



Economic Report 2024

REPUBLIC OF KOREA

28 June 2024

Executive Summary

Overall, South Korea's economy has demonstrated resilience despite numerous challenges, including high inflation, energy costs, financial instability, and global geopolitical tensions. South Korea has become the 14th largest economy in the world and the 4th largest in Asia according to the IMF. Its GDP is expected to grow between 2.3% and 2.6% in 2024, driven largely by strong exports in the semiconductor sector. Private consumption has seen modest growth due to challenges such as high interest rates and a declining working-age population. Inflation has decreased to 2.9% in early 2024 from 3.3% in late 2023 but remains above the Bank of Korea's 2% target. Geopolitical tensions and the weakening of the Korean Won against the US Dollar have increased energy costs and inflationary pressures. South Korea's national debt rose by 1.7% in 2023 to \$826.63 billion, pushing the debt-to-GDP ratio above 50%. Efforts to reduce the high household debt are underway to enhance economic growth and financial stability. Domestically, the real estate market has adjusted due to high borrowing costs and regulatory measures, with house prices declining for 11 consecutive months. A soft landing is expected, supported by deregulations and revamped taxation rules. South Korea also faces demographic challenges, with a record-low fertility rate of 0.72 posing medium-term economic risks.

President Yoon Suk-yeol's industrial policy focuses on deregulation and labor market reforms to boost economic growth and investment. Efforts to liberalize the financial market and reduce regulatory burdens on foreign investors aim to enhance South Korea's attractiveness as an investment destination. However, the opposition-controlled parliament has hampered his reforms. The economy remains sensitive to geopolitical changes, especially the China-US rivalry. South Korea is diversifying its trade partnerships, reducing reliance on China, and increasing exports and investments to the US and other countries. This shift is evident as South Korean exports to the US surpassed those to China in early 2024. The government has sought to sign 10 new free trade agreements (FTAs), with updates to existing agreements addressing contemporary trade issues and digital trade. This presents opportunities and challenges for Swiss companies, as the outdated EFTA-South Korea FTA needs modernization to ensure Swiss competitiveness with European and American firms.

There are opportunities for Swiss companies in high-tech industries, biotechnology, quantum technology, and secondary battery production. South Korea's innovation-driven market is particularly suitable for Swiss SMEs in medtech, precision machinery, and cleantech. Despite

regulatory challenges, many Swiss companies have successfully established a presence in South Korea, transitioning from relying on distributors to creating their own subsidiaries. South Korea is the largest per capita spender on luxury goods globally, presenting significant growth opportunities in this sector. Moreover, having a presence in South Korea is important due to its conglomerates' global reach, which enhances the country's significance in global Foreign Direct Investment (FDI). Trade flows between Switzerland and South Korea are rebalancing, with Switzerland's trade surplus decreasing from \$2.7 billion in 2018 to \$0.66 billion in 2023. The 22% depreciation of the Korean Won against the Swiss Franc over three years poses a challenge, and Swiss exports to South Korea may eventually balance or be surpassed by South Korean exports. Switzerland remains a popular destination for Korean travelers, especially in summer, and the new Zurich-Seoul flight connection operated by Swiss International Airlines starting in May 2024 is a significant development and opportunity.

Overall, South Korea is a challenging yet attractive market for Swiss companies, with untapped potential in key growth sectors and opportunities for R&D collaborations and start-ups. South Korea's strategic efforts to diversify trade partners and foster innovation make it a promising destination for Swiss investments and partnerships, both domestically and globally.

TABLE OF CONTENTS

1	ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS.....	4
2	PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES.....	7
3	FOREIGN ECONOMIC POLICY	10
3.2	Outlook for Switzerland	12
4	FOREIGN TRADE	13
4.1	Developments and general outlook.....	13
4.1.1	<i>Trade in goods</i>	13
4.1.2	<i>Trade in services</i>	14
4.2	Bilateral trade.....	14
4.2.1	<i>Trade in goods</i>	14
4.2.2	<i>Trade in services</i>	15
5	DIRECT INVESTMENTS.....	15
5.1	Developments and general outlook.....	15
5.2	Bilateral investment	16
6	ECONOMIC AND TOURISM PROMOTION	17
6.1	Swiss foreign economic promotion instruments.....	17
6.2	The host country's interest in Switzerland	18
	ANNEX 1 – Economic structure	19
	ANNEX 2 – Main economic data.....	20
	ANNEX 3 – Trade partners	21
	ANNEX 4 – Bilateral trade.....	22
	ANNEX 5 – Main investing countries	23

1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

A member of the OECD and the G20, South Korea now ranks as the 14th largest economy globally and the 4th largest in Asia according to the IMF.¹ South Korea achieved its rapid economic rise in large part due its effective export-oriented industrialization, transforming from a GDP per capita of US\$ 64 in 1955 – one of the lowest in the world – to US\$ 34'160 in 2024.² Per capita incomes in South Korea have been catching up to those of most advanced economies and the business climate and growth often outperform advanced economy peers. Korea's average wage reached US\$ 48,922, surpassing Japan's US\$ 41,509, according to OECD data.³ As a high-technology, industrialized economy the country is a key player in important global markets including semiconductors, pharmaceuticals, shipbuilding, ICT, chemicals and increasingly aeronautics & defense.

As of mid-2024, **South Korea's economic situation** shows signs of gradual improvement but also faces several challenges. The country's GDP is forecast to grow by approximately 2.3% to 2.6% in 2024, largely driven by strong exports, particularly in the semiconductor sector, and a recovery in global demand.⁴ The economic environment was characterized by a slower recovery in **domestic demand** compared to the robust performance in exports. Private consumption and equipment investment have seen minimal growth, while construction investment has declined less sharply due to temporary surges in construction projects.⁵ Since monthly industrial production indicators show only modest growth, this growth may not be consistent or sustainable in the upcoming quarter. Achieving this growth in 2024 was particularly noteworthy given the significant challenges faced in 2023 and 2022.

As a pivotal economy heavily reliant on international trade, South Korea confronted its largest trade deficit on record in 2022, amounting to US\$ 47.5 billion. The following year, 2023, witnessed a growth slowdown attributed to a contraction in exports. The economic outlook for 2024 shows signs of recovery. During the first five months of the year, the country experienced a notable turnaround, recording a **trade surplus** of US\$ 15.1 billion. This achievement sharply contrasts with the corresponding period in 2023, which saw a cumulative deficit of US\$ 27.5 billion. In May 2024, the nation recorded its highest monthly surplus in 41 months, totaling US\$ 4.9 billion. These developments have strengthened the cumulative surplus from January to May, reflecting a substantial year-on-year improvement of US\$ 42.6 billion.⁶

In 2024, **private consumption** showed modest growth. According to the Korea Development Institute (KDI), private consumption is projected to increase by 1.8% this year.⁷ This slower growth rate is primarily due to a decline in goods consumption, but also higher interest rates and increased household debt, which limited consumer spending power.

Exports have continued to recover, playing a crucial role in mitigating the economic downturn. In the first five months of 2024, exports rose 9.9% compared to the same period last year to US\$ 277.7 billion, marking the second-highest performance in history after the 2022 record.⁸ This robust performance has contributed to the expansion of the current account surplus and high net foreign assets, which are nearing 50% of GDP⁹, indicating favorable external soundness. The surge in Korea's exports was primarily driven by information technology products, notably semiconductors and computers, which saw a 40% increase to US\$ 69.4

¹ IMF, [World Economic Outlook database: April 2024](#) (28.06.2024)

² IMF, [GDP per capita, Korea, Republic of](#) (27.06.2024)

³ OECD, [Average Annual Wages data](#) (27.06.2024)

⁴ IMF, [World Economic Outlook \(April 2024\)](#) (18.06.2024)

⁵ KDI, [Economic Outlook 2024-1st Half](#) (24.06.2024)

⁶ Statistics Korea, [Consumer Price Index](#) (26.06.2024)

⁷ KDI, [Economic Outlook 2024-1st Half](#) (16.05.2024)

⁸ MOTIE, ["Exports set 2nd-highest record total in year's first 5 months"](#) (20.06.2024)

⁹ KDI, [Economic Outlook 2024-1st Half](#) (24.06.2024)

billion over five months. South Korea's semiconductor industry, a global leader in memory chips and other advanced technologies, has seen significant growth due to increasing demand for consumer electronics, data centers, and automotive electronics. Automobiles also recorded the highest export volume, reaching an unprecedented US\$ 30.8 billion. Ship exports exhibited the most significant growth among the top 15 export categories, jumping 54% to US\$ 10.2 billion, thereby making a substantial contribution to the overall rise in exports. This strong performance resulted in a trade surplus for twelve consecutive months, beginning from June of the previous year.¹⁰ These indicators highlight South Korea's strong position in global trade and its ability to maintain economic stability amid external challenges.

Inflation has eased to 2.9% in the first five months of 2024, down from 3.3% in the latter half of last year. However, it remains slightly above the Bank of Korea's 2% target, which is anticipated to be achieved in 2025. **Consumer prices** increased by 2.7% year-on-year on May 2024, compared to a 2.9% year-on-year increase the previous month.¹¹ The declining won against the dollar in the past 3 years increases the cost of imported goods, thereby contributing to higher inflation in South Korea. The Bank of Korea reported that although global oil prices have recently declined, there is still upward pressure due to geopolitical risks. External factors, notably Russia's war in Ukraine, have impacted the South Korean economy, which is heavily reliant on energy imports. The conflict has led to trade disruptions and increased energy costs. Nonetheless, as energy markets stabilize, inflation has shown signs of decreasing.

The **labor market** shows mixed signals; while employment growth is expected to slow, job creation has seen some improvement. In April 2024, South Korea added 261,000 jobs compared to the previous year, but the unemployment rate slightly increased to 3.0%, according to the Ministry of Economy and Finance.¹² For the first five months of 2024, the unemployment rate averaged 3.18%¹³. From January to April 2024, the overall unemployment rate was 2.8%, but the youth unemployment rate (15-29 years old) remained higher at 6.5%¹⁴. In South Korea, cultural expectations and social pressures play a significant role in the relatively high youth unemployment rate. Young graduates often prefer to remain unemployed rather than accept part-time or non-prestigious jobs, as these positions are perceived to undermine their future career prospects and social status, according to a report by the Korea Economic Institute.¹⁵ South Korea's high university entry rate of around 76.2% has created a highly skilled workforce, making it among the most highly educated countries in the world.¹⁶ As of 2024, five Korean universities featured among the QS top 100 global universities.¹⁷ Looking ahead, employment growth is anticipated to slow, reflecting a shrinking working-age population. The number of employed persons is expected to increase by 240'000 in 2024, down from 330'000 in 2023, and further slow to 170'000 in 2025.¹⁸

The country's **unanswered demographic situation** may have in the medium-term serious consequences for its economy. Factors like expensive housing, high education costs, and long working hours have deterred young Koreans from having children. The fertility rate fell again in 2023 to hit a record low of 0.72, the lowest in the world.¹⁹ The number falls well below the 2.1 fertility rate required to maintain a stable population in the absence of immigration. The working-age population is forecasted to decline from 37.38 million individuals in 2020 to 33.81 million in 2030 and further to 17.37 million (46.1% of the total population) by 2070.²⁰ On June

¹⁰ MOTIE, [Exports set 2nd-highest record total in year's first 5 months](#) (20.06.2024)

¹¹ Statistics Korea, [Consumer Price Index](#) (26.06.2024)

¹² MOTIE, [Economic Bulletin June 2024, Vol.46, No.6](#) (25.06.2024)

¹³ Statistics Korea, [Unemployment rate by gender and age, January to May 2024](#) (25.06.2024)

¹⁴ MOTIE, [Economic Bulletin June 2024, Vol.46, No.6](#) "Unemployment rate (seasonally adjusted)", (25.06.2024)

¹⁵ KEI, [Low Youth Employment in Korea Part 1: The "Golden Ticket Syndrome"](#) (06.01.2023)

¹⁶ Statista, [Enrollment rate in university in South Korea from 2013 to 2023](#) (25.06.2024)

¹⁷ QS Top Universities, [World University Rankings 2024](#) (08.06.2024)

¹⁸ KDI, [Economic Outlook 2024-1st](#) (24.06.2024)

¹⁹ Statistics Korea, [Total Fertility Rates and Age-Specific fertility](#) (25.06.2024)

²⁰ Statistics Korea, [Population Projections for Korea \(2020-2070\)](#) (27.06.2024)

2024, President Yoon declared a “demographic national emergency” in South Korea.²¹ He proposed measures including parental leave enhancements and flexible work arrangements to address these issues, alongside plans for a new ministry focused on population strategies pending approval from the National Assembly.

South Korea’s **national debt** rose around 1.77% in 2023 from the previous year to US\$ 826.63 billion.²² The debt-to-GDP ratio **rose to an all-time high of 50.4%**, up from 49.6% in 2022, marking the first time it exceeded 50% since records began in 1982. This trajectory aligns with earlier projections that anticipated the ratio would hover around 50% in both 2022 and 2023. Previously, the ratio had remained in the 30% range from 2011 to 2019 before increasing to the 40% range in 2020. Since the beginning of the pandemic, South Korea has consistently had the **highest household debt-to-GDP ratio** among 34 developed and emerging-market countries observed by the Institute of International Finance. In 2024, however, the household debt-to-GDP ratio fell below 100% for the first time, measuring 98.9%²³. This reflects efforts aligned with the Bank of Korea’s goal of reducing in the long-term ratio to 80% to safeguard economic growth and financial stability.

From a bubble market in 2020-21, **South Korea’s real estate market** has undergone a significant readjustment since summer 2022, due to high borrowing costs, tight credit conditions, and previously stringent tax and regulatory measures on property. In 2023, house prices declined for the 15th consecutive month in August— its longest streak of decline in 11 years.²⁴ As of March 2024, South Korea’s Housing Index has decreased slightly to 93.10 points, down from 93.20 points in February 2024. This minor decline indicates a stabilization phase in the housing market following significant fluctuations in recent years. Despite this slight dip, the index remains substantially higher than the historical average of 57.49 points (from 1986 until March 2024), pointing to a generally high market valuation. The Housing Index in the country fell by approximately 7.73% from July 2022 (100.9 points) to March 2024 (93.1 points).²⁵ South Korea’s real estate market seems to be leaning toward a soft landing according to experts, supported by deregulations and revamped taxation rules.

South Korea’s economy is susceptible to be affected by **changing geopolitics and supply chains**, especially the China-US rivalry. Like many others, the country has engaged in a “de-risking” strategy. While China remains the most important trading partner, South Korea’s export reliance on its big neighbor dropped below 20% in the first quarter of 2023.²⁶ China’s chip imports from South Korea slumped nearly 20% in the first five months of 2023. According to the UNCTAD Global Trade report, South Korea has decreased its trade dependence to China by -1.2% during 2023.²⁷ At the same time, exports to the US are helping fill the vacuum. The US has continued to tighten export restrictions on the sale of advanced semiconductors and semiconductor equipment to China, which affected Korean exports. South Korea is also trying to diversify exports to markets beyond the US – to the Indo-Pacific region, the Middle East and Europe - to reduce its heavy dependency on the world’s second-largest economy.

Upon taking office in May 2022, President Yoon Suk-yeol announced his **economic policy direction** and promised deregulation to spur economic growth and investment. He vowed to lift regulations and reform the labor market to prevent stagflation. In its “110 key policy tasks,” the conservative administration introduced measures to liberalize the economy and reduce red tape, including establishing a regulatory adjudication system to review regulations based on international standards. However, these reforms have faced obstacles due to the opposition-

²¹ Yonhap News Agency, “[Yoon declares ‘demographic national emergency’, vows all-out effort to tackle low birth rate](#)” (19.06.2024)

²² Yonhap News Agency, “[S. Korea’s national debt hits record high in 2023](#)” (11.04.2024)

²³ IIF “[Global Debt Monitor: Navigating the New Normal](#)” (25.06.2024)

²⁴ Trading Economics, [South Korea House Price Index](#) (27.06.2024)

²⁵ Trading Economics, [South Korea House Price Index](#) (27.06.2024)

²⁶ The Korea Times, [Korea’s export dependency on China dips below 20 percent](#) (05.06.2023)

²⁷ UNCTAD, [Global Trade Update \(March 2024\)](#) (25.06.2024)

controlled parliament. The parliamentary elections in April 2024 maintained the opposition Democratic Party's (DP) control of the National Assembly, significantly impeding reforms with the parliament blocking initiatives and the president vetoing bills such as the "yellow envelope" bill, which aimed to limit companies from claiming damages in labor union disputes. The National Assembly passed in December 2022 a 2023 budget that cut tax rates by 1% in all tax brackets to promote investment and job creation by businesses, while delaying taxation of financial investment income.²⁸ In May 2023, President Yoon announced a US\$ 19 billion support program for the semiconductor industry. In February 2024, he pledged to invest US\$ 2.47 billion in projects within the nuclear industry.²⁹

Steps have been taken to open up the **Korean financial market** to foreign investors by loosening regulations and administrative hurdles. Foreign investors were previously required to undergo a registration process in order to acquire stocks. Starting from 14 December 2023, foreign investors will be permitted to create accounts with their passports or legal entity identifiers, as is common practice elsewhere.³⁰ The government is also addressing the "Korea discount," a term referring to the undervaluation of Korean stocks due to factors such as weak corporate governance, low shareholder returns, and the dominance of *chaebols*. To alleviate this, the Financial Services Commission (FSC) has introduced the "Corporate Value-Up Program" to enhance shareholder value through better corporate governance and shareholder incentives.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

South Korea is a **high-technology, industrialized economy**. The flagship industries are electronics, telecommunications, automobiles, pharmaceuticals and chemicals, shipbuilding and steel. South Korea is the 10th largest arms exporter with a share of 2.0% in 2019-2023 compared to 1.7% in the previous 5-year period.³¹ The country's economy is fuelled by highly diversified conglomerates known as *chaebols*, among them Samsung, LG, Hyundai and the SK Group. These conglomerates play a pivotal role in South Korea's research and development investments and have a global presence.

South Korea, like Switzerland, is an **innovation leader**. In the Global Innovation Index 2023, the country was ranked 10th globally and 2st in Asia.³² South Korea also ranks 2nd among OECD members when it comes to R&D spending as a portion of GDP with 5.21% (US\$ 81.7 billion), only behind Israel.³³ In the coming years, the government plans to focus on fostering innovation clusters based on high-tech industries such as biotech, semiconductors, quantum technology and batteries by improving related systems. South Korea's approach to innovation differs from Switzerland's in some ways. While Switzerland relies strongly on private sector investment and collaboration between academia and industry, South Korea focuses on government-funded or driven R&D. South Korea's education system is also more STEM-focused than Switzerland's dual education system.

The Korean market holds potential for SMEs, with sectors like MEM, medtech, precision machinery, and cleantech being particularly promising. Niche opportunities can also be found in the consumer goods sector such as food beverages and cosmetics. Emerging opportunities arise in ICT, specifically blockchain technologies and metaverse/electronic services. Notably, there are areas in South Korea that haven't reached the highest technological advancement,

²⁸ Lexology [South Korea's Tax Reform for 2023: Summary of Key Changes](#) (16.02.2023)

²⁹ Lexology [South Korea's Tax Reform for 2023: Summary of Key Changes](#) (16.02.2023)

³⁰ Reuters, [Seoul stock market regulator to end foreign registration rule on December 14](#) (05.06.2023)

³¹ SIPRI, [Trends in International Arms Transfers, 2023](#) (03.2024)

³² WIPO, [Global Innovation Index 2023](#) (09.2023)

³³ Ministry of Science and ICT, [R&D activities in 2022](#) (07.12.2023)

presenting opportunities for Swiss companies to fill these gaps in the value chain with their specialized products.

South Korea is an interesting market for Swiss **pharmaceutical and biotech companies**. Pharmaceutical products are the largest trading goods in either direction. Many Korean companies are trying to diversify from China, with recent signatures of MOUs with India testifying to the government's interest to foster business opportunities. The country recently announced its wish to replicate Boston's successful bio clusters to attract global companies, institutes and universities. The government also announced plans to provide tax advantages and financial benefits to companies and overseas talents active in the biopharmaceuticals, semiconductors and artificial intelligence sectors.³⁴

South Korea recently invested to build larger **biotech clusters** in Incheon area (Songdo). Seoul Metro Government, on the other hand, plans to expand bio clusters in the North-Eastern part of Seoul. Both governments are keenly interested in collaborating with Switzerland, especially with Basel area. The Korean government also plans to advance the digital healthcare industry by allowing healthcare data more accessible to the private sector. Through this initiative, it will gradually open the entire integrated data of 1 million people between 2030 and 2032. This may change the Korean biotech industry portfolio.³⁵

South Korea is also a leader in secondary **battery production** worldwide. They occupied the second-largest market share after China in 2022. The Korean government, along with top battery companies including LG Energy Solution, Samsung SDI, and SK Innovation, plans to invest US\$ 15.1 billion by 2030 to develop advanced battery technologies, including solid-state batteries. The investment comes as stricter EV tax rules introduced by the U.S. brought to light the need to enhance South Korea's domestic production capabilities to keep up with the global EV battery market and boost exports.³⁶ In June 2023, LG Chemical announced that they have developed single-crystal cathodes for the first time in the world, which increases the safety and lifespan of EV batteries. This high-nickel single-crystal cathodes may change the future battery materials market.³⁷ Energy transition is a recent hot topic and Swiss companies engaged in next generation battery technology might look into entering into collaborations with Korean battery manufacturers. The Swiss Business Hub Korea (SBH) has been facilitating matchmaking between Korean battery manufacturers and Switzerland Innovation Parks for collaborative research and development related to develop battery de-manufacturing.

Moreover, South Korea is determined to become a leading **quantum hub**, with a strong focus on developing core technologies and infrastructure. Korea aims to bridge the quantum capabilities gap with the United States and other quantum leaders such as Japan, China and the European Union. In 2023 South Korea's Ministry of Science and ICT announced an investment of US\$ 2.3 billion by 2035 with the support of its large conglomerates. Its roadmap for quantum technologies covers areas such as quantum computing, quantum communications (especially cryptography), and quantum sensors. It is noteworthy that the country intends to connect its quantum drive with its defense industry. Swiss companies specializing in quantum technologies have significant opportunities to participate in joint research projects and contribute to Korea's goal of expanding the quantum workforce and fostering innovation. Through the signing of a **Memorandum of Understanding between Seoul and Basel** in September 2022, avenues for collaboration and knowledge exchange between Swiss and Korean companies were fostered. A joint science collaboration was established between Switzerland and the Republic of Korea in May 2023, which includes cooperation in quantum. The Swiss company ID Quantique (IDQ) recently celebrated 5 years collaboration with SK

³⁴ The Korea Economic Daily, [S. Korea to bolster biotech R&D, benchmarking US' Boston](#) (01.06.2023)

³⁵ Pulse News, [Korea ramps up efforts to build global biotech cluster](#) (01.06.2023)

³⁶ Reuters, [South Korea announces US\\$ 15 billion investment in advanced battery technologies](#) (20.04.2023)

³⁷ The Korea Economic Daily, [LG Chem produces single-crystal cathodes, to raise US\\$ 1.5 billion in bonds](#) (26.06.2023)

Broadband and secured the brand-new fiber optic network connecting 48 government organizations across the country. This wide area application of quantum technologies featured ground-breaking distances for IDQ's Quantum Key Distribution (QKD) technology of up to 800km. Also, SK Telecom and Samsung Electronics released the Galaxy Quantum 3 smartphone incorporating IDQ's QRNG chip for enhanced encryption. Furthermore, the Korean government and companies will inject 3 trillion won (\$2.3 billion) in quantum science and technology by 2035 aiming to become the world's fourth-largest powerhouse in the sector.³⁸ These developments indicate the growing importance of quantum technology in South Korea and present opportunities for Swiss companies in the sector. One notable example is the Swiss start-up Terra Quantum that cooperates with POSCO Holdings to deploy quantum AI for optimizing steel production, specifically focusing on POSCO's advanced blast furnaces.³⁹

Korean EPC companies, such as Hyundai Engineering & Construction, Samsung C&T, GS C&T and SK Ecoplant, are prominent players in **infrastructure investments**, holding leading positions in the industry. With a strong presence in Asia, the Middle East, the United States, and Latin America, South Korean general contractors have successfully expanded their operations by leveraging their extensive technical expertise gained through years of domestic infrastructure projects. Korean firms have made significant contributions to various areas, including power generation (renewable energy and nuclear power plants), natural resources, petrochemicals, oil refineries, and transportation infrastructure such as roads, railways, metros, airports, and seaports. Top notch construction technologies from Switzerland (Leica) and Germany were applied when building the Lotte World Tower and some bridges (Mageba). Hyundai E&C partnered up with Holcim to jointly develop low-carbon new materials using calcined clay to reduce carbon emissions and high-durability concrete technology for the marine environment.

South Korea is striving for transforming into a "**hydrogen economy**". Besides the mobility sector where Hyundai Motor Company leads with its hydrogen car Nexo and truck Xcient, local companies actively seek collaboration and innovative technologies in fuel cell and liquid hydrogen sectors. Swiss companies specializing in (liquid) hydrogen production/storage, drone, and cryogenic technologies would benefit from devising a strategic approach for entering the Korean market to take advantage of its growing domestic market and global potential.⁴⁰ To meet the growing demand of hydrogen, large companies such as POSCO and Samsung Heavy Industries have built consortiums to develop green and blue hydrogen. These collaborations would also pose other opportunities for Swiss companies if they would be involved in the supply chain. The Swiss Business Hub Korea (SBH) will establish the first SWISS Pavilion at the trade fair H2 Meet in September 2024 with six exhibitors that are engaged in precision measuring and high-pressure components.

Sustainability becomes a greater priority across all sectors. In the **shipping industry**, where South Korea has remained a market leader, demand is growing for solutions using more environmentally friendly sources such as liquefied natural gas (LNG), ammonia and hydrogen. Hyundai Heavy Industries and Winterthur GD have partnered in June 2020 to develop ship engines using ammonia so as to reduce carbon emission.⁴¹ Hanwha Ocean will build zero-emission ships in the future powered with Hanwha Aerospace's hydrogen fuel cell system, albeit using US technology (Amogy) for ammonia cracking. Burckhardt Compression producing compressor solutions for LNG carriers have operated in Korea for ten years while Peter Fuchs Technology AG are expanding its market in Korea with high pressure components. The Swiss Business Hub Korea will operate the fourth edition of the Swiss Pavilion at Kormarine 2025, one of the top five marine & shipbuilding trade fairs to promote Swiss marine technology. The

³⁸ Business Korea, [Korean Gov't, Corporations to Invest 3 Trillion Won+ in Quantum Science, Tech](#) (28.06.2023)

³⁹ Green Car Congress, [Terra Quantum collaborating with POSCO Holdings to improve steel production efficiency with Quantum AI](#) (25.02.2024)

⁴⁰ The Korea Herald, [Korean business leaders join forces for hydrogen leadership](#) (14.06.2023)

⁴¹ Chosun, [Hyundai seeks engine commercialization of ammonia engines](#), (20.06.2022)

aim is not only to promote leading Swiss marine technologies but also to introduce potential business opportunities such as pumps in the LNG field. Moreover, Swiss **environmental technology** in energy efficiency, waste treatment, pollutant measure/treatment gains growing demand, that the Swissenviro built the first SWISS Pavilion with five exhibitors at ENVEX this year, the 45th International Exhibition on Environmental Technology & Green Energy.

South Koreans are the world's biggest spenders on personal **luxury goods** per capita. The spending during the pandemic has grown 24% in 2022 to US\$ 16.8 billion, or US\$ 325 per capita.⁴² The trend is driven by increased purchasing power, Korean consumers' strong appreciation for design and quality and a desire to display social status. The Korean market holds significant potential in particular for the Swiss luxury watch industry. The growing affluent middle class, well-developed luxury retail infrastructure, and the recognition of Swiss watch brands' heritage contribute to the potential for growth in the Korean market. Exports of Swiss watches and jewelry products increased last year. Swiss luxury companies have the potential to expand existing markets and explore new market opportunities in Korea.

In his first year of presidency, President Yoon Suk-yeol continued his ambitions to turn Seoul into a **regional hub**. This is hindered by the challenging conditions for foreign companies regarding acquisition of work permits, housing, language barriers, administrative obstacles and protectionism. South Korea is attractive for the primary art market due to attractive taxation laws, high local demand and guaranteed freedom of expression. Seoul hosted 'Frieze' art fair at COEX in September 2022 for the first time and plan to open this fair every year. Seoul has also become a hub of English-language international media in Asia in recent years, with New York Times and the Washington Post having established their regional headquarters in Seoul.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

South Korea's **foreign economic policy** is characterized by its focus on export-oriented industrialization, international trade and foreign direct investment (FDI) to foster growth, and an emphasis on technological innovation and the development of high-value industries. The government has implemented various strategic initiatives and provided support for R&D to develop priority sectors such as IT, biotechnology, clean energy, and robotics. South Korea's geopolitical strategy involves balancing its economic ties with major powers while navigating protectionist policies and fostering regional cooperation.

South Korea's economy is heavily influenced by its **geopolitical circumstances**, particularly its relationships with China, the US, and Japan. President Yoon's US-friendly foreign policy extends to his economic strategy. At the G7 summit in Hiroshima in May 2023, South Korea joined other democracies in adopting a "de-risk, not decouple" approach to economic engagement with China. Economic ties with the US have strengthened, especially as geopolitical tensions influence trade dynamics. In 2023, South Korean exports to the US exceeded those to China for the first time in two decades, with outbound shipments to the US totaling US\$ 53.3 billion from January to May 2024, compared to US\$ 52.69 billion to China.⁴³ While China remains South Korea's most important trading partner, alignment with the US poses economic risks.

⁴² CNBC, [South Koreans are the world's biggest spenders on luxury goods](#) (12.01.2023)

⁴³ The Korea Herald, [US poised to replace China as Korea's top export destination](#) (10.06.2024)

US protectionism, including the Chips Act and the Inflation Reduction Act (IRA), challenges Korean exporters. The Chips Act, aimed at bringing semiconductor manufacturing to the US, offers significant incentives but imposes conditions that concern companies like Samsung and SK Hynix, especially regarding restrictions on expanding semiconductor facilities in China.⁴⁴ The IRA, offering tax credits for electric vehicles assembled in the US with locally sourced materials, threatens South Korean automakers' competitiveness in the US market. Despite these challenges, there are significant investments and collaborations. Samsung is set to receive up to US\$ 6.4 billion in grants for its Texas chipmaking investment and plans to build a US\$ 3 billion EV battery facility with GM.⁴⁵ Hyundai and SK On are also investing US\$ 4.9 billion in a similar plant. In return, Netflix announced a US\$ 2.5 billion investment in Korean content over four years.⁴⁶ The US protectionism poses a challenge to Korean exporters, in particular the Chips Act and the Inflation Reduction Act.

South Korea and Japan have seen significant improvements in their economic relationship. In 2023, South Korean exports to Japan increased by 19%, and imports from Japan rose by 8.2%. Japan reinstated South Korea as a favored trade partner in July 2023 after lifting export curbs on key semiconductor materials.⁴⁷ The two countries held bilateral economic talks in December 2023 for the first time in eight years and revived a US\$ 10 billion currency swap deal.⁴⁸ However, Japan remains the only major trading partner with which South Korea has not signed a bilateral FTA, despite ongoing discussions since 2004.

Since 2023, Yoon's government has been actively pursuing over ten new **Free Trade Agreements** (FTAs) to boost growth, diversify supply chains, and reduce dependence on China. Alongside new FTAs, existing agreements are also being reviewed and updated. South Korea established 21 FTA agreements with 59 countries since 2004, including ASEAN, Australia, Cambodia, Canada, Central America (Partial), Chile, China, Colombia, EFTA, EU, Israel, India, Indonesia, New Zealand, Peru, Singapore, UK, USA, Turkey, Vietnam and RCEP. The first was with Chile, and EFTA was the first agreement South Korea established in Europe. According to Korea International Trade Association (KITA) South Korea ranked eighth globally in trade volume, with exports and imports totaling US\$ 1.27 trillion in 2023.⁴⁹

The **Korea-EU Free Trade Agreement** (FTA), effective since 2011, has significantly boosted bilateral trade by eliminating 98.1% of Korean tariffs and 99.6% of EU tariffs within five years. This agreement has driven a record trade volume of US\$ 136.1 billion in 2023. Recently, there have been concerted efforts to modernize the FTA to address evolving economic landscapes. While broader modernization discussions are ongoing, the EU and South Korea launched negotiations for a bilateral digital trade agreement in October 2023, during the 11th EU-Korea Trade Committee. This agreement aims to enhance legal certainty for businesses and consumers engaged in digital trade, counter digital protectionism, and foster an open, free, and fair online environment. The negotiations emphasize cooperation on data transfer, personal information protection, and cybersecurity, reflecting the increasing importance of the digital economy.

The **Korea-UK FTA**, signed in 2019 and effective from 2021, was the UK's first with an Asian country post-Brexit. In November 2023, during President Yoon's visit to the UK, both countries began negotiations to revise the FTA. Key areas of focus include digital technology, supply

⁴⁴ Reuters, [South Korea asks US to review China rule for chip subsidies](#) (24.05.2023)

⁴⁵ Yonhap News Agency, [U.S. unveils US\\$6.4 bln in CHIPS Act grants to Samsung Electronics](#) (15.04.2024)

⁴⁶ Yonhap News Agency, [Netflix announces plan to invest US\\$2.5 bln in S. Korea](#) (25.04.2023)

⁴⁷ MOTIE, [Korea and Japan fully resolve export control issues](#) (28.06.2023)

⁴⁸ MOEF, [Korea and Japan Signs a \\$10 Billion Currency Swap Deal](#) (29.06.2023)

⁴⁹ Chosun news, [S.Korea's strategic FTAs propel trade growth, narrowing gap with Japan](#) (24.04.2024)

chains, clean energy, and the bio-economy. The second round of talks occurred in March 2024, emphasizing services, digital sectors, SMEs, and regulatory practices.

In April 2024, South Korea's Trade Ministry announced the ninth round of negotiations with **Chile** to update their FTA, originally enacted in 2004. The talks focus on enhancing cooperation in energy, minerals, intellectual property rights, and goods trade. Over the past 20 years, bilateral trade has grown by approximately 6% annually, making South Korea Chile's fifth-largest trading partner and fourth-largest destination for Chilean exports. South Korea is particularly interested in Chile's natural resources, such as lithium and copper deposits. Negotiations to update the FTA have been ongoing since 2018.

In June 2024, South Korea's Trade Minister met with **Norway's** Ocean Minister to discuss establishing a bilateral trade and investment promotion framework (TIPF). South Korea and EFTA-member Norway are seeking closer economic ties, in line with efforts to expand bilateral exchanges beyond EFTA-Korea FTA. It is a nonbinding agreement that aims to enhance economic ties and facilitate cooperate exchanges in various areas. South Korea expressed hopes to strengthen ties with Norway in the shipbuilding sector, carbon-free energy sector, utilizing wing power, clean hydrogen, and nuclear energy.

South Korea also continues to take part in negotiations for the US-led **Indo-Pacific Economic Framework (IPEF)** and recently joined the Digital Economy Partnership Agreement (DEPA) as the first non-founding partner. DEPA aims to establish rules for digital trade, including cross-border data flows, digital identities, and artificial intelligence. Besides the IPEF, South Korea has also officially announced its decision to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

3.2 Outlook for Switzerland

The Free Trade Agreement between the European Free Trade Association (EFTA) and South Korea has been in force since 2006, covering all major areas of trade relations including trade in goods and services, competition, technical barriers to trade (TBT), intellectual property and others.⁵⁰ From a Swiss perspective, the EFTA-ROK FTA has been a success. According to Korean data, total trade value between EFTA and South Korea amounted to US\$ 6.3 billion in 2023, a 12.9% decrease from 2022 (exports to EFTA: US\$ 1.7 billion, -16.6%; imports from EFTA: US\$ 4.6 billion, -11.4%). The trade surplus in 2023 amounted to US\$ 3.0 billion from the perspective of EFTA.⁵¹ Trade volume between EFTA members and South Korea has increased significantly since the FTA came into effect in 2006. Traditionally, Swiss companies make use of the FTA more than Korean companies do. As of 2022, the preference utilization rate for imports from Korea amounted to 55.5%, while the rate for exports to Korea reached 76.7%. In 2022, US\$ 125.5 million in tariff savings were achieved under the FTA for exports to South Korea.⁵²

EFTA members have been advocating for an update to their Free Trade Agreement with South Korea. On May 18, 2023, Swiss Federal Councillor Guy Parmelin and South Korea's Trade Minister Ahn Duk-geun agreed to continue consultations to upgrade the agreement. The matter was also discussed in talks between Swiss Foreign Minister Ignazio Cassis and South Korea's Foreign Minister Cho Tae-yul. Switzerland seeks better market access for agricultural products, including industrial cheese, and aims to enhance e-commerce and digital trade provisions.

In May 2023, a **joint statement for cooperation in research** was signed by FC Guy Parmelin and Korean Minister of Science and ICT Jong Ho Lee. The document aims at strengthening

⁵⁰ EFTA, [Free Trade Agreements and Trade Relations by Partners – Republic of Korea](#) (14.06.2022)

⁵¹ Korea Customs Service, [Trade Statistics for Export/Import](#) (26.06.2024)

⁵² SECO, [Analysis on the Utilization of Free Trade Agreements, FTA Monitor 2022](#) (18.06.2024)

ties for cooperation in quantum technology, digital transformation and biotech, and consists in *an addendum* to the Memorandum of Understanding (MOU) signed in 2008. The areas for collaboration were identified based on complementary strengths and national strategies. Organization of symposia, workshops, mobility of researchers and students as well as joint research funding have been suggested as examples of instruments enabling cooperation. Following the signature of the Joint Statement for cooperation in research, a joint call on quantum science and ethics will be launched by the Swiss National Science Foundation and Korean National Research Foundation for 10 projects of 3 to 4 years.

ETH announced that the organization will step down from the role of **Leading House East Asia** at the end of 2024. A call will be open in the next months for the selection of the new Leading House. However, in the transition year 2025 the continuity of the current programs is ensured.

4 FOREIGN TRADE

4.1 Developments and general outlook

4.1.1 Trade in goods

South Korea's **total trade volume** in 2023 amounted to US\$ 1.27 billion, which represents a decrease of 9.9% from 2022. **Exports decreased by 7.5%** to US\$ 632.2 billion, while **imports decreased by 12.1%** to US\$ 642.6 billion. This resulted in a trade deficit of US\$ 10.3 billion. The deficit is smaller than in 2022, when the country recorded a deficit of US\$ 47.8 billion.

Exports declined throughout most of 2023, but picked up again in the final quarter (Q1: -12.8% y/y; Q2: -12.0% y/y; Q3: -9.7% y/y; Q4: +5.7% y/y). The decline was driven by restrictive monetary policies abroad and weakened demand for Korean export goods such as semiconductors. In Q1 of 2024, exports grew by 8.1% compared to the same period a year prior, totaling US\$ 163.5 billion.

Imports also declined (Q1: -2.2% y/y; Q2: -13.2% y/y; Q3: -21.6% y/y; Q4: -10.7% y/y) across the year. In Q1 of 2024, imports continued to decrease at a rate of -11.1% year-on-year with a total of US\$ 154.7 billion. The total trade volume in Q1 2024 stood at US\$ 318.2 billion, declining by 2.2% year-on-year.

South Korea is the ninth biggest exporting country in the world as of 2022.⁵³ **China** remained South Korea's biggest export market in 2023 (US\$ 124.8 billion; -19.9%), although the trend suggests that it could soon be overtaken by the **United States** (US\$ 115.7 billion; +5.4%). China and the United States are followed as export destinations by the **European Union** (US\$ 68.2 billion; +0.2%), **Viet Nam** (US\$ 53.5 billion; -12.3%), **Japan** (US\$ 29.0 billion; -5.3%) and **Hong Kong** (US\$ 25.2 billion; -8.9%). Korea's most important export goods in 2023 were machines (elec.) (US\$ 171.3 billion; -18.6%), vehicles and airplanes (US\$ 91.5 billion; +21.2%) and machines (non-elec.) (US\$ 72.8 billion; -0.7%).

China is by far Korea's biggest source of imports (US\$ 142.9 billion; -7.6%), followed by the **United States** (US\$ 71.3 billion; -12.9%), the **European Union** (US\$ 67.9 billion; -0.4%), **Japan** (US\$ 47.7 billion; -12.9%), **Australia** (US\$ 32.8 billion; -27.0%) and **Saudi Arabia** (US\$ 32.8 billion; -21.3%). The most important import goods are energy sources (US\$ 171.4 billion; -21.6%), machines (elec.) (US\$ 119.5 billion; -9.3%) and machines (non-elec.) (US\$ 63.1 billion; -7.6%).⁵⁴

⁵³ World Bank, [Exports of goods and services \(current US\\$\)](#) (26.06.2024)

⁵⁴ Korea Customs Service, [Trade Statistics for Export/Import](#) (26.06.2024)

4.1.2 Trade in services

As of 2022, services account for 62.4% of the Korean economy⁵⁵, but Korea suffers from low productivity compared to the OECD average. In 2015, South Korea's service sector productivity was only 44% of productivity in manufacturing, compared to the OECD average of 84%.⁵⁶ In 2021, the average annualized growth rate of services was 4.4%, while the growth rate of manufacturing was 6.9%.⁵⁷

South Korea is a net consumer of cross-border services. In 2022, South Korea recorded US\$ 130.2 billion in service exports and 136 billion USD in service imports, resulting in a service trade balance of US\$ 6.2 billion.⁵⁸

The financial sector witnesses some challenges due the licensing requirements for capital transactions. Korean banks with a presence abroad serve mostly Korean customers. Entry for foreign institutions is difficult in the financial sector because of numerous rules. In recent years, Western banks and security houses have increasingly withdrawn, while the presence of Japan and Chinese financial institutions has increased. More recently, the Korean government has been trying to liberalize the financial services sector as part of its efforts to promote FinTech.

4.2 Bilateral trade

4.2.1 Trade in goods

Bilateral trade between Switzerland and South Korea has significantly grown over the past few years. The **bilateral trade volume** in 2023 amounted to a total of **CHF 5.77 billion**, a **1.05% decrease** from 2022. Switzerland has consistently recorded a trade surplus with Korea since 1990, with the exception of 1998 and 1999. The surplus has been declining in recent years. In 2023, the trade surplus amounted to CHF 661 million (2022: CHF 1.39 billion).

Swiss export volume decreased by 10.9% compared to 2022, totaling CHF 3.21 billion (with gold). The most important categories of export goods were watches and components, pharmaceutical products, machines (non-elec.), jewelry and optical and medical instruments and equipment.

The largest relative increase was seen in the export of energies (+41.7%), chemical base products (+16.4%) and starches and various chemical products (14.9%). The largest relative decrease was recorded for beauty products and detergents (-40.3%), art objects and antiques (-35.8%) and base metals and products thereof (-29.1%).⁵⁹

Between **January and May 2024**, exports shrank by -6.3% year-on-year. Among the major categories of goods, beauty products and detergents (+836.4%), jewelry (+91.4%), chemical base products (+53.6%), agricultural products (+22.2%), watches and components (+17.3%) and pharmaceutical products (+4.5%) saw an increase in volume. Starches and various chemical products (-15.2%), plastics and rubber (-12.0%), machines (elec.) (-4.6%), machines (non-elec.) (-4.6%) and optical and medical instruments (-2.1%) recorded shrinking export volumes.

Imports from South Korea grew by 15.0% in 2023 (2022: +7.9%), amounting to CHF 2.55 billion. Pharmaceutical products made up more than half of all imports with 54.8%. Besides pharmaceutical products, the most important import categories included vehicles and airplanes and jewelry.

⁵⁵ KOSIS, [Economic sectors, GDP](#) (2023)

⁵⁶ KEI, [Korea's Potential Growth Rate has Fallen to Around 2%](#) (26.01.2022)

⁵⁷ Bank of Korea Issue Note, [Key Features and Implications of Productivity Changes in Korea after COVID-19](#) (30.01.2023)

⁵⁸ KNOEMA, [Republic of Korea – Service exports in current prices](#) (2023)

⁵⁹ This does not take into account product categories that recorded less than 5 million CHF of exports in 2023.

The largest relative increase was seen in the import of starches and various chemical products (+112.1%), vehicles and airplanes (+56.1%), pharmaceutical products (+27.7%), base metals and products thereof (+26.1%), watches and components (+17.8%), beauty products and detergents (+11.6%) and machines (non-elec.) (+9.4%). The largest relative decrease was recorded for chemical base products (-36.0%), machines (elec.) (-20.5%), agricultural products (-17.7%), plastics and rubber (-16.5%), optical and medical instruments (-15.0%) and jewelry (-12.6%).

Between **January and May 2024**, imports from Korea shrank by 42.8% year-on-year. Imports of starches and various chemical products (+39.2%), chemical base products (+11.6%) and vehicles and airplanes (+10.2%) saw the biggest increases in trading numbers in this period. Jewelry (-71.0%), pharmaceutical products (-65.1%), machines (non-elec.) (-39.1%), watches and components (-24.8%) and machines (elec.) (-18.9%) are some of the major categories of goods that saw decreases in trade volume.⁶⁰

Notably, trade statistics do not include the import of Korean cars and electronics from third countries (e.g., Eastern Europe and Viet Nam), nor the significant deliveries of ships to Swiss shipping companies.

In terms of trade volume, **Switzerland is of limited significance for the Korean economy**. According to Korean statistics, Switzerland ranked 31st among importers of Korean goods (2022: 33rd) and 45th among exporters to South Korea (2022: 51st).⁶¹

It is important to note that the Korean trade numbers significantly deviate from the Swiss numbers. This is the case especially concerning Korean exports to Switzerland, where Switzerland indicates a much larger trade volume than South Korea (more than double, see Annexes 3 and 4). This significant difference may lead to a mismatch in perception regarding the importance of Switzerland as an export destination for Korean goods.

4.2.2 Trade in services

Figures on bilateral trade in services were not available.

Swiss banks are present in South Korea mainly in the securities and asset management sectors. Of the insurance companies, only Swiss Re currently has a local presence. The retail business does not seem to be particularly lucrative and some foreign providers have withdrawn. As a major commodity importing country, South Korea seems to be of some importance to Swiss commodity traders, although the available information is limited.

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

South Korea is an important player in FDI (Foreign Direct Investment) worldwide due to the global reach of its conglomerates. The country ranks 11th among home economies of FDI outflow in 2022.⁶² Most of the investment is going to the Asia-Pacific regions and the United States. In the past few years, Korean conglomerates have invested more in North America, Asia and Europe, mainly to seek bilateral R&D cooperation.⁶³ In 2022, South Korea's outflow of FDI amounted to US\$77.2 billion, a 0.4% increase from 2021.⁶⁴ Investment into Europe has

⁶⁰ Federal Office for Customs and Border Security FOCBS, [Swiss-Impex](#) (27.06.2024)

⁶¹ Korea Customs Service, [Trade Statistics](#) (2024)

⁶² World Bank, [Foreign Direct Investment, Net Outflows \(BoP, current US\\$\)](#) (28.06.2024)

⁶³ UNCTAD, [World Investment Report 2022](#) (2022)

⁶⁴ Ministry of Economy and Finance, [Korea's FDI Posts US\\$77.17 billion in 2022](#) (24.03.2023)

continuously increased for the last five years by over 20% annually (excluding 2020). The main categories for overseas investment are finance, manufacturing, and ICT industries.⁶⁵

South Korea's FDI is expected to grow more in the future for several reasons. Firstly, the Korean government is deregulating and loosening the rules and guidelines for outbound FDI. Secondly, companies seek to invest more overseas in raw materials resources of industrial products such as those related to battery production, as a response to a series of protective trade measures around the world. Finally, Korean companies are expanding their global presence as part of business strategies to compete with international companies.

5.2 Bilateral investment

South Korea's FDI inflow witnessed an increase of US\$ 2.25 billion (2023: US\$ 32.7 billion, 2022: US\$ 30.45 billion). Switzerland ranked as the 10th largest investor, with US\$ 262 million (2022: US\$ 198.8 million), which represents an increase of +32% compared to 2022.⁶⁶

As of 2024, there are currently about 120 Swiss companies in Korea. They represent an estimated 10'000 jobs, many of them highly skilled, in various fields such as life sciences, automation, food and consumer goods. Meanwhile, 40 Korean companies are operating in Switzerland, while they were only ten in 2010. They are mainly R&D centers in MEM, ICT, life science, and finance industries. Among the active companies are Hyundai Electric, Crosscert, Macrogen and Korean Re. At the end of 2021, five major Korean pharmaceutical companies signed a contract to utilize facilities in Basel Area Business and Innovation for three years. Those five companies are currently in the process establishing their corporate presence in Switzerland. Thanks to this initiative, more and more bio and pharmaceutical companies are looking at Switzerland for R&D collaboration and investment.

The Korean government also supports developing a strategic growth plan for the bio-industry, including helping entrepreneurs establish biotech startups overseas. The government encourages the growth of the bio-industry, with plans for 1,000 new biotech ventures annually until 2030 and a substantial increase in production capacity to reach US\$ 90 billion within the next ten years. Samsung Life Science Fund recently invested in ETH-spin-off Araris Biotech AG for ADC development, demonstrating Korean interest in Swiss biotech ventures.⁶⁷

In November 2023, Novartis inked a technology export contract with Korean biotech company Chong Kun Dang Pharmaceutical. Under the agreement, Novartis will make an upfront payment of US\$ 80 million and pledge up to nearly US\$ 1.23 billion more in development and regulatory milestones. In May 2024, the Swiss biotech company Debiopharm and the Korean company Genome & Co, who have been cooperating since 2021, signed a deal for US\$ 426 million for the transfer of the technology developed by the Korean company to Debiopharm.

Further to this prospect, Korean fintech, ICT, and digital technology companies are keeping keen eyes on extending their business in Switzerland. Besides the aforementioned sectors, the Korean government aims to boost exports of digital products like AI and metaverse, fostering potential collaborations with Swiss academia, institutes, and Switzerland Innovation Parks. SBH Korea actively engages in Country Calls with Cantons and Switzerland Innovation Parks, reporting and discussing investment activities in partnership with S-GE. As a result of these joint efforts, during Q2 of 2024, six new settlements enriched the Swiss ecosystem: Adenasoft (Blockchain), the Korea Sport and Olympic committee (HQ), VI Asset management (HQ), Fatiabgen (Personalized Healthcare), Preclina (Life Science) and GST (Semiconductor).

⁶⁵ Korea Development Institute, [Korea's FDI in 2022](#) (24.03.2023)

⁶⁶ Ministry of Industry, Trade and Energy 2022 FDI Report, [Foreign Direct Investment 2022](#) (28.06.2023)

⁶⁷ The Korea Times, [Korea to foster local bio industry to produce US\\$ 76.9 billion by 2030](#) (07.06.2023)

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

The **Swiss Business Hub Korea** is the Korean office of Switzerland Global Enterprise (S-GE). It serves as the official Swiss export and investment promotion agency. Since its establishment in 2010, it has provided market information and support to Swiss and Liechtenstein SMEs looking to penetrate or expand in South Korea, with a focus on industries such as MEM, CleanTech, FinTech, MedTech, food, and e-commerce. During this period, around 300 Swiss companies have been assisted in their market expansion efforts. Starting in 2020, SBH Korea also began attracting Korean companies interested in foreign direct investment and R&D collaboration in Switzerland. Currently, more than 40 Korean companies based in Switzerland are thriving in the European market, with a strategic focus on advanced manufacturing, personalized healthcare, robotics/drones, AI, and blockchain. In order to position Switzerland as an ideal location for Korean companies, the National Investment Promotion Strategy 2024-27 – jointly elaborated by the Swiss government and the cantons – has defined two key focus areas: the 'future of automation' and the 'future of health'. To this end, specific market development concepts and activities have been developed and implemented.

The **Science & Technology Office** is an integral part of Swissnex network under the State Secretariat of Education Research and Innovation (SERI) and an entity of the Embassy of Switzerland in Seoul. Swissnex is a key component of Swiss foreign policy to promote science, technology, innovation and higher education. The S&T Office in Seoul is the knowledge hub that connects Swiss and Korean universities, research institutes, start-ups and R&D focused companies. It builds networks and creates partnership for joint collaborative efforts between Swiss and Korean scientists, students, and researchers. Under the mandate of Innosuisse, the S&T Office in Seoul offers validation and market entry camps for Swiss startups interested in exploring the Korean ecosystem.

Switzerland Tourism Korea was established in 2005 to promote Switzerland as a tourist destination to attract Korean tourists. The emphasis is placed on providing Switzerland with a strong, classically modern brand profile on the international markets. Its main Swiss partners are Jungfrau region, Lake Lucerne region, Matterhorn region, RhB, Schilthorn, Zermatt and Zurich. It consists of three full-time staff, including a market manager, sales manager, media manager, and one part-time personnel for accounting.

The **Swiss-Korean Business Council (SKBC)** was established in 1993 with the objective to encourage the development of business relations between Switzerland and South Korea. It promotes the interests and activities of companies and individuals with connections between the two countries. The SKBC provides tailored consulting and services and provides assistance in establishing networks between potential business partners upon the request of member companies. It also identifies potential business partners in the two countries and work to establish business partnerships.

The **European Chamber of Commerce in Korea (ECCK)** represents the interests of companies from the EU and EFTA member states operating in South Korea. The ECCK's primary objective is to provide its members with information, communication, and access pertaining to the business and regulatory environment of South Korea.

The **Swiss-Korean Innovation Week**, hosted annually by the Swiss Embassy in Korea, serves as an important lever for fostering collaboration between Switzerland and Korea in science, technology, research, creative industries and business, promoting dynamic bilateral cooperation.

6.2 The host country's interest in Switzerland

South Korea is highly interested in Switzerland's advanced technologies and is seeking to establish science and R&D exchanges, especially in the areas of life science and automation. As Switzerland is recognized as one of the top innovators in the world, its scientific institutions and universities enjoy a good reputation in South Korea. Regular exchanges take place on all levels, from startups and businesses to universities and government.

Quantum technology has recently become an area of interest for cooperation with Switzerland. In January 2023, President Yoon visited the ETH Zurich Quantum Center to exchange views with quantum scientists. The visiting delegation included Korean ministers, which is a testament to the importance the Korean government attaches on quantum technology. In the policy plan for 2023, the government set quantum technology as one of the future technologies South Korea should nurture. In doing so, South Korea seeks to develop a quantum computer by 2026 and other products such as a quantum sensor that detects defective semiconductors by 2027. The dynamic Korean ecosystem, high quality tech infrastructures and expertise in development and commercialization make South Korea a potential tech transfer partner for Switzerland.⁶⁸

Digital transformation has also been identified as a sector of mutual interest for the two countries: A dialogue was initiated in the context of the visit of a Swiss delegation with expertise on AI, blockchain and cyber security for the Swiss-Korean Innovation Week (SKIW) in May 2024. There is a particular interest in Korea in the cyber security sector, opening opportunities for cooperation with Swiss organizations performing cutting edge research in this field. In the framework of the cooperation on digital transformation, Switzerland could benefit from South Korean expertise in the implementation of advanced technologies in the public sector thanks to the effort of leading tech companies and government support. An official contact has been established with the Presidential Committee for Government Technology Platform, aiming at bringing the exchanges in this sector to the next level and discussing a pilot project involving cross-border cooperation between public and private sectors.

Additionally, South Korea hopes to collaborate with Switzerland in the areas of **biotechnology** and in the biomedical field. Switzerland's role as a leading country in the biopharmaceutical field is of interest to South Korea, in particular through the presence of Novartis and Roche. South Korea is building a K-Bio Lab hub in Songdo, Incheon. It plans to invest about US\$ 202 million in about 40,000 square meters of land and complete it by 2025.⁶⁹

Switzerland has always been one of the top destinations among **Korean travelers**, particularly for summer holidays. In this context, the inauguration of a new Zurich-Seoul connection operated by Swiss, with flights three times a week starting in May 2024 (the Embassy was actively involved in the lengthy authorization process), represents a major development and a significant opportunity. Korean Air also connects the two countries. The post-Covid figures confirm the positive trend: 236'946 Korean tourists visited Switzerland in 2023, an increase of +181% compared to the previous period (2022: 84'213 arrivals). The same applies to the total number of nights spent by tourists from South Korea in Switzerland: from 152'269 (2022) to 381'507 (2023), representing a +150% increase⁷⁰.

⁶⁸ ETH Zurich, [Visit of the President of the Republic of Korea to ETH Zurich](#) (20.01.2023)

⁶⁹ Ministry of SMEs and Startups, [Cooperation in SME and Startup Fields between Korea and US Thriving Due to State Visit](#) (08.05.2023)

⁷⁰ Federal Statistical Office, [Hotels und Kurbetriebe: Ankünfte und Logiernächte in der Schweiz nach Gästeherkunftsland \(kumulierte Ergebnisse\)](#) (17.06.2024)

ANNEX 1 – Economic structure

Economic structure of the host country

	2019	2023
Gross value added at basic prices⁷¹		
Agriculture, Forestry, and Fishery	1.82%	1.74%
Mining and Quarrying	0.11%	0.11%
Manufacturing	27.54%	26.54%
Electricity, Gas, and Water	2.08%	1.96%
Construction	5.95%	5.88%
Services	62.50%	63.77%

	2019	2022
Distribution of employment⁷²		
Agriculture	5.1%	5.4%
Industry	24.6%	24.5%
Services	70.3%	70.1%

⁷¹ KOSIS, [GDP and GNI by Economic Activities \(not seasonally adjusted, current prices, quarterly & annual\)](#) (27.06.2024)

⁷² Statista, [South Korea: Distribution of employment by economic sector from 2012 to 2022](#) (27.06.2024)

ANNEX 2 – Main economic data

Host country's main economic data

	2021	2022	2023
GDP (US\$ bn, current)*	1'941.5	1'798.7	1'839.4
GDP per capita (US\$, current)*	37'503.1	34'808.8	35'569.9
Growth rate (% of GDP, constant)*	4.6%	2.7%	1.4%
Inflation rate (%)**	2.5%	5.1%	3.6%
Unemployment rate (%)***	3.7%	2.9%	2.7%
Fiscal balance (% of GDP)****	-1.5%	-3.0%	-0.6%
Current account balance (% of GDP)*****	4.7%	1.8%	1.3%
Total external debt (% of GDP)*****	32.5%	37.4%	36.6%
Debt-service ratio (% of exports)	n/a	n/a	n/a
Gross international reserves (US\$ bn)*****	458.3	418.4	416.2

* Source: KOSIS, [Main Annual Indicators \(reference year 2020\)](#), (27.06.2024)

** Source: KOSIS, [Annual Movements Of the CPI](#) (27.06.2024)

*** Source: KOSIS, [Unemployment rate by gender/age group](#) (27.06.2024)

**** Sources: Ministry of Economy and Finance, [2021 Government Financial Statement](#) (05.04.2022)

Ministry of Economy and Finance, [2022 Government Financial Statement](#) (03.04.2023)

Ministry of Economy and Finance, [Economic Bulletin Vol. 46 No. 1](#) (January 2024)

***** Source: IMF, [Republic of Korea: 2023 Article IV Consultation](#) (16.11.2023)

***** Source: Bank of Korea, [External Debt](#) (28.06.2024)

Note: Data with a light blue background are estimates or projections.

ANNEX 3 – Trade partners

Trade partners of the Republic of Korea

Year: 2023

	Economy	Exports (US\$ million)	Share	Change (from 2022)		Economy	Imports (US\$ million)	Share	Change (from 2022)
1	China	124'818	19.7%	-19.9%	1	China	142'857	22.2%	-7.6%
2	USA	115'696	18.3%	+5.4%	2	USA	71'272	11.1%	-12.9%
3	Viet Nam	53'480	8.5%	-12.3%	3	Japan	47'656	7.4%	-12.9%
4	Japan	29'001	4.6%	-5.3%	4	Australia	32'823	5.1%	-27.0%
5	Hong Kong	25'194	4.0%	-8.9%	5	Saudi Arabia	32'763	5.1%	-21.3%
6	Taiwan	20'179	3.2%	-23.0%	6	Viet Nam (+1)	25'942	4.4%	-2.9%
7	Singapore	18'752	3.0%	-7.2%	7	Taiwan (-1)	24'371	3.8%	-13.8%
8	India	17'950	2.8%	-4.9%	8	Germany	23'611	3.7%	-0.1%
9	Australia	17'791	2.8%	-5.1%	9	UAE (+2)	16'423	2.6%	+6.0%
10	Mexico	12'222	1.9%	-3.4%	10	Malaysia (+2)	15'237	2.4%	-0.1%
45	Switzerland	1'125	0.2%	+15.4%	31	Switzerland	3'236	0.5%	-0.2%
	EU	68'188	10.8%	+0.2%		EU	67'863	10.6%	-0.5%
	Total	632'226	100%	-7.5%		Total	642'572	100%	-12.1%

Source: Korea Customs Service, [Trade Statistics](#) (27.06.2024)

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	Change (%)	Import (CHF million)	Change (%)	Balance (CHF million)	Total (CHF million)
2018	3'516.5	7.9	789.2	7.4	2'727.3	4'305.8
2019	3'662.6	4.2	863.6	9.4	2'799.0	4'526.2
2020	2'935.5	-19.8	991.7	14.8	1'943.8	3'927.3
2021	3'331.5	13.5	2'058.3	107.5	1'273.3	5'389.8
2022	3'606.9	8.3	2'219.9	7.9	1'386.9	5'826.9
2023 (Total 1)*	3'213.3 (3'187.0)	-10.9 (-10.3)	2'552.4 (2'351.6)	15.0 (18.1)	660.9 (835.4)	5'765.8 (5'538.5)
2024**	1'613.3	24.0	617.5	-42.8	995.8	2230.7

Exports	2023 (% of total)	2024** (% of total)
1. Watches and components	22.1	19.9
2. Pharmaceutical products	21.8	21.3
3. Machines (non-elec.)	13.0	10.5
4. Jewelry	11.5	16.4

Imports	2023 (% of total)	2024** (% of total)
1. Pharmaceutical products	54.8	30.3
2. Vehicles and airplanes	12.8	24.0
3. Jewelry	8.4	6.5
4. Machines (non-elec.)	4.4	5.2

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

**) Data includes trade between January and May 2024, change in % compares to the same period in the previous year.

Source: Federal Office for Customs and Border Security FOCBS, [Swiss-Impex](#) (27.06.2024)

ANNEX 5 – Main investing countries

Main investing countries in the host country

Year: 2022

Rank	Country	Direct investment (US\$ Million) ⁷³	Share	Variation ⁷⁴	Inflows over past year (US\$) ⁷⁵
1	USA	8,685	28.5%	+65.2%	N/A
2	The Netherlands	4,922	16.2%	+405%	N/A
3	Singapore	3,248	10.7%	-22.5%	N/A
4	Japan	1,529	5.0%	+26.8%	N/A
5	China	1,481	4.9%	-21.6%	N/A
6	Malta	967	3.2%	-80.2%	N/A
7	UK	580	1.9%	-28.7%	N/A
8	Guatemala	571	1.9%	-*	N/A
9	Germany	538	1.8%	-81.0%	N/A
10	Canada	508	1.7%	+1.0%	N/A
...	EU	8,074	27%	-36.9%	N/A
...	<i>Switzerland</i>	262	0.9%	+160.7%	N/A
	Total	30,445	100%	+62.9 %	

Source: Ministry of Trade, Industry and Energy

*Guatemala was not on the FDI list in the previous year

⁷³ Stock figures of FDI unavailable; Figures from countries associated with international tax evasion excluded⁷⁴ As above⁷⁵ Figures unavailable