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## Grow your business by exploring opportunities in South Korea

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MARKET FOCUS

### Korea still sparkles in trade and investment

By Parker Park and Shaun Tan, Korea International Trade Association Singapore Representative Office

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Despite difficult export conditions caused by the economic crisis and fluctuating oil prices, South Korea still saw its trade exceed US\$800 billion, ranking 11th worldwide in 2008.

What factors have contributed to Korea's strength in trade and investment?

**Vast Domestic Market with Sophisticated Consumers Driving Demand.** The world's 12th largest economy with a population of 48.3 million, Korea offers an attractive marketplace for businesses worldwide. New and advanced technologies have been especially instrumental to the expansion of the domestic market.

**Globally Competitive Market Players.** Korea's Industrial Complex Zones are home to major Korean corporations and offer many partnership opportunities. The joint venture between Samsung and SONY is an example of a productive industrial partnership emerging from the LCD sector, while the take-over of Daewoo Motors by GM and Samsung Motors by Renault represent success stories from the automotive sector.

**Technologically-Advanced Industries.** Korea is well known for its achievements in the semiconductor, shipbuilding, automobile and steel-making sectors, while opportunities abound in emerging industries such as pharmaceutical and biotechnology. Korea's bio-industry market, including new drug development, is valued at approximately US\$2.5 billion.

**Gateway to Northeast Asia.** Korea is strategically located between China and Japan – two of the world's largest markets. If successful, Korea's ongoing Free Trade Agreement negotiations with the European Union, India, China and Russia will make the Korean market even more attractive to global businesses.

**Big Trading Nation.** Import and export activities account for up to 72 percent of Korea's Gross Domestic Product (GDP). With China, US and Japan as its major trading partners, Korea also trades with and invests in emerging markets such as the ASEAN countries. Korea's trade with its Asian neighbours represents over half of the country's total trade volume.

Singapore ranks fifth in the top countries that Korea exports to and 14th in the countries that Korea imports from. From January to October 2008 exports to Singapore grew by 48 percent to US\$14 billion, while imports from Singapore rose by 30 percent.

Singapore top exports to Korea include integrated circuit semiconductors, naphtha, wireless communication parts, petrochemistry materials, computer parts, software applications, computer hardware, heavy fuel oil, fine chemicals and



### Must-knows for Foreign Investors and Traders

**Government Support.**

Committed to helping foreign businesses take root in Korea, the local government is concentrating efforts on two objectives: 1) to support market conditions that allow entrepreneurs to fully realise their business potential; and 2) to follow through on its commitment to help businesses perform well in Korea. Visit [InvestKorea](#) for more information on investment-related matters.

**Language Barrier.** Foreign-backed businesses that aim to meld seamlessly with the Korean economy is advised to arrange for a language interpreter for discussions, should any difficulties in communication arise. When drafting business contracts, it is essential to keep them concise, particularly with clear indication of where the arbitration should take place in the event of any disputes. Simple and clear communication is always the key to success for any trade dealings with the Koreans.

**Tariff Regulations.** Tariffs in Korea are often regarded as very complicated, making it essential to check out the various imposing taxes before engaging in trade. While Value-Added Tax (equivalent to Goods & Services Tax) in Korea is 10 percent, most of the manufacturing goods are only taxed at 8 percent and electrical goods can have zero tariff. Visit the [Korea Customs Service](#) website for the latest updates on customs rules and regulations.

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*The information in this article is referenced from the Korea Trade-Investment Promotion Agency, the Korea Economic Institute and the Korea International Trade Association (KITA).*

*KITA has represented more than 65,000 Korean companies involved in international trade since 1946. KITA extends the common understanding of trade, previously thought to be only transactions in commodities, to a broader definition that includes services such as tourism, finance and trade infrastructure. KITA is committed to making Korea a hub of international business by developing new strategies and avenues of trade.*

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