



Korea's Outward FDI in Asia: Characteristics and Prospects

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I. Introduction

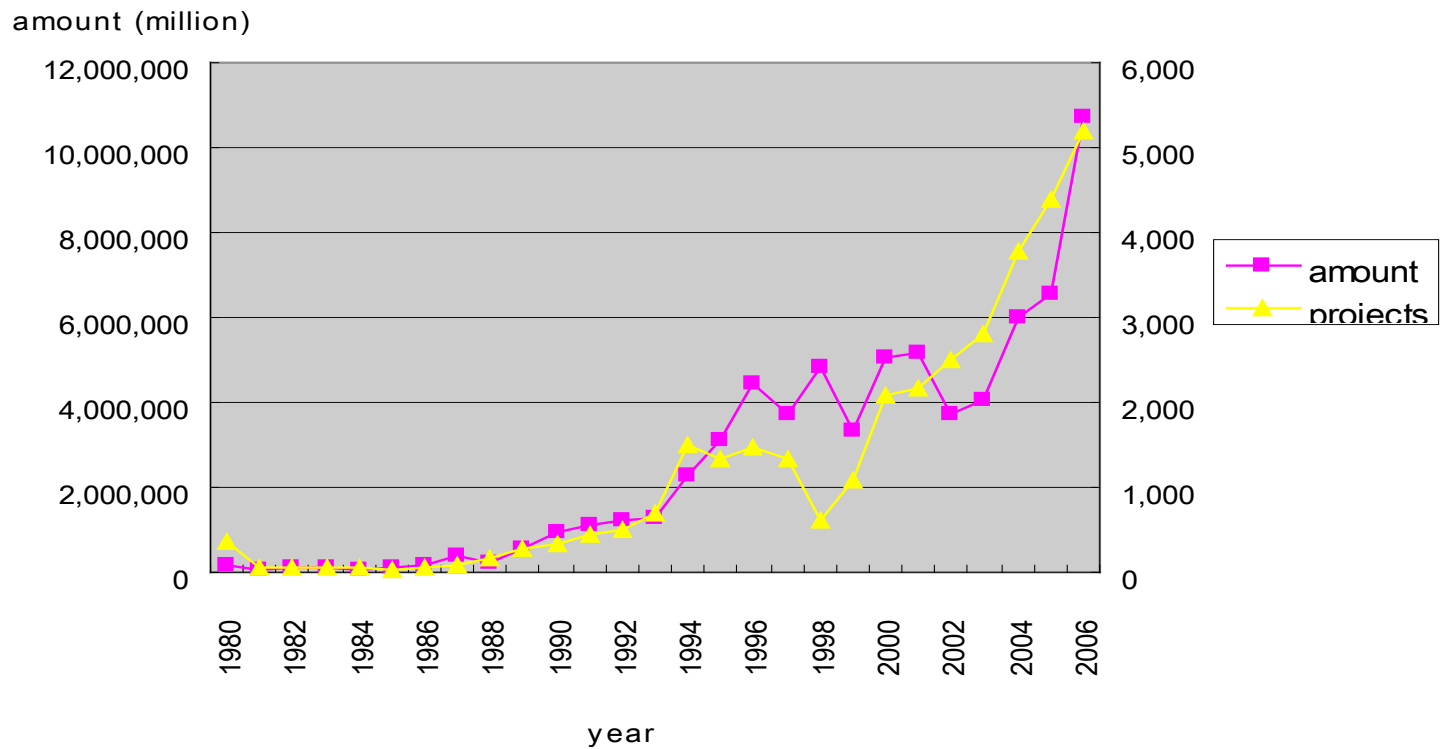
- 1. Korea has become one of the main providers of FDI in Asia**
 - biggest investor in China**

- 2. There are diverse motives for Korea's outward FDI**
 - market access theory vs. factor proportion theory**



II. Pattern of Korean FDI in Abroad

<Figure 1> Korea's FDI Trend

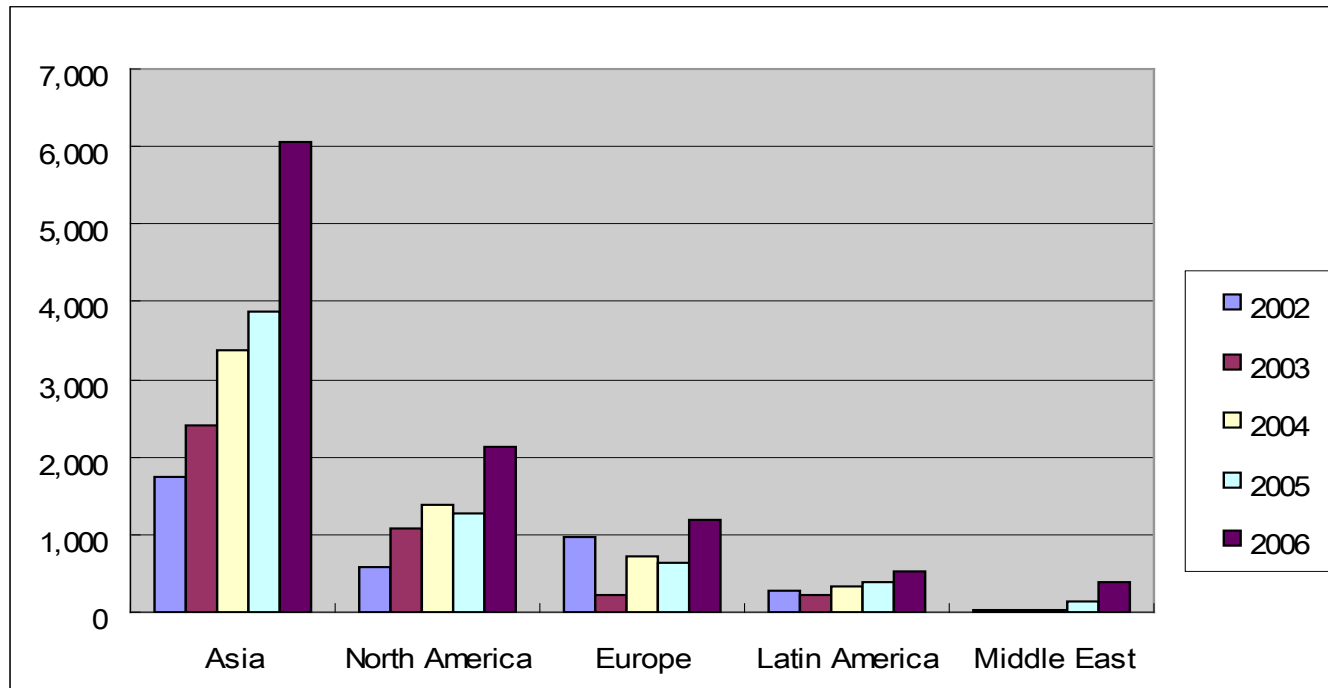


Source: Korea Export-Import Bank, 2007



II. Pattern of Korean FDI in Abroad

<Figure 2> FDI by Region



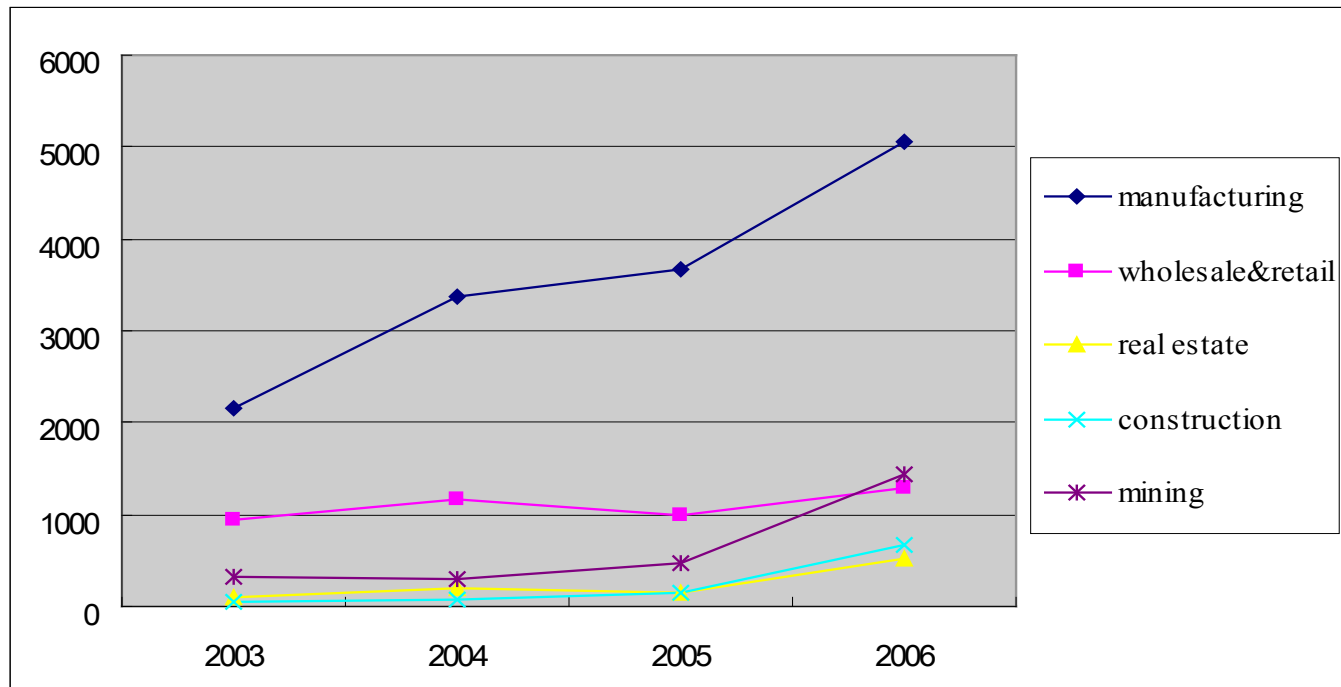
Source: Korea Export-Import Bank, 2007



II. Pattern of Korean FDI in Abroad

<Figure 3> FDI by Industry

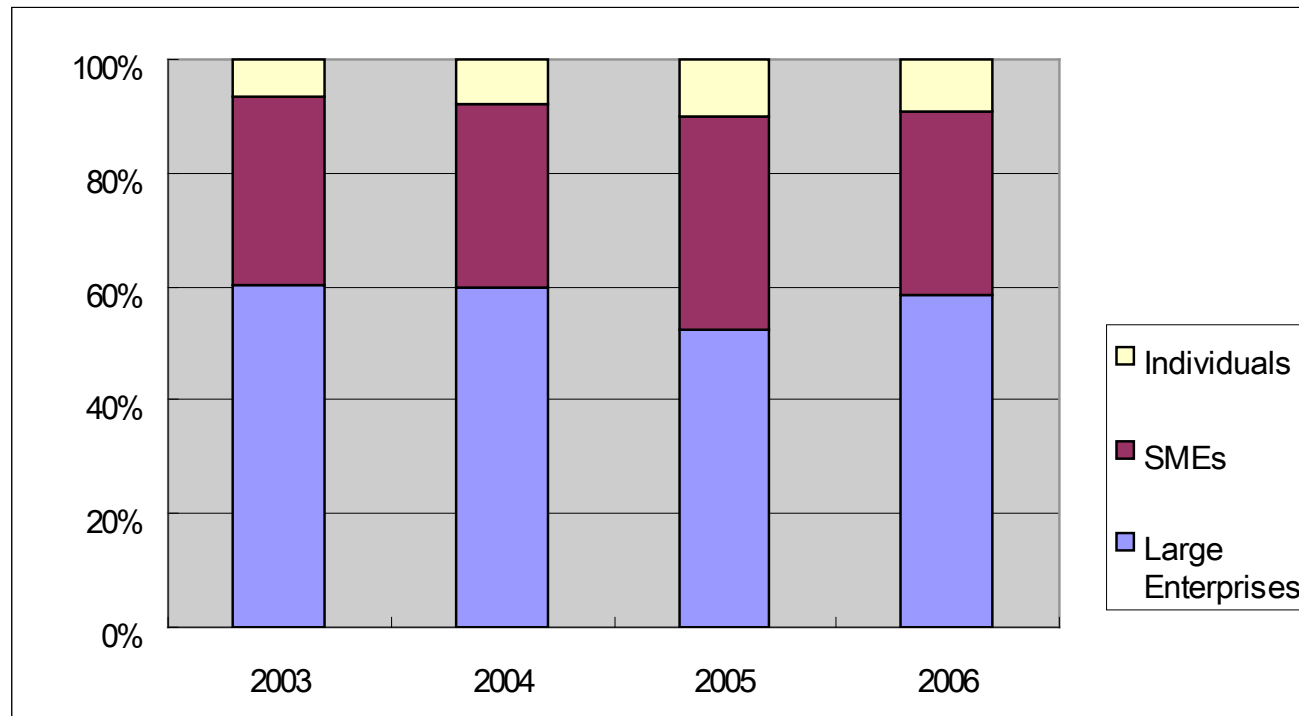
(\$Million)





II. Pattern of Korean FDI in Abroad

<Figure 4> FDI by Company Size

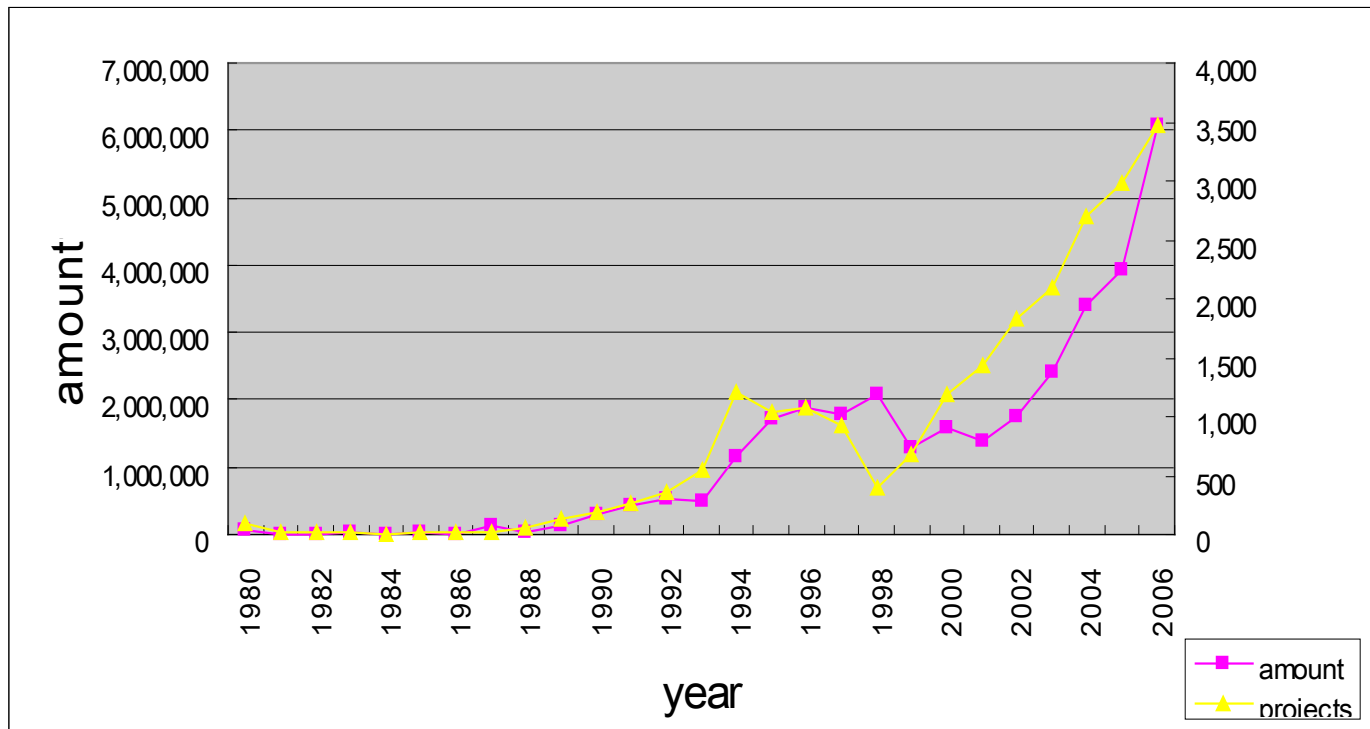


Source: Korea Export-Import Bank, 2007



III. Korea's FDI in ASIA

<Figure 5> Trend of Korea's FDI in Asia



Source: Korea Export-Import Bank, 2007



III. Korea's FDI in ASIA

<Table 1> Major Destination of Korean FDI in Asia East

Country	Amount (\$Ths)	Project
China	16,980,814	15,909
Hong Kong	2,997,721	831
Indonesia	2,392,445	858
Vietnam	2,176,377	1,023
Singapore	1,467,553	237
Japan	1,437,438	1,097
India	1,010,566	245
Philippines	816,403	827
Thailand	815,184	422
Malaysia	578,564	360

Source: Korea Export-Import Bank.



III. Korea's FDI in ASIA

<Table 2> FDI by Major Destination in the World

	2003		2004		2005		2006	
	projects	amount	projects	amount	projects	amount	projects	amount
China	1,679	1,666	2,142	2,298	2,240	2,647	2,300	3,310
(ratio)	(59.8)	(41.0)	(56.9)	(38.4)	(51.0)	(40.4)	(44.4)	(30.8)
(change)	(21.2)	(62.1)	(27.6)	(37.9)	(4.6)	(15.1)	(2.7)	(25.0)
US	526	1,051	828	1,339	1,070	1,243	1,257	1,754
(ratio)	(18.7)	(25.9)	(22.0)	(22.4)	(24.4)	(19.0)	(24.2)	(16.3)
(change)	(17.4)	(84.8)	(57.4)	(27.3)	(29.2)	(-7.2)	(17.5)	(41.1)
ASEAN	234	545	282	513	424	650	708	1,349
(ratio)	(8.3)	(13.4)	(7.5)	(8.6)	(9.7)	(9.9)	(13.7)	(12.6)
(change)	(-12.7)	(55.4)	(20.5)	(-5.8)	(50.4)	(26.6)	(67.0)	(107.7)
EU	50	194	79	674	110	556	128	1,051
(ratio)	(1.8)	(4.8)	(2.1)	(11.3)	(2.5)	(8.5)	(2.5)	(9.8)
(change)	(-7.4)	(-78.9)	(58.0)	(248.3)	(39.2)	(-17.5)	(16.4)	(89.0)
total	2,809	4,062	3,764	5,989	4,389	6,557	5,185	10,731
(ratio)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
(change)	(12.8)	(9.9)	(34.0)	(47.4)	(16.6)	(9.5)	(18.1)	(63.7)



IV. Characteristics and Prospects of Korea's FDI in Asia

<Table 3> Motivation of Korean FDI by period

(percent)

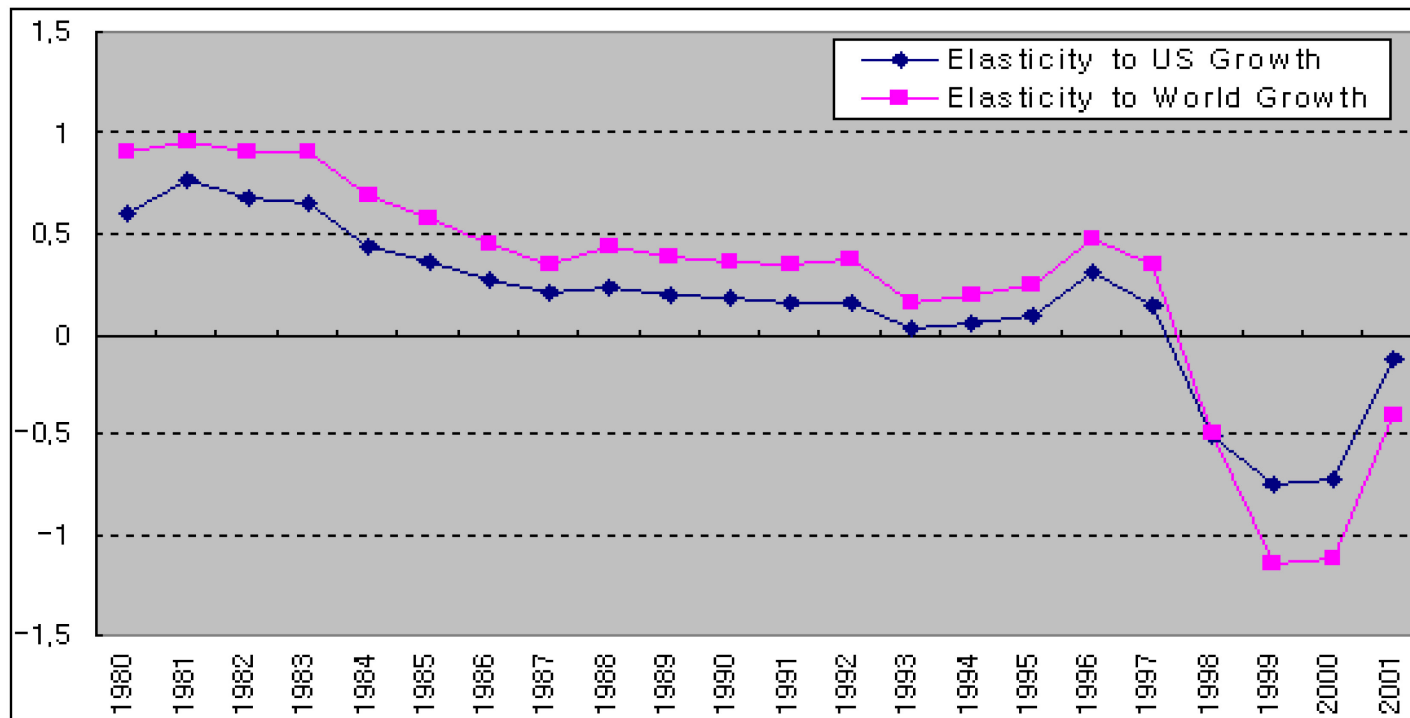
	1968~1993	1994 ~1996	1997~2001	After 2002
Securing or developing local or third-country markets	28.9	50.2	52.4	47.1
Utilizing local labor costs	14.7	37.2	30.3	38.5
Avoiding trade barriers	1.7	2.5	2.3	3.1
Securing raw materials	3.8	4.8	3.9	4.4
Acquiring advanced technology or management know-how	1.1	2.6	7.7	4.1
Developing natural resources	49.9	2.7	3.3	2.8

Source: The Export-Import Bank of Korea (2004). Lee, S-B. (2006)



IV. Characteristics and Prospects of Korea's FDI in Asia

<Figure 6> East Asian Economic Dependency on External Economies*



* Each number shows the result of rolling regression using the economic growth of ten years (by that year) of the East Asian economy without Japan.

Source: Rhee (2004).



V. Summary and Conclusion

- ❑ Korea's FDI in Asia has expanded rapidly due to high wage, labor disputes, and rapid appreciation.
- ❑ Korea's FDI shows manufacturing sector lead, cost reducing FDI.
- ❑ Asia's growing purchasing power will attract market securing FDI as well.
- ❑ Korea's FDI will be expanded continuously.