

The government of South Korea has undertaken to ease the restrictions on overseas investment by Korean companies. By reducing the volume of net capital inflows, South Korea hopes to avoid excessive upward pressure on the exchange rate as well as allowing better management of the money supply. Korean business groups are fast becoming "big-league" investors throughout the world. Korean firms more than doubled their FDI overseas from US\$1.8 billion to over US\$4 billion in 1994.

Korean investment abroad is driven by the need to acquire the advanced technology necessary for further economic growth, an objective which is increasingly difficult to realize as many advanced nations are reluctant to share such technology with potential competitors. While many Korean firms seek to meet this goal by forming strategic alliances with overseas partners, an increasingly popular tactic is the outright purchase of foreign firms. A further imperative for Korea's overseas investment is securing a steady supply of raw materials.

Canada is well situated to meet these dual requirements. Not only does Canada have an abundance of natural resources and ample energy reserves, but also recent governments have taken steps to foster a business atmosphere that is conducive to profitable foreign investment. An improved performance in maintaining low rates of inflation as well as gains made in the areas of productivity and unit labour costs have combined to start the Canadian economy upon a sustainable economic expansion. Moreover, in key "sunrise" industries such as telecommunications, biotechnology and aerospace engineering, Canadian firms are regarded as world leaders. The opportunities for strategic alliances between Canadian and Korean firms offer tangible economic and technological benefits to both sides.

In order to take advantage of this potential investment boom - and in some sense, to regain the ground lost since 1990 - the Department of Foreign Affairs and International Trade and the Korea Development Bank signed in February 1995 a memorandum of Understanding (MOU) on International Investment under the auspices of the Special Partnership initiative between the two countries. Under this MOU, both sides undertake to exchange information and to identify investment opportunities of benefit to both Canadian and Korean firms.

In 1994 the Korean government established a Taskforce on Promoting Foreign Direct Investment. The Korean government is making efforts to induce foreign investments in specific areas. Since strategic high-tech development is essential for its structural adjustment, Korea is seeking ways to introduce these technologies, which Korean companies are not able to develop themselves. Free foreign investment zones are being established. Since Korea joined the OECD in 1996, it is expected that the Korean government will strive to adapt its investment environment in order to be compatible with OECD criteria.

Canada's people-to-people links with Korea are growing, with substantial increases in tourism, education and immigration. In 1994, Canada removed visitor visa restrictions on Korean nationals. This was followed by Air Canada establishing regular direct service from Toronto and Vancouver to Korea. These measures have resulted in rapid increases in visitors to 112,000 in 1995 and another large increase in 1996. Recruitment of Korean students to Canada has also increased rapidly since the creation of a Canadian Education Centre (CEC) in Seoul in 1993. Student visa applications have increased from 880 at that time to 9000 in 1996, and over 15,000 Korean students are currently studying in Canada. There has also been increased activity in Korean executives attending management courses here.

Sectoral interests and linkages

Sectors that have been identified as priorities for promoting investment linkages through corporate liaison calls and missions and seminars include:

- **Environmental technologies**, particularly in sewage treatment, solid waste disposal, air and water pollution monitoring and control, coastal zone management and nuclear pollution control.
- **Telecommunications equipment and services**, particularly in value added networks and services, satellite communications, wireless communication, cable TV, broadcasting programming and equipment and geomatics.
- **Semiconductors**: Several Korean electronics firms are currently being approached to

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