Under the Foreign Investment Promotion Act (FIPA), businesses located in foreign investment zones, whether they be complex-type or individual-type, are entitled to various incentives, such as reduction or exemption of taxes or rental payments.

A complex-type foreign investment zone is where foreign-invested companies that have moved into an industrial complex constructed by the government lease a plant site within the complex. An individual-type zone is to designate a region in which a foreign investor wants to invest as an exclusive foreign investment zone.

According to FIPA, when the mayor or a provincial governor designates a foreign investment zone, he or she should make a public announcement about the following after deliberation by the Foreign Investment Committee:

- Official title, location and area of the foreign investment zone
- Methods of development or management
- Details of investment, scale of employment and details of business of foreign-capital-invested companies that are going to move into the foreign investment zone

In the event that the mayor or provincial governor intends to alter any matters that have been publicly announced, he or she should notify the public again about the alteration following deliberation by the Foreign Investment Committee. For example, when a foreign-invested company located in a foreign investment zone wants to make a reinvestment that is 30 percent larger than the initial investment or expand its plant site, the Foreign Investment Committee should deliberate on the matter.

There was another case recently regarding a change in public announcements for foreign investment zone designation that revealed the need to improve the system. A foreign-invested company that had changed its name was planning to introduce capital goods of KRW 10 billion from overseas. According to FIPA, an alteration to the title of the foreign investment zone (foreign-invested company name) should be announced publicly by the mayor or provincial governor following deliberation by the Foreign Investment Committee. However, the capital goods were scheduled to be introduced to Korea before the Committee’s meeting, which would have made it impossible for the company to receive a tariff reduction of KRW 800 million.

The problem is, despite the fact that timing is crucial when it comes to reinvestments, the Foreign Investment Committee meets only once every quarter. So foreign investors recently requested a system improvement to the Office of the Foreign Investment Ombudsman, which Foreign Investment Ombudsman Dr. Ahn Choong Yong then delivered to the Foreign Investment Policy Division of the Ministry of Trade, Industry and Energy (MOTIE). The request was accepted by the Ministry and the procedure to revise Paragraph (13)-1 and 2 of Article 25 of the Enforcement Decree of the Foreign Investment Promotion Act is underway. It will go into effect this year.

The Office of the Foreign Investment Ombudsman requested that the local government make a public announcement about the alteration in consultation with MOTIE while omitting the deliberation procedure, as simply changing the company name should be considered “insignificant.”

The local government accepted the proposal and announced the notification regarding the alteration for the foreign investment zone, allowing the company mentioned above to receive a tariff reduction of KRW 800 million when introducing capital goods.

Under the revised Act, in the event of reinvestment or expansion of a plant site by more than 30 percent of the existing area without financial support from the local government, the alterations will be considered “insignificant.” In such cases, the mayor or provincial governor of the concerned region can make a public announcement about the alteration in consultation with the Minister of Trade, Industry and Energy, without deliberation by the Foreign Investment Committee.

The Office of the Foreign Investment Ombudsman will recommend that MOTIE revise the Enforcement Decree of the Foreign Investment Promotion Act to include minor changes such as those having to do with company name (alteration to the title of the foreign investment zone) in the insignificant matters list, and continue to improve unreasonable systems.

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