

ALFRED NOBEL UNIVERSITY
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

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Development and ways of realization of the international investment project 'Restaurant business' in the Republic of Korea

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relations

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The Bachelor's Thesis
Assignment

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3	Chapter 3	15 May 2021	9 April 2021
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Abstract

Selim U.T. Development and ways of realization of the international investment project 'Restaurant business' in the Republic of Korea

This thesis works the current state and trends in the economy of the Republic of Korea over the past fifteen years or more. It was found that the Republic of Korea is one of the most successful countries not only in Asia but also in the world, which demonstrates high rates of economic dynamics and success in international economic relations. The Republic of Korea creates the most favorable conditions for foreign investors. To this end, measures are being taken consistently to improve the business climate. This creates favorable conditions for the organization of the enterprise. An international investment project for opening a restaurant business in Hongdae District, Seoul City of the Republic of Korea was developed at the expense of an investor from Ukraine. Calculations of the need for investment resources are presented, the organizational and legal form of the enterprise being created is substantiated, as well as calculations of the main indicators that made it possible to assess the investment attractiveness of the proposed project.

Key words: investment climate of the Republic Korea, NPV, payback period of the investment project

Анотація

Селім У.Т. Розробка та шляхи реалізації міжнародного інвестиційного проекту 'Ресторанний бізнес' в Республіці Корея

Ця дипломна робота опрацьовує сучасний стан та тенденції в економіці Республіки Корея за останні п'ятнадцять років і більше. Було встановлено, що Республіка Корея є однією з найбільш успішних країн не тільки в Азії, а й у світі, що демонструє високі темпи економічної динаміки та успіху в міжнародних економічних відносинах. Республіка Корея створює найбільш сприятливі умови для іноземних інвесторів. З цією метою послідовно вживаються заходи для поліпшення ділового клімату. Це створює сприятливі умови для організації роботи підприємства. Міжнародний інвестиційний проект з відкриття ресторанного бізнесу в районі Хонде, місто Сеул Республіки Корея, був розроблений на кошти інвестора з України. Представлено розрахунки потреби в інвестиційних ресурсах, обґрунтовано організаційно-правову форму підприємства, що створюється, а також розрахунки основних показників, що дали змогу оцінити інвестиційну привабливість запропонованого проекту.

Ключові слова: інвестиційний клімат Республіки Корея, NPV, термін окупності інвестиційного проекту

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THESIS SCHEDULE

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No.	Stages in the Thesis Process	Deadline	Notes
1	The student is assigned his/her thesis supervisor	3 February 2021	
2	The student selects the topic of the thesis	3 February 2021	
3	The thesis topic is approved by the Head of the Department	3 February 2021	
4	The student gets the Thesis Assignment from the supervisor	12 February 2021	
5	The student conducts a literature review and creates a bibliography	12 February 2021	
6	The student completes Chapter 1	15 February 2021	
7	The student collects materials on a company's performance	13 March 2021	
8	The student completes Chapter 2	31 March 2021	
9	The student completes Chapter 3	9 April 2021	
10	The students draw out conclusions and recommendations	17 May 2021	
11	The student formats the paper and receive the supervisor's review	27 May 2021	
12	Thesis Pre-defense	10 June 2021	
13	Thesis Defense	24 June 2021	

Approved at the meeting of the department

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Head of the department

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INTRODUCTION

The Republic of Korea is one of the most economically developed countries in the world. For this reason, such a powerful country attracts a large number of foreign investors. Also a significant factor in the attractiveness of the Republic of Korea in the investment sector is the favorable environment created by the state of the country.

The basis of this thesis is the development of a successful investment project. However, it is not enough just to develop a successful investment project and start implementing it. It is also very important to analyze this project, namely to find out whether this project will be effective and profitable.

The attractiveness of an investment project can be assessed by a large number of factors and criteria: the situation on the investment market, the state of the financial market, the investor's professional interests and skills, the financial viability of the project, the geopolitical factor, etc. However, in practice, there are universal methods of investment attractiveness of projects, which give a formal answer: it is profitable or unprofitable to invest money in this project, which project to prefer when choosing from several options.

The main goal of investing is to generate income in the future for giving preference to long term orientation.

To make a decision on an investment project, it is necessary to have information on the nature of full cost recovery, as well as on the correspondence of the level of additional received income to the degree of risk of uncertainty in achieving the final result.

The purpose and objective of this work is to consider all possible factors that are of great importance and affect the investment attractiveness of the Republic of Korea for foreign investment. Namely, a theoretical generalization of the main economic indicators, trade policy, foreign economic activity, the investment attractiveness of the economy of the Republic of Korea and the formation of skills for the practical application of theoretical knowledge in the development and assessment of the effectiveness of an international investment project to open a restaurant business.

To achieve this goal, the following tasks were identified:

- To analyze the main General characteristics of the economic development of the Republic of Korea.
- To consider the dynamics of the main socio-economic indicators.
- To reveal the features of the social structure and the labor market oh the Republic of Korea.
- To analyze the main trends in export-import activity of the Republic of Korea.
- To determine the stages and main directions of foreign investment of the country.
- To consider the foreign investment in the Republic of Korea.
- To analyze the foreign trade restrictions of the Republic of Korea.
- To analyze the Investment climate and tax system of the Republic of Korea.
- To analysis of the Foodservice market in the Republic of Korea.
- To set the component investments for opening a restaurant business in the Republic of Korea.
- To determine the amount of investment for the investment project.
- To calculate the amounts of expenses, income, taxes and net profit on the investment project.
- To analyze performance indicators from the implementation of the investment project.

The object of study - development and implementation of an international investment project to open a restaurant business in the Republic of Korea.

The subject of the study is the evaluation of the effectiveness of investment in opening a restaurant business in the Republic of Korea.

Method. Research methods are used in the work: analytical, economic-statistical, the main methods of economic analysis are used.

CHAPTER 1

ECONOMY OF THE REPUBLIC OF KOREA

1.1 General characteristics of the economic development of the Republic of Korea

The Republic of Korea is one of the newly industrialized countries in Asia, which has been characterized by high rates of economic growth in recent decades. Back in the XX century, Korea from a backward agrarian country turned into a developed economy, becoming one of the four "Asian tigers" (the unofficial name of the economies of the Republic of Korea, Singapore, Taiwan and Hong Kong. Due to the rapid industrialization, countries reached high levels of economic growth in 1960-1990) ... Since 2011, the World Bank has classified Korea as a high-income country. According to the World Bank, in 2019 the country was in the 14th place in the world in terms of GDP by PPP, in the same year it accounted for 1.71% of world GDP by PPP. The population of Korea in 2019 was 51,519,081.

The Republic of Korea seeks to establish multilateral economic cooperation. In September 1991, the country became a member of the United Nations Organization (hereinafter referred to as the UN), currently it is a member of all specialized agencies of the UN, and in 2007-2017 the Secretary General of the organization was a representative of Korea. The country is a member of WTO, OECD, Interpol, "Group of Twenty", IAEA.

The Republic of Korea became the first country in the Asia-Pacific region to conclude an agreement on a free trade area with the EU (entered into force in 2011). The country is one of the ten strategic partners of the EU, with the Union being the third largest export market for Korea [EU-Korea Free Trade Agreement Reality Check 2018, 2018]. In total, the Republic of Korea is currently a party to 15 agreements on free trade and economic cooperation (including with the USA, China, India), 10 agreements are under negotiation.

In the 21st century, many socio-economic indicators characterizing the standard of living of the population of the Republic of Korea are steadily growing. According to the human development index in 2019, the country was ranked 23rd in the world (0.916),

showing a significant improvement in the indicator after 0.817 in 2000. According to the World Bank, Korea is among the countries with the highest life expectancy, approaching the level of developed European countries. The indicator increased from 75.9 years in 2000 to 82.0 years in 2019, which was due to the improvement of the health care system and the development of the practice of regular medical examinations.

In Korea, a lot of attention is paid to education: in 2016, government spending in this area amounted to 4.3% of GDP, and in 2019, the share of the population over 25 years old with at least secondary education was one of the highest in the world (86.2%). For the residents of the Republic of Korea, education is often the only possible social lift. The coverage of the population with tertiary education, including higher and higher professional education, in 2015 was 40.3%.

The Republic of Korea is ranked 42nd out of 180 in press freedom rankings [South Korea: Distinct improvement after a bad decade (Reporters without borders, 2021) and 33rd out of 180 in the Corruption Perceptions Index 2020 for South Korea, 2021, 25th in the ranking of economically free countries (South Korea Economy: Population, GDP, Inflation, Business, Trade, FDI, Corruption, 2021). According to the 2019 World Economic Forum [The Global Competitiveness Report 2019, 2019], Korea is ranked 13th in the Global Competitiveness Index. The country leads the Bloomberg Innovation Index 2020 (Bloomberg Innovation Index 2020 - Search Results, 2021) ranking of innovative economies, which ranks 60 countries according to seven indicators, including research and development intensity, productivity level, patent activity.

Considering the economy of South Korea, it is worth mentioning that this country is a member of the trillion dollar club of world economies. The authoritarian power in the country was able to maintain its status and achieved growth. The Republic of Korea has emerged as one of the most powerful exporters of light and heavy industry goods, and in recent years, a lucrative source of income generated for a long time. is electronics (US \$ 30.5 billion in exports), automobiles (US \$ 10.1 billion in exports) and shipbuilding (2021).

There is a great demand for South Korean products abroad. The share of the Republic of Korea in world exports is 3.2% (WGI-Interactive Data Access, 2021). Doing

small business in South Korea is often unpromising due to the existence of great competition from large firms. Currently, the service sector is developed in the South Korean economy, primarily insurance companies, medical institutions, sports facilities, entertainment facilities and catering establishments. These industries account for two-thirds of the country's GDP.

The development in the XX century of "chaebol" (재벌) - large industrial and financial conglomerates (Samsung, LG Group, GS Group, Hyundai, SK Group, Daewoo, Lotte, CJ Group, KT&G) - provided an increase in export volumes, and, as a result, high rates of economic growth of the Republic of Korea. However, the hierarchical structure of big business had a restraining effect on the development of internal competition. Nevertheless, the state managed to qualitatively develop the institutional environment. So, in 2020, Korea ranked 5th out of 190 in the Doing Business ranking, which reflects the degree of ease of doing business [Doing Business 2020, 2021]. The country showed the best positions in the ranking for such components of the index as connection to the power supply system (2nd), enforcement of contracts (2nd), obtaining construction permits (10th), registration of enterprises and resolution of insolvency (11th), while Korea ranked 23-60th in the rest of the index.

Table 1.1

Socio-economic indicators of South Korea, 1980-2019

	1980	1990	2000	2010	2019
Human Development Index	-	0,728	0,817	0,884	0,916
Government spending on education (% of GDP)	3,5	3,1	-	-	4,3 (2016)
Education level not lower than secondary, % of the population over 25 years old	45,8	67,3	77,0	82,9	86,2
Access to electricity,% of the population	-	-	100,0	100,0	100,0
Current health expenditure (% of GDP)	-	-	3,89	5,91	7,56 (2018)
Life expectancy, years	66,0	71,6	75,9	80,1	82,0

Source: World Bank

1.2 Dynamics of the main socio-economic indicators

After defeat in World War II in 1945, Korea, which at that time was part of Japan, was divided into the spheres of influence of the United States (the territory of the modern Republic of Korea) and the USSR (the territory of the modern Democratic People's Republic of Korea).

The Republic of Korea's history of dynamic economic growth dates back to the early 1960s, when President Park Chung-Hee began implementing reforms aimed at restoring military power and reducing political and economic dependence on the United States. The goal of the transformation was to transform Korea into an industrialized country with an export-oriented economy. The reforms were largely violent and were accompanied by political repression and dictatorship. Nevertheless, in thirty years South Korea, which was characterized by an agrarian type of economy, turned into a country with one of the most developed industries in the world.

In 1961-1979, South Korea's economy grew at an average annual rate of 10.0%.

In 1980, for the first time since the beginning of the reforms, GDP growth became negative and amounted to -1.7%, which was caused by the oil crisis and the related introduction of import quotas by the United States (Fig. 1.1). This led to a significant increase in inflation and a slowdown in GDP growth in subsequent periods. At the same time, the country's government began to liberalize the economy by developing “Comprehensive Measures to Stabilize the Economic Situation” (Lee, 1980). Particular attention in the framework of the plan for economic liberalization was paid to tax reform, privatization, and the promotion of human capital development.

The measures taken by the country's government led to visible results: in 1981–1997, the GDP growth rate was extremely high (+ 9.1% on average annually). However, in 1996, the country's economic growth slowed down. This was due to a sharp increase in the current account deficit (-4.1% of GDP in 1996 after -1.1% in 1994 and -1.8% in 1995), which led to a significant accumulation of short-term foreign debt, and also a decrease in the growth rate of exports (+ 11.3% in 1996 after + 16.6% in 1994 and + 23.1% in 1995) due to a drop in demand from foreign markets. In addition, the country's

economy has been weakened by excessive government intervention and very close ties between the largest companies and banks. All this against the background of an unfavorable economic situation in the region (the Asian financial crisis of 1997–1998) led to a decrease in the productivity of Korean companies (mainly chaebols). In 1997, 8 of the 30 largest Korean companies were declared bankrupt, which, against the backdrop of a sharp almost twofold devaluation of the Korean won 11 against the US dollar, led to serious negative consequences for the country's economy. Historically, the Korean won has been pegged to the US dollar, but since the end of 1997 it has become free. The first chaebol to file for bankruptcy was the Hanbo Group. Hanbo Group also defaulted on \$ 800 million loans from Korea First Bank. The Korea First Bank subsequently collapsed. Although Hanbo Group was the first chaebol to declare bankruptcy, it was far from the last. The Jinro brewery and the automaker Kia Motors Corporation also had to be announced. However, after being acquired by Hyundai Motor Company, the Kia Motors Corporation was revived and continues to operate today (South Korean Experience in the Financial Crisis of 1997-98, 2021). An additional factor complicating the situation in the country's economy at that time was a significant devaluation of the national currencies of neighboring countries, which affected the decrease in the competitiveness of Korean goods.

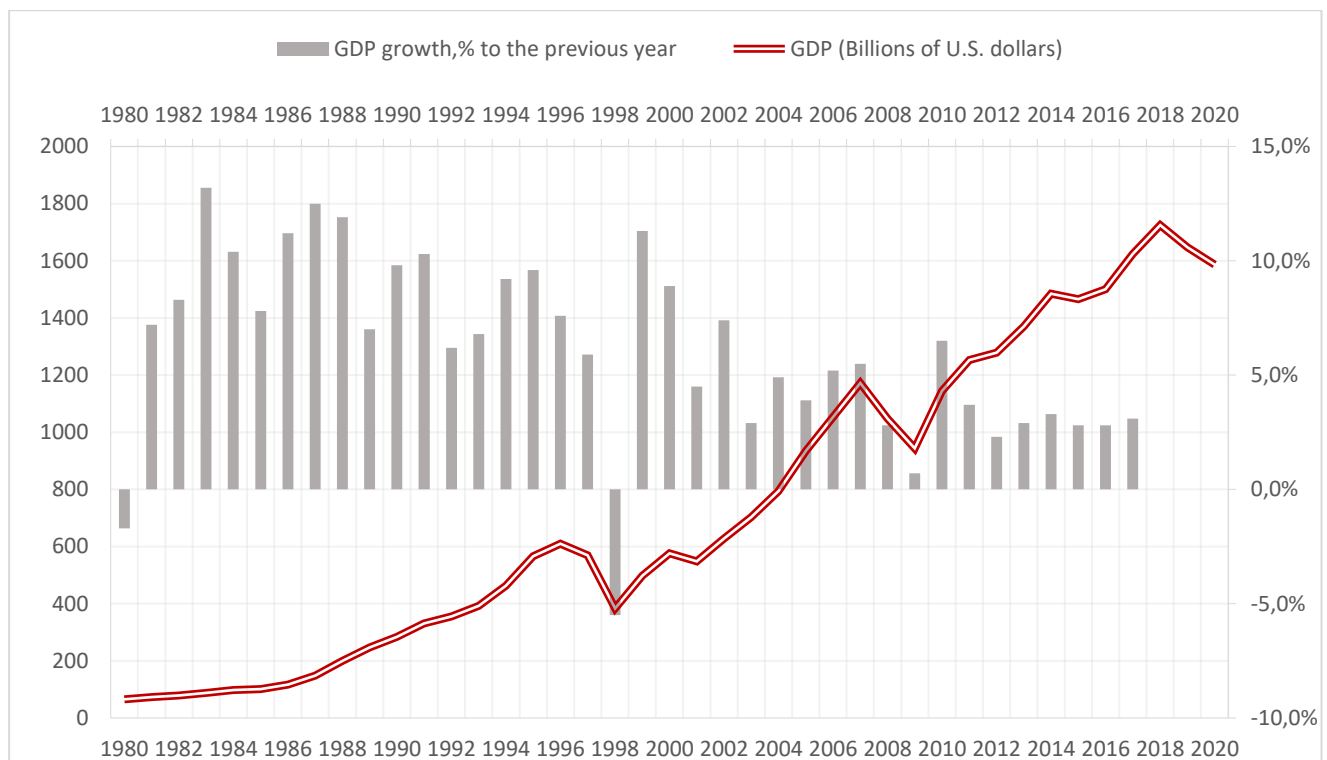


Fig. 1.1 Dynamics of GDP in South Korea, 1980-2020

Source: World Bank

The Asian financial crisis of 1997-1998 really came as a complete surprise to most politicians and entrepreneurs. This factor led to the fact that economists had to reconsider approaches to modeling crisis situations. So it is safe to say that it is to this lesson that Asian countries today owe their relative prosperity in the face of the global financial collapse.

South Korea, along with Indonesia and Thailand, was the hardest hit by the Asian crisis. However, already in the first half of 1998, financial markets in the country began to stabilize, interest rates dropped to pre-crisis levels, and the national currency appreciated by almost one third against the US dollar (Fig.1.2). In the second half of 1998, economic activity began to grow in Korea (GDP growth rates for the year were still negative and amounted to -5.5%), and already in 1999, the country's GDP increased to + 11.3% due to the recovery of domestic demand ... A quick exit from the crisis and the prevention of hyperinflation were facilitated by a tight monetary policy, as well as assistance from international organizations (in particular, the IMF).

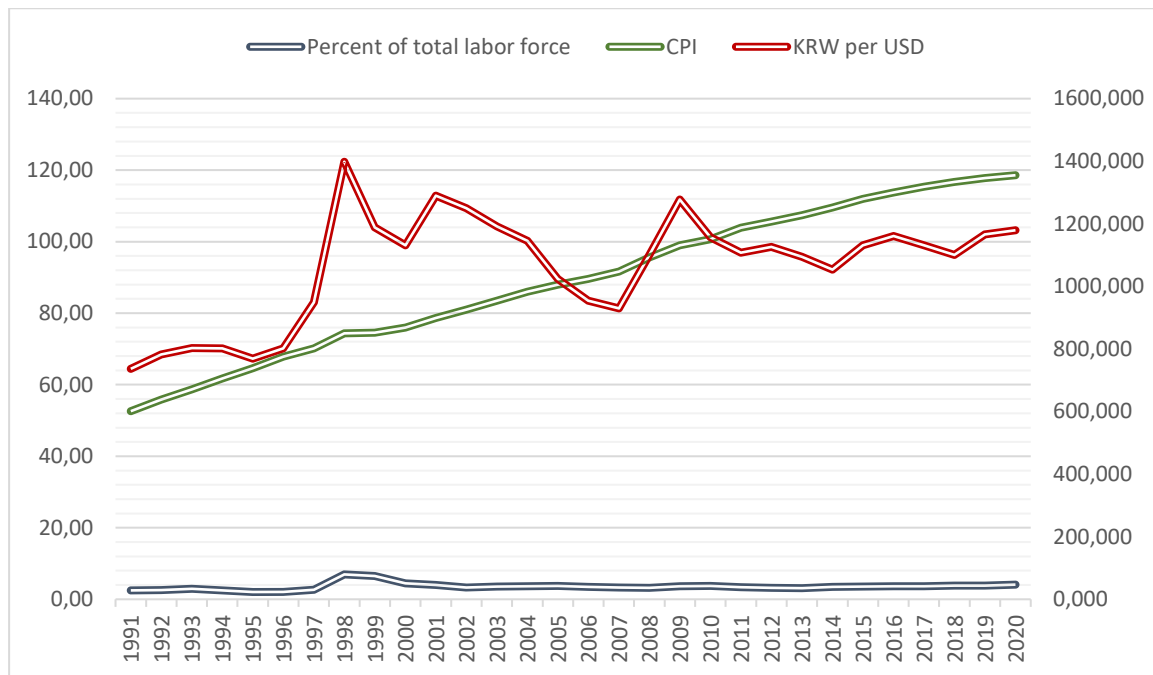


Fig.1.2 Dynamics of the Korean won exchange rate, thousand KRW per USD, Unemployment and Consumer Price Index, CPI, 1991-2020

Source: World Bank, IMF

At the beginning of the 21st century, Korea's GDP growth slowed amid a slowdown in global economic growth. Nevertheless, the Korean economy went through the global financial crisis of 2008-2009, albeit with a decline in growth rates (+ 2.8% in 2008, + 0.7% in 2009, after an average annual growth rate of + 5.4% in 2000- 2007), but without a drop in gross output. The negative consequences of the “great recession” of 2008-2009 were the growth of unemployment and inflation (Table 2), a decrease in industrial output and a significant depreciation of the Korean won against the US dollar.

Table 1.2

Macroeconomic Indicators of South Korea, 1980-2019

	1980	1997	1998	1999	2000	2008	2009	2017	2018	2019
GDP growth (real)	-1,7	5,9	-5,5	11,3	8,9	2,9	0,7	3,1	2,7	2,1
GDP nominal, trillion USD	0,1	0,6	0,4	0,5	0,6	1,0	0,9	1,5	1,6	1,5
GDP per capita PPP (constant Int. \$ 2011)	2,2	14,1	13,3	15,0	16,5	27,5	27,7	39,5	41,4	42,3
Accumulation rate (in % of GDP)	34,5	37,4	27,8	30,9	32,9	33,0	28,5	31,1	30,2	-
FDI flows (in % of GDP)	-	-	-	-	-	1,85	1,62	1,62	-	-
FDI outflows (in % of GDP)	-	-	-	-	-	3,05	2,01	1,95	-	-
Inflation rate (in %)	28,7	4,4	7,5	0,8	2,3	4,7	2,8	1,9	1,5	0,4
Imports of goods and services (annual % growth)	-5,3	2,5	- 24,0	24,9	21,8	3,2	-6,8	7,0	1,7	-0,7
Exports of goods and services (annual % growth)	8,6	18,8	14,3	13,1	17,2	7,5	-0,3	1,9	4,2	1,8

Unemployment, total (% of total labor force)	5,2	2,6	7,0	6,6	4,4	3,2	3,6	3,7	3,8	4,2
Total population (in million inhabitants)	38,1	46,0	46,3	46,6	47,0	49,1	49,3	51,5	51,7	51,7
Government Budget Balance (in % of GDP)	-	2,4	1,2	1,2	4,2	1,5	0,0	2,3	2,8	0,4
Government debt (in % of GDP)	-	10,2	14,7	16,7	17,1	28,2	31,4	39,8	40,7	43,9
Current account balance (in % of GDP)	- 10,6	-1,9	10,7	4,5	1,8	0,2	3,7	4,9	4,7	4,1

Source: World Bank, IMF, OECD

In 2010, the growth rate of Korea's GDP increased again and reached its highest value since 2002 (+ 6.5%). In 2011–2019, Korea failed to maintain the set pace, and on average during these years the country's economy grew by 3.0%. In value terms, the country's GDP in 2010 again exceeded \$ 1.0 trillion, and by 2019 reached \$ 1.5 trillion. Such indicators are a consequence of the rapid recovery of the national economy after the global financial crisis, as well as the growth in consumer activity of the population and the increase in export volumes, which is the foundation of the Korean economy.

According to IMF estimates, GDP per capita in PPP in 2020 exceeded USD 44,292. Since 2002, the unemployment rate has hovered around 3-4%. According to the International Labor Organization, in 2020, 60.3% of the country's population were employed in the service sector, 25.0% worked in the manufacturing sector, and the rest in the agricultural sector. Since 2013, the average annual inflation rate in Korea has not exceeded 1.5%.

Despite the fact that Korea's GDP during the crisis years for the country declined slightly and quickly returned to growth, the accumulation rate reacted sharply to changes in the economic situation. The value of the indicator decreased from 37.4% in 1980 to 27.8% of GDP in 1998 due to the Asian crisis. The second contraction took place during the Great Recession: from 33.0% in 2008 to 28.5% in 2009. In recent years, the accumulation rate has remained at the level of 28–31% of GDP, which is a fairly high value for a developed country.

The investment policy of the Korean government has long been aimed at attracting foreign investment into the country, which has been and continues to be one of the key drivers of economic growth. (Invest KOREA Annual Report 2017 - 심층 - KOTRA 해외시장뉴스,) In 1960-1990, more than half of the country's investment was foreign. The largest investors in the Republic of Korea are currently the United States of America, the European Union, China and Japan.

Until 2013, inclusive, the country had a positive balance of international investment position (that is, incoming investment flows exceeded outgoing), and over the past five years, due to a significant increase in outgoing flows of foreign direct investment (hereinafter - FDI), the balance became negative. FDI plays an important role in the country's economy (over the past decade, incoming FDI stocks have been about 12% of GDP). The overwhelming share of inward FDI comes from new high-tech firms. The country's leadership attaches great importance to stimulating investment activity and uses mechanisms such as exemption from customs duties, special taxes on imported goods during the first three years of doing business in the country and VAT; provision of discounts for rental of premises.

A consequence of the fiscal policy pursued in the 21st century has been an increase in the level of Korea's public debt from 17.1% of GDP in 2000 to 43.9% of GDP in 2019. It should be noted that when calculating the aggregate budget deficit in Korea, the balance of social insurance funds (National Pension Fund, Work Injury Insurance Fund, Unemployment Insurance Fund, and Teachers' Pension Fund) is taken into account, which, being in total surplus, partially offset the state budget deficit.

South Korea managed to qualitatively and quantitatively improve the state of the economy: in 2000-2019, the country's GDP almost doubled. However, not all difficulties were resolved. So, for example, at present an important problem of the country's economy, inherited from the policy of "public administration" carried out in 1960-1970, remains the presence and great influence of large industrial companies. They owe their viability to large bank loans issued by state-controlled banks, creating an environment conducive to corruption to flourish. Officially, there are about 30 chaebols in the country, and the five largest - Hyundai, Samsung, Daewoo, LG (Lucky Goldstar) and SK (Sunkyong) - account for about one-third of the country's total trade and almost 50% of Korean exports. The current economic policy of the government of the Republic of Korea is characterized by the government's desire to restructure chaebols, privatize state-owned banks, and generally liberalize the economy.

Since embarking on a course to industrialize the economy in the early 1960s, Korea has gone from being an agricultural country to one of the leading industrial players in the world market. The growth rates of agricultural production are noticeably inferior to the values of similar indicators in other key industries. According to national statistics, the share of the agricultural sector in the structure of value added decreased from 27.6% in 1960 to 5.3% in 1990 and to 2.1% in 2019 (Table 1.3).

The mining sector traditionally accounted for about 3.0% of value added, and by 2019, the value dropped to 0.1%. This is primarily due to the limited resource base. The mining industry has become the only industry (among the main ones) to show negative growth rates over the past 30 years.

Since 1960, the manufacturing industry has been the fastest growing industry. Despite the fact that the main increase in output occurred in the 1960s – 1990s (+ 63.3%), the sector is still growing at a faster pace. The manufacturing industry in 2019 provided about 32.2% of the added value in the Korean economy and is represented by a wide range of industries. The key and most dynamically developing sectors of the manufacturing sector include high-tech industries, namely: the production of electronics and electrical equipment (33.9% of the gross value added of the manufacturing industry in 2019), the chemical industry (13.9%) and transport equipment (12, 5%).

Table 1.3

Sectoral structure of value added and its growth by the main types of economic activity
in South Korea, %, 1953–2019

	1953	1960	1970	1990	2000	2019	Growth 1960- 1990	Growth 1960- 2019	Growth 1990- 2019
Agriculture, forestry, fishing and fish farming	31,9	27,6	17,7	5,3	3,4	2,0	1,8	0,4	0,5
Mining industry	2,2	3,1	2,9	0,8	0,3	0,1	2,5	-0,3	-0,2
Manufacturing industry	3,0	4,7	8,9	20,8	25,4	32,2	63,3	5,6	4,9
Electricity, gas and water supply	0,1	0,2	0,5	1,6	2,1	2,2	140,0	5,0	4,2
Construction	4,1	5,0	11,5	12,1	6,8	4,7	33,7	0,8	0,5
Services	64,9	63,6	61,1	60,5	62,0	58,8	12,7	3,1	2,7

Source: Statistics Korea

The measures taken by the country's government in the middle of the 20th century contributed to a change in the structure of the economy and determined the industrial character of the country's exports. Currently, Korean goods are successfully competing with goods from other countries in the world market (A Dynamic Approach to International Competitiveness: The Case of Korea, 2021). An important feature of the economy is that consumer goods produced in the Republic of Korea are more expensive domestically than abroad, which is due to the export orientation, high purchasing power of the population, as well as the mentality of Koreans.

South Korea is an active participant in international trade. In 2020, the country became the seventh largest exporter and ninth largest importer of goods in the world. In 2018, Korea's share in world exports was 3.2%, and in world imports - 2.8%. The country is a major exporter of industrial products with high added value: more than 50% of export

supplies are made up of electrical machinery and equipment (the third largest in the world in terms of exports of this product category), equipment and mechanical devices, and vehicles.

The geographical structure of South Korea's exports is stable: since the early 2000s, the two largest sales markets are China and the United States. The main export commodity category to China is electrical machinery and equipment (over 40% of supplies), to the USA - vehicles (over 25% of supplies). Until 2014, Japan was the third largest export market of the Republic of Korea by value, but after a decrease in supplies in 2015-2016 due to the weakening of the Japanese yen, Hong Kong took the third position, and in 2017-2019 - Vietnam. The growth in supplies to Vietnam was mainly due to an increase in the export of electrical machinery and equipment and is associated with the development of production bases in the country by Korean manufacturers.

The main commodity groups imported into Korea are mineral fuels and petroleum products (25% in 2019), electrical machinery and equipment (17.6%), equipment and mechanical devices (9.37%). The largest suppliers of mineral fuels and petroleum products to the Korean market are Saudi Arabia (17.0% in 2018), Qatar (10.9%).

The leading suppliers of imported goods to the Korean market are China, the United States and Japan. China supplies mainly electrical machinery and equipment (over 30% of imports from the PRC), Japan - equipment and mechanical devices (over 20% of imports from Japan). The structure of imports from the United States has changed significantly: in 2019, the supply of mineral fuels and petroleum products doubled and amounted to 19% of all imports from the United States, in general, since the 2000s, imports of this group of goods have increased more than 30 times.(통계청, 2021)

1.3 Features of the social structure and the labor market

According to IMF estimates, the population of Korea was 51.8 million in 2019. In 2018, the statistics department of the Republic of Korea predicted that 2019 will be the first year in the country's recent history when the population will decline. This was due to the low and constantly decreasing birth rate in the country over the past 30 years.

However, these forecasts were not successful and the population of the Republic of Korea continued to grow. But despite the continued growth of the population in Korea in 2019, the birth rate reached 0.92, which is one of the lowest values among all countries in the world, as well as the lowest rate since 1970 in South Korea.

Moreover, as the quality of life improved, the mortality rate declined and life expectancy rose. Experts also predict that by 2060 the population of the Republic of Korea will decline to 44 million people, with almost 40% of the country's population being retired. (Statistics Korea, 2021)

In the 21st century, the problem of an aging population has become characteristic of Korea. In 2015, the share of the working-age population was 73.1%, however, according to forecasts, the value of the indicator will decrease to 63.1% in 2030 and 49.7% in 2060. Such an increase in the demographic burden and, as a consequence, an increase in government spending, will require the government to raise taxes. Government spending on social security is currently one of the lowest among OECD countries. In 2014, the government obliged all local companies to pay pensions to employees starting in 2022, which will help reduce the burden on the country's budget. (Staff, 2021)

Social conditions improved with industrialization in Korea. At present, wages in the country are among the highest in the world (more than 65% of the country's population has a paid job), but the total household income remains below the OECD average. (OECD Better Life Index, 2021) This can be explained by the fact that Korean society remains traditional and, as before, most often only a man works in a family (especially if you have children).

The Republic of Korea is characterized by a relatively low level of social inequality. However, in the late 20th century, as the level of economic development increased, social inequality in Korea grew. In the past two decades, income inequality has stabilized and is not changing significantly. The share of income belonging to the richest 10% of the population (the tenth decile (the decile is calculated by dividing the population, ranked by income (wealth) into 10 equal parts, the quintile - by dividing by 5 equal parts)) in 2012 was 23.8% and the poorest - 2.2%. The decile ratio of funds in 2012

amounted to 9.2 times, which is 0.3 percentage points. higher than the 2006 indicator.(Korea, Rep. | Data, 2021)

The country's government has largely managed to solve the problem of poverty. In the past two decades, less than 2% of the population lived on less than US \$ 5.5 a day. However, according to the National Statistical Service of the Republic of Korea, more than half of the poor in the country are residents of retirement age, which increases social tension.

Survey data show that despite good and improving social conditions, Koreans are on average less satisfied with their lives than those in other OECD countries. This may be due to the strict traditional and even patriarchal way of life and harsh working conditions (for example, every working Korean is given only 3 days of vacation annually). (Juergens, 2017)

CHAPTER 2

FOREIGN ECONOMIC ACTIVITIES OF THE REPUBLIC OF KOREA

2.1 Foreign investment in the Republic of Korea

Over the past decades, the Republic of Korea has demonstrated to the world its rather successful path of external-oriented economic development. However, until the end of the 90s. proclaimed in the second half of the 60s. the course of external liberalization did not mean full openness of the South Korean economy, but rather aimed at all-round support for export expansion while maintaining direct and indirect restrictions on imports for a long period. The country's leadership effectively mobilized all the available potential of South Korean society for the development and gaining worthy positions in world markets, but at the same time used the entire arsenal of trade policy for a limited and controlled rapprochement of their country with the world community, explaining their actions with highly national goals and fetishizing the traditional principles of organization business. Until the end of the 90s, the strategy worked out gave good results and contributed to such a "one-sided" outwardly oriented development. Over the past decade, the Republic of Korea has taken strong positions in the world economy, including in its various markets, which was reflected in its foreign economic priorities.

Korea has the most favorable conditions for foreign investors. Measures to improve the business climate serve this purpose. Among them are the construction of roads and infrastructure, the creation of Free Trade Zones, Free Zones, Foreign Investment Zones, Duty Trade Zones, and industrial complexes.

In addition, the Republic of Korea has a strong legal framework. The Law on Attracting Foreign Investment, adopted on September 16, 1998, simplifies regulation and removes the threshold of prohibitions on investment by foreign and foreign companies and expands tax incentives for investment [The National Assembly of the Republic of Korea, 2021].

Under KOTRA, a special Foreign Investment Support Center has been created, which provides comprehensive advice to foreign investors and companies, support, research and other assistance related to foreign investment (OECD, 2021).

At the Ministry of Finance and Economy of the Republic of Korea, the Foreign Investment Commission, consisting of chief executives, agencies, mayors and provinces, has been established to consider issues related to foreign investment. (KOTRA, 2021)

The strategy of the Republic of Korea to attract investment to the capital market is focused on two complementary directions - market liberalization and its expansion. Capital market liberalization has directly increased the efficiency of South Korea's operations towards capital and technology.

All industries are now open to foreign investment, except for those related to state security or checking the sphere of culture, such as the media. Foreigners are equal in rights with South Korean citizens when acquiring land, both for organizing business and for non-business purposes. All restrictions on foreign investment in the local bond market and the money market have been lifted, and the upper limit on foreign investment in the stock market has been lifted. Foreign banks and securities companies are allowed to open local branches.

Since May 25, 1998, foreign investors in the company have bought shares in South Korean companies without the consent of the board of directors and without government approval, with the exception of shares in the defense industry and public corporations.

All types of takeovers, including hostile takeovers of South Korean corporations, are allowed to be carried out by both Korean and foreign investors.

Since 2005, the government has been actively involved in the liberalization of the capital sector in order to revive investment activities abroad (KERIS, 2021).

The most promising areas for foreign investment in the Republic of Korea are still the manufacturing sector (automobile industry, machinery and equipment, the chemical industry) and the service sector (banking and insurance, tourism, transport, computer services, retail and wholesale trade).

The main suppliers of investments in the Republic of Korea are still Asian and European countries.

So, Korea is taking many steps to create a favorable investment climate, which undoubtedly attracts investors.

2.2 Foreign trade restrictions of the Republic of Korea

South Korea is not a free trade regime. The government, playing a dominant role in the economy, exercises direct and indirect control over foreign economic relations. Until recently, foreign trade policy was essentially a system of protectionist methods of export development and import licensing. Since the beginning of the 60s, a system of strict dependence of import volumes on the size of export earnings was introduced.

Until recently, many goods were forbidden to be imported, they were allowed to be produced only in the Republic of Korea itself (earlier, due to direct bans and then high import duties, the share of foreign cars in the car park of the Republic of Korea was only 1%). It is not easy for foreign investors to penetrate Korea even today. Regulations restrict foreign capital in a number of sectors (for example, finance, insurance, wholesale trade, agriculture). It is noteworthy that the share of joint ventures with foreign capital in the total assets of companies operating in the Republic of Korea is negligible. Many states enter into an agreement with South Korea on the so-called "voluntary export restrictions" in the field of textile and electronic products (due to extremely low Korean prices).

Since the 90s, the Republic of Korea has significantly expanded the list of imported goods, the import of which can be automatically licensed. As a result, the range of goods on which import restrictions were lifted increased sharply. Today, almost all imports of manufactured goods (99.9%) can be automatically authorized, which puts the Republic of Korea on a par with most of the industrially developed countries of the West.

The overall level of import liberalization reached 98.1% in 1992, approaching the indicators of many developed countries. Currently, out of a total of 10,417 items listed in the Korean Import Classifier, only 196 cannot be automatically licensed. (South Korea - Trade Barriers, 2021)

Despite the fact that the import market has become freer in recent years, the agricultural sector is still under the influence of protectionist policies due to a serious

disparity in the level of prices for agricultural products, such as rice, domestically and globally.

2.3 Investment climate and tax system of the Republic of Korea

If you plan to do business in the Republic of Korea, or if you are already trading there, it is essential to know how to use, guard and enforce the rights you have over the intellectual property (IP) that you or your business own.

Korea's regulatory and supervisory system has been fragmented over the years. The functions of licensing, control, etc. were distributed between the Ministry of Finance and Economy, the Banking Commission, the Insurance Supervision Commission, the Stock Market Supervision Service, the Securities and Exchange Commission, etc. securities, and the SEC did oversight.

On April 1, 1998, as part of the program for overcoming the crisis and restructuring the financial sector in the country, the Financial Supervisory Commission (FSC) (Financial Supervisory Commission, 2021) was established, and on January 1, 1999, the executive body of the commission was the Financial Supervisory Service (FSS). (FINANCIAL SUPERVISORY SERVICE, 2021) The new regulator has concentrated supervisory functions over all financial institutions. This body, in addition to the powers of the Securities and Exchange Commission, also received the controlling functions of the Banking Commission, the Insurance Supervision Commission, etc. Thus, Korea joined the constantly expanding group of countries that have chosen the mega-regulator model (Australia, Great Britain, Scandinavian countries, Germany, Japan, etc.). The total number of FSS employees at the end of 2008 was 1,684. In addition to Korea, the regulator has 8 representative offices in a number of world financial centers (New York, Washington, London, Tokyo, Beijing, Hong Kong, Frankfurt, Paris).

Taking into account the peculiarities of the securities market, the Securities and Futures Commission (SFC) has been allocated within the commission.

In 2008, the new Korean administration underwent another reorganization, as a result of which the Commission changed its name, now - the Financial Services

Commission (FSC), while it took over the development of financial policy and legislation, which remained with the Ministry of Finance and economy.

The functions of the Commission include control over the issue and circulation of corporate securities on the public market (stock exchange) and the activities of professional participants. They are standard for any regulator and do not differ from the functions of the US Securities and Exchange Commission.

The Korea Financial Investment Association (KOFIA), a nationwide self-regulatory body, has an important regulatory role in the securities and derivatives market. It was established on February 4, 2009 pursuant to the Financial Investment Services and Capital Markets Act (FSCMA) by merging three SROs, the Korea Securities Dealers Association (KSDA, founded in 1953.), The Korea Futures Association (KOFA, founded in 1996) and the Korea Asset Management Association of Korea (AMAK, founded in 1996).

The Republic of Korea has been a member of the World Trade Organization (WTO) since 1995. WTO member countries should include some intellectual property protection measures in their national laws. This means that if you do business with South Korea, you will find some similarities between local intellectual property laws and enforcement procedures and those that apply in countries that are members of the WTO.

The Republic of Korea is also a signatory to the following international IP agreements:

The Paris Convention - under this, any person from a signatory state can apply for a patent or trade mark in any other signatory state, and will be given the same enforcement rights and status as a national of that country would be;

The Berne Convention - under this, each member state recognises the copyright of authors from other member states in the same way as the copyright of its own nationals;

The Madrid Protocol - this is a central system for obtaining a 'bundle' of national trade mark registrations in different jurisdictions, through a single application;

The Patent Cooperation Treaty - this works in much the same way as the Madrid Protocol, but for patent applications.

South Korea is not a signatory to the Hague Agreement, which allows the protection of designs in multiple countries through a single filing. (2021)

The republic is able to offer a very high level of wages. So, according to statistics for 2019, the average salary in this country was just over \$ 3200. (Table 2.1) But this amount does not include tax contributions to the state budget. As a result of all deductions, a person receives about 2.3 thousand dollars in his hands.

It is very difficult to single out the highest paid specialty in Korea. The size of a person's salary directly depends on his education, work experience and qualifications.

It is also difficult to single out the most popular professions in South Korea, since this country, in principle, needs both highly qualified employees and low-skilled workers. (통계청, 2021)

South Korea is in short supply:

- IT professionals.
- Radio engineers.
- Workers with higher technical education.
- Researchers in the field of applied sciences.
- Technologists.
- Physics and chemistry specialists.
- Constructors.

Table 2.1

Average salary in the Republic of Korea from 2016 to 2020

	KRW	USD
2016	3 480 465,00	2 880,81
2017	3 757 125,64	3 350,00
2018	3 457 189,00	3 101,66
2019	3 863 726,00	3 225,58
2020	4 003 335,00	3 284,92

Source: Statistics Korea

Any enterprise engaged in economic activity in South Korea is obliged to pay taxes on the profits of its activity. Taxes are levied in accordance with current legislation in order to avoid their misapplication. Measures are also applied to prevent the occurrence of double taxation between countries. The tax system in South Korea divides all taxes into two types: state tax and local tax. [기획재정부, 2021)

Taxation includes taxes such as:

- Added value. The VAT amount is 10 percent.
- At a profit. The amount of tax directly depends on the profit. If the profit of an enterprise or organization is more than 200 thousand dollars, then the entrepreneur must pay 10 percent. If the amount of income is less than this amount, he pays tax in the amount of 12 percent.
- Income tax. Does not have a flat rate. Its size directly depends on the level of wages. On average, a South Korean citizen is obliged to contribute from 6 to 38 percent to the state treasury.
- For real estate. Its size ranges from 0.2 to 2 percent.
- For the acquisition of immovable and movable property. When buying real estate, a person is required to pay a tax of 4 percent. If the acquired property or item is included in the list of luxury items, then the tax rate rises to 12 percent. (Table 2.2), (Table 2.3).

Table 2.2

Taxation and the interest rates of the legal entity within the country.

Type of tax	Interest rate	Content
Value added tax	10%	Provision of services or sale of goods (May exclude some essential goods, services in the field of medical education)
Individual consumption tax	5-20%	Individual consumption tax is levied on certain high-value goods, golf courses, entertainment venues, in addition to VAT (including additional education tax, special agricultural tax, etc.)
Legal entity tax (Resident tax)	10%, 22% 10% of the amount of tax on legal entities	
Income Tax (Resident Tax)	6% -35% 10% of income tax	Payment of annual income tax
Income tax Deduction of original tax amount		When hiring employees, deduction of the amount of income tax from the total amount of wages

Source: 기획 재정부

Table 2.3

The difference between a legal entity and an individual entrepreneur

Section	Entity	Individual entrepreneurship
Type	Legal entity tax, income tax	Income tax
Interest rate	10-22% (2 types)	6-35% (4 types)
Place of payment of tax	Head office, at the location of the office	At the address of the enterprise
Accounting obligation	Double-entry bookkeeping	Simple ledger (record of receipts and expenditures) / double-entry bookkeeping
Central system	The company is transferred to the status of JSC if the total amount of assets exceeds 10 billion won	Not required
Tax reporting period	Until March 31 next year	In the period from May 1 to May 31 of the next year

Source: 기획재정부

Gross income consists of 7 types of income: interest income, dividend income, rental income from real estate, business income, income from wages, retirement income, etc. Comprehensive income tax is calculated by subtracting the amount from the above income. According to the taxation standard, the tax rate for the gross tax is 6-35%. (Table 2.4), (Table 2.5)

Table 2.4

Total income interest rates.

Taxable amount	Interest rates
Less than 12,000,000 won (\$10,700)	6% of the taxable amount
12,000,000 - 46,000,000 won (\$10,700-\$41,100)	720,000 won (\$644) + amount exceeding 12,000,000 won * 15%
46,000,000 - 88,000,000 won (\$41,100-\$78,700)	5,820,000 won (\$5,200) + amount exceeding 46,000,000 won * 24%
Over 88,000,000 won (\$78,700)	15,900,000 won (\$14,200) + amount exceeding 88,000,000 won * 35%

Source: 기획재정부

Table 2.5

Calculation of tax on payroll income.

Total salary	Deductible earned income
Less than 5,000,000 won (\$4,500)	80/100 of the total salary
5,000,000 won to 15,000,000 won (\$4,500-\$15,400)	4,000,000 won (\$3,600) + (total salary - 5,000,000 won) * 50%
From 15,000,000 won to 30,000,000 won (\$15,400-\$26,800)	9,000,000 won (\$8,000) + (total salary - 15,000,000 won) * 15%
From 30,000,000 won - up to 45,000,000 won (\$26,800-\$40,300)	11,250,000 won (\$10,000) + (total salary - 30,000,000 won) * 10%
From 45,000,000 won (\$40,300)	12,750,000 won (\$11,400) + (total salary - 45,000,000 won) * 5%

Source: 기획재정부

CHAPTER 3

DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT TO ESTABLISH A RESTAURANT BUSINESS IN THE REPUBLIC OF KOREA

3.1 Analysis of the Foodservice market in the Republic of Korea

The 2020 pandemic has had a devastating impact on the Republic of Korea as the percentage of people eating out has dropped significantly, leading to a sharp drop in sales. However, during the outbreak of the COVID-19 pandemic in the country, there was an increase of more than 90% in online food transactions, but trade-related problems are still exploited. Online food sales rose 92.5% in February as the spread of COVID-19 in South Korea peaked in February, according to a statement from the country's Department of Commerce, Industry and Energy (MOTIE).

However, restaurants have reopened their food courts after closing several months in a lockdown imposed to prevent the spread of coronavirus disease (COVID-19). In addition, restaurants are working hard to counter the negative impact of the virus on their businesses. Restaurants have also begun to take stricter health precautions to keep their retail outlets clean and safe. Such factors are likely to change the market scenario and will grow at a significant rate during the study period.

In the long term, growing Western influence has prompted Korean consumers to opt for fusion foods and exotic cuisines. Restaurants and cafes quickly caught on to this trend and changed their offerings to suit the growing tastes of consumers. The country's restaurant sector encompasses a wide variety of food, from American-style fast food chains to more traditional family-run one-way restaurants.

The consumer shift towards Western food and the rise in online food ordering are key factors driving the South Korean foodservice market. This increases the demand for segments by 100% home / express delivery as they are customized with the convenience feature.

3.2 The realization of the international investment project in the Republic of Korea

The restaurant is located in Hongdae District, Seoul City of the Republic of Korea, a district known for its noisy nightlife for students. There are karaoke rooms, as well as dance clubs with techno, hip-hop and live rock music. In addition, there are independent clothing stores, trendy cafes, simple bars, and eateries. The Republic of Korea has a cult of food. One of the questions Koreans often ask a friend is, "Have you eaten yet?" Also, Koreans eat more often in restaurants and cafes than at home. And the district of Honda is surrounded on all sides by the main universities of the country, therefore, this district is considered the center of youth life not only in Seoul but throughout the country. This district is one of the most attractive for the restaurant business.

The size of the rented premises reaches 93 m². The lease was concluded for 5 years with the possibility of renewal. The room meets all sanitary standards. In addition to a large spacious hall, the restaurant has a room for service personnel, a kitchen, a bathroom for guests and for working personnel. The price of a standard dish is \$ 10; exquisite \$ 30. The maximum capacity of the restaurant by the number of guests is 30 people. In the first half of the year, restaurant robots are planned, which will be visited by more than 2,500 guests per month. Clients will grow evenly throughout the seasons, as Ryeon is considered Seoul's youth mecca. Our restaurant will be open from 10 am to 11 pm.

An important point is obtaining a license to sell alcoholic beverages, since due to the Law on the sanitary safety of food and products, such as a restaurant or entertainment bar, it is possible to obtain a license for a business selling alcohol from the National Revenue Service.

If a person falling under Article 8, Paragraph 4 of the Liquor Tax Act reports on the sale of alcoholic beverages to the head of the competent tax office as prescribed by Presidential Decree, a license for a liquor sales business pursuant to paragraph (1) (hereinafter referred to as ``liquor sales business license") It is considered to have been received).

1. A person who sells alcoholic beverages at a place that has obtained a business license pursuant to the Food Sanitation Act

2. A person who does not sell alcoholic beverages as its main business type and is prescribed by Presidential Decree

Licenses to sell alcoholic beverages at a price of 3000 USD

The restaurant will be equipped with: a riser for the administrator, 5 tables 2 by 1 meters long and 5 tables 1 by 1 meters long. also 30 pieces of chairs. The staff area will have a refrigerator, toilet and storage space. First, you need to calculate the initial investment (table 3.1.) And the monthly expenses of the investor during the year (table 3.2.)

table 3.1.

Initial costs

Sphere of investment	Price, USD
Rent space (93m ²)	5,000
Cosmetic repairs of the premises	3,500
Furniture	8,000
Equipping the staff room	1,000
Kitchen equipment	15,000
Registration of documents, registration of the enterprise	1,000
Licenses to sell alcoholic beverages	3,000
Mandatory minimum capital	30,000
Purchase of goods	20,000
Marketing costs	2,000
TOTAL	88,500

It is also necessary to calculate how much the cost of renting the premises will cost - renting the premises \$ 5,000 (per year), the necessary cosmetic repairs \$ 3,500, the purchase of a license to sell alcohol \$ 3,000, registration of documents, registration of the enterprise 1,000, the required minimum takes \$ 30,000. Capital so that the bank from which the money will be taken at interest can know that you can repay the loan. Kitchen

equipment 15,000. Furniture \$ 8,000, staff room equipment \$ 1,000, product procurement \$ 20,000, and marketing costs \$ 2,000. You get the following sum: $5,000 + 3,500 + 8,000 + 1,000 + 15,000 + 1,000 + 3,000 + 30,000 + 20,000 + 2,000 = \$ 88,500$

Table 3.2

Monthly expenses

Name	Price, USD
Rent	5 000
1 accountant	2 500
4 waiters	$4 \times 2200 = 8\,800$
2 cleaners	$2 \times 1500 = 3000$
4 cooks	$4 \times 3000 = 12\,000$
Advertising costs	300
Utility costs	3 000
Unforeseen costs	2 000
Amortization	2 000
TOTAL	38 600

Monthly expenses will be \$ 38,600, given the fact that the salary of employees is calculated for a month, not a year.

$5\,000 + 2\,500 + 8\,800(\text{all staff}) + 3\,000(\text{all staff}) + 12\,000(\text{all staff}) + 300 + 3\,000 + 2\,000 + 2\,000 = 355\,600$

Continuing the theme of expenses, it is necessary to calculate monthly expenses and then withdraw them by the annual amount.

Here is a list of those mentioned earlier.

$(5\,000 + 2\,500 + 8\,800(\text{all staff}) + 3\,000(\text{all staff}) + 12\,000(\text{all staff}) + 300 + 3\,000 + 2\,000 + 2\,000) \times 12 = 38\,600 \times 12 = 463\,200$

The average salary for an accountant in the Republic of Korea is 2 801 339 won (\$ 2500). The waiter's average salary is 2 464 313 won (\$ 2200). For cooks, the salary will be 3 360 571 won (\$ 3000). There will be no conditions for the waiters regarding

education, only secondary education. For cooks, there is another condition, they will need to have a higher education in addition to secondary education. In addition to these employees there will also be cleaners who receive a salary of 1 680 298 won (\$ 1500). There will be no special requirements for them, as well as for waiters. From this, we can subtract the annual salary as follows.

Accountant:

$$W_{x1}/\text{yearly} = W_{x1}/\text{monthly} \times 12$$

$$W_{x1}/\text{yearly} = 2500 \times 12 = 30\,000$$

$$\text{Thus, 1 accountant will receive during the year } 30\,000 \times 1 = 30\,000$$

Oficiant:

$$W_{x2}/\text{yearly} = W_{x1}/\text{monthly} \times 12$$

$$W_{x2}/\text{yearly} = 2200 \times 12 = 26\,400$$

It will be 4 people working as waiters, so yearly it is $\$26\,400 \times 4 = \$105\,600$ to spend on their salaries.

Cooks:

$$W_{x3}/\text{yearly} = W_{x1}/\text{monthly} \times 12$$

$$W_{x3}/\text{yearly} = 3000 \times 12 = 36\,000$$

It will be 4 people working as cooks, so yearly it is $\$36\,000 \times 4 = \$144\,000$ to spend on their salaries.

Cleaners:

$$W_{x4}/\text{yearly} = W_{x1}/\text{monthly} \times 12$$

$$W_{x4}/\text{yearly} = 1500 \times 12 = 18\,000$$

It will be 2 people working as cleaners, so yearly it is $\$18\,000 \times 2 = \$36\,000$ to spend on their salaries.

We can calculate how much the salary costs will be throughout the year.

$$W_{x1} + W_{x2} + W_{x3} + W_{x4} = 30\,000 + 105\,600 + 144\,000 + 36\,000 = \$315\,600$$

Throughout the year we are going to generate income from our meals, which we are going to sell at the rate of 20 servings per day of our meals for \$ 10 (income \$ 6 200

per month) and 30 servings per day of our dishes for \$ 30 (income per month \$27 900). In total, we will receive \$34 100 per month for meals ($6\,200 + 27\,900 = \$34\,100$) and 1100 dollars per day. If you count it over the course of a year, you get \$ 401 500.

Income per day:

$$20 \times \$10 = \$200$$

$$30 \times \$30 = \$900$$

$$\$900 + \$200 = \$1100$$

Income per month:

$$\$1100 \times 31 = \$34\,100$$

Income per year:

$$\$1100 \times 365 = \$401\,500$$

We get this amount of income without taking into account alcoholic and non-alcoholic drinks, which will be sold very often, since Koreans like to drink alcohol. But more Koreans like to eat food with alcohol. On average, \$ 12 is spent on booze for 55 people, that is $(12 \times 55) = \$660$

Income from a drink per month:

$$\$660 \times 31 = \$20\,460$$

Income from the drink per year:

$$\$660 \times 365 = \$240\,900$$

All revenue per month

$$34\,100 + 20\,460 = \$54\,560$$

All revenue per year

$$401\,500 + 240\,900 = \$642\,400$$

All losses in the first month

$$88\,500 + 38\,600 = \$110\,100 \text{ (Taking into account initial costs)}$$

$$\text{Losses per month (Excluding initial costs)} = 38\,600$$

Table 3.3

1st year estimated revenue.

	Revenue per month. USD	Revenue per yer. USD
Food	34 100	401 500
Drink	20 460	240 900
Total	54 560	642 400

Table 3.4

Total estimated revenue for three-year

	Three year period					
	1(USD)		2(USD)		3(USD)	
	Month	Year	Month	Year	Month	Year
Food	34 100	401 500	35 650	419 750	37 200	438 000
Drink	20 460	240 900	21 390	256 680	22 320	267 840
Total	54 560	642 400	57 040	676 430	59 520	705 840

The calculations took into account the growth of the average order value by 5% annually over 3 years of operation, which is explained by the growth of the client base, increased customer loyalty and increased awareness of the Company.

Calculation of expected income and assessment of the economic attractiveness of the investment project. The Republic of Korea has taxes for foreign investors. It also, income depends on the salary of employees. In the Republic of Korea if the salary is less than 5,000,000 won (\$4,500) then 80/100 of the total salary is calculated payroll tax is levied on local employees (in this case, 1 accountant, 4 waiters, 4 cooks and 2 cleaners). That is a 20% payroll tax is levied on local employees. (Table 3.5)

Table 3.5.

Monthly salary distribution

NO	Job position	No of people	Wage, USD per month	Total, USD /month
1	Accountant	1	2,500	2,500
2	Waiters	4	2,200	8,800
3	Cooks	4	3,000	12,000
4	Cleaner	2	1,500	3,000
	Total	11		26,300
	Social security payments (20%)			5,260
	Total payroll	11		31,560

Table 3.6

Total expenditures for three year implementation.

Expenditures (Rs)	Three year period					
	1(USD)		2(USD)		3(USD)	
	Month	Year	Month	Year	Month	Year
Salary (including Social security)	31 560	378 720	31 560	378 720	31 560	378 720
Utility bills	3 000	36 000	3 000	36 000	3 000	36 000
Advertising costs	300	3 600	300	3 600	300	3 600
Depreciation	2 000	24 000	2 000	24 000	2 000	24 000
Rent	5 000	60 000	5 000	60 000	5 000	60 000
Other costs	2 000	24 000	2 500	30 000	2 600	31 200
Total	43 860	526 320	44 360	532 320	44 460	533 520

After the income and expenses have been calculated, you can start calculating the net profit or net loss from the activities of your enterprise.

Table 3.7

Estimated net income for three-year

	YEAR			
	0	1	2	3
Investment (USD)	88 500	-	-	-
Revenue from Service	-	642 400	676 430	705 840
Expenditure	-	526 320	532 320	533 520
VAT 10%	-	64 240	67 643	70 584
Profit before corporate tax	-	51 840	76 467	101 736
Corporate tax 20%	-	10 368	15 293,4	20 347,2
Net Profit	-	41 472	61 173,6	81 388,8

Corporate tax (20%) 1 = Balance sheet profit1 * 20%, if the balance sheet profit has a positive value "+", it is accrued, and if the balance sheet profit has a negative value "-", it is not accrued, but reduces the balance sheet profit next year.

3.3 Calculation part

According to experts, due to lower world oil prices and low consumer demand, the inflation rate in 2021 will be 0.9%, and in 2022 - 1.1%

Table 3.8

Inflation rate 2021-2023

Year	Inflation rate
2021	0,9%
2022	1,1%
2023	1,3%

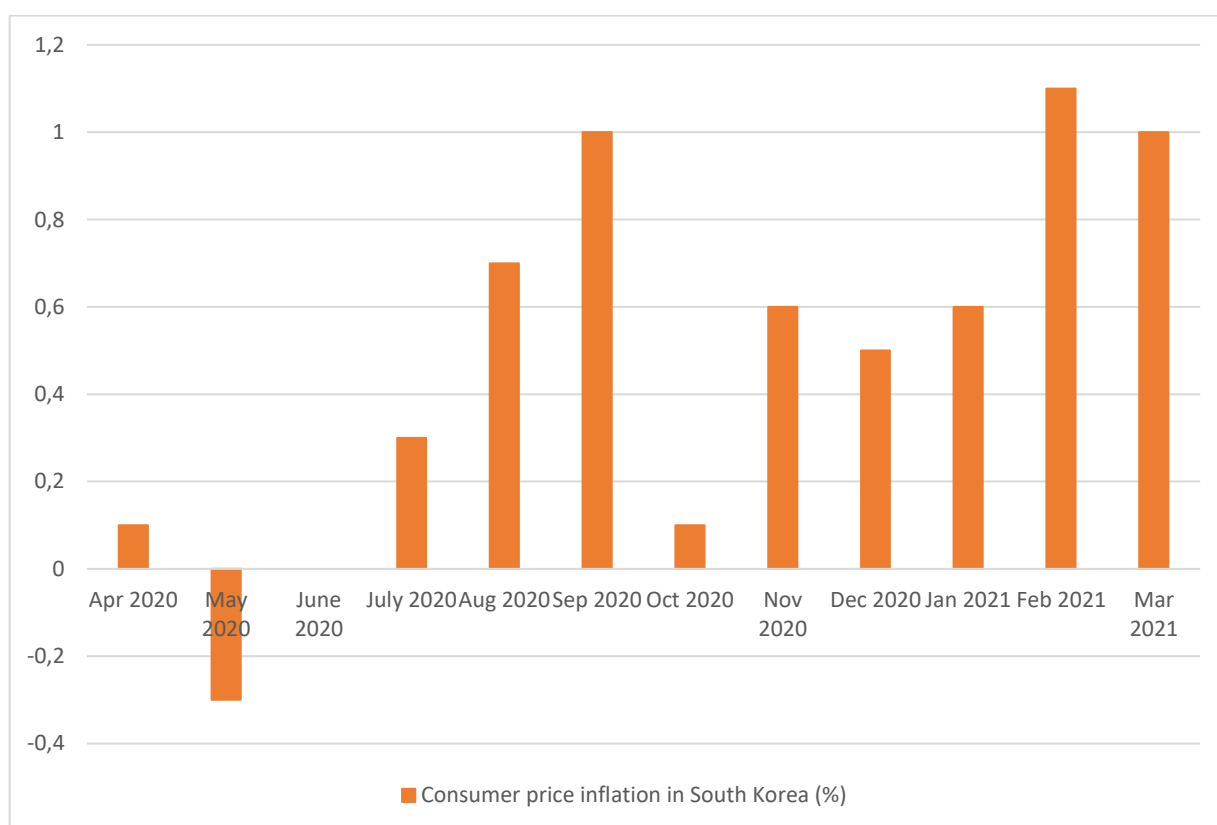


Fig.3.1 Consumer price inflation in South Korea (%)

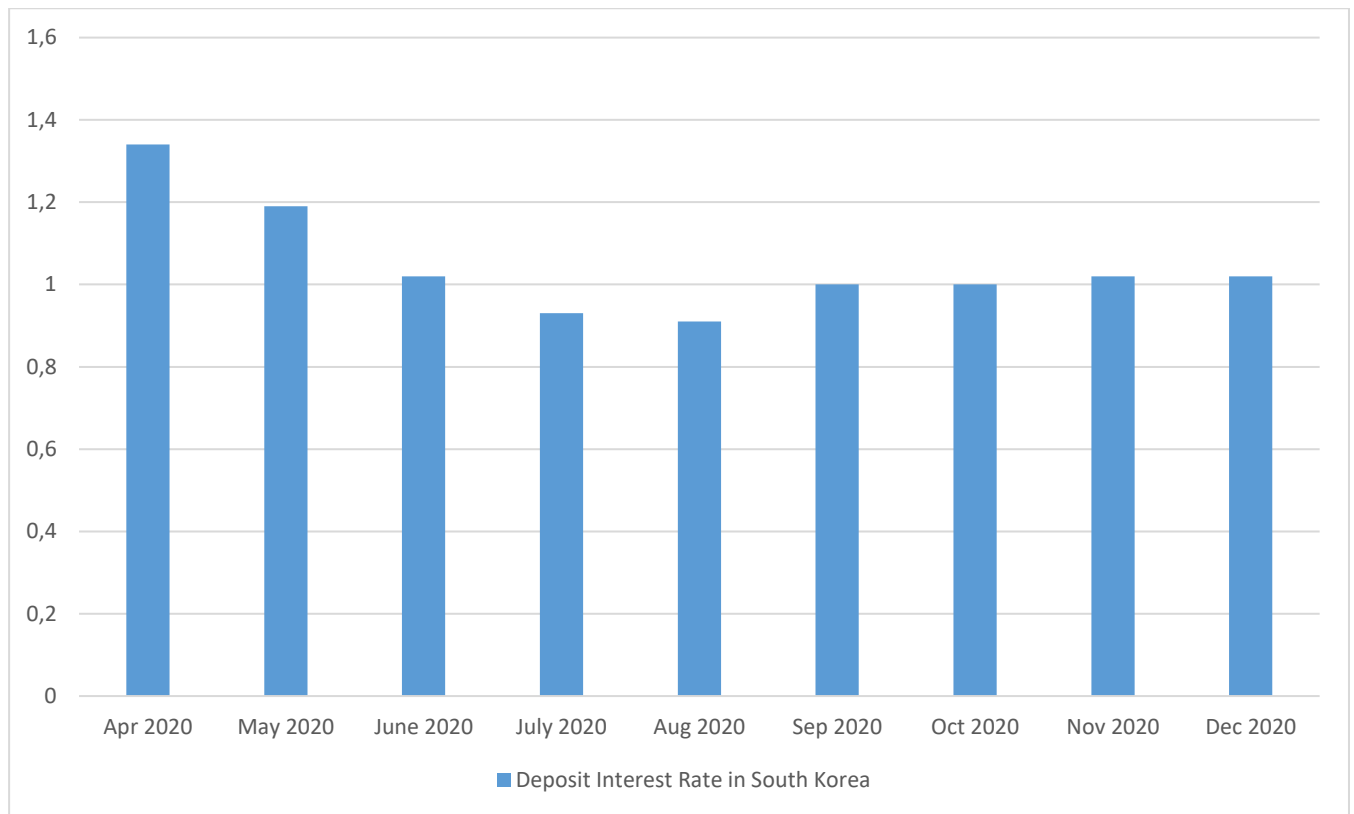


Fig.3.2 Deposit Interest Rate in South Korea

To calculate the indicators of the investment project, the following data are used:
interest rate on deposits of legal entities - 1.02%, risk - 5%

The calculation of the discount rate is made by the formula :

$$i = (1 + H_n) * (1 + \pi) * (1 + r_k) - 1,$$

Where i - discount rate, π - inflation rates; r_k - risk correction;

H_n - deposit rate for legal entities;.

Discount rate:

$$i_{2021} = (1 + H_n) * (1 + \pi) * (1 + r_k) - 1 = (1 + 0,009) * (1 + 0,0102) * (1 + 0,05) - 1 = 0,070.$$

$$i_{2022} = (1 + H_n) * (1 + \pi) * (1 + r_k) - 1 = (1 + 0,011) * (1 + 0,0102) * (1 + 0,05) - 1 = 0,072.$$

$$i_{2023} = (1 + H_n) * (1 + \pi) * (1 + r_k) - 1 = (1 + 0,013) * (1 + 0,0102) * (1 + 0,05) - 1 = 0,074.$$

Discount index:

$$2021 - 1 / (1 + 0,070) = 0.934$$

$$2022 - 1 / ((1 + 0,070) * (1 + 0,072)) = 0.871$$

$$2023 - 1 / ((1 + 0,070) * (1 + 0,072) * (1 + 0,074)) = 0.811$$

Table 3.9

Year	Invest ment USD	Net Profit, USD	Amortiza tion USD	Cash Inflow USD	Disco unt Rate	Discounted Cash Inflows, USD
0	88 500	-	-	-	-	-
1	-	41 472	2 000	43 472	0.934	40 602,848
2	-	61 173,6	2 000	63 173,6	0.871	55 024,2056
3	-	81 388,8	2 000	83 388,8	0.811	67 628,3168
Total		73 739,7	6 000	79 739,7		163 255,3704

NPV.

The formula and calculation of NPV:

$$NPV = \sum_k^n = 1 \frac{Pk}{(1+i)^k} - I$$

In our case NPV= \$163 255,37- \$88 500= \$74 755,37

Profitability Index.

$$PI = \left[1 \frac{Pk}{(1+i)^k} \right] / I$$

Where $\left[1 \frac{Pk}{(1+i)^k} \right]$ is Discounted cash flow and I is investment.

PI= \$163 255,37/ \$88 500= 1,844

The profitability index is calculated by dividing the present value of future cash flows that will be generated by the project by the initial cost of the project. A profitability index of 1 indicates that the project will break even. If it is less than 1, the costs outweigh the benefits. If it is above 1, the venture should be profitable. In our case this indicator is

acceptable, but for the conclusion we need to calculate PP. The payback period is the length of time an investment reaches a break-even point.

Payback period.

$$PP = \frac{I}{P_k}$$

Where P_k is an average annual income.

First, calculate the average annual income.

$P_k = \text{Cash Flow Discounted} / \text{years} = 163\,255,37 / 3 = \$54\,418,45$

Then, compute PP.

$PP = \$88\,500 / \$54\,418,45 = 1,6$

In our case, the NPV is positive (\$74 755,37) and PI is - 1,844. Payback period is 1,6 year. Thus, such an investment is acceptable to investors.

CONCLUSION

Based on the purpose of the thesis works, an international investment project "Restaurant business" was developed in Republic of Korea.

Skills of practical application of theoretical knowledge in development and estimation of efficiency of the international investment project restaurant business.

As for the Republic of Korea, it is one of the most attractive countries for investment. The restaurant business is one of the most attractive areas of investment for both local and foreign investors. The high attractiveness of investing in the restaurant business is directly related to the culture of the life of the country's citizens, since since its founding, the Republic of Korea has come a long way in development and since 1960, the country culture has begun to gain new momentum, and at the time of 2021, the restaurant business in Korea is one of the most attractive areas for investment on an equal footing with the mechanical engineering and IT areas.

In general, the main economic indicators are analyzed, the peculiarities of trade policy development are revealed, the export-import activity is considered, the stages and main directions of foreign investment in the Republic of Korea are determined. The investment climate and features of state regulation of investment policy in the Republic of Korea were also studied, and the investment attractiveness of the Republic of Korea was highly assessed. The Republic of Korea is creating the most favorable conditions for foreign investors. To this end, measures are being taken consistently to improve the business climate. Among them - the construction of roads and infrastructure, the creation of free trade zones, free economic zones, foreign investment zones, duty-free trade zones, industrial complexes.

Calculations were made for a new enterprise located in the Republic of Korea in the city of Seoul during the implementation of an investment project to open a restaurant business. They make it possible to assess the effectiveness of the investment.

Having made the necessary calculations, namely by calculating the net discounting income, the discounted payback period, the net income from the project, having determined the level of profitability, it was established that the proposed project is

effective. Based on this, I am making a proposal on the feasibility of introducing the international investment project "Restaurant Business" in the Republic of Korea.

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