In the Zone – for Investment

Free economic zones aim to serve as the business hub of Northeast Asia

A free economic zone (FEZ) is an economic zone designated to support the expansion of rapidly growing foreign businesses in Korea. An FEZ aims to improve the living and management environment for foreign-invested companies by creating a strong network of infrastructure platforms, including airports, ports, transportation systems and a convenient living environment, through providing regulatory support, financial support and incentives to invest. Currently, there are a total of eight FEZs, and they are in Incheon, Busan-Jinhae, the Gwangyang Bay Area, the Yellow Sea area, Daegu-Gyeongbuk, Saemangeum-Gunsan, Chungbuk and the East Coast.

Korea, which has experienced great economic growth over the past two decades, continues to be a market of opportunities. With a population of 50 million and GDP of USD 1.2 trillion, the Korean economy is the world’s 14th largest, according to the World Bank. Its highly skilled manpower, globally competitive industries, innovation-oriented business mindset and free trade agreements allow the Korean market to constantly expand. In an effort to help this market emerge as a global economic power and be an ever-attractive destination for foreign investment, FEZs aim to collectively become the business hub of Northeast Asia.

As such a hub, Korea’s FEZs will serve as global networking centers, new logistical strongholds of the region, a favorable environment for investment and a center for a state-of-the-art knowledge industry. The global networking centers will be a platform for exchanging information, technology and human resources through encouraging the local community to embrace diversity and multi-culturalism. Plus, Korea has airport services that are the world’s best and convenient port facilities centrally located in Northeast Asia. These advantages, combined with the fact that Korea is the headquarters of many multinational corporations, will help FEZs offer an ideal environment for logistics and for corporate settlement. Korea’s FEZs also aim to become research and production centers for cutting-edge technologies, including information technology, bio-technology and nano-technology, as well as for knowledge-based industries that support Korean technologies, which, in turn, attract top foreign human resources.

In addition to striving to become the business hub of Northeast Asia, FEZs will encourage regulatory reform to meet global standards and create the best business and living environment by providing various foreign investment incentives, including tax cuts and cash grants.

Eligible foreign investments can be exempt from corporate and income taxes. Acquisition and property taxes can be reduced pursuant to local ordinances prescribed by the Restriction of Special Taxation Act. Also, cash grants are provided for foreign investments that accompany high-technology, have technology transfer effects and create many jobs.

Other benefits include eased regulations on labor and foreign currency transactions, a high-quality educational environment, reliable medical system and convenient living environment.

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