

## Motives for Investing in Canada

Familiarity is one of the reasons that Koreans are investing in Canada. Korea and Canada already enjoy a long-standing trade relationship: they are each other's sixth largest trading partner. As a result, Canadian products are more familiar to Koreans than to other Asians.

Koreans are attracted to Canada's rich resource base, but they also see a strong complementarity in the two economies. The Canada-U.S. Free Trade Agreement is also an important factor and many recent Koreans investments in Canada were made with an eye to penetration of the U.S. market. In fact, a Canadian location can be useful in penetrating other markets beyond the U.S. The Koreans want to establish their brand names world-wide, but in many cases, they are subject to various discriminatory practices. In the case of Taiwan, for example, it is easier for them to sell Korean cars made in Canada than to sell cars made in Korea.

Because the Koreans have developed an expertise in commercializing and exploiting foreign technology, they tend to look for investments that give them enhanced access to technology while allowing them to contribute their own manufacturing expertise. At the same time, the Koreans are investing heavily in developing their own technology and the Canadians who invest with them stand to reap rich rewards.

## III. Sectors of Opportunity

To date, Korean technology exports have been in pulp and paper manufacturing, lumber, and heavy industries (electricity, electronics and machinery). With the notable exception of production line know-how Korea does not have much technology to offer Canadians. However, Korea's heavy investment in R&D opens opportunities for cooperative arrangements. And some of the key areas identified by the Korean government are areas of Canadian strength — telecommunications, environment, health, energy, and resources.

Korea is also interested in acquiring technology through licenses or investments. Opportunities in high tech areas exist for Canadians, particularly for those in communications, transportation, natural resources, bioengineering, mechatronics (numerically controlled machine tools), industrial robots, CAD/CAM, programmable logic controllers, sensors, and servo motors.

In the aerospace industry, Korea is looking for design techniques and new lightweight, hard materials. There is also a strong demand for aircraft components, maintenance equipment, avionics and engines.

The market in Korea for environmental goods in 1990 will reach \$585 million. There are 500 Korean companies that manufacture environmental control equipment but most are SMEs unable to engineer highly sophisticated instruments and control equipment. Firms in this sector that are registered with the Korean government can negotiate technology transfers and joint ventures with foreign companies.

The Korean Telecommunications Authority is completing a five-year program to invest \$9.4 billion in capital expenditures designed to increase communications technology in Korea. One goal has been to increase the number of phones from 18 to 22 per 100 persons.