Having described a host of regulations as a “lump of cancer” earlier this year, Presidential Regulation Reform Committee Chair, Choong Yong, participated in the meeting to underscore the need to attract foreign direct investment (FDI). In March, she presided over a regulatory reform meeting at the Blue House attended by 160 people, including ministers, members of the Federation of Korean Industries and the Korea Chamber of Commerce and Industry and business figures from small- and medium-sized enterprises (SMEs).

The 7-hour conference, which was broadcast live and drew great public interest, was an opportunity to hear from business figures about government regulations that hinder business, the aim being to achieve breakthrough growth for the Korean economy, which is currently stuck in a low-growth trap. Meeting participants raised a flurry of complaints regarding the difficulties that arise from unnecessary regulations. Issues were resolved by officials on the spot or after examination, with some cases leading to the elimination of regulations.

Foreign Investment Ombudsman Dr. Ahn Choong Yong participated in the meeting to underscore the need to attract foreign direct investment (FDI), explain how excessive red tape has hindered foreign-invested companies and suggest improvements. Only when foreign companies with cutting-edge technologies and ideas work with domestic companies can Korea build a high-quality, supply chain economy and achieve true convergence of ideas and technologies in a creative economy, and only then can Korea become the top destination for FDI and an advanced soft power, Dr. Ahn said. He urged the Korean government to take a more proactive approach to attracting FDI, adding that addressing the institutional challenges and grievances of multinational companies in Korea will help cut through cumbersome regulations.

The Ombudsman began by highlighting how the upcoming wage negotiations, which are based on new ordinary wage standards following a Supreme Court ruling, will make or break the Korean economy this year. He called upon the government and Tripartite Commission to reach an agreement and provide new guidelines on the ordinary wage issue. Dr. Ahn pointed out that foreign companies have low expectations for a predictable business environment in Korea, as laws and regulations are changed frequently, newly enacted and even applied retroactively, showing a lack of consistency in law enforcement. Foreign companies have also experienced grievances due to overly frequent tax audits and expressed discontent, the Ombudsman explained, suggesting that tax audits be conducted in a consistent manner and based on a transparent and standardized manual.

Dr. Ahn also addressed how the “Galapagos Control,” which refers to a series of regulations found in no other advanced country but Korea, does not comply with global standards and is driving out potential foreign investors. He cited a legislative move to obligate a limited liability company to undergo an external audit and make corporate disclosures similar to shareholding companies as well as a restriction on the pre-bidding of foreign-companies for the sake of protecting domestic SMEs.

As a former chairman of the Presidential Regulatory Reform Committee, Dr. Ahn explained the difference between legislation from the government and legislation from lawmakers. The former undergoes a regulatory impact assessment (RIA) by the Regulatory Reform Committee while the latter does not. Regulations can be conceived through the bills of lawmakers, and the administration often asks National Assembly members to enact laws as a means to avoid an RIA. To resolve this problem, Dr. Ahn suggested that bills proposed by lawmakers should undergo a strict regulatory impact assessment as well by an objective group of experts. Speaking on behalf of foreign-invested companies, Dr. Ahn said they refrain from raising grievances for fear of being blacklisted by tax authorities and government bodies with the power to grant permissions and approvals.

In his closing remarks, Dr. Ahn suggested that the president hold more face-to-face meetings with the CEOs and executives of foreign-invested companies as well as the chairs of foreign business-related organizations, as they can serve as honorary ambassadors of Korea’s attractive FDI environment.

By Ahn Choong Yong, Ph.D. Foreign Investment Ombudsman Distinguished Professor, Chung-Ang University cyahn@kotra.or.kr