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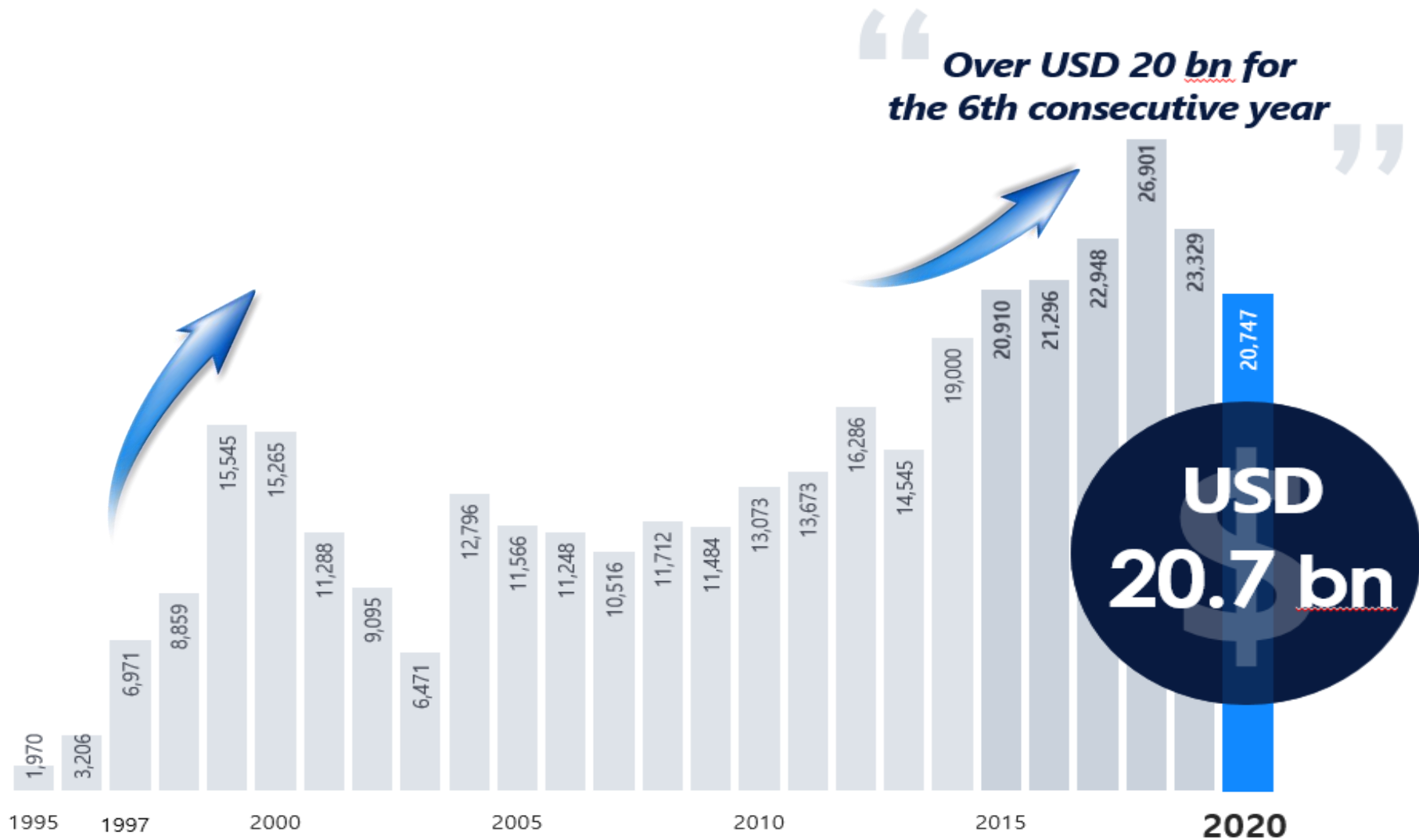
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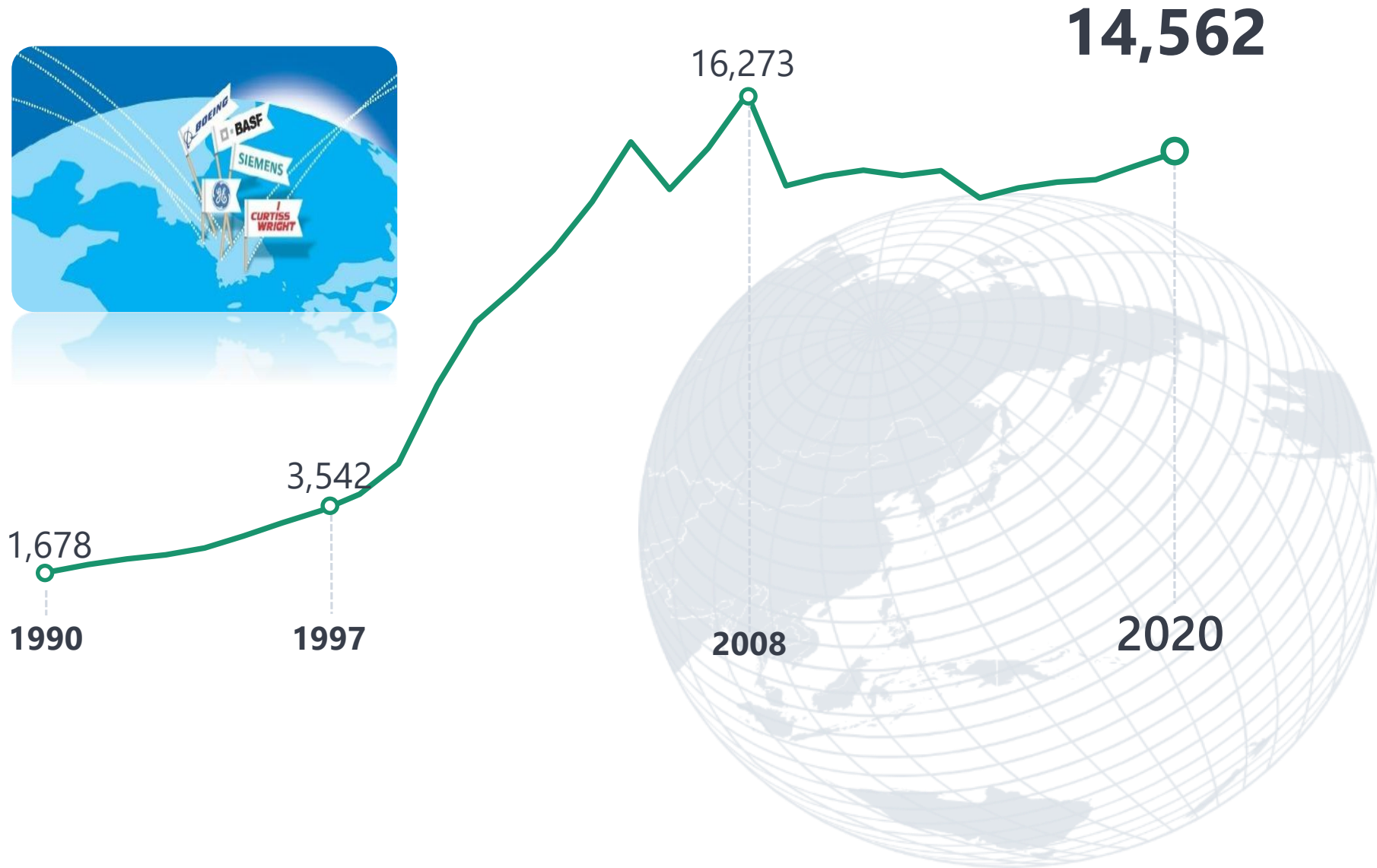
Session 2. Significance of Aftercare Services

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The Status of Korea's FDI Inducement



No. of Foreign Invested Firms in Korea



Foreign-Invested Companies in Korea

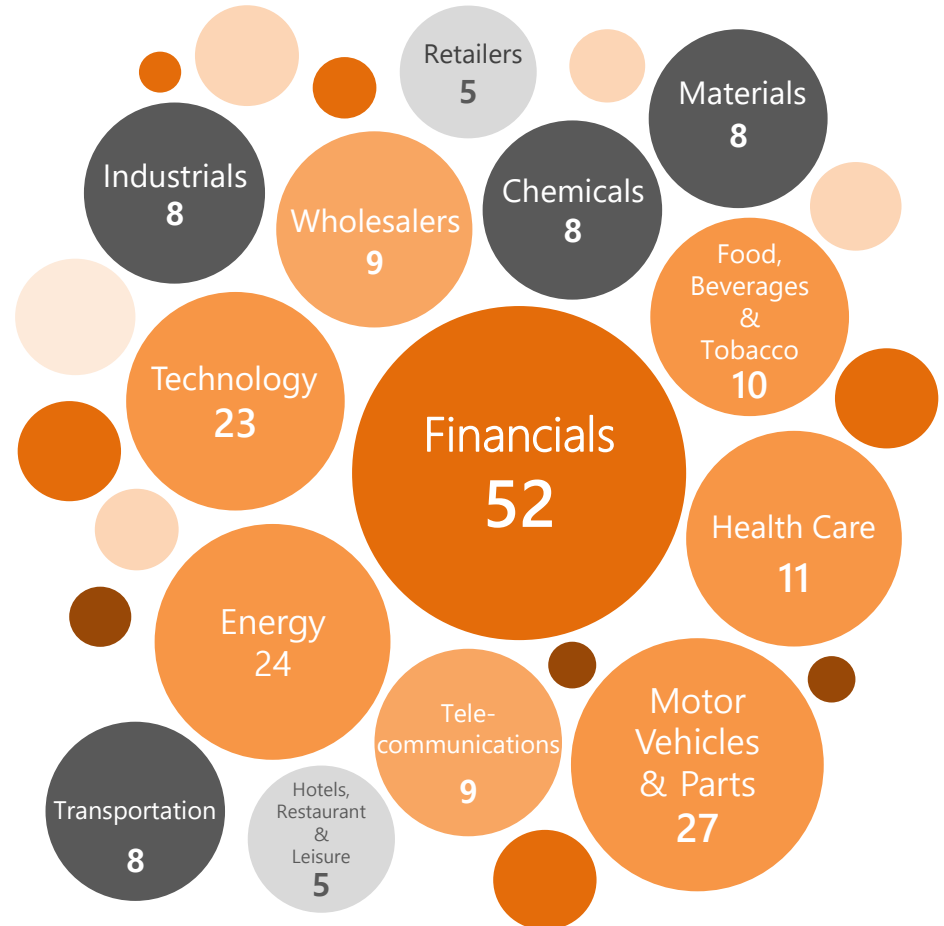
223 of 500 companies invested in Korea



GLENCORE DAIMLER



Major Industries



Contribution of FDIs to the National Economy

It should be noted that the contribution of foreign investors to the Korean economy is substantial to export and job creation.



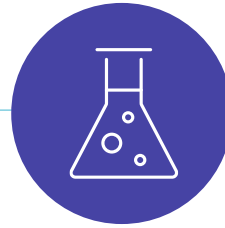
19.4%

Exports



12.0%

Sales



5.7%

R&D



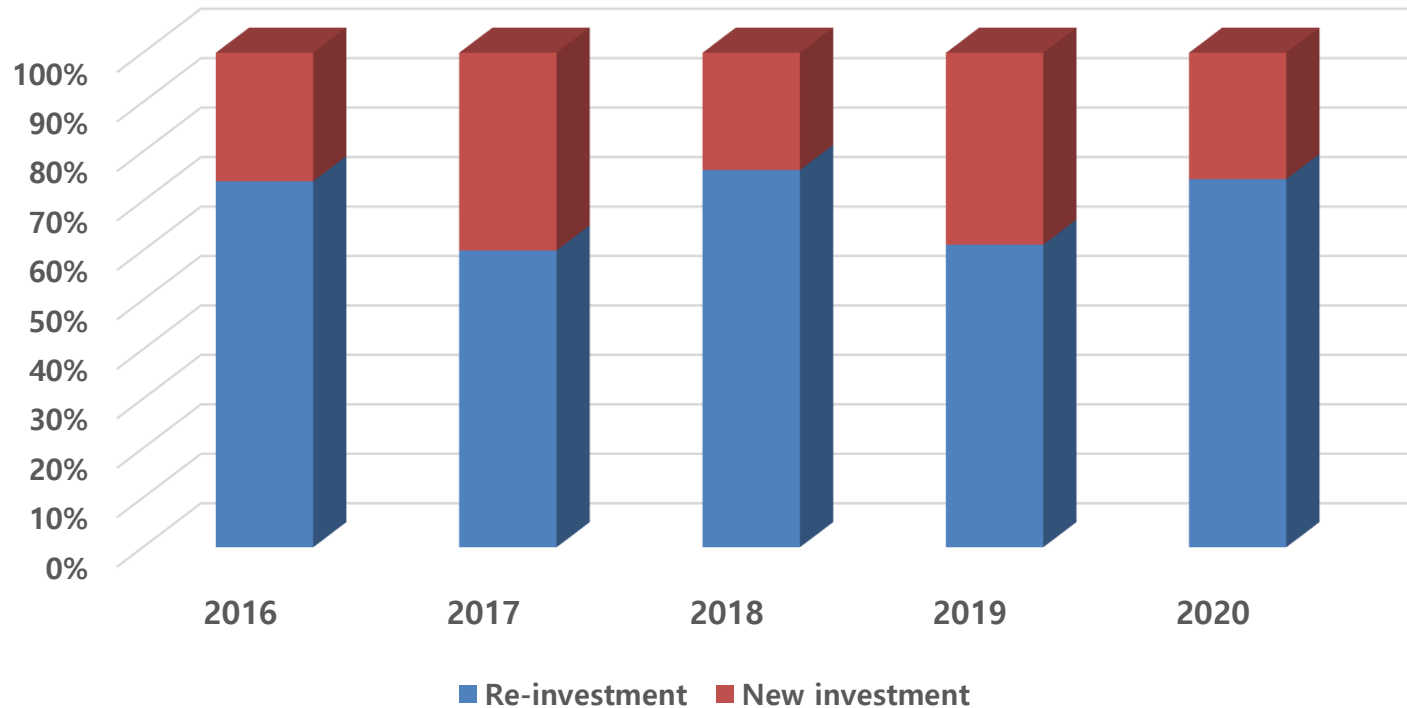
5.5%

Employment

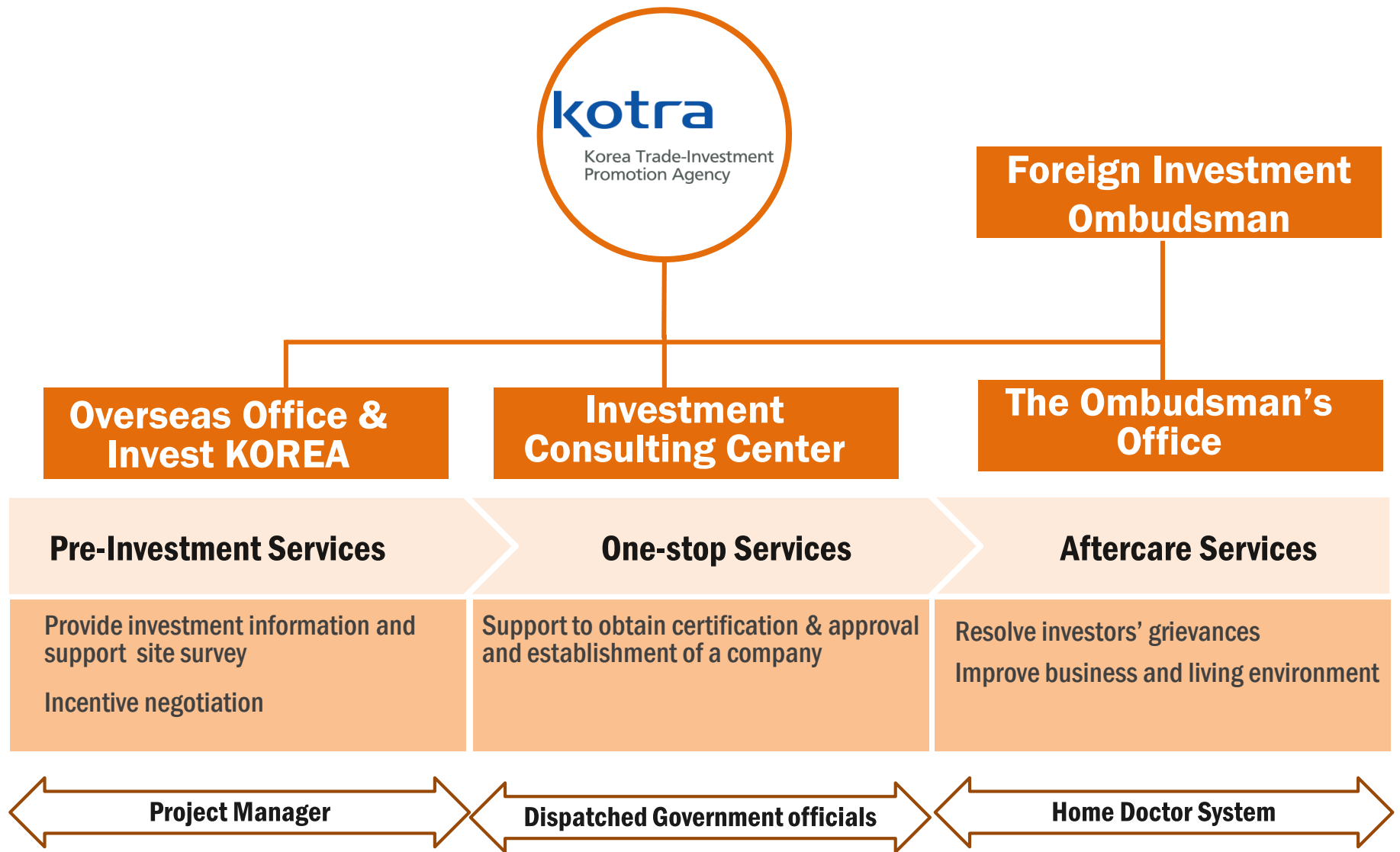
Reinvestment Trends by Existing FDI Firms

Aftercare services for existing MNCs are critical to inducing reinvestment

👉 Re-investment roughly occupies 70% of the total inbound FDI

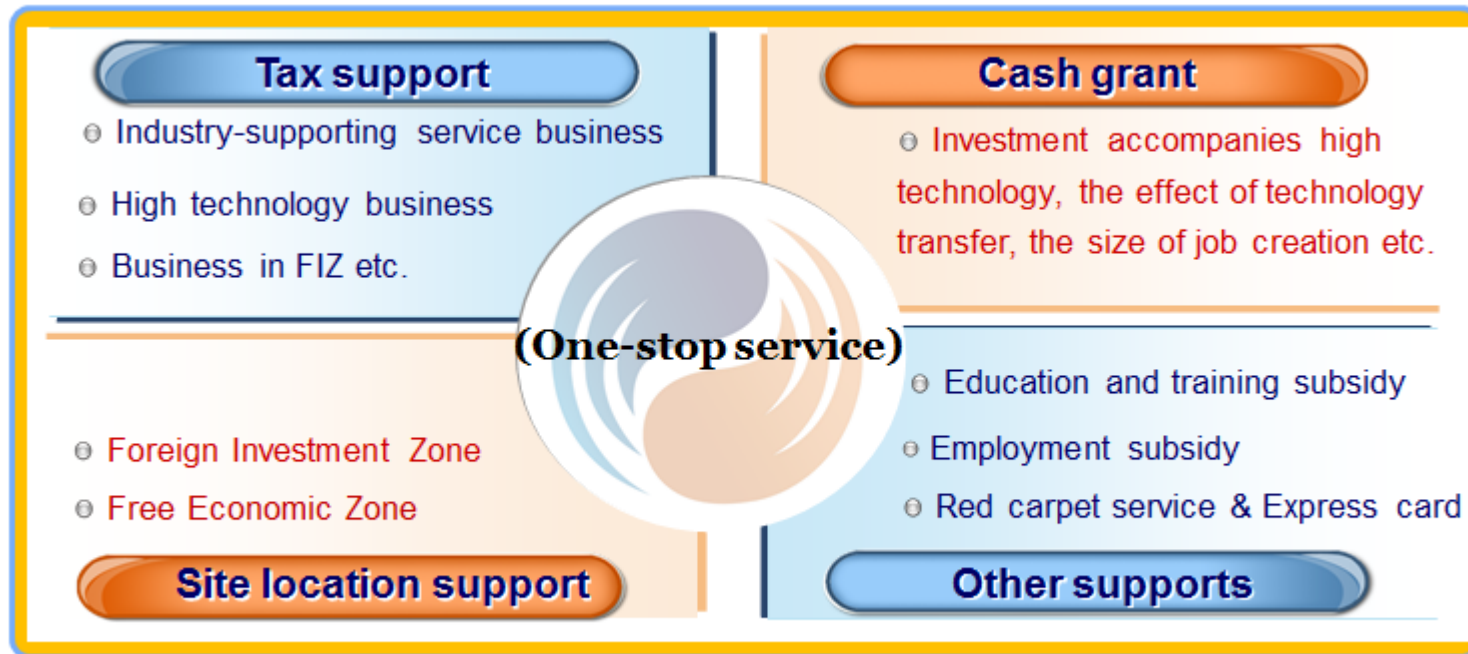


FDI Promotion Process



Overview of FDI Incentives

**Withdrawal of investment is guaranteed under the Foreign Investment Promotion Act.
Treated equally as the Korean businesses**



Significance of Aftercare Services

One of the best policies for FDI is to offer quality aftercare services

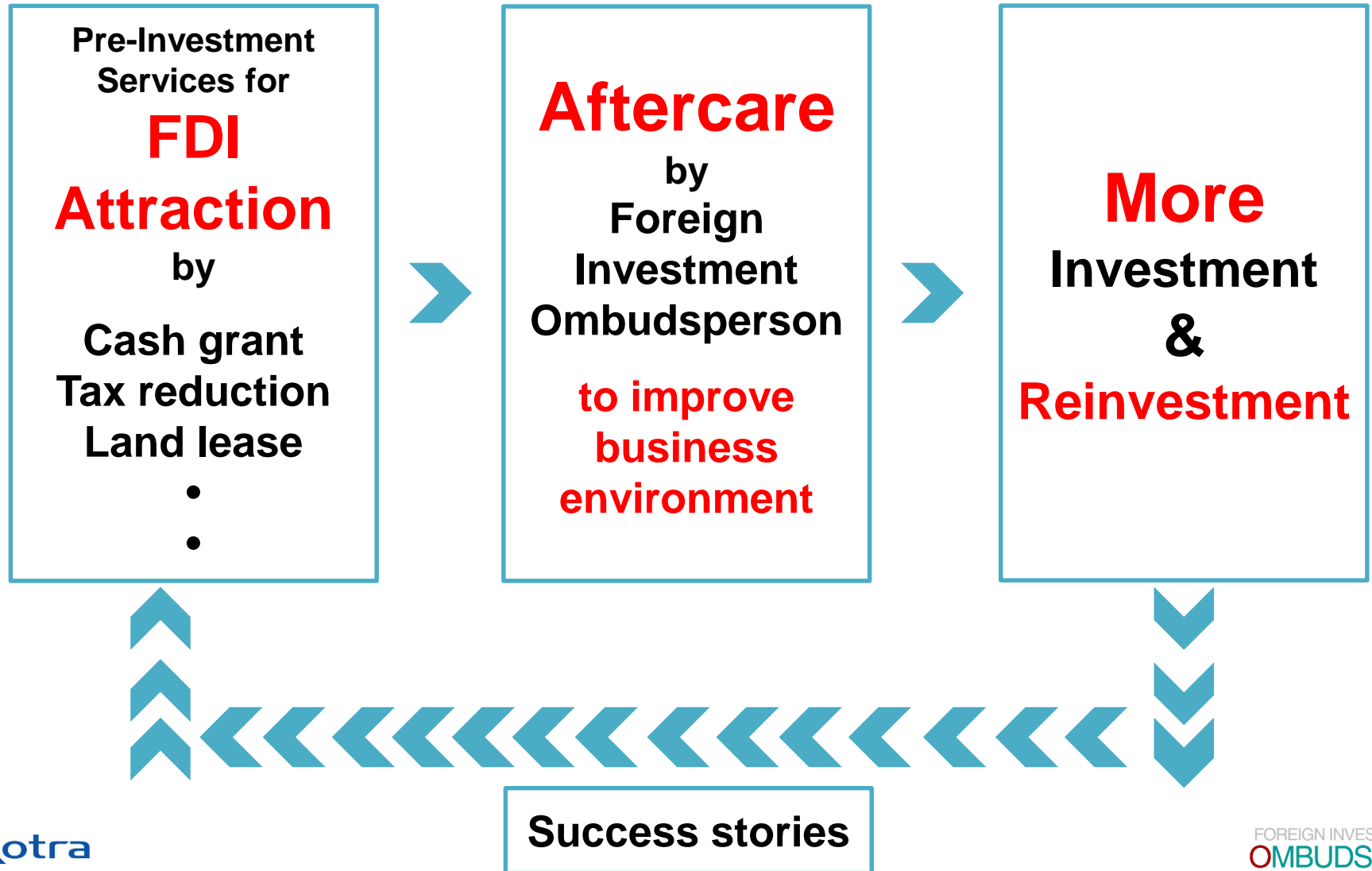
The aftercare service is becoming increasingly important and pointed out as an effective tool for cross-border investment facilitation by many international organizations.

Attraction of foreign investments is of importance but retaining those foreign investments with thorough aftercare is also of extreme importance.



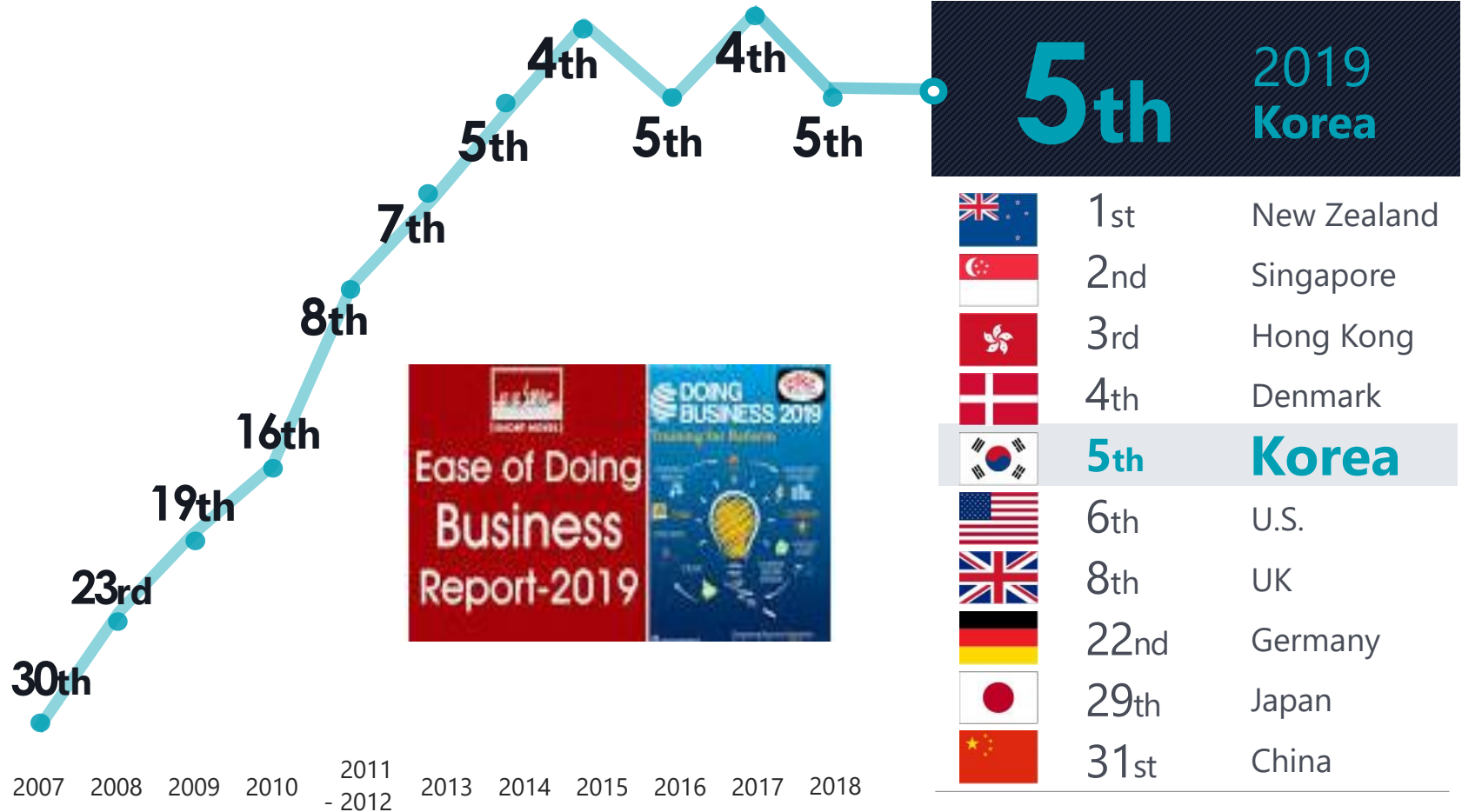
WAIPA Award 2007 presented to KOTRA for excellence in aftercare service at the Annual World Investment Conference

Aftercare Service : Virtuous cycle of investment



Aftercare Service : Improve Business Environment

*Source: World Bank Group, Doing Business 2020

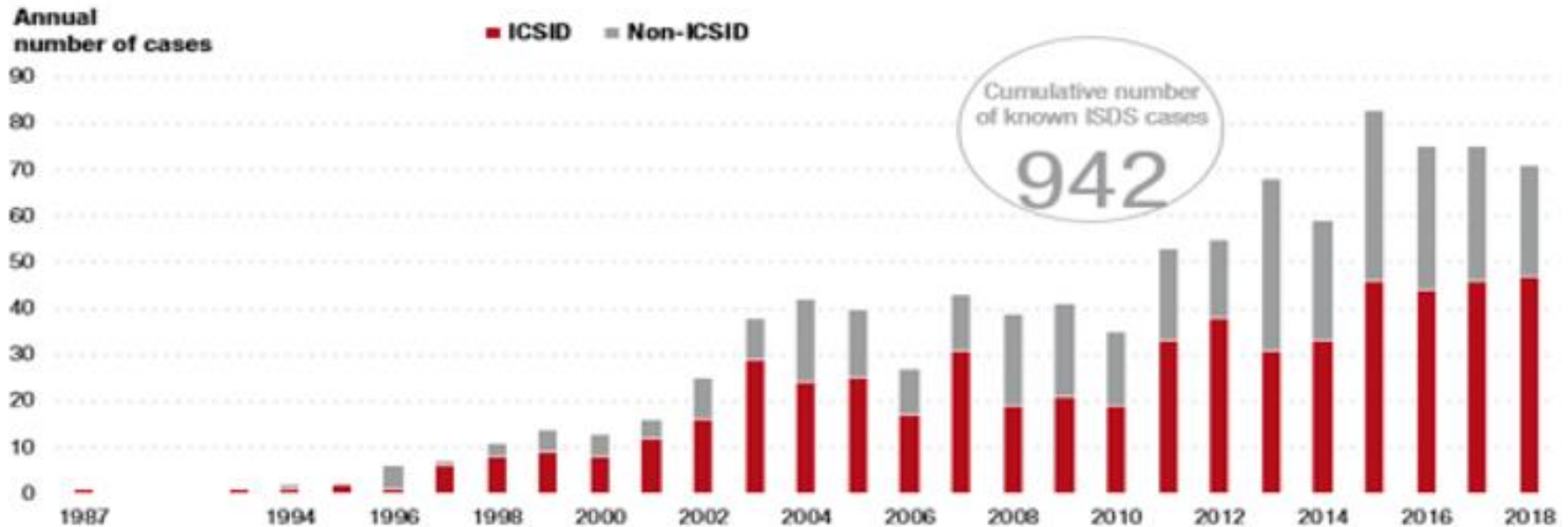


Aftercare Service : Minimize investor-state disputes(ISDs)

The Foreign Investment Ombudsman contributes to ISDs prevention

As the world's trend of ISD is rising, the Ombudsman's role will also become more important.

Trends in known treaty-based ISDs cases, 1987-2018



Source: UNCTAD, ISDS Navigator.

Aftercare Service : International cooperation

In the Korea-China FTA agreement, each party should designate a contact point to protect investors.

Article 12.19: Contact Points for Improving Investment Environment

1. For the purpose of improving investment environment and promoting investment in its territory, each Party designates contact points respectively, to receive the complaints from investors of the other Party with regard to its administrative action of governments and to provide assistance in resolving difficulties of investors of the other Party. The contact points from the Parties will endeavor to provide advisory services available with regard to establishment, liquidation, investment promotion activities as much as possible.

2. The contact points are:

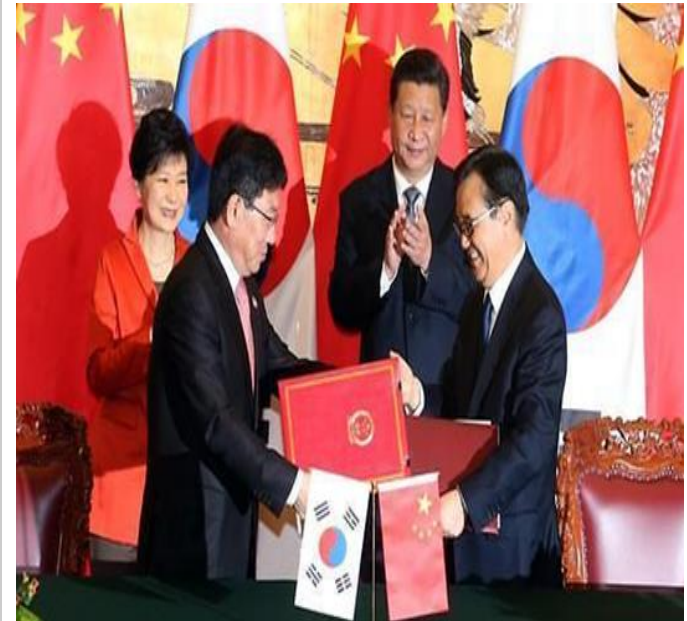
- (a) for Korea, the Ministry of Trade, Industry and Energy/Korea Trade-Investment Promotion Agency (KOTRA) or their successors; and
- (b) for China, the Investment Promotion Agency of Ministry of Commerce or its successors.

3. Further to the contact points referred to in paragraphs 1 and 2, a Party shall maintain the local contact points at the level of local governments¹⁵ in its territory in order to promptly respond to the complaints and difficulties of investors of the other Party.

4. Neither Party shall have recourse to Chapter 20 (Dispute Settlement) and Article 12.12 (Settlement of Investment Disputes between a Party and an Investor of the other Party) of Chapter 12 (Investment) for any matter arising under this Article.

Articles referred to in this Article.

¹⁵ For greater certainty, **local governments of China** means provincial or municipal governments directly under the central government.



The Ombudsman's Legal Status

Background (October 1999)

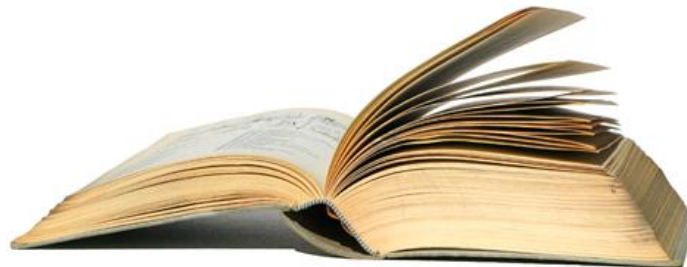
To provide effective grievance resolution and aftercare services for foreign-invested companies

To enhance Korea's investment environment and expand the base for FDI promotion

Appointment of the Ombudsman

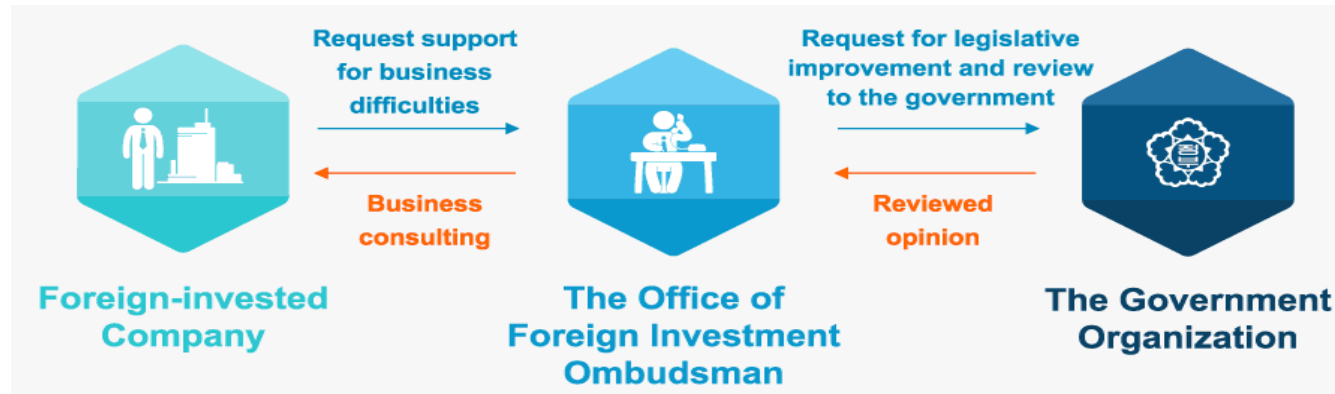
The Ombudsman is commissioned by the President on the recommendation of the Minister of Trade, Industry & Energy, via the deliberation of the Foreign Investment Committee.

(Article 15-2 of the Foreign Investment Promotion Act)



Organization : Grievance Settlement Body

The Grievance Settlement Body



Home Doctors : Specialists in Various Fields

Area of Grievance Consulting



Home Doctors : Grievance Resolution Process

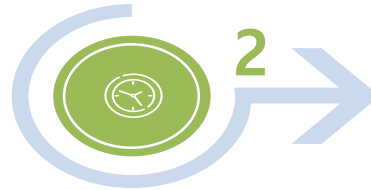
Home Doctor Services

The Ombudsman's Office's "Home Doctor" system delivers one-stop services to resolve a variety of grievances.



Receive grievances

- E-mail/Telephone
- Website
- Visit/Meeting



Examine grievances

- Home doctor fact finding
- On-site visit
- Expert advice
- Investigate global standard
- Investigate existing cases by KOTRA SCRM system



Seek solutions

- Contact relevant organizations
- Round-table meeting
- Recommend to take corrective measures

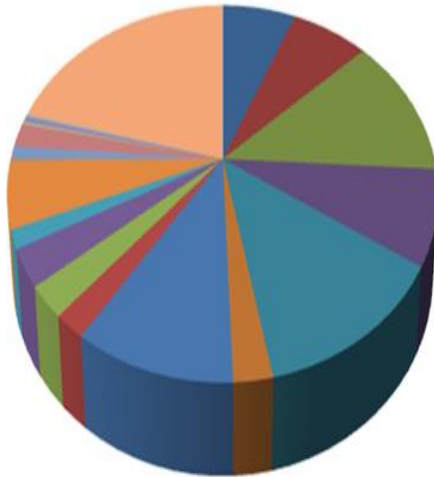


Grievance solved



Grievance Resolution Outcome in 2020

Grievance Filing by Category



■ Taxation 40 cases (6.6%)	■ Labor & HR 30 cases (6.9%)
■ Investment Procedure 55 cases (12.6%)	■ Customs & Trade 36 cases (8.2%)
■ Investment Incentives 57 cases (13%)	■ Finance & Foreign Exchange 11 cases (2.5%)
■ Visa & Immigration 45 cases (10.3%)	■ Construction & Land 9 cases (2.1%)
■ Sales, Distribution & Advertisement 12 cases (2.7%)	■ Plant Site 14 cases (3.2%)
■ Civil Disputes 7 cases (1.6%)	■ Standards & Certification & Inspection 26 cases (5.9%)
■ Insurance & Welfare 1 case (0.2%)	■ Environment 9 cases (2.1%)
■ Road & Transportation 1 case (0.2%)	■ Living Environment 2 cases (0.5%)
■ Electricity & Water Supplies 1 case (0.2%)	■ Others 92 cases (21.1%)

357
Cases
In 2020

Grievance Resolution Performance

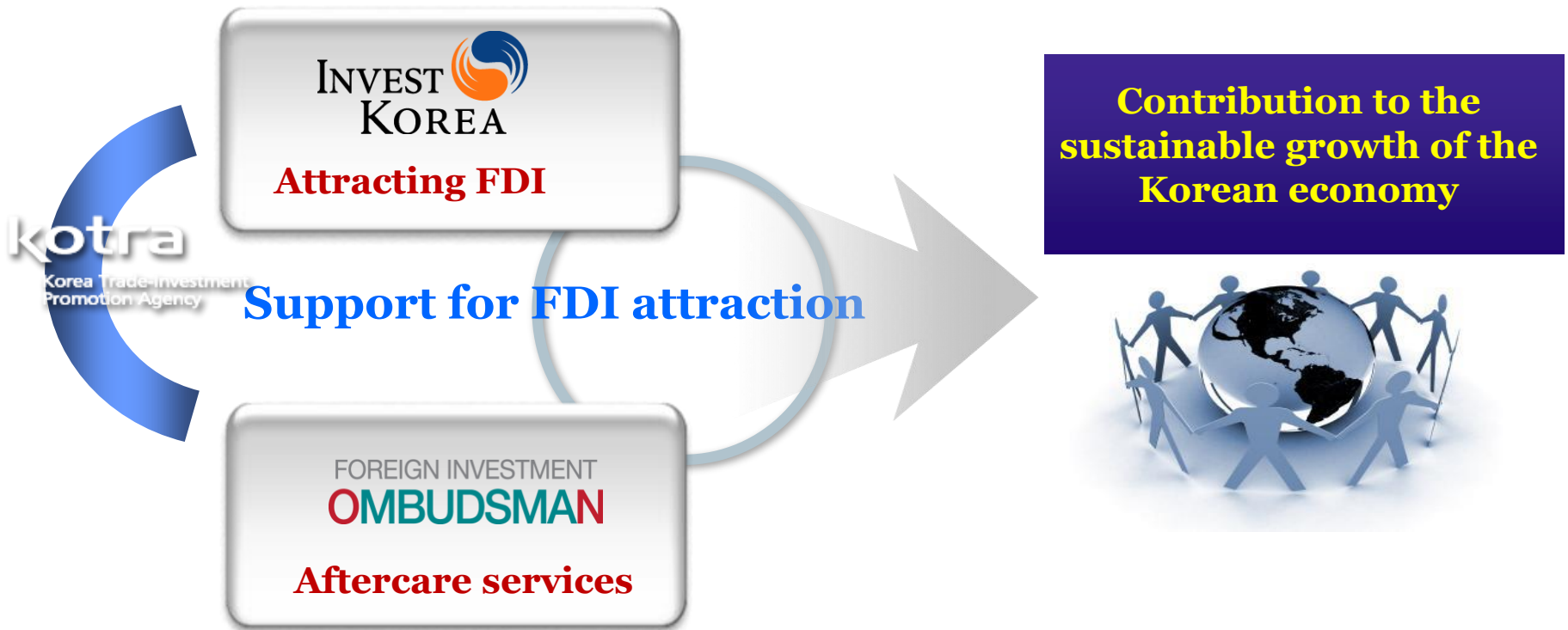
Type	Legislative Improvement	Administrative Resolution	Home Doctor Resolution	Total
No. of Cases	17	240	100	357

Source : The Office of Foreign Investment Ombudsman

Cooperation with Invest Korea

Role of the Office of Foreign Investment Ombudsman

Foreign investment promotion through rationalization and improvement of the investment system, customs and practices of Korea



Regulatory Information Service

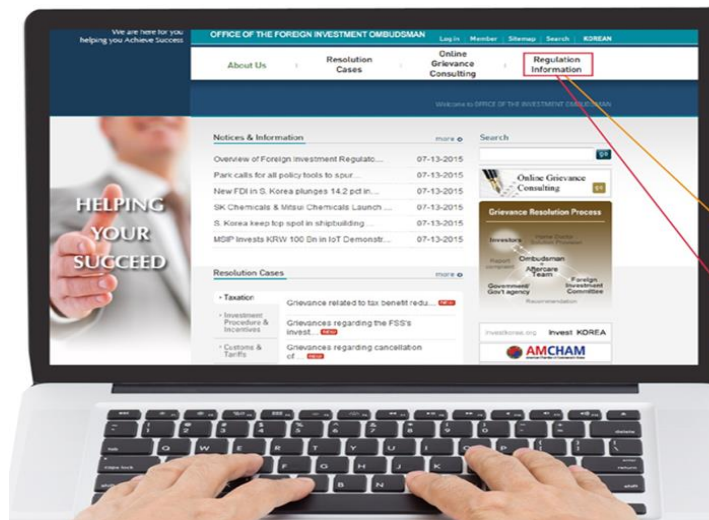
Foreign Investors' Participation in Policy Making

1. Legislative Information

Foreign-invested companies can browse through bills introduced by the government and the national assembly and leave comments on them. The Ombudsman's Office will deliver the comments to the competent ministry.

2. Regulatory Reform Sinmungo

Foreign-invested companies can leave comments on existing regulations for system improvement.



1 Legislative Information

2 Regulatory Reform Sinmungo

Various Approaches to Grievances

Preemptive Measures to Prevent Grievances

Meetings with foreign-invested companies and relevant government officials have been held as often as possible

These meetings served as a platform for compiling difficulties and complaints from foreign-invested companies and reinforced networking between the local governments and relevant FDI companies.



Strengths of the Korean Ombudsman System

Foreign Investment Ombudsman & Home Doctors

- Credibility and Facility
- Objectivity and Flexibility
- Operation of Home Doctor System
- Expertise

➡ Development of network with foreign investors through continuous contacts and communication



Global Benchmarking of Korea's Ombudsman System

Sharing the Foreign Ombudsman System

As more organizations around the world wish to benchmark the aftercare system, the Ombudsman has been invited to various international conferences on FDI promotion and aftercare services as a speaker and panelist.

☞ The Foreign Investment Ombudsman has been endeavoring to share Korea's unique ombudsman system and to enhance the global awareness of Korea's business- friendly environment.



Conclusion

Investment incentives are insufficient to attract FDI, so it is key to improve the investment environment and create a pro-business sentiment for foreign-invested companies.

Thank You



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