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Report Highlights:

The United States exported $8.9 billion in agricultural and related products to South Korea in 2019, making it our fifth largest agricultural export market. The United States is the leading exporter of agricultural products to Korea with a 25 percent market share. While overall U.S. agricultural exports to Korea will likely decline slightly in 2020 due to the COVID-19 pandemic, exports of consumer-oriented products should continue to grow. Ongoing socio-economic shifts coupled with elevated consumer attention to quality of diet in Korea will generate new opportunities for U.S. food and agricultural products for years to come.

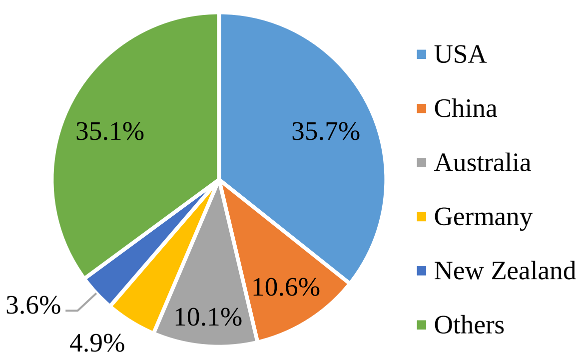
Market Fact Sheet: South Korea

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 $32,047 in 2019. It is about the size of Indiana and has a population of 52 million. Over 90 percent of Koreans live in urban areas. Domestic production meets only 45 percent of food demand. The United States exported $8.9 billion in agricultural products to Korea in 2019, 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 $14.7 billion in consumer-oriented products in 2019, accounting for 41 percent of its total 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 2018, generating $63.3 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 2019. Twenty four percent ($3.2 billion) of these imports came from the United States.

Food Retail Industry

Korean retail food sales totaled $95.3 billion in 2018, accounting for 26 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 2019

Imports of Ag. Products from the World

- Basic Products $5.2 billion
- Intermediate Products $8.0 billion
- Consumer-Oriented Products $14.7 billion
- Forest Products $2.8 billion
- Seafood Products $5.4 billion
- Total $36.1 billion

Top 10 Consumer-Oriented Ag. Imports

Beef ($2.9 billion), pork ($1.6 billion), frozen fish ($1.3 billion), fresh fruits ($1.2 billion), dairy ($958 million), alcoholic beverages ($788 million), coffee ($662 million), tree nuts ($354 million), bakeries ($340 million), chocolate confectioneries ($328 million)

Top 10 Growth Consumer-Oriented Ag. Imports

Animal offal, mineral water, food preparations not-elsewhere-specified, butter, vinegar, grapes, poultry meat, beef, roasted prepared foods, melons & papayas

Food Industry by Channels (2018)

- Retail Food Industry $95.3 billion
- HRI Foodservice Industry $120.2 billion
- Food Processing Industry $63.3 billion
- Food & Agricultural Exports $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: 52 million
GDP: US $1.6 trillion
GDP per capita: US $32,047

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
- Well established market with modern distribution channels - Consumer income level continues to increase	- High logistics cost 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.	- Elevated competition from export-oriented competitors - 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, Atlas, CIA Factbook (This report uses the latest available statistics data)

Contact:
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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 $32,047 in 2019. The Korean economy was hit hard by the COVID-19 pandemic in 2020. However, Korea handled the pandemic relatively well. The Bank of Korea forecasts that Korea's GDP will decline 1.1 percent in 2020, one of the smallest declines among leading economies around the world. The Korean food market is expected to expand despite COVID-19 related challenge as consumers are paying extra attention to quality and healthy diets.

Figure 1: Korean Economy[1]

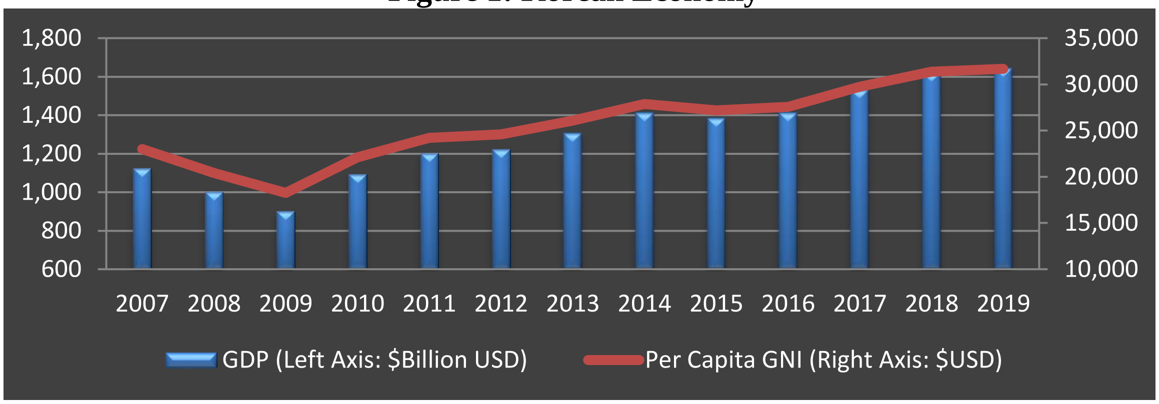

Table 1: Korean Agricultural Imports by Product Category ($Million, CIF Value)[2]

Product Category	From the World			From the United States			
	2019	2020(F)[3]	Growth	2019	2020(F)	Growth	Mkt Share(F)
Basic Commodities	5,238	5,343	2.0%	1,762	1,549	-12.1%	29.0%
Intermediate	7,971	8,146	2.2%	1,467	1,416	-3.5%	17.4%
Consumer Oriented	14,656	14,656	0.0%	5,391	5,488	1.8%	37.4%
Forest Products	2,845	2,606	-8.4%	83	77	-7.5%	2.9%
Seafood Products	5,431	5,214	-4.0%	232	237	2.1%	4.5%
Total	36,141	35,965	-0.5%	8,935	8,766	-2.2%	24.4%

Korea is the fifth largest export market for U.S. agricultural products. The United States is the leading exporter of agricultural products to Korea. Korean consumers and traders in general recognize the United States as a trusted origin for imported agricultural products with 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.

[1] Source: The Bank of Korea
[2] Source: Korea Trade Information Service (KOTIS) Database (www.kita.net)
[3] 2020(F) is an ATO Seoul forecast based on January-September import data reported by the Korean government

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 limited farm acreage is dedicated to rice production due to government subsidy policies. With a population of 52 million, Korea is the third most densely populated country in the world among countries with populations over 20 million. 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 changes in the food market and rising agricultural imports. Although Korea's overall agricultural imports are forecast to decline 0.5 percent in 2020 as COVID-19 hurts the economy, imports of consumer-oriented products will likely continue to grow. Korean imports of consumer-oriented products from the United States are forecast to increase 1.8 percent in 2020 to a record $5.5 billion.

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. Rising incomes are creating demand for diverse and quality food.	Many Korean consumers are biased toward locally produced agricultural products, believing they are better and safer than imported products.
Korea depends heavily on food and agricultural imports. Consumers closely follow international food trends.	Imports are subject to strict food safety regulations. Korean food safety standards change frequently and with short notice.
Korean consumers are very concerned about food safety. Many consumers recognize the United States as a trusted origin for quality agricultural products.	The supply chain for imported products includes multiple layers of intermediary distributors and agents, which adds cost and inefficiency.
Implementation of the KORUS FTA generates new opportunities for U.S. suppliers by reducing tariff and non-tariff barriers.	U.S. products face strong competition from other exporting countries. The recent economic slowdown has made consumers more price sensitive, favoring low price competitors.

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 and competition, major distribution channels, import tariffs and local taxes, and labeling and food additive restrictions. The Agricultural Trade Office Seoul website offers a variety of related information and links to other resources, including:

- GAIN Reports: Routine and voluntary reports on key products, industries, and regulatory issues published by FAS Seoul.

- Korea's Agricultural Import Statistics: Monthly spreadsheet updates on Korean agricultural imports by four-digit HS product classification. Both the Korean government import statistics (KOTIS data, CIF value) and U.S. export statistics (U.S. Customs data, FOB value) are included for more accurate trade analysis.
- Korea Food Market Media Reports: Weekly local food news clippings that summarize outstanding issues and trends in the Korean food market.

The U.S. Department of Commerce is another important source of information for suppliers seeking new business opportunities in Korea (its 'Country Commercial Guide' is an excellent resource to start a market research). The CIA Factbook is another useful resource available, particularly for socio-economic data.

B. Establishing Korean Business Partners

Many Korean importers are actively seeking business opportunities with new foreign suppliers and are willing to provide in-depth market intelligence if they are interested in the supplier's product or business offers. Korean importers highly value face-to-face encounters when developing new business partnerships so exhibiting in reputable food trade shows is an effective tool for developing contacts with target Korean buyers. 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 contacts with Korean buyers. For registration information, please visit the show website or contact the organizer at rhood@oakoverseas.com. Other international food trade shows with a large-scale Korean buyer attendance include FoodEx Japan, Natural Products Expo West, Fancy Food Show, SIAL France, and ANUGA Germany. Please visit the internet homepages of the shows for updated schedules in 2021 as most of the shows were canceled in 2020 due to the COVID-19 pandemic.

Another recommended tool is joining reverse trade delegations to Korea 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 (contact information of the organizations can be found at the end of this report).

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 Korean 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)[4]

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 %

Korean consumers are extremely sensitive to food safety issues. The government and industry are pressured to make efforts to assure the quality and safety of food in the market with new regulatory tools and public campaigns. For example, food traceability has emerged as a priority initiative in recent years, resulting in mandatory traceability labeling on key products, including livestock meat and eggs, and registration of foreign facilities.

Sustained economic growth has expanded the number of affluent consumers in Korea. Swiss Credit Group 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. Emergence of young generations in the society who are well educated and traveled has also fueled an elevated demand for diversity and new taste.

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 in the demand for convenience. The COVID-19 pandemic has accelerated the market shift toward on-line shopping. For example, consumer spending in on-line shopping increased 49 percent in March 2020 compared to the same month in the previous year[5].

Each Korean household spent 679,889 won ($591) per month on food purchases in 2019.[6] Grocery purchases accounted for 51 percent of the food spending, while dining out accounted for the remaining 49 percent. Spending on dining out has outgrown grocery purchases over the last five years. The expansion of dining out has met an unexpected barrier in 2020 as consumers dramatically reduced trips

[4] Source: Korea National Statistics Office (www.kosis.kr)
[5] Source: 'COVID-19 Consumer Market Impact Report', Hana Financial Group, May 10, 2020
[6] Exchange rate $1 = 1,150 Won in 2019

to restaurants and foodservice outlets during the COVID-19 pandemic. Although many consumers have opted for on-line platforms for restaurant meal home delivery services during the pandemic, consumer traffic to the restaurant industry will not rebound until the COVID-19 pandemic is contained.

Table 4: Breakdown of Monthly Korean Household Food Expenditure (Won, Per Person)[7]

Year	2014		2019		CAGR[8]
Number of Household Members	2.71		2.41		-2.3%
Total Consumption Expenditure	814,146		1,019,368		4.6%
Total Food Expenditure	221,106		282,112		5.0%
Product Category	Amount	Share	Amount	Share	CAGR
Grains, Raw & Processed	12,736	5.8%	14,244	5.0%	2.3%
Bakeries	7,018	3.2%	9,278	3.3%	5.7%
Meat, Fresh & Processed	20,222	9.1%	25,270	9.0%	4.6%
Seafood, Fresh & Processed	13,346	6.0%	14,728	5.2%	2.0%
Dairy & Eggs	10,003	4.5%	10,646	3.8%	1.3%
Fruits, Fresh & Processed	14,476	6.5%	15,676	5.6%	1.6%
Vegetables, Fresh & Processed	11,882	5.4%	13,932	4.9%	3.2%
Snacks & Confectionery	8,772	4.0%	10,443	3.7%	3.5%
Seasonings, Sauces, Oils	5,030	2.3%	6,380	2.3%	4.9%
Coffee & Tea	2,560	1.2%	3,419	1.2%	6.0%
Juice & Beverages	3,918	1.8%	5,691	2.0%	7.8%
Alcoholic Beverages	3,751	1.7%	5,717	2.0%	8.8%
Other Processed Foods	3,882	1.8%	8,282	2.9%	16.4%
Dining Outside Home	103,510	46.8%	138,403	49.1%	6.0%

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 or the USDA FAS website. Exporters of meat products should also 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 website. Exporters should also consult closely with their Korean importer partners 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 USTR website.

[7] Source: Monthly Household Expenditure Survey, Korea National Statistics Office
[8] CAGR: Compound Annual Growth Rate

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

The supply chain for imported agricultural products typically involves multiple layers of intermediary distributors and retailers. It takes minimum 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.

A. Retail Food Sector

Cash register sales for food products in the retail industry reached 110 trillion won ($95 billion) in 2018, up 4 percent from the previous year. Food products account for 26 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 2020.

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

HRI food service industry cash register sales totaled 138 trillion won ($120 billion) in 2018, 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 HRI food service sector in Korea, please refer to Korea HRI Foodservice Sector Report 2020.

C. Food Processing Sector

Korea has a strong food processing industry that manufactures a wide variety of processed foods and additives. There were over 29,000 food processing companies in Korea as of 2018, generating 73 trillion won ($66 billion) in sales, up 4 percent from the previous year. For more information on the food processing sector, please refer to the Korea Food Processing Ingredients Market Report 2020.

SECTION V. KOREA'S AGRICULTURAL & FOOD IMPORTS

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

Table 5: Top Korean Imports of Consumer-Oriented Products and Competition[9]

Product Category/HS Code	Gross Imports 2019 ($ million)	1st Supplier (M/S)	2nd Supplier (M/S)	U.S. Ranking
Beef, Frozen/HS0202	2,055	U.S. (59%)	Australia (35%)	1 (59%)
Food Preparations NESOI[10]/HS2106	1,758	U.S. (58%)	N.Z. (6%)	1 (58%)
Pork, Chilled or Frozen/HS0203	1,600	U.S. (31%)	Germany (21%)	1 (31%)
Fish, Frozen (Not Fillets)/HS0303	1,294	Russia (28%)	China (23%)	3 (8%)

[9] Source: Korean government import data (KOTIS) released by Korea Int'l Trade Association (www.kita.net). CIF value.
[10] NESOI: Not elsewhere specified or included

Crustaceans/HS0306	1,200	Russia (34%)	Vietnam (19%)	9 (2%)
Mollusks/HS0307	951	China (45%)	Vietnam (24%)	15 (0.5%)
Beef, Chilled/HS0201	868	U.S. (62%)	Australia (37%)	1 (62%)
Coffee/HS090	662	U.S. (15%)	Colombia (14%)	1 (15%)
Fish Fillets/HS0304	582	Vietnam (18%)	U.S. (16%)	2 (16%)
Cheese and Curd/HS0406	555	U.S. (46%)	N.Z. (14%)	1 (46%)
Crustaceans, Prepared/Preserved/HS1605	534	Vietnam (26%)	China (23%)	20 (0.4%)
Other Preserved Fruits & Nuts/HS2008	362	China (29%)	Vietnam (18%)	3 (15%)
Bread, Pastry, Cakes, Biscuits/HS1905	340	Malaysia (16%)	U.S. (16%)	2 (16%)
Chocolate Food Preparations/HS1806	328	U.S. (28%)	China (9%)	1 (28%)
Other Nuts/HS0802	304	U.S. (91%)	Australia (4%)	1 (91%)
Bananas/HS0803	302	Philippines (79%)	Ecuador (8%)	NA (0%)
Poultry Meat & Offal/HS0207	293	Brazil (90%)	Thailand (9%)	4 (1%)
Other Vegetables, Prepared, Not Frozen/HS2005	286	China (76%)	Thailand (10%)	3 (6%)
Beer made from malt/HS2203	281	China (15%)	Japan (14%)	4 (12%)
Citrus Fruit/HS0805	274	U.S. (88%)	S. Africa (3%)	1 (88%)
Live Fish/HS0301	261	China (51%)	Japan (20%)	4 (3%)
Wine/HS2204	259	France (32%)	Chile (19%)	3 (13%)
Fish, Fresh/Chilled (Not Fillets)/HS0302	255	Norway (88%)	Japan (7%)	15 (0.02%)
Vegetables, Frozen/HS0710	249	China (90%)	Vietnam (4%)	3 (2%)
Sauces & Preparations/HS2103	244	China (37%)	Japan (21%)	3 (15%)

Table 6: Fastest Growing Korean Imports of Consumer-Oriented Products[11]

Product Category/HS Code	Gross Imports 2019 ($ million)	Growth from 2018	Imports from U.S. ($ million)	U.S. Growth
Ginger, Saffron, Turmeric, Thyme/HS0910	17	39%	0.5	2%
Aquatic Invertebrates/HS0308	42	31%	2.5	2%
Mineral Waters/HS2201	86	28%	0.3	0.3%
Food Preparations NESOI/HS2106	1,758	24%	1,020	27%
Butter/HS0405	86	21%	10	43%
Other Prepared or Preserved Meat/HS1602	229	18%	36	27%
Grapes/HS0806	214	17%	60	-7%
Poultry Meat and Offal/ HS0207	293	16%	4	-67%
Beef, Frozen/HS0202	2,055	13%	1,206	16%
Prepared Foods, Roasted/HS1904	39	12%	11	-4%
Other Vegetables, Prepared/HS2004	178	11%	118	7%
Processed Fish, Dried or Salted/HS0305	120	10%	0.5	-42%
Other Fruit, Fresh/HS0810	151	10%	32	30%
Fruit Juices/HS2009	235	8%	61	-6%
Sausages & Similar Products/HS1601	40	8%	37	8%
Wine/HS2204	259	6%	34	12%

[11] Source: Ditto. Listing is limited to products that Korean imports were $10 million or larger

Cheese and Curd/HS0406	555	4%	253	14%
Coffee/HS0901	662	4%	97	14%
Crustaceans/HS0306	1,200	2%	22	-12%
Mushrooms and Truffles/HS2003	20	2%	0	N/A

SECTION VI. KEY FAS/USDA CONTACTS AND FURTHER INFORMATION

U.S. Agricultural Trade Office Seoul (ATO)
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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