REPUBLIC OF

Korea

COUNTRY STARTER PACK

Asialink Business

pwc

Korea at a glance

POPULATION - 2014

50.4 MILLION

GNI PER CAPITA (PPP) - 2014*

US$34,620

INCOME LEVEL

HIGH

*Gross National Income (Purchasing Power Parity) World Bank

GDP GROWTH 2014

3.3%

GDP GROWTH FORECAST (IMF)

3.3% (2015), 3.5% (2016) AND 3.7% (2017 - 2020)

CAPITAL CITY

SEOUL

RELIGION

BUDDHIST: 43%, PROTESTANT: 34%, CATHOLIC: 20%

CLIMATE

FOUR SEASONS

CURRENCY

KOREAN WON

FISCAL YEAR

JAN-DEC

CALENDAR YEAR

TIME DIFFERENCE TO SEOUL (ICT)

1 HOUR BEHIND (AEST)

AUSTRALIAN IMPORTS FROM KOREA (2014)

A$11.7 BILLION

AUSTRALIAN EXPORTS TO KOREA (2014)

A$20.43 BILLION

EXCHANGE RATE (2014 AVERAGE)

(KRW/AUD) A$1 = KRW 950.27

SURFACE AREA

99,400
SQUARE KMS

GDP 2014

US$1.416 TRILLION

POLITICAL STRUCTURE

PRESIDENTIAL REPRESENTATIVE DEMOCRATIC REPUBLIC

GENERAL BUSINESS HOURS

MONDAY TO FRIDAY
9.00 AM TO 6.00PM

INTERNATIONAL DIALLING CODE

+82

STOCK EXCHANGE

KOREA EXCHANGE (KRX)

OFFICIAL LANGUAGE

KOREAN 한국어

Contents

1. Introduction

1.1 WHY KOREA? OPPORTUNITIES FOR AUSTRALIAN BUSINESSES

The Republic of Korea (ROK), commonly known as Korea, is the fourth largest economy in Asia and the 13th largest in the world. Unlike its neighbour to the north, the Democratic People's Republic of Korea (DPRK, otherwise referred to as North Korea), it is an innovative, free-market economy with a highly educated workforce and democratic government.

Korea is an optimal location for doing business with the world's second and third largest economies (China and Japan) and engaging the overall Asian market. Korea is located within an average travel time of three hours from over 81 cities with a population of one million or more. Coupled with its world-class infrastructure, Korea is an ideal location for Australian businesses looking for a North Asian hub for strategic expansion.

Korea is Australia's fourth largest trading partner, with two-way trade totalling over $34.5 billion in 2014. Australia and Korea enjoy a complementary trade relationship – Australia sending raw materials to Korea and Korea exporting manufactured goods to Australia. Services are also an increasingly important aspect of the trade relationship, and investment is growing from a relatively low base. Korea is a dynamic country with many opportunities for Australian businesses. It has an advanced manufacturing sector and is home to iconic and world leading brands such as Samsung, LG, Hyundai and Kia. The nation boasts an affluent, tech savvy population with a well-educated, highly skilled workforce enabling growth in technology specific industries.

The Korea Australia Free Trade Agreement (KAFTA), which came into force in December 2014, promises to open up even more opportunities for Australian business. There are several industries that Australian businesses can target and take advantage of.

Food and agriculture: Australian businesses are in a strong position to supply various food and beverage products to the Korean market. Korea is highly dependent on food imports, with agricultural imports totalling $29.1 billion in 2013. Australian businesses are well regarded in Korea as suppliers of high quality and safe food products providing Korea with $1.9 billion worth of agricultural imports in 2013. The Korean food market is also rapidly evolving, driven by changing consumer tastes and expanding distribution channels, including new retail outlets and online platforms. Opportunities exist for Australian businesses in a range of food and agricultural items such as wine, nuts, dairy, meat and fresh fruits.

Financial services: Korea's rapidly ageing population needs increased financial security from personal investments. Consumer expectations are challenging the traditional investment mindset and are putting pressure on Korean banks and funds to deliver higher returns. This is driving greater interest by institutions in higher yield "alternative" products, such as offshore investment services, and partnerships with foreign firms. Infrastructure and real estate are now two areas of particular interest for many Korean firms.

Education: Korea is a stable and well-established market for Australian education providers. It is the fourth-largest source country for foreign students in Australia after China, India, and Vietnam. Australia is an attractive destination for Korean university students trying to improve their English language skills and to build work experience to be more competitive in Korea's tough job market. Opportunities for Australian institutions exist in higher education, vocational education and training (VET), schooling, and intensive English courses. In particular, the recently introduced post study work arrangements (allowing international students studying in Australia to work here once graduated) in Australia will be a significant incentive for students' interest in higher education. Australia is the number three destination for Korean students studying abroad (behind the USA and Japan). A total of 28,016 Korean students were enrolled in Australia across all sectors (schools, higher education, TAFE/VET) in 2014, a positive increase of 2.1 per cent from the previous year indicating the ongoing potential for growth.

Professional services: The free trade agreement will deliver new market opportunities for Australian service suppliers, particularly in accounting, legal and audio visual services. For example, within two years of KAFTA coming into force, Australian law firms will be permitted to enter into cooperative agreements with Korean law firms, and within five years, establish joint ventures and hire local lawyers.

ICT digital contents and services: Koreans are among the world's biggest users of fast broadband and mobile phones. Korea was the first country to build a national, high-speed fibre broadband network (more than ten years ago), and has a mobile penetration rate of 1.1 mobile phones per person - which means there are more mobile phone accounts than people. It comes as no surprise, then, that Korea has strong ICT hardware manufacturing capabilities that complement Australia's software capabilities.

Considering doing business in Korea?

1. **Do your research**
   - Speak to industry experts
   - Connect with Australian businesses operating in Korea
   - Go to industry events and information seminars
   - Seek professional advice.
2. **Become aware of cultural differences and ways of doing business in Korea**
   - Gain an understanding of your customer and local business partners
   - Be flexible and open to difference
   - Understand the local culture and prepare before meeting with local business partners
   - Practise Korean business etiquette.
3. **Building relationships is crucial in Korean culture, but it can take time**
   - Be patient with developing relationships
   - Follow up and maintain contact with your networks.

Health, aged care and biotech: Korea's population is ageing rapidly – faster than most other OECD countries. This is the result of increased life expectancy and one of the lowest fertility rates in the OECD. As a result, there is an increased demand for aged care, the bio-tech industry, medical services and devices, over-the-counter medications and rehabilitation services. Coupled with a domestic trend of increased health consciousness, opportunities for Australia exist in areas including health and aged care services, pharmaceuticals, and advanced medical equipment.

Innovative with a strong commitment to R&D: Korean investment in research and development was US$63 billion ($70 billion), or 3.6 per cent of GDP in 2014 – one of the highest levels in the world. Koreans love new technology, and are often among the first in the world to embrace cutting edge products and services. This, along with Korea's superb infrastructure, makes it an ideal test bed for innovative foreign manufacturers and service providers.

Safe, stable and developed: Korea is one of 34 OECD member states. Sovereign risk is low, with a high investment grade rating on its government debt (Ranking - S&P: A, Fitch: A+ and Moody's: A1).

KAFTA – benefits for Australian services firms:

Korea is Australia's third largest overall export market and ninth largest services export market. With tourism and education dominating Australia's services exports, there are plenty of opportunities with KAFTA for professional services firms. These include:

- Legal firms for the first time will have access to Korea's legal consulting market
- Financial services providers will be able to supply on a "cross-border" basis
- Accountants can now open offices in Korea to provide accounting consultancy services
- Telecommunications providers can be licensed to provide public telecommunications services
- Education services: Guaranteed market access for Australian education providers in Korea's growing adult education sector
- Film and television services: KAFTA contains an Audio-visual Co-production Annex, opening new commercial opportunities for the Australian film and television industry
- Engineering services: Australian engineers will benefit from a mutual recognition arrangement
- Other professional services: On-going work towards mutual recognition of qualifications and liberalised visa access arrangements.

The Republic of

KOREA

COMPROMISES OF

9 PROVINCES

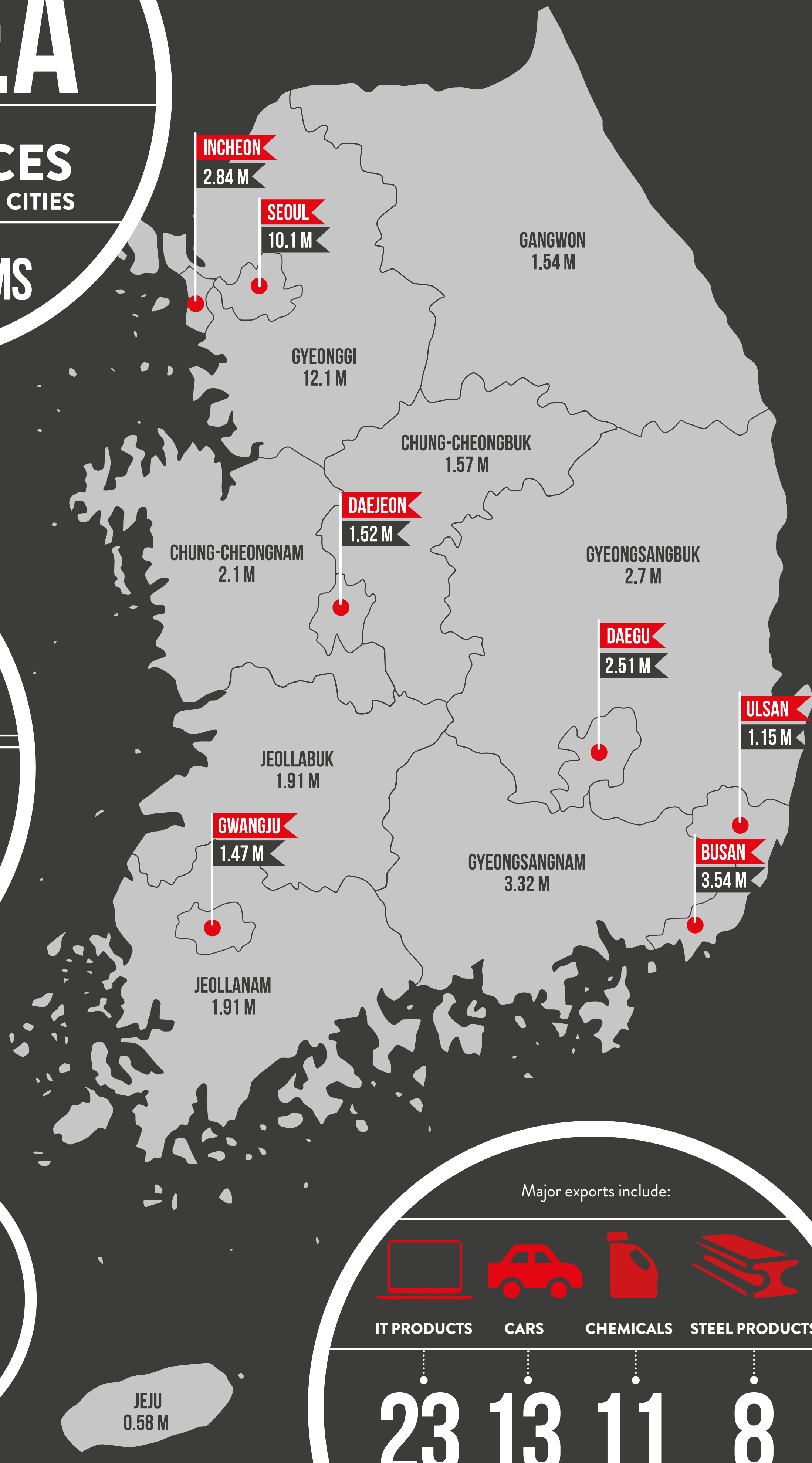
AND 7 METROPOLITAN CITIES

IT OCCUPIES

99,400 SQ KMS

of the Korean Peninsula

M = MILLION



The Korean Peninsula's size is comparable to that of the

BRITISH ISLES

70%

of peninsula's terrain is mountainous and only 20 per cent of the land is arable.

Korea's median age in 2013 was 39.7 years. Korea has the 26th largest population in the world and the lowest fertility rate among OECD countries.

Major exports include:

IT PRODUCTS	CARS	CHEMICALS	STEEL PRODUCTS
23 PER CENT	13 PER CENT	11 PER CENT	8 PER CENT

1.2 KOREA AT A GLANCE

Geography

Korea occupies 99,400 square kilometres of the Korean Peninsula. The peninsula is located in North Asia, between Japan and China. North Korea is slightly larger, at 122,400 square kilometres. Korea and North Korea are separated by a demilitarised zone established after the end of armed conflict in the Korean War of the 1950s. With a mostly mountainous terrain (70 per cent), only 20 per cent of the land in Korea is arable.

Korea comprises nine provinces - Gyeonggi, Gangwon, Chungcheongnam, Chuncheongbuk, Jeollabuk, Jeollanam, Gyeongsangbuk, Gyeongsangnam and Jeju. In addition to the provinces, Korea is also made up of seven metropolitan cities with their own administrations. These include: Seoul, Busan, Gwangju, Daejeon, Daegu, Ulsan and Incheon.

The Korean climate has four distinct seasons. Spring (March to May) and autumn (September to November) are very pleasant with mild temperatures. During summer (June to August), temperatures can reach up to 38°C. Winter (December to February) temperatures average -7° to 1°C with moderate snowfall. Average annual rainfall ranges from 115 to 125 centimetres, of which almost one-half occurs during the monsoon season in July and August. The Korean Peninsula is generally protected from Southeast Asia's autumn typhoons by the Japanese archipelago and earthquakes are rare.

AVERAGE ANNUAL TEMPERATURES IN SEOUL

	Minimum temperature °C	Maximum temperature °C
January	-6.1	1.6
February	-4.1	4.1
March	1.1	10.2
April	7.3	17.6
May	12.6	22.8
June	17.8	26.9
July	21.8	28.8
August	22.1	29.5
September	16.7	25.6
October	9.8	19.7
November	2.9	11.5
December	-3.4	4.2

History

An independent Korean state or group of Korean states has existed almost continuously for several millennia. Between its initial unification in the seventh century – from the three Kingdoms of Goguryeo, Baekje, and Silla – until 1910, Korea existed as a single independent country. A united Korean peninsula was ruled by the Goryeo dynasty (918 – 1392), which was followed by the Joseon dynasty (1392 – 1910).

Like Japan, Vietnam, and a number of other states in East Asia, successive Korean dynasties acknowledged China as the centre of civilisation and paid symbolic tribute to the Chinese emperor on a regular basis. In practice, Korea was independent of China and developed its own distinct culture and political systems, although based in part on Chinese models.

The early Joseon period (from around the 14th to 16th century) was a time of artistic and scientific advances in Korea. King Sejong the Great of the Joseon dynasty, promulgated a phonetic writing system for Korea in 1446. Now called Hangul, the Korean alphabet is one of the simplest and most efficient writing systems in the world.

By the mid-19th century, Korea was one of the last Asian holdouts against Western imperialism, which had conquered much of southern Asia and was making inroads in China. Following the successful opening of Japan to trade and diplomacy with the West in 1854, the British, French, and Americans all attempted to make Korea open up. However, Korea successfully resisted Western demands, and engaged in naval skirmishes with the French and the Americans in the 1860s and early 1870s. Ultimately it was Japan that forced Korea to engage with the outside world. The 1876 Treaty of Kanghwa between Japan and Korea gave Japan special trading rights and other privileges in Korea that were not reciprocated for Koreans in Japan. The United States and major European countries soon followed with their own treaties of trade and diplomacy with Korea.

By the end of the nineteenth century, rivalry over Korea led to war between Japan and China (1894-95) and, ten years later, between Japan and Russia (1904-5). Japan won both wars, and in 1910 Japan annexed Korea as a colony, ending the Joseon dynasty after more than 500 years of independent rule. Following Japan's defeat in World War II, Korea was temporarily divided into two zones of occupation, with the United States administering the southern half of the Peninsula and the Soviet Union administering the area north of the 38th parallel. Initial plans to unify the peninsula under a single government quickly dissolved due to domestic opposition and the politics of the Cold War. In 1948, new governments were established in each occupied zone – the Republic of Korea in the south and the Democratic People's Republic of Korea in the north.

From the outset, Korea and North Korea operated under vastly different political, economic, and social systems. Unresolved tensions created by the division led to the Korean War of 1950–1953, sparked by a North Korean invasion of Korea. An armistice in 1953 ended the fighting but a more comprehensive peace agreement has not been negotiated. Relations between North Korea and Korea remain tense.

After the end of the Korean War, the United States and Korea became allies with the signing of a Mutual Defence Treaty in 1953. This established the United States as the security guarantor of Korea, with American troops stationed there ever since. They currently number just under 30,000.

Culture

Koreans are proud of their cultural heritage. Whilst sharing some similarities with the Chinese and Japanese, Koreans have maintained their own distinctive language, culture and customs. It is a family-oriented society, heavily based on Confucianism, which even in modern times retains the basic patterns and manners of family-centred life. The highly authoritarian, male-dominated system of Confucianism is reflected in the paternalistic and male-dominated Korean culture. The country's emphasis on education and respect for ancestors also comes from the teachings of Confucius. Overall, it is a conservative society with importance placed on social status and role, relationships, gender, and respect. Hard work, filial piety and modesty are characteristics esteemed by Koreans. They are proud of their traditional culture and their modern economic success. Education is highly valued as the path to status, money, and success.

Nothing has shaped Korean society as much as the Confucianist values that underpin most facets of their culture, business, and civilisation. Confucian philosophy historically was adopted in such a strict form that the Chinese regarded Korean adherents as more Confucian than themselves. Confucian influence is readily apparent today in Korea's business culture and society generally, particularly with the importance placed on relationships and the way they are determined based on personal factors, such as friendship or family connection, or by more formal social factors, such as age or socioeconomic status. In Confucian societies, people see each other strongly in terms of their relationships and social roles, and because the family is the primary model for all groups, age determines position. The implications of the Confucian concept 'Five Great Relationships' may be seen in modern Korean companies, which act like large families, with management playing a paternal role.

The Five Great Relationships are:

1. Ruler to subject
2. Father to son
3. Elder brother to younger brother
4. Husband to wife
5. Friend to friend

Confucius values in modern Korean society

Foundation of Korean cultural value system:

- Etiquette & politeness
- Respect & care for elderly & parents
- Honesty & trustworthiness
- Humanity towards others
- Loyalty to state & authority.

HARMONY	**FAMILY OBLIGATION**
CONFLICT AVOIDANCE	**IMPORTANCE OF RELATIONSHIPS**
MORAL VALUES	**HIERARCHY**
ORDER IN SOCIETY 1.2.3.	**COMPASSION**
RESPECT & LOYALTY	**HONOUR & FACE**

In each of the first four relationships, the first person mentioned is in an implied position of authority over the second, while the fifth relationship denotes equality between friends. This conceptual framework, also evident in other Asian cultures, gives rise to hierarchical social roles within households, workplaces and society generally, with the hierarchies based on the seniority of age, social obligation, care for the elderly, and the strong value placed on respect and loyalty.

Similarly, an employee's identity comes largely from his or her place in a company, and job titles are significant. The exchange of business cards – on which the person's title is prominently featured – is a careful ritual. Seniors have responsibility for juniors, and one's pay and role are largely based on seniority.

Due to their Confucian heritage, Koreans are very status conscious and their behaviour reflects hierarchical relationships between people. Except among former classmates and other very close friends, adults do not use first names to address each other. Position titles such as 'professor', 'manager', 'director', and 'president' are used in combination with the honorific suffix *nim* to address a social superior.

As in other Asian societies, maintaining face is central to the way business and social relationships work. Through their social etiquette and behaviour, Koreans aim to preserve a harmonious environment in which a person's *kibun* (their mood or inner feelings) can remain balanced. The best way to handle kibun is not to demand yes or no answers and to accept the need for slow consensual decision-making. Contradicting someone openly, criticising them in front of someone else or patronising them are sure ways to lose business. It is more advisable to give sincere compliments, show respect or do something that raises self-esteem.

Traditional gender roles are strongly adhered to in Korea, and Australian women doing business there need to be aware this may impact their dealings. Men are accorded higher status and are expected to be breadwinners, while women have a lower status and are often expected to stay-at-home. Some companies would still prefer to hire a less-qualified man than a woman with more qualifications, as it is expected she will leave when she marries or will have family responsibilities preventing her from working late and socialising with colleagues. Some Korean companies pressure women to leave their jobs when they marry or when they are pregnant, although this practice is not as widespread as it once was and is no longer considered 'normal'. In business, Korean men may prefer to negotiate with men, and expect foreign women to be elegant, refined and conservative in manner. The importance of gender is reflected in Korea's low ranking of 117 out of 142 countries in the Global Gender Gap Index of 2014, produced by the World Economic Forum.

Traditionally, Korean women keep their original family name when they marry. The children, however, take their father's name. The majority of Koreans have family names within one of a small set: Kim (about 21 per cent of the population), Yi (or Lee or Rhee, 14 per cent), Park (or Pak, eight per cent), Choi (or Choe), Jeong (or Chung), Jang (or Chang), Han and Lim. etc. A Korean name consists of a family name, in almost every case one syllable, plus a given name usually of two syllables. The family name comes first.

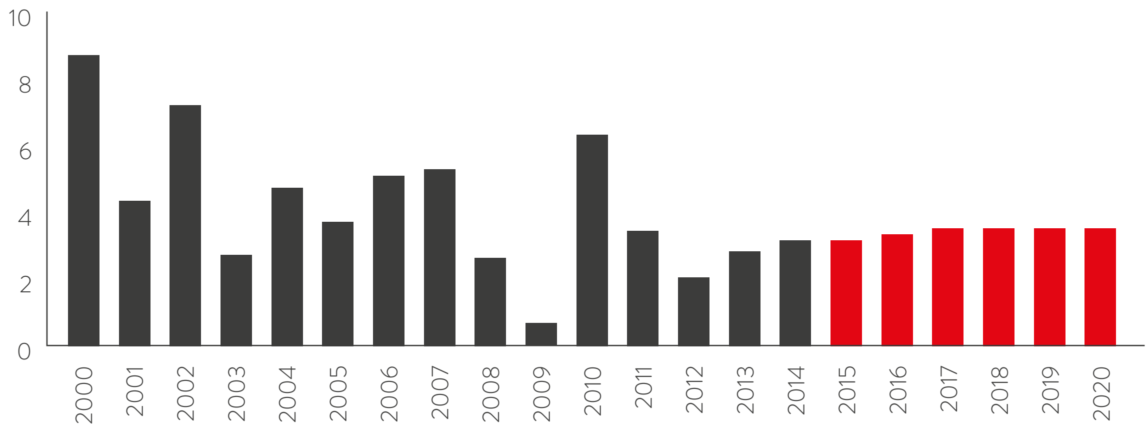
Religion plays an increasingly significant role in the lives of Koreans, although still not to the same extent as in some parts of Southeast Asia. Unlike some cultures with a single dominant religion, Korea is home to a wide variety of religious influences and practices. Koreans historically have lived under the influences of Shamanism, Buddhism, and Taoism. With religious freedom guaranteed in the Constitution, Christianity has also made strong inroads in modern times. The extraordinarily rapid pace of industrialisation over a couple of decades - compared to a couple of centuries in the West - has brought considerable wealth to Koreans, but also the spread of anxiety and alienation, prompting more people to seek solace in religion. While organised religion has been in rapid decline in most of the developed world, religious belief in Korea has been on the rise, and religious institutions have been increasing their social influence. More than 53 per cent of Koreans now follow a specific religious faith. Buddhists account for some 43 per cent of the religious population, followed by Protestants at more than 34 per cent and Catholics at more than 20 per cent.

Reverence for ancestors is a core value in Korean society. According to traditional Korean beliefs, when people die, their spirits do not immediately depart; they stay with their descendants for four generations. During this period the deceased are still regarded as family members, and Koreans reaffirm the relationship between ancestors and descendants through *jerye* (ancestral memorial rites) on special days like *Seollal* (Lunar New Year's Day) and *Chuseok* (Mid-Autumn Festival), as well as on the anniversary of an ancestor's passing. Koreans also believe people can live well and happily thanks to benefits their ancestors bestow upon them.

Culture of '*han*' - pushing the nation ever higher: Koreans possess a remarkably ambitious mindset. They place great importance on high achievement and the setting of long term targets - traits reflected not only in business culture but at all levels of society. They have a word - *han* - to describe the urge to overcome obstacles and injustices, and to reach out for victory. Han encompasses not just perseverance, but the pursuit of greatness. Han is everywhere: in working culture, education and everyday life. So it comes as no surprise that Koreans work more hours per capita than the citizens of any other OECD nation.

Koreans are among the world's most educated people, according to OECD statistics. A large percentage of family income is typically spent on providing the best possible education for the children. Korean educational institutions also pursue a culture of ambition for themselves, with many communicating bold visions to rise up the global

KOREA REAL GDP GROWTH %



Source: IMF World Economic Outlook Databases

rankings of universities, or to have large numbers of graduates continuing their studies in prestigious American Ivy League universities. The universities actively pursue exchange programs with foreign universities, ensuring knowledge transfer. Schools are steeped in the culture of ambition too and competition; the school you went to can be a determinant of success or failure. For many Korean parents, the education of their children outweighs all other considerations, and tremendous sacrifices are made to get them the best education possible. In combination, the culturally ambitious mindset of Koreans and their single-minded focus on education have been vital factors in the country's outstanding economic success.

Politics and government

Since its establishment in 1948, Korea has maintained a presidential system of government, except for a brief period between June 1960 and May 1961 when a parliamentary system was in place. Under the presidential system, power is shared by three branches: the executive (headed by the President), the legislature (a single-house National Assembly), and the judiciary. Legislative power is vested in the unicameral National Assembly, comprising 300 members elected for four year terms. This assembly includes 246 members elected by popular vote, with the remaining 54 seats distributed proportionately among political parties according to a second, preferential ballot. A regular legislative session, limited to 100 days, is convened once a year. Extraordinary sessions, limited to 30 days, may be convened at the request of the President or at least 25 per cent of assembly members. Several extraordinary sessions are usually held each year. National Assembly elections take place every four years, with the most recent held on 11 April 2012.

The President holds supreme power over all executive functions of government, within the constraints of the Constitution. The President appoints public officials, including the Prime Minister (with the approval of the National Assembly), ministers (who do not need to be members of the National Assembly), and the heads of other executive agencies. The President is also commander-in-chief of the armed forces. The President is limited to serving a single five year term. The current President, H.E. Ms Park Geun-hye, was inaugurated on 25 February 2013. She is Korea's first woman president and the first woman head of state in the modern history of Northeast Asia.

Economy

Korea is the world's 13th largest economy with a GDP of US$1.416 trillion in 2014. Advanced manufacturing and services dominate the economy, employing the majority of the population. Among its main manufactures are mobile phones, consumer electronics, household whitegoods, cars, ships and steel, all of which are exported around the globe. As an advanced manufacturing economy, Korea imports large quantities of natural resources such as coal, iron ore and oil. It is also a net importer of agricultural products.

Korea's phenomenal economic progress in the last half-century has in many ways mirrored the Japanese "economic miracle" that preceded it. When the Japanese occupation of Korea ended in 1945, Korea was impoverished and its economy was mostly agricultural. Much of its infrastructure was subsequently destroyed during the Korean War, which also had an enormous human cost. By 1960, Korea's per capita GDP was comparable with some of the poorer countries of Asia and Africa. Since then, however, the economy has been transformed, becoming a global industrial powerhouse on the back of what is often referred to as "the miracle on the Han", a reference to the Han River that flows through Seoul.

Korea's initial rapid growth was achieved by extensive state intervention in the economy with a focus on heavy industry to produce manufactured products for export. In the 1970s and 1980s, the Government channelled capital into family-controlled *chaebols*, or otherwise known as conglomerates. These huge firms also enjoyed trade preferences and monopoly rights, among other advantages extended by the Government. This enabled the chaebols, which today include the Hyundai and Samsung groups of companies, to grow into massive business empires with brands that are world leaders in their fields and global household names.

Korea was, however, hit hard by the Asian financial crisis in the late 1990s, resulting in a significant curtailing of economic growth. After receiving an emergency loan from the International Monetary Fund (IMF), Korea was forced to instigate a series of reforms, including reducing the role of Government in the economy and an overhaul of the financial sector. By the early 2000s, Korea had rebounded from the crisis, averaging a healthy growth rate of 4.4 per cent in the first decade of the century.

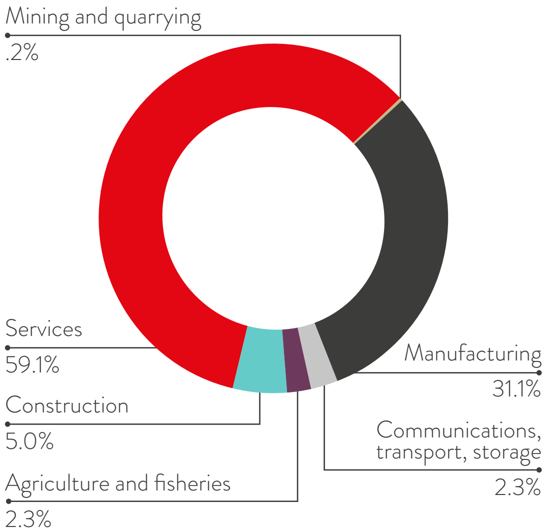
In the more recent global financial crisis of 2008-09, Korea was one of the few OECD countries to avoid recession. Nonetheless, the Government adopted numerous economic reforms in its wake, including greater openness to foreign investment and imports. By 2014, Korea had risen to be the world's sixth largest exporter and seventh largest importer. Exports represented 50 per cent of GDP in 2014, and imports 45 per cent (World Bank).

President Park has top priorities of maintaining a balance between economic growth and social welfare, restoring the middle class and revitalising the economy. She has unveiled "small business-first" policies in the name of "economic democratisation," which is aimed at correcting what have been seen as unfair business practices by the family-run chaebols. With high-tech industry and a sophisticated consumer market, Korea offers an attractive market for businesses worldwide to begin or expand their Asian presence. Along with average annual GDP growth of four per cent from 2005-2014 (World Bank), strong purchasing power is another factor that makes Korea an attractive market.

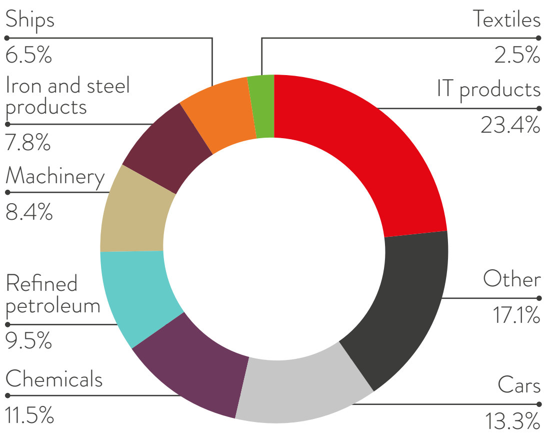
Manufacturing has driven Korea's rapid economic development, transforming it into a global industrial giant. It is once again the world's largest shipbuilder, recently regaining this title from China, fifth largest car maker, and sixth largest steel maker. In the past, most opportunities for foreigners have involved establishing labour-intensive manufacturing or processing operations geared towards the export market. These days, investors obtain better returns by utilising the skilled workforce in higher value and high technology fields.

Korea's services sector has long lagged behind its dynamic world-class manufacturing sector in efficiency and effectiveness. Unlike the export-oriented chaebols, the services sector is dominated by small and medium-sized enterprises (SMEs), which account for 80 per cent of the

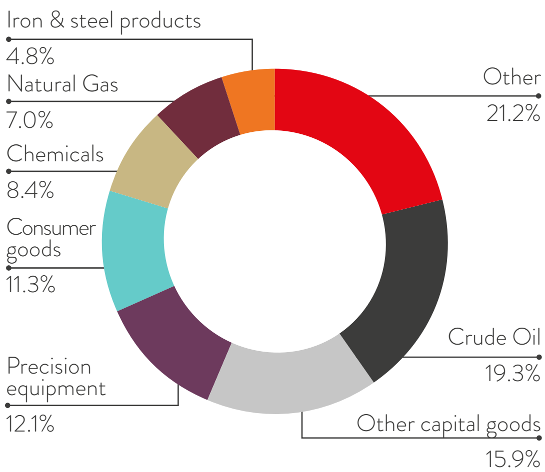
GDP BY SECTOR, 2013



MAJOR EXPORT ITEMS BY SECTOR, 2013



MAJOR IMPORT ITEMS BY SECTOR, 2013



Source: Bank of Korea, 2013 Annual Report p.28.

output and 90 per cent of the employment in the services sector. Manufacturing-led development has siphoned capital, talent and other resources away from services. By 2012, services sector productivity was only 45 per cent of that in manufacturing, far below the OECD average of 86 per cent. The SME population is dominated by very small enterprises, and many business owners have limited entrepreneurial aspirations; only 0.07 per cent of SMEs grow to become large companies. This reflects both a lack of entrepreneurial culture and the significant challenges that small companies face in Korea. In particular, the high degree of trading between companies within the same chaebol limits the available market for many SMEs. Low productivity in the services sector also reflects its small (nine per cent in 2011) and declining share in business R&D, putting it well below the OECD average of 38 per cent.

The services sector has been targeted by the Korean Government as an engine of future economic growth. As part of a "Three-Year Plan for Economic Innovation" unveiled by President Park in 2014, the Government identified healthcare, education, finance, tourism and software as key services sector industries.

Legal system

The Korean legal system effectively dates from the introduction of the Constitution of the Republic of Korea and the organisation of Korea as an independent state. Since then, the Constitution has been revised or rewritten several times, most recently in 1987 at the beginning of the Sixth Republic.

The Court Organisation Act, which became law on 26 September 1949, officially created a three-tiered, independent judicial system, comprising the Supreme Court, the Constitutional Court, six High Courts, 13 District Courts and several courts of specialised jurisdiction, such as the Family Court and Administrative Court. In addition, branches of District Courts may be established, as well as Municipal Courts. Korean courts are organised and empowered in chapters V and VI of the Constitution.

There is no jury system in Korea, although since 2008 a limited system has been adopted for criminal cases and environmental cases. But all questions of law and fact are decided by judges. The revised 1987 Constitution officially codified judicial independence.

Infrastructure

One of the biggest advantages of doing business with Korea is its advanced transport infrastructure. The World Economic Forum Global Competitiveness Report 2014-15 ranked Korea's overall infrastructure 14th in the world.

All major Korean cities are connected by expressways and the super high-speed rail system, Korea Train eXpress (KTX). Seoul has a dependable and effective mass transit system of subways, and taxis are plentiful. Korea also has world-class logistics hubs. Incheon International Airport is equipped with state-of-the-art facilities and provides advanced traffic networks for its customers. The airport has seen a continuous increase in the volume of cargo since opening in March 2001, and is now the world's second largest in terms of international air cargo volume, handling 2.7 million tons in 2010.

Korea's infrastructure ratings

2014 World Economic Forum's transport rank out of 144 countries, 1 being the most developed system:

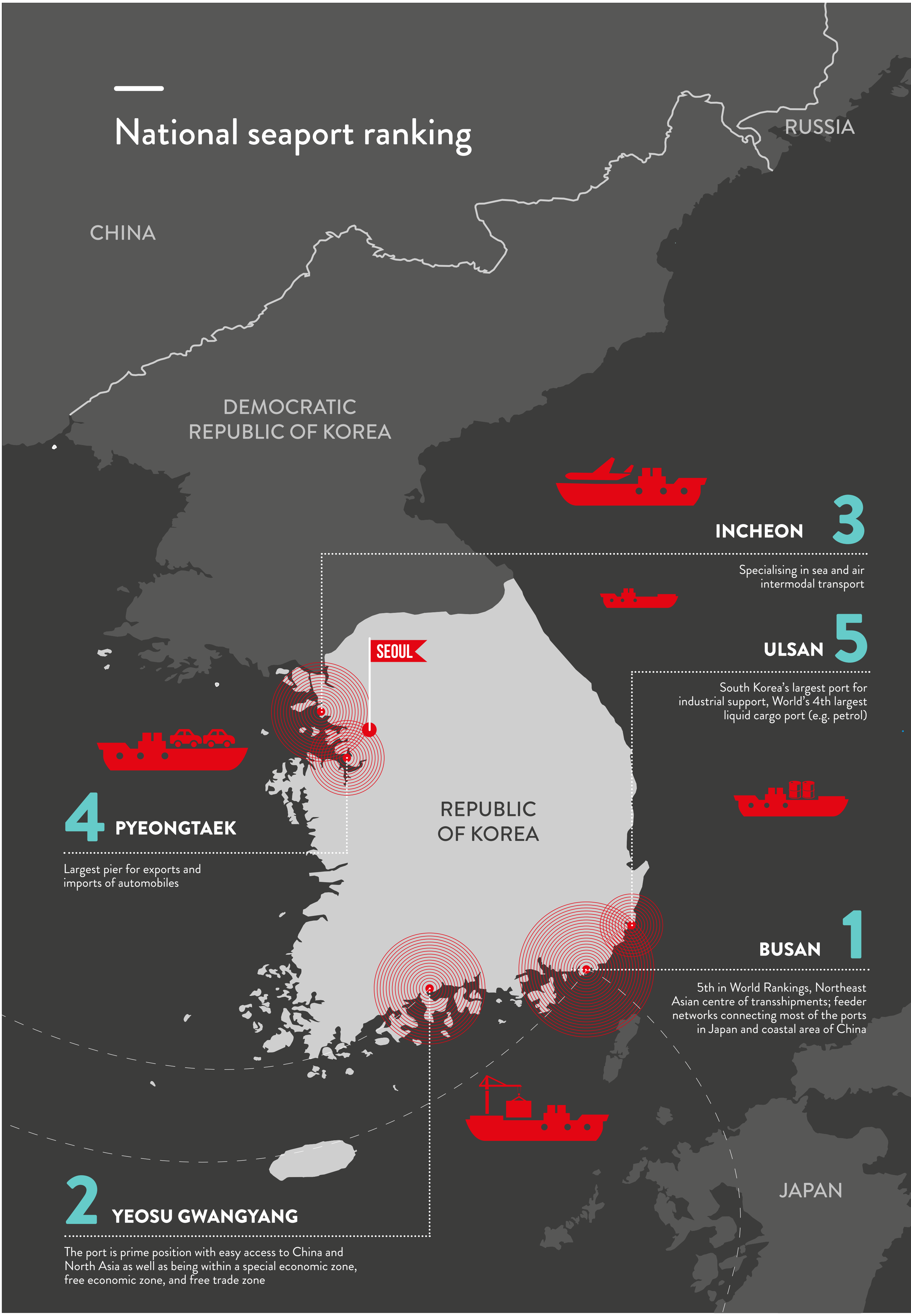
ROAD 18TH	PORT 27TH
AIR 31ST	RAIL 10TH

Container ships from Korea ply international sea lanes to ports in South and North America, Europe, Australia, the Middle East and Africa. Foreign ocean liners, cruise ships and passenger-carrying freighters also pay frequent visits to Korean ports. Port cargo volume has climbed steadily, from 11.89 million twenty foot equivalent units (TEU) in 2002 to 22.54 million TEU in 2012, with the expansion of port facilities and increased productivity through improved cargo handling capabilities at Busan, Gwangyang and Incheon. Songdo International Business District (IBD) has being developed on six square kilometres of reclaimed land along Incheon's waterfront. It is 60km south of Seoul and connects Incheon International Airport by an 11 km highway bridge.

Information communications technology (ICT)

Korea is a leader in information and communications technology (ICT). This is demonstrated by its vast ICT-related production and exports, world-class technology, and the wide use of internet and mobile communication devices in the country. ICT industry-related products, such as computer chips and mobile phones, account for over 33 per cent of Korea's total exports. As for communications services, nearly every Korean owns at least one mobile phone. Moreover, almost every household has a broadband connection. All sectors of industry from the food-service industry to public transportation are heavily dependent on computers and ICT. Programs that have been introduced increase both public and private sector R&D investment and nurture highly skilled R&D manpower. Smart phone penetration rate was almost 70 per cent in June 2014.

National seaport ranking



Intellectual property (IP)

Korea's intellectual property (IP) laws are comprehensive, and the authorities and processes are becoming increasingly efficient. The protection offered to foreign and domestic rights owners is of a high standard. Korea also has an impressive track record in patent related indices. Korea recorded the fifth largest number of IP rights applications in the world during 2013, following China, US, Germany, and Japan according to the World Intellectual Property Organisation. The country was ranked fourth in the world for patent applications, third for designs, and came 10th for trade mark applications.

1.3 KOREA AND AUSTRALIA: THE BILATERAL RELATIONSHIP

The first known contact between Australia and Korea occurred in 1889, with the landing of Australian missionaries at Busan. But the relationship did not start to develop until after 1947 when Australia participated in the United Nations (UN) Commissions on Korea and then in the Korean War (1950–53). More than 18,000 Australian troops served under UN command and 340 died during the Korean War.

Korea's first diplomatic mission in Australia was set up in 1953 with the opening of its Consulate-General in Sydney. The Sydney mission was elevated to Embassy status in 1961 when full diplomatic relations between Korea and Australia were established (the Korean Embassy was later relocated to Canberra). In June 1962, Australia opened an embassy in Seoul.

The establishment of diplomatic bases set the foundation for the growth of strong economic, political, and strategic connections between Australia and Korea from the 1960s. People-to-people links, supported by a large Australian Korean community, are positive and increasing, and the bilateral trade and investment relationship has also gone from strength to strength.

Australia's booming trade relationship with Korea has its origins in the 1960s, when Korea's post-war industrialisation drive started to fuel its demand for raw materials. But it was in later decades, as Korea began to establish itself as a global industrial powerhouse, particularly in the major export-driven industries – notably automobile making, ship building, petroleum refining, industrial machinery, and consumer electronics – that the Australia Korea trade relationship began to take off. As Korea's demand for mineral resources and other commodities soared, Australia became a major supplier to the next Asian miracle.

Soon enough, as Korea became better and better at manufacturing, new consumer brand names began appearing in Australian retail showrooms and on store shelves. Names like Hyundai, Kia, Samsung, and LG began to give Toyota, Nissan, Sony, and Panasonic a serious run for their money in the hearts and minds of Australian consumers – a situation that continues today.

AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIP WITH KOREA

Australian merchandise trade with Korea 2014	A$m	Total share*	Growth (yoy)
Major Australian Exports, 2014 (A$m)	**20,432**	**7.7%**	**4.3%**
Iron ores & concentrates	5,187		
Coal	5,138		
Beef	942		
Aluminium	725		
Major Australian Imports, 2014 (A$m)	**11,866**	**4.7%**	**16.4%**
Refined petroleum	4,537		
Passenger motor vehicles	1,861		
Pumps (excl liquid pumps) & parts	881		
Heating & cooling equipment & parts	670		
Total trade (exports and imports)	**32,297**	**6.2%**	**8.4%**

Australian services trade with Korea 2013-14			
Major Australian service exports, 2013-14 (A$m)	**1,635**	**2.8%**	
Education-related travel	743		
Personal travel excl education	580		
Major Australian service imports, 2013-14 (A$m)	**692**	**1.0%**	
Transport	256		
Professional, technical & other business services	191		

Source: Department of Foreign Affairs and Trade's Republic of Korea fact sheet 2014
* Total share of Australia's international trade

Australia also found a growing export market for non-resource products as Koreans became more prosperous. Sales to Korea of Australian agricultural produce like beef began to flourish, as did tourism and education services. Even some more specialised manufacturers from Australia began to find a growing, if niche market in Korea.

The result today is a mature, diverse and mutually enriching economic relationship. Annual two-way trade between Australia and Korea is worth more than $32 billion, which makes Korea our fourth biggest global trading partner, behind only China, Japan and the United States, and our third largest export market in front of the United States. Not bad for a middling country of 50 million people that was nearly destroyed by war half a century ago.

Today, total trade (including services) between the two nations is worth around $34.5 billion with a growth rate of 7.7 per cent in the past year. Australian merchandise exports to Korea were valued at $20.4 billion in 2014 and services export worth $1.6 billion. Australia's primary exports to Korea are iron ore ($5.18 billion), coal ($5.14 billion), with Korea now a major market for Australian beef - exports valued at $942 million in 2014.

Australian exports of services to Korea mostly consist of education-related travel and recreational travel. Education has been a major source of growth, with Korea Australia's fourth largest source of foreign enrolments after China, India, and Vietnam. In 2014, there were 28,016 enrolled Korean students in Australian education institutions – a growth of 2.1 per cent from 2013. This growth is also mirrored in Australia's exports of education-related travel services to Korea with 2014 figures totalling $743 million, up from $707 million the previous year.

Focusing on inbound trade from Korea, the nation is Australia's ninth largest foreign source of goods and services, with imports totalling over $12 billion in 2013-14. The primary imports from Korea are refined petroleum, passenger motor vehicles, and pumps and associated parts.

With such a growing trade relationship, negotiating a free trade agreement was a natural progression. The Korea Australia Free Trade Agreement (KAFTA) came into force on 12 December 2014, after being signed by the two governments in April of that year. KAFTA was Australia's first free trade agreement to be concluded with a major trading partner in North Asia. Agreements with Japan and China soon followed making up the "trifecta" of trade agreements announced in 2014. Together, these three economies represent more than 50 per cent of Australia's exports. The further opening up of these major markets will provide a potentially game-changing boost to Australia's prospects of competing globally in the years ahead.

KAFTA is one of the most comprehensive trade deals completed by Australia with any nation, delivering big improvements in market access and tariff elimination or reduction for exporters of goods and services. It also substantially improves investment protections for Australians doing business with Korea. The agreement secures Australia's competitive position in the Korean market, where some competitors have already been enjoying preferential access. Specifically, the agreement helps level the playing field for Australian exporters competing with those from the US, New Zealand, the EU, Chile, and the Association of South East Asian Nations (ASEAN), who benefit from existing and new trade deals with Korea. Benefits for Australian businesses through KAFTA include:

- After initial entry into force, 84 per cent of Australia's goods exports (by value) can enter Korea duty-free. By full implementation, tariffs on 99.8 per cent of Australian exports (by value) to Korea will have been eliminated.
- Australia's agriculture exporters are now permitted to compete in this otherwise highly protected, but lucrative market.
- New markets are opening up in Korea for Australian law firms, accountants and telecommunications providers. It also guarantees access in a wide range of other sectors including education and financial services.
- KAFTA provides greater protection and certainty to Australian investors, including the ability to directly enforce investment obligations through an Investor-State Dispute Settlement mechanism.
- Korea guarantees access for Australian business people (and their families) to stay in Korea for up to two years.
- A Professional Services Working Group was established to facilitate cooperation and mutual recognition between professional bodies in both countries.
- Australian suppliers are guaranteed access into the Korean Government procurement market and ensure transparent and fair procurement processes.
- KAFTA will support business in harnessing the efficiencies of electronic commerce, while ensuring the protection of consumers engaging online.

Diplomacy and regional security is also a critical part of the Australian and Korean bilateral relationship. Australia and Korea share key security interests in North Asia and the Asia-Pacific. Stability on the Korean Peninsula, where the communist North and democratic South have been in a technical state of war for more than six decades, is considered vital to the security and economies of both countries. Both Australia and Korea are close strategic and military allies of the United States, and see its continued commitment to the Asia-Pacific as critical to stability and prosperity in the region.

Security and defence ties between Australia and Korea have been expanding. A joint meeting of the two nations' foreign and defence ministers took place in Seoul in July 2013. It was the first such meeting Korea had conducted with any country except the US. Security issues are regularly discussed by the two countries, including at Foreign Ministers' consultations, in talks between senior foreign ministry and defence officials, in defence policy talks, and through the relationships between the two nations' major military staff colleges and institutions.

Other examples of the growing security cooperation between the two nations include the Australian Army contribution to Seoul's preparation for its redeployment of military forces to Afghanistan in May 2010. Australia and Korea have also cooperated under the multinational Proliferation Security Initiative (PSI) since Korea joined the initiative in 2009. And in March-April 2014 Australia sent more than 100 defence force personnel to participate in exercise Ssang Yong in Korea. In mid-2014, Australia and Korea agreed to increase participation in military exercises and defence technology exchange involving both Australian military and civilian personnel. This is in addition to the regular talks and visits the Royal Australian Navy and the Royal Australian Air Force currently have with their Korean counterparts.

The Australia-Korea Foundation (AKF) was established by the Australian Government in 1992 to promote bilateral relations between Korea and Australia. The objectives of the foundation are to increase public awareness of Australia in Korea and of Korea in Australia; develop partnerships in areas of shared interest in the bilateral, regional, and global context; and increase Australians' capacity to effectively engage with Korea.

2. Getting started in Korea

Now that you have decided to launch your business in Korea, you must carefully plan your first moves. And one of the first things to do before entering any overseas market is research – lots of it. Market knowledge is one of the keys to succeeding in business overseas; inadequate research could be your pathway to failure.

In the case of Korea, you will need to become informed on a wide range of subjects, from industrial relations and tax provisions to labour regulations and a host of other variables. You should also take time to become familiar with the culture, language and business practices of Korea.

This chapter provides detailed information on how to go about researching the Korean market – what to look for and where to find it. This section also includes advice on key considerations and decisions to be made before launching your business venture – choosing a location, hiring interpreters and assessing the potential risks of operating in a foreign environment, and potential business structures.

Korea is defined by the International Monetary Fund (IMF) as an advanced economy, one of only 35 in the world. The 2015 Australian International Business Survey (AIBS) found that Australian businesses rank Korea as the 14th most important destination for doing business and is the seventh most important new country for Australian businesses to acquire revenue from (tying with Malaysia).

Out of the respondents operating in Korea, 61 per cent highlighted it was either the same, easier or much easier to operate a business in compared to Australia. Over 68 per cent of Australian businesses also identified that the strong growth prospects of Korea was the most important reason for targeting Korea. The market's ease of doing business was reiterated in the World Bank Doing Business Report 2015. Korea was ranked fifth out of 189 countries in terms of being relatively easy to establish a presence in Korea.

2.1 WHAT YOU NEED TO CONSIDER

You should develop a Korea strategy before deciding on how to launch your business there. In particular:

- Avoid going into Korea cold. Get a foot in the door first.
- Take care over who helps you get started.
- Be directly involved in the setting up process.
- Allow plenty of time for bureaucracy - both filling in forms and waiting for approvals.
- Choose a structure based on research specific to your industry and your product.

Location

Companies looking to enter the Korean market for the first time face a great number of location options. The choice of place is increasingly about serving specific niches and less about trying to offer all things to all customers. Thorough research is essential.

While Korea is geographically compact, regional differences do exist which need to be taken into account. The country is uniformly well-served by world-class infrastructure and transportation network.

Northwest (Gyeongi, Chungcheongbuk and Chungcheongnam): This includes the economic and political centre of Seoul, with half of Korea's population living in the Seoul Capital Area. Heavy industry and transportation links are located around the port city of Incheon. Daejeon to the south is a major transport hub and centre for research and development.

Northeast (Gangwon): A sparsely populated, mountainous region predominately focused on agriculture and domestic tourism.

Southeast (Gyeongseongbuk and Gyeongseongnam): Location of Korea's second largest city, Busan, a major international port. This region is home to heavy industries such as shipbuilding, steel making and automotive production. Major cities and industrial centres include Ulsan, Daegu and Pohang.

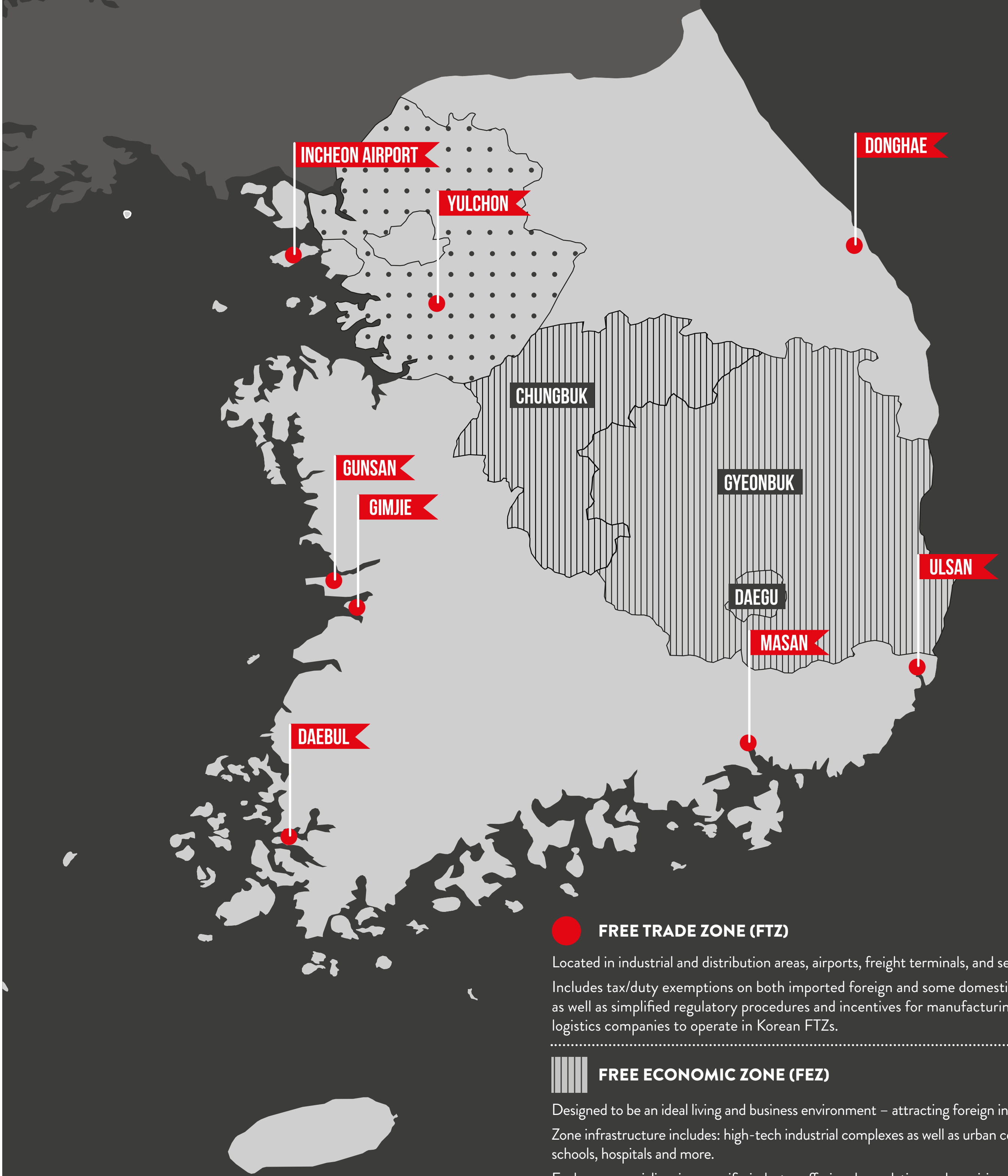
Southwest (Jeollabuk, Jeollanam and Jeju): Historically less developed than neighbouring provinces, agriculture is a significant part of the local economy though green technology and tourism are increasingly important economic drivers in this region. Jeju Island off the southwest coast is a major domestic tourism destination.

Free trade, foreign investment and free economic zones: The Korean Government has established a number of free trade, foreign investment and free economic zones that provide incentives and tax benefits for foreign businesses investing or starting a business in Korea. Generally, Korea requires the business, or the foreign investor, to be located within the free trade, foreign investment or free economic zone to receive the benefits.

Factors to consider when deciding where to locate:

- Proximity to market and suppliers
- Quality of logistics and labour skill levels
- Costs – for example land, labour, utilities
- Availability of a good agent or distributor
- Fast growth and high costs versus low costs and low competition
- Demographic factors such as income levels, market size and preferences
- Availability and duration of tax or other incentives
- Coat-tailing on someone else's existing marketing and distribution network
- Leveraging off an existing Australian business or a sister-city relationship
- The level of local authority support for foreign businesses
- Using a foreign trading zone, trade development zone or special economic zone
- Why another Australian company selected a particular entry point.

Korea's special zones for trade and investment



FREE TRADE ZONE (FTZ)

Located in industrial and distribution areas, airports, freight terminals, and seaports.

Includes tax/duty exemptions on both imported foreign and some domestic goods, as well as simplified regulatory procedures and incentives for manufacturing and logistics companies to operate in Korean FTZs.

FREE ECONOMIC ZONE (FEZ)

Designed to be an ideal living and business environment – attracting foreign investment.

Zone infrastructure includes: high-tech industrial complexes as well as urban centres, schools, hospitals and more.

Each zone specialises in a specific industry offering deregulation and provision of various incentives to foreign investors.

FOREIGN INVESTMENT ZONE (FIZ)

An area designated by a mayor or governor as a zone where foreign investors can receive incentives including tax exemptions or reductions and benefit from mitigated regulations.

There are two types: complex and individual:

- **Complex:** section of an industrial complex that has been designated for lease or sale to foreign-invested companies
- **Individual:** an area designated for an individual foreign-invested company to set up.

Using interpreters

Korea's official national language is Korean. However, most Koreans engaged in international business speak English, and younger people generally speak some as well. Korean is spoken fairly uniformly throughout the country, with only slight regional variations.

In most business situations, having an interpreter is not necessary. But it can be an advantage in complex negotiations and when dealing with groups of more than five Koreans. In these situations, participants will often break into Korean to discuss aspects of the conversation they may not have understood or to clarify issues with each other. Whether or not you have an interpreter, learning a limited amount of Korean will send positive signals and will be appreciated by Koreans with whom you are conducting business. If you plan to establish a long-term business in Korea you should consider having your own regular interpreter or bilingual staff. They can also assist with any cultural nuances a non-Korean may not be familiar with.

There are a range of considerations to take into account when hiring an interpreter:

- Check the interpreter is professionally trained and experienced.
- You need trust and confidence in your interpreter in communications and presentations.
- Your interpreter should have an effective technical understanding of your business and approach. They should be fully briefed before important meetings and, where necessary, provided with a list of terminology well in advance.

Translators: Interpreting and translating are two different disciplines with totally different skills. Interpreters are for oral interpreting and translators are for written translation. Although many people have both skills, some of them specialise in one discipline. Decide which one you want.

Finding an interpreter or translator: The best way to find the right translator or interpreter is to rely on the recommendation of someone you trust who has used them before. Proficiency in Korean alone does not make someone a good interpreter. It's not advisable to hire an interpreter or translator straight off the internet or a trade directory unless they have reputable third party endorsements. The Australian Embassy in Seoul provides a list of recommended translators.

Is Korea a viable option?

Have a detailed financial plan that considers:

- Regular visits to the market and possible provision of samples
- Hiring dedicated staff in Korea to assist with start-up
- Business advisory services and legal consultants
- Updates and adjustments as you collect more data and knowledge
- Contains scenario planning and risk mitigation approaches.

Out of respect, Koreans may not portray the true meaning of what is to be communicated if they fear it will offend the Korean interpreter recipient. For this reason, it can be helpful to use a Korean interpreter with extensive experience of Western culture and whose Korean culture will not outweigh their loyalty to your company.

Cost: The cost of hiring an interpreter could vary depending on the nature of the meeting (ranging from informal factory visits to formal business meetings or seminars), the duration of the meeting and whether the meeting is in Seoul or elsewhere. The average cost of hiring an interpreter for an informal meeting within Seoul would be from around $450 for half a day and up to $1,000 for a full day.

Financing your Korean business venture

Understanding the additional costs associated with conducting business overseas is essential to making an informed decision on whether you are ready to take the plunge. The main differences in Korea compared to operating in Australia may include:

- A longer cash flow cycle, which could increase the pressure on cash flow and working capital
- Being further away from clients, which can increase the risk of non-payment and makes it more difficult to collect debts

- Getting paid in other currencies, which can expose you to foreign exchange risk and affect profit margins
- Greater difficulty accessing finance, as Australian banks are often reluctant to accept overseas assets as security for loans
- A longer timeframe to recover the upfront costs of establishing operations, which can reduce the cash flow and working capital available for domestic operations.

Adequate funding will be critical to your success, and having a detailed financial plan is crucial. You may be eligible for financing from a variety of sources in Australia – depending on the nature of your business in Korea. Your financing options could vary according to whether you are exporting, importing or investing. A wide range of funding options exists, with various grants, venture capital, and equity sharing deals increasingly commonplace. However, banks remain the easiest and most approachable source of funding, with most of them offering tailored services. Your existing bank manager may be your best first port of call.

Venture capital could be an attractive alternative financing vehicle if you are comfortable with a third party taking an equity stake – and a share of the profits – in your business. As a first step to research the venture capital market, go to the Australian Private Equity and Venture Capital Association Limited website at www.avcal.com.au.

Government assistance — both federal and state – is available to Australian businesses wanting to expand overseas, especially exporters, through a number of grants, loan facilities and reimbursement schemes. These include Export Finance Insurance Corporation (Efic) – the Australian Government's export credit agency, go to: www.efic.gov.au; and the Export Market Development Grants (EMDG) scheme, administered by Austrade. Full information on EMDG can be found at: www.austrade.gov.au/EMDG.

Individual state and territory government websites also contain information on what financial assistance they can offer. Other sources of finance you could consider early on include:

- A joint venture arrangement with a trusted partner in Korea
- Receiving an equity investment from a sophisticated individual investor or 'angel investor'.

Risks

Your research into any overseas market, along with the opportunities, should also include careful assessment of the risks associated with doing business there. While Asia presents Australian businesses with numerous opportunities for growth, going offshore entails increased risks that need to be identified, managed, and reduced as far as possible. Your business's risk management strategy also has to include thorough due diligence.

Common areas of risk

When doing business in overseas markets, Australians must consider multiple areas of risk and associated potential difficulties. Not all will be directly applicable to Korea but should be considered, particularly if working with regional partners.

Political risk: How stable is the market politically, economically and socially?

- Government and international enforced trade embargoes may affect the flow of goods and services and could affect your delivery of goods and getting paid
- Another potential consideration is whether the country complies with international law requirements, such as on human rights, trade sanctions and recognition of personal property rights.

Legal and regulatory risk: Challenges may arise due to differing legal and regulatory systems. For example:

- Common law systems verses civil law systems, IP issues, taxation and auditing requirements
- Differences in contract law: get tailored advice on contract terms due to differences with contract laws
- Access to courts and dispute resolution mechanisms: some countries may not permit local litigation or place restrictions on the types of claims that can be made.

Bribery, graft and corruption risk:

- Bribery, graft and corruption are illegal in most countries around the world. Under Australian law (*Division 70 of the Criminal Code Act 1995*)) you can face criminal prosecution in Australia for bribing a public official in another country.

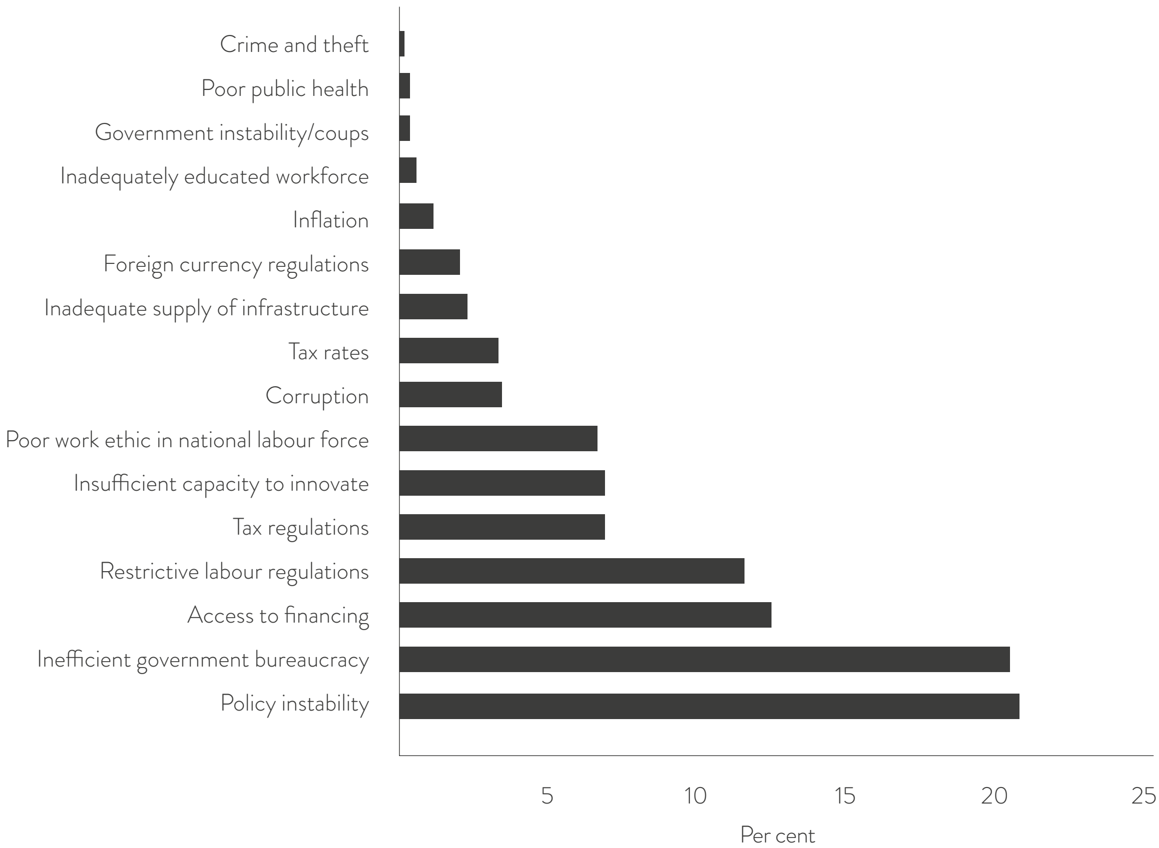
Exchange rate risk: How will adverse movements in exchange rates impact on your profits?

Non-payment risk: What is the likelihood of your suppliers or customers defaulting or becoming insolvent?

Korea is considered a relatively low-risk destination for doing business in Asia. Korea's sovereign risk is low, with an A+ credit rating from Standard & Poor's. The country also ranks fifth out of 189 in the World Bank's Doing Business Report 2015 (the same ranking as 2014). In 2014, Korea was ranked 43rd out of 175 countries on Transparency International's Corruption Perception Index (CPI). This is a fall from 2009 and 2010's high point of 39th. While you might reasonably expect a higher ranking for an OECD member, Korea still ranks above most Asian countries on this measure, with China at 100th and Malaysia at 50th.

The World Bank's Governance Indicators demonstrate Korea is overall in the top 50 per cent in all areas of governance. Nevertheless, compared to other advanced economies, there are several areas requiring improvement. Political stability and absence of violence scores are particularly low by developed world standards but the instability with neighbouring North Korea does pose as a considerable security threat. According to Efic (2015), Australian businesses establishing in Korea should be aware of the considerable market power the long-standing *chaebols* which can present issues for competing foreign and domestic firms. The chaebols – a conglomerate of family-controlled firms – participate in most areas of business from manufacturing to banking – and are one of the key contributors to Korea's impressive economic development over the past 50 years.

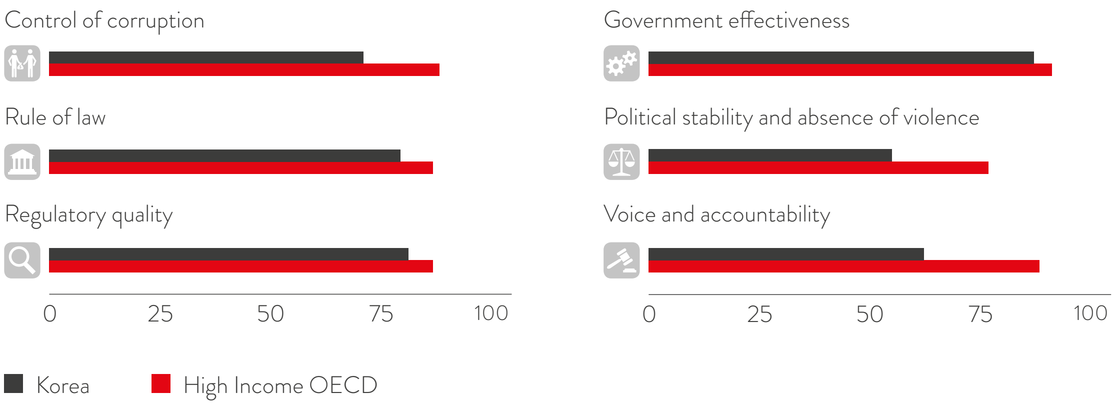
THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS*



Source: The 2014 World Economic Forum Global Competitiveness Report
*Ranked by number of respondents per the perceived top five problematic factors in doing business in Korea

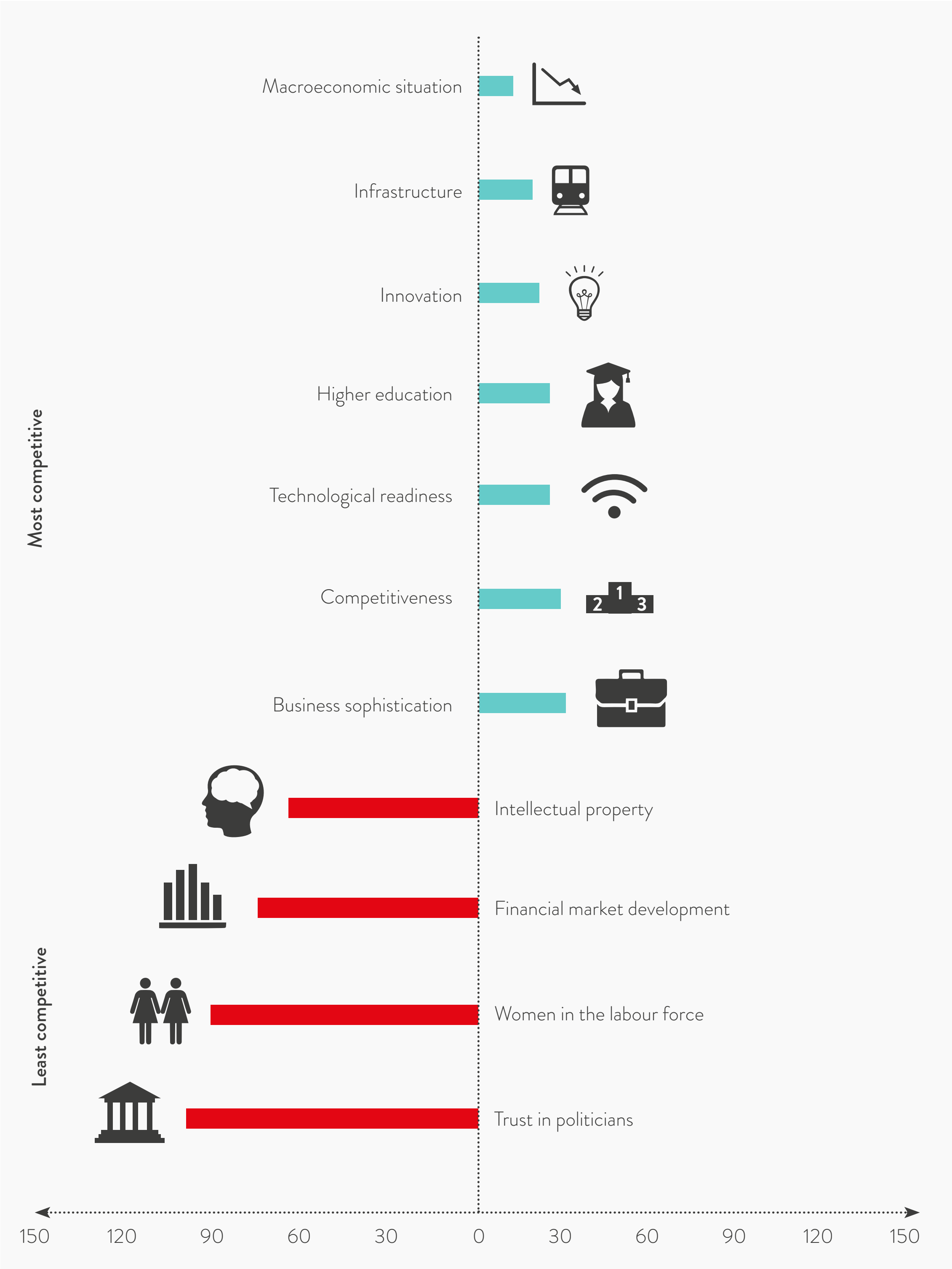
2013 BUSINESS CLIMATE INDICATORS*

GOVERNANCE INDICATORS



Source: World Bank & Efic
*Country percentile rank

INTERNATIONAL COMPARISONS OF COMPETITIVENESS*



Source: The 2014 World Economic Forum Global Competitiveness Report
*Ranking out of 144 countries

Rank out of 144 countries. 1 being the most competitive.

7TH

Korea possesses a remarkably sound **macroeconomic** environment (second only to Norway among OECD countries).

14TH

The country boasts excellent **infrastructure** (14th), particularly with roads, rail, ports, telecommunications and airports.

17TH

Remarkable capacity for **innovation** and extensive government support for research and development across various industries.

23RD

With a strong national focus on research and development, Korea ranks highly on **higher education and training** with one of the leading rates of tertiary and primary education enrolment in the world and extensive availability of research and training services.

25TH

High degree of **technological readiness** with Korea having some of the world's highest rankings for broadband subscriptions including fixed and mobile.

26TH

After exiting the top 20 in 2013, Korea (26th) dropped one more position for **competitiveness** in 2014.

27TH

Relatively strong **business sophistication** consisting of strong local supplier quantity and quality, as well as advance production processes and good value chain breadth.

68TH

Korea is ranked 68th for **intellectual property (IP) protection** with the "first to file" regulation not ideal for some foreign companies.

80TH

Although up one from the previous year to 80, Korea's **financial market development** ranking is hindered by low standings for ease of access to loans and availability of financial services.

91ST

The ratio of **women in the labour force** compared to men is one of the lowest in the OECD group of countries.

97TH

The Korean public's **trust in politicians** and government officials is not as high as some other countries in the region. This relates to recent public attention highlighting concerns of transparency among various government levels.

Regional political risk: Tensions remain high on the Korean Peninsula, and the potential for armed conflict between South Korea and the nuclear-armed communist North remains. Australian businesses operating in Korea should therefore stay abreast of developments in the security situation.

Historical grievances against Japan and an ongoing territorial dispute with Japan over an island known as Dokdo by the Koreans (and Takeshima by the Japanese) are also a source of ongoing political tension. For this reason, in Korea - the sea between Japan and Korea is referred to as the "East Sea", not the "Sea of Japan". The potential for armed conflict between Korea and Japan is considered extremely low.

Protests: Korea is a stable and democratic society. However, disruptive and at times violent protests do occur. Australians and Australian businesses are unlikely to be the target of large-scale protests in Korea. The most likely effect of protests would be inconvenience in getting to meetings.

Korea has been a member state of the International Labour Organisation (ILO) since 1991 and, as of 2011, had signed 24 of its critical conventions. Since 1992, the ILO's Committee of Freedom of Association has received nine complaints from labour groups in Korea. Trade unions are legal in Korea but only 11 per cent of the workforce belongs to one. It is notable the government has refused to recognise any trade union set up by non-Korean migrant workers. Strikes are classed as illegal if striking workers resort to violence, unlawful occupation of premises or inflict damage to facilities. The suppression of illegal strikes has been known to result in heated confrontation between demonstrators and the police.

Exporting Goods to Korea?

Some specific issues and challenges that Australian businesses, particularly those selling Australian goods, might encounter include:

- Registration of trademarks. The Korean Industrial Property Office (KIPO) has a "first file, first registration" principle.
- Quarantine certification – when consignments turn up in Korea without the required quarantine certification, it is often too late at that stage to rectify the situation.
- Food safety – taken very seriously in Korea. It has strict testing requirements for prohibited substances and tolerances for other substances.
- Maximum residue limits for pesticides and veterinary drugs.
- Detection of prohibited food additives and non-compliance with labelling requirements.
- Shelf-life and expiry dates.
- Problems with using multiple agents, including confusion for end users.
- Packaging problems.

CASE STUDY

WorkWell Ergonomics Consulting

Diana Underwood, President

When Australian Diana Underwood moved to the Republic of Korea to marry her Seoul-based partner in 2003, she didn't expect to end up establishing a successful business as the only foreigner registered to work in the area of ergonomics – even though she does not speak fluent Korean.

Trained as an occupational therapist, Underwood has directed her passion into improving people's wellbeing in the workplace by setting up her company WorkWell Ergonomics Consulting. She is not embarrassed by her lack of Korean language skills, but highlights the importance of learning some basic Korean and also delving into the culture.

"Respecting your host country is fundamental when living and working in Korea," says Underwood. "A great way of showing respect is simply by learning at least a few basic Korean phrases, for example 'hello', 'thank you', 'excuse me'. Koreans see their language as difficult to master and are impressed when foreigners can speak any Korean."

"Don't be deterred by not speaking the language," says Underwood, who sometimes uses an interpreter when working with Korean clients. "It is possible to work in Korea without a lot of Korean but you do need to get local assistance to help you navigate business practicalities such as tax and banking. The assistance of a Korean speaker makes it infinitely easier and more efficient."

Australian business people should also note that in Korea, communication goes beyond simply what language you speak. Korean culture is very hierarchical and indirect – meaning processes are thorough and one needs to be aware that to save face, your counterpart is not going to openly disagree or admit they don't understand.

Underwood advises: "Be extra clear in your communications through stating things in multiple ways which will help verify understanding. Use open-ended rather than simple 'yes/no' questions and avoid negative questions as they may be misunderstood." She suggests not relying only on verbal communication, but also confirming in writing to avoid any confusion and create a permanent record.

As an Australian running a small business in Korea, Underwood also highlights the importance of understanding how Korean culture influences business practices. An example of this is the cultural emphasis on efficient and fast service which in Korea is fast and efficient.

"The Korean work ethic is remarkable. You will experience some of the world's best service culture with the most extraordinary deadlines set and met. This relates to *ppalli ppalli* – a Korean phrase which essentially means 'quickly quickly'," explains Underwood.

In managing Korean staff, Australians need to recognise this ethic as their employees will generally demonstrate their loyalty and dedication by putting their manager and organisation first.

"Koreans will work incredibly long hours to meet deadlines as not doing so is 'loss of face' for the employee and their boss." Underwood says. "For this reason it is important to build and maintain relationships with your Korean employees but also invest in your Korean business relationships as you would in your professional skills."

Networking is therefore fundamental in Korea to build both personal and business relationships, but also your brand.

"I have never felt like I have had to 'market' my business as in the Korean context, it is all about getting new clients through networking and word of mouth." She calls this "one-on-one marketing" and attributes it to simply building trust and respect. A strong online presence is also vital.

alwaysworkwell.com

2.2 RESEARCHING KOREA

Comprehensive research is crucial when entering the Korean market because of its unique features, including:

- The speed with which the market can change and evolve
- Rapidly changing rules, regulations and the focus of enforcement authorities
- A lack of consumer information and vague regulations
- A shortage of publicly available information to assist with understanding processes and rules. Public data bases are in short supply.

Your market research should cover a very wide field, from import duties and other regulations to market-specific issues such as distribution channels, market size and growth, competition, demographics and local production. Gathering this information is usually straightforward, but it's easy to get overwhelmed by research and all the information that exists. This section condenses the main topics that can assist you. However, do not limit your Korean market investigation to this guide. Key considerations include:

- When researching Korea, you should focus on the needs of the Korean market, not your own company's needs
- Information available on the internet can only get you so far. You may need to commission your own professional Korean-based research and visit the market numerous times to develop crucial relationships. Researchers should note that much of the available information may be in Korean.

Getting help

A variety of research organisations in Korea can be a major source of information. Austrade has a significant presence on the ground in Korea and provides a range of services for Australian firms seeking to go offshore, including assistance on:

- Information and advice with market entry and business expansion
- Help with location selection
- Access to local contacts and networks
- Identification and follow-up on specific business opportunities
- Market research services across a wide variety of sectors.

In addition to Austrade, the Queensland, Victorian, New South Wales, and Western Australian State Governments have representative offices in Korea and may be able to assist with further information. The Australian Government's Export Market Development Grant (EMDG) scheme can help with costs, and state and territory governments may provide grants too.

Market visits

After doing as much research as possible in Australia, you will need to visit Korea to confirm the results of your research, develop a deeper understanding of potential markets, establish relationships and eventually negotiate contracts and agreements. Business visits to Korea require patience, understanding and commitment.

Determine where and when to visit. There are no fixed rules about when to visit a market, except that you should do so before entering into any agreements with prospective agents, distributors, or other business partners that could influence your future dealings. Consider meeting with several potential partners first to give you a basis for comparison. It can be helpful to meet with the contact you believe will be the best fit for your business towards the end of your trip. This will give you time to develop a better understanding of the market so you can handle questions and discuss strategic options with confidence. Concentrate your effort on only one or two markets at first to ensure a better chance of success.

Plan your trip at least six weeks in advance. To ensure a successful trip, you should arrange in-country assistance for the planning and setting up of your program. This will help you see the right agents and customers who will be briefed and screened for interest and suitability. Take note of holidays and religious festivals that occur at the same time as your planned visit. Also ensure you have all your required paperwork completed before departing for Korea, including your relevant visa and taking with you (if applicable) any legal documentation such as financial documents and regulation information. Having company and product information and business cards is vital for developing business relationships.

Do some background reading. If you have never visited Korea and don't know much about the country and its way of life, you should do some research online. News articles and travel books can also provide useful information. Having some broad background knowledge about the area you are visiting will inform and focus your discussions when negotiating with local partners. Guides like this one, and others with a more specific industry or product focus, will also be beneficial.

Have a good website before you go. A website for your business is your corporate brochure – prospective customers and agents will usually go straight to it to check you out. The website needs to be informative and attractive – it doesn't need to be loaded with information, but be cleanly laid out with interesting graphics. If applicable, use customer or client endorsements and photographs to show your products or services. Make sure that contact details are easy to find and use – preferably a direct email with a photo of the staff member. Also consider having a version in Korean to ensure it is readily accessible.

Attend trade shows and exhibitions. Numerous trade shows and exhibitions take place in Korea throughout the year. They can provide an excellent opportunity to meet potential customers face to face. Arranging appointments in advance to meet pre identified contacts at niche industry events is advisable if you want to make effective use of your time.

Building relationships and making connections

To get the most of your visit, be well prepared before you arrive. Don't waste valuable time in Korea doing what you can do back in Australia. Training courses and seminars that can expand your knowledge about Korea and doing business in a different culture are offered by various organisations in Australia, including Asialink Business, Austrade, the Export Council of Australia and state and territory governments.

Make sure to prearrange as many of your meetings as possible, that you have information on the people you are meeting with, and that you reconfirm meetings a day in advance. Australians on the ground in Korea also strongly recommend that when traveling to Korea - you should have your next trip dates booked and arrange follow up meetings for then. This helps demonstrate to Koreans you value the relationship, assisting to build trust. Carrying business cards is essential, and you should follow up with those who have provided their cards to you. Within 48 hours of each appointment, you should send an email thanking your contact for the meeting, providing follow-up information and noting, if necessary, that you will get back to them within a specified time period on particular requests. This will leave a good impression and demonstrate you are someone with whom business can be reliably done with.

Many Australian cities have sister-city relationships in Korea such as those between Townsville (QLD) and Suwon, Parramatta (NSW) and Jung-gu, Burwood (NSW) and Geumcheon-gu, and, most recently, Strathfield (NSW) and Gapyeong County. There are also sister-state relationships, which include those between Queensland and Gyeonggi Province, New South Wales and Seoul, South Australia and Chungnam Province, and Victoria and Busan. These relationships provide additional assistance such as networking events and a network of existing relationships. Representative offices may also exist. Check with your local or state government for more details.

An easy-to-navigate, well-constructed and up-to-date website is crucial.

It allows you to:

- Present your product to your overseas potential customers and business partners in cost-effective ways.
- Project the impression of a professional and trustworthy business.
- Convey that your business is "modern" and uses new technology.
- Avoid problems with time differences.
- Introduce and promote new products while selling directly to customers.
- If possible, have a website with content in Korean. Make sure translations are done correctly.
- Design your website for a Korean audience. Consider seeking professional help to do this as 'trendy' websites are crucial in Korea.
- To make it easier for Korean users to find your website, host your website in Korea. Having a Korean domain name such as .kr demonstrates to your customers your commitment to having a strong presence in market.

Joining a business association is a great way to learn more about what is going on in the local business community and to meet potential colleagues and partners. In Seoul, there are several well-established country-specific business associations with memberships of hundreds of business people.

Australian Chamber of Commerce in Korea (AustCham Korea), the peak body representing Australian and Korean business interests, was set up almost 20 years ago and has more than 240 members. AustCham Korea's mission is to promote Australian business, the Australia-Korean business partnership and AustCham members' interests as an effective source of information, connections and representation. The organisation facilitates business networking opportunities through a range of forums and networking and social events. It also strives to play a constructive role in promoting Australia/Korea business relationships.

Website: www.austchamkorea.org
Email: exec@austchamkorea.org
Telephone: +82 (2) 2010 8831

The Korean Chamber of Commerce and Industry (KCCI) is Korea's largest private economic association, with more than 135,000 members. It provides numerous services to its members, including seminars and conferences, human resources development services and government advocacy. KCCI operates eight human resources development institutes nationwide and administers exams to contribute to a developing a highly skilled workforce. KCCI's external focus is placed on the strengthening of economic cooperation in the private sector. This includes supporting trade missions and market survey teams internationally, resolving trade disputes, providing trade inquiry services, as well as strengthening relationships with international organisations.

Website: www.english.korcham.net/

Australia Korea Business Council (AKBC) seeks to foster friendship and understanding between the business communities of Australia and Korea and to promote technical and economic cooperation, trade, investment, education and tourism between the two countries. The major corporations involved in trade between Australia and Korea (up to 80 percent) make up the membership of the council. Recently its constitution has been revised to accommodate more business and professional members to reflect the changing nature of the relationship between Australia and Korea, as more small and medium-sized business enterprises begin operations between the two countries.

Website: www.akbc.com.au

2.3 POSSIBLE BUSINESS STRUCTURES

Now that you have decided to set up a business in Korea, there are many elements you need to consider. What type of business structure will you use? Will you appoint a local agency, open a branch office, or set up a Korean subsidiary? And what legal and administrative processes must you go through to get established? There is no single business structure that holds the key to unlocking the Korean market. Cultivating a wide network of local contacts in Government, while gaining an understanding of local practices, will help lower your compliance risks and assist you in choosing the most appropriate business structure.

There are multiple channels of entry open to foreign investors; the one you choose must fundamentally be supported by your company's business objectives. Knowing what you'd like to achieve in Korea will help determine the entry vehicles that can help take you there. There are three primary ways to set up a business in Korea: set up an entity in the form of a subsidiary, as a joint stock company, or a limited liability company. If you are not wanting to set up an entity then you can always engage in other forms of selling your product in Korea. See Chapter 3 for further information on this.

Business structures overview

	Subsidiary (JV)	Branch	Liaison Office
Major governing law	Foreign Investment Promotion Law Commercial Code	Foreign Exchange Transaction Law	Foreign Exchange Transaction Law
Minimum capital requirements at establishment	KRW100 million	• No requirement • May induce operating fund from head office	• No requirement • May induce operating fund from head office
Sales activities	Possible	Possible	Not possible
Loan from overseas parent/head office	Possible	Not possible (except Korean branch of foreign financial institutions)	Not possible
Repatriation of profits	Dividends distributed to shareholders are subject to tax withholding in Korea	No tax withholding on profit repatriation; however, branch profits tax may apply)	Not applicable
Taxable income	Worldwide income	Income attributable to the branch operation	Not applicable
Head office common expenses	Not included in a subsidiary's expenses	May include in the branch's expenses in a certain guidelines	Not applicable
Tax exemption or credit	Applicable depending on the type of business and type of investments	Not applicable	Not applicable

Korean Joint Stock Company *(Chusik Hoesa)* or Limited Liability Company *(Yuhan Joesa)*

Setting up a subsidiary is a popular choice for foreigners who want to invest or conduct business in Korea. A subsidiary may be set up as either a joint stock company (Chusik Hoesa) or a limited liability company (Yuhan Hoesa). For the purposes of business operation and Korean tax obligations, there is no material difference between them, except that limited liability companies cannot issue bonds. Joint stock and limited liability companies are covered by the Foreign Investment Promotion Act (FIPA) and are the common structures for establishing a joint venture (JV) between a foreign investor and a South Korean individual or entity. The minimum investment required to set up a Korean subsidiary is KRW 100 million (about $115,000).

- A **joint stock company** is incorporated by one or more promoters, with each shareholder's liability limited to the amount of contributed capital. This is the most common type of company in Korea.
- A **limited liability company** is incorporated by one or more members, with each member's liability limited to the amount of that member's contribution to the corporation.

To establish and register a company in Korea, the FIPA requires the following procedures, which normally take between four to six weeks to complete:

- Foreign investment notification
- Investment capital remittance
- Incorporation registration
- Business registration
- Transfer of paid-in capital to corporate account
- Foreign invested company registration.

Branch office

All foreign companies – except those operating in sectors where foreign investment is restricted – may set up a branch in Korea. The establishment of a branch is completed upon registration at a relevant tax office and the court registry. It usually takes two to three weeks to set up a branch office after receiving all the required documents from the head office. Additional approval may be required from relevant ministries, depending on the industry involved. For example, the Financial Services Commission must authorise banks, securities companies and other types of financial institutions. Branch offices are subject to the Foreign Exchange Transactions Law, and may be established as either repatriating or non-repatriating entities.

Liaison office

Foreign companies are permitted to establish liaison (representative) offices in Korea. Compared to Joint Stock and limited liability companies, however, liaison offices have more restrictions on their activities and cannot conduct commercial business or generate revenue in Korea. Allowed activities for liaison offices include non-revenue generating activities such as marketing or promotion, market research, review of business opportunities and research and development. Selling goods or services is strictly not permitted. Liaison offices are available for foreign companies engaged in all sectors of the Korean economy and are covered by the Foreign Exchange Transactions Act.

2.4 MANUFACTURING IN KOREA

Korea is an attractive destination for high-end manufacturing thanks to its highly skilled workforce, world-class infrastructure, advanced research and development, and strategic location for Asia and the Pacific. But businesses interested in setting up manufacturing operations in Korea should bear in mind that it is not a low-cost destination. The Korean Government actively encourages foreign investment in manufacturing and offers various incentives. Free trade, free economic and foreign investment zones offer specific incentives for high-tech manufacturers to set up in their locations (as discussed in section 2.1).

A JV with a Korean business is a popular option for foreign businesses wishing to establish manufacturing operations there; be it to produce a product for the Korean market or export to third countries. Another option is to engage a contract manufacturer. Contract manufacturers provide engineering and manufacturing services to companies and brands that do not want to own and operate their own factories. They are typically experts in manufacturing and can quickly adopt your products into their manufacturing lines and schedules. In engaging a contract manufacturer, make sure you have robust quality control mechanisms in place and perform due diligence (see Chapter 4 for further information on this).

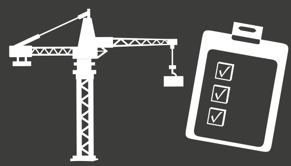
So how does Korea rank relative to other countries for ease of establishing business? The World Bank and International Finance Corporation in their Doing Business Report 2015, have compared 189 nations on nine specific measures related to establishing a business. As highlighted earlier, Korea was ranked fifth out of 189 economies for overall ease of doing business – with Singapore number one and Australia ranked 10th. They have particularly made starting a business easier by reducing costs, allowing online payment of registration taxes, setting time limits for value added tax registration and eliminating the minimum capital requirement and notarisation requirements.

Nine areas to consider when setting up a business in Korea

STARTING OFF

It takes three procedures to establish a corporate entity in Korea and it takes an average of four days to complete.

DEALING WITH CONSTRUCTION PERMITS



Permits take an average of 29 days to acquire and involve 10 procedures.

ELECTRICITY CONNECTION

Korea is ranked 1st in the world for ease of getting electricity connected. It requires only three procedures and takes just 18 days.

REGISTERING PROPERTY

Ranked 79th in the world, it takes seven days and seven procedures to register a property, which includes preparation of sale agreement and application by the buyer for the registration for the title.

GETTING CREDIT

Korea is ranked 36th on the ease of obtaining credit. Although this is significantly better than developing Asian nations, it does not compare to regional peers such as Singapore (17th) and Australia (4th).

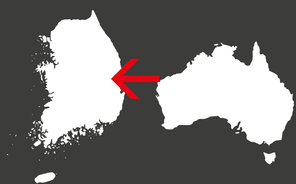
PROTECTING INVESTORS

Korea has relatively strong investor protection, with a world ranking of 21. Disclosure requirements have continued to improve, increasing transparency and protecting minority investors' rights.

PAYING TAXES

Ranked 25th for ease of complying with tax laws, firms in Korea on average make 10 tax payments a year, and spend 187 hours filing, preparing and paying taxes.

TRADING ACROSS BORDERS

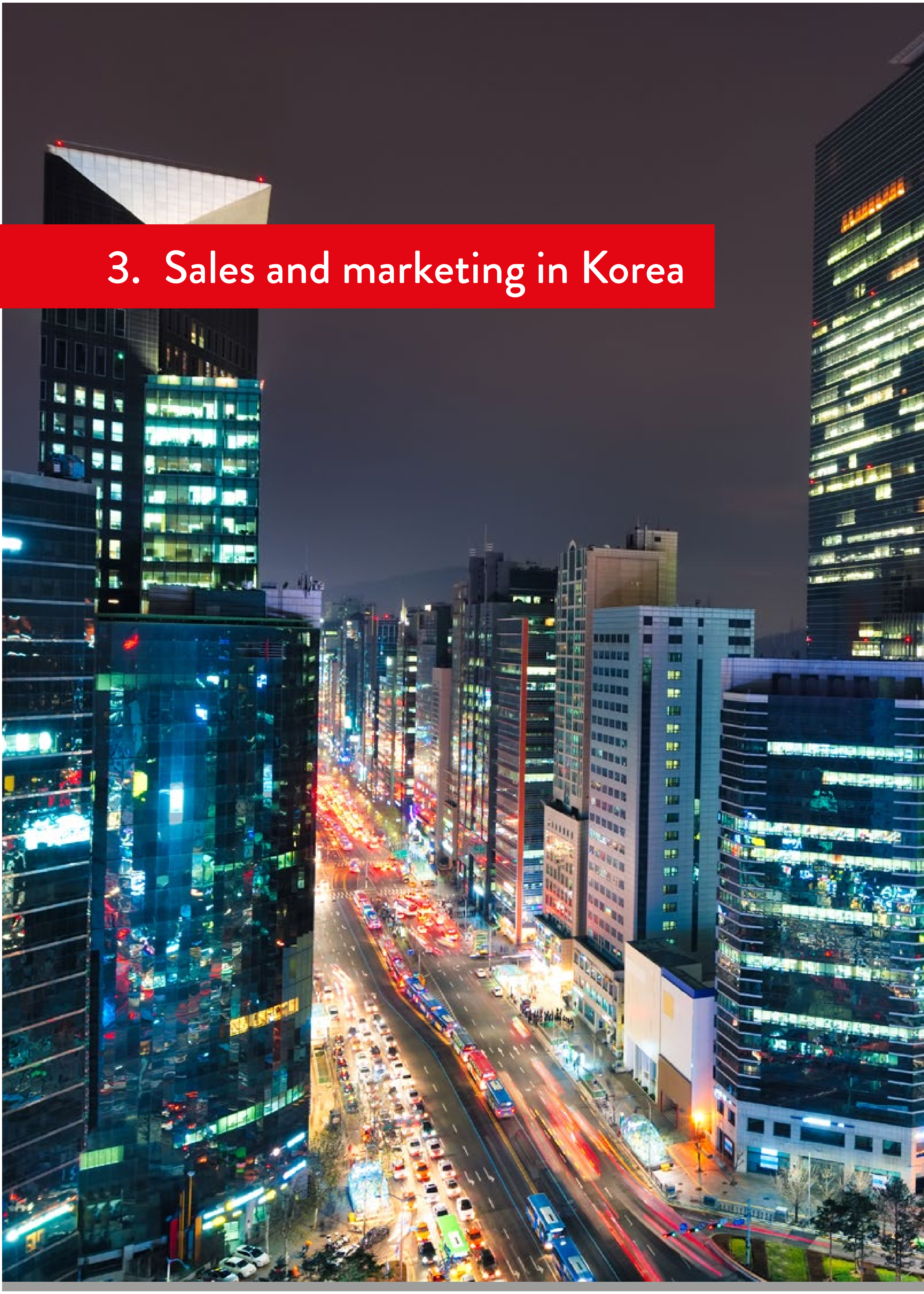


To import goods into Korea, it takes an average of three documents and seven days and costs $695 in administrative charges. Australia, by comparison, is ranked 49th.

ENFORCING CONTRACTS AND RESOLVING INSOLVENCY

It takes an average of 230 days and 32 procedures to enforce a contract in Korea, with costs averaging 10.3 per cent of the value of the claim. Overall, Korea is ranked 4th on this measure.

3. Sales and marketing in Korea



Once you have chosen the type of business structure you are going to establish in Korea and have a better understanding of setting up there, the next step is how do you get your product or services into the Korean market? Online or through an agent? Do you set up a franchise? What are the labelling requirements? This chapter examines the various methods of selling in Korea, including marketing and packaging requirements to import and sell goods.

3.1 DIRECT SELLING

Direct selling can be very effective in Korea with the market worth over KRW 7 trillion in 2014. Koreans love convenience, and many are time-poor. In terms of door-to-door sales, major products sold in Korea included home education materials, books, household consumer goods, cosmetics, health food, and sporting goods.

By utilising direct contact with buyers and end users, direct selling can be a very cost effective alternative to having your own base in the market, or using agents and distributors. But the do-it-yourself option is not an easy route to market. The main positives of doing it yourself include:

- Cutting out the middlemen
- Gaining an understanding of the technical needs of buyers and end users, and an ability to customise accordingly
- Having an opportunity to learn the hard way, although this should always be combined with extensive preparation.

On the negative side, having no physical presence in the market can make it difficult to progress. Many Koreans will not do business with companies that have no representation in the country. Recent trends in the industry have also encompassed challenges such as an increase on mobile internet/e-commerce retail sales, a consumer shift towards preferring mass retailers as a result of the tighter economic climate, and changing government regulations. If this is an avenue you would like to consider then it is suggested to seek professional in market advice on how to go about doing so and the latest regulations.

3.2 FRANCHISING

Franchising is a proven expansion technique for Australian brands looking to bring their goods and services to Korea. It provides access to local capital and local knowledge of consumer habits, retailing practices, and real estate opportunities. However, it also has one of the more bureaucratic regimes in Asia for regulating franchises and the law does not distinguish between small domestic franchises and international franchise deals between experienced and established companies and operators.

The most current research highlights that the Korean franchising sector is expansive and well developed with it estimated to be valued US$89.8 billion in 2013. An average franchise in Korea operates 68 stores with a majority of franchises in food service, followed by retail and then services. Australian business should note that Koreans are not willing to pay the large franchising fee that often is associated with franchising in Australia. Koreans looking for a franchisor are generally attracted to well established brands in Korea, which can be difficult if your brand or business is a new market entrant.

Part of the Korean Government's recent initiative to protect the SME industry has involved a change of regulations to allow SMEs the ability to compete with large firms, especially the chaebols. An example of this, in 2014 the Korean National Assembly passed an amendment to the Fair Transaction in Franchise Business Act ("Amended Act"), which governs franchising relationships in Korea. These legislative measures are designed to level the bargaining power between franchisees and franchisors. Significant changes were legislated in areas such as store improvements, exclusivity, projected sales revenue information, franchisee unions and cooling-off periods. Revisions to this legislation will come into effect in 2016. It is crucial Australian franchisors seeking to operate in the Korean market abide by this Act as well register disclosed documents to the Korean Fair Trade Commission (FTC). It is also vital to be aware of the latest regulations from the National Commission for Corporate Partnership (NCCP) as they can restrict and apply guidelines for geographical areas on the number of stores or initiatives they can house.

3.3 ONLINE SALES

Korea has a well-established and sophisticated e-commerce sector with online sales totalling $36.7 billion in 2014, accounting for 80 per cent of all direct sales. The country boasts one of the world's fastest internet speeds and an internet penetration of over 80 per cent, making it the most connected country in the world. Mobile devices are increasingly used to make online purchases, with 70 per cent of the Korean population using smartphones in 2014. 'Mobile retailing' in Korea is forecast to grow at least twice as fast as in the US, and recorded an 80 per cent growth rate in 2013, accounting for a 14 per cent value share of online sales.

Social commerce, which is online sales through social media outlets such as Facebook, Kakao or blogs, is also a growing trend in Korean online retail. Sales through internet retailing have grown over six per cent annually in recent years. As multi-channel retailers and store-based retailers are focusing on online sales to survive, online sales are estimated to reach up to $53 billion by 2018. Consumers' busier lifestyles will also help e-commerce continuously grow and develop. The Korean e-commerce market is driven by clothing, fashion and consumer electronics. Consumers are also familiar with cross-border e-commerce, as domestic products are often sold at a premium by retailers, thanks to agreements with manufacturers. As a result, online consumers can pay local product prices of up to nine times higher than overseas. Online shopping imports rose 47 per cent in 2013, to about $1.1 billion.

The Borderfree index highlights the importance of online sales in Korea, ranking it as a "desirable market" to engage in e-commerce with. Koreans are becoming increasingly savvy about the benefits of e-commerce with many taking classes on international online shopping. They often will use "parcel forwarding" to save on shipping, while also reselling items through online communities such as Feelway and Malltail. Posting of online sales and deals in such online communities spreads incredibly fast demonstrating a high response rate. Like other markets such as Hong Kong, many Koreans have a high level of disposable income with peak online sales periods between 10pm and 12am. Wednesday nights on average have the highest sales volumes of the week. With 20 per cent of the population in Seoul and e-commerce companies highlighting over half of sales come from Seoul alone, a business may want to have a strategy to target the Seoul demographic in particular.

The preferred online payment method in Korea is credit cards, with 73 per cent preference. Visa, MasterCard and Amex are the most widely accepted credit card types for cross-border e-commerce transactions. However, Australian businesses wanting to set up online sales access to their products need to consider that in Korea, consumers typically do not have an "internationally accepted" credit card. It is therefore important to consider what payment options you will accept and discuss this with professional advisers.

To sell online in Korea you are required to set up a subsidiary or open a branch office in the country. If you want to use popular online sales markets such as Gmarket, 11st, Shopping.Naver, Interpark, and Cjmall, Korean residential status is required. It is also recommended for Australian businesses potentially selling online in Korea to review the Personal Information Protection Act (PIPA) and ministerial data privacy/spam regulations, which may restrict Australian businesses managing user data on international servers.

Tourism Australia

Scott Walker, Korea Country Manager

If there is one thing crucial to successfully marketing your product to Koreans, it is your online presence. That is, having a website in the Korean language and a proactive social media campaign.

"You could have the greatest website in English, but if it is not in Korean, and therefore doesn't come up on the leading Korean search engine Naver, then you essentially are irrelevant to the Korean customer," emphasises Scott Walker, Korea Country Manager for Tourism Australia.

Tourism Australia is the No. 1 travel and leisure brand in Korea on the Kakao platform, and has more than 60,000 regular Facebook users taking part in its online competitions and events. It credits its strong social media presence and recently relaunched Korean website with a 12.4 per cent increase (year to date) in Korean tourists to Australia. Online marketing will also play a major role in Tourism Australia reaching its Korean market target of $2.8 billion by 2020.

Kakao, although originally an instant messaging service, has transformed to encompass apps, games, chatrooms, calls and news sharing. Similar to WeChat in China, the Korean business community uses Kakao for conference calls, with advertising and product reviews also an element of the social media platform.

Australian businesses entering Korea need to appreciate the influence of marketing via social media, and the need to be mobile friendly. Nine out of 10 Koreans accessing social networks do so on their mobile phones, giving Korea the highest number of mobile phone social networkers (as a percentage of population) in the Asia-Pacific.

To tap into all of these online marketing options, user-friendly websites and apps are critical. "A comprehensive marketing strategy for Korea should include in-depth research and gaining insights to what your customer wants, what competitors they currently use, what are the latest trends in the media and on social media outlets, as well as customising your content to the market," says Walker.

"Identify what your Korean customers need – don't presume that all of your content on your Australian page is going to be relevant or captivating on your Korean website."

Engaging a local Korean website designer or advertising company can help with this, particularly with developing a "fashionable" website and predicting upcoming trends.

Other forms of marketing that may be useful for a Korean market entry strategy are trade shows and celebrity endorsements of products. "Celebrity marketing or product usage on TV shows not only gets your product out to the Korean market, but often also other markets in Asia such as China and Indonesia through the regional popularity of Korean celebrities," highlights Walker.

Trade shows can also be a vital tool for launching products in Korea. But with countless trade shows operating in the market, Australian businesses need to carefully research which one to take part in, depending on your product or service type.

Walker suggests: "Investigate which are the most popular trade shows for your industry, which are your potential business partners and customers going to, and don't assume that an annual trade show is necessarily the most prevalent. It is also important to ensure the program has opportunities for casual networking events to allow you to meet people and broaden your group of local contacts."

www.australia.com

3.4 AGENTS AND DISTRIBUTORS

Most Australian firms rely on agents or distributors to represent their businesses and sell their products in international markets. The roles of agents and distributors are often confused, so it is important to understand the difference between them. The definition and responsibilities of agents and distributors can also vary between country and industry. The information below is of a general nature. It therefore important to make sure you have the role of the Korean party clearly defined and confirmed in the individual agreement you have with them, and not assume they will take on all activities that an agent or distributor may generally perform.

Agent: Acts as a representative of the supplier, but does not take ownership of the goods. An agent is generally paid by the exporter based on a commission of sales value generated. They tend to be based in the export market and often represent numerous service or product lines. They may operate on an exclusive basis, where they are the sole agent for a company's goods or services in that market, or as one of a number of agents.

Distributor: A distributor takes ownership of the goods by buying them, then reselling them to either local retailers or consumers. In some cases, the distributor may sell to other wholesalers who then sell to local retailers or end users.

Distributors may carry complementary and competing lines and usually offer after-sales service. They earn money by adding margins to products, which are generally higher than agent fees. This is to cover larger costs as distributors are usually responsible for marketing and carry inventory.

Choosing an agent or distributor

The most important consideration when choosing an agent or distributor is to ensure that you can establish a close working relationship – you have to be able to build high levels of trust and regular communication.

Why use an agent?	Why use a distributor?
Generally cheaper than a distributor.	You can pass a great degree of risk onto them.
You have greater control over terms of sale and marketing, and choice of customers to deal with.	A distributor has greater incentive to sell your product as they also have to cover the costs of holding stock.
Direct contact between manufacturer and customer.	Only have to monitor distributor's accounts rather than all customers.

Why not use an agent?	Why not use a distributor?
TAX It may involve tax implications (check the relevant laws for that area).	Less control over marketing, terms of sale etc.
Maintaining stock inventory can be costly.	The credit risk is with the distributor rather than with customers.
An agent may be selling products that compete with yours.	Distribution agreements regulated by local competition law.

Korea's leading social media apps

Although Korea's market is small compared to others in Asia, it is easier to have targeted marketing campaigns on social media – a necessity for building a brand presence amongst Koreans.

Over 78 per cent of Koreans use smart phones with a significant majority of these between the ages of 18 and 24. Many users read product reviews, gather information and engage in online communities through social media apps, which often lead to online purchases. The prominent apps to consider for your marketing strategy include:

Kakao Talk – the number one social network in Korea with an estimated 48 million monthly active users. The app offers users a multimedia messaging service, free calls, event scheduling, and in-app gift shopping. Many brands use the app for marketing through the messaging platform.

Facebook – with an estimated 12 million users in 2014, Facebook can be used to conduct targeted marketing campaigns using demographic and geographical specific information. A growing trend in Korea is using Facebook's "mobile target block" feature with videos and focused advertisement campaigns.

Line – part of Korea's Naver Corporation, Naver being Korea's search engine equivalent to Google, it is estimated to have 14 million users. Most popular in other Asian countries such as Japan and Thailand, Line's "stickers" – larger emoticons – are increasingly a favourite amongst Korean users and can be used for branding and promotion of products through free or paid stickers.

Before making a final decision, be sure to meet with the potential partner in their own market – this allows you to get to know them better and observe how much they know and their presence in their own market. Also ask your potential business partner for trade references and consider using a professional credit checking agency to confirm their financial stability.

Knowledge of the market
When assessing the right partner, consider:

- Do they have good networks and contacts?
- What is their experience in that sector? Do they have good knowledge and have they represented a similar product previously? Can they help with marketing?
- A well-established company with a good network of contacts may not be flexible or open to your ways of business.
- A young, energetic company will tend to be flexible, innovative and trying to prove their worth. The downside is they may have limited experience or contacts.

3.5 MARKETING

Korean product lifecycles are much quicker than in Australia. A new product or brand's sales will explode but often decline just as precipitously. Individual consumers pick their goods, at least partly, in order to conform to group patterns. As a result, Korea has fewer niche markets than Australia, and it can be harder to forecast which products will be adopted next.

Korean consumers are strongly influenced by group dynamics and follow dominant trends. That's why most luxury cars sold in Korea are black, why so many Korean apartment blocks are made from the same blueprints, and why less than a half-dozen movies make up more than 90 per cent of the country's box-office take. Some buying decisions are more influenced by group dynamics than others. For example, Koreans tend to buy Korean-made cars, entertainment and spirits in order to confirm their status in society.

The selection of your advertising media in Korea, as elsewhere, depends on the product and demographic. Various mediums exist, including:

- Thousands of promotional sites on Korea's extensive collection of bus stops, subway stations, railways and airports
- Social media apps and the strong influence online communities can have especially with Korea's younger generations
- The presence in commercial areas (such as in Seoul and other cities) of over 80 mega-LED screens strategically positioned with 24/7 promotions
- Hundreds of TV and radio stations
- Almost 700 major advertising agencies (both foreign and domestic companies).

However, the power of the internet cannot be underestimated. Korea is the most wired country in the world, and an online presence is essential for marketing, whatever you are selling. Koreans in their 40s, 50s and even 60s make a high proportion of their purchasing decisions based on what they find on their PCs and on their mobile phones. More than 15 million Korean households use the internet, with the online advertising market growing by 16 per cent in 2013 to be worth over $2.5 billion.

Although many options, particularly ones relating to modern technology, exist for marketing and advertising products, it is important to use both traditional and new media. When selecting a Korean advertising company, make sure the account manager is not just the best English speaker on staff and insist on someone who is mature and has credentials with publishers and editors.

3.6 LABELLING REQUIREMENTS

All food and beverage imports must be labelled in Korean. Labelling standards and import requirements can frequently change so be advised by Korean representatives for the latest information. Labels on most foods must show:

- Product name (generic and trade)
- Manufacturer's name
- Product place of origin
- Dates of manufacture
- Weights or quantities
- Ingredients in descending order of composition
- Importer's name, address and phone number
- Methods of preservation
- Places where the product can be returned or exchanged
- Expiry dates.

Imported foodstuffs and pharmaceutical products must show the above information in the Korean language on the original retail pack. Labels can be either printed or applied via adhesive stickers, provided they are in place prior to customs clearance.

Special certificates

Shipments of plants, seeds, vegetable products, livestock, and animal products, including greasy wool and hides, must be accompanied by sanitary certificates issued by the approved authority in the country of origin. In Australia, this is the Australian Quarantine and Inspection Service of the Department of Agriculture. Certificates required for all pharmaceuticals, medical devices and health food products include:

Pharmaceuticals

- Safety and efficacy test report (not older than two years)
- Test standards and methodology report (not older than two years)
- Certificate of manufacture for the relevant product
- Certificate of free sales for the relevant product
- Medical devices
- General technical file review
- Devices substantially equivalent as previously approved products
- The Ministry of Food and Drug Safety (formerly known as KFDA) does not require clinical study reports
- Review of Technical Documents Review for Safety and Efficacy Review (SER)
- Scope: new developments, new performance, new structure, new purpose for use
- Significant difference affecting safety and effectiveness
- Clinical study reports are essential

Health food

- Accompanying documents including ingredient(s) specifications and manufacturing procedure, and certificate of analysis issued by manufacturer.
- Other (eg. BSE-free certificate for products in gelatine capsule form imported from non-BSE countries, certificate of free sales, etc).

There is also the mandatory KC mark certification for certain manufactured products such as bedding and clothes for babies, chemical household items and automotive tyres. The list is extensive and is constantly updated including the regulations to receive the certification. It is recommended Australian businesses review the current information on the Korean Government's website: **www.ktr.or.kr/eng/certification/certification01-3.php.**

4. Conducting business in Korea

Having chosen your strategy for establishing your business, you must consider how to conduct business in Korea. This includes understanding Korean business etiquette and culture, developing business relationships, choosing business partners, negotiating, holding meetings, and carrying out due diligence.

4.1 KOREAN CULTURE AND BUSINESS ETIQUETTE

The 2015 Australian International Business Survey (AIBS) identified that local language, culture, and business practicalities as the largest single barrier to conducting business in Korea for Australian businesses. For this reason, it is crucial to understand some fundamental Korean cultural practices within the business context. Korean culture is steeped in Confucianism, which emphasises respect for education, authority, and age. Although modern Koreans may not adhere to Confucian principles as rigidly as previous generations, these principles continue to underpin many customs and business practices.

Age and status: Respect for age and status are very important in Korean culture, with hierarchy affecting all aspects of social interactions. Everyone has a role in society as a result of hierarchy - therefore it is vital to respect it. Koreans are most comfortable interacting with someone they consider their equal. Status is largely determined by someone's role in an organisation, which organisation they work for, which university they went to and their marital status.

Business cards: The exchange of business cards is an essential part of initial meetings. It allows Koreans to quickly determine their counterpart's all-important position, title and rank. While still standing, you should politely hand a business card over with two hands, and receive one in return. Do not simply drop the card into a pocket; instead take a few seconds to review names and titles. If you are sitting down, place it on the table in front of you for the duration of the meeting.

Korean names: Korean family names are mostly of one syllable, while given names tend to have two. The family name comes first (Kim Tae-Woo, for example). Until you are on very good terms with a Korean counterpart, it is best to use the family name preceded by an honorific (such as Mr), whether speaking directly to them or about them to another Korean. In settings that call for great respect or formality, you should use your counterpart's formal title and surname (Chairman Lee, for example). Some Koreans who have lived overseas may have adopted a Western first name, and prefer that it is used over their family name. Some also view their name as a very personal thing, so a suggestion to work on a first-name basis may be slow to be offered.

Bowing and handshakes: Koreans bow to those senior to them both as a greeting and a show of respect. The junior person initiates the bow, bending from the waist to an angle of between 30 and 45 degrees from vertical. A less accentuated bow is returned as acknowledgment from the more senior person. Bowing in Korea is not as pronounced as in other countries, such as Japan. Greet the highest status individual first, followed by the oldest when meeting a group of Koreans. The individual with the highest status usually enters a room first. For Australian business people, extending a simple handshake when greeting and taking leave is fine; just don't be surprised by a two-handed handshake and a bow during the course of an initial meeting.

Building relationships: Building relationships is an essential part of doing business in Korea. Relationships are developed through informal social gatherings and generally involve a considerable amount of eating and drinking. Such gatherings also present the opportunity for both sides to discuss business in more relaxed and friendly surroundings, including over dinner.

Dress code: Appearance is very important, and Koreans tend to dress more formally than Australians. Business attire is conservative, with an emphasis on conformity rather than individual expression. Men should wear dark-coloured business suits with ties and white shirts. Jewellery for men should be kept to a minimum – a watch and a wedding ring would be fine. Women should also dress conservatively and in subdued colours.

Gender equality: Although gender equality is increasing, men still dominate the Korean workplace. It is expected businesswomen act in a manner that is considered refined and 'feminine'.

Don't be too pushy: Korean business people are good negotiators so be patient and gentle, but firm. Also ensure you are as dignified as possible and don't push too hard. Expect a 'price war' but don't give in easily, as Koreans are persistent and admire this quality in others.

Geopolitical sensitivities: Korea and Japan dispute the territorial sovereignty of several islands in the sea between the two countries. These include the small islets called Dokdo in Korea and are known as Takeshima in Japan. As discussed earlier, the two countries refer differently to the sea surrounding these islands. To maintain good business relationships with Korean stakeholders, it is wise to respect local cultures and preferences, including by ensuring you use local and appropriately referenced versions of any geographical materials (such as maps that might be used in a presentation to a Korean audience). Not observing such delicate affairs can cause insult and may lead to business relationships ceasing.

4.2 BUILDING RELATIONSHIPS WITH KOREANS

Investing in relationships is critical to succeeding in Korea. The strength of business relationships can determine many aspects of commercial life, including access to credit, procurement, and contracting. Investing in business relationships often involves large amounts of face-to-face time with a person of similar age and status, with a strong emphasis on loyalty and trustworthiness.

Australian businesses should also explicitly consider the impact of age, gender, education, and marital status on the formation of personal and commercial relationships in Korea. For example, younger people are often excluded from decision making processes, therefore are expected to defer in language and attitude to older people.

Formal introduction: Koreans prefer to do business with those they have a personal connection with. Being introduced to a prospective business associate through an intermediary is ideal for building a business relationship. The higher the social standing of the intermediary, the more successful you are likely to be at making contact with the right people. Note that cold calling typically has limited success.

Conscious effort: Relationships in Korea are more trust oriented and personal than Australians might be used to. Building a relationship will require frequent visits to Korea, almost daily communication (preferably CEO/company director to CEO), and a lot of socialising. Ensure you allow a night in Korea for each meeting planned.

A conscious effort is required to nurture relationships and build trust. After your business has been set up, you should still send the most senior executive possible to Korea in order to avoid insult and to maintain positive relationships. If the most senior person is not available or does not have the specific expertise required for the business being conducted, you might consider giving the individual with the most knowledge of the relevant issues a high-status title.

Be consistent: Consistency in relationships is a key factor in success. Documenting agreements fully and concisely to reflect the needs and expectations of both parties will help to avoid problems later. Keep Korean partners informed of key personnel changes. There also needs to be an overlap when these changes occur, so there is continuity and consistency.

General knowledge of Korea: A basic general knowledge of Korea can assist your relationship building by creating an immediate connection with a new contact. Demonstrating what you know about the country's geography and history will please your hosts and just might make them more open in communications than they would otherwise be. Doing some travel around Korea may serve you well in this respect.

Korean table manners

- Wait to be told where to sit. There is often a strict protocol to be followed.
- The eldest are served first.
- The oldest or most senior person is the one who starts the eating process.
- Never point your chopsticks.
- Do not pierce your food with chopsticks.
- Chopsticks should be returned to the table after every few bites and when you drink or stop to speak.
- Do not cross your chopsticks when putting them on the chopstick rest.
- Fill the glass of the person sitting next to you. Use both your hands when doing so. Do not fill your own glass.
- Do not pick up food with your hands. Fruit should be speared with a toothpick.
- Bones and shells should be put on an extra plate.
- Try a little bit of everything. It is acceptable to ask what something is.
- Refuse the first offer of second helpings.
- Indicate you are finished eating by placing your chopsticks on the chopstick rest or on the table. Never place them parallel across your rice bowl.
- Do not lift your bowl or plate from the table while eating as it is considered rude.

Socialise with Koreans: Korea has a vibrant entertainment scene and if potential business partners present an invitation to socialise, this is a positive sign and the offer should be taken up. Socialising with Korean business partners is a very effective way to build a relationship.

There is a strong "work and play" mentality in Korea. It is not unusual for men to go out five times a week, play golf on Saturday, and have a family day on Sunday. In the office, however, Koreans work hard and put in long hours.

A typical night out usually involves four stages, starting with dinner. Women can attend dinner, but traditionally do not take part in the later stages of the night – although it is becoming more common for foreign business women to do so. It is best to be guided by your hosts. The second stage may involve drinking and karaoke, which Australian businessmen will be expected to attend. The third and fourth stages involve progressing to multiple other venues. These final stages are generally for the Koreans only, and Australians are not necessarily expected to take part.

Socialising is most important in the early stages of a business relationship. Thereafter, socialising with your Korean business partners is only required occasionally.

Note that you should be careful not to organise meetings that overlap with dinner or lunch time. Many Koreans will become fidgety at 12pm and will want to go to lunch. The entire Korean staff will tend to be out of the office between noon and 1pm.

Gifts: Gift giving is a part of the business culture in Korea. It generally occurs at the start of a meeting after greetings. Always start by offering the most senior person the gift first, followed by the next most senior person and so forth. Gifts should be given and received with both hands and should not be opened in the presence of the giver. If you receive a gift, you should reciprocate with a gift of a similar value. Gift wrapping is important in Korea so ensure not to use dark colours. Package the gift attractively with bright colours paying attention to the wrapping detail. Avoid giving expensive gifts as the receiver will feel obliged to reciprocate. Gifts in sets of four, with red writing, knives or scissors should also be avoided as these are seen as symbols of death.

Networking events: Networking events in Australia generally involve standing up and moving between people while drinking and/or eating, this is not the case in Korea. Although perceived as reserved for rather formal and official events in the Australian business context, the typical style of networking in Korea comprises sit-down events, generally with dinner. Australians may find this too intimate for their liking, but Koreans see it as the best way to build a relationship and get to know your new contact. Likewise, Koreans find Western-style stand-up networking events very uncomfortable and impersonal, and often you will find your Korean counterpart seeking out a seat and not engaging with crucial person-to-person mingling. If you're bringing your Korean business partners to such an event, make sure you brief them that it is a stand-up format and explain why, while also ensuring you're able to find some seats for them.

Local government and authorities

In addition to developing relationships with business partners, Australians will need to consult some primary government agencies throughout the process of setting up a business in Korea.

KOTRA (Korea Trade-Investment Promotion Agency)

KOTRA assists businesses in foreign trade through business match-making, trade missions, exhibitions, and by providing information on overseas markets. The trade library at KOTRA's head office offers current information on economy, business, trade and investment, as well as an extensive range of resources such as business directories, tariff schedules, and periodicals.

Website: english.kotra.or.kr

Invest KOREA

Invest KOREA, a branch of KOTRA, is the Korean Government's inward investment promotion agency. It provides assistance with administrative procedures for foreign investment into Korea, including consultation on mergers and acquisitions, joint ventures and real estate acquisition, and advice on legal and taxation matters. Invest KOREA also operates the Invest KOREA Plaza, a short-term, low-cost option for foreign investors entering or expanding in the Korean market.

Website: investkorea.org

Seoul Global Center

The Seoul Global Center – operated by the Seoul Metropolitan Government – functions much like Invest KOREA. It provides support for business start-up procedures in Seoul, particularly for small and medium-sized enterprises. It also provides consultation on taxation and real estate acquisition, helps foreign businesspeople gain a better understanding of the local market through conferences and various publications, and provides general information and advice on life in Seoul.

Website: global.seoul.go.kr

Other useful departmental and association websites include:

- The official website of the Korean Government – www.korea.net
- Korea Importers Association (KOIMA) – www.koima.or.kr/main.do
- Korean Institute for International Economic Policy – www.kiep.go.kr

Dos and don'ts of business in Korea

- **DO** expect to be asked personal questions as this shows polite interest and builds relationships
- **DO** give an enthusiastic performance at karaoke bars
- **DO** protest slightly when paid a compliment
- **DO** be prepared for lengthy negotiations
- **DON'T** be too pushy in business deals
- **DON'T** talk about politics or Korean culture
- **DON'T** expect a direct negative answer from Koreans if they can't help or don't know

4.3 MEETINGS AND NEGOTIATIONS

It is considered polite to arrive on time or no more than a few minutes early for appointments. Koreans generally keep a full schedule, which early arrivals can disrupt. Arriving late is not recommended as it can be viewed as a snub by your host. If traffic or other problems delay you, call ahead to inform your host that you are running late.

At an initial meeting, be prepared to begin with small talk. Topics might include whether you are making a first visit to Korea, your impressions of the country, your family, favourite sports (golf is a clear favourite among Koreans, along with soccer), and other interests.

Koreans are very hospitable and friendly, but negotiations can be very aggressive in tone. You may find the Koreans can be very frank and quick to express anger and frustration. Nevertheless, you should not take everything said during these meetings literally; strive to maintain your composure and patience. Maintaining a solid, cordial personal relationship with the Korean side will help you get through difficulties you may face during the negotiating process.

When negotiating over details, including price, your first bid should leave some room for negotiation. The starting positions of your Korean counterparts may appear far too unrealistic, but they will be prepared to compromise. In this way, both sides appear to have gained significant ground. Although it's important to have a firm position, insisting on having your own way will be viewed unfavourably, and appearing to be in a hurry may put you at a disadvantage. But being flexible does not imply giving in to unreasonable demands.

Be patient with delays in decision-making. Some Koreans may use stalling tactics to "wear down" the other side. However, things can move very fast if Koreans see the right business opportunity. Respect silence in communication. They need the time for translation and prudence as subjective feelings are characterised as crucial to the negation process. Nevertheless, objective facts are becoming common factors. Depending on the company culture and functional areas, some Koreans may be very analytical and demand data, followed by even more statistics.

Koreans have a more flexible attitude towards contracts than Australians as they perceive them as a framework for a business relationship, and open to continuous adjustments over time. Even when aware of the legal implications of signing contracts, most Koreans view the contract as less important than the relationship between individuals and companies. As a result, Koreans would find it difficult to understand why, despite the excellent relationship you have established, you are not willing to change or overlook aspects of the contract as the business partnership progresses. Being aware of how your Korean counterparts view the documents will help avoid misunderstandings, while ensuring that they are equally aware of your position.

4.4 DUE DILIGENCE AND AVOIDING SCAMS

Australian firms planning to operate in Korea should commit to the highest level of corporate behaviour and familiarise themselves with Australian laws and penalties for bribery. Australian individuals and companies can be prosecuted in Australia for bribing foreign officials when overseas.

For further information on laws, intellectual property protection and other business practicalities, see Chapter 5.

Dispute resolution

Companies involved in international commercial disputes should seek appropriate legal advice in Australia or overseas. Austrade can provide referrals to legal service providers upon request. A number of international arbitration commissions exist to facilitate international dispute resolution. Deciding which arbitration body best suits your commercial needs is complicated, and requires the balancing of many considerations – and good legal advice. The choice of arbitration body will depend on a combination of convenience, cost, and the facts of the particular case.

While the Australian Government supports arbitration as a preferred method of commercial dispute resolution with foreign companies, it does not endorse any one arbitration body over another.

Scams

There are a number of websites that alert consumers and businesses to scams, both in Australia and overseas. Watch for scam alerts at www.scamwatch.com.au. If you believe you are contacted by a scam, ignore the emails and delete immediately. Although Korea is considered a safe destination for foreign business travellers, exercise common sense like you would in Australia.

Credit card fraud has been an issue in Korea recently. In 2014, more than 104 million credit card details were stolen by a contractor employed to improve the security systems at Kookmin Card, NongHyup Card, and Lotte Card. The credit card details were sold to loan companies to make cold calls to their owners.

If you are buying something over the telephone or internet and want to use your credit card, make sure you know and trust the other party. If you want to provide your credit card details to a telemarketer, take their name and call them back on a phone number you find independently. Check over your credit card and bank account statements as soon as you get them so that if anybody is using your account without your permission you can tell your bank.

5. Business practicalities in Korea

Australians conducting business in Korea need to deal with a host of local legal provisions, including laws and regulations covering tax, employment, importing, foreign investment, property, banking, and repatriation of profits. This chapter provides an overview of the main areas that need to be considered in the Korean business environment. However, in addition to consulting this guide, you should also seek professional advice in the area for which you require specific information. Laws and regulations that may apply to your business in Korea are also subject to frequent changes as the Government moves to attract more foreign investment and business operations to Korea. Further reforms are expected in January 2016.

5.1 LAWS AND REGULATIONS

Investment rules

Foreign investment in Korea is governed by the Foreign Investment Promotion Act (FIPA). This act provides the legal basis for tax incentives and numerous benefits relating to foreign direct investment, while also underpinning the procedures for investment in Korea. Unless stated otherwise in the FIPA, the Foreign Exchange Transaction Law (FIPL) and related regulations will apply to matters related to foreign exchange and external dealings related to foreign investments.

Foreign companies may invest in all but a small number of protected sectors, mainly involving communications and broadcasting. In some sectors, a joint venture (JV) with Korean companies may be required, although this has become less common in recent years. To be considered a foreign investment company under FIPA, foreign companies must invest at least KRW 100 million and acquire 10 per cent or more of the voting shares or interest of a Korean company.

Since foreign-invested companies are local corporations established under domestic laws, the same laws that apply to purely domestic corporations will apply even if the foreign-invested company has gone through the processes as prescribed in the FIPA. Therefore, approval and permission may be required under each law before business may be conducted.

The Government organisation: Invest Korea, provides extensive services free of charge to foreign businesses, including consultation, assistance with investment notification and corporate establishment, support for business activities in Korea, and grievance resolution. Invest Korea also conducts investment promotion activities abroad. If you are considering investing in Korea, it is highly recommended you consult Invest Korea.

Restrictions and prohibitions on foreign investment: Foreigners are restricted from foreign investment in the following cases: where it threatens the maintenance of national safety and public order; where it has harmful effects on public hygiene or the environmental preservation or is against Korean morals and customs; and where it violates the Acts and subordinate statutes of the Republic of Korea. Furthermore, out of a total of 1,145 categories of business under the Korean Standard Industrial Classification (KSIC), foreign investment is not permitted in 60 categories, including public administration, diplomacy, national defence, nuclear power generation, radio broadcasting, and terrestrial television broadcasting. Although foreigners can invest in all of the remaining 1,085 investment categories, 29 of them are subject to foreign ownership ceilings. Foreign ownership ceilings and additional criteria are updated by the Ministry of Trade, Industry and Energy through its Integrated Public Notice of Foreign Investment.

Foreign Investment Restricted Categories (issued on April 26, 2012):

Business Categories (KSIC)	Restrictions	Competent authority
Satellite and other broadcasting (60229)	Permitted when foreign investment ratio is below 49% (below 20% for Internet multimedia broadcasting contents operation in general programming)	Ministry of Culture, Sports and Tourism
Cable communications (61210)	Permitted when the sum of shares held by foreign governments of foreigners is less than 49% of the total issued shares	Ministry of Culture, Sports and Tourism
Mobile communications (61220)	Permitted when foreign investment ratio is below 49% (below 20% for Internet multimedia broadcasting contents operation in general programming)	Ministry of Culture, Sports and Tourism
Satellite communications (61230)	Permitted when the sum of shares held by foreign governments of foreigners is less than 49% of the total issued shares. However, there are no restrictions on value added communications businesses.	Ministry of Culture, Sports and Tourism
Domestic commercial bank (64121)	Permitted when foreign investment ration is below 25%. Permitted only for commercial banks and regional banks	Financial Services Commission

Government policies for investment promotion: With an eye towards global market trends, the Korean Government has selected 17 industries across three sectors that are expected to serve as future drivers of economic growth – and in which foreign investment is being promoted. The designated "growth-engine" industries include: renewable energy, low-carbon energy technologies, green transportation systems, IT convergence citywide, LEDs in the green technology sector, broadcasting and communications media, intelligent robots, bio-pharmaceutical and medical devices, information technology, food industry and nano-convergence in the high-tech convergence sector, healthcare, green financing, cultural content and software, education, MICE (conventions and exhibitions), and tourism-related industries in the value added service sector.

Value added strategy in core industries: Korea's high competency in core industries such as ship building, automobiles, and steel making has been obtained through high technological development supported by the Government. Although these industries have shown significant growth, competition in the global market has intensified. In response, Korean companies are focusing on the development of high value-added products and services, such as hybrid and fuel cell-powered vehicles, and specialised ships that require core advanced technology and advanced materials. Opportunities exist for foreign companies to add knowledge and technology to these areas of industry.

'Green growth': 'Green growth' has recently become a significant focus in Korea as the Government promotes tax incentives and funding for green technology. 'Low carbon, green growth' is expected to guide the country's development over several decades, and the Government is encouraging foreign participation and expertise in high tech industries and business services. A variety of tax and other investment incentives are available and institutional hurdles and regulations are being removed. Korea has been participating in the UN Framework Convention on Climate Change and has in recent years taken significant steps aimed at reducing its greenhouse gas emissions. In 2012, Korea became the first country in Asia to pass laws mandating the launch of an emissions trading scheme (ETS). To prepare industries for the ETS, the Environment Ministry launched the voluntary "cap without trade" Target Management System (TMS) in 2012. From 2015, participation in the ETS became mandatory for installations emitting 25,000 tonnes of carbon dioxide, and for firms emitting 125,000 tonnes of carbon dioxide annually. Smaller entities continue with the TMS. The law provides for financial and fiscal incentives to induce the necessary restructuring in a cost-effective way.

Overseas remittance: operating funds by local branches of foreign companies or overseas remittance of profits must be made through designated foreign exchange banks. Remittances of gains from: stocks acquired by foreign investors and stock transactions, principal and fees paid with respect to a loan contract under the FIPL, and compensation under a technology import contract are allowed in accordance with what has been permitted and reported under the foreign investment technology import contract at the time of the remittance.

KAFTA Regulations and the Australian Services Sector

The recently enforced Korea Australia Free Trade Agreement (KAFTA) provides Australian services exporters with the best treatment Korea has agreed to with any trading partner, matching agreements with the United States and Europe. Key outcomes include:

- Australian law firms are permitted to establish representative offices in Korea and advise on both Australian and public international law. Within two years of KAFTA enforcement, Australian law firms will be allowed to engage in cooperative agreements with local firms; and, within five years, establish joint ventures and hire local lawyers.
- Australian accountants are now permitted to establish offices in Korea to provide consultancy services on international and Australian accounting laws. After five years of enforcement, they will be able to work and invest in Korean accounting firms.
- Telecommunications providers will be able to own up to 100 per cent of the voting shares of a facilities-based telecommunications service supplier in Korea within two years of KAFTA coming into force. This is in addition to being licensed to provide public telecommunications services and planned reviews of regulatory decisions and provisions on transparency.
- Australian financial services providers will be able to supply specified financial services on a "cross-border" basis without having to open a full commercial presence. This includes providing investment advice and portfolio management services for investment funds, as well as a range of insurance and insurance-related services in Korea. Other improvements include increased transparency and streamlining of licensing procedures.
- Education, engineering and other professional services will benefit from Korea's commitments to guarantee existing market access for Australian providers and work towards improving mutual recognition of qualifications.

Land and property rights

In principle, foreigners are free to acquire land in Korea except for specified categories including military facilities, cultural assets, land set aside for ecological preservation, and some land on islands required for military purposes. After a contract for land acquisition is concluded, a report on the acquisition should be filed to the municipal governor within 60 days. The process differs depending on whether the foreign purchaser is a resident (has lived in Korea for longer than six months) or a non-resident. Resident foreigners are subject to the Foreigner's Land Acquisition Act and the Real Estate Registration Act. Within 60 days of buying property, they must present the following documents to the local city, county or district office (*si*, *gun* or *gu*):

- Certified copy of the purchaser's alien registration card
- Registration application and certificate
- Documents certifying causes for registration
- Certified copy of the property registration.

Non-resident foreigners are subject to the Foreign Exchange Transaction Act. They are required to apply for a registration number at an immigration office with a certified copy of the land acquisition report and a copy of their passport. The following documents are required for the registration:

- Address certificate
- Registration application and certificate
- Certified copy of the property registration
- Documents certifying causes for registration.

Intellectual property (IP)

The Korean intellectual property (IP) system is advanced compared to many other countries in Asia. Korean companies are prolific filers of patent and trademark applications for inventions and local brands. In general terms, IP registration and protection in Korea is similar to Australia. The Korean Intellectual Property Office (KIPO) is responsible for the registration of trademarks, patents and designs – all of which can be applied for online. The KIPO website also provides a searchable patent database. Foreign businesses that do not have a place of business in Korea are required to lodge patent, design and trademark registrations through a Korean IP attorney. If you are considering exporting to Korea, it is advisable to contact an IP professional experienced in Korean IP law and trade to advise on local customs and other laws regulating imports and trade. Australian IP professionals can facilitate such contact.

Filing and renewal fees tend to be lower than comparable Australian fees, but higher than those of many other Asian countries. Australian applicants should also factor translation fees into the total cost of filing applications in Korea, as documents such as patent specifications must be filed in Korean. There are various methods for registering intellectual property, depending on its type. IP Australia's website outlines the following information for Australian businesses operating in Korea:

Trademarks: Korea follows a first-to-file rule for obtaining trademark rights. This means the first person to file a trademark application will generally have a priority over a prior user of the mark in Korea. Trademark applications should therefore be filed as soon as possible. Three dimensional trademarks are protected in Korea. However, other non-traditional marks such as sounds and smells are not yet able to be registered. Korean Customs provides cross-border measures for the protection of registered trademarks.

Trademark registrations may be removed if they are not used for a period of three or more consecutive years after registration. However, trademark protection is granted for 10 years from the date of registration and is renewable. Foreign and domestic authors can secure copyrights in Korea by registering them with the Ministry of Culture and Tourism. KIPO, under the umbrella of the Ministry of Knowledge and Economy, is the government body regulating and administrating matters to protect intellectual property rights. In September 2010, KIPO launched the Special Judicial Police Squad to more effectively crack down on counterfeit goods.

Patents: Two forms of patent protection are available in Korea: patents (with a 20 year term) and utility models (with a 10 year term and a lower level of inventiveness required). Certain types of subject matter are not patentable in Korea.

Designs: Korea offers two categories of design applications: normal examination designs (substantive) and non-examination designs (non-substantive). Non-examination designs are restricted to two-dimensional products such as wrapping paper and/or those with a short life cycle, such as fashion-dependent goods like clothing.

Plant varieties: Korean IP laws allow for the protection of plant variety rights for a period of 20 or 25 years, depending on the type of plant.

Personal information protection: A Personal Information Protection Act (PIPA) became effective in Korea on September 30, 2011. Under PIPA, all companies, organisations, governmental agencies and people that process personal information when conducting businesses must comply with the protective measures prescribed in the PIPA. There is generally no minimum threshold on the size of the entity covered by PIPA requirements. One of the key principles under PIPA is that the entity processing the personal information must disclose certain matters to the information owners and obtain their consent prior to the collection, use and provision to third parties of their information. Non-compliance may subject a company to administrative penalties, civil liability and criminal penalties.

5.2 IMPORT DUTIES, TARIFFS AND REGULATIONS

International trade is the engine driving Korean economic growth. According to Korea's Ministry of Knowledge Economy, foreign trade represents more than 80 per cent of its GDP. In engaging in trade and exporting to Korea, Australian businesses need to be aware of the various import regulations and tariffs and duties that may apply to their goods. Although the terms tariff and duty are often used interchangeably, they are not the same – tariffs are taxes levied on imports only, whereas a duty can apply to both imports and domestically sourced products. This section will highlight core information on tariffs, duties and other taxes that may affect Australian businesses, and provide an overview of Korea's import regulations. Tariffs and import regulations are frequently revised and subject to change without notice, so you should reconfirm your situation before exporting goods to Korea.

Authorised economic operator: Exporters to Korea can benefit from accreditation under the authorised economic operator (AEO) program, which has been implemented by customs authorities around the world to make trade more secure and streamlined. AEO accreditation for businesses involved in international trade generally affords them reduced government intervention and a resultant increase in delivery speed and reliability at the border. A fully-fledged AEO program has been in place in Korea since April 2009. Authorisation can be granted to eligible entities in nine categories: exporters, importers, customs brokers, warehouse operators, transporters, freight forwarders, carriers, air carriers and ground handlers. Companies must file applications with the Korean customs authorities to get accreditation. Examination of applications takes 30 days, but the wait may be extended to up to 30 additional days at the discretion of the Commissioner of the Korea Customs Service.

Tariffs/import duties

Korea has a two-column tariff scheme based on the international 'harmonised system'. Duties are mainly a percentage of the cost, insurance and freight (CIF) value, provided such value is based on current domestic value at date of export. Goods that meet the KAFTA preferential rates are subject to the reduction or elimination of tariffs on items originating from Australia.

Overview of tariffs on Australian goods under KAFTA

Tariffs reductions under KAFTA

When KAFTA took effect in December 2014, it was estimated that 84 per cent of Australia's exports (by value) to Korea would enter duty free. This figure will rise to 99.8 per cent when the agreement is fully implemented. Under the deal, Australia will remove its remaining tariffs on Korean goods over several years.

A variety of Australia goods and services stand to benefit including the services sector (as discussed in section 5.1) and a range of agricultural exporters across a large variety of categories. Korea eliminated tariffs immediately for raw sugar, wheat, wine, and some horticulture (including fruit, vegetables and nuts) when the agreement came into force. Tariffs of up to 550 per cent on most other agricultural products will be eliminated within short time frames.

Products with eliminated tariffs on entry into force:

WHEAT & GLUTEN 0%

RAW SUGAR 0%

SPARKLING WINE, RED AND WHITE WINE 0%

CHERRIES 0%

DRIED GRAPES 0%

ALMONDS 0%

FRESH OR CHILLED SOUTHERN BLUEFIN TUNA 0%

NATURAL GAS 0%

TITANIUM DIOXIDE 0%

AUTOMOTIVE PARTS 0%

Products with progressively eliminated or reduced tariffs

BEEF

40%

40 per cent tariff on beef will be eliminated progressively over 15 years.

PORK

22.5-25%

Elimination over 5-15 years of 22.5-25 per cent tariffs.

REFINED SUGAR

35%

35 per cent tariffs to be eliminated over 18 years.

MACADAMIA NUTS

30%

tariff elimination will occur over a five year period.

DAIRY

Duty free quotas with elimination of high tariffs on dairy products such as cheese, butter, yoghurt, ice-cream, milk and infant formula over 3-20 years.

Other import duties

For items that are not covered under KAFTA, there are a variety of other applicable import duties across various goods. These are often referred to in the Korean context as "custom duties".

Customs valuation: The dutiable value of imported goods includes the cost of the goods as well as insurance and freight (CIF). In 2008, the Korea Customs Service introduced the Advanced Customs Valuation Arrangement (ACVA), which provides a mechanism for taxpayers and the customs service to agree to an appropriate dutiable value of imported goods sourced from related parties.

Exemption or abatement: The following goods may be exempt from or eligible for reduction in customs duties:

- Goods for diplomats, government use and academic research
- Foreign goods for use in the defence industry and environmental pollution control
- Raw materials for the production of aircrafts
- Goods to be re-exported
- Deteriorated or damaged goods
- Re-imported goods.

Refunds: With goods intended for use in the manufacturing or processing of goods to be exported, and for which customs duties have already been paid at the time of importation, duties will be refunded up to the limit of the amount of customs duties previously paid.

Indirect tax: A flat 10 per cent value-added tax (VAT) is imposed on all imports unless customs duties on such imports are exempt. An individual excise tax of five to 20 per cent is also levied on the import of automobiles and certain luxury items. Rates vary depending on the type of product. Tariffs and taxes must be paid within 15 days after goods have cleared customs.

Taxable value and exemption: The taxable value of imported goods is equal to the total amount of the transaction value for customs duties, individual excise tax and liquor tax (if any).

The following goods, on which customs duties are exempt, may also be exempt from VAT:

- Goods imported as commodity samples and advertising materials
- Goods re-imported after export
- Goods imported temporarily under the terms of re-export
- Duty-free goods.

Additionally, under the Special Tax Treatment Control Law (STTCL), a qualified foreign invested corporation may be exempt from customs duties, individual excise tax and VAT on capital goods imported by such companies or contributed in-kind by a foreign investor.

FTA Tool

To further explore the benefits of KAFTA for Australian businesses, refer to the FTA Tool developed by the Export Council of Australia. This website helps Australian exporters navigate the basics of Australia's Free Trade Agreements (FTAs) quickly and easily. Businesses can search by country and industry to discover how FTAs can make doing business easier.

www.ftatool.com.au

Import regulations

The Korean Government requires that all importers have a general licence or a special licence for all imported items. Import licence applications are administered by government agencies or by the relevant industrial associations after performing screenings. Each specific licence covers only one transaction and is necessary in order to secure credit letters. The Ministry of Strategy and Finance is required to pre-approve imports that are to be exempt from customs duties. Restrictive regulations govern the content and safety of products. Some consumer goods such as food, pharmaceuticals and toys are subject to more stringent examination.

Import requirements and documentation: The documents necessary to obtain import permission vary depending on the type of product, its origin and the type of business in which the applicant is engaged. The following is a summary of the basic documents and information necessary to apply for an import permit.

KAFTA Regulations

KAFTA regulations: KAFTA preferential rules of origin (ROO) are agreed criteria used to ensure that only goods originating in either Korea or Australia enjoy duty preferences. Preferential ROO are required to prevent transshipment, whereby goods from a third party are redirected through either Korea or Australia to avoid the payment of import tariffs. For this reason, most goods require a certificate of origin (COO) to receive the benefits under KAFTA. According to DFAT, a COO should be prepared by the Australian exporter or the producer. This is known as self-certification. Australian exporters also have the option of obtaining a COO from an authorised body such as the Australian Chamber of Commerce and Industry (ACCI) or the Australian Industry Group, however, charges will apply. COOs remain valid for at least two years and can apply to a single shipment or multiple importations of goods of the same description. For up to date information, a list of applicable tariffs, COO requirements, and an example of a COO, please see DFAT's dedicated KAFTA webpage: **http://dfat.gov.au/trade/agreements/kafta/fact-sheets/Pages/guide-to-using-kafta-to-export-and-import-goods.aspx.**

Australian exporters may also seek formal advice from the Korea Customs Service on the tariff classification of the goods intended for export. This advice can be obtained through an 'advance ruling', which is an official ruling on tariff classification of a good that is binding on the customs administration.

- A completed application form for an import permit
- Lading bill
- Invoice containing a description of goods, brand name, quantity, specifications, type or model number, unit price, freight, insurance and expenses, as well as any amount of duty reduction or exemption of duties
- Origin verification requirements must be obtained at the port of shipment.
- Packing list
- Price declaration
- Other import documents, such as those covering applications for preferential treatment of goods.

Parallel imports: Parallel imports (often known as grey product) are non-counterfeit products imported from another country without the permission of the intellectual property owner, but which may be allowed due to the concept of exhaustion of rights. While there is no rule on parallel imports of foreign brand goods, Korea has dealt with such imports through a government notice on the export/import clearance guidelines for the protection of intellectual property since 1995. Exclusive licensors or dealers of imported goods may request the customs office to withhold the import customs clearance of parallel import goods. In response to such a request, parallel importers may request the customs office to examine whether such a request may be repealed and the customs office must notify the examination result in 15 days from the date the request is filed. The customs office is empowered to prohibit imports or exports of goods infringing intellectual property rights such as trademarks, copyrights and geographical identification.

5.3 TAXATION

Korea's taxation system includes a wide range of imposts on businesses and individuals applied at both national and local levels, including income taxes (corporate income tax, local income tax and individual income tax), turnover taxes (value added tax and excise tax, as well as taxes such as surtax, and acquisition tax. This section will provide an overview of the primary taxes that Australian businesses need to consider when establishing in Korea. Be aware, however, that taxation of foreign enterprises can be complex, and that not all potentially applicable taxes are covered in this guide. All businesses should seek professional tax advice from firms such as PwC when setting up in Korea.

Corporate income tax

Corporate income tax (CIT) in Korea is covered under the Corporate Income Tax Law (CITL), the FIPA, the Special Tax Treatment Control Law (STTCL) and the Law for the Coordination of International Tax Affairs (LCITA). Taxes are administered and collected by the National Tax Service (NTS). Although CITL distinguishes between foreign and domestic companies, most provisions apply to both. Foreign entities, however, are eligible for tax incentives thanks to FIPA and the STTCL. Foreign businesses may also be eligible for further tax savings if they establish a presence in foreign investment and free trade zones.

KOREA QUICK TAX FACTS FOR COMPANIES	
Corporate income tax rate	Progressive from 10% to 22%
Local income tax on corporate taxable income	Progressive from 1% to 2.2%
Alternative minimum tax	Progressive from 10% to 17% (in case of SMSE, 7%, 8% or 9%)
Branch profits tax rate	20%
Local income tax on branch profits	10%
Capital gains tax rate	Normal corporate income tax rates from 10% to 22% for resident companies; lesser of 10% of proceeds received or 20% of gains realised for nonresident companies having no PE in Korea
Basis	Worldwide
Participation exemption	No
Loss relief	
- Carryforward	10 years
- Carryback	One year only for SMEs
Double taxation relief	Yes
Tax consolidation	Yes
Transfer pricing rules	Yes
Thin capitalisation rule	Yes
Controlled foreign company rule	Yes
Tax year	Accounting period as stipulated under law or articles of incorporation which does not exceed one year
Advance payment of tax	Yes (interim tax payment for the first half of tax year)
Return due date	Within 3 months from the end of the month of the chosen tax year
Withholding tax	
- Dividend	20% plus local income tax at 10% of withholding tax (under applicable tax treaty: 15%)
- Interest	20% plus local income tax at 10% of withholding tax (under applicable tax treaty: 15%)
- Royalty	20% plus local income tax at 10% of withholding tax (under applicable tax treaty: 15%)
Capital registration tax	0.48% (or 1.44%) including surtax
Social security contribution	Varies
Real property tax	Varies
Securities transaction tax	0.5% for unlisted shares (0.3% for the shares traded on KOSDQ or KONEX)
Acquisition tax	Varies
Registration tax	Varies
Local inhabitant tax	Varies
VAT	10%

Corporate taxpayers fall into two classifications:

- **Resident corporation:** A domestic corporation with its head office, main office or place of effective management in Korea, taxed on its worldwide income
- **Non-resident corporation:** Foreign corporation that earns income from domestic sources in Korea, taxed only on income derived from Korea.

Taxation of foreign corporations/shareholders: If a foreign corporation has no "domestic place of business" in Korea, it will be subject to tax on its Korean-source income on a withholding basis in accordance with the tax laws and any applicable tax treaty. Any Korean source income to a domestic fixed place of business of a foreign corporation will be subject to Korean income tax.

Permanent establishment (PE): A non-resident corporation is generally deemed to have a tax presence, i.e. a domestic place of business in Korea, if one of the followings applies:

- It has any fixed place of business in Korea, where the business of the entity is wholly or partly carried on.
- It is represented by a dependent agent in Korea, who has the authority to conclude contracts on its behalf and who has repeatedly exercised that authority.
- Its employees provide services in Korea for more than six months within a 12 month period.
- Its employees continuously or repeatedly render similar services in Korea for two or more years, even if each service visit is for less than six months within a 12 month period.

Exceptions to a PE in Korea for a non-resident corporation include fixed places of business used only for purchasing or storage of property at which no sales activities, advertising, publicity, collecting, or furnishing of information, or other activities that are preparatory or auxiliary to the conduct of business, occur.

Dependent agent PE: Generally, an agent of a foreign corporation who frequently exercises authority to conclude contracts (including consulting or negotiating important terms and conditions of contracts) in the name of the foreign corporation, or who maintains a stock of goods or merchandise in Korea belonging to a foreign corporation from which the agent regularly orders on behalf of the foreign corporation, will be deemed to be a PE of the foreign corporation in Korea.

Branch income: In general, a branch office of a foreign corporation is taxed in the same manner as a resident company. Remittance of retained earnings from a Korean branch to its head office is subject to reporting to a designated foreign exchange bank in Korea under the Foreign Exchange Transaction Law and related regulations. If the tax treaty between Korea and the country in which a foreign corporation resides allows the imposition of a branch profits tax, the branch profits tax is imposed on the adjusted taxable income of the Korean branch. Australia does have a tax treaty with Korea; this is discussed later on in this section. Where applicable, the branch profit tax is levied in addition to the regular CIT, which is imposed at the rate of 20 per cent (or at a reduced rate as provided in a treaty) of the adjusted taxable income of the Korean branch.

Tax rates: The basic CIT rates are 10 per cent on the first KRW 200 million, 20 per cent for any amounts between KRW 200 million and 20 billion, and 22 per cent for the excess. Resident corporations are taxed on their worldwide income, whereas non-resident corporations with a permanent establishment in Korea are taxed only to the extent of their Korean-sourced income. Non-resident corporations without a PE in Korea are generally taxed through a withholding tax (WHT) on each separate item of income.

For SMEs, the minimum CIT is the greater of seven per cent of adjusted taxable income or actual tax liability. For companies exceeding the size of a SME for the first time, an eight per cent minimum tax rate is applicable for the first three years, starting from the year when the size exceeds an SME for the first time, and a nine per cent rate is applicable for the next two years.

Taxable income: Income from all sources (including business income, dividends, rents, interest, royalties, salaries and profit realised from the sale of property), whether received inside or outside Korea, is subject to CIT. The following exceptions apply:

- Income earned outside Korea by non-resident aliens is not subject to income tax.
- Certain income earned by individuals and corporations in Korea may qualify for tax-exempt treatment under various tax laws

Deductions: In general, expenses incurred in the ordinary course of business are deductible, subject to requirements for documentary support. A corporation's disbursements of more than KRW 30,000 for goods or services provided are required to be supported by corroborating documents, such as credit card sales vouchers, cash receipts, tax invoices, and those vouchers and invoices stored in the company's ERP system. The corporation is required to maintain these documents for five years. If the corporation fails to maintain proper evidence, a two per cent penalty is levied on the amount of disbursement.

Accrued expenses are not deductible until the expenses are fixed or paid.

Generally, contingent liabilities are not deductible, except for reserves under the following items, which are counted as losses within the tax limit:

- Reserves for retirement allowance
- Reserves for bad debts
- Liability reserves and emergency reserves prescribed in the Insurance Business Law
- Reserves for non-profit organisations
- Reserves for the write-off of a compensation claim set aside by trust guarantee funds in each business year.

Withholding tax (WHT)

Foreign corporations having a PE in Korea with income derived from sources in Korea are subject to CIT on such income. If the foreign corporation has no 'domestic place of business' in Korea, it will be subject to tax on its Korean-source income on a withholding basis in accordance with the tax laws and the relevant tax treaty, if applicable. Any Korean-source income attributable to a domestic fixed place of business of a foreign corporation will be subject to CIT. For residents of countries having a tax treaty with Korea such as Australia, the reduced WHT rate is 15 per cent (for dividends, interest and royalties). An application form must be submitted to the withholding agents in order to apply for the treaty rate. If a beneficiary cannot be identified in the application form, the withholding agents should withhold the tax at the non-treaty rate, i.e. 22 per cent including local income tax.

Social security contributions

There are four types of social security contributions in Korea: national pension, national health insurance, employment insurance and workers' accident compensation insurance. Employers and employees are required on an almost equal basis to contribute 8.185 per cent of salaries for pension, health and employment insurance. The worker's accident compensation insurance and employment insurance at 0.25-0.85 per cent (depending on number of employees) is additionally borne by employers only. This varies by industry, ranging from 0.7 per cent of salary (banking and insurance) to 34 per cent (coal mining).

Indirect taxes

Value added tax (VAT)

VAT is levied at a rate of 10 per cent on the supply of goods and services. Some goods and services attract a zero rating (eg. goods for export, certain services rendered to non-residents, international transportation services by ships and aircraft, and certain goods and services supplied for foreign exchange earnings) while some goods and services are exempt (basic life necessities and services such as unprocessed foodstuffs and agricultural products; medical and health services; finance and insurance services; and duty-exempt goods). Electronic VAT invoicing is compulsory. If a taxpayer fails to issue the electronic VAT invoice or report electronically to tax authorities, penalties apply.

Local income tax

Local income tax used to be collected as a surcharge of 10 per cent on CIT liability. But since January 2014, it has been collected as a tax in its own right. The basic local income tax rates for a corporation are one per cent on the first KRW 200 million, two per cent between KRW 200 million and KRW 20 billion, and 2.2 per cent for the excess. As a separate income tax in its own right, the local tax has its own set of exemptions, credits and rates. One of the consequences of this is that tax exemptions and credits for CIT purposes are no longer available for local income tax purposes.

Other taxes

Customs duties

Customs duties are generally assessed on imported goods. 'Importation' refers to the delivery of goods into Korea (in case of goods passing through a bonded area, delivery of such goods into Korea from such a bonded area) to be consumed or to be used in Korea.

Individual consumption tax

Individual consumption tax is imposed on certain luxury goods, high-priced durable consumer goods, goods subject to consumption restraints, and certain luxury activities. Tax rates range from two per cent to 20 per cent; in certain circumstances, a fixed amount is levied (e.g. KRW 12,000 per person for golf course greens fees).

Property taxes

An annual tax ranging from 0.07 to five per cent is charged on the statutory value of land, buildings, houses, vessels, and aircraft. A factory that is newly constructed or expanded in certain metropolitan areas attracts five times the property tax rate for five years from its relevant registration date.

Acquisition taxes

Acquisition tax is charged on the purchase price of real estate, motor vehicles, construction equipment, golf membership, boats, and other items. The minimum rate is one per cent. A weighted rate is charged on acquisitions in certain metropolitan areas or on acquisition of luxury items, such as villas, golf courses, and yachts.

Stamp tax

Stamp tax (known in Australia as stamp duty) is levied on a person who prepares a document certifying establishment, transfer, or change of rights to property in Korea. The stamp tax ranges from KRW 100 to KRW 350,000, depending on the type of taxable document. As of 1 January 2014, the electronic stamp system has been implemented to make it mandatory to use stamps bought online rather than paper stamps bought in banks or post offices. Paper stamps ceased to be permitted from 31 December 2014.

Registration taxes

Registration tax ranging from 0.1 to five per cent is charged upon the act of registering the creation, alteration, or lapse of property rights or other titles and incorporation with the relevant authorities. Registration tax shall not be applied to the registration made as a result of the act of acquisition as defined in the Local Tax Law. Registration tax upon the registration of title or right and incorporation for corporations located in certain metropolitan areas may be subject to three times the rates otherwise applied.

Gift tax

Gift tax is imposed on a person who acquires property by gift. If CIT or individual income tax is imposed on the gifted property, however, the gift tax shall not be imposed. Gift tax ranges from 10 per cent on gifts valued at not more than KRW 100 million, to the top marginal tax rate of 50 per cent.

Compliance

Tax year and tax returns

In Korea, taxpayers can choose their own fiscal-year dates and cycles if the relevant law or articles of incorporation does not stipulate the accounting period. A corporation must file an interim tax return with due payment for the first six months of the fiscal year, and the filing/payment must be made within two months after the end of the interim six-month period.

A corporation must file an annual tax return with due payment for the fiscal year, and the filing/payment must be made within three months from the end of the month that the fiscal year end date belongs to. In case the external audit is not completed and the financial statements are not fixed, a corporation can request an extension of tax filing by one month with delinquent interest of 2.5 per cent per annum.

Payment of tax

Where the tax amount to be paid by a resident corporation is in excess of KRW 10 million, the excess over KRW 10 million may be paid in instalments within one month of the date of the expiration of the payment period (two months for SMEs). Where the tax to be paid is KRW 20 million or less, the excess over KRW 10 million may be paid in instalments; and where the tax amount to be paid exceeds KRW 20 million, 50 per cent or less of the tax amount may be paid in instalments.

Tax credits and incentives

Tax treaty

Korea and Australia have a tax treaty that aims to eliminate double taxation. Tax paid in Australia on foreign income may be credited against Korean income tax. The amount credited is limited to the lower amount of foreign taxes paid and additional Korean tax due to the inclusion of the foreign income. Unused credits can be carried forward for up to five years. Korea also has treaties with other nations if foreign income is coming from relevant countries. To receive the reduced tax through tax treaties, foreign companies receiving income from Korea must apply before the income is paid.

Tax holidays

Under the Special Tax Treatment Control Law (STTCL), some tax reductions or exemptions are available for foreign-invested corporations as well as certain SMEs. Tax credits are also available to promote research and development activities. Temporary tax holidays are introduced from time to time based on government policy.

There are also tax incentives relevant to international capital transactions, to facilitate restructuring of corporations and financial institutions, to promote job creation and to encourage the relocation of head offices or factories in urban cities to rural areas.

Tax credit for SMEs

Various tax incentives are granted to SMEs. These include a special tax exemption that ranges from five to 30 per cent of taxable income, depending on the size and type of business, and whether it is located in a metropolitan or non-metropolitan area. Also, with the acquisition of some business assets, three per cent of the acquisition cost is deducted from corporate income tax. The deduction applies to business assets such as machinery and equipment, facilities for point-of-sales data management systems and facilities used for information protection (for which depreciation period is two years or more). In addition, newly incorporated SMEs in non-metropolitan areas are given a 50 per cent reduction in corporate income tax for five years.

Foreign tax credits

Taxes imposed by foreign governments on income declared by a resident taxpayer are allowed as a credit (within specified limits) against income taxes to be paid in Korea, or as deductible expenses. In general, credits are more widely applied than deductions in these instances. Excess foreign tax credits can be carried forward for five years.

Tax credits for job-creating investments

If the number of regular employees in a current year, does not decrease compared with that in the previous year, investments that create jobs attract a tax credit of three to nine per cent. The credit for an investment that maintains the same employment numbers is one to three per cent and such credit is only available for certain companies like SMEs. The additional tax credit for job creation has ceilings set at KRW 10 million (or KRW 15 million per employee between the ages 15 and 29 or KRW 20 million per specified occupational high school graduate employee) multiplied by the number of net new employment. Unused tax credits can be carried forward for five years.

Research and development (R&D) tax credits

Various tax incentives are provided to stimulate R&D activities including deduction of R&D reserve, tax credits for research, and manpower development expenses. Companies may claim a tax credit in relation to qualifying R&D expenditure as follows: three to six per cent (25 per cent for SMEs) of the current R&D expenses; or 40 per cent (50 per cent for SMEs) of the incremental portion of the current R&D expenses over the average of the previous four years. A tax credit (up to 10 per cent of the investment amount) is available for investment in facilities for technology and human resources development. Unused tax credits can be carried forward for five years.

Investment incentives

Tax credits are generally available for investments in facilities that enhance productivity, safety, job-creation, and other aspects of a business.

Foreign direct investment tax incentives

High-technology businesses

Foreign invested companies that engage in certain high-technology businesses, and service businesses that provide extensive support to such industries, can apply for 100 per cent exemption from corporate income tax for five years, beginning from the first year of profitable operations (or from the fifth year, if not profitable until then) and a 50 per cent reduction for the following two years in proportion to the foreign shareholding ratio. The taxpayer can apply for 100 per cent exemption from local taxes, such as acquisition tax and property tax on assets acquired for their business for five years after the business commencement date and 50 per cent reduction for the following two years. Some local governments grant longer exemption periods (up to 15 years) in accordance with their local ordinances. Approved foreign investment also can be eligible for exemption from customs duties, VAT, and special excise tax on imported capital goods for the first five years from the date of foreign investment report under the FIPA.

Special zones

Foreign investors satisfying specified criteria are provided with tax incentives and other benefits for investment in specially designated areas, including foreign investment zones (FIZ), free economic zones (FEZ), free trade zones (FTZ), and strategic industrial complexes exclusively developed for foreign invested companies. The tax incentives for qualifying foreign investors in FIZ are similar to those of foreign invested high-tech companies.

Investors in FEZ, FTZ, and strategic industrial complexes may receive 100 per cent exemption from corporate or individual income tax as well as local taxes for the first three years and a 50 per cent reduction for the next two years (if review and approval are made by a designated committee of the special zone, 100 per cent exemption for five years and 50 per cent for the next two years are available). The taxpayer can apply for 100 per cent exemption from local taxes, such as acquisition tax and property tax on assets acquired for their business for five years after the business commencement date and 50 per cent reduction for the following two years. They also receive exemption from customs duties on imported goods for the first three years.

Taxation of individuals

Individuals with a domicile in Korea for 183 days or more are considered residents for tax purposes. Even when a person has a job overseas and stayed overseas for more than 183 days, but they have their general living relationship including their family and property in Korea, they can be regarded as a resident of Korea. Generally, residency is determined on a “facts and circumstances” test, evaluated on an individual basis.

Currently, the individual tax rates on global income range from six to 38 per cent before applying the local income tax (ranging from 0.6 per cent to 3.8 per cent of individual taxable income). Since January 2014, the top marginal tax rate of 38 per cent (excluding local income tax) has been applied to taxable income in excess of KRW 150 million (down from KRW 300 million previously).

KOREA QUICK TAX FACTS FOR INDIVIDUALS	
Income tax rates	Progressive from 6% to 38%
Surtax	10%
Capital gains tax rates	Special regime
Basis	Worldwide income
Double taxation relief	Yes
Tax year	Calendar year
Return due date	31 May
Withholding tax	
- Dividend	20% (plus surtax)
- Interest	20% (plus surtax)
- Royalty	20% (plus surtax)
Net wealth tax	No
Social security	Varies
Inheritance/gift tax	Progressive rates up to 50%
Real estate tax	0.24%- 0.6%
Registration tax	0.02% - 5% (plus surtax)
Acquisition tax	Varies
Education tax	20%
Inhabitants tax	KRW 50,00/KRW 10,000
VAT	10%

Individual tax rates

(as of 1 January 2014)

Annual taxable income (KRW thousands)		Tax rate*	
Over (column 1)	Less than	Tax on column 1*	Marginal tax rate (%)
-	12,000	-	6
12,000	46,000	720	15
46,000	88,000	5,820	24
88,000	150,000	15,900	35

Individual tax rates:

- A foreigner who has salary income in Korea can opt to be taxed at a flat rate of 18.7 per cent (including the local income surtax) or the progressive tax rates with various deductions. The flat rate election is granted for the first five years of his or her employment in Korea.
- Dividend and interest income exceeding KRW 20 million received by a resident individual are subject to progressive tax rates. The withholding tax charged on dividend and interest payments from Korean sources amounting to less than KRW 20 million generally is considered final.
- Korea does not levy a net wealth tax.

Deductions and reliefs

- Tax credits are available for aggregate global income when the foreign portion of the taxpayer's income has already been taxed.
- Certain savings plans provide tax benefits under government incentive programs to encourage savings.
- Various deductions and allowances are permitted, including an earned income deduction and deductions for qualifying medical expenses, certain educational expenses, and charitable donations.
- Resident individual taxpayers are entitled to a number of deductions for themselves and their dependants – the basic deduction is KRW 1.5 million (per person) for the taxpayer, their spouse and dependants.

5.4 AUDIT AND ACCOUNTANCY

Books and records

Korean commercial law requires that accounting records explain a company's transactions and any effects these have on its operational assets. Accounting records and important documents related to the company's operations are normally required to be retained for 10 years. An exception is for accounting slips, which are required to be retained for five years.

Accounting period

The accounting period (not exceeding one year) determines a company's "financial year". Each financial year ends on the last day of the accounting period and accounts can be made up to that date. The current commercial law requires a book to be closed at least once a year. On incorporation, a company may choose an "accounting reference date" (i.e. the day and month on which an accounting period ends). The accounting period is determined to be a certain period up to the accounting reference date, which is generally 12 months in duration. Most businesses have the period 1 January to 31 December as their accounting period. However, a company may adopt a different year-end which does not exceed one year.

Accounting standard

Business entities generally follow the accrual basis of accounting. All income realised and expenses incurred or attributable to the current period should be recognised as income or expenses in the current period regardless of when the income is received or expenses are paid.

Financial accounting standards in Korea consist of:

- Korean International Financial Reporting Standards (K-IFRS), established by the Korea Accounting Standards Board based on the International Accounting Standards. All companies listed on Korean capital markets are obligated to apply.
- Accounting Standards for Non-Public Entities applied by those companies which are subject to the Act on External Audit of Stock Companies but are not mandated to adopt K-IFRS; and
- Accounting Standards for Special Topics established by the Korea Accounting Standards Board in order to reflect requirements of relevant laws and regulations, or to reflect the differences in trading and business environment that are unique to Korea. These accounting standards are limited to particular entities with special forms or accounting treatments, such as "Corporate Restructuring Investment Company", "Collective Investment Agency", and "Trust account of Trust Agent".

Accounts and reports

Directors must prepare basic financial statements and business reports in each accounting period. In the case of a stock company, the director must prepare financial statements and business reports approved by the board of directors, and shall comply with the following reporting procedures:

- Director must submit financial statements and business reports to a statutory auditor six weeks prior to a regular general meeting.
- Within four weeks of the date of receipt of the above documents, auditor must submit an audit report to director.
- Director must submit the financial statements to the general meeting for approval, and report the contents of business reports.
- When certain requirements are met, a company may receive approval from the board of directors on financial statements as provided by the articles of incorporation.

A complete set of financial statements as required by law consists of the following:

- A statement of financial position as at the end of the period
- A statement of comprehensive income for the period
- A statement of changes in equity for the period
- A statement of cash flows for the period
- A statement of appropriation of retained earnings
- Notes, comprising a summary of significant accounting policies and other explanatory information.

Audited financial statements

According to the Act on External Audit of Stock Companies, a stock company that meets one of the following criteria is required to have its financial statements audited by an external auditor:

- A stock company with total assets equal to or greater than KRW 12 billion at the end of the preceding fiscal year
- A listed stock company and a stock company that intends to be listed in the relevant business year or the following business year
- A stock company with total assets and total liabilities each equal to or greater than KRW 7 billion at the end of the preceding fiscal year
- A stock company with total assets equal to or greater than KRW 7 billion and with 300 employees or more at the end of the preceding fiscal year.

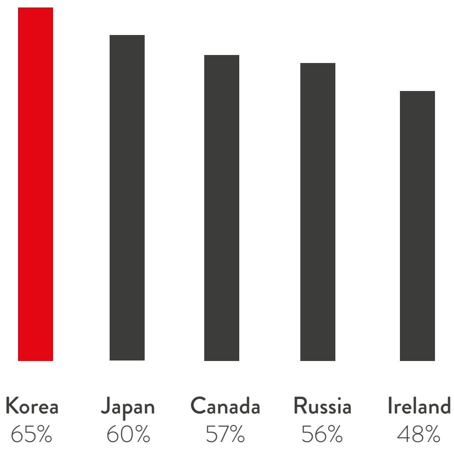
In addition to the aforementioned external audit requirements, listed companies should additionally submit an external auditor's semi-annual review report, and listed companies with total assets equal to or greater than KRW 500 billion are obliged to disclose the external auditor's review and its report on quarterly financial statements.

Appointment of auditors

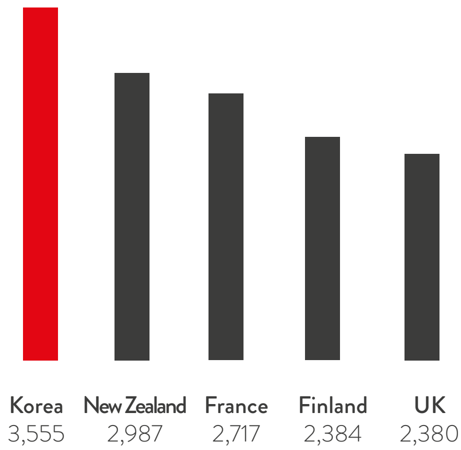
Stock companies that meet the above-mentioned audit requirements should appoint an external auditor within four months from the commencement of each fiscal year, which requires approval from its internal auditor or auditor appointment committee. The appointment should be reported to shareholders at the annual general shareholders' meeting, notified to shareholders in writing or by email, or posted on the company's website.

OECD TOP 5 COUNTRIES

COLLEGE GRADUATION RATE
(age 25-34 in 2012)



ENGINEERING COLLEGE GRADUATES
(of every 100,000 people)



Source: OECD

5.5 EMPLOYING WORKERS

Labour market

Korea's labour force is generally regarded as highly literate, well-educated, motivated, and hard working. Currently, however, there are shortages of manual and factory workers in some industries. The shortage in labour-intensive roles is being met by foreign workers from countries such as Vietnam, the Philippines, Indonesia, Pakistan, Thailand, Mongolia, and Sri Lanka. In this context, a Foreign Workers Employment Act was introduced in July 2010, permitting Korean industries to employ foreigners from countries with which Korea maintains bilateral labour agreements.

Being a nation of limited natural resources, Korea's principal resource is its abundant supply of skilled labour. This has played a primary role in Korea becoming a world leader in industries such as shipbuilding (first in 2014), auto vehicle manufacturing (fifth in 2013), and steel making (sixth in 2013).

As a nation, Korea is passionate about education. Enrolment rates at all levels of education are among the highest in the world. These factors, combined with the country's high degree of technological adoption and relatively strong business sophistication, help explain its remarkable capacity for innovation. It boasts a literacy rate of around 98 per cent, its university entrance rate was 72.5 per cent (the highest among OECD member countries) and about 65 per cent of people aged between 25 and 34 were university graduates. Every year, approximately 470,000 university graduates join the labour market. Its commitment to excellence in education feeds a continuous supply of high-quality human resources for industry, which in turn enhances competitiveness and innovation in the Korean economy. Furthermore, 42.1 per cent of Koreans in the workforce are also studying at the same time as working to obtain higher skill levels or new qualifications.

Koreans are diligent and faithful to their work. In 2012, their average annual working hours were 2,163 – the second highest among OECD countries. The labour productivity index has also steadily risen in recent years, with Korea recording one of the highest increases in labour productivity in the OECD between 2009 and 2013.

Employers should also be aware that Korea has conscription - compulsory military service, for Korean men aged between 18 to 35 years. Most men will undertake their required military service generally in their late teens or early twenties. The length of conscription varies between 21-36 months. This means that someone of a certain company position may seem to be older than what they would be in the same position in Australia.

PRINCIPAL KOREAN LABOUR LAWS			
Category	**Acts**	**No. of Employees**	**Remark**
Individual Labour Relations Law	Labour Standards Act	5 or more	Some provisions are applicable to work places with 4 or fewer employees Where the employer employs 10 or more workers, the rules of employment shall be prepared
	Minimum Wages Act	All work places	2014 minimum hourly wage: KRW 5,210
	Occupational Safety and Health Act		
	- General	All work places	Not all provisions are applied to certain businesses and work places with fewer than 5 employees
	- Person in charge of safety and health management	100 or more	50 or more employees for certain businesses
	- Safety and health officers, etc.	50 or more	Some business categories are excluded
	- Occupational health and safety committee	100 or more	Some businesses with 50-99 employees are included
	- Industrial Accident Compensation Insurance Act	All work places	Some businesses with fewer than 5 employees in the agriculture, forestry, and fishery industries are excluded
	- Equal Employment Opportunity Act	All work places	Some provisions are not applied to work places with fewer than 5 employees
Collective Labour-Management Relations Law	Trade Union & Labour Relations Adjustment Act	All work places	
Cooperative Labour-Management Relations Law	Act on the Promotion of Workers' Participation and Cooperation	30 or more	Regardless of the existence of a labour union, all businesses or work places vested with the right to determine working conditions shall establish a labour-management council Work places with 30 or more employees shall implement a grievance settlement committeeman
Employment Related Law	Employment Insurance Act	All work places	Some businesses with fewer than 5 employees in the agriculture, forestry, and fishery industries are excluded
	Employment Promotion and Vocational Rehabilitation of Disabled Persons Act	50 or more	Businesses shall employ disabled persons at the obligatory employment ratio within 5/100 of the total number of workers Companies shall pay contributory charges in the case of non-compliance, but receive incentives in cases they hire disabled persons at over the obligatory ratio
	Act on Prohibition of Age Discrimination in Employment and Elderly Employment Promotion	300 or more	Companies shall maintain a minimum ratio of senior citizens employed to total employees (2% for the manufacturing industry, 6% of the transportation and real estate industries, 3% of other industries)

While Korea's unemployment rate has lately been among the lowest in the OECD, the labour market duality (including the high share of part-time/casual workers) and underemployment in some segments of the population (notably youth and women) are important challenges, and factors contributing to lower potential growth. Policy makers are therefore focused on:

- Boosting female labour force participation
- Policy revision
- Raising youth employment.

Human resources and employment law

When employing workers in Korea, laws affecting the hiring, payment, and dismissal of workers must be observed. The **Labour Law of Korea** has been designed to provide workers with adequate protection, while protecting the basic structure of business activities and contributing to a solid and stable capitalist economy.

The Labour Law is divided into four basic parts: individual labour relations, collective industrial relations, cooperative industrial relations, and employment. The laws set standards for labour contracts and relations between employers and workers, enable autonomous dispute resolution between labour and management by guaranteeing workers' right to organise a union, and aim to ensure mutual benefits to labour and management by promoting the participation and cooperation of both employers and workers.

Minimum conditions for employees are set out in the Labour Standards Act. Working hours, severance pay, health and safety, compensation for industrial accidents, and labour contracts are all covered by this act. The Employment Insurance Act grants benefits to jobless workers and aims to promote employment through improving employee skills and employability. Compensation and insurance coverage for industrial accidents is guaranteed in the Industrial Accident Compensation Insurance Act.

The Korean **Gender Employment Equality Law** prohibits gender discrimination against any worker, requiring that people doing the same work of equal value are to be paid at the same wage scale. An employer violating these provisions is subject to penalty.

Under Korea's **Minimum Wage Law**, mandatory minimum wage standards applicable to all firms in all industries are set and reviewed annually by the Minister of Labour. In 2014, the minimum wage was set at KRW 5210 per hour (up 7.2 per cent from 2013), KRW 41,680 per eight-hour day, and KRW 1,088,890 per month (based on a 40-hour week). Salary ranges for executives and professionals vary widely according to the industry, the company, and the seniority or position of the individual. There has been a continuing transition from seniority to performance-based pay systems.

The average wage can also differ significantly across industries. For example, wages increased at an average annual rate of 4.6 per cent in the manufacturing industry between 2009 and 2014, compared with 3.3 per cent in financial services. The Government's policies are broadly aimed at creating more equality between services and manufacturing, by increasing tax incentives for the former to the same level as in manufacturing.

MINIMUM WAGE - Per hour

	2009	2010	2011	2012	2013	2014
Minimum wage (KRW)	4,000	4,110	4,320	4,580	4,860	5,210
Increase Rate % (year-on-year)	6.1	2.75	5.1	6.0	6.1	7.2
Number of workers applied (thousand persons)	15,882	16,103	16,479	17,048	17,510	17,734

Source: OECD

More employers have begun to introduce performance-based pay and profit-sharing schemes in recent years. Individual contracts for annual salaries linked to performance are increasingly common. Share options are also growing in popularity. Workers in Korea are compensated with direct cash payments, as well as a variety of subsidised services, allowances and bonuses. Benefits typically include housing, health and life insurance, cars and transport, recreation, children's education, meals and holidays. As part of labour reform, both local and multinational firms are making progress in consolidating the many itemised benefits into single cash payments added to base pay.

Social insurance programs covering pension funds, medical costs, workplace accident compensation, and employment insurance must be contributed to by employers. Employers must also set aside severance pay for employees, which is equal to one month's salary for every year worked. Employees who have worked for at least one year are entitled to severance pay.

Social insurance charges

(of total amount of wages and salaries, April 2012)

Social Insurance	Employer's charges	Employee's charges
Unemployment	0.55%	0.55%
National pension	4.5%	4.5%
Health	3.09%	3.09%
Workers' accident compensation	0.005%	N/A

The two most important welfare schemes are employment insurance and national pensions. As set out in the National Pension Act, employers and employees each contribute 4.5 per cent of the employee's monthly salary to the national pension fund. Employment insurance provides 50 per cent of previous wages for up to eight months for unemployed workers up to the age of 64, provided they had been employed for six months or more. Irregular workers, such as part-timers and day labourers, are covered as long as they have been employed for at least six months in the year before unemployment.

On holidays/annual leave, the Korean **Standards Labour Act** states:

- An employer should grant 15 days paid leave to a worker who has registered more than 80 per cent of attendance during one year. After the first year of service, an employer should grant one day paid leave for each two years of consecutive service in addition to the leave for the first year.
- An employer should grant one day paid leave per month to a worker whose consecutive service period is shorter than one year, if the worker has offered work without absence throughout a month.

Australia-Korea social security agreement

Australians who are working or have worked in Korea are able to receive a lump-sum refund of their social security contributions or have access to a Korean old-age pension. The agreement, which took effect in 2008, mirrors Australia's refunding of superannuation guarantee contributions for non-residents who have worked temporarily in Australia. The refunds benefit those who have worked in Korea for just a few years, such as many English language teachers, and who would not be eligible for a Korean old-age pension. Lump-sum refunds will be retrospective for those who worked in Korea before the agreement took effect. The agreement also helps former Australian residents of pension-age living in Korea, who can claim a pension without having to return to Australia. In addition, people who are sent to work temporarily in Australia or Korea don't have to contribute to two social security systems.

Termination of employment

It is possible to dismiss an employee for a legitimate reason and with 30 days advance written notice or payment of a month's wage. However, a Labour Dispute Mediation Committee exists for the purpose of conciliation, mediation and arbitration of labour grievances. The Labour Committee is empowered to examine whether an employee has been dismissed for just cause and may also order that an unjustly dismissed employee be reinstated. Foreign investors should consult with a qualified legal counsel for more detailed explanations of dismissal procedures and legalities.

If a worker continuously employed for one year or more is terminated for any reason, severance pay of at least one month, or pay equivalent to an average of 30 days, must be paid for every year of employment. For this purpose, the average pay is computed on the basis of compensation for the three months immediately preceding the termination. For mass dismissals (often referred to in Australia as redundancies) due to justifiable managerial reasons (such as suspension of production, closure of partial operation, or corporate restructuring forced by financial distress), employers must deliver 50 days advance notice to a labour union or any individual representing more than 50 per cent of the total number of employees affected. They must also file notice of the intended layoff with the Ministry of Employment and Labour at least 30 days ahead of the intended plan. The advance notification requirement applies to the dismissal of 10 or more employees in a business place with fewer than 100 employees, or 10 per cent of the total employment in a business place with between 100 and 1,000 employees.

Indulge Co

Ross Gregory, Chairman

Knowing the rules and doing things by the book, no matter how challenging, is vital for businesses setting up in Korea. Differing business practicalities in Asian markets can be a challenge to navigate but it shouldn't deter you. "Korea is a rules-driven place – it is a highly regulated country particularly with taxes, import regulations and employment law, thus it is crucial to understand the regulations and do things by the book," says Australian Ross Gregory, Chairman of wine, beer and spirit importing company Indulge Co, and entrepreneurial investor in several businesses in Korea.

Having worked in Korea for more than 10 years, including a decade at Australia's Macquarie Bank, Gregory highlights the importance of getting local advice when setting up and running a business there. "Having a Korean business partner is not necessary to succeed in the market, but having a Korean accountant or lawyer who understands the regulations and having local Korean managers who you trust and who thoroughly understand the market, is vital.

Understanding employment practices is also important. "Korean labour laws have lots of quirks that need to be understood and may seem a bit confusing for Australians who are generally used to less unionism and more balanced attitudes in employment regulations," explains Gregory. "There are a lot of hidden costs Australian businesses may not budget for. An example of this is the legal requirement around providing employees severance pay – once an employee has worked for a company for 12 months, they are entitled to one month of severance pay for each year of service."

Other laws particular to Korea include those related to entitlement to permanent employment. Contractual employees working for the same company for more than two years are then legally required to become permanent employees – even if performance is unsatisfactory. "It is incredibly difficult to dismiss a permanent employee in Korea unless under certain conditions such as criminal activity or company bankruptcy," highlights Gregory.

To address this challenge, Gregory recommends: "Oversee your employees during the contract period to determine their loyalty and if they are hardworking, as unfortunately, the only way to manage any problematic employees is ending their contract prior to the anniversary. Favourably, a three month probation period always applies."

Hidden costs may include taxes that even your Korean staff may not be aware of. "It took us a while to realise that a recycling tax applied to importing bottles. No one working for us had even heard of this regulation." Being across all information and constantly monitoring regulation updates is critical as not meeting requirements can accrue hefty fines.

Ensuring you complete all necessary government forms is also vital for businesses operating in Korea. "When building a new gym, one form in relation to the minor adjustment of a dividing wall was not lodged correctly with the local government office – this caused our construction to be delayed for four weeks," says Gregory.

Australian businesses importing a product into Korea should also pay attention to all regulations, including "things that you wouldn't assume would be an issue". Gregory gives tonic water as an example – a drink whose quinine ingredient originates from the Cinchona tree. "Due to the product being associated with tree bark – wood – the Korean Food and Drug Association (KFDA) will not permit it to be imported. Therefore, only poor substitutes of tonic water are currently available in Korea."

Although Korean regulations are detailed, operating under "rule of law" does have advantages. "As long as you are aware of the regulations, you know where you stand," says Gregory. "Korea is a market full of potential and once you're up and running, operations tend to operate fairly seamlessly and similar to Australia."

www.indulgekorea.com

Industrial relations

Labour market inflexibility and hostile labour-management relations have in the past been considered prime factors hindering the attraction of direct foreign investment in Korea and efficient utilisation of labour in the economy. The Korean Government has in recent years strived to achieve stabilisation in labour-management relations, and this has been reflected in a more stable environment with a continuing decline in the number of illegal and other labour disputes.

Labour management government partnership committees have been established in 16 cities and provinces with administrative and financial support from the central Government. Also, a government sponsored body has been in place to help foreign companies in Korea resolve labour issues as part of initiatives to promote foreign investment in the country. Domestic labour laws are fairly strict and specific as to rights of workers. Korea has been working to improve its labour relations laws and systems in line with international standards. In this context, a union pluralism and time-off system allowing full-time union officials was introduced in Korea for the first time in July 2011.

Unions and collective bargaining

There are almost 4,500 company based unions in Korea as well as several industry unions. Union and union-eligible Korean employees are estimated to number around 15 million out of a total workforce of 23.5 million.

There are also three national labour federations in Korea:

- The Federation of Korean Trade Unions (FKTU)
- The Korean Confederation of Trade Unions (KCTU)
- The Korean Labour Unions Confederation (KLUC).

FKTU was the sole legal trade union centre in Korea until KCTU was established in November 1995. KCTU is now the second-largest trade union federation in Korea, after FKTU. Both organisations are affiliated with the International Trade Union Confederation. KLUC was launched in November 2011 as the third and smallest union federation.

Starting around June every year, trade unions gear up for industry-level collective bargaining, which is regarded as one of the most critical factors affecting the direction of labour relations. Key issues for collective bargaining are the rate of wage increases and non-wage issues such as discrimination between regular and "non-regular" workers.

Recruitment

Recruiting the right people is an essential element of a successful market entry in Korea. The best Korean employees are unlikely to apply for work with an unknown foreign company lacking brand and credibility. Moreover, the business culture places a high priority on personal relationships, making it a difficult market unless the company has top-notch staff accustomed to the local business culture and with the right networks in place.

Successful recruiting requires developing a strong company brand and word of mouth to compete with the better-known local players. The company's vision for the future must be credible, and marketing messages have to be tailored to meet the unique characteristics of the Korean business environment. Offering a better work-life balance can switch the recruiting advantage to the foreign company.

Koreans also tend to be attracted to foreign firms, particularly those from the US, due to salary rates, prestige, opportunities for travel, the ability to use and learn English, and the possibility to transfer to the company's home office or another foreign branch office. Due to the significant differences between Australian and Korean employment practices, it is best to consult Korean employment agencies before hiring.

Work permits and visas

Under the Korean Exit and Entry Control Act, a foreigner who wishes to reside in Korea must have a visa which allows an appropriate period of stay (theoretically not less than 91 days but normally six months or longer). If a visa is granted for 90 days or less, it cannot normally be extended while the foreigner is in Korea. The extension requirements are waived for a foreigner who has invested at least US$500,000 under the FIPL with the employment of five or more workers.

Foreigners seeking employment in Korea must have a work visa, and may only work in places designated by the local or district Immigration Office. If they wish to change work places, prior permission must be received from the local Immigration Office. The appropriate visa status is determined on the basis of the activities to be engaged in by the foreigner. The first alternative is a Technology Inducement Contract (TIC), which has been reported to the relevant ministry under the FIPL. Under this arrangement, employees of the foreign licensor would enter Korea for work under the TIC. Second, expatriates may be sent to Korea for work at a foreign entity's branch office. Third, expatriates may be hired by a Korean company (foreign invested company or join ventures under the FIPL). Certain types of visa status appear to be most suitable for the expatriates who enter Korea. A foreigner holding any of these types of visa status may stay in Korea for a period of up to four years.

Managing a Korean team

Australian businesses should develop and adapt their management styles to accommodate local preferences and to be as appropriate for the local context as possible. Social hierarchy and loss of face are key issues for Australian managers to be aware of. They should also encourage social interaction in the workplace. Management techniques that are confrontational and assertive – such as public reprimands or criticisms – should be avoided as they can easily lead to disrespect and uncooperative work practices, which in turn negatively impact on employee commitment.

Workplace managers in Korea generally expect to be obeyed – and in almost all circumstances they are. The strong culture of subordination to superiors is consistent with Confucian tradition, which stresses qualities like obedience, loyalty, and hierarchy. Leadership also requires an appreciation of the Korean concept of *inwha*, which stresses harmony between people of equal or similar rank. A successful manager will foster a working environment free, or largely free, of open conflict and confrontation.

The hierarchical nature of Korean society means lower-level employees will generally be reluctant to question authority or even to provide feedback. However, in some circumstances there can be a consensus-style decision-making process that can give employees a sense of participation in management. Australians, Americans and other foreigners in management roles may be pleased to experience variations on these customs, particularly from female and younger Koreans who can be enthusiastic about working for foreigners because they are perceived to be more liberal in their outlook.

Australians managing Korean employees should be prepared to make some other cultural adjustments. For example, they will be expected to take a much closer interest in the personal lives and welfare of workers than would be expected back home. Don't be surprised when your staff arrive before you and leave after you – they will do that no matter what time you come and go as a way of showing their dedication. Finally, as discussed earlier in this guide, socialising with workers is fundamental in Korea, and it is part of the manager's role to facilitate and pick up the tab for much of this activity.

5.6 BANKING IN KOREA

The banking system in Korea is as advanced as most Western countries, but is also relatively simple and user-friendly. Most of the well-known banks have service representatives who speak some English, and an increasing number of banks are offering internet banking in English or accounts specifically tailored to expat needs. ATMs of major banks in Korea generally have an English option.

Financial institutions

Financial institutions in Korea are classified into the following broad groups: banks, non-bank financial institutions, financial investment services companies, and financial holding companies. According to the Financial Investment Services and Capital Markets Act of 2009, there are six types of securities and investment management service providers: dealers, brokers, discretionary and non-discretionary investment advisers, collective investment managers, and trust service companies. These businesses are collectively referred to as financial investment services companies.

Banks are classified as either commercial (general banks handling long and short term finance) or specialised (these have a specific purpose such as the Export-Import Bank of Korea which provides support for export and import transactions and overseas investment projects). Foreign banks are allowed to establish subsidiaries or branches to engage only in commercial banking. But foreign banks cannot operate as specialised banks. There are more than 50 foreign banks operating in Korea including 39 branches and 17 representative offices.

Opening a personal bank account

- Some banks allow only registered foreign residents with an alien registration card to open a bank account. Many banks allow new arrivals who don't yet have their alien card to open an account, but services are limited and all transactions must be conducted via a teller.
- To set up an account, visit the bank in person and take your passport and, if you have one, your alien registration card. You will be asked to fill out a form giving your official name (the one on your passport), your residential and/or business address and telephone number.
- There are no joint accounts in Korea, so if you are married, you must each open your own account.
- There are no fees for opening an account, no monthly account fees and no minimum deposit. Depending on the bank, however, you may have to pay transaction fees.
- There is a small fee (KRW 2000-3000) to get your ATM card from some banks. Most banks only allow you to have one ATM card and this can only be used in Korea.
- If you want access to internet banking and use a Korean credit card overseas, you must request it.

Non-bank financial institutions include mutual savings banks (MSB), credit unions, and credit specialised financial companies. Mutual savings banks primarily provide banking services and extend credit to small businesses and households in the regional areas. Credit-specialised financial companies include credit card, leasing, and factoring companies.

Korea's commercial banking system remains sound, liquid and well capitalised in the wake of the Global Financial Crisis, although there is concern about the pace of household borrowings. In contrast, residual risks in mutual savings banks have prompted attention and action, with a restructuring of the industry. They have been troubled by distressed project finance loans triggered by a prolonged recession in real estate and construction markets.

Australian Banks in Korea: At present only ANZ operates a full subsidiary in Seoul.

International banking

Foreign bank accounts, including Australian accounts, can be accessed from ATMs around Korea particularly if it is a debit Visa or debit Mastercard card. If you have a Korean bank account, this cannot be accessed from outside Korea unless requested.

To send money overseas: It is necessary to designate a specific bank as the one you will use for these transactions. There is a form you must sign to do so. It is possible and relatively simple to change your designated bank. You'll need to inform the original bank (in person) and then sign the required document in the bank you now wish to use.

Overseas internet banking: Foreign residents of Korea can now also access overseas internet banking services through some Korean banks – registration though is required with that particular Korean bank. Note that all international transfers will count towards your cap of US$50,000 a year in how much money you can transfer abroad.

Currency regulations

Foreign exchange transactions are governed by the Foreign Exchange Law and Real Name Transaction Law. These allow the Korean Government to monitor and control outbound transactions of Korean Won.

Currency exchange: When exchanging less than KRW 1 million in a single transaction, you require only your passport or alien registration card (if you are living in Korea) for identification. For amounts greater than KRW 1 million, the bank teller will record the transaction in your passport. If you're travelling in Korea, you are permitted to exchange up to US$10,000 per trip without designating a foreign exchange bank. To exchange more than this amount, a foreign exchange bank must be designated.

Overseas remittance: Sending money out of Korea is relatively straightforward. Foreigners can send up to US$50,000 out of the country per year. This can be done in a branch, online or through an ATM. To send more than US$50,000, evidence in the form of tax returns and other official documents showing where the money came from must be presented. Once the US$50,000 limit has been reached, remittances must be made at a bank branch and can no longer be carried out online or via an ATM. Individuals cannot take out more than US$10,000 from Korea.

5.7 REPATRIATING PROFITS AND GETTING PAID

Foreign exchange controls

Foreign exchange control in Korea originated with the enactment of the Foreign Exchange Control Law (currently Foreign Exchange Transaction Law) in 1961. The purpose of this law was to properly control the outflow of foreign exchange, use incoming foreign exchange in the process of economic development, and to effectively cope with a chronic foreign exchange shortage. The Foreign Investment Promotion Act (FIPA) and the Foreign Trade Act also indirectly control foreign exchange transactions.

Most transactions involving foreign exchange generally do not require approval or reporting under the Foreign Exchange Transaction Act (FETA), with a few exceptions as prescribed by the law. Receipt of foreign exchange from outside Korea is freely permitted, and payments to foreign companies are not regulated. Most restrictions on Korean companies' foreign currency transactions with foreigners have been removed. However, the Government continues to monitor certain flows of foreign currency in an attempt to minimise incoming speculative currency and outgoing capital flight. Ever since Korea's currency crisis of 1997, most restrictions on short-term as well as mid and long-term borrowings from overseas by corporations have been removed.

Most foreign currency loans are allowed and are subject to reporting to a foreign exchange bank. There are no specific regulations on borrowings from overseas by foreign investment companies in Korea, except the reporting requirements.

Korea's foreign exchange system is administrated by the Ministry of Strategy and Finance and the Bank of Korea - the Korean central bank. Korea's foreign exchange controls are in line with OECD standards, with foreign exchange transactions for foreign direct and portfolio investment into Korea having been liberalised. Reporting requirements and some controls remain in place on forex payments made by individuals and businesses. Korean law protects the repatriation of approved capital and remittance of dividends and profits. Forex banks doing business with foreign investors are required to verify the legality of the transactions.

Sending money overseas

Foreign residents working in Korea and paying Korean income tax may send their entire income home, based on their tax payment certificates. These transactions may be made at banks, and some banks have also made international money transfers available online to foreign residents. There are three ways to send money overseas: wire transfers, bank checks, and postal cheques.

Wire transfers are the fastest way to send money overseas, but can be expensive, with fees charged by both the sending and receiving banks. Many foreign residents choose to send over large sums of cash at once instead of many smaller amounts, to minimise the fees incurred.

Wire transfers require:

- Passport
- Alien registration card
- Name and address of the bank receiving the transfer
- Routing number and swift code of the bank receiving the transfer
- Name and account number for the account receiving the transfer.

With bank cheques, a cheque is issued by the bank and sent, via regular mail, to an individual. Fees for bank cheques are often less, but the amount of time taken to receive the money may be considerably longer than for wire transfers.

Postal cheques utilise registered mail services to send a cheque to the bank receiving the payment, and take the same amount of time as a letter to be delivered.

Foreign businesses that invest under the terms of the Foreign Investment Promotion Act (FIPA) are permitted to remit a significant portion of their profits, as long as they submit an audited financial statement and supporting documents to a forex bank. Businesses that do not invest and register under the FIPA may not remit retained earnings via a forex bank. Although the Korean Government reserves the right to limit the remitting of funds out of the country, it has never done so, not even during the 1997-98 financial crisis.

Korean financial system and how to get paid

Korea's financial system is at times hard-pressed to fulfil requests for capital and financing for cross-border commercial transactions. This is because banks are required to maintain high capital adequacy ratios for their lending to SMEs. As a result, foreign companies in JVs with Korean partners usually provide the financing, while the Korean party makes in-kind investments such as land and facilities. Foreign businesses and JVs regularly use branches of foreign banks in Korea to raise financing in Korean Won. Branches of foreign banks, however, only control a small portion of the local currency available.

Financing in Korean Won is available from Korean commercial, regional and specialised banks. ANZ, Citibank, and Standard Charted are foreign banks with branches in Korea that may be able to assist with business banking and raising finance in Korean Won.

If your business involves exporting, there are numerous ways you can get paid for the goods or services that you export. Many of these also apply for other types of businesses operating in Korea. You should contact your bank for comprehensive advice about payment options and the relative advantages of each option for your particular situation.

Getting paid is a critical part of any transaction – and one that you have to get right. There are a number of payment methods used in international exporting. The best option for you at any particular time will depend on a number of factors:

- How much can you trust your buyer?
- How well do you know the company?
- Have you established a relationship of trust, or is this the first transaction?
- How much risk are you prepared to take?
- How much risk is your buyer prepared to take?
- How big is the transaction?
- Can you bargain for more favourable terms with this buyer?

Choosing the right payment options

When competing to win contracts including those based on exporting, the payment terms that you offer an overseas buyer can really make a difference.

The payment terms that you can choose from are:

- Pre-payment, where you receive some or all of the payment amount upfront
- Documentary collection, which involves you shipping your goods or services but retaining control of them until you receive payment or a legal undertaking of future payment from your overseas buyer
- Open account (or open credit), which gives your buyer certain credit terms by delivering your goods or services with an invoice requesting payment on a specific date after delivery.

Prepayment and documentary collection are both methods that can help you manage the initial risk of non-payment. However, until you have an established relationship with your buyers or have a proven track record in exporting or supplying, these payment methods may generally not be available to you.

Speak to your bank or an international business consultant for more comprehensive advice about choosing the right payment option for you.

Managing exchange risk

Options to manage your exchange rate risk should be discussed with your bank. The international trade section of your bank's website will provide information about their exchange rate products.

Repatriation of funds

If a foreign investor complies with all reporting and approval requirements, the Foreign Investment Promotion Law guarantees the investor's right to repatriate income earned from the ownership of shares or equity interest, proceeds on disposal of such assets, principal and interest earned on long term loan agreements, and payments received pursuant to technology licensing agreements. Repatriation methods include the sale of shares, receipt of dividends and other distributions, or a capital reduction.

6. Visiting Korea

Visiting Korea is a crucial part of doing business there. This chapter provides practical information and tips on travelling to – and within – Korea. You should also review the Korean Tourism Organisation (KTO) website, which has extensive information about travel packages, hotels, shopping, destinations and food: www.english.visitkorea.or.kr.

6.1 VISAS

Australians visiting Korea for transit, tourism, conference or business meetings are not required to hold a visa for stays of up to 90 days, but must have a passport that is valid for at least six months and an outbound travel ticket. Australian business people undertaking any activities relating to remuneration will require a visa for entry into Korea. There are a variety of visas that exist based on what industry you're in and the purpose of your visit. For further information please contact the Korean Embassy or nearest Consulate prior to arrival as visa requirements and fees regularly change.

A single-entry business visa is valid for stays of up to three months and can be obtained from the Korean Embassy in Canberra or the Korean consular offices in Sydney and Melbourne. If you are a frequent business traveller to Korea, it may be worth considering a multiple-entry business visa, which is valid for one year.

Fees (as of February 2015):

- Single-entry business visa (less than 90 days) – $88
- Single-entry business visa (more than 90 days) – $132
- Double-entry business visa – $143
- Multiple-entry business visa – $165

The Korean currency is the Won (KRW)

The symbol for the Won is ₩

Bank notes come in four denominations – 1000, 5000, 10,000, and 50,000

Coins come in tokens of 10, 50, 100 and 500 Won

As is the case for all international travel, it is advisable to exchange currency only at commercial banks, currency exchange services or authorised money changers.

6.2 CURRENCY

The official currency of Korea is the Won, which is abbreviated to KRW or ₩. ATMs are plentiful in cities and are mostly found in convenience stores, hotels, banks, post offices, or train stations. Although some are available 24/7 and accept foreign cards, many are only online during the day, usually between 8am or 9am and midnight, and only accept Korean bank cards. Look for ATMs displaying an 'international cards accepted' notification, as often only one of a group of ATMs will accept foreign cards. This is less of a problem in central areas and at branches of well-known international banks (such as Citibank), but can be a challenge in outlying and rural areas. Although Koreans themselves usually pay with debit or credit cards, international credit cards may only be readily accepted in larger hotels and stores – some smaller stores and restaurants may have trouble processing a foreign credit card.

Foreign currency can be exchanged at banks, airports, and some hotels and tourist spots. Most major international currencies are accepted including Australian dollars. You may find it more difficult to exchange KRW for other currencies outside of Korea. Most major banks' ATMs in Korea will have an English option (and often other popular languages) after you insert the card. If you have trouble operating an ATM in Korea, you can dial the Korea Travel Phone, operated by the Korea Tourism Organisation, on 1330 for assistance.

6.3 AIR TRAVEL AND AIRPORTS

Incheon International Airport, 52 kilometres from the centre of Seoul, is the main gateway to Korea. Airport taxes are included in the purchased airline ticket at the rates of KRW 17,000 for departing passengers and KRW 10,000 for transit passengers. Some regional international flights also operate from Gimpo Airport (Seoul) and Busan (Korea's largest trading port). Destinations accessible from these secondary airports include Tokyo's Haneda airport and Shanghai's Hongqiao airport.

Domestic travel in Korea is relatively easy, with frequent train and air services connecting Seoul to major cities such as Busan and Daegu. Domestic flights out of Seoul mostly operate from Gimpo International Airport, with Korean Air, Asiana Airlines and a number of discount carriers providing frequent service to most destinations. Airport buses link the Incheon and Gimpo Airports (approximately 30 minutes travelling time). Many airport limousine buses and the subway also service Gimpo Airport from Seoul.

While taxis and other transportation options are available from the airport, many travellers choose frequent limousine buses that travel between the airport and major hotels and destinations throughout Seoul. The Korean Air Limousine Bus operates one of the most extensive schedules into the city and costs KRW 15,000 one-way. Metered taxis to most destinations in Seoul from Incheon International Airport will generally cost between KRW 70,000 and KRW 100,000. KORAIL has expanded to include services between Incheon International Airport and Seoul Station in downtown Seoul. The commuter train departs every 12 minutes with a journey time of approximately 56 minutes and cost of KRW 4,150. The express train departs every 30 minutes with a journey time of 43 minutes and cost of KRW 13,300. Travel time by car to and from the airport via the new Incheon expressway takes 60 to 75 minutes depending on traffic conditions. The toll for vehicles using the expressway is approximately KRW 8,000 for a small car.

Mobile phones

One of the best options for mobile phone communication in Korea is to buy a local SIM card and install it in your smartphone. This will enable you to enjoy local Korean phone rates and avoid the often excessive global roaming charges that might apply when using your Australian SIM overseas. The local SIM card option generally will only work if your phone is not "locked" to an Australian telco network. You can buy a Korean SIM at the airport, but queues can be long and these are often not the most cost-effective local SIMs available. Prepaid SIMs in Korea also tend not to include data usage (although this is not necessarily a problem as most places have wi-fi). One Korean SIM that includes a data allowance is the EG SIM Card sold under a collaboration between Evergreen and

Korea Tourism Organisation. You can buy the EG card online and have it either delivered to your Australian address (fees apply) or pick it up at Incheon International Airport, Gimhae International Airport or Seoul Station. Be aware there may be queues at these locations. Go to www.egsimcard.co.kr/ for further information. Simcard Korea also sells prepaid SIMS. Go to www.simcardkorea.com/src/main/main.php?lan=E.

If your Australian phone is "locked" to an Australian network (meaning you can't use a Korean SIM), an alternative option is to buy a pre-paid international call and data pass from your Australian phone service provider before you leave for Korea. These pre-paid passes include fixed allowances of calls and data at far more reasonable rates than if you just connect to a Korean phone network on your arrival. The main Australian telcos including Telstra, Optus and Vodafone sell pre-paid international passes for their customers. Note that older (non-3G and non-4G) phones bought outside Korea generally do not work in Korea at all.

Another phone option in Korea is to rent one when you arrive. This can be quite expensive and generally requires you to have an alien registration card. Therefore it may not be viable if you're just visiting for business.

6.4 GROUND TRANSPORT

Taxis can be found at designated taxi ranks in most busy city areas or hailed on the streets. Some taxis can also be ordered by phone for a slightly higher fare. While most taxis in the Seoul area accept credit cards or even pre-paid public transportation cards, you may need to pay in cash in small provincial cities and regional areas. The best plan is to always have some cash (KRW) if you are going to use taxis outside the big cities.

There are several different types of taxis in Korea, and a large variety in Seoul. Standard taxis are generally silver or white in colour, but many in Seoul are orange (don't get them confused with international taxis – see below). In Seoul, taxi rates are KRW 3,000 for the first two kilometres and then KRW 100 for every 142 metres or KRW 199 for every 35 seconds afterwards. A 20 per cent surcharge is payable between midnight and 4am. Outside the downtown area, most taxis are of the standard variety and there are rarely any deluxe or jumbo taxis. Deluxe taxis (*mobeom taxi)* are black with a yellow stripe and cost KRW 5,000 for the first three kilometres and then KRW 200 for every 205 metres or 50 seconds. They don't have a late-night surcharge. Jumbo taxis are eight-passenger vans available for larger groups. They are equipped with a receipt-issuing device and a credit card reader. Fares are the same as deluxe taxis, but note that all taxi rates may differ from province to province. Drivers have limited English, but some taxis (including jumbo taxis) have a free interpretation service (dial 080-840-0505, speak on the phone in English to an interpreter, then the interpreter talks to the taxi driver in Korean). Writing the destination down can help as most Koreans are better at understanding written rather than spoken English. All taxis have meters and many accept credit cards.

International taxis have drivers who can speak English or Japanese. These taxis operate on a 100 per cent reservation basis, and fares can be calculated by meter, by destination, or by time. International taxis tend to be orange and always have 'International Taxi' written on a sign on the roof and on the door. Incheon and Gimpo airports provide international taxi information desks, where foreigners can make reservations, check the status of existing reservations, and receive a range of other helpful information. There is also a designated waiting area for the international taxis. Non-Korean speakers can make enquiries and reservations by calling the International Taxi call centre (+82 2 1644 2255). The service is available in English, Chinese and Japanese. The call centre is open 9am to 6pm on weekdays, 9am to 1pm on Saturdays, and is closed on Sundays and national holidays. Reservations can also be made online at www.intltaxi.co.kr (Korean, English, Japanese and Chinese). Reservations should be made at least three hours in advance and preferably a day ahead.

If you're considering driving in Korea you'll need an International Driving Permit. Make sure you also have fully comprehensive insurance. Car and motorbike drivers are presumed to be at fault in accidents involving motorcycles or pedestrians. Criminal charges and heavy penalties are common when accidents result in injury, even if guilt is not proved. Watch out for motorcycles travelling at speed on footpaths. A chauffeured car service can be arranged through all major hotels in Seoul. Most hotels can arrange for an English-speaking driver if requested in advance.

Express (고속, *Gosok*) and Intercity (시외, *Sioe*) buses are the most popular way to get from region to region with an extensive network offering a comfortable and convenient way to get around Korea. However, the schedules vary and travel time can be lengthy compared to trains. Visitors are advised to buy their tickets directly from the bus terminal ticket counter as there is no integrated reservation system. Always check the gate number and board the correct bus (check with the bus driver if you're not sure). You will be asked to hand your ticket to the bus driver when you get on or off the bus. In most cities, bus terminals are located in the downtown area with accommodation facilities and restaurants around terminals. These will have restrooms, convenience stores, coin-operated lockers, and an ATM. Some of the bigger terminals also have restaurants, coffee shops, and shopping malls.

One of the most convenient ways to travel between cities in Korea is by train. Trains operate on fixed schedules, allowing passengers to make exact travel plans and arrive at their destinations on time. Korean trains are classified based on their speed and the amenities offered onboard. The high-speed KTX travels between Seoul, Busan, Daejeon, and Mokpo, with slower intercity Saemaeul trains providing services to other cities. Australian business travellers should avoid travelling to Korea during major holiday periods, during which confirming domestic and international travel arrangements can be very difficult. The KR Pass, an exclusive railway pass for foreigners, allows unlimited use of all trains including KTX express trains for a certain number of days.

Seoul and other major cities also have subways. These are easily navigated with each subway station having a name, number and colour, which represents the subway line. Transfer stations, where two or more lines intersect, are marked differently – usually a larger circle – on subway maps. Given the heavy traffic congestion during peak periods, travel by subway is often the fastest option. Most subway signs are in both Korean and English.

Subway tickets can be bought at all stations from ticket vending and card reloading machines, which have instructions in English, Korean and Japanese. You can choose between single-journey cards and multiple-journey cards, or buy a 'T-money Card', which is rechargeable and can be used on subways, taxis and buses. You can buy and recharge T-money Cards at convenience stores and vendor kiosks with the 'T-money' sign. There is also the 'M-Pass' (Metropolitan Pass) offering limited rides (up to 20 per day) on subways in the Seoul metropolitan city area. M-Passes are rechargeable and come in five different types: one-day, two-day, three-day, five-day, and seven-day, expiring at midnight on the last valid day. They can be bought at Seoul travel information centres (I-Tour Seoul centres) in Incheon International Airport. A refundable deposit of KRW 4,500 and a non-refundable service charge of KRW 500 are required when buying an M-Pass. Also, you will receive discount coupons for admission to popular tourist attractions. The deposit and any remaining balance are refunded when you return it to any of the I-Tour Seoul centres.

6.5 HOTELS AND DINING

Staying in Seoul

Seoul encompasses a collection of ancient palaces, sacred mountains, and a mixture of shopping districts, bright lights and trendy cafés and bars. The capital of Korea is one of the largest cities in the developed world with more than 10 million residents and 25 major districts. For this reason, you should always allow an additional 30 minutes when travelling around the city for meetings or appointments, especially if it involves crossing the Han River. During morning and evening rush hours, it is best to take the train.

There is a large array of accommodation options (see the KTO website) to choose from, including many full-service international hotels of the major groups such as Hyatt, Hilton, Intercontinental, Marriott, and the various Starwood brands. Serviced residences may be a good option for business travellers spending more than a few days in the city. Most international hotels are located in one of three main business areas: Jong-no, Gangnam and Yeouido. Due to long transit times (up to 90 minutes to two hours to cross the city during rush hour) it is best to choose a hotel close to your meeting locations. North of the Han River is ideal if you want to stay within a lively area.

Most major hotels can be booked online. Larger hotels usually advertise Western-style rooms which typically mean carpeting, a raised bed and a desk with a chair. Traditional Korean rooms will have ondul – heating that comes from the floor – and floor cushions for furniture. Guests are expected to remove their shoes at the door and wear the provided slippers.

Average rates for a standard room range from $250-$320 per night in Seoul. However, these are subject to change depending on the season and special occasions. You may also be able to find better deals by searching online. Hotels in the five-star category generally offer complimentary breakfast and wireless internet in addition to access to a fitness centre, sauna, business centre, restaurants and cafés. All hotels add 10 per cent for VAT and a service charge. Service charge percentage may vary between hotels and VAT is refundable for foreign visitors.

When trying to find your way to a meeting in Korea, be aware that buildings have historically been numbered based on the date they were built in each district, not by location. This means buildings next to each other can have completely different address numbers. However, this will change in coming years, as an initiative to change addresses is ongoing. The best way to get around is to have the address written or printed out in Korean to show to taxi drivers who can then put the address into their GPS systems.

Popular tourist areas of Seoul in which to stay include Myeongdong in the heart of the city, known for its 24-hour shopping. Young Koreans meet up here to go to nightclubs and restaurants late into the night. Myeongdong is within walking distance of major attractions like Deoksu Palace, Namdaemun Market and Seoul Tower. Alternatively, there is Insadong which hosts traditional Korean art and food, and has a calmer pace than Myeongdong with plenty of Western-style hotels. Travellers in Insadong can tour nearby Changgyeong Palace, visit one of the numerous galleries, stroll along the Cheonggye Stream or visit traditional tea shops. For more of an international experience there is also Itaewon, located near an American military base. This areas shops and restaurants are catered to English-speaking customers, with its Restaurant Row offering various cuisines from Turkish kebab stands to Brazilian steak houses. Itaewon is within walking distance of the Han River, Nam Mountain and the National Museum of Korea.

Korean apps*

KakaoTalk: Korea's most popular messaging app. Send messages, photos, videos, voice notes and your location for free.

Facebook: In addition to Kakao Talk, Facebook is also popular in Korea.

Naver Maps: While it has coverage better than Google Maps, it is not available in English. Useful for asking for directions from Koreans.

i-Tour Seoul: Official travel guide app of the Seoul Metropolitan Government. Browse tourist attractions, hotels, restaurants, shopping destinations and transport information.

Jihachul Metro/Subway Korea: Makes using Korea's quick, clean and efficient subway systems even easier. This app is available for free in English.

Visit Korea: App produced by the Korea Tourism Organisation with information on events, transport, prices, events and advice on food plus much more.

English Korean Dictionary by Dict Box: Free English-Korean language app.

Korean Food Guide: This free app makes ordering food in Korea easy, with pictures and descriptions of Korean food in English and Korean.

*All are available on iOS and Android

Business dining and entertaining

Business entertaining can be a critical relationship-building element of your visits to Korea. The importance of attending these events cannot be over-emphasised. A great deal of relationship building takes place in bars and restaurants. Always accept dinner invitations as this is the Korean's opportunity to assess your trustworthiness and whether they wish to conduct business with you.

Dinner is the largest meal of the day and normally occurs between 7pm and 9pm. While it is common in other countries to extend dinner invitations to spouses, this is not the case in Korea; business entertaining tends to be reserved for the people directly involved. It is customary for the host to order the food, which all arrives at the same time. Korean food can be extremely spicy but milder dishes are also available. Wait until the host invites you to start. Do not leave chopsticks sticking into the rice bowl - place them by the side of your place setting on the chopstick rests when not in use. Use only the right hand when passing food around the table. The host is expected to pay for the meal; nevertheless, a good natured argument over who will pay is to be expected. It is also polite for the foreigner to offer a reciprocal dinner invitation.

Some other aspects of dinner etiquette to note:

- Koreans generally prefer to concentrate on their food while eating, and to talk after the meal is finished over coffee or tea
- Unless your hosts raises it first, avoid discussing business during a meal
- Ensure you don't serve yourself or eat before the host initiates it
- Always put food taken from a serving dish onto your plate or bowl before eating it
- Although chopsticks are the most predominantly used utensils (as well as spoons for soups and noodles), you may ask for forks or knives when dining in larger cities
- Never pick up any food with your fingers. Fruit is eaten in slices with forks.

Korea has one of the highest per capita alcohol consumption rates in the world so don't be surprised by the amount of alcohol that can be offered or consumed at business dinners. You do not have to take part in drinking if you do not want to but note that the Koreans will prefer you to join in. The traditional Korean rule is that you never fill your own glass. If the bottle is on the table, always fill up the other person's glass when it is completely empty (never if it is only partially), especially if they are older or of a higher status than you. Be aware that as soon as you empty your glass - it symbolises to your host that you want a refill.

If someone empties his glass and passes it to you, hold it up with two hands to be filled then return it promptly. If you are a light drinker, are unsure of the potency of the alcohol being served or prefer to enjoy the evening with a clear mind, just keep your glass half full. "*Gun-bae*" is the most common Korean term for toasting with protocol requiring a glass to be raised.

Consider it a tremendous honour if you are invited to a Korean's house and be aware of the following protocols:

- Guests tend to meet at a common spot and travel to the house together
- You may arrive up to 30 minutes late without giving offence
- Always take off your shoes before entering the house
- Each guest is greeted by the host individually
- The host (not the hostess) pours drinks for the guests in their presence
- Koreans tend to believe that it is insulting to wish your guests farewell indoors therefore the hosts will generally accompany their guests to their car or gate
- It is recommended to send a thank you note to your host the following day.

Tipping is not customary in Korea, although many restaurants will add a service charge to the bill.

Korean cuisine

Korean cuisine has some quite distinctive attributes, but also has many features in common with other Asian cuisines. Korean food is considered by many to be quite healthy; fermented foods such as kimchi and doenjang (soybean paste) soups are particularly perceived to have disease prevention benefits. Centuries ago, in order to preserve vegetables over the long winter, Koreans found a way to ferment their vegetables – mainly napa (Chinese) cabbage, turnip, cucumbers and spring onions – with a variety of seasonings (such as pepper and fish paste) in clay kimchi pots buried in the soil. These days they have kimchi refrigerators but the basic family recipes remain the same. Kimchi is reputed to aid in the digestion of carbohydrates and in the prevention of geriatric diseases and even SARS. Koreans eat it at every meal and claim they will have withdrawal symptoms if they have to go a day without it. Given the growing popularity of Korean cuisine in Australia, you should have every chance to try it before travelling to Korea.

Gift giving etiquette

In Korea, the importance of a relationship can be expressed through gift giving which is always welcomed. Note though, it is inconsiderate to give someone an expensive gift if you know that they cannot afford to reciprocate accordingly. Gifts should always be wrapped nicely in red or yellow paper, as these are royal colours. Alternatively, you can use colours that represent happiness: yellow or pink. Never sign a card in red ink or use green, white or black wrapping paper. If you're invited to a Korean's home then you should take gifts such as fruit, good quality chocolates or flowers and present the gift with two hands. Gifts are not opened when received and will be done so later.

6.6 HEALTH AND WELFARE

Most of the following information on health and welfare in Korea has been provided by the Australian Government's Department of Foreign Affairs and Trade (DFAT) as general advice. Australians should always consult DFAT for up-to-date information on travelling to Korea, particularly on health risks and personal safety. Before travelling, register on DFAT's website in case of an emergency and consult www.smartraveller.gov.au, which provides regularly updated advice for Australian business travellers and tourists visiting Korea.

Health insurance

Before departing for Korea, Australians should take out comprehensive travel insurance that will cover any overseas medical costs. You should confirm that your insurance covers you for the whole time you are away and check what circumstances and activities are not included in the policy.

Food and water

Water-borne, food-borne and other infectious diseases (including tuberculosis, typhoid, and hepatitis) occur sporadically. For this reason it is advisable to avoid raw and undercooked food. In rural areas, it is recommended that all drinking water be boiled or that you drink bottled water, and that you avoid ice cubes. Seek medical advice if you have a fever or are suffering from diarrhoea.

Other health risks

Consult a travel doctor prior to travelling and ensure that your vaccinations against diseases such as hepatitis and tetanus are up to date.

Malaria is a risk in the Korean demilitarised zone and in rural areas in the northern parts of Gyeonggi and Gangwon provinces, near the border with North Korea. The mosquito-borne disease Japanese encephalitis also occurs. You should consult your doctor or travel clinic about prophylaxes against malaria and take measures to avoid mosquito bites, including using insect repellent and wearing appropriate clothing. Malaria prophylaxes are widely available in Korea, including at the medical centre at Incheon Airport.

As in many parts of industrialised Asia, Korea faces increasing health problems due to pollution in cities. In spring, the "Yellow Dust" – a combination of industrial pollutants and dust from mainland China – prompts some people to wear masks while outdoors, particularly those people with respiratory problems like asthma.

Useful numbers for emergencies include:

POLICE	112
AMBULANCE	119
FIRE	119
EMERGENCY MEDICAL INFORMATION CENTRE	1339
COAST GUARD	122
TOURISM AND TRANSLATION SERVICE	1330

Hospital and medical services

Healthcare in Korea is modern and efficient. Both Western and Eastern medical practitioners and medicines are available, and both are covered under the Government's National Health Insurance (NHI) which foreign residents may be eligible for if properly registered (discussed later on).

Doctors, dentists, dermatologists and other specialists in Korea are all affordable and readily available, as are general healthcare products and pharmaceutical drugs.

Foreigners can phone the Emergency Medical Information Centre for emergency or routine medical advice, or to help translate if they are at a clinic or doctor's office where nobody speaks English. They can also connect anyone directly with emergency services if appropriate. Staff members are bilingual and there will almost always be someone on staff who speaks English.

City hospitals will almost always have an English-speaking doctor on staff, although support and technical staff are less likely to speak the language. It is sometimes advisable to bring along a Korean-speaking friend, particularly in smaller towns and cities. Hospitals are often well equipped and modern looking, although may not always have the best sanitation practices. Foreigners can also attend one of several "international clinics" affiliated with certain hospitals. These are staffed by doctors who have studied abroad and generally speak English well, but they are more costly. Patients generally need to pay a deposit against the costs that might be incurred during their stay. Some hospitals accept only certain credit cards, so it may be necessary to bring cash.

Pharmacies are plentiful and many are usually located near hospitals, as hospitals in Korea are not permitted to dispense prescription medication. Foreigners who have enrolled in the NHI (see below) will be able to get prescription medication at a heavily subsidised rate.

Public healthcare

Korea's National Health Insurance (NHI) program is a compulsory system that covers the whole population for most day-to-day and emergency medical procedures, prescription medication and specialist visits. By law, any company that employs more than five foreign workers must enrol their foreign workers in a health insurance program. The company is expected to pay 50 per cent of their employees' health insurance premiums each month, and employees the other half. To enrol in the NHI, expats simply need to bring their alien card to a nearby hospital and apply. Once enrolled in the NHI program, you can extend your coverage to immediate family members.

Note, however, that this does not apply to expatriates employed as independent contractors. The amount someone pays towards the NHI is determined in the same way as taxes – on a sliding scale according to salary level. Expatriates are not covered by either the NHI or private health insurance until they have obtained an Alien Registration Card (ARC) from their local Korea Immigration Service office. This can take some time.

Doctors and specialists will claim most of the costs of a consultation from the NHI, while expatriates will have to pay a small premium directly. Prescription medication and traditional medicine (including acupuncture) are also covered, and will therefore also incur small costs.

The upside is that expenses for a routine visit to a doctor or dentist will be quite low for both the consultation and the medication. On the other hand, some doctors may try to see as many patients as possible, so consultations are not as thorough as they could be. Doctors may also overprescribe medication in an attempt to get more benefits from pharmaceutical companies.

Private health insurance

Apart from the NHI, there are a number of private health insurance options; however, most of these are more expensive and not as widely recognised as the national scheme. Australians should note that some procedures and medications, particularly those associated with chronic illnesses such as cancer, are not covered under the NHI and can become costly. Private insurance companies cover the elements not covered by NHI, often referred to as chronic illness plans, and therefore are popular with many Koreans and expats.

Personal safety

Crime rates in Korea are low by international standards, making it a relatively safe country to visit. The major metropolitan centres suffer from the criminal issues common to most large cities around the world: petty thieves, con artists and drunken brawlers. Areas in which to be careful include Itaewon, Sinchon, Myeongdong and Hongdae – all well-known entertainment and shopping districts in which crowds, alcohol, and drug activity bring criminal activity with them. Take normal safety precautions and make sure valuables are secure, especially in tourist areas. Exercise common sense and look out for suspicious behaviour, as you would in Australia. Take particular care when travelling alone at night and only use legitimate taxis or public transport. There have been instances of sexual assault and other violent crimes against foreign tourists and expatriates. For emergency assistance, call 112 for police (an interpretation service is available during working hours) and 119 for ambulance and fire. The Korean National Police operate a 24-hour, seven day a week central interpretation centre where foreigners can report crimes (Telephone: 112). The following are some basic tips for keeping safe in Korea:

- Show common courtesies and respect for everyone and avoid 'shady' locations in the cities after dark
- Make an effort to learn how to say in Korean: "Please," "Thank you," "Hello," and "Good-bye"
- Keep your money and valuables out of sight and out of reach of pickpockets
- Don't go out by yourself late at night, especially if you're female
- Be wary of anyone who approaches you out of nowhere
- Don't insult anyone's family, friends, culture, ethnicity or religion
- Don't leave valuables in your hotel room
- Only take marked taxis. If you're confused, get your hotel to call a legitimate service for you before you leave your room.

Regional risk

Relations between Korea and North Korea remain tense, occasionally resulting in exchanges of live fire between border forces. These incidents are most likely to occur in the north-western islands (including Yeonpyeong-do, Daecheong-do and Baengnyeong-do) and surrounding waters. North Korea attempted to launch a satellite using a long-range missile in December 2012 and carried out an underground nuclear test in February 2013. It has also undertaken a series of short and medium range missile launches throughout 2014 as part of regular military drills. Further provocations by the North or reactions by neighbouring countries, including Korea, cannot be ruled out. Australians in Korea should monitor developments closely because of the risk that tensions on the Korean Peninsula could escalate with little warning.

The Australian Government continues to advise against all travel to the Northern Limit Line islands, near a disputed sea border, in Korea. It also recommends that Australian citizens avoid protests and demonstrations, as they can turn violent. The Australian Embassy in Seoul has published advice on preparing for emergencies.

Civil emergency exercises

Korean authorities conduct nationwide civil emergency exercises on the 15th day of each month except January, February, July and December. This involves the sounding of sirens, stopping of transport and some people are asked to take shelter in metro stations or basements. Participation by foreign nationals in the exercises is not obligatory but you should familiarise yourself with the procedures and check local announcements for further exercises.

Natural disasters

June to July is monsoon season in Korea. Although the typhoons are not as bad as in some other Asian countries, schools and businesses sometimes close due to the severity of approaching storms. Australians visiting Korea during the typhoon season should monitor weather reports from news media or the Korean Meteorological Administration and stay indoors if advised to do so.

Penalties for crimes

Korean laws and penalties can appear harsh by Australian standards, and apply equally to foreigners and locals. If you are detained over a crime, the Australian Government will do what it can to help, but ultimately it can't get you out of trouble or jail.

You should be particularly aware that:

- Serious crimes, such as murder, may attract the death penalty.
- Penalties for possession, use, or trafficking of illegal drugs can result in long jail sentences, heavy fines and deportation.
- The Korean Government sometimes prevents the departure of foreigners involved in commercial or legal disputes.
- Australians have been fined, detained and deported for breaches of their visa conditions. These include working on a visa obtained with the use of false documentation, and working in any capacity (either paid or voluntary) other than as specified in the visa.
- Photography of and around military zones, military assets and military personnel and official buildings is illegal.
- Some Australian criminal laws, such as those relating to money laundering, bribery of foreign public officials and terrorism apply to Australians when they are overseas. Australians who commit such offences while overseas may be prosecuted in Australia.

Dual nationals

Korea does not recognise dual nationality. This may limit the ability of Australian officials to provide consular assistance to Australian/Korean dual nationals who have been arrested or detained. If you were born in Korea or otherwise have held Korean citizenship, you will retain that citizenship unless and until you formally renounce it and remove your name from the Korean family register.

Males who are Korean citizens, including dual nationals, are subject to compulsory military service. A male whose name appears on the Korean family register may be liable for military service even when travelling on an Australian passport. Males may not be allowed to renounce their Korean nationality or leave the country until they have fulfilled military service obligations or received a special exemption from military service.

Climate and clothing

Appearance is important in Korea, as in many other Asian countries, so it is important that you look your smartest at all times – both for formal and informal gatherings. The conservative convention of dark suit, shirt and tie is still the norm in Korea for men, while smart business suits or dresses are preferred for women. Korean women also tend to get dressed up even when going to the supermarket on weekends. Good quality accessories are highly valued - as long as they are not overly ostentatious.

Although fashion is an important part of modern Korean culture (the cosmetics industry is among the largest in Asia), conservatism in dress is still valued by most Koreans (although not stars of Korean pop music, known as 'K-pop'). Ensure the following:

- Do not have visible tattoos.
- Avoid visible piercings except in your ears.
- Do not have outlandish hairstyles/hair colours.
- Do not wear ripped jeans or jeans that hang below your waist.
- Avoid low cut tops – Korean women generally do not show their shoulders or cleavage.
- Avoid short skirts. If your skirt appears short when sitting down, have a scarf that you can place across your legs.

Korea is close to Siberia, and the winters are very cold. If travelling between November and March, take warm coats, scarves, gloves and hats, or buy them there. Summers are hot and therefore lightweight suits are needed.

USEFUL PHRASES FOR GETTING AROUND KOREA

Phrases	Korean Alphabet	English spelling
Hello	안녕하세요	Ann yeong ha se yo
Hello (formal)	안녕하십니까	Ann yeong ha sim ni kka
Good morning	안녕하세요	Ann yeong ha se yo
Good afternoon	안녕하세요	Ann yeong ha se yo
Good evening	안녕하세요	Ann yeong ha se yo
Good night	안녕하세요	Ann yeong ha se yo
Good/Bad	좋아요 / 나빠요	Choo a yo / Na bay o
My name is	제 이름은...이에요	Chae ileum eun (your name) e ye yo
I cannot speak Korean	한국말 못 해요	Hangu mal mot heyo
I don't understand	저는 이해가 안 돼요	Cho nun ihae ga an dwae yo
I'm sorry	미안해요	Mi an he yo
How much?	얼마이에요?	Eol mae ye yo
Expensive	비싸요	Bi ssa yo
Help!	도와 주 세요	Do wa ju se yo
Straight on/ continue	똑바로 가 주세요	Ddok paro ga ju sae yo
Turn left/Turn right	왼쪽으로 돌아가 주세요/오른 쪽으로 돌아가 주세요	Wen jjok uro dolla ga ju sae yo/ orun jjok uro dolla ga ju sae yo
Stop here	여기서 내려 주세요	Yeogi seo naer yeo ju saeyo
Slow down	천천히	Cheon cheon hee
Change to the left hand lane	좌회전 차선을 타세요	Chwa hwe chon cha seon eul ta seo yo
Change to the right hand lane	우회전 차선을 타세요	Oo hwe chon cha seon eul ta seo yo
U-turn	유턴	Yu teon

Public Holidays in Korea

As in Australia, if a public holiday falls on a weekend the following Monday is taken off.

Labour Day (1 May) is not an official public holiday in Korea but many banks and commercial institutions are closed. If you plan to travel to Korea around this time, check with your local partner to see if they are available.

Name	2015	2016
New Year's Day	1 Jan	1 Jan
Seollal (Korean New Year)*	18 Feb	7 Feb
Independence Movement Day	1 Mar	1 Mar
Children's Day	5 May	5 May
Buddha's Birthday	25 May	14 May
Armed Forces Day	6 June	6 June
Liberation Day	15 Aug	15 Aug
Chuseok (Mid-Autumn Festival)*	26 Sep	14 Sep
National Foundation Day	3 Oct	3 Oct
Hangul Day	9 Oct	9 Oct
Christmas Day	25 Dec	25 Dec

*Holiday date changes each year

7. Engage with us

Asialink Business

Asialink Business provides high-calibre opportunities for Australian businesses to build the Asia capability of their executives and team members.

Our business-focused cultural competency programs, professional development opportunities and practical research products allow businesses to develop essential knowledge of contemporary Asian markets, business environments, cultures and political landscapes.

Supported by extensive market research and customer intelligence, Asialink Business is uniquely positioned to provide tangible support to Australian businesses wishing to maximise their economic opportunities.

To start a conversation about how we can help build Asia capability in your business, please get in touch.

Asialink Business
Level 4, Sidney Myer Asia Centre
University of Melbourne
Victoria 3010 Australia
Tel: +61 3 8344 4800 Fax: +61 3 9347 1768
Web: www.asialink.unimelb.edu.au/asialink_business

PwC

PwC Australia helps organisations and individuals create the value they're looking for. We're a member firm of a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, advisory, tax & legal, and private client services.

If you're looking to grow your business into Korea, we bring a combined knowledge of markets and our connected international network to help you succeed. Our experience and deep cultural understanding is how we help our clients to navigate the opportunities and challenges involved in investing away from home.

www.pwc.com.au/asia-practice

Resources and contacts

Australian Embassy, Republic of Korea
19th Floor, Kyobo Building,
1 Jongno 1-ga
Jongno-gu
Seoul 110-714
Republic of Korea
Tel: +82 2 2003 0100
Email: seoul-inform@dfat.gov.au
Web: www.southkorea.embassy.gov.au

Australian Chamber of Commerce in Korea (AustCham Korea)
15th Floor, Kyobo Building
Jongno 1-ga
Jongno-gu
Seoul 110-714
Republic of Korea
Tel: +82 2 2010 88312
Email: exec@austchamkorea.org
Web: www.austchamkorea.org

Australia Korea Business Council (AKBC)
PO Box 1008
Epping, NSW 1710
Tel: +61 2 98762433
Web: www.akbc.com.au

Embassy of the Republic of Korea, Australia
113 Empire Circuit, Yarralumla, ACT 2600
Tel: +61 2 6270 4100
Fax: +61 2 6273 4839
Email: embassy-au@mofat.go.kr
Web: http://aus-act.mofa.go.kr/

Korea Trade-Investment Promotion Agency (KOTRA)
13 Heolleung-ro
Seocho-gu
Seoul 137-749
Republic of Korea
Tel: +82 2 3460 7114
Email: digitalkotra@kotra.or.kr
Web: www.kotra.or.kr

Korea Customs Service
Building 1, Government Complex-Daejeon
189 Cheongsa-ro
Seo-gu
Daejeon 302-701
Republic of Korea
Tel: +82 42 1577-8577
Web: www.customs.go.kr

Korean Chamber of Commerce and Industry (KCCI)
39 Sejong-daero
Jung-gu
Seoul 100-743
Republic of Korea
Tel: +82 2 6050 3114
Web: www.english.korcham.net

Useful websites

In addition to the websites mentioned in this country starter pack, these websites may be useful for establishing a business in Korea.

BusinessKorea

www.businesskorea.co.kr

BusinessKorea is an English-language business magazine. Their website has a number of articles on Korean business, politics and society.

CIA World Fact Book

https://www.cia.gov/library/publications/the-world-factbook

This website is a good starting point for research, providing detailed and up-to-date country profiles.

Digitalbusiness.gov.au

www.digitalbusiness.gov.au

This website provides guidance for small businesses, not-for-profits and community organisations to establish and/or enhance their online presence so they can access the benefits of participating in the digital economy.

Export Council of Australia

www.export.org.au/eca/homepage

The Export Council of Australia is the peak industry body for the Australian export community.

Export Finance and Insurance Corporation

www.efic.gov.au

Efic provides information on overseas markets and support to Australian businesses looking to expand overseas.

Invest KOREA

www.investkorea.org

Invest KOREA is Korea's investment promotion agency. It supports the entry and establishment of foreign businesses in the country by providing information and a number of services. Their website has information on how to invest, visas, incentives and much more.

Korea International Trade Association (KITA)

www.global.kita.net

KITA's goal is to contribute to the development of the national economy as a private economic organization through advocacy of Korean trade industry's rights and interests.

Korea.net

www.korea.net

The national Korean website providing information and promotion of Korea for foreigners. It is run by the Korean Culture and Information Service (KOCIS) and contains news, events, resources and government information.

Acknowledgements

Asialink Business gratefully acknowledges the assistance and information from the following individuals and organisations in the production of this country starter pack:

Australian Government:

Australian Trade Commission (Austrade)
Department of Agriculture
Department of Education
Department of Foreign Affairs and Trade
Department of Immigration and Border Protection
Export Finance and Insurance Corporation
IP Australia

Other:

Asian Development Bank
Asia New Zealand Foundation
Australian Strategic Policy Institute
Bank of Korea
Borderfree
Canadian Trade Commissioner
Craig Pasch, Country Manager, Woodside Energy (Korea)
Diana Underwood, President, WorkWell Ergonomics Consulting
Export Council of Australia
Fitch Ratings
Invest Korea
Invest Seoul
International Labour Organisation
International Monetary Fund
Korea Economic Institute
Korean Culture and Information Service
Korean Intellectual Property Office
McKinsey Global Institute
Moody's
Organisation for Economic Cooperation and Development
Ross Gregory, Chairman, Indulge Co
Scott Walker, Country Manager, Tourism Australia (Korea)
Standards & Poor's
The Korea Society
International Trade Centre
Transparency International
United Kingdom Foreign and Commonwealth Office
United Kingdom Intellectual Protection Office
United Kingdom Trade and Investment
University of Sydney
World Bank
World Economic Forum
World Intellectual Property Office

This publication has not been produced in affiliation with, or with the endorsement of, the above organisations. They cannot be held liable for any inaccuracies or loss which may arise from use of information contained in this publication.

Note on currency

All money amounts are in Australian Dollars unless otherwise indicated. Exchange rate used is the 2014 average from Ozforex.

A$1 = US$0.9028

A$1 = Won 950.2706

Disclaimer

This publication contains country-specific general information and does not address the circumstances of any particular individual or entity. While all efforts have been made by Asialink Business to ensure timeliness of the data and information provided herein, the accuracy of the information in the future cannot be guaranteed. Users of this document are strongly suggested to pursue thorough examination and obtain appropriate professional advice, if required, before acting upon such information in any given situation. Asialink Business accepts no liability for any loss which may arise from use of information contained in this publication.

 The information in this document is accurate as of August 2015.

Printed in Australia.

Asialink Business is supported by the Commonwealth Government Department of Industry and Science, The University of Melbourne and The Myer Foundation.

Australian Government
Department of Industry and Science

THE UNIVERSITY OF MELBOURNE

THE MYER FOUNDATION