

FDI Policy Direction of Korea

February 2023



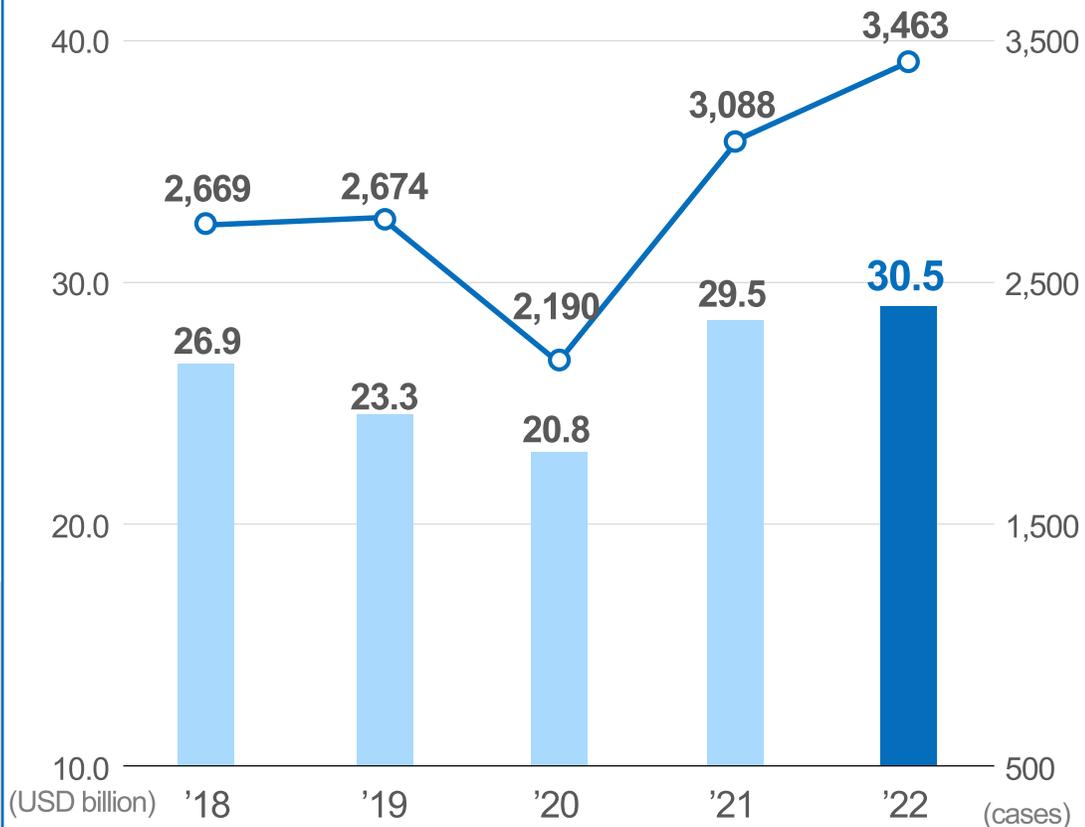
CONTENTS



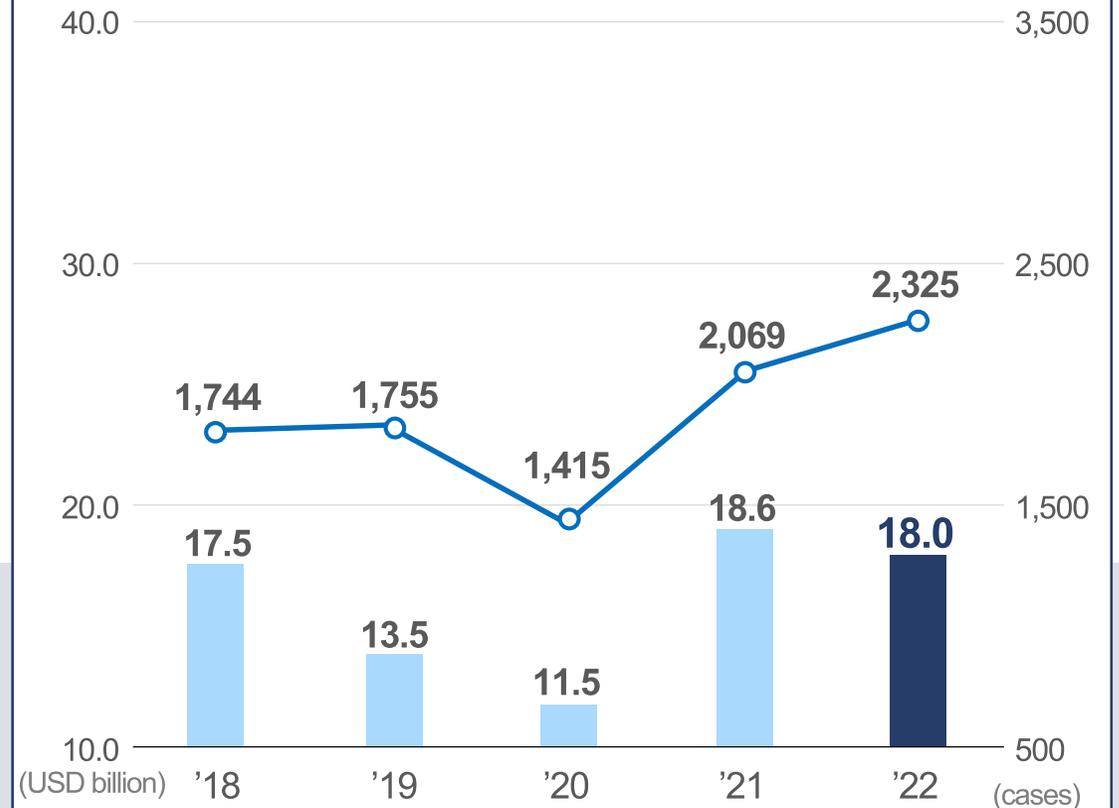
- I** FDI Performance in 2022
- II** Investment Conditions in 2023
- III** FDI Policy Directions of Korea
- IV** Main Activities Going Forward

“ Korea’s FDI hits record high in 2022 at **USD 30.5 bn** (reported basis) ”
(2nd highest ever at USD 18 bn on arrival basis)

Reported amount & cases of FDI in Korea



Arrived amount & cases of FDI in Korea



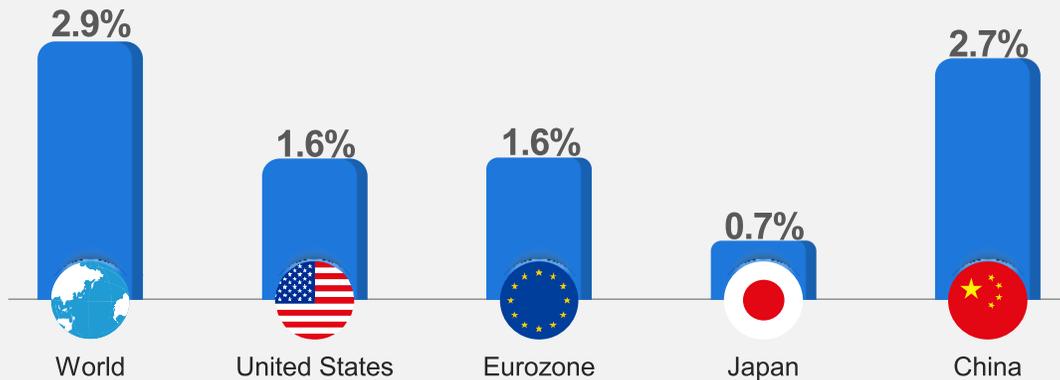
>>> Main Features <<<

1 Recorded highest-ever results despite uncertainties in the global economy

World

Continued spread of COVID-19, price hikes of energy and materials, and monetary tightening aimed at curbing inflation

Growth rate of major countries in '22 (WB, Jan '23)



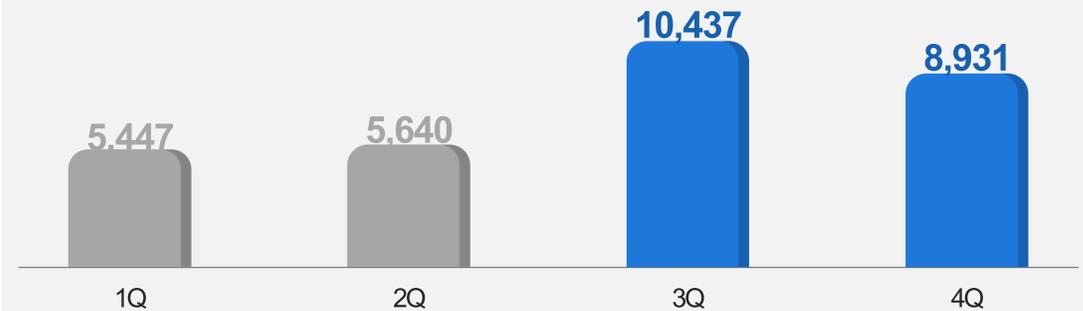
World

- ▶ Global economy growth slowed down and global FDI in the second half shrunk

Korea

Strong manufacturing base, highly-skilled workforce, advanced technology, trade network including FTAs, and efforts to improve business environment

Korea's FDI in '22 (reported, USD million)



Korea

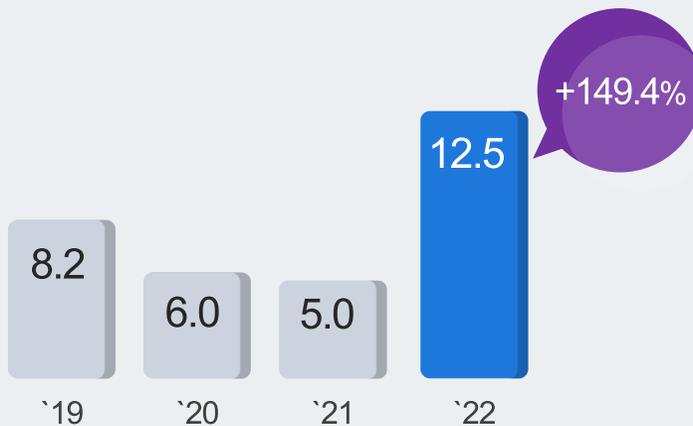
- ▶ FDI in Korea increased in the second half despite the worldwide decrease

Highest-ever results achieved in manufacturing, green-field investments, and investments to non-capital regions



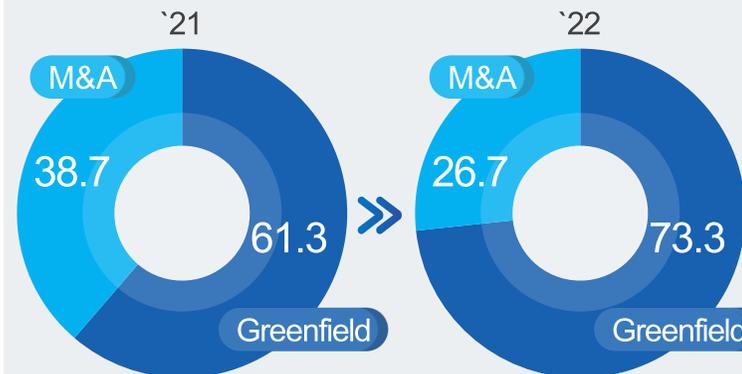
Manufacturing (+149.4%)

Investments in manufacturing
(reported, USD billion)



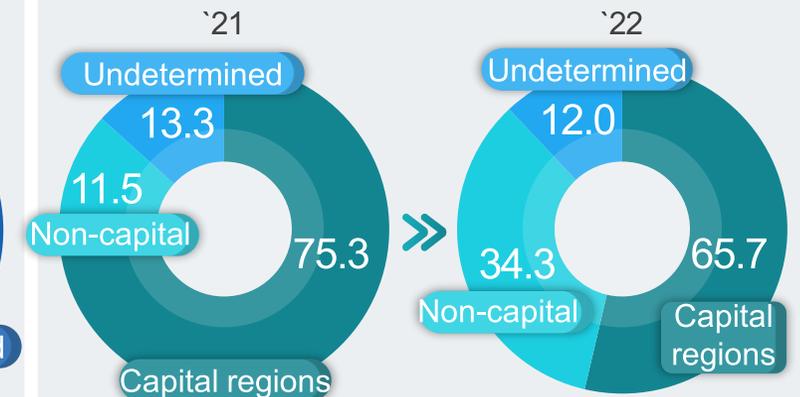
Greenfield (+23.3%)

Percentage of
Greenfield and M&A investments



Non-capital regions (+209.4%)

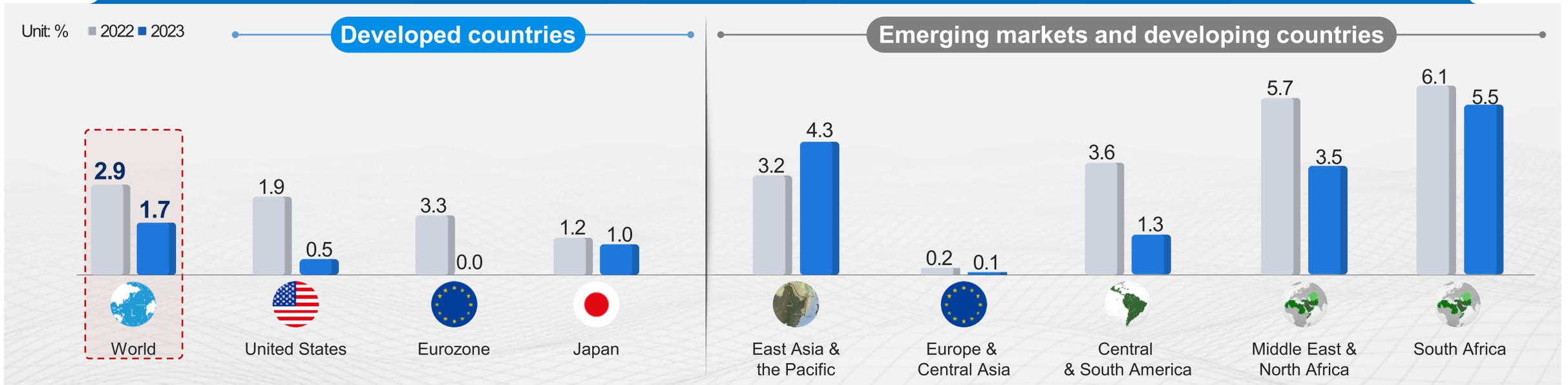
Ratio of capital to non-capital regions



→ Expected to contribute to developing Korea's industry and balanced regional growth

“ Global FDI conditions expected to worsen in 2023 to continue the sluggish performance (UNCTAD), which began from the second half of 2022 ”

Global economic growth expected to further decrease in 2023 to 1.7% (WB, Jan. '23)



“

Korean economy also faced with difficulties :

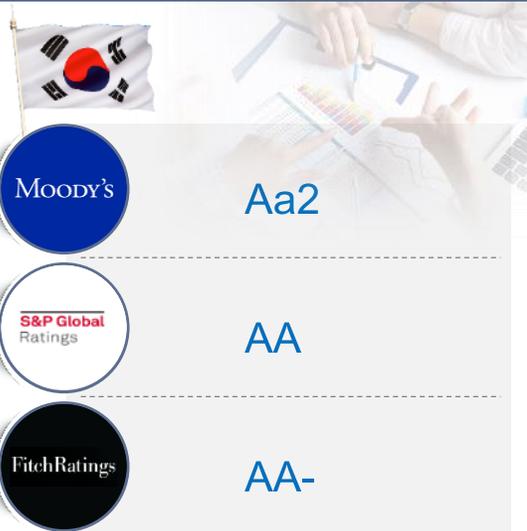
- ① Exports decrease caused by sluggish growth of major economies
- ② Discouraged consumption caused by high prices and interest rates

”



“ Korea is a reliable investment destination backed by high national credit rating, innovation index and digital competitiveness, and enjoys advantages as a market with a solid trade network ”

National credit rating



Maintaining high ratings

Global Innovation Index

	Switzerland	1st
	United States	2nd
	Sweden	3rd
	United Kingdom	4th
	Netherlands	5th
	Rep. of Korea	6th
	Singapore	7th
	Germany	8th

No. 1 in IPR protection and R&D activities (WIPO)

Digital competitiveness

Knowledge 	16th
Knowledge 	13th
Future readiness 	2nd
Overall 	8th

No. 2 in future readiness (IMD)

Trade network



21 FTAs with 59 countries

... Vision ...

“Further attract FDI to emerge as a global innovation hub”

... Strategy ...

01

Strengthen support for high-tech industries

02

Pursue strategic promotion by targeting

03

Build a business-friendly investment environment



1 Strengthen Support for FDI

01 Improve cash grant policies to boost investment in high-tech industries

“ Strengthen financial incentives for FDI in high-tech industries and key areas of the supply chain ”

Expand the scope of support



Stretch cash grant limit in strategic high-tech areas incl. semiconductors, batteries, and display (up to 50%)

- ➔ Match government subsidy: up to 50% in the capital area and up to 80% in non-capital areas



Incentives for investment made to convert existing businesses to high-tech industries

- ➔ Exempt from requirements of building or expanding factories and hiring new workers



Improve predictability



Advance notice in the investment review stage through a short checklist

- ➔ First applied to national strategic technologies and strategic high-tech areas



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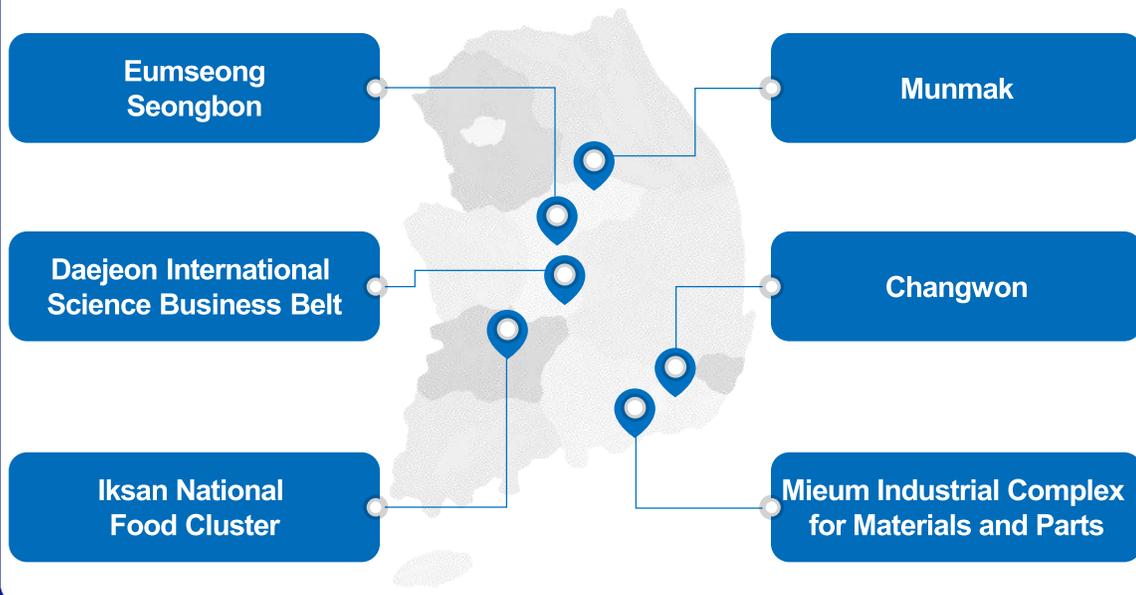
Strengthen Support for FDI



02 Supporting and Managing FDI Zones

“Improve the FDI zone management system to effectively support investors in finding sites, designate high-tech investment zones, and increase incentives”

Intensive management FDI zones



High-tech investment zones



- ▶ Special zones designated for promoting and facilitating high-tech businesses



- ▶ Consultations on-going with related government ministries to increase incentives including tax reductions and a priority examination of Regulation Free Special Zones

1 Strengthen Support for FDI



Tax benefits

Reduction in corporate tax rate

Tax base	Tax rate (existing)	Tax rate (revised)
KRW 0.2 bn or less	10%	9%
KRW 0.2~20 bn	20%	19%
KRW 20~300 bn	22%	21%
More than KRW 300 bn	25%	24%

Increased tax credit for investments

(Revised bill of Restriction of Special Taxation Act)
Tax credit rates on facility investments (%)

Type	Current			Increase
	Large enterprises	Medium-sized enterprises	Small-sized enterprises	
New growth engine industry	3 → 6	6 → 10	12 → 18	3 → 10
National strategic technology	8 → 15	8 → 15	16 → 25	4 → 10

Tax credit for R&D investments ('23)

R&D investment (%)	Large enterprises	Medium-sized enterprises	Small-sized enterprises
New growth engine/ source technology		20~30	30~40
National strategic technology		30~40	40~50

Income tax exemption/reduction



Foreign workers and engineers

Special provisions for income tax rate

Applied with a flat income tax rate (19%) instead of normal progressive income tax rates (6~45%)

Income tax reduction

50% of income tax reduced for ten years for foreign engineers

1

Strengthen Support for FDI



03

Supporting foreign investors in hiring and expanding R&D investments

“Supporting foreign investors in hiring and expanding R&D investments”
by carrying out tailored recruitment projects and improving the R&D support system

Hiring support

Recruiting session in non-capital regions

- Hold recruiting sessions in universities located in non-capital regions to help foreign investors having difficulties finding workers.

Diversified provision of information

- Regularly provide hiring-related information including successful hiring cases of foreign investors on various channels including social network and recruitment portals.

Job fairs

- Matching foreign investors with job seekers by collaborating with universities and job centers of local governments.

R&D support

- ☑ Reviewing plans, including the establishment of a collaboration system with related agencies, to support foreign investors in increasing their R&D investments



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Strengthen Support for FDI



04

Improving the foreign investment security review system

“ Complement the security review system in line with global norms by considering economic security ”

Enhance predictability

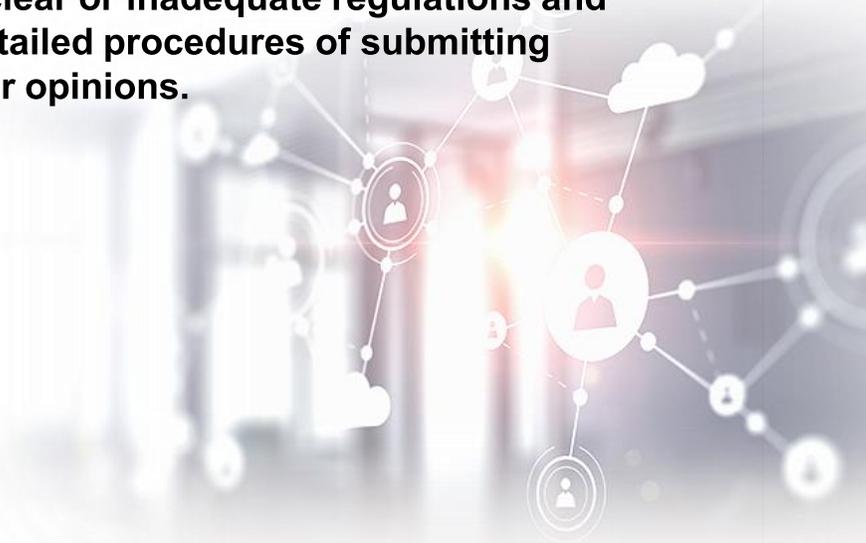
Specify the detailed review procedure and guidelines on regulations and realigned related forms.

- Foreign Investor Security Review Regulations (Aug 2022) installed a council to enable the participation of related ministries and agencies in reviewing specific matters.
- Improved forms to enable foreign investors to report the eligibility for a security review and submit related documents. (Revision of the Enforcement Rule in Sep 2022)



Improve transparency

Revise unclear or inadequate regulations and arrange detailed procedures of submitting stakeholder opinions.



2 Strategic Activities to Attract FDI



01 Targeted promotion

“ Focus efforts to strategically attract investments of targeted 100 companies capable of contributing to improving Korea’s competitiveness of three industry groups by linking with summits and global events ”

Review criteria

Need for attracting investment

- ① Importance in supply chain
- ② Foreign dependence
- ③ Technological gap
- ④ Policy compatibility
- ⑤ Growth potential of global market

Possibility of attracting investment

- ① Size of domestic market and growth potential
- ② National industrial foundation
- ③ Company/product competitiveness
- ④ Trade volume with Korean market

Directions for attracting investment



	Directions	Target companies and products (example)
High-tech industries	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Improving technological competitiveness 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Key semiconductor materials and equipment and R&D centers <input checked="" type="checkbox"/> Key secondary battery materials and equipment
Priority industries	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Promoting green and digital transformation 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Manufacturers of key parts of future cars (EV, hydrogen, self-driving cars) <input checked="" type="checkbox"/> Manufacturers of high-tech chemical materials
Future industries	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Winning new markets 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Drug materials, innovative new drugs, smart healthcare providers <input checked="" type="checkbox"/> ICT convergence leaders <input checked="" type="checkbox"/> Companies holding key carbon-neutral technologies (renewable energy, hydrogen, etc.)

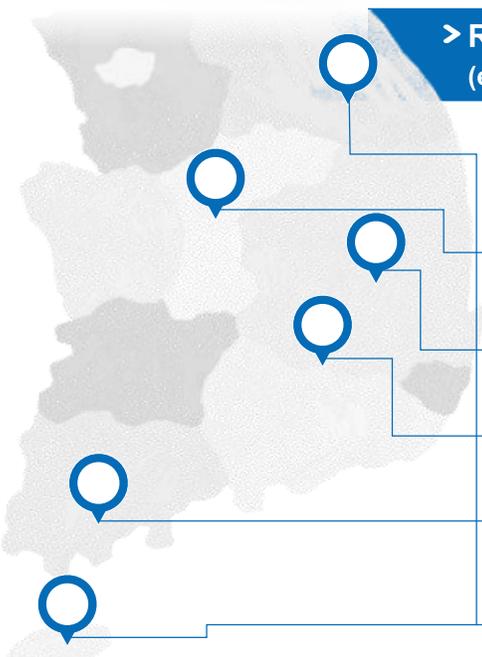


02 Strengthening partnership with demand companies and local supporters

“ Engage demand companies related to supply chain and
Strengthen cooperation with local governments to attract investment in non-capital areas ”

> Regional support centers (total of 12):
(existing) Supporting exports of local companies

(improved) function of supporting
investment attraction newly installed



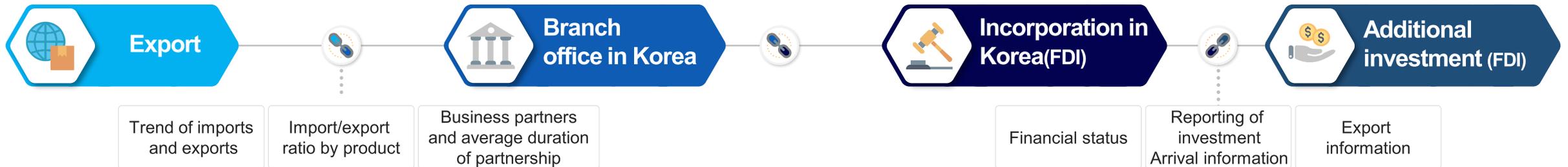
	Target industries	Priority areas and products
Chungcheong region	Semiconductors, bio-health, display	System semiconductors, high-tech image diagnostics, sensors, etc.
Daegu and Gyeongbuk region	Future cars, robot industry, future textiles	Functional materials, advanced computers, self-driving cars, etc.
Busan and Gyeongnam region	Hydrogen, AI, eco-friendly shipbuilding	Wind power, smart ships, next-gen power, etc.
Honam region	Renewable energy, EVs, smart home appliances	Green mobility, eco-friendly power storage, secondary batteries, etc.
Gangwon and Jeju	Medical devices, smart grid	Smart healthcare, high-tech surgery, energy storage, etc.

2 Strategic Activities to Attract FDI 

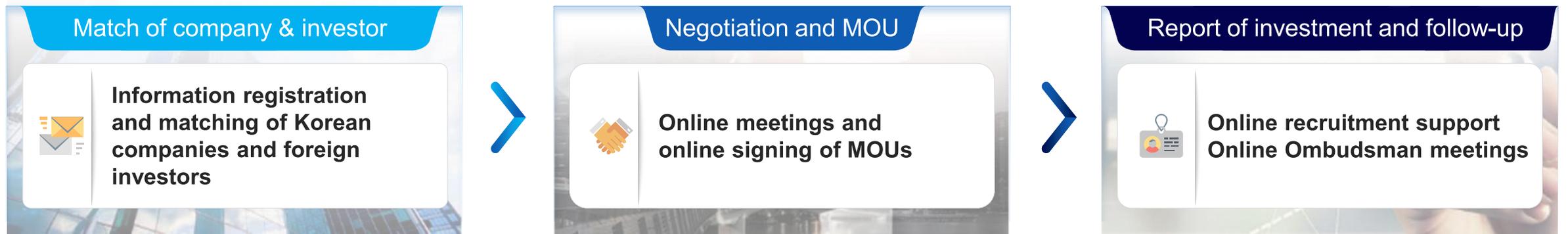
03 Data-based project management

“Discover potential investors based on data (e.g. trade statistics and management information) and support investment through online matching platforms”

Flow of investment



Online matching platform for investment



2 Strategic Activities to Attract FDI



04 Strengthen efforts to publicize the advantages of investing in Korea

“Publicize Korea's industrial competitiveness and advantages of investing in Korea by focusing on high-tech industries and induce the inflow of potential investors”

Through various channels including media advertisements, participation in global fairs, videos and images

(Brochure in 7 languages (Korean, English, Chinese, Japanese, French, German, and Spanish))

△ Investment environment in non-capital areas

△ Industry trends △ Investment success cases
(In 4 languages (Korean, English, Chinese, and Japanese))

Supported by “Honorary Ambassadors for Foreign Investment Promotion for Korea”



3 Improving Business Environments



01 Reform regulations in line with global standards

“ Constantly reform regulations and address difficulties of foreign investors by holding regular meetings and cooperate with relevant agencies ”

 Process

Identify regulations

Foreign Investment Ombudsman System and white papers of foreign chambers of commerce

Individual meetings with chambers of commerce

Industry and region-specific meetings, field visits

Discussion with related ministries



MOTIE

Regulations and systems to improve



Ombudsman

General difficulties of individual companies

Office for Gov't
Policy
Coordination

Unresolved issues

Share improvement plan

- ✓ Host meetings by inviting all foreign chambers of commerce to share improvement plans and collect additional feedback

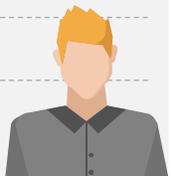


3 Improving Business Environments 

02 Widen the provision of information

“ Widen the provision of information on laws and regulations related to investment and business to enhance accessibility to information ”

A to Z Guide to Supporting Foreign Investors

- 1 FDI guide
 - 2 FDI FAQ
 - 3 Labor relations
 - 4 Environmental policies
 - 5 Tax system
 - 6 Customs
 - 7 Location
 - 8 Visa process: Major system, procedures and related agencies
- 



Online content for foreign investors covering immigration, customs, etc.



Provision of translation of Korean laws related to FDI (Korea Law Translation Center)

Additional information on local government legislation



3 Improving Business Environments
 

03 Strengthen functions and improve expertise of supporting organizations

“ Further support foreign investors' investment and business management by improving the competency of agencies attracting and assisting FDI ”



Thank you