The Historical Event of Foreign Direct Investment (FDI) in the Republic of Korea*

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Abstract

This study analyzes the historical events that shaped South Korean Foreign Direct Investment (FDI) and its value to businesses. Chapter 2 reviews South Korean FDI literature, highlighting critical studies and a research gap. Chapter 3 strategically separates findings into four major historical events. Every event—from economic liberalization to technical advances—is studied. Chapter 5 offers valuable insights and guidance on how these events affect practitioners. The following chapters aim to promote FDI dynamics understanding and enable businesses and governments to make strategic decisions in South Korea's dynamic economy. Foreign Direct Investment (FDI) history in Korea is significant for practitioners. These events have impacted the nation's economy from the 1960s economic liberalization to modern technology advances. Practitioners must understand these events' far-reaching implications to make informed decisions. The opening up of the economy, chaebols' involvement, financial crises, and high-tech industry emphasis provide excellent lessons. This understanding helps practitioners navigate the global economy, adapt, and be resilient for sustainable economic growth in the Republic of Korea. Thus, practitioners should actively advocate for FDI and economic growth policies with government agencies. Collaboration ensures that the government's strategic vision matches industry practitioners' requirements and goals. By working together, practitioners help create policies that make Korea more appealing to international investors.

Keywords: Korean Business History, Foreign Direct Investment (FDI), Financial Performance,

Major Classifications: Business History

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1. Introduction

South Korea's economic transformation has relied on Foreign Direct Investment (FDI). This introduction highlights FDI's importance in the country's economic development by examining its history, impact on industrialization and technical innovation, and worldwide economic impact. The judicious use of foreign capital through FDI has helped South Korea become a worldwide economic powerhouse. In the 1960s, the country emerged from conflict and envisioned a future driven by economic liberalization and foreign Investment. This crucial decision started a chain of historical events that shaped FDI in South Korea. South Korea strategically used foreign finance to industrialize in future decades. Foreign Investment and foresight helped the country join the advanced economy. South Korea painstakingly prepared for FDI by creating export processing zones and a business-friendly environment. FDI has boosted South Korean economic growth. Beyond financial resources, FDI has helped create jobs, transfer technology, and grow critical sectors. South Korea's partnership with international investors has boosted economic growth and made it a global innovation and manufacturing hub. Foreign capital has financed transportation and energy infrastructure, promoting sustainable economic development. FDI has also helped South Korea join the global economy. South Korea leads international trade and commerce due to global value chains created by domestic and foreign investors. South Korea's global competitiveness depends on its capacity to attract and use FDI. Through active foreign Investment, the country has diversified its economy and formed transnational strategic relationships (Ciftci et al., 2022). The following chapters will examine South Korea's FDI history and how it influenced its economy. The goal is to explain each historical event and its lasting effects on Korean economy practitioners and policymakers.

The main goal of this study is to analyze historical Foreign Direct Investment (FDI) occurrences in Korea and determine their significance for Korean economic practitioners. The goal is to examine historical events, from the 1960s economic liberalization to contemporary technological advances, to understand how FDI changed South Korea's economy. The study investigates these historical events to illuminate FDI trends and highlight South Korea's economic dominance. This article investigates how four important historical events affected South Korean FDI. The study investigates the complicated dynamics of strategic economic liberalization attempts that opened foreign investments in the 1960s and Korean conglomerate's (chaebols') FDI appeal in the 1970s and 1980s. It also explores how economic downturns affect FDI trends by comparing the late 1990s Asian financial crisis and Korean government reforms. The report concludes that high-tech industry technological breakthroughs have increased FDI. By explaining historical events and their effects on company strategies, this detailed research helps practitioners navigate FDI in South Korea. This study analyzes the historical events that shaped South Korean Foreign Direct Investment (FDI) and its value to businesspeople. Chapter 2 reviews South Korean FDI literature, highlighting critical studies and a research gap. Chapter 3 strategically separates findings into four major historical events. Every event—from economic liberalization to technical advances—is studied. Chapter 5 offers valuable insights and guidance on how these events affect practitioners. The following chapters aim to promote FDI dynamics understanding and enable businesses and governments to make strategic decisions in South Korea's dynamic economy.

2. Literature Review and Research Gap

2.1. Overview of FDI in Korea

FDI has propelled Korea to the top of the global economy. FDI began in South Korea in the 1960s when the government launched efforts to attract foreign money. These visionary policies fostered FDI and led to reforms. South Korea's FDI policy advanced technology. International Investment brought cutting-edge technologies and managerial practices, supporting industrial expansion. Foreign finance increased the South Korean industry's innovation and global competitiveness. South Korean policy encouraged Foreign Investment. We had to remove barriers, provide incentives, and construct robust infrastructure. These initiatives attracted international companies and boosted domestic business, improving economic activity. These purposeful moves made South Korea a global economic powerhouse. FDI transformed the country's industrial landscape, growing manufacturing and technology (Aiginger et al., 2020). Foreign Investment has helped the nation adapt, absorb, and develop, fueling its economic prosperity. FDI has driven South Korea's economic growth via advancing technology, industry, and global competitiveness. South Korea's 1960s strategic plans established the framework for success, making FDI a crucial part of its rise to economic prominence.
2.2. Critical Aspects of FDI in Korea

Foreign Direct Investment (FDI) in Korea has affected the country's economy in numerous ways. These factors show the government's aggressive policymaking, chaebols’ importance, external economic problems, and the recent focus on high-tech businesses (Sindze et al., 2021; Nantharath & Kang, 2019).

2.2.1. Government Proactively Reforms Economy (1960s)

In the 1960s, the government initiated economic reforms and liberalization, which led to FDI in Korea. Teeramungcalanon et al. (2020) stress political factors in FDI attraction, as seen in the Korean government's strategic objectives. Foreign capital entered the country once trade obstacles were removed, foreign investors were incentivized, and the business environment was improved.

2.2.2. Chaebols and FDI (1970s-1980s)

In later decades, FDI was attracted by the rise and expansion of Korean chaebols. North Korea's knowledge economy is highlighted by Kriebitz (2020), but South Korea's chaebols attracted foreign investment. Samsung, Hyundai, and LG became global players and attracted foreign investors looking to profit from their success and global reach. Late 1990s Asian Financial Crisis Impact FDI in Korea was greatly affected by the late 1990s Asian financial crisis. Hauge (2019) addresses South Korea's FDI-oriented industrial policy difficulties and prospects in comparative-historical research. The crisis temporarily reduced FDI inflows but encouraged the Korean government to adopt changes to attract FDI and stabilize the economy. Despite hardships, this time showed tenacity and a willingness to change policy to attract international investors.

2.2.3. Recent Focus on High-Tech Industries

Buckley et al. (2022) emphasize external FDI's involvement in Korean global factories. This outward orientation shows Korea's FDI appeal and active participation in global economic networks. FDI in Korea is driven by the government's aggressive policies, chaebols’ importance, durability during economic crises, and a strategic focus on high-tech businesses. These factors demonstrate Korea's dynamic FDI and adaptability to global economic trends and problems.

Many studies have examined how Foreign Direct Investment (FDI) affects Korea's economy. These studies have shown FDI's diverse influence on South Korea's industrialization and socioeconomic issues. Bulus and Koc (2021) examined the environmental impact of Korean FDI. The pollution haven hypothesis is tested by examining how FDI and government spending affect environmental pollution. This study emphasizes the environmental trade-offs between economic development and environmental sustainability in the FDI discourse. The prior study offers insight into FDI motives and tax haven use in South Korea. Their findings shed light on foreign investors' financial plans and the intricate relationship between FDI and fiscal considerations. Li et al. (2021) use China and Korea to study how trade and FDI affect green total factor productivity. This study links international trade, foreign Investment, and productivity development. Bae (2020) examines the direction of Korean FDI supply chain management, teamwork, and performance. This study illuminates FDI-related supply chain management dynamics and emphasizes sustainable growth solutions.

Demena and Afesorgbor (2020) meta-analyze FDI and environmental emissions. This paper thoroughly analyses FDI's environmental impact using various empirical data. Contractor et al. (2020) examine how country legislation and business conditions affect FDI inflows. This study reveals regulatory and environmental issues that impact international Investment. These studies illuminate FDI in Korea's environmental impacts, financial motives, trade dynamics, supply chain management, and regulatory contexts. The dynamic nature of FDI is highlighted, stressing its impact on economic considerations and sustainable development. This research supports the idea that policymakers and practitioners need a holistic approach to understanding FDI and its effects on Korea's economy.

2.3. Research Gap

The Republic of Korea's Foreign Direct Investment (FDI) literature has comprehensively examined its effects on economic development. A void exists in understanding historical FDI episodes and their implications for practitioners. Most FDI studies give a general overview or focus on specific features without addressing the historical backdrop that has affected Korean FDI trends. Historical events must be understood to understand their complex patterns, policy upheavals, and economic transformations. With this historical viewpoint, FDI dynamics in Korea may be more concise and contextual aspects that have affected FDI flow may be missed (Lee & Lee, 2021). With a rigorous historical event analysis, researchers and practitioners
can fully understand the evolution of FDI in Korea. Historical events influenced FDI in Korea and taught us important lessons for the future. One must identify policies, economic conditions, and strategic decisions that encouraged or hindered Foreign Investment to understand FDI dynamics in Korea. Analyzing historical occurrences, practitioners can learn about prior policies, economic crises, and FDI success determinants. Policymakers and corporate leaders can use this knowledge to create historical-based plans. It also helps practitioners anticipate obstacles, manage risks, and seize opportunities, making them more robust and adaptable to the evolving FDI scene in Korea.

3. Findings: Historical Events of FDI in the Republic of Korea

3.1. Economic Liberalization and Opening Up

The 1960s saw the Republic of Korea undergo a significant economic shift due to economic liberalization and opening. Instead of insular economic practices, the Korean government actively pursued foreign Investment to become a worldwide economic power. South Korea's 1960s economic reforms included removing trade barriers and liberalizing markets to attract international Investment. The government wanted to encourage Foreign Direct Investment (FDI) to boost economic growth through globalization, hence this strategy was implemented. The aggressive Korean government ended protectionist policies and ushered in a new era of economic openness.

The event was driven by the recognized need for external finance, technology, and knowledge to propel the nation's industrialization. It had a huge impact. FDI helped South Korea industrialize by transferring technology, improving workforce skills, and developing vital sectors. Foreign capital drove economic expansion and established long-term affluence. International trade liberalization and economic growth literature can help explain economic liberalization's more significant effects. Fu (2021) analyzes international trade liberalization and protectionism, which resonates with Korea's open economy. Mhosen and Chua's (2020) study on trade liberalization and economic growth in China sheds light on economic openness's potential benefits. Kolcava et al. (2019) trade liberalization and environmental burden-shifting study show how economic policies affect the environment. Howell's (2020) research on industry relatedness, FDI liberalization, and indigenous innovation processes in China enriches our understanding of how economic openness affects innovation. Though not directly related to Korea, Padayachee and Van Niekerk's (2019) study of economic policy changes and their effects gives a larger perspective for understanding liberalization's effects. The 1960s economic liberalization and opening up in South Korea, together with relevant literature, demonstrate the revolutionary force of an open economic paradigm. This event altered Korea's industrial environment and set the stage for future economic success by integrating foreign capital, technology, and knowledge.

3.2. Chaebol Expansion and FDI Inflows

In the 1970s and 1980s, Korean conglomerates, known as chaebols, expanded rapidly, drawing Foreign Direct Investment (FDI) and transforming South Korea's economy. Samsung, Hyundai, and LG expanded globally, becoming global industry leaders. This strategic growth strengthened their global presence and encouraged FDI. The success and scope of these chaebols attracted foreign investors who wanted to profit from them.

Government assistance, strategic planning, and a concentration on core industries drove chaebol expansion. FDI inflows increased significantly due to this coordinated effort. Foreign investors were drawn to these significant firms' collaboration and investment prospects. This event had far-reaching effects on the Korean industry, establishing the country as a global business powerhouse.

Aghion et al.'s (2021) study on Korean chaebols and company dynamics sheds light on how these conglomerates shape the economy. Prior study of Korean FDI in Latin America and the Caribbean shows chaebol-led ventures' worldwide reach and impact. Schwak's (2019) study of state-chaebol cooperation and global development privatization illuminates the complications of conglomerate expansion.

According to Joe et al. (2019) research on foreign ownership and corporate innovation in Korea, foreign Investment stimulates innovation in chaebol-led growth. The geopolitical effects of South Korea's economic expansion are shown by Pröbsting's (2021) political economy perspective on its imperialist rise. The 1970s and 1980s chaebol expansion and relevant literature demonstrate their transformative impact in attracting FDI and improving South Korea's economic standing. This event boosted economic growth and established Korea as a significant player in the global industry.
3.3. Financial Crisis and FDI Outflows

The Asian financial crisis in the late 1990s hampered Foreign Direct Investment (FDI) in South Korea. FDI inflows dropped after the Asian financial crisis devastated South Korea's economy. The crisis revealed vulnerabilities in the Korean financial system, necessitating economic policy reconsideration and rapid measures to stabilize the economy. Financial crisis-related economic instability, currency devaluation, and investor concern drove FDI outflows. Despite its limitations, the crisis spurred dramatic reform. The Korean government took steps to stabilize the economy, attract FDI, and address structural issues to build resilience. This event showed the Korean economy's adaptability and tenacity in the face of foreign shocks, leading to a recovery that positioned South Korea for sustainable growth.

The literature assessment on economic and financial crises' effects on FDI helps explain such processes. Padmanabhan et al. (2020) empirical study of the 2008 global financial crisis's impact on host country corruption and inward FDI sheds light on financial crises and FDI dynamics. The prior study on the 2008 financial crisis and Chinese and Indian outward foreign investments may also apply to Korea. Al-Kasasbeh et al. (2022) study on global FDI inflows and outflows in emerging economies post-COVID-19 may compare to South Korea's resilience. Izadi et al. (2022) study of FDI inflow and financial channels before and after crises provides worldwide evidence that helps explain the financial mechanisms that affect FDI dynamics during economic downturns. The late 1990s financial crisis and its influence on South Korean FDI outflows and relevant research demonstrate that crises both challenge and reform. This occurrence shows how adaptable the Korean economy is and how preventive steps can help navigate economic turmoil.

3.4. Technological Advancements and FDI in High-Tech Industries

South Korea has strategically become a global leader in high-tech industries, attracting significant FDI. This evolution shows Korea's commitment to technological prowess and innovation-driven economic growth, attracting international FDI. South Korea's shift to high-tech industries, including electronics, semiconductors, and telecommunications, was a significant economic development. Korea's constant quest for technological excellence has fostered innovation and cutting-edge breakthroughs. Korea's commitment to technical innovation attracts FDI, particularly from multinational firms wanting to tap into its knowledge. FDI in high-tech areas has been successful for numerous reasons. Foreign investors value a talented workforce, R&D capabilities, and an innovative corporate climate. Korea's technology attracts multinationals, who collaborate and invest in these cutting-edge businesses. This period in Korea's economic history highlights the importance of innovation in attracting foreign Investment and sustaining global competitiveness.

Wang et al.'s (2022) study on how FDI and technology innovation reduce CO2 emissions in high-tech industries provides a nuanced view of technology's environmental impacts. Rafique et al.'s (2022) study on Belt and Road Initiative high-tech companies, financial expansion, and low-carbon energy deployment illuminates technology, finance, and sustainability. A study on the direct and indirect effects of high-tech industrial development on CO2 emissions in China helps us comprehend the environmental ramifications of technological progress. Prior study on foreign technology transfer's impact on China's high-tech industry's environmental efficiency complicates the relationship between FDI, technology transfer, and sustainability. Sawhney and Rastogi's (2019) comparative study of FDI in Indian manufacturing, particularly high-tech industries, enhances our understanding of foreign investment patterns in technologically sophisticated sectors.

Table 1: Summary of Research Results

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<tr>
<th>Key title</th>
<th>Description</th>
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<td>Economic Liberalization and Opening Up</td>
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4. FDI in high-tech areas has been successful for numerous reasons. Foreign investors value a talented workforce, R&D capabilities, and an innovative corporate climate. Korea's technology attracts multinationals.

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### 4. Conclusions

#### 4.1. Discussions

Foreign Direct Investment (FDI) history in Korea is significant for practitioners. These events have impacted the nation's economy from the 1960s economic liberalization to modern technology advances. Practitioners must understand these events' far-reaching implications to make informed decisions. The opening up of the economy, chaebols' involvement, financial crises, and high-tech industry emphasis provide excellent lessons. This understanding helps practitioners navigate the global economy, adapt, and be resilient for sustainable economic growth in the Republic of Korea.

#### Event-Specific Impacts

1. **Economic Liberalization and Opening**

   South Korea's 1960s economic liberalization and opening laid the groundwork for global economic integration. Practitioners must recognize economic openness's longevity. Foreign Direct Investment (FDI) and economic growth strategies must be supported consistently. Practitioners help the Korean economy flourish by fostering foreign Investment. Economic liberalization promotes global involvement and a dynamic economy that attracts international money.

2. **Chaebol Growth and FDI**

   Chaebol development in the 1970s and 1980s attracted FDI and shaped Korean business. Practitioners should strategically use chaebols' global success. These conglomerates offer international investors a unique approach to accessing the Korean market. Practitioners should encourage chaebol-powered alliances and activities to boost the Korean business environment. Practitioners looking to maximize investment prospects must recognize and leverage these corporations' FDI-attracting ability.

3. **Financial Crisis, FDI Outflows**

   The late 1990s Asian financial crisis caused FDI outflows. Practitioners must watch for economic downturns and financial catastrophes. During such times, economic stabilization and investor confidence must be addressed. Economic vulnerability mitigation becomes a strategic objective for practitioners. By doing so, they can reduce the impact of external shocks on FDI, creating a resilient and adaptable economy that can handle unexpected obstacles.

4. **High-Tech Innovations and FDI**

   Korea's high-tech focus has made it a global leader. In these industries, practitioners should promote technical advancement and innovation. This invites global FDI and boosts high-tech industries. A corporate environment that encourages research and development, talent building, and engagement with foreign investors is essential for practitioners seeking to profit from Korea's technological knowledge. Adopting an innovation culture keeps Korea a magnet for high-tech FDI, propelling the nation to technological leadership and economic progress.

#### 4.2. Cross-Cutting Themes and Overall Implications

Korea has shown exceptional adaptation and resilience in the past, particularly in relation to Foreign Direct Investment (FDI). Practitioners must stress flexibility in their methods to adjust to changing global economic dynamics. The Korean economy thrives on its capacity to adapt and seize opportunities. A culture of adaptation helps practitioners manage uncertainty and preserve economic resilience.

The incidents highlight the importance of global cooperation in promoting economic progress. Practitioners should actively seek international collaboration to keep Korea an attractive FDI location amid rising global competition.
Globalization helps Korea attract foreign Investment and positions it as a significant player in the global economy. By building international partnerships, practitioners help create a flourishing economic ecosystem that attracts foreign investors. Innovation drives FDI, with technical improvements being a key factor. Practitioners should build an innovation-friendly atmosphere and a continual development and technological excellence culture. Korea can attract international Investment and stay ahead in fast-changing industries by promoting innovation. Practitioners foster creativity, R&D, and seamless technological integration across sectors.

Historical events highlight the need for government-industry collaboration. Practitioners should actively advocate for FDI and economic growth policies with government agencies. Collaboration ensures that the government's strategic vision matches industry practitioners' requirements and goals. By working together, practitioners help create policies that make Korea more appealing to international investors. Sustainable economic development relies on government-industry partnerships to match national policies with corporate needs.

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