

Motives

Korean investors are interested in avoiding trade barriers, expanding market access, acquiring new technologies and securing natural resources. The Korean desire to establish their own brand names has been inhibited by trade restrictions imposed by other countries but offshore production plants can circumvent such barriers.

Koreans believe they must establish themselves in key markets around the world if they are to be effective competitors in the future. They particularly want to expand in the North American market and find the Canada-U.S. Free Trade Agreement attractive since it allows them to combine access to Canadian resources with access to the U.S. market.

Because the Koreans are experts at exploiting and transforming other people's technology, they tend to look for joint ventures where they can access technology in return for their manufacturing expertise. They are increasingly interested in joint ventures into new markets such as Eastern Europe.

Players

In the late 1970s and early 1980s, most of Korea's FDI focused on the resource sector and was intended to ensure a stable supply of raw materials such as coal, iron, pulp and paper for Korean industry. This type of investment tended to be driven by large firms that could afford to invest in such capital-intensive projects.

Most of the recent FDI from Korea, however, has been in the manufacturing sector. Textiles, clothing and footwear accounted for the majority of these investments during the first quarter of 1990. This emphasis on manufacturing may change, however, if Korean SMEs become more active investors. While the *chaebols*, such as Daewoo, Goldstar and Samsung are interested in traditional manufacturing, the SMEs have more diverse interests

and there is evidence that they are beginning to invest abroad. Foreign direct investment by smaller firms rose by 50% to \$70 million in first quarter of 1990.

Partners

Rising labour costs and labour unrest in Korea led many of its labour-intensive industries to relocate to other countries in Southeast Asia. Nevertheless, approximately 40% of Korea's total stock of foreign direct investment is in North America where it is concentrated in manufacturing (37%), mining (28%) and trading activities (13%).

At present, Southeast Asia and North America seem tied in attracting the interests of Korean investors. In the first quarter of 1990, it was reported that Koreans invested \$190 million in Southeast Asia, and \$192 million in North America.

Korean Investment in Canada

Canada has emerged as an important destination for Korean investment, taking approximately 11.6% of all the FDI made between 1968 and 1989. Approximately one quarter of Korean investment in North America flows into Canada, and it seems to be increasing steadily.

The Bank of Korea estimates that cumulative direct Korean investment in Canada between 1968 and the end of 1989 exceeds \$198.9 million, with another \$97 million approved but not yet invested. What is more, the pace of investment is accelerating. The cumulative total at the end of 1989 was double the total at the end of 1986 and up 80% over the total at the end of 1988. Recent investments have made Canada the third single largest destination for Korean investment after the U.S. and Indonesia. Unofficial estimates for 1990 indicate that Korean FDI into Canada reached \$122 million with cumulative investment at \$371 million.