



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH AND DEVELOPMENT

(Volume 3, Issue 1)

Available online at www.ijarnd.com

Business Opportunities in South Korea

Saher Mahajan¹, Imisha Debuka²

^{1,2}Christ University, Bengaluru, Karnataka

ABSTRACT

South Korea is one of the fastest-developing nations in the Pacific Rim region. The country has been successful in accelerating its economic growth post the Korean War, 1953. Since the 1970s, the Government has provided a major boost to industries like Telecom, fuel, and electronics. Today, South Korea ranks in ship-building and steel manufacturing and is the tenth largest trading nation in the world. Its growing impact on the region has fostered opportunities for almost every business sector. Supportive government policies and agreements with various countries provide a very broad scope for every start-up to foster in the country. The country is today regarded as one of the four Asian Dragons through its electronic and technology exports. The innovative spirit combined with the risk-taking nature of consumers makes South Korea an ideal free-market economy for any business. .. South Korea is ranked 5th by World Bank in the ease of doing business index and 2nd by Bloomberg for Best emerging markets 2014. South Korea's major industries have been outlined in the paper along with the business prospects of each industry.

Keywords: Innovation, Industry, Privatization, Trade.

INTRODUCTION

With its gross domestic product (GDP) per capita being, a mere 944.30 USD in 1960 and despite being hit badly with the Asian Financial Crisis 1997 due to its dependency on external loans, South Korea has risen to a GDP of 25458.90 USD in 2016 and is known as a rapidly growing and prospering economy in the world. Along with being one of the twelve biggest commercial states in the world, it has also been classified as the most innovative country. The policy of shifting from an agricultural economy to one based on robotics, software development, and electronics has been successful in making South Korea an economic powerhouse for Asia. South Korea's cheap and flexible workforce has attracted transnational companies like Sony from Japan which coupled with Government's development of research has resulted in South Korea producing world-leading products and technologies. The country boasts of being a global pioneer in shipbuilding, steel, and the automotive industries.. South Korea is ranked 5th by World Bank in the ease of doing business index and 2nd by Bloomberg for Best emerging markets 2014.

Opportunities through Agreements and as a member of various organisations

South Korea's heavy dependence on trade has persuaded the country to increasingly sign agreements in the process of pursuing the open market policy. One of the many reasons for signing these agreements is the fact that its population of 50 million could not serve as a sufficient market its heavy and chemical industries. Continuous pressure from the competitive Chinese and Japanese enterprises coupled with rapidly aging workforce increased South Korea's urgency to participate in national competitiveness. As a result, South Korea has signed FTAs with Chile, Singapore, Australia, Canada, India, Peru, the 10-nation Association of Southeast Asian Nations (ASEAN) and the four-nation European Free Trade Association (EFTA), to name a few. With the KORUS FTA (Korea-US FTA) signed on 30th June 2005, US' investment in South Korea reached an all-time high of US 5.48 billion in 2015. However, the same cannot be said about its trade agreement with EU. Not only is Korea's exports to EU limited to only three sectors (ships, automobiles, and electronics), but has also declined tremendously from \$53.51 billion in 2011 to \$ 51.66 billion in 2015. On the other hand, EU exports to South Korea have increased from \$38.72 billion in 2011 to \$62.39 billion in 2015.

(The Korea Herald-Business, 2015) With a total export of approximately \$1050 billion in 2017, South Korea is the fourth largest exporter in the world. (ING International Trade Study Developments in global trade: from 1995 to 2017 South Korea, 2012) This indicates that all of South Korea's trade agreements have been successful in helping South Korea make a place for itself in the global market.

Chemical Industry

South Korea's economic prosperity can be largely attributed to its chemical industry which has been a driving force in the nation's development post Korean War (1953). In 2017, South Korea chemical exports amounted to more than \$ 100 billion dollars with China as a major export partner whereas chemical imports amounted to \$65 billion dollars with Japan as a major import partner. Petrochemicals exports which include intermediates, synthetic resins, Synthetic fibre raw materials and synthetic rubber, have almost tripled. Large amounts of production in China and Middle East countries like UAE and Saudi Arabia provide a threat to the petrochemical industry. This indicates that the petrochemical industry needs restructuring which can be brought about by various ways like being a participant in the global trade of high-end-chemical products by strengthening its value chain and make investments in advanced technologies. One example of this advanced technology is silicon polymers produced by OCI (Oriental Chemical Industries), which is used in the development of solar cells and although South Korea remains behind in term of front-end innovative technologies, it is one of the world leaders in manufacturing semi-conductors. (Il Moon, 2011) Thus, it can be concluded that the more South Korea can invest in development high-end and core technology, the better share its chemical industry will have in the global market.

Fuel Industry

South Korea is the ninth largest importer of fossil fuels with 98% of its fuel consumption met through imports. Despite this fact, South Korea has world's largest oil refineries and one of the largest petroleum product exporters in Asia (Oil and Gas Journal , 2016). Petroleum's share in primary energy consumption has declined since the 1990s whereas that of coal, natural gas, and nuclear energy has shown an upward trend, thereby reducing oil's consumption in industrial, power and vehicle sector. South Korea's state-owned companies like Korean National Oil Corporation (KNOC) and private companies like SK Energy have engaged themselves in overseas exploration and production projects to compensate for lack of oil reserves. Among all its basins under exploration (Ulleung Basin, Yellow Basin, and Jeju Basin), South Korea has only one commercially oil producing field.

South Korea is the second largest importer of Natural gas after Japan. Its consumption in 2015 was double of that in 2000; a great part of this demand is by the power generation companies. (Energy, 2016) However, as coal prices plummeted, most industries shifted from the more expensive natural gas to coal, making South Korea the fourth largest coal importer.

Over the years, South Korea's electricity demand has increased 4% annually but the last two years have seen a decline because of weak demand and low export growth. The government intends to pursue a more environment friendly policy by using nuclear and renewable energy sources. (Administration, 2017)

Telecom and Electronics Industry

The ICT development index by International Telecommunication Union (ITU) ranked South Korea highest in terms of households with internets. With the end of the Korean War, Government began privatising the industry leading to entry of players like Korea Data Telecom, KS Telecom, LGU+ which provided mobile and internet services. This shift from being a completely state-owned to market competitive sector led to rapid expansion of telecom industry.

The South Korean Government realises that telecommunication not only fosters the exchange of information but determines the digital fabric of an economy which is why the ICT department has restructured itself 4 times since 1980 to adapt with changes in the telecom environment. Thus, the government has played a major role in shaping South Korea's telecom industry. (D, 2007) The regulatory framework promotes competition through liberalisation. This competition leads to increased welfare of consumers through lower prices and improved quality. Korea's future competency in the telecommunication sectors is based on two important areas: Internet of things (IoT) and 5G. (Kim, 2016) South Korea, being the first country to commercialise IoT in products and services, is currently encouraging companies to develop technology based on "Mater Plan of IoT" drafted by Korean Government. It can be thus said that South Korea has a flourishing Telecom industry because of Government policies, Private players' innovation and customers' willingness to spend on new technology.

South Korea is one of the high-tech industrialized economies due to its huge manufacturing and exports of electronic gadgets. Its cheap diligent labour has made Dutch, American, Japanese and companies from Hong Kong to invest in Korean Electronics. The industry, which has a growth rate of 60% per annum, contributes to 6% of the nation's GNP. (Webb, 1976) The development of this industry began with the manufacture of semi-conductors. Just like the Telecom industry. South Korean Government has played a major role. The minimum work age of the labour is 13 whereas the standard working time is 8 hours a day for 6 days a week making South Korea the key attraction for telecom industry players.

Minerals & Ores

Korea has a significant number of reserves of metallic and non-metallic minerals. Until 2013, South Korea imported raw material for its manufacturing industry. The country was a consumer of ferrous and non-ferrous metals. It played a vital role of as a contributor of foreign direct investment (FDI) to finance the overseas mining business. There was a substantial rise in the real gross domestic product (GDP) of the country from 2.3% in 2012 to 3% on 2013 due to the increase in national and international demand. 0.2% of the GDP was accounted by the mining and quarrying activities.

The Korea Exim Bank financed the companies to explore, develop and produce natural resources globally, (Korea, 2014). Various structural reorganization of ministries along with the rapidly changing political administration led to the formation of The Ministry of Trade, Industry, and Energy (MOTIE). All the laws and policies relating to country's minerals come under MOTIE. Korea Resources Corporation (KORES) was formed in 1967 to encourage and assist the domestic private-sector mineral industry to procure and develop the resources of minerals overseas. The Korean Institute of Geoscience and Mineral Resources (KIGAM) emerged from the Korean Geological Survey in 1918 with major mineral-serving divisions. The overall production of mined and refined metals have increased significantly. Imports declined by 0.8% i.e., \$515.6 billion in 2013. Crude oil (19.3%), chemicals, natural gas, iron and steel products were the major import components. Apart from its imports, the export of the country in the global market was 3% in 2012. The country had a trade surplus and was the seventh in the overall trade in terms of value.

The country relies heavily on imports for its copper requirements. Chile is the major supplier of copper raw materials to the country. It has imports of value 1.7 million metric tons of copper ore, (Korea Institute of Geoscience and Mineral Resources , 2014).

With the increasing demand for gold, imports of refined gold have increased drastically whereas the exports of refined gold have decreased from 50t in 2009 to 17t in 2013. The fall in exports is due to the increase in export of semiconductors in the manufacturing sector. Hong Kong, Singapore, and Thailand are the major importers of gold from South Korea. The production of refined gold in the country was accounted to be less than 50% of the country's known capacity, (Korea Institute of Geoscience and Mineral Resources , 2014).

The iron and steel production of the country declined by 4% in 2013 as compared to 2012. It was the only country to face this decline in production according to the reports of the International Steel Statistic Bureau. It was recorded at 4.1% of the global total in 2013. It was ranked at number three for the world's steel importing country. It ranked at the number as the importer of ferrous scrap metal, (Korea Institute of Geoscience and Mineral Resources , 2014); (International Steel Statistics Bureau, 2015); (Association, 2015).

The country is self sufficient in meeting its demands of 80-90 million metric tons per year for limestone resources. It exported about 149000 t of limestone in 2013. However, the country imported about 1.6 Mt in from Japan in 2013. Limestone was consumed in the cement (75%), for steel and iron products (12.1%), and chemical industry (12.9%). Japan, Taiwan, and China were the leading importers of calcareous minerals and stones from the country, (Korea Institute of Geoscience and Mineral Resources , 2014).

Consumption and production of anthracite coal increased significantly from 10 Mt/yr in 2009 to 12Mt/yr in 2013. Bituminous coal was imported to meet the domestic need. Australia (40%) was the major exporter to the country. Other suppliers were Indonesia (29%), Russia (12%), Canada (10%), The United States (5%), and China (2%). Coal has not contributed negatively to the GDP since 1990's, (Korea Institute of Geoscience and Mineral Resources , 2014).

The GDP of the country is majorly dependent upon exports of manufactured goods and economy is expected to advance. The global demand for the country's domestically produced goods is to remain stable. Acquisitions, FDI, and joint ventures may lead to the growth of the mining sector globally.

Medicines

South Korea is equipped with world-class healthcare facilities. The Ministry of Health and Warfare is in charge of the South Korean healthcare system. It tops for healthcare services in the Organization for Economic Co-operation and Development (OECD). A compulsory National Healthcare Insurance Scheme funds the system and covers about 97% of the population. South Korea has transformed from private voluntary health insurance to government mandated universal coverage within a span of 12 years. All the employees and their dependents in large firms with more than 500 employees were mandated to take the insurance in 1997 (Lee, 2003) . Gradually over years, it was made mandatory for all the citizens. Healthcare facilities are accessible by both the citizens and the visitors alike. It is the leading country in the treatment of skin diseases. The country offers both occidental medicine and traditional oriental treatments. The so-called Big Four major hospitals are Seoul National University Hospital, The Samsung Medical Centre, Asan Medical Centre and Yonsei Severance Hospital. The Japanese model influenced the Korean healthcare insurance system. Commercialization, rapid growth, environmental pollution in the larger cities are the major threats to health. There are various chronic diseases prevailing in the country. The system is focused on "Treatment rather than prevention" which remains the major challenge to the country until the effects of the modern healthcare facilities start showing up.

Due to the rise in the life expectancy, a Long-term Care Insurance Program has been launched by the Government. (SONG, 2009) The program is funded by the insured, beneficiaries, government subsidies and 20% of government finances.

Transportation

Transportation in South Korea emerged in 1905 even before the Japanese colonization of the country. Japan conquered Korea in 1905 and undertook technology development forcefully. They introduced railway tracks (trains & steam powered ships). Other modes of transportation were developed and set up after the Korean War in the 1960's. Various transportation services which provided criss-cross services to and from South Korea like the airways, highways, ferry services, etc. were developed. Due to intensive urbanization, the country faced major transportation crisis but with the advancing technology, the country enjoys a favourable scenario. Currently, the transportation system is up-to-date, accessible, approachable, affordable and effective for the majority of its population.

The railroad network is spread in such a way that it connects all parts of the country. The major railway lines were constructed by the Japanese when South Korea was colonized. In September 1899, the first ever railroad was constructed. It connected Seoul and Inch'on. The Ministry of Transportation, a public corporation, looked after all the issues related to railroads throughout the 1970's and 1980's. The railroads were primarily used to transport freight. In addition to this, passengers were also carried around the city especially Seoul. Gradually, the advancement in the system led to a boom in the traffic. With the invention of the Korea Train Express (KTX), functioning between Seoul and Busan, the country has been ranked at number four for the high-speed train producing countries in the entire world. Trains are at frequent intervals of every 15-60 minutes linking the capital city to other important parts of the country.

Subway is the most primitive transportation system in the country as it was developed in 1974. The major cities of the country have the subway system. Few cities covered are Seoul, Busan, Incheon, etc. It is a better and more convenient way of transportation over others because of it saves from the traffic and is easily accessible to people.

The street car system mainly linked the downtown areas and the neighbourhoods. Until 1970's, this system functioned in Seoul. The major areas covered under this system were Junggu, Jongnogu, Echongyangni, Mapogu, Noryangjin and areas surrounding the Han River. In 1970's, this system was overshadowed with the onset of the construction of the subway system.

In the 1980's, Urbanization and development of the highways leading to the emergence and growth of the intercity bus transportation system. Bus services are available in every single city of the country irrespective of the size of the city and population. Gosok Bus, Shioe Bus are the two diversifications of the bus system. Different types of buses offer different types of facilities to the passengers. For instance, Jwaseok buses are the premium buses which are a little expensive than the others and provides comfortable and luxurious seating. The departmental stores are prohibited to keep private buses by the Government of the country. The Government has passed several regulations regarding the same. In August 2017, the country introduced the On Line Electric Vehicle (OLEV). It is a system which produces an electromagnetic field through its cables. The electromagnetic field will be converted in electricity to charge the battery of the bus.

The major advancement in roadways occurred in the late 1980's. The size of the express highways in the major areas have increased from 86.8 km in 1967 to 1539 km in 1988. The speed of construction of the roadways couldn't keep pace with even more increasing cars and trucks. The sale of the domestic automobile companies like Hyundai, Daewoo, etc increased rapidly as the Government prohibited the imports of automobiles. All the different highways (freeways, national highways, etc) are operated under the Highway Corporation of the country and charge tolls. Also, the entire country is linked through the freeway network.

The Korean Airways was under the Government until 1962. It came under the private sector since 1969. Airways is the least preferred form of transportation among the people but is increasingly in use by the business travellers. It serves both the domestic and international routes. It ranks number five in the world in terms of the total cargo carried. Also, it is the twelfth largest in the world in terms of the number of passengers served. Korean Air and Asian Airlines are the major international airlines which provide domestic services as well. It is considered as the most convenient form of transportation for the business travellers as it cuts short the travel time, is affordable to them and connects various parts across the globe

The separation of the North Korea and South Korea has led to waterways as the most important source of moving goods in and out. The shipbuilding industry of the country is one of the worlds largest. It has formed connections with China, Japan, and the Middle East through. Well-established companies like Samsung prefer fleets whereas the small-scale and privately owned companies prefer ferries. The major ports of the country include Jinhae, Masan, Busan, etc. Major international trade occurs through these ports. The Korean ports were dealing and managing cargoes of 596 tons in 2003.

REFERENCES

1. Administration, U. E. (2017). Country Analysis Brief: South Korea. 14.
2. Association, W. S. (2015). *Top steel producing companies 2013*.
3. D, S. (2007). A critique of Korean National Information Strategy. *The case of National Information Infrastructures*, 624.
4. Energy, I. (2016). South Korea LNG Market Profile. *LNG Value Chain & Market Services*, 18.
5. Il Moon, J. H. (2011). *The Chemical Industry of South Korea: Progress and Challenges*. American Institute of Chemical Engineers.
6. (2012). *ING International Trade Study Developments in global trade: from 1995 to 2017 South Korea*. ING.
7. Institute, K. E. (2016). Monthly Energy Statistics. 56-57.
8. International Steel Statistics Bureau. (2015). *International Steel Statistics Bureau, Trade Data*.
9. Kim, G. (2016). The Shape and Implication of Korea's Telecommunication Industry: Crisis Opportunity Challenge. *Australian Journal of Telecommunications and the Digital Economy*, 224-227.
10. Korea Insititute of Geoscience and Mineral Resources. (2014). *Korea Mineral Information*. Daejeon: Korea Insititute of Geoscience and Mineral Resources.
11. Korea, E. I. (2014). *Annual Report 2013* , 189.
12. Lee, J. C. (2003). Health Care Reform in South Korea: Success or Failure? 48-51.
13. Oil and Gas Journal. (2016). *2017 WorldWide Refining Survey*.
14. SONG, Y. J. (2009). The South Korean Health Care System. *International Medical Community*, 206-209.
15. *The Korea Herald-Business*. (2015, June 27). Retrieved January 2018, from The Korea Herald:
<http://www.koreaherald.com/view.php?ud=20150727001080>
16. Webb, C. (1976). The Electronics Industry of South Korea.