

Sector Report

Marine South Korea

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OVERVIEW

Korea is a priority market for the shipbuilding equipment sub sector for marine and is likely to maintain that position as Korea is expected to remain a leading shipbuilding nation in the world for some years to come.

Korea built ships of 11.10 million Compensated Gross Tonne (CGT) in 2006, currently represents 41.9% and 35.8% of the world market share in terms of new orders and backlog orders followed by Japan, China and EU countries in that order. They have secured backlog orders for 45.25 million CGT as of the end of 2006 which they will keep them busy for more than three and half years. The export total in 2006 for ships, boats and floating structures was US\$21.49 billion which was 24.7% increase on the previous year. The import total at US\$1.03 billion was 9.4% down from 2005.

Korean shipbuilders are likely to continue to receive orders for higher value-added vessels such as LNG carrier, VLCC, FPSO and other offshore vessels etc in the coming years. Korea currently holds over 70% of the world market share for high value-added vessels. They are also looking to develop the cruise ship market, this is partially driven by the need to address the growing competition posed by China. The Korean government has recently announced that they are planning to co-work with major Korean shipbuilders to develop cruise ships.

OPPORTUNITIES

Although the majority of demand for marine equipment for commercial ships is met locally, Korean shipbuilders still require high technology products, e.g. integrated control systems, integrated electronic control systems, specialised electrical equipment, navigational equipment and advanced information technologies/system. British marine equipment companies have opportunities in those key areas. In addition, major Korean shipbuilders in a support from the government have recently agreed to co-develop cruise ships with a target to complete it by 2010. In this regard, there'll be opportunities for ship design, interior design and products for cruise ships in a mid-long-term view. British firms should follow up those opportunities through regular visits and contacts with Korean shipbuilders through participating in local exhibitions and outward trade mission.

Many British companies have regularly participated in the Kormarine, an international exhibition for marine and shipbuilding industries that has taken place since the early 1980's. They have successfully promoted their products through this exhibition. There have been British successes in high-voltage switchgear and propulsion systems, magnetic compasses, compressors, pumps, and ranges of marine windscreen wipers.

UKTI publishes international [business opportunities](#) gathered by our network of British Embassies, High Commissions and Consulates worldwide. These opportunities appear in the Opportunities portlet on the relevant sector and country pages on the UKTI website. By setting up a profile you can be alerted by email when relevant new opportunities are published. New or updated **alert profiles** can be set in My Account on the website.

CHARACTERISTICS OF MARKET

1. Shipbuilding

Orders

	2005			2006 (as of end Sept)		
	Units	Thousand CGT	Share	Units	Thousand CGT	Share
Tankers	122	3,142	26.3%	200	6,332	40.6%
Bulk Carriers	0	-	0.0%	-	-	0%
Container Ships	162	5,588	46.7%	106	5,019	32.2%
LNG Carriers	22	1,921	16.1%	30	2,858	18.3%
Others	43	1,313	11.0%	44	1,373	8.8%
Total	349	11,964	100.0%	380	15,582	100.0%

*Tankers includes Crude oil tankers, Product carriers, Chemical tankers

New ship orders received until September in 2006 was 15.58 million CGT, posting a 61.2% increase over the same period of 2005. Orders for tankers showed a big increase during Jan-Sept 2006.

Backlog Orders

	2005			2006 (as of end Sept)		
	Units	Thousand CGT	Share	Units	Thousand CGT	Share
Tankers	377	9,643	27.1%	470	13,369	31.2%
Bulk Carriers	10	235	0.7%	4	92	0.2%
Container Ships	425	16,316	45.8%	427	17,102	39.9%
LNG Carriers	82	6,549	18.4%	99	8,444	19.7%
Others	86	2,897	8.1%	116	3,894	9.1%
Total	980	35,640	100.0%	1,116	42,901	100.0%

*Tankers includes Crude oil tankers, Product carriers, Chemical tankers

Backlog orders are 42.90 million CGT for 1,119 vessels as of end Sept 2006, representing 18.5% increase over the same period of 2005. Container Ship and LNG carriers showed 60% and 42% increase respectively while Tankers showed a 21% decrease during that period.

2. Ship Machinery and Marine Equipment

The ship machinery and marine equipment industry has developed rapidly along with improved technology and increased ship production. It is reported that the

majority of demand for marine equipment & parts for Oil Tankers & Container Ships are met by locally produced ones while only 50-60% of those demands for LNG Carriers are being met by local marine parts. More imported equipment & parts are required for offshore products and special ships.

At present, 160 of the 463 marine equipment makers are members of the Korea Marine Equipment Manufacturers Association (KOMEA). The total production of ship machinery and marine equipment in 2004 was approx. US\$4.9 billion (figures for 2005 not available as yet), a 16.4% increase over the previous year. Total US\$ 680 million worth of products was exported in 2005 representing a 25% increase over 2004. Marine engine/parts, shipboard cable, welding electrodes, super structure are major export items. 250 technical licensing agreements had been signed so far as of end 2005. Many UK companies have linked up with Korean companies in the field of fire extinguisher/detection system, radar, monitoring/transmitter and marine diesel engines. Imported electrical/electronic parts for navigational and telecommunication systems are in particular demand for domestic as well as export vessels.

3. Leisure marine

The Korean leisure marine industry is at an early stage of the development however, it is currently experiencing rapid growth and has the potential to develop in to an important market for UK products in the longer term view.

In the past, there were not enough marina facilities, so storage was an issue and therefore Koreans tended to buy second-hand boats/yachts which were imported mainly from Japan & USA. However, the Korean leisure marine market has started to show growth with the introduction of a five day working week. According to the Korean government, the leisure marine industry in Korea has grown by 300-400% over the last five years although it is still a relatively small market. The government has realised the need to develop the leisure marine industry in the country and has started to support some marina, small motor yachts and sailing yachts building projects.

There is significant potential for UK luxury boats/yacht & accessories as well as in the fields of marina design, investment & operation when the market is more mature. Some British yacht makers, such as Princess Yacht, and Sunseeker have already established representations in the Korean market.

KEY METHODS OF DOING BUSINESS

As all major Korean shipbuilders have branch/liaison offices in London, regular contact with them and the appointment of an experienced local agent in Korea are the keys to success in this market. Our experience shows that long-term commitment and thorough understanding of the market can lead to success. There are two ways to approach Korean companies - through Korean agents or through direct contact but we recommend to appoint a good agent. Even if Korean shipyards make contracts directly with foreign manufacturers, they still prefer to have a Korean middleman. The Embassy can help interested companies find a local agent in Korea through market research services (OMIS). We recommend that interested UK companies initially visit the Korean market through outward missions

organised by UK Trade & Investment (UKTI)/British Marine Equipment Association (BMEA).

Other background information on doing business in South Korea can be found on UKTI's website. Simply go to the South Korea country page where you will find information on:

- Economic background and geography
- Customs & regulations
- Selling & communications
- Contacts & setting up
- Visiting and social hints and tips

Other sector information can be available from our national marine coordinator, Mr Rory Pereira based in South East Region (Tel: 01483 500762, E-mail: rory.pereira@uktisoutheast.com)

MORE DETAILED SECTOR REPORTS

Research is critical when considering new markets. UKTI provides [market research](#) services which can help UK companies doing business overseas including:

- **Overseas Market Introduction Service (OMIS).** Bespoke research into potential markets, and support during your visits overseas
- **Export Marketing Research Scheme.** In-depth and subsidised service administered by the British chambers of Commerce on behalf of UKTI

Contact your local [International Trade Advisor](#) if you are interested in accessing these services, or for general advice in developing your export strategy.

When considering doing business in South Korea, it is essential to obtain legal, financial and taxation advice. For further details, please contact:

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Website: www.uk.or.kr

PUBLICATIONS

a) Korea Maritime Journal (Monthly Magazine but available only in Korean)

- Publisher: Korea Maritime Information Service Inc
- Contact: Mr Ho-in Jung, Executive Managing Director
Address: 230 Kangbyun Hanshin Core Building, 350, Mapo-dong,
Mapo-gu, Seoul

Tel: +82 2 719 7971, 018 214 0202,
Fax: +82 2 719 7973
Web: www.maritimekorea.co.kr
Email: goodman@maritimekorea.co.kr

- Number of Subscribers: 3,000 for offline magazine
- Remarks: They provide both on-line and off-line shipbuilding news.

b) Marine News (Weekly Magazine but available only in Korean)

- Publisher: Changjak Maul
- Contact: Mr Kim, Ki-hwan, Editor
Address: 4th Floor/Younghwa Building, 148-72, Uljiro 2-ga, Jung-gu, Seoul
Tel: +82 2 2269 8250
Fax: +82 2 2269 8251
Web: www.marinetopia.com
Email: editor@marinews.co.kr

- Number of Subscribers: 6,000
- Remarks: They provide both on-line and off-line marine news including ports, shipping, shipbuilding etc

EVENTS

- 16 - 19 October 2007: KORMARINE, Busan, Korea (International Shipbuilding, Marine, Port and Shipping, Intermodal, Small Ships and Fishing Exhibition, www.kormarine.net or www.marineweek.org)

UK Trade & Investment's [Tradeshaw Access Programme](#) (TAP) can help eligible UK businesses take part in overseas exhibitions. Attendance at TAP events offers significant benefits:

- possibilities for business opportunities both at the show and in the future
- a chance to assess new markets and develop useful contacts
- grants are available if you meet the criteria
- UKTI staff overseas will be available to assist delegates

Find out if you are eligible to apply to attend this event, and more about the support UKTI can offer, on the UKTI [Market Entry](#) web page.

Details of TAP events can be found in the **Events** portlet on the South Korea page.

Other **Market Visit Support** may be available via your local International Trade Advisor.

CONTACT LISTS

A. Trade Associations

a) Korea Marine Equipment Association

Address: 6th Floor/Joongang Bohoon Hoiekwan Building,
12-5, Yoido-dong, Youngdeungpo-gu, Seoul, Korea
Tel: +82 2 783 6952
Fax: +82 2 785 7647
Web-site: www.koreamarinequip.or.kr
E-mail: komea@chol.com

b) Korea Shipbuilders' Association

Address: 18th Floor/Landmark Tower,
#837-36, Yeoksam-dong, Gangnam-gu, Seoul, Korea
Tel: +82 2 2112 8181
Fax: +82 2 2112 8182
Web-site: www.koshipa.or.kr
E-mail: webmaster@koshipa.or.kr

B. List of Shipbuilding Companies

a) Hyundai Heavy Industries Co., Ltd.

President & CEO: Mr Choi, Kil-Seon
Address: 1 Jeonha-dong, Dong-gu, Ulsan
Tel: +82 52 230 2114
Fax: +82 52 230 3487
Web-site: www.hhi.co.kr

Established in 28 Dec. 1973

No of Employees: 25,958

Paid-in Capital: W380 billion

Kind of Business: Shipbuilding & Repair, Production & Repair of Industrial Machinery, Production & Sales of Marine Equipment & Steel Structure

b) Daewoo Shipbuilding & Marine Engineering Co., Ltd.

CEO & President: Mr Nam, Sang-Tae
Address: 1 Ajoo-dong, Geoje-shi, Gyungnam
Tel: +82 55 680 2114 (02 2129 0114)
Fax: +82 55 681 4030
Web-site: www.dsme.co.kr

Established in 23 Oct. 2000

No of Employees: 10,557

Paid-in Capital: W961 billion

Kind of Business: Shipbuilding, Offshore Plant

Remarks: Daewoo Shipbuilding was established in 1978, but it was separated from Daewoo Group due to financial difficulties and was newly established in 2000 and had their name changed to DSME.

c) Samsung Heavy Industries Co., Ltd.

CEO: Mr Kim, Jing-Wan
Address: 530 Jangpyung-ri, Shinhyun-eup, Geoje-shi, Gyungnam

Tel: +82 55 630 3114
Fax: +82 55 630 4940
Web-site: www.shi.samsung.co.kr

Established in 5 Aug. 1974
No of Employees: 8,289
Paid-in Capital: W1,154 billion
Kind of Business: Shipbuilding & Repair & Conversion

d) Hyundai Mipo Dockyard Co., Ltd.

President & CEO: Mr Song, Jae-Byoung
Address: 1381, Banguh-dong, Dong-gu, Ulsan, Gyungnam
Tel: +82 52 250 3114
Fax: +82 52 250 3092
Web-site: www.hmd.co.kr

Established in 28 April 1975
No of Employees: 3,811
Paid-in Capital: W1,000 billion
Kind of Business: Shipbuilding & Repair

e) Hanjin Heavy Industries & Construction Co., Ltd.

President & CEO: Mr Park, K. W. (Shipbuilding Division)
Address: 29 Bongnae-dong, 5-ka, Youngdo-ku, Busan
Tel: +82 51 410 3114
Fax: +82 51 410 3339
Web-site: www.hanjinsc.com

Established in 4 June 1962
No of Employees: 3,819
Paid-in Capital: W331 billion
Kind of Business: Shipbuilding & Repair, Production of Industrial Plants

f) STX Shipbuilding Co., Ltd.

CEO: Mr Kang, Duk-Soo
COO: Mr Chung, Gwang-Suk
Address: 100, Wonpo-dong, Jinhae-shi, Gyungnam
Tel: +82 55 548 1122
Fax: +82 55 546 4322
Web-site: www.stxship.co.kr

Established in 10 April 1967
No of Employees: 1,574
Paid-in Capital: W114.9 billion
Kind of Business: Shipbuilding

UKTI's **International Trade Advisers** can provide you with essential and impartial advice on all aspects of international trade. Every UK region also has dedicated sector specialists who can provide advice tailored to your industry. You can trace your nearest advisor by entering your postcode into the [Local Office Database](#) on the homepage of our website.

For new and inexperienced exporters, our [Passport to Export](#) process will take you through the mechanics of exporting. An International Trade Adviser will provide professional advice on a

range of services, including financial subsidies, export documentation, contacts in overseas markets, overseas visits, translating marketing material, e-commerce, subsidised export training and market research.