Required Report: Required - Public Distribution

Date: December 19,2019

Report Number: KS2019-0054

Report Name: Exporter Guide

Country: Korea - Republic of

Post: Seoul ATO

Report Category: Exporter Guide

Prepared By: Sangyong Oh

Approved By: Andrew Anderson-Sprecher

Report Highlights:

U.S. agricultural and related product exports to South Korea exceeded nine billion dollars in 2018, making it our fifth largest agricultural export market. The United States is the leading exporter of agricultural products to Korea with a 26 percent market share. While total U.S. agricultural exports to Korea dipped slightly in 2019, exports of consumer-oriented products such as meat, dairy, and processed products continue to grow. Rising incomes and consumer interest in U.S. food and food trends will continue to create new opportunities for U.S. food and agricultural products in Korea for years to come.

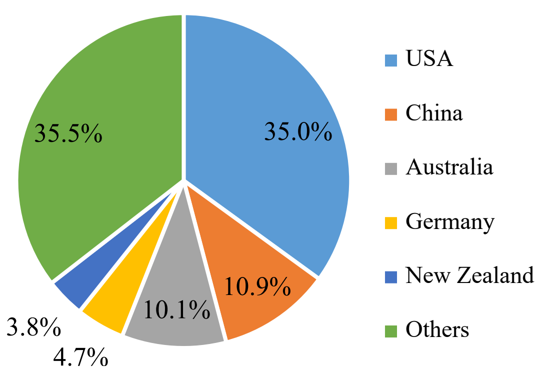
Market Fact Sheet: South Korea

Executive Summary

South Korea has the 12th largest economy in the world with a GDP of $1.6 trillion and a per capita GNI of $31,355 in 2018. It is about the size of Indiana and has a population of 51.8 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported $9.4 billion in agricultural products to Korea in 2018, making it our fifth largest export market. The U.S. supplies a quarter of Korea's agricultural imports.

Imports of Consumer-Oriented Products

Korea imported $14.5 billion in consumer oriented Products in 2018, accounting for 39 percent of agricultural imports. There are still many opportunities for U.S. export growth in this segment, including for beef, pork, fruits, tree nuts, dairy products, confectioneries, beverages, and further prepared foods.



Food Processing Industry

Korea had over 29,000 food-processing companies as of 2017, generating $62.1 billion in sales. Korean food processing companies rely heavily on imported commodities and ingredients. Imports of basic and intermediate agricultural products totaled $13.2 billion in 2018. Thirty percent ($3.9 billion) of these imports came from the United States.

Retail Food Industry

Korean retail food sales totaled $93.2 billion in 2017, accounting for 28 percent of total retail sales. Grocery supermarkets are the leading food retail channel, followed by hypermarket discount stores, convenience stores, on-line retailers, and department stores. On-line retailers and convenience store food sales are expected to grow faster than other channels over the next 5-10 years. The fast expansion of on-line retailers is forcing conventional retail channels to restructure space and devise new strategies to attract consumer traffic.

Quick Facts CY 2018

Imports of Ag. Products from the World

- Basic Products	US $5.2 billion
- Intermediate Products	US $8.0 billion
- Consumer-Oriented Products	US $14.5 billion
- Forest Products	US $3.5 billion
- Seafood Products	US $5.8 billion
- Total	US $37.1 billion

Top 10 Consumer-Oriented Ag. Imports

Beef ($2.7 billion), pork ($1.7 billion), frozen fish ($1.4 billion), fresh fruits ($1.4 billion), dairy ($896 million), alcoholic beverages ($769 million), coffee ($637 million), tree nuts ($439 million), chocolate confectioneries ($352 million), bakeries ($364 million)

Top 10 Growth Consumer-Oriented Ag. Imports

Animal offal, dried fruits, specialty nuts, specialty fruits, butter, mollusks, herbs and spices, live fish, honey, tea

Food Industry by Channels (2017)

- Retail Food Industry	US $93.2 billion
- HRI Foodservice Industry	US $113.5 billion
- Food Processing Industry	US $62.1 billion
- Food & Agricultural Exports	US $7.0 billion

Top Korean Retailers

EMART, LOTTE Mart, HOME PLUS, COSTCO, GS Retail (GS Super, GS25), BGF Retail (CU), Korea Seven, E Land Retail, Lotte Department Store, Shinsegae Department Store, Hyundai Department Store, Hanwha Galleria, CJ O Shopping, GS Home Shopping, Coupang, SK Planet, Ebay Korea

GDP/Population

Population: 51.8 million
GDP: US $1.6 trillion
GDP per capita: US $31,355

Strengths/Weaknesses/Opportunities/ Challenges

Strengths	*Weaknesses*
- Well established market with modern distribution channels - Consumer income level continues to increase	- High logistics costs to ship U.S. products - Consumers have limited understanding of U.S. products
Opportunities	***Challenges***
- Strong consumer demand for value, quality, and diversity - KORUS FTA reduces tariff barriers for U.S. products.	- Strong competition from other exporting countries - Discrepancies in food safety and labeling regulations

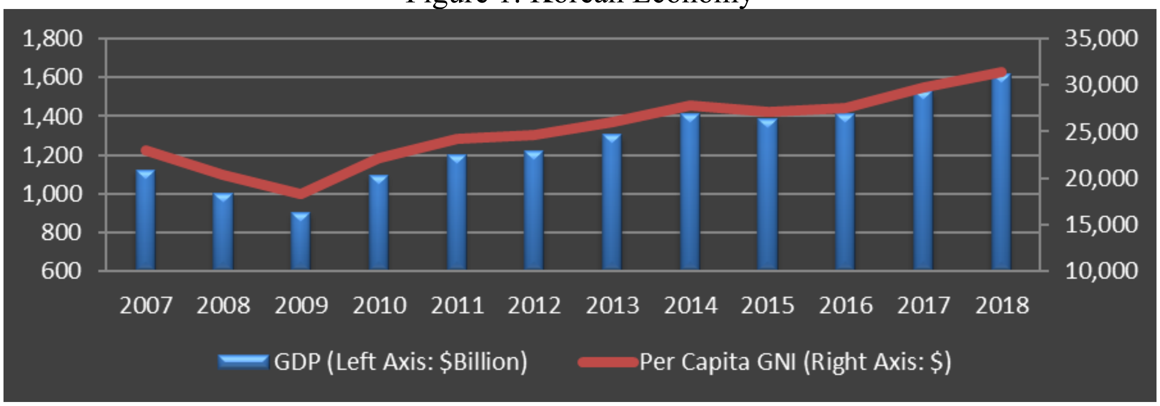
Data and Information Sources:
Korea Ministry of Food & Drug Safety, Korea National Statistics Office, Korea Int'l Trade Association, Trade Data Monitor, CIA Factbook

Contact: U.S. Agricultural Trade Office Seoul
E-mail: atoseoul@fas.usda.gov

SECTION I. MARKET OVERVIEW

South Korea (hereafter referred to as Korea) is the world's 12th largest economy with a Gross Domestic Product (GDP) of $1.6 trillion and a per capita Gross National Income (GNI) of $31,355 in 2018. Korea's export sector, traditionally a major driver of its economic growth, contracted in 2019. As a result, the Bank of Korea forecasts that the Korean economy will only grow by two percent in 2019. The food market is expected to expand despite these challenges as people take advantage of growing incomes to upgrade their diet and pursue new food trends.

Figure 1: Korean Economy



Source: The Bank of Korea

Table 1: Korea's Agricultural Imports by Category ($Million, CIF Value)

PRODUCT CATEGORY	From the World			From the United States			
	2018	2019(F)*	Growth	2018	2019(F)*	Growth	Mkt Share
BASIC COMMODITY	5,247	5,402	3.0%	2,526	2,058	-18.5%	38.1%
INTERMEDIATE	8,044	7,995	-0.6%	1,421	1,489	4.8%	18.6%
CONSUMER-ORIENTED	14,509	14,749	1.7%	5,077	5,385	6.1%	36.5%
FOREST PRODUCTS	3,532	2,932	-17.0%	105	83	-20.9%	2.8%
SEAFOOD PRODUCTS	5,794	5,541	-4.4%	261	219	-16.1%	4.0%
GRAND TOTAL	37,126	36,630	-1.3%	9,390	9,237	-1.6%	25.2%

Source: Korea Trade Information Service (KOTIS) Database of Korea Int'l Trade Association
* 2019(F) is a post forecast based on January-September import data

Korea is the fifth largest export market for U.S. agricultural products. The United States is the leading exporter of agricultural products to Korea. Korea relies heavily on imports to fulfill its agricultural and food needs. The country is about the size of Indiana and over 70 percent of its land is mountainous, making it unsuitable for large-scale commercial farming. While agriculture accounts for only two percent of GDP, it remains politically important. The majority of farm acreage is dedicated to rice production due to government subsidy policies. With a population of 51.8 million, Korea is the third most densely populated country in the world among countries with over 20 million in population. Over 90 percent of Koreans live in urban areas covering only 17 percent of the country. Over half the population lives in the greater metropolitan Seoul area.

Sustained income growth has led to rapid changes in the food market as well as rising agricultural imports. Although Korea's overall agricultural imports are forecast to decline 1.6 percent in 2019 from the previous year due to weak demand for intermediate products for processing uses, consumer-oriented products continue to generate solid growth. Korea's imports of consumer-oriented products from the United States are forecast to increase six percent in 2019 to a record $5.4 billion.

Key food trends in Korea reflect on-going socio-economic shifts in society, including a rise in affluent consumers, retirement of baby boomers, more women in the labor market, an increase in 1-2 person households, well-traveled/educated young consumers, urbanization, and the adoption of new information technologies. As a result, consumers are generating increased demand for products and services that offer good value, high quality, health/nutritional benefits, new/diversified tastes, and convenience.

Korean consumers and traders in general recognize the United States as a trusted origin for imported agricultural products of good quality and value. Strong business and social ties between the two countries help boost consumer interest and awareness of new U.S. products and trends. The Korea-United States Free Trade Agreement (KORUS FTA), implemented in March 2012, has increased export opportunities for U.S. products by reducing tariff and non-tariff barriers.

Table 2: Advantages and Challenges for U.S. Products in the Korean Market

Advantages	Challenges
Korea is a fast-paced market where new ideas and trends are eagerly tried and accepted. Local processing, retail, and HRI foodservice industries continue to expand. Rising consumer incomes drive demand for more diversified and sophisticated choices.	Korean consumers are generally biased toward locally produced agricultural products. Many consumers maintain an idea that local products are superior in quality and safety over imported products.
Korea depends heavily on imports to fulfill its food and agricultural needs. Consumers maintain strong attention to new international food and consumption trends as their exposure to foreign food culture expands.	The high cost of shipping, documentation, inspection and labeling erodes the price competitiveness of imported products. The recent economic slowdown has made consumers more price sensitive.
Korean consumers maintain elevated concerns about food safety. Many consumers recognize the United States as a trusted origin for quality agricultural products.	U.S. products face strong competition in the market. Other countries are aggressively promoting their exports in Korea.
Implementation of the KORUS FTA generates new opportunities for U.S. suppliers by reducing tariff and non-tariff barriers.	Imported products are subject to complicated labeling and food safety standards. Standards change frequently and with short notice.

SECTION II. EXPORTER BUSINESS TIPS

A. Market Research

New-to-market U.S. suppliers seeking entry into Korea should first conduct preliminary research to determine if there is a potential market for their products in Korea. The research should cover key marketing and regulatory issues including consumption trends, size of the market, major distribution channels, current import tariffs and local taxes, and labeling and food additive restrictions. The Agricultural Trade Office Seoul website offers a variety of information and links to additional resources about the Korean food market, including:

- GAIN Reports: Reports on key products and industries written by FAS Seoul, including the FAIRS country report on Korean regulations, Export Certificate Report, Retail Foods Report, HRI Foodservice Report, and Food Processing Ingredients Report.
- Korea's Agricultural Import Statistics: Spreadsheets, updated monthly, provide a summary of Korea's agricultural imports by four-digit HS product code. Both the Korean government's import statistics (KOTIS data, CIF value basis) and U.S. export statistics (U.S. Customs data, FOB value basis) are included for more accurate trade analysis.
- Korea's Agricultural Import Trends Presentation: Presentations, updated quarterly, provide an overview of Korea's agricultural imports from the U.S. and other competitors.
- Korea Food Market Media Reports: Weekly food news clippings summarize outstanding issues and trends in the Korean food market.

The U.S. Department of Commerce is another important source of information about the Korean market. Their 'Country Commercial Guide' includes a wide range of useful information for new-to-market U.S. suppliers, including intellectual property protection issues. The CIA Factbook provides current socio-economic information about Korea.

B. Establishing Korean Business Partners

Many Korean importers are actively seeking business opportunities from new foreign suppliers and are willing to provide in-depth market intelligence if they are interested in the supplier's product or business offers. Exhibiting in reputable food trade shows is an effective tool for developing contacts with target Korean buyers, as Korean importers highly value face-to-face encounters when developing new business partnerships. Seoul Food & Hotel, the only food trade show in Korea officially endorsed by USDA/FAS, is an effective venue for new-to-market U.S. suppliers to develop business contacts with Korean buyers. For information on how to join the U.S. Pavilion, please visit the show's website or contact the organizer at rhood@oakoverseas.com. Other international food trade shows popular with Korean buyers include FoodEx Japan, Natural Products Expo West, Fancy Food Show, SIAL France, and ANUGA Germany.

Another recommended tool is joining trade delegations organized by U.S. agricultural export promotion organizations, such as State Regional Trade Groups (Western U.S. Trade Association, Food Export Association of the Midwest USA, Southern U.S. Trade Association, and Food Export USA Northeast), State Departments of Agriculture, and USDA Cooperators. Some states and USDA cooperators have representative offices or marketing contractors in Korea and may offer market entry assistances for new-to-market suppliers.

While Korean importers understand international business customs and practices, paying attention to cultural differences and localities will facilitate building trusted business relationships. Please refer to the Appendix for some tips on navigating Korean business culture.

C. General Consumer Food Tastes and Consumption Trends

Represented by steamed rice, Kimchi (seasoned and fermented vegetables) and Bulgogi (soy sauce marinated beef), traditional Korean cuisine remains the main part of the Korean diet today. However, Korean consumers are incorporating more international ideas and ingredients in their diet as they are further exposed to foreign food cultures and lifestyles. Koreans are looking for new tastes, better value, convenience, high quality, and most of all, safe and healthy food.

There is strong consumer interest in pursuing healthier diets. This demand is driven in part by the rapid aging of Korea's population. Many people adhere to the traditional Korean teaching that "food and medicine are from the same source." The 'well-being' trend, emphasizing physical and psychological health, has also heightened interest in healthy diets. This has resulted in growing demand for functional food supplements and foods with perceived health benefits.

Table 3: Aging Korean Population (unit: million people)

Age Group	1995		2015		Change
	Number	Share	Number	Share	
0-14	10.2	23.0%	6.9	14.3%	-32 %
15-64	31.7	71.1%	35.0	72.5%	10 %
65 +	2.6	5.9%	6.4	13.3%	146 %

Source: Korea National Statistics Office

Korean consumers are very sensitive to food safety concerns. The government and industry have found it challenging to adequately respond to new food safety concerns and correct misinformation as more people obtain information online and from social media. There is growing interest in food traceability. Overall, Korean consumers view most food products from the U.S. as safe and reliable.

Sustained economic growth has resulted in a growing number of affluent consumers. Swiss Credit reported that the number of millionaires in Korea reached 750,000 in 2019, 9.5 times more than in 2010. Korea now ranks 14th in the world in terms of the number of millionaires. This has created more demand for high-end food products.

At the same time, there is also strong demand for affordable products. The recent economic slowdown as well as the on-going retirement of seven million Korean baby boomers has increased demand for lower priced private brand label products in retail stores. Value-oriented retail segments, including on-line retailers, warehouse discount stores and outlet shopping malls, are reporting solid expansion under the trend.

Convenience is another strong driving force behind many key consumer trends as everyday life for Koreans gets busier. For example, the rapid increase in dual-income families, single parent households, and single member households is leading to strong growth in Home Meal Replacement (HMR) products in retail stores as well as take-out meals in restaurants. Delivery service is extremely well developed in Korea as people do not want to spend time in heavy traffic. Rapid growth in on-line shopping is also rooted partly in the demand for convenience.

Korean households spent on average 717,897 won ($624) per month on food in 2018 (average household size: 2.4). Food accounted for 28.3 percent of total household consumption expenditures.

Grocery purchases accounted for 53 percent of the food spending, while dining accounted for the other 47 percent. Spending on dining out has grown faster than spending on groceries in recent years due to Korean families' busier lifestyles.

Table 4: Breakdown of Monthly Korean Household Food Expenditure (Won per person)

Year	2013		2018		Growth*
Number of Household Members	2.79		2.43		-2.73%
Total Consumption Expenditure	776,566		1,044,297		6.10%
Total Food Expenditure	211,478		295,431		6.91%
Product Category	Amount	Share	Amount	Share	Growth
Grains, bread, rice cakes	19,461	9.2%	24,650	8.3%	4.8%
Meat	18,840	8.9%	27,537	9.3%	7.9%
Seafood	11,055	5.2%	15,465	5.2%	6.9%
Dairy & Eggs	9,792	4.6%	10,858	3.7%	2.1%
Fruits Fresh & Processed	14,222	6.7%	18,539	6.3%	5.4%
Vegetables Fresh & Processed	12,555	5.9%	16,244	5.5%	5.3%
Snacks & Confectionery	8,392	4.0%	10,750	3.6%	5.1%
Seasonings & Sauces	4,184	2.0%	6,262	2.1%	8.4%
Coffee & Tea	2,629	1.2%	3,498	1.2%	5.9%
Juice & Beverages	3,732	1.8%	5,892	2.0%	9.6%
Alcoholic Beverages	3,486	1.6%	6,211	2.1%	12.2%
Other Foods	5,757	2.8%	11,200	3.8%	14.2%
Dining Outside Home	97,374	46.0%	138,326	46.8%	7.3%

Source: Monthly Household Expenditure Survey, Korea National Statics Office
Exchange rate $1 = 1,150 Won in 2018   *Growth: Compounded Annual Growth Rate (CAGR)

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS

Korea has well-established standards and regulations on food and agricultural products. Imported products must meet all local rules to enter the market. The FAIRS (Food and Agricultural Import Regulations and Standards) Country Report and FAIRS Export Certificate Report provide an overview of relevant standards and regulations. These reports can be found on the ATO Seoul website and the USDA FAS website. Exporters of meat products should check export requirements on the Food Safety Inspection Service Export Library. Sanitary and Phytosanitary requirements can be found on the Animal & Plant Health Inspection Service (APHIS) IRegs webpage. Exporters should also consult with their importer to ensure they meet the latest regulations.

The 2012 KORUS Free Trade Agreement significantly reduced tariffs on many U.S. products imported into Korea. Information about the KORUS FTA and import tariffs on are available on the ATO Seoul website. Information on Korea's customs clearance process is included in the 2019 FAIRS Country Report.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

The supply chain for agricultural imports typically involves multiple layers of intermediary distributors and retailers. It takes at least two weeks for a container ship from a western U.S. port, and three weeks from an eastern port, to arrive in a port in Korea. Most imported consumer ready products enter through the port of Busan at the southeastern tip of the peninsula. The port of Incheon, which is much closer to the Seoul metropolitan market, is another important entry point. Small-volume-high-value products, such as premium wine, fresh cherries, and chilled beef, are often brought in via air cargo through Incheon International Airport (ICN) which is about an hour drive from Seoul.

Over half of the population lives within a 60-mile radius of Seoul. This area accounts for 70 percent of total retail sales. The Seoul metropolitan area is expected to dominate the food market in the coming years as it continues to attract young people for work and education. Other regional markets that are likely to grow in the coming years include Busan, Incheon, Jeju, and Daejeon. The Daejeon area, located in the middle of the peninsula, has been designated as the new home of Korean government offices.

A. Retail Food Sector

Cash register sales for food products in the retail industry reached 105 trillion won ($93.2 billion) in 2017, up 4.3 percent from the previous year. Food products account for 28 percent of retail industry sales. Supermarkets are the leading retail channel for food products followed by hypermarkets. Food sales are growing fastest in on-line retailers and convenience stores due to increased consumer demand for convenience and value. For further information about the retail food sector in Korea, please refer to Korea Retail Foods Report 2019.

B. Hotel, Restaurant and Institutional (HRI) Food Service Sector

HRI food service industry cash register sales totaled 128 trillion won ($113.5 billion) in 2017, up 8 percent from the previous year. Full-service restaurants continue to account for the most sales, followed by quick service restaurants. Institutional restaurants and café beverage stores, however, are experiencing the fastest sales growth. For further information about the retail food sector in Korea, please refer to Korea HRI Foodservice Sector Report 2019.

C. Food Processing Sector

Korea has a strong food processing industry that manufactures a wide variety of processed food products and food additives. There were over 29,000 food processing companies in Korea as of 2017, generating 70 trillion won ($62.1 billion) in sales. For more information on the food processing sector, please refer to the Korea Food Processing Ingredients Market Report 2019.

SECTION V. KOREA'S AGRICULTURAL & FOOD IMPORTS

The following tables include Korean import data on major agricultural imports as well products with the fastest growth. U.S. export data is available on the USDA FAS website.

Table 5: Top 20 Korean Imports of Agricultural Products and Competition (2018)

Product Category/HS Code	Gross Imports 2018 ($ million)	1st Supplier	2nd Supplier	U.S. Ranking
Beef, Frozen/HS0202	1,827	U.S. (57%)	Australia (36%)	1 (57%)
Pork, Chilled or Frozen/HS0203	1,734	U.S. (30%)	Germany (21%)	1 (30%)
Food Preparations NESOI/HS2106	1,421	U.S. (57%)	N.Z. (7%)	1 (57%)
Fish, Frozen (Not Fillets)/HS0303	1,409	Russia (29%)	China (23%)	4 (8%)
Crustaceans/HS0306	1,172	Russia (31%)	Vietnam (22%)	9 (2%)
Mollusks/HS0307	1,089	China (49%)	Vietnam (23%)	15 (0.3%)
Beef, Chilled/HS0201	865	U.S. (59%)	Australia (41%)	1 (59%)
Coffee/HS090	637	Colombia (14%)	U.S. (13%)	2 (13%)
Fish Fillets/HS0304	618	Vietnam (19%)	U.S. (16%)	2 (16%)
Crustaceans, Prepared/Preserved/HS1605	562	Vietnam (26%)	China (23%)	16 (1%)
Cheese and Curd/HS0406	534	U.S. (42%)	N.Z. (17%)	1 (42%)
Live Fish/HS0301	366	China (42%)	H.K. (32%)	5 (2%)
Bread, Pastry, Cakes, Biscuits/HS1905	364	Malaysia (18%)	U.S. (15%)	2 (15%)
Other Preserved Fruits & Nuts/HS2008	363	China (29%)	U.S. (15%)	2 (15%)
Bananas/HS0803	365	Philippines (78%)	Ecuador (9%)	NA (0%)
Chocolate Food Preparations/HS1806	329	U.S. (28%)	China (10%)	1 (28%)
Citrus Fruit/HS0805	328	U.S. (87%)	S. Africa (5%)	1 (87%)
Other Nuts/HS0802	316	U.S. (91%)	Australia (4%)	1 (91%)
Beer made from malt/HS2203	310	Japan (25%)	China (13%)	4 (11%)
Other Vegetables, Prepared, Not Frozen/HS2005	283	China (76%)	Thailand (10%)	3 (6%)

Source: Trade Data Monitor (CIF Value)

Table 6: Fastest Growing Korean Imports of Consumer-Oriented Agricultural Products (2018)*

Product Category/HS Code	Gross Imports 2018 ($ million)	Growth from 2017	U.S. Growth	U.S. M/S
Guts, Bladders, Stomachs/HS0504	138	83%	77%	48%
Dried Fruits/HS0813	18	81%	16%	29%
Other Fruit, Fresh/HS0810	138	40%	76%	18%
Butter/HS0405	71	40%	67%	10%
Natural Honey/HS0409	12	32%	-11%	29%
Tea/HS0902	21	30%	27%	7%
Poultry Meat & Offal/HS0207	252	26%	-1%	5%
Lettuce, Fresh/Chilled/HS0705	17	25%	24%	25%
Cider, Perry, Mead/HS2206	34	25%	8%	8%
Soups & Broths/HS2104	21	24%	6%	23%
Other Prepared/Preserved Meat/HS1602	194	24%	33%	15%
Dates, Figs, Pineapple, Etc./HS0804	183	21%	79%	18%
Beef, Chilled/HS0201	865	20%	29%	59%
Fish Fillets/HS0304	618	20%	21%	16%
Mineral Water, Flavored/HS2202	96	20%	28%	25%

*Note: Limited to products with over $10 million in imports and 5% or greater U.S. market share

SECTION VI. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
Telephone: +82-2 6951-6848Fax: +82-2 720-7921
E-mail: atoseoul@fas.usda.gov Internet homepage: www.atoseoul.com

Agricultural Affairs Office, U.S. Embassy Seoul (AAO)
Korean Address: U.S. Embassy, 188 Sejong-daero, Jongro-gu, Seoul, Korea
Telephone: +82-2 397-4297 Fax: +82-2 738-7147
E-mail: agseoul@fas.usda.gov

U.S. Animal Plant and Health Inspection Service Seoul (APHIS)
Korean Address: Room 303, Leema Building, 42 Jongro 1-gil, Jongro-gu, Seoul, Korea
Telephone: +82-2 725-5495 Fax: +82-2 725-5496
E-mail: yunhee.kim@aphis.usda.gov Internet Homepage: www.aphis.usda.gov

USDA Cooperators, States, SRTG, State Offices and AMCHAM in Korea
USDA Cooperators in Korea
U.S. State Departments of Agriculture
U.S. State Regional Trade Groups (SRTG)
U.S. State Offices in Korea
American Chamber of Commerce (AMCHAM)

Host Country Government
Ministry of Agriculture, Food and Rural Affairs (MAFRA)
Ministry of Food and Drug Safety (MFDS)
Ministry of Trade, Industry and Energy (MOTIE)
Ministry of Foreign Affairs (MOFA)

Appendix: Korean Business Culture

While Korean importers understand international business customs and practices, paying attention to cultural differences will help build trusted business relationships. The following are some business tips that U.S. suppliers should keep in mind when working with Korean businessmen.

Initial Communication:
Partly due to the strong influence of Confucianism philosophy, Koreans try to be formal when they develop contacts with new people. As such, cold calling (or cold e-mailing) can be problematic. Koreans take extra steps and effort to make the initial communication as formal as possible. For example, e-mails or letters often include 'protocol' information, such as lengthy greetings or elaborated introduction about the person in charge, that are not directly related to the business subject. Initial communication may not be considered official or meaningful unless done in a formal way (e.g., use of official letterheads or seals) or by a proper level person in the organization. Communication exchanged between working level staff may not take effect until senior level staff is introduced to the discussion later for final confirmation on the preliminary agreement already made. Therefore, U.S. suppliers should try to match the formality of the Korean counterpart, particularly during the initial stage of contact. As a result, progress in initial communication may seem slow.

Relationship Building & Social Networking:
Koreans put high value on personal interaction when developing a new relationship, so they prefer to deal face-to-face. U.S. suppliers may see little progress in negotiations until there is a face-to-face meeting with the Korean counterpart. Koreans may seek introductions or referrals from mutually connected third parties to supplement the personal interaction. Koreans enjoy socializing and participate actively in various social networks, such as religious organizations, school alumni groups, political parties, and birthplace associations. Any of these social networks can help U.S. suppliers develop or even troubleshoot their relationship with Korean business partners. Many Koreans are active users of on-line social media, such as blogs, internet communities, *Facebook*, and *Twitter*.

Language:
Although English is the most common foreign language used in Korea and is officially taught in public schools, many Koreans find it difficult to communicate in English. Therefore, U.S. suppliers should be very careful when writing or talking to Korean counterparts in English. U.S. suppliers should try to use plain words, use clear and simple sentences, avoid using slang or trendy expressions, and ask for confirmation that the Korean counterpart has fully understood the idea. When corresponding through written communication, start with words of appreciation, clearly mark the recipient's name, title, and division (as many Koreans have the same last name), indicate a reasonable time frame for a response, and close with additional words of appreciation. Culturally, Koreans rarely say "no" directly. Instead they often say the issue is "difficult." If there is anything unclear or confusing, it is best to ask directly and clearly what additional information or explanation is needed. When there is no satisfying reply, there is nothing wrong with politely asking again.

Name Cards:
Exchange of name cards is usually the first item of business expected at the very beginning of a face-to-face encounter. In Korea, people seldom call others by their first names. Instead, they use surnames (such as Mr. Lee) or title and surname together (such as President Lee). Never use the first name unless

the person specifically asks to be called by his/her first name. Having the back side of business card translated and printed in Korean should help the Korean recipient better understand and remember you. One thing to note is that Koreans put their surnames ahead of first names when they write their names in Korean. For example, in a Korean name 'Hong Gil-Dong', the surname is 'Hong'. Korean names are difficult for Westerners to tell if the contact is a male or a female. Job titles are quite diversified in a Korean organization, so the job title on a Korean business card can be confusing as there may not be an exact match in U.S. businesses (for example, 'Manager of Sales Department' on a Korean business card could mean 'Sales Executive' up to 'Vice President of Sales' in a U.S. company).

Meetings:
A clearly defined agenda provided in advance to the Korean counterpart helps meetings stay focused and generate successful outcomes. When the meeting includes a senior staff member who speaks little English, a designated junior staff member of the Korean company usually translates on behalf of the whole Korean party. However, regardless of the fluency of the translator from the Korean side, U.S. suppliers should be prepared to provide all materials in writing to avoid misunderstanding. For important meetings, U.S. suppliers should also consider hiring a professional interpreter. Take time before the meeting to ensure that your interpreter is familiar with the terms that you will use. Small talk is a good way to break the ice at the beginning of a meeting. Allow the Korean party to talk enough before giving your reply, but it is ok to stop the discussion and ask for clarification or additional information.

Evening Gatherings:
Korean businessmen often gather after work over dinner or drinks not only to socialize, but also for business. There is an old Korean saying that "real business develops in (unofficial) evening gatherings after work." Korean businessmen tend to extend official talks started during work hours into dinner or even to a late 'drinking gathering' following the dinner, particularly when they want to make significant progress in the negotiation. Therefore, U.S. suppliers are encouraged to actively participate in evening gatherings especially when dealing with older generation Korean businessmen. Although Koreans are wary of people who refuse to drink or who drink moderately, foreigners are given some flexibility especially if you explain that you have health or religious reasons for abstaining. A useful cultural point is that it is viewed as impolite to pour your own drink. As such, participants should not be bashful about pouring for others at the table.

Dress Code:
Koreans place great importance on first impressions. It is recommended to wear a business suit and tie when meeting or visiting Korean importers for the first time regardless of the weather (in the heat of summer most Koreans do not wear a tie) unless you intend to deliver a specific idea by wearing special attire.

Resolving Conflicts:
Koreans do not like to appear to "lose face" when dealing with conflicts. Therefore, even a small concession offered by the U.S. supplier can help resolve the conflict more quickly. Visible anger is not useful in a confrontation. Instead, silence could be a more effective method of conveying displeasure. Apologizing can also be useful and does not always mean that you feel you were wrong. Lastly, never point your criticism directly at one specific person, but try to share the issue with the entire group of staff involved in the Korean company. Lawsuits are a very expensive and time-consuming way to

resolve conflicts. Therefore, it is always recommended to include an alternative measure in the contract describing how potential business disputes will be resolved. The following is a clause often used by Korean traders - “All disputes related to this contract shall be finally settled by arbitration in the country of the respondent. In case the respondent is the Korean importer, the arbitration shall be held at the Korean Commercial Arbitration Board. In case the respondent is the American supplier, the arbitration shall be held at an American commercial arbitration association.” The Korean Commercial Arbitration Board offers some useful information related to this issue.

Attachments:

No Attachments