Ombudsman’s Office

Tasks That Must Follow the 3rd Ministerial Meeting on Regulatory Reform

Korea needs to reform “Galapagos regulations” hindering foreign investment

On May 6, 2015, the third regulatory reform ministerial meeting was held at the Blue House and attended by ministers and representatives from the private sector. Following opening remarks by Korean President Park Geun-hye, ministers gave updates on regulatory reform progress. Representatives from domestic and foreign companies who had previously taken issue with excessive regulations that hinder business made remarks about Korea’s regulatory environment.

Having paid keen attention to the grievances of foreign-invested companies, Madam President underscored my role, that of the Foreign Investment Ombudsman, in her opening remarks, saying, “The Foreign Investment Ombudsman is here with us today. I’d like to request that he continue to identify the regulation-related grievances of foreign investors doing business in Korea.” The president expressed regret over the fact that while many regulations are eased, new ones continue to be formed.

While appreciative of the Korean government’s efforts to overhaul regulations, foreign investors said that Korea’s regulations and policies still lack predictability, transparency and consistency. They added that these regulations have a long way to go to meet global standards. In particular, they voiced concerns over “Galapagos regulations,” which refers to regulations that do not meet global standards and are found only in Korea.

The president laid out several policy tasks to prevent the making of regulations driven by political populism, and without thorough consultation. She requested the creation of an online regulatory portal to avoid the mass production of regulations proposed by lawmakers. Both existing and newly enacted regulations would be registered and made public on the portal, and the aim would also be to encourage discussion among stakeholders through the writing of comments there. Only the regulations deemed necessary would be legalized. The president repeatedly said that as lawmakers are chosen by the people, the introduction of such a system would not breach legislative privileges.

Madam President also called upon public servants to be more proactive about reforming regulations. Despite government efforts, public officials have been reluctant to take the initiative to correct practices. So the government introduced the Privilege Institution of Exemption from Liability for Proactive Public Administration in January and encouraged public servants to take advantage of it. The president said she will aim to provide a manual to train officials and spread the best practices of a proactive administration by rewarding those who serve as role models.

Regulations that are transparent, predictable, consistent and meet global standards cannot be achieved by investment-related government agencies alone. All government agencies must realize their necessity. Only then can micro- and macro-level solutions be established and successfully implemented.

Time is of the essence. Regulations that hinder business can lead to a reduction in corporate investment, which would negatively affect the national economy. Both domestic and foreign companies would then turn their eyes to overseas markets, and the Korean economy would lose its growth engines and, sooner or later, fall.

We must use sound judgment and work together to prevent a crisis, before it is too late.

By Dr. Jeffrey I. Kim
Foreign Investment Ombudsman
ickim@kotra.or.kr