jung-Uck	503-7601
Vice Minister	Han Jung-Kil	503-7662
Public Information Officer	Kim Deok-Je	503-7608
Planning & Management Office	Yu Hee-Yol	503-7623
Office of Science & Technology Policy	Jun Eui-Jin	504-7630
Office of Planning & Coordination	Choi Jae-Ik	503-7637
Director General for Research & Development	Choi Seok-Sik	503-6857
Director General for Nuclear Energy	Lee Hun-Kyu	503-7644
Director General for Science & Technology Cooperation	Kim Sang-Seon	503-7663
Director General for Basic Science & Manpower	Yoon Sung-Hee	503-7616

MINISTRY OF CULTURE AND TOURISM
82, Sejong-ro 1-ka, Chongro-ku, Seoul (110-050)

Minister	Park Jie-Won	3704-9000
Vice Minister	Kim Soon-Kyu	3704-9010
Public Information Officer	Yoo Jin-Ryong	3704-9030
Assistant Minister	Lee Hong-Suk	3704-9020
Planning & Management Office	Park Moon-Suk	3704-9200

Cultural Properties Administration
920, Doonsan-dong, Seo-ku, Kwangyeok-si, Daejeon City (302-701)

Administrator	Seo Jeong-Bae	(042) 472-3400

MINISTRY OF AGRICULTURE AND FORESTRY
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim Sung-Hoon	503-7203
Vice Minister	Kim Dong-Tae	503-7205
Public Information Officer	Choi Do-Il	503-7210

Planning & Management Office	Ahn Jong-Woon	503-7207
Deputy Minister	Park Chang-Jung	503-7206
Agriculture Information & Statistics	Chung Seung	503-7250
Agriculture Policy Office	Chung Hak-Soo	503-7268
Int'l Agriculture Bureau	Choi Yong-Kyu	503-7290
Rural Development Bureau	Sohn Chung-Soo	503-7300
Marketing Policy Bureau	So Man-Ho	503-7310
Agricultural Production & Horticulture Bureau	Kim Young-Wook	503-7280
Livestock Bureau	Kim Joo-Soo	503-7330

Rural Development Administration
Seodoon-dong, Kwonseon-ku, Suwon City, Kyunggi Province

Administrator	Lee Eun-Jong	(0331) 292-4201/3

Forestry Administration
207, Chungryangri 2-dong, Dongdaemoon-ku, Seoul (130-012)

Administrator	Shin Soon-Woo	(042) 472-3211

MINISTRY OF COMMERCE, INDUSTRY AND ENERGY

1, Choongang-dong, Kwacheon, Kyunggi-do (427-760)

Minister	Kim Young-Ho	500-2301
Vice Minister	Oh Young-Kyo	500-2302
Public Information Officer	Kim Jung-Gon	500-2305
Planning & Management Office	Lee Seok-Young	500-2320
Electric Power Industry Restructuring Bureau	Kim Young-Joon	500-2436
Trade & Investment Policy Office	Cho Whan-Ik	500-2330
Energy & Resources Policy Office	Chung Jang-Sup	500-2719
Industrial Policy Bureau	Lee Jae-Hoon	500-2417
Technology Policy Bureau	Kim Jong-Kap	500-2430
Capital Goods Industries Bureau	Ha Myoung-Keun	500-2474
Electronics, Textile & Chemical Industries Bureau	Kim Chil-Doo	500-2526
Korean Trade Commission	Kim Jae-Hyun	504-0103

Small-Medium Business Administration
2, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Administrator	Han Joon-Ho	503-7900

Korea Industrial Property Office
4-dong, Government Complex, 920, Doonsan-dong, Seo-ku, Daejeon City (302-701)

Administrator	Oh Kang-Hyun	(042) 481-5001

MINISTRY OF INFORMATION AND COMMUNICATION
100, Sejong-ro, Chongro-ku, Seoul (110-777)

Minister	Ahn Byong-Yub	750-2001
Vice Minister	Kim Dong-Sun	750-2020
Public Information Officer	Kim In-Sik	750-2800
Planning & Management Office	Kim Chang-Kon	750-2100
International Cooperation Office	Yoo Young-Hwan	750-1400
Information & Communication Policy Bureau	Sohn Hong	750-2300
Informatization Planning Office	Byun Jae-Ill	750-1200
Information & Communication Promotion Bureau	Suk Ho-Ick	750-2060
Radio & Broadcasting Bureau	Hwang Joong-Yeon	750-2400

MINISTRY OF HEALTH AND WELFARE
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Cha Heung-Bong	503-7500
Vice Minister	Lee Jong-Yoon	503-7502
Public Information Officer	Lee Hyoung-Ju	503-7524
Planning & Management Office	Lee Kyung-Ho	503-7519

Korean Food & Drug Administration
5, Nokbon-dong, Eunpyung-ku, Seoul (122-020)

Commissioner	Huh Keun	382-0184

MINISTRY OF ENVIRONMENT
1, Choongang-dong, Kwacheon, Kyunggi Province (427-760)

Minister	Kim Myung-Ja	504-9211
Vice Minister	Chung Dong-Soo	504-9217
Public Information Officer	Chun Byung-Seong	504-9220
Planning & Management Office	Kim Dong-Wook	504-9230
International Cooperation Bureau	Kim Chong-Chun	504-9238
Environmental Policy Bureau	Park Dae-Moon	504-9236
Nature Conservation Bureau	Lee Jeong-Joo	504-9281
Air Quality Management Bureau	Lee Kyoo-Yong	504-9246
Water Quality Management Bureau	Kwak Kyul-Ho	504-9251
Water Supply & Sewage Treatment Bureau	Shim Jae-Kon	507-2451
Waste Management & Recycling Bureau	Ko Jae-Young	504-9258

MINISTRY OF LABOR

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

Minister	Choi Sun-Jung	503-9700
Vice Minister	Kim Sang-Nam	503-9702
Public Information Officer	Jeon Jin-Hee	503-9713
Planning & Management Office	Moon Hyung-Nam	503-9704

MINISTRY OF CONSTRUCTION AND TRANSPORTATION

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

Minister	Kim Yoon-Ki	504-9001
Vice Minister	Kang Yoon-Mo	504-9005
Assistant Minister	Cho Woo-Hyun	504-9008
Public Information Officer	Lee Choon-Hee	504-9030
Planning & Management Office	Choo Byung-Jik	504-9010
Transport Policy Office	Kim Se-Chan	504-9020
National Development Policy Bureau	Choi Jai-Deok	504-9110
Land Bureau	Park Sung-Pyo	504-9120
Housing & Urban Affairs Bureau	Chang Dong-Kyu	504-9130
Surface Transportation Bureau	Kim Jong-Hee	504-9140
Construction & Economy Bureau	Chung Rak-Hyung	504-9050
Technology & Safety Bureau	Kim Chang-Se	504-9021
Public Roads Bureau	Park Dong-Hwa	504-9070
Water Resources Bureau	Choi Young-Chul	504-9040
Civil Aviation Bureau	Kim Chang-Sup	504-9180

MINISTRY OF MARITIME AFFAIRS AND FISHERIES

826-14, Yeoksam-dong, Kangnam-ku, Seoul (135-080)

Minister	Lee Hang-Kyu	554-7111
Vice Minister	Hong Seoung-Yong	554-2111

National Maritime Policy Agency

105, Booksung-dong, Choong-ku, Incheon (400-201)

Commissioner	Kim Jong-Woo	(032)884-5506

MAYORS AND GOVERNORS

Mayors

Seoul	Koh Kun	735-6060
Pusan	Ahn Sang-Young	(051)463-4747
Taegu	Moon Hi-Gab	(053)423-1061
Incheon	Choi Ki-Sun	(032)425-0010
Kwangju	Ko Jae-Yu	(062)224-8001

Taejon	Hong Sun-Kee	(042)257-9247
Ulsan	Shim Wan-Ku	

Governors

Kyunggi	Lim Chang-Yuel	(0331)42-4800
Kangwon	Kim Jin-Sun	(0361)54-3467
North Choongchung	Lee Won-Jong	(0431)52-4601
South Choongchung	Shim Dae-Pyung	(042)251-2001
North Cholla	You Jong-Keun	(0652)84-3151
South Cholla	Huh Kyung-Man	(062)222-0690
North Kyungsang	Lee Eui-Keun	(053)943-0001
South Kyungsang	Kim Hyuk-Kyu	(055)283-1121
Cheju	Woo Keun-Min	(064)46-2313

CHAPTER XII: MARKET RESEARCH

Appendix F: Market Research

Proposed Industry Sector 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).

List of Department of Commerce Industry Sector Analysis (ISA Reports for FY00)

Title of ISA Report **Completion Date**

Note: The proposed list of topics is subject to change.

APG	Airport and Ground Support Equipment Distribution Service	30 June 2000
TRN	Distribution Service	30 Mar. 2000
TES	Mobile Phone Services	31 Mar. 2000
CPT	PC Storage Devices	30 June 2000
CHM	Specialty Chemical Manufacturing Technology Services	30 June 2000
IRN	Iron & Steel Industry	30 Sept.2000
TEL	Digital TV Equipment	30 June 2000
FOD	Frozen Processed Food Market in Korea	30 June 2000
COS	Cosmetics	30 Sept.2000
TXF	Textiles	30 Sept.2000
BLD	Flooring Materials (Residential/Commercial)	30 June 2000
TLS	Hand and Power Tools	30 Sept.2000
DFN	Defense and Dual Use Opportunities	31 July 2000
PRT	Shipbuilding Industry	30 Sept.2000
ELP	Electric Power Transmission & Distribution Equipment	31 Mar. 2000
REQ	Renewable Energy Power Generation Market	30 Sept.2000

List of Department of Commerce Industry Sector Analysis (USA Reports for FY01)

Title of ISA Report		Expected Completion Date
Note:	The proposed list of topics is subject to change.	
ELP	Energy Efficiency Service	31 Mar.2001
PCI	Process Controls (Industrial)	30 Sept.2001
REQ	Oil Industry Pollution Reduction Opportunities	30 Sept.2001
POL	Wastewater Treatment Opportunities in Korea	30 Sept.2001
POL	CNG vehicle projects in Korea	20 Dec.2000
POL	Market Opportunities for Recycling Sector	30 June 2001
BLD	Building/Construction Industry: Remodeling Industry	30 June 2001
CHM	Chemical Industry: Specialty Chemicals	30 Sept.2001
ACE	Major Infrastructure Projects	31 Jan. 2001
GSV	Real Estate Development and Related Services	30 June 2001
DFN	Defense & Dual Use Opportunities	31 Aug. 2001
SPT	Sporting Goods	20 Dec. 2000
APP	Fashion Sector	30 Mar. 2001
CPT	Wireless Internet Services	28 Feb. 2001
CPT	B2B E-Commerce Market	31 July 2001
HTL	Hotel and Restaurant Equipment	30 Mar. 2001
TOY	Toy Market	30 Sept. 2001
MED	Coronary Stents Market	31 May 2001
DRG	Overview of the Pharmaceutical Market	30 Sept. 2001
APG	Automotive Parts and Service Equipment	30 Mar. 2001
TRN	Aerospace Parts, Equipment, and Services	30 Sept. 2001
ELC	Electric Components	30 June 2001
LAB	Laboratory and Scientific Equipment	30 Sept. 2001

List of Agricultural Commodity Reports	**Due Date 2000**
Livestock Semi-Annual	02/01
Oilseed Annual	02/26
Grain and Feed Annual	04/01
Sugar Annual	04/09
Citrus Semi	04/30
Tobacco Annual	04/30
Cotton Annual	07/01
Annual Marketing Plan	07/15
Forest Production Annual	07/15
Livestock Annual	07/31
Poultry Annual	08/13

Competitor Report	09/30
Seafood Annual	10/01
Citrus Annual	10/29
Planting Seeds Annual	11/13

Product Specific Market Briefs **Released Periodically**

Product (last updated)

Wine Market Brief (Jun 2000)
Cotton Annual (Jun 2000)
Hay Market Brief (May 2000)
Seafood Market in Korea 2000 (Apr 2000)
Canned Sweet Corn (Mar 2000)
Fishery Products Adjustment Tariff on Croaker and Skate (February 2000)
Fresh Potato Market Prospect (February 2000)
Organic Agricultural Products (January 2000)
Orange (September 1999)
Pre-mixes for Bakery Products (August 1999)
Korea's Food Retail Market(March 1999)
Frozen Fruit (March 1999)

* *All commodity and market reports are available to subscribe on FAS Homepage http://www.fas.usda.gov*

CHAPTER XIII: TRADE EVENTS

Appendix G: Trade Event Schedule

CS Korea Trade Event Schedule FY 2001

A. 1. 2000 Korea Electronics Show
2. October 2-6, 2000

B. 1. Seoul International Electric Fair (SIEF) 2000
2. November 4-17, 2000

C. 1. Spring Weddex 2001
2. February TBD, 2001

D. 1. Expo Comm Wireless Korea 2001
2. March TBD, 2001

E. 1. The Eighth Annual Korea Study USA Exhibition and Seminar (Study USA 2001)
2. March TBD, 2001 for Seoul and Pusan

F. 1. International Financial Expo 2001
2. March TBD, 2001

G. 1. 2001 Kyunghyang Housing Fair
2. End of February - Early March, 2001

H. 1. U.S. Healthcare Virtual Expo 2001
2. Begins May 1, 2001

I. 1. LNG 13
2. May 14-17, 2001

J. 1. U.S. Pavilion at Seoul International Book Fair (SIBF 2001)
2. May 30 - June 3, 2001

K. 1. U.S. Pavilion at ENVEX
2. June TBD, 2001

L. 1. The 14^{th} Korea World Travel Fair (KOTFA 2001)
2. July TBD, 2001

M. 1. KORMARINE 2001 (Shipbuilding Machinery and Products Exhibition)
2. September 19-22, 2001

N. 1. Seoul Air Show 2001
2. September TBD, 2001