Business Issues And Considerations

Intellectual Property Rights (IPR)
It is recommended that you register your patents and trademarks with the Korean Intellectual Property Office (KIPO) before you commit to any important deals with South Korean companies. In principle, the patent and trademark registration system in South Korea is based on which was the first company to register successfully with KIPO. Therefore, the sooner you register, the better. Companies that do not register in South Korea will be disadvantaged in any future disputes over IPR.

UKTI in South Korea can provide a list of local lawyers for UK companies requiring professional legal advice on business issues.

**Korean Intellectual Property Office** International Co-operation Division Government Complex Daejeon Dunsan-dong Seo-gu Daejeon Metropolitan City Korea

**Tel:** +82 42 481 5208

**Fax:** +82 42 471 7140

**Website:** www.kipo.go.kr/kpo/user.tdf?a=user.english.main.BoardApp&c=1001

Procurement

The Republic of Korea is a member of the World Trade Organization (WTO) and has signed subsidiary agreements including TRIPs (Trade Related Aspects of Intellectual Property) and the Government Procurement Agreement (GPA).

The Public Procurement Service (PPS) – handles the purchase of goods and incidental services required by central and sub-central government bodies, government construction contracts and stockpiling raw materials.

However, not all GPA-covered procurement is handled by the PPS. South Korean government-invested corporations handle procurement in-house using the same open and formal procedures required by the GPA. Potential bidders must register with the PPS at least one business day before the date the bid begins. Foreign bidders are allowed to register with the PPS prior to entering into a contract. Failure to register can mean your bid is rejected so it is a good idea to register promptly.

South Korea uses the Government e-Procurement System (GePS), which publishes details of all public procurement contracts. Bids can be viewed on the PPS website and are valid for at least 45 days after the bid opening date.
UKTI in South Korea can also offer advice on procurement.

Regulations, incentives and tax

With the exception of high-risk items related to public health and sanitation, national security and the environment, which often require additional documentation and technical tests, goods imported into South Korea by companies with no record of trade-law violations don’t require customs inspection.

Importers can make an import declaration online using the Korean Customs Service’s (KCS) Electronic Data Interchange (EDI) system for paperless import clearance. There is no need to visit the customs house.

Import declarations may be filed at the customs house before a vessel enters a port or before the goods are unloaded into bonded areas. Goods don’t have to be stored in the bonded area if the import declaration is accepted.

Exporters can file an export notice to South 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.

South Korean Customs allows free customs entry to goods brought into South Korea that are hand-carried by foreign business people (such as laptop personal computers) for use during their stay in the country. There are some exceptions, but this is rare. Generally, South Korean Customs makes a note on the traveller’s passport which requires them to take the item/s out of South Korea when they depart.

To view South Korean customs regulations, visit: www.customs.go.kr/eng

Exchange controls  South Korea has liberalised foreign-exchange controls in line with OECD benchmarks.

An overseas firm that invests under the terms of the Foreign Capital Promotion Act (FCPA) is permitted to remit a substantial portion of its profits, providing it submits an audited financial statement to its foreign exchange bank.

To withdraw capital, firms must present a stock valuation report issued by a recognised securities company or the Korean Appraisal Board. Foreign companies not investing under the FCPA must repatriate funds through authorised foreign-exchange banks, once they have obtained South Korean government approval.

South Korea does not routinely limit the repatriation of funds, except in highly exceptional circumstances.
The Bank of Korea (http://eng.bok.or.kr) has detailed information about foreign-exchange control policies in the country.

**Restrictions** Most imported goods no longer require South Korean government approval, but some products, mostly agricultural, face import restrictions, such as TRQs (Tariff-Rate Quotas) with prohibitive over-quota tariffs.

South Korea implements quantitative restrictions through its import licensing system.

**Investment rules and incentives** Definition of FDI – The South Korean government describes foreign direct investment (FDI) as “an investment made by a foreigner for the purpose of establishing a continued economic relationship with a corporation in the Republic of Korea or a business owned by a citizen of the Republic of Korea”.

FDI includes the acquisition of shares or equity from a South Korean corporation or business, providing long-term loans to Korean corporations, contributing to non-profit organisations and other similar activities. FDI differs from a portfolio investment, the purpose of which is to earn margins from stock transactions for short-term profits.

Rules relating to FDI – FDI in South Korea are covered by the Foreign Investment Promotion Act (FIPA). This states that a foreigner may carry out investment activities in South Korea without restriction unless the investment is deemed harmful to national security, public order, the health and wellbeing of South Korean nationals or Korea’s environment, or unless it goes against established social morals, customs or laws. The procedures for carrying out FDI are explained in the Market Entry section of this guide.

FDI incentives – The South Korean government has transformed the country into one of the top 10 business-friendly economies in the world. It is keen to encourage foreign investors and has been making stringent efforts to ease excessive regulations and provide incentives for FDI.

The incentives include:

- Tax support – corporate and income tax on business income, dividends, technology introduction considerations and earned income have been reduced for foreign firms and investors. Acquisition tax, registration tax and property tax have also been lowered.

- Cash grants – central and local governments provide grants to foreign investors to build new factories, as long as they meet certain criteria. Among the factors taken into account are whether it is a hi-tech industry or involves technology transfer and the number of jobs created.

- Site location support – foreign investment zones are designated to attract FDI. Businesses that locate in these zones receive certain incentives.
- Other support – land, factories and other national or public properties owned by central or local government may be used, leased or sold to foreign-invested companies through a private contract, with a lease period of up to 50 years. At the end of the lease period, the contract may be renewed for up to a further 50 years.

Further information about FDI incentives is available at www.investkorea.org

**British Chamber of Commerce in Korea (BCCK)** The BCCK has around 200 members, of which approximately a quarter are South Korean. Its aims are to promote the development of British trade, commerce and investment in South Korea, to represent the opinion of the British business community in South Korea on trade, commerce, finance and industry, to help create better understanding between the South Korean and British business communities and to provide opportunities for members to meet for business and social networking.

**British Chamber of Commerce in Korea** 20th Floor Regus Business Centre Korea First Bank Building 100 Gongpyrong-dong Jongro-gu Seoul Korea 110-702

**Tel:** +82 2 720 9407

**Fax:** +82 2 720 9411

**Email:** administration@bcck.or.kr

**Website:** www.bcck.or.kr

**Free economic zones** The South Korean government has established special zones, called free economic zones, in certain areas to encourage FDI. These are self-contained living and business districts, with air and sea transport, logistics, international business centres, financial services, houses, schools, hospitals, shopping and entertainment.

There are currently six free economic zones in South Korea, including: Incheon, Yellow Sea, Saemangum/Gunsan, Daegu/Gyeongbuk, Gwangyang, and Busan/Jinhae.

**Customs and regulations** There are two methods of determining a duty amount: Declaration & Payment, and Notice of Assessment. In Declaration & Payment, the person wanting to import goods makes a declaration on the payment of the customs duties direct to the customs house. In Notice of Assessment, the customs house imposes and collects customs duties.
In most cases, businesses use the Declaration & Payment method. The Notice of Assessment system is mainly used for the imposition of minor customs duties, such as on passengers’ and crews’ goods, unaccompanied baggage and postal matters.

Related information and customs forms can be found on the Korea Customs Service website: http://english.customs.go.kr

**Export documentation** If you are exporting to South Korea, you will need the following documents to clear South Korean Customs: commercial invoice, certificate of origin, packing lists, bill of lading and maritime insurance.

As an exporter of goods you need to develop an understanding of various issues, such as:

- the legal and regulatory requirements your consignments have to comply with
- the paperwork involved
- the right mode of transport, i.e. road, air, rail and sea
- packaging and labelling
- how freight forwarders can help you
- rules for dangerous goods.

UKTI in South Korea can provide guidance and information.

**Labelling and packaging regulations** Country-of-origin labelling is required for commercial shipments entering South Korea. Further labelling and marking requirements for specific products, such as pharmaceuticals and food, are covered by specific regulations from the South Korean government agencies responsible for these items.

Korean language labels, except for country-of-origin markings that must be shown at the time of customs clearance, can be attached locally on products in the bonded area, either before or after clearance.

The Korea Food & Drug Administration (http://eng.kfda.go.kr) is responsible for setting and enforcing Korean labels for food products, other than livestock products. These are regulated by the Ministry of Food, Agriculture, Forestry and Fisheries (http://english.mifaff.go.kr) which also has its own set of standards for markings for the country-of-origin labelling of agricultural products.

The Korean Customs Service (http://english.customs.go.kr) publishes a list of the country-of-origin labelling requirements by Harmonised System Code number.
Local importers usually print Korean language labels when imported quantities are not large, and can consult with the Korean Customs Service as to where they can be attached to the product.

The Certificate of Origin should indicate the item’s description, quantity, price, place of origin, exporter and importer, and be written in English, Korean or French. For items shipped directly to South Korea from their country of origin, the Certificate of Origin should be issued by the relevant customs authorities or Chamber of Commerce. The items themselves should be clearly marked with their country of origin.

**Tax** The South Korean government website, www.korea.net contains a list of district tax offices which have foreign taxpayer service desks. Further information on the country’s taxation system is available from the National Tax Service www.nts.go.kr/eng or from UKTI in South Korea.

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**Getting your goods to South Korea**

**By sea:** South Korea has extensive and modern infrastructure, including major port and airport facilities. Busan is the country’s largest port and the fifth-largest in the world. It is located on the south eastern-most tip of the Korean peninsula, facing the Korean Strait. Busan is well connected to Seoul and the rest of South Korea by the KTX high-speed rail system. Incheon also has a major international port at Yeongjong.

**By air:** Incheon International Airport is the main gateway to South Korea. Located just over an hour west of Seoul, the airport is one of the most technologically advanced in Asia. Other international airports include Gimpo Airport, near Seoul; and Gimhae Airport, for Busan and other major cities.
**Freight forwarding:** Sea and air freight services to South Korea are provided by a range of companies. Freight forwarding companies can provide advice on the best way to ship goods to South Korea.

It takes approximately two to three weeks to ship goods from the UK to South Korea by sea, but this will depend upon the level of service and the company providing it.

**Courier:** There are many companies providing courier services to South Korea. UKTI in South Korea can provide more information.

**Postal parcel/express mail service:** The main South Korean postal service provider is Seoul-based Korea Post, part of the Ministry of Knowledge Economy. It provides postal, banking and insurance services. www.koreapost.go.kr/eng

Getting paid and financial issues

**Incoterms** Exporters will find Incoterms 2000 a useful guide for specifying their obligations for delivering goods safely in international contracts. Incoterms provide guidance on the commonly used terms in international trade. It is a ‘must read’ for a company’s marketing and sales team.

**Terms of payment** The payment terms you can normally expect in South Korea are “100% Confirmed Irrevocable Letter of Credit,” and these are the terms you should quote. You are unlikely to obtain deposits with order, or prior to shipment, and it may be counterproductive to try to insist on them. Letters of Credit are normally opened four to six weeks prior to the shipment date.

The expiry date of the Letter of Credit will be geared very much to the promised delivery date. It is important, therefore, that delivery promises are fulfilled or the Letter of Credit will expire.

South Koreans usually like to deal in US dollars because this is still the predominant currency in Asia. Sterling is an acceptable currency, but for price comparison purposes a sterling price will invariably be converted to US dollars, usually at a rate that is beneficial to the buyer. You may consider it appropriate, therefore, to quote in US dollars in the first instance.

South Koreans are formidable negotiators, but they will pay a fair and competitive price. The price quoted should be on a FOB (Freight on Board) basis. South Koreans usually like to organise the shipping themselves on the basis that they can negotiate more competitive rates.

**Banking**
Opening hours: Banks in South Korea are open between 09.00 and 16.00, Monday to Friday.

The country’s central bank is the Bank of Korea.

Local commercial banks include: Hana Bank, Kookmin Bank, Korea Exchange Bank, Shinhan Bank, Woori Bank

Foreign commercial banks include: ABN AMRO, Bank of America, Bank of Tokyo-Mitsubishi, Citibank, Deutsche Bank, HSBC, Mizuho Corporate Bank, SC First Bank

Merchant banks include: Kumho Investment Bank, Meritz, Tong Yang Securities Inc.

All commercial banks are authorised foreign-exchange dealers. Licensed money changers are also found in urban centres, ports, airports and major shopping complexes.

**Currency** The currency of South Korea is the Korean won (KRW). A single won is divided into 100 jeon. The jeon is no longer used for everyday transactions, and appears only in foreign exchange rates.

Under exchange-control rules travellers may import or export up to US $10,000 per person without prior approval. There are no limits on the amount of foreign currency (notes and/or traveller’s cheques) travellers may import.

**Insurance**

The private sector in the UK provides credit insurance for exports of consumer products, raw materials and other similar goods. Speak to your banker or insurance broker for more information, or contact the British Insurance Brokers’ Association for impartial advice.

**British Insurance Brokers’ Association**

**Tel:** +44 (0)870 950 1790 (consumer helpline)

**Email:** enquiries@biba.org.uk

**Website:** www.biba.org.uk

Private-sector insurance has some limitations, particularly for sales of capital goods, major services and construction projects that require longer credit packages or that are in riskier markets.
**Export Finance Department** (formerly Export Credits Guarantee Department, ECGD), a separate UK Government department that reports to the Secretary of State for Business, Innovation and Skills, provides a range of products for exporters of such goods and services.

**UK Export Finance**

**Tel:** +44 (0)20 7512 7000

**Website:** www.gov.uk/government/organisations/uk-export-finance

Management, control and quality assurance

UK companies use a variety of quality assurance and management control techniques in South Korea. These include extensive travelling by UK personnel, a controlling or liaison presence in South Korea and providing extensive training and management for South Korean staff.

It is important not to allow milestones to slip by, whether these are attending a board meeting in a joint venture or arranging a quality audit at a supplier.

Particular attention to detail should be paid when sourcing products from South Korea. Specifications can be easily misunderstood, so they need to be very clearly explained and agreed, and a quality management system put in place with the South Korean company. Consultancies can undertake all or part of this process on your behalf.

Bribery and corruption

Corruption remains an issue in South Korea. In 2010, the country was ranked 39th on Transparency International’s corruption perception index. This is up from 40th place in 2008 and 43rd in 2007, so the country is moving in the right direction. Nevertheless, as the 12th-largest economy in the world, one might expect South Korea’s business economy to be more transparent than it is.

Although the number of cases of corruption in the public arena has decreased, the authorities have yet to stamp out bribery and corruption completely.

Our advice to companies encountering corruption is simple - don’t get involved. Not only are there issues of business integrity to bear in mind, but also, of course, it is illegal. Invariably, corruption is related to lack of professionalism and control, both of which are damaging to long-term business.
Getting to South Korea

By air South Korea has international airports at Incheon, Gimpo and Gimhae.

Two airlines, Korean Air and Asiana Airlines, operate daily direct flights from London to Seoul (flight time around 11 hours), with British Airways also operating the route 6 times a week. Incheon International Airport handles all international flights whereas Gimpo Airport handles all domestic flights and short flights to/from Tokyo, Osaka, Shanghai and Nagoya.

Getting to and from the airport Incheon International Airport’s website contains detailed information about buses, trains and taxis from the airport, including estimated times and fares to major destinations: www.airport.kr/airport/traffic/bus/busList.iaa?flag=E

Travelling within South Korea South Korea has a well-developed transport network, with good road, rail and air links. Most domestic destinations are within an hour’s flight of Seoul.

Korea Air, Asiana Airlines and a few domestic discount carriers handle flights within the country. Gimpo Airport, located between the western area of Seoul and the newer Incheon International Airport, handles most domestic flights, as well as short-haul flights to Japan and China.

Gimpo Airport is easily accessible via Subway Line 5 from Seoul, a journey that takes around 45 minutes. The capital has an excellent subway system, as well as plentiful buses and taxis. Gimpo Airport also has its own bus service.

Places to stay, eat and shop As well as advising on business issues, the UKTI team in Seoul can offer practical, on-the-ground assistance with all aspects of your business trip, from where to stay through to good places to eat or hold product launches.

Visas There are different types of visa for people who want to work or invest in South Korea:
Foreign investors need to apply for a Foreign Investment Visa, known as a D-8. To obtain a D-8 you will need to apply to the South Korean Embassy in London. Before you do so, you will need to appoint a South Korean taxation accountant to act as your tax agent, to ensure that your taxes are paid on time. Your agent will fill in a form that has to be submitted to the immigration authorities.

Anyone staying in South Korea for more than 90 days must apply for an alien registration card.

**South Korean Embassy** 60 Buckingham GateLondonSW1E 6AJ

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**Fax:** +44 (0)20 7227 5504

**Website:** http://korea.embassyhomepage.com/

**Time zone** South Korea is nine hours ahead of Greenwich Mean Time.

Source - UKTI

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