



## **South Korea – Still an Asian Tiger?**

**Intercultural and economic perspectives  
on doing business**

Prof. Dr. Jong-Hwan Ko  
Pukyong National University  
[jonghko@pknu.ac.kr](mailto:jonghko@pknu.ac.kr)

## **Contents**



- I. Overview of South Korea**
- II. Is South Korea Still One of the Four Asian Tigers?**
- III. Doing Business in South Korea**



## I. Overview of South Korea

1. **Geography of South Korea**
2. **History of South Korea**
3. **Culture of South Korea**
4. **Economy of South Korea**



## 1. Geography of South Korea





## 1. Geography of South Korea

- **Location:** latitudes 33° and 39°N (43°N), and longitudes 124° and 130°E (132°E)
- **Small land size**
  - Total: 223,170 km<sup>2</sup> (84<sup>th</sup> in the world)
  - South Korea: 100,210 km<sup>2</sup>
- **Japan:** roughly the same size as California
- **South Korea:** a little more than one-quarter of the size of Japan



## 1. Geography of South Korea

- **Hilly and mountainous terrain: only 20% arable**
  - per capita gross national land: 0.55 acres
  - per capita arable land: 0.12 acres
- **Constraints on industrial land**
- **Population: 51.5 million (27<sup>th</sup>) in 2015**
  - Population density: 505/ km<sup>2</sup> (12<sup>th</sup>)
- **Four seasons: spring, summer, autumn and winter**



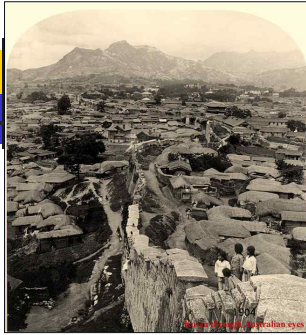
## 2. History of South Korea

- A long history of independence
  - Gojoseon (古朝鮮): 2333 BC – 108 BC
  - Goguryeo (高句麗): 37 BC – 668 AD
  - Baekje (百濟): 18 BC – 660 AD
  - Silla (新羅): 57 BC – 935 AD; unified three Kingdoms in 668 AD.
- Goryeo (高麗): 918 AD – 1392 AD
  - **Corea**: known to West by Persian merchants
- Joseon (朝鮮): 1392-1910
- Republic of **Korea** (大韓民國): 1948 - present

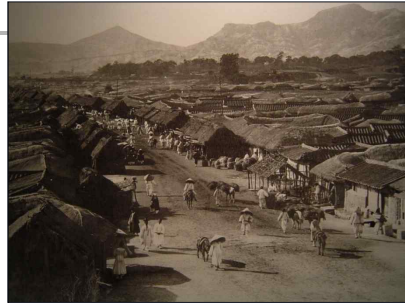


## Joseon Dynasty (朝鮮) (1392-1910)

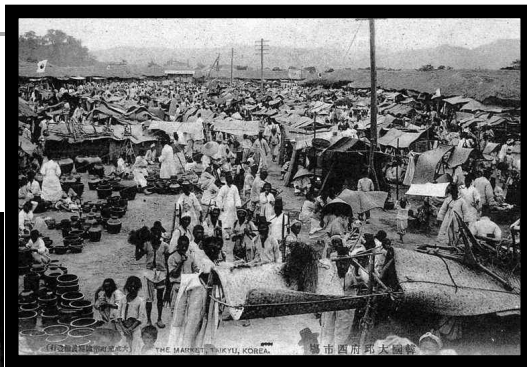
- Confucianism
  - Work ethic, desire for education, self-discipline, strong family tie (filial piety), loyalty to country and organization, etc.
  - High regard of scholars and farmers, neglecting technicians/artisans and merchants



*Peaceful Hermit Kingdom-1890's*



9



10



## Colonization of Korea by Japan (1910-1945)

---

- **The role of Japanese occupation in the Korea's economic development**
  - Positive and negative impacts
- **GDP per capita grew but GNP per capita decreased**
- **Impact on business and management**

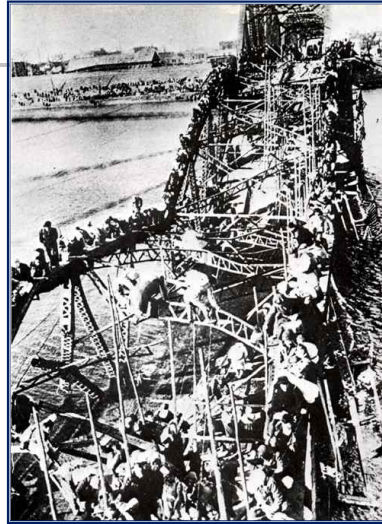
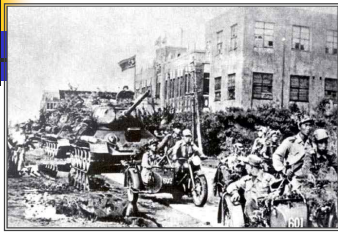


## Separation into North and South Korea

---

- **North Korea: rich in natural resources and energy**
- **South Korea: primarily agrarian and poor**
- **The Republic of Korea in 1948: in the South**
  - **Democratic People's Republic of Korea (DPRK): in North**
- **The Korean War (25/6/1950-27/7/1953)**
  - **Massive destruction**
  - **No peace treaty was ever signed. Technically still at war.**
- **Rivalry between North and South**

### *Korean War (1950-1953)*



13

### *Military Coup and Economic Development - 1961*



14



## Democratization - 1987



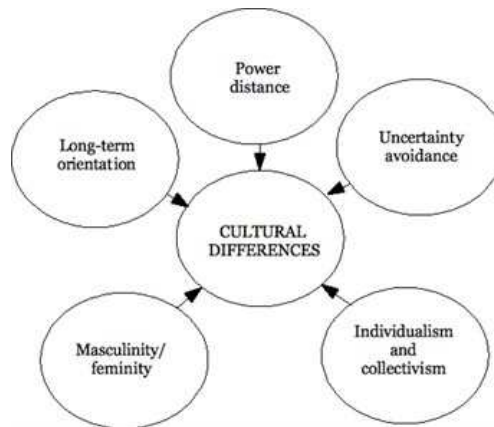
15

## 3. Culture of South Korea





### 3. Culture of South Korea



### 3. Culture of South Korea

- **Homogeneity**
- **Language**
- **Confucianism**
- **Religion**



## Homogeneity of South Korea

---

- **Population: 51.5 million (est. 2015)**
- **One of the most homogeneous societies in the world**
  - 96.5% Korean
  - 1.8% Chinese
  - 1.7% others
- **Low fertility rate of 1.23 children born per woman**
  - Japan: 1.21
  - Taiwan: 1.15



## Language of South Korea

---

- **Hangul: Korean language**
  - Created by King Sejong in 1443
  - 14 consonants and 10 vowels



## Confucianism of South Korea

- **Work ethic, desire for education, self-discipline, strong family tie (filial piety), loyalty to country and organization, etc.**
- **Highly hierarchical (in Joseon Dynasty)**
  - Scholars (gov. officials)
  - Farmers
  - Manufacturers or artisan
  - Merchants



## Korea's National Flag





## Korea's National Flag

- The four trigrams originate in the Chinese book of 周易 (zhouyi, 주역), representing the four Taoist philosophical ideas about the universe: harmony, symmetry, balance, and circulation.
- The general design of the flag also derives from traditional use of the tricolor symbol (red, blue and white) by Koreans starting from the early era of Korean history.



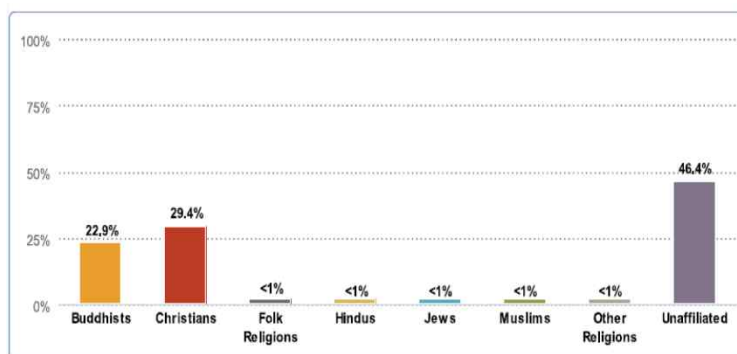
## Four Trigrams of Korea's National Flag

	Name in Korean	Nature	Seasons	Cardinal directions	Four virtues	Family	Four elements	Meanings
☰	geon (건 / 乾)	sky (천 / 天)	spring (춘 / 春)	east (동 / 東)	humanity (인 / 仁)	father (부 / 父)	metal (금 / 金)	justice (정의)
☷	ri (리 / 離)	sun (일 / 日)	autumn (추 / 秋)	south (남 / 南)	courtesy (예 / 禮)	son (중남 / 子)	fire (화 / 火)	wisdom (지혜)
☵	gam (감 / 坎)	moon (월 / 月)	winter (동 / 冬)	north (북 / 北)	intelligence (지 / 智)	daughter (중녀 / 女)	water (수 / 水)	vitality (생명력)
☴	gon (곤 / 坤)	earth (지 / 地)	summer (하 / 夏)	west (서 / 西)	righteousness (의 / 義)	mother (모 / 母)	earth (토 / 土)	fertility (풍요)

## Korea's National Flag



## Religion of South Korea in 2010



Source: Pew Research Center ([http://www.globalreligiousfutures.org/countries/south-korea/religious\\_demography/#?affiliations\\_religion\\_id=0&affiliations\\_year=2010](http://www.globalreligiousfutures.org/countries/south-korea/religious_demography/#?affiliations_religion_id=0&affiliations_year=2010))

## 4. Economy of South Korea

- **Economic policies**
  - Exports promoting development policy
  - Free trade agreements
- **Selected Indicators of South Korean economy**

### *Military Coup and Economic Development- 1961*





29



30



## City of Seoul in 1960's



31

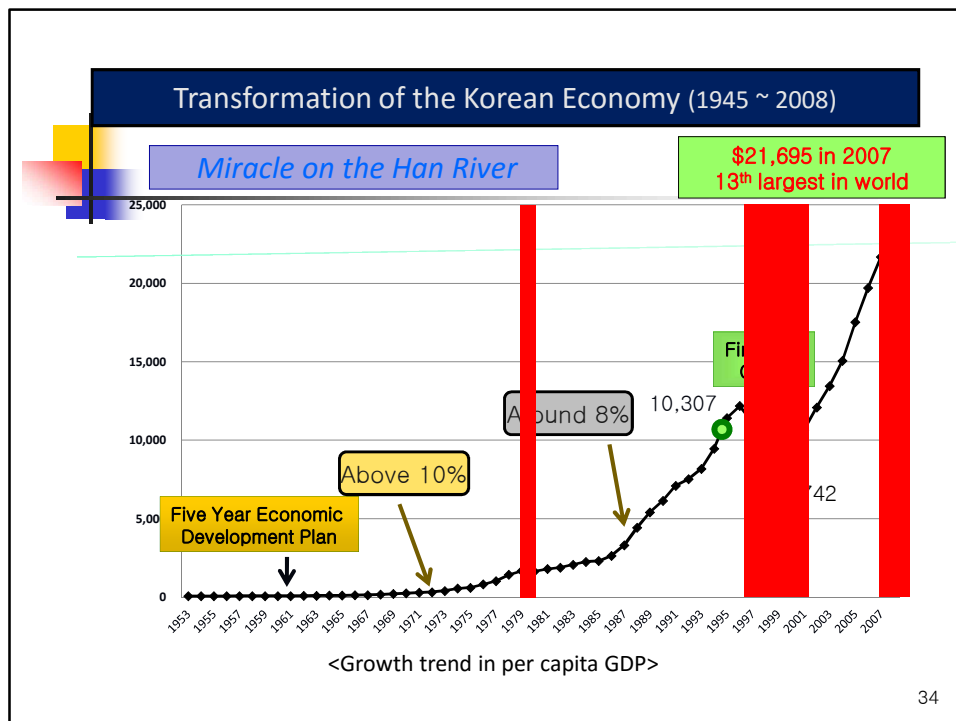
## Industries in 1960's



32

## Modern Economic Growth

- 1950s - 1960s: Foundation for outward oriented economic growth
- Acceleration of Economic Growth and Development since the early 1960s
  - Tax incentives
  - Special loans for exporting companies, etc.



## Economic Growth in 1990s

- 5<sup>th</sup> largest producer of automobiles
- 3<sup>rd</sup> largest exporter of textiles after Germany and Italy
- 1<sup>st</sup> largest shipbuilding country in the world
- Country with the highest rate of economic growth in the world from 1980 to 1997

## Selected Indicators of Korean Economy in 2014

GDP (nominal)	\$1.410 trillion	11 <sup>th</sup> in the world
GDP (PPP)	\$1.783 trillion	13 <sup>th</sup>
GDP per capita (nominal)	\$27,513	28 <sup>th</sup>
GDP per capital (PPP)	\$35,379	29 <sup>th</sup> (7 <sup>th</sup> )*
Exports	\$572 billion	
Imports	\$543 billion	
Trade	\$1.115 trillion	10 <sup>th</sup>

Note \*: 7<sup>th</sup> in the countries with the population of more than 50 million  
Source: World Bank Group (<http://data.worldbank.org/>)

## Korea's Free Trade Agreements





FTAs in effect	Concluded FTAs	Under negotiation	To be renegotiated	Under review
<ul style="list-style-type: none"> <li>• K-Chile FTA: 1 Apr. 2004</li> <li>• K-Singapore FTA: 2 Mar. 2006</li> <li>• K-EFTA FTA: 1 Sep. 2006</li> <li>• K-ASEAN FTA: Ag. in goods: 1 Jun. 2007 Ag. in services: 1 Jun. 2009 Ag. in investment: 1 Sep. 2009</li> <li>• K-India CEPA: 1 Jan. 2010</li> <li>• <b>K-EU FTA: 1 July 2011</b></li> <li>• K-Peru FTA: 1 Aug. 2011</li> <li>• <b>K-U.S. FTA: 15 Mar. 2012</b></li> <li>• K-Turkey FTA: 1 May 2013</li> <li>• K-Australia FTA: 12 Dec. 2014</li> <li>• K-Canada FTA: 1 Jan. 2015</li> <li>• <b>K-China FTA: 20 Dec. 2015</b></li> <li>• K-New Zealand FTA: 20 Dec. 2015</li> <li>• K-Vietnam FTA: 20 Dec. 2015</li> <li>• K-Thailand FTA: 1 Jan. 2016</li> <li>• K-Myanmar FTA: 11 Feb. 2016</li> </ul>	<ul style="list-style-type: none"> <li>• K-Colombia FTA: 21 Feb. 2013 (signed)</li> </ul>	<ul style="list-style-type: none"> <li>• K-C-J FTA</li> <li>• RCEP (Regional Comprehensive Economic Partnership)</li> <li>• K-Central America FTA</li> <li>• K-Ecuador FTA</li> </ul>	<ul style="list-style-type: none"> <li>• K-Indonesia FTA</li> <li>• <b>K-Japan FTA</b></li> <li>• K-Mexico FTA</li> <li>• K-GCC FTA</li> </ul>	<ul style="list-style-type: none"> <li>• K-MERCOSUR FTA</li> <li>• K-Israel FTA</li> <li>• K-Malaysia FTA</li> </ul>

Source: By the author using the information from Korea's FTA website (<https://www.fta.go.kr>)

## II. Still One of the Four Asian Tigers?





1. Demographics
2. Economy
3. Quality of Life
4. Technology

## 1. Demographics of the Four Asian Tigers (2014)

Country or territory	Area km <sup>2</sup>	Population	Population density per km <sup>2</sup>	Population of capital city
 South Korea	100,210	51,302,044	490	10,143,645
 Taiwan	36,193	23,373,517	644	2,647,122
 Hong Kong	1,104	7,234,800	6,544	7,234,800
 Singapore	718.3	5,469,700	7,615	5,469,700





Source: Wikipedia ([https://en.wikipedia.org/wiki/Four\\_Asian\\_Tigers](https://en.wikipedia.org/wiki/Four_Asian_Tigers))

## 2. Economy of the Four Asian Tigers

Country or territory	GDP nominal millions of USD (2014)	GDP PPP millions of USD (2014)	GDP nominal per capita USD (2015)	GDP PPP per capita USD (2014)	Trade billions of USD (2014)	Exports millions of USD (2014)	Imports millions of USD (2014)
 South Korea	1,410,383	1,783,950	27,513	35,379	1,170.9	572,300	542,900
 Taiwan	529,597	1,078,792	22,083	46,036	595.5	311,300	277,500
 Hong Kong	290,896	400,362	42,097	55,097	1,088.4	519,200	560,200
 Singapore	307,872	454,346	53,224	83,066	824.6	437,100	375,500





Source: Wikipedia ([https://en.wikipedia.org/wiki/Four\\_Asian\\_Tigers](https://en.wikipedia.org/wiki/Four_Asian_Tigers))

### 3. Quality of Life of the Four Asian Tigers

Country or territory	Human Development Index (2015 est. for 2014)	Income inequality by Gini coefficient	Median household income (2013), USD PPP <sup>[20]</sup>	Median per-capita income (2013), USD PPP <sup>[20]</sup>
 South Korea	0.898 (17th)	30.2(2013)	40,861	11,350
 Hong Kong	0.910 (12th)	53.7(2011)	35,443	9,705
 Taiwan	0.882 (2011, 22nd) <sup>[22]</sup>	33.8(2012)	32,762	6,882
 Singapore	0.912 (11th)	46.4(2014)	32,360	7,345

Source: Wikipedia ([https://en.wikipedia.org/wiki/Four\\_Asian\\_Tigers](https://en.wikipedia.org/wiki/Four_Asian_Tigers))

### 4. Technology of the Four Asian Tigers

Country or territory	Average Internet connection speed (2015)	Smartphone usage (2013)
 South Korea	20.5 Mbit/s	73.0%
 Hong Kong	15.8 Mbit/s	62.8%
 Singapore	12.5 Mbit/s	71.7%
 Taiwan	10.1 Mbit/s	50.8%

Source: Wikipedia ([https://en.wikipedia.org/wiki/Four\\_Asian\\_Tigers](https://en.wikipedia.org/wiki/Four_Asian_Tigers))

### **III. Doing Business in South Korea**

- **Business Culture and Etiquette in South Korea**
- **Quiz on Korean Culture**
- **Sources of Additional Information about Doing Business in South Korea**

### **Business Culture and Etiquette in South Korea**

- Though Koreans have transitioned greatly into Western society, the traditional ways of thinking in many areas are still practiced.
  - Koreans have a great respect for the family and hierarchy.
- Although fathers are the primary income earners, in the majority of cases, salaries are entrusted to their wives and most day-to-day consumption decisions are at the discretion of the female spouse.
  - Foreign companies may wish to take into consideration these traditional family roles when marketing to Korean consumers.





## Business Culture and Etiquette in South Korea

- Koreans still have a great respect for anyone senior in age, and intuitively establish their hierarchical position relative to others based on age.
  - One of the fundamental principles of the Korean language is based on the plethora of verb endings, which indicate the level of respect accorded to another person.
- Koreans generally appreciate a foreigner's effort in expressing a thank you (gam-sa-ham-ni-da) or a hello (an-yong-ha-say-yo) in the Korean language.



## Business Culture and Etiquette in South Korea

- Even though there are incremental changes in Korean attitudes and women are making progress, women professionals at the highest levels are still very rare.
  - In Korean companies, the majority of working women, many with top university degrees, are still relegated to secretarial jobs, accounting or educational work.
  - Many qualified women welcome the opportunity to work as a professional with a foreign company whose attitudes toward gender equality and professional respect and responsibility prevail.



## Business Culture and Etiquette in South Korea

- A man receives more respect in the business world than a woman, though foreign businesswomen (especially, non-Asian looking women) are accorded almost an equal amount of respect as foreign businessmen.
- Single women receive less respect than married women whose ties to their husband oftentimes establish their position in society.



## Business Culture and Etiquette in South Korea

- Foreigners should be ready to mix business with social life as the Koreans base their business relationships on personal ones.
  - The heavy drinking of the Korean alcohol, Soju, beer, scotch, or other liquor is commonplace in establishing a personal, business relationship.
  - Also commonplace is the "no-rae-bang" where a group of businesspeople go to an establishment to drink and sing along to a video machine playing music.
  - As most no-rae-bang machines come equipped with songs in English, a businessperson may want to be prepared to sing at least one song in order to gain social favor with their Korean counterpart.
  - Although not as common as the no-rae-bang, businessmen should also be aware of "room salons" where Korean women serve food and drink to their patrons.



## Business Culture and Etiquette in South Korea

- When doing business, foreigners should be sensitive to Korea's historical relationship with Japan, which made a virtual colony of the Korean peninsula.
  - Because of the Japanese colonial period, Koreans have an emotionally intense reaction at times to things Japanese, though there is an admiration for Japanese business acumen.
  - A businessperson should show great respect towards Korean society.
  - Any comparative mention of Japan versus Korea, where Japan has the upper edge, may harm a business deal.



## Business Culture and Etiquette in South Korea

- Korea still observes Confucian ethics based on strong ties to a group.
  - Whereas a foreign businessman may think in individual terms, (i.e., what is in my best interest?), a Korean frequently thinks in group terms, (i.e., what is in the best interests of the group and how can I help to maintain harmony within the group?)
  - For this reason, the majority of Koreans are intensely patriotic, calling Korea by the term, "oo-ri-na-ra", ("our country").
  - In order to close a deal when negotiating, the benefits for the group, whether for the company or country, should be emphasized.



## Business Culture and Etiquette in South Korea

- For Koreans, relationships are all important.
- "Cold calls" don't work and introductions are crucial.
- Koreans want to do business with people with whom they have formed a personal connection or whereby a mutual intermediary has made an introduction.
- As alumni contacts are a major source of networking in Korea, a particularly well-connected Korean will have attended a prestigious Korean university such as Seoul National University, Korea University, Yonsei University, (SKY) or Ehwa Women's University.



## Business Culture and Etiquette in South Korea

- The exchange of business cards is very important and a means by which Koreans learn about the name, position and status of the other person.
  - Koreans observe a very strict hierarchical code whereby Koreans will generally meet to discuss business with persons of the same, parallel rank.
  - Businesspersons should always have their (preferably bilingual) business cards ready and should treat the exchange of a Korean counterpart's card with respect.
  - It is a sign of respect to receive and present items with both hands, followed in business etiquette by passing and receiving a card with the right hand. One should never give a card, or anything else for that matter, with the left hand, as it shows disrespect.
  - For historical reasons, Chinese characters, which Koreans can generally understand, are regarded as more sophisticated. As such, a business card written in Chinese characters can serve for a business trip to Korea, China, and Japan.



## Business Culture and Etiquette in South Korea

- Most Koreans have three names.
  - These names usually follow the Chinese pattern of a surname followed by two given names.
  - In a Korean household, all brothers and sisters have the same last name and a common given name; the only distinguishing mark is the remaining given name.
  - In addressing Koreans, foreigners should observe the use of surnames (e.g., Mr. Kim; Ms. Lee), using formal titles if possible (e.g. Dr. Yoo; Director Song).
  - The most common last names are Kim, Lee, and Park.
  - In the use of formal titles as appropriate, one should always be familiar with the complete name, including the two given names, for identification purposes, as there may be several Mr. Park's or Dr. Lee's in the same company and even the same work space.



## Business Culture and Etiquette in South Korea

- An important point to keep in mind concerns the nature of reaching an agreement with a Korean firm.
  - Westerners attach great importance to a written contract that specifies each detail of the business relationship.
  - Koreans, on the other hand, value a contract as a loosely structured consensus statement that broadly defines what has been negotiated, but leaves sufficient room to permit flexibility and adjustment.
  - The Korean government has attempted to address this dual perception by formulating "model" contracts for licensing technology and other arrangements.
  - Both parties must be assured that the obligations spelled out in a negotiated contract are fully understood.



## Quiz on Korean Culture

- Q1: The color **red** symbolizes prosperity and happiness in Korea. Writing a person's name in red ink means he or she will have success in the future. True or false?
- Q2: The number **4** is considered to be unlucky in Korea. Therefore, one must never give a gift made up of 4 items. True or false?



## Sources of Info about Doing Business in South Korea

- World Bank Group:  
<http://www.doingbusiness.org/data/exploreeconomies/korea/>
- The European Chamber of Commerce in Korea (ECCCK): <https://ecck.eu/>
- Coyner, T. and S.-H. Jang (2010), *Doing Business in Korea: An Expanded Guide*, Seoul Selection
- SAMIL (2012), *Doing Business and Investing in Korea* (<https://www.pwc.de/de/internationalemaerkte/assets/doing-business-and-investing-in-korea.pdf>)



## **SAMIL (2012), *Doing Business and Investing in Korea***

---

<b>8</b>	1. Korea_A profile
<b>12</b>	2. Economy and Business Environment
<b>21</b>	3. Foreign Investment and Trade Opportunities
<b>27</b>	4. Restricted Industries and Regulations
<b>35</b>	5. Exporting to Korea
<b>42</b>	6. Labor Relations and Social Security
<b>49</b>	7. Banking and Capital Markets
<b>54</b>	8. Setting up an Entity
<b>56</b>	9. Audit and Accountancy
<b>61</b>	10. Taxation of Corporations
<b>82</b>	11. Taxation of Foreign Corporations/Shareholders
<b>87</b>	12. Partnerships and Joint Ventures
<b>90</b>	13. Personal Income Taxation
<b>103</b>	Appendix : Withholding tax rates on dividends, interest, and royalties



■ **Thank you for your attention!**