

# **The E-Book on East Asia Investment Practice**

**-Korea**

The background features a complex arrangement of geometric shapes, including triangles and quadrilaterals, in various shades of blue, grey, and black. Some shapes are filled with diagonal hatching. A prominent white diagonal line runs from the top left towards the center.

# Contents

<b>Preface</b> .....	<b>1</b>
<b>1 General Information</b> .....	<b>3</b>
1.1 Geography .....	3
1.2 Politics .....	4
1.3 Economy .....	6
1.4 Society and Culture .....	9
<b>2 Business Environment</b> .....	<b>11</b>
2.1 Overall Evaluation .....	11
2.2 Infrastructure .....	15
2.3 Production Cost .....	16
2.4 Financial Services .....	20
<b>3 Economy and Trade Policies</b> .....	<b>23</b>
3.1 Market Access .....	23
3.2 Foreign Investment Incentives .....	25
3.3 Special Economic Zones .....	34
<b>4 Industrial Development</b> .....	<b>39</b>
4.1 Development Planning .....	39
4.2 Key Industries .....	40
4.3 Foreign Investment .....	44
<b>5 Starting a Business</b> .....	<b>47</b>
5.1 Registering a Business .....	47
5.2 Project Contracting .....	50
5.3 House Leasing .....	51
5.4 Opening a Bank Account .....	52
5.5 Employee Recruitment .....	53

5.6	Financing	53
5.7	Applying for Patents and Registering Trademarks	55
5.8	Tax Payment	56
<b>6</b>	<b>Legal Provisions</b>	<b>59</b>
6.1	Land	59
6.2	Tax	60
6.3	Employment	64
6.4	Protection of Intellectual Property Rights	69
6.5	Import and Export Management	74
6.6	Environmental Protection	77
6.7	Anti-commercial Bribery	80
<b>7</b>	<b>Dispute Resolution</b>	<b>83</b>
7.1	Judicial System	83
7.2	Dispute Resolution	84
7.3	International Commercial Dispute Prevention and Settlement Organization	88
<b>8</b>	<b>Free Trade Agreement</b>	<b>91</b>
8.1	Bilateral Free Trade Agreement	91
8.2	Multilateral Free Trade Agreements	92
8.3	Regional Comprehensive Economic Partnership (RCEP)	92
<b>9</b>	<b>Support Measures against COVID-19</b>	<b>99</b>
9.1	Economic Security Policies	99
9.2	Economy Revitalization Measures	101
<b>10</b>	<b>Contact Information of Relevant Departments and Institutions</b>	<b>104</b>
10.1	Contact Information of Government Departments and Relevanted Institutions	104
10.2	Contact Information of Business Association and Service Provider	105
<b>11</b>	<b>Appendix: Frequently Asked Questions</b>	<b>106</b>

---

## Preface

---

Korea has been officially recognized as a developed country by the United Nations Conference on Trade and Development, with a generally sound and highly attractive investment environment. The Korean government actively encourages the use of foreign investment. It conducts negative list management of the foreign investment in new industries that involves pre-approval to provide convenient services for the listing of new integrated products. It also offers a series of preferential treatments, such as cash rebates, and one-stop service to foreign-funded enterprises that greatly drive innovation and employment. Special economic zones that cover the whole country and have various characteristics and relatively loose administration have been established.

In this E-book, Chapter I briefs on Korea's national features like geography, politics, society and culture, etc.; Chapter II introduces Korea's overall business environment; Chapter III gives an introduction about Korea's economy and trade policies; Chapter IV outlines Korea's industrial development and foreign investment conditions; Chapter V gives an account of starting a business and provisions in Korea; Chapter VI introduces relevant laws and regulations for business operation in Korea; Chapter VII introduces the ways and approaches for settlement of economic and trade disputes; Chapter VIII demonstrates multi-lateral and bilateral free trade agreements such as *the Regional Comprehensive Economic Partnership*; Chapter IX introduces Korea's economic security and support policies amid the COVID-19 pandemic; Chapter X includes enterprise-related government departments, chambers of commerce & associations, intermediary organs, and relevant contact information.

We hope that the basic information of Korea's economy and trade displayed in this E-book can provide valuable guidance for enterprises and investors, contributing to the

investment facilitation and healthy development of economic globalization.

Time constraints and competence deficiency might lead to inaccuracies in this E-book. We sincerely look forward to your valuable comments and suggestions for future improvement.



# General Information

## 1.1 Geography

### Geological Location

The Republic of Korea (hereinafter referred to as “South Korea”) is in the northeastern part of the Asian continent and on the southern tip of the Korean Peninsula. It borders North Korea on the north, faces China across the sea to the west, and is adjacent to Japan across the sea to the east and southeast. The shortest distance between South Korea’s west coast and China’s Shandong Peninsula is about 190 km, and that between the Busan Port in the south of South Korea and Japan’s Honshu Island is approximately 180 km. South Korea adopts the UTC+9:00 time zone, without daylight saving time.

### Natural Resources

Currently, more than 280 minerals have been discovered, of which over 50 types are of economic value. Iron, anthracite, lead, zinc, tungsten, etc. are of mining value but their reserves are not large. Main industrial raw materials are mainly imported.

### Climate

South Korea has a temperate monsoon climate with remarkable maritime characteristics and

4 distinct seasons. The average annual temperature is between 13 - 14°C. In summer, the average temperature is 25°C and the highest temperature is 39°C. In winter, the average temperature is below zero and the lowest temperature reaches -17°C. The average annual precipitation is around 1,300-1,500 mm. The period from June to August has a large amount of rainfall, 70% of the total of the whole year. In recent years, the smog problem has become more prominent. The smog is generally heavy from autumn to the spring of the next year.

## **Administrative Division**

South Korea is divided into 1 special city (Seoul), 2 special autonomous cities/ self-governing provinces (Sejong Special Autonomous City, Jeju Special Self-Governing Province), 6 metropolitan cities (Busan, Daegu, Incheon, Gwangju, Daejeon, Ulsan) and 8 provinces (Gyeonggi, Gangwon, Chungcheongbuk, Chungcheongnam, Jeollabuk, Jeollanam, Gyeongsangbuk, Gyeongsangnam).

Seoul Special City is the capital of South Korea, and the economic, technological and cultural center of the country. It is also the most populous city on the Korean Peninsula. As of 2020, the city had a population of 9.91 million. The South Korean Metropolitan Area, with Seoul as its core, had a total population of 24 million, making it the 5<sup>th</sup> largest city cluster in the world.

## **1.2 Politics**

### **Constitution**

The current Constitution was passed at a referendum in October 1987 and came into effect on February 25, 1988. The Constitution stipulates that the president shall have the powers as chief of state, head of the government, and commander-in-chief of the armed forces and hold

office for 5 years and may not be reelected upon the expiry of his/her term of office.

## **Parliament**

The National Assembly is the legislature of South Korea. It mainly fulfills the following functions: reviewing various bills and national budgets and final accounts, supervising government work; approving foreign treaties and agreeing to declare wars or make peace, impeaching the president and major government officials, and voting against the president's emergency orders. The unicameral system is implemented in South Korea, with a total of 300 seats. Each South Korean lawmaker has a term of office of 4 years. The 21<sup>st</sup> National Assembly was elected in April 2020.

## **Chief of State**

The president is the chief of state, head of the government, and commander-in-chief of the armed forces. The president is directly elected by the people and enjoys the power to appoint or remove the prime minister, cabinet chiefs, under-secretaries, and ambassadors, and to announce amnesties. Moon Jae-in, the current president of South Korea, was elected on May 10, 2017.

## **Government**

The Korean government has 18 ministries, 5 divisions, 17 departments, 2 houses, 4 offices, and 6 committees (52 departments). The main government departments include the Ministry of Foreign Affairs, the Ministry of Unification, the Ministry of Justice, the Ministry of National Defense, the Ministry of Industry, Trade and Energy, the Ministry of Environment, and Ministry of Employment and Labor, etc. The president concurrently serves as head of government, and the prime minister assists the president in his work. Kim Boo-kyum, the current prime minister of South Korea, took office in May 13, 2021.



## Political Parties

The main political parties in South Korea include the ruling party Democratic Party, and the opposition parties Liberty Korea Party (previously known as the Saenuri Party), Bareunmirae Party (merged by the People's Party and the Bareun Party), Party for Democracy and Peace (founded by some lawmakers of the People's Party), Justice Party, etc.

## 1.3 Economy

### Macro Economy

In recent years, South Korea has experienced stable economic development. According to the data released by the World Bank, under the impact of COVID-19 pandemic, South Korea's had a GDP of US\$ 1.63 trillion and per capital GDP of US\$ 31,500 in 2020. The real GDP decreased by 1% on a year-on-year basis.

**Table 1-1 Macro economy data of South Korea, 2017–2020<sup>①</sup>**

Macro economy data				
Index	2017	2018	2019	2020
GDP (US\$ trillion)	1.62	1.72	1.64	1.63
Per capital GDP (US\$ 1,000)	31.6	3.33	31.8	31.5
Growth rate of real GDP (%)	3.1	2.7	1.8	-1.0

### Trade Scale

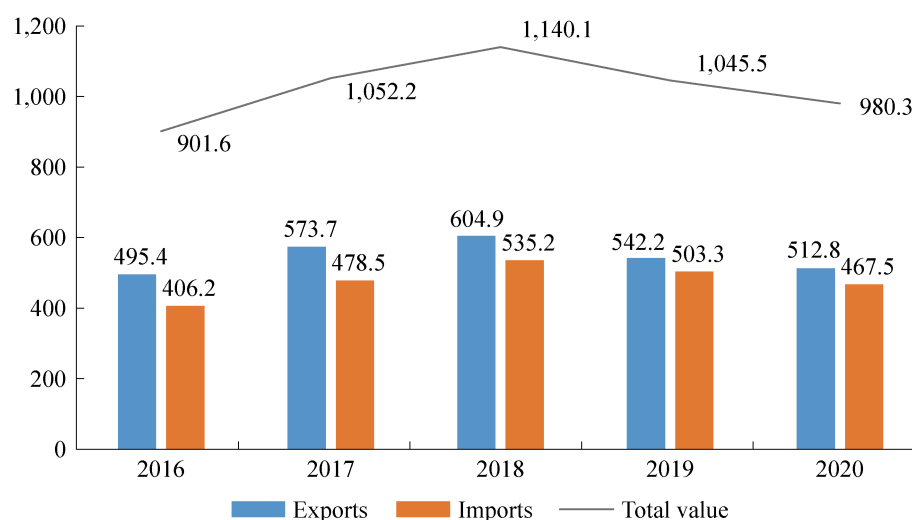
Commodity Trade. According to the Central Bank of South Korea, the total volume of trade in goods in 2020 reached US\$ 980.44 billion, with a trade surplus of US\$ 45.34 billion. Among them, the total imports were US\$ 512.89 billion, a year-on-year increase of 5.4%; and the total exports were US\$ 467.55 billion, a year-on-year increase of

<sup>①</sup> South Korea's Economic Statistics System: <https://ecos.bok.or.kr/jsp/vis/GDP/#/gdp>

7.2%.<sup>①</sup>

The main exported goods are: automobiles and their parts, semiconductors, cabled and wireless communication equipment, ships, petroleum products, flat panel LCDs, personal computers, film, TV apparatus, etc. The main import commodities are: crude oil, semiconductors, natural gas, petroleum products, semiconductor parts, steel plates, coal, communication equipment, cables, etc.

South Korea has economic and trade ties with more than 180 countries and regions in the world. Among them, China, Japan, and the United States are 3 largest trade partners of the country.



**Fig. 1-1 South Korea's commodity trade volume, 2016–2020 (Unit: US\$ billion)**

Service trade. Statistical data from the Central Bank of South Korea show that, as of November 2020, South Korea's total service exports reached US\$ 80.4 billion and total service imports US\$ 97 billion, with total volume of trade in services being US\$ 177.4 billion.<sup>②</sup>

The main categories of trade in services include transportation service, travel, insurance service, intellectual property, telecommunications, computers, information services, etc.

The main service trade partners include the United States, China, Japan, the European

<sup>①</sup> South Korea's Economic Statistics System: <https://ecos.bok.or.kr/jsp/vis/GDP/#/gdp>

<sup>②</sup> South Korea's Economic Statistics System: <https://ecos.bok.or.kr/jsp/vis/GDP/#/gdp>

Union, and Southeast Asia, etc.

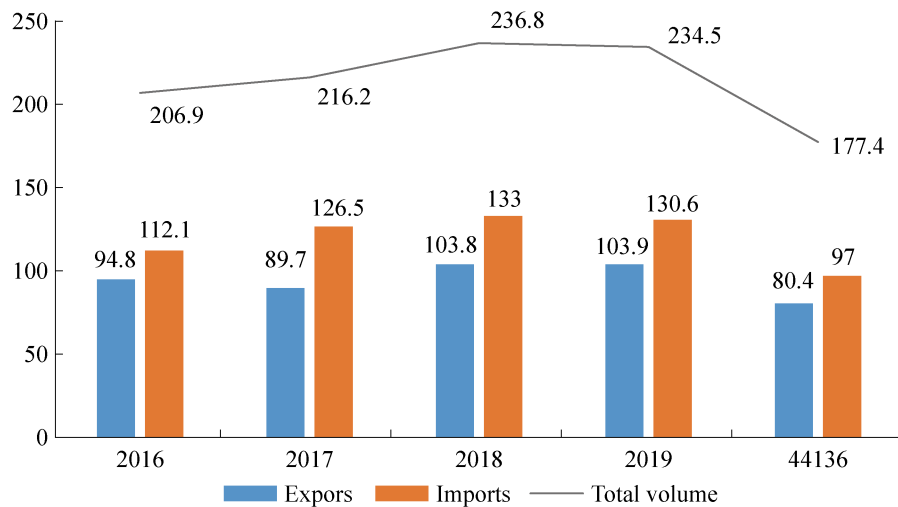


Fig. 1-2 South Korea’s service trade during the period from 2016 to November 2020 (US\$ billion)

## Local Market

Total sales value. According to the data provided by Statistics Korea, South Korea has total domestic retail sales of KRW 473.2 trillion in 2019, the total domestic retail sales in Korea was KRW 473.2 trillion (about US\$ 405.94 billion), a year-on-year increase of 1.8%.<sup>①</sup>

Living expenditure. According to the data provided by Statistics Korea, South Korea had average monthly consumer expenditure of KRW 2.4 million in 2020, representing a year-on-year increase of 2.3%. Among them, the monthly housing expenditure (water and heating expenses) was KRW 286,000, with a share of 11.91%; the expenditure on food and beverages was KRW 381,000, with a share of 15.88%; the education expenditure was KRW 159,000, with a share of 6.63%; the clothing and footwear expenditure was KRW 118,000, with a share of 4.97%; the cultural and entertainment expenditure was KRW 140,000, with a share of 5.81%; the accommodation and food expenditure was KRW 127,000, with a share of 5.28%; the health expenditure was KRW 221,000, with a share of 9.19%; the transportation expenditure was KRW 289,000, with a share of 12.03%; and the communication expenditure was KRW 120,000, with a share of 4.99%.<sup>②</sup>

① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

② Statistics Korea: [https://kosis.kr/eng/statisticsList/statisticsListIndex.do?menuId=M\\_01\\_01&vwcd=MT\\_ETITLE&parmTabId=M\\_01\\_01#SelectStatsBoxDiv](https://kosis.kr/eng/statisticsList/statisticsListIndex.do?menuId=M_01_01&vwcd=MT_ETITLE&parmTabId=M_01_01#SelectStatsBoxDiv)

Price level. In 2020, South Korea's consumer price index (CPI) increased by 0.54% on a year-on-year basis, with slight inflation.

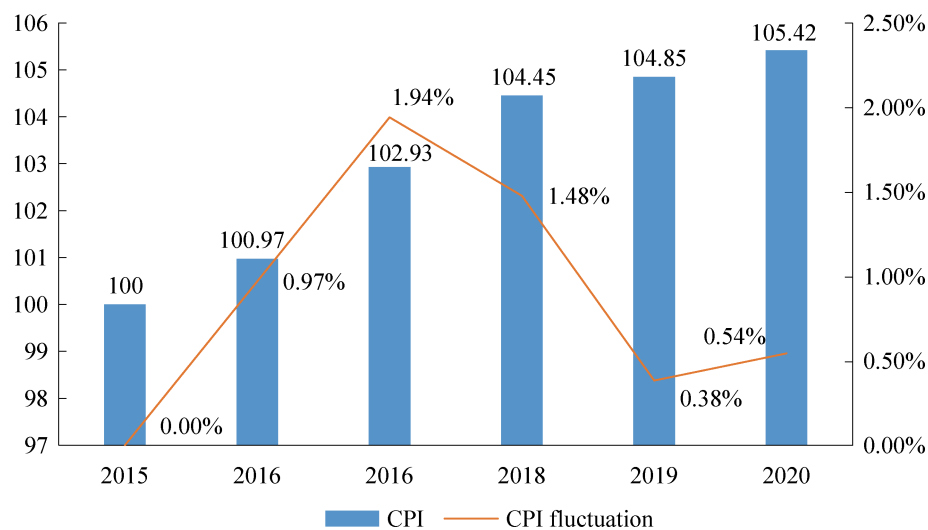


Fig. 1-3 South Korea's CPI (CPI=100 in 2015) and its changes, 2015–2020

## 1.4 Society and Culture

### Population

According to the data of Statistics Korea, as of January 2021, the total population of South Korea exceeds 50 million.. South Korea is a country of single nation which is the Korea. <sup>①</sup>

### Language

The commonly used language in South Korea is Korean.

### Religion

About 50% of the South Korean population believe in Buddhism, Christianity, Catholicism and other regions.

### Festivals and Holidays

South Korea implements the five-day work system, with Saturdays and Sundays being rest

① Statistics Korea: <https://kosis.kr/>

days.

The main festivals include Spring Festival (the first day of the first month of the lunar calendar), New Year's Day (January 1<sup>st</sup>), Independence Movement Day (March 1<sup>st</sup>), Buddha's Birthday (the 8<sup>th</sup> day of the fourth month of the lunar calendar), Hyeonchungil (June 6<sup>th</sup>), Constitution Day (July 17<sup>th</sup>), Liberation Day (August 15<sup>th</sup>), Mid-Autumn Day (the 15<sup>th</sup> day of the eighth month of the lunar calendar), Gaecheonjeol (Festival of the Opening of Heaven, October 3<sup>rd</sup>), Christmas Day (December 25<sup>th</sup>).<sup>①</sup>

### **Public Security**

South Korea is a country with low theft rate and low crime rate. There are no anti-government armed organizations. Residents are not allowed to possess guns. The public security of the country is good.

---

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).



## Business Environment

### 2.1 Overall Evaluation

South Korea has a generally sound and highly attractive investment environment. In recent years, the South Korean government has actively encouraged the attraction of foreign investment and issued a series of policies and measures that are conducive to foreign investment.

#### World Bank Evaluation<sup>①</sup>

The *Doing Business Report* released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to the World Bank's *Doing Business*, South Korea has ranked among top 5 for 6 consecutive years since 2014. According to the *Doing Business 2020*, South Korea's rankings in each item are as follows: starting business (33), obtaining construction permits (12), obtaining electricity (2), registering property (40), obtaining loan (67), protecting the minority of investors (25), tax payment (21), cross-border trade (36), contract execution (2), and handling bankruptcy formalities (11).

#### World Economic Forum Evaluation<sup>②</sup>

The World Economic Forum has released *the Global Competitiveness Report* through evaluation on the performance of 141 economies in terms of 12 areas and 98 indexes. According

---

① The World Bank, Business Environment 2020.

② The World Economic Forum, Global Competitiveness Report 2019.

to the *Global Competitiveness Report 2019*, South Korea ranked 13<sup>th</sup>, with a score of 79.6 points, 0.8 points higher than that of the previous year. Among them, the score of each item is as follows: ICT application (93 points), macroeconomic stability (100 points), soundness (99 points), infrastructure (92 points), financial system (84 points).

### World Intellectual Property Organization Evaluation<sup>①</sup>

The *Global Innovation Index Report* issued by the World Intellectual Property Organization in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 indicators: innovation input and innovation output. According to the *Global Innovation Index Report 2020*, South Korea ranked 10<sup>th</sup>, entering the first echelon for the first time, and becoming the second economy to rank among the top 10 following Singapore. In terms of innovation input, the rankings of South Korea in business maturity (7<sup>th</sup>) and infrastructure (14<sup>th</sup>) increased significantly. In terms of innovation output, the country witnessed a large increase in knowledge creation (7<sup>th</sup>), knowledge dissemination (15<sup>th</sup>) and creative products and services (19<sup>th</sup>).

### Heritage Foundation Evaluation<sup>②</sup>

The “*Global Economic Freedom Index Report*” released by the American Heritage Foundation using 4 guidelines and 12 indicators calculates the economic freedom index of various countries. According to the *Global Economic Freedom Index Report 2021*, South Korea ranks 24<sup>th</sup> among 184 countries (regions) in the world and 7<sup>th</sup> among 40 countries (regions) in the Asia-Pacific region.



#### Investment Practice:

#### South Korea is widely acclaimed for its business environment<sup>③</sup>

According to the CEO of the British Chambers of Commerce in South Korea, South Korea

① The World Intellectual Property Organization, Global Innovation Index 2020.

② The Heritage Foundation, Global Economic Freedom Index Report 2021.

③ Sorted according to the case study of enterprises investing in South Korea (<https://www.investkorea.org/>).

is located between China and Japan and close to emerging markets in Southeast Asia, with uniquely favorable conditions. Organizations such as the Korea Trade-Investment Promotion Agency (KOTRA), which actively help enterprises enter the market, has reached quite a high level. The country has high-quality work forces and rich human resources, which constitute valuable assets for enterprises to fulfill their missions.

The Chief Financial Officer of IBM South Korea stated that South Korea is at the core of IBM's market development strategy, whether from the perspective of domestic customers or customers in the international market. Many South Korean companies are ready to experience and try new technologies and new business models. With good infrastructure, South Korea is listed among the top IT powers in the world.

Macaulay Group proposed that South Korea can facilitate the development of financial enterprises due to its large capital flow, high level of legalization and transparent investment regulation procedures.

**Comment:** In recent years, to get rid of the dilemmas of slow economic growth, weak domestic demand and low employment rate, the South Korean government has actively encouraged to build an innovative business environment and to foster the development of emerging industries. South Korea is attempting to promote innovation and development by playing the leading role of the government. The Ministry of Land, Infrastructure and Transport, the Ministry of ICT, and other ministries and commissions have successively introduced policies to strengthen South Korea's competitiveness in the business environment. Additionally, South Korean President Moon Jae-in has proposed to promote the regulatory sandbox related legislation to allow enterprises to test new technologies on a small scale in a controllable environment and achieve a win-win scenario that encourages both innovation and effective risk management and control. Investors can visit the website of Invest Korea for specific preferential policies so as obtain sustainable development in South Korea.



## 2.2 Infrastructure

### Highway

Statistical data from Statistics Korea shows that, as at the end of 2019, South Korea had a total road mileage of 111,300 km. There are expressways connecting Seoul to all provinces, and it takes 1 day to reach anywhere in the country from Seoul.<sup>①</sup>

### Railway

According to the data from Knoema, in 2019, the total length of railways of South Korea increased from 3,123 km in 2000 to 4,111.2 km in 2019, with an average annual growth of 1.49%.<sup>②</sup>

### Aviation

Currently, South Korea has 8 major international airports, mainly Incheon International Airport, Gimpo International Airport, Yangyang International Airport, Cheongju International Airport, Daegu International Airport, Busan International Airport, Gwangju International Airport, and Jeju International Airport. South Korea has 2 large airlines and 9 low-cost airlines (LCC), with 21 domestic routes. It has signed air service agreements with 97 international airlines in 106 countries and regions, with 465 international routes, through which 53 countries and 183 cities can be reached.<sup>③</sup>

### Water Transport

South Korea has a relatively developed shipping industry. A total of 99.7% of import and export logistics is realized by shipping. South Korea has 25 ports, mainly Busan Port, Incheon Port, Pyeongtaek Port and Gwangyang Port. In 2019, the international ports in South Korea had a

---

① Statistics Korea: <https://kosis.kr/>

② Knoema base: <https://knoema.com/atlas/Republic-of-Korea/Length-of-rail-lines>

③ Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

cargo throughput of 1.644 billion tons and a container throughput of 29.23 million standard containers (TEU), with a year-on-year increase of 0.9%.

**Table 2-1 Main ports of South Korea and their advantages**

Port name	Port scale	Business
Bushan Port <sup>①</sup>	As the largest port and an important hub port for land, sea and air transportation of South Korea, the port is connected to the world's 3 major routes and has unique port advantages.	The main industries include textiles, automobile tires, petroleum processing, machinery, chemicals, food, wood processing, aquatic product processing, shipbuilding, and automobiles, etc., among which the machinery industry is especially developed. The port tanks 1 <sup>st</sup> in terms of shipbuilding and tire production and occupies an important position in export trade.
Incheon Port	It is the second trade port of South Korea. The GDP in the economic hinterland of the port accounts for 48.7% of South Korea's total GDP, and the total imported goods had a share of nearly 70% over the country's total.	There is a large-scale economic hinterland here. The main industries include steelmaking, machinery, automobiles, shipbuilding, chemicals, electronics, automobile manufacturing, metal processing, petroleum and textiles, etc. The southern port, northern port and coal terminals mainly process oil, liquefied gas, coal, sand, stone and other goods.
Pyeongtaek Port	It is one of the 3 major ports that trade with China designated by the South Korean government, and a great natural harbor with an average water depth of over 12 m.	Pyeongtaek Port is a major import and export port for many multinational enterprises such as Samsung Electronics, LG Electronics, Hyundai Motor, Kia Motors, etc. The imported and exported goods include steel, machinery products, ceramic products, chemical products, food, and agricultural products, etc.
Gwangyang Port	It is South Korea's largest new port built this century, and the country's second largest container port. Geographically, it is connected to major Chinese ports such as Shanghai, Qingdao, Dalian and Ningbo. The port has become a central port in Asia.	Gwangyang Port mainly imports and exports coal, petrochemical products, fertilizers, iron ore, as well as steel and iron products. The imported coal, ore and limestone are feeds to Gwangyang Steel Works.

## Information and Communication

South Korea is an information technology powerhouse in the world. Almost every family has access to high-speed internet, from every aspect of daily life, such as dining and public transportation. According to statistics from Data Reportal, as of January 2021, the number of internet users in South Korea was about 49.75 million, and the internet penetration rate reached 97.0%.<sup>②</sup>

① China Ports Network: <http://www.chinaports.com/portspnews/5588>

② Data Reportal: <https://datareportal.com/>

## Electricity

The statistical data of the Ministry of Trade, Industry and Energy (MOTIE) and Korea Electric Power Corporation (KEPCO) indicates that, as of the end of 2019, South Korea had a total installed capacity of 123GW, equivalent to 123 million kW. The installed capacity for coal power was 38.6GW; that for natural gas was 39.7GW; that for nuclear power was 23.3GW and that for renewable energy was 15.8GW. In 2019, the annual power generation capacity was 562,200 GWh; the supply capacity was 96.4GW; and the average annual load rate was 71.1%. Nuclear power accounted for 25.9%, coal power 40.4%, natural gas 25.6% and renewable energy 5.2%.

### 2.3 Production Cost

#### Electricity Price

Charges are collected according to electricity consumption types, such as residential purpose, general purposes (commercial facilities), industry, education, agriculture, and streetlights. Electricity tariffs are composed of basic fees and actual usage fees. For details of electricity tariff rates, visit the website of Korea Electric Power Corporation. <sup>①</sup>

**Table 2-2 Electricity tariffs of commercial facilities in South Korea (January 1, 2021)**

		Basic tariff rate (won/kW)	Electricity tariff (won/kW)		
			Summer (June to August)	Spring and Autumn (March to May, September to October)	Winter (November to February)
LV power supply		6,160	100.7	60.2	87.3
HV A	Proposal 1	7,170	110.9	66.9	98.6
	Proposal 2	8,230	106.9	62.6	93.3
HV B	Proposal 1	7,170	108.8	65.8	95.6
	Proposal 2	8,230	103.5	60.5	90.3

Note: LV: standard voltage: 110V~380V, HV A: 3,300~66,000V, HV B: 154,000V or higher

#### Water Price

South Korea's tap water charges are divided into 2 levels. K-Water is responsible for the

① Korea Electric Power Corporation: <https://cyber.kepco.co.kr/ckepco/front/jsp/CY/E/E/CYEEHP00102.jsp>

construction and management of water sources, reservoirs, and water networks. It provides water that meets environmental standards to local governments or large water consumers. It uses the national unified wholesale price, including tap water and reservoir water. The prices are as follows: raw water, 233.7 won/m<sup>3</sup>; purified water, 432.8 won/m<sup>3</sup>; sediment water, 328 won/ m<sup>3</sup>; and reservoir water, 52.7 won/m<sup>3</sup>. Local governments are responsible for the construction of tap water pipe networks and access of these networks to households and collecting retail water charges from household users and general corporate users. According to local specific conditions such as local resource endowments, population, and financial resources, the standards of local tap water charges vary greatly from place to place.<sup>①</sup>

Take Seoul as an example. The rates of household water and general-purpose water are shown in the table below.<sup>②</sup>

**Table 2-3 Price of household water and general-purpose water in Seoul**

Industry		Water consumption (unit: m <sup>3</sup> )	Unit price (unit: won)
Household use	Feeding water	0-30	360
		30-50	550
		>50	790
	Discharging water	0-30	360
		30-50	850
		>50	1,290
General purposes (premises, enterprises)	Feeding water	0-50	800
		50-300	950
		>300	1,260
	Discharging water	0-30	460
		30-50	910
		50-100	1,380
		100-200	1,660
		200-1,000	1,740
		>1,000	1,840
Water use burden		Per m <sup>3</sup>	170

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

<sup>②</sup> Seoul Metropolitan Government: [https://i121.seoul.go.kr/cs/cyber/front/cgcalc/NR\\_cgCalcHomePurpose.do?\\_m=](https://i121.seoul.go.kr/cs/cyber/front/cgcalc/NR_cgCalcHomePurpose.do?_m=)

## Natural Gas Price

South Korean's natural gas is supplied by Korea Gas Corporation. Korea Gas Corporation provides wholesale supply at the same price nationwide. The retail prices for practical applications of consumers are approved and determined by the mayor/governor and vary from region to region. The retail price (final consumer price) includes the wholesale price (the price approved by the government) and the supply cost of the retail city gas company. The supply cost is reviewed by the municipal/provincial price countermeasure committee and approved by the mayor/governor.

**Table 2-4 Wholesale price of natural gas of Korea Gas Corporation<sup>①</sup>**

National unified wholesale price		
Effectiveness Date		April 1, 2021
Unit		Won/MJ (The value-added tax additionally calculated)
Residential purpose		12.9284
General purposes	Winter (January to March, December)	11.4444
	Summer (June to September)	11.2523
	Other months (April to May, October to November)	11.27
Heating and cooling	Winter (January to March, December)	14.0576
	Summer (May to September)	8.1275
	Other months (April, October to November)	13.2124
Industrial purpose	Winter (January to March, December)	13.1776
	Summer (June to September)	12.3762
	Other months (April to May, October to November)	12.4394
Combined heat and power	Winter (January to March, December)	13.1541
	Summer (June to September)	11.5987
	Other months (April to May, October to November)	11.7308

## Manpower Supply and Wages

According to *the Employment Trends in December 2020 and the Year of 2020*, affected by the COVID-19 pandemic, the total employed in 2020 decreased by 218,000 on a year-on-year basis, to 26.904 million, the largest drop since 1998; and the unemployment rate was 4%, the

① Korea Gas Corporation: <https://www.kogas.or.kr:9450/portal/contents.do?key=2024>

highest record since 2001. By industry, the number of employees in the wholesale and retail industry decreased by 160,000, that in the accommodation and catering industry decreased by 159,000, that in the education service industry decreased by 86,000; but that in the health and social welfare service industry, in the transportation and warehousing industry, and that in the agriculture, forestry and fishery industry decreased by 130,000, 51,000 and 50,000, respectively.<sup>①</sup>

According to the data from the Korea Minimum Wage Commission, the minimum hourly wage in 2021 is 8,720 won.<sup>②</sup>

**Table 2-5 South Korea's employment data<sup>③</sup>**

Item	2018	2019	2020
Total labor forces	28,303,251	28,541,663	28,319,613
Total employment rate (%)	60.7	66.8	65.9
Total unemployment rate (%)	3.83	3.78	4

Due to the shortage of labor forces in South Korea, the South Korean government allows the introduction of foreign labor forces through the single employment licensing system. The industries that allow the introduction of foreign labor forces include manufacturing, construction, service, fishery, agriculture, and livestock. The service industries are subdivided into freezing, cold storage warehouses, recycled materials collection and sales, tourist hotels, etc. Among them, the fishery industry is subdivided into offshore fishery and culture-based fishery.

## Land and House Prices

South Korea allows foreigners to purchase and own lands and real estate. Specific prices differ greatly depending on the region and construction time, etc. With Seoul as an example, the following table is only for reference.<sup>④</sup>

① Statistics Korea: <https://kosis.kr/>

② Korea Minimum Wage Commission: <https://www.minimumwage.go.kr/index.jsp>

③ World Bank: <https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=KR>

④ Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

**Table 2-6 Land and real estate prices in Seoul (May 2020)<sup>①</sup>**

Real estate	Utilization means	Area (m <sup>2</sup> )	Price	Security
Land	Purchase	169	2.4 billion won	-
	Renting (2019)	1,904	50 million won/month	1 billion won
Industrial workshops	Purchase	122	2.75 billion won	-
	Renting	284	600 million won/month	Accordingly
Office buildings	Purchase	518	5.3 billion won	-
	Renting	298	30 million won/month	Accordingly
Residential buildings	Purchase	84	1.2 billion won	-
	Full-tax lease	84	750 million won/year	Accordingly



### Special Reminder:

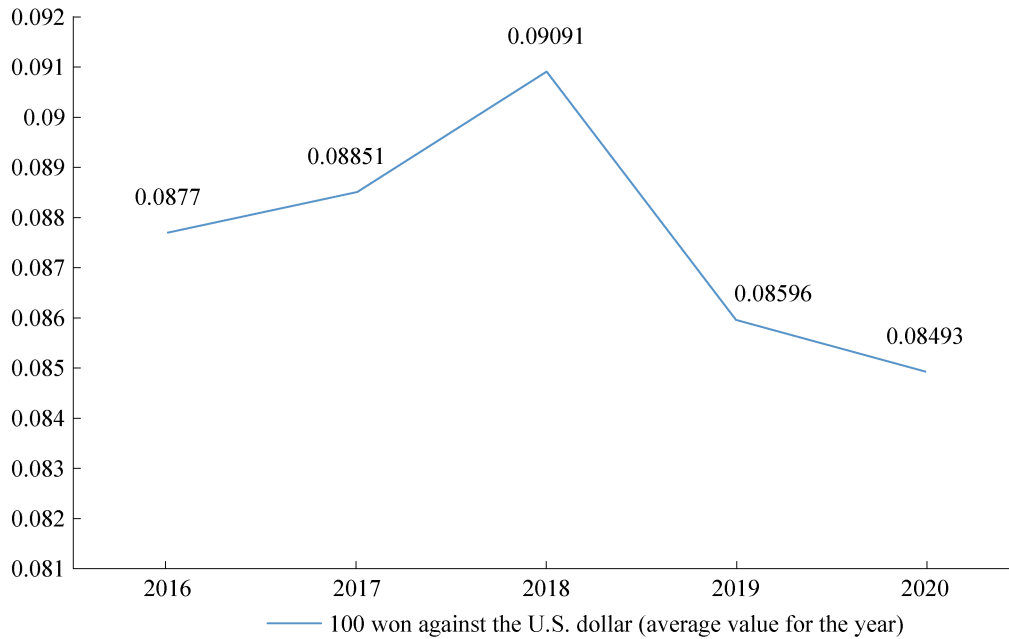
All the above lease prices are full-tax lease prices. As a popular lease method in South Korea, the tenant provides a fixed-term rental to the owner, usually 60 to 70% of the house price, without paying another monthly rental. The house owner is entitled to the tenant's bank interest or uses it for other investments. After the expiry of the lease term, the house owner will return the full amount of the rental (excluding interest) to the tenant.

## 2.4 Financial Services

### Currency and Exchange Rate

The South Korean currency is the Korean won (KRW). 100 won is approximately US\$ 0.09091 (Refer to the exchange rate for January 2021).

<sup>①</sup> Ministry of Land, Infrastructure and Transport (MOLIT) of South Korea: <http://www.molit.go.kr/>; South Korea's NAVER Real Estate Information Network: <https://www.naver.com/>



**Fig. 2-1 Exchange rate between KRW and US dollars, 2016–2020**

## Foreign Exchange Management

South Korea has now fully liberalized private regular and capital foreign exchange transactions. Foreign-funded enterprises can open foreign exchange accounts in banks that deal in foreign exchange business in South Korea, and upon paying taxes in accordance with regulations, they can convert profits into foreign currencies and remit them freely. There is no specific tax type on the remittance of profits.

When entering Korea, a foreigner who carries foreign currency of more than US\$ 10,000 or equivalent Korean won (including traveler's cheques and bank cheques) must be declared to the Customs. When leaving the country, one must obtain permission from the Bank of Korea or Customs if carries foreign currency of more than US\$ 10,000 or equivalent Korean won (including traveler's cheques and bank cheques)

## Financial Institutions

Financial Regulator Institutions. The comprehensive financial regulation system is adopted in South Korea. The Financial Services Commission (FSC)<sup>①</sup> and the Financial Supervision

① Financial Services Commission (FSC): <https://www.fsc.go.kr/>



Service (FSS) <sup>①</sup>supervise almost all financial institutions. FSC reviews and determines important matters related to financial regulation, including the approval from financial regulatory policies and financial institutions, while FSS implements the decisions of FSC and inspects and supervises financial institutions. In addition, the Bank of Korea (or the central bank of Korea) and the Korea Deposit Insurance Corporation (KDIC) play a partial supervisory role, such as requiring inspections and conducting joint inspections with FSS.

Bank. South Korean banks mainly include: Kookmin Bank, Woori Bank, Shinhan Bank, KEB Hana Bank and other commercial banks; SC First Bank, HSBC, Citibank and other foreign banks or their branches; Nonghyup Bank, Korea Development Bank, Export-Import Bank of Korea, Industrial Bank of Korea, Suhyu Bank and other policy banks; Comprehensive Financial Corporation, Mutual Savings Banks (HK Mutual Savings Bank, First Mutual Savings Bank, etc.), credit cooperatives (Credit Cooperative Federation, New Rural Treasury, Mutual Finance, etc.), and Post Savings, other non-bank savings institutions.

Insurance. South Korean companies mainly include Samsung Life Insurance Co., Ltd., Samsung Fire & Marine Insurance Co., Ltd. (SFM), Hanwha Life Insurance Co., Ltd., Kyobo Life Insurance Co., Ltd., Hyundai Marine and Fire Insurance Co., Ltd., Eastern Insurance Co., Ltd., Tong Yang Life Insurance, etc. They are mainly engaged in insurance, loans, income securities, retirement annuities, trusts, asset management and other business.

Securities. Korea Exchange (KRX) is South Korea's only stock exchange operator. Headquartered in Busan, KRX has a cash market and a market supervision office in Seoul. As of December 2020, there were 2,409 listed companies on KRX, with a total market value of 23,140 trillion won, equivalent to 2.1 trillion US dollars. According to the statistics of *Listing in Korea*<sup>②</sup> published by Price Waterhouse Coopers, as of August 2020, a total of 35 foreign-funded enterprises had been listed on KRX.

---

① Financial Supervision Service (FSS): <https://english.fss.or.kr/>

② Price waterhouse Coopers: [https://www.pwc.com/kr/en/publications/samilpwc\\_k-ipo-2020.pdf](https://www.pwc.com/kr/en/publications/samilpwc_k-ipo-2020.pdf)



## Economy and Trade Policies

### 3.1 Market Access

#### Competent Authorities

The Ministry of Trade, Industry and Energy (MOTIE) is the government authorities in charge of investment in South Korea. It is mainly responsible for the formulation of related policies and regulations, data release, etc. Invest Korea of Korea Trade-Investment Promotion Agency (KOTRA) under MOTIE is responsible for specific foreign investment and mainly provides a full range of services, from early negotiation, investment declaration, enterprise establishment to later support in relation to foreign investment.<sup>①</sup>

South Korea has promulgated several regulations and department regulations such as *the Foreign Investment Promotion Act*<sup>②</sup>, forming a complete legal system for foreign capital. Noticeably, in addition to the laws and regulations concerning foreign investment, various domestic laws equally apply to the foreign enterprises investing in South Korea. For example, the matters that local Korean enterprises are required to report to the government for approval under South Korean laws and regulations shall also be reported by foreign-funded enterprises for

---

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

<sup>②</sup> Foreign Investment Promotion Act: <https://www.law.go.kr/%EB%B2%95%EB%A0%B9/%EC%99%B8%EA%B5%AD%EC%9D%B8%ED%88%AC%EC%9E%90%EC%B4%89%EC%A7%84%EB%B2%95>

approval.

According to Articles 2.1.1 and 2.1.5 of *the Foreign Investment Promotion Act*, “Foreign Direct Investment” refers to the investment with an amount of 100 million won or more, representing total voting shares issued by a South Korean legal person or enterprise or 10% of the total investment or above, or the investment with total shares or capital contribution of less than 10% of the total capital contribution but empowering the right to participate in important business decisions.

### Restricted/Prohibited Sectors

Foreign Investment in Industries is Prohibited. *The Regulations on Foreign Investment* (No. 2018–37 of the Ministry of Trade, Industry and Energy)<sup>①</sup> stipulates that foreign investment is prohibited in the following industries:

(1) Postal service, central bank, personal tax deduction, annuities, financial market management, other financial support service, etc.;

(2) Legislative, judicial, administrative agencies, foreign embassies and consulates in South Korea, and other international and foreign institutions;

(3) Educational institutions (kindergartens, primary schools, middle schools, high schools, universities, graduate school, special schools, etc.);

(4) Artists, religious groups, industry, professionals, environmental movement groups, political or labor movement groups, etc.

Industries Restricting Foreign Investment. *The Regulations on Foreign Investment* (No. 2018–37 of the Ministry of Trade, Industry and Energy) stipulates that foreign investment is restricted in the following industries:

(1) Unopened industries: nuclear power generation, radio broadcasting, television

---

① Ministry of Trade, Industry and Energy: [https://motie.go.kr/motie/in/ay/policynotify/notify/bbs/bbsView.do?bbs\\_seq\\_n=63167&bbs\\_cd\\_n=5](https://motie.go.kr/motie/in/ay/policynotify/notify/bbs/bbsView.do?bbs_seq_n=63167&bbs_cd_n=5)

broadcasting;

(2) Industries in which the proportion of foreign investment allowed is less than 50%: beef cattle breeding, meat wholesale, power transmission and distribution, electricity sales, domestic ports and air passenger cargo transportation, newspaper distribution, magazine and periodical distribution, etc.;

(3) Industries in which the proportion of foreign investment allowed is less than 49%: program supply, cabled broadcasting, satellites and other broadcasting, cabled, wireless and satellite communication, and other telecommunications industries.

(4) Industries in which the proportion of foreign investment allowed is less than 30%: waterpower, thermal power, solar power and other power generation industries.

(5) Industries in which the proportion of foreign investment allowed is less than 25%: journalism.

(6) Other industries where some business are prohibited: cereals and other food crops, other basic inorganic chemical manufacturing industries, other non-ferrous metal smelting and refining and alloy manufacturing industries, centralized radioactive waste transportation and treatment, South Korean banks except for Nonghyup and Suhyup.

## 3.2 Foreign Investment Incentives

Foreign-funded enterprises may be entitled to tax reduction and exemption, cash subsidies, R&D center awards and other incentives in South Korea.<sup>①</sup>

### **Tax Reduction and Exemption**

#### **Objects Subject to Tax Reduction and Exemption.**

(1) Technologies for various types of new growth industries and installation and operation of related business plant facilities for related material and production process and technologies

---

① INVEST KOREA: <https://www.investkorea.org/>

specified in Schedules 7 and 14 of *Restriction of Special Taxation Act*<sup>①</sup>, and the investment amount is US\$ 2 million or above.

(2) Enterprises residing in foreign investment areas (park type) specified in Article 18.1.1 of *the Foreign Investment Promotion Act*. Specifically, the manufacturing industry with an investment of more than US\$10 million and the logistics industry with an investment of more than US\$ 5 million. Enterprises in the foreign investment zones (single type), free economic zones, Jeju Science and Technology Park, Jeju Investment Promotion Zone, etc. reviewed and voted by each committee as specified in Article 18.1.2. Specifically, the manufacturing industry with an investment of more than US\$ 30 million; tourism, healthcare, international conference facilities, and youth training facilities with an investment of more than US\$ 20 million; logistics and SOC with an investment of more than US\$ 10 million; R&D with an investment amount of more than US\$ 2 million; joint projects with an investment of more than US\$ 30 million.

(3) Enterprises residing in the free economic zones as specified in Article 2.1 of *the Special Act<sup>②</sup> on Designation and Operation of Free Economic Zones*: Specifically, manufacturing, tourism, healthcare, international conference facilities, and youth training facilities with an investment of more than US\$10 million; logistics and medical institutions with an investment of more than US\$5 million each; R&D with an investment of more than US\$1 million. Free economic zone developers as specified in Article 8.3. Specifically, enterprises with an investment amount of more than US\$ 30 million or a foreign investment percentage of more than 50%, and whose total development project funding is more than US\$ 500 million.

(4) Investment and promotion area developers in Jeju as stipulated in Article 162 of *the Special Act<sup>③</sup> on the Establishment of Jeju Special Self-governing Province and the*

① Enforcement Decree of the Restriction of Special Taxation Act: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=43262&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=43262&lang=ENG)

② Special Act on Designation and Operation of Free Economic Zones: [https://elaw.klri.re.kr/kor\\_service/lawView.do?lang=ENG&hseq=52296&joseq=JO0004000](https://elaw.klri.re.kr/kor_service/lawView.do?lang=ENG&hseq=52296&joseq=JO0004000)

③ Special Act on the Establishment of Jeju Special Self-governing Province and the Development of Free International City [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=51662&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=51662&lang=ENG)

*Development of Free International City*. Specifically, they refer to enterprises with an investment amount of more than US\$ 10 million or a foreign investment percentage of more than 50%, and whose total development project funding is more than US\$ 100 million.

(5) Enterprises residing in urban development zones specified in Article 2.2 of *the Special Act<sup>①</sup> on the Development of Enterprise Cities*. Specifically, manufacturing industry with an investment of more than US\$ 10 million; the logistics industry with an investment of more than US\$ 5 million; and R&D with an investment of more than US\$ 2 million. Urban developers of enterprise city developers specified in Article 10.1. Specifically, enterprises with an investment amount of more than US\$ 30 million or a foreign investment percentage of more than 50%, and whose total development project funding is more than US\$ 500 million.

#### **Tax Reduction and Exemption Application Procedures.**

According to Article 121.2.6 of *the Restriction of Special Taxation Act*, Article 15.3 of *Enforcement Decree of the Restriction of Special Taxation Act*, Announcement No. 2017-10 of the Ministry of Finance Planning, and Article 5.2 of the Regulations on *Tax Reduction and Exemption for Foreign Investment*, a foreign-funded enterprise shall apply for tax reduction or exemption to the Minister of Finance Planning (or the official in charge of the free trade zone management). If a foreign investor intends to declare foreign investment and apply for tax reduction or exemption at the same time, it should submit a foreign investment declaration form and a tax reduction and exemption application form to the foreign exchange bank (the authorized bank) and KOTRA.

The application period for a new investment completes by the end of the tax year in which the business commences. If it is necessary to change the items that have already been entitled to tax reduction or deduction, an application for change should be made within 2 years

---

① Special Act on the Development of Enterprise Cities: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=50173&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=50173&lang=ENG)

after the change has occurred.



### Special Reminder:

**Prior Confirmation of Tax Reductions and Exemptions.** According to Article 121.2.7 of *the Restriction of Special Taxation Act*, a foreign investor can apply to confirm whether it is eligible for tax deduction or exemption before declaring foreign investment for reference. The effect of prior confirmation is limited to confirming whether the enterprise is entitled to tax deduction or exemption. Therefore, it is necessary to apply for tax deduction or exemption after the investment is declared.

**Determining and Notifying Tax Reduction and Exemption.** Regarding whether the application for tax reduction or exemption meets the required standards, the Minister of Finance Planning, the Minister of related ministries and the official local government will decide within 20 days whether to reduce or exempt tax, or whether to change the tax reductions or exemptions, and notify the applicant, the Director General of National Taxation, the Commissioner of the Customs and the official of local government. However, the duration of processing time can be extended up to 20 days if necessary.

**Prior Notice of The Decision on Non-Waived Items.** According to Articles 121.2.8 and 116.3.1- 6 of *the Restriction of Special Taxation Act*, the Minister of Finance Planning will issue a notice of decision within 20 days of the application date if he intends to designate the corresponding item as a non-waived item after receiving the application for tax reduction or exemption. The applicant will, within 20 days of receipt of the notice, attach defense materials and make a written application for reviewing the adequacy of the notice content. The Minister of Finance Planning shall, within 20 days of receiving the request, decide whether to grant reduction or exemption and whether to change the deductions or exemptions, and notify the applicant of the result.

### **Tax Reduction and Exemption Preferences.**

Reduction and Exemption of Purchase Tax and Property Tax. In accordance with Articles 121 and 28 of *the Restriction of Special Taxation Act*, the property purchased and owned by a foreign-funded enterprise for the purpose of operating the declared reductions or exemptions is subject to the deduction and exemption of property tax.

(1) New growth industries and enterprises in foreign investment zones determined by each committee. Starting from the commencement date of a project, the entire tax amount (deductible amount) will be deducted in the following 5 years and 50% of the tax amount will be deducted (from the standard tax) in the following 2 years.

(2) Comprehensive foreign investment zones, free economic zones, Jeju Island Investment Promotion Zone, Enterprise Town Development Zone, Saemangeum Project Area, free trade zones, and other companies and project entities. Starting from the commencement date of a project, the entire tax amount will be deducted in the following 3 years and 50% of the tax amount will be deducted (from the standard tax) in the subsequent 2 years.

(3) When a local government extends the exemption or deduction period to 15 years or increase the exemption rate or deduction rate within the extended period in accordance with Article 4 of *Restriction of Local Special Taxation Act*, the above deduction and exemption provisions specified in *the Restriction of Special Taxation Act* may be ignored.

**Reduction and Exemption of Tariffs on Capital Goods.** In accordance with Article 121.3 of *the Restriction of Special Taxation Act*, the capital goods whose foreign investment is declared are exempted from tariffs, special consumption tax and value-added tax due to the acquisition of newly issued stocks. Among them, capital goods include the capital goods used by foreign-funded enterprises as a means of external payment or domestic payment by foreign investors, and those used as subject matters of capital.

(1) Application. Enterprises that have received the tax reduction or exemption decision and



wish to exempt the imported capital goods from tariffs, special consumption tax and value-added tax shall make an application to the Commissioner of the Customs.

(2) Time limit. If tax reduction or exemption of capital goods is necessary, investment shall be declared in accordance with *the Enforcement Decree of the Foreign Investment Promotion Act* and complete the import declaration stipulated in the *Tariff Law* within 5 years. However, if the import declaration fails to be completed within the above-mentioned time limit due to the delay in the approval of factory establishment or any other unavoidable reason, an extension of 1 year (a total of 6 years) may be granted to the Minister of Finance Planning before the end of the time limit.

(3) Exclusions. There is no exemption to the investments made for acquiring issued stocks or shares of the enterprises operated by Korean nationals or legal persons.

(4) Recovery and exceptions of tax reductions and exemptions. Where an enterprise subject to tax reduction or exemption conforms to the provisions of *the Restriction of Special Taxation Act*, the Commissioner of the Customs (Director of the Taxation Bureau) and the chief of the local self-governing body will recover the reduced or exempted tariff and local taxes. However, where the merger of foreign-funded enterprises leads to dissolution and other matters, no reduced and exempted taxes will be recovered.

In accordance with Articles 121.5.5 and 116.10.2 of the *Restriction of Special Taxation Act*, a foreign-funded enterprise can be exempted from recovery if it encounters either of the following circumstances. Specifically, they include: the dissolution of foreign-funded enterprises due to mergers, resulting in the cancellation of the registration of these enterprises; failure of duty-free capital goods imported and in use in being used for original purposes due to natural disasters and other force majeure events or the factors of depreciation, technological progress and other changes in economic conditions and failure of their use in other purposes or processing with the approval of the Minister of Finance Planning; transfer of stocks to South Korean nationals or

legal persons in order to make foreign-funded enterprises publicly listed in accordance with *the Financial Investment Services and Capital Markets Act (FSCMA)*; payment of the subject matter of capital contribution within the extended performance period approved by the mayor and the governor of the province in accordance with *the Foreign Investment Promotion Act* so as to satisfy related tax reduction and exemption standards; and other conditions that are determined to reach the goals of tax reduction and exemption and are additionally specified.

### **Reduction and Exemption of Taxes for Foreigners**

(1) Reduction and exemption of income tax for foreign technical personnel within 5 years starting from the date when a foreign technician provides labor service for the first time in South Korea till the month in which the fifth full year is reached, the labor income earned by such technician will be subject to the reduction and exemption of 50% income tax. Except for foreign technicians related to materials, accessories and equipment specified in the Presidential Decree, the labor income gained will be exempted from 70% of the income tax from the date of first providing service to the month at 3 years and then 50% of the income tax in the following 2 years.

(2) Special taxation for foreign workers starting from the date of first providing service in South Korea (only limited to those who started work in South Korea before December 31, 2021) till the expiry of the following five-year tax period, the income tax of the labor income earned by a foreign worker (i.e. a foreign executive or employee, excluding daily wage earner) is not applicable to the comprehensive income tax rate earned by the worker; instead, 19% of the income will be regarded as tax amount.

(3) Workers in the regional headquarters in accordance with Article 18.2 of *the Restriction of Special Taxation Act*, for a foreign worker working in the regional headquarters specified in *the Foreign Investment Promotion Act*, the income tax may be equal to 19% of his labor income from the date of labor service provision till the expiry of the following five-year taxable period.

### Tax Deduction Policies.

The activities that tax deduction apply to include investing in specific facilities, investing in facilities for the commercialization of new-growth technologies, residing in local special zones (see 3.3 Special Zone Policies), increasing job opportunities, and starting business in the areas with employment or industrial risks. Investors can visit the website of Invest Korea ([www.investkorea.org](http://www.investkorea.org)) for the latest policies.

**Table 3-1 Tax deduction percentage for investments in specific facilities<sup>①</sup>**

Facility type	Corporation tax deduction percentage
Research and test facilities and vocational training facilities	Small- and medium-sized enterprises: 7%; medium-sized enterprises: 3%; large-sized enterprises: 1%
Energy-saving facilities	
Capacity improvement facilities	Small- and medium-sized enterprises: 10%; medium-sized enterprises: 5%; large-sized enterprises: 2%
Environmental facilities	Small- and medium-sized enterprises: 10%; medium-sized enterprises: 5%; large-sized enterprises: 3%
Labor welfare facilities	
Safety facilities	Small- and medium-sized enterprises: 7%; medium-sized enterprises: 5%; large-sized enterprises: 1%

Before December 31, 2021, for enterprises that invest in new-growth technology commercialization facilities, as separately specified in *the Restriction of Special Taxation Act*<sup>②</sup>, part of their corporation tax can be deducted when they meet specific conditions.

**Deduction Conditions.** Commercial facilities that are new growth drivers and original technologies specified in Schedule 8.8 of *the Enforcement Decree of the Restriction of Special Taxation Act* are invested in; R&D funds account for more than 2% of the sales in the previous year; and the number of full-time employees has not decreased compared with that of previous year.

**Deduction Percentage.** 10% for small-and medium-sized enterprises; 7% for medium-sized enterprises; 5% for large-sized enterprises.

① INVEST KOREA: <https://www.investkorea.org/ik-ch/cntnts/i-567/web.do>

② Restriction of Special Taxation Act: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=43262&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=43262&lang=ENG)

Tax Reduction and Exemption Policies for Enterprises Residing in Local Special Zones. In accordance with relevant provisions of *the Restriction of Special Taxation Act*, enterprises residing in R&D zones, enterprise cities/regional development zones, Jeju Island, Yeosu Marine Expo Special Zone, Asian Cultural Center City Investment and Promotion Zone, Financial Center District, and high-end medical complex can be subject to the reduction and exemption of 100% corporation tax for 3 years and 50% corporation tax for 2 years.

## Cash Subsidies

**Subsidies Targets.** Only limited to the foreign investment made through the acquisition of new shares and whose percentage is 30% or above. Investments in long-term loans are not subject to subsidies.

**Investment Areas.** In accordance with *the Restriction of Special Taxation Act*, *the Industrial Development Act*<sup>①</sup>, *the Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Materials and Components*<sup>②</sup>, *the Enforcement Decree of the Foreign Investment Promotion Act* and other related laws and regulations<sup>③</sup>, the areas of investment subject to cash subsidies include new growth drivers, cutting-edge technologies, materials and accessories, job creation, R&D centers, and regional headquarters.

**Content of Subsidies:** In accordance with Article 20.2 of *the Enforcement Decree of the Foreign Investment Promotion Act*, cash subsidies cover: purchase costs and rent in relation to the land and buildings of factory or research facilities; construction costs for factory or research facilities; purchase costs of capital goods and research apparatus for projects or research of factory or research facilities; installation costs, employment subsidies, as well as education and

---

① the Industrial Development Act: [https://elaw.klri.re.kr/eng\\_mobile/ganadaDetail.do?hseq=46332&type=abc&key=INDUSTRIAL%20DEVELOPMENT%20ACT&param=I](https://elaw.klri.re.kr/eng_mobile/ganadaDetail.do?hseq=46332&type=abc&key=INDUSTRIAL%20DEVELOPMENT%20ACT&param=I)

② Act on Special Measures for the Promotion of Specialized Enterprises, etc. for Materials and Components: [https://elaw.klri.re.kr/eng\\_mobile/viewer.do?hseq=46221&type=part&key=28](https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=46221&type=part&key=28)

③ Enforcement Decree of the Foreign Investment Promotion Act: [https://elaw.klri.re.kr/eng\\_mobile/viewer.do?hseq=44628&type=part&key=19](https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=44628&type=part&key=19)

training subsidies of electricity and communication facilities and other infrastructure needed by new factory or research facilities.

**Application Materials.** A foreign investor who intends to apply for cash subsidies should submit a cash subsidy application form, an investment plan and other documents to the Ministry of Trade, Industry and Energy (MOTIE), as well as written comments on cash subsidies from Invest Korea.

### Awards from R&D Center

**Subsidies Targets.** In accordance with Articles 14.2 and 16.2 of the Act on *the Revitalization of Basic Research and Support of Technical Development*, corporate research institutes or professional research and development departments that satisfy certain conditions are entitled to various support and preferences on R&D activities by applying to and registering with KOTIA.

**Application Means.** Upon establishing a research institute or a professional department, materials should be prepared and submitted to KOITA<sup>①</sup> when specific conditions are met, and the application can only be made online. Research Institute Recognition Group of KOTIA: 02-3460-9141~46,9013~17

**Content of support.** By registering a company-affiliated research institute or a professional R&D department, you can obtain support in terms of taxation, customs, personnel, capital, market, technologies, and other aspects. Investors can query the latest policy information by visiting the website of Invest Korea.<sup>②</sup>

## 3.3 Special Economic Zones

To promote foreign investment, foreign enterprises residing in the foreign investment areas specified in *the Foreign Investment Promotion Act*, free trade areas specified in the *Act on*

① KOTIA: <https://www.koita.or.kr/english/main/main.aspx>

② INVEST KOREA: <https://www.investkorea.org/ik-ch/cntnts/i-575/web.do>

*Designation and Management of Free Trade Zones*<sup>①</sup>, free economic zones specified in the *Special Act on Designation and Management of Free Economic Zones*<sup>②</sup>, etc. can obtain location subsidies.

**Table3-2 Various types of industrial parks in South Korea<sup>③</sup>**

Park type		Park	Introduction and number of parks
Foreign investment areas	Industrial Park	Cheonan, Daebul, Sacheon, Ochang, Gumi, Janganmun 1, Inju, Daecheong-dong, Branch, Janganmun 2, Dalseong, Oseong, Janganmun 5, Woltian, Munmu, Jincheon Sansui, Songshan 2, Foodpolis (Iksan), Chungju, Gumi (accessories), Pohang (accessories), Ikseon (accessories), Changwon (accessories), Mein (accessories), Matsuyama 2-1, Gwangyang Sefeng	Areas designated for the long-term low-profit supply of industrial land for lease. A total of 26.
	Individual Project	Manufacturing (73), logistics (2), tourism (8), R&D (1)	Customized land for large-sized investors. A total of 84.
	Service Cluster	Seoul (2), Daejeon (1)	Areas designated for leasing to foreign-funded companies in the high-value-added service industry. A total of 3.
Exclusive lease area for foreign-funded enterprises in Gyeonggi Province		Hyeongok, Pawl, Chupal, Suffix, Hasan	A total of 4.
Free trade zone	Industrial Park	Ulsan, Donghae, Gunsan, Gimje, Daebul, Lichon, Masan	Resident companies include export-oriented manufacturing enterprises, import and export wholesale enterprises, knowledge industry service providers, manufacturing and knowledge service type foreign-funded enterprises, logistics enterprises engaged in cargo handling/transportation/storage/display, and logistics enterprises providing financial/customs clearance/information processing service for resident enterprises. A total of 13.
	Harbor/airport	Busan Port, Pohang Port, Pyeongtaek Dangjin Port, Gwangyang Port, Incheon Port, Incheon International Airport	
Free economic zone		Busan Jinhae, Gwangyang Bay Area, Incheon, Hwanghae, Daegu Gyeongbuk, East Coast, Chungbuk	Resident enterprises include foreign-funded enterprises, manufacturing, logistics, medical institutions, educational institutions, foreign media, financial institutions, etc. A total of 7.

① Act on Designation and Management of Free Trade Zones: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=42300&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=42300&lang=ENG)

② Special Act on Designation and Management of Free Economic Zones: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=46782&lang=ENG#:~:text=The%20purpose%20of%20this%20Act,management%20of%20free%20economic%20zones.](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=46782&lang=ENG#:~:text=The%20purpose%20of%20this%20Act,management%20of%20free%20economic%20zones.)

③ INVEST KOREA: <https://www.investkorea.org/>

## Subsidy Policy in Areas With Foreign Investment

Table 3-3 Subsidy policy in the areas with foreign investment<sup>①</sup>

Special zone types		Industrial Park	Individual Project
Entry conditions		Foreign investment shareholding percentage: 30% or above; amount of investment: KRW 100 million or above	US\$ 30 million in manufacturing industry, US\$ 20 million in tourism industry, and US\$ 10 million or above in logistics industry, etc.
Tax Reduction and Exemption	Tax reduction and exemption conditions	Manufacturing industry: amount of investment: US\$ 10 million or above Logistics industry: amount of investment: US\$ 5 million	The tax reduction and exemption conditions are the same with the entry conditions.
	Local tax	Exemption may be enjoyed for at most 15 years according to the regulations of local self-governing bodies.	
	Tariff	Tax exemption may be enjoyed for 5 years starting from the date of declaring capital goods import.	
	Value-added tax	No preference.	Tax exemption may be enjoyed for 5 years starting from the date of declaring capital goods import.
Land rent reduction and exemption		An investment of US\$ 1 million or above in new-growth driver industry technologies: 100% exemption in the first 10 years An investment of US\$ 5 million or above in the manufacturing industry: 75% exemption 100% exemption when residing in the special materials and components park) An investment of US\$ 2.5 million in the manufacturing industry with 200 or more full-time employees: 100% exemption An investment of US\$ 2.5 million in the manufacturing industry with 150 or more full-time employees: 90% exemption An investment of US\$ 2.5 million in the manufacturing industry with 70 or more full-time employees: 75% exemption	100% exemption upon release

## Subsidy Policies for Free Economic Zones

According to the information published on the website<sup>②</sup> of Korean Free Economic Zones, the favorable policies for free economic zones include:

Taxation Policy: (1) Zero tariff within 5 years from the date of import declaration of

① INVEST KOREA: <https://www.investkorea.org/>

② Korean Free Economic Zones: <http://www.fe.z.go.kr/global/en/index.do>

imported capital goods. (2) For enterprises that invest US\$10 million or above in manufacturing, US\$10 million or above in tourism, US\$ 1 million or above in logistics, US\$ 5 million or above in medical institutions, and US\$1 million or above in research and development, their purchase tax and property tax are entitled to 100% exemption of up to 15 years.

Fiscal Policy: (1) The lower subsidy limit is 5% of FDI; foreign-funded enterprises with a foreign investment percentage of 30% or above will be provided with factory, research facility construction costs, and employment and training subsidies. (2) Enterprises that invest in roads, railways, airports, harbor facilities, sewers, and waste treatment facilities will receive full support. (3) Subsidies will be provided for the construction preparation costs, initial operating costs, and construction costs of foreign education and research institutions. (4) Renting state-owned or public land for 50 years (the lease is renewable upon 50 years), with the recent being 10 % of the land value.

Other Support: For regular transactions involving the amount of less than US\$ 10,000, direct payment can be made.

### **Subsidy Policy for Free Trade Zones**

The main preferential policies are as follows:

Tax Reduction and Exemption Policy: Companies that invest US\$ 2 million in new growth drivers, US\$ 10 million in manufacturing, and US\$ 5 million in logistics can be exempted from the acquisition tax and the registration tax for up to 15 years.

Tariff Policy: (1) Tariffs are exempted if facility materials, raw materials and construction materials imported from abroad, and other items are imported from the rest of the world to be used and consumed in free trade zones. (2) Domestic goods declared after arriving in free trade zones are also entitled to zero tariff or tax rebate.

Value-Added Tax Exemption Policy: (1) domestic goods declared after arriving in free trade zones; (2) imported goods and labor services supplied to each other between enterprises residing



in free trade zones.

Rent Reduction and Exemption: A foreign-funded enterprise with a foreign investment percentage of 30% or above or a foreigner being the majority shareholder can be entitled to a ten-year rent exemption on factory land and standard factories. Specifically, the New-growth driver industry with a new investment of UD\$ 1 million or above can be subject to exemption of 100% rent; the accessories and materials industry with a new investment of UD\$ 5 million won or above can be subject to exemption of 100% rent; and the manufacturing industry with a new investment of UD\$ 5 million or above can be subject to exemption of 75% rent.



## Industrial Development

### 4.1 Development Planning

The Moon Jae-in government has set 3 major economic policy directions: 1<sup>st</sup>, to develop the job-centered income-driven economy that puts people first; 2<sup>nd</sup>, to develop the innovation-driven economy; 3<sup>rd</sup>, to develop fair economy.

In June 2019, the South Korean government released the Strategic Blueprint for *the Rejuvenation and Development of the Manufacturing Industry*<sup>①</sup> (hereinafter referred to as the “*Blueprint*”). To rejuvenate the manufacturing industry, the South Korean government has decided to focus on the implementation of 4 major strategies: innovating the industrial structure in an intelligent, eco-friendly, and integrated way; replacing traditional industries with innovative ones; restructuring the industrial ecosystem with challenges as the center; and strengthening the role of the government in supporting investment and innovation. The South Korean government aims to increase the share of the added value of manufacturing industry from the current 25% to 30% by 2030. It has proposed to build 2000 AI factories by 2030. It also plans to invest 8.4 trillion won in the research and development of 3 key industries, namely non-storage chips, future mobile transport, and biotechnologies. Also, South Korea is committed to leading the eco-friendly market by producing more environment-friendly products. It plans to support the

---

① Ministry of Trade, Industry and Energy (MOTIE) of South Korea: [https://www.motie.go.kr/common/download.do?fid=bbs&bbs\\_cd\\_n=42&bbs\\_seq\\_n=214&file\\_seq\\_n=1](https://www.motie.go.kr/common/download.do?fid=bbs&bbs_cd_n=42&bbs_seq_n=214&file_seq_n=1)

technical development and infrastructure and demand creation of environment-friendly automobiles and ships, the aviation industry, and the energy industry. For example, in the field of new energy vehicles, the South Korean government plans to invest 38.5 trillion won as R&D funds during the period 2020–2025. It proposes to sell 430,000 electric vehicles by 2022 and 850,000 hydrogen vehicles by 2030.

In July 2020, the Moon Jae-in government launched its economic stimulus plan, or the Korean version of “New Deal”<sup>①</sup>, and announced 10 specific projects. Specifically, there are 3 projects of Digital New Deal (data center, AI government and smart medical infrastructure), 4 digital green industry integration projects (green and smart schools, digital twins, digital SOC, smart and green industrial parks), and 3 projects of Green New Deal (green transformation, green energy, environment-friendly automobiles).

## 4.2 Key Industries

Key industries of South Korea include information and communication technology (ICT), semiconductors, auto parts, shipbuilding, marine engineering, beauty, etc.<sup>②</sup>

### Information Communication Technology (ICT)

ICT is a pillar industry driving the Korean economy. In 2019, ICT accounted for 10.8% of South Korea’s GDP (US\$ 171.1 billion), leading the economic growth of the country. South Korea has taken the lead in the world in commercializing CDMA (1996), LTE-A (2013) and 5G (2019) and ranked among the top in the world in terms of ICT level and penetration rate. Since 2011, South Korea has remained the top in the world in terms of the sales of smart phones manufactured by South Korean enterprises and led the world in technological innovation with the high-end smart phones that adopt new technologies such as 5G and foldable screens.

---

① Ministry of Economy and Finance: <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4940>

② INVEST KOREA: <https://www.investkorea.org/>

The South Korean government attaches great importance to the development of ICT industry. In April 2019, the South Korean government announced the *5G+ strategy* to accelerate the commercialization of 5G and develop 5G related new industries. The specific strategic content includes developing new industries based on the 5G technology through key investment 10 major core industries and 5 major core services based on 5G technology, striving to gain a market share of 15% in the world by 2026, introducing 5G in the fields of government and public fields, and establishing a government-civilian cooperation system. In July 2020, the South Korean Government released the *Korean Version of New Deal*. It planned to concentrate investment in the construction of a D.N.A (data, network, and AI) ecosystem and a national 5G network, promote the AI integration project, etc., and accelerate the integration and utilization of data, 5G and AI technologies in the whole industry chain.

## Semiconductors

South Korea has the world's top-level semiconductor technology strength. To maintain its competitive strength, it has been focusing on continuous research, development, and investment. In 2019, South Korean semiconductors had a share of 18.4% in the global market. Since 2013, the country has ranked 2<sup>nd</sup> in the world in this respect. In the field of memory semiconductors, the country has a share of 58.4%. The share of dynamic random-access memory (DRAM) and computer flash memory devices (NANDs) in the world market is 71.6% and 45.9%. South Korea has total semiconductor sales of US\$ 78.9 billion, of which the memory semiconductor sales were US\$ 65.7 billion, 83.3% of the total semiconductor sales and the semiconductor exports accounted for 17% of total exports, leading the economy and industry of South Korea.

Many multinational enterprises in the field of semiconductor-based materials, parts and equipment have resided in South Korea, including Lam Research in the United States, Global Wafers, a silicon wafer manufacturer based in Taiwan, Henkel in Germany, DuPoint in the USA, ON Semiconductor in the USA, etc.

The South Korean government have issued *the System Semiconductor Development Strategy (April 2019)*, *the AI Semiconductor Industry Development Strategy (October 2020)* and other documents, aiming to build a comprehensive semiconductor powerhouse. The specific goal is to increase the fabless and foundry share in South Korea to 10% and 35% by 2030. To this end, the South Korean government plans to increase its support for the system semiconductor field by establishing a special fund, providing financing and tax incentives, etc. The South Korean government plans to increase the proportion of cash subsidies for foreign investment in core strategic categories to 40% at most. A resident foreign-funded enterprise is entitled to a rental for up to 50 years. It establishes a rapid approval channel for strategic categories, and prioritizes in increasing indirect social capital, such as roads and electricity.

### **Auto Parts**

With an annual output of more than 4 million automobiles, South Korea has a solid foundation in developing the auto parts industry. In 2019, the sales of auto parts industry in South Korea approximately reached US\$ 65.4 billion (76.1 trillion won), representing a year-on-year increase of 6.5%, of which OEM related sales accounted for the largest proportion, 66.5%. According to the rankings of the world's top 100 auto parts manufacturers in 2019 (based on the sales amount), South Korea has 8 parts manufacturers. The total sales of the 8 enterprises were US\$ 57 billion, 6.8% of the total sales of top 100 parts manufacturers. Meanwhile, in 2019, the auto parts of South Korea accounted for 4.2% of total exports, and the trade surplus reached US\$ 17.1 billion. The main exported categories include auto parts, transmissions, other car body and parts, brake devices and accessories, etc. At present, all the advanced auto parts manufacturers in the world regard South Korea as an important axis of the global network and are investing in future markets such as electric vehicles and unmanned vehicles.

The automobile industry of South Korea is distributed throughout the country and is divided into the west coast cluster including the capital region, the southeast cluster with Ulsan as the

center, and Honam clusters such as Gwangju and Gunsan. In the capital region, there are complete vehicle factories of Kia Motors and General Motors of South Korea, as well as research institutes and factories such as Hyundai and Kia Motors Namyang Research Institute, and a test city (K-City) dedicated to autonomous vehicles.

The South Korean government put forward specific development goals in the *Future Development Strategy of Automobile Industry* recently published. It will obtain a share of 10% in the world's environment-friendly vehicle market by 2030 and will be the world's first to achieve commercialization of highly automated driving (L4 level). To commercialize autonomous vehicles, while ensuring technology and building infrastructure, the South Korean government also plans to raise US\$ 51.6 billion (60 trillion won) as investment funds for the private sector by 2030. It will also join hands with Intel, NVIDIA, Baidu and other enterprises for acquiring related start-ups.

## Cosmetics

South Korea has a huge cosmetics market, with a market size of approximately US\$ 12.6 billion in 2019, ranking 8<sup>th</sup> in the world. The global demand for Korean cosmetics is growing rapidly. Since 2018, the exports of Korean cosmetics have exceeded US\$ 6 billion, with an average annual growth exceeding 23.4%, making it the world's fourth largest exporter of cosmetics. Meanwhile, South Korea is also a test platform (Test-Bed) for international brands to develop products. Overseas investors always pay close attention to the Korean cosmetics market. In 2016, Unilever, a global cosmetics company, acquired Carver Korea. And L'Oréal acquired Stylenanda in 2018.

The South Korean government plans to intensively develop the cosmetics industry into a main export industry in the future and has formulated related visions for this purpose. Specifically, by 2022, a total of 308,000 related posts will be created; the cosmetics exports of US\$ 7.9 billion will be realized, making South Korea the world's third largest exporter.

## Shipbuilding and Marine Engineering

At present, South Korea, China and Japan have been rated as 3 major powers in the global shipbuilding industry. Among shipbuilding companies of the 3 countries, the shipbuilding companies in South Korea have shown a strong competitive strength with their orders of high value-added ship (ultra-large tankers, container ships, and LNG ships). In 2019, South Korea's total ship orders reached 9.43 million gross tons (revised), making it rank 1<sup>st</sup> in the global market (37%), followed by China (34%) and Japan (13%).

The LNG shipbuilding technology of South Korean shipbuilding industry has been widely recognized. In 2019, the South Korean shipbuilding industry successfully contracted 80% of the world's LNG ship orders. In June 2020, South Korean companies received orders for more than 100 LNG carriers from Qatar Petroleum, a state-owned oil producer of Qatar, and its development momentum remains improving.

South Korean shipbuilding and marine enterprises are mainly distributed in Busan, Ulsan, Gyeongnam and the capital region. Busan, Kyungnam and Dongnam regions have South Korea's highest level of ship and marine equipment parts manufacturing (over 50%) and marine leisure ship (over 40%) related clusters, forming an active industrial network.

### 4.3 Foreign Investment

Statistical data from the Investment Promotion Department of the Ministry of Trade, Industry and Energy (MOTIE) of South Korea show that, from 2017 to 2020, South Korea's foreign direct investment showed an upward and then a downward trend, reaching a peak in 2018. In 2020, the country's foreign investment declared was US\$ 20.75 billion, a year-on-year decrease of 11.1 %; the amount of foreign investment received was US\$ 11.9 billion, a year-on-year decrease of 17%.<sup>①</sup>

---

① Ministry of Trade, Industry and Energy (MOTIE) of South Korea: [http://motie.go.kr/motie/gov3.0/gov\\_openinfo/sajun/bbs/bbsView.do?bbs\\_seq\\_n=163706&bbs\\_cd\\_n=81](http://motie.go.kr/motie/gov3.0/gov_openinfo/sajun/bbs/bbsView.do?bbs_seq_n=163706&bbs_cd_n=81)

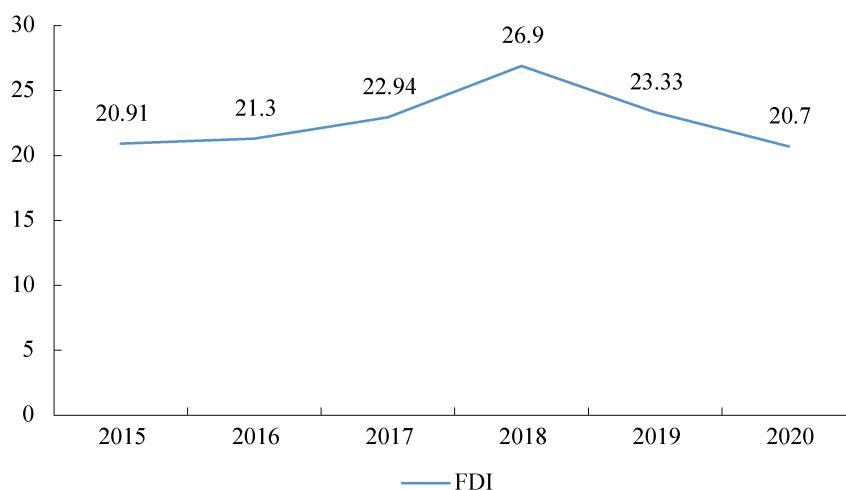


Fig. 4-1 FDI in South Korea, 2015–2020 (Unit: US\$ billion)

### Foreign Capital Source

According to data from MOTIE, the sources of foreign investment in South Korea in 2020 mainly include China, the United States, the European Union and the United Kingdom and Japan. Among them, China declared US\$ 5.46 billion, a year-on-year increase of 26.5%; the United States declared US\$ 5.3 billion, a year-on-year decrease of 22.5%; the European Union and the United Kingdom declared US\$ 4.72 billion, a year-on-year decrease of 33.8%; and Japan declared US\$ 730 million, a year-on-year decrease of 49.1%.

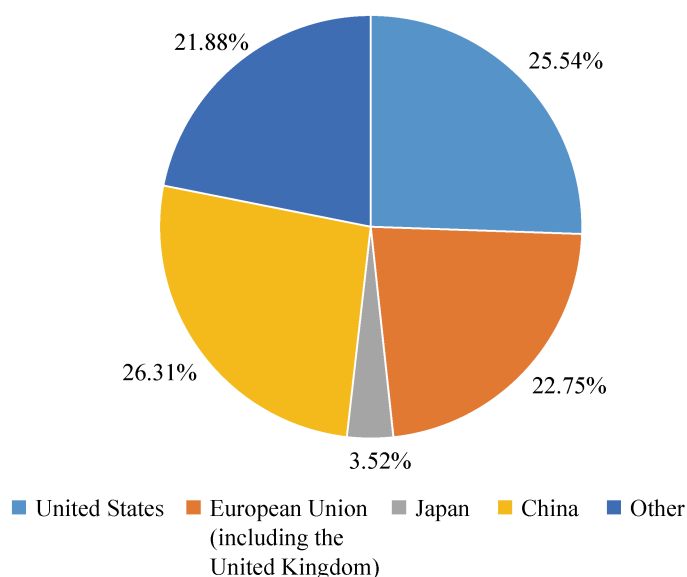


Fig. 4-2 Origin of South Korea's FDI in 2020<sup>①</sup>

① Ministry of Trade, Industry and Energy (MOTIE) of South Korea: <http://motie.go.kr/>



## Industry Distribution of Foreign-Investment

In 2020, the declared foreign investment in South Korea's manufacturing industry was US\$ 5.97 billion, a year-on-year decrease of 27.4%, and the received amount was US\$ 2.1 billion, a year-on-year decrease of 57.4%; the declared foreign investment in the service industry was US\$14.35 billion, a year-on-year decrease of 2.7%, and the received amount was US\$ 86.6, a year-on-year increase of 13%.<sup>①</sup>

---

① Ministry of Trade, Industry and Energy (MOTIE) of South Korea: <http://motie.go.kr/>



## Starting a Business

### 5.1 Registering a Business

#### Competent Authorities

Before investing in South Korea, a foreign-funded enterprise must report to the Korea Trade-Investment Promotion Agency (via the Foreign Investor Support Center in KOTRA headquarters or an overseas investment hub office) or foreign exchange banks in advance. Korea Exchange Bank is a professional foreign exchange bank licensed by the Korean government under the leadership of the Central Bank of South Korea.<sup>①</sup>

#### Entity Types<sup>②</sup>

In accordance with South Korea's *Foreign Investment Promotion Act*, foreign investment means include acquiring new shares (including establishing legal persons) or existing shares or establishing foreign legal person branches or offices in South Korea in accordance with the *Foreign Exchange Transactions Act*. In accordance with the *Korea Business Law*, the forms of establishing legal persons for foreign-funded enterprises include unlimited partnerships, limited partnerships, limited liability companies, limited companies, or stock companies.

---

① INVEST KOREA: <https://www.investkorea.org/>

② INVEST KOREA: <https://www.investkorea.org/>

The types of companies established by foreign investors mainly include limited companies and stock companies.

A company limited by shares is suitable for large companies and is easy to bring many shareholders together. The minimum registered capital is 100 million won or above. The par value of each share is 100 won or above. Corporate bonds can be transferred, issued and such company can be listed on the exchange. The company shall have a board system and the number of directors shall be 3 or above (If the registered capital is less than 1 billion won, 1 person or more). Supervisors are required in the company.

A limited company is suitable for small- and medium-sized enterprises. The minimum registered capital requirements and par value per share are the same as those of a company limited by shares. Bond issuance and listing on the exchange are not allowed. There is no board system, and the number of directors needs to be 1 or more. And there is no need to establish supervisors.

## Registration Procedure

It is stipulated in the *Foreign Investment Promotion Act* that the process of establishing a foreign-funded enterprise involves the following 7 aspects. It takes about 2 weeks for the establishment. A residence visa can be applied for upon the registration of a foreign-funded enterprise.

(1) Foreign investment declaration: to the Korea Trade-Investment Promotion Agency.

(2) Remittance of investment funds (through a foreign exchange bank, carrying cash into the Customs): The funds are remitted into the temporary account of the Korean Exchange Bank by wire transfer, or the foreign currency is directly brought into the country. For the latter, the foreign investor must declare the foreign currency held by the *Customs and obtain the Certificate of Completion of Declaration*. In principle, the funds must undergo the stock payment formalities and the payment voucher must be submitted to the court. If the investment amount is less than 1

billion won, the investor can open a bank account in his/her name and submit a balance certificate to the court. Investors can freely withdraw funds for business purposes starting from the next day. It takes about 2-3 days to complete the formalities.

(3) Registration of the legal person (with the court registry): The court registry will process a company's registration application within 2 to 3 days of receipt of the application. A catalog of the required documents is available from the online registry of the Supreme Court.<sup>①</sup>

(4) License approval (court registry): The business to be carried out must obtain the approval of the relevant departments if necessary. Relevant approval agencies include district governments, health centers, food, and drug safety departments, etc. The processing time varies depending on the type of approval.

(5) Legal person establishment declaration and business license application (tax bureau): The legal person establishment declaration and business license application can be made to all tax bureaus across the country, and the processing time is 3 days.

(6) Opening a legal person account (at a foreign exchange bank): A legal person account can be opened at a foreign exchange bank. It should be noted that you cannot open an account with any other bank within 20 working days after opening a legal person account with a foreign exchange bank.

(7) Foreign-funded enterprise registration (initial reporting agency): After the establishment of a legal person, an application must be made to the initial declaration agency (KOTRA or a foreign exchange bank) to register a foreign-funded enterprise. After paying the subject matter of the capital contribution, the registration of the foreign-funded enterprise must be finished within 60 days.<sup>②</sup>

---

① Supreme Court of South Korea: <http://www.iros.go.kr/PMMainJ.jsp>

② INVEST KOREA: <https://www.investkorea.org/>

## 5.2 Project Contracting

### Acquiring Information

Contractors can obtain information on bidding issued by the South Korean government and enterprise bidding information online or through local media.

### Bidding

It is specified by the South Korean government that all contracted projects must be publicly bid for, and contractors must submit bids in accordance with the bidding requirements. In the construction of power generation equipment and other projects led by the South Korean government, the government will restrict companies from the countries that have not yet joined the Government Procurement Agreement (GPA) from participating in the bidding.<sup>①</sup>

### Licensing Procedures

Contractors must first register with the South Korean taxation department and the Ministry of Land, Infrastructure and Transport, and have their enterprise qualifications determined (South Korea divides the qualifications of engineering contracting enterprises into 1 to 6 grades). The construction projects that contractors with different qualifications can contract vary in size.<sup>②</sup>

### Government Procurement Mechanism

To regulate government procurement administration and promote the actual effect of government procurement, South Korea has explored several effective operating mechanisms in its long-term government procurement practice. Among them, the representative ones include detection and prevention mechanism for together-conspired bidding, the convenience mechanism

---

① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

② Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

for encouraging small-, medium- and micro-sized enterprises to participate in bidding, the guaranteed mechanism for promoting green procurement, and the application mechanism for innovative electronic procurement.

### 5.3 House Leasing

South Korean office buildings are divided into dedicated office buildings and commercial and residential combined buildings. Dedicated office buildings are in centralized office areas, and some large office buildings are managed by professional authorized asset management companies. Commercial and residential combined buildings are divided into residential and office buildings according to their purpose, which are generally single-family buildings. These buildings mainly used for office during the day and part of them can be used for boarding and lodging at night. The area is mostly below 100 m<sup>2</sup>. Rent is mostly charged monthly and the deposit is generally equivalent to 12-month rent.

**Table 5-1 South Korean Real Estate Agency Rate Schedule**

House's type	Transaction amount	Upper limit of rate	Limit
Residential buildings	Less than 50 million won	5%	200,000 won
	50 million won to 100 million won	4%	300,000 won
	100 million won to 300 million won	3%	N/A
	300 million won to 600 million won	4%	N/A
	600 million won or above	8%	
Commercial and residential combined apartments	4%		
Land and stores other than residential buildings	Within 9%		

Foreign-funded enterprises can consult about housing lease related matters via following real estate agencies.

**Table 5-2 Some of the intermediary platforms for renting houses in South Korea**

Real estate agencies	Contact info
CBRE	Tel: +82221705800 Website: www.cbrekorea.com Add: 19 <sup>th</sup> Floor, Standard Chartered Bank Building 47 Jong-ro, Jongno-gu Seoul, Korea 03160
Cushmanwakefield	Tel: +8223188322 Website: www.cushmanwakefield.com Add: 6F Seoul Finance Center 136, Sejong-daero, Jung-gu Seoul, 100-768 South Korea
Savills	Tel: +82221244200 Website: en.savills.co.kr Add: 13/F Seoul Finance Center, 136 Sejong-daero, Jung-gu 04520

## 5.4 Opening a Bank Account

### Company Account<sup>①</sup>

A company's bank account must be applied for after the company is established. A foreign enterprise can go through the account opening formalities after obtaining a business license in South Korea without subject to other approval procedures.

The following materials are required to apply for a Korean bank account: passport, foreigner registration card, visa, etc. South Korean banks can provide a variety of accounts, and customers can choose suitable accounts among them according to their needs. Most accounts have no requirements for balance and no-account custody fee is charged.

### Personal Account<sup>②</sup>

In South Korea, you can open a personal account in most banks, and can get the bank's passbook and bank card after opening the account. The issuing time of check cards with credit card functions varies at different banks.

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-South Korea (2019).

② CCPIT, Guide on the Business Environment of Foreign Countries for Investors-South Korea (2019).

## 5.5 Employee Recruitment

South Korean employees are roughly recruited through 3 channels: traditional online recruitment, graduate recruitment, and headhunting recruitment.

**Table 5-3 South Korean's Employee Recruitment Channels**

Channel	Company/university	Website	Remarks
Traditional online recruitment	ROBERT WALTERS	www.robertwalters.co.kr/	Low cost and large coverage, but difficult in controlling the quality of applicants
	JAC Recruitment	www.jac-recruitment.kr/	
Graduate recruitment	Seoul National University	en.snu.ac.kr/index.html	Targeted recruitment information can be released through the universities' official channels
	Korea University	www.korea.edu/	
	Yonsei University	www.yonsei.ac.kr/	
Headhunting	ACE Recruiting	www.acecareer.co.kr/	-
	Amrop Korea	www.amrop.com/office/seoul	

## 5.6 Financing

### Bank Loans<sup>①</sup>

In South Korea, bank loans are the main channel for corporate financing. South Korean commercial banks and foreign banks based in Korea can provide financing services. South Korean commercial banks conduct strict risk control management. Enterprises with low credit ratings are required to provide corresponding fixed asset guarantees or letters of guarantee when applying for loans and the loan interest for them is relatively high. Enterprises with low credit ratings can apply for loans from the Korea Credit Guarantee Fund or increase credit through Korea Trade Insurance Corporation.

According to the data from the central bank of Korea, as of December 2020, the annualized loan interest rate was 2.8%.

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-South Korea (2019).



## Bond Issuance

Kimchi bonds are bonds issued in South Korea to purchase foreign currencies such as US dollars. The issuer can be a South Korean company or a foreign-funded company. The kimchi bonds are priced at 10 million US dollars and the advantage lies in that it can easily raise US dollars in South Korea.

Arirang bonds are bonds issued in South Korea to raise KRW . They are priced at KRW 10 billion.

## Listing on the Exchange

The rapid development of South Korea's capital market has benefited from the active support from the government. Foreign companies can choose to raise equity on the Korea Exchange (KRX). Headquartered in Busan, KRX is a comprehensive platform for financial transactions in Korean securities, futures, and options. Among them, the stock markets mainly include the South Korean main board markets KOSPI market, KOSDAQ market, and the SME board market KONEX.

**Table 5-4 Requirements for the size of listed companies on the KOSPI market**

Item	Domestic legal person	Foreign company
Equity capital	KRW 30 billion or above	
Total listed shares	1 million shares or above	Public offering of 1 million shares or more in South Korea
Sales finance	More than KRW 100 billion in the most recent fiscal year, and an average of more than KRW 70 billion in the most recent 3 financial years	



### Special Reminder:

Please refer to the website of the Korea Exchange ([global.krx.co.kr](http://global.krx.co.kr)) for qualification review and application materials required for listing on the KRX.<sup>①</sup>

<sup>①</sup> Korea Exchange (KRX): <http://global.krx.co.kr/contents/GLB/03/0307/0307020000/GLB0307020000.jsp#5ef8ab9a99b900904e24cb23fa926834=4>

## 5.7 Applying for Patents and Registering Trademarks

In South Korea, trademark/patent applicants should register and apply through the Korean Intellectual Property Office (KIPO).

### Patent Application Process

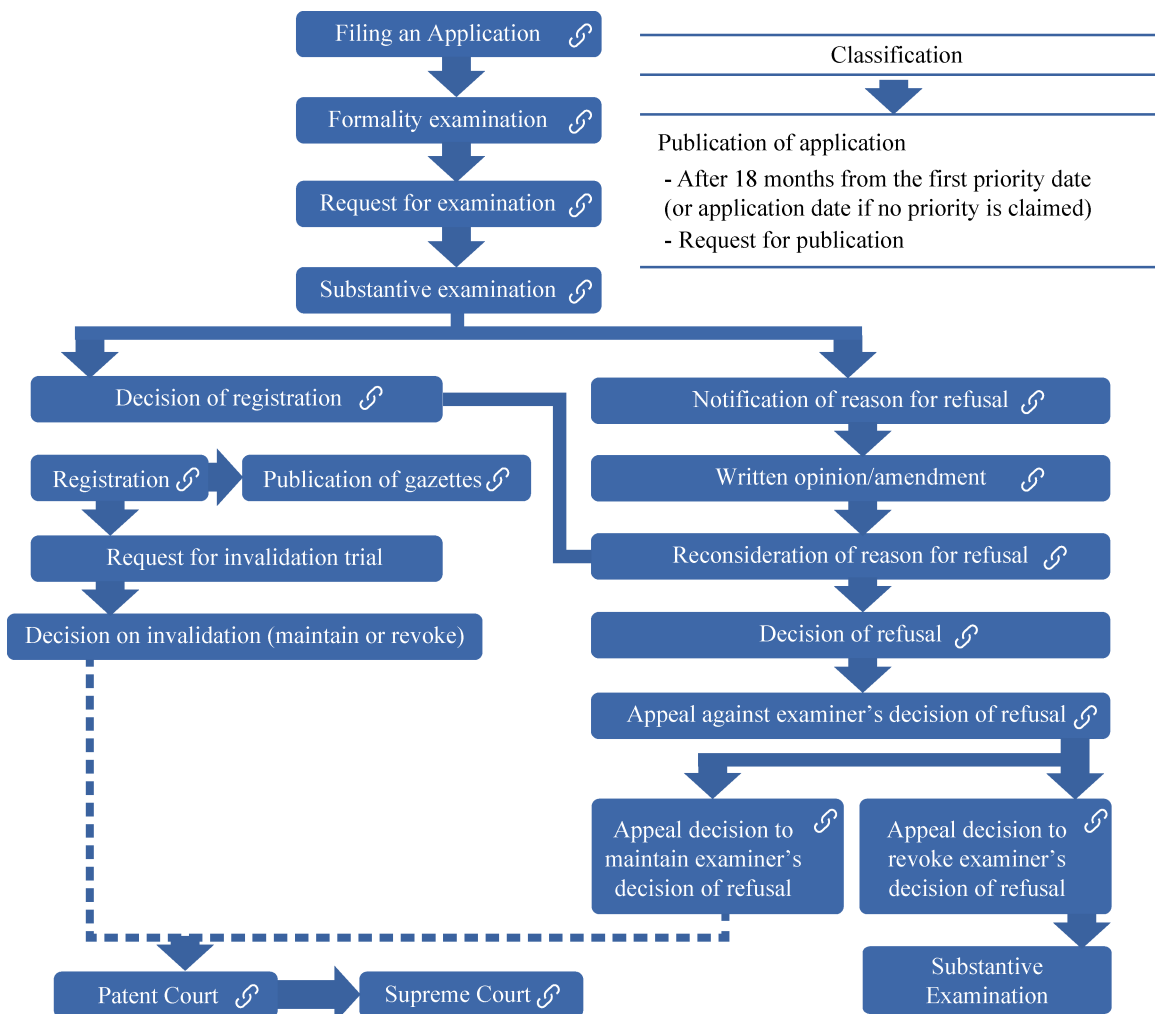


Fig. 5-1 Patent application procedures<sup>①</sup>

① Korean Intellectual Property Office (KIPO): <https://www.kipo.go.kr/en/MainApp?c=1000>

## Trademark Registration Process

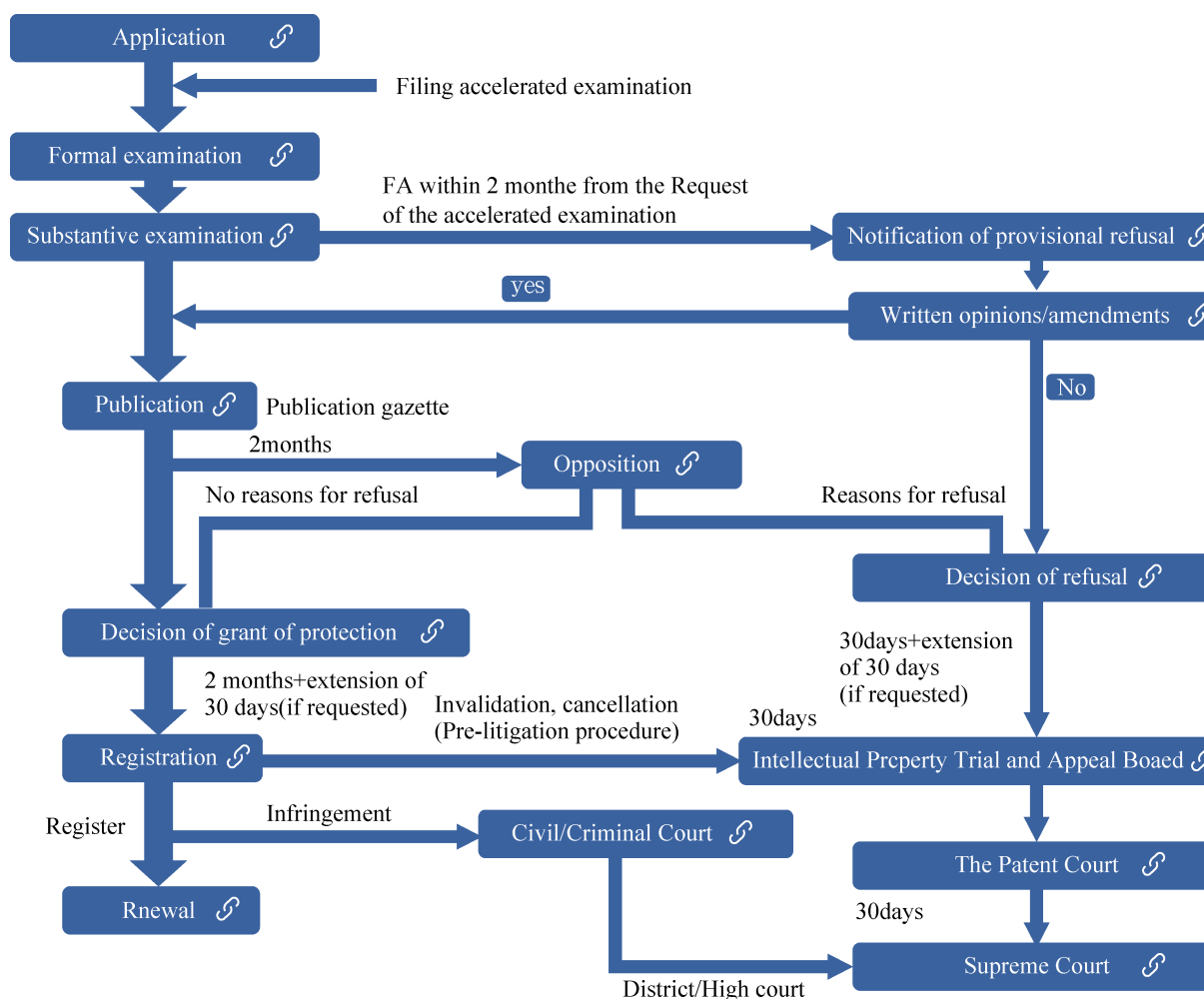


Fig. 5-2 Trademark registration procedures<sup>①</sup>

## 5.8 Tax Payment

### Tax Declaration

In South Korea, the filing time for different taxes is different.

Table 5-5 Tax declaration time in South Korea<sup>②</sup>

National tax	Corporation tax	Within 3 months from the end of the month in which each business year ends.
	Value-added tax	The VAT collection period is divided into 2 phases, with the first phase from January 1 to June 30, and the second phase from July 1 to December 31. However, there is a scheduled filing period, so enterprises are obliged to declare taxes every quarter.

① Korean Intellectual Property Office (KIPO): <https://www.kipo.go.kr/en/MainApp?c=1000>

② INVEST KOREA: <https://www.investkorea.org/>

Continued

National tax	Labor income tax	To be declared before the 10 <sup>th</sup> day of the month following the month of salary payment.
	Capital gains tax	To be declared within 2 months from the end of the half year of the transfer date.
	Securities transaction tax	To be declared within 2 months from the end of the quarter to which the transfer date belongs, but within 2 months from the end of the half year of the transfer date for non-listed stocks.
Local tax	Purchase tax	Within 60 days from the date of acquisition.
	Registration license tax	January 16 to 31 each year (only for licensed registration tax); registration license tax (for registered part): until registration; registration license tax (license part): until the receipt of license.
	Property tax	July (the 16 <sup>th</sup> day to 31 <sup>th</sup> day): Paying half of the residential property tax, and the full construction property tax; September (the 16 <sup>th</sup> day to 30 <sup>th</sup> day): Paying half of the residential property tax and the full land property tax.
	Vehicle tax	Periodic part: Phase 1 (June 16 to 30) / Phase 2 (December 16 to 31); temporary part: charges will be collected daily when second-hand vehicle tax is filed.

## Tax Declaration Channels

Most of the national taxes are declared by enterprises on their own. An enterprise can fill the tax declaration form in the prescribed format, declare and pay taxes by itself. The materials required for the declaration of the corporation tax include: the balance sheet, income statement, surplus distribution statement and other necessary materials should be attached to the tax return; the calculation method of corporation tax and its attachments shall be submitted according to the Presidential Decree. If the necessary materials are not attached to the declaration form, it is deemed that no materials are submitted.

Most local taxes are paid upon notification. Generally, cities, counties, and departments negotiate with enterprises in advance and issue tax payment notices to them on a regular basis, and the enterprises can pay taxes accordingly.

## Paying Taxes

(1) Upon completing the tax return, an enterprise is required to pay taxes before the deadline of the filing period. The tax amount is calculated for the business year and the following items

shall be deducted: total tax deductions and exemptions; mid-term prepayment of taxes; non-scheduled assessment of supplementary tax payment; tax withholding at the source.

(2) If the tax payable calculated by the enterprise exceeds KRW 10 million, part of the tax payable can be paid in installments within 1 month of the last day of the payment period (for small- and medium-sized enterprises, within 2 months).



## Legal Provisions

### 6.1 Land

#### Competent Authorities and Relevant Laws<sup>①</sup>

The Ministry of Land, Infrastructure and Transport of South Korea is the main department responsible for land management.

South Korea is a typical private land ownership country, but the government exercises strong management of land through legal, administrative, economic, and other means. The land legal system of South Korea consists of the land use plan management system, the land transaction control system, the land requisition management system, and the land development management system, etc. Among them, the land use plan management system mainly includes *the Land Planning and Utilization Management Act*, *the Comprehensive Land Construction Planning Act*, etc.

#### Land Classification

In accordance with the Land Planning and Utilization Management Act, the land in South Korea is divided into 4 major areas, namely urban areas, managed areas (areas managed by reference to urban areas, rural areas, or nature reserves), agricultural and forestry areas, and

---

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

natural environment protection areas, and restrictions on land use are imposed based on the above classification to satisfy the purposes designated for their respective areas of uses.

According to the status quo of land use in the country, *the Land Planning and Utilization Management Act* also divides the country's land into developed areas, areas that need to be developed, areas to be reserved for undeveloped areas, and areas to be protected. Landowners shall use their lands according to the designated purposes of the year.

Additionally, in accordance with the provisions of the *Urban Planning Act*, urban areas can be divided into 4 major functional areas, including residential areas, commercial areas, industrial areas, and green spaces, and restrictions on land use are imposed based on the above classification.

### Provisions on Acquisition of Land by Foreign-funded Enterprises

In principle, foreigners can freely acquire land in South Korea by signing land purchase contract and making relative declaration, except for land in military facility protection areas, cultural heritage protection areas, ecosystem protection areas, and some island areas required for military purposes.



#### Special Reminder:

According to the principle of reciprocity, for countries that prohibit or restrict the acquisition of land by South Korean nationals or legal persons, South Korea has the right to prohibit or restrict the acquisition of its land by nationals or legal persons of these countries.

## 6.2 Tax

### Competent Authorities and Relevant Laws

National Tax Service of South Korea (NTS) is the competent authority in charge of taxation in South Korea. The main laws and regulations include *the Corporate Tax Act* and *the*

*Income Tax Act.*

## Tax System<sup>①</sup>

South Korea has a relatively complete tax system that features high transparency and strict law enforcement. The taxes in South Korea are mainly divided into 2 categories: national taxes (14 types) and local taxes (11 types). The main taxes related to foreign investment include national corporation tax, value-added tax, labor income tax, capital gains tax, securities transaction tax, tariff, acquisition tax of local taxation, registration and license tax, property tax, automobile tax, local income tax, local education tax, etc.

Corporation tax. Taxes levied on the income of legal persons. Those paying taxes include for-profit legal persons, non-profit legal persons, corporate legal persons, and consortium legal persons. Taxable income is the income of each business year, liquidation income, land transfer income and others. The income of each business year is calculated by adding or subtracting the profit and loss stipulated in *the Corporation Tax Law* to or from the current net income of the legal person.

**Table 6-1 Corporate tax rate**

Taxation Standard	Tax rate
Less than KRW 200 million	10% of the taxation standard
More than KRW 200 million and less than KRW 20 billion	KRW 20 million + (amount over KRW 200 million × 20%)
More than KRW 20 billion and less than KRW 300 billion	KRW 3.98 billion + (amount over KRW 20 billion × 22%)
More than KRW 300 billion	KRW 65.58 billion + (amount over KRW 300 billion × 25%)

Value-added tax. Refer to the declaration and payment of taxes on the added value incurred in the provision of goods or services and in the importation of goods. The VAT rate is 10%.

Labor income tax. Refer to the act of providing labor and obtain income tax. Labor income is the object of taxation. Its name and form are not restricted. Besides money, goods, and stocks, etc. are also included.

① INVEST KOREA: <https://www.investkorea.org/>



Taxpayers shall, after calculating the remuneration (wages and bonuses) from the simple tax table, declare and pay the corresponding tax. The individual income tax shall be withheld and paid by the company bearing the withholding obligation every month. In February of the next year, the year-end final calculation will be conducted to determine the labor income tax payable by the laborer in the previous year and the withholding tax shall be calculated.

**Table 6-2 Labor income tax rates**

Taxation Standard	Tax rate
Less than KRW 12 million	6% of the taxation standard
More than KRW 12 million and less than KRW 46 million	KRW 720,000 + (15% of the amount over KRW 12 million)
More than KRW 46 million and less than KRW 88 million	KRW 5.82 million + (24% of the amount over KRW 46 million)
More than KRW 88 million and less than KRW 150 million	KRW 15.9 million + (35% of the amount over KRW 88 million)
More than KRW 150 million and less than KRW 300 million	KRW 37.6 million + (38% of the amount exceeding KRW 150 million)
More than KRW 300 million and less than KRW 500 million	KRW 94.6 million + (40% of the amount exceeding KRW 300 million)
More than 500 million won	KRW 174.6 million + (42% of the amount exceeding KRW 500 million)

Capital gains tax. Taxes levied on the paid transfer of assets by means of sale, exchange, or contribution in kind to a legal person.

The tax rate for major shareholders on the sale of shares in companies other than small and medium-sized enterprises held for less than a year is 30%. In other cases, the tax rate for a tax base less than KRW 300 million will be 20%, while the tax rate for a tax base greater than KRW 300 million will be KRW 60 million plus 25% of the amount over KRW 300 million.

Shares transferred by a person other than the major shareholder. The transfer tax rate of small and medium enterprises is 10%, otherwise at 20%.

Securities transaction tax. The tax rate is 0.45%.



## Investment Practice:

### **South Korea passed an amendment to the *VAT Act*, aiming to increase VAT on cross-border IT companies to prevent tax evasion<sup>①</sup>**

Considering the frequent allegations of tax evasion by Google, Facebook, and other multinational technology companies in recent years, in October 2018, the South Korean government said it would consider launching an investigation on some multinational technology companies suspected of tax evasion. According to Lee Tae-hee, a business management professor at Kookmin University, Google had revenue of nearly KRW 4.9 trillion (about 27.9 billion yuan) in South Korea in 2017. It is reported that technology companies such as Google, despite making huge profits every year in South Korea, have not paid full tax to the local government. In the same year, some South Korean lawmakers expressed explicitly that the government should introduce measures to properly deal with the tax evasion of multinational corporations.

In December 2018, the National Assembly of South Korea promulgated and passed an amendment to the *VAT Act*, which announced to impose VAT on global IT giants such as Google, Facebook, and Amazon Web Services (AWS) July 2019. Specifically, the amendment regulated a 10% value-added tax on consumer (B2C) digital services (such as online advertising, cloud computing and online services) provided by foreign companies.

**Comment:** in recent years, tax evasion by local enterprises and individuals in South Korea has occurred from time to time. Therefore, the government has accumulated a lot of experience in dealing in this regard. At the same time, the South Korean government is also actively perfecting tax laws and policies. Enterprises investing in South Korea should fully abide by corresponding local tax laws and shall not take risks in violations. Once discovered, the violator will be punished with a huge fine, which will seriously damage the company's credit, affecting the long-term development of the company in the territory.

---

① Guang Ming online (GMW), Sina science and technology webpage news.

## 6.3 Employment

### Competent Authorities and Relevant Laws

The competent authorities for labor employment and rights protection in South Korea is the Ministry of Employment and Labor. The South Korean Labor Law can be roughly divided into 4 categories: “Individual Labor Relations Law”, “Group Labor Relations Law”, “Cooperative Labor Relations Law” and “Law directly related to employment”.<sup>①</sup>

**Table 6-3 Korean labor legal system**

Classification	Laws	Number of workers	Remarks	
Individual Labor Relations Act	<i>Labor Standards Act</i>	More than 5 people	<ul style="list-style-type: none"> <li>Part of the provisions applicable to enterprises with less than 4 employees</li> <li>Enterprises with more than 10 employees assume the obligations to formulate employment rules</li> </ul>	
	<i>Minimum Wage Act</i>	All of the enterprise		
	<i>Industrial Safety and Health Act</i>	Arrange the person in charge of safety and health management.	More than 100 people	Some industries with more than 50 employees
		Arrange security manager	More than 50 people	–
		Arrange healthcare manager	More than 50 people	–
		Set up a Safety and Healthcare Committee	More than 100 people	Some industries with more than 50 employees and less than 100 employees
	<i>Work Accident Compensation Insurance Act</i>	All of the enterprise	Some industries such as agriculture, forestry and fishery with less than 5 employees are excluded.	
<i>Act on Equal Employment of Men and Women</i>	All of the enterprise	Some provisions are not applicable to enterprises with less than 5 employees.		
Collective Labor Relations Act	<i>Trade Union and Labor Relations Coordination Act</i>	All of the enterprise	–	
Cooperative Labor Relations Act	<i>Law on Enhancing Workers' Participation and Cooperation</i>	More than 30 people	<ul style="list-style-type: none"> <li>All business, whether they set up trade union or not, are required to have labor-capital agreement councils</li> <li>Enterprises with more than 30 employees should set up a complaint handling committee</li> </ul>	

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

Continued

Classification	Laws	Number of workers	Remarks
Laws related to employment	<i>Employment Insurance Act</i>	All the enterprise	<ul style="list-style-type: none"> <li>Some industries such as agriculture, forestry and fishery with less than 5 employees are excluded.</li> </ul>
	<i>Act on Employment Promotion and Vocational Rehabilitation for Disabilities</i>	More than 50 people	<ul style="list-style-type: none"> <li>5% of the disabled workforce shall be employed.</li> <li>Contributions on non-performance shall be paid and incentives on over hire can be granted.</li> </ul>
	<i>Law on the Prohibition of Age Discrimination in Employment and the Promotion of Employment of Older Persons</i>	More than 300 people	<ul style="list-style-type: none"> <li>Must hire certain percentage of senior employees.(2% in manufacturing, 6 %in transport/real estate and leasing industry, 3% in other industries)</li> </ul>

## Main Clauses

**Labor Contract.** The labor contract shall specify such contents as wages, working hours, holidays, annual leave, workplace, business, vacation, and severance pay. The official website of the Ministry of Employment and Labor ([www.moel.go.kr](http://www.moel.go.kr)) <sup>①</sup> provides a standard labor contract.

**Working Hours.** *The Labor Standards Law* divides working hours into 8 hours a day and 40 hours a week and stipulates that employer shall not require workers to work beyond the hours specified by law.

**Medicare and Social Security.** South Korea mainly has 4 kinds of insurance, namely employment insurance (similar unemployment insurance), industrial injury insurance, national annuity, and health insurance.

**Table 6-4 Medical and Social Insurance Rates**

Part	Employment insurance	Industrial injury insurance	National annuity	Health insurance
Employee	0.8% of total remuneration	N/A	4.5% of the monthly salary	3.335% of the monthly salary
Employer	0.8% of total remuneration	It varies from industry to industry	4.5% of the monthly salary	3.335% of the monthly salary

① Ministry of Employment and Labor of South Korea: <https://www.moel.go.kr>

**Special Reminder:**

According to the Constitution of the South Korea, workers enjoy 3 labor rights, namely the right of solidarity, the right of group bargaining and the right of group action. On issues such as wages, working hours, working environment and conditions of employment, the trade unions have a powerful voice and can seek solutions through strikes, rallies and negotiations with employers after listening to workers' opinions. In South Korea, there are 2 national trade unions: General Confederation of Labor Unions of Korea (KLAU) and the National Democratic Federation of Labor Unions (DLAU). The others are industrial trade unions and enterprise trade unions. The trade unions play a major role in labor relation negotiations, and it is vital for a company's management to maintain in good relationship and keep an open communication channel with the unions.

The trade unions of South Korea are featured by their fighting spirit and confrontation. They organize "spring fight" and "autumn fight" every year, which are strikes and rallies on regular bases, demanding raise in salary and more welfares while showcasing the unions' power. According to relative laws of South Korea, employees must be paid on time even during a strike.

Therefore, investors must understand relevant laws to conduct the investment and cooperation, such as rights of the unions, workers' wages, welfare and so on. In the meantime, investors are advised to learn some of the common practice from local companies on how to tackle the above-mentioned challenges and to keep dialogs with the trade unions. Balancing between the business and the trade unions within the legal frame is crucial to the smooth and sound development in South Korea.



## Investment Practice:

### **Multiple strikes cause General Motors serious losses**

The trade union of General Motors Korea (GM Korea) organized several strikes in recent years over wage grievances.

In June 2013, GM Korea trade union started a 13-day partial strike over employee wages, resulting in a production decrease of 48,000 vehicles and a cumulative loss of up to US\$ 92 million. According to company sources, labor cost per vehicle produced at GM Korea was US \$1,133 in 2013, compared with a global average of US\$677 for the same vehicle.

In September 2019, the union demanded a 5.7% increase in basic pay and annual bonuses totaling KRW 16.7 million, as a part of the wage negotiations for the year. After being rejected by the company, the trade union launched another 3-day overall strike, the first of such scale in the history of the company. Participants involved in strike not only include more than 8,000 members of union, but also more than 2,000 technical research and development workers, with the total number of strikers reaching more than 10,000. In fact, in 2018, GM Korea and its union reached an agreement between the employees and the management, which agreed that future wage increase would depend on the company's profitability. However, the company has been experiencing deficit for 5 consecutive years since 2014, with a net loss of KRW 4.4 trillion), leading to the dilemma of raising employees' wages. It is reported that the 3-day all-out strike in September 2019 caused GM Korea's car production decreased by about 10,000 units.

On October 30, 2020, GM Korea workers launched a twice-daily four-hour strike to demand an end to a wage freeze imposed after the 2018 bankruptcy agreement, resulting in an output reduction of more than 17,000 vehicles, according to Steve Kiefer, president of

GM's international operations. Besides, GM Korea suffered an output loss of 60,000 vehicles because of the outbreak of COVID-19. In November, the company gave its strongest warning that continuous unrest could drive it out of South Korea.<sup>①</sup>

**Comment:** Trade unions in South Korea are social organizations instead of administrative departments, which are established to cope with the urgent need to promote the rapid development of local enterprises, mobilize the enthusiasm of enterprise employees, and balance the gap in social development, etc. After years of operation and adjustment, trade unions can play a very important role in fighting for wages and welfare for workers and have a very powerful force. What is more, it can even have an impact on the formulation of government macro policies. In the 1980s and 1990s, South Korean society developed a culture that supported union strike movement. In recent years, labor unions have made South Korea one of the countries with the highest labor lost in the world. Therefore, investors who intend to do business in South Korea should first have a certain understanding of the South Korean labor union system and reach an agreement on labor issues with the union in advance while protecting the legitimate rights and interests of workers. At the same time, in the process of operation, the enterprise should also properly maintain a good relationship with the trade union, in order to reduce the impact of the trade union strike on the enterprise.<sup>②</sup>

## Hiring Foreign Employees

South Korea allows foreign labor to work and stipulates that the introduction of foreign labor under the employment permit system must meet the following conditions.

- (1) Aged 18-39 years old (including 39);
- (2) No prison or criminal record;

---

① CCTV finance and economics, Netease news, Sina news webpage news.

② Hou Jun, China Economic Weekly, 38 (2013).

- (3) No record of deportation or force departure;
- (4) No restriction on departure from the country of origin;
- (5) Pass the Korean language proficiency test;
- (6) Pass the physical examination regulated by the Ministry of Labor;
- (7) Obtain a passport and provide a copy;
- (8) Fill in a job application form.

In addition, the South Korea allows a small number of special personnel to work within the territory with the special approval of the Minister of Justice.

## 6.4 Protection of Intellectual Property Rights

### Competent Authorities and Relevant Laws

The South Korean Licensing Office (Patent Office), also known as the Korea Intellectual Property Office, is the main administrative department of intellectual property in the country. The main laws include *Patent Law*, *Trademark Law*, *Practical New Cases Law*, *Protection Law on Appearance Designs*, *Semiconductor Circuit Layout Design Law*, and *Law on the Prevention of Unfair Competition and Protection of Trade Secrets*. At the same time, *Commercial law*, *Foreign Trade Law*, *Trademark Law*, *Law on the Prevention of Unfair Competition and Protection of Trade Secrets*, *Law on Internet Address Resource*, *Law on Internet Digital Content Industry Development*, *The Basic Industries Law* (literal translation for “Root” Law), and *The Seed Industry Law* (to protect the rights of plant variety) are the legal basis to prevent counterfeit goods circulation, protect commercial secret and other new types of intellectual property. Relevant information can be checked on the website of the Intellectual Property Office ([www.kipo.go.kr](http://www.kipo.go.kr)).

South Korea attaches great importance to international cooperation in the field of intellectual property rights. In addition to the above-mentioned domestic laws, South Korea has also joined more than 10 international treaties concerning intellectual property such as *the*



*Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization* and *the Convention on International Patent Cooperation*. In the era of the intensive signing of free trade agreements.<sup>①</sup>

## Applying for Patents and Registering Trademarks

Application for Patent. The main legal basis is *the Patent Law*<sup>②</sup>, and the valid period of the patent right is 20 years from the date of registration. The main principles and systems of patent application shall include the principle of application in advance, the priority examination system, the treaty priority application system, the examination request system, the open application system, the patent registration announcement system, the objection application system, and the mistrial system, etc.

To obtain patents in South Korea, the patent application and examination request shall be submitted by the applicant. If the examination request is not submitted within 5 years after the patent application, the patent application shall be regarded as invalid. In addition, to prevent a delay in examination, the applicant may apply to the Patent Office for the disclosure of the technical contents to the public in the form of a gazette, in 18 months after filing the patent application. The average patent examination period in South Korea is relatively short and the efficiency of substantive examination is high. For example, it only takes 10 months from the application date to the first substantive examination (according to the practice in 2015) and 16.1 months to the conclusion of the patent case (according to the practice in 2015).

South Korea regulates that patent applications can be filed in English. There is no restriction on the language of international patent applications (The common language for international applications shall prevail). South Korea also implements the Patent Intellectual Property Highway

---

① Ministry of Commerce of the People's Republic of China, Guide for Foreign Investment Cooperation by Country (Region)—South Korea (2020).

② Patent Law: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=52811&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=52811&lang=ENG)

(PPH) for rapid review, such as IP5 PPH (South Korea, China, the United States, Japan, and Spain), South Korea-China PPH, South Korea-China PCT-PPH, and rapid approval for 22 countries around the world, known as the Global PPH (implemented since January 1, 2015).

Patent-related inquiries can be made to the Patent Office through calling hot line: 0082- 1-544-8080.

Registering a Trademark. The main legal basis is *the Trademark Law*<sup>①</sup>. The valid time of the trademark right is 10 years from the date of registration, and it can be updated every 10 years.

The relevant system of applying for trademark registration shall include trademark application principles, registration system of duration renewal, application for correction, application for change, application announcement system, objection application system, multi-type application system, etc. *The Trademark Law* stipulates that all color or color-combination trademarks, holographic trademarks, dynamic trademarks, and all visible trademarks that can be recognized shall be protected by law.

## Punishment Measures

Civil actions may be taken such as prohibition of infringement, compensation for loss and restoration of credibility shall be taken. Criminal charges shall include trespass (7-year imprisonment at most or fine of up to KRW 100 million), disclosure of secrets (or breach of confidentiality requirements, imprisonment of less than 5 years or a fine of less than KRW 50 million), perjury (imprisonment of less than 5 years or a fine of less than KRW 10 million), false identification (imprisonment of less than 3 years or a fine of less than KRW 20 million), extortion (imprisonment of less than 3 years or a fine of less than KRW 520 million), etc.

If the representative, the agent, the user or the employee of the legal person or individual commits a crime due to the negligence and lack of supervision by the legal person

---

① Trademark Law: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=51415&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=51415&lang=ENG)

or individual, the legal person or individual concerned shall also be fined in addition to the punishment imposed on the party concerned. The infringing products and derivatives involved in infringement shall be confiscated or handed over to the infringed party for disposal.



### Investment Practice:

#### Chinese liquor giant wins the trademark case in South Korea<sup>①</sup>

On February 14, 2003, Wuliangye Group's brand agent, Sichuan Chaofan Trademark Office, found that Wuliangye's mandarin pinyin "Wuliangye" had been registered by a South Korean. The registration notice of the trademark was issued on Jan. 23. Wuliangye Group had only 8 days to submit materials and object to the trademark which was registered by a South Korea national. On February 19, Wuliangye Group, one of the biggest liquor company of China, submitted an objection application, and presented the evidence that "Wuliangye" was used as an internationally famous trademark and brand earlier. But the South Korean authority claimed that "Wuliangye" was not a well-known brand in South Korea, so it was not malicious registration, and the registration did not mislead consumers.

In the second round of defense, the Korean registrant took the initiative to get in touch with Wuliangye Group, hoping to solve the trademark registration dispute privately. Wuliangye Group explicitly refused and launched an investigation on the registrant. The result indicated that the Korean registrant not only registered "Wuliangye" as a trademark, but also registered the trademark of Red Star Erguotou and other brands. According to this evidence provided by Wuliangye Group, the local authority finally rejected the trademark registration application of the South Korean registrant. It took Wuliangye 14 months to win back the company's brand trademark.<sup>②</sup>

**Comment:** with more frequent and more convenient cultural exchanges, economic and trade cooperations among countries, there are frequent malicious trademark registration

<sup>①</sup> Mu Hong, Zhu Jing. South Korea's Well-known Trademark Protection from the Perspective of Wuliangye Case. China Trademark. 2005(01).

<sup>②</sup> Wuliangye Recovered Trademark Right in South Korea, Issue 305 of VIP Information.

incidents in South Korea. Investors are advised to search for the trademarks to be used before entering the market. If a trademark is found to have been registered, it should be handled accordingly. In case of litigation and disputes between the 2 parties, investors can also investigate the South Korean trademark registration like Wuliangye trademark case. If the other party is proven to have malicious registration intention, evidence should be submitted to the South Korean Trademark Administration.



### Investment Practice:

#### **Vinegar Manufacturer successfully registered and win the trademark back in South Korea<sup>①</sup>**

In June 2010, Zhenjiang Vinegar Industry Association received information that a South Korean national applied for trademark registration of “Zhenjiang Vinegar” in Chinese and Korean to the Korean Intellectual Property Office (South Korea). The South Korean authority accepted the application and issued a notice. The publicity date extended from April 23 to June 23, 2010. When the Zhenjiang Vinegar Industry Association is aware of this matter, there is less than a month until the deadline of publicity. If the trademark “Zhenjiang Vinegar” is successfully registered in South Korea, it means that Zhenjiang Vinegar cannot be exported to South Korea anymore. If the opponent trademark owner applies for further territorial extension or registration in another country, then the Zhenjiang vinegar industry will lose the market in all the countries and regions where the trademark is registered. Therefore, the Zhenjiang Vinegar Industry Association solicited help and guidance from the Trademark Office of the State Administration for Industry and Commerce of China, whose director immediately sent a letter to the Intellectual Property Office of South Korea, requesting his Korean counterpart to pay close attention to the case and reject the trademark application suspected of malicious registration according to law. In October 2010, the South Korean authority

---

① It is adapted from Sohu webpage news.

rejected the trademark suspected of malicious registration, safeguarding the legitimate rights and interests of the trademark “Zhenjiang Vinegar” in South Korea.<sup>①</sup>

**Comment:** If the company’s trademark is registered stealthily in South Korea, investors can also seek guidance and assistance from relevant departments of their home country while raising objections and submitting materials for appeal to the relevant departments in South Korea.

## 6.5 Import and Export Management

### Competent Authorities and Relevant Laws

The department in charge of trade in South Korea is the Ministry of Industry and Commerce and Resources, which is mainly responsible for South Korean industries, energy and resources, trade and investment policies and economic and trade negotiations, etc. It mainly standardizes the import and export activities through *The Foreign Trade Law*, *The Foreign Exchange Transaction Law* and *The Tariff Law*.<sup>②</sup>

According to the No. 2020-223 Notice of MOTIE<sup>③</sup>, it stipulates the articles that are forbidden to export, restricted to export, and restricted to import. Investors can check the latest detailed information on the official website of MOTIE ([www.motie.go.kr](http://www.motie.go.kr)).

### Inspection and Quarantine

Laws involved in South Korea’s agricultural product quality and safety management system mainly include *Law on Agricultural Aquatic Product Quality Management*, *Law on Cereal Grains Management*, *Law on Prevention of Infectious Diseases in Domestic Animals*, *Law on Livestock Production*, *Production Capacity and Specification Standard of Breeding Stock*,

<sup>①</sup> It is quoted from the Trademark Office under the State Administration for Industry and Commerce of PRC-China Trademark Network.

<sup>②</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).

<sup>③</sup> No. 2020-223 Notice of MOTIE, <https://www.law.go.kr/%ED%96%89%EC%A0%95%EA%B7%9C%EC%B9%99/%EC%88%98%EC%B6%9C%EC%9E%85%EA%B3%B5%EA%B3%A0>

*Processing Law of livestock products, Law on Feedingstuff Management, Law of Fertilizer management, Phytosanitary Control and Inspection Law, Laws Concerning Birds, Beasts and Hunting, Law on Aquatic Products, Inspection Law on Aquatic Products, Food Hygiene Law and Law of Natural Environment Protection, etc.* According to WTO rules, South Korea basically canceled the rigid control on import of agricultural products. But in practice, through the establishment of agricultural product quality and safety management system, South Korea utilizes the quarantine, health standards and other non-tariff measures, and effectively control the import of agricultural products, which is also the most effective means to protect the South Korean agricultural market.

In terms of imported industrial products, South Korea implements safety certification (KC certification) mainly based on *Quality Management and Industrial Product Safety Management Law, Safety Management Law of Electrical Appliances, Electrical Communication Security Law and Radio Wave Law*. Among them, part of the textile, chemical, machinery, civil construction, and articles for daily shall be inspected as qualified products. The certification are mandatory and “Self-made Security Confirmation Application Form” must be submitted to the certification agency. South Korea adopts mandatory certification on them.

## Regulations

Tariffs, although being a form of national tax, are not subject to the *Basic Law of National Taxes* and the *Law on Collection of National Taxes* unless otherwise provided for in the *Customs Law*<sup>①</sup>. Tariff Act of South Korea not only involves the levy and reduction of customs duties, but also involves many issues such as customs clearance and punishment to offenders, so it is a comprehensive law with multiple properties such as tax law, customs clearance law and criminal law.

Korean customs duties can be divided into 3 categories: ad valorem tax, specific tax, and

---

① Tariff Act: [https://elaw.klri.re.kr/eng\\_service/lawView.do?hseq=49516&lang=ENG](https://elaw.klri.re.kr/eng_service/lawView.do?hseq=49516&lang=ENG)

mixed tax, with ad valorem tax as the main type. Tariffs are currently imposed only on the imported goods, averaging 8%. According to the different collection purposes, South Korean customs mainly includes basic tax rate, anti-dumping tax rate, conventional tariff, international cooperation tax rate, special emergency tariff, emergency tariff, quotas, adjusting tax rate, simple taxes, preferential tariff, as well as 14 Free Trade Agreement including South Korea-China FTA, South Korea-Chile FTA, South Korea-Singapore FTA, South Korea-EFTA including 4 countries like Switzerland, South Korea-Peru FTA, South Korea-US FTA, South Korea-Turkey FTA, South Korea-India CEPA conventional rate.

The tariff rates applied to a commodity are in the following order: anti-dumping duty, countervailing duty, retaliatory duty, emergency duty, emergency duty on commodities of a specific country, and special emergency duty rates on agricultural, forestry and animal products, international cooperation tariff, preferential tariff, WTO conventional rate, FTA conventional rate, CEPA conventional rate, adjustment of tax rates and quota tax rates, preferential tariff rate, provisional tax rate, and the order of basic rates. Simple conventional rates shall be applied to inbound and outbound passengers and crew members of international aircraft and means of transport, articles carried by post, articles used in repairing means of transport or replacing the spare parts abroad, and consigned articles.



### Special Reminder:

South Korea has implemented the export-led economic growth strategy for a long time. Its economic dependence on foreign countries is as high as 70%. Therefore, it is crucial to maintain stable economic growth by continuously exploring overseas markets and avoiding the impact caused by changes in the external economic environment. The high degree of export dependence makes the protection of export market become the biggest issue in South Korea's economy. To maintain the sustained growth of export, South Korea has taken the conclusion of bilateral free

trade agreement (FTA) as an important strategic measure to expand foreign economic and trade cooperation since 2003, and meanwhile, promoted the conclusion of FTA with several trade partners. South Korea is the only country in Asia that has concluded FTA with the European Union and the United States, the 2 largest economies in the world. It is also the only country that has concluded FTA with the United States, the European Union, and the ASEAN.

With the Korea-UK Free Trade Agreement taking effect on January 1, 2021, South Korea has concluded 17 free trade agreements with 56 countries and regions. A report released in January 2021 by the Trade Support Center of the Korea Trade Association predicts that, by the end of 2019, the trade between South Korea and its FTA partners will account for about 70% of total imports and exports volume, and is expected to exceed 77% in 2021

## 6.6 Environmental Protection

### Competent Authorities and Relevant Laws<sup>①</sup>

The Ministry of Environment as South Korea's environmental protection competent authorities, is responsible for maintaining and protecting the natural and living environment and preventing environmental pollution. South Korea's environmental protection laws can be divided into environmental protection basic law, natural environment management law, control and management of pollution and other related laws and regulations.

South Korea has more than 60 laws and regulations related to environmental protection, including the *Basic Law on Environmental Policy*. The main laws that are closely related to enterprises are *Environmental Policy Basic Law*, *Environmental Impact Assessment Law*, *Environmental Dispute Mediation Law*, *Atmospheric Environment Preservation Law*, *Noise and Vibration Control Law*, *Water Quality and Water Preservation Law*, *Waste Management Law*, and *Hazardous Chemical Substance Management Law*, etc. Specifically, it is feasible to inquire the

---

<sup>①</sup> Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-South Korea (2020).



website of Ministry of Environment ([www.me.go.kr](http://www.me.go.kr)), or the website of Ministry of Legal Affairs ([www.moleg.go.kr](http://www.moleg.go.kr)). *Regulations on Preparation of Environmental Impact Assessment and other regulations* related to investment environmental impact assessment can be found in “South Korean Environmental Impact Assessment Information Support System ([www.eiass.go.kr](http://www.eiass.go.kr))”.

## Regulations on Environmental Assessment

EIA Management System. According to the relevant provisions of *the Environmental Impact Assessment Act*, the construction project must be approved by the “Licensing Authority”. “Licensing authority” refers to the central or local administrative authorities that exercise the administrative license examination and approval for the development and construction projects in the relevant fields, such as the central government departments such as MOTIE, and Department of Mountains and Forests, as well as the municipal and provincial governments. After receiving an application for an enterprise’s construction project and submitting an EIA report, the licensing authority shall solicit opinions from the Ministry of Environment. The Ministry of Environment will solicit the opinions of professional institutions such as the Institute of Environmental Policy and then give feedback to the licensing authority, which shall decide whether to approve the project according to the above review and coordination procedures. The Korean Association<sup>①</sup> for Environmental Impact Assessment is entrusted by the government authorities, responsible for the administration of license registration, alteration or liquidation and performance statistics of environmental impact assessment agencies.

Applicable Objects of EIA. There are 17 categories and 76 fields, mainly including urban development, industrial park construction, energy development, port construction, road construction, water resources development, railway (including urban railway) construction, airport construction, and so on.

Content of EIA. Content of EIA shall include a total of 6 categories, 21 projects, specifically,

---

① The Korean Association for Environmental Impact Assessment: [www.eiaa.or.kr](http://www.eiaa.or.kr)

the requirements of atmospheric environment, water environment, land environment, natural ecological environment, living environment, social and economic environment. The main assessment items include meteorology, air quality, odor, greenhouse gas, water quality (including groundwater), etc.

EIA Procedures. South Korea EIA procedures and flows are more complex, including 6 items.<sup>①</sup>

EIA Fees. According to the relevant provisions of *the Calculation Standard for Environmental Impact Assessment Agency Fee* announced by the Ministry of Environment, the project size and the manpower required for the assessment are calculated.



### Investment Practice:

#### **3 foreign car companies heavily fined for pollution.<sup>②</sup>**

In 2020, South Korea's Ministry of Environment launched an investigation into the South Korean operations of Mercedes-Benz, Nissan and Porsche. According to the investigation, the 3 companies had falsified emissions data on more than 40,000 diesel vehicles sold in South Korea between 2012 and 2018. The fraud involved 14 models, including 12 Mercedes-Benz models.

According to South Korea's Ministry of Environment, different from test reports, these vehicles, nitrogen oxides emission increased during usage, or the exhaust emissions recirculation unit stopped operating and could filter the pollutants. As a result, the 3 automakers were fined a total of KRW 79.5 billion, stripped of emission certification, and demanded to recall related models. South Korea's Ministry of Environment imposed a fine of KRW 77.6 billion, or 97% of the total fined amount, on Mercedes-Benz because it had the largest number of vehicles involved and emitted nitrogen oxides more than 13 times higher than the certification standard.

<sup>①</sup> For more information, please visit [www.eiaa.or.kr](http://www.eiaa.or.kr)

<sup>②</sup> It is adapted according to the CCTV network news.

In fact, back in 2015, Volkswagen was fined heavily in South Korea for falsifying its emissions data. The fine imposed on Mercedes, which follows an increasing fine limit under South Korea's *Atmospheric and Environmental Protection Law*, is 5 times the amount imposed on Volkswagen in 2015 and ranks the largest of its kind in South Korea so far.

**Comment:** with the improvement of people's awareness of environmental protection, the South Korean government also regards the solution of environmental problems as an important part of governmental work. In 2019, South Korea's National Assembly passed 8 bills related to haze countermeasures. In addition, in the "*Special Law on the Improvement of Atmospheric Environment in the Air Control Zone*" passed by the National Assembly, South Korea has extended the scope of the control zone from the capital circle to areas with serious air pollution and the surrounding areas. Moreover, the total amount of pollutants is controlled against the pollutant-discharging units within the control areas. At the same time, the National Assembly also revised *The Indoor Air Quality Management Act*, *The Atmospheric Environment Preservation Act*, *The Special Law on Emission Reduction and Management*, and *The Law on the Safety Management and Operation of LPG*. It is suggested that foreign investors must first learn the relevant environmental laws and regulations before invest in South Korea and never violate the environmental regulations or cause pollution.

## 6.7 Anti-commercial Bribery

### Competent Authorities and Relevant Laws

The main function of the South Korea Anti-Corruption and Civil Rights Commission (ACRC) is to provide one-stop service for citizens to resolve public complaints, file administrative appeals and fight against corruption. The main laws include *The Law on Integrity of Public Officials* and *The Law on the Prohibition of Illegitimate Asking for Improper*

*Favors and Accepting Money and Things* (referred to as the “*Yeong-ran Kim Law*”).

## **Punishment Measures**

Individuals who promise, offer, or indicate bribery to public officials, including through third parties, shall be sentenced to up to 5 years in prison or fined KRW 20 million.

South Korea laws consider the bribery of civilians as commercial bribery, and civilians who accept or attempt to accept commercial bribery will be charged with embezzlement or dereliction of duty, facing prison sentence of less than 5 years or a fine of less than KRW 10 million. The briber will be facing prison sentence of less than 2 years or a fine of less than KRW 5 million.



### **Investment Practice:**

#### **International IT Company involved in bribery case in South Korea<sup>①</sup>**

IBM, the American IT giant, has been investing in South Korea since 1967 and is one of the most successful multinationals in South Korea. In 2004, IBM Korea and its affiliates got involved in South Korea’s biggest foreign-owned corporate corruption case. 48 people, including top executives, were indicted on bribery and other violations.

Executives at IBM Korea and its 2 sibling companies, LGIBM Company (a joint venture of IBM Korea and electronics giant LG Electronics for personal computers) and Winsol (IBM’s main server distributor in South Korea), bribed officials and conspired with other companies on multiple occasions, angling for contracts worth KRW 66 billion (\$55 million) from the government.

IBM Korea and sibling companies fired 3 executives involved in the case. South Korea’s Ministry of Justice prosecuted 12 people that were arrested and another 36 more people who were involved. The companies involved (including IBM Korea, LGIBM Company, Winsol and 15 other bidders) were barred from participating in government-organized bidding for at least 2 years. IBM Korea lost 3 consecutive years of

---

① It is tidied up according to the data of Beijing Youth Daily and China News Network.

government orders for security services.

**Comment:** Successive South Korean presidents have worked hard to fight against corruption. After the Moon Jae-in's government took office, *Amendment to the Senior Public Officers Criminal Investigation Branch Act* was passed in December 2020. A new body, independent of prosecutors, will be set up to investigate corruption among senior officials. Foreign-funded enterprises shall remain the integrity and respect the legal bottom line. In case the official solicit bribes, they should promptly adopt legal means to safeguard their legitimate rights and interests.



## Dispute Resolution

### 7.1 Judicial System

In South Korea, judicial power is vested in the Grand Court and the Grand Prosecutors Office.

The judicial organs of South Korea include the Grand Court, the High Court, the District Court and the Family Court. The Grand Court is the highest judicial organ and possess the power of final adjudication. The Chief Justice is appointed by the President and must be approved by parliament for a 6-year, non-renewable term. Kim Myung-soo is the present Chief Justice. Judges of the Grand Court are recommended by the Chief Justice and appointed by the President. There is also a constitutional tribunal, with Liu Nanshuo as the current director. All lower court judges are appointed by the Chief Justice of the Grand Court with the consent of the conference of judges of the Grand Court. There are 5 high courts in South Korea that accept appeals against local court decisions.

The pro-curatorial organs of South Korea include the Grand Pro-curatorial Office, the High Pro-curatorial Office and the Local Pro-curatorial Office, which are subordinate to the Ministry of Justice. The head of the Grand Prosecutor's Office is appointed by the President and serves a 2-year term free of the consent of Congress. The current prosecutor-general is Yin Sik Yue. The Grand Procurator-ate is responsible for the filing, investigation, prosecution, and protest of cases,

directing the Police Department to carry out specific investigations and accepting the general supervision of the Ministry of Justice.

## 7.2 Dispute Resolution

The main ways to solve business disputes in South Korea include negotiation, mediation, arbitration, litigation, and so on.

**Table 7-1 Comparison of traditional dispute resolution methods<sup>①</sup>**

Method/characteristics	Intervention of the third party	Consensus or not	Compulsion	Publicness
Negotiation	Nonintervention	Consensus	As contracted	In private
Mediation	Intervention of conciliator	Consensus	As contracted	In private
Arbitration	Intervention of arbitrator	Consensus	Enforce within certain limits	In private, at the request of the parties
Litigation	Intervention of judge	Adjudgement	Compulsory execution	Open procedures

### Negotiation

Foreign investor dispute coordinators and some government departments, as third parties, are supposed to provide negotiation venues for the parties concerned, and may adopt a combination of consultation, mediation, and arbitration for dispute resolution, such as alternative dispute resolution.

The alternative dispute resolution is one of the methods available to the foreign investor dispute coordinator. Before entering judicial process, foreign-funded enterprises that encounter difficulties in their relations with administrative or public institutions shall, within a certain scope of authorization, request the departments concerned to help or improve its administrative acts to effectively handle the difficulties. Compared with traditional dispute resolution methods, this method has the advantages of convenience, efficiency, low cost, reflecting the interests of the parties, flexible and

<sup>①</sup> CCPIT, Guide on the Business Environment of Foreign Countries for Investors-South Korea (2019).

diversified solution paths, etc.

Investors who are dissatisfied with government's administrative actions or decisions are allowed to apply for administrative review (called administrative adjudication in South Korea) or administrative litigation. The former is accepted by the administrative judicial committee of various ministries or local governments or the office of the prime minister, which is the procedure that executive corrects the result of improper administrative handling, while the latter is accepted by the court, which is the channel to obtain relief against improper administrative handling by relying on judicial institution.

For investment disputes that cannot be resolved through negotiation, the investor is allowed to act in a court of jurisdiction where the investment is made or to have international arbitration (provided that the investor has tried to seek domestic remedies in South Korea within 4 months of filing the lawsuit or arbitration).

## Mediation

In South Korea, judicial mediation includes mediation by applying for civil mediation and mediation by litigated court after prosecution. Mediation may be applied in writing or orally, and the appellate court may, before the verdict is pronounced, refer the case under consideration to conciliation by means of "decision".

Mediation cases shall be handled by mediation judges. The case may be mediated by mediation judge or by the permanent mediator or mediation committee. If necessary, the litigated court may mediate the case submitted by the court itself.

If it is determined, upon mediation procedure, that the mediation is inappropriate or the parties apply for mediation out of improper purposes due to the nature of the case, the case may be closed by a "mediation is refused". There can be no objection to the decision.

If no agreement is reached between the parties, the mediation shall be recorded in the written record and the case shall be closed. At this point, if there is no sufficient reason, the "alternative



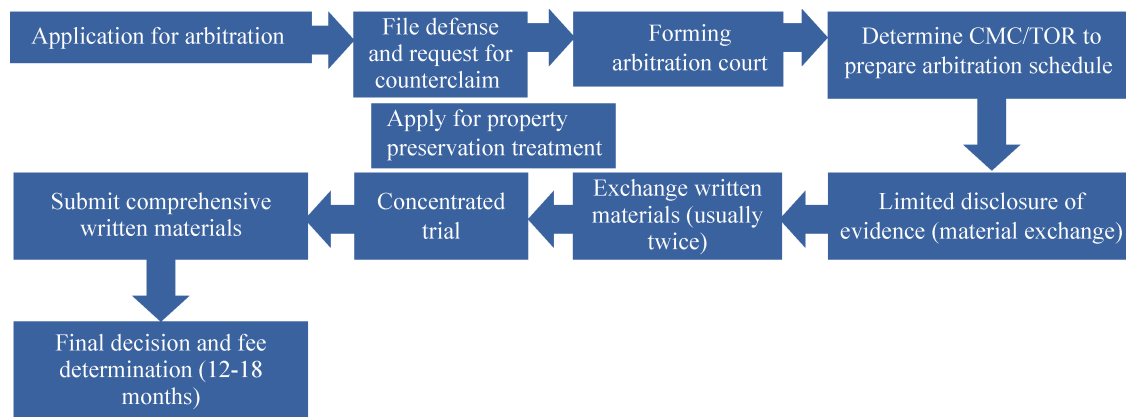
mediation decision” should be made according to the authority. An “alternative mediation decision” may be challenged within 2 weeks from the date of delivery of the original transcript. If the objection is legitimate, litigation will be necessary. If a “mediation is refused” is made or an “alternative mediation decision” is not made after the mediation fails, litigation will be necessary.

## Arbitration

**Place of arbitration.** International arbitration procedures commonly used in South Korea designates Seoul as the place for arbitration.

**Arbitration institution.** In South Korea, International Court of Arbitration (ICC), the Singapore International Arbitration Center (SIAC), the Hong Kong International Arbitration Center (HKIAC) or the Korea Commercial Arbitration Court (KCAB) can be selected as institution for arbitration.

**Arbitration Procedures.** The following is most common arbitration procedure of ICC.



**Figure 7-1 Conventional ICC Arbitration Procedures**

## Litigation

In South Korean, civil litigation refers to a series of procedures in which the court, according to law, conducts obligatory mediation for disputes over judicial rights or legal relations. The proceedings mainly cover general proceedings and special proceedings.

General proceedings. It is applicable to the procedure of ordinary civil cases, which can be divided into judgment procedure, civil execution procedure and incidental procedure [evidence preservation procedure, preservation processing procedure (temporary detention, temporary processing procedure)].

The general proceedings are usually decided in 2 to 3 weeks after the date of closing arguments. If it is clearly discovered that there is an error in calculation, error in recording or other similar errors in the judgment, an application may be filed for correction at any time, whether the verdict is confirmed or not. If an appeal has been made, an application for correction may be made in the Court of Appeal.

Special proceedings. It is only applicable to the proceedings of certain special civil cases stipulated by law, which can be divided into summary proceedings [urging procedure (payment order), small case trial procedure (small-amount case)], family proceedings and bankruptcy proceedings.

The trial of small-amount cases. Small-amount cases refer to civil cases in which the amount of the claim is not more than KRW 30 million, such as money and other substitutes or securities. Small-amount cases is expected to be handled by local courts, sub-courts of local courts and municipal and county courts, and more than 70% of all civil cases are handled through the procedure of small-amount cases.



### Investment Practice:

#### **A US-owned Dutch company has a dispute with the South Korean government over the sale of shares<sup>①</sup>**

Lone star, a Dutch-registered subsidiary of a Texas-based fund, filed an international arbitration case against the South Korean government in 2020, seeking \$870 million in damages from the International Center for the Settlement of Investment Disputes (ICSID), to compensa-

---

<sup>①</sup> The Korea Times, [EXCLUSIVE] Lone Star rebuts Korean government on settlement proposal, [https://www.koreatimes.co.kr/www/biz/2020/12/175\\_300193.html](https://www.koreatimes.co.kr/www/biz/2020/12/175_300193.html)

te for financial losses caused by the latter's "delay" in approving the sale of Lone star's stake in now-defunct Korea Exchange Bank (KEB) to HANA Financial Group. The dispute began in 2012 after the Korean Government rejected Lone star's out-of-court settlement and set up a special international arbitration response unit under the Ministry of Justice. The Korean Government said, it has no responsible for Lone star's improper price cuts and did not have to pay any fees to Lone star but is willing to "resolve the issue without paying any fees". An online hearing is held on October 14, 2020, solstice 15, and 2 more hearings are planned for 2021. As of April 2021, the case is still pending.

**Comment:** South Korea's legal environment is relatively good, when the legitimate rights and interests of enterprises are damaged, they should actively and timely retain evidence and dare to adopt legal means to safeguard their rights and interests, including but not limited to mediation, arbitration, and litigation. However, the litigation is time and cost consuming, so it is suggested to go through mediation and arbitration. In the case of disputes with governmental agencies, international arbitration shall be considered if negotiations fail.

### 7.3 International Commercial Dispute Prevention and Settlement Organization

#### Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as "ICDPASO") is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of "Consultation, Contribution and Shared Benefits", ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration

Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People's Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc.

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international

commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

### **Suggestions for Dispute Prevention and Settlement**

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ) in accordance with the Mediation Rules of ICDPASO in force at the time of filing application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization ( “ICDPASO” ) in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application.



## Free Trade Agreement

Korea has been actively promoting negotiations on bilateral and multilateral trade agreements, which has played an important role in promoting the balance of its import and export trade. The impact of the COVID-19 epidemic this year has led to a sharp drop in Korea's export trade. The signing of the RCEP will inject a strong boost to Korea's economic development in the post-epidemic era.

### 8.1 Bilateral Free Trade Agreement

In February 2003, South Korea signed its first free trade agreement, the Korea - Chile Free Trade Agreement. At present, the country is negotiating 5 free trade agreements, including the China-Japan-Korea Free Trade Agreement, the Korea-Philippines Free Trade Agreement, the Korea-Russia Free Trade Agreement, the Korea-Mercosur Free Trade Agreement, and the Korea-Malaysia Free Trade Agreement. 4 of them, including the Korea-ASEAN Free Trade Agreement, the Korea-India Free Trade Agreement, the Korea-Chile Free Trade Agreement, and the Korea-China Free Trade Agreement, are in the process of upgrading negotiations. 2 joint studies have been carried out or negotiations are about to begin, including the FTA - Panama FTA and the FTA - Eurasian Economic Union FTA.

Korea is also the first country in Asia to sign a free trade agreement (FTA) with the

European Union, the United States and China.

## 8.2 Multilateral Free Trade Agreements

South Korea is a member of the World Trade Organization (WTO) and a party to the *WTO Government Procurement Agreement*. In November 2020, 15 countries including the 10 ASEAN countries and China, Japan, South Korea, Australia, and New Zealand signed the “*Regional Comprehensive Economic Partnership*” (RCEP).

**Table8-1 Multilateral and bilateral free trade agreements signed by South Korea<sup>①</sup>**

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
South Korea - Singapore Free Trade Agreement	Regional Comprehensive Economic Partnership
South Korea - US Free Trade Agreement	Asia - Pacific Countries Trade Agreement
South Korea - New Zealand Closer Economic Partnership	South Korea - ASEAN Comprehensive Economic Cooperation Agreement
South Korea - India Comprehensive Economic Partnership	South Korea-European Free Trade Association Free Trade Agreement
South Korea - Peru Free Trade Agreement	South Korea - EU Free Trade Agreement
South Korea - Chile Free Trade Agreement	South Korea - Central America Free Trade Agreement
South Korea - Colombia Free Trade Agreement	–
South Korea - Turkey Free Trade Agreement	–
South Korea - Vietnam Free Trade Agreement	–
South Korea - China Free Trade Agreement	–
South Korea - Canada Free Trade Agreement	–
South Korea - Australia Free Trade Agreement	–

## 8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by South Korea, the “*Regional Comprehensive Economic Partnership*” (RCEP) is one of the most important.

### Overview of RCEP

On November 15, 2020, the 10 ASEAN members as well as China, Japan, South Korea,

<sup>①</sup> Free trade agreements: <https://aric.adb.org/fta-country>

Australia, and New Zealand signed the “*Regional Comprehensive Economic Partnership (RCEP)*”. This is the most significant achievement for the integration of East-Asian economy in the past 20 years, officially launching the world’s largest free trade area with the largest population, largest economic scale, and greatest development potential. The 15 RCEP member states currently account for about 30% of the world’s total population, GDP, and exports.

The RCEP agreement consists of a preamble, 20 chapters (including: Initial Provisions and General Definitions; Trade in Goods; Rules of Origin; Customs Procedures and Trade Facilitation; Sanitary and Phytosanitary Measures; Standards, Technical Regulations, and Conformity Assessment Procedures; Trade Remedies; Trade in Services; Temporary Movement of Natural Persons; Investment; Intellectual Property; Electronic Commerce; Competition; Small and Medium Enterprises; Economic and Technical Cooperation; Government Procurement; General Provisions and Exceptions; Institutional Provisions; Dispute Settlement; Final Provisions), and 4 annexes of market access commitment forms (including: Schedules of Tariff Commitments; Schedules of Specific Commitments for Services; Schedules of Reservations and Non-Conforming Measures for Services and Investment; Schedules of Specific Commitments on Temporary Movement of Natural Persons).

RCEP realizes a high-quality and inclusive unity. The total number of tariff-free products will exceed 90% for trade in goods, and the overall level of opening for trade in services and investment has been greatly improved. Meanwhile, RCEP also considers the national conditions of different countries and gives special and differential treatment to the least developed countries, which will promote the inclusive and balanced development in the region, so that all parties can fully share the achievements of RCEP, and the integration level of East-Asian economy is significantly enhanced.

RCEP will promote the merge of regional industrial chain, supply chain and value chain, to



foster the regional economic growth. The economic structures of RCEP members are highly complementary, with a complete range of capital elements, technology elements and labor force elements within RCEP. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the expansion and upgrading of the consumer market in the region. According to the estimates of internationally renowned think tanks, by 2025, RCEP is expected to boost the member states' exports, outbound investment stock and GDP to increase by 10.4%, 2.6% and 1.8% respectively from the baseline.

### **South Korea's Commitment to RCEP**

SCHEDULE OF TARIFF COMMITMENTS. This Schedule is composed of five Sections applicable respectively for Member States of ASEAN, Australia, China, Japan, and New Zealand. From the date of entry into force, the tariff levied on goods of origin under this agreement are reduced, and the tariff lines indicated with "U" in each stage of reduction in this Schedule shall be excluded from any commitment of tariff reduction or elimination.

Regarding the period of tariff concessions, the "price list of tariffs to be eliminated non-linearly" listed in "*Schedule of Tariff Commitment of Korea*" is subject to review by the parties concerned. The review will be completed within 3 years from the effective date of *RCEP*. Unless otherwise agreed in the review, all linear phased content of the tariff lines shall commence within 3 years after the completion of review.

SCHEDULE OF RESERVATIONS AND NON-CONFORMING MEASURES FOR SERVICES. The *Schedule of Reservations and Non-Conforming Measures for Services and*

*Investment of Korea* adopts the “negative list” to make commitments to trade in services, setting out specific commitments concerning national treatment, most-favored-nation treatment, local presence, prohibition of performance requirements, senior management and board appointments.

(1) A person that supplies construction services in South Korea must, prior to the signing of the first contract related to such services, establish an office in South Korea.

(2) A person that supplies leasing, rental, maintenance, repair, sales, and disposal services related to construction machinery and equipment must establish an office in South Korea.

(3) A person that supplies automobile management services (which includes used car sales, maintenance, repair, and disposal services) must establish an office in South Korea and obtain authorization from the head of the municipal authorities, which is subject to an economic needs test, as appropriate.

A person that supplies automobile inspection services that is designated as a “designated repair facility” must establish an office in South Korea.

A person that supplies license plate manufacturing, delivery, and seal services that is designated as a “license plate issuing agency” must establish an office in South Korea.

(4) A person that supplies tobacco wholesale (including importation) or retail distribution services must establish an office in South Korea.

Only designated tobacco retailers may sell tobacco to retail buyers.

The sale of tobacco to retail buyers by mail or in electronic commerce is prohibited.

The distance between places of business of tobacco retailers must be at least 50 m.

A person that supplies liquor wholesale distribution services must establish an office in South Korea and obtain authorization from the head of the relevant tax office, which is subject to an economic needs test.

The sale of liquor by telephone or in electronic commerce is prohibited.

(5) Only a natural person that is a licensed optometrist that has established an office in South Korea may engage in optometry services. An optometrist may not establish more than 1 office.

(6) A person that supplies wholesale trade services must establish an office in South Korea to receive an import business license to supply such services with respect to pharmaceuticals and related items, medical devices, functional foods (including dietary supplements).

To supply the following services, a person must establish an office in South Korea: transportation, sales, and preservation (cold storage) of food and food additives; food supply services; food inspection services; wholesale and retail of narcotic drug; supply of cosmetics (including functional cosmetics).

The Minister of Health and Welfare controls the supply and demand of the wholesale distribution of imported designated Asian medicinal herbs.

Certain liquor-selling bars and the wholesale and retail distribution of narcotics require authorization by the relevant authority.

A person that supplies wholesaling or retailing services for used cars must establish an office in Korea and obtain authorization from the head of municipal authorities, which is subject to an economic need test, as appropriate.

(7) The following persons is not permitted to provide news service in South Korea: foreign governments; foreigners; enterprise established under the laws of the Republic of Korea whose senior management personnel is not native Koreans or residents of the Republic of Korea; enterprise formed under South Korean law in which foreigners hold 25% or more of the equity.

(8) Other provisions.

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-Conforming Measures for Services and Investment (Korea)*<sup>①</sup>, sets out the minimum restrictions on market access, national treatment, most-favored-nation treatment,

---

① Schedule of Reservations and Non-Conforming Measures for Services and Investment (Korea): <https://rcepsec.org/>

performance requirements, senior management and board of directors, etc. This List sets out, pursuant to *Schedules of Non-Conforming Measures and Reservations and Non-Conforming Measures*, Korea's existing measures that are not subject to some or all of the obligations imposed by *Article 8* and *Article 10* of RCEP.

(1) Foreigners are not allowed to invest in rice or barley growing enterprises. Foreigners are not allowed to hold more than 50 percent of the equity of cattle breeding enterprises.

(2) Foreigners are not allowed to hold more than 50% of the shares or interests of enterprises engaged in meat product wholesales.

(3) Foreign investors are not allowed to hold more than 40% of shares issued by Korea Electric Power Company (KEPCO), and foreigners are not allowed to be the largest shareholder in KEPCO.

(4) The total foreign share of power generation facilities, including co-generation facilities in district heating systems, shall not exceed 30% of the total facilities in South Korea.

(5) The total foreign share of transmission, distribution and sales operations should be less than 50%. No foreigner may be the largest shareholder.

(6) Foreigners (in total) are not allowed to own more than 30% of KOGAS.

(7) Other provisions.

Rights reserved or maintained by South Korea:

(1) South Korea reserves the right to adopt or maintain any measure with respect to transfer or dispose equity or assets held by state-owned enterprises or government authorities. This provision does not apply to former private enterprise taken under state ownership because of corporate restructuring.

(2) South Korea reserves the right to adopt or maintain any measure with respect to the services and investment of national defense industry.

(3) South Korea reserves the right to adopt or maintain any measure with respect to

key technologies specified in the “*Prevention of Leaks and Industrial Technology Protection Act*”.

(4) South Korea reserves the right to adopt or maintain any measure with respect to the investment or services in various industries, excepting industries that have been or should be recognized by the Korean government.

(5) South Korea reserves the right to adopt or maintain any measure with respect to the investment or services in industries that are not technically viable.

(6) South Korea reserves the right to adopt or maintain any measure with respect to the service provided for the presence of natural person or other acts of a natural person. Including immigration, temporary entry, or temporary stay subject to the requirements of Chapter 9 (Temporary Movement of Natural Persons).

(7) Other provisions.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. This Schedule sets out South Korea's commitments with respect to the temporary entry of natural persons of a Party1 into, or their temporary stay in, the territory of South Korea. Temporary entry and temporary stay of business visitor is limited to a period of 90 days. Temporary entry and temporary stay of intra-corporate transferrers is limited to a period not exceeding three years Temporary entry and temporary stay of contractual service suppliers (CSS) is limited to the duration of the contract, which is not exceeding one year.<sup>①</sup>

---

① Schedule of Specific Commitments on Temporary Movement of Natural Persons (Korea): <https://rcepsec.org/>



## Support Measures against COVID-19

### 9.1 Economic Security Policies

#### Fiscal Policy<sup>①</sup>

The First Supplementary Budget of South Korea is adopted by National Assembly on Tuesday, March 17, 2020. In the Budget, reduces revenue by KRW 0.8 trillion and increase spending by KRW 10.9 trillion for disease prevention and treatment, loans, and guarantees for affected business, support for affected households and support for affected local economies.

The Second Supplementary Budget of South Korea is adopted by National Assembly on Thursday, April 30, 2020. In the Budget, increase spending by KRW 8 trillion to fund KRW 14.3 trillion for the emergency relief payment program, which provides transfer payments to households.

The Third Supplementary Budget of South Korea is adopted by National Assembly on July 03, 2020. In the Budget, reduce revenue by KRW 11.4 trillion and increase spending by KRW 23.7 trillion for financial support to business, expansion of employment and social security, disease control and spending on digital and green industries.

On 14 July 2020, the government announced an outline of a new policy package (Korean

---

① International Monetary Fund: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>

New Deal<sup>①</sup>). The Deal intends to make South Korea a global economic leader by shifting from a carbon-dependent economy model to a green economy, to make society more inclusive. Korean New Deal comprise of “Digital New Deal” and “Green New Deal” plus “Social Safety Net”, that is “2+1 policy”. The 10 major projects covered by Korean New Deal include data dam, AI government, smart healthcare, green and smart schools, Digital Twin, digitalization of SOC, smart and green industrial complexes, green-remodeling, green energy, and eco-friendly cars. Investment plan in Korean New Deal includes: KRW 6.3 trillion has been invested by 2020. Cumulative investment is respected to reach KRW 67.7 trillion by 2022. Cumulative investment is respected to reach KRW 160 trillion by 2025. A total of 1.901 million jobs are expected to be created during this period. Specific investment plans: KRW 58.2 trillion (KRW 44.8 trillion from the government) in “Digital New Deal” to create 903,000 jobs. KRW 73.4 trillion (KRW 42.7 trillion from the government) in “Green New Deal” to create 659,000 jobs. KRW 28.4 trillion (KRW 26.6 trillion from the government) in “Social Safety Net” to create 339,000 jobs.

The Fourth Supplementary Budget is adopted by National Assembly on September 22, 2020. In the Budget, KRW 7.8 trillion will be allocated to subsidize small and medium-sized enterprises (KRW 3.9 trillion), employment (KRW 1.5 trillion), low-income family (KRW 0.4 trillion) and others (KRW 2 trillion).

## Monetary Policy<sup>②</sup>

To ensure continued easy monetary policy and promote liquidity of financial system, the Bank of Korea (BOK) has taken the following steps: cut the base rate by a cumulative 75 basis points, from 1.25% to 0.5%; supply unlimited amounts of money through Open Market Operations (OMO); expand the list of eligible OMO participants to include selected non-bank

① Ministry of Economy and Finance: <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4940>

② International Monetary Fund: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>

financial institutions; expand the list of eligible OMO mortgage to include bank bonds, certain bonds of public enterprises and institutions, and government-guaranteed MBS issued by KHFC; relax the restrictions on mortgage of net settlement in the BOK payment system; buy Korean government bonds (KRW 6.0 trillion, with an increase of KRW 5.0 trillion announced by the end of 2020). To increase the availability of funds to SMEs, the Bank of Korea raised the total cap on inter-bank lending support funds by KRW 18 trillion (about 0.9% of GDP) and cut interest rates to 0.25% (from 0.5% to 0.75%).

On March 24, 2020, Korea launched a financial stability plan of KRW 100 trillion (5.3% of GDP). The main contents are: expand loans by state-owned and commercial banks to small and medium-sized enterprises, small business, medium-sized companies and large companies (the latter as the case may be), including emergency loans, partial and total loans, guarantees and loan mortgage; bond market stabilization fund to buy corporate bonds, commercial bill and financial bonds; public financial institutions raise funds for corporate bond issuance through mortgage bond and direct bond purchases; financing in short-term money market is supported by equity financing loans, repurchase by BOK, and refinancing by public financial institutions; stock market stabilization fund is funded by financial holding companies, leading financial companies and other relevant institutions.

On April 22, 2020, additional measures totaling KRW 25 trillion (1.3% of GDP) were introduced, which mainly aim to purchase corporate bonds and commercial bill (KRW 10 trillion) and provide additional funds for loans to small and medium enterprises (KRW 10 trillion) through the creation of a special-purposed tool.

## 9.2 Economy Revitalization Measures

### Fiscal Policy

The 2021 Budget is adopted by National Assembly on Wednesday, December 2<sup>nd</sup>, 2020.



Budgeted revenue for 2021 is KRW 482.6 trillion. Budget outlays is KRW 558 trillion, about KRW 11 trillion (0.6% of GDP) more than the amount projected in the 2020 Budget.

On March 25, 2021, the National Assembly approved a supplementary budget of KRW 14.9 trillion (0.8% of GDP). These measures will include relief for affected small business owners and workers, job support, vaccine outreach, financial support for small business, and support for low-income families.

### Monetary Policy

According to the Bank of Korea's March 2021 Monetary Policy Report<sup>①</sup>, the base rate will remain at 0.5% as of March 2021 in response to the economic impact of COVID-19.

The Bank of Korea has set up the Bank Intermediated Lending Support Facility to ensure that commercial banks lend actively to small and medium-sized enterprises. The Bank of Korea raised the total cap on the Bank Intermediated Lending Support Facility 3 times last year (March, May, and October 2020), adding a total of KRW 18 trillion. Of that, KRW 3 trillion was allocated exclusively to small and medium-sized enterprises.

The total amount of government bonds directly purchased by Bank of Korea in 2020 has reached KRW 11 trillion. On February 26, 2021, the Bank of Korea announced that it would expand the government bonds of direct purchase by KRW 5-7 trillion in the first half of 2021. The measure is designed to ease volatility in market interest rates.

### Foreign Exchange and International Balance of Payment<sup>②</sup>

In late March 2020, the Bank of Korea opened a \$60billion bilateral swap line with FRB and extended the swap agreement until September 30, 2020.

Other measures taken to facilitate foreign exchange financing include raising the ceiling on

① Bank of Korea: <https://www.bok.or.kr/eng/bbs/E0000628/view.do?nttId=10064115&menuNo=400204>

② International Monetary Fund: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>

forward exchange position of domestic banks to 50% of capital (previously 40%) and foreign banks to 250% (previously 200%); Suspend the 0.1% tax on short-term non-deposited foreign exchange liabilities of financial institutions; Temporarily reduce the minimum foreign exchange liquidity coverage ratio for banks to 70% (from 80%).



## Contact Information of Relevant Departments and Institutions

### 10.1 Contact Information of Government Departments and Relevant Institutions

**Table 10-1 Contact information of Korean government departments and relevant institutions**

Department/agency	Telephone	Website
President's Office (Cheong Wa Dae)	+82 02 730 5800	<a href="http://www.cwd.go.kr">www.cwd.go.kr</a>
National Human Rights Commission	+82 02 2125 9700	<a href="http://www.humanrights.go.kr">www.humanrights.go.kr</a>
Board of Audit & Inspection	+82 02 2011 2114	<a href="http://www.bai.go.kr">www.bai.go.kr</a>
Financial Services Commission	+82 02 2100 2500	<a href="http://www.fsc.go.kr">www.fsc.go.kr</a>
Fair Trade Commission	+82 02 1670 0007	<a href="http://www.ftc.go.kr">www.ftc.go.kr</a>
Ministry of Law	+82 044 200 6900	<a href="http://www.moleg.go.kr">www.moleg.go.kr</a>
Ministry of Food and Drug Safety	+82 1577 1255	<a href="http://www.mfds.go.kr">www.mfds.go.kr</a>
Ministry of Finance	+82 044 215 2114	<a href="http://www.moef.go.kr">www.moef.go.kr</a>
Ministry of Foreign Affairs	+82 02 2100 2114 change 70007100	<a href="http://www.mofat.go.kr">www.mofat.go.kr</a>
Ministry of Food, Agriculture, Forestry and Animal Husbandry	+82 044 201 1000	<a href="http://www.mafra.go.kr">www.mafra.go.kr</a>
Ministry of Trade, Industry and Energy	+82 1577 0900	<a href="http://www.motie.go.kr">www.motie.go.kr</a>
Ministry of Environment	+82 1577 8866	<a href="http://www.me.go.kr">www.me.go.kr</a>
Ministry of Labor	+82 1350	<a href="http://www.moel.go.kr">www.moel.go.kr</a>
Ministry of Land, Infrastructure, Transport and Tourism	+82 1599 0001	<a href="http://www.molit.go.kr">www.molit.go.kr</a>
National Tax Agency	+82 126	<a href="http://www.nts.go.kr">www.nts.go.kr</a>
Korea Customs Service	+82 1544-1285	<a href="http://www.customs.go.kr">www.customs.go.kr</a>
Korean Intellectual Property Office	+82 1544 8080	<a href="http://www.kipo.go.kr">www.kipo.go.kr</a>
National Statistical Office	+82 02 2012 9114/110	<a href="http://www.kostat.go.kr">www.kostat.go.kr</a>
Bank of Korea	+82 02 759 4114	<a href="http://www.bok.or.kr">www.bok.or.kr</a>

## 10.2 Contact Information of Business Association and Service Provider

**Table 10-2 Contact information of business association and service providers in South Korea**

Name	Telephone	Website
Korea Chamber of Commerce & Industry	+82 02 6050 3114	www.korcham.net
Korea Foreign Trade Association	+82 02 1566 5114	www.kita.net
The Federation of Korean Industries	+82 02 3771 0114	www.fki.or.kr
Central Committee for Small and Medium-sized Enterprises	+82 02 2124 3114	www.kbiz.or.kr
Korea Importers Association	+82 02 583 1234	www.koima.or.kr
Korea Association of Foreign Enterprises	+82 02 3462 0505	www.forca.org
KOTIA	+82 02 3460 9114	www.koita.or.kr
Korea Iron and Steel Association	+82 02 559 3500	www.kosa.or.kr
Korea Shipbuilders' Association	+82 02 2112 8181	www.koshipa.or.kr
Korea Marine Equipment Association	+82 051 972 6470	www.komea.kr
Korea Electronic Association	+82 02 6388 600	www.gokea.org
Korea Financial Investment Association	+82 02 2003 9000	www.kofia.or.kr
Korea Trade and Investment Promotion Association	+82 1600 7119	www.kotra.or.kr



## Appendix: Frequently Asked Questions

### 1. What are the categories of Korean visas?

According to the purpose of visit, the duration of stay and the validity of the visa, Korean visas are categorized single entry visa, double entry visa and multiple entry visa. The latest types of visas are shown in the table below.<sup>①</sup>

Single entry visa. Visas valid within 3 months from the date of issuance, including some diplomatic and public service visas, as well as short-term visit visa, short-term employment visa, student visa, trade business visa, job search visa, visitor resident visa, accompanying visa, marriage immigrant visa, etc.

Double entry visa. Visas valid for 6 months are divided into 2 subcategories: short-term visitor visas and group tourist visas.

Multiple entry visa. Multiple visas can be divided into 3 types: 1 year, 3 years and 5 years visas according to the different stay qualifications, including some diplomatic visas, visitor residence visas, visitor employment visas and other subcategories. Among them, D8 visa is an enterprise investment visa with which their spouse, children and parents can be accompanied.

---

<sup>①</sup> Korean Embassy in China: [https://overseas.mofa.go.kr/cn-zh/brd/m\\_1201/view.do?seq=695439&srchFr=&srchTo=&srchWord=&srchTp=&multi\\_itm\\_seq=0&itm\\_seq\\_1=0&itm\\_seq\\_2=0&company\\_cd=&company\\_nm=&page=1](https://overseas.mofa.go.kr/cn-zh/brd/m_1201/view.do?seq=695439&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=1)

**Table 11-1 Specific types of Korea visa**

Single entry visa	Diplomacy/official business (A-1, A-2)		Multiple entry visa	Diplomacy (A-1)		
	Temporary interview (C-1)			Short-time visit	And	
	Short-time visit	Short-term general travel (C-3-1)			Short-term general travel (C-3-1)	
		General tourist (C-3-9)			Short-term business travel (C-3-4)	
		Medical tourist (C-3-3)			Visiting compatriot (C-3-8)	
		Short-term business travel (C-3-4)				
		Transfer only (C-3-10)				
	Shift crew (C-3-11)					
	Short-term employment (C-4-5)			Interview, dispatch, enterprise investment and accompanying family members (D-5, D-7,D-8,F-3)		
	Study abroad (D-2-1 to D-2-6)					
	Language studying and training (D-4-1)					
	Trade and operations (D-9)					
	Job searching (D-10)					
Visiting and residence (F-1)		Visiting and residence (F-1)				
Residence (F-2)		Foreigners (F-4)				
Accompanying (F-3)		Permanent residence (F-5)				
Married immigrants (F-6)		Visiting and employment (H-2)				
Double entry visa	Short-term visit (A1 ~ A3, C1 ~ C4), group travel (C-3-2)					

## 2. How to immigrate to South Korea?<sup>①</sup>

Foreigners can immigrate to South Korea through public welfare investment immigration. Public welfare investment immigration system is a system under which the government will grant residency (F-2) qualification to foreigners and their family members who invest more than KRW 500 million in investment projects designated by the Minister of Justice. If they successfully maintain the investment for the next 5 years with residency (F-2) qualification, they will be granted permanent residence (F-5) qualification according to certain criteria.

Investment projects designated by the Minister of Justice include real estate investment and the development of poor areas in Korea. Investors can find it on the Korean Visa Portal ([www.visa.go.kr](http://www.visa.go.kr)).

① Korea Visa Portal: [https://www.visa.go.kr/openPage.do?MENU\\_ID=10401](https://www.visa.go.kr/openPage.do?MENU_ID=10401)

### 3. How is South Korea's education system?

Korea's education system comprises of early childhood education, primary education, secondary education, higher education, and lifelong education. The school system in Korea is as follows: 9 years of compulsory education (including basic education and junior high school education (secondary education), 3 years of senior high school education (upper secondary education) and 4 years of higher education. According to the type of founding institution, schools in Korea can be classified into national schools, established by the central government; public schools, established by local governments; private school, established by private foundation.

In 2020, there are more than 20,000 kindergartens, primary schools, middle schools, and other kinds of schools in Korea, with kindergartens of about 87,000 (the most proportion), universities of 203, community schools of 136. Usually, colleges last 4 years, while community schools have 2 or 3 years of technical training.

### 4. How is South Korea's medical and healthcare quality?

Medical institutions in Korea are divided into 3 levels: the first level is clinics and health center with no sickbeds or with sickbeds of less than 30, with ordinary patients who do not need to be hospitalized as the main service objects. The second level is a hospital with sickbeds of more than 30, which can be divided into specialized hospitals and general hospitals, with patients who need to be hospitalized as the main service objects. The third level is the advanced general hospital, which has high medical level and is well equipped to receive patients with complicated and serious diseases.

In Korea, patients are supposed to go to the first-level institutions for medical treatment first, and then to the second-level or even third-level medical institutions as needed. No reservation is required for first level and second-level institutions. Both reservation and submission from first level and second-level medical institutions are required to access to third-level medical institutions. Additional first visit fees may be incurred by patient goes directly to third-level medical

institutions.

## **5. what are the main transportation in South Korea?**

In South Korea, main public transportation includes trains, buses, ferries, taxis, subways, etc. The KTX, Korea's super train, can reach speed of 420 km/h. Taxis in Korea are clean, safe, and reasonably priced. Taxi stands are found in many busy areas in most Korean cities. Taxis in Korea operate based on both the priced fare and the scheduled fare. The fare will vary according to the type of taxi, the distance traveled and the time of day.

## **6. How to buy a car in South Korea?**

Foreigners are required to submit a certificate of registration proving place of use to buy a car in South Korea. Newly purchased cars shall be registered and licensed with the city, prefecture or city, county or district, and automobile manufacturers and dealers can provide this service. The following documents are required for the registration of new cars and imported cars: (1) 1 copy of Certificate of Alien Registration and passport; (2) Application for new car registration; (3) 1 copy of automobile manufacturing certificate (new car only); (4) 1 copy of import declaration inspection form or import certificate (only for imported cars); (5) Temporary driving permit and license plate of temporary driving permit (only used when temporary driving permit is obtained); (6) 1 copy of ownership prove (for the cases in 3 and 4 where ownership cannot be proved); (7) Safety inspection certificate (only for vehicles that accept safety monitoring). In addition, car insurance is required to own or drive a car in Korea. In case of an accident, you can call the insurance company immediately for help.

## **7. Is there any amount requirement for registered capital in South Korea?**

At present, the minimum registered amount of KRW 100 million and separate office in South Korea are necessary for registering an independent legal person company in the



country and applying for D8 investment visa. No registered capital is required to register a branch of foreign company or establish a representative office in South Korea (commercial activities are not allowed in principle).

### **8. Can the Korean company name be in English or with symbols?**

In principle, registered companies in South Korea shall be named in Korean, with “KDDI” placed before or after the company name.