

Without Lockdown, Korea's 3Q FDI Hits Record High

FDI pledges to S. Korea hits quarterly record high in Q3

The Ministry of Trade, Industry and Energy of Korea announced that country's foreign direct investment (FDI) in the third quarter of 2020 recorded USD 5.23 billion on reporting basis, the largest quarterly amount in history. This figure is 43.6 percent up from the third quarter of 2019.

The cumulative investment attraction amount from the first to the third quarter of 2020 reached USD 12.89 billion, down 4.4 percent from the same period in the previous year as reported. The figure plunged by 22.4 percent in the first half of this year compared to the same period last year due to the effects of the COVID-19 pandemic, but the amount increased significantly in the third quarter, reducing the percentage of decrease to 4.4 percent.

Such figures stand in contrast to the current global trend of decreasing FDI due to the COVID-19 pandemic. The United Nations Conference on Development and Trade (UNCTAD) predicted that in 2020, global foreign direct investment is expected to decline by 40 percent from USD 1.54 trillion last year to USD 1 trillion, and it is projected to further drop by 5 to 10 percent in 2021.

S. Korea's balancing act between disease control and revitalizing the economy

Despite such a gloomy prospect, a rather positive investment environment is emerging in Korea amid the COVID-19 pandemic. According to analysts, Korea appeals

to foreign investors because it is successfully responding to and protecting against the COVID-19 crisis, and because it is continuing its industrial and economic activities without implementing lockdown measures.

A recent OECD report noted that, "the Korean economy has experienced a serious recession due to the COVID-19 pandemic, but the level of its economic contraction is very low compared to those of other OECD member countries, thanks to its prompt and effective policy development and implementation." In fact, Korea's economic growth rate in 2020 is expected to be the highest among OECD member countries and second-highest in the Group of 20.

Korea's flagship and future growth industries

In particular, demand for investment with the aim to participate in the value chain led by global Korean companies in Korea's flagship industries such as semiconductor, chemical/material, display, and automobile, is increasing. Also, as Korea has demonstrated high competitiveness in the fields of medicine, pharmaceutical, bio and IT in the course of its response to the COVID-19 pandemic, an increasing number of investors are considering Korea as the global hub for bio R&D and production. In addition, foreign investors' interest in Korea's distribution infrastructure encompassing logistics and e-commerce, which has proven to be operating very effectively even in the midst of the pandemic, is also increasing.

