



A Foreign Businessman's Observations on the Korean Economy & Other Things*

William C. Oberlin

President, AMCHAM Korea
President, Boeing Korea

As many of you know, the American Chamber of Commerce in Korea (AMCHAM) is quite active. We have approximately 2,200 members representing, I believe, over 1' 000 companies. Those are US companies, European companies and Korean companies. The Korean companies include firms that are interested in doing business in, or which have businesses in, the US. We've been very active.

I would like to start by talking about our annual "Door Knock" last month. During our "Door Knock", the executive level of AMCHAM goes to Washington, DC, and discusses issues with the US government relating to business in Korea. This year, I was pleasantly surprised when we went back to Washington, DC, because there was much more interest in Korea than there was last year.

Last year, our "Door Knock" coincided with the US invasion of Iraq, so from a foreign news service point of view, history had stopped in January, 2003. Last year, the only thing most people in Washington, DC, knew about Korea was the election of President Roh.

However this year when we visited Washington, DC, we faced a lot of questions relating to activities of two months ago. As my friend Jeffrey Jones always says,

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there is a two month lag between Seoul and Washington: Washington today is still digesting news from the Korean Peninsula two months ago. This year, Washington was very interested in what was going on here since we were in DC about two or three weeks after the impeachment.

The focus in Washington, DC, was, and is, similar to the focus in Seoul: politics and elections. This is an election year in the US, and so throughout 2004 and up until November Washington is probably going to be very inward in its observations.

From our discussions relative to politics in the US, two issues became very clear. First, Washington is focused on the North Korean nuclear issue. We had many questions about it. It's always interesting because there's usually an investment question associated with that, too. We speak to many groups and there's always a question similar to, "Is the North Korean nuclear issue affecting foreign direct investment (FDI) in Korea?" In other words, are investors not investing in Korea because of the North Korean nuclear issue? The answer, quite simply, to that is, "No." We have a lot of examples to cite. For example, Citigroup has just invested over US\$ 2 billion. It's a matter of perception. Washington looks at it differently from the way we look at it on the ground here.

The second issue is jobs. That's a very big issue in the US. It's obviously also a very big issue in Korea. We are concerned—and we're going to watch this very closely—that Korea will get sideswiped in this issue. The focus is on outsourcing and jobs going overseas. The destination of those jobs is other countries, rather than Korea. Korea, if you look at what is happening vis-à-vis the US, you're actually going to see that Korea's exporting jobs to the US, and very little vice versa. One of AMCHAM's responsibilities over the next year is to make sure the rhetoric doesn't pick up Korea, to make sure Korea is not impacted by any negative legislation that would come out of this particular issue. At this point in time we don't really see anything other than campaign rhetoric.

Also during our trip to Washington, DC, it was very evident that many people, especially in the US Congress, when we explained our observations of what was going on in Korea, had a different point of view, especially after the impeachment. Our members here in Korea said, "Please. Can you help us get that word out on a more frequent basis?" The interpretation from foreign and US business people on the ground in Korea doing business here was far different from the perception in Washington, DC. Unfortunately, Washington's perception was really based upon a shoe flying through the air in the National Assembly. So when we were in Washington, we spent a lot of time explaining what the government was doing, how it was promoting continuation and stability, and how it was reassuring us that everything was going to remain on track.

We also talked, of course, about US trade issues. The US has continuing trade issues with Korea, as far as some markets are concerned. I'm sure most of you are aware of them: automobiles, pharmaceuticals and telecommunications. We discussed those. We need to take the economic dialogue between the US and Korea and elevate it. Over the last few years, it has been boiled down to discussion on just a very few issues. That is great. If you go back 15 years or so, there were many issues. But now there are only a few. Unfortunately, the belief is that we are focused upon these sector issues too much. We need to elevate the dialogue.

One of the areas in which Korea is most interested is deregulation. The US government has a long history of deregulation. We need to find ways in which the US government can assist the Korean government in its deregulation efforts. At the same time, Korea is becoming an economic leader. Next year, for example, Korea is hosting and will lead APEC. The US and Korea have a lot of mutual interests from a global/economic perspective. Korea can definitely help the US in many of the areas in which their interests overlap. There needs to be an elevation of the dialogue. The good news is that I think that several key people are starting to promote that in the US. I hope we're going to see some higher level dialogue be initiated in the not-too-distant future.

As I said, we conveyed our messages, and our sector-specific messages. We also had a couple other messages to people in Washington, DC. We need to have more visits by senior US government people, primarily administration officials, to Korea. Korea is the US' s fourth largest customer for agricultural products. The current secretary of agriculture, though, has not visited Korea. That should happen. Also, US Trade Representative Robert Zoellick has not visited Korea. We conveyed those messages. In business, and really in government, too, it' s a matter of relationships. You have to build those relationships. You don' t want to send out a minor official from the agriculture department to come to Korea when you have a case of BSE (bovine spongiform encephalopathy, or "mad-cow" disease). You have got to establish the relationships at a higher level to begin with.

Both AMCHAM and the US-Korea Business Council are trying to push forward a bilateral investment treaty. When I was elected AMCHAM president last year, I said that that would be one of my highest priorities. I failed last year. But I' m working on it again this year. I have until the end of this year to fulfill my campaign promise.

From an economic dialogue and an economic relation point of view, a bilateral investment treaty is absolutely essential. We can' t get to the next step—an FTA (free trade agreement)—until we can complete a simpler bilateral investment treaty. All of you know the issue that is confounding the bid. If you can help me, in any way, to move forward on this, I would greatly appreciate it.

The other, and final, message we took to Washington, DC, was visas. We firmly believe that the visa structure must ensure that, in simple words, the bad guys stay out and the good guys come in. Korean travelers are good guys. We want to make sure that, during these times of heightened security, Korean legitimate travelers, whether they be tourists, business people or students, have unimpeded access in the visa process. The good news is that, here in Korea, the US embassy has been working very well to ensure that there' s only minimum disruption. I think you

will find that there have been some delays, but that it could have been quite worse. Through the good offices of AMCHAM and Tami Overby, the executive vice president, and working with the US embassy here, we have put procedures in place that will minimize delays. Our message to the US government is that we have to improve upon that. We want to make sure that legitimate travelers, wherever they are—and this is a global problem—have unimpeded access.

That was our “Door Knock”.

Now, foreign direct investment: we are always asked questions about foreign direct investment. Which way is it going? Will it continue in that direction?

Foreign direct investment in Korea these days is down for many reasons. Many of them are outside the control of the investor and the Korean government. If you overlay a chart showing growth in the global economy with a chart of foreign direct investment, you will find a correlation between the directions of both of them. There are reasons why people are not investing in Korea. But they are also not investing in Chile, China or other locations. We now see the possibility from a global perspective, and definitely from a US perspective, that that is going to turn around.

The numbers are probably skewed a little bit due to the investment that came as a result of the currency crisis in Korea in 1997-1998. That constituted a different type of investment. When we look back on that period of time, it was a challenge. But Korea turned it into an opportunity. But it sometimes has a tendency to skew the numbers.

The Korean government has a tendency to focus on “green field” investment, when a company comes in, buys land, builds a new factory, hires workers, and starts to produce widgets. There is also another type of investment, which we saw more of during the currency crisis. A foreign entity would come in and acquire through

M&A (mergers and acquisitions) a portion or all of an existing domestic industry.

Then there is a third type of investment in which those of us working here in Korea are very interested. That is the re-investment of our profits back into our businesses here in Korea. That investment, which does not get tracked very well, is very significant. When a foreign direct investment company is doing well in Korea, and takes its profits and re-invests them in Korea, it is very important from the foreign investment point of view and very important from the domestic economy point of view.

One other factor is privatization. There was, for a period of time, more activity in privatization. The government has not stopped privatization. The government, though, is cautious and is moving more slowly in the area of privatization.

All of those factors have an impact on foreign direct investment numbers. Korea, to its credit, continues to attract foreign direct investment. Korea, to its credit, has established institutions and organizations that are actively out there aggressively pursuing foreign direct investment. My friend Alan Timblich has just taken over Invest Korea. That is a very good example of the way in which Korea is proactive in reaching out and trying to tell the “Korea story” and acquire as much foreign direct investment as possible.

Usually when you talk about foreign direct investment, the question comes up of foreign economic zones and special economic zones. To restate the AMCHAM position on these, we believe these should be applied to all of Korea. Korea should be moving toward making all of Korea into an economic zone so that the benefits of these economic zones spread to all foreign and domestic companies.

When you come down to it, we’re all in this bed together. Why do companies invest in a country? They do that for market penetration. If the market is not good, if the economy is not good, then that investment will not perform very well. As we

say, a rising tide lifts all boats. We have to make sure that, if it's good for AMCHAM and good for foreign business, it has got to be good for domestic business and the domestic economy as well.

There is also always the question, "What are Korea's advantages? What are its good points?" And, obviously, "What are its challenges?" We always start with the same one: the educated, motivated work force. The intellectual capital in Korea is fantastic. Earlier, I talked about the market. This is a big market. From my own company's point of view, we put the Korean market in the top ten countries internationally. Actually, I think it's about number six right now. This is a great market. It's got very sophisticated consumers, too.

Also, Korea has an active, vibrant democracy. Korea also has the rule of law. Other destinations for foreign direct investment do not have the rule of law. This is not well understood. When we travel around, and I mention this point, some people ask me, "Is that true?" The answer is yes. I can cite a number of situations where foreign invested companies went to court and won. There is a procedure. There is a process. The Korean government is very supportive. It has institutions and organizations to support foreign direct investment. That is also very important, on the plus side, that you do have that government support. There are entities out there to help foreign investors and foreign customers when they're looking at Korea.

What are Korea's liabilities? I just saw an article, driving in this morning, in which, again, an organization said that the biggest problem we have is labor. Korea's liability is labor. Labor relations and labor flexibility add up to labor costs. This is a competitive issue. Speaking of competitive, it's China. China is the competition. When you do an assessment of Korea as a good destination for investment, you have to make that assessment relative to the competition. The biggest competition, as everybody knows, is China.

Regulations are a recurring theme. It's a government/bureaucratic problem. The US government is constantly doing the same thing: constantly undergoing deregulation, constantly trying to reduce the bureaucracy. Korea has the same thing, same problems. The good news is that Korea's trying to do something about it. My good friend Jeff Jones is actually on the regulatory reform commission. Every new regulation has to go before that commission. They have to review it in light of, "Do we really need this?" I just learned the other day that the Korean government also established a deregulation committee under the office of the prime minister. This committee is great. If you have a problem with any regulation, you can now take that before the committee and advocate a change in that regulation. No organization was established to do that, but this organization is still relatively new, only one or two months old. There have already been instances where domestic companies have taken a regulation before the committee and have gotten relief.

We always talk about the direction in which deregulation should be going, and about where administrative law should be going. Deregulation in Korea is going from a "positive" to a "negative" system. The US government might be able to help, since it's already gone through such a change. If I want to do something, and if there is no regulation against it, I can do it. Right now, though, we're in a situation, not unlike in other countries, where there must be a regulation in *favor* of the action before I can do it. That becomes a problem in a high-tech environment.

For example, my company, Boeing, brought a new technology into Korea. It's space-based, but the regulations were written for terrestrial-based operations. So the ministry worked very hard, but in the end, they had to finagle a regulation to be able to permit us to introduce this technology. If you had a "negative" system, there would be nothing in the legal code saying that I *couldn't* use this new technology, so I would have been able to use it, obviously within frequency parameters and other safety laws.

The other thing which works against Korea is the perceptions from abroad. The shoe-throwing incident in the National Assembly was aired world-wide. We see too many of those, so-called, “CNN moments”. That just happens to be what some people pick-up and what they remember.

There are some misconceptions out there, but some people believe that Korea is anti-business. Korea, though, is *not* anti-business. I just went through the litany about the promotion of foreign direct investment. That perception is a generalization that is incorrect.

There is also a perception that the new administration is pro-labor. I do not believe that is true. What you are seeing is that we are going forward in a balanced approach.

People also talk all the time about Korea being xenophobic. I heard something the other day from a perception perspective that I really wanted to share with you. We were talking to some reporters who had spent time in South America as part of the Chile FTA procedure. They all came back and said, “Korea has an outstanding reputation in South America.” We asked them why. They went on about how every fourth car is Korean and every television set is Korean. Also, they all know the story about the “miracle on the Han River”. I think that’s great. We have that continent. Now we need to work on other continents to make sure that the true story about what’s going on in Korea gets out.

I’m always asked a question about “hubs”. What about the “hubs”: the logistics hub, the economic hub of Northeast Asia? I usually answer that question by saying that I’m not too sure if achieving “hub” status is what is most important. But *trying* to be a “hub” is what is most important. You got to keep that as the objective. In almost every case, to achieve some sort of “hub” status, whether financial or economic, you have to address the big four. The big four, as I call them, are: labor, foreign exchange, tax rates, and quality of life. If you go forward on that, and even

if nobody ever says you are an official “hub”, you have improved the business/economic climate for foreign and domestic businesses, and consumers, in Korea.

I think Korea has the infrastructure, and is building the infrastructure, to be a logistics hub. There’s no doubt about it. As you know, Korea operates as an island. You can’t go north. Think of a logistics hub if you actually had access to Mainland China and the rest of Asia. That should be the ultimate goal.

Aiming toward becoming a research and development (R&D) hub is also absolutely essential. Whether it becomes an actual R&D hub or not is not important. But focusing on R&D is very important. I think the government is on the right track. It’s focusing on areas where Korea can achieve excellence. If enough resources and attention are put to it, you can improve in this area. That’s what is important to be competitive: you got to go from this level of technology to the next level of technology. You got to become world leaders in new technologies and developing technologies.

One initiative I find interesting is that, instead of trying to do it all, companies have a list, just as the Korean government has a list, of which technologies they are interested in, such as nanotechnology. These companies should go out and find other companies, or countries, that are also interested in those technologies, and collaborate. This would create an almost virtual resource and development center, or “hub”. You would be connected to various other locations/institutions that would be working in similar areas and complementary technologies.

We think aiming toward becoming a financial services hub is very important. AMCHAM has always said that if Korea wants to be an economic hub in Northeast Asia, attention has to be given to financial services. We need to attract more world-class, regional, and Asian financial organizations and firms. That is the glue that holds it all together. That is the “fuel” that makes the system work. It’s

important to focus on financial services.

One question I usually get is, “Is labor flexibility in Korea possible?” The answer is yes. I believe it is possible in Korea. I also believe it’s possible because when President Roh visited Washington, DC, last year—and Tami Overby and I had the opportunity to accompany the party—he said that within two years there will be labor flexibility in Korea. It’s going to have to take accommodation. It’s going to have to take compromise. I would love to see harmony between labor, management and government. Everybody has to work together to achieve this.

If I were to make a chart, I would take democracy and labor and overlay them on a comparative timeline. Twenty years ago there were no labor/management relations in Korea. Now there are. In many areas, Korea has come a long way in a very short time. Labor is just one of them.

Korea’s achievements in this relationship are remarkable due to the short time. Sometimes I think we expect too much. The problems will not all go away tomorrow. Korea has not had the luxury of the US, for example, which has had labor/management relations that have been going on for over 100 years. Korea enters that timeline in a remarkable place, because you started not too long ago.

Also, people search for the answer. What is the answer? Is it the Anglo-US paradigm for labor/management relationships? Is it the Continental European paradigm? I think Korea needs to find the *Korean* paradigm. There are many facets to this relationship. They do not all equate directly to a US or European situation. Korea has to find its own way forward.

Lately I’ve been asked about the Democratic Labor Party (DLP). By my simple arithmetic, I think they have about 3% of the National Assembly. I, and Tami Overby, have already publicly said that we believe they’re presence in the National Assembly can have a very good effect. It brings those issues and those concerns to

the National Assembly where it can be debated. Given the social, economic and fiscal constraints that all National Assemblies have, the outcome should be good. We talk sometimes about being, “inside the tent”. It’s always good to be “inside the tent”. You don’t want to be on the outside. You want to be participating, on the inside, in the system. The DLP is now part of the system. Being part of the system you have the constraints of the system and the responsibilities that go along with being inside the tent. That’s why I am optimistic and not concerned about their election.

The bottom line on labor is jobs. It comes down to jobs. If Korea is going to be competitive, if Korea is going to keep its objectives of attaining “hub” status, then an answer needs to be found in the area of labor. I think, as most people would agree, that from a competition and economic timeline perspective, this is a time-sensitive issue. Unfortunately, we don’t have “all day” to arrive at some conclusions. This doesn’t mean it has to be done tomorrow, either, though. At the end of the day, it comes down to the issue of being competitive, job creation and job retention.

How do you measure which labor costs are good and which ones are bad? It’s all a matter of productivity. If you have high productivity, you can afford higher labor costs. If you have low productivity, then you can’t afford the high labor costs.

I don’t have any advantage as economic forecasts are concerned. It seems everyone is looking at good GDP growth this year, perhaps about 5%. My lawyer friends tell me that the economic foundation is sound. Therefore, economically, Korea is doing fine. We have problems with domestic consumption. We obviously have problems with the credit card debts. We have problems with job creation.

Every time my friend Jeff Jones speaks to younger groups, he says that the way to solve the consumption problem is for everybody, after this lecture is over, to go buy a new set of clothes. Go out and buy something. Looking at this group, maybe they

should go buy a new car, or something else expensive. But don't use your credit card.

The near-term is good. This has to do with the global economy and where it's going. The longer-term is a challenge. This is a time sensitive issue. Korea has challenges. Korea has to stand up to each of those, and must do it in a reasonable time frame.

China is the big test. As I said before, when you want to develop criteria and find out how well you're going, mark it against China. Mark it against your competition. There have been some analyses of Korea's potential to become a "hub" in Northeast Asia. There are always four issues: labor, foreign exchange, tax rates, and quality of life. If Korea is doing well compared to the US—and in many areas it is doing better—but that doesn't count. The US is not Korea's competition. Shanghai, Hong Kong, Singapore and Tokyo are the competition. That's the benchmark you have to use.

Foreign investors have a choice: they can invest in Korea, they can invest in China, or they can go somewhere else. You have to realize who your competition is, and judge yourself based upon that.

Japan may have turned the corner. I talk every two weeks with my counterpart in Japan. He's been telling me for along time that Japan, economically, has turned a corner. But lately it seems as if he actually believes what he's saying. It may be that Japan is going to rise up and become a little bit more of a competitor than it has been in the past. The good news is that there are discussions on an FTA with Japan. I, for one, look forward to seeing that come to fruition.

I am also often asked, "What has changed?" I've been in and out of Korea for a long period of time. People ask what has changed in that amount of time. I don't know why my observations would be any different from anybody else's, but

besides the traffic, the one facet that I find unique are the first generation returning overseas Koreans. Fifteen years ago, when I was first working with AMCHAM, I would only occasionally find ethnic Koreans who had returned to their parents' country; perhaps a lawyer who just graduated from Harvard, or someone who just graduated from Wharton and was looking for a job, but there were very few. Now, look out. See who's around you. See who are in the foreign invested companies. See who are in the domestic companies. There are all these young, energetic, well-educated, cosmopolitan returning Koreans. They bring with them just a wealth of talent and knowledge, and in most cases, they do have the understanding of Korean culture and Korean values. That has normally been passed on to them by their parents. That is something that has definitely changed, and definitely changed for good. I call them the "rainbow" kids, or "rainbow" generation.

The other aspect of Korean life that has changed can be illustrated by the recent visit by the US vice president. Vice President Cheney came to Korea last week. I had to open one of the English language dailies and go to page five before I found a small article about his visit. I find that to be remarkable. If the vice president of the US had come to Korea 15 or 20 years, it would definitely have been all over the media, the newspapers and the front pages.

Korea now understands where its rightful place is. Its rightful place is not to have a visit by the vice president of the US to be a monumental event. It's just something in the normal course of international relations. The maturing of the relationship between the two countries is demonstrated by that, especially the perception of where Korea is vis-a-vis the US.

I will mention the alliance. I do believe the strategic alliance between our two great countries is still alive and well. I think it also has matured. I think it is also probably going to change. I think it's going to remain strong.

About the impeachment and the political process, I think in the future, history will

look back and say that this period of time demonstrated the maturity of Korea's democratic processes. Do you believe that a non-democratic country can go through what Korea is doing and do it smoothly, efficiently and with little disruption in activity and economic well-being? I don't think so. To compare with 1997-98, this is now the "democratic crisis". This is going to prove that Korea can rise to the democratic challenge.

The steps that the current government took within two hours after the impeachment, relative to the foreign community, were fantastic. My mobile telephone rang two hours afterward. I was invited, along with other members of the American Chamber of Commerce, to a meeting the next business day. We talked about the impeachment. They wanted to get our ideas and perceptions. They wanted to ensure that continuity and stability were going to be the watchwords during this period of time. We were reassured over and over again. The president of Citibank was called *one* hour after the impeachment. He said not to worry, everything was OK, and the Citibank would continue with its investment.

About a week after that, the prime minister held a meeting for many of us and said the same thing. He said the Korean government was continuing with the policies. There were to be no disruptions in government, and if we found something that we believed was being disrupted, we were to call him directly. We were very impressed.

The movement in the direction of campaign reform and low-cost politics is definitely a step in the right direction. This election, from my limited observation, is probably going to go down in the record books as the beginning of a significant improvement and change in the process.

Concerning the future, in our business we're always looking for new frontiers. You have to be able to maintain your core business, maintain your core competency,

and build upon those. But there's another area out there called new frontiers. Korea needs to be looking for its new frontiers. We know what the challenges are. From what I've been told over the last year, the policies and road maps that are in place address the big four issues: labor, foreign exchange, tax rates, and quality of life. These represent the same perspective, whether it's domestic or non-domestic businesses.

Since the first year of the Roh Administration is over, now is the time to get on with implementation. Once the democratic process is over with, we will be looking for the implementation of those strategies, policies and roadmap.

Then there is the new frontier. Part of that is research and development. Part of that is being able to take the current industrial technologies and move them up the value chain. The new frontier is not merely moving those up one notch. It's moving them up *three* or *four* notches.

From my own perspective, I see Korea's frontier in a rather strange place. I see it very close. I see two things. By no means are they easy to achieve, but I believe they hold great promise. The Kaesong experiment, where small Korean businesses can build, operate and produce in North Korea, is one of these. The rail link from Seoul, through Pyongyang, and on toward Beijing, is the second one. If we can achieve those two projects, we are in the area of the new frontier.

Achieving these will get us all wrapped up in political issues. There are other challenges, too, which we all know. But at the same time, from a business point of view, and particularly from a *Korean* business point of view, these may be the road map to the new frontier. A rail link with mainland Asia would be a steel belt linking, for the first time in a long time, South Korea and the rest of Asia. My mind reels when I think of all the possibilities that would entail. Korea operates as an island. This would be the first step in Korea *not* operating as an island.

Those are the challenges. Those are exciting. Everybody should be working very hard, together, to achieve those goals. I don't know by when. I don't know if they are achievable, since there are so many challenges. But that is the frontier we have to address.

Questions & Answers

Q As a leader of the foreign invested community, you pointed out several changing issues that Korea faces. But from the foreign community point of view, what is the most pressing issue Korea faces, that should be tackled earliest, from your view?

I'd like to hear more about the negative aspects of doing business in Korea. I'd like to hear about the problems. We know that the global trend for FDI is decreasing. But last year China got almost US\$ 600 billion in investment. Out of the Fortune 500 list of companies, more than 400 are already there in China. If you are concerned about Korea's long-term economic future, you also ought to be concerned with FDI. That is why we are concerned with some of the problems we have to solve.

Based on some surveys of foreign CEOs, they always take labor issues as number one. What are the problems there? The labor problems might be wage and cost. But labor relations and labor market rigidity are also important. Also, the rule of law is the most important. You mentioned that it's important, but when dealing with labor this rule of law is the most important. If the law is bad, then you change the law. But law must be respected.

A You said it well. The number one issue, in all surveys is always labor.

Q When I listened to your presentation, I was confused whether the speaker was

representing the chamber of commerce, or reading a paper written by someone else. Your speech reminded me of a historical event. When Cuba fell, encouraging foreign direct investment was the cornerstone of US foreign policy. The State Department ran a country analysis and up until the last minute the State Department never predicted Castro's success. So I'm wondering if there might be something behind your recommendations that has been missed.

For example, what is the risk factor in terms of the environmental aspects of foreign direct investment in Korea? Do we have any kind of substantial risk, or are there not many risks visible at this particular time?

A As you know, many years ago in the early 1980s, there was a lot of very visible Japanese investment in the US. They bought the Brooklyn Bridge and Rockefeller Center, and parts of the motion picture industry. There's always a push back. It's the same here in Korea. You see it, but you have to understand it. There's always a concern that we are losing, in our case, "part of our American heritage". Guess what? It didn't happen that way. Nobody was ever really affected.

The US is one of the most heavily foreign invested countries in the world. We would never have gotten off the ground if it hadn't been for our old enemy, Great Britain, investing in the US very heavily after we broke away.

There's always an emotional element to foreign investment. But there is also what history will always prove. There are always the benefits. The benefits are many-fold. It's competitive. It improves business. It adds new practices. I don't have to defend it. The US government still supports foreign investment. I believe it's good for a country. It's good for Korea, good for the US, and good for anyplace.

We are asked that question frequently. When we are asked, our answer is that Citigroup announced a couple of weeks ago a US\$ 2.7 billion investment. They

did extensive risk analysis and due diligence. The day before the impeachment, General Motors announced a US\$ 1.4 billion investment in Korea to make Korea its Asia platform

We see these investment signs as clear statements of confidence. These US investors look at the risk very closely. If the US' top companies, like General Motors and Citigroup, believe the risk is low, then the American Chamber of Commerce will support them.

Q What is your point of view as to the effectiveness of the Korea Trade/Investment Promotion Agency (KOTRA) in general, and Invest Korea in particular, for foreign investors?

A As far as Invest Korea is concerned, I'd say that it's too soon to tell. I participated in the opening. It's just kicked off. The objectives are very good. What really helps is for people like me and Tami Overby to provide testimonials from a foreign business person on the ground in Korea. Sometimes we have a tendency to tune out the words of somebody who is trying to promote foreign investment in a particular country. Of course, they are representatives of that country, and so there is a tendency to tune them out. But when you have a person saying, "I am doing business in Korea. This is the situation. These are the advantages." The audience has a tendency to listen a bit more closely.


I failed to mention that, before the "Door Knock", Tami travelled around to eight cities in the US with the Seoul Pops Orchestra. In each one of those, Tami essentially gave an advertisement for doing business in Korea. The personal testimonials are important from a promotion perspective.

Q Today you addressed mostly rather macroeconomic issues, such as labor or politics. But I would also like to hear your comments on Korean business practices, from the perspective of a foreign investor. For example, which

practices may frustrate foreign trade partners or business partners?

A I would say that a business practice that is sometimes confusing, definitely to a US investor, is the casualness with the law. I just said earlier that Korea follows the rule of law. But not quite as intensely as some foreign countries do, like the US.

Now, I believe the US is a little too litigious and too rigorous. But what confuses many foreigners when they come to Korea is actually the lack of reliance, for example, upon written contracts and written documents. Korea's not as it used to be fifteen years ago. Korea is becoming more reliant upon those types of instruments. But understanding that you don't do business exactly the same way, and people don't look at business instruments exactly the same way in Korea, is sometimes confusing. I won't say that inhibits in any way. It's just something that sometimes needs a little clarification. If I were to come up with a good business practice, though, it may be the same answer.

 **세계경제연구원**

서울강남구 삼성동 159 무역센터 2505호
전화: 551-3334/7, FAX: 551-3339

E-mail: igenet@igenet.com, <http://www.igenet.com>