



Photo: Joon Helland / Joon Helland Research & Consulting

## Republic of Korea (South Korea) - country sheet

The Korean peninsula, home to one nation and two countries, lies on the northeastern mainland of Asia, at the crossroads of China, Japan and the Russian Far East. Through a range of export-driven successes in manufacturing industries, the Republic of Korea (South Korea) has taken the leap from being among the poorest countries in the world to become the world's 13th largest economy (GDP US\$ 969.9bn 2007) within a few decades. Home to about 49 million people, it is a world leader in the fields of shipbuilding, consumer electronics, mobile communications, steel and chemicals. With a history stretching back almost 5,000 years, Korea is one of the world's oldest cultures. Tradition and modernity exist in parallel, creating a truly dynamic Korea.

## Geography

The Korean peninsula is located at the strategic intersection of China, Japan and the Russian Far East, with waters bordering to the east, west and south. The peninsula spans over 223,098 km<sup>2</sup>, measuring about 1,100 km from North to South. It is politically divided into the Republic of Korea (South Korea) and the Democratic People's Republic of Korea (North Korea), the former occupying a territory of 99,678 km<sup>2</sup>. More than two thirds is mountainous area, and slightly less than 20 per cent is arable land.

## History

Korea is one of the world's oldest nations and cultures, and its mythically founding in 2333 BCE – by a grandson of heaven – is remembered annually. History reflects a highly inventive and resourceful people. For example, the moveable metal type was developed in 1234, more than two centuries before Gutenberg laid claim to the same achievement. Korea is also proud to have its own written language, Hangeul, promulgated in 1446, although Chinese characters are also used to some extent.

From 1910 to 1945 Koreans experienced harsh Japanese colonial rule. At the hour of liberation the nation was divided into North and South who soon plunged into a devastating war (1950-1953) claiming the lives of an estimated 1.5 to 3 million people. When South Korea emerged from the armistice, the average GNI per capita was below US\$ 70, on par with poor African countries.

## Economic Development

Economic growth first accelerated in the early 1960s, from which South Korea would develop unprecedentedly and become the world's 11th largest economy by 1997. Early major exports focused on products such as dried squid, wigs of human hair and textiles, but industrial restructuring in the 1970s kick started leading industries in steel, petrochemicals, shipbuilding, machinery and electronics.

South Korea went from destitute to affluent in the time span of a single generation. In the period 1962 to 1996 the economy grew by an annual average of well above 8 per cent, while the nation's GDP increased from US\$ 2.3 billion to US\$ 557.4 billion, and GNI per capita leapt from US\$ 82 to US\$ 12,197 in the same pe-

riod. Equally remarkably, socio-political developments led to a transition to democracy in 1987.

In 1997 the Asian crisis – or the IMF crisis as it is known in South Korea – forced the economy to contract by 6.9 per cent in 1998, but growth performance bounced back to levels of 9.5 and 8.5 per cent in 1999 and 2000 respectively. Since then the annual growth rate has averaged 4.5 per cent – making South Korea one of the fastest growing economies in the OECD area.

## Population

The population of South Korea is 48.86 million (2007), thus making it more populous than countries such as Spain and South Africa. The capital of Seoul is the biggest city with 10.1 million inhabitants (2007), and the metropolitan region comprises about 48 per cent of the total population. This region includes the city of Incheon (2.6 million), while other major cities are Busan (3.5 million), Daegu (2.5 million) and Daejeon (1.5 million).

## Education and Research

South Koreans have a high level of education. The youth receives among the highest PISA student assessment scores in the world, and 53 per cent of the 25-34 year-old population attains tertiary education. In 2005 South Korea had more than 257,000 researchers, and in 2007 3.57 per cent of GDP was spent on research and development. Outside of Seoul, a major research location is Daedeok Innopolis in Daegu, featuring more than 23,500 researchers mainly focused on advancing specialized technological research.

## Economy

Today South Korea is the world's 13th largest economy with a GDP of US\$ 969.9 billion (2007). Its living standard, measured by GDP per capita at purchasing power parity, places it between New Zealand and the Czech Republic. As such, it is half that of Norway's. At exports valued at US\$ 371.5 billion (2007) it is the world's 11th largest exporting nation. Main exports include semiconductors, automobiles, ships, electronics, mobile telecommunication, steel and chemicals. Starting in September 2009 FTSE, a global index company, will reclassify South Korea

from advanced emerging market to developed country status.

Estimated future growth potential for South Korea is among the highest in the OECD area. Goldman Sachs – the inventor of the BRIC acronym – believes it to have both the potential and the conditions to rival the G7 and the BRICs (Brazil, Russia, India, China), and become wealthier in per capita terms than countries such as the United Kingdom and Japan by 2050.

## Business opportunities

Opportunities for Norwegian companies include, but are not limited to, maritime services and shipbuilding, marine, energy and environment, information and communication technology, medical technology and healthcare, and defense.

### Maritime services & shipbuilding

South Korea is the world's number one shipbuilding nation, claiming more than 40 per cent by value of world total orders. The "Big Three" of shipbuilding are Hyundai Heavy Industries (HHI), Samsung Heavy Industries (SHI) and Daewoo Shipbuilding & Marine Engineering (DSME). Hyundai went into shipbuilding in 1972 and official lore has it that only after securing an order of two oil tankers did it obtain finance for the shipyard it didn't have, and then proceeded to deliver before schedule.

The shipbuilders of South Korea are establishing global networks to increase their competitiveness. Hyundai operates in China and Vietnam, Samsung in Brazil, and DSME in Romania. A fourth significant player, the STX Group, is present in selected European countries through STX Europe, formerly Aker Yards.

Kormarine, one of the world's most important shipbuilding exhibitions, is held biannually in the port city of Busan – South Korea's second largest city and one of the world's largest ports.

### Seafood & aquaculture

South Korea is regarded as the sixth largest aquaculture nation in the world, with a production of 1.4 million tons (2007). The average South Korean consumes

Koreans have for thousands of years lived with great powers and invasive tribes at their doorstep and claims to have suffered more than 1,000 attacks during their history. Being at the intersection of the crossing interests of China, Japan, Russia, and the United States, it once described itself as a shrimp among whales. Having written one of the most remarkable stories of development ever, South Korea is redefining its historical weakness to become a regional hub for investment and trade.

54 kg seafood annually, more than double that of the average consumer in the 25 member states of the European Union. Growing demand, much of which has not been met by domestic industry, has subsequently caused an increase in the import of seafood products. The total seafood import bill was US\$ 2.77 billion in 2006. Due to a free-trade agreement between Norway and South Korea ratified in 2006, the latter has abolished most customs duties on the import of marine products.

Korean seaweed and shellfish production contributes to more than 90 per cent of total domestic aquaculture production. These are products that are not in direct competition with most Norwegian production. At present, Norway is the prime supplier for fresh and frozen salmon to the South Korean market, while mackerel is another major export.

### Energy & environment

South Korea has no significant natural resources of its own and 96 per cent of its energy demand is met by imports. It is the world's tenth largest energy consumer, the second largest importer of LNG (liquefied natural gas), the third largest importer of LPG (liquefied petroleum gas), the fifth largest crude oil importer, and a major emitter of carbon and other greenhouse gases. South Korea therefore seeks to increase the use of alternative and renewable energy and improve energy efficiency.

Areas that are singled out for development over the next years include clean coal, photovoltaic, fuel cells, nuclear power, chemical products from captured carbon dioxide, as well as recycling and waste-to-energy facilities.

South Korea is a Non-Annex I country – i.e. a developing country – under the Kyoto Protocol, and is currently the fourth largest market for emission reductions under the Clean Development Mechanism (CDM). It is likely that South Korea will forfeit its status as a developing country under an expected successor to the Kyoto regime, which is reflected in extensive government and private initiatives for development of alternative and renewable energy.

## Information & communication technology (ICT)

The information and communication technology (ICT) industry of South Korea is at the forefront in the world. It is a global powerhouse for semiconductors and displays, mobile telecommunications, various consumer electronics, and is home to the two international giants Samsung Electronics and LG Electronics. The industry contributes to about 40 per cent of GDP growth, and is geared towards hardware rather than software. South Korean consumers are technologically sophisticated, providing a world class market for the introduction of new products. Of all households, 95 per cent are reported to have a broadband internet subscription.

## Medical technology & healthcare

Due to the world's most rapid rate of ageing, South Korea will experience growing demand in the med-tech sector, and the government is set to develop technical solutions for healthcare services. South Korea also hopes to attract medical tourists to its world class facilities. Medical infrastructure across the board, however, is underdeveloped. Expenditure growth on health care has been twice that of the OECD area for the past half decade.

## Cultural Preparedness

Korea is an old and highly unified nation that nurtures a pride in its own distinct heritage and homogeneity. Westerners not familiar with Korean culture will likely find it far more polite, courteous and formal than their own. While Chinese or Japanese experiences may act as a window of understanding, these countries and cultures are only confused and

## Defense

South Korea has, in large part due to its northern neighbour, a standing army of 560,000 personnel. The Ministry of National Defense reported a budget of US\$ 28.1 billion in 2008. In 1994 Korea regained peacetime operational control of its own military, but wartime operational control will only be transferred from the US army, which still keeps about 28,000 troops on the peninsula, in 2012. The planned transition is preceded by and will be followed by reforms to further modernize the already advanced military, building a self-reliant defense capability, upgrading technology, building better war-deterrent capabilities and preparing for new aspects of future warfare.

## Infrastructure

South Korea has highly effective ports and harbours, the biggest being the port of Busan. Incheon international airport located just out of Seoul is home to Korean Air – the world's largest air cargo carrier. There are 51 cities with a population of one million or more within 3.5 hours flight distance. A high-speed train crosses the country diagonally from Seoul in the northwest to Busan in the southeast. Pending the political situation in North Korea, this railway is expected to re-link with the trans-Siberian and trans-Chinese railways.

After recovering from the crisis at the end of the 1990s, South Korea set out to manage a transition to a knowledge-based economy, and the current government (2008-2013) plans to upgrade existing industries while fostering a new set of growth industries under the slogan of "low carbon, green growth."

conflated at the personal expense. It is vital to maintain respectful behavior and a certain level of formality when dealing with Koreans, but remember that respect is also a culturally rooted concept.

## Greetings and courtesies

High importance and formality is attached to first impressions and meetings.

- When making introductions men commonly shake hands and make a slight bow. Women may only bow, or shake hands, depending on the situation.
- To show politeness and respect the right arm is often propped up by the left hand.
- Eye-contact may be a sign of sincerity, but many Koreans will avoid direct eye-contact for more than a brief second when meeting figures of authority.
- A first encounter requires the exchange of business cards.
- A business card is an extended expression of the person him- or herself, and deserves respectful treatment.
- Business cards are presented and received with both hands. Alternatively, the left hand is used to support the right arm, as with greetings. This is a general way of presenting or offering something in a respectful manner.
- When receiving a business card spend a moment to read it. This is not only polite, but it gives an indication of a person's position – hence what sort of treatment should be extended to that person.
- The business card should be put away in a card case or your jacket pocket.
- In business settings Koreans may be addressed by Mr./Mrs./Ms. and their full name. Most Koreans have three names consisting of one syllable each. They are written and spoken with the last name first, followed by a generational name, and then a personal name. About half of all Koreans have Kim, Lee or Park as their family name, but there is no automatic relation of kinship as there are several different Kims, Lees and Parks.
- At some traditional Korean establishments it is normal for guests to take off their shoes and sit on the floor. Women wearing skirts may want to cover their lap with a shawl or blanket.

## Respectful relationships

Koreans have historically put emphasis on filial piety, and many cultural notions – such as that of reciprocal, but not necessarily equal connections – are rooted in this concept.

Personal relationships are sought created, nurtured and maintained in business and social life – areas that often overlap and blur.

- Relationships are personal and emotional. Business affairs are far from immune from this influence.
- To establish possible ties, and as an act of friendliness or conversation, it is not uncommon to ask questions that in the West would be considered inappropriate or rude.
- Respect, friendliness, and the emergence of a sense of good feeling may be as effective as rational logic.
- It follows that success in the Korean market normally builds on local presence.
- It is not uncommon for relationships to be repeatedly nurtured through heavy after work drinking sessions.
- Hierarchy is the rule, and age warrants immediate respect. Only in a few cases – mainly when age, social background and position are equal – may hierarchical influences become negligible.
- An important concept for seeing the Korean mindset is group-orientation expressed as *uri*, or a “we” mentality. The widest “we” group is the nation, but ties built on region, education, church and family still play a strong part in Korean society
- Even if a business deal fails to materialize, it is wise to never sever a relationship completely.
- Personal ties do not equal corrupt behavior, although it may facilitate it.
- Transparency International, an international organization addressing corruption, places Korea 40th among 180 countries, and 22nd among the 30 member countries of the OECD

## Meeting preparations

- Arrive for business meetings on time. However, a commonly heard excuse for being late and is traffic. Seoul is highly congested and even a few kilometers by taxi might take half an hour or more during rush hours.
- The dress code is generally conservative, with suit and tie for men, while a business suit may be recommended for women.
- Koreans try to avoid being offensive or directly confrontational. They will therefore avoid using negative words such as “no.” Remember that “yes” is not necessarily an affirmative reply, but rather an indication that you have been heard.

## Sources:

The Bank of Korea

FTSE Global Equity Index Series Country Classification (September 2008 Update)

Goldman Sachs Global Economics Paper No: 135

Invest Korea

Korea Tour Guide: The Official Korea Tourism Guide Site

Korea Trade-Investment Promotion Agency (KOTRA)

Korea.net Gateway to Korea, The Korean Culture and Information Service

Ministry of Knowledge Economy, Republic of Korea

Ministry of Strategy and Finance, Republic of Korea

National Atlas of Korea

North Korea: Preliminary Commercial Opportunities Study, Joon Hetland Research & Consulting for Innovation  
Norway Korea

OECD Education at a Glance 2008

Transparency International 2008 Corruption Perceptions Index

World Development Indicators, The World Bank



Innovation Norway  
c/o Royal Norwegian Embassy, Commercial Section  
22F S-Tower, 116 Shinmunno 1-ga, Jongno-gu,  
Seoul 110-061, KOREA  
Tel: +82-2-767-2650  
Fax: +82-2-767-2701  
seoul@innovationnorway.no  
[www.innovationnorway.no/korea](http://www.innovationnorway.no/korea)

### **We give local ideas global opportunities**

Innovation Norway offers products and services to increase innovation in industry throughout Norway, to help develop the regions and promote Norwegian industry and export, and to market Norway as a tourist destination.

With offices in more than 30 countries worldwide and in all Norwegian counties, Innovation Norway is easy to reach. Our staff has knowledge of local and international factors that will help turn our customers' ideas into business successes.