

HOW TO EXPORT TO SOUTH KOREA

Market Opportunities and Strategies for American Exporters

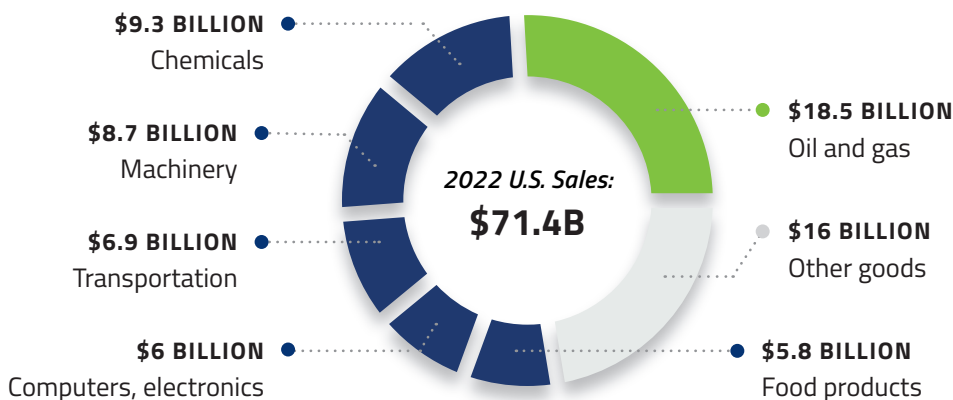
Based on the U.S. Commercial Service's 2022 South Korea Country Commercial Guide

EXIM
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WHY EXPORT TO SOUTH KOREA?

Korea remains one of the world’s most export-dependent industrialized nations, with exports of goods and services valued at 36 percent of GDP in 2020. U.S. exports to South Korea totaled \$71.4 billion in 2022, positioning South Korea as one of the largest U.S. trading partners.

South Korea serves not only as a market destination for U.S. goods and services, but given its robust shipping and air cargo infrastructure, also as a hub for expansion into other markets.



Current Trade Climate

Firms that are innovative, patient, and committed to entering the Korean market will find business to be rewarding and Koreans to be eager and loyal customers. Many high tech Korean companies depend on the innovation of U.S. partners.

The Republic of Korea and the United States implemented the Korea-U.S. Free Trade Agreement on March 15, 2012 (amended in September 2018). This is the largest Free Trade Agreement negotiated by the United States since NAFTA, and has helped facilitate bilateral trade, making Korea an attractive market for U.S. companies to enter. With more than 98 percent of tariffs having been reduced or obsolete, U.S. products are becoming increasingly cost-competitive.



South Korea Quick Facts

- COUNTRY SIZE:**
38,691 square miles
- POPULATION:**
51.7 million people
- LANGUAGE(S):**
Korean
- CAPITAL CITY:**
Seoul
- LARGEST CITY:**
Seoul
- NOMINAL GDP:**
\$1.81 trillion
10th highest worldwide
- TOTAL IMPORTS:**
Goods: \$683.6 billion
Services: \$122.0 billion
USA only: \$71.4 billion
- CURRENCY:**
South Korean Won (KRW)

All quick fact statistics are 2022 approximations. Monetary figures throughout this guide reflect USD.

INDUSTRY OPPORTUNITIES

After decades of rapid growth, Korea's long-established strength in the steel and petrochemical industries has waned and Korea has become a leader in high-tech industries. U.S. companies have already begun to identify opportunities in these growing industries:



Aerospace

In 2021, nearly 80 percent of South Korea's total volume of aerospace imports came from the United States. While civilian aircraft, engines and parts made up nearly 70 percent of the exports, valued at \$870 million, parts and components of airplanes or helicopters, and air combat simulators and parts all-combined accounted for about 25 percent of American exports to South Korea.



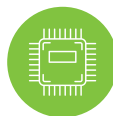
Industrial Chemicals

Korea's chemical industry has been rapidly developing, and in 2020 the country was ranked as the world's fifth largest producer. The demand for the production of sophisticated, high-quality chemical products and associated substances presents a lucrative opportunity to U.S. manufacturers. In 2021, overall U.S. economic recovery led to an increase in chemical exports by 54.4% year-over-year.



Medical Devices

According to the Korean Ministry of Food and Drug Safety, device imports rose 20 percent in 2021, contributing to Korea's record-breaking expansion of their medical device market. The United States has held the largest market share of Korean medical device imports, with our share steadily maintained between 40 and 50 percent.



Semiconductor Materials

As South Korea is a leading producer of semiconductors, there is an enormous market for suppliers of equipment, materials, and services for semiconductor production from other countries—mainly from the United States and Japan. According to a survey by SEMI in 2022, the semiconductor equipment market in Korea was estimated to reach \$25B, representing a growth of 55 percent over the previous year.

INDUSTRY OPPORTUNITIES (cont'd)



New & Renewable Energy

In 2019, the Ministry of Trade, Industry and Energy released the *Hydrogen Economy-Roadmap of Korea* plan, which presented visions and strategies to support all stages of technological development of the hydrogen value chain, including, among others, the source technology in hydrogen-powered vehicles, and the core components of fuel cells.

Both state-owned power generation companies and independent power producers are end-users of new and renewable energy (NRE) sources such as hydrogen. As end-users, they exert strong influence in choosing what NRE core parts to use.



Cybersecurity

According to the 2020 VMware-Deloitte's Cyber Smart Index, South Korea is the second-most exposed country to cyberattacks in the APAC region. While firms that produce sophisticated and cutting-edge products for critical infrastructure are more likely to succeed, there are also opportunities for firms that provide cybersecurity related consulting and training services. The Korean market favors the quality and reliability of U.S. products and demand is expected to continue.



Artificial Intelligence

South Korea is developing its AI capabilities and has expressed its ambition to position itself as a global contender in AI technologies markets. The country released a fiscal 2022 budget plan that calls for nearly \$3 billion in funding for AI technology related projects.

Korean companies are seeking business partnerships to develop cutting-edge AI technology and applications, regardless of company size or country of origin.

SALES STRATEGIES

Korea is a country with intense, demanding, and eager consumers. Korea's retail sector is also popular among the tourists that come to Korea every year. U.S. companies wanting to sell here should endeavor to follow these guidelines:



01

Pricing Models

U.S. goods have an overall good reputation of high quality and good performance, but are relatively expensive, especially because of shipping and other logistical costs. In Korea's export-driven economy, price competitiveness is a key factor. Korean manufacturers try to purchase lower-priced, quality raw materials or equipment.

02

Customer Service

Korean consumers have a high standard of customer support. Considered secondary to product and price considerations, after-sales service in Korea by foreign suppliers is often found lacking. After-sales service—and customer service in general— should be managed closely in order to increase competitiveness. Consider establishing a regional servicing facility which can effectively service and support sales to Korea.

03

Advertising

The total spending on advertisements in South Korea in 2020 was approximately \$11.2 billion. Due to the increase of the elderly population in Korea, door-to-door sales and multi-level marketing remain steady. Online advertising increased by 15.4% when compared to the previous year, due to the growth of mobile advertising.

04

Contract Agreements

Understand the cultural differences surrounding the expectations of contractual agreements. In Korea, a contract represents the "current understanding" of a deal. It is the beginning, rather than the end, to a negotiation, and should be viewed as an ongoing dialogue. See the complete list of considerations in the ITA's Country Commercial Guide for South Korea¹.

Networking

Organizations

A list of U.S. and South Korean partners and organizations that can help your business in South Korea include:

1. Korea Importers Association
2. Korea Trade Investment Promotion Agency
3. Korea International Trade Agency
4. Korea Chamber of Commerce and Industry
5. The Korean Commercial Arbitration Board

Professional Services

If you need additional support for your export business, refer to the Commercial Service's business providers directory². These companies may provide assistance.

¹www.trade.gov/country-commercial-guides/south-korea-distribution-and-sales-channels

²www.trade.gov/south-korea-business-service-provider-directory

IMPORTANT MARKET DIFFERENCES

Some of the challenges faced by U.S. companies attempting to conduct business in Korea include unique industry standards, less than transparent regulations, resistance to foreign business models, and competition and price pressures from domestic manufacturers.

In general, businesses exporting to South Korea must be aware of several differences, including:

Customs Regulations

Korea maintains an import declaration system that allows for the immediate release of goods upon acceptance of an import declaration¹ filed without defect. Except for high-risk items which often require additional documentation and technical tests, goods imported by companies with no record of trade law violations are released upon the acceptance of the import declaration without Customs inspection. Exporters can file an export notice to Korean Customs by computer-based shipping documents at the time of export clearance. All commodities can be freely exported unless they are included on the negative list.

Labels & Marking

Korea has labeling and marking requirements for certain products, such as pharmaceuticals, as well as for organic and functional food and food produced through biotechnology. Country of origin labeling² is also required for commercial shipments entering Korea. Korean language labels can be attached locally on products in the bonded area, either before or after customs clearance.

Government Contracts

U.S. companies interested in Korean government procurement must work with Korea's Public Procurement Service (PPS). It is highly recommended that U.S. firms maintain a reputable representative or agent in-country to carefully monitor PPS tender opportunities. Bidders must register with PPS at least one business day prior to the date of an opening bid. Foreign bidders can register with PPS (Korean language only) prior to entering a contract. Failure to register constitutes cause for rejection of a bid.



¹customs.go.kr/english/cm/cntnts/cntntsView.do?mi=8055&cntntsId=2731

²unipass.customs.go.kr/csp/index.do

LEARN MORE

The information presented in this brochure is sourced from the U.S. Commercial Service's Country Commercial Guides (CCGs), which includes in-depth reports on market conditions, opportunities, regulations and business customs for more than 140 countries. Prepared by U.S. Embassy staff worldwide and updated annually, the CCGs are the premier trusted source of market intelligence.



Get Trade Assistance

Ready to get started? Contact an international trade specialist at the U.S. Commercial Service. They can provide general export assistance or help determine if South Korea is the right market for you.



Learn the Basics of Exporting

Whether you're new to exporting or just want to see new ideas and techniques, the Basic Guide eBook will give you all the information you need about creating a plan, financing, handling orders, shipping, legal concerns, and more.



Download the Guide

As an exporter, you face challenges most businesses never consider. Download the Trade Finance Guide to learn about accessing capital, types of sales terms, and more.



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