CAPTURE THE BUSINESS OPPORTUNITIES IN SOUTH KOREA

BUSINESS SWEDEN

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EXECUTIVE SUMMARY

- South Korea has grown significantly during the last decades and is today one of the largest and most developed economies in the world.
- Being home to 50 million people on a small area, South Korea offers a dynamic consumer market as well as advanced domestic industries with a global reach.
- South Korea’s has an excellent location in the center of East Asia offering a geographic advantage in the region with easy access to other markets.
- The EU-Korea FTA is making it easier and more cost efficient for Swedish companies to export to South Korea, eliminating or sharply reducing tariffs as well as removing many non-tariff trade barriers.
- Swedish products and companies are highly regarded in South Korea and associated with quality, innovation and reliability.
- Business opportunities can especially be found within: consumer products, heavy industry and machinery, ICT, ship building and marine technologies, health care and life sciences, green technologies.

BUSINESS SWEDEN IN SOUTH KOREA

- Business Sweden’s office in South Korea was established in 1996 and is located in downtown Seoul.
- Today the office employs 12 people with an extensive network and knowledge of the market as well as significant experience working with Swedish companies.
- Business Sweden in South Korea has successfully helped hundreds of companies from all industry segments to enter and grow their business in South Korea.
- Contact us to find out more about the market and discuss your business potential on the fast growing South Korean market.

Johan Chun
Trade Commissioner South Korea
South Korea has experienced a remarkable growth during the last 60 years. Being one of the poorest countries in the world in the early 50’s, South Korea is now the 12th largest economy in the world.

In the 1960’s and 70’s Korea established a strong manufacturing industry within several market segments. In more recent years a lot of emphasis has been put on R&D, innovation and new technology. Commercially supported by South Korea’s strong capabilities within manufacturing.

South Korea has one of the most developed economies in the world with a high focus on exports and international trade. It is one of the few countries in the world with over 1 trillion USD in trade.

The growth and international success can partly be traced to the rise of large conglomerates (Chaebols). The five largest being: Samsung, LG, Hyundai-Kia, SK Group and Lotte.

Growth of South Korea's GDP (USD 100 million)

- Rapid growth stage
- Developed stage

SOURCE: INVEST KOREA, BUSINESS SWEDEN
EFFICIENT GEOGRAPHICAL MARKET COVERAGE

- On an area similar to Iceland in size, South Korea is home to **50 million inhabitants**

- The largest city and capital, **Seoul**, has over **25 million** inhabitants in the metropolitan area. Making it the second largest metropolitan area in the world

- Much of South Korea's heavier industries, such as shipbuilding, chemicals, steel etc are located in the southern region of the country, less than 3hr train ride from Seoul. **Several industry and R&D clusters can be found throughout the country**

- South Korea's **infrastructure is very well established** with rail, road, air, and sea transportation. Hosting the winter Olympics 2018 in Pyeongchang, the transportation infrastructure will be further expanded

**A BIG AND VALUABLE MARKET ON A CONCENTRATED AREA**

**MAJOR CITIES IN SOUTH KOREA**

- **Seoul** (10M) (25M Metropolitan area)
- Incheon (3M)
- Ulsan (1 M)
- Daegu (2,5M)
- Daejeon (1,5M)
- Daegu (2,5M)
- Kwangju (1,5M)
- Busan (3,5M)
LARGE AND INFLUENTIAL CONSUMER MARKET WELL SUITED FOR SWEDISH RETAIL COMPANIES

With a very high consumer spending South Korea boosts the 5th largest retail market in Asia. The market is expected to grow further in the next coming years.

“Scandinavian” products are especially popular and in high demand. The Swedish design language is very compatible with local preferences and has an excellent reputation.

Besides being a huge market by itself, South Korea is a prominent cultural influencer in the region and an excellent stepping stone to other Asian markets.

Source: PWC
SOUTH KOREA IS A GLOBAL PLAYER IN MANY HEAVY INDUSTRY AND ELECTRONICS SEGMENTS

South Korea has a long tradition of large heavy industries and machinery. Main domestic industries include electronics, shipbuilding/offshore, chemicals, steel making and IT.

With large domestic companies such as Samsung, Hyundai and LG, South Korea is a major competitor in the global markets.

South Korea’s industrial framework is innovation and quality driven with an openness for international collaborations.

Source: BUSINESS KOREA

Global market share (% as of 2013)

- Shipbuilding/Offshore (Number of orders received): 30.8%
- Smartphones (Sales amount): 30.1%
- Semiconductor (Production amount): 16.2%
- Automobiles (Production quantity): 9.8%
HIGH INVESTMENTS AND R&D IS THE FOUNDATION SOUTH KOREA’S FUTURE GROWTH ENGINES

- South Korea is the world’s most R&D intensive country with a Gross Domestic Expenditure on R&D at 4.36% (Sweden has 3.41%)
- With large public and private investments, highly educated workforce and an excellent infrastructure South Korea is dedicating significant efforts to become a global innovation leader. This further enables opportunities for cutting-edge international companies looking to expand to Korea.

SOUTH KOREA’S FUTURE GROWTH ENGINES

- **Health care & Life science**
  - South Korea has one of the fastest ageing populations in the world, putting large pressure on the entire health care system. Huge resources are dedicated to expand all areas of the already highly developed health care and life science industry to optimize the structure and quality.

- **Energy and environment technologies**
  - With limited natural resources South Korea is importing much of its energy supply. Having very ambitious goals and high planned investments South Korea is aiming to substantially increase its proportion of green energy as well as too make the energy consumption more efficient.

- **ICT**
  - South Korea is already the most connected country in the world and a global leader within information technology. South Korea aims to hold this position and to further expand its innovativeness and R&D efforts within the area.

SOURCE: OECD, BUSINESS SWEDEN
SOUTH KOREA IS GLOBALLY RENOWNED SCORING VERY HIGH IN INTERNATIONAL COMPARISONS

SOUTH KOREA IS REGARDED AS AN EXCEEDINGLY INNOVATIVE AND FAST GROWING COUNTRY OPEN TO INTERNATIONAL BUSINESS OPPORTUNITIES AND INFLUENCES

#1
Global Innovation Index - Bloomberg

#5
Ease of doing business index - World Bank

#1
ICT Development Index - UN

#2
Best emerging markets 2014 - Bloomberg

SOURCE: WORLD BANK, BLOOMBERG, UN
BEING VERY DEPENDENT ON TRADE, SOUTH KOREA IS PURSUING AN OPEN MARKET APPROACH

- The EU-Korea FTA came into effect in July 2011 and aims not only to eliminate most tariffs but also to harmonize non-tariff barriers such as standards and regulations.
- The free trade agreement will make it less time consuming and more cost efficient for Swedish companies to export to Korea.
- Establishing itself as a global trade hub, South Korea is negotiating free trade agreements with several countries and regions around the world aiming to increase its international presence.

**Legend:**
- Blue: FTAs in effect
- Orange: Concluded or FTA’s under negotiation

**Source:** South Korean Ministry of Foreign Affairs
AN IDEAL BUSINESS HUB STRATEGICALLY LOCATED IN THE CENTRE OF EAST ASIA

CENTRAL LOCATION WITH IMPORTANT REACH

- South Korea’s strategic location makes it an **excellent business hub** with closeness and access to neighbouring markets.
- Within a 3hrs flight there are **51 cities with a population of 1 million people or more**.
- South Korea has an established and **highly developed international infrastructure** with major shipping ports and airports facilitating easy access to and from Korea and the region.
- The central location makes it a well suited destination for foreign direct investments and South Korea **offers many incentives for foreign companies** investing in the country.

SOURCE: KOTRA
Sweden and Swedish companies have a very good reputation in South Korea. Key words often associated with Swedish companies and products are innovation, quality and reliability.

- With 8.7 Bn Sek in exports (2014), South Korea is Sweden’s 25th largest destination for exports in the world and the 4th largest in Asia.
- Today, approximately 90 Swedish companies have a legal entity established in South Korea.
- Several hundreds do business with South Korea in other ways. For example through a distributor/local partner, research collaborations or direct exports.
- South Korea has been designated as one of the top 20 most important growth markets by the Swedish government implying an increasing potential on the market.

**Swedish exports and imports to/from South Korea 2014 (Bn SEK)**

- Export: 8.7 (+12%)
- Import: 6.2 (-1.5%)

*Source: KOMMERSKOLLEGIUM, SCB, BUSINESS SWEDEN SURVEY*
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