

Investment Climate Statement South Korea

March 2024

Mizuho Bank, Ltd

Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.

Research Division



Innovating today. Transforming tomorrow.

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I-1. Key Economic Indicators for Asia

Strictly Confidential

Country/region	South Korea	China (Mainland)	Japan	Hong Kong	Taiwan	Singapore
Population (millions)	51.6	1,411.4	124.6	7.5	23.3	5.7
Nominal GDP (US\$ 100M)	17,092	177,009	42,309	3,855	7,519	4,973
Real GDP growth rate (YoY, %)	1.4	5.0	2.0	4.4	0.8	1.0
GDP per capita (US\$)	33,147	12,541	33,950	51,168	32,340	87,884
Estimated GDP growth rate (2024, %)	2.2	4.2	1.0	2.9	3.0	2.1
Credit rating (S&P) as of Sep 2023	AA	A+	A+	AA+	AA+	AAA
Country/region	Malaysia	Thailand	Vietnam	Philippines	India	Indonesia
Population (millions)	33.1	70.2	100.4	112.9	1,428.6	277.4
Nominal GDP (US\$ 100M)	4,309	5,122	4,334	4,357	37,322	14,174
Real GDP growth rate (YoY, %)	4.0	2.7	4.7	5.3	6.3	5.0
GDP per capita (US\$)	13,034	7,298	4,316	3,859	2,612	5,109
Estimated GDP growth rate (2024, %)	4.3	3.2	5.8	5.9	6.3	5.0
Credit rating (S&P) as of Sep 2023	A-	BBB+	BB+	BBB+	BBB-	BBB

Source: IMF - World Economic Outlook Database October 2023 Edition

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Note: Data for 2023; estimated GDP growth rates are for 2024, and italicized data are IMF estimates.

S&P Credit Rating Criteria: A: High ability to fulfill obligations but slightly more susceptible to worsening economic conditions compared to the top two ratings

BBB: Adequate ability to fulfill obligations but more likely to have diminished capacity due to worsening economic conditions

BB: Speculative characteristics strong but with vulnerability to worsening economic conditions and, depending on the situation, ability to fulfill obligations on time could become insufficient

Note: As of September 30, 2023, for the S&P credit rating



Basic data

Population	51.56 million (approx.)
Square area	100,000 km ² (approx.) (One quarter of Japan's size)
Capital	Seoul; population 9.34 million (2023, Statistics Korea estimate)
Language	Korean
Ethnicities	Korean
Religions	Buddhism, Protestantism, Catholicism, etc.
Currency	Korean won (KRW)
Politics	Democratic republic; head of state: President Seok-yeol Yoon; unicameral legislature
GDP	Nominal: US\$1.0818T; per capita: US\$35,142 (2021) real GDP growth rate: 2.6% (2022)
Major industries	Electric and electronic equipment, automobiles, steel, petrochemicals, shipbuilding, etc.

Overview

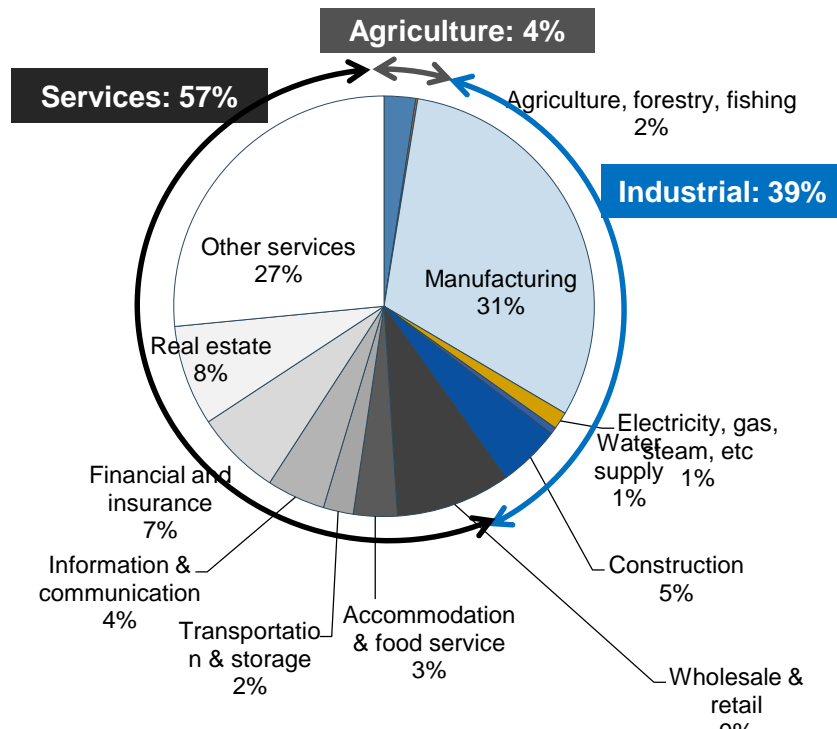
- South Korea occupies about 45% of the southern part of the Korean Peninsula, which is a neighboring country of Japan.
- After the Korean War, the government led remarkable economic growth, described as the "Miracle of the Han River," resulted in joining OECD in 1996.
- Globally top-level companies exist in South Korea's major industries, which include electric and electronic equipment and the shipbuilding and steel industries. Many South Korean companies have expanded into other Asian countries recently. Also, the country is characterized by an economic structure that is heavily dependent on external demand.

Source: Ministry of Foreign Affairs of Japan and the Bank of Korea
Prepared by Mizuho Bank's Global Strategic Advisory Department

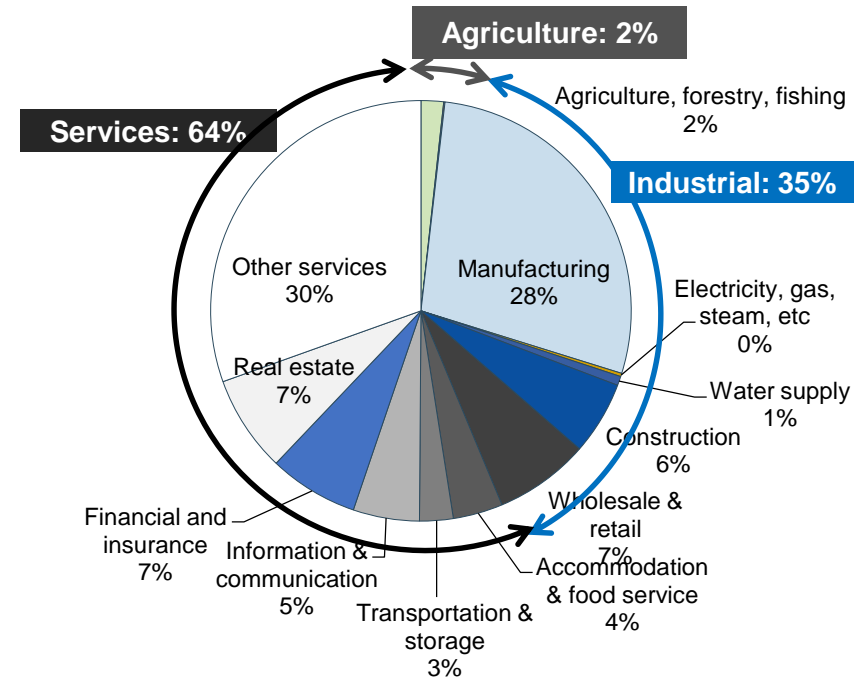
- Major industries include electrical and electronic equipment, automobiles, steel, petrochemicals, and shipbuilding, with manufacturing accounting for nearly 30% of GDP.
- The service sector has been growing steadily since 1980, accounting for 60% of the total, but this is lower than Hong Kong (93%) and Singapore (76%) and is similar to Taiwan (60%).
- Agriculture, which accounted for 30% of the total in the 1970s, has declined to 2% of the total.

GDP composition by industry (2011 vs. 2022)

2011



2022

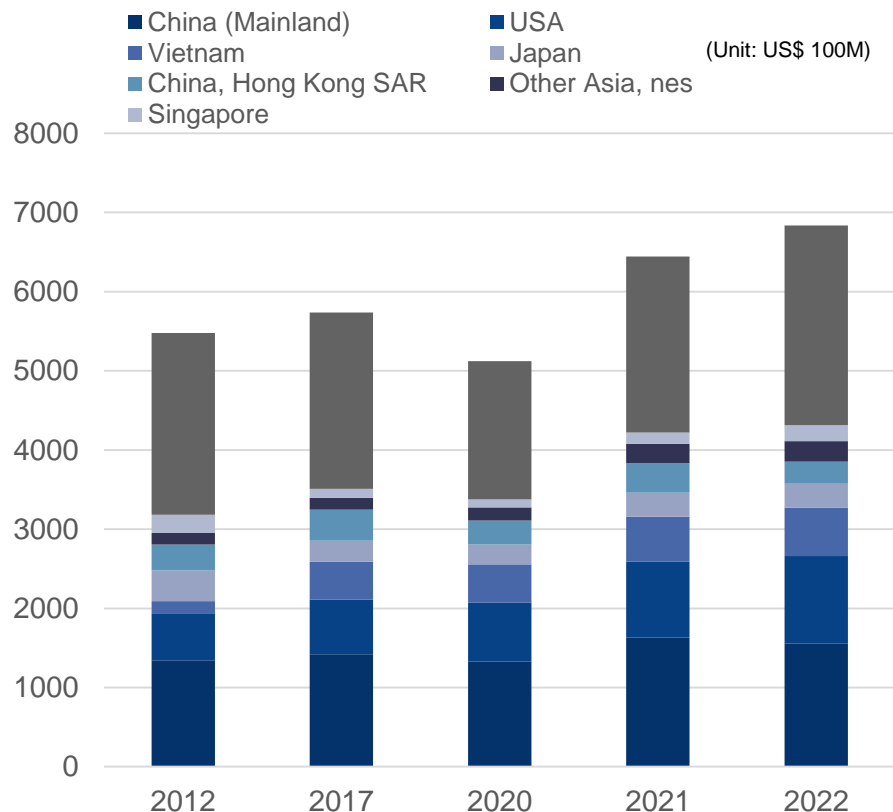


Source: CEIC Data

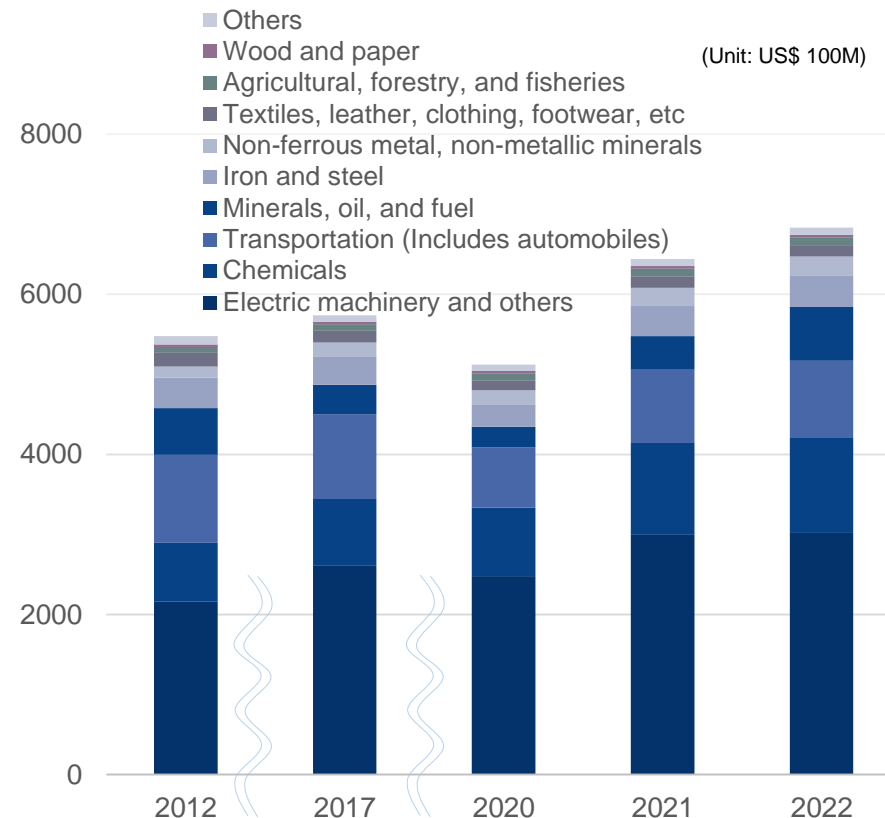
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- Exports in 2022 increased by 6.1% YoY to \$683.5 billion, increasing for the second consecutive year.
- By country and region, China (Mainland) accounts for more than 20%, followed by the United States and Vietnam.

Export volume by country



Export volume by product category



Note: The "Other Asia, nes" includes the total trade value of the countries/regions that are not individually aggregated in the source data, including Taiwan. Item classification is based on the HS code 2-digit classification.

I-3. Economic Structure (Industry/Trade) (3) Export Volume Breakdown

Strictly Confidential

- In terms of export value, machinery, precision equipment, and electrical machinery accounted for 40%, followed by chemical products and transportation equipment (including automobiles).
- In terms of country/region, China (Mainland) and the United States account for a fair share of major products.

Export volume breakdown (country/region x product classification)

	Agricultural, forestry, and fisheries	Minerals, oil, and fuel	Chemicals	Wood and paper	Textiles, leather, clothing, footwear, etc.	Iron and steel	Non-ferrous metal, non-metallic minerals	Electric machinery and others	Transportation (Includes automobiles)	Others	Total by Country (US\$, 100M)
China (Mainland)	19.2%	9.9%	32.3%	13.2%	12.7%	11.6%	29.0%	30.8%	1.6%	6.0%	1,558
USA	12.9%	9.8%	11.2%	22.3%	13.1%	14.5%	16.2%	14.4%	33.1%	19.6%	1,102
Vietnam	7.2%	5.7%	5.5%	10.0%	20.5%	4.7%	9.1%	13.5%	1.9%	3.0%	610
Japan	19.6%	8.1%	5.8%	6.1%	5.4%	10.2%	5.6%	2.6%	0.6%	16.0%	306
China, Hong Kong SAR	4.1%	1.3%	1.1%	0.9%	2.8%	0.2%	2.0%	7.7%	0.3%	7.0%	277
Other Asia, nes	4.0%	1.5%	3.6%	2.1%	1.2%	3.4%	3.7%	5.5%	1.2%	2.4%	262
Singapore	1.6%	11.5%	0.9%	0.6%	0.4%	0.6%	0.6%	2.9%	1.4%	6.6%	202
Others	31.4%	52.3%	39.7%	44.7%	43.9%	54.9%	33.8%	22.6%	60.0%	39.4%	2,520
Total by product (US\$, 100M)	107	670	1,194	35	131	399	234	3,019	957	89	6,836

Note: The proportion of export-destination countries in each item classification is displayed. The cells of the country with the highest proportion are displayed in blue.

Note: The "Other Asia, nes" includes the total trade value of the countries/regions that are not individually aggregated in the source data, including Taiwan.

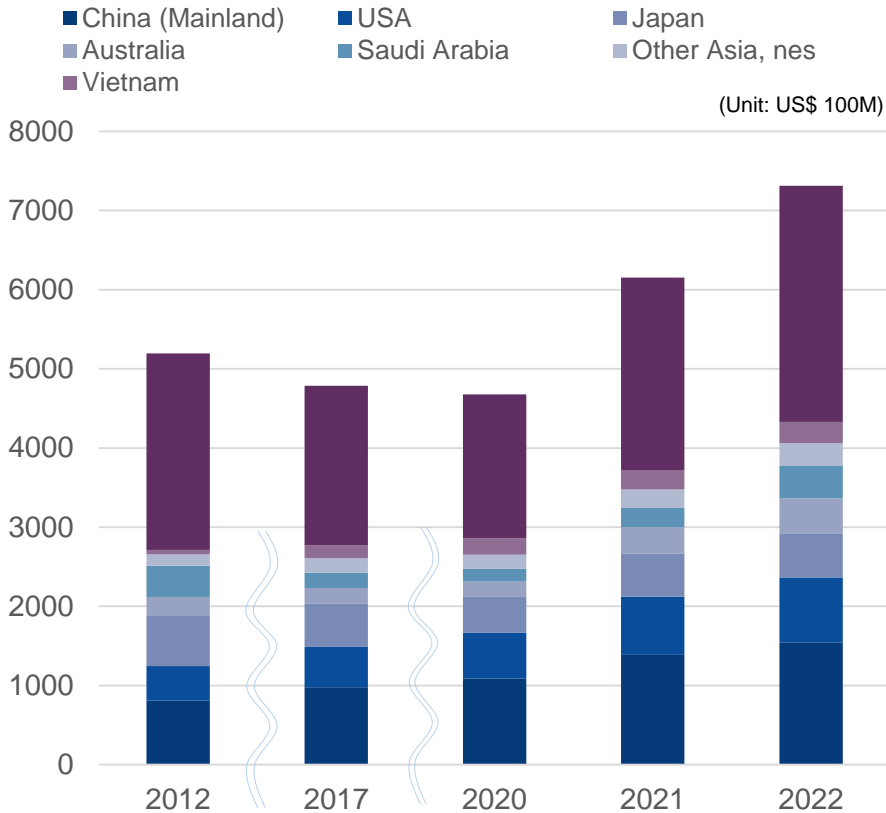
Item classification is based on the HS code 2-digit classification.

Source: UN Comtrade

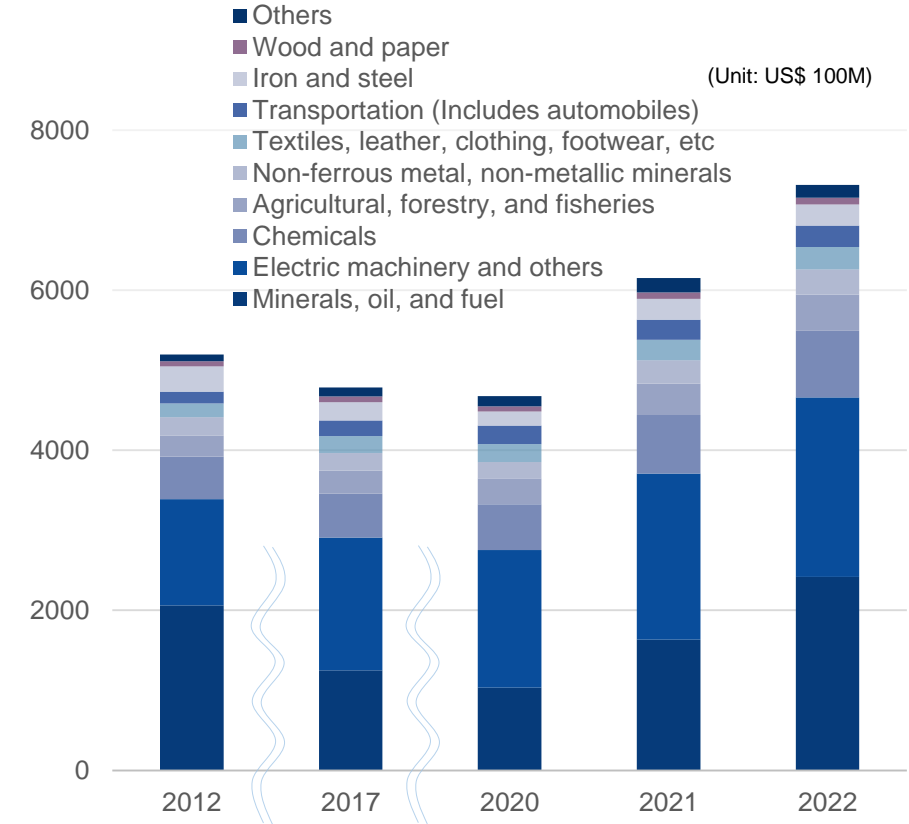
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■ By country and region, China (Mainland) is the top exporter as well. The United States came in second. Machinery and transportation equipment, such as electronic parts and machinery, are the main items imported from both countries.

Import volume by country



Import volume by product category



Note: The "Other Asia, nes" includes the total trade value of the countries/regions that are not individually aggregated in the source data, including Taiwan. Item classification is based on the HS code 2-digit classification.

I-3. Economic Structure (Industry/Trade) (5) Import Volume Breakdown

Strictly Confidential

- Given that export processing industries constitute the majority, machines, precision instruments, and electrical machines account for nearly a third of the total, with a significant portion of imports coming from China (Mainland). The proportion of mineral fuels in the total imports is also high due to the development of the petrochemical industry.

Import volume breakdown (country/region x product classification)

	Agricultural, forestry, and fisheries	Minerals, oil, and fuel	Chemicals	Wood and paper	Textiles, leather, clothing, footwear, etc.	Iron and steel	Non-ferrous metal, non-metallic minerals	Electric machinery and others	Transportation (Includes automobiles)	Others	Total by Country (US\$, 100M)
China (Mainland)	10.9%	0.7%	35.4%	16.0%	35.2%	41.2%	26.1%	35.1%	15.1%	34.8%	1,546
USA	22.4%	11.8%	12.0%	9.1%	2.1%	3.9%	7.7%	9.5%	23.2%	7.2%	821
Japan	1.1%	0.8%	13.5%	6.5%	1.6%	29.1%	8.9%	11.4%	6.1%	14.1%	547
Australia	8.3%	15.7%	0.3%	0.6%	0.6%	0.3%	4.8%	0.1%	0.4%	4.9%	449
Saudi Arabia	0.0%	16.5%	1.4%	0.0%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	416
Other Asia, nes	0.6%	0.1%	2.1%	0.9%	0.3%	2.9%	2.0%	10.8%	0.6%	0.8%	283
Vietnam	3.8%	0.1%	1.3%	11.8%	22.7%	3.1%	2.2%	6.3%	1.1%	3.2%	267
Others	52.8%	54.3%	34.0%	55.0%	37.5%	19.4%	46.7%	26.7%	53.4%	35.1%	2,984
Total by product (US\$, 100M)	455	2,418	833	85	282	262	313	2,241	268	157	7,314

Note: The proportion of export destination countries in each item classification is displayed. The cells of the country with the highest proportion are displayed in blue.

Note: The "Other Asia, nes" includes the total trade value of the countries/regions that are not individually aggregated in the source data, including Taiwan.

Item classification is based on the HS code 2-digit classification.

Source: UN Comtrade

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- **Main industries, including semiconductors designated as important industries by the government, are electric and electronic equipment, automobiles, steel, shipbuilding, etc.**
- **South Korean conglomerates, called "*chaebol*," in the above industries have a world-class share.**

Electrical and Electronic equipment (including semiconductors)

- Electric and electronic equipment, including semiconductors, is/are fully developed. Semiconductors alone account for 19.34% of South Korea's total exports (2022).
- In the 2022 global semiconductor market, Samsung Electronics was the market leader for the second consecutive year (10.9%), and SK Hynix was the third (6.0%).
- Exports of home appliances have been sluggish in recent years due to offshore transfer of production bases and increased competition with emerging countries.

Automobiles

- Production volume in 2022 was approximately 3.75M units (+9% YoY), ranking fifth in the world.
- The Hyundai group sold 6,845,000 new cars in 2022, ranking third in the world for the first time after Japan's Toyota Motor Group and Germany's Volkswagen Group. Increase in market share in Europe, the United States, and other overseas markets is seen as a factor.

Iron and steel

- In 2022, crude steel production was 65.8M tons, sixth in the world after China, India, Japan, the United States, and Russia.
- POSCO promotes the construction of steel mills in emerging countries (India, Indonesia, Vietnam, etc.), where demand is expected to increase.
- In 2023, the Ministry of Trade, Industry and Energy (South Korea) announced the "Steel Industry Development Strategy" establishing a foundation to develop the steel supply chain.

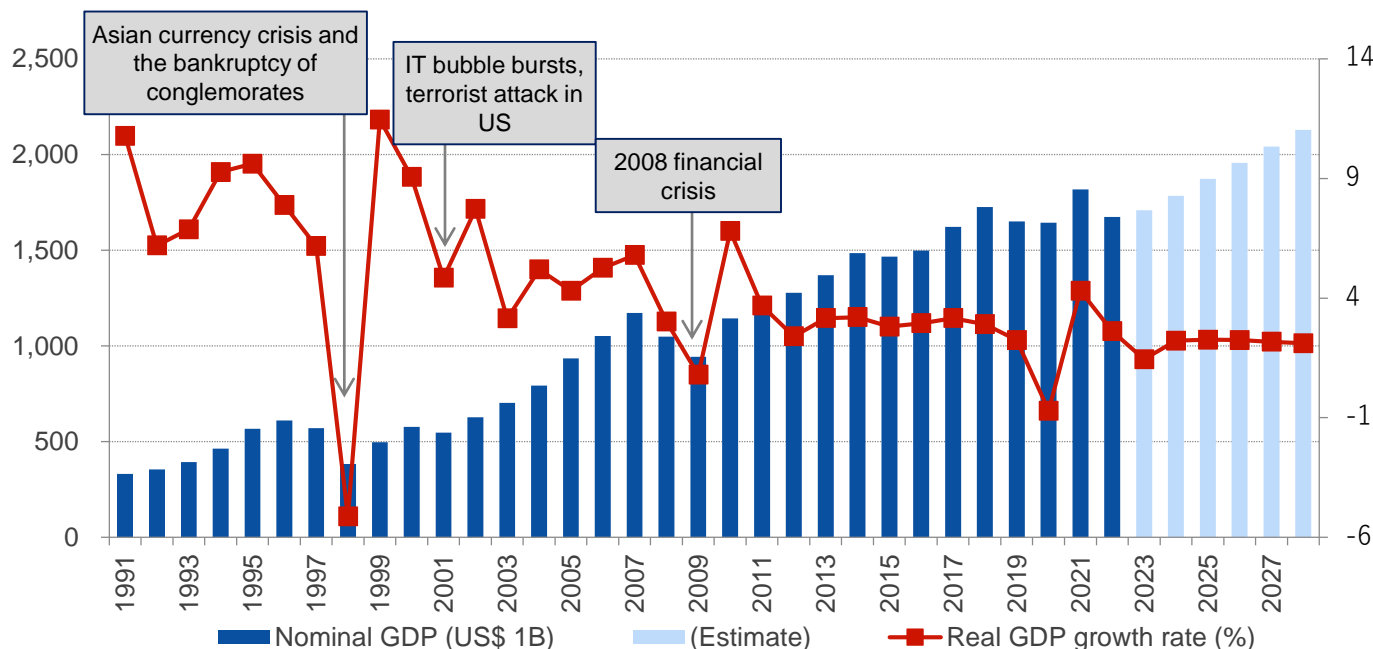
Shipbuilding

- In 2023, due to the impact of oversupply caused by increased orders during the COVID-19 pandemic, South Korea's orders fell sharply by about 40% to 10.08M tons from the previous year. However, it maintained its second place (24%) in the global market share after China (60%).
- South Korean shipbuilders (Korea Shipbuilding & Offshore Engineering, Hanwha Ocean [formerly Daewoo Shipbuilding & Marine Engineering], Samsung Heavy Industries) improved in performance. They plan to focus on securing orders for ammonia carriers and LNG carriers.

Source: Korea Customs Service, International Organization of Motor Vehicle Manufacturers, Korea Automobile Manufacturers Association, World Steel Association, Ministry of Trade, Industry and Energy (South Korea), various reports
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- After the Korean War, South Korea achieved remarkable economic growth through government-led economic policies, described as the "Miracle of the Han River." In 1997, however, the collapse of conglomerates and the Asian currency crisis disrupted the South Korean economy.
- With the support of the IMF, structural reforms were carried out, and the economy returned to a growth path. Since 2001, the economy has continued to grow at around 5% through a cycle of growth and stagnation. However, due to the global financial crisis, the growth rate dropped to 0.3% in 2009. It then recovered to 6.3% in 2010, but growth has slowed since the fall of 2011 due to the European debt crisis, the economic slowdown in China, and the COVID-19 pandemic.
- The 2022 GDP per capita was US\$32,142, down 8.2% a year earlier, but it ranked 23rd among the major 47 economies for the second year in a row.

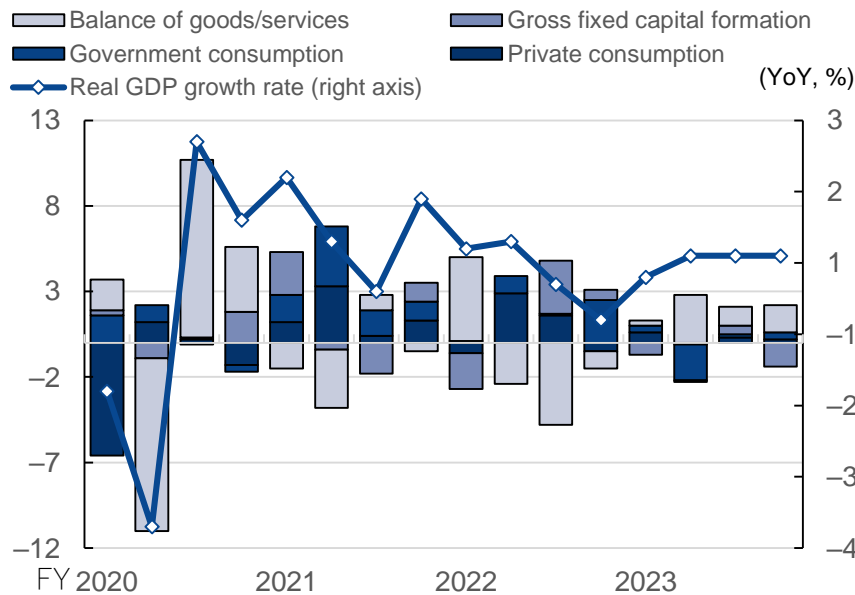
Trends in nominal gdp and real gdp growth rates for South Korea



Source: IMF - World Economic Outlook Database October 2023 Edition
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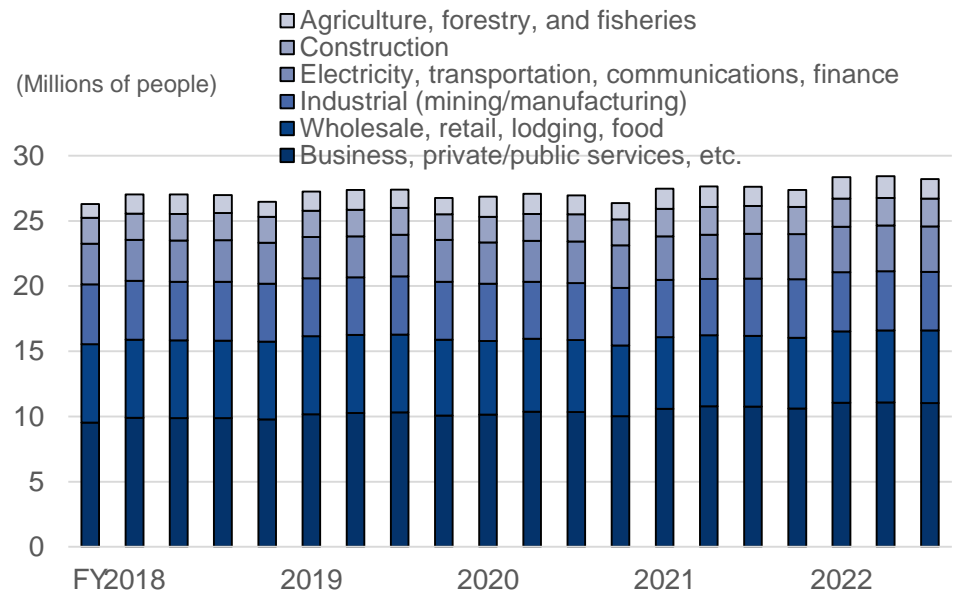
- Real GDP grew +1.4% YoY in 2023, down from +2.6% in 2022.
- The sluggishness in exports, such as the semiconductor recession and the decline in exports of steel and petrochemicals to China, South Korea's largest trading partner, is the main factor for the decline in the GDP growth rate.
- Other factors include stagnation of private consumption due to high-interest rates and soaring prices.
- Although the outlook is moderate, growth is expected to continue at around the 2% level. Beware of upside inflation risks such as oil price fluctuations.
- The semiconductor market, which accounts for 20% of exports, has bottomed out and is expected to improve, but global demand for IT products remains weak.
- Although inflation has been slowing, with no signs of price stability, the central bank has kept its policy rate unchanged since February 2023.

Quarterly national accounts



Note: Due to statistical inconsistencies, total and growth rate may not match.

Trends in the number of employees by industry



Source: Bank of Korea and Korea Customs Service
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- The decrease in the labor force population ratio due to advancing aging is expected to suppress potential growth rates in the medium-to-long term.
- On July 2, 2021, the United Nations Conference on Trade and Development (UNCTAD) changed South Korea's status from a developing country to a developed one. Despite becoming a developed nation, further growth acceleration is unlikely due to the acceleration of low birth rates and aging.

Summary of Asian economic outlook (medium-to-long term)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
China (Mainland)	6.8	6.0	2.2	8.5	3.0	5.0	4.2	4.1	4.1	3.7	3.4
South Korea	2.9	2.2	-0.7	4.3	2.6	1.4	2.2	2.3	2.2	2.2	2.1
Taiwan	2.8	3.1	3.4	6.5	2.4	0.8	3.0	2.8	2.6	2.5	2.1
Hong Kong	2.8	-1.7	-6.5	6.4	-3.5	4.4	2.9	2.9	2.7	2.6	2.4
Singapore	3.6	1.3	-3.9	8.9	3.6	1.0	2.1	2.5	2.5	2.5	2.5
ASEAN5	5.0	4.3	-4.4	4.0	5.5	4.2	4.5	4.5	4.6	4.5	4.5
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.0	5.0	5.0	5.0
Thailand	4.2	2.1	-6.1	1.5	2.6	2.7	3.2	3.1	3.0	3.0	3.0
Malaysia	4.8	4.4	-5.5	3.3	8.7	4.0	4.3	4.4	4.4	3.9	3.9
Philippines	6.3	6.1	-9.5	5.7	7.6	5.3	5.9	6.1	6.2	6.3	6.4
Vietnam	7.5	7.4	2.9	2.6	8.0	4.7	5.8	6.9	6.8	6.8	6.8
India	6.5	3.9	-5.8	9.1	7.2	6.3	6.3	6.3	6.3	6.3	6.3
Australia	2.8	1.9	-1.8	5.2	3.7	1.8	1.2	2.0	2.2	2.3	2.3

Notes: 1. Real GDP growth rate (YoY), shaded values are forecasts

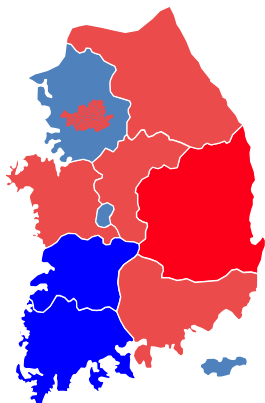
2. The average value is calculated based on the GDP share (purchasing power parity basis) by the IMF.

Source: IMF - World Economic Outlook Database October 2023 Edition

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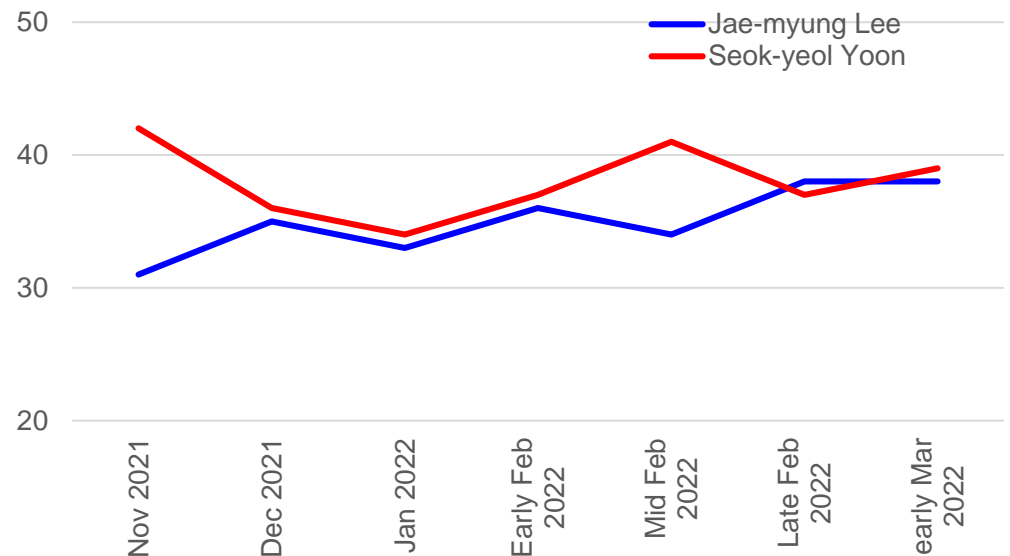
- In the presidential election held in March 2022, former Prosecutor-General Seok-yeol Yoon, the candidate of the main conservative opposition party "People Power Party," won the presidential election for the first time, defeating former Gyeonggi Province Governor Jae-myung Lee of the progressive ruling party "Democratic Party" by a margin of approximately 240,000 votes.
- Concerns toward the administration regarding soaring housing prices and tax increase led to a high turnout of 77.1%.
- The resumption of "shuttle diplomacy" was confirmed at the Japan-South Korea summit held in March 2023. This was the first visit by a South Korean president to Japan in 12 years, excluding visits to international conferences.
- The upcoming 2024 general election' main highlights are whether the minority ruling party, "People Power Party," will be able to secure a majority and also on whether they will be able to obtain 180 seats, which would enable them to pass legislation on their own.

Comparison of voting rates by region



Region	Seok-yeol Yoon (conservative)		Jae-myung Lee (progressive)	
	Vote rate	Total votes	Vote rate	Total votes
Nationwide	48.56	16,394,815	47.83	16,147,738
Seoul	50.56	3,255,747	45.73	2,944,981
Gyeonggi	45.62	3,965,341	50.94	4,428,151
Busan	58.25	1,270,072	38.15	831,896
Daegu	75.14	1,199,888	21.56	345,045
Incheon	47.05	878,560	48.91	913,320
Gwangju	12.72	124,511	84.82	830,058
Daejeon	49.55	464,060	46.44	434,950
Ulsan	54.41	396,321	40.79	297,134
Seiso	44.14	101,491	51.91	119,349
Ebara	54.18	544,980	41.72	419,644
Tadakitai	50.67	511,921	45.12	455,853
Chungnan	51.08	670,283	44.96	589,991
Jeonbuk	14.42	176,809	82.98	1,016,863
Chonnam	11.44	145,549	86.1	1,094,872
Keihoku	72.76	1,278,922	23.8	418,371
Qingnan	58.24	1,237,346	37.38	794,130
Jeju	42.69	213,130	52.59	213,130

Trends in support for both candidates (Nov. 2021 to Mar. 2022)



Source: Local articles
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- **The challenges at hand are (1) monopoly by conglomerates, (2) export-oriented economy, and (3) social inequality.**

(1) Oligopoly by conglomerates, i.e., “Chaebol”

- As a result of the government-led allocation of funds to major industries, the economic structure is one in which "chaebol" companies are the core.
- While "chaebol" companies are expanding globally and increasing their presence, mid-size and small businesses lag behind.
- The government proposed a co-prosperity strategy for large and small enterprises called “Shared Growth,” and the 2022 “ Annual Shared Growth Index,” announced in September 2023, recorded the highest number of "excellent" companies.
- Industrial policies are being implemented, but adjustments are progressing slowly.

(2) Export-oriented economy

- With limited land and resources, the country has focused on nurturing export industries in cooperation with the public and private sectors.
- As a result, it is now an export-oriented economy centered on electric and electronics industries and automobiles. The semiconductor industry, in particular, has grown to be top level in the world.
- On the other hand, it is also influenced by the economic conditions in China, which accounts for 20% of total exports.

(3) Social inequality

- The income gap has been expanding since the mid-1990s as the economy has developed, and it continues to this day.
- In particular, the widening gap in educational spending has become a topic of social interest. High enthusiasm for education has created a loop that continues across generations; higher income families ⇒ higher education ⇒ higher income.

- The four major "*chaebols*" (Samsung, Hyundai, SK, and LG), among others, have grown into global companies.
- Given the limited domestic market size, these companies have demonstrated a strong presence not only in developed countries/regions such as the U.S. and Europe but also in emerging countries such as China and India, by leveraging their strengths in management speed and in pricing and marketing strategies.

Major " <i>chaebols</i> " in South Korea (2022)		
Company	Industry	2022 sales (KRW 1M)
Samsung Electronics Co., Ltd.	Machinery and electrical products	302,231,360
Hyundai Motor Co.	Transport machinery	142,527,535
SK Inc	Advertising and information communication services	134,551,641
Kia Corp.	Transport machinery	86,559,029
POSCO Holdings Inc	Materials and processed materials	85,003,616
LG Electronics Inc.	Machinery and electrical products	83,467,318
SK Innovation Co., Ltd.	Energy	78,056,939
Korea Electric Power Corp.	Public services	70,546,024
Hanwha Corp.	Intermediate distribution	62,278,395
HD Hyundai	Energy	60,849,668
GS Caltex Corporation	Energy	58,532,071
SK Trading International Co., Ltd	Oil and gas	54,455,671
Hyundai Mobis Co., Ltd.	Transport machinery	51,906,293
LG Chem Ltd.	Materials and processed materials	51,864,888
Korea Gas Corp.	Public services	51,724,287
SK Energy Co., Ltd	Energy	50,332,345
SK Hynix Inc.	Machinery and electrical products	44,621,568
Samsung C&T Corporation	Intermediate distribution	43,161,653
S-Oil Corp	Energy	42,446,028
CJ Corp.	Food	40,924,880
Posco International Corp	Intermediate distribution	37,989,588
Posco Co., Ltd	Materials and processed materials	35,822,194

Source: Public information
Prepared by Mizuho Bank's Global Strategic Advisory Department

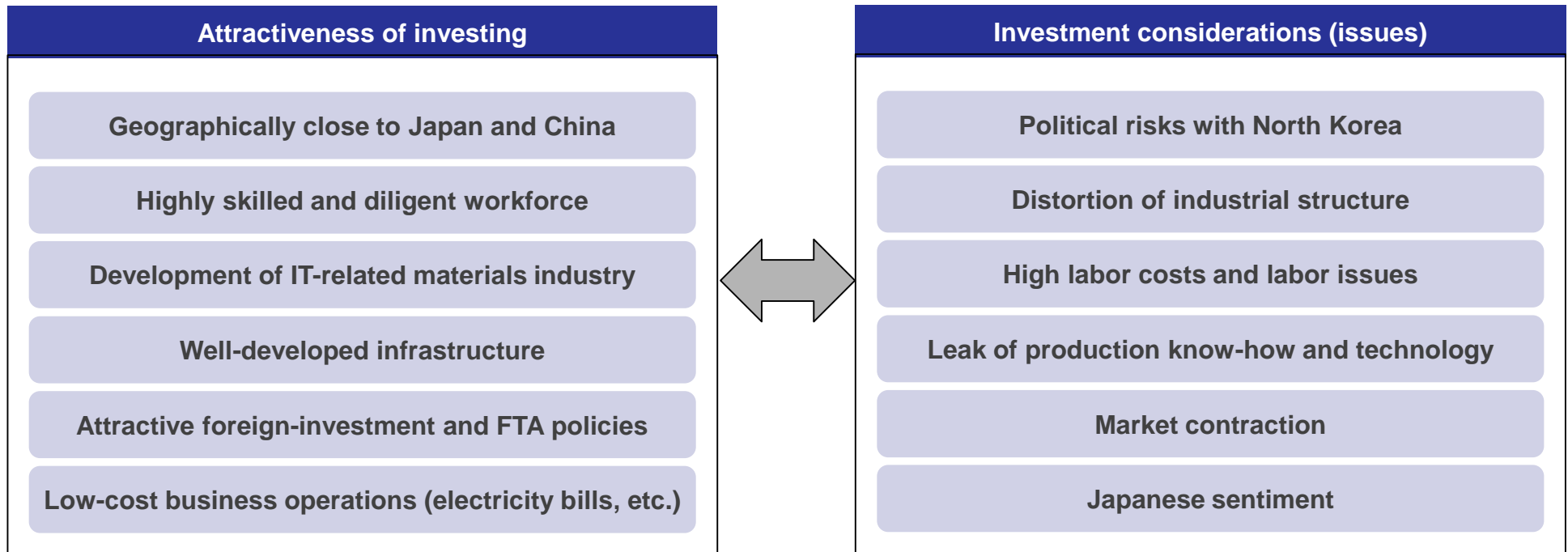
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IV. Others

- South Korea boasts proximity to Japan geographically, has excellent and hard-working human capital, advanced infrastructure, and low-cost business operations. The development of component-materials industries in the IT sector also makes South Korea an attractive investing opportunity.
- However, challenges exist, including geopolitical risks with North Korea and Japan, high labor costs, and insufficient countermeasures against leakage of production know-how.

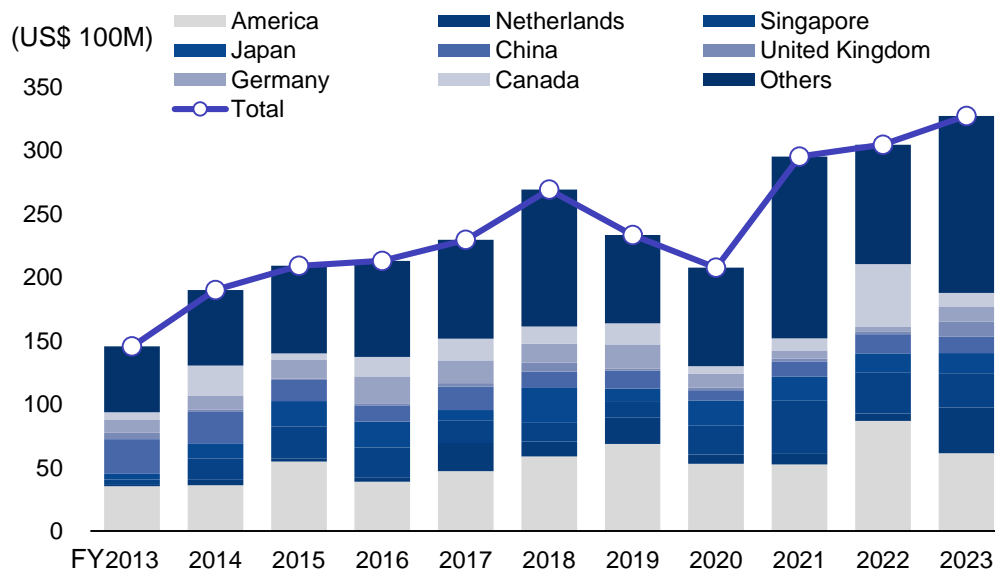


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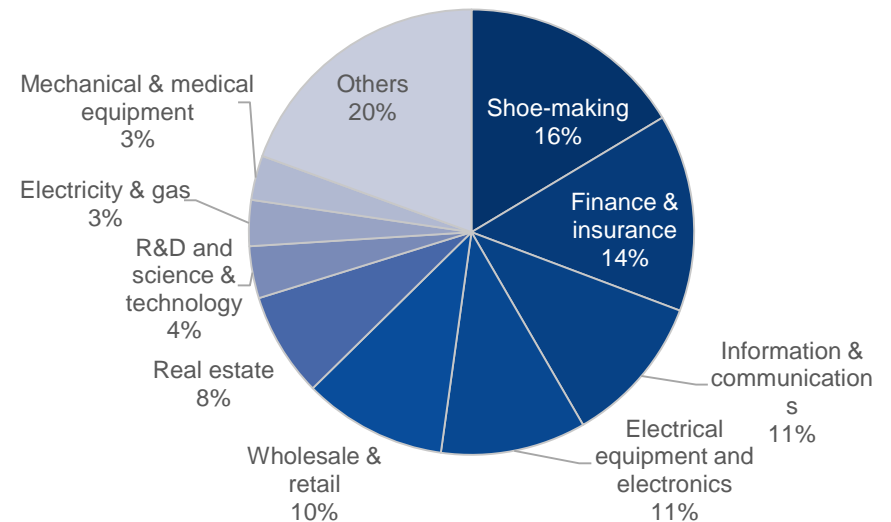
- Global direct investment hit a record high every year from 2014 to 2018, peaking at US\$26.91B in 2018 due to last-minute investment before the abolition of corporate tax preferential measures for foreign companies. Although this decreased in 2019 due to reactionary last-minute investment and in 2020 due to the COVID-19 pandemic, it has risen since then, reaching a record amount of US\$32.7B in 2023.
- By country and region, the United States recorded a slightly lower level compared to the previous year, partly due to large investments through third countries with lower tax rates and declarations by joint venture partners. Sector-wise in the manufacturing industry, semiconductors, electronic equipment and products including rechargeable batteries, and transportation machinery including automobiles and parts increased significantly from the previous year. In the service industry, the finance and insurance sector increased.

Trends and breakdown of global direct investment

Inward direct investment flow (by country/region)



Breakdown of direct investment flow by industry (2023)

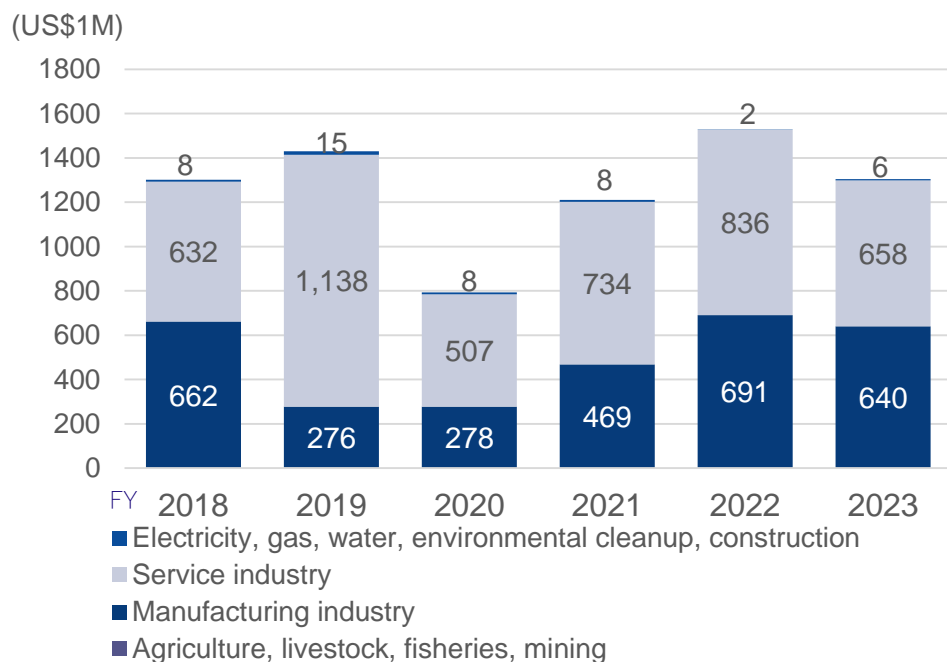


Source: Ministry of Trade, Industry and Energy (South Korea)
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- Japanese companies mainly invested in the manufacturing sector, but since 2019, more than 50% invest in the service sector.
- Foreign direct investment from Japan fell to US\$700M in 2020 due to the spread of COVID-19 but recovered to pre-COVID-19 levels in 2023 at US\$1.34B.
- In a survey on operating profit of companies in Asia, 84.0% of companies answered, "Business in South Korea is profitable," indicating that many companies are performing well (from a JETRO FY2023 survey released in November 2023).

Number and amount of investment in South Korea by Japanese companies

Investment execution by Japan (2018–2023)



Source: KOTRA

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Recent advances (from 2023)

Company	Description
Idemitsu Kosan	Idemitsu Kosan has established research & development bases for new materials for batteries and OLED in Gyeonggi Province.
Tanaka Kikinzo	The South Korean branch established in 2022 was upgraded to a corporation, then launching sales activities in South Korea to expand business, including for fuel cell catalysts and power semiconductor materials.
Tokyo Ohka	Memorandum of Understanding signed with Gyeonggi Province in South Korea to establish a new plant for photoresist; the investment will be about JPY 10B, and the company will work with major South Korean semiconductor companies in the region.
Nitori	The first South Korean store opened at a large supermarket in Seoul. The target is 200 stores in South Korea over the next 10 years.
Zojirushi	The company plans to open a branch for the first time in 17 years since it withdrew in 2006. It started sales activities and strengthened cooperation with local distributors, leading to business expansion in South Korea.

Source: Local articles

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- Challenges in the labor market include, declining birthrates, aging society and a high unemployment rate among youth.

Population

- The labor force has been growing at about 1–1.5% in recent years. However, aging is progressing faster than Japan, and it is said that the proportion of those 60 and over* will exceed 40% of the total population by 2060.

* The retirement age under the *Elderly Employment Act* is 60 years.

Labor conflicts

- Along with collective labor disputes, there are also many individual labor disputes in existence, such as unfair dismissal, making it difficult to dismiss employees. Management practices such as wage obligations during the strike remain unfavorable to management. Despite a 2017 series of strikes in the financial and public sectors, the labor union organization rate in South Korea fell, for the first time in seven years, to 13.1% in 2022, when the Yoon Seok-yeol administration took office.

Workers

- South Korean workers are said to be hardworking. Although work hours have decreased since 1980, they are still long compared to other developed countries. South Koreans also generally have considerable enthusiasm for education, and literacy rates are among the highest in the world.

Youth unemployment

- The unemployment rate for ages 25–64 was 2.7%, lower than the OECD average of 4.8%, in 2023.
- However, for the younger generation (15–24 years old), the ratio is high at 5.8% in 2023 (OECD average 10.6%) due to strict employment competition and military service, illustrating a large disparity between age groups.

Source: Public information
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Wage type		Survey date: September 2023		Remarks
		Conversion rate: US\$1 = KRW 1,318 (interbank exchange rate on September 1, 2023); however, please refer to the notes for wages.		
		* Value-added tax (VAT) is included unless otherwise noted.		
		US\$	Local currency	
Manufacturing industry	Worker (general operator) (monthly)	2,426	3,206,900	Source: JETRO Survey of Japanese companies operating in Asia and Oceania (August to September 2023, average conversion rate on August 2023 US\$=KRW) Regular employment (workers with about 3 years of work experience) Base salary Annual contribution: US\$41,584 (KRW 54,963,300) (Including basic salary, allowances, social security, overtime pay, bonuses, etc.)
	Engineer (mid-career technician) (monthly)	2,745	3,628,000	Regular employment (technical college/university graduate or above, engineer with about 5 years of work experience) base salary Annual contribution: US\$46,654 (KRW 61,665,000) (Including basic salary, allowances, social security, overtime pay, bonuses, etc.)
	Middle management (section-manager class) (monthly)	3,678	4,861,300	Regular employment (managers with a college degree or above and 10 years of work experience) Base salary Annual contribution: US\$63,110 (KRW 83,416,000) (Including basic salary, allowances, social security, overtime pay, bonuses, etc.)
Non-manufacturing	Staff (general) (monthly)	2,181	2,883,000	Regular employment (general employment with about 3 years of work experience) Base salary Annual contribution: US\$34,722 (KRW 45,894,000) (Including basic salary, allowances, social security, overtime pay, bonuses, etc.)
	Manager (section-manager class) (monthly)	3,533	4,669,400	Regular employment (managers with a college degree or above and 10 years of work experience) Base salary Annual contribution: US\$55,788 (KRW 73,738,700) (Including basic salary, allowances, social security, overtime pay, bonuses, etc.)
Legal minimum wage		1,564/month	2,060,740/month	Source: Ministry of Employment and Labor "Minimum Wage Notification for 2024" Revised: Effective July 20, 2023 Hourly wage: KRW 9,860, Monthly rate: KRW 2,060,740 Applicable Period: January 1, 2024 - December 31
Bonus payment (fixed bonus + variable bonus)		2.55 months of basic salary		Source: JETRO Survey of Japanese companies operating in Asia and Oceania (August to September 2023)

Source: JETRO
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- Investment in certain industries is regulated, and it's announced as the "Negative List."
- In principle, investment is possible only in industries outside the "Negative List."

Foreign-investment regulations

“Negative List” system

- Investment-regulated industries other than public administration, national defense, educational institutions, etc. are announced in the "Negative List."
- However, because most regulations can be cleared depending on the investment, investment in these listed industries can be permissible.

Open industries	1,085
Partially open industries	27
Unopened industries*	3
Total	1,115

*Unopened industries (negative list) include nuclear development, terrestrial broadcasting, and radio broadcasting.

Incentives

Incentives

Tax reduction and exemption, rent, rent reduction, and exemption of national and public property, cash support

Businesses eligible for tax reduction and exemption

1. Businesses in the growth engine industries
2. Businesses moving to foreign-investment areas
3. Businesses moving to economic free zone areas
4. Companies moving to corporate urban development areas
5. Economic free zone developers and corporate urban development operators
6. Jeju Investment Promotion Area developers
7. Companies located in the Jeju Advanced Science and Technology Complex
8. Jeju Investment Promotion District
9. Companies located in the Jeju Free Trade Zone
10. Companies located in the Saemangeum Business area
11. Others

In addition to the above, foreign-investment companies that meet certain criteria can receive tax reductions and exemptions under the *ACT ON RESTRICTION ON SPECIAL CASES CONCERNING TAXATION* in the same way as domestic companies.

Note: 100 million won or more and 10% or more of foreign investment per investment

Source: JETRO
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- **Topics in South Korea for 2024 are "Increase in U.S. investment" and "Issues related to low birthrates and the aging population."**
 - **In the U.S.-South Korea summit in May 2021, the South Korean government announced a plan for investment in the U.S. by the four major conglomerates.**
 - **Since 2000, the birth rate has been decreasing rapidly. It is estimated that, by 2065, people aged 65 and over will make up more than 46% of the total population.**

Increase in U.S. investment

- The U.S. has been the largest investment destination since the 1980s. The investment ratio to China (Mainland) and Hong Kong increased temporarily in the 1990s but has been on an upward trend again since the 2000s.
- In May 2021, the four major conglomerates (Samsung, Hyundai, SK, and LG) announced investment in the U.S. amounting to about US\$39.4B (including previously announced investment plans). Semiconductors (foundry factory establishment) and EV/vehicle-mounted batteries (car-mounted battery factory establishment) are the main areas of investment among the important industries of the U.S.
- Looking at the breakdown of the total investment of US\$77.B in 2022, US\$300B in North America, US\$180B in Asia, and US\$153B in Europe, their investment ratio to the U.S. has increased in recent years.
- Notably, recent large investments in China include Samsung Electronics' expansion of its semiconductor factory in Xi'an city (2018, US\$7B) and LG Energy Solution's completion of its second vehicle-mounted battery factory in Nanjing city (2021, US\$1.3B).
- While expanding their investment scale in the U.S., South Korean companies are also maintaining their investment scale in China.

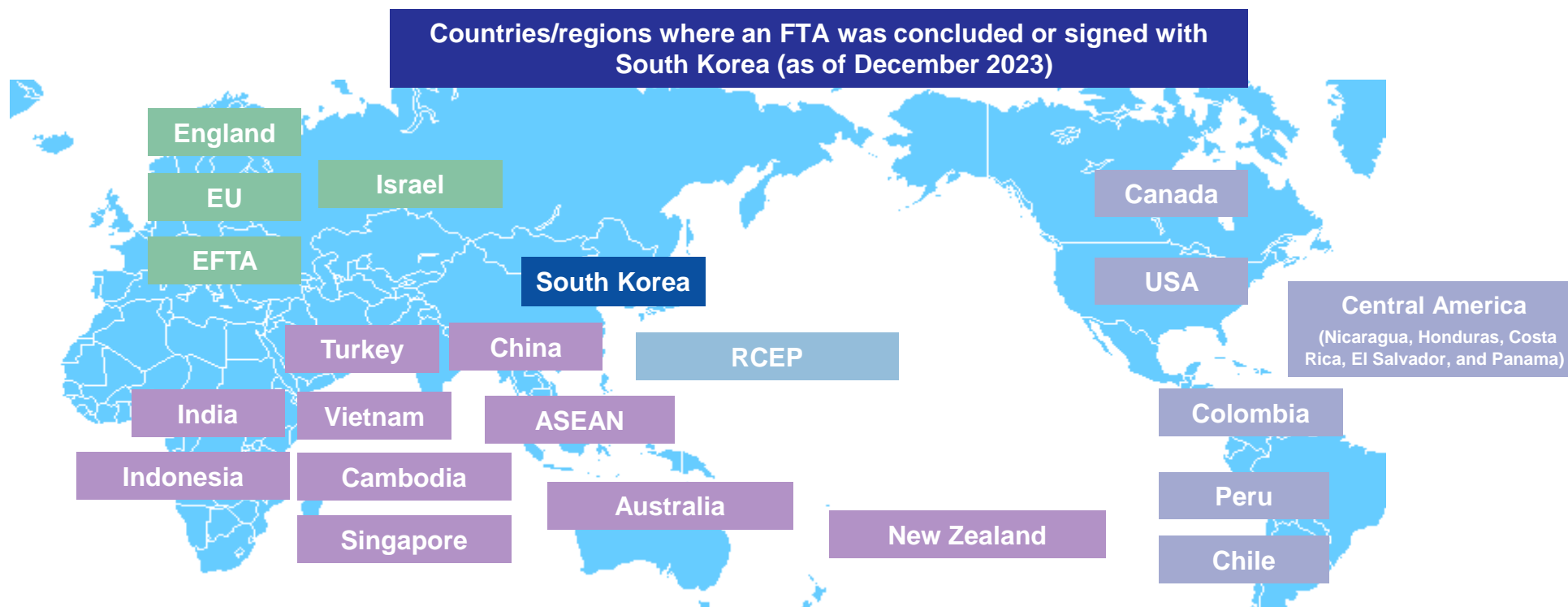
Low birthrate and the aging population

- South Korea's fertility rate recorded its lowest numbers ever at 0.72 in 2023, significantly lower than the average (1.58 as of 2021) of OECD member countries.
- Looking at the population ratio of those aged 65 (see Note) and above, it was 12.8% in 2015 and 19.0% in 2023.
- The elderly aged 65 and over are expected to account for 25.3% of the total population in 2030 and over 46% in 2065, accelerating the decline in the birthrate and increasing the aging population.

Note: The age at which national pension benefits start is 65 (for those born in 1969 and thereafter).

Source: Public information
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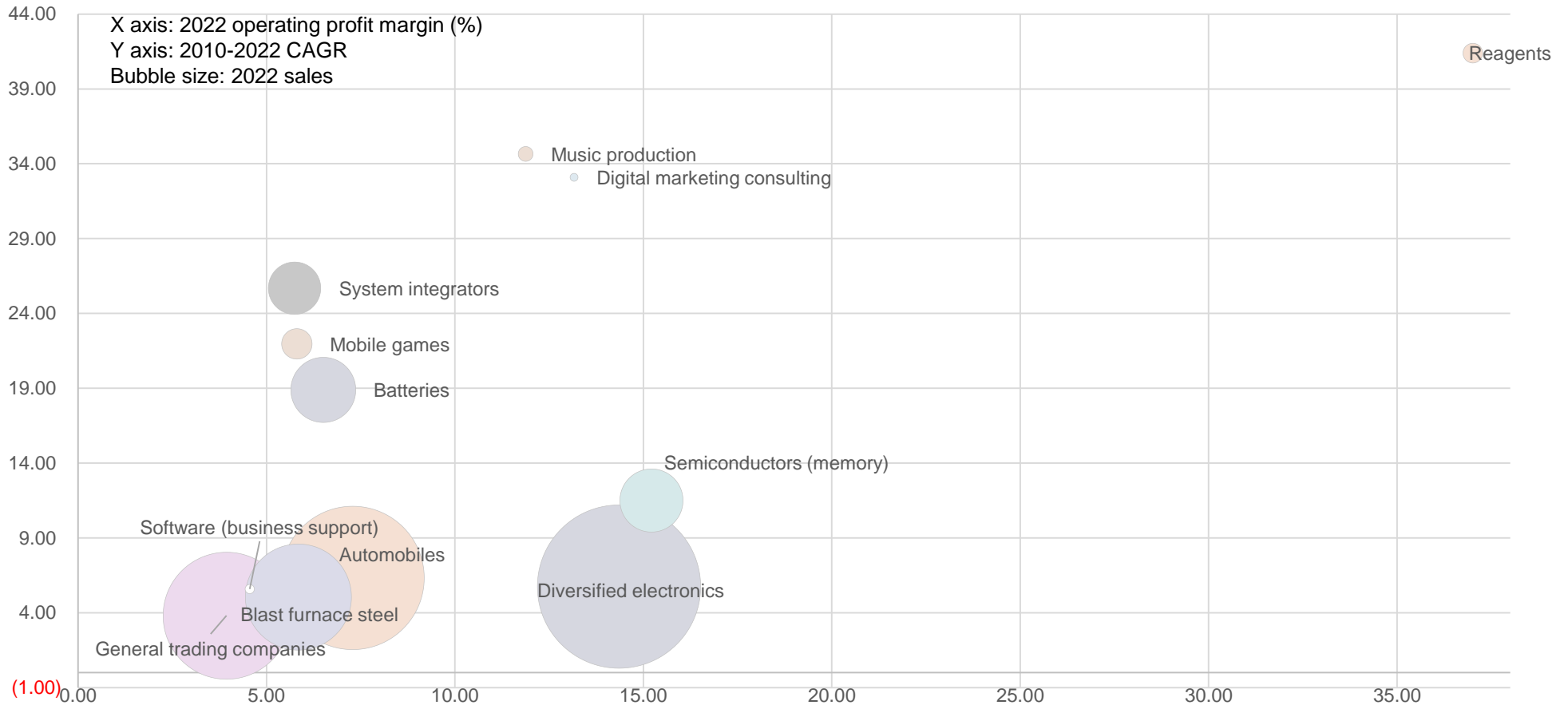
- Trade volume with countries and regions where FTAs were signed accounted for 78.2% of the total in 2023, and the FTA utilization rate increased from 51.5% in 2012 to 80% in 2023.
- The Regional Comprehensive Economic Partnership (RCEP) Agreement entered into force on February 1, 2022, becoming the first economic partnership agreement between Japan and South Korea to be established.



Source: Ministry of Foreign Affairs of Korea, JETRO, Japan Customs
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- While manufacturing industries such as machinery and electrical products and the automobile industry, which have traditionally supported the economy, have large sales volume, their growth rates remain less than 15%.
- Although sales are small, next-generation businesses such as system integrators, internet media, content production and distribution, and bio and pharmaceutical reagents are growing.

Sales, Growth Rate, Operating Margin of Major Industries in South Korea



Source: Public information
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