The Office of the Foreign Investment Ombudsman, along with the Korea Forum for Progress, held a forum in late February called “How Do Foreign CEOs View Korea’s Business Climate: Challenges and Recommendations.” Aiming to hear from business leaders about the wide range of difficulties faced by foreign companies doing business in Korea, the forum drew as panellists four CEOs — Brad Buckwalter, the President of ADT Korea, Toru Nakajima, the President and CEO of Mitsui & Co., Ltd., Sergio Rocha, the President and CEO of GM Korea, and Andre Nothomb, representative director of Solvay Korea.

Chaired by Foreign Investment Ombudsman Dr. Ahn Choong Yong, the forum was also attended by 30 university students participating in the Korea Forum for Progress. The aim was to educate the young audience, as they are considered the future global leaders of Korea.

The foreign executives shared about their experience with management-related challenges and bottlenecks as well as their candid views on Korea’s business environment — on the service sector, trade and commerce, the manufacturing industry and research and development (R&D) centers. Based on the issues raised during the discussion, the Forum, with a summary from Dr. Ahn, made recommendations to the top level of the government last month.

In his opening remarks at the forum, the Ombudsman stressed that foreign direct investment (FDI) is key to revitalizing the sagging economy and achieving a creative economy, which is the policy priority of the Park Geun-hye administration, through boosting the economy and creating quality jobs. He also pointed out that Korea faces a host of daunting challenges, such as the forthcoming wage negotiations based on new ordinary wage guidelines and related labor rigidity, heavy regulations particularly in the service sectors, frequently changing tax systems and inconsistent incentive systems, to name a few.

In response, the foreign CEOs said that predictability plays a decisive role in their long-term investment decisions, emphasizing that consistency of government policies must be sustained regardless of changes in government. The panelists also noted that Korea’s labor-management competitiveness ranks near the bottom, and that Korea needs to enhance labor market flexibility and set up a sustainable growth model by building a win-win labor-management relationship based on mutual trust. Regarding Korea’s strengths as an investment destination, they cited government efforts to remove unnecessary administrative procedures and hurdles, a predictable tax and regulatory environment and the presence of a vibrant layer of competent small- and medium-sized enterprises that have maintained close partnerships with foreign companies.

In his closing remarks, Dr. Ahn highlighted how strong labor unions and illegal strikes hinder multinational companies from investing in Korea, saying this year’s key challenge is to peacefully untangle the upcoming wage negotiations based on new ordinary wage standards. He also emphasized that the President should take the lead in tearing down overlapping and outdated regulations and administrative barriers, especially on the service industry, where each ministry’s various policy objectives and the stakes of interest groups are intertwined.

In light of the success of the forum, the Foreign Investment Ombudsman will continue to spotlight the hardships of individual companies as well as macro-level issues through active public outreach activities to reflect the voices of business circles in investment-related policies.

By Ahn Choong Yong, Ph.D.
Foreign Investment Ombudsman
Distinguished Professor, Chung-Ang University
cyahn@kotra.or.kr