A Message from the Ombudsman

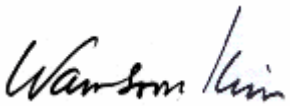
This compilation of grievance case reports for the year 2002 is a comprehensive summary of the typical problems addressed by the Office of the Investment Ombudsman (OIO) on behalf of foreign-invested firms operating in Korea. It is our hope that this annual publication illuminates the nature and scope of the various difficulties encountered by foreign investors in Korea.

Upon receipt of a grievance from a foreign-invested company, the OIO either resolves the matter through in-house methods or through cooperation with the related government ministries or agencies. In certain cases where a quick and effective solution is difficult to achieve, the OIO directly advises the Foreign Investment Subcommittee and Committee, Korea's main investment policymaking bodies, on the legal and systematic changes required for resolving grievances and enhancing the investment environment.

Despite visible improvements over the past year in terms of the government's efforts to enhance the foreign investment environment as part of its broader quest to transform the country into the business hub of East Asia, difficulties still persist for foreign investors doing business in Korea. From January through the end of October this year, the OIO received a total of 417 complaints from foreign investors, a 21 percent increase over the same period last year. Of these filed grievances, 399 have been processed, while the remaining cases were still in process at the time of publication.

The purpose of this report is to highlight the recent major cases affecting foreign investors. To this end, we are pleased to present 70 cases, mostly received in the year 2002, representing commonplace problems faced by foreign investors and the steps taken to resolve them.

I sincerely hope that this compilation of grievances proves helpful not only to existing foreign investors, but also to those seeking potential investment opportunities in Korea.



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1. Application of International Taxation

Field: Taxation

Background:
- Company D, after opening a branch in Japan, has faced difficulties in deciding whether to calculate incomes only accrued at the Japanese branch or to report all the incomes related with the holding company and its branch when calculating taxable income to the Japanese government.
- Therefore, the company requested our advice on the related income tax application method and the related governing laws.

Governing Law:
- Articles 7 and 9 of the Taxation Treaty between the ROK and Japan
- Articles 2 and 3 of the Corporate Tax Act

Review/Recommendations:
- A review of the Taxation Treaty between the ROK and Japan has confirmed that the Japanese branch only is required to pay corporate tax on incomes generated in Japan following a revision of the treaty in 1999.
- We have requested the International Taxation Division of the National Tax Service to provide us with related materials to review the content of the Taxation Treaty between the ROK and Japan.

Resolution:

- We have provided information on application methods of Articles 7 and 9 of the Taxation Treaty between the ROK and Japan to the concerned company (February 14, 2002).

2. Domestic Medical Insurance for Foreign Executives

Field: Administration

Background:

- The starting date of the retroactive levy of the national health insurance premium on foreign executives of foreign-invested companies is deemed to be their inauguration date as executive.

Governing Law:
- Articles 34 and 37 of the Enforcement Decree of the National Health Insurance Act
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Review/Recommendations:
- We recommended that the National Health Insurance Corporation flexibly apply the regulation of national health insurance on foreign executives who have solid identification between the registration date as foreigners and the inauguration date as company executives.

Resolution:
- The concerned regulations have been interpreted and applied favorably to foreign investors (February 2002).

3. Submission of Investigation Documents on Transfer Price

Field: Taxation

Background:
- Company “S” received a response from its foreign holding company that some documents among the required submission documents on transfer prices in relation to the tax base declaration of the corporate tax were unavailable or confidential.

- The company faced a negligence charge when the concerned documents were not submitted or false content was submitted.

Governing Law:
- Adjustment of International Taxes Act, its rules and the related ordinances

Review/Recommendations:
- In relation to the request for document submission on transfer prices, along with the corporate tax base declaration of the concerned company, we have asked cooperation of the National Tax Service (NTS) and the governing district tax office. In particular, we

urged them not dampen corporate activities of foreign-invested companies according to internal guidelines, and to consider size of company, such as the sales volumes, and relationships with the holding companies.

Resolution:
- After considering size of company and the past records of tax payment, along with NTS investigative guidelines on transfer prices and the possibility of tax evasion, some documents that were unavailable for submission were replaced with other necessary documents. The related document requirement has been dropped (February 2002).

4. Merger Approval following Labor Union Strikes

Field: Labor

Background:
- Securities firm “R” decided to merge with domestic securities firm “E,” and the concerned firm now faces a merger examination by the Financial Supervisory Service (FSS).
- However, since the labor union of securities firm “E” demands employment succession, wage hikes, and conversion of temporary workers to regular worker status and continues to strike, the merger approval faces significant hurdles.

Governing Law:
- Article 1-11 (13) of the Regulation on Securities Industry Oversight

Review/Recommendations:
- The Regulation on Securities Industry Oversight defines the merger examination criteria as there being no unfair loss on the existing customers due to the merge.
- However, the strike by the labor union following the merger of securities firm “R” with securities firm “E” is concentrated on the employment succession issue normally occurring during a merger, which would not cause any negative impact on customers. We explained this situation and requested the concerned authority to consider these points in evaluating the merger.

Resolution: The Financial Supervisory Board decided to approve the merger (February 2002).

5. Conversion of Previously Entered Capital Goods to Non-cash Capital Investment

Field: Finance

Background:

- The Japanese holding company of firm “M” leased two aircraft (one light airplane and one helicopter) to domestic company “H,” which is in the business of training aircraft pilots. But the holding company wants to acquire new stocks in the form of direct investment with a capital increase by converting the leased aircraft to non-cash capital investment in company “M.”
- However, according to Article 29 (Examination and Confirmation of Capital Goods Introduced) of the Foreign Investment Promotion Act, Article 38 of the Enforcement Decree, and Articles 23 and 24 of the Rules, the capital goods should be reviewed and confirmed, and should receive a seal of completion of non-cash capital investment issued by the heads of trustee agencies (KISC or a foreign exchange bank) before the shipping of the capital goods.
- Accordingly, to meet the above legal criteria, previously entered capital goods should be removed to foreign soil and then should reenter the country.

Governing Law:
- Article 29 (Examination and Confirmation of Capital Goods Introduced) of the Foreign Investment Promotion Act, Article 38 of the Enforcement Decree, and Articles 23 and 24 of the Rules

Review/Recommendations:

- Acquiring stocks of a domestic company with the aircraft as an object material of capital investment by the concerned foreign invested company is determined to be a foreign investment defined by Article 2 (1) 4 of the Foreign Investment Promotion Act, when the acquisition amount of the stocks and its ratio meet the criteria of Article 2 (2) of the Enforcement Decree of the same Act.
- Accordingly, we sent a formal written request for cooperation to the Investment Policy Division of the Ministry of Commerce, Industry, and Energy (January 17, 2002).

Resolution:
- The case has been solved as the aircraft were converted to non-cash capital investment without being relocated overseas (issue of verification and implementation of investment object materials governed by Article 299 of the Commercial Act and Article 203 of the Non-contentious Case Litigation Procedure Act) (January 28, 2002).

6. Reduction of Tax Benefit due to Capital Increase

Field: Taxation

Background:
- Company “H” was designated as a high-level technology business and has received a tax exemption benefit.
- After the company made a capital increase, it actually considered a way to reduce its capital to the former level since the tax exemption benefit is reduced due to the capital increase under the clauses of current regulations (calculation method of a new exemption ratio after a capital increase).

Governing Law:
- Article 116 (7) of the Enforcement Decree of the Restriction of Preferential Taxation Act
- Article 2 (1) and Article 5 (1) of the Foreign Investment Promotion Act
- Table 4 of Form 8 of the Rules of the Corporate Tax Act

Review/Recommendations:
- The current exemption ratio calculation method is problematic in that the exempted tax amount is doubly reduced during the capital increase or the merge with the non-exempt objects (foreign investment portion that has not benefited from tax exemption).
- To solve the problem, it is necessary to apply an average exemption rate calculated by discounting the exempted foreign capital during each capital increase when there are more than two exemption rates and by calculating the exempted tax amount with a new calculation method during capital increase or merger with non-exempt objects.
- We requested an amendment of related regulations (a new exemption ratio calculation method after capital increase) to the National Tax Service and the Ministry of Finance and Economy.

Resolution:
- The Ministry of Finance and Economy revised its Rules of the Corporate Tax Act (January 2002).

7. Filing of Tax Exemption

Field: Taxation

Background:
- Company “H,” which produces ultra compact/precision bearings used in electronic products and other applications, increased its capital by 5 billion won on August 1, 1998 and another 5 billion won on November 17 of the same year (enforcement of the Foreign Investment Promotion Act started on November 17, 1998).
- A European company “F” that was engaged in a similar industry (bearing manufacturing) acquired a domestic company by P&A method (70% share), and has received tax exemption benefits since its business was recognized as a high-level technology business in 1998.
- Company “H” is a foreign-invested company, which first advanced into Korea in 1987 and has manufactured and provided ultra compact bearings, previously imported from overseas, to Samsung, LG, and others.

Governing Law:
- Article 9 (Tax Reduction and Exemption for Foreign Investment) of Chapter III, the Foreign Investment Promotion Act
- Articles 121-2 (Reduction and Exemption of Corporate Tax for Foreign Investment) and 121-4 (Tax Reduction or Exemption of Capital Increase) of Chapter V, the Restriction of Preferential Taxation Act
- Transitional Measures of the Foreign Investment and Foreign Capital Introduction Act

Review/Recommendations:
- As a result of the review on the governing laws, it is confirmed that the increased capital portion, 10 billion won in 1998 (5 billion won in July 1998 and 5 billion won in November 1998), is eligible for taxation exemption filing due to a revision of the Restriction of Preferential Taxation Act (March 2001). Further, the tax reduction benefit for the remaining period is also applicable when the tax reduction decision is made.

- Accordingly, we requested a legal review of the matter to the Economic Cooperation Management Division of the Ministry of Finance and Economy.

Resolution:
- Following the legal review by the Economic Cooperation Management Division of the Ministry of Finance and Economy, it was determined that:
- A 5 billion won capital increase portion in July 1998 is eligible for tax break under the provisions of the Transitional Measures of the Foreign Investment and Foreign Capital Introduction Act. The other 5 billion won capital increase in November 1998 is subject to the provisions of the Foreign Investment Promotion Act.
- The concerned company filed for a tax break, and was informed of the tax reduction decision by the Ministry of Finance and Economy (January 2002).

8. Building Permit for Large Discount Store

Field: Construction

Background:
- “D” Ward Office refused receipt of a construction consultation request from company “S” for building a new discount store, citing the protection of small and medium-sized shops.

Governing Law:
- Article 8 of the Building Act
- Administrative Adjudication Act

Review/Recommendations:
- Such action is negligence of fair administrative procedure as determined by law, and we urged implementation of fair administrative procedures and administrative adjudication results.

Resolution:
- After various procedures and administrative adjudications over a one-year period, the concerned company acquired a building permit (March 2002).

9. Recovery of Funds and Business Opening Expenses Paid by Proxy before

Establishment of Local Corporation

Field: Finance

Background:
- Company “T” wanted to directly invest in Korea and transmitted funds by provisional payment method to a domestic partner taking care of various expenses including contract deposit, guarantee deposits, and purchases of land (factory lots and others) in the name of the main office before establishing a local corporation (before the transmission of the capital), as well as other establishment expenses.
- After the domestic local corporation was established (after transmission of capital), the concerned company tried to return the proxy paid amount, but realized the transmission to the overseas main office was impossible.

Governing Law:
- Article 7-21 of the Regulation on Foreign Exchange Transaction, Foreigners Land Acquisition Act

Review/Recommendations:
- Under the current provisions, the holding company located in the investing country cannot recover provisional payment with normal accounting practices, which is a stumbling block for direct investment to South Korea.
- We recommended that the related government authorities (the Foreign Exchange Division of the Ministry of Finance and Economy and the Investment Promotion Division of the Ministry of Commerce, Industry, and Energy) clarify or insert clear written clauses of related regulations of the governing laws so that the holding company may recover provisionally paid (proxy paid) expenses in lieu of the domestic local corporation.

Resolution:
- As a result of consultation with the Ministry of Commerce, Industry and Energy and the Ministry of Finance and Economy, we have received an authoritative interpretation that the pre-transmitted amount is eligible for overseas transmission by applying the existing exception clauses of the Foreigners Land Acquisition Act and Article 7-21 (Transactions between Residents and Non-Residents) of the Regulation on Foreign Exchange Transaction, rather than any revision of related laws (January 2002); and we

have conveyed this finding to the concerned company.

10. Restriction on Land Usage Change

Field: Real Estate

Background:
- Company “B” put additional investment on hold since it had not received approval for factory construction.

Governing Law:
- Article 3 of the Industrial Placement and Factory Construction Act

Review/Recommendations:
- The jurisdiction of related laws concerning factory construction in the metropolitan capital area, such the Urban Planning Act, the Metropolitan Capital Area Maintenance Planning Act, and the Industrial Placement and Factory Construction Act, overlap with each other. Further, the related laws have different overseeing ministries, which in turn necessitate complex documents and cause considerable economic and time waste.
- Land usage restrictions in the metropolitan capital area cause inefficient supply of industrial real estate, increase of land prices, and lower productivity, all of which make it necessary to reconsider the concentration suppression policy on the metropolitan capital area (including measures such as removal of heavy local tax burden in the metropolitan capital area, abolition of the aggregate factory system, abolition of the non-business real estate system, easing restrictions on individual factory scales, easing ban/restrictions on factory expansion in growth management areas and over-concentration suppression areas, and others).

Resolution:
- With a revision of the Industrial Placement and Factory Construction Act, the concerned company filed for usage change approval for the purchased lot to Pyoungtaek City and Kyunggi Provincial Government and was awarded approval (February 2002).

11. Easing Restrictions on New Factory Construction in Metropolitan Capital Area

Field: Real Estate

Background:

- Currently company “T” has its office, research institute, and factory scattered around Seoul, Gihyung in Kyunggi Province, and Kumi in North Kyungsang Province, respectively.
- The concerned company wants to integrate the main office, factory, and research facilities in the metropolitan capital area for enhanced efficiency of management and securing superior manpower, but the concerned company cannot implement the plan because of the ban/restrictions on factory relocation to the metropolitan capital area.

Governing Law:

- Article 3 of the Industrial Placement and Factory Construction Act

Review/Recommendations:

- The jurisdiction of related laws concerning factory construction in metropolitan capital area, such the Urban Planning Act, the Metropolitan Capital Area Maintenance Planning Act, and the Industrial Placement and Factory Construction Act, overlap with each other. Further, the related laws have different overseeing governing ministries, which in turn necessitate complex documents and cause considerable economic and time waste. Additionally, due to the restriction on land use in the metropolitan capital area, inefficient distribution of industrial land, increase of land prices, and lowering of productivity inevitably result.
- We have requested reconsideration of the concentration suppression policy in the metropolitan capital area (with measures such as removal of heavy local tax burden in the metropolitan capital area, abolition of aggregate factory system, easing restrictions on individual factory scales, easing ban/restrictions on factory expansion in growth management area and over-concentration suppression area, and others). We have also recommended to related government agencies an improvement of the investment environment by easing related regulations on foreign investment in advanced industries (foreign invested companies prefer the metropolitan capital area for its convenient living infrastructure, communication, transportation, and superior manpower).

Resolution:

- With a revision of the Industrial Placement and Factory Construction Act, restrictions on new construction and expansion of foreign-invested companies with more than 50% share of foreign ownership have been eased (February 4, 2002).

12. Imposition of Corporate Tax on Royalty Payment

Field: Taxation

Background:
- Company “H” signed a technology introduction contract with its holding company in the United States in 1986, promising to set aside 1.5% of net sales for loyalties, but could not do so until 1998 because of continued deficit. However, the concerned company paid the loyalties due to occur between 1986 and 1999 since it recorded a net profit in 1999.
- However, during a regular tax audit, the governing tax office imposed corporate tax on the loyalty payment portion of the concerned company on the grounds that the technology introduction contract was made with a special interest party and no objective data on technology introduction existed.

Governing Law:
- Corporate Tax Act

Review/Recommendations:
- Even though the disputed loyalty is paid on the basis of the technology introduction contract with a special interest party, it is a normal transaction type and a comprehensive technology introduction contract. As such, we judged the loyalty should be a loss treated without any regard to the existence of data on technology introduction by individual product, and we asked related government agencies to review the matter positively.

Resolution:
- The National Tax Tribunal (NTT) dismissed the request for adjudgement, but the concerned company raised an administrative litigation and has won a court decision to cancel the imposition of the corporate tax on loyalties (in April 2002).

13. Enforcement/Revision of Clauses of the Rules of the Customs Duties Act

Field: Customs/Tariffs

Background:
- Company “A” rented special moldings, used in affiliate company factories located all over the world, for temporary use to produce products.
- Even though the concerned company temporarily imported these special moldings and moved them out after use, the customs authorities imposed customs duties upon import.

Governing Law:
- Rules of the Customs Duties Act

Review/Recommendations:
- Our competitors, such as China and Taiwan, apply no duties for the same case, on the condition that they be re-exported.
- To maintain price competitiveness of the company and sustain the utilization of production bases, we asked for reasonable revision of governing laws regarding the imposition of customs duties on metal moldings temporarily imported so that sustained investment and export might be continued.

Resolution:
- Some clauses of the Rules of the Customs Duties Act were revised (April 2, 2002).

14. Increase of Industrial Accident Insurance Premium following Approval of Rehabilitation of Insurance Beneficiaries

Field: Labor

Background:
- Company “V” has an added burden on the industrial accident insurance premium due to the surge of paid insurance of the Korea Labor Welfare Corporation (KLWC) following back-to-back rehabilitation filing by retired cafeteria workers.

Governing Law:
- Industrial Accident Compensation Act

Review/Recommendations:
- We inquired about the feasibility of separate application of industrial accident insurance among the production workers, office workers, and cafeteria workers.

Resolution:
- The Industrial Accident Compensation Insurance Act allows separate application of insurance for individual business units when the business operations have different characteristics or the business correlation is not so great. Accordingly, the Ministry of Labor expressed its opinion that the concerned company may separate its cafeteria from the main office and apply different industrial accident insurance (April 2002).

15. Employment of Civil Service Teachers in Venture Companies

Field: Law

Background:
- The Korea Food and Drug Administration (KFDA) has decreed that doctors must command/supervise when quality and safety inspection on cosmetics are implemented.
- Accordingly, company "I" tried to employ a college professor who has civil servant status as an adjunct employee of the company, but the provisions of the National Public Officials Act restricted the adjunct employment of the public official.

Governing Law:
- Articles 2 and 16 of the Act on Special Measures for the Promotion of Venture Businesses

Review/Recommendations:
- We have confirmed that special case regulations on adjunct status of civil service teachers are applied to support facilitation of technological development and man-power supply of venture businesses when certain requirement of the provisions of the Act on Special Measures for the Promotion of Venture Businesses are met. We asked for reconfirmation of the fact to the related government authority (the Small and Medium Enterprise Administration).

Resolution:
- We have received an administrative opinion of the related government agency saying that the employment of civil service teachers is possible after being registered as a venture business, and accordingly conveyed the finding to the concerned company (April 2002).

16. Extension for Factory Construction Grace Period in Foreign Investment Complex

Field: Construction

Background:
- The Korean Industrial Complex Corporation (KICOX) informed company “C” of possible termination of a residential (lease) contract in the industrial park within the year in view of the delay of the factory construction promised by the concerned company.

Governing Law:
- Article 42 (Termination of Contract for Occupancy) of the Industrial Placement and Factory Construction Act

Review/Recommendations:
- We asked for a positive review since the factory construction was delayed inevitably due to the revised investment schedule of the concerned company.

Resolution:
- The contract has been extended until December 2003 (April 2002).

17. Punitive Taxation on Gold Bullion Transaction

Field: Taxation

Background:
- During a tax audit on a Japanese trading company conducted in 1997, it was pointed out that the sales volume, which was the criteria for calculating the main office expenses for taxable income, did not reflect the sales volume of gold bullion transactions. For this reason, the concerned company “J” was hit with reduced assignment of main office expenditures and punitive taxation of a large amount of corporate tax and resident tax.

Governing Law:
- Taxation Treaty between the ROK and Japan

Review/Recommendations:
- If Korean tax authorities enforce unreasonable taxation disregarding the original intention of the tax treaty between the two countries, which plays a backbone of business transactions and investment activities, our government's credibility may be at stake. Further, the international trade and investment activities of Japanese enterprises in Korea surely will be discouraged due to nontransparent taxation and large tax expenses.
- We requested the correction of this situation to the related government authority (Assistant Commissioner for International Taxation of the National Tax Service).

Resolution:
- The Assistant Commissioner of the National Tax Service informed us of its decision not to collect punitive tax after going through consultation with Japanese tax authorities (April 2002).

18. Interpretation of Wholesale and Offer during Tax Audit

Field: Taxation

Background:
- The interpretation of wholesale or offer has been changed from settlement basis to contract basis by a working level agreement between Korean and Japanese tax authorities in November 1995. Accordingly, companies filed their tax reports following the contract basis beginning from March 1996.
- However, during a tax audit in 1997, in contrast to the working level interpretation between the two countries in November 1995, the existing interpretation stating that the division of wholesale and offer should be based on economic rationale. As a result, some wholesale transactions of the concerned companies have been denied.

Governing Law:
- Taxation Treaty between the ROK and Japan

Review/Recommendations:
- We voiced our opinion to the Assistant Commissioner for International Taxation of the National Tax Service, and urged the implementation of previously consulted provisions

between the two countries tax authorities.

Resolution:
- The issue was resolved through additional agreement between the tax authorities of Japan and South Korea (April 2002).

19. Temporary Use of the Existing Power Line and Installation of Additional Power Line with Factory Expansion/Relocation

Field: Utilities

Background:
- Company “R” was going to expand production capacity for nylon and polyurethane raw materials two-fold and was preparing to replace the power lines, which was essential for the expansion.
- A smooth replacement of old power lines with new power lines takes about four months, but the use of two power lines would violate power supply regulations of the Korea Electric Power Corporation (KEPCO).

Governing Law:
- Power Supply Policy of KEPCO

Review/Recommendations:
- Company “R” has a plan to invest an additional USD200-300 million to promote Korea as the production/management center of Asian market. Additionally, the company is an exemplary foreign-invested company, which introduces high-level technology and capital to basic domestic industries.
- It takes about four months to replace the existing power lines to make smooth transition to the production process of petrochemical plants, which is a capital-intensive process industry. When temporary use of the two power cables (one existing and the other newly installed) is difficult, a great loss of nearly USD4 million as well as a negative impact on exports can be expected.
- Accordingly, we reminded KEPCO that it can apply a supply term not mentioned in the Power Supply Policy of KEPCO with approval of the Minister of Commerce, Industry and Energy (MOCIE) when a special occasion arises according to Article 5 of the policy provisions, and requested for double usage of the power cables.

Resolution:
- MOCIE allowed use of two power cable lines temporarily through a meeting of related persons of its Electricity Committee in view of the contribution of the concerned company to the national economy, even though Article 18 of the Power Supply Policy of KEPCO states one power line for one factory principle (April 2002).

20. Set-off Measures by the Regulation on Foreign Exchange Transaction

Field: Finance

Background:

- Company "G" will file a voluntary report to the Finance Supervisory Service (FSS) because of non-implementation of a report to the Bank of Korea (BOK) in relation to set-off measures of the foreign exchange regulations. However, if the company initiates a voluntary report, it may receive a ban of related foreign exchange transactions ranging from one month to three months.

Governing Law:
- Articles 1 through 3 (Recovery of Credit), Section 2, Chapter 1 on Set-off of the Regulation on Foreign Exchange Transaction
- Article 12 of the Enforcement Decree of the Foreign Exchange Transaction Act

Review/Recommendations:

- A possible ban of related business for one to three months would pose a serious disruption to the business performance of the concerned company. Further, when the company conducted a set-off measure with the overseas main office in 2001 under a situation of a non-implementation of the reports to the BOK, the amount of mitigating income from expenditures was zero, which meant there was no actual movement of foreign exchange.
- Even though the company conducted a set-off measure under a condition of non-implementation of the report to the BOK, there was no actual movement of foreign exchange, which enabled us to request related government agencies to allow a retroactive report on the set-off amount of the year 2001.

Resolution:
- Since an actual foreign exchange movement has not taken place, as the company conducted a set-off under a situation of non-implementation of the BOK report in 2001, the related authority let the company revise the set-off measure on the accounts of the company and conduct a set-off on the portion between 2001 and 2002 after reporting it to the BOK (April 2002).

21. Subsidies Grants of Local Autonomous Government

Field: Investment Procedure

Background:

- Company "D," which produces piston rods and gas impact absorbers for automobiles, expects to receive additional subsidies, for there is a difference in the subsidy amount promised by the local autonomous government during investment consultations and the actual budget limitation of the government.

Governing Law: None

Review/Recommendations:
- The concerned company is building factories and is expected to invest continuously into the future. So we requested the local autonomous government to support the company with subsidies as much possible by adjusting the budgetary limitation of the local government to the original expectation of the company, which has come from various investment assistance promises of the local governing body during the initial investment consultation.

Resolution:
- The concerned local government decided to allocate a portion of central government grants to subsides as the budget allocation of the local autonomous government was insufficient (May 2002)

22. Introduction of Non-rinse Sanitizer

Field: Law

Background:
- Company “E” is selling anti-infection sanitizers to institutes such as hotels, hospitals, and schools that serve food. Since the Food Hygiene Act and the Public Health Management Act have no relevant clause on non-rinse sanitizers, the products of the concerned company are classified under detergents, even though they are anti-infection sanitizers.
- In this instance, since the concerned products legally should be rewashed, infection by virus can occur; but the company had a lukewarm response from the Korea Food and Drug Administration (KFDA) even though the argument was conveyed to the administration.

Governing Law:
- Articles 2 and 3 of the Food Hygiene Act

Review/Recommendations:
- The Code of Federal Regulation (CFR) of the United States has defined quality standards on rinse-free anti-infection sanitizers, and those products that meet the standard are sold as no-rinse sanitizers.
- However, since no governing law on no-rinse sanitizers exists domestically, no-rinse sanitizers used in the United States should be rewashed with water in local circumstance, which would cause a secondary pollution (infection) by water.
- We have contacted a desk of the FDA (Container Package Division), confirmed its position on introduction of no-rinse sanitizers, and asked for cooperation for legislation.

Resolution:
- The KFDA completed a review on this matter and went on to initiate an enactment; as a result, related clauses are inserted in the current Food Hygiene Act (August 2002)

23. Lifting Discrimination on Purchase of Foreign Software

Field: Unfair Business Practice

Background:
- When the government or public institutions purchase firewall software, the majority of

usually purchase the highest security level, K4-level, products, which negatively affects foreign software that are generally K2 class products.

Governing Law:

- Articles 8 and 47 of the Act on Promotion of Information and Communication Network Utilization
- Common Evaluation Standard on Information Protection System, Basic Guidelines for National Information Communication Security

Review/Recommendations:

- It is true that foreign software, which are K2 class products, have disadvantages since most of the government and public institutions purchase the highest security level, K4 class, products when they purchase firewall software.
- The diversification of purchase standards is needed so that each public agency may purchase the proper level security-class products according to its own need.
- Our country's telecommunication security standards, now classified into four categories from K1 to K4, should be integrated with the International Common Criteria (CC).
- We asked for a policy of diversification in purchase standards so that the government and public institutions can purchase proper security level products according to the individually needed security level.
- We urged a prompt introduction of the international common evaluation criteria (CC) on security software so that a more level playing field for both domestic and foreign security software makers can be established and an encouraging environment for overseas advancement of the domestic security software companies can be created.

Resolution:

- The government and public institutions are independently purchasing security software according through autonomous decisions and a security guideline made by the National Information Service.
- Since there is little difference in prices among software of different security levels in the domestic market, each agency tends to prefer the higher level products of the same price range, which negatively affects foreign software; however, the government cannot interfere artificially at this stage.
- The fact that purchasing the highest classified products may mean a lighter responsibility for officers in charge when an accident happens has played a greater role

in deciding which products to purchase.
- Some sectors of security software have already introduced the international common evaluation criteria (CC) beginning in August 2002.

24. Quarantine of Imported Products

Field: Customs/Tariffs

Background:
- Even though company “M” imported frozen foods from Canada, a quarantine request of the company has been rejected by the National Quarantine Station in Busan, which caused a storage fee burden as the foods have been kept frozen since September 4, not to mention the delay of the quarantine.
- As the frozen food arrived at Busan Port, the importer changed from local importer “A” to another importer “B.” Accordingly, the Canadian quarantine office took back the quarantine certificate (with assigned quarantine number) originally issued to company “A” and issued a new quarantine certificate to company “B.”
- When company “B” filed for quarantine to the National Quarantine Station in Busan, the station requested submission of the original copy of the quarantine certificate in the name of company “B,” along with the original copy of quarantine certificate initially issued to company “A.” However, the Canadian quarantine office maintained the position that it had to recover the original copy of the quarantine certificate of company “A” since the ownership of the same cargo had changed from company “A” to company “B.”

Governing Law:
- Article 24 of the Quarantine Act (Import Restriction of Products)
- Article 4 of the Enforcement Decree of the Quarantine Act (Papers to be Presented and Submitted during Quarantine Investigation)

Review/Recommendations:
- We requested cooperation of the National Quarantine Station in Busan to solve the above grievance.

Resolution:
- The quarantine on the cargo has been processed by letting company “B” submit a copy

of the quarantine certificate originally issued to company “A” by the Canadian quarantine office and an original copy of the quarantine certificate issued to company “B” with an attachment of a statement of reasons explaining why the importer was changed (September 2002).

25. Import Customs Clearance

Field: Customs/Tariffs

Background:
- Company “K,” a general transportation company, has had difficult times in selling golf items due to the delay in customs clearance during the importation process of the items.
- That is, the customs office demanded the same data continuously for each customs clearance, and it took a long time to clear customs since personnel and departments in charge have different standards of determination, etc.

Governing Law:
- Articles of 3-3-1, 3-3-4, and 3-3-5 of the Ordinance on Taxation Examination Processing (No. 2001-20)
- Article 2-4-4 of the Ordinance on Import Customs Clearance Processing

Review/Recommendations:
- We have consulted with and requested cooperation of the Seoul District Customs Office to make speedy customs clearance by recognizing the recorded prices that had already been reviewed or the prior submitted documents when the same items are imported.

Resolution:
- According to Article 3-3-1 of the "Ordinance on Taxation Examination Processing," golf equipment, furs, used cars, and jewelry are designated as "taxable amount prior examination objects" and customs clearance may take more than 15 days under the provisions of the Article 3-3-4 of the same ordinance. Additionally, for newly imported items, the duration of the customs clearance may differ depending on the methods for exact taxable amount evaluation by the responsible desk.
- Thus, when a speedy customs clearance is needed and a tax payer asks for such, which is the case of the concerned company, the taxable amount evaluation can be continued

after permitting withdrawal prior to acceptance of declaration according to the clauses of Article 2-4-4 of the Ordinance on Import Customs Clearance Processing. So the governing customs office recommended taking advantage of the "withdrawal prior to acceptance" system in which the importer can provide collateral in proportion to the taxable amount to be paid until the import amounts accumulate. The office promised active support when the concerned party files for use of the system (September 2002).

26. Use of National and Public Land

Field: Real Estate

Background:
- Company “M” has introduced building material production technology with recycled waste materials and has invested 13 billion won in manufacturing related equipment and devices.
- The company tried to lease or purchase real estate near Incheon International Airport owned by a governmental agency (the Korea Forestry Service) to relocate the company’s affiliated research institute for the convenience of operation.

Governing Law: Article 13 of the Foreign Investment Promotion Act

Review/Recommendations:

- Currently the governing administration or local autonomous governments can rent or sell national and public assets to foreign-invested companies by contract *ad libitum* according to Article 13 of the Foreign Investment Promotion Act
- We requested the Korea Forestry Service to let the concerned company lease/purchase the land owned by the service so that the company can established a research institute of technological development necessary for national economic development.

Resolution:
- An administrative officer at the Korea Forestry Service has noticed that there is no plan for rent or *ad libitum* selling for securing an inside fund since enough budget is already allocated this year.
- The officer also informed us that selling or renting of the land will follow an in-house guideline and that an open bid is scheduled in the first half of 2003 (September 2002).

27. Measures on Production Stoppage of Disposable Needles

Field: Health and Welfare

Background:
- Company “M” produced disposable needles by OEM to provide them to the World Health Organization (WHO), but received an order of production stoppage from the Korea Food and Drug Administration (KFDA) before shipping the products for export, which puts the concerned company in a bankruptcy situation.

Governing Law:
- Article 26 of the Pharmacist Act

Review/Recommendations:
- The products of the company have already been scrutinized and accepted by WHO, and in this case, since the company was not aware of domestic laws, it produced disposable needles without getting a permit from the KFDA.
- We have requested cooperation of the KFDA, who is responsible for medical equipment manufacturing permits, and the Korea Testing Laboratory (KTL), who is responsible for tests necessary for permit issuance as follows:

> There was no intentional breaking of law, as the company was preparing documents to receive the permit from the KFDA, and our national economy might be negatively affected (through reduction of exports, disruption of a medical venture industrial parks invested in by foreign investors), not to mention losses of the company from delayed exports. We requested kind consideration on the matter even company “M” manufactured medical equipment without obtaining the proper permit.

Resolution:
- The FDA and the KTL fully considered the situation of the concerned company, and allowed the company to register as a medical equipment manufacturer.
- The concerned company completed the export contract without a hitch, and it proceeded to introduce foreign investment for additional factory expansion (September 2002).

28. Penalty for Failure to Report Working Place Change during Visa Re-issuance

Field: Immigration

Background:
- A CEO of company “J” visited an immigration office on matters of visa issuance, but was levied with a penalty charge for allegedly violating reporting obligation on change of working place.

Governing Law:
- Immigration Control Act

Review/Recommendations:
- The CEO of the concerned company was inaugurated as a CEO of another separate corporation, but did not file the change with the immigration office. We have requested for an exemption of the penalty charge since the person in question has been penalized for the same reason in the past.

Resolution:
- The person in question was exempted from the penalty (September 2002).

29. Confirmation of Identification Reference for Foreigners

Field: Administrative Approval/Permits

Background:
- Company “M” submitted a waste disposal business plan to City Hall “P,” and was expecting to file a separate permit request (processing period of ten days).
- Some damages were expected if the permit was delayed until August.
- Identification reference checks for executives (including all the registered executives) initiated by the competent administration is required to obtain the permit, which was necessary for confirmation procedures on disqualification factors (underage, incompetent) under the provisions of the Waste Materials Control Act.
- However, the competent administration was delaying the process since two executives among the registered executives of the concerned company were foreigners and the

administration was confused about how to process the permit request.

Governing Law:
- Provisions on Identification Reference in the Waste Materials Control Act

Review/Recommendations:
- We have presented precedence of regional offices of the Ministry of Environment and the Ministry of Justice, which have not investigated the personal history during approval/permits and visa issuance to foreigners, and we also reminded the competent administration of relevant laws mentioning only registered executives.
- We have pointed out that foreigners who manage foreign-invested companies under due legal procedures and permits should not be disqualified under the provisions of the Waste Materials Control Act and that it is unnecessary to conduct identification reference checks because of the inconvenience.

Resolution:
- The competent administration excluded the concerned foreigners from the identification reference check (September 2002).

30. Dispute with Worker Dispatch Company

Field: Labor

Background:
- Company “A” has received a correction order from a local labor office citing a labor supply contract on banned worker dispatch job categories. Afterwards the concerned company directly employed some dispatched workers, but the manpower dispatch company demanded a service fee for this.

Governing Law:
- Table 1 of the Enforcement Decree of the Act on Dispatched Worker Protection

Review/Recommendations:
- We raised issue with the illegal demand of the manpower dispatch company.

Resolution:

- The administrative process ended with a warning to the concerned service company in accordance with the Article 7 of the Act on Dispatched Worker Protection and others (September 2002).

31. Installation of Glass Partition Wall at Micro Brewery

Field: Administration

Background:
- Even with the lifting of regulations on production of micro beer, German company "K" faced unexpected barriers while marketing its micro beer facilities in the domestic market.
- The regulation in question forced the business to install a glass partition wall around the brewing facilities located on the business floor.

Governing Law:
- Enforcement Decree of the Liquor Tax Act
- Ordinance No. 2002-7 of the National Tax Service

Review/Recommendations:
- The facilities of company "K" rely heavily on external decoration in addition to the simple beer brewing function for consumer satisfaction. Further, the facility has been designed to let consumers taste instantly brewed beer on-site. For this reason, installing a separate glass partition wall would hinder these features.
- We have recommended to abolish the regulation since we determined that the regulation is impractical, as the space of sales floor should be expanded to accommodate the glass partition wall and no other country has such a regulation, even though, admittedly, there is a necessity to control access of common people and the glass partition wall would not greatly damage the external beauty of the facilities.

Resolution:
- Since relevant legal clauses define only the clear division of the brewing facility and sales floor, there are other avenues such as creating a fence instead of a glass partition wall separating the two facilities. Adoption of these legal applications would not violate the concerns of related clauses and will reduce the burden on the part of businesses (September 2002)

32. Removal of Illegal Placards around a Large Discount Store

Field: Administration

Background:
- Company “C” wanted to remove placards alongside the roads, which have been installed illegally by the labor union, but the concerned company worried that directly withdrawing the placards by the company might agitate the labor union.

Governing Law:
- Article 5 of the Outdoor Advertisements, etc. Control Act

Review/Recommendations:
- We have requested the removal of illegal placards through the competent ward office.

Resolution:
- Ward Office “N” issued the first and second correction orders to the labor union to allow voluntarily removal of the placard (September 2002).

33. Usage Change of Industrial Park

Field: Real Estate

Background:
- Company “V” imports vehicles from Europe to sell in the local market, and wants to store the vehicles in the factory lot of company “W,” which is a related company located in an industrial park of City “C” in South Kyungsang Province, to save logistics costs. However, the Korea Industrial Complex Corporation (KICOX) maintained a position of not allowing the storage since the park is currently used as a factory-only industrial park.

Governing Law:
- Ordinance on the Basic Framework of National Industrial Complex Management

Review/Recommendations:
- We have confirmed that the storage construction within the factory of company “W”

posed no problem after inquiring with the Ministry of Construction and Transportation and the provincial government of South Kyungsang Province about a possible change of the Basic Framework of National Industrial Complex Management to add the business of open storage in its permissible business list within the industrial park.
- Additionally, we requested the Industrial Location Environment Division of the Ministry of Commerce, Industry, and Energy (MOCIE) to positively review/process when the ministry receives a review request of the pending case.

Resolution:
- MOCIE permitted the revision request of the Basic Framework of National Industrial Complex Management and requested the Ministry of Administration and Home Affairs to revise the related ordinances.
- Accordingly, KICOX delivered company "V" a final notice that a new residential contract was possible with the factory lot of company "W" (business classification: other storage business, storage and delivery of vehicles (automobiles and construction machines)), which was engaged in construction machinery production and was a related company of company "V" (September 2002).

34. Worker Transfer to a Shareholding Company

Field: Labor

Background:
- Foreign invested company "D" transferred its employees to a newly established corporation, in which company "D" held a 5% share, to support the new company's management. However, the legal validity of transfer of workers needed to be determined beforehand.

Governing Law:
- Subparagraphs 1-7 of Article 19 (1) of the Monopoly Regulation and Fair Trade Act

Review/Recommendations:
- According to the provisions of the Monopoly Regulation and Fair Trade Act, establishing a company to jointly carry out or manage the main parts of a business is defined as an unfair cartel that restricts competition.
- Therefore, the possibility of whether an assisting action of a newly established

company violates the related laws needs to be investigated.

Resolution:
- We confirmed through the Korea Fair Trade Commission (KFTC) that this case was not an unfair inside transaction aimed at increasing profits among affiliate companies and informed this finding to the concerned company.

35. Disclosure of Business Operation Expenditure Details in Major Cities

Field: Living

Background:
- Company “C” planned to install salesrooms and offices in major local cities including Seoul and Kwangju.
- To do this, the company urgently needed to obtain expenditure related data necessary for business operation, including housing rent charges, office space rent rates, travel expenses, education fees, and other living allowances.

Governing Law:
- In-house operation guidelines of related local governments

Review/Recommendations:
- We requested details of business operation expenditures to Seoul Metropolitan City, Kwangju City, and other cities.

Resolution:
- We obtained up-to-date data on consumer living expenses including living allowances, education fees, housing costs, travel expenses, rent rates, and other public service charges from Seoul City and Kwangju City, and conveyed them to the concerned company.

36. Calculation of Profit and General Expenditure Rate

Field: Tariffs

Background:

- Company “A” imports lubricant oil for automobiles from an affiliate located in Singapore, and the tariff on the transaction price of the product is calculated by a method mentioned in Article 33 of the Customs Duties Act since the transaction is classified as occurring between parties of special interest.
- The problem is that the standard rate of profits and general expenses among the evaluation factors is too low in view of the actual situation of the company. So the concerned company inquired about the adjusted profits and expense rates to Korea Customs Service (KCS), but to no avail.

Governing Law:
- Customs Duties Act

Review/Recommendations:
- The basis for this grievance rests in the determination method of the taxable values rather than the calculation of profit and expenditure rates. That is, when the currently applied determination method of "taxable values based on domestic sales prices" (Article 33 of the Customs Duties Act) is converted to the general taxable value determination method, the company may have no need to inquire annually about the rates of profit and expenditure to the KCS.
- Accordingly, we have contacted KCS and requested cooperation while explaining the grievance of the company on the calculation of the profit and expenditure rates and whether it might be possible to change the taxable value determination method.

Resolution:

- We have received the following response from the KCS and conveyed the message to the concerned company:

1) On change of taxable values determination method

Since the determination of "taxable values based on domestic sales prices" that is currently applied to the concerned company is not a permanent measure, the company can always report after converting to the general taxable values, where a temporary penalty tax rate is not applied. However, when the KCS determines that the import price is not a normal price in *ex post* factor ruling, then a penalty tax of 20% will be levied.

2) On calculation of profits and general expenditures

The KCS will calculate, as soon as possible, the rates of profits and general expenditures to be used when determining the taxable values on the imported portion in the year 2000, which was requested by the company, and will inform the company of the result. Further, the KCS will not give disadvantages such as a delinquency charge following the delay of reports when the company files a confirmed report according to the KCS' calculation.

Foreign Investor Grievance Cases

Cases in Progress*

1. Assignment of Special Case Military Service Personnel
2. Excessive Industrial Injury Insurance Premium
3. Acquisition Tax on Oligopolistic Shareholders
4. Refund of Resident Tax after Corporate Tax Exemption
5. Tax Breaks on R&D
6. Enforced Operation of the Labor-Management Council
7. Stoppage of Japanese Broadcasting Transmission
8. Foreigner-only Immigration Desk
9. Height Restriction on Newly Constructed Factory Structure
10. Withdrawal of Unfair Taxation Action
11. Request for Establishment of Industrial Park Supervisory Office
12. Implementation of Taxation and Administrative Orders
13. Residual Liquid Crystal as a Recycling Ordinance Item
14. Double Test Issue of Electromagnetic Wave Interference
15. Obligatory Employment System for Employment Protection Subjects
16. Additional Tax Following Reporting Delay of Stock Transaction Tax Payment
17. Classification of TFT-LCD Products as a Single Item
18. Granting of Tax Benefits
19. Non-performing Asset Sales
20. Purchase of Factory Lot
21. Approval/Permits for Sparkling Water Purifier
22. Request for Cooperation on Taxation Judiciary Review Petition

*Grievances being raised to relevant authorities for further consideration

1. Assignment of Special Case Military Service Personnel

Field: Labor

Background:
- Research activities of foreign-invested company “T” are negatively affected by the shortage of assigned special case military service personnel in its research center.

Governing Law:
- Article 41 of the Military Service Act and Article 72 of the Enforcement Decree

Review/Recommendations:
- Priority assignment of special case military service personnel to small and medium enterprises and foreign-invested companies and the change of assignment frequency to include first as well as second half of the year are expected to bring about positive effects.
- We recommended preferential treatment in assigning special case military service personnel to research centers of foreign-invested companies and also to change the once a year assignment frequency to twice a year.

Current Status:
- Due to the insufficient number of special case military service personnel, the required number of researchers is not available.
- The decision on the assigned number of supporting personnel is made at the end of the year and the assignment is determined though an evaluation by companies.

2. Excessive Industrial Injury Insurance Premium

Field: Health and Welfare

Background:
- British foreign-invested company “S” has been classified as a manufacturer of power electric machines and tools since 1987 (insurance premium was 0.0022%) and received a discounted rate (insurance premium of 0.001144%) this year.
- But the company has been reclassified as a steel or non-ferrous molding manufacturer (with insurance premium of 0.0032%) by building a new factory, and its new premium

is being retroactively applied.

Governing Law:
- Article 63 of the Industrial Accident Compensation Insurance Act

Review/Recommendations:
- Since the insurance premium for industrial injuries has different applications even in the same industry, some disputes inevitably arise. The situation needs to be improved along the lines of Japan, for example, which has a separate premium for each industry.
- We recommended a separate premium for industrial accidents and a ban on retroactive application.

Current Status:
- The modification of already applied insurance premiums is rather difficult in realistic terms. However, a positive review is expected when the insurance premiums for each industry are changed in the future.

3. Acquisition Tax on Oligopolistic Shareholders

Field: Taxation

Background:
- Company “D” was established in September 1998 and recognized as a high-level technology business by the Ministry of Finance and Economy, thus receiving various breaks on corporate tax, acquisition tax, and others. Additionally, the holding company “A” transferred all the shares invested in the concerned company to Company “B” in the form of stock dividends in September 2001.
- Following the change of invested capital ownership, the acquisition tax was paid since the transaction was regarded as an acquisition by the oligopolistic shareholders. However, it is reasonable to assume that share transferee company “B” should also be entitled to the same tax breaks company “D” originally was granted under the provisions of the Foreign Investment Promotion Act as well as others.

Governing Law:
- Foreign Investment Promotion Act
- Restriction of Preferential Taxation Act

- Acquisition tax-related regulations of the Local Tax Act and its rules

Review/Recommendations:
- The concerned company has received the acquisition tax exemption in proportion to the foreign investment ratio under the provisions of the Restriction of Preferential Taxation Act, and its exemption period had not yet expired.
- Considering that the corporate structure of the concerned company remained the same even though there was a change of oligopolistic shareholders, it was determined that various tax exemptions, including corporate tax and even the disputed acquisition tax, were applicable to the succession.

Current Status:
- The Ministry of Administration and Home Affairs and related local governments claimed that that there should be no exemption of acquisition tax following acquisition by the oligopolistic shareholders. They cited a supreme court decision of not exempting acquisition tax on oligopolistic shareholders who acquired a company in a local region even though the original acquisition tax was exempted since the company was originally located in the metropolitan capital area.
- As a response to an objection filed by the concerned company, the local autonomous government pointed out that the tax exemption was assigned to the concerned company, not to the oligopolistic shareholders, and decided it appropriate to levy the acquisition tax on the oligopolistic shareholders.
- The concerned company is preparing an examination petition or an administrative litigation claiming that the oligopolistic shareholders are in fact related with the holding company of the concerned company.

4. Refund of Resident Tax after Corporate Tax Exemption

Field: Taxation

Background:
- Company B paid corporate tax in 1996, as it recorded a net profit for the period. But due to a net loss in 1997, it received a refund of the previously paid corporate tax in April 1998 based on retroactive deduction on net operating losses as specified in Articles 72 and 38-2 of the Corporate Tax Act.
- Accordingly, the concerned company filed for a refund of resident tax following the

refund of the corporate tax, but the Ministry of Administration and Home Affairs stated that refund on local taxes occurring before revision of the Local Tax Act in December 1998 were not eligible.

Governing Law:
- Local Tax Act

Review/Recommendations:
- In view of the intention of retroactive deduction on net operating losses, it is reasonable to assume that resident tax should be refunded following the corporate tax refund.
- We asked for an amendment to the law so that local taxes occurring before the revision of the related Act be refundable, and further urged the related governing authority to positively consider the examination petition submitted by the concerned company.

5. Tax Breaks on R&D

Field: Taxation

Background:
- Table 5 of Article 8 (3) of the Enforcement Decree of the Restriction of Preferential Taxation Act refers to research facilities and equipment in its "Usage Criteria for Research and Manpower Development Preparatory Fund."
- However, since the annual tax breaks follow the ratio of depreciation, the tax benefit at the initial business startup phase is negligible.

Governing Law:
- Table 5 of Article 8 (3) of the Enforcement Decree of the Restriction of Preferential Taxation Act

Review/Recommendations:
- If the depreciation period is shortened, substantial benefit can be accrued at the initial business phase.
- We have requested to the Ministry of Finance and Economy (MOFE) for establishment of extensive support measures, along with substantial tax benefits, to encourage companies to invest in research and development.

Current Status:
- MOFE requested our office to make related recommendations through the Korea Industrial Technology Promotion Association, which has promised to do its best to improve the investment environment.

6. Enforced Operation of the Labor-Management Council

Field: Labor

Background:
- The labor-management council was first introduced in South Korea in the 1950s when the country's labor unions were not yet very active. Since then it has functioned as an alternative tool for the role and functions of labor unions. However, as labor unions have gained influence in wage negotiation and collective bargaining, the function of the labor-management council has been greatly weakened. Furthermore, some inefficiencies of labor-management relations are reflected in the labor-management council.
- The provisions of law define the discussion items for the labor-management council, but realistically speaking, the consultative matters overlap with collective bargaining. Further, when the number of discussion items exceeds 20, and considering the fact that the labor-management council should be held once a quarter, the data preparation takes about ten to fifteen days. Especially when the wage and collective bargain negotiations and the function of the labor-management council are overlapping, the operational burden on concerned companies is considerable.

Governing Law:
- Act on the Promotion of Workers Participation and Cooperation

Review/Recommendations:
- Since labor unions are quite active in Korea, it is necessary to gather business opinions on the operation of the labor-management council and to apply that consensus.
- Unnecessary obligations in relation to the operation of the labor-management council should be abolished or eased in view of the changing environment. Even though labor-management councils must be operated when labor union members constitute less than 50% of total workers, it is a good policy to use operation of the labor-management

council as an optional apparatus when the labor union members constitute more than 50% of the total work force.

Current Status:
- The Ministry of Labor stated that the current value of the labor-management council is great since management efficiency is attained through management participation of workers, and since the council has a complementary function with the collective bargaining system.
- Additionally, the concerned ministry pointed out that allowing the labor-management council system to wither simply because of the overlapping labor-management discussion items and increased workload might pose a problem, and expressed difficulties in eradicating the labor-management council at the current time.

7. Stoppage of Japanese Broadcasting Transmission

Field: Living

Background:
- Japanese broadcasting program (NHK) transmission through a cable broadcasting company “G” has stopped abruptly.

Governing Law:
- Article 78 (4) of the Broadcasting Act

Review/Recommendations:
- We inquired into the reasons of transmission stoppage and the possibility of its resumption.

Current Status:
- When system operators (SO), in this case cable television companies, and satellite broadcasting operators want to retransmit broadcasting programs of foreign broadcasting companies after receiving the programs, they should get approval of the Korean Broadcasting Commission (KBC).
- Since the KBC does not approve foreign broadcasting transmission, considering the possible influence of foreign broadcasting programs, all foreign broadcasting programs transmitted in domestic locations are illegal transmissions. We have obtained an

internal memo of the KBC to approve the transmission of foreign broadcasting after setting certain criteria within the year and conveyed that schedule to the concerned party.

8. Foreigner-only Immigration Desk

Field: Immigration

Background:
- A foreign CEO of company “G” is a resident in Korea paying taxes for the past four years, but he is suffering inconvenience and process delay when passing through the immigration desk for foreigners-only whenever he reenters Korea after frequent overseas trips.

Governing Law: None

Review/Recommendations:
- We inquired with the Ministry of Justice and airport authorities about a possible separate desk for residential foreigners paying taxes, the feasibility of using the immigration desk for Korean nationals-only, and cases of other advanced countries.

Current Status:
- The entry/departure inspection has become faster as a barcode system is utilized since the opening of the Incheon International Airport, and an administrative schedule for more simplified speedy processing is on the agenda.

9. Height Restriction on Newly Constructed Factory Structure

Field: Construction

Background:
- A local industrial park located in City “P” falls under the regulations of a military protection region and requires that the height of building structures receive approval from an adjacent military unit. The concerned company once obtained an approval from the military unit to build a building structure up to 13.5 meters in height when it filed for a building permit for new factory construction. However, since a design change was made due to a water pressure issue and other problems, the concerned party

requested easing of the height restriction to 15.45 meters.
- However, the governing military unit informed us of its decision "not to agree" to the design change, which would increase the height of water tank to 15.45 meters, citing the hindrance to military operations due to restriction of sight lines if the building structure's revised height is allowed.

Governing Law:
- Article 51 of the Building Act

Review/Recommendations:
- We visited the construction site of the concerned party located in a local industrial park in city “P,” and confirmed that the foundation of the factory and structural construction were already completed with iron beams of 15.45 meters in height.
- Accordingly, the situation was such that if the military unit ultimately insists on the height restriction, not only the water tank had to be disassembled, but also the additional construction planned by the concerned company might be affected considerably.
- City “P” authorities cannot also issue a permit on design change without getting an approval of the military as the park falls under the regulations of the military protection region. So we directly visited the governing military unit holding the key to the problem, conducted interviews with officers, and requested a positive re-review on the height restriction restraint, citing a positive ripple effect of foreign investment on the domestic economy, and the fact that the frame of the factory was already completed. We also made clear that the height-violating portion of the structure was limited to the water tank and not any other factory building.

Current Status:
- In view of the military unit's concern that other residential companies of the industrial park may try to raise the height of their building structures once the height restriction is lifted on the factory of the concerned company, the company promised to submit a collective statement of the existing residential companies that they would not raise the height of their structures. The military unit also promised a positive review on the height restriction restraints as requested by the concerned company.

10. Withdrawal of Unfair Taxation Action

Field: Taxation

Background:
- Company “A” acquired water treatment facilities from company “B,” and company “C” provided services in accordance to the operation, maintenance, and supervision service contract.
- Company “A” has signed a consulting service contract with company “C” for effective operation of water treatment facilities and has paid the fee for service provision. However, the governing district tax office did not recognize the disputed service fee as a loss saying the expense was not related with the business of the concerned company and levied corporate tax and value-added tax on the fee.

Governing Law:
- Corporate Tax Act

Review/Recommendations:
- We reviewed signed contracts among the concerned companies and found out that the water treatment facility was acquired on March 28, and the operation, maintenance, and supervision service contract was signed on March 29, while the consulting service contract was signed on March 30.
- Accordingly, we were convinced that including the service fee on consulting services in the acquisition price was somewhat indiscretionary. So we presented the idea of filing a judiciary review before the taxation and, on the other hand, requested an affirmative judiciary review before taxation to the governing tax office.

Current Status:
- The governing district tax office expressed an opinion to positively review the concerned party’s filing of the judiciary review before taxation.

11. Request for Establishment of Industrial Park Supervisory Office

Field: Living

Background:
- An industrial park where company “C” is a resident houses three or four more companies, but there is a lack of basic infrastructure facilities including a bank branch, post office branch, police station, regional administrative office, industrial park

supervisory office, etc.

Review/Recommendations:
- We requested to install not only basic infrastructure structures but also an industrial park supervisory office as soon as possible since more than 1,000 workers were already employed by the companies within the park.

Current Status:
- City “S,” who is responsible for facility management of the industrial park has established a plan to install basic infrastructure on a priority basis with initial launching of an industrial park consultative committee.

12. Implementation of Taxation and Administrative Orders

Field: Taxation

Background:
- Based on the Tax Treaty between South Korea and France, French banks pay branch taxes, in addition to the corporate taxes, on its operational profit.
- The general international practice is to multiply a certain rate after taxation adjustment for calculation of branch taxes, which is the same method used for corporate taxation. However, since Korean tax authorities levy the branch taxes before doing taxation adjustment, the taxable amount increases significantly.

Governing Law
- Article 10 (7) of the Tax Treaty between South Korea and France
- Article 96 (Special Cases of Taxation on the Domestic Place of Business of Foreign Corporations) of the Corporate Tax Act

Review/Recommendations:
- Because of different taxation criteria for corporate tax and branch tax, these banks pay a huge amount of branch taxes due to the profits in accounts even though they record substantive losses. For this reason, we asked to apply the same criteria of corporate taxes to the branch taxes.

Current Status:

- The Ministry of Finance and Economy is going to study application of the same criteria in levying corporate and branch taxes in light of certain international practices.

13. Residual Liquid Crystal as a Recycling Ordinance Item

Field: Environment

Background:
- The concerned company has completed its Liquid Crystal (LC) Technical Center (at the Poseung Industrial Park in Pyungtaek, Kyonggi Province) for production and development of LC, and the company has obtained a permit of waste disposal business for recovery and regeneration of the residual liquid crystal.
- However, the concerned company strictly recovers and controls the residual crystal liquid that is generated during manufacturing processes so that the LC, which is more valuable than gold, is not lost. Further, almost all substantive residual crystal liquid is recovered since the liquid is sent to suppliers (recycling companies) for final extraction and used in the manufacturing process, after removal of impure elements and ingredients testing.
- However, as the concerned item is not listed in the ordinance of waste recycling objects to be reported, the concerned company processes the item after being issued a business permit for waste disposal.

Governing Law:
- Rules of the Promotion of Waste Recycling Act

Review/Recommendations:
- We asked related government agencies to include the concerned item into the ordinance of waste recycling objects to be reported when the Rules of the Promotion of Waste Recycling Act is revised in the latter half of 2002 so that the concerned company may conduct business only by filing a waste recycling report

Current Status:
- It is expected that the concerned item will be reflected on the ordinance of waste recycling objects to be reported when the Rules of the Promotion of Waste Recycling Act is amended this year (July 2002)

14. Double Test Issue of Electromagnetic Wave Interference

Field: Law

Background:
- While the Ministry of Commerce, Industry, and Energy (MOCIE) is conducting safety certification on electric appliances, the Ministry of Information and Communications (MIC) is administering MIC certification on information and telecommunications devices for electromagnetic wave interference.
- However, in cases of office equipment (including monitors, printers, scanners and PDPs), both administrations (MOCIE and MIC) require electromagnetic wave tests, which force company “N” to test its products two times.

Governing Law:
- Article 33 of the Framework Act on Information and Telecommunications
- Articles 46 and 57 of the Radio Waves Act

Review/Recommendations:
- As the number of test items of MOCIE’s safety certification is less than that of MIC certification during the electromagnetic wave tests, the results of electromagnetic wave testing of the MIC is adapted by MOCIE, but the reverse is not true.
- Accordingly, it is necessary to streamline the certification system with a unified test system so that inconvenience of double certification facing manufacturers and sellers of electric and electronic appliances can be mitigated.
- Since the certification management on electromagnetic wave interference in South Korea is separately conducted by MIC and MOCIE, not only does the separation confuse companies manufacturing, importing or selling electric and electronic devices, but also, in cases of some office appliances (including monitors, printers, scanners, and PDPs), there are grievances on the requirement of having to undergo both safety certification of MOCIE and MIC certification.
- Therefore, we requested to improve the system by adjusting this two-track certification system through consultations between government agencies so that private firms are not required to undergo double testing on the same electromagnetic wave.

Current Status:

- MOCIE stated that office devices such as monitors, printers, scanners, and PDPs were not only subject to safety certification according to the provisions of the Electric Appliances Safety Control Act, but they are also subject to electromagnetic compatibility (EMC) registration pursuant to the provisions of the Radio Waves Act. However, MOCIE made clear that, when an electric safety certification has been obtained according to the Article 57 of the Radio Waves Act, an EMC registration might not be necessary (September 3, 2002).
- The MIC exempted EMC registration only when the devices undergone testing and inspection according to the technical standards that are up to par with the protection standards on electromagnetic wave interference prevention of MIC during the MIC electric safety certification (August 22, 2002). That is, the MIC maintained its position that it would not accept the electromagnetic wave test following the current electric safety certification standards of MOCIE.

15. Obligatory Employment System for Employment Protection Subjects

Field: Labor

Background:
- Company “P” is a transportation agency delivering cargo of trading companies and others, and its business coverage area has expanded steadily since it recently merged with UPS of the United States. The concerned company should grant obligatory employment for employment protection subjects according to the provisions of the Act on the Honorable Treatment of Persons of Distinguished Services to the State

Governing Law:
- Article 30 of the Constitution
- Article 31 of the Act on the Honorable Treatment of Persons of Distinguished Services to the State

Review/Recommendations:
- Even though the original intention of the obligatory employment system for employment protection subjects is honorable, some revision of the system is necessary for improving the foreign investment environment. For this purpose, we have exerted great effort in recommending a revision of the system to the Ministry of Patriots and Veterans Affairs and in inviting a responsible person of the competent ministry to a

consultative meeting.
- However, since the matter on honorable treatment of persons of distinguished service to the state is even mentioned in the Constitution and collective civil petition of interested parties may be generated, the matter in question still remains as a long-term task to address.
- The problems of the obligatory employment system include insufficient job qualifications such as the lack of foreign language proficiency essential for working at foreign-invested companies, inappropriate age for the job, and work negligence after employment. In addition, problems of levying a fine for negligence of obligatory employment and interference in managerial decisions such as assigning employment protection subjects to certain job categories persist.
- To improve the foreign investment environment, we recommended ways of supporting the employment protection subjects with state budget (government burden), instead of the current mandatory assignment method (private sector burden), and giving benefits to the employing companies with government grants, instead of levying fines for negligence on violating companies.

Current Status:
- The Ministry of Patriots and Veterans Affairs expressed its understanding of the difficulties faced by foreign-invested companies, but urged them to willingly take on the burden for honorable treatment of persons of distinguished service to the state. The competent ministry also expressed difficulties in amending the obligatory employment system for the employment protection subjects (persons of distinguished services to the state) (July 2002).

16. Additional Tax Following Reporting Delay of Stock Transaction Tax Payment

Field: Law

Background:
- Company “U” has reported/paid an overdue transaction tax to a district tax office. The tax occurred after conveyance/grant of the reporting company stocks (between a divided company and a newly established company created from the division) due to the division of the overseas holding company.
- Accordingly, the competent tax office maintained its position to levy an additional tax (10% of the tax amount), citing the delay of reporting/tax payment of the stock

transaction tax in question.

Governing Law:
- Article 10 (1) and (2) of the Securities Transactions Tax Act

Review/Recommendations:
- The current penalty tax system places too much time and monetary burden on taxpayers and may have hindered the aims of the tax authorities to encourage voluntary tax payment.
- So it is reasonable to consider, in relation to the tax payment of transactions taking place infrequently such as this case, extension of the reporting payment period (for example, two or three months after the beginning of the month following the month when the actual transaction occurred) or to set a comfortable one month reporting payment grace period so that related parties can report and pay taxes after in-depth review depth of the matter. Hence, when the set period is over, a penalty reflecting the additional tax in proportion to the overdue time period can be levied.

Current Status:
- The competent authority is going to consider the issue when it amends the Stock Transaction Tax Act after deliberating the equity issue in view of other tax laws such as the Special Consumption Tax Act (July 2002).

17. Classification of TFT-LCD Products as a Single Item

Field: Customs/Tariffs

Background:
- The TFT-LCD industry continued rapid annual growth of 40% on average due to the active support of the government and consistent investment increase of local companies, placing first in world production share, and growing into a major advanced industry in Korea. TFT-LCD products have not had their own product code in the HSK system and applied tax rates ranging from 0% to a basic rate as they are classified by usage.
- However, since the concerned products are produced with the same manufacturing process and have similar characteristics with only differences in size and number of pixels, it is unreasonable to classify the product into different categories. In addition, many cases are difficult to classify by the existing HSK system, for instance, a product

having the adjunct function of both monitors and television. This confusion is a concern for the industry in view of fierce international competition.

Review/Recommendations:
- We would like to see a business friendly interpretation such as applying a concession tariff to strengthen the competitiveness of the industry and to make available flexible interpretation of the current product classification system for multi-functional and usage altered products.
- But, unlike semiconductors, TFT-LCDs have not yet had a unique item code in HSK system, which causes inconsistency in its interpretation. We recommended assigning a unique item code to the products, considering the concerned products are going through the same manufacturing process and have similar characteristics with only slight differences in size and other negligible factors.

Current Status:
- The competent authority is considering amendment of related regulations for the interests of the concerned companies and our nation while collecting additional opinions of related companies and associations (July 2002).

18. Granting of Tax Benefits

Field: Taxation

Background:
- Company “H” is a world-renowned company in the injection molding machine manufacturing sector, and the company has been recognized as a high-technology business when it invested USD30 million in 2001, but the tax break effective period was limited to three years.
- The company wants to have continued tax break, in part, for preparation of additional investment.

Governing Law:
- Foreign Investment Promotion Act

Review/Recommendation:
- The concerned company has a plan for continued investment in its Korean factory to

expand as a production base of Asia, but the planned investment is dependent on its recognition as a high-technology business. So we recommended giving the tax break benefit on additional investment.

Current Status:
- The related technology is developed in Austria, and even though the technology is not yet locally available, local technological development is possible. Additionally, company "H" is now in the parts assembling phase, rather than technology development.
- Accordingly, it is difficult at this stage to extend the tax break since the positive effect on the local economy is weak.

19. Non-performing Asset Sales

Field: Finance

Background:
- Following an agreement between the government and creditor groups that insolvent company "D" should be restructured rather than placed under court receivership in March 2000, the Korea Asset Management Corporation (KAMCO) decided to purchase non-performing foreign and local assets of company "D."
- However, KAMCO excluded the credit of bank "C" from the purchase list, which negatively affected the bank's management.

Governing Law:
- Management Provisions of Non-performing Assets of the Korea Asset Management Corporation

Review/Recommendation:
- Since the credit in question was loaned to a French local corporate of company "D" with the credit guarantee of company "D," we asked for purchase of non-performing assets related with the loan.

Current Status:
- The Korea Asset Management Corporation should follow a predetermined policy, which dictates that it conduct a survey when non-performing assets of company "D" are purchased. Additionally, according to legal advice of an American lawyer at the time

of the survey, French domestic laws state that when account receivables are acquired, all accompanying contingent liabilities should be taken over, job guarantees should be given to employees, and the acquiring agency should be a financial institution. These reasons became the basis for rejection of the purchase.
- Additionally, since bank “C” has already litigated the above case to a US court, KAMCO has rejected the purchase of loan at this stage (September 2002).

20. Purchase of Factory Lot

Field: Real Estate

Background:
- Company “D” is an electronics firm with more than half of its shares owned by foreign investors, and the concerned company wants to purchase factory lot, but the reporting procedures following the purchase are too cumbersome.

Governing Law:
- Article 2 of the Foreigner's Land Acquisition Act

Review/Recommendation:
- We recommended that related agencies eliminate post-reporting obligations when additional factory lots are purchased.

Current Status:
- The Ministry of Construction and Transportation informed us that the purchase of real estate in which the foreign investment component is more than 50% should be reported to the Land Registration Division of governing cities, county or warden offices within 60 days after the occurrence (September 2002).

21. Approval/Permits for Sparkling Water Purifier

Field: Environment

Background:
- Water purifiers that have added functions such as injecting oxygen or edible carbonate are produced and sold in Europe, but domestically, water purifiers are defined as having

a simple water filtering function according to the clauses of the Management of Drinking Water Act

- Therefore, the Ministry of Environment does not allow the use of “Water Mark” on water purifiers that have added functions.

Governing Law:
- Management of Drinking Water Act

Review/Recommendations:
- We pointed out that advanced European countries allow the production and sales of water purifiers that have added functions such as injecting edible carbonates or oxygen without any separate regulation, and recommended improving the situation by allowing the use of “Water Mark” on the water purifiers that have added functions in the domestic market.

Current Status:
- The Ministry of Environment explained that the regulation on water purifiers only focuses on the function of filtering water, and that the Korea Water Purifier Industry Association would decide on the issue in question since the “Water Mark” permits are delegated to the association.
- Additionally, the Ministry explained that there is no legal basis to control the production and sales of water purifiers that have added functions by the concerned company.
- As the association explained that it has no legal right to allow the use of the “Water Mark” since the “Water Mark” permits are allowed only for water purifiers, the concerned company has received permits to use the “Water Mark” only on water purifiers. The Ministry of Environment recognized the necessity of a positive review on the matter, and promised to improve the situation in the future.

22. Request for Cooperation on Taxation Judiciary Review Petition

Field: Customs/Tariffs

Background:
- In relation to the imports of disputed goods “W” of company “N,” we have requested

cooperation on the taxation judiciary review petition, the current situation, and possible counter measures. We raised the possibility that retroactive taxation on disputed goods might violate the principle of the ban on retroactive taxation as prescribed in the law.

Governing Law:
- Articles 110, 132 of the Customs Duties Act

Review/Recommendations:
- In relation to the taxation judiciary review petition of the concerned company, we requested cooperation to the competent customs office and the Korea Customs Service (KCS) to proceed with legal and proper procedures so that interests of the petitioner are not unduly damaged. We reminded them that the petition might be related with the principle of retroactive taxation ban.
- In particular, we requested a cautious approach on the matter so that foreign investors might not doubt the investment environment of Korea, with relatively its low level of taxes. We further asked for a fair review of the matter since there are many similar cases pending.

Current Status:
- The KCS has taken necessary steps for proper and cautious handling of the grievance raised by the concerned company, and was awaiting the decision on the matter from the general assembly of the International Customs Organization.

How We Resolve Foreign Investor Grievances

The following are three cases describing the process involved in resolving grievances of foreign-invested companies. It starts with the home doctors of the Office of the Investment Ombudsman (OIO) receiving the grievance, which leads to an on-site visit, meeting with the person in charge and relevant authorities, review of the governing laws and regulations, and, finally, reaching a resolution.

Case 1

"A Box of Disposable Needles"

Case background

As our office was in disarray with summer vacation in full swing, the Korea Investment Service Center (KISC) received an email message on August 8, 2002 from disposable needle producer "A," a wholly owned Malaysian corporation. The message stated that the company was facing a serious managerial crisis since the export of disposable needles was stopped by an order issued by the Korea Food and Drug Administration (KFDA) and the previously manufactured items were sealed off. At that time, the company had an export contract with WHO (UNICEF) to export OEM disposable syringes, and preparations for export were well underway.

In general, companies wishing to produce medical equipment are required to obtain a permit from the KFDA, but company "A" misunderstood that it would not need a permit as the company exported all of its products without partaking in any local sales. This misunderstanding, however, has become a seed of disaster. With the promised export shipping date fast approaching and production having been stopped, problems lay on the horizon such as prospective claims by importers, bankruptcy of the company following such claims, and downgraded national credit ratings that our nation might receive from international organizations such as UNICEF.

Development of the case

An emergency meeting was called by our foreign investor grievance resolution team

leader. First and foremost, an analysis of what had happened to date was conducted. A legal review by a lawyer at KISC determined that the production stoppage order of the KFDA was a proper legal action. Furthermore, a KISC staff member dispatched to the provincial government of South Chungchung Province, where the company is located, contacted a person in charge at the KFDA. According to that staff member, the administrative officer who was responsible for the matter was rather unreceptive to our efforts.

Faced with an uphill battle, our team leader asked me to take charge of the case. Frankly speaking, I did not, at this stage, think that the company in question would survive the ordeal. My only desire at the time was to do my best for the company and I eagerly accepted the assignment.

I received a phone call from Malaysia on August 9, 2002 from the president of company "A." He started the conversation with an angry accusation against the administrative officials of the KFDA. According to him, company "A" produced items based on the required specification of buyers, as the company specialized in exporting OEM products. The company held a misconception that it would not need a permit from the KFDA since the items were produced only using the buyers' brands and without any markings indicating the production location, South Korea, when the items were exported. Furthermore, the items in dispute had already passed strict tests by international organizations. The president had difficulty understanding the measures taken by the KFDA in response to the unintentional mistake.

The president was ready to come to South Korea and directly face the related administrative officials, but above all else, I had to calm him first by making it clear that little good could be done by antagonistically provoking administrative officials in South Korea. I also advised him to petition for a positive judgment on the part of administrative officials and to lower his posture as much as possible. However, the petition sent to me by fax after our telephone conversation contained agitated expressions closer to accusations rather than a formal petition. The petition was transferred to both KISC and the KFDA, which resulted in a hardened position on the part of the KFDA.

Under similar circumstances, the "home doctors" in our office responsible for grievance resolution on behalf of foreign-invested companies sometimes must deal with conflicts

of interest. The difficult question is whether to accept the arguments of companies as presented and agree with them without any conditions attached. Of course, there are occasional cases where the intention of companies seeking our assistance is to realize preferential or illegal gains while abusing national support agencies such as KISC.

So based on the conversations with the president of the company in question and the data accumulated up to that stage, I tried to ascertain whether the true reason behind not applying for a manufacturing permit was really a matter of misunderstanding or intentional avoidance due to defective products. Since company “A” was first register in Korea as a foreign-invested through the assistance of KISC, I also referenced the opinion of the director who had held consultation sessions at that time. As I gathered various pieces of evidence, I reached the conclusion that the president did not lie after all, and that the disposable needles of company “A” had no defects whatsoever.

I thought it was necessary to process this case quietly and smoothly, and prepared a written draft petition asking for cooperation to be sent immediately to the KFDA. I emphasized that company “A” did not intentionally avoid applying for the mandated permit, but simply had a misunderstanding. I cited related circumstances such as the fact that the president of company “A” was not well versed in Korean regulations and laws, and that the employees of the company similarly thought that a permit was unnecessary since the company exported all of its products without any local sales. I also explained that related administrative officials did not mention anything concerning the required permit during factory construction approval or reporting of exports.

Company “A” immediately prepared the necessary paperwork after the KFDA crackdown. Additionally, the written petition asked for a positive judgment since the damage was not limited to losses for the company, but might damage the national economy (including reduction of overseas exports and disruption of a medical venture industrial park project, and others) if a claim was issued following the export delay.

Unexpected turn of events

When I encountered the Chief of the Foreign Investment Support Office (FISO) here at KISC to obtain his signature for the written petition, he also expressed initial doubts about the true intention of company “A.” However, after hearing the history of the case and the possible negative impact on our country, he encouraged me to support the

company actively. He also mentioned that a former official of the KFDA was a personal acquaintance. In retrospect, this may have been a determining factor allowing us to resolve the grievance.

I then arranged for the president of company “A” to meet the chief of FISO, who gained more confidence in company “A” during the face-to-face meeting. A common understanding was reached that a disaster should be avoided by persuading the KFDA using whatever means available. The chief promised to arrange direct face-face meetings with the administrative officials and to urge positive judgment by using his personal connections. From this point on, events turned rapidly in our favor. The president of company “A” visited the KFDA and ultimately won the cooperation from a KFDA bureau chief.

However, problems still remained. From the perspective of the KFDA, it was difficult to reverse its prior decision as the matter was already announced publicly. The most desirable solution for both the KFDA and company “A” was to issue a permit for the manufacturing of the syringes as soon as possible, and to resume legitimate production within the earliest date possible to prevent any claims. However, this could not be accomplished by a KFDA action alone since a test pass notification from the Korea Testing Laboratory (KTL) was first needed. As test inspection by the KTL normally takes 30 days, excluding holidays, the company still faced difficulty meeting the export date requirement and the situation became ever more desperate.

On August 20, 2002, I hurriedly drafted another written petition to be sent to the KTL. I called a person in charge at the KTL after sending the petition and asked for full cooperation, to which the other side also promised speedy processing. It seemed he had heard about the situation already from bureau chief of the KFDA.

The grievance resolved at last

Company “A” at last received a test pass certificate from the KTL on September 2, 2002, and several days later, the company received a permit for manufacturing medical equipment from the KFDA. Production was thus made possible and the export hurdles were eliminated. Permits for manufacturing medical equipment usually take about two to three months, but the concerned permit was issued within one month through the active support of KISC, the KFDA, and the KTL. In the case of the KTL, the test was

shortened to two weeks and the FDA actively cooperated following the request from our office, which played a great role in resolving the grievance.

Effects of the grievance resolution

As the grievance concerning disposable needles has been successfully resolved, the following positive results have been achieved. First, the company has concluded an export contract worth USD25 million without a hitch. Second, the credit plunge of the company and possible bankruptcy following the possible indemnity due to claims by importers were avoided. Third, a loss of credit of our country in the eyes of international organizations such as UNICEF following the cancellation of exports was prevented. Fourth, we have secured a foundation to guide increased investment through the establishment of a medical venture park in South Chungchung Province. Moreover, aside from these accomplishments, another important outcome of this case is the confidence of customers in KISC's desire to do our best on behalf of foreign-invested companies even under complex and daunting circumstances.

When I called the president of company "A" on November 29, 2002, his voice was a far cry from the distraught tone I sensed in our first conversation several months prior. He said that exports were going smoothly and informed me that the company already purchased 13 thousand *pyeong* of land in the Dangjin area of South Chungchung Province. He plans to request South Chungchung provincial government to designate the area as a venture medical park aimed at attracting further foreign investment.

(Sang-Il Kim, OIO Home Doctor)

Case 2

"New Construction of Factories within Metropolitan Capital Area"

Case background

A man with an urgent and bewildered voice called our office in early December 2001. He identified himself as the Managing Director of French-invested company "S" and asked earnestly for help in resolving a grievance his company was facing. The managerial grievance he exposed during our conversation was related with the concentration control policy of the government, which limits the new construction or expansion of existing factories within the metropolitan capital area.

As he explained, the head office of company "S" was located in Seoul, its factories were in Kumi of North Kyungbuk province, and its research institute was in Kiheung of Kyounggi province. Due to the units of the company being scattered around various regions, communications within the company were cumbersome and the logistical costs and general administrative expenses were weakening the company's price competitiveness. Additionally, the shortage of quality manpower in the remote region where the factories were located posed various difficulties in securing competent workers when the company needed them.

Accordingly, company "S" planned to relocate its factories, research institute, and head office to the metropolitan capital area with the objective of increasing managerial efficiency of the whole company through integration. A study of the relevant laws and institutions revealed that the government has implemented a strong policy of controlling concentration in the metropolitan capital area to prevent overpopulation and over-density of economic activities. The concerned polices included controlling new construction and expansion of large-scale factories and universities. Therefore, under these circumstances, combining each unit of the company at a location in the metropolitan capital area was deemed impossible from the start.

Background of concentration control policy

Based on 2002 statistics, 46% of Korea's total population, 66% of national deposits,

62% of the national loans, and 83% of the head offices of governmental agencies can be found in the metropolitan capital area, attesting to the concentration of the capital area. This unbalanced development has brought about simultaneous problems of population concentration in the metropolitan capital area and the depopulation phenomenon in regional small and medium-sized cites and the rural countryside. The over-concentration of the population in the metropolitan capital area has resulted in serious negative effects such as increased traffic jams, skyrocketing land prices, aggravated environmental pollution, and others. Additionally, social and political problems stemming from deepening regional animosity have risen due to the serious unbalanced development of regions.

The government has implemented a number of policies to control capital area concentration since the late 1960s. For example, the creation of new industrial land in the capital area has been restricted through the Seoul Metropolitan Readjustment Planning Act and the Industrial Placement and Factory Construction Act. As a result, large-scale factories, corporations, universities, and public institutions have been distributed regionally. On the other hand, the government developed and implemented various schemes including levying concentration charges on new establishment and expansion of large population growth facilities in the metropolitan capital area to limit large buildings and factories. Also, an aggravated volume control system was implemented to prevent over-concentration of factories, schools, and others in the capital area.

Effects of government policy

Following Korea's accession to the OECD in 1996, the market opening of our country has progressed so rapidly that domestic companies now face fierce competition with foreign companies both at home and abroad. In particular, since the foreign exchange crisis of 1997, our government has adopted a policy of actively seeking foreign investment while abolishing various restrictions on the inflow and outflow of foreign exchange and opening up Korea's capital markets. Accordingly, both domestic and multinational foreign companies are forced to evaluate the competitiveness of various potential regions, both overseas and domestic. Under this new investment environment, any investment restricting policy (including control of new construction/expansion of factories) in the capital area may backfire and result in a reduction of inward foreign investment or increase in overseas outflow of domestic

capital. Since the managerial environment is generally more favorable in the metropolitan capital area, such policies may fail to fulfill their original objectives of regional distribution of local companies or regional investment by foreign companies.

Due to the distortion of the land market, inefficient distribution of industrial land has resulted, which in turn has hiked land prices and rent charges thus resulting in lowered productivity. From the perspective of companies, most tend to give up investment or wait until factory construction is allowed in the capital area, which would unnecessarily slow down business activities.

Foreign-invested companies' preferences for the metropolitan capital area

Most foreign-invested companies wanting to invest in advanced industries especially favor locating their head offices and factories in the capital area for the following reasons:

- Securing competent staff with foreign language capability or other necessary skills needed for advanced industries is more feasible in the capital area.
- Various infrastructure for convenient living of executives and employees dispatched from the head offices of foreign-invested companies such as housing facilities, education facilities including foreign schools, and leisure facilities are only available in the capital area.
- Since frequent exchange of workers and goods with the main offices of the foreign-invested companies should be carried out smoothly, the capital area provides the best communications, transportation, and logistics facilities and services available.
- To avoid labor disputes, a growing number of companies seek to secure an independent factories rather than industrial parks or complexes located in the provinces.

Recommendation to MOCIE

The Office of the Investment Ombudsman (OIO) analyzed and reviewed the enforcement background of the concentration control policy in the metropolitan capital area and its hitherto effects on national economy. The results of this study were submitted in the form of a recommendation proposal containing the following policy improvement measures to the Ministry of Energy, Commerce, and Industry (MOCIE).

First, in terms of the negative economic effects of the concentration control policy, given the rapid liberalization of other FDI-competing countries, restricting investment in the capital area may force companies to search for the proper investment locations in other countries rather than the less-developed rural areas of Korea.

Even though the government has pressed forward with its concentration control policy in the capital area, the results show that traffic and housing problems are getting more serious and the phenomenon of capital area concentration continues. Generally speaking, the policy has resulted in more negative than positive effects, including restriction of land use, restriction of factory locations, and restriction of installment of various facilities, which in turn weaken the international competitiveness of companies located in the capital area.

Second, in terms of deregulating concentration control in the capital area in order to induce foreign capital, zoning a certain region such as the capital area, and restricting/regulating that region separately is not desirable based on market economy principles. Hence, general reconsideration on the concentration control policy or abolition/amendment of relevant laws is desirable. But since abolishing the policy within a short time frame may also bring out other negative effects, we recommended a two-phase reform – First, to ease the restriction on individual factory scales of foreign-invested companies, and second, to loosen the ban and restriction of new construction and expansion of factories.

Deregulation being pursued by the government

The government amended the Industrial Placement and Factory Construction Act on February 4, 2002 so that foreign-invested companies with more than a half of ownership belonging to foreigners may newly construct or expand factories within the metropolitan capital area. Following the amendment, company “S” immediately began its search of potential locations in the capital area, which is expected to result in the successful integration of the company’s individual business units.

(Hae-Un Yang, OIO Home Doctor)

Case 3

“Improving Impromptu Contribution Fee Scheme”

Grievance from a foreign-invested company

It was in early May when I first received a phone call from German foreign-invested company “B.” The person who called wanted to visit our office to discuss the details of a grievance being experienced by his company. The next day I met a director of the company, who first recounted his company's investment motivation in South Korea, scope of business activities and its current status. He added that the business was operating smoothly prior to the financial crisis of 1997, when the government prodded companies to take initiative in executing restructuring in severely hit business sectors. Company “D,” a South Korean producer of seasonings and biochemical products, had been also hard hit by the deteriorating market environment.

Company “D” had no other choice but to sell a core business line in order to overcome financial difficulty. The company interested in the purchase happened to be company “B,” which has a world-renowned reputation in the chemical and biochemical sectors and started negotiation for a buy-out. The takeover had taken place as scheduled, and factories once belonging to company “D” started to operate under the name of company “B.” More than 90% of produced items were being exported, and the concerned company was satisfied with the production and management situation in South Korea.

The items produced in the factories were fermented foods and wastewater occurred naturally in the production process. Company “B” had a contract with a waste dumping company to dispose the wastewater in the ocean far from City “G” where the factories were located.

Sudden implementation of contribution fee scheme

The Ministry of Marine and Fisheries (MOMAF) initiated a contribution fee scheme to protect marine resources and control marine pollution. Clauses concerning levying of contribution fee for marine environment improvement were inserted into the Marine Pollution Prevention Act on September 12, 2001, which would be effective beginning

September 11, 2002. Additionally, the government has already prepared a governmental proposal on the enforcement decree and its subordinate rules, and a public hearing with related companies and research institutes was recently held.

However, wholly foreign-owned company “B” had already spent a considerable amount since the takeover of the factories in employing a waste disposal company, and was placed in a very difficult position due to the added burden of the contribution fee scheme. When I asked about the general public opinion at the hearing and the future counter measures of company “B,” the director expressed strong opposition to the quasi-tax expenses on behalf of the industry concerned, and complained that the government did not even clarify future schedules.

The position of company “B” was clear – It opposed the levying of burden sharing in principle, and the enforcement date should be postponed so that the burden of the businesses concerned might be minimized. However, according to him, the government showed no intention of changing its attitude, ignoring the concern of the industry.

Burdens of the governmental proposal

The background and implementation status of the government proposal at that stage were as follows. First, institutionalization of the burden-sharing scheme for environmental improvement was under way to control waste dumping at sea and to create a fishery industry development fund (Article 46 (3) of the Marine Pollution Prevention Act - Burden-sharing for Marine Environment Improvement - on September 12, 2001). Second, enactment of the enforcement decree and rules of the same Act aimed at levying the contribution fee on marine waste dumping actions starting from September 1, 2002.

It was clear that the government proposal had a number of problems. According to the government proposal, the range of the contribution fee would be set at somewhere between 2,100 to 4,100 won per ton. If MOMAF finally decided to levy the contribution fee close to terms of its original proposal, it was clear that the burden of the concerned companies would be too much to bear. Since company “B” paid about 8 billion won annually for processing its waste volume of 840,000 tons per year, an additional 800,000,000 won would be added to the cost even if the contribution fee was

set at 1,000 won per ton.

Additionally, various circumstances such as government consent on marine waste disposal for the past 15 years, the abrupt enactment of the relevant clauses without any prior warning, and the aims of establishing a fishery industry development fund pointed to the political nature of the government action. The government proposals aimed at creating a 20 billion won fund in the first year of implementation. According to the government proposal, the beneficiaries were fishermen, but manufacturers were to pick up the bill, which gave an impression of catering too much to administrative convenience.

The annual marine waste disposal in South Korea is estimated to be about 7,000,000 tons per year, and factory "G" of company "B" processed about 800,000 tons of this total at an estimated cost of about 6-7 percent of its real production costs. To process the waste with additional expenses would surly weaken the international competitiveness of the company. Although the main culprits of marine pollution include wastewater from seaside factories as well as livestock wastewater of farmers and fishermen, the governmental proposal had nothing to say about these culprits for fair sharing. Our honest appraisal forced us to take issues with this and others.

Finally, I reviewed, from various perspectives, the suitability and appropriateness of the government proposal itself and effects on foreign-invested companies when the mentioned burden-sharing scheme goes into effect. Based on this, I recommended the following to MOMAF through a formal written petition on May 27,2002 so that the government proposal might be amended.

Additional problems and improvement recommendations

As a result of composite review on the government proposal and consultation with the related persons of the industry, it was determined that the procedural problems, fairness issues, and lack of contribution fee calculation bases existed in the introduction of the concerned contribution fee.

It should be pointed out that the amendment of the law had a procedural problem since the opinions of relevant companies of the industry had not been fully reflected upon during the amendment process, even though the Representatives of the National

Assembly initiated enactment of the scheme. For instance, the provisions of the contribution fee were created on September 12, 2001, but the relevant provisions were missing in a written report of the government proposal amendment of the same Act (on August 29, 2001).

Since it was very clear that the levying objects of the contribution fee included coastal land-fill companies, coastal net/cage fishermen, fishery wholesale markets, and coastal area factories, not to mention marine waste disposal companies, restricting the final burden-sharing to the concerned waste disposal companies seemed to be unfair.

In addition, we have had our doubts on the complexity of coefficients used and the consistency of calculating the contribution fee.

Additionally, the concerned company assigned waste disposal to a specialized company, but the processing cost of marine waste disposal when the scheme was implemented as defined in the original proposal (which would be between 2,100 and 4,100 won per ton) would be much greater than the current processing cost (which was at 500 won level) and greatly weaken the international competitiveness of the company.

For these reasons, we recommended the following for improving the situation.

First, there is a need to lower the basic contribution fee. Introduction and enforcement of the fee levying unit is directly linked to the export unit prices since the concerned foreign-invested company exports all of its products. Therefore, readjustment of the contribution fee is needed so that it would not negatively influence the international competitiveness of the company, and we expect the calculation to be around 500 won per ton considering the marine waste disposal volume and the scale of the fund.

Second, concerning the postponement of the enforcement date, we recommended postponement to a proper date, considering the preparatory period necessary for adjustment to the scheme by the concerned industry.

Third, securing simplified and consistent levying coefficients in contribution fee calculation is required. As there are many deviations among the coefficients by category of waste materials, consistency is lacking and numerous kinds of coefficients exist. Hence, simplified calculation and consistent application are needed.

Fourth, we requested addition of contribution fee exempt businesses and recommended designating foreign companies with foreign capital investment exceeding a certain level and those that export large amounts or have a significant contribution to local economy so that they may be exempted from the contribution fee.

Foreign company freed from worry with improved government proposal

I sent the recommendation petition to MOMAF and faxed a copy of the petition to the foreign company for reference. The director visited our office again several days later, thanked us for the clearly expressed policy recommendation, and informed us of a scheduled second public hearing to be held on June 18, 2002. The director said that he felt greatly relieved to see the policy recommendation of our office, as he was lost as to how to deal with the government side, but also expressed his hope that the matter would be solved in the manner that is helpful to the company.

The next day, I called the Marine Preservation Division of the Marine Policy Bureau of MOMAF to verbally urge the improvement of the proposal. They informed me that an adjustment consultative meeting on the marine environment improvement contribution fee, not a public hearing, would be held. Further they said that they were fully aware of our position and had received our office's policy recommendation.

Knowing that a government decision on final proposal was imminent, I asked for collateral support from an official of the Ministry of Environment who was dispatched and working at Korea Investment Service Center (KISC). Accordingly, the officer visited MOMAF, asked for cooperation, and the Office of the Investment Ombudsman again requested to lower the basic contribution fee while mentioning the necessity of improving the government proposal. At last, our office was informed of the final decision on marine environment improvement contribution fee in late July

According to the decision, the basic contribution fee was determined to be 800 won per ton, and the marine environment improvement contribution fee was calculated by multiplying a certain coefficient to the basic fee, and the basic contribution fee would be raised by 100 won annually. That is, the basic contribution fee has been fixed at 800 won between September 1, 2001 and December 12, 2003, to be raised to 1,000 won per ton between January 1, 2005 and December 31, 2005, and further to 1,100 won per ton

between January 1, 2006 and December 31, 2006. Following the calculation, the burden on businesses became an average of 1,000 won per ton of waste materials, which greatly reduced the anticipated expenses of company “B.”

(Sang-pil Bae, OIO Home Doctor)

Foreign Investor Grievance Cases

Other Cases Reviewed

1. Visa Issuance
2. Action Restriction in relation to the Completion Report of Factory Construction
3. Illegal Seizure of the CEO Office by Labor Union
5. Request for Help on Securing Factory Lot
6. Request for Customs Rate Adjustment on Semiconductor Parts
7. Labor Management Direction of Newly Established Labor Union
8. Unjustifiable Labor Action during Collective Bargaining by Labor Union
9. Domain Registration Using Company Name
10. Refund of Additional Tax on Rents
11. Outstanding Inspection Charges
12. Consultation between Labor and Management on Changing Working Hours
13. Levy of Inheritance Tax on Unjustifiable Profits
14. Changing to Branch/Local Corporation after Establishment of Office
15. Dividends of Foreign-invested Companies
16. Company Registration Validity
17. Delayed Payment of Year-end Adjustment Refund
18. Tax Levies Following Determination of Assumed Permanent Establishment
19. Application of Reduced Tax on Increased Investment Amount
20. Factory Relocation Following the Demand of Lot Return by Land Owner
21. Vacation and Retirement Allowance of Short-term Temporary Workers
22. Assistance in New Construction of Factory after the Purchase of Land
23. Review of Related Provisions of Investment Fund Introduction
24. Exemption Measures for Usage Fee Income Payment such as Royalties
25. Protection of New Species
26. Application of Labor Laws for Surveillance and Policing of Workers
27. Import and Sales Prices, Taxable Values and Others
28. Refusal to Issue Tax Bill on Value Added Tax and Construction Amount
29. Import Customs Clearance of Direct Power Device for Electronic Scales
30. Refusal to Cooperate by Local Partner of Foreign-invested Company
31. Closing an Investment Contract
32. Raising Claims after the Completion of Construction
33. Data on Labor-Management Relationship for 2002 Collective Bargaining
34. Request for Information on SOC Projects
35. Tax and Investment Issues Related to Establishment of Venture Company
36. Misuse of Transaction Amount
37. Introduction of Personnel and Labor Affairs System
38. Dispute on the Number of Constant Workers in the Labor Standards Act
39. Issues Related with Training and Education of Executives and Employees
40. Collective Bargaining on Special Merit Bonus Payment
41. Availability of Capital in Kind Payment by Korean Branch of Foreign-invested Company
42. Wages and Industrial Accidents of Mentally Handicapped Workers

43. Application Availability of Industrial Accident and Employment Insurance
44. Lectures for Enhancing Self-respect of Workers at Foreign-invested Companies
45. Manpower Adjustment Following Abolition of Operational Department
46. Penalty Payment due to Non-acquisition of Permit for CEO Inauguration
47. Leave Period Before/After Pregnancy
48. Investigation of the Scheme of Controlling Excessive Loan
49. Visa Renewal Procedures
50. Employment Succession in relation to the Assignment/Acceptance of a Company
51. Standard Format for Distribution Contract
52. Taxation on Retirement Consolation Fee following Retirement of an Executive
53. Grievance on Cosmetics Packaging Method
54. Refusal of Retired Employee to Transfer Business Operation
55. Feasibility of Establishing Foreign-invested Company in the Name of Korean National
57. Composite Tax and Asset Tax on Real Estate Bid
58. Limitation of Employee Loans under the Provisions of Enterprise Account Regulation
59. Allowance of Domestic Travel Expenses of Foreign Non-standing Executive
60. Credit Financing
61. Difficulties in Repayment Method of Delayed Interest
62. Stock Option Allocation through Third Party Assignment Method
63. Promulgation of Company Chapters
64. Possible Theft
65. Wage Negotiation/Collective Bargaining
66. Foreign Capital Introduction Measures for the Purpose of Management Normalization
67. Transaction Contract of Tourist Facility Land
68. Factory Building Dispute with Contractor
69. Determination of Taxable Value
70. Taxation Issue on Foreign Stocks Received as Merit Bonus
71. Applicable Statutes of Agent Contracts
72. Wage Scheme Design
73. Provisional Seizure of Business Office due to Credit Relations
74. Request for Wage Status of Foreign-invested Companies
75. Establishment of New Foreign-invested Company
76. Establishment of Local Corporation in China
77. Labor Union Strikes
78. Payment of Foreign Pensions
79. Limitation of Asset Management by Foreign Investment and Trust Companies
80. Double Formal Test Approval during Import of Finished Goods
81. Difficulties in Initiating High-level Technology Introduction Contract
82. Import of Rice Seed from Japan
83. Customs Clearance of Water Used for Cosmetics
84. Advancement into the Composite Transportation Industry
85. Securing Foreign Joint Investment Partner and Funding
86. Securing Technicians
87. Submission for Extension Approval for Stay in South Korea
88. Unreasonable Demand for Labor Union Membership Expansion
89. Setting Wage Level
90. Request for Information on Advancement into Finance Industry (Credit Card Industry)

91. Request for Introduction of English Speaking Tax Auditor
92. Patent Infringement of Footwear Soles
93. Investigation into Investment Objects of SOC Projects
94. Foreigner Registration in Seoul Sales Office
95. Transfer Income Tax on Venture Investment Portion
96. Wage Payment Demand of Full-time Labor Union Representative during Workplace Closure
97. Retirement Allowance and Questions on Regular Worker Status of Visiting Sales Workers
98. Employment of Chinese Workers
99. Request for assistance on Labor Affairs Seminar
100. Labor Union Activities of Industrial Special Case Workers
101. Customs Clearance Procedures and Expenses of Import Scheduled Items
102. Classification of Import Scheduled Products and Import Banned Items in South Korea
103. Take-over and Merger of Restructured Companies
104. Request for Resolution on Financial Management Difficulties
105. Taxation System of Local Branches of Foreign Companies and Foreign-invested Corporations
106. Customs Clearance of Deep Sea Water for Ingredients Testing
107. Follow-up Measures on Increased Investment
108. Lay-off of Hepatitis B-type Carrier
109. Transfer Price Issues
110. Interim Price Declaration and Customs Clearance
111. Advancement into Customs Free Zone
112. Disadvantages Following Delay of Reporting Stock Transfer among Investors
113. Logistics and Customs Taxes in Customs Free Zones of Busan and Kwangyang Ports
114. Obligatory Employment of Law-abiding Auditor
115. Refusal to Recognize UL Factory Examination for Adapter Safety Certification
116. Discriminatory Treatment against Foreign-invested Companies
117. Submission of Tax Reduction and Exemption on High-Technology Businesses
118. Securing Factory Expansion Land within the Foreign Company-only Rented Area
119. Labor-Management Conflict on 2002 Wage Negotiations
120. Improvement of Financial Structure
121. Issues Related to Increase of Capital
122. Employee Recruiting Methods
123. Labor-Management Conflict on Wage Negotiations
124. Hedge Funds
125. Product Classification and Presentation on Ingredients of Certain Materials
126. Recognition of Industrial Accident after Worker Injury during Labor Union Activities
127. Obligatory Purchase of Urban Railroad Bond and Citizens' Housing Bond
128. Request for Composite Support for Investment into South Korea
129. Request for Assistance Following Re-seizure of the CEO Office by Labor Union
131. Corporate Tax Reduction and Exemption during Foreign Sell-out
132. Payment of Industrial Accident Insurance Premium
133. Measures to Recover Invested Amount
134. Assistance on Pregnancy Leave of Female Worker at the US embassy
135. Investigation of Labor Market by Danish Company Preparing to Invest in South Korea
136. Investigation on National Pension Fund Subscription by Foreign Workers
137. Request for Data Related to Fair Trade Act

138. Support on Establishment of Local Factories
139. Request for Introduction of Factory Lot within the Capital Area
140. Taxation on Increase of Capital without Consideration
141. Taxation on Employees of Korean Corporation after Purchase of Overseas Main Office Stocks
142. Levying Taxes on Dividend Income of Foreign Investors
143. Review of Beneficiary Subject List of Industrial Accident Compensation Insurance
144. Availability of Penalty Lay-off of Delinquent Workers
145. Request for Improvement of Reporting System on Engineering Activity Subjects
146. Labor-Management Conflict on Merit Bonus Allocation
147. Agenda Submission to the Working-level Foreign Investment Committee
148. Request for Assistance in Acquiring Discount Store Lot
149. Raw Material Purchase Based on Sales Contract with Foreign Country
150. Introduction of Mid-term Settlement of Retirement Allowance
151. Exemption Measures on Taxes and Customs Duties on Imported Facilities
152. Approval of Non-security Creditors during Partial Sell-out of Court Guided Companies
153. Subscription Procedures for Social Insurance and Processing of Social Insurance for Foreigners
154. Industrial Accidents Compensation Request after Quitting Job
155. Establishment of Labor Union
156. Unjustifiable Joint Action (Collusion) in Export Shipping
157. Tax Benefits for Establishing Logistics Center
158. Difficulties Implementing Determination of Administrative Authority
159. Selecting Builders and Designers for Construction of Factory
160. Designation of Foreign Investment Zone and Purchase of Land
161. Tax on Temporary Workers
162. Introduction of Hotels and Leisure Industry
163. Penalty Tax Redress Following Lapse of Reporting Period of Value Added Tax
164. Difficulties in Inviting Chinese Employees
165. Tax Collection in relation to Transfer Prices
166. Customs Clearance of Oceanic Deep Water
167. Racketeering of Company Funds by an Employee
168. Request for Data on Labor Affairs
169. Procedures and Taxation Following Payment of Dividends
170. Establishment of New Labor Union
171. Issues on Multi Labor Union Establishment
172. Localization of Corporation
173. Impossible Recovery of Investment Portion
174. Taxation Scheme and Exchange Remittance System
175. Difficulties Due to Labor Union Strike
176. Industrial Accident Insurance Premium
177. Land Rent Contract with Local Autonomous Government
178. Foreign Investment Procedures for Language Institute
179. Procedures for Acquiring New Stock as Capital Goods
182. Renewal of Dispatch Permit
183. Litigation on Dumping Price
184. Minimization of Damages Following a Strike

185. Punishment through Demotion
186. Applicable Cases of Oligopolistic Shareholding
187. Criminal Penalty in Venture Investment Swindling Case
188. Working Hours of Overseas Trainees
189. Construction Permits
190. Special Relation Transaction Prices and Others
191. Provisions of the Foreign Investment Promotion Act during Joint Investment
192. Demand for Road Dedication prior to Environment Effects Evaluation
193. Display Range of Danger Warning of Hazardous Materials in Product Liability (PL) Statutes
194. Issuing Registration Certificate of Foreign-invested Companies
195. Overseas Exchange Remittance of Foreign Investment Amount Following Liquidation
196. Payment for Extra Work
198. Rent of Ethanol Storage Tank by Foreign Company
199. Personnel Affairs of Active Hepatitis B-type Carrier
200. Proportional Increase Ratio during Increase of Capital with Consideration
201. Management of Work Hours during Election Day or Temporary Holidays
202. Investigation on Market Status in China and Southeast Asia
203. Request for Expansion of Foreign Industrial Trainee Program
204. Support for Participation in Aquarium Business
205. Measures against Company Evaluation of Customs Office
206. Retirement Allowance System of South Korea
207. Product Liability (PL) Related Statutes on Product Modification of Parallel Importers
208. Stock Issuance in China
209. Full-time Labor Union Representatives and Collective Bargaining Effective Date
210. Related Data for Wage Negotiations
211. Difficulties Obtaining Information on Macroeconomic Indicators of Indonesia
212. Consideration of Labor Related Laws During Merger
213. Negligence Fine on Excessive Packaging of Fragrance Items
214. Support in Establishment Procedure of Local Corporation
215. Decrease of Sales Volume Due to Rampant Establishment of Discount Stores and Parallel Imports
216. Difficulties in Establishing Counter Measures and Understanding Contents of PL Statutes
217. Resolving Issue of Insufficient Specialized Technicians
218. Strengthening of VOC Emission Control/Preventive Facility Installment Standard
219. Tax Reduction and Exemption of Facility Goods
220. Corporate Advertisement Accusation by the Ministry of Health and Welfare
221. Restriction on Foreign Investment into Broadcasting Industry and Distribution and Sales of Films and Videos
222. Customs Tariff Scheme in Economic Special Zones
223. Support in Building a New Shop in Daejeon City
224. Strategic Managerial Alliance and Issues Following Establishment of Holding Company
225. Preventive Management of Company-wide Sexual Harassment
226. Reduction and Exemption of Income Tax for Foreign Technicians
227. Origin of Imported Items and Countervailing Dumping Tariffs
228. Status of Wages and Labor Cost of Foreign-invested Companies
229. Reconveyance/Acceptance of Bonded Cargo
230. Application of Labor Related Laws to Foreign Workers

231. Installment and Operation of Labor-Management Council
232. Procedures and Advantages Following Conversion to Sales Corporation
233. Request for Cooperation in Dealing with Misdemeanor Charges
234. Request for English and Japanese Translated Labor Statutes
235. Issuance of D-7 Visa
236. Employment Procedures for Foreigners
237. Reduction of Annual Salaries and Job Grade
238. Job Retirement Period of Employees
239. Tax Support and Investment Procedures
240. Control of Export/Import and Application of Tariffs
241. Payment Objects of Acquisition/Registration Taxes
242. Taxation on Royalties
243. Information on Foreign Exchange Evaluation Method
244. Difficulties Following Lay-off of Workers
245. Stock Buying Claims
246. Legal Issues of Promotional Model Contract
247. Problems following Double Reporting of Export Prices
248. Examination on Assumed Acquisition of Oligopolistic Shareholders
249. Recommendation of Superior Enterprises for New Labor-Management Culture
250. Questions on In-company Work Welfare Fund
252. Tariff Investigation Results following Exclusion of First Method Application and Comparative Prices
253. Rent Information on Office Relocation following Expiration of Rental Contract
255. Disposal of Capital Goods Imported for Investment Purposes
256. Taxation Difference of Japan and South Korea
258. Difficulties Following Bankruptcy of Business Associates
259. Extension of Loan and Credit Repayment
260. Wage Payment During Industrial Accident Rehabilitation
261. Factory Relocation and Worker Compensation
262. Unfair Review on Applicability of Artificial Joint to Medical Insurance
263. Applicable Business Sectors for Tax Reduction and Exemption
265. Administrative Remedy Procedure on Tariff Levy
267. Obligatory Employment Ratio of Patriots and Veterans
268. Reciprocal Calculation and Bilateral Penalty Provision in the Foreign Exchange Transaction Act
269. Request for English Translated Statutes for Obligatory Employment of Patriots and Veterans
270. Request for Data on Tax Benefits, Concerned Sectors, and High Technology Industry
271. Availability of Tax Benefits for Foreign-invested Companies in Auxiliary (Non-essential) Business
272. Provision of Local Regulations and Data for Investment in China
273. Checklists for Changes of Company Name and Foreign Investment Portion
274. Request for Samples of English Loan Contract
275. Short-term Foreign Exchange Loan Permit from the Ministry of Finance and Economy
276. Submission of Original Copy of Import Declaration Certification while Withdrawing Imported Tariff Cargo
277. Recommendation of Business Promotion, Marketing, and Consulting Company
278. Demand by NGO for Complete Cancellation of Factory Inducement Scheme

279. Discriminatory Taxation on Stock Options of Foreign-invested Company Employees
280. Reporting Agenda for Labor-Management Council
281. Registration Changes of Foreign-invested Companies
282. Inclusion of Irregular Merit Bonus in Retirement Allowance
283. Insurance Payment of Big-4 Social Insurance Companies
284. Adjustment Submission to Labor Relations Commission by Labor Union
285. Wage Payment and Period Adjustment during Pregnancy Leave
286. Change of Retirement Allowance Clauses and Payment of Consolation Fee for Voluntary Retirement
287. Applicability of Industrial Accident Insurance to Overseas Dispatched Workers
288. Application of Big-4 Insurance to Workers Who Pay Type-B Income Tax
289. Industrial Accident Rehabilitation of Workers
290. Acquiring Driver License by Foreigners
291. Waste Materials Crack-down
292. Withdrawal of Capital Portion of Foreign Investment Due to Managerial Dispute
293. Tax Reduction and Exemption Based on Old Foreign Exchange Inducement Act
294. Difficulties in Establishing Non-Profit Legal Entity
295. Difficulties in Allocating Expenses of Main Office
296. Difficulties in Establishing Branches
297. Expiration of Tax Reduction and Exemption Period
298. Disregarding Loss on Paid Interest
299. Urban Planning Tax on Tax Reduction and Exemption Companies
300. Foreign Exchange Lending
301. Purchase of Corrosion Preventing Oil
302. Company Division
303. Requirements for Setting up Education Institute (children)
304. Request for Investigation on M&A related Statutes
305. Request for Investigation on Possibility of Employing Chinese Workers
306. Request for Cooperation in Police Investigation on Vehicle Advertisement Violation
307. Illegal Actions of Korean Joint Investment Partner
308. Request for Help in Advancing into North Korea
309. Expansion of Parking Space within the Masan Free Trade Zone
310. Obligatory Subscription to the Korea Chamber of Commerce and Industry Following Office Relocation
311. Request for English Documents on Investment and Determination of Availability of Tax Breaks
312. Request for Investigation on Profit Remittance of Other Companies
313. Definition of Tax Break Period on Technology Introductory Compensation
314. Request for Related Data and Provisions on Transfer Price Taxation
315. Request for Assistance in Finding Out Overseas Buyers
316. Request for Information on Designation of Foreign Investment Zone
317. Request for Cooperation in the Entry of Chinese Business Partner
318. Request for Assistance in Writing Taxation Review Request Paper and Appeal Statement
321. Request for Cooperation in Retroactive Taxation Disposal Including Tariffs
322. Investment in Kind and Tax Breaks
323. Ex-Post Facto Investigation Extension for Unscheduled Tax Payment Review
324. Application of Allocated Tariff on TFT-LCD Manufacturing Equipment and Product