



# South Korea

## Is South Korea a good country to do business in now?

While there are good investment opportunities in South Korea, the current political stand-off with North Korea makes it a risky venture.

### Here's why.

In May 2010 an international investigation found North Korea guilty of torpedoing a South Korean navy vessel, which resulted in the deaths of 46 sailors. Tensions rose quickly following the announcement of the finding and all trade and co-operation between the neighbouring states ceased. Following almost a decade of friendlier relations between the two states, North Korea's reluctance to deal with President Lee Myung-bak has seen a deterioration of inter-Korean relations since the president's inauguration in 2008. A series of North Korean missile tests in 2009 were seen as hostile by South Korea and its nuclear ambitions remain a concern to both South Korea and the international community. With the death of the North Korean President Kim Jong-il there is huge uncertainty about what is to come from and therefore now would not be the best time to do business there.

South Korea is Asia's third largest and the world's 13<sup>th</sup> largest economy and excels in technology and manufacturing. However, it has high level of foreign debt held by the country's banks have left them exposed to the fallout from the global credit crisis.

## Fast Facts

Population: **48.8 million**

Language/s: **Korean**

Religion/s: **None (49%) Christian (26%) Buddhist (23%)**

Land area: **99,720 square km**

Currency: **South Korean won (KRW)**

Capital: **Seoul**

Internet domain: **.kr**

International dialing code: **+82**

Innovation ranking<sup>1</sup>: **11 (out of 82 countries)**

E-Readiness ranking<sup>1</sup>: **13 (out of 70 countries)**



### Macroeconomic indicators:<sup>1</sup>

	2010	2011	2012
GDP (US\$)	\$741 billion	\$785 billion	\$825 billion
GDP per capita (US\$)	\$15,192	\$16,067	\$16,866
Real GDP growth	6.2	4.6	4.5
Inflation (CPI)	3.0	4.2	3.5

### Economy

It achieved one of the strongest recoveries among OECD countries following the global credit crunch of 2008-09, despite concerns about its banks' high level of debt, but growth slowed in 2010. According to the OECD, however, growth has picked up in 2011 owing to a recovery in world trade. Inflation has increased significantly, partly owing to higher oil and commodity prices. Output growth is expected to moderate in 2011 and 2012 and will help bring inflation back into the central bank's target range of 2 per cent to 4 per cent. The South Korean economy's long term challenges include a rapidly aging population, inflexible labor market, and heavy reliance on exports - which comprise half of GDP.

## Fast Facts



### Politics

South Korea is a flourishing, multi-party democracy. After gaining its independence from Japan following World War II, South Korea was ruled by the military until 1987, when a multi-party system was implemented. In 1993, Kim Young-sam became the country's first civilian leader, and the current president, Lee Myung-bak, is the first former businessman to rule South Korea. He took office in February 2008 following an historic victory margin and his Grand National Party took control of parliament after elections in April 2008.

### Doing business

When conducting business in South Korea, remember the following few guidelines:

- Personal relationships are important. First meetings will be strictly personal. You will get to know each other before any business is conducted. Several meetings may take place before business begins.
- Have many cards printed in English and Korean. Cards are exchanged with two hands. Comment on the card before putting it away.
- You should always take gifts from your home country, but do not make them extravagant or overly expensive.
- A slight bow or a handshake is common courtesy on meeting. Always support your right forearm with your left hand when shaking hands. Western women should offer their hand first.
- Social harmony is very important in Korea. Respect must always be shown and loss of face avoided at all times. Watch out for non-verbal cues to communicate disagreement.
- Punctuality is essential, but expect your Korean counterparts to be a few minutes late.
- Korean names begin with a family name, followed by a two-part given name. Always address people with Mr, Mrs or Miss and their family name.





## References

<sup>1</sup> Taken from the Economist Intelligence Unit's report: 'A new ranking of the world's most innovative countries' that ranks innovation in 82 countries. Innovation is defined as the application of knowledge in a novel way, primarily for economic benefit. Companies deem it vitally important as a competitive tool. Government policymakers see it as essential for economic growth.

<sup>1</sup> E-readiness is the Economist Intelligence Unit's measure of the quality of a country's information and communications technology (ICT) infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit. When a country uses ICT to conduct more of its activities, the economy can become more transparent and efficient.

<sup>1</sup> Source: Organisation for Economic Co-operation and Development, [www.oecd.org](http://www.oecd.org) (Real GDP growth and inflation), and International Monetary Fund, [www.imf.org](http://www.imf.org) (GDP and GDP per capita). 2009 and 2010 figures are OECD and IMF staff predictions. Real GDP growth and inflation are defined in percentage change from previous period.



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