

# South Korea

## An overview on economy and business environment



South Korea is located in Eastern Asia, on the southern half of the Korean Peninsula bordering the Sea of Japan and the Yellow Sea.

South Korea has experienced one of the largest economic transformations of the past 60 years. Given its limited geographical size, natural resources and population size (a labor force of almost 28 million people out of its 51.2 million population), the country has devoted special attention to technology development and innovation to promote growth, growing from a predominantly rural, agricultural nation into an urban, industrialized country. Industry represents 35.9% of the GDP and employs 24.8% of the workforce. The main industries include textile, steel, car manufacturing, shipbuilding and electronics. South Korea is the world's largest producer of semiconductors.



In order to understand the South Korean economic situation, it is important to know also the recent history of this country. After World War II, The United States and Soviet Union divided control over the Korean peninsula and in 1948 the U.S.-supported Republic of Korea (or South Korea) was established in the capital city of Seoul. South Korea's declaration of independence in 1950 led North Korea to invade its neighbor trying to regain control of the entire peninsula, but the Korean war, ended in 1953, left the Korean Peninsula divided much as before. Though formally a republic, its citizens initially enjoyed limited political freedom, and in 1961 a military coup put General Park Chung-hee into power.

In the 1960s and '70s, under Park's regime, South Korea enjoyed a period of rapid industrial development and economic growth as the government promoted the import of raw materials and technology, encouraged saving and investment over consumption, kept wages low, and directed resources to export-oriented industries that remain important to the economy to this day. y matured, but remained strong enough to propel South Korea into the ranks of the advanced economies of the OECD by 1997.

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These policies also led to the emergence of family-owned chaebol conglomerates such as Daewoo, Hyundai, and Samsung.



The Asian financial crisis of 1997-98 hit South Korea's companies, but thanks to challenging economic reforms such as some chaebols restructuring, increasing labor market flexibility, and opening up to more foreign investment and imports, Korea enjoyed a relatively rapid economic recovery. South Korea also began expanding its network of free trade agreements to help increase exports, and has since implemented many free trade agreements covering 58 countries including the United State and China. In 2017, the election of President MOON Jae-in brought a powerful increase in consumer confidence because of his successful efforts to raise wages and government spending. These factors combined with a further export expansion brought to a real GDP growth to more than 3%.

Currently, South Korea is the 5th largest export economy in the world. The service sector is the largest and fastest economic sector, accounting for 52.8% of GDP and employing 70.3% of the active population, especially department stores, store chains and supermarkets.



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The top exports of South Korea are Integrated Circuits, Cars, Refined Petroleum, Passenger and Cargo Ships, and Vehicle Parts . Its top imports are Crude Petroleum, Integrated Circuits, Petroleum Gas, Photo Lab Equipment and Coal Briquettes. The top export destinations of South Korea are China, USA, Vietnam, Hong Kong and Japan. The top import origins are China, Japan, USA, Germany and other Asian countries. Thanks to the openness to export and foreign trade in general, South Korea gives a lot of business opportunities to worldwide companies. In order to start and maintain safe and profitable relationships with Korean companies it is important to retrieve accurate business information from the most important local providers.

Only local providers have the specific knowledge and tools to provide the most reliable and accurate information. Thanks to SkyMinder you will be able to order reports compiled by the most expert provider in the Korean territory.

On SkyMinder you can order complete credit reports able to supply all available information on Korean companies:

- Ø full identification and registration details
- Ø credit rating and maximum recommended credit, credit rating history
- Ø negative credit records
- Ø 3 years financial statement and ratios
- Ø industry analysis
- Ø management, shareholders, affiliates
- Ø number of employees, activity status, industry code and description
- Ø bank connections
- Ø analysts comments.



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Concerning financial accounts, it is important to know that now all private companies are obliged to disclose, but only those that meet below requirements:

- Publicly

listed companies, or companies that will be publicly listed within that fiscal year or the following fiscal year

- Joint-stock

companies with total assets or annual sales revenue of at least KRW 50 billion

or

- Joint-stock

companies that meet three or more of the following thresholds

- Ø Total assets of at least KRW 12 billion

- Ø Total debt of at least KRW 7 billion

- Ø Total annual sales revenue of at least KRW 10 billion

- Ø At least 100 employees

An external auditor should be licensed in local

jurisdiction and company's books should be kept with the company.

- Limited company (Yuhan Hoesa). An external audit is required for:

- Ø Limited companies with total assets or annual sales revenue of at least KRW 50 billion, or

- Ø Limited companies that meet three or more of the following thresholds:

- Ø Total assets of at least KRW 12 billion

- Ø Total debt of at least KRW 7 billion

- Ø Total annual sales revenue of at least KRW 10 billion

- Ø At least 100 employees

- Ø At least 50 members

On SkyMinder it is also possible to order the KYC report focusing on the shareholding information.

Thanks to SkyMinder you can access the most valuable local sources and have full and in-depth knowledge of you South Korean partners.

#### SOURCES:

<https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html>;

<https://www.history.com/topics/korea/south-korea>; <https://www.nordeatrade.com/dk/explore-new-market/south-korea/economical-context>;

<http://taxsummaries.pwc.com/ID/Korea-Overview>; <https://tradingeconomics.com>; <https://www.dlapiperintelligence.com>