

CANADA-KOREA INVESTMENT RELATIONS

ISSUE

Canada has taken several steps to create a new and positive environment to encourage foreign investment. Korean investors have begun to discover the opportunities that Canada offers and our performance in attracting Korean investment has had notable success.

While Korea has liberalized to some extent its policies and regulations governing foreign investment, investment flow into Korea remains stifled by lack of transparency in Korean investment laws and rigid administrative guidelines. As a result, foreign investment in Korea since 1962, totals US\$ 7.3 billion, considerably less than the amount Canada received in 1989 alone.

BACKGROUND

The Canadian government is of the view that both direct and indirect foreign investment can significantly enhance domestic economic development. Joint ventures between existing Canadian firms and Korean companies with unique product or production technologies, fresh capital and expanded distribution networks are viewed as especially attractive in improving Canada's competitive position in North American and offshore markets. Similarly, we hope Korea will follow similar policies and open its investment regime to Canadian companies.

KOREAN INVESTMENT ABROAD

Over 1988-89, growing trade surpluses, mounting trade friction with the USA, Won appreciation and rising domestic labour costs generated considerable pressure on the Korean government to liberalize domestic markets and encourage offshore investment. Several market and financial liberalization measures were undertaken, which permitted greater overseas investment and increased access to Korean markets for foreign suppliers. A program announced in April 1987 was aimed at shifting Korean investment abroad away from export-oriented industries toward those catering to local markets.