Complementing this industrial focus will be an emphasis on basic research performed largely by the universities. This activity will focus on information industries and semiconductors, automation, new materials, biotechnology, fine chemicals, new energy technology, aerospace, transportation, medicine, the environment, lasers, superconductivity, hydrogen power, sensors, and catalysts.

The private sector is being offered a number of incentives to play its assigned part in Korea's technology drive. For example, the government is encouraging SMEs to enter into R&D consortia at a suggested ratio of 50 companies for every R&D centre. At the same time, Korea is also looking to increase its participation in multinational joint technology development projects.

II. Investment Behavior

Between 1968 and the end of 1989, the cumulative total of Korean foreign direct investment was $1.7 million. The pace of investment is accelerating, however. Of the total, $262 million was invested in 1988, and $582 million was invested in 1989. Korean FDI has continued to increase rapidly. It was reported that in the first half of 1990 alone, the Koreans invested $1,017 million abroad.

A New Investment Policy

After a long period in which foreign direct investment was discouraged, Korean investments overseas have increased rapidly in recent years. During the early phases of Korea's industrial evolution, the government imposed tight controls on outward direct investment in order to keep capital at home for domestic development. The small amount of FDI permitted was channelled into resource-based ventures designed to supply Korean industry with raw materials.

With strong export growth, Korea began to accumulate significant reserves of capital that exceeded the absorptive capacity of the domestic economy. To minimize the inflationary impact of these reserves, Korea allowed companies to invest them abroad. By the late 1980s, Korea encouraged outward investment through regulatory liberalization as well as by offering financial assistance, insurance, and tax incentives. In 1988, the Korean government opened an office within the Export-Import Bank of Korea to provide companies with information on foreign investment. It also raised the limit on official approval for investments from $246,000 to $615,000. In 1989, this threshold was raised to $ 2.4 million. In addition, the government lifted earlier restrictions limiting investment to natural resource companies.

This liberal atmosphere changed somewhat after outward foreign direct investment rose sharply at the same time that the current account surplus shrank. As a result, the Ministry of Finance introduced tighter investment screening procedures in July of 1990. It now requires a certificate of validity for investments greater than $35 million, for joint ventures valued at more than $56 million in which the Korean side owns more than 50% of the venture, or for investments larger than $6 million that exceed the net capital of the Korean business making them. The limit on loans by the Export-Import Bank of Korea has also been lowered from 80-90% of the investment to 60-80%.