

In Korea, Business is Uninterrupted

Differentiated FDI Recovery Trends of Korea

Korea is offering more investment opportunities based on its robust business environment, which has remained uninterrupted despite the spread of COVID-19. The country is seeing existing foreign investors increasing their investment funds or even making new investments. Foreign businesses acknowledge that in Korea, you can continue business operations without a shutdown, thanks to the nation's successful efforts to contain the virus.

Korea's stable business environment as compared to those of developed nations brought about significantly different results in terms of the rate of foreign direct investment (FDI) slashed by the COVID-19 outbreak. Amidst a global health crisis as well as economic crisis emerging at the same time due to the pandemic, FDI figures of the world's economic leaders including the United States and European nations decreased year-on-year by 30 to 40 percent. In contrast, the reported FDI in Korea dropped by approximately 4.4 percent year-on-year up to the third quarter of 2020, which is relatively more stable than other major economies. Moreover, long-term loans in Korea dramatically grew by 237.9 percent year-on-year, and the amount of attracted investment increased by 43.6 percent, showing a differentiated trend in FDI recovery.

FDI Strategy of Korea, "Safety with New Tech Based Agility"

Korea strengthened its competitiveness in line with the recent realignment of FDI focused on the global value chain (GVC) and was able to attract FDI despite the COVID-19 crisis. There is a growing need to strengthen competency by improving technology in the changing FDI environment. In particular, the fourth industrial revolution highlighted the importance of new technologies and the strategies supporting them (e.g., digital transformation and platform strategy). Also required are platforms and processes for attracting investment with a focus on a broader business ecosystem and shifting to regional market-oriented and target-oriented business attraction centered on new businesses and regions.

Korea responded to changes in the FDI paradigm with its dynamic capabilities stemming from new tech-based agility, continuity of investment attraction, and organic system for supporting the investment attraction platform. Above all, the pandemic made it crucial to build a safe local investment environment. Korea successfully put forward its stable investment environment as an investment attraction

strategy to foreign investors by swiftly and actively devising an emergency plan based on cutting-edge technology. In particular, the country, based on such agility, demonstrated its ability to merge medical, bio, and information technologies. As a result, the export of test kits and hygienic products increased, and Korea discovered opportunities to grow as a global bio production hub.

In the Era of Post COVID-19, Why Korea?

Korea's efforts to ensure continuity in investment attraction and its organic system for supporting the investment attraction platform also helped relatively limit COVID-19's impact on FDI attraction. The government provided a favorable environment for foreign investors by organizing a COVID-19 Task Force as well as revising the Foreign Investment Promotion Act and cash subsidy regulations. Responsible bodies including the Ministry of Trade, Industry and Energy and KOTRA (Invest KOREA) served as bridge-builders for new industries (e.g., medical and healthcare, ICT, green energy, machine robotics, and cultural content) and ensured that major investment can take place uninterrupted by shifting from the existing face-to-face investment promotion activities to various online methods.

The world's leading organizations are citing the sustainable development goals (SDGs) as an alternative amidst the reshuffling of foreign direct investment. While more than 150 countries have adopted sustainable development strategies, COVID-19 has prevented most of them from actively pursuing a specific roadmap. In contrast, thanks to its uninterrupted business environment backed by K-Quarantine, Korea is actively implementing digital and green new deal policies, which are part of the SDGs. I expect Korea will emerge as a leader championing the newly-organized trend of FDI in the post COVID-19 era.



By Professor Jin Sup Jung

Dean, Office of International Services
Chungbuk National University
jsjung1@gmail.com

** The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.*