

# South Korea bets on its industrial competitiveness to attract foreign investment

## S. Korea to spur digital transformation to attract foreign investment

South Korea is betting on four major technology trends—digital transformation, artificial intelligence, big data, and cloud services—to accelerate the nation's fourth industrial revolution to draw foreign investment, according to panelists and industry experts at Invest Korea Week (IKW).

The online IKW event held last week in Seoul was hosted by the Ministry of Trade, Industry, and Energy (MOTIE) and organized by the Korea Trade-Investment Promotion Agency (KOTRA). Industry experts speaking at the event noted that S. Korea is an attractive investment destination due to its focus on high-tech industries and technologies.

There are so many industries that South Korean companies lead in, such as electronics, automotive, battery, hydrogen, 5G, display, and semiconductor, 3M Korea President Jim Falteisek said.

Invest Korea Head Shawn Chang noted that the country's digital transformation, innovation, and stability will be the growth engines that will help bring investment to Korea.

### The Linchpin of Digital New Deal: D.N.A

The Korean government announced in July the Digital New Deal that includes the development of a D.N.A (Data, Network, AI) ecosystem, digital transformation in education infrastructure, non-contact business support and smart S.O.C (social overhead capital).

S. Korea plans to invest approximately KRW 160 trn by 2025 on its New Deal package, allocating KRW 58.2 trn for the Digital New Deal, KRW 73.4 trn for the Green New Deal, and KRW 28.4 trn on the social safety enhancement sector.

D.N.A is the key to reopening in the country in the post COVID-19 era, Chairperson of Presidential Committee on the Fourth Industrial Revolution Yoon Sung-roh said.

The Korean government is always coming up with new ideas and new projects to stimulate and accelerate investments, even though there are still a lot of details that need to be worked out, American Chamber of Commerce in Korea CEO James Kim said.

## S. Korea's response to COVID-19: showing possibilities to contain the health crisis without shutting down the economy

Meanwhile, S. Korea's response to the COVID-19 pandemic in the early stages with the 3T (test, track, and treatment) system proved to be quite successful as it was achieved without border shutdowns or lockdowns, the

panelists noted.

S. Korea identified the 10-minute COVID-19 contact tracing program which tracks people who might have been exposed to the novel coronavirus, Invest Korea's Chang noted. This virus tracker enables data of COVID-19 patients to be analyzed and provided to health investigators immediately.

South Korea is also an innovator in this regard, introducing a new global standard for containment measures, such as fast food-style drive-through testing stations, he added.

## S. Korea, still an attractive destination for global investors

Global foreign direct investment has plummeted in the first half of 2020 amid COVID-19 and is expected to decline 5-10 percent in 2021 with recovery expected by 2022. S. Korea is still very much an attractive investment destination, the industry experts said.

S. Korea's large conglomerates in the oil/gas, leisure, consumer, fashion, manufacturing, and even pharmaceutical sectors are in the process of digitalizing their business for the new normal—that is online, non-face-to-face operations, as reported by Mergermarket in July. In addition, companies in traditional industrial manufacturing and offline-based industries are seeking complementary acquisition targets to digitalize their business.

S. Korea's rapid recovery from the COVID-19 pandemic has minimized the impact on corporate investment and business activities this year relative to other countries. Moreover, alongside solid economic growth, market liquidity and the rise in stock market are providing a sound base for early stage companies, particularly in the technology, healthcare, and business services sectors. South Korea's benchmark KOSPI index has risen 16.5 percent to 2,534 year to date.

Dealmakers expect the global market to rebound and stabilize next year, and ultimately lead to more foreign investment to South Korea.

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