Economic Analysis

Korea Ramping Up Efforts to Improve Investment Environment

The Korean government is doing its part in getting rid of obstacles facing foreign investors.

Analysts have pointed out for a long time that Korea has enormous potential for attracting more foreign investment, but the country’s performance in this category is rather lackluster as it has yet to tap into its full potential. In fact, Korea ranked high in regards to FDI potential in the World Investment Report released by UNCTAD in 2011, but its performance index failed to rank in the top 100 UN member states.

Korea’s FDI Performance and Potential Ranking

![Graph showing FDI Performance and Potential Ranking]

According to the World Bank’s Doing Business Report 2016, Korea placed 4th among 189 countries for Ease of Doing Business, but ranked 40th when it came to registering property and 42nd in getting credit. The country also recorded a similar pattern in the World Competitiveness Yearbook 2015 by the International Institute for Management Development. In this report, Korea ranked 25th among 61 countries overall, but it placed in the bottom in the categories of price (52nd), business legislation (45th) and management practices (53rd).

The reports published by Korean institutes point to the same problems as the ones overseas. In the 2015 KOTRA Report on Grievance Resolution for Foreign-Invested Companies, foreign investors were found to be relatively satisfied in the categories of land environment (49.2 percent) and logistics (42.7 percent), but less content with its taxation (22.5 percent), labor (22.8 percent), protection of intellectual property rights (20.2 percent) and regulations (22.1 percent).

In the Survey of Foreign Companies’ Perception on Korea’s Investment Environment conducted by the Korea Chamber of Commerce and Industry, foreign companies cited policy inconsistency (32.5 percent), volatile economic variables (27.0 percent) and excessive regulations (23.4 percent) as major obstacles to foreign investment.

In other words, foreign investors generally have a good impression of Korea’s business and investment climate, but certain legal and institutional challenges are hampering the growth of foreign investment attraction. As such, the Korean government is seeking to address such issues in various ways. In 2014, the government made its policies and regulations more predictable, attracted headquarters and R&D centers of global companies to Korea, enacted and implemented Foreign Investment Promotion Measures that aim to improve the foreign investment incentive system and living environment for such investors. Last year, the government pursued foreign investment regulatory reform in line with global standards, attracted promising businesses through tailored regulatory reforms, and carried out the Foreign Investment Regulatory Reform, which seeks to prevent grievances of foreign-invested companies through effective communication channels.

Some of the policies have not yet been implemented, but most of them were carried out by relevant ministries, resulting in significant changes to Korea’s investment environment. The government has also opened a channel for communicating its policies with foreign investors, and foreign investment officers designated by 21 ministries attended the Foreign Investment Advisory Council in the first half of 2015 to facilitate communication with foreign investors.

As such, the Korean government is making continuous efforts to improve its regulatory environment so that grievances of foreign-invested companies can be resolved. Korea’s investment climate will soon improve not just in numbers, but foreign investors will be able to actually experience the changes firsthand.

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1. Considering that many countries less wealthy than Korea are not included in the World Competitiveness Yearbook, Korea’s ranking is deemed to be high.
2. Multiple responses were allowed.