

Foreign Direct Investment in Korea: The Role of the Ombudsman

Kim Wan-Soon

Introduction

Just two years after one of the darkest moments in Korea's postwar history — the Asian financial crisis — the nation greeted the first millennium sunrise with relief and critical introspection, but also high hopes and great determination. Millennium resolutions contain lofty expectations — knowledge-based growth, social equity, transparency and globalisation. Diligent pursuit of them will lead to balanced and stable growth for Korea.

Last year the country achieved a key goal set by the government by attracting, in the two years since the crisis, \$15.5 billion in foreign direct investment on an approval basis, surpassing a target of \$15 billion. The government has come to regard foreign capital inflows, particularly FDI, as a catalyst for economic restructuring, even though Korea has been a highly efficient mobiliser of domestic savings — only slightly short of investment needs — and savings rates actually exceeded investment rates by nearly 60 percentage points in 1998 and 25 percentage points in 1999.

The changing investment climate is the launching pad for Korea's second takeoff. The Office of the Investment Ombudsman (OIO) is an example of the government's new effort to ensure Korea keeps abreast of international standards and economic achievement.

The Ombudsman

The OIO aims to tackle and resolve foreign companies' problems. The idea of the ombudsman in Korea can be traced back as far as the 15th century and King Tejong. In 1402, the king placed a "shinmungo" (drum of justice) outside his palace and anyone who wanted to report an injustice could do so by beating the drum. One of

the king's secretaries would then come out and hear the citizen's complaint. Today the word ombudsman is used in many other fields, to describe people who monitor sectors such as the media and politics.

Other countries too have an ombudsman to solve problems. Japan, for example, set up the Office of Trade and Investment Ombudsman (OTO) in 1982 to receive complaints from foreign and local firms about government regulations. It involves an extensive network of committees and government agencies working to improve Japan's export and investment climate.

Foreign Direct Investment

The Office of the Investment Ombudsman shows Korea is taking a serious new look at the importance of foreign direct investment after the country nearly went under during the financial crisis of 1997.

It is sad — and evidence of short-sightedness — that it took the financial crisis to make Korea, and much of Asia, realise the benefits of FDI and move away from relying only on plentiful local savings to finance investment. During the IMF bailout, the foreign currency crisis had been gradually easing, with imposition of the high interest rates, belt-tightening policies and restructuring programmes required by the IMF. However, other factors, such as negative economic growth and a tight domestic capital market, led to corporate bankruptcies, massive lay-offs and a drop in consumption, investment and domestic demand. Foreign direct investment has offset some of these harmful effects in important ways — the so-called “killing five birds with one stone” theory.

FDI is one of the driving forces behind globalisation, defined as the acquisition of 10 per cent or more of a foreign company's assets¹. Investment by multinationals through their foreign subsidiaries is one of the clearest examples of it. We know from Dunning's eclectic approach that firms will engage in FDI if they can obtain ownership advantage, location advantage and the advantages of internalisation for technology transfer or vertical integration². This means the multinational firm always has some unique assets that give it an edge over other firms, allowing it to generate future income and profits.

Research on FDI shows that foreign investors are strongly influenced by the host country's structures, such as market size, quality of infrastructure, level of industrialisation and amount of existing FDI. Multinational firms also make FDI so as to keep abreast of new technology and new trends in production and marketing. As global competition increases, technological developments demand a high level of direct investment to retain markets.

FDI Trends

According to UNCTAD's *World Investment Report, 1999*, world FDI inflows and outflows in 1998 reached \$644 billion and \$649 billion respectively. Mergers and acquisitions valued at more than \$202 billion were driving FDI growth — increasingly into developing economies. The trio of the EU, Japan and the United States still dominated the scene, accounting for about 93 per cent of FDI flows into and 91 per cent of FDI flows out of developed countries. Mergers and acquisitions increase the share of production by transnational corporations, leading to “deep integration”, as opposed to shallow integration of markets brought about simply by trade. Inward FDI flows have been the main feature of private capital flows to developing countries.

Developing countries' share of world FDI inflows had increased to 37 per cent by 1997, with Asia receiving the most. FDI flows out of these countries continued to increase until 1997, reflecting the growing ownership advantages of such firms and boosting their share of world exports despite the fact that the bulk of FDI originates from, and is located in, developed countries.

As Korea began its modern economic growth in the 1960s, it encouraged foreign capital inflow to make up for lack of domestic savings and foreign reserves. However, the government preferred foreign borrowing, which brought foreign resources under its control, to FDI. The general fear of foreign domination of Korean industry, stemming from Korea's history of Japanese colonisation, was too widespread for the government to accept foreign management. Suspicion still lingers that FDI is really a means to dominate Korean industry. Another negative factor was the relative cost of capital. In times of inflation and exorbitantly high domestic interest rates, cheaper borrowing from accessible offshore markets was much more attractive to Korean businessmen than foreign equity capital.

It was only after the 1997 currency crisis and as the country was on the verge of default in late December 1997 that Korea learned that short-term foreign borrowing could be extremely risky and realised how important FDI was as a bulwark against financial panic. Through a series of IMF-mandated reforms started in 1998, Korea's FDI regime will have to become fully liberalised. In fact, the government plans a far bigger opening to the capital market than it had agreed with the IMF.

As shown in Table 1, the total FDI flow into Korea on an approval basis was \$15.5 billion in 1999, a 76 per cent increase on the previous year, but \$10.4 billion on an arrival basis, a 98.7 per cent increase.

By April 1998, FDI was showing negative growth because from the beginning of that year most investors were reluctant to make investments owing to reduced buying power in the market and increasingly risky investment returns. But from May to December, the growth rate shot up to 135 per cent thanks to aggressive investment incentives by the government, along with strategic investment by multinational firms.

Table 1. **FDI trends in Korea, 1990-1999**
(\$ million)

Year	Approved	Arrived
1990	803	895
1991	1 396	1 177
1992	895	803
1993	1 044	728
1994	1 317	991
1995	1 947	1 358
1996	3 203	2 309
1997	6 971	3 088
1998	8 852	5 215
1999	15 541	10 360

Source: Ministry of Finance and Economy, *Financial Statistics Bulletin*, 1st Quarter, 2000.

By the end of 1999, the country had surpassed its goal of \$15 billion and attracted 2 086 foreign investors. FDI in 1999 from the EU into Korea amounted to \$6.26 billion (40.3 per cent of total FDI), from Japan \$1.75 billion (11.3 per cent); and from the United States \$3.75 billion (24.1 per cent). Even more remarkable, total investment in the last two years has been greater than all FDI inflows between 1990 and 1997.

So FDI grew despite shrinking domestic markets and, relative to GDP, cumulative FDI surged to 7.7 per cent in 1999 (up from 3.4 per cent in 1997), although it was still far below Singapore (81.6 per cent), Malaysia (38.1 per cent), China (23.5 per cent) and the United Kingdom (21.5 per cent). A sectoral breakdown shows FDI in Korean manufacturing was 45.9 per cent of the total in 1999 and that the emphasis has shifted towards the services sector (53.9 per cent). In 1999, Korea ranked 14th in the world and 2nd in Asia for FDI inflows, up from 21st and 4th place respectively in 1998.

Benefits of FDI

This unprecedented growth of foreign direct investment is helping to speed up worldwide economic integration and encouraging emergence of a complex international production system. UNCTAD reports that countries which do not attract FDI risk being marginalised and says it is crucial for developing countries to attract it by creating a hospitable environment while maximizing benefits for themselves.

This is why President Kim Dae Jung coined the phrase: “killing five birds with one stone”³:

- i) Foreign direct investment is a safe way to secure foreign capital without having to worry about debt;
- ii) FDI creates employment;
- iii) FDI enhances productivity and economic growth by introducing competitiveness and new industries;

- iv) FDI introduces new technology and management know-how and promotes transparency in business management; and
- v) FDI can also contribute to increases in exports.

Foreign direct investment brings in long-term foreign capital without requiring principal or interest payments and is thus a stable source of foreign exchange, unlike portfolio investments, which are volatile and risky. Short-term borrowing also creates the burden of high interest rates. Latin American countries, recognizing that short-term borrowing can make them vulnerable to financial instability, are trying to attract FDI to stabilise their capital markets.

FDI creates jobs, triggering increased consumption, greater production and a continuous cycle for boosting national wealth as new companies are set up and the competitiveness of existing ones is improved. The Korea Institute for Industrial Economics and Trade (KIET) says 1 890 new jobs are created for every \$100 million worth of investment⁴. During the financial crisis, foreign companies filled many of the gaps left behind by bankrupt Korean firms.

The Korea Development Institute — the government's economic policy think-tank — says Korean firms and sectors with high FDI have higher labour productivity, pay better wages, and spend more on research and development⁵. It found that foreign-invested firms in 1998 added 1.4 times more value per capita than purely domestic firms did.

New management techniques and training of workers by foreign companies benefit other Korean firms in the industry⁶. Motorola is a good example of how, through partnerships with SMEs and with higher foreign ownership ratios, a foreign company can help Korea advance its technology and improve its share of the global market. Nearly a third of the world's mobile phones are now produced in Korea. Other companies such as Volvo and BASF have opened research centres.

FDI produces healthy competition with foreign firms and encourages transparency in the Korean economy. Korean companies win credibility with overseas investors by improving their industrial structures, introducing new management and marketing methods and obtaining state-of-the-art technology. When foreigners are appointed executives in a company, the ability to monitor and ensure transparency of business transactions increases.

FDI helps economic restructuring because it has the capital liquidity to buy out businesses or the assets of poorly-performing Korean companies. The Bank of Korea says the debt-to-equity ratio in foreign-invested firms in 1998 was about 110 per cent, compared to 231 per cent in purely domestic firms⁷. The foreign-invested firms also showed good cash flows. Foreign participation lowers debt-to-equity ratios and leads to productivity spillovers.

Foreign investors also open new export markets because of their existing market links. Such exports not only reach more destinations, but also contain Korean-made materials and reduce the need for imports.

Government Savings

Has Korea relied solely on domestic savings to finance its development and discouraged foreign savings? Table 2 shows the rate of gross domestic savings rose sharply from 18 per cent in the early 1970s to 39 per cent in 1988. Since then, it has been falling and is now around 33 per cent. Dependence on foreign savings has fluctuated greatly. It accounted for less than 5 per cent of total savings in 1995, 13 per cent in 1996 and less than 3 per cent in 1997. The domestic savings rate also exceeded the average investment rate in 1998 and 1999 because of declining investment since 1997. However, foreign capital in the shape of foreign direct investment, despite being a very small amount, has been playing an important role in Korea's restructuring since the 1997 financial crisis.

The downward trend is also seen in government savings, which rose steadily from 5.1 per cent of Gross National Disposable Income (GNDI) in 1980 to a peak of 10.6 per cent in 1997. As the financial crisis began in late 1997, government savings started to deteriorate, accounting for large budget deficits since then. In the wake of the crisis, which shattered the Korean economy, the government faced a revenue shortfall just as it was required to spend massively on rebuilding the financial sector and providing a social safety net, including unemployment benefits.

Table 2. Korea's Savings Ratio
(Unit: per cent of GNDI)

Year	Gross Domestic Savings Ratio	Private Savings Ratio	Government Savings Ratio
1970	18.1	12.1	6.0
1975	18.1	15.6	2.5
1980	23.2	18.1	5.1
1985	29.8	23.7	6.1
1988	39.3	31.5	7.8
1990	37.5	28.9	8.6
1995	35.5	25.8	9.7
1996	33.8	23.5	10.2
1997	33.4	22.8	10.6
1998	34.0	24.4	9.6
1999 ^p	33.7	24.2	9.5

p denotes preliminary figures.

Source: Bank of Korea, *Monthly Bulletin*, April 2000.

The IMF and OECD define government debt only as liabilities that are direct obligations. The general government debt (central and local) increased from 15 per cent in 1997 to 22 per cent in 1999 — much lower than the OECD country average of about 70 per cent. But when implicit debts such as government guarantees are taken into account, the public debt was more than 39 per cent of GDP in 1999. So the government could not just rely on domestic sources and had to turn to foreign ones. In 1999, nearly 21 per cent of its debt was financed by international organisations such as the IMF, World Bank, and ADB⁸.

Costs of FDI

Opposition to FDI and market liberalisation arises from the associated costs. While market liberalisation produces aggregate gains, critics say such benefits are not distributed evenly over time or to different groups of workers or firms, regions and countries. Trade and investment liberalisation can entail real economic and social dislocation as well as changing technologies and reforming domestic regulatory practices.

The events in Seattle late last year illustrate the challenges of globalisation, not so much in tackling genetically-modified food, child labour or environmental conservation, but in ensuring that citizens are informed about the benefits of globalisation and that they receive these benefits. The failed talks in Seattle weakened the World Trade Organisation's authority, perhaps leaving it up to nations and regional bodies to ensure the rewards of globalisation are maximised. The suspension of the New Round of multilateral negotiations will give a new impetus to regional and bilateral efforts, which may endanger the multilateral trading system that has served global trade and investment liberalisation well.

The Seattle protesters denounced the effects of market liberalisation, charging that countries, firms and workers are being hurt by their competitors' improvements in efficiency, and that global competition is eroding the ability of governments to exercise national "regulatory" sovereignty. The main opponents of FDI have pointed to the outflow of national wealth because domestic firms do not receive fair value as a result of the government's FDI drive, and to loss of sovereignty and discrimination against local producers.

In the United States, the best-selling book *Buying into America*, about the wave of foreign investment in that country, raised the fear of "giving away America's future"⁹. In Korea, people think the government is "selling out" to foreign firms and "practically giving away" hard-earned Korean assets, and that FDI accelerates the foreign dependence of local industries by encouraging foreign dominance and monopoly.

This is the exaggerated view of a number of protectionists. The acquisition of Daesang Corporation's lysine business — an animal feed additive — by the German chemical company BASF was hardly cheap. It was the biggest foreign takeover of a Korean firm under the IMF's bailout programme and cost BASF over \$600 million. Non-viable firms are forced, through mergers and acquisitions, to streamline down to their core business and reduce overcapacity. This is a powerful market mechanism that penalises inefficient management.

Those who say the final sale price of Korea First Bank to the US investment firm Newbridge-GE Capital was practically a "give-away" fail to see the enormous social cost and massive fiscal burden on the economy when a sale is delayed. They also fail to see how selling the debt-ridden, non-viable bank will help improve foreign investor confidence in Korea, benefiting Korean banks in the form of cheap loans from abroad. UNCTAD's *World Investment Report, 1999*, says the ratio of repatriated earnings to FDI flows into Korea, as an indicator of outflow of national wealth, averaged 15.9 per

cent between 1991 and 1998, which is very low compared to the average 37.5 per cent for other countries and the 33.7 per cent for Asian–Pacific countries. The “selling–off of Korea” is a far–fetched story at best.

The Korean government has been working hard to disperse these fears. The priority is to change people’s attitude to foreign investment. No empirical evidence about the benefits of FDI will override political interests, however. Many interest groups will lose out to foreign competition in the short run, strongly oppose certain policies and the government cannot ignore their demands for protection. But the general public — the main beneficiaries of an open economy — is divided over the benefits of FDI.

The prejudice against foreign companies and associated fears of imperialism are the main obstacle to maximising economic gains and stability through FDI. People fear that raising the limits on foreign equity ownership would invite hostile takeovers of Korean companies. Many do not see the benefits this would bring, such as the increase and transfer of aggregate capital and improved infrastructure. There is little evidence elsewhere that FDI has harmed domestic capital formation to the point that foreign firms crowd out domestic producers.

Despite the small amount of FDI in Korea relative to the size of its economy, it was foreign firms, such as Motorola, that brought in key technology and laid the foundations of industries such as electronics and pharmaceuticals. Subsidiaries of foreign semi–conductor companies helped local firms become major players in the world market by turning out skilled workers and managers as well as providing technical guidance to sub–contractors. Multinational pharmaceutical firms also helped the Korean pharmaceutical industry develop new drugs by boosting local research capabilities.

FDI creates the conditions for strategic alliances and closer co–operation with other international corporations, paving the way for mutually beneficial collaboration and advancement in the global market. The recent takeover of Samsung Heavy Industries by Volvo is an example of this and evidence of the successful transfer of Western style management to Korea, a crucial change for local industry. Halla Heavy Industries, which did not share this pioneering vision, ended up bankrupt. Aggressive FDI policy and further successful greenfield investments, mergers and acquisitions will gradually reverse Korea’s negative view of globalisation and FDI.

Korean Investment Policy and Initiatives

The government responded to the financial crisis by overhauling its FDI policies. Its failure to attract a \$3 billion investment by the US firm Dow Corning showed the clear need to switch from a regulation–oriented regime to a sharply promotion–oriented one. A major obstacle to FDI in Korea had been an intricate web of laws and regulations, along with vague administrative guidance and bureaucratic *fiat*, so one of the priorities in achieving our millennium goals and resolutions was to improve the investment

climate for foreign firms. This will mean educating “working-level” government officials, steering restructuring efforts towards eliminating red tape, rather than reducing staff, conforming to international standards and giving foreigners more information.

In 1998 the new government made fundamental changes in FDI policy. Attracting FDI has been made a top priority so as to plug the acute foreign exchange gap caused by a net outflow of capital, combat attacks on the currency and rebuild the country’s competitive position in world markets. The intervention of the IMF also provided an unusual occasion for speeding up Korea’s investment liberalisation.

The government aims to attract \$16 billion worth of foreign investment in 2000¹⁰. Its four-point plan involves:

- i)* Using foreign investment to develop the industrial infrastructure;
- ii)* Aggressively improving the investment climate to boost the economy;
- iii)* Supporting local autonomy in attracting foreign investors and providing services to them;
- iv)* Aggressive public relations campaigns to change the public attitude to foreign investment.

The government has fully opened almost all sectors of the domestic market to foreign investment. Only 21 out of 1 195 sectors remain closed, seven of which are only partially closed. This means more than 98 per cent of industries have been liberalised. The barriers concerning the remaining 2 per cent are for reasons of national defence, cultural property or the livelihood of small farmers.

The accelerated capital market liberalisation demanded by the IMF also eliminated in May 1998 the ceiling on aggregate foreign ownership of listed Korean shares and money market instruments. The government said it would fully liberalise foreign exchange transactions by the end of 2000, which will improve Korea’s international credibility and ability to attract FDI.

The Foreigners’ Land Acquisition Act was amended on 26 June 1998 to remove restrictions on foreign ownership of land, property and dwellings and is a further boost to foreign investment. As a result, land acquisition by foreigners doubled in value and tripled in actual area between September 1998 and the end of June 1999. The National Assembly also passed two important bills favouring FDI. The first, on 15 May 1998, opened the way for both friendly and hostile mergers and acquisitions of Korean companies by foreign investors. The second bill legalised layoffs, allowing companies to dismiss their workforce and creating a more flexible labour market. Korea also now offers tax incentives to businesses setting up shop in a Free Export Zone or introducing advanced technology.

The historic law, however, was the Foreign Investment Promotion Act, passed on 2 September 1998 and implemented on 17 November the same year. It aims to make the foreign investment climate more attractive by offering tax incentives, lower

rents on factory sites, simplified procedures, comprehensive support services and job training. With high-tech investors in mind, income and/or corporate tax exemption has been extended from eight to ten years. Local governments are now free to offer their own tax reductions or exemptions from between eight and 15 years and have been given more say in creating and running Foreign Investment Zones (FIZs) to help attract FDI. Administrative procedures that greatly frustrated foreign investors have been abolished or drastically simplified and paperwork reduced.

The new law set up two bodies to support foreign investment within the government's Korea Trade-Investment Promotion Agency, which encourages exports and investment — the Korea Investment Service Center (KISC) and the Office of the Investment Ombudsman (OIO).

The KISC was established in April 1998 to lure investment by offering support, from site visits to investment authorisation and approval. It offers comprehensive one-stop service for entry into the Korean market and its experts on visas, property acquisition, construction codes etc. can answer questions and guide investors through the investment process. The centre also helps with mergers and acquisitions, joint ventures, legal, accounting and tax matters, accommodation, schooling, health care, feasibility studies, partner search and market research.

The OIO was set up to tackle foreign investors' problems in running their operations in Korea, either concerning investment or settlement. The KISC and the OIO are both expected to improve the foreign investment climate by trying to reduce the cost of compliance with bureaucratic regulations.

The OIO, launched on 26 October 1999, is staffed by 30 "home doctors" who are experts in various investment areas. Any of the 3 269 firms with at least a 10 per cent foreign investment ratio in 1999 can ask for one of these "doctors" to help it wrestle with the bureaucracy. The OIO's one-to-one policy means the "doctors" discuss problems individually.

Foreign investors usually point to trade union attitudes to foreign companies and Korea's record of transparency in accounting as the most negative aspects of life in Korea. Of 200 cases submitted to the OIO by the end of 1999 — 132 of which were resolved — taxation was the most common problem (26), followed by labour matters (23), the financial sector (21), investment procedures (18), visas (14), customs clearance (13) and construction (12).

The Ombudsman can directly investigate complaints by foreign-invested companies and ask for help from relevant administrative bodies, which must come up with a solution within seven days. If this requires a big change in laws or regulations, the issue might then be presented to the cabinet-level Foreign Investment Committee. The 30 "home doctors", who come from the private sector and specialised government agencies, are experienced in international investment issues and committed to ensuring Korea can offer the very best investment climate.

So far, the results have been very good. In December 1999, an OIO survey of the perception of Korea's investment climate among 178 firms — including major multinational companies in 20 countries such as the United States, Britain and Japan — showed that 74 per cent thought Korea was an “attractive investment target” and 53 per cent said they would invest there within 2–3 years.

There is still much room for improvement however. With the positive reaction of the international community, the OIO plans to expand its services to include a database companies can access to get data on investment issues, new laws and regulations and helpful insight on policy directions. A “Cyber Ombudsman” will enable foreign investors to file a complaint online and get help via e-mail. Other goals include boosting local government support for investors locating in the provinces and publishing a business guide with information about investment and settlement matters.

The OIO can be made more effective if it has more powers. Its aim is to improve the world's perception of Korea by attracting foreign direct investment and providing follow-up services to ensure their investment decision is as rewarding as possible.

Conclusion

FDI has played a negligible role in Korea's economic development. The “Buying of Korea” is an exaggeration at best. Even in 1999, its share of total domestic fixed capital formation was far less than in many other Southeast Asian countries. According to UNCTAD's *World Investment Report, 1999*, Korea has the lowest transnationality index among developing countries, reflecting minimal foreign activity in the Korean economy as measured by share of foreign assets, sales and employment.

But though very small, FDI has had a significant impact on Korea's economic development by turning out skilled workers and managers and providing technical guidance for sub-contractors, thus boosting foreign exchange reserves and improving productivity, financial structure and management transparency.

FDI will remain a key factor in Korea's progress towards becoming an advanced country, but many challenges lie ahead in the effort to attract foreign investment.

China will soon enter the WTO and other countries have bounced back from the crippling financial crisis, so competition for FDI is stiff. China, Chinese Taipei (Taipei, China), Malaysia, Singapore and Thailand are keen to attract FDI and Korea will have to maximise the advantages it has over other parts of Asia and inventively use its rich pool of resources to confront an increasingly borderless world and globalised economy. By combining the benefits of its educated workforce, technology base and strategic location in Asia, Korea will try to create a new knowledge-based society for the new millennium.

But this will require new ways of thinking and behaving. The US business management guru Peter Drucker has said the first step in organisational innovation is to *abandon yesterday*¹¹. Competitiveness will be determined by the ability to create and process new knowledge rather than producing quantities of physical capital and labour. Knowledge will be the most powerful source of sustainable growth.

Amazing changes are taking place in world trade and business with the explosion of the Internet. The information highway has speeded up globalisation and brought the world closer together. The New York Stock Exchange has already set many new records and we can expect the rest of the world to follow as their economies reach new heights. Those who insist on clinging to the old ways will see the gap between them and the advancing world widen. Foreign investment will be a key factor in this race.

Korea is determined to stay ahead and will continue to face the immediate challenges — such as competition from emerging economies (notably China), globalisation and laying the foundations of an innovation-based society — by drawing on the creative roots of its people and by its ability to provide foreign investors with quality choices and service.

Notes

1. This definition appears in the International Monetary Fund's (IMF) *Balance of Payments Manual*.
2. John Dunning, "Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism", *Journal of International Business Studies*, Vol. 26 (3), 1995, pp. 461–493.
3. MOCIE, *FDI, Road to Enhancing Nation's Competitiveness* (in Korean), October 1999.
4. Y.J. Chang, *Economic Effects of FDI in Korea and Suggestions for an Agenda for the Future* (in Korean), Internal Seminar Paper, December 1998, pp. 18–23.
5. Seungjin Kim, "Host Country Effects of FDI: The Case of Korea", KIEP (Korean Institute for International Economic Policy) Seminar on *The Entry of Foreign MNCs and the Globalisation of the Korean Economy*, KIEP, November 1999, p. 18.
6. N. Choi, *Evaluating the Benefits of Market Opening for the Korean Economy* (in Korean), November 1999, pp. 139–145.
7. Quoted from Table 17 in D.K. Rhee, "The Entry of Foreign Multinationals and its Impact on Korea's Market", in KIEP Seminar on *The Entry of Foreign MNCs and the Globalisation of the Korean Economy*, KIEP, November 1999, p. 50 and Bank of Korea, *Press Release*, #6–7, July 16, 2000.
8. The government had a fiscal surplus from 1993 to 1996 that turned into a deficit after the financial crisis. In 1998, the consolidated central government budget deficit was 4.2 per cent of GDP. With the rapid economic recovery, this fell to 2.7 per cent in 1999, a great improvement on the projected 5.1 per cent. The government wants to reduce this to achieve a fiscal balance by the year 2003.
9. Martin and Susan Tolchin (1988), *Buying into America: How Foreign Money is Changing the Face of Our Nation*, Times Books, New York, p. 274.
10. MOCIE, *Report to the Foreign Investment Executive Committee*, February 29, 2000.
11. Peter Drucker (1999), *Managing for the Future*, Penguin, New York.

