

What is Foreign Direct Investment?

Every month, Invest Korea provides answers to some frequently asked questions submitted by foreign-invested companies in Korea and potential investors.



What is foreign direct investment?



According to the Foreign Investment Promotion Act, foreign investment refers to the following: 1) Where a foreigner acquires the stocks or shares of a domestic company or corporation (recognized where the amount of investment is KRW 100 million or more and the foreign investment ratio is 10 percent or more); 2) Where a long-term loan of five years or longer was borrowed from the overseas parent company, etc.; 3) Where a foreigner contributes to a non-profit corporation in the field of science and technology (KRW 50 million or more and accounting for 10 percent or more of the total contribution amount); or 4) Where a foreign-invested company re-invests unappropriated earned surplus in the establishment or expansion of a factory without transferring them to capital.

**Note: Foreign direct investment (FDI) shall be considered foreign investment pursuant to the Foreign Investment Promotion Act.*

If you have further questions please contact



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<Definition of Terms>

Term	Definition
<p>Foreigner</p>	<ul style="list-style-type: none"> • 1) An individual with foreign nationality; 2) A corporation established in accordance with a foreign law; 3) An agency that conducts foreign economic cooperation affairs on behalf of a foreign government; 4) An international organization that deals with affairs concerning development finance (e.g., IBRD, IFC, ADB); 5) An international organization that deals with affairs concerning foreign investment, whether for itself or others (Article 2(1)1 of the Foreign Investment Promotion Act and Article 2(1) of the Enforcement Decree of the Act)
<p>Foreign investor</p>	<ul style="list-style-type: none"> • A foreigner who holds stocks, etc. or has contributed (Article 2(1)5 of the Foreign Investment promotion Act)
<p>Object of investment</p>	<ul style="list-style-type: none"> • Any object in which a foreign investor invests in order to hold stocks, etc., and which is any of the following (Article 2(1)8 of the Foreign Investment Promotion Act, Articles 9, 10 and 11 of the Enforcement Decree of the Act): <ul style="list-style-type: none"> - A means of international payment as defined under the Foreign Exchange Transactions Act or a means of domestic payment incurred by the exchange of such a means of international payment - Capital goods - Proceeds from the stocks, etc. acquired under the Foreign Investment Promotion Act - Any rights used in the industrial activities among copyrights registered under the Copyright Act and the layout design rights defined under the Act on the Layout-Designs of Semiconductor Integrated Circuits - Where a foreigner closes his/her own branch company or office in Korea and converts the branch company or office into another domestic corporation, or where a domestic corporation, the stocks of which are held by a foreigner, is dissolved, the residual property to be distributed to the foreigner upon liquidation of such branch company, office or corporation - The amount of redemption of loans referred to in subparagraph 4(b) of Article 2 of the Foreign Investment Promotion Act or of other loans from foreign countries - Stocks of foreign companies listed on foreign securities markets - Stocks owned by foreigners under the Foreign Investment Promotion Act or the Foreign Exchange Transactions Act - Domestic real estate owned by a foreigner (a certificate of report on capital transactions according to Article 18 of the Foreign Exchange Transactions Act should be attached) - Proceeds from the sale of stocks and real estate of a Korean corporation or a company held by a foreigner