

2011 Modularization of Korea's Development Experience:

Legislation on the Creation, Development and Management of Industrial Complexes

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2011 Modularization of Korea's Development Experience:
**Legislation on the Creation, Development and
Management of Industrial Complexes**

2011 Modularization of Korea's Development Experience
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Development and Management of Industrial Complexes

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2011 Modularization of Korea's Development Experience

Legislation on the Creation, Development and Management of Industrial Complexes



Preface

The study of Korea's economic and social transformation offers a unique opportunity to better understand the factors that drive development. Within one generation, Korea had transformed itself from a poor agrarian society to a modern industrial nation, a feat never seen before. What makes Korea's experience so unique is that its rapid economic development was relatively broad-based, meaning that the fruits of Korea's rapid growth were shared by many. The challenge of course is unlocking the secrets behind Korea's rapid and broad-based development, which can offer invaluable insights and lessons and knowledge that can be shared with the rest of the international community.

Recognizing this, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) in 2004 to share Korea's development experience and to assist its developing country partners. The body of work presented in this volume is part of a greater initiative launched in 2007 to systematically research and document Korea's development experience and to deliver standardized content as case studies. The goal of this undertaking is to offer a deeper and wider understanding of Korea's development experience with the hope that Korea's past can offer lessons for developing countries in search of sustainable and broad-based development. This is a continuation of a multi-year undertaking to study and document Korea's development experience, and it builds on the 20 case studies completed in 2010. Here, we present 40 new studies that explore various development-oriented themes such as industrialization, energy, human capital development, government administration, Information and Communication Technology (ICT), agricultural development, land development and environment.

In presenting these new studies, I would like to take this opportunity to express my gratitude to all those involved in this great undertaking. It was through their hard work and commitment that made this possible. Foremost, I would like to thank the Ministry of Strategy and Finance for their encouragement and full support of this project. I especially would like to thank the KSP Executive Committee, composed of related ministries/departments, and the various Korean research institutes, for their involvement and the invaluable role they played in bringing this project together. I would also like to thank all the former public officials and senior practitioners for lending their time and keen insights and expertise in preparation of the case studies.

Indeed, the successful completion of the case studies was made possible by the dedication of the researchers from the public sector and academia involved in conducting the studies, which I believe will go a long way in advancing knowledge on not only Korea's own development but also development in general. Lastly, I would like to express my gratitude to Professor Joon-Kyung Kim for his stewardship of this enterprise, and to his team including Professor Jin Park at the KDI School of Public Policy and Management, for their hard work and dedication in successfully managing and completing this project.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessary represent those of KDI School of Public Policy and Management.

May 2012

Oh-Seok Hyun

President

KDI School of Public Policy and Management



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Summary

The Republic of Korea, which lacks natural resource endowments, has implemented economic development projects, focusing mainly on modernization of industries, industrialization, and promotion of export driven growth. What have played a role as the strongest foundation for implementation of such plans are the policies for development of industrial sites and creation and operation of industrial complexes. On the other hand, what has enabled to institute and enforce such policies is the “legislation on the creation, Development and management of industrial complexes.” It is the role of statutes that enable to institute and enforce policies. Therefore, how well policies are instituted by statutes is as important as how properly policies are formulated. It can be said that such economic policies, fully propped by relevant statutes, are one of the main factors behind the success in enforcement of economic policies in the Republic of Korea. This study intends to review the history and details of the legislation on industrial complexes for export industries in 1960s, which had successfully supported implementation of five-year economic development plan. It will examine the legislation on the creation, Development and operation of industrial complexes in 1970s and discuss how such legislation has been varied so far and is enforced today.

1. Legislation on Industrial Complexes for Export Industries in 1960s

Due to the negative international balance of payments caused by imbalance of trade and other causes, the Republic of Korea was trapped in a vicious circle in economic conditions in 1960s. The only way to break out of such a vicious circle was to increase exportation by promoting international trade. What were conceived to prepare means for increasing exportation were projects for development and operation of industrial complexes, for which the Act on the Creation and Development of Industrial Complexes for Export Industries

was enacted based on underlying policies of the government, in response to such economic demands. Moreover, the secondary objective of this Act was to invite small and medium industries, which were run for manufacturing by Koreans residing in Japan and other foreign countries with good technology and already secured overseas markets. Such industrial complexes for export industries were determined to encourage and support their activities of producing export goods so as to promote export in a short period and to develop domestic industries through competition. The Act on the Creation and Development of Industrial Complexes for Export Industries was enacted and promulgated on September 14, 1964. It entered into force on the date of its promulgation.

2. Legislation on Creation, Development and Operation of Industrial Complexes in 1970s

In 1970s, it was necessary to permit free foreign investment as well as free export and import within specified domestic zones. Specified domestic zones were designated as free export zones, taking a step forward from the creation of existing industrial complexes for export industries, in order to maximize the promotion of export and the increase of jobs. Thus, the Act on the Establishment of Free Export Zones was enacted to permit such zones as special regions to which part of domestic laws were not applicable. In the meantime, the Local Industrial Development Act was enacted to designate promotional zones for industrial development in small and medium cities in provincial areas. Also, the act aimed to develop local industrial complexes in order to facilitate appropriate dispersion of industries to provincial areas and ease economic gaps between rural and urban regions as a countermeasure against excessive urban density, which had been caused by economic growth. Furthermore, the Act on the Development and Promotion of Industrial Bases was enacted and enforced in order to intensively develop large industrial bases, which were required for construction of heavy and chemical industries, to depart from existing policies mainly focusing on light industries, and to develop strategic industries such as steel, machinery, shipbuilding, nonmetal, and petrochemical industries, in accordance with the policy on the development of heavy and chemical industries. The Management of Industrial Complexes Act was enacted in 1975 to establish authority for the management of industrial complexes. Needs for the management of industrial complexes were raised as a consequence of the development of more industrial complexes through site location planning. The Industrial Placement Act was enacted in 1977 to make policies on nationwide industrial sites more positively specific and systematic.

2.1 Act on the Establishment of Free Export Zones

In the mid-60s, labor-intensive industries in the Republic of Korea began to face limits gradually in the world market. They encountered great difficulties in competing with competitors from other developing countries in the expansion to the world market. The

Republic of Korea, at that time, was in desperate need for foreign capital and advanced technology for the continuous increase in export and a momentum for expanding markets without cease. Hence, the government prepared a scheme for establishing free export zones in order to provide inexpensive and good workforce, to induce resources for investment in industries and technology from foreign countries, and to secure markets for export. With such background, the Act on the Establishment of Free Export Zones was promulgated and entered into force on January 1, 1970.

2.2 The Local Industrial Development Act

The Republic of Korea reached the so-called take-off stage, among the stages of economic development. Implementation of the first and second five-year economic development plans was completed by achieving high economic growth at the rate of 9.9% average per year. However, there were some problems to which little or no attention was paid. For example, qualitative substantiality, balanced development in the national economy between industries and between regions, and the issue of how to disperse the population and industries concentrated into the Seoul Metropolitan Area to provinces emerged as real problems. There was a phenomenon of concentration of population and industries into large cities such as Seoul and Busan, while small and medium cities in provincial areas could not avoid the phenomenon of having their functions lost or degraded as bases for local development. Therefore, the Local Industrial Development Act was enacted and entered into force on January 1, 1970 in order to control excessive concentration of population and industries into the Seoul Metropolitan Area and to promote dispersion of industry from metropolitan areas to provincial areas.

2.3 The Act on the Development and Promotion of Industrial Bases

The Republic of Korea, joining the ranks of middle-income countries or developing countries thanks to the success in implementation of five-year economic development plans, turned its eyes to development of heavy and chemical industries, such as steel mills, steel works, shipbuilding, machinery, non-metal industries, oil refineries, and chemical industries. For its development toward a highly-industrialized country, Korea established the third five-year economic development plan, aiming for a significant increase in export and construction of heavy and chemical industries. Since heavy and chemical industries would have a great impact on correlations between industries and require huge investment in social overhead capital, it was necessary to develop specific areas intensively to construct bases for heavy and chemical industries. Since there was a need to secure an enormous amount of money, excellent technology, and efficient procedures for implementation of the plan, the Act on the Development and Promotion of Industrial Bases was promulgated and entered into force on December 24, 1973.

2.4 The Management of Industrial Complexes Act

The issue of how to utilize industrial sites efficiently had been an issue in main policies as an industrial country since the national industrial structure had been highly upgraded along with economic growth. Local industrial complexes and private industrial complexes, which had been developed for the dispersion of industries to provinces and the fostering of local industries, had been promoted as simple urban planning projects without any legal authority for the management and use of such complexes. Therefore, it was required to enact a framework act as the statutory authority for the management and use of such complexes. The Management of Industrial Complexes Act was enacted to prepare the statutory authority for the management of such local industrial complexes and private industrial complexes. The act was promulgated on December 31, 1975, and entered into force on March 2, 1976 after the lapse of 60 days from the date of its promulgation.

2.5 The Industrial Placement Act

In developing heavy and chemical industrial complexes, the industrial complexes had been dispersed and placed throughout the country. However, the policy on the dispersion of industrial clusters has not been enforced properly because of failure to develop efficient means for enforcement of the policy. Therefore, the Industrial Placement Act was enacted and promulgated on December 31, 1977. It aimed to prevent excessive concentration of industries in a specific area and help achieve balanced growth of the national economy by placing industrial sites reasonably throughout the country from the comprehensive perspective and by facilitating reasonable relocation of factories. The Industrial Placement Act entered into force on January 1, 1979.

3. Legislation as of 2011

The legislation on the creation, Development and management of industrial sites and industrial complexes, which was enacted and has been enforced for the purposes of promotion of export or fostering of industries since 1960s and 1970s according to five-year economic development plans, is still in force as of 2011. However, the legislation today differs from the legislation in 1970s, the period in which the country was at the ranks of developing countries. The legislation on the creation, Development and management of industrial sites and industrial complexes was made in the form of many separate Acts in 1970s. It has been settled and improvements thereof have been made in response to changes of times and environments.

The Local Industrial Development Act, enacted for purposes of dispersion of industries to provincial areas and removal of economic gaps between regions, and the Act on the Development and Promotion of Industrial Bases, enacted for purposes of balanced placement of industrial sites and industries, entered into force in 1970s. The legislation on

the creation and development of industrial complexes, both of which were combined into one Act titled the “Industrial Sites and Development Act” is still in force. The Management of Industrial Complexes Act and the Industrial Placement Act enforced in 1970s as the legislation on the management of industrial complexes were combined into one Act titled the “Industrial Cluster Development and Factory Establishment Act” is still in force. In the meantime, the Act on the Establishment of Free Export Zones, which was enacted to establish free export zones and invite foreign investment, was amended to the Act on Designation and Management of Free Trade Zones. The purpose was to ensure freedom of activities of manufacturing and trade, shifting from the promotion of export with an emphasis on manufacturing in the past, and it is still in force.

2011 Modularization of Korea's Development Experience
Legislation on the Creation, Development and Management
of Industrial Complexes

Chapter 1

Introduction

Introduction

The Republic of Korea, whose land had been completely turned to ruins by a war between 1950 and 1953 and whose per capita national income was only 76 U.S. dollars, was one of the poorest countries in the world. Korea began attracting attention when it achieved high economic growth, the so-called Miracle on the Han River, by resolutely implementing economic development plans in the 1960s. There are many factors that contributed to Korea's success in such high economic growth, which was unprecedented throughout the world. The greatest factor was that it succeeded in establishing and enforcing economic policies.

The first five-year economic development plan, beginning in 1962 and ending in 1966, mainly focused on: securing sources of energy, such as electric power and coal, for industrialization through modernization of industries; increasing farmers' income and correcting structural imbalance in the national economy by enhancing agricultural productivity; expanding key industries; satisfying the demand for social overhead capital; improving international balance of payments mainly by increasing export; and promoting the development of technologies. The second five-year economic development plan for another five years between 1967 and 1971 mainly focused on: the self-support of foods; the upgrade of industries through development of chemical, steel, and mechanical industries; and the achievement of export of 700 million U.S. dollars. Since the first and second five-year economic development plans were implemented, Korea has achieved rapid growth in every economic sector; in particular, remarkable economic growth has been accomplished in the sectors of industrial manufacturing and export through marked development and expansion of social overhead capital for long-term growth.

Since Korea lacked natural resources, it aimed at modernizing industries, industrialization, and promotion of exports in implementing its economic development plans. What served as the basis for implementation of such plans were policies on the development of industrial sites and the creation and operation of industrial complexes. And what enabled to

institutionalize and enforce such policies was the ‘legislation on the creation, Development and management of industrial complexes.’

It is the role of statutes to institutionalize policies so as to enable execution. Hence, it is important to make good policies, but just as important as good policies is how well such policies are institutionalized by statutes. Since a vast area of land is required to create and develop industrial complexes, it is unavoidable to expropriate or use, by force, private land that shall be included in industrial complexes. It is inevitable to place restrictions on the types of business in industrial complexes so created, and to impose various obligations on enterprises moving into an industrial complex for the management of industrial complexes. It consequently restricts citizens’ rights and imposes obligations on citizens for the creation, Development and management of industrial complexes. The Constitution of the Republic of Korea provides that it is permitted to restrict any right of citizens or impose any duty on citizens only by Act. And thus, a statutory basis shall be prepared to create, develop, and manage industrial complexes. In addition, a statutory basis is required for special exceptions for the development of industrial complexes or the occupancy of such complexes by enterprises and the government’s support. Institutionalizing such policies by statute is also required in order to implement the policies consistently and constantly.

It can be said that successful institutionalization of such economic policies by statutes was one of the factors that helped Korea succeed in enforcing its policies on economic development. This study will discuss the details of the legislation on the creation, Development and operation of industrial complexes, which served as a basis for successful implementation of the five-year economic development plans. Details will include the changes that have been made to the legislation, and how such legislation is in force today.

Legislation on Export Industrial Complexes in 1960s

1. Background of Enactment of the Act on Creation and Development of Export Industrial Complexes
2. Provisions of the Act on Creation and Development of Export Industrial Complexes
3. Supplementation and Repeal of the Act on Creation and Development of Export Industrial Complexes
4. Effects of the Act on Creation and Development of Industrial Complexes for Export Industries on the Economic Growth of the Republic of Korea

Legislation on Export Industrial Complexes in 1960s

1. Background of Enactment of the Act on Creation and Development of Export Industrial Complexes

1.1 Background

In the early 1960s, every nation, whether developed or developing, in the world was eager to enforce various policies in order to promote industrialization. One of such examples was the policy on the creation and development of industrial complexes. If an industrial complex is created and operated, enterprises moving into the industrial complex can reduce its initial investment and business management cost, reduce risks in business, and have benefit from various public services. Local communities can have economic benefits, such as promotion of export and increased job opportunities. Moreover, from the perspective of the national economy, the creation and development of industrial complexes is one means of industrialization, which can contribute to modernization of small and medium enterprises, enhance productivity of small and medium enterprises, and encourage private investment in small and medium enterprises as well as the development of local communities.

For such benefits, countries throughout the world had vigorously enforced policies on the creation and operation of industrial complexes. In the United Kingdom, industrial complexes reached approximately 100 complexes, which had been created with investment mostly from its Government and had been operated by a developer with capital invested by its government. In the United States, the number of industrial complexes reached approximately 1,000 complexes, which had been created and operated mostly by private enterprises, unlike those in the United Kingdom. In Japan, 10 industrial complexes had been created and operated until 1961 as those for small and medium enterprises, 20 industrial complexes until 1962, and there was a plan for the creation of 27 industrial complexes in 1964. Underdeveloped nations, such as India, Mexico, and Brazil, also vigorously enforced policies on the development of industrial complexes. In India, approximately 120 industrial

complexes were under construction as its central Government enforced policies vigorously. Three industrial complexes in Mexico and six industrial complexes in Brazil were under construction.

1.2 Economic Conditions of Korea

In Korea, the inherent imbalance was deepened, and the economic growth rate dropped. Inflation prevailed due to changes in the political situation and in the course of economic growth since a military coup in May 1961. In order to solve such problems, the Korean Government announced and implemented a comprehensive and systematic economic development plan, titled the first five-year economic development plan. The first five-year economic plan (1962~1965) aimed at correcting such social and economic vicious circle and laying a foundation for accomplishing the self-supporting economy. Furthermore, the plan focused on the improvement of international balance of payments mainly through expansion of key industries, satisfaction of the demand for social overhead capital, and the increase of export, as one of the basic ways to provide an environment favorable for growth.

However, unfavorable conditions were circulated in the economic situation due to the chronic adverse international balance of payments caused by the balance of trade. The only way to break out of such vicious circle was to increase export to foreign countries by promoting international trade. One measure to prepare circumstances for increasing export was a project for the creation and operation of industrial complexes. Thus, this Act was initiated on the basis of the government's basic policy to meet such economic demand. Besides, the secondary objective of the Act was to invite small and medium industries, which were run for manufacturing by Koreans residing in Japan and other foreign countries with good technology and also with already secured overseas markets, to such export industrial complexes. It aimed at encouraging and supporting their activities of producing export goods so as to promote export in a short period and developing domestic industries through competition.

1.3 Progress of Enactment of the Act on Creation and Development of Export Industrial Complexes

The Government presented a bill for the Act on Creation and Development of Export Industrial Complexes to the National Assembly on March 7, 1964 after deliberation by the State Council. The government's bill consisted of nine Articles and an addendum, but the subcommittee, organized by the National Assembly Committee of Commerce and Industry, concluded that it was difficult to execute such projects with the government's bill consisting of merely nine Articles. The bill was considered too simple, inadequate, and insufficient, and thus it increased provisions substantially to amend the bill to have 27 Articles as its main body and two paragraphs as its addenda. After deliberation by the National Assembly,

the bill for the Act on Creation and Development of Export Industrial Complexes was passed, enacted and promulgated on September 14, 1964, and entered into force on the date of its promulgation.

1.4 Purposes

The Act on Creation and Development of Export Industrial Complexes for Export Industries provides that the purpose of the Act is to promote the epoch-making development of export industries by promoting and guiding projects for the creation and operation of export industrial complexes (Article 1 of the Act). At the time, the Government presented four objectives of projects for establishment and operation of export industrial complexes as follows:

- 1) In order to promptly solve the unbalanced international balance of payments, which has been an obstacle to our economic growth, a policy is required as a specific solution to promote and encourage the development of export industries by small and medium enterprises. It is necessary to create and operate export industrial complexes as a way to put the solution into practice.
- 2) It is more favorable to develop labor-intensive industries rather than to develop capital-intensive industries. It is necessary to find out a way for the export of our commodities, which is currently in a disadvantageous position in the competition for international balance of payments. In particular, products amounting to 57,700,000 U.S. dollars, approximately 11.7% of the total export in 1962 in Japan, included various items manufactured by small and medium enterprises. A considerable volume of the products were handled by small and medium enterprises run by Koreans residing in Japan. Therefore, it was possible to promote improvement of technologies, rationalization of the economy, and expansion of markets by inviting such small and medium enterprises run by Koreans residing abroad, who were in a better position than domestic industrial enterprises in marketing and technologies, to settle in export industrial complexes for export industries.
- 3) Many countries in the world have formulated and implemented plans for projects for the development of industrial complexes. Advanced countries, such as the United States, the United Kingdom, Italy, and Japan, achieved economic effects and values by creating and operating more than 1,000 or several industrial complexes respectively, although there is difference, more or less, between countries due to particulars of the economic structure of each country. Organizations affiliated to the United Nations also encourage and support such projects as one scheme for economic growth. The development and fostering of industrial complexes has effects of not only fostering small and medium enterprises but also increasing job opportunities for many unemployed people, reforming the industrial structure, improving the constitution of industries, and promoting the development of local communities.

4) As an effect expected from the development and operation of export industrial complexes in the aspects of the industrial development and acquisition of foreign currencies, it is suitable for the situation of Korea to develop export products that require a lower manufacturing cost and a lower labor cost. In particular, if small and medium enterprises run by Koreans residing abroad for various items, marine products, and processed goods are invited to start their operations in Korea, it is possible to acquire foreign currencies of 30 to 40 million U.S. dollars a year, employ average 100,000 workers a year, and give regular jobs to approximately 5,000 persons. Furthermore, it is expected to promote export with an impact on domestic industries and accomplish the epoch-making development of domestic industries through improvement of technologies.

2. Provisions of the Act on Creation and Development of Export Industrial Complexes

2.1 Designation of Industrial Complexes

2.1.1 Definition of Industrial Complexes

The term “industrial complex” means a cluster of industrial sites zoned and developed in accordance with a comprehensive plan in order to use for export industries (Article 2 (1) of the Act). An industrial complex is a tract of land created and developed for industrial purposes in order to enable collective manufacturing activities according to a comprehensive plan. The plan is established for common facilities essential for manufacturing operations of resident enterprises, such as roads, railroads, power, and water supply, and various service facilities for telecommunications, welfare, and transportation. It sometimes includes a plan for construction of factory buildings, by improving and developing a tract of land to sell or lease the land to enterprises that are expected to move into the complex.

2.1.2 Designation of Industrial Complexes

Since a tract of land was to be designated as an industrial complex, the designation of an industrial complex was closely related to various comprehensive plans for construction in the national territory under the Act on Comprehensive Plans for Construction in the National Territory. The Act on Comprehensive Plans for Construction in the National Territory regulated the use, Development and conservation of national land and provided that all plans for the use and development of land should be prepared on the basis of comprehensive plans for construction in national territory. The comprehensive plans for construction in the national territory were classified into four types: the national comprehensive construction plan; comprehensive construction plans for a specific region; comprehensive construction plans for each Do; and comprehensive construction plans for each Gun.

An industrial complex, which was a cluster of industrial sites zoned and developed in accordance with a comprehensive plan for use in export industries, was an area subject to “a comprehensive construction plan for a specific area” in terms of the classification of comprehensive plans for construction in the national territory. Therefore, it should not contravene the “national comprehensive construction plan,” which covered our whole territory, and it was necessary to appropriately harmonize with the plan.

In Article 3 of the Act, Article 3 (1) provides that “an area prearranged for an industrial complex shall be designated by the Minister of Construction at the request of the Minister of Commerce and Industry.” The Minister of Construction, who has the authority to prepare the comprehensive plan for construction in the national territory, shall designate an industrial complex upon receiving a request from the Minister of Commerce and Industry, who is the competent Minister for the industries, to provide special rules different from the procedure for the designation of comprehensive construction plans for a specific area. Article 3 (2) provides that “when the Minister of Construction intends to designate an area pursuant to the foregoing paragraph, he/she shall comply with the procedure under the Act on Comprehensive Plans for Construction in the National Territory or the Urban Planning Act.” An industrial complex shall be designated in accordance with the procedure applicable to designation under the comprehensive plan for construction in the national territory. The procedure under the Urban Planning Act shall be also followed, if an area prearranged for an industrial complex is the land within an urban planning zone. The project for creation of the industrial complex can be harmonized with a project for development of land under any other Act without any conflict. The Act also provides that if the Minister of Commerce and Industry intends to designate an area prearranged for an industrial complex, he/she shall make a request, along with the cadastral map of the area so requested, the topographical map on the scale of 1/1200, and a report on land and buildings within the area so requested. An area prearranged for the industrial complex can be selected, taking into consideration of geographical conditions and the current status of ownership of land. The Minister of Construction shall designate an area prearranged for an industrial complex, if he/she finds it appropriate after reviewing whether the conditions of the location are appropriate for an industrial complex, whether designation conflicts with the comprehensive plan for construction in the national territory or an urban plan, may attach conditions to the designation, if necessary. Under the Decree, when the Minister of Construction designates an area prearranged for an industrial complex, he/she shall publicly announce the location and the area and shall notify the head of the local government who has jurisdiction over the area prearranged for the industrial complex thereof (Article 1 of the Decree).

2.1.3 Bonded Areas

In order to collect customs duties on goods exported or imported or to verify a permit for export or import, it is necessary to follow the procedure for customs clearance. It is necessary to place goods in a certain place in order to carry out the procedure for customs

clearance while securing claims for customs duties and maintaining the order in customs clearance. The place designated for such purposes is a bonded area. Whenever any goods from a foreign country are imported to our territory, customs duties are imposed on the goods. Deferring the imposition of such customs duties are called “bonded,” while an area in which the imposition of customs duties is deferred is called a “bonded area.” If an industrial complex is created and many enterprises mainly engaged in exportation move into the industrial complex to conduct manufacturing activities, works relating to export and import of facilities, equipment, raw materials, or products would become active in connection with the enterprises’ manufacturing activities. In order to facilitate exports of such enterprises, the Act provides a special exception, “an industrial complex shall be designated as a single bonded area (Article 6 of the Act),” to apply provisions regarding bonded areas in the Customs Act to industrial complexes. According to the special exception, when an exporter manufactured products for export in an industrial complex and exported the products, it was given special privileges, such as exemption from customs duties on raw materials and other materials necessary for manufacturing the exported products.

2.2 The Industrial Complex Development Corporation

2.2.1 Establishment and Business Activities of the Development Corporation

The Industrial Complex Development Corporation was a non-profit organization established for the purposes of carrying out works for: the creation and operation of industrial complexes; the solicitation of Koreans residing abroad to patriate their assets; the arrangement of loans to resident enterprises; and surveys and research for expansion of overseas markets (Article 2 (2) of the Act). A project for the development of an industrial complex can be called a national project in its inherent nature since it is closely related to public interests. Therefore, a special corporation was established for public interests so that it could carry out projects for the creation and operation of industrial complexes on behalf of the central government; and in return, the central Government provided special protection for the corporation and supervised it.

Pursuant to the Act, the Industrial Complex Development Corporation should be established with a permit from the Minister of Commerce and Industry (Article 4 of the Act). In order to obtain the permit for establishment of the Development Corporation, it was required to file an application for permission of establishment with the Minister of Commerce and Industry, along with a copy of its articles of incorporation, a list of investing members and non-investing members, business plans and statements of revenue and expenditure for the period until completion of projects for the creation of industrial complexes and for the first year immediately after completion, minutes of the general meeting of incorporators or the general organizational meeting, the number of shares of each incorporator and the amount invested by each incorporator, the curricula vitae of directors and auditors, and their written consents to appointment. The Minister of Commerce and Industry was authorized

to grant the permit to the Development Corporation, if he/she found that the Development Corporation, which filed the application for permission for establishment, had its total capital of not less than 10 million won and had financial capabilities (Article 2 of the Decree).

2.2.2 Organizational Structure of the Development Corporation

The Development Corporation was comprised of investing members and non-investing members, while non-investing members were to be recommended by its board of directors (Article 7 of the Act). Since the Development Corporation was a non-profit organization, even investing members were not entitled to dividends of earnings from business activities of the Development Corporation in whatsoever form. Moreover, the Development Corporation had a general meeting of members, which was equivalent to the general meeting of partners in an incorporated association under the Civil Act, as its essential and supreme decision-making organ by applying provisions regarding corporations in the Civil Act *mutatis mutandis*. Members of the Corporation participated in decision-making as constituents of the general meeting of members. The Act provides special exceptions to the Civil Act or the Commercial Act by prescribing that each member needs to have equal voting rights (Article 11 of the Act), and there shall be no difference in the voting rights between investing members and non-investing members.

The Development Corporation should have no more than ten directors. The board of directors was comprised of directors and make decisions on important matters specified by its articles of incorporation for the creation and operation of the Development Corporation (Article 8 of the Act). The Development Corporation should have one president as its executive and some standing directors and auditors (Article 9 of the Act). The appointment of the president should be approved by the Minister of Commerce and Industry (Article 10 of the Act). The above-mentioned provisions regarding the organs of the Development Corporation were similar to those regarding directors, the board of directors, and representative directors of a stock company under the Commercial Act in the composition of its constituents, such as its directors, board of directors, president, and standing directors.

2.2.3 Articles of Incorporation of the Development Corporation

Pursuant to the Act, the articles of incorporation of the Development Corporation shall include provisions regarding: its purposes, name, and place of business; matters regarding: investment in its capital, qualification for membership and disqualifications, its business, its board of directors, borrowing loans, accounting, contracting with resident enterprises, disposal of assets, public notice, and other necessary matters (Article 12 of the Act). The Act provides that, if the Corporation intends to amend the articles of incorporation, it shall obtain a permit from the Minister of Commerce and Industry, the competent Minister, pursuant to the provisions of the Civil Act.

2.2.4 Business Activities of the Development Corporation

The provisions defining the nature of the Development Corporation (Article 2 (2) of the Act) specify business activities that the Development Corporation shall carry out: (1) the creation and operation of industrial complexes; (2) the solicitation of Koreans residing abroad to patriate their assets; (3) the arrangement of loans to resident enterprises; (4) surveys for expansion of overseas markets; (5) filing an application for the designation of an area prearranged for an industrial complex with the Minister of Commerce and Industry (Article 1 (2) of the Enforcement Decree); (6) making recommendations of the designation of prospective resident enterprises (subparagraph 3 of Article 8 of the Enforcement Decree); (7) making recommendations for the permission for patriating assets to an industrial complex (subparagraph 4 of Article 11 of the Enforcement Decree); (8) the expropriation or use of land necessary for the creation of an industrial complex (Article 20 of the Act); (9) filing an application for sale or loan of State or public property for the use in creation of an industrial complex (Article 22 (1) of the Act); (10) the compensation for losses incurred in the sale or loan of any State or public property or state-reverted property (Article 22 (2) of the Act); (11) the collection of rents or use charges for building sites for factories, common facilities, and other facilities from resident enterprises (Article 23 of the Act); and (12) the cancellation of contracts on occupancy with resident enterprises whose qualification for occupancy are revoked and the settlement with such enterprises (Article 24 (2) of the Act).

2.3 The Committee for Deliberation on Industrial Complexes

The Act provides that the Minister of Commerce and Industry shall establish a committee for deliberation on industrial complexes within the Ministry of Commerce and Industry as an advisory organization with respect to matters regarding the creation, operation, and fostering of industrial complexes (Article 13 (1) of the Act). It also provides that matters regarding the development and operation of industrial complexes, the attraction of exporting industries to industrial complexes, the selection of resident enterprises, the solicitation of Koreans residing abroad to patriate their assets, the disposal of assets of the Development Corporation, disqualifications and eviction of, and settlement with, resident enterprises, and loans borrowed by the Development Corporation and resident enterprises shall be determined by the Minister of Commerce and Industry, subject to prior deliberation by the committee for deliberation on industrial complexes (Article 14 of the Act).

Under the Decree, the committee for deliberation on industrial complexes shall be comprised of one chairperson and nine members. The Vice Minister of Commerce and Industry shall serve as the chairperson, while members shall consist of persons appointed by the Minister of Commerce and Industry from among Vice Ministers from the Economic Planning Board, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Construction, and other related Ministries, the President of the Bank of Small and Medium Industry of Korea, and the president of the Development Corporation and two non-

governmental members commissioned by the Minister of Commerce and Industry (Article 3 of the Enforcement Decree).

2.4 Creation of Industrial Complexes

2.4.1 Standards for Creation

When creating an industrial complex, it is required to secure an area for the industrial complex so that many enterprises can move into the industrial complex and build roads, facilities for supplying and discharging water, electric facilities, warehouses, facilities for hygiene, facilities for security, and other necessary facilities (Article 15 of the Act). The Act provides that the standards for creation of industrial complexes shall be prescribed by Presidential Decree. The Enforcement Decree prescribes the standards for the minimum area of each industrial complex and the standards for facilities that shall be established in each industrial complex, such as roads, facilities for supplying and discharging water, electric facilities, warehouses, facilities for hygiene, and facilities for security (Article 7 of the Decree). According to these standards, the area of an industrial complex shall accommodate at least 20 enterprises, each of which employs 15 or more regular employees; the area occupied by roads shall not be less than 15 percent of the area of the industrial area; the width of each main road shall be ten meters or wider; the width of each minor road shall be six meters or wider; and the structure of each road shall be similar to the structure of municipal roads in each Si or Gun.

Under the Act, facilities for water supply shall have a capacity to meet all demands for water for operations in each industrial complex and to supply at least 100 liters per employee per day all the times. Facilities for discharging water shall have a capacity to completely drain out water discharged from the industrial complex and heavy rain during each rainy season, and facilities for detoxification shall be installed additionally, if discharged water is toxic. Electric facilities shall have a capacity to receive and distribute electric power in 3,300 V or higher; at least one ordinary warehouse and one bonded warehouse shall be built for storage. The structure of which shall be designed to protect goods stored therein from damage, decomposition, deterioration, fire, or theft; and facilities for security guards and at least one hydrant per two resident enterprises shall be installed as facilities for security.

2.4.2 Expropriation of Land

One important task for creating an industrial complex is to purchase parcels of land. Each industrial complex needs a considerably large area of land, since the standards for creation of industrial complexes prescribe that an industrial complex shall have an area that can accommodate at least 20 enterprises each of which employs not less than 15 regular employees. If most of land consists of State or public property, it is easy to

create an industrial complex. On the contrary, if a large portion of land is owned by private individuals, all parcels of land owned by private individuals shall be purchased. However, this is a very difficult task.

In order to cope with such task, this Act authorizes the Development Corporation to expropriate or use the land necessary for the creation of an industrial complex in accordance with the procedure for expropriation or use under the Land Expropriation Act (Article 20 of the Act). At the time an area is designated as an area prearranged for the industrial complex, deeming the time as the time when the project is approved (Article 21 of the Act). Although the project for the creation of an industrial complex was not included in the scope of projects for public interests, for which land could be expropriated or used pursuant to the Land Expropriation Act, and thus it had not been permitted to expropriate or use land for such project, this Act provided a special exception that permitted expropriation or use. In the meantime, approval for a project is the procedure for granting an authority for the expropriation of land, and an enterprise or any other entity may commence to expropriate or use land at the time a project is approved. The Land Expropriation Act in force until that time provided that the Minister of Construction should have the authority for approving a project for which land could be expropriated or used and that the date on which details of a project is publicly notified through the Official Gazette should be deemed the time when the project was approved. As an exception, however, this Act permitted expropriation or use of land once an area was designated as an area prearranged for an industrial complex, deeming that the relevant project was approved without necessarily following the procedure for approval by the Minister of Construction.

2.5 Resident Enterprises

2.5.1 Qualification of Residents

The term “resident enterprise” refers to an enterprise that occupies an industrial complex created and operated by the Development Corporation and that engages in manufacturing activities for exportation (Article 2 (3) of the Act). The Act prescribes the qualification of a resident enterprise eligible for occupancy of an industrial complex as “a person who has considerable manufacturing technology and records of export for a certain product for export” (main body of Article 16 (1) of the Act). The reason why the Act specified the qualification of a resident with technical capacity and records of export was to increase export rapidly. The greatest difficulties that the Republic of Korea, an emerging developing country, faced in export were technology and the securing of markets. In order to increase exports, it was essential to secure markets for export and secure technology for manufacturing products. However, it was not easy for domestic enterprises to acquire technology and markets in a short period. On the other hand, enterprises run by Koreans residing in Japan or any other foreign country and conducting business activities actively had already secured markets and were far ahead of domestic enterprises in technology. It was possible to secure the competitiveness of Korean products in export markets by

inviting such enterprises run by Koreans residing abroad preferentially to move into industrial complexes and to establish their businesses there; technical capacity and records of export were specified as the qualification of residents. However, it was not easy to invite enterprises that met all these requisites to all industrial complexes, and so the requisites were relaxed to invite “enterprises that do not have any export record but whose prospects of exporting can be ascertained” to industrial complexes, subject to deliberation by the Committee and designation by the Minister of Commerce and Industry. In addition, the Act provides that the number of such resident enterprises shall not exceed one-third of the total number of resident enterprises in an industrial complex (proviso to Article 16 (1) of the Act) to facilitate making each industrial complex comprised of resident enterprises with records of export as much as possible.

Under the Act, an enterprise that intends to move into an industrial complex shall file an application for designation with the Minister of Commerce and Industry, along with a business plan, records of manufacturing, a letter of recommendation issued by the president of the Development Corporation for designation as a resident enterprise. If an applicant is a Korean residing abroad, he/she shall additionally submit a certificate of export or sales records issued by the head of a diplomatic establishment abroad. If an applicant is a domestic resident enterprise, he/she shall additionally submit a certificate of records of export or military supply issued by the head of a foreign exchange bank (Article 8 of the Decree). The Minister of Commerce and Industry had the authority to designate resident enterprises after deliberation. Guidelines were established for deliberation to give priority to enterprises that had good records of export and that had a secure prospect of export, enterprises whose rate of foreign exchange earning was high, enterprises whose level of dependency upon import of facilities and raw materials was low, enterprises whose level of employment was high, enterprises who had outstanding manufacturing technology, enterprises whose degree of contribution to improvement of industrial structure was high, enterprises whose level of dependency upon others’ shares was low, enterprises whose level of competition with existing industries was low, and designated enterprises showing excellence in such aspects as resident enterprises (Article 9 of the Decree).

2.5.2 Preferential Designation of Enterprises Run by Koreans Residing Abroad

As explained above, the requisites for qualification of enterprises eligible for occupancy of an industrial complex were technical capacity and records of export. Particularly, in selecting enterprises eligible for occupancy of an industrial complex first designated after this Act entered into force, assets patriated by Koreans residing abroad were given priority. Enterprises run by Koreans residing abroad were given priority for the industrial complex first designated by defining that the term “records of export” meant one had overseas markets (paragraph (2) of Addenda to the Act). As discussed above, domestic enterprises were far behind in terms of technical capacity or secured overseas markets. Thus, the Act aimed

at inviting enterprises residing overseas with advanced technology and overseas markets already secured to increase exports and promote the development of export industries. Moreover, the Act provides that, when an enterprise designated as a resident enterprise intends to patriate its own factory facilities and raw materials to move into an industrial complex and use them for its own needs, the Government shall grant a permit to such an enterprise preferentially (Article 16 of the Act). Of course, this provision was another strategy to attract enterprises run by Koreans residing abroad to industrial complexes.

2.5.3 Revocation of Qualification of Residents

Under the Act, if an enterprise fails to enter into an occupancy agreement with the Development Corporation within two months after it is designated as a resident enterprise, if an enterprise fails to complete the construction of a factory within six months after execution of an occupancy agreement, or if a resident enterprise unlawfully smuggles any facility, equipment, raw material, or product, which has been brought into an industrial complex, into the domestic market, the Minister of Commerce and Industry has the authority to revoke the resident enterprise's qualification as a resident (the main body of Article 24 (1) of the Act and Article 15 of the Enforcement Decree). If there is any exceptional circumstance even where any of the above-stated grounds for revoking qualification is applicable to a resident enterprise, the enterprise can avoid such revocation if it successfully obtains approval from the Minister of Commerce and Industry through prior deliberation by the Committee (proviso to Article 24 (1) of the Act). Once the qualification of a resident enterprise as a resident is revoked, the occupancy agreement between the resident enterprise and the Development Corporation is cancelled. If an occupancy agreement is cancelled, the resident enterprise must sell the land, which it has purchased, to the Development Corporation at the purchase price, and other assets shall be sold preferentially to the resident enterprise designated by the Development Corporation. However, if the Development Corporation does not designate any resident enterprise to whom such assets shall be sold, the assets can be sold to any person other than resident enterprises after paying customs duties (Article 24 (2) of the Act and Article 16 of the Decree).

2.6 Support for and Supervision over Creation of Industrial Complexes

This Act had many provisions for supporting the Development Corporation in creating industrial complexes in order to achieve the purpose of this Act and provisions for supervision over the Development Corporation.

2.6.1 Support of Development Corporation for Creation of Industrial Complexes

The Act provides that: the government may grant partial subsidies for a fund that the Development Corporation needs for the creation of industrial complexes and may guarantee payments when the Development Corporation borrows loans for the creation and operation of industrial complexes (Article 17 of the Act); the Development Corporation shall be exempt from corporate income tax, business tax, registration tax, acquisition tax, and property tax on its assets and business activities (Article 19 of the Act); and the Government shall support the Development Corporation for its projects for the creation and operation of industrial complexes.

2.6.2 Special Exceptions to Acquisition of Land

The Act provides that: where the Development Corporation files an application for the sale or loan of a parcel of land, which is state property, public property, or reverted property, in order to use it for the creation of an industrial complex, the Government may sell or loan it, as prescribed by Presidential Decree, notwithstanding Article 5 of the Provisional Act on Special Cases concerning Disposal of State or Public Property and Article 29 of the State-Reverted Property Disposal Act, unless there is any exceptional circumstance for public interests (Article 22 (1) of the Act); and where the Development Corporation intends to have any State property, or public property or State-reverted property sold or loaned out, it shall file an application with the head of the agency responsible for the management of the property or the head of the competent local government, along with a letter of recommendation issued by the Minister of Commerce and Industry for the sale or loan (Article 12 of the Decree). These provisions exclude principles prescribed by Provisional Act on Special Cases concerning Disposal of State or Public Property or the State-Reverted Property Disposal Act, which provide the procedures for the sale, loan, and disposal of such properties, to make the acquisition or use of land simple, where there is any parcel of land, which is State, public, or State-reverted property, in an area in which the Development Corporation intends to create an industrial complex, and set forth special exceptions to the acquisition of such land.

2.6.3 Supervision

The Act provides that the Minister of Commerce and Industry shall supervise the current status of the business execution of the Development Corporation and may order to take necessary measures as prescribed by Presidential Decree (Article 25 of the Act) to authorize the Minister of Commerce and Industry to supervise over business activities of the Development Corporation. The Development Corporation was required to submit a business plan, a budget for revenue and expenditure, or a statement of settlement of revenue

and expenditure to the Minister of Commerce and Industry for approval. It was also required to obtain approval from the Minister of Commerce and Industry in accordance with the same procedure, whenever it intended to modify such plan, budget, or statement (Article 17 of the Decree). In addition, the Development Corporation was required to submit to the Minister of Commerce and Industry resolutions adopted at its general meeting, a monthly report on progress of development projects, a monthly report on exports by resident enterprises, a monthly report on assets brought into industrial complexes. The Minister of Commerce and Industry was authorized to order the Development Corporation to take corrective measures, if it found that any content of such report was unacceptable or any project was behind schedule (Article 18 of the Decree).

3. Supplementation and Repeal of the Act on Creation and Development of Export Industrial Complexes

3.1 Supplementation of Provisions regarding Bringing-in of Assets

A partial amendment that supplemented provisions regarding the bringing-in of assets in Article 18 of the Act on Creation and Development of Export Industrial Complexes was passed on February 28, 1966 and entered into force on the date of its promulgation.

Article 18 as enacted provides “when an enterprise designated by the Minister of Commerce and Industry as a resident enterprise intends to patriate its own factory facilities and raw materials from abroad to move into an industrial complex and use them for its own needs, the Government shall grant a permit to such an enterprise preferentially,” limiting the scope of assets that may be patriated to factory facilities and raw materials. However, enterprises run by Koreans residing abroad and moving into an industrial complex immediately needed not only factory facilities and raw materials that they were permitted to patriate but also money for construction and operation of their business in order to engage in their business. Thus, a clause was added to permit an enterprise “to patriate its own raw material for the purpose of raising a fund required for construction and operation of its factories.” However, such permission was to be granted only once through prior deliberation by the Committee in order to avoid granting excessive privileges (Article 18 (2) newly inserted).

3.2 Repeal of the Act on Creation and Development of Export Industrial Complexes

The Act on Creation and Development of Export Industrial Complexes was superseded by the Act on Management of Industrial Complexes on December 31, 1977.

4. Effects of the Act on Creation and Development of Industrial Complexes for Export Industries on the Economic Growth of the Republic of Korea

Looking back the economic situation of the Republic of Korea in 1960s, there was almost no industrial facility in proper conditions throughout the industries. Infrastructure was destroyed or remained at a pre-modern level due to Japanese colonial pillage, the Korea War, and ensuing political and social turmoil. The livelihood of farmers and workers in urban areas were extremely impoverished. It was impossible to support the national economy on its own without aid from the United States. In such condition, the Korean government established the first five-year economic development plan and mobilized all administrative supportive measures to promote the development of industrial complexes for export industries. The only industrial complex, at that time, was the Ulsan Industrial Complex developed in Ulsan. It was an industrial complex that was developed for the first time in Korea as a result of a series of industrial complex development projects within the scope of urban plans pursuant to the Urban Planning Act in force. Besides, the Ulsan Industrial Complex was developed as a site for heavy and chemical industries.

On the other hand, the main purpose of the first five-year economic plan was to enforce the export drive policy focused on light industries, aiming at acquisition of foreign currencies and improvement of technology. As a scheme to overcome the problems that goods for export were not diverse and poor in quality, the government planned to invite capital and technology from Koreans residing in Japan. The Export Industry Promotion Committee was established in March 1963 in order to invite capital and technology from enterprises run by Koreans residing in Japan with cooperation of political circles and business circles. Hoping to expand their business territories to their motherland, Korean businessmen in Japan demanded the Korean government to prepare a channel through which they could communicate with the government and have administrative support and to develop an industrial complex for bonded processing. The only resources that the Republic of Korea had in hand were inexpensive labor force. Therefore, the development of industrial complexes was promoted mainly in Seoul where it was easy to secure labor force and other resources. The most significant characteristics of the development of such industrial complexes for export can be summarized into two aspects: first, the industrial complexes were developed in order to attract investment from Koreans residing abroad; and second, it was promoted concurrently to establish a management organization for the management of the industrial complexes and attraction of investment from abroad. Thus, the Korea Export Industrial Complex Corporation was established in May, 1964.

The Act on Creation and Development of Industrial Complexes for Export Industries was enacted under such circumstances, and the first Guro Export Industrial Complex was created as the first export industrial complex in Korea in the area of Guro-dong, Guro-gu, Seoul pursuant to this Act. Spread in the area of Guro-dong at that time were rice paddies, dry fields and hills with more than 100 ammunition depots of the U.S. Air Forces. It was

a sequestered area with few native residents, except some villages of refugees relocated from the city center for redevelopment of the city center of Seoul, and the land price was nearly negligible. In terms of transportation, the National Road No. 1 was near, and the Yeondeungpo Railroad Station for the Seoul-Busan Rail Line was merely 5 kilometers from the area. Moreover, it was easy to secure land for the site because the Anyang River and the Dorim River were near, which made it easy to build water pump stations for the supply of water. Good traffic accessibility was provided, and there was an advantage of securing labor force.

The development project of the first Guro Export Industrial Complex for Export Industries commenced in December 1964 with a total area of approximately 462,000 square meters (140,000 pyeong in Korean traditional unit of measure) and was completed in February 1966. The Guro Export Industrial Complex for Export Industries was launched as an industrial complex under the slogan of export promotion with 18 enterprises run by Koreans residing in Japan, 11 national enterprises and 2 foreign enterprises mainly for the light industries such as textile, apparel, wigs and electric appliances. The project succeeded in inviting enterprises run by Koreans in Japan who took a considerable part of Japan's export of sundries at the time and who watched for an opportunity to move their factories abroad. The first Guro Export Industrial Complex drew more attention than expected and made more achievements than its initial goals in inviting enterprises. Encouraged by such achievements, the government additionally designated the second phase of the complex with a total area of approximately 400,000 square meters (120,000 pyeong in Korean traditional unit of measure) and the third phase of the complex with a total area of approximately 1,190,000 square meters (360,000 pyeong in Korean traditional unit of measure) and began to develop the fourth and fifth complexes in Bupyeong and Juan respectively in Incheon. The Guro Industrial Complex played a great role as an advance guard for export from Korea as its exports exceeded 100 million U.S. dollars in 1971. Thereafter, its exports recorded 1,870 million U.S. dollars in 1980 with its average export increase rate per year attaining to 36.5%. Main products from industrial complexes have been changed from light industries, such as textile and apparel, to electric and electronic products and products from heavy and chemical industries, such as mechanical and petrochemical industries, since the mid 1970s according to the government's policy on development of heavy and chemical industries. Yet, it can be said that industrial complexes for export industries pulled up the economic growth in Korea as advanced bases for national export.

The success of the first "industrial complex for export industries" served as a catalyst for local governments' participation in the development of industrial complexes. Although the government recognized the need to develop industrial complexes in provincial cities when it implemented the first five-year economic development plan, it put off the implementation of development projects in provincial cities. Its financial strength made it difficult to implement such projects simultaneously through the country. Inspired by the success of the industrial complex for export industries, local small and medium-sized enterprises in provincial areas and local governments began to pay keen attention to the development

of industrial complexes. Provincial governments began to compete with one another for development of industrial complexes in order to build up industrial infrastructure in their provinces and invite export industries with the central government's active support as part of its export drive policy for fostering export industries in each province. As a consequence, industrial complexes were created from 1967 through 1969 in provincial capital cities, such as Gwangju, Daejeon, Jeonju, Cheongju, Daegu and Chuncheon. It further stimulated expansion of the development of industrial complexes even to regional small and medium-sized cities, such as Iri, Wonju and Mokpo, from 1970 on. Particularly, the boom in speculative investment in real estate, which prevailed in large cities since the late 1960s, spread to provincial cities to enable advanced sales of industrial complexes in lots even before industrial complexes were developed. It provided an advantage to local governments in promoting development of industrial complexes without the burden of securing initial capital. Besides, private enterprises began to promote development of industrial complexes for clustering along with development of industrial complexes in main provincial cities. Hence, enterprises in Korea were able to develop industrial sites and build factories wherever they needed until the mid 1960s. Such phenomena continued actively in the Seoul-Incheon zone, which was an existing industrial zone, as well as Busan, Daegu and other large cities. Among industrial complexes created by the private sector, the Yeongdeungpo Mechanical Industrial Complex and the Korea Synthetic Resin Industrial Complex in Seoul and the Incheon Mechanical Industrial Complex, the Incheon Non-Metal Industrial Complex and the Korea Lumbering Industrial Complex in Incheon were representative cases. Most industrial complexes developed under the initiative of the private sector were developed through projects for the creation of industrial sites under the Urban Planning Act. The Urban Planning Act and the Act on Creation and Development of Industrial Complexes for Export Industries were in force at that time as statutes, enabling development of industrial complexes. Yet, industrial complexes developed simultaneously in provincial capital cities and private industrial complexes created collectively by enterprises engaged in similar types of business in the Seoul-Incheon zone in the late 1960s were developed through projects for the creation of industrial sites under the Urban Planning Act. The Act on Creation and Development of Industrial Complexes for Export Industries was a special act for the creation of industrial complexes under the initiative of the central government.

The Act on Creation and Development of Industrial Complexes for Export Industries was an act prepared to create advanced bases for national export by developing industrial complexes for export industries under the initiative of the central government. At the same time, it promoted an increase of export by Korea within a short period and stirred up the boom in the development of industrial complexes throughout the country to stimulate development of industrial complexes in provincial cities as well as the private sector's development of private industrial complexes. Therefore, the Act played a successful role in building a basis for industrial development, promoting rapid increase of export and balanced development of regions, and contributing to success of the first five-year economic development plan as well as the marvelous economic growth of Korea.

Legislation in 1970s

1. Overview
2. The Act on Establishment of Free Export Zones
3. Local Industrial Development Act
4. The Act on Development and Promotion of Industrial Sites
5. Act on Management of Industrial Complexes
6. The Industrial Placement Act
7. Effects of Legislation on Industrial Sites in 1970s on
Economic Development in Korea

Legislation in 1970s

1. Overview

The 1970s was the decade in which emphases were placed on the fostering of strategic industries, such as steel, machinery, electronic, non-ferrous metals, and petrochemical industries under policies for fostering heavy and chemical industries. Less attention was given to conventional policies focused on the fostering of light industries, and development of local industrial complexes was promoted under policies on the decentralization of industries in large cities. In order to accomplish such goals, it was necessary to designate certain areas within national territory as free export zones, as an advance step from the creation of existing export industrial complexes, to make foreign investment as well as export and import more free. Therefore, the Act on Establishment of Free Export Zones was enacted to designate such areas as special zones exempt from the application of part of domestic laws for the purposes of promotion of export, increase of jobs, and improvement of technology. In the meantime, the Local Industrial Development Act was enacted to promote appropriate dispersion of industries over regions and to alleviate the economic gap between regions. The purpose was to cope with excessive unbalance between regions and to develop local industrial complexes by designating prospective districts for the development of industries in small and medium cities. Furthermore, the Act on Development and Promotion of Industrial Sites was enacted in 1973 to prepare a statutory basis for intensive development of large industrial sites necessary for the construction of heavy and chemical industries. Industrial sites were constructed in Onsan, Changwon, Yeosu, Gwangyang, etc. to form the Southeastern Industrial Belt. As such industrial complexes were gradually developed as planned, it was necessary to manage such industrial complexes properly. Thus, the Act on Management of Industrial Complexes was enacted in 1975 to prepare the basis for the management of such industrial complexes. The Industrial Placement Act was enacted in 1977 to make more specific and more systematic policies on nationwide placement of industrial sites.

Table 3-1 | Legislation on Creation, Development and Management of Industrial Complexes in 1970s

Act	Enforcement Date	Purposes of Enactment
Act on the Establishment of Free Export Zones	Jan. 1, 1970	To promote export by establishing free export zones in specific areas and inducing foreign investment
Local Industrial Development Act	Jan. 1, 1970	To promote balanced development of the national land by implementing appropriate dispersion of industries over regions and alleviating the economic gap between regions
Act on the Development and Promotion of Industrial Sites	Dec. 24, 1973	To develop Korea to a highly industrialized modern nation by constructing large industrial sites for heavy and chemical industries for the development and fostering of heavy and chemical industries
Management of Industrial Complexes Act	Mar. 2, 1976	To promote rational operation of local industrial complexes by providing basic matters regarding the management of local industrial complexes
Industrial Placement Act	Jan. 1, 1979	To relocate industries rationally as countermeasures against increasingly excessive concentration of factory sites due to uneven regional distribution of industrial population and expansion of factories in urban areas

2. The Act on Establishment of Free Export Zones

2.1 Background and Purpose of Enactment

2.1.1 Background

In the 1960s, Korea lacked technology and capital but had abundant workforce. The labor-intensive industries of Korea, which began to face limits in the world market since mid-1960s, were confronted with challenges from other developing countries in expanding the world market. Korea desperately needed foreign capital and advanced technology for continuous increase of export and a momentum for expanding markets continuously. Therefore, the Government prepared a scheme to establish free export zones, aiming at attracting investments in industries and technology from foreign countries, securing markets for export at the same time, and providing inexpensive but good labor. Enterprises in a free export zone were given a privilege to bring in foreign raw materials without necessarily going through customs clearance under the condition that all products manufactured with raw materials imported from foreign countries should be re-exported.

2.1.2 Progress

Discussions about the Act on Establishment of Free Export Zones began in 1968. When the Government began to discuss about free export zones, businessmen in Masan held a campaign to establish a free export zone in Masan and were eager to have the free export zone designated. In July 2, 1969, the Government announced a plan for free export zones, and discussions about the Act on Establishment of Free Export Zones were warmed up in full scale. Eventually, the Act on Establishment of Free Export Zones was enacted and promulgated on January 1, 1970 and entered into force on the date of its promulgation for the purposes of increasing exports and jobs, attracting foreign investment, and improving technology.

2.2 Designation of Free Export Zones

2.2.1 Definition of Free Export Zones

The term “free export zone” means a specific area into which it is permitted to bring commodities and in which it is permitted to treat, process, manufacture, and export products freely. This is a zone designated in order to invite foreign investment and export all products manufactured with raw materials imported from foreign countries. If an area is designated as a free export zone, the area is excluded completely or partially from the application of domestic laws or to which the application of domestic laws is relaxed. Thus, the area has the nature of a bonded area under the Customs Act. The term “bonded area” in the Customs Act refers to a certain area in which the imposition of customs duties on goods not passed through customs clearance is suspended. In other words, a bonded area is deemed an area outside of the territory of the Republic of Korea, and therefore the area is immune from the application of laws of the Republic of Korea, and thus exempt from taxes on products or goods within the bonded area. A bonded area provides more advantages than other ordinary areas to export products manufactured with imported raw materials, and therefore it is useful for promoting export by attracting many exporting enterprise to move into that area.

2.2.2 Designation and Creation of Free Export Zones

The Act provides that prospective areas for a free export zone shall be selected by the Minister of Construction after hearing opinions from the Minister of Interior. Then, the Minister of Commerce and Industry shall designate a prospective area as a free export zone (Article 3 of the Act). The reason that prospective areas should be selected by the Minister of Construction was that the Minister of Construction was a competent Minister responsible for comprehensive plans for the development of national land and was in a position to make the most reasonable judgment on conditions of location and other relevant factors. On the other hand, the reason why the Act required hearing opinions from the Minister of

Interior was that the Minister was a competent Minister responsible for national security, and designation of free export zones was related to national security.

The Act provides that the Minister of Construction shall execute the development of building sites in free export zones, construction of roads and facilities for water supply and drainage, dredging of waterways, and construction of facilities for ports and harbors (Article 4 (1) of the Act). The Act also provides that, once building sites are developed in a free export zone and facilities, such as when roads, facilities for water supply and drainage, ports and harbors, are completed, the head of the management agency for the free export zone, resident enterprises, and supportive enterprises shall build factories, buildings, and other structures (Article 4 (2) of the Act).

2.3 Management Agencies for Free Export Zones

2.3.1 Management Agencies

A management agency was established for each free export zone for the management and operation of the free export zone (Article 5 (1) of the Act). The Act provides that the name, location, jurisdiction, and organization of the management agency established in each free export zone shall be prescribed by Presidential Decree (Article 5 (3) of the Act). Each management agency was regarded in its nature as a special regional administrative agency under Article 3 of the Government Organization Act. Although it was an agency responsible for special affairs, which were the management and operation of a free export zone, and carried out affairs under control of the Minister of Commerce and Industry, it was considered an independent administrative agency with special missions. A management agency was responsible for: (1) installation of various supportive facilities; (2) recommendation of enterprises eligible for resident enterprises and permission for supportive enterprises; (3) supervision over construction of factories and other facilities; (4) permission for export and import of goods; (5) supervision over resident enterprises and supportive enterprises; (6) cooperation in arrangement of jobs; (7) and other affairs relating to the management and operation of a free export zone (Article 5 (2) of the Act). The Act provides that a management agency shall install various supportive facilities in order to assist with resident enterprises and supportive enterprises in their business activities. The head of a management agency shall carry out affairs relating to employment and arrangement of jobs collaboratively in order to promote employment and job opportunities in the free export zone. However, employment and arrangement of jobs are affairs for which the Labor Administration is responsible for and thus for which the administrative agency affiliated to the Ministry of Commerce and Industry is not responsible for.

2.3.2 Branch Offices of Agencies

The Act requires that an agency responsible for any work necessary for business activities of resident enterprises shall install a branch office or place its employees in a free export zone in order to have the agency carry out work promptly (Article 6 of the Act). The Act permits to install a branch office without following any special procedure, such as approval by the head of a competent management agency. Hence, a bank, a customs office, the Labor Administration, or an immigration office may establish a branch office or have its employees stationed in a free export zone.

2.4 Resident Enterprises and Support Enterprises

2.4.1 Qualification of and Permission for Resident Enterprises

The term “resident enterprise” means a person who is engaged in the manufacturing, processing, or assembling of goods for export within a free export zone with a permit for occupancy of the free export zone (Article 8 (1) of the Act). The term “support enterprise” means a person who has obtained permit for occupancy of a free export zone with intent to run a business of warehouse, transportation, stevedoring, or packing necessary for supporting resident enterprises’ business activities in the free export zone (Article 8 (2) of the Act).

The requisites for qualification of a resident enterprises were: (1) it should be an enterprise engaged in the manufacturing, processing, or assembling of goods for export; and (2) it should be either an enterprise in which a foreigner solely invested or in which a foreigner invested jointly with nationals of the Republic of Korea at the investment ratio specified by Presidential Decree (Article 9 of the Act). As regards the qualification for occupancy by a support enterprise, there was no restriction as described above. A person engaged in a warehouse business, a transportation business, a stevedoring business, or packing business was eligible for occupancy of a free export zone, if the person had any business relationship to support business activities of resident enterprises.

The Act required an enterprise to obtain an occupancy permit from the Minister of Commerce and Industry in order to become a resident enterprise, while a support enterprise was required to obtain an occupancy permit from the head of a competent management agency. When a resident enterprise intended to change an item that it manufactured, processed, or assembled, it was also required to obtain a permit from the Minister of Commerce and Industry for the change (Article 8 (1) through (3) of the Act). The requisites for permission of a resident enterprise were that: (1) it should be engaged in business for export; (2) it should engage in its business in a free export zone; and (3) it should be engaged in business of manufacturing, processing, or assembling goods. The requisites for permission of a support enterprise were that: (1) it should be engaged in a business of warehouse, stevedoring, transportation, or packing necessary for supporting business activities of resident enterprises; and (2) it should be engaged in the support business in a

free export zone. In the case of transportation businesses that needed spatial movements, it was difficult to strictly limit their business activities to a free export zone. On the other hand, a transportation business was deemed a support business, if main support business operations were carried out in a free export zone.

2.4.2 Sale and Leasing of Land

Article 7 of the Act authorized the head of a management agency to sell or lease land or a factory owned by the state to a resident enterprise or a support enterprise (paragraph (1)), and paragraph (3) of the same Article provides “Each person who intends to purchase land lots pursuant to paragraph (1) shall obtain permission prescribed in the Foreigner’s Land Acquisition Act: Provided, That the same shall not apply to cases of leasing land.” to provide a special exception to the acquisition or leasing of land by foreigners. A problem arose in the relationship to the Foreigner’s Land Acquisition Act, which required permission by the Minister of Interior when a foreigner or a foreign corporation intended to acquire right to land. The Foreigner’s Land Acquisition Act in force required a foreigner or a foreign corporation to obtain a permit from the Minister of Interior when a resident enterprise that intended to acquire right to land should obtain a permit in accordance with the Foreigner’s Land Acquisition Act. However, if the resident enterprise was a foreigner or a foreign corporation, the special exception enabled such a foreigner or a foreign corporation to lease land without a permit.

The Act required the Minister of Commerce and Industry to publicly announce the sale price or rent for land or factories, subject to prior consultation with the Minister of Finance, and permitted to indicate such prices in foreign currency, if necessary (Article 7 (2) of the Act). As measures for preventing speculative investment in real property and promoting efficiency in the use of facilities, the Act also provides restrictions on transfer of land and other properties in a free export zone. According to the provisions, a resident enterprise or a support enterprise is allowed to transfer, lease, or sublease a parcel of land, a factory, or any other property to another person or allow another person to use a parcel of land, a factory, or any other property, or offer a parcel of land, a factory, or any other property to another person as security with a permit from the head of the competent management agency. A resident enterprise or a support enterprise is allowed to transfer or lease a parcel of land, a factory, or any other property only to another resident enterprise or support enterprise (Article 15 of the Act).

2.4.3 Special Exceptions to Building Permit and Inducement of Foreign Investment

Since a free export zone is also a part of the territory of the Republic of Korea, the construction of a factory or any other building in the area is naturally governed by the Building Act, and the head of each Si/Gun has the authority to issue a permit for building

works. Nevertheless, the Act authorized the head of a management agency to exercise the authority that the competent head of Si/Gun otherwise had with regard to building works in a free export zone. Accordingly, the head of a management agency was fully authorized to exercise the authority in connection with building works for a building in a free export zone from the stage of permission through the stage of completion of construction works (Article 10 of the Act). This was a special exception for speedy development of free export zones, taking into consideration of the purposes and nature of installation of free export zones.

With respect to foreign capital induced by a resident enterprise or a support enterprise, the Minister of the Economic Planning Board, who was the competent Minister for affairs regarding foreign investment, was authorized to delegate his/her authority partially or fully to the Minister of Commerce and Industry, and such foreign capital was exempted from the application of part of the Foreign Capital Inducement Act (Article 11 of the Act). Such special exceptions were to encourage direct investments, and a simplified and speedy process was demanded to achieve the purpose. Therefore, the process was simplified for speedy processing of the inducement of foreign capital into free export zones by allowing a resident enterprise or a support enterprise in a free export zone to obtain a permit from the Minister of Commerce and Industry, not from the Minister of the Economic Planning Board. It was intended to induce foreign capital without necessarily undergoing deliberation by the Committee for Deliberation on Inducement of Foreign Capital, which should otherwise undergo in order to induce foreign capital.

In the meantime, the Act provides that the head of each management agency shall exercise the authority of the Minister of Commerce and Industry in applying the International Trade Act with regard to permission for an export or import business or permission or approval for export or import in a free export zone (Article 12 (1) of the Act). This was to process export and import more promptly in free export zones, too. However, the provision that required confirmation by the head of a customs office on goods exported or imported with a permit from the head of a management agency remained effective (Article 12 (2) of the Act). The Act also provides special exceptions to the Export Inspection Act. If the head of a management agency finds that a product is unlikely to degrade reputation of export goods, he/she may exempt the product from an export inspection (Article 12 (3) of the Act) and that a free export zone shall be deemed a bonded area under the Customs Act in its nature.

It was allowed to use goods brought or imported into a free export zone as bonded only within the free export zone (Article 13 (1) of the Act). The term “goods brought” in this context means capital goods, such as raw materials, equipment, and other materials, brought into a free export zone as part of the inducement of foreign capital. The term “goods imported” means goods brought into a free export zone for direct use within the zone. The provision was to prevent such goods from being brought into domestic markets. With respect to the storage and use of goods introduced or imported to a free export zone, the Minister of Finance was authorized to prescribe rules, subject to prior consultation with the

Minister of Commerce and Industry, notwithstanding any contrary law (Article 13 (2) of the Act), and was also authorized to prescribe special exceptions to free export zones.

2.4.4 Revocation of Occupancy Permit

The Minister of Commerce and Industry was authorized to revoke an occupancy permit, if a resident enterprise or a support enterprise failed to commence its business within a specified period after the occupancy permit was granted, violated a condition attached to the occupancy permit, or was punished for violation of any provision of the Customs Act, upon receiving a request from the head of the competent management agency to revoke the occupancy permit (Article 17 (1) of the Act). This was to promptly remove an enterprise whose business performance was poor from a free export zone so that another exporting enterprise could run an exporting business there and maximize the utility of the free export zone.

A resident enterprise or a support enterprise with its occupancy permit revoked was allowed to carry out export or import already permitted or unsettled transactions at the time when the permit was revoked and should discontinue other business activities (Article 17 (2) of the Act). A resident enterprise or a support enterprise of which the occupancy permit has been revoked was required to transfer the land, factory, or other property owned by it to another resident enterprise or support enterprise within a specified period. The state had the right to buy the land, factory, or other property not transferred within the period (Article 17 (3) and (4) of the Act).

2.4.5 Special Exceptions to Labor Disputes and Employment of Persons Eligible for Veteran's Benefits

The Act provides that disputes arising in connection with workers engaged in a resident enterprise in a free export zone and the conciliation of such disputes shall be governed by provisions regarding projects for public interests in the Labor Disputes Conciliation Act (Article 18 of the Act). According to these provisions, a dispute arising in a resident enterprise in a free export zone was considered an activity that was likely to jeopardize the national economy and thus should be settled first among other things through prompt conciliation. Such dispute was controlled by special countermeasures so that the dispute should be discontinued immediately if the Minister of Health and Social Affairs made a decision on emergency conciliation. In the meantime, the Act on Employment of Persons Eligible for Veteran's Benefits in force at that time provided that an enterprise should employ not less than a specified number of veterans, wounded veterans, or their bereaved family members out of the total number of its employees. However, a special exception to the provision was provided for resident enterprises in a free export zone to give top priority to exports (Article 20 of the Act).

2.5 Permission for Bringing-in of Goods and Access

2.5.1 Bringing-in of Products, etc. to Customs Area

A free export zone is an area created for export. Therefore, it is not allowed, in principle, to bring goods brought or imported to a free export zone, goods manufactured, processed, or assembled in such a zone, or wastes or by-products produced during such a process into any customs area (any area other than a free export zone, in which customs duties shall be levied). Nevertheless, it was allowed, as an exception, to bring such goods into any customs area with permission from the Minister of Commerce and Industry, if such goods were unlikely to undermine domestic industries and if it was inevitable to bring in such goods for national defense or due to a natural disaster or if such goods were essential for the national economy (Article 14 of the Act and Article 11 of the Decree).

2.5.2 Permission for Entry

A person or a vehicle that intended to enter a free export zone was required to obtain an entry permit from the head of the competent management agency, and goods carried or transported to a free export zone was subject to inspection by the head of the competent customs office (Article 16 of the Act). The reason for such permission was that a free export zone was a special area, which was fully or partially excluded from the application of domestic laws or the application of domestic laws was relaxed. The reason why it was required to undergo an inspection by the head of a customs office on such goods was to prevent goods from being smuggled into domestic markets.

2.5.3 Penal Provisions

The Act provides that a resident enterprise, a support enterprise, or a person shall be punished in accordance with relevant penal provisions: if it changes an item manufactured, processed, or assembled without permission from the Minister of Commerce and Industry; if it commits a specified act without permission from the head of the competent management agency; if it does not discontinue its business activities other than unsettled transactions after its occupancy permit is revoked; if it brings goods introduced or imported to a free export zone or goods manufactured, processed, or assembled in a free export zone into domestic market without permission from the Minister of Commerce and Industry or violates a ban on bringing such goods into domestic market; if a person brings goods carried or transported into a customs area without confirmation by the head of the competent customs office; if a person enters a free export zone without permission from the head of the competent management agency; or if a resident enterprise or a support enterprise makes a false report on its business or fails to submit a report on its business.

3. Local Industrial Development Act

3.1 Background and Purpose of Enactment

3.1.1 Background

By implementing the first and second five-year economic development plans, the Republic of Korea successfully achieved rapid economic growth at the average rate of 9.9 percent per year during the decade to reach the take-off stage in its economic development. However, it was true that population and industries were concentrated to large cities, such as Seoul and Busan, because qualitative substantiality and balanced development between industries and regions in the level of national economy were somehow neglected in the hidden side of the rapid quantitative growth, while provincial small and medium cities could not avoid the loss and decline of their functions as bases of local development. Consequently, the dispersion of population and industries concentrated in the Seoul metropolitan area to provinces became a serious problem. The population of Seoul, which was merely 1.5 million persons in 1955, reached nearly 5 million persons, or 13 percent of the national population in 15 years. The gross product of residents in Seoul reached 22.7 percent of the gross national product to show the concentration of population and industries in Seoul, while small and medium cities in provinces had been gradually declining. The number of cities whose population growth rate failed to reach the average nationwide growth rate of 2.7 percent during the period from 1960 through 1966 reached nine cities. Therefore, it was necessary to control excessive concentration of population and industries to the Seoul metropolitan area and to promote appropriate dispersion of industries to provinces in order to pursue balanced development between regions.

3.1.2 Purpose

The purpose of this Act was to promote appropriate dispersion of industries to provinces by preparing plans for placement of industries in provinces. It aimed at correcting the gaps between regions and local development and promoting balanced economies, development of the national land, and continuous economic growth by mitigating adverse consequences of excessive density of population in large cities and increasing job opportunities in provinces. The Act was enacted and promulgated on January 1, 1970 and entered into force on the date it was promulgated.

3.2 Designation of Incentivized Zones for Industrial Development

3.2.1 Definition of Incentivized Zone for Industrial Development

The term “incentivized zone for industrial development” (hereinafter referred to as “development zone”) refers to a zone in which the Minister of Construction considers it necessary to encourage the development of industries and thus designated for such a

purpose ex officio or upon receiving a request from the competent Do Governor (Article 2 (1) of the Act). An undeveloped area considerably far from cities was designated as a development zone to prevent pollution. However, it was required to obtain a building permit for an intended building project in such a zone. A building was treated the same as one in an urban planning zone, because problems, such as esthetic view, fire, and hygiene, would arise, if factories and other buildings were to be built at the discretion of residents (Article 2 (4) of the Act).

3.2.2 Designation Procedure

The Act provides that a development zone shall be designated by the Minister of Construction ex officio or upon receiving a request from the competent Do Governor. A Do Governor who intended to make a request for the designation should make a request through the Minister of Interior, and the Minister of Construction should hear opinions from the competent Do Governor and the heads of related Ministries and bring the case to the Committee for Deliberation on Local Industrial Development before designating an area as a development zone. The reason for following many steps for the designation of a development zone was to make a more prudent decision. Once a development zone was designated, the central Government and the competent local government should bear costs of arranging a site and securing water supply and assume obligations to support projects in various aspects, while the designation of a development zone had a significant impact on local development of the relevant area.

3.3.3 Requisites for Designation

To be eligible for the designation as an industrial zone for industrial development, an area should be industrially underdeveloped in which: it should be easy to secure land for factories and residential buildings in the first place; secondly, it should be easy to secure water supply and electric power and to improve facilities for transportation and other public facilities; third, it should be at an optimal distance from cities, easy to supply labor force with favorable market conditions and with less risk of pollution; and fourth, it shall be easy to systemize industries. An area that met all the requisites was eligible for designation.

3.3 Creation of Development Zones

3.3.1 Developers

The Act provides that a project for the creation of a development zone shall be executed by a Do, a private individual, two or more Dos, jointly by a Do and a private individual, or the State. The Decree requires a person who creates a development zone to obtain approval from the Minister of Construction, when the person intends to assign or delegate a right or an obligation under the project and to submit a report on the transfer of title, a merger, or

death to the Minister of Construction within 15 days, if such an event occurs (Article 8 of the Decree).

3.3.2 Master Plan

When the Minister of Construction designated a development zone, he/she was required to prepare guidelines for the establishment of a master plan. He/she takes into consideration of plans for the national land and special features of the area at issue in the position of the competent Minister for plans for the national land, to deliver guidelines to the competent Do Governor (Article 6 of the Decree) to ensure unity of the master plan with various plans for the national land. A person who intended to create a development zone should prepare a master plan and obtain approval thereof from the Minister of Construction. If the developer was a private individual, he/she was required to submit the plan through the competent Do Governor and the Minister of Interior. If the developer was a Do Governor, he/she was required to submit the plan through the Minister of Interior (Article 4 (1) of the Act).

A master plan should include: (1) the types of industries to be developed, the systemization of such types of business, the unit of factory site, and the scale of manufacturing; (2) a land use plan for the development zone, along with a drawing on the scale of 1:50,000; (3) a plan for financing the development project; (4) the period of execution of the development plan and annual plans; (5) a plan for cities in the hinterland related to the development zone; (6) plans for facilities for water supply to factories, industrial water works, portable water works, sewerage, roads, ports and harbors, railroads, factories, pipelines, green zones, housing sites, and facilities for electric power and telecommunications. The plan should also be accompanied by cadastral maps and design drawings for facilities (Article 7 (1) of the Decree).

When the Minister of Construction approved a master plan, he/she was required to attach additional clauses, providing that the master plan might be nullified: if an important matter in the master plan was modified without approval; if it was found impossible to complete the project due to delay in the development project; or if the work progress was far behind the schedule specified in an annual plan for the development project (Article 7 (4) of the Decree).

3.3.3 Support for Installation of Indirect Facilities Necessary for Creation of Development Zone

A project for the creation of a development zone is executed for development of an area to improve urban living environments by preventing or alleviating adverse consequences of excessive concentration of population in large cities and to promote continuous economic growth by removing gaps between regions and increasing job opportunities. Moreover, it was necessary to make the prices of factory sites lower in order to attract factories to a development zone with less advantageous location than those of cities. Therefore, it would

be necessary for the state or local government to provide support in a certain scale for the creation of a development zone in order to successfully complete a project. Hence, the Act provided that the central Government and a local government should provide support as necessary for the arrangement of sites required for the project of the development of a development zone, access roads, and water supply (Article 5 of the Act). As such support in details, the costs of construction of access roads, ports and harbors, and facilities for industrial water supply and telecommunications should be fully subsidized by the central government. On the other hand, the costs of installation of green zones, health and medical facilities, facilities for training and education of employees, and portable waterworks to the development zone, sewerage, and facilities for the treatment of sewage should be borne by the competent local government (Article 10 of the Decree).

3.3.4 Expropriation of Land, etc.

The Act provides that a person who executed a project for the creation of a development zone is authorized to expropriate or use land, buildings, and other properties, if necessary to create the development zone. However, the Land Expropriation Act shall apply to the procedure in order to execute a development project quickly and protect citizens' rights to land and other properties by due process (Article 9 of the Act).

3.4 Designation of Sites

3.4.1 Application for Designation of Sites

Under the Act, a person who intended to establish a factory in a development zone was required to obtain the designation of the site from the Do Governor having jurisdiction over the area (Article 6 of the Act). Although the term “designation of sites” were used in the text, the term “permit to occupy” could be more appropriate as a correct meaning. A person who desired to have a site designated should prepare five sets of applications to submit to the competent Do Governor. An application should include the product to be manufactured, the area of land for construction of a factory, and a plan for construction of the factory, which should contain descriptions of the required fund and financial sources, an annual construction plan, the time, quantity, and capacity of production, dates of commence and completion of construction works, a summary of work progress, a transportation plan, an employment plan, the consumption of water and power, methods of treatment of pollution, and a layout plan for the factory (Article 11 (1) of the Act).

3.4.2 Guidelines for Designation of Sites

The Decree provides that, upon receiving an application for the designation of a site from a person who intends to build a factory, the competent Do Governor shall deliberate first on whether the type of business that the person intends to run in the factory conforms

to any of the types of business specified in the master plan for the development zone and systemization of the development zone. The competent Do Governor shall designate the site, if the type of business meets the requirements and if: the level of employment by the factory of idling labor is high; the level of contribution by the factory to improvement of the industrial structure is high; the level of dependency on borrowed capital and the level of competition with conventional industries are low; and the factory meets the requirements prescribed by municipal ordinance of the competent local government (Article 11 (2) of the Decree).

3.4.3 Cancellation of Designation of Sites

In designating a site, the competent Do Governor was required to attach additional clauses regarding cancellation of the designation of the site. The Do Governor was authorized to cancel the designation of a site in accordance with such additional clauses: if a person who had a designated site violated the law; if the person failed to commence construction works within the designated period; if it was found impossible to complete construction of the factory; or if the work progress for construction of the factory was significantly far behind the schedule specified in the annual plan (Article 11 (3) of the Decree). The reasons why it was required to attach additional clauses regarding cancellation of indirect designation of a site, instead of putting the clauses in the main text, and the matters regarding the cancellation were provided by Presidential Decree, not by Act, were to refrain from directly stipulating terms and conditions unfavorable to business entities as far as possible with intent to induce business entities to move their factories in the Seoul metropolitan area to provinces.

The Decree provides that, when a Do Governor designates a site for construction of a factory or cancelled the designation of a site, he/she shall report to the Minister of Construction thereon (Article 11 (4) of the Decree). If it is found that the site designated by a Do Governor contravenes the master plan in the type of industrial business and the unit of systemized factory sites or the scale of production specified in the master plan, the Minister of Construction may issue an order to correct it, subject to prior consultation with the Minister of Commerce and Industry thereon (Article 11 (5) of the Decree) to set up a device for supervising Do Governors in connection with the designation of resident enterprises in a development zone.

3.5 Support for Resident Enterprises

3.5.1 Sale and Loan of State or Public Property

The Act provides that, notwithstanding the provisions of the State Property Act and other relevant Acts and subordinate statutes, any parcel of State-owned land, which is owned by the state and any parcel of public land, which is owned by a local government, in a

development zone may be loaned or sold under a negotiated contract to a resident enterprise in the development zone (Article 7 (1) of the Act). A special exception was provided for terms and condition of such sale to allow a resident enterprise to pay the sale price in installments during ten years maximum, notwithstanding the State Property Act and other relevant Acts and subordinate statutes (Article 7 (2) of the Act). This was a special exception to the State Property Act in force, which required a resident enterprise to pay the sale price in a lump sum when any parcel of State-owned land was sold or to pay the sale price and interest at the rate of five percent per annum in installments during five years, if payment in installments was allowed exceptionally. However, the Act required to apply the State Property Act as to the rates of loan charges and the methods for determination and payment of sale prices (Article 7 (3) of the Act).

3.5.2 Exemption of New Enterprises from Taxes

A new enterprise that built a factory in a development zone to run a business was partially exempted from taxes in accordance with the Regulation of Tax Reduction and Exemption Act. A new enterprise here was limited to an enterprise developed and established in accordance with the master plan for a development zone (Article 8 (1) of the Act, excluding existing enterprises from those eligible for the exemption from taxes. A person who was exempted from taxes pursuant to the Act has built a factory in a development zone to run a new business (hereinafter referred to as “new business entity”) was eligible for full exemption from the income tax or the corporate tax. Tax exemption was given for a period between the term or business year in which it commenced its business and the term or business year that ended within five years thereafter, and for partial exemption from 50/100 of income tax or corporate tax for a period between the immediately following term or business year and the term or business year that ended three years thereafter, on its income earned from the business (Article 4-4 of the Regulation of Tax Reduction and Exemption Act). In addition, a new business entity was eligible for exemption from the registration tax on assets acquired in order to use them in the development zone for eight years from the day on which its site was designated (Article 5 (2) 12 of the Regulation of Tax Reduction and Exemption Act). It was also eligible for exemption from the acquisition tax on real property acquired in order to use them in the development zone for nine years from the day on which its site was designated (Article 10 (2)13 of the Regulation of Tax Reduction and Exemption Act).

3.5.3 Recognition of Special Depreciation

The term “special depreciation” means a system under which a certain amount is recognized as depreciation for the purpose of assessing the corporate tax and the tax is deducted by the amount. The Act provides that special depreciation may be recognized in assessing the corporate tax when an enterprise in a development zone newly installed or

extended a facility so as to boost investments by enterprises in facilities in a development zone (Article 8 (2) of the Act).

3.5.4 Tax Exemption of Existing Enterprises

While the Local Industrial Development Act, as enacted, limited the scope of resident enterprises that were in a development zone and were eligible for exemption from taxes to new enterprises, the Local Industrial Development Act, as amended on February 16, 1973, expanded the scope of enterprises eligible for exemption from taxes to not only new enterprises but also enterprises that moved into a development from any other place (Article 8 (1) of the Local Industrial Development Act as amended on February 16, 1973).

3.6 The Committee for Deliberation on Local Industrial Development

3.6.1 Committee

The Act required the Minister of Construction to have the Committee for Deliberation on Local Industrial Development, comprised of public officials from related administrative agencies and experts, deliberate on important matters regarding local industrial development, when he/she intended to designate a development zone, approve a master plan, or make a decision on any important matter regarding local industrial development to carry out such affairs prudently (Article 10 of the Act).

The Decree provides that the Committee for Deliberation on Local Industrial Development, which shall be established in the Ministry of Construction, deliberate on basic policies, the designation of development zones, approval of master plans or revocation of such approval, and matters regarding the designation of industrial complexes other than development zones (Article 13 of the Decree). The Committee was comprised of not more than 15 members, including one chairperson and two vice chairpersons. The Minister of Construction served as the chairperson, while the Vice Minister of the Economic Planning Board and the Vice Minister of Construction served as vice chairpersons. Other committee members were comprised of Vice Ministers from related Ministers, the President of the Korea Electric Power Co., Ltd., and non-governmental experts commissioned by the Minister of Construction (Article 14 of the Decree).

The Decree allowed the Do Governor having jurisdiction over the zone at issue to attend a meeting of the Committee to deliver his/her opinion when the Committee deliberated on matters regarding the designation of the development and approval of the master plan to ensure Do Governor's opinion was reflected in making a decision (Article 14 (6) of the Act).

3.6.2 Reporting and Supervision

A Do Governor was required to submit a report on the performance of a project for the creation of a development zone for each year on a quarterly basis to the Minister of Construction via the Minister of Interior. He was also required to present a report on completion of a project for the creation of a development zone to the Minister of Construction via the Minister of Interior, upon completion of the project (Article 9 (1) of the Decree). The Decree authorized the Minister of Construction to conduct an inspection, if necessary, on matters reported by a Do Governor, subject to prior consultation with the heads of related Ministries, and issue an order to take corrective measures for a violation, if any (Article 9 (4) of the Decree). The Decree also required the head of each related Ministry supporting a project for the creation of a development zone to notify the Minister of Construction of his/her performance of support projects on a quarterly basis and of matters regarding completion of the support projects, so that the Minister of Construction could manage such projects (Article 9 (3) of the Decree).

Except for projects of the creation of development zones executed by the central government, each Do Governor was authorized to supervise projects for the creation of development zones and construction of factories so that each Do Governor could act as a supervising authority in principle (Article 21 of the Decree).

4. The Act on Development and Promotion of Industrial Sites

4.1 Background and Purpose of Enactment

4.1.1 Background

By successfully implementing five-year economic development plans twice during 1962 through 1972, the economy of the Republic of Korea transformed its look entirely and achieved rapid growth and development to the extent that it was hard to find any precedent. Although its success was not sufficient yet to reach the level of self-supporting, Korea was developed to an industrial state with its industrial output far surpassing its agricultural output, which had conventionally been the pivot of its economy. Korea began to emerge from stagnation and poverty and broke away from the fetters of backwardness; industrialization was accelerated, social overhead capital was expanded, the infrastructure for agricultural development was established, and export was increased dramatically. Korea, which had risen to a status between a semi-developed country and a developing country as a result of successful implementation of the five-year economic development plans, established the third five-year economic development plan (for 1972~1976). It turned its eyes to development of heavy and chemical industries to become a highly-advanced modern industrial state, and set its main goals to promote significant increase of export and construction of heavy and chemical industries. The term “heavy and chemical industries”

means the essential key industries that constitute arteries of the national economy, such as manufacturing of iron and steel, shipbuilding, machinery, non-ferrous metals, refining of petroleum, and chemical industries. Heavy and chemical industries were understood as industries beyond the capacity of an undeveloped country whose capital or technology was poor since such industries were manageable only by an advanced country. Such heavy and chemical industries had a large correlative effect between industries and needed great investment in social overhead capital. Thus, it was necessary to develop a certain area to intensively construct a base for heavy and chemical industries. Since it was necessary to secure a huge fund, excellent technology, and efficient procedure to establish such a base, the Act on Development and Promotion of Industrial Sites was enacted to solve such problems systematically and promote construction of industrial sites. The Act on Development and Promotion of Industrial Sites was promulgated on December 24, 1973 and entered into force on the date it was promulgated.

4.1.2 Purpose of Enactment

In order to develop and foster heavy and chemical industries as all-out national projects, it was required to classify large industrial sites necessary for such industries into the types of industry and construct such bases intensively at several places suitable for the sites throughout the country. Such large industrial sites shall meet several requirements. First of all, a vast area of land is required for an industrial site to accommodate a base; a port or a harbor is required to provide facilities to supply raw materials for manufacturing by sea and transport products smoothly; and it is required to construct organic infrastructure, such as roads, railroads, industrial water supply, and power. In order to construct infrastructure for such various industrial sites, it was necessary: to prepare detailed plans through scientific review, first, to invest a huge amount of money, second; to secure a necessary site by expropriating pieces of land within the development zone, third, to seek for measures for resettlement of residents residing in the development zone and measures for protection of residents whose livelihood are adversely affected by the burden of development, fourth, to have an entity with facilities sufficient for projects with functions necessary and adequate for efficient construction of the industrial sites, fifth, to define rights and obligations of interested parties, which will inevitably arise in the course of implementation of projects for construction of industrial sites, sixth, and to simplify many procedures that may arise in the course of implementation of projects for speedy implementation. The Act on the Development and Promotion of Industrial Sites was enacted to implement projects for development of industrial sites as above.

4.2 Definition of Purpose and Development Zones

4.2.1 Distinctiveness of Purpose

Article 1 of this Act clearly provides that the purpose of the Act is “to promote heavy and chemical industries by facilitating development of industrial sites and water resources, thereby contributing to development of the national economy.” Although the title of the Act was the Act on Development and Promotion of Industrial Sites, the clause set a dual purpose of projects by articulating the purpose as the “development of industrial sites and water resources.” In a strict sense, projects for the development of industrial sites and projects for the development of water resources belong to disparate areas of business. Although there were disputes in the course of legislation on the proposal to provide two different kinds of projects directly unrelated to one another, there was an unavoidable cause to provide the purpose. It will be discussed later in the section where provisions regarding project implementers are explained.

4.2.2 Designation of Development Zones

An area for development of an industrial site is prearranged for development in order to promote heavy and chemical industries intensively. The Act provides that the Minister of Construction shall conduct a basic survey for the designation of an area for the development of an industrial site (Article 3 of the Act); that the Minister of Construction shall designate an area for the development of an industrial site with approval by the President; and that the Minister of Construction shall publicly notify people of the name of a development zone, the purposes of designation, the location and area of the development zone, when he/she designates an area for development of an industrial site (Article 5 (1) and (2) of the Act). The Act required the Minister to undergo deliberation by the State Counsel because the development of an industrial site was an important national project. The determination of types of industry that should be established in the area and the establishment of a master plan for such an area involved business affairs of several ministries, such as the Economic Planning Board, the Minister of Interior, the Minister of Commerce and Industry, the Minister of Agriculture and Fisheries, and the Minister of National Defense. Therefore, it was intended to require research, review, and consultation in details by a specialized deliberative organization headed by the Prime Minister and comprised of appropriate persons from State-run enterprises, private enterprises, academic circles, and business circles. The Act also provides that Article 4 of the Urban Planning Act shall apply *mutatis mutandis* to an area designated as an area for the development of an industrial site (Article 5 (3) of the Act). Pursuant to this paragraph, restrictions were placed on development activities, such as the construction of a new building or structure, renovation or extension of a building or structure for any purpose other than development of an industrial site, a change of the form or quality of land, and subdivision of land, in an area designated as an area for the development of an industrial site.

4.2.3 Preparation of Master Plans

Once an area was designated as an area for the development of an industrial site, the Minister of Construction was required to prepare a master plan for the development of the industrial site. The master plan had to contain plans for zoning of land by purposes of use and the period of development of the industrial site in addition to purposes of the development of the industrial site and the overview of the plan. The Act also required the Minister to prepare a plan for industrial sites, including streets and sewerage facilities as various facilities necessary for the development of the industrial site, a plan for facilities for industrial water supply, a plan for construction of roads, railroads, ports, harbors, and other facilities for transportation, a plan for installation of facilities for electric power and telecommunications, and other plans for installation of housing sites and major facilities as infrastructure for the industrial site in detail (Article 6 of the Act).

4.3 Projects for Development of Industrial Sites

4.3.1 Implementor

The Act provides that a project for the development of an industrial site shall be implemented by the central government, a local government, or the Industrial Sites and Water Resources Development Corporation in principle (Article 7 (1) of the Act). As mentioned above, an industrial site is an organic combination of various segments, such as sites, ports, harbors, railroads, facilities for telecommunications, water supply, and power, and support facilities or various ancillary facilities. Thus, the implementing entities are limited to the central government, local governments, and the Industrial Sites and Water Resources Development Corporation since many entities with functions for construction from various areas will participate in such projects.

The Industrial Sites and Water Resources Development Corporation was a special corporation established for implementation of projects for the development of industrial sites. The Government dissolved the Korea Water Resources Development Corporation, which carried out projects for development of water resources until enacting this Act. The Industrial Sites and Water Resources Development Corporation were authorized to carry out projects for development of industrial sites as well as projects for development of water resources instead of establishing a new corporation. It was better to divert the organization, technology, and functions for implementation of construction works, which the then existing Korea Water Resources Development Corporation had, immediately to projects for the development of industrial sites than to establish a new corporation in reducing the period necessary for commencement of construction works. It was more advantageous to save a budget required for establishment of a new corporation. The government's bill was criticized on this point in the course of legislation at that time, on the ground that two kinds of projects for the development of industrial sites and projects for the development of water resources, which should be carried out by the Industrial Sites and

Water Resources Development Corporation, were disparate. Projects for the development of water resources were so important that they were ranked to top priority in importance among comprehensive projects for the development of the national land. There were risks to bring about mistakes and inefficiency due to excessive workload. Nevertheless, the original bill, presented by the Government to reform the Korea Water Resources Development Corporation to the Industrial Sites and Water Resources Development Corporation, was adopted on the ground that the time to construct infrastructure, in which loans from foreign countries were involved, should not be deferred. However, the Act provided that projects for the development of industrial sites should be carried out by the Industrial Sites and Water Resources Development Corporation in principle. A private business entity might be designated to carry out a project for the development of an industrial site, if it is necessary to carry out part of the project for the development of industrial sites (Article 7 (2) of the Act).

4.3.2 Implementation Plans for Development of Industrial Sites

The Act provides that an implementor, who intends to implement a project for development of an industrial site, shall prepare an implementation plan and shall obtain approval thereof from the Ministry of Construction (Article 8 (1) of the Act). The implementation plan for a development project shall include descriptions and a location map of the area for implementation of the project, floor plans and detail design documents, the period of implementation of the project, a work progress plan, methods for implementation of the project, a financing plan, including an annual investment plan and a fund-raising plan, a plan for the management and disposal of developed land and facilities, a plan for the purchase of and compensation for land in the project zone, and measures for relocation or removal of public facilities and measures for resettlement of residents (Article 6 of the Decree).

The Decree required the Minister of Construction to publicly notify people of the name of a project, the name and address of the corporation or the project implementor, purposes and overview of the project, location and area of the project zone, and period for implementation of the project (Article 8 (2) of the Act and Article 7 of the Decree).

4.3.3 Entrusted Implementation of Development Projects

The Act permitted a project implementer, who intended to implement a development project, to entrust the Minister of Construction or a government-invested institution to implement a project for construction of public facilities, such as ports, harbors, facilities for a port, roads, waterworks, sewerage, embankments, revetments, breakwaters, estuary dams, utility tunnels, public septic tanks, green and areas, and the reclamation of public waters without directly implementing such a project (Article 9 (1) of the Act). The Act also permitted to entrust the competent Do Governor or the competent head of Si/Gun to carry out works for the purchase of land for a project of the development of an industrial site and compensation for losses (Article 9 (2) of the Act). It was considered more efficient to entrust

a public institution to carry out construction of public facilities or reclamation of public waters, which was a public work. Works related to purchase of land and compensation for losses could be also carried out more promptly and efficiently when such works were entrusted to an administrative agency. It was natural that the Decree required a trustee who intended to entrust implementation of a development project to make an agreement with the entrusted institution on the kind, scale, amount of the entrusted project, the period of implementation, method of payment of costs, and matters regarding the management of funds (Article 9 (1) of the Decree). The Decree also required a trustee who intended to entrust a government-invested institution with any work to obtain prior approval from the Minister of Construction (Article 9 (2) of the Decree).

4.3.4 Expropriation of Land and Petition for Adjudication

Article 10 of the Act permitted a project implementor to expropriate or use land necessary for a development project and provided special exceptions therefore. Since a large area of land is required in implementing a project for development of an industrial site, it is necessary to expropriate or use the land or buildings in the development zone, the ownership of various assets fixed to the land, mining rights, fishing rights, or rights to use water. Even though the Land Expropriation Act permitted the expropriation or use of the land necessary for a project for public interests or any other asset, the reasons why this Act had special provisions regarding the expropriation of land were: to deem the time when an implementation plan for a development project to be when the project was recognized as to which the Land Expropriation Act was applicable; to change the prescriptive period for a petition of adjudication on an enterprise implementing a project for public interests under the Land Expropriation Act from one year to the period of implementation; and to unify authorities having jurisdiction over expropriation of the land for projects for development of industrial sites to the Central Land Tribunal instead of applying the provisions that divided land tribunals having jurisdiction into local land tribunals and the Central Land Tribunal. A project for development of an industrial site was enormous in scale or workload, and the extent of expropriation of the land necessary for the project was broad. Hence, there were cases where it would take more than one year to complete the process of expropriation in a single development zone. The prescriptive period for a petition of adjudication was extended, and the procedures for adjudication on projects for development of an industrial site were unified to implement projects rapidly.

4.3.5 Advance Payments and Various Charges

The Act defines that the advance payment system is a structure under which a project implementor is authorized to receive partial payment or full payment of proceeds in advance from a person who intends to buy a parcel of land developed by the project implementor or a person who intends to use a facility (Article 11 of the Act). Since a huge amount of

money was required to make investments in social overhead capital for construction and operation of an industrial site, it was intended to receive sale proceeds from persons who bought the land in advance to use the proceeds for costs of construction of the base as a scheme for securing financial resources. The system of imposing beneficiary charges is a system under which a person who significantly benefits from a project for the development of an industrial site shall bear part of costs of the project within the extent of one-half of his/her benefit (Article 12 of the Act). The system was designed to collect benefits of development from a project for development of an industrial site and invest such benefits in development projects. Additional schemes adopted for securing financial resources were to impose charges on users to allocate the whole or part of costs of construction of support facilities in an industrial site to users (Article 13 (1) of the Act) and charges on persons who gave rise to construction work or an activity to impute the costs of construction of support facilities in an industrial site, which was necessary due to any other construction work or activity, to such persons (Article 13 (2) of the Act).

4.3.6 Relationship between Projects for Development of Industrial Sites and Other Acts and Subordinate Statutes

Since the reclamation of seas could be a scheme for securing the land for development of industrial sites, the Act had provisions for preparing such cases. The Act provides that, where public waters are to be reclaimed, the approval of an implementation plan for a project for development of an industrial site shall be deemed a license given for reclamation of public waters (Article 17) of the Act. Approval of an implementation of a development project shall be constructively deemed authorization and permission granted pursuant to other Acts and subordinate statutes (Article 21 of the Act). Since the implementation of a project for development of an industrial site needed various kinds of authorization and permission under relevant Acts and subordinate statutes, it would take a long time to obtain such authorization and permission one by one due to the complicated procedures. Thus, the Act permitted to conduct an examination with regard to authorization and permission under relevant Acts and subordinate statutes simultaneously when an implementation plan was to be approved. Then, a development project could be implemented rapidly. The kinds of authorization and permission constructively deemed to be granted when an implementation plan was given were: permission for the implementor of an urban planning project; approval of an implementation plan for an urban planning project; authorization for a waterworks project; permission for occupancy or use of public waters; permission for implementation of a project for a port or harbor; permission for implementation of a river project; permission for occupancy of a river; permission for transportation of bamboo or trees; permission for implementation of a road project; permission for development of farmland; permission for diversion of farmland; the consent to, or the approval for, diversion of farmland; permission for lumbering in a forest; permission for collection of forestry products, etc.

4.4 Measures for Relocation and Transfer of Ownership

4.4.1 Measures for Relocation

Articles 25 through 28 of the Act required to establish and implement measures for the resettlement of persons whose land, building, or other property was appropriated for implementation of a project for development of an industrial site and thus lost their base for living. Active protections for local residents, who provided land and other property for a project for public interests and lost their base for living, could be said as a step taken forward for policies on social security. It was the first system introduced by this Act into the legal system of the Republic of Korea to require to compulsorily establish and implement a plan for collective resettlement of persons suffering from development of a development zone.

The Act required a project implementor to establish and implement measures for resettlement, subject to consultation with the head of the competent local government, (Article 25 of the Act); required the central Government or a local government to preferentially grant subsidies from the national housing fund when it intended to create housing sites or building housing units as a measure for resettlement (Article 26 of the Act); exempted resettlers from the acquisition tax and the registration tax for housing sites or farmland that they acquired for resettlement (Article 27 of the Act); and required the project implementor or persons who ran an enterprise in the development zone to preferentially employ the resettlers (Article 28 of the Act).

4.4.2 Simplification of Procedure for Registration of Transfer of Ownership

Article 29 of this Act provides the payment of compensation. The Article provides special exceptions that: when a project implementor shall pay purchase price or other compensation for land or other properties, it shall pay compensation for a parcel of land or other property to the right holder confirmed by the competent administrative agency, if the transfer or preservation of ownership has not been registered with respect to the parcel of land or other property (Article 29 (1) of the Act); Article 10 of the Addenda to the Civil Act shall not apply to such a parcel of land or other property (paragraph (5) of the same Article); when a project implementor files an application for registration of the transfer or preservation of ownership after paying the purchase price and acquiring a parcel of land or other property pursuant to the provisions, it may substitute a document proving the cause of registration with a certificate issued by an administrative agency and a certificate of payment of the purchase price and may omit to submit a certificate of completion of registration that the registration obligor should otherwise have had (paragraphs 6 and 7 of the same Article). The purposes of these provisions were to promptly process administrative affairs for the payment of compensation for expropriated land and to simplify the procedure for registration of transfer of ownership dramatically. In rural areas of the Republic of Korea,

when people had no proper legal concept about ownership, there were many parcels of land registered in the name of old man and abandoned without completing the procedure for registration of inheritance to prosperity. Many parcels of land were also left without completing the registration of transfer of ownership for a change done in a real right as a consequence of acquisition or loss by a legal act, such as sale, purchase, gift, and exchange. Hence, there were many cases where there was a difference between actual real rights and nominal rights as a consequence of the lapse of the prescriptive period under the Civil Act. Special exceptions were provided in order to implement development projects smoothly by simplifying the procedure for registration of transfer of ownership, irrespective of the prescriptive period under the Civil Act, in paying compensation for expropriation of land and other properties in such cases.

4.5 The Industrial Sites and Water Resources Development Corporation

As explained above, the Industrial Sites and Water Resources Development Corporation was a government-invested institution established by absorbing the former Korea Water Resources Development Corporation. It intended to have the corporation carry out projects for the development of industrial sites and projects for the development of water resources. Under the Act, the Industrial Sites and Water Resources Development Corporation was responsible for implementation of projects for the development of industrial sites and projects for the development of water resources. The Chapter IV (Articles 30 through 56) of this Act provides: the establishment of the Industrial Sites and Water Resources Development Corporation, the legal personality of the corporation; its places of business; its capital and contribution to the capital; the registration of incorporation; articles of incorporation; the term of office for executives; executives' duties; grounds for disqualifications of executives; restrictions on executives holding current offices; appointment and dismissal of executives; status of executives and employees; board of directors; the corporation's business activities; the authority of river management agencies where the corporation carries out works related to facilities for the development of water resources; grants given by the State to the corporation; allocation of costs to users for the corporation's projects for development of water resources; matters regarding projects for zoning and rearrangement of land where the corporation implements a project for the development of housing sites in an area prearranged for the development of an industrial site; matters regarding the issuance of the corporation's bonds; matters regarding borrowed funds; matters regarding the repayment of long-term loans and redemption of bonds; budgeting and accounting; disposal of loss and profit; supervision over the corporation's business activities, etc. Among such business activities of the corporation, the projects implemented by the corporation for development of industrial sites were the creation, management for the development of industrial sites, and disposal of industrial complexes, construction and management of ports, harbors, facilities for industrial water supply, and roads, and the housing projects carried out as measures for

resettlement. The corporation also carried out construction, operation, and management of multi-purpose dams, multi-purpose water pipelines, estuary dams, facilities for controlling the level of reservoirs, and facilities for water resources, including projects incidental to such projects as well as projects for survey, land survey, designing, testing, and research (Article 44 of the Act).

5. Act on Management of Industrial Complexes

5.1 Background of Enactment

The issue of how efficiently industrial sites could be utilized to keep up with the upgraded industrial structure of a nation was one subject of major policies in an industrial country, along with the prevention of industrial pollution, throughout the world at that time. Since 1970, the Korean Government had promulgated and enforced the Act on Comprehensive Plans for Construction in the National Territory, the Local Industrial Development Act, and the Act on the Development and Promotion of Industrial Sites in order to promote systematic improvements in many aspects in relation to the use of national land. However, local industrial complexes and private industrial complexes for the dispersion of industries to provinces and the fostering of local industries had been promoted as simple urban planning projects until then, without any legal basis for the management and use of such complexes. Thus, it was necessary to prepare an Act to form the basis for such projects.

The Act on Management of Industrial Complexes was enacted to prepare a basis for the management of local industrial complexes and private industrial complexes as explained above. It was promulgated on December 31, 1975, and entered into force on March 2, 1976, which was 60 days after the date of its promulgation.

Pursuant to this Act, industrial complexes were categorized into export industrial complexes developed pursuant to the Act on Creation and Development of Export Industrial Complexes, industrial complexes in free export zones created pursuant to the Act on Establishment of Free Export Zones, and 24 industrial complexes governed by this Act among other local industrial complexes and private industrial complexes.

5.2 Purpose and Scope of Application

5.2.1 Purpose

This Act was enacted for the purpose of operating industrial complexes rationally by providing master matters regarding the management of local industrial complexes that played a key role in local industries (Article 1 of the Act). This Act defines an industrial complex as a cluster of industrial sites constructed and developed in accordance with a comprehensive plan in order to collectively establish and foster enterprises that manufacture or process goods (subparagraph 1 of Article 2 of the Act). It defines the management of an industrial complex as the installation of facilities in the industrial complex and the sale,

leasing, maintenance, repair, and improvement of sites and facilities (subparagraph 2 of Article 2 of the Act).

5.2.2 Industrial Complexes Governed by the Act

Industrial complexes governed by this Act were local industrial complexes, private industrial complexes, and other industrial complexes that the Government considered necessary to guide and supervise. Yet, the Act provided that industrial complexes governed by the Act should be specified by Presidential Decree (subparagraph 1 of Article 2 and Article 3 of the Act). The Presidential Decree designated 24 local industrial complexes and industrial complexes developed by the private sector as the industrial complexes governed by this Act (Table attached to the Decree). 24 industrial complexes were the Changwon Mechanical Industrial Complex in Gyeongsangnam-do, the Daegu Regional Industrial Complex and the Pohang Steel Industrial Complex in Gyeongsangbuk-do, the Yecheon Industrial Complex and the Gwangju Regional Industrial Complex, and the Mokpo Regional Industrial Complex in Jeollanam-do, the Jeonju Regional Industrial Complex in Jeollabuk-do, the Cheongju Regional Industrial Complex in Chungcheongbuk-do, the Chuncheon Regional Industrial Complex and the Wonju Regional Industrial Complex in Gangwon-do, the Incheon Regional Industrial Complex, the Seongnam Regional Industrial Complex, and the Incheon Mechanical Industrial Complex in Gyeonggi-do, and the Yeongdeungpo Mechanical Industrial Complex in Seoul.

5.3 Agencies Responsible for Management of Industrial Complexes

5.3.1 Management Authorities

The Act provides that an industrial complex shall be managed by the central government, a local government, or the Industrial Complex Management Corporation, and the central Government or a local government may entrust the industrial Complex Management Corporation with the management of an industrial complex (Article 5 of the Act). The Act also provides that the Industrial Complex Management Corporation shall be established as a legal entity upon obtaining permission from the head of the Industrial Complex Management Agency (Article 6 of the Act). The business activities that the Industrial Complex Management Corporation should carry out as a manager were installation and operation of public facilities in an industrial complex, establishment of plans for such facilities, installation and sale or leasing of facilities for resident enterprises and support enterprises, execution of agreements on the sale or leasing of sites and facilities in an industrial complex, installation of facilities, maintenance, repairing, and improvement of facilities, collection of expenses from users for such maintenance, repairing, and improvement, the security of facilities, and other incidental business activities (Article 2 of the Decree). For such business activities, the Act required the Industrial Complex Management Corporation to determine sale prices and rents for sites and facilities in an industrial complex, the methods

of payment of such prices and rents, and other relevant matters with approval from the head of the Industrial Complex Management Authority (Article 10 of the Act).

5.3.2 Preparation of Master Management Plans

Matters regarding the types of factories established in an industrial complex, the zoning of sites by purposes of use, and the layout of factories are the most important matters in forming the basic direction, structure, and foundation of the industrial complex. They were determined by a master management plan prepared for each industrial complex. The Act requires the local government or the Industrial Complex Management Corporation that manages an industrial complex to prepare such a master management plan for the industrial complex and to obtain approval thereof from the head of the Industrial Complex Management Agency. The head of the Industrial Complex Management Agency is authorized to demand revision of the master management plan for approval, if he/she considers it necessary to revise the plan (Article 8 of the Act). The Act provides that the master management plan for an industrial complex contain all fundamental matters regarding the management of the industrial complex, such as the types of business of resident enterprises, a plan for zoning of sites by purposes of use, a plan for the layout of factory facilities, an annual plan for move-in, an export plan, the scope of sites or facilities to be sold or leased, a plan for the supply of human resources, a plan for installation of medical facilities and welfare facilities for workers, and details of incidental support projects (Article 7 (1) of the Decree). In the meantime, the local government or the Industrial Complex Management Corporation that managed an industrial complex was required to prepare an annual business plan along with the master management plan for approval. The annual business plan was required to contain a plan for sale or leasing, an employment plan, an export plan, a manufacturing plan, a plan for installation of medical facilities and welfare facilities for workers, the operating funds and the methods for procuring the operating funds, and matters regarding revenue and expenditure (Article 7 (2) of the Decree).

5.4 Zoning of Sites by Purposes of Use

The Act requires to divide sites in an industrial complex into a zone of factory facilities, a zone of support facilities, a zone of public facilities and a green zone by purposes of use for management (Article 9 (1) of the Act). The Decree should secure the green zone as large as possible by developing at least three percent of the total area in an industrial complex, excluding the zone of public facilities, unless there is any exceptional circumstance (Article 8 (1) of the Decree). The Act requires the Minister of Commerce and Industry to determine the scope of buildings that shall be built in the zone of support facilities and the zone of public facilities, subject to consultation with the Minister of Construction (Article 9 (2) and (3) of the Act).

5.5 Qualification and Management of Resident Enterprises

5.5.1 Occupancy Contract and Qualification of Resident Enterprises

The Act provides that an enterprise, which intends to move into an industrial complex to run a business of manufacturing or processing goods as a resident enterprise, shall execute an occupancy contract with the management authority (Article 11 (1) of the Act). The Decree provides that an enterprise, which intends to execute an occupancy contract, shall meet the requisites prescribed for the qualification of resident enterprises, shall prove its financial capacity. It should also meet the requisites for qualification of the authorization and permission under relevant Acts and subordinate statutes with regard to the business in which the enterprise intends to be engaged (Article 10 (1) of the Decree). The Act and the Decree provide that an enterprise, which intends to move into an industrial complex to run a business of warehouse, transportation, or stevedoring as a support enterprise supporting business activities of resident enterprises, shall execute an occupancy contract with the management authority and shall meet the requisites prescribed for the qualification of occupancy (Article 11 (3) of the Act and Article 10 (2) of the Decree).

5.5.2 Measures to Prevent Speculative Investment in Real Property

Article 12 of the Act provides specific regulations on the disposal of a site or a factory in order to prevent a resident enterprise or a support enterprise from using a site in an industrial complex for speculative investment in real property. Under the Act, a resident enterprise or a support enterprise that intends to dispose of the whole or part of the site owned by it shall sell the site to the management authority; it shall not sell to any other person or enterprise (Article 12 (1) of the Act). Moreover, a resident enterprise or a support enterprise, which intends to dispose of a factory or a facility under construction before construction of the factory is completed, shall sell it to the management authority. However, if the management authority is unable to purchase it, a resident enterprise or a support enterprise may sell it to any other resident enterprise or support enterprise or a third party with consent of the management authority (Article 12 (2) of the Act). If a resident enterprise or a support enterprise disposes of a site or a factory to any person other than the management authority or disposes of it without consent of the management authority in violation of the above-described provisions, the relevant occupancy contract shall be terminated. Such enterprise shall be punished pursuant to relevant penal provisions.

The Act also places restrictions on the lease of a site or a factory. Under the Act, a resident enterprise or a support enterprise shall not lease a site or a factory. However, such enterprise was permitted to lease only part of a site or a factory with consent of the management authority (Article 12 (4) of the Act).

The Act provides that, when a resident enterprise or a support enterprise sells a site to the management authority, it shall sell it at a price equivalent to the aggregate of the price

that it paid to purchase it and interest and expenses at a specified rate. On the other hand, a resident enterprise or a support enterprise shall sell a factory or a facility to the management authority at the market price appraised by an appraiser, when such an enterprise sells a factory or a facility (Article 12 (5) of the Act). The Act also provides that, if a resident enterprise or a support enterprise does not use the site that the enterprise purchased for any use stipulated in the relevant occupancy contract, the management authority may force the enterprise to sell it back to the management authority to prevent speculative investment in real property by using the site (Article 14 of the Act).

5.5.3 Acquisition of Sites and Other Properties through Auction

Under the Act, a person who acquires the site, factory, or other facility of a resident enterprise or a support enterprise shall report the fact to the management authority. In such cases, if the acquiring person is not a resident enterprise or a support enterprise in the relevant industrial complex, he/she shall execute an occupancy contract with the management authority within a specified period from the date of reporting. He/she shall sell the site, factory, or other property to another resident enterprise or support enterprise or to a third party within a specified period, if the person fails to execute an occupancy contract because of the person's failure to meet the qualification for occupancy (Article 13 of the Act).

5.5.4 Termination of Occupancy Contract and Disposal of Assets

The Act provides that an occupancy contract may be terminated, if a resident enterprise or a support enterprise fails to commence construction of a factory and other facilities within a specified period without a justifiable cause after executing an occupancy contract, if it is actually found impossible to complete construction of a factory and other facilities, if a resident enterprise or a support enterprise fails to commence its business within six months without a justifiable cause after completion of a factory and other facilities or temporarily suspend its business for not less than six months, if a resident enterprise changes its business item without consent of the management authority in violation of the provisions that require such consent to a change in the business item, or if a resident enterprise leases the whole of its site or factory and other facilities (Article 15 (1) of the Act). Under the Act, once an occupancy contract is terminated, the relevant resident enterprise or support enterprise shall discontinue business immediately, except for unsettled transactions. If a resident enterprise that committed a violation is an enterprise that received approval for the inducement of foreign capital, the enterprise shall obtain approval from the Minister of the Economic Planning Board in advance for the intended termination of the occupancy contract to making an imprudent decision on termination of the occupancy contract (Article 15 (2) and (3) of the Act). A resident enterprise or a support enterprise that has its occupancy contract terminated shall sell its site or factory

and other facilities to the management authority. It may sell such properties to another resident enterprise or support enterprise or a third party only if the management authority is unable to purchase such properties (Article 16 of the Act).

5.6 Support, Guidance, and Supervision

The Act provides that the Government may subsidize the Management Corporation, etc. for expenses necessary for the management of industrial complexes (Article 19 of the Act). There are provisions regarding guidance and supervision, authorizing the head of the Industrial Complex Management Agency to require a local government or the Management Corporation to report to him/her on the current status of management of industrial complexes, such as the actual status of sale or lease of sites in an industrial complex, the current status of execution and termination of occupancy contracts, the current status of operation of resident enterprises, and the current status of production, export, and import of resident enterprises as well as to revoke the permission for establishment of the Management Corporation when it violates any Act or subordinate statute (Articles 19 through 22 of the Act). Moreover, the Decree provides that the head of the Industrial Complex Management Agency may issue an order directly to a resident enterprise with respect to safety control and security of facilities and working area of a factory, and installation, inspection and management of facilities. It is intended for prevention of pollution, medical facilities and welfare facilities, including accommodation for enhanced welfare of workers, beautification of a factory such as the creation of green areas, and improvement of the environment (Article 16 of the Decree).

5.7 Amendment and Supplementation of the Act on Management of Industrial Complexes

As the Act on Management of Industrial Complex Management entered into force, industrial complexes were classified into three different kinds: export industrial complexes created pursuant to the Act on Creation and Development of Export Industrial Complexes; industrial complexes in a free export zone created pursuant to the Act on Establishment of Free Export Zones; and industrial complexes governed by the Industrial Complex Management Act for the operation of industrial complexes. The Act on Creation and Development of Export Industrial Complexes, which was enacted in 1964, lost its significant value and existence as an independent Act regulating for export industrial complexes because of changes in circumstances related to rapid economic growth. Also, many provisions overlapped with the Industrial Complex Management Act and made some provisions unenforceable. Hence, the Act on Management of Export Industrial Complexes was superseded by an amendment made on December 31, 1977 to the Industrial Complex Management Act. Accordingly, the industrial complexes for export industries governed by the Act on Creation and Development of Export Industrial Complexes for Export Industries were abolished and absorbed into industrial complexes. The provisions regarding special

exceptions for the period of use of State-owned properties under the Act on Creation and Development of Export Industrial Complexes were consolidated into the Industrial Complex Management Act. Provisions regarding the maintenance and repairing of public facilities and provisions regarding the duty to maintain facilities for prevention of floods were added to the provisions regarding the functions of management of each industrial complex to ensure more thorough safety control in industrial complexes.

6. The Industrial Placement Act

6.1 Background and Purpose

6.1.1 Background of Enactment

As industrial complexes for heavy and chemical industries were established, industrial complexes were dispersively placed. Nevertheless, the policy on dispersion of industrial sites, which the Government had intentionally promoted, was actually ineffective, because it failed to develop practical means for enforcing the policy. Therefore, the Government enacted and promulgated the Industrial Placement Act on December 31, 1977 for the purpose of developing appropriate sites for factories by placing industries rationally throughout the country and contributing to balanced development of the national economy and enhancement of national welfare by preventing excessive concentration of industries. The Industrial Placement Act entered into force on January 1, 1979.

6.1.2 Purpose

This Act was enacted to develop appropriate sites for factories by placing industries rationally and preventing excessive concentration of industries by promoting the relocation of factories (Article 1 of the Act). At the time when this Act was enacted, the phenomenon of excessively dense concentration of factories was becoming serious due to uneven regional distribution of industrial population and planless expansion of factories in urban areas as a consequence of rapid expansion of the economic scale of the Republic of Korea. Simple dispersion of industries to provinces was insufficient to expect continuous industrial development. Thus, it was necessary to promote dispersion of industries more vigorously and to place industries in a consistent, comprehensive, and planned way. That can be said to be the underlying purpose of this Act.

6.2 Industrial Placement Areas

6.2.1 Classification of Industrial Placement Areas

All land in the Republic of Korea was divided into three kinds of areas according to the appropriateness of the placement of industries: relocation-promoted areas; rearrangement-limited areas; and inducement areas. An area was designated as a relocation-promoted area,

if the area was in a large city or its environs where the degree of concentration of industries and the rate of population growth were significantly high, and thus it was necessary to relocate factories in the area to other areas. An area was designated as a rearrangement-limited area, if the degree of concentration of industries and the rate of population growth were high in the area and thus it was necessary to place restrictions on establishment or extension of factories. An area was designated as an inducement area, if the degree of industries was low, and it was necessary to induce industries vigorously and increase jobs (subparagraphs 2 through 4 of the Act). In principle, relocation-promoted areas were designated by the unit of administrative district (Article 33 of the Act). Parts of Seoul and Gyeonggi-do were designated as relocation-promoted areas, while most areas of Busan and Gyeonggi-do were designated as rearrangement-limited areas.

6.2.2 Master Plan for Industrial Placement

The Act requires the Minister of Commerce and Industry to establish and publicly notify people of a master plan for industrial placement throughout the national land. It provides that the master plan for industrial placement shall include matters regarding the placement of industries for each year and for each area, matters regarding the relocation of factories from relocation-promoted areas and rearrangement-limited areas to inducement areas, matters regarding the long-term demand for factory sites, matters regarding the prevention of pollution for each type of business and for each area and the conservation and improvement of the environment, and other important matters regarding industrial placement (Article 4 (1) and (2) of the Act). The Act also provides that when, the Minister of Commerce and Industry establishes a master plan for industrial placement, he/she shall consult with the heads of related ministries and table the plan before the Committee for Deliberation on Industrial Placement be more informed in establishing the plan. The industrial placement plan shall be harmonized with other plans for the use of the national land, such as a comprehensive plan for construction in the national territory and land use plans (Article 4 (3) and (4) of the Act).

6.3 Factory Sites

6.3.1 Standards for Location of Factories

A factory means a building or a working area in which machines or devices form a factory for manufacturing goods for a manufacturing business, including business of processing or repairing goods. A factory site means an area in a certain size appropriate for building a factory. The Act provides that the Minister of Commerce and Industry shall establish and publicly announce the standard ratio of factory area to factory site for each type of manufacturing business (the ratio of the area of each site to the area of the factory building thereon), the standards for installation of environmental facilities, such as green areas in a factory site, the conditions of each site for each type of manufacturing business in

a specific area, and the standards for restrictions on location of types of pollutive business (Article 6 of the Act).

Under the Act, a person, who intends to build a new factory or extend a factory to a size equivalent to or larger than a specified size, shall report the intended project to the Minister of Commerce and Industry before commencing construction works. He/she shall pass the examination on whether the factory meets the standards publicly notified for factory sites (Article 7 of the Act). The Act authorizes the Minister of Commerce and Industry to recommend a person to change the reported factory site or install facilities that meet the standards for sites, if the site does not meet the standards for factory sites (Article 8 of the Act) and to issue an order to adjust a factory site or a business plan: if the factory built in breach of a recommendation significantly contravenes the standards of placement for each area or is far below the standard factory area ratio to make an excessive area of land unused; if the factory contravenes the standards for sites and severely degrades surrounding natural habitats; or if the factory significantly undermines conditions of the site of an existing factory (Article 9 of the Act). As a measure to prevent a person who intends to build a factory from securing an area larger than the area required for the factory use for speculative investment in real property, the Act provides that: the Minister of Commerce and Industry shall instruct a person who files a report on installation of a factory to utilize the factory site as reported, if the actual factory building area fails to meet the standard factory area ratio; an excessively large factory site in which the factory building area fails to meet the standard factory area ratio shall be deemed the corporation's land for non-business use in applying the Local Tax Act and considerably higher taxes shall be imposed on such area (Article 11 of the Act); and the central Government or a local government may sell an excessively large factory site on behalf of the owner, if the site has not been utilized continuously for a specified period (Article 12 of the Act).

6.3.2 Restrictions on Installation of Factories

In order to prevent excessive concentration of industries and relocate industries nationwide from a comprehensive perspective, it was basically prohibited to build a new factory, extend a factory, create a factory site, or move a factory in relocation-promoted areas and rearrangement-limited areas (the body of Article 13 (1) of the Act).

However, it was impossible to relocate all existing factories at once, and so it was exceptionally permitted to build a new factory or extend a factory to an inevitable extent in relocation-promoted areas and rearrangement-limited areas. In a relocation-promoted area, it was prohibited to build a new factory, but it was permitted to extend an existing factory. Even in such cases, not all factories were permitted to be extended. Some factories in an industrial zone were permitted to be extended, only if such factories were for any type of business particularly necessary for the urban life of citizens. The area permitted to be extended was also limited to 100/100 of the factory building area as of March 25, 1977. In a rearrangement-limited area, it was permitted to build a new factory or extend a factory,

if the factory was for any type of business necessary for the urban life of citizens. It was permitted to build a new factory or extend a factory, if the factory was for any other type of business. Only if the factory was situated in an industrial zone, infrastructure with an access road with width of at least six meters and with facilities for drainage was completed. It was inevitable to maintain the areas continuously as an industrial zone, and the area had not caused any urban pollution to sources of portable water by the drainage system or in local circumstances (Article 20 of the Decree).

Furthermore, it was permitted to relocate a factory, where it was intended to move a factory in any area other than an industrial zone within a relocation-promoted area or a rearrangement-limited area to an industrial zone or where it was intended to move a factory in a relocation-promoted area to an industrial zone within a rearrangement-limited area (Article 21 of the Decree).

6.3.3 Registration of Existing Factories and Relocation Order

The Act requires a person, who owns or leases a factory in a relocation-promoted area or a rearrangement-limited area, to register the factory with the competent Mayor/Do Governor. Under the Act, upon receiving an application for registration of a factory, a Do Governor is required to report it to the Ministry of Commerce, prepare and keep a factory register. The Act provides that, if necessary, the Minister of Commerce and Industry may order a Mayor/Do Governor to register factories in any area other than relocation-promoted areas and rearrangement-limited areas (Article 14 of the Act). The Act requires the Minister of Commerce and Industry to designate factories that shall be moved from a relocation-promoted area to issue an order to relocate such factories (Article 15 (1) of the Act). The Act and the Decree provide that the Minister of Commerce and Industry shall designate factories that shall be relocated upon deliberation by the Committee for Deliberation on Industrial Placement, taking into consideration of the stable and balanced development of regional economy and needs for national defense or national economy (Article 24 of the Decree). Also the Minister of Commerce and Industry shall publicly announce the scope of factories that shall be relocated and the time to relocate them (Article 15 (3) of the Act). Under the Act and the Decree, upon receiving an order for relocation, the relocation of a factory shall be completed within two years. The specified period may be extended by not more than one year, when there is any exceptional circumstance that makes it impossible to relocate the factory within the specified period (Article 15 (4) of the Act and Article 25 of the Decree).

6.4 Designation of Inducement Areas and Support for Inducement

6.4.1 Designation of Inducement Areas

An area is designated as an inducement area, if the area is recognized as necessary to induce industries intensively to promote the appropriate placement of industries throughout the national land. Therefore, the Act provides that the Minister of Commerce and Industry shall designate an area as an inducement area, if the degree of concentration of industries in the area is low, the expected effects of acceptance of population and industries to the area are large, it is possible to systemize the induced industries along with existing industries, and the area meets the standards for easy improvement of factory sites and supportive facilities for water supply, electric power, and other utilities (Article 16 of the Act). Under the Act, a plan for the inducement of industries shall be established when an area is designated as an inducement area. The plan for inducement of industries shall include the location and scope of the area prearranged as the inducement area, the types and scale of factories to be induced, the supply of labor necessary for induced factories, the securing of factory sites, and matters regarding improvement of telecommunications facilities, facilities for vocational training, medical facilities, and educational facilities (Article 17 of the Act). The Act provides that: when a parcel of State-owned or public land in an inducement area is sold for a factory site, it shall be sold preferentially to the owner of a factory who moved to the inducement area (Article 18 of the Act). The central Government and a local government shall implement urban planning projects for roads, waterworks, and housing preferentially in an inducement area. They shall improve supportive facilities, such as facilities for telecommunications, welfare, and vocational training, medical facilities, and facilities for education and culture preferentially in an inducement area to support the inducement area preferentially (Article 19 of the Act).

The Act also stipulates that, when an industrial complex is developed in an inducement area, such industrial complex shall be developed in an area in the zone appropriate for specific use under the Urban Planning Act in accordance with the procedure for implementation of urban planning projects. The foregoing shall not apply to a zone for the development of industrial sites created pursuant to the Act on the Development and Promotion of Industrial Sites (Article 20 of the Act).

6.4.2 Special Zone for Rearrangement of Industries

The Act requires that an area be designated as a special zone for rearrangement of industries, if it is particularly necessary to rearrange factories in the area in order to prevent excessive concentration of factories and disorderly expansion of factories and to preserve the environment of surroundings (Article 21 of the Act). Under the Act, the Minister of Commerce and Industry shall designate a special zone for the rearrangement of industries, subject to deliberation by the State Council. Once an area is designated as a special zone for the rearrangement of industries, the competent Do Governor shall establish and implement

an implementation plan for the rearrangement of industries with approval thereof from the Minister of Commerce and Industry. An implementation plan for the rearrangement of industries shall include matters regarding the rearrangement of industries, such as the type of business and scale of factories that shall be rearranged, the placement of factories, and improvements of facilities (Article 22 of the Act).

Under the Act, it is not permitted in a special zone for the rearrangement of industries to build or extend a factory with the a factory site area of at least 400 square meters or a factory with a factory building area of at least 200 square meters (Article 23 of the Act). The competent Do Governor may designate factories that shall be rearranged in a special zone for the rearrangement of industries to issue an order to repair facilities or an order to relocate them within a period specified by him/her, which shall not exceed two years (Article 24 of the Act).

6.4.3 Support for Relocation of Factories

The Act requires a person who intends to move a factory in a relocation-promoted area, a rearrangement-limited area or a special zone for the rearrangement of industries to report the intended relocation to the Minister of Commerce and Industry (Article 25 of the Act). The Act provides that the central Government and a local government shall preferentially support a person who files a report on the relocation of a factory (Article 26 of the Act) and may preferentially purchase the site of the existing factory to be relocated or utilize such site as a green area or for conservation of urban environment (Article 27 of the Act). Under the Act, a person who moves a factory to an inducement area or any other area or a person who builds a factory in an inducement area to run a business is eligible to receive support for tax reduction and exemption under the Regulation of Tax Reduction and Exemption Act (Article 28 of the Act). Pursuant to the Act, a factory moved from a large city to an inducement area could enjoy tax exemption benefits for the transfer income tax, special value-added tax and corporate tax. They were exempted from the acquisition tax, registration tax, and property tax for five years for installation of the relocated factory. Moreover, the Government granted loans to a relocated factory for the cost of creation of the factory site, the cost of relocation of the factory, and the cost of construction of the factory (Article 31 of the Act).

6.4.4 Measures against Violation of Relocation Order

Under the Act, if a person fails to relocate a factory that is designated by the Minister of Commerce and Industry to be moved from a relocation-promoted area to any other area, or that is ordered by the competent Do Governor in a special zone for the rearrangement of industries, the Minister of Commerce and Industry or the Do Governor may discontinue the installation or supply of electric power, telephone, and waterworks to the factory to make the person unable to continue business (Article 29 (1) of the Act). They may order the

person to suspend business completely or partially during a specified period not exceeding two years, or revoke permission for the business (Article 29 (2) and (3) of the Act) as practical schemes for enforcing relocation orders.

6.5 The Committee for Deliberation of Industrial Placement

6.5.1 The Committee for Deliberation of Industrial Placement

Pursuant to the Act, the Committee for Deliberation on Industrial Placement was established within the Ministry of Commerce and Industry to have the Committee deliberate on important matters regarding relocation of factories and adjustment of location of factories (Article 30 of the Act). The Committee was comprised of not more than 20 members, consisting of members from related ministries of the Government and commissioned non-governmental members (Article 32 of the Decree). The Act authorized the Committee to deliberate on matters regarding the master plan for industrial placement, factories that shall be relocated from a relocation-promoted area, and plans for inducement of industries (Article 34 of the Decree).

6.5.2 Relationship to Other Acts and Subordinate Statutes

If a person who builds or extends a factory without filing a report, which shall be filed in accordance with this Act or if a person fails to obtain permission to construct, extend, or relocate a factory which shall be subject to permission, no permission shall be granted to create a factory site, construct the factory, or operate business under relevant Acts and subordinate statutes (Article 35 of the Act). Under the Act, a report filed to establish a factory shall be deemed a permit granted to establish a factory, company housing building, facilities, buildings, and structures in an industrial zone pursuant to the Act on the Utilization and Management of the National Territory. The report shall be also deemed the designation of a site (referring to permission for occupancy) in a local industrial complex (Article 36 (1) and (3) of the Act). Moreover, an area designated as an inducement area pursuant to the Act shall be deemed an inducement zone for industrial development under the Local Industrial Development Act (Article 36 (4) of the Act).

7. Effects of Legislation on Industrial Sites in 1970s on Economic Development in Korea

7.1 The Act on the Establishment of Free Export Zones

From the beginning of 1970s, the Korean government resolutely implemented the export promotion policy with its strong sovereign power. In July 1969, the Vice Prime Minister and concurrently the Minister of Economic Planning Board announced a “plan for free export zones.” The “Export Promotion Committee” over which the Minister of Economic

Planning Board had presided until then was reorganized to the “Presidential Export Promotion Committee,” over which the President himself began to preside on a regular basis at least once a month, to vigorously implement the export drive policy. In order to establish a legal basis for such export promotion policy, discussions about the Act on the Establishment of Free Export Zones started in earnest in September 1969. The Act on the Establishment of Free Export Zones was eventually enacted and promulgated. As a result, two areas in Masan, Gyeongsangnam-do and Iksan (called ‘Iri’ at the time), Jeollabuk-do were designated as free export zones respectively. The designation of Masan, the first free export zone, was a result of efforts made by businessmen in Masan, who held a campaign to promote the establishment of a free export zone and positively advocated designation of the free export zone. The construction project of the Masan Free Export Zone commenced in May 1970 and was completed in early 1973. All products manufactured in the Masan Free Export Zone were only for export and were banned from domestic sales at that time. The number of companies established in the Masan Free Export Zone reached 22 with their exports amounting to 857,000 U.S. dollars in 1971. The construction project of the Iksan Free Export Zone, which was designated in August 1973, commenced in October of the same year and was completed in December 1974. With the government’s resolute export drive policy, the free export zones grew rapidly and are now evaluated to have contributed significantly to the enhancement of the competitiveness of export industries in Korea at the early stage of industrialization with a combination of foreign investment and good-quality but inexpensive domestic labor force. In terms of manufacturing capacity of the Masan Free Export Zone at present, 78 companies, including 46 foreign-capital invested companies from the United States, Germany, Japan, Singapore, and other countries, are in operation with more than 33,000 employees and exports amounting to 1,769 million U.S. dollars. 22 companies for textile, assembled metal works, and other business are in operation in the Iksan Free Export Zone with the production of commodities amounting to 101 billion Korean won. Commodities amounting to 124 million U.S. dollars are exported from the export zone.

7.2 The Local Industrial Development Act

The development of an industrial complex requires a huge amount of money. Thus, it is possible to develop an industrial complex with no trouble only when the central government or other source provides a great deal of administrative and financial support. The national industrial complexes created for export industries pursuant to the Act on Creation and Development of Industrial Complexes for Export Industries were industrial complexes created and developed with funds invested directly by the central government and also with administrative and financial support in various aspects. In the meantime, other industrial complexes were created through “a series of projects for the creation of industrial sites” pursuant to the Urban Planning Act, which was not enacted for the purpose of development of industrial complex. There was no strategy for financial support to the creation of such

complexes, although the act was useful for the development of land for industrial sites. Therefore, project owners who developed industrial complexes through urban planning projects had many difficulties in the development of such industrial complexes because of money. However, as the Guro Industrial Complex for Export Industries, which was created in the late 1960s, found a great success and expansion of export and grew dramatically over years, local governments and local enterprises, who were inspired by such a success, began to pay keen attention to the development of industrial complexes. Funding was not a problem anymore because advance sales of an industrial complex in lots were successfully closed even before the industrial complex was completed, owing to the blast of booming speculative investment in real estate. Consequently, provincial governments began to compete with one another for the development of local industrial complexes, while private enterprises began to create industrial complexes independently. Industrial complexes were created not only in provincial capital cities, such as Gwangju, Daejeon, Jeonju, Cheongju, Daegu and Chuncheon, but also in small and medium-sized local cities, such as Iri, Wonju and Mokpo. Enterprises engaged in similar types of business jointly created private industrial complexes in the Seoul-Incheon zone. The Yeongdeungpo Mechanical Industrial Complex, the Korea Synthetic Resin Industrial Complex in Seoul, the Incheon Mechanical Industrial Complex, the Incheon Non-Metal Industrial Complex and the Korea Lumbering Industrial Complex in Incheon were representative cases of such complexes. Industrial complexes, created by the competent Governor or Mayor, and private industrial complexes, created jointly by enterprises in similar types of business in the Seoul-Incheon zone, adopted the method of development by which funds for development were raised with advance payments paid by enterprises for advance sales in lots, without subsidies from the central government, and with funds provided by local governments for deficiency. There was no problem with this method during the late 1960s when speculative investment in land was booming. However, the situation began to change from the beginning of 1970s when the booming speculation subsided. As the number of enterprises participating in the development of industrial complexes decreased, problems arose in the plan for financing by the sale-first development-later method. Eventually, such problems caused delay and suspension in the development of industrial complexes as well as failure in sales of industrial complexes in lots to extremely deteriorate the financial status of local governments. In an effort to cope with the difficulties the local industrial complexes faced in the early 1970s, the government enacted the Local Industrial Development Act to enhance support in the aspects of administration, taxation and financing. The most notable feature of the Local Industrial Development Act was to make governmental support compulsory. Article 5 of this Act, which provided “when the central government and a local government designates an area as a development zone, it shall provide support necessary for the rearrangement of the site and the construction of access roads, water supply, etc.,” made it compulsory to provide support from the public sector. There is a substantial difference between the Article and provisions of most current laws and regulations that provide “...may provide support...” in connection with governmental support. Stimulated by the designation of promotional zones for local industries and the investment from the central government, infrastructure for industrial

complexes, projects which had been slow until then was improved. Support to enterprises in industrial complexes in taxation and financing was enhanced in various aspects, and the sale price of industrial sites was decreased by a great amount to promote sales of unsold industrial sites. However, the policy on the development of provincial industrial complexes under the initiative of local governments was discontinued virtually in the early 1970s when the central government began to intervene in the development on the pretext of its financial support.

7.3 The Act on the Development and Promotion of Industrial Sites

7.3.1 Background of Fostering of Heavy and Chemical Industries

The enactment of the Local Industrial Development Act in 1970 made it possible to establish a national support system for local industrial complexes. 12 inland cities including Seoul could have industrial complexes in the early 1970s. With such industrial complexes, small and medium-sized enterprises in the cities could have an opportunity to expand their capacities. However, there were limits on the national industrialization through light industries. In May 1972, the Senior Secretary to President Park Chung-hee for Economic Policy recommended the President after the closing of an export promotion conference with enlarged membership to construct heavy and chemical industries. The President instructed to establish a plan for fostering heavy and chemical industries in response to the recommendation. Furthermore, the President declared the industrialization to focus on heavy and chemical industries through his new year press conference in 1973, emphasizing “Korea shall be developed to an industrialized country with heavy and chemical industries, such as steel, shipbuilding, the mechanical industry, and the petroleum industry. This is the basic economic policy for the accomplishment of exports of 10 billion U.S. dollars and national income of 1,000 U.S. dollars.” Underlying factors in the background of such declaration of policy on industrialization focused on heavy and chemical industries were: the judgment that it was impossible to drive high growth with commodities manufactured with a low added value from conventional light industries; the increasing tension between the South and North Korea around the Korean Peninsula; and the Nixon Doctrine declared to demand Asian countries to take care of their own defense in Asia. In order to defend the Republic of Korea from the North Korea, it was absolutely necessary to develop the defense industry. However, Korea completely lacked high-accuracy technology necessary for production of weapons, and the government realized that the defense industry was possible only on the basis of heavy and chemical industries. Thus, the development of heavy and chemical industries was the product of a policy in which the economic purpose, the upgrade of industrial structure, and the military purpose, the development of the defense industry, were combined.

On January 30, 1973, the “theory on reform of the industrial structure following declaration of the policy on industrialization focused on heavy and chemical industries” was finally established. Subsequently, the Economic Planning Board announced the guidelines

for budgeting on March 30, stated that economic policies would be focused on expansion of export, and proclaimed that the improvement of the international balance of payments should be promoted through “intensive construction of heavy and chemical industries.” Although a plan for heavy and chemical industries had been already included partially in the second five-year economic development plan, the plan was sporadic and lacked organic interconnection and a comprehensive plan. Thus, construction of industrial sites was emphasized in the theory on reform of the industrial structure. It was essential to construct new industrial sites in order to build factories in an appropriate scale with international competitiveness. To create an industrial complex necessary for the development of heavy and chemical industries, it was required to prepare not only a complex for construction of factories but also an industrial complex with research institutes, educational institutions, residential areas, and other facilities with multiple functions. In order to construct bases for heavy and chemical industries with multiple functions, huge investment and high technology were required. However, Korea, at that time, lacked such capital and technology. In spite of such situation, the supreme ruler’s commitment to the development of heavy and chemical industries was adamant. He believed that it was impossible to accomplish economic independence or take a higher position among developing countries without construction of heavy and chemical industries. It was required to prepare sites for the construction of factories and to build infrastructure for water supply for operation of factories and transportation of raw materials and products, such as ports, harbors and roads. Moreover, it was required to set up institutional strategies for securing such sites and infrastructure. Although the Local Industrial Development Act was in force at the time as an act that regulated the development of industrial sites, the act was for the development of local industrial complexes and was not useful for the development of coastal industrial complexes for heavy and chemical industries in a large scale. In order to solve the problem, the government enacted and promulgated the Act on the Development and Promotion of Industrial Sites in 1973.

7.3.2 Organization for Promotion of Heavy and Chemical Industries

The Ministry of Commerce and Industry was exclusively responsible for the development of the industry under governmental organization. However, it was difficult to implement policies on heavy and chemical industries only with the capacity of the Ministry of Commerce and Industry. It was necessary to establish a new and strong organization in order to control many related administrative agencies and to implement policies in a thoroughly consistent manner. Hence, the government established the “Committee on Promotion of Heavy and Chemical Industries” in February 1973. The Committee was headed by the Prime Minister and was comprised of Ministers and appropriate experts, and the “Task Force of the Committee on Promotion of Heavy and Chemical Industries” within the Committee as its affiliated organization for carrying out practical affairs at the working level. The Task Force was headed by the Senior Secretary to the President for Economic Policy, who served as

a channel connecting to the Presidential Office directly by administering and commanding works at the working level and by conveying information and demands from industrial circles. Such direct connection between the Presidential Office and industrial circles showed positive effects in consistent and forceful implementation of policies on heavy and chemical industries based on absolute leadership of the supreme ruler and reduction of the targeted time of exportation. Yet, there were adverse effects of concentration and monocracy. The plan for construction of heavy and chemical industries consisted of a comprehensive plan for fostering heavy and chemical industries, a site location plan for fostering heavy and chemical industries, a plan for promotion of each sector of heavy and chemical industries, a plan for supporting the fostering of heavy and chemical industries, etc. The planning and administering of policies on heavy and chemical industries were carried out by the Committee on Promotion of Heavy and Chemical Industries and the Task Force. There were master plans for the construction of industrial sites, among master plans, by the Ministry of Construction, practical works for master plans regarding the investment plan for each sector and the production plan for each type of business by the Ministry of Commerce and Industry, financing plans by the Economic Planning Board and the Ministry of Finance, plans for the development of human resources by the Ministry of Science and Technology and the Ministry of Education, and plans for research and development and other support plans by the Economic Planning Board and the Ministry of Science and Technology. In the meantime, the Industrial Sites Development Corporation was established in 1974 with a capital of 100 billion won fully invested by the government as an agency exclusively devoted to the development of industrial sites. The main missions of the Corporation were the creation, management and disposal of industrial complexes and the construction and management of ports, harbors, industrial water supply systems, and roads, including the construction of cities, facilities for storage of resources and other facilities. In order to provide assistance in performing such role, the government granted tax exemptions and the authority to expropriate land to the Industrial Sites Development Corporation. The government also permitted to borrow foreign loans with approval from the Minister of Construction whenever such loans were necessary for carrying out its business affairs.

Table 3-2 | Organization for Implementation of Policies on Heavy and Chemical Industries

Overall control and coordination	Task Force of the Committee for Promotion of Heavy and Chemical Industries	
Master plans	Ministry of Construction	Master plans for the construction of industrial sites
	Ministry of Commerce and Industry	Plans for investment in each sector, production plans for each type of business, selection of resident companies, management of industrial sites
Support plans	Economic Planning Board, Ministry of Finance	Financing plans
	Ministry of Science and Technology, Ministry of Education	Plans for development of human resources
	Economic Planning Board, Ministry of Science and Technology	Plans for research and development
Creation of industrial sites	Industrial Sites Development Corporation	

7.3.3 Planning for Coastal Industrial Sites and Selection of Sites

Industrial sites for heavy and chemical industries were developed with a concept of new industrial cities larger than conventional industrial sites. Industrial sites were developed in a large scale, because the larger the scale of integrated steel mills, oil refineries, and petrochemical factories, the more economic gains could be expected. Also, there were limited prospective sites suitable for coastal industrial complexes nationwide in conditions of site location, such as ports, harbors, water supply, and hinterland cities. Therefore, it was better to develop an area with good conditions of site location as large as possible for efficient use of resources. It was unavoidable to develop an area in a large scale because the aim was to develop new industrial cities. Changwon was developed completely to a new industrial city, and Yecheon was developed with a concept of a hinterland city but became a new industrial city. Ulsan and Pohang, in which small towns were previously situated, were reborn as new industrial cities. It was impossible to find large sites in urban areas and other developed areas, and so agricultural and fishing villages in areas with good potential for growth in the future in terms of development of the national land were selected as prospective sites. Whereas such areas had an advantage to purchase extensive sites for factories at lower cost, an enormous amount of investment was required for the improvement of infrastructure, such as roads, railroads, ports, harbors, water supply, and

power. In the meantime, the government planned to create industrial complexes specializing in each type of business, such as steel, oil refineries, the petrochemical industry, the non-metal industry, shipbuilding, and the general mechanical industry. Since most heavy and chemical industries tend to be strong in production, it was intended to create industrial complexes specializing in each leading type of business and to establish a specialized industry for each region. Based on such standards, conditions of port, harbors, water supply, land, etc., which could meet the volume of production from factories specializing in a specific type of business, and other physical conditions were taken into consideration in selecting proper sites. For example, the reasons why the Changwon area was selected as a general industrial complex for the mechanical industry were that: The area was hilly, and most of the area consisted of wide and good-quality fields and paddies in locational conditions; the climate was temperate, and so it was possible to continue outdoor works even in winter; the area satisfied both coastal and inland locational conditions, which were the features necessary for mechanical industry; the area had good transportation means, such as roads, railroads, harbors, and ports; the environment of the area was surrounded by hills and mountains five to six hundred meters high, and thus it was the best place to defend attacks from the outside. Particularly in Changwon, the construction of a hinterland city was executed simultaneously with the construction of an industrial site. As a result, it became an unprecedented manufacturing site, not only domestically but also throughout the world; an industrial site and a hinterland city for residential facilities were designed and constructed at the same time. The selection of industrial sites specializing in each type of business was finally determined by the Committee on Promotion of Heavy and Chemical Industries. The plans for the development of an industrial complex specializing in each leading type of business, which was selected by the Committee, are as set out in the following table:

Table 3-3 | Plans for Development of Industrial Sites Specializing in Each Type of Business

Name of industrial complex	Area	Remarks	Name of industrial complex	Area	Remarks
1 st chemical industrial complex	Ulsan	Extension	2 nd steel complex	Downstream of Nakdong River	New construction
2 nd chemical industrial complex	Yeosu, Gwangyang	New construction	Electronic industrial complex	Gumi	Extension
1 st free export zone	Masan	Extension	Mechanical industrial complex	Changwon	New construction
2 nd free export zone	Gunsan	New construction	Shipbuilding industrial complex	Geoje	
1 st steel complex	Pohang	Extension	Non-metal complex	Onsan	New construction

The areas in which it failed to implement a plan for the construction of a specialized industrial complex as above were the second free export zone in Gunsan and the steel complex in the downstream of Nakdong River. It was initially planned to designate Onsan as a free export zone, but the area was developed as an industrial complex for smelting. According to such plans and policies, large coastal industrial complexes have been developed mainly along the coast in the southeastern region. Starting from Pohang in Gyeongsangbuk-do, the southeastern coast stretching from Ulsan, Onsan, Okpo, Jukdo and Changwon in the south to Yeosu and Gwangyang Bay situated at the center of the southern coast were designated as zones for the development of industrial sites. The development of coastal industrial complexes for heavy and chemical industries in a large scale were implemented simultaneously under the initiative of the central government. Pohang, Ulsan, Onsan, Okpo, Changwon and Yecheon were secluded agricultural or fishing villages even in the early 1970s. Such areas were developed to large coastal industrial sites by the central government between 1960s and 1970s. Consequently, an industrial belt for heavy and chemical industries was formed in the areas to manufacture and supply materials for various kinds of manufacturing businesses. The areas were grown and developed to new industrial cities with strong industrial functions, and the foundation for such phenomena was laid only during one decade from the mid-1970s to the mid-1980s.

7.3.4 Achievements of Policies on Heavy and Chemical Industries

As industrial sites were developed by the state itself, all costs and expenses were spent from the national treasury, except for revenue from sales in lots. However, the private sector was encouraged to take the initiative in fostering heavy and chemical industries, while the government provided support in fostering the industries with its policies. Enterprises, which were selected as eligible for the fostering of heavy and chemical industries, were given various kinds of support. The government could provide to the maximum, including not only full or partial exemption from internal taxes and customs duties and various kinds of financial support, including loans, but also subsidies for domestic selling prices through regulation on imports. As a result of the declaration of industrialization focused on heavy and chemical industries, Korea's subsequent industrial policies were entirely reformed to policies focused on heavy and chemical industries.

The declaration of industrialization focused on heavy and chemical industries was the momentum to change the Korea's force for development entirely. Also, the abstract objective, "construction of the economy", was changed to a specific goal, "construction of heavy and chemical industries". It was a historic turning point to shed the industrial structure mainly composed of light industries boldly and to reform the Korea's economy to mainly focus on heavy and chemical industries for the advancement toward the level of advanced countries. However, not all people consented to the policy on the development of heavy and chemical industries. Opponents raised objections to the policy on the grounds that: The policy had been implemented in haste; it was unavoidable to implement the policy mainly in favor of large companies, so-called conglomerates; the policy would trigger inflation and put a heavy burden on the whole of the national economy; and there had been no case in which an underdeveloped country had succeeded in the policy of industrialization focused on heavy and chemical industries. Nevertheless, the Korean government led by the President enforced the policy on heavy and chemical industries with its strong political system, called the "Yushin" regime. Korea successfully established a foothold for taking off toward an advanced industrial nation in 1980s by practicing such a policy on heavy and chemical industries.

7.4 The Management of Industrial Complexes Act, and the Industrial Placement Act

The development of industrial complexes in Korea from 1960s to 1970s focused on establishment of infrastructure for the industrialization of the country. A few areas were selected to implement the development policy on concentrated investment because of insufficient financial strength of the country. Consequently, Korea's economy in 1960s and 1970s lacked self-sustainable harmony and balanced growth in not only industrial structure but also regional economies, and its industries were excessively concentrated in specific areas. Moreover, the concentration into Seoul began to progress rapidly from the mid 1960s,

and the gap in national income began to widen significantly. Large cities became bigger because existing industrial complexes were developed in the areas with higher accessibility to large cities with more advantageous social, economic, and locational conditions. On the other hand, small and medium-sized cities with a poor external economic system from the outset suffered from more sluggish growth, and gap were more deepened between regions because of outflow of capital and human resources. In order to cope with such problems, the necessity of balanced development of the national land emerged as an issue. Arguments that it was necessary to disperse industries to regions were raised, in addition to the necessity, that the Seoul Metropolitan Area was very susceptible to the threat from the North. Particularly, the policy, which focused on the development of large industrial complexes as central bases for development in the mid 1970s, brought about unbalance between regions. People began to see development initiated by the government from the point of critical view, and the argument that the strength built up for industrialization should be diffused to the entire national land received positive response. In response to such arguments, the government began to place greater emphasis on balanced development of the national land and improvement of balance between regions, rather than concentrated investment in specific areas for the promotion of growth, in implementing its policies on industrial sites. In particular, the concentration to and overpopulation of the Seoul metropolitan area were considered a serious problem. Hence, the government began to take measures to disperse population and industries in Seoul since the late 1970s.

Thus, the government enacted and promulgated the Management of Industrial Complexes Act and the Industrial Placement Act to eliminate inefficiency created by the concentration of industries and to prepare a basis for more systematic implementation of policies on industrial sites at a national level. The purpose of the Management of Industrial Complexes Act was to promote appropriate dispersion of industries to regions through efficient creation and management of local industrial complexes. The purpose of the Industrial Placement Act was to promote balanced development of regions one step further, aiming at rectification of the unbalance between industrial sectors, enhancement of industrial connectivity and innovation of technology, through prohibition of the construction and extension of factories in the Seoul metropolitan area and relocation of factories to provinces. Pursuant to the acts, the concept of dispersion of industries was introduced for the first time, and the national land was divided into relocation-promoted areas, rearrangement-restricted areas, and inducement areas according to the level of clustering of industries. Subsequently, more industrial complexes have been developed since the late 1970s in the development inducement zones in the Seoul metropolitan area, while the development of industrial sites was restricted in Seoul and its suburban areas. Exemplary industrial complexes developed to disperse the population and industries in Seoul, among such complexes, were the Banwol Special Zone and the Namdong Industrial Complex, which were designated as areas for the development of industrial sites in 1976. They were developed for the purpose of relocation and rearrangement of industries which caused pollution and unqualified factories. As the regulation on industrial sites in large cities and the regulation on the Seoul metropolitan

area were enforced in full scale, the development of industrial complexes in previously underdeveloped areas, particularly in the Chungcheong region, was promoted actively. Whereas the development of industrial complexes in 1970s was focused on the establishment of infrastructure for industrial sites, the main purpose of the development of industrial complexes thereafter was to achieve balanced development of the national land through development of underdeveloped areas. The shift to development of industrial complexes mainly in underdeveloped areas was confirmed by statistics. The table below shows the annual average increase rate of factory sites in each region in 1980s. We can see that the annual average increase rate of factory sites in 1980s was at the level of 4.55%. However, the annual average increase rates for the Seoul metropolitan area and the southeastern region, which were the largest industrial clusters in Korea at that time, were merely 4.08% and 2.91% respectively. They were considerably lower than the rate for the Honam region, which attained a record growth rate of 8.98%, almost double the national average rate. The rate for the Chungcheong region also attained a high increase rate of 7.31%. As described above, the development of industrial complexes in 1980s was promoted for balanced development of the national land through the development of underdeveloped regions, rather than the establishment of infrastructure for industrialization of the whole national land. Thus, it can be said that the strength for industrialization throughout the national land has been enhanced by distributing the strength built up for industrialization through the development of central bases.

Table 3-4 | Annual Average Increase Rates of Factory Sites in Each Region in 1980s

	National average	Seoul	Chung cheong	Honam	Yeongnam	Other regions
Increase rate (%)	4.55	4.08	7.31	8.98	2.91	8.05

7.5 Performance of Development of Industrial Complexes in 1960s and 1970s

The history of the development of industrial complexes in Korea has not been more than 40 or 50 years. It is not a long history even in Asia, let alone compared with the world history. Experts usually enumerate the following factors as contributing factors to the remarkable growth achieved by Korea with its policies on industrial complexes in such a short period. First of all, the most important factor that made it possible and successful to implement Korea's policies on industrial complexes was the government's strong and steadfast support. The development of industrial complexes in Korea at the early stage of industrialization was promoted with the participation of all ministries of the central

government. Particularly, President Park Chung-hee himself led the development of industrial complexes under the administrative system of the strong presidential government. Hence, all administrative power of the government could be concentrated on strong and speedy implementation of policies on industrial complexes. Another factor was that Korea's policies on the development of industrial complexes have been implemented with a specific long term vision. The industrial complexes created in 1970s have been developed over several decades under a plan, whereas industrial complexes created in these days have been developed over several years. The project period for the plan of the Pohang national industrial complex began in 1975 and is scheduled to end in 2020, while the targeted completion year for the Changwon national industrial complex is 2015. The targeted completion year for Yeosu and the Daedeok research complex were 2010 and 2007 respectively. Such complexes have been developed with intent not only to develop factory sites but also to build new industrial cities. The concept of reserved land for extension, which is difficult to apply even today due to financial burden, had been already reflected in the plan for the development of such complexes. The second Gumi national industrial complex designated in the mid 1970s was developed for the purposes of domestic production of semiconductors, localization of the computer industry, and the fostering of precision instrument industry. The Daedeok research complex has been developed in an attempt to assist in the enhancement of technical competitiveness of national industries by enhancing capabilities of research and development. Given the economic situation and industrial structure of Korea at that time, no one can dare to say that it was easy to implement such projects even without strong leadership of the government led by President Park Chung-hee. Furthermore, a development strategy appropriate for each stage of economic development was adopted and applied, contributing to the success. In 1960s and 1970s, a development strategy as a growing country, under which investment was concentrated on a few areas in a large scale, was applied. Given the situation with poor infrastructure for industrial sites at that time, it was inevitable to concentrate the development of industrial sites for fostering heavy and chemical industries on a few areas. Although such approach has been criticized as the development concentrated on the southeastern region, no one could be optimistic about the success, if a development strategy was adopted by considering the balance between regions throughout all regions of Korea instead. The last factor that made it possible to successfully implement Korea's policies on industrial complexes could be well organized institutional devices. It is difficult to implement a single policy consistently for several decades with the government's leadership. In Korea, it was possible to implement policies consistently by preparing institutional devices for the development and support of industrial complexes. It is difficult to find any country that has a statute directly related to industrial complexes among advanced Western countries. The Factory Location Act in Japan and the Industrial Upgrade Promotion Act in Taiwan in Asia have some provisions regarding the development and support of industrial complexes but have no structure so systematic as the statutes of Korea. Compared with other countries, Korea was successful in using industrial complexes as its state's strategic instruments by enacting the Local Industrial Development Act and the Act on the Development and Promotion of Industrial Sites in 1970s, as well as the Act on

the Creation and Development of Industrial Complexes for Export Industries in 1960s. In addition, Korea successfully reformed and applied laws and systems according to changes in conditions of the times thereafter.

Legislation as at 2011

1. Overview
2. The Industrial Sites and Development Act
3. Industrial Cluster Development and Factory Establishment Act
4. The Act on Designation and Management of Free Trade Zones

Legislation as at 2011

1. Overview

In Korea in the 1980s, export increased due to the fall of interest rates, oil price, and the U.S. dollar. The successful performance of economic development plans brought about rapid growth of its economic scale, and its economic growth rate reached eight to nine percent, owing to continuous growth after democratization. Its per capita income climbed to 2,000 U.S. dollars. Particularly, after the Seoul Olympic Game held in 1988, the increase of jobs led to economic growth rate of over 10 to 11 percent, per capita income by 1,500 U.S. dollars, and foreign investment, and Korea had an opportunity to jump to the status of an advanced country. In 1995, Korea eventually became one of the high-income countries as its per capita income exceeded 10,000 U.S. dollars. Although Korea faced an economic crisis in 1997, its per capita income exceeded 11,000 U.S. dollars as it attested to its level of economic development again after successfully hosting the Korea-Japan FIFA World Cup in 2002.

Essential provisions of the legislation on industrial sites and the creation, Development and management of industrial complexes, which were established and enforced in 1960s and 1970s, have remained unchanged even until now since 1980s. Although separate Acts were enacted in 1970s according to various development policies as the legislation on industrial sites and the creation, Development and management of industrial complexes, there is a difference between the legislation of today and the legislation in 1970. The problems have been cleared and improvements have been made to keep up with changes in times and environments.

Related to the legislation on the creation and development of industrial complexes in 1970s, there were the Local Industrial Development Act, which was enacted to disperse industries to provinces and to remove economic gaps between regions, the Act on the Development and Promotion of Industrial Sites, which was enacted to place industrial

sites and industries in balance. There were some provisions of other several Acts since The Industrial Sites and Development Act, which was enacted by integrating the aforementioned Acts and provisions into a single Act, is still in force at present. As provisions regarding the management of industrial complexes in 1970s, there were the Management of Industrial Complexes Act, the Industrial Placement Act, and some provisions scattered over other Acts. However, the Industrial Cluster Development and Factory Establishment Act, which was enacted by integrating the Acts and provisions into a single Act, is still in force today. In the meantime, the Act on the Establishment of Free Export Zones, which had been enacted to install free export zones and to induce foreign investment, were amended as the Act on Designation and Management of Free Trade Zones still in force today. It was enacted to assure the freedom of manufacturing and international trade activities, a step further from assuring the freedom of manufacturing-oriented export. The following table shows changes in the Acts:

Table 4-1 | The Changes in the Acts (1960s-As of 2011)

1960s	Act on Management of Export Industrial Complexes				-
1970s	Local Industrial Development Act	Act on the Development and Promotion of Industrial Sites	Management of Industrial Complexes Act	Industrial Placement Act	Act on the Establishment of Free Export Zones
1980s	↓	↓	↓	↓	↓
1990s	Industrial Sites and Development Act		Industrial Placement and Factory Construction Act		↓
2000s	↓		Industrial Cluster Development and Factory Establishment Act		Act on Designation and Management of Free Trade Zones
As of 2011	↓		↓		↓

Essential provisions of Acts currently in force are discussed hereafter.

2. The Industrial Sites and Development Act

2.1 Purposes of Enactment

The purpose of this Act is to promote the balanced development of the national land and continuous industrial development through smooth supply of industrial sites and appropriate placement of industries. This Act integrates and reforms the previous Acts and diverse systems regulating industrial sites, provided by the Act on the Development and Promotion of Industrial Sites, the Local Industrial Development Act, and other Acts and subordinate statutes regarding agriculture. It aims to enforce comprehensive policies on industrial sites and secure industrial sites smoothly. The Industrial Sites and Development Act was enacted and promulgated on January 13, 1990 and entered into force on January 14, 1991, one year after its promulgation.

2.2 Essential Provisions

2.2.1 Definition and Types of Industrial Complex

The name of an industrial complex in Korean, Gongup Dangi is changed to Sanup Dangi (Hereinafter referred to as “industrial complex”). The industrial complex is defined as a tract of land designated and developed in accordance with a comprehensive plan in order to collectively establish factories, facilities related to knowledge-based industries, facilities related to cultural industries, facilities related to information and communications industries, facilities related to recycling industries, facilities for storage of resources, facilities for logistics, as well as facilities for housing and cultural activities, environmental facilities, parks and green areas, medical facilities, and facilities for tourism, sports, and welfare. It is to improve the operation of facilities for education, research, business, support, information processing, and distribution related to the facilities listed above. Industrial complexes are classified into four types: national industrial complexes; general industrial complexes; high-tech urban industrial complexes; and agro-industrial complexes. A national industrial complex is an industrial complex designated by the Minister of Land, Transport and Maritime Affairs to foster national industries or advanced science and technologies or to develop an undeveloped area or an area covered by the jurisdiction of two or more City/Do. A general industrial complex was called a local industrial complex in the past and is now designated by a Mayor/Do Governor to promote appropriate dispersion of industries to provinces and the invigoration of regional economies. However, a small general industrial complex may be designated by the head of a Si/Gun/Gu. In principle, a high-tech urban industrial complex is an industrial complex that is designated in an urban area in order to foster and promote the development of knowledge-based industries, cultural industries, information and communications industries, or other high-tech industries. It is designated by a Mayor/Do Governor, as the case of a general industrial complex but may be designated by the head of a Si/Gun/Gu, if the scale of such industrial complex is small. An agro-industrial complex is an industrial complex designated by the head of a Si/Gun/

Gu in order to induce and foster industries for increasing income of farmers and fishers in rural areas. In an area designated as an industrial complex, restrictions were placed on any development project or development activity other than projects for the development of the industrial complex.

2.2.2 Development of Industrial Complexes

Projects for the development of an industrial project denote various projects implemented to create an industrial project. Projects for the development of an industrial project include projects for the creation of sites for factories, facilities related to knowledge-based industries, facilities related to cultural industries, facilities related to information and communications industries, facilities related to recycling industries, facilities for storage of resources, facilities for logistics and construction of such facilities, projects on the creation of sites for facilities for education and research on behalf of development of advanced science and technologies, projects on the creation of sites for facilities for business, information processing, support, exhibition, and distribution to enhance the efficiency of the industrial complex and construction of such facilities, projects for the creation of sites for housing facilities, cultural facilities, medical and welfare facilities, sports facilities, educational facilities, and facilities for tourism and recreation and construction of such facilities, projects for the creation of parks, projects for installation of facilities for water supply for industrial purposes and for daily life, projects for the construction of roads, railroads, ports, harbors, tramways, canals, retarding reservoirs, and reservoirs, projects on facilities for the supply of electric power, telecommunications service, gas, oil, steam, and raw materials, projects on installation of sewerage systems, facilities for the disposal of wastes, and other facilities for the prevention of environmental pollution, and other incidental projects.

2.2.3 Implementor of Projects for Development of Industrial Complexes

An implementor of a project for the development of an industrial complex is designated by a designator of an industrial complex. Thanks to the improved system, more agencies and institutions are qualified for an implementor of a project for the development of an industrial complex, compared to the past. Among public agencies, the central government, a local government, a government-invested institution, a local public enterprise, or a person who is qualified for implementation of the project on development of an industrial complex pursuant to any other Act, the Small and Medium Business Corporation, or the Korea Industrial Complex Corporation may be designated as a project implementor. Among private business entities, a person who meets specified requirements, among persons who intend to install appropriate facilities in compliance with the relevant development project to move their businesses to the facilities or persons who are recognized to be capable of developing an industrial complex in compliance with the relevant development plan, or a

real property trust company that has executed a trust deed with above-mentioned persons on the development of an industrial complex, a corporation that has been established for the purpose of developing an industrial complex with investment in its capital by above-mentioned persons and meets specified requirements, owners of the land in an industrial complex, or an association established by such landowners for the development of an industrial complex may be designated as a project implementor by the authority designating the industrial complex to implement the project.

2.2.4 Approval of Implementation Plan and Approval of Completion

A person designated as the implementor of the development of an industrial complex shall prepare an implementation plan to obtain approval from the designator of an industrial complex. The Act provides that, when the designator of an industrial complex intends to approve an implementation plan, he/she shall also examine the related authorization and permission required for implementation of the development of the industrial complex pursuant to other Acts and subordinate statutes. If a designator of an industrial complex is not the authority granting authorization or permission, he/she shall consult with, or obtain approval from, the head of the relevant administrative agency in advance so that, once the implementation plan is approved, the authorization and permission required pursuant to other Acts and subordinate statutes can be granted at the same time. Then, the project for development of the industrial project can be implemented promptly and efficiently. When a designator of an industrial complex approves an implementation plan, he/she shall publicly announce the plan.

When the implementor of the project for development of an industrial complex completes the project, it shall successfully pass a completion inspection conducted by the authority approving the implementation plan. If it is found upon completion inspection that a project has not been completed in accordance with the implementation plan, the authority approving the implementation plan may issue an order to take supplementary measures or other necessary measures. The authority shall approve completion when the project is completed in accordance with the implementation plan and shall publicly announce the completion.

3. Industrial Cluster Development and Factory Establishment Act

3.1 Purpose of Enactment

The purpose of this Act is to promote continuous industrial development and balanced regional development by invigorating the clustering of industries, supporting smooth establishment of factories, and systematically managing industrial sites and industrial

complexes. The term “industrial cluster” means a cluster formed with enterprises, research institutes, universities, and business support facilities concentrated in a certain area to generate synergistic effects through interconnections. This Act was newly enacted by integrating and reforming the former Industrial Placement Act and the former Act on Management of Industrial Complexes. The Industrial Placement Act and the Act on Management of Industrial Complexes were integrated into the Industrial Placement and Factory Construction Act on January 13, 1990 (which entered into force on January 14, 1991). Then the title of the Industrial Placement and Factory Construction Act was changed to the Industrial Cluster Development and Factory Establishment Act on December 30, 2002 (which entered into force on July 1, 2003).

3.2 Essential Provisions

3.2.1 Location of Industrial Sites

The Act provides that the Minister of Knowledge Economy shall establish and publicly notify people of standards for industrial sites, in prior consultation with the heads of related central administrative agencies. The standards shall include: the business type, scale and scope of factories permitted or restricted in each zone for a specific use pursuant to relevant Acts and subordinate statutes; the ratio of the factory building area to the factory site area (standard factory area ratio) for each type of manufacturing business and the factories subject to the application of the ratio; and matters regarding the prevention of environmental pollution for each type of manufacturing business and matters regarding restrictions on the location of factories likely to cause environmental pollution.

The head of a Si/Gun/Gu may publicly notify people of areas in which the establishment of a factory is permitted and the business for which it is permitted to establish a factory in such areas through the official bulletin by not later than the end of February each year and shall confirm whether it is permitted to establish a factory in a parcel of land with a certain lot number and shall notify the person who inquires about the permissibility of establishment of a factory of the result. Each industrial complex shall have a support center for the establishment of factories in order to have the center provide services for the establishment of various factories, such as counseling service for the selection of a site in relation to the establishment of a factory and services for the arrangement of various loans and the information about tax exemptions, and other support services for the establishment of factories. A support center for the establishment of factories shall carry out support services, such as vicarious preparation and submission of documents regarding the establishment of a factory, as requested by a person who intends to build a factory. In addition, an ombudsman office for the establishment of factories shall be established to receive complaints or suggestions from enterprises in connection with the establishment of a factory and investigate and handle such complaints or suggestions.

3.2.2 Establishment of Factories

A person who intends to build or extend a factory of not less than 500 square meters or who intends to change its business type shall obtain approval from the competent head of Si/Gun/Gu. A person who desires to be eligible for the application of constructive authorization and permission, as may be necessary for the establishment of factory, may obtain authorization and permission. He/she should file an application for approval for establishment of a factory, even where the factory building area is less than 500 square meters. The Act requires the head of a Si/Gun/Gu to notify an applicant as to whether he/she has given approval or the reasons why approval has been delayed, within 20 days after he/she receives documents regarding the establishment of a factory to prevent delays in administrative work. Under the Act, when the head of a Si/Gun/Gu intends to approve establishment of a factory, he/she shall examine matters regarding the authorization and permission required for the factory and sites for access roads pursuant to other Acts and subordinate statutes. Otherwise, he/she shall consult with related administrative agencies in advance on such authorization and permission related to the approval for establishment of the factory to grant authorization and permission at the same time. Moreover, the Act requires the head of a Si/Gun/Gu to examine matters regarding authorization and permission under other Acts and subordinate statutes or consult with related administrative agencies in advance to grant such authorization and permission in connection with the establishment of a factory, even where he/she issues a building permit under the Building Act to a person who obtains approval accepts a building report. A person who obtains approval for establishment of a factory shall file a completion report, when he/she completes the construction of the factory. Upon receiving a completion report on establishment of a factory, the competent head of Si/Gun/Gu shall enter details of the report in the factory register.

3.2.3 Invigoration of Industrial Clusters

No one shall build, extend, or relocate a factory of not less than 500 square meters or change its business type in an excessive concentration restriction zone, a growth management zone, or a nature conservation zone in the Seoul metropolitan area. However, where it is a case specified by Presidential Decree for each zone as unavoidable for the development of the national economy and creation of the living environment for local residents, a person may build, extend, or relocate a factory or change its type of business with approval. Where it is necessary to create an industrial complex to encourage relocation of factories to provinces or cluster types of business causing pollution or where it is necessary to create factory sites to enhance industrial competitiveness, an inducement area shall be designated and publicly notified. An area shall be designated as an inducement area, if the area has a high potentiality to be utilized as industrial sites in light of the degree of concentration of industries and it is easy to have good effects on local development, secure industrial sites, and install support facilities for water supply, electric power, and other utilities. Factories

that wish to move from an excessive concentration restriction zone shall be moved to an inducement area preferentially.

3.2.4 Management of Industrial Complexes

The term “authority managing an industrial complex” means an administrative authority that has the power and responsibilities to manage an industrial complex. The agency that shall command and supervise an agency managing an industrial complex will be defined later. The authority managing national industrial complexes shall be the Minister of Knowledge Economy; the authority managing a general industrial complex or a high-tech urban industrial complex shall be the Mayor/Do Governor or the head of Si/Gun/Gu, who designates the complex; and the authority managing an agro-industrial complex shall be the competent head of Si/Gun/Gu.

The management of an industrial complex is to sell or lease sites and facilities in the industrial complex and perform follow-up management of the sites and facilities, install, maintain, repair, and improve infrastructure facilities, and assist resident enterprises and support enterprises in their business activities. The term “management authority” indicates a person who carries out such work for management. A management authority may carry out such works directly or may entrust the head of a local government, an industrial complex, the Korea Industrial Complex Management Corporation, or the council of resident enterprises. In any special case, a local public corporation, an agricultural cooperative, or a small and medium business cooperative may serve as a management authority with an entrusted right to manage an industrial complex. The Korea Industrial Complex Management Corporation or a council of resident enterprises shall be established with authorization by the competent managing authority and shall be duly formed by completing the registration of its establishment with the registry office having jurisdiction over its principal place of business. Where the Korea Industrial Complex Management Corporation or a council of resident enterprises obtains authorization for establishment by fraud or any other wrongful means, violates any condition for establishment, fails to commence its business within six months, has no record of business performance for not less than one year, has been engaged in any business other than purposes of its establishment, or is found impossible to achieve the purposes of its establishment, the competent managing authority may revoke authorization.

A management authority shall prepare a master management plan for an industrial complex and obtain approval from the managing authority. The master management plan contains master guidelines for the management of relevant industrial complex, including the area of the industrial complex to be managed, the business type eligible for move-in and qualification of resident enterprises, zones for each specific use of industrial sites, the layout of factories for each type of business, and matters regarding installation and operation of support facilities.

3.2.5 Occupancy Contracts

A person who runs, or intends to run, a manufacturing business in an industrial complex shall execute an occupancy contract with the management authority. When a resident enterprise or a support institution (referring to a person who has established and runs a finance business or an insurance business, a medical business, or an educational business in an industrial complex to support business activities of resident enterprises) intends to amend the occupancy contract, it shall execute a contract on the amendment. A person who intends to run a business of leasing industrial sites and factories shall file a report on the completion of construction of factories and then execute an occupancy contract with the management authority. When a resident enterprise intends to dispose of an industrial site that it bought or a factory before the lapse of a specified period, it shall sell it to the management authority. The Act places a restriction on the sale price as a measure to prevent speculative investment and provides that, if a resident enterprise or a support institution does not use the whole or part of the industrial site that it bought for the purpose specified in the occupancy contract, it shall be ordered to take corrective measures. If it does not comply with the order of correction, the industrial site may be reverted by force. Moreover, an occupancy contract may be terminated: if a person fails to commence the construction of a factory without a justifiable cause after executing an occupancy contract or it is found practically impossible to complete the construction of a factory; if a person fails to commence its business without a justifiable cause within one year after completion of a factory or has shut down its business continuously for not less one year; if a person breaches the occupancy contract or violates an Act or a subordinate statute. A person who has an occupancy contract terminated shall dispose of the industrial site, factory, and other properties at fixed prices in accordance with prescribed guidelines or sell them to another enterprise or a related agency. The Act also requires each management authority to not only carry out the above-mentioned supervisory activities, but also support programs for resident enterprises, such as programs for providing market information, improving efficiency in the use of energy, supplying energy, improving the labor-management relationship, and supporting vocational training programs. Furthermore, the management authority is required to carry out support programs for providing guidance for management and technology to resident enterprises and support institutions with cooperation from the Small and Medium Business Corporation and the Agricultural and Fishery Marketing Corporation.

3.2.6 Implementation of Projects for Upgrading Structure of Industrial Complex

A project for upgrading the structure of an industrial complex promotes the inducement of enterprises to the industrial complex and enhances the competitiveness of resident enterprises. The project is executed by raising the added value of the business types in the industrial complex, improving business support services, and maintaining, repairing, improving, and extending the infrastructure for industrial clustering, industrial infrastructure, and public

facilities in the industrial complex. The Act provides that a managing authority shall implement a project for upgrading the structure of an industrial complex, if it is necessary to raise the added value of the business type in the industrial complex and realign industries due to changes in industrial circumstances or urbanization of the surroundings or if it is necessary for the maintenance, repair, reform, and expansion of industrial infrastructure, infrastructure for industrial clustering, and public facilities to support business activities of resident enterprises.

3.2.7 Korea Industrial Complex Corporation

The Act provides that the Korea Industrial Complex Corporation shall be established for the development and management of industrial complexes and the support for industrial activities of enterprises. The Korea Industrial Complex Corporation shall carry out: the management of industrial complexes; business activities for the creation, development, subdivision lease, and sale of industrial complexes; business activities for the establishment, operation, parceling-out, lease, and sale of factories, knowledge industrial centers, support facilities, and infrastructure for industrial clustering; programs for enhancement of the labor-management relationship of resident enterprises and the supply of human resources; projects for welfare, education, and housing for employees of resident enterprises; programs for operation of child-care facilities for children of employees of resident enterprises; programs for enhancement of productivity of resident enterprises and promotion of export; projects for the support for business affairs related to establishment of factories and the relocation and clustering of factories; the collection, distribution, survey, and research of information related to establishment of factories and industrial complexes and projects for upgrading the structure of industrial complexes; programs to enhance competitiveness; and other programs for supporting resident enterprises.

4. The Act on Designation and Management of Free Trade Zones

4.1 Purposes of Enactment

This Act was enacted for the purpose of facilitating the inducement of foreign investment, promotion of international trade, efficiency in international logistics, and regional development. It designates and operates free trade zones in which free activities for manufacturing, logistics, distribution, and international trade are guaranteed. This Act extensively reformed previous manufacturing-oriented free export zones to free trade zones with new function added, such as international trade, logistics, distribution, information processing, and services in addition to manufacturing. Whereas conventional free export zones had been operated mainly for designated types of manufacturing business, this Act integrated existing duty-free zones, into which foreign products could be brought without paying duties, into free export zones, in which people could freely invest in manufacturing,

by expanding the scope of business to include international trade business. Furthermore, the Act was enacted by fully reforming the former Act on Establishment of Free Export Zones in order to relax regulations on resident enterprises in free trade zones to a reasonable level and to enhance the support of resident enterprises; it is still in force today. The Act on Establishment of Free Export Zones was superseded by the Act on Designation and Management of Free Trade Zones on January 12, 2002, which entered into force on July 12, 2000.

4.2 Essential Provisions

4.2.1 Designation of Free Trade Zones

A free trade zone is an area in which free activities for manufacturing, logistics, distribution, and international trade are guaranteed through special exceptions and support under the Customs Act, Foreign Trade Act, and other relevant Acts. A free trade zone shall be designated in an area that has sufficient facilities of social overhead capital, such as an industrial complex or the hinterland of an airport, a port, or a harbor. The Minister of Knowledge Economy shall designate an area as a free trade zone after examining the actual state of the area, the necessity of designation, and conditions of designation and then consulting with the heads of related central administrative agencies.

4.2.2 Management of and Moving into Free Trade Zones

Each type of free trade zone has a different managing authority. The Minister of Knowledge Economy is the managing authority for a free trade zone designated in an industrial complex. The Minister of Land, Transport and Maritime Affairs is the managing authority for a free trade zone designated at an airport, port, harbor, hinterland, a logistics terminal, or logistics complex. To be qualified as a resident enterprise in a free trade zone, a person must be: (1) a business entity engaged in a type of manufacturing business mainly for export, which shall meet the standards prescribed for the export ratio and other relevant factors; (2) a foreign-invested enterprise engaged in a type of manufacturing business or a type of knowledge service business, which shall meet the standards prescribed for the foreign investment ratio and other relevant factors; (3) a business entity engaged in a type of knowledge service business, which shall meet the standards prescribed for the export ratio and other relevant factors; (4) a business entity engaged in a type of wholesale business, mainly in export and import transactions which shall meet the standards prescribed for the ratio of export and import transactions and other relevant factors; (5) a business entity engaged in shipping and discharging, transportation, storage, exhibition of goods; (6) a business entity engaged in support services for resident enterprises; or (7) a public institution or a government agency.

A person who intends to move into a free trade zone to run a business shall obtain an occupancy permit from the managing authority. An occupancy permit shall be granted

preferentially to a foreign-invested enterprise, a business entity related to high technology essential for strengthening international competitiveness of domestic industries, or a business entity mainly engaged in export. A variation from the former Act on Establishment of Free Export Zones is that, whereas enterprises that moved into a previous free export zone were classified into resident enterprises and support enterprises for the purpose of management, there is no such classification in a free trade zone and intermediary trade. A free trade zone is encouraged by permitting international trade businesses to move into a free trade zone, which was not permitted to move into a free export zone.

4.2.3 Imposition of and Exemption from Customs Duties

Domestic products, such as machines, instruments, facilities, equipment, and parts for such products, for which a resident enterprise files a declaration to bring into a free trade zone, shall be exempted from customs duties, etc. Otherwise, customs duties and other taxes on such domestic products shall be refunded, and the zero tax rate shall be applied to the value-added tax on such domestic products. Machines and parts for industrial facilities specified by Presidential Decree, which a resident enterprise ship into a free trade zone from a foreign country in order to build a building or a factory, shall be exempted from customs duties and other taxes. If a resident enterprise is a foreign-invested enterprise, it may be exempted from the corporate tax, income tax, acquisition tax, registration and license tax, property tax, aggregate land tax, etc.

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- Minutes (the 50th session of the National Assembly Committee on Commerce and Industry, the first session on the Bill of an amendment to the Act on Management of Industrial Complexes, May 31, 1965)
- Minutes (the 94th session of the Committee on Legislation and Judiciary of 9th National Assembly, Dec. 1, 1975, the 16th session on the Bill of the Act on Management of Industrial Complexes)

Appendix 1. ACT ON CREATION AND DEVELOPMENT OF EXPORT INDUSTRIAL COMPLEXES

<Enforced on Sep. 14, 1964>

<Enacted by Act No. 1656, Sep. 14, 1964>

CHAPTER 1 GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to promote the epoch-making development of export industries by promoting and guiding projects for the creation and operation of export industrial complexes.

Article 2 (Definition)

- (1) The term “industrial complex” in this Act means a cluster of industrial sites zoned and developed in accordance with a comprehensive plan to use the complex for export industries.
- (2) The term “Development Corporation” in this Act means a non-profit organization established with permission from the Minister of Commerce and Industry for the purposes of the creation and operation of industrial complexes, the inducement of Koreans residing abroad to bring in their assets, the arrangement of loans for resident enterprises, surveys for the expansion of overseas markets, etc.
- (3) The term “resident enterprise” in this Act means an enterprise that moves into an industrial complex created and operated by the Development Corporation to conduct manufacturing activities for export.
- (4) The term “creation of an industrial complex” in this Act means the sale and lease of land, the creation of sites, and the establishment of facilities in compliance with the standards under Article 15.

Article 3 (Designation of Area Prearranged for Industrial Complex)

- (1) An area prearranged for an industrial complex shall be designated by the Minister of Construction at the request of the Minister of Commerce and Industry.
- (2) When the Minister of Construction intends to designate an area pursuant to the foregoing paragraph, he/she shall comply with the procedure under the Act on Comprehensive Plans for Construction in the National Territory (excluding Article 6) or the Urban Planning Act.

CHAPTER 2 INDUSTRIAL COMPLEX DEVELOPMENT CORPORATION

Article 4 (Establishment of Development Corporation)

The Industrial Complex Development Corporation (hereinafter referred to as the “Development Corporation”) may be established with permission from the Minister of Commerce and Industry.

Article 5 (Provisions Applicable Mutatis Mutandis)

Except as provided for in this Act, provisions regarding legal entities in the Civil Act shall apply mutatis mutandis to the Development Corporation.

Article 6 (Bonded Areas)

Each export industrial complex shall be deemed a single bonded area.

Article 7 (Membership of Development Corporation)

- (1) The Development Corporation shall be comprised of investing members and non-investing members.
- (2) Non-investing members shall be recommended by the board of directors from among persons who have sound knowledge and experience.

Article 8 (Directors and Board of Directors)

- (1) The Development Corporation shall have not less than ten directors.
- (2) The board of directors shall be comprised of directors and shall make decisions on important matters specified in articles of incorporation for the creation and operation of the Development Corporation.

Article 9 (Executives)

The Development Corporation shall have one president, some standing-directors, and some auditors as its executives.

Article 10 (Approval of Appointment)

An elected president shall be approved by the Minister of Commerce and Industry.

Article 11 (Voting Rights of Members)

Each member shall have equal voting rights.

Article 12 (Articles of Incorporation)

The Development Corporation shall stipulate the following matters in its articles of incorporation:

1. Purposes;
2. Name;

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3. Place of business;
 4. Matters regarding investment in its capital;
 5. Matters regarding qualification for and forfeiture of membership;
 6. Matters regarding its business;
 7. Matters regarding the board of directors;
 8. Matters regarding the borrowing of loans;
 9. Matters regarding accounting;
 10. Matters regarding the contracting with resident enterprises;
 11. Matters regarding the disposal of assets;
 12. Matters regarding public announcement;
 13. Other relevant matters.

CHAPTER 3 COMMITTEE FOR DELIBERATION ON INDUSTRIAL COMPLEXES

Article 13 (Committee for Deliberation on Industrial Complexes)

- (1) The Committee for Deliberation on Industrial Complexes (hereinafter referred to as the “Committee”) shall be established in the Ministry of Commerce and Industry in order to have the Committee deliberate on matters regarding the creation, development and fostering of industrial complexes at the request of the Minister of Commerce and Industry.
- (2) Matters regarding the organization and operation of the Committee shall be prescribed by Presidential Decree.

Article 14 (Matters subject to Deliberation by Committee)

The Committee shall deliberate on the following matters:

1. Matters regarding the development and operation of industrial complexes;
2. Matters regarding the inducement of export industries in industrial complexes;
3. Matters regarding the selection of resident enterprises;
4. Matters regarding the inducement of Koreans residing abroad to patriate their assets to industrial complexes;
5. Matters regarding the disposal of assets of the Development Corporation;
6. Matters regarding the disqualification, eviction, and liquidation of resident enterprises;

7. Matters regarding loans borrowed by the Development Corporation and resident enterprises;
8. Other matters that the Minister of Commerce and Industry takes at the Committee for deliberation because he/she considers it necessary to deliberate upon in the Committee.

CHAPTER 4 CREATION OF MOVING INTO INDUSTRIAL COMPLEXES

Article 15 (Standards for Creation)

Standards for the following matters in regard to the creation of an industrial complex shall be prescribed by Presidential Decree:

1. Securing the land for the complex that can accommodate a considerable number of enterprises;
2. Roads, facilities for water supply and drainage, facilities for electric power, facilities for hygiene, security facilities, and other facilities necessary of operations of resident enterprises.

Article 16 (Qualification for Move-in)

- (1) To be qualified to occupy an industrial complex, an enterprise shall have appropriate technology for manufacturing certain products for export and records of export and shall be designated by the Minister of Commerce and Industry: Provided, That an enterprise that has no record of export but has obvious prospects for export may move into an industrial complex through deliberation by the Committee and with designation by the Minister of Commerce and Industry. Such enterprises shall not exceed one-third of the total number of resident enterprises.
- (2) Standards for deliberation on qualification of resident enterprises shall be prescribed by Presidential Decree.

CHAPTER 5 CREATION AND SUPERVISION OF INDUSTRIAL COMPLEXES

Article 17 (Government Subsidies, etc.)

The Government may subsidize the Development Corporation, within budget, for part of the fund necessary for implementing the creation of industrial complexes and may guarantee the repayment of loans borrowed for the creation and operation of industrial complexes.

Article 18 (Preferential Permission for Bringing in Assets)

If a resident enterprise designated by the Minister of Commerce and Industry intends to occupy an industrial complex and bring its own factory facilities and raw materials from

foreign countries into the industrial complex in order to use them, the Government shall permit it preferentially.

Article 19 (Tax Exemption)

Assets and business operations of the Development Corporation shall be exempted from the corporate tax, business tax, registration tax, acquisition tax, and property tax.

Article 20 (Expropriation and Use of Land)

The Development Corporation may expropriate or use the land necessary for the creation of an industrial complex. The same shall apply to goods or rights specified in subparagraphs of Article 2 (2) of the Land Expropriation Act.

Article 21 (Relationship to Land Expropriation Act)

- (1) Expropriation and use of land under the foregoing Article shall be executed in accordance with the Land Expropriation Act.
- (2) Designation by the Minister of Construction under Article 3 shall be deemed the approval of a project under Article 14 of the Land Expropriation Act.

Article 22 (Special Exceptions for Acquisition of Land)

- (1) If the Development Corporation files an application for sale or loan of any State or public property or any reverted property in order to use it for the creation of an industrial complex, the Government may sell or loan it, as prescribed by Presidential Decree, notwithstanding Article 5 of the Provisional Act on Special Cases concerning Disposal of State or Public Property and Articles 15 and 29 of the State-Reverted Property Disposal, unless there is any exceptional circumstance in the public interest.
- (2) A person who is eligible for purchasing any property by a negotiated contract pursuant to the proviso to Article 5 of the Provisional Act on Special Cases concerning Disposal of State or Public Property or the previous tenant of any reverted property shall be compensated by the Development Corporation for losses sustained directly by the person or the tenant as a consequence of the sale or lease under the foregoing paragraph, as prescribed by Presidential Decree.

Article 23 (Rents and Sale of Building Sites)

- (1) The Development Corporation shall collect rents or use charges from resident enterprises for building sites of factories, common facilities, and other facilities.
- (2) The collection of rents or use charges under the foregoing paragraph or the sale of building sites shall be approved by the Minister of Commerce and Industry.

Article 24 (Revocation of Qualification of Resident Enterprises)

- (1) If a resident enterprise falls under any of the following subparagraphs, the Minister of Commerce and Industry may revoke the qualification of the enterprise: Provided, that the foregoing shall not apply to cases approved by the Minister of Commerce and

Industry through deliberation by the Committee. In such cases, such revocation shall not undermine the development of the same industry:

1. If an enterprise fails to move into an industrial complex within a reasonable period after it is designated as a resident enterprise;
 2. If a resident enterprise fails to export its products within a reasonable period after it moves into an industrial complex;
 3. If a resident enterprise smuggles machines, raw materials, or products into the domestic market.
- (2) When a resident enterprise's qualification as a resident enterprise is revoked, the occupancy contract made between the Development Corporation and the resident enterprise shall be cancelled, and the Development Corporation shall settle the account with the enterprise, as prescribed by Presidential Decree.

Article 25 (Supervision)

The Minister of Commerce and Industry shall supervise the status of business performance of the Development Corporation and may take measures necessary for the improvement of its business, as prescribed by Presidential Decree.

Article 26 (Preferential Implementation of Urban Plans)

The central government or a local government may implement urban plans and development projects preferentially in environs of an industrial complex within budget limits.

Article 27 (Enforcement Decree)

Matters necessary for the enforcement of this Act shall be prescribed by Presidential Decree.

ADDENDA <Act No. 1656, Sep. 14, 1964>

(1) (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

(2) (Transitional Measure)

Priority shall be given to resident enterprises of the first industrial complex designated after this Act enters into force in bringing in assets of Koreans residing abroad. In such cases, the term "records of export" in Article 16 (1) means secured overseas markets.

Appendix 2. ACT ON ESTABLISHMENT OF FREE EXPORT ZONES

<Enforced on January 1, 1970>

<Enacted by Act No. 2180, Jan. 1, 1970>

Article 1 (Purpose)

The purpose of this Act is to attract foreign investment by establishing free export zones in specific coastal areas to seek the promotion of exportation, increased employment and advancement of technology so as to contribute to the development of the national economy.

Article 2 (Meaning of Terminology)

- (1) The term “free export zone” (hereinafter referred to as “free zone”) in this Act means a zone designated pursuant to Article 3 and taking on the character of bonded zones in which the application of relevant Acts and subordinate statutes is exempted or eased fully or partially.
- (2) The term “corporate occupant” in this Act means an enterprise which has obtained permission pursuant to Article 8 (1).
- (3) The term “foreigner” in this Act means a natural person having foreign nationality, a corporation established by foreign law or a natural person with Korean nationality residing in foreign countries for not less than ten years.
- (4) The term “tariff zone” in this Act means a zone, other than free zones, in which tariffs are imposed;
- (5) The term “export” and “import” in this Act means export and import in the Act on Transactions in International Trade.

Article 3 (Designation of Free Zones)

- (1) Free zones shall be designated by the Minister of Commerce and Industry among potential areas selected by the Minister of Construction by taking into consideration opinions of the Minister of Home Affairs.

Article 4 (Creation of Free Zones)

- (1) The Minister of Construction shall take charge of the creation of land lots, roads, waterworks and sewerage, fairway dredging and construction of port facilities.
- (2) Only the heads of free zone management agencies, corporate occupants, or persons who have obtained permission pursuant to Article 8 (3) (hereinafter referred to as “support enterprise”) shall be allowed to construct factories, buildings and other structures (hereinafter referred to as “factory, etc.”) in free zones: Provided, that in cases of corporate occupants and support enterprises, it shall be limited to construction to be directly used for their own business.

Article 5 (Establishment of Management Agencies)

- (1) A free zone management agency (hereinafter referred to as “management agency”) shall be established in each free zone under the control of the Minister of Commerce and Industry to take charge of the management and operation of free zones.
- (2) Each management agency shall take charge of the following duties:
 1. Installation of various kinds of support facilities;
 2. Recommendation of enterprises to move into free zones and granting permission to support enterprises;
 3. Supervision of factory construction, etc.;
 4. Granting permission for the export/import of products;
 5. Supervision of corporate occupants and support enterprises;
 6. Cooperation in the arrangement of job opportunities;
 7. Other matters concerning the management and operation of free zones.
- (3) The name, location, management area and staff organization of management agencies and other necessary matters shall be determined by Presidential Decree.

Article 6 (Establishment of Branch Agencies, etc.)

Any institution taking charge of duties necessary for business activities of corporate occupants may establish branch agencies or place staff within free zones for the prompt discharge of such duties.

Article 7 (Sale and Lease of Land, etc.)

- (1) The head of a management agency (hereinafter referred to as “head of a management agency”) may sell land lots, factories, etc. in the possession of the State to corporate occupants or lease such land lots, etc. to corporate occupants or support enterprises as prescribed by Presidential Decree.
- (2) The Minister of Commerce and Industry may determine and publicly announce the prices of land lots, factories, etc. to be sold or leased pursuant to the preceding paragraph in consultation with the Minister of Finance each year and may, when necessary, indicate such prices in foreign currencies.
- (3) Each person who intends to purchase land lots pursuant to paragraph (1) shall obtain permission prescribed in the Foreigner's Land Acquisition Act: Provided, That the same shall not apply to cases of leasing land.

Article 8 (Permission for Occupation, etc.)

- (1) Each person who intends to engage in business to manufacture, process or assemble products in free zones for the purpose of exportation shall obtain permission from the Minister of Commerce and Industry as prescribed by Presidential Decree.

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- (2) The preceding paragraph shall also apply to cases where the corporate occupant in the preceding paragraph intends to change the kind of the product he/she manufactures, processes or assembles.
 - (3) Each person who intends to engage in the business of warehousing, transportation, unloading, packing, etc. necessary to support the business of corporate occupants within free zones shall obtain permission from the head of the relevant management agency as prescribed by Presidential Decree.
 - (4) Each corporate occupant shall be deemed to have obtained permission for export/export business prescribed in the Act on Transactions in International Trade with respect to the export of products he/she produced or import of raw materials and machinery necessary for his/her production.
 - (5) With respect to business conducted by corporate occupants, no provisions pertaining to permission, licenses, registration, etc. in Acts and subordinate statutes related to the relevant business shall apply thereto and the same shall also apply to export and import.

Article 9 (Qualifications of Corporate Occupants)

Each person to be eligible to conduct business in free zones pursuant to paragraph (1) of the preceding Article shall satisfy the following requirements:

1. An enterprise manufacturing, processing or assembling products for the purpose of exportation;
2. An enterprise invested solely by foreigners or an enterprise invested jointly with Korean nationals in the ratio of investment prescribed by Presidential Decree.

Article 10 (Construction of Factories, etc.)

In the application of the Building Act within free zones, “head of a Si/Gun” in the same Act shall be construed as “head of a management agency.”

Article 11 (Delegation of Authority over Inducement of Foreign Capital)

- (1) With respect to foreign capital induced by corporate occupants or support enterprises, the whole or part of authority of the Minister of Economic Planning Board prescribed in the Foreign Capital Inducement Act may be delegated to the Minister of Commerce and Industry as prescribed by Presidential Decree.
- (2) Articles 34 through 39 of the Foreign Capital Inducement Act shall not apply to the inducement of foreign capital prescribed in the preceding paragraph.

Article 12 (Application of Act on Transactions in International Trade, etc.)

- (1) In the application of the Act on Transactions in International Trade to the exportation and importation which take place in free zones, the “Minister of Commerce and Industry” in the same Act shall be construed as the “head of a management agency”: Provided, that the same shall not apply to the application of Article 9 of the same Act.

- (2) Every product exported or imported under permission of the heads of management agencies shall obtain confirmation from the heads of custom houses.
- (3) When the head of a management agency recognizes that it is unlikely to impair the reputation of exported products, he/she may exempt such products from export inspections as prescribed by Ordinance of the Ministry of Commerce and Industry, notwithstanding the Export Inspection Act and other Acts and subordinate statutes.

Article 13 (Use and Management of Imported Products)

- (1) Any product brought or imported into a free zone may be stored or used in a bonded state only within the free zones.
- (2) Matters concerning the storage, use, etc. of products brought or imported into a free zone shall be determined by the Minister of Finance in consultation with the Minister of Commerce and Industry, notwithstanding other Acts and subordinate statutes.

Article 14 (Restriction on Bringing-in of Products, etc.)

- (1) No product brought or imported into a free zone nor products manufactured, processed or assembled in such zones or waste articles, byproducts, etc. generated in the said processes shall be brought into bonded zones: Provided, that products, which need to be brought into bonded zones and are not likely to impair domestic industries, may be brought into bonded zones under permission of the Minister of Commerce and Industry as prescribed by Presidential Decree.
- (2) The Customs Act shall apply to products brought into bonded zones in accordance with the preceding paragraph.

Article 15 (Restriction on Transfer of Land, etc.)

Any corporate occupant or support enterprises may transfer, lease, have another person use, or provide as security land, factories, etc. under permission of the heads of management agencies: Provided, that parties to contract for such transfer, lease and use must be corporate occupants or support enterprises.

Article 16 (Permission for Access, etc.)

Each person or vehicle which intends to enter free zones shall obtain permission from the heads of management agencies as prescribed by the Minister of Commerce and Industry and products he/she/it carries or transports shall be inspected by the heads of custom houses.

Article 17 (Cancellation of Permission for Occupancy and Transfer of Land, etc.)

- (1) The Minister of Commerce and Industry may, when a corporate occupant or support enterprise falls under any of the following subparagraphs, cancel permission referred to in Article 8 (1) or (3) according to a request of the head of the relevant management agency:
 1. Where a corporate occupant or support enterprise fails to commence the relevant business by the deadline set by Ordinance of the Ministry of Commerce and

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- Industry or suspends the relevant business after obtaining permission pursuant to Article 8 (1) or (3);
2. Where a corporate occupant or support enterprise violates any condition imposed on granting permission in Article 8;
 3. Where a corporate occupant or support enterprise has been punished for the reason of violating the Customs Act.
- (2) Each corporate occupant or support enterprise shall, when permission is cancelled according to the preceding paragraph, immediately suspend the relevant business, except for acts prescribed by Presidential Decree, such as the export/import of products of which permission for export/import has been obtained at the time of such cancellation and handling of unsettled affairs.
- (3) Each person whose permission is cancelled pursuant to paragraph (1) shall transfer the land, factories, etc. in his/her possession to other corporate occupants or support enterprises within a period prescribed by Presidential Decree. The same shall apply to the closure of business.
- (4) The State may purchase land, factories, etc. not transferred within the period referred to in the preceding paragraph at prices announced pursuant to Article 7 (2) in the year they should be transferred.

Article 18 (Labor Strifes)

The provisions pertaining to public works in the Labor Dispute Conciliation Act shall apply to the strifes of laborers working for corporate occupants in free zones and conciliation of such disputes.

Article 19 (Expropriation of Land, etc.)

The Government may, for the creation of free zones, expropriate land, buildings, things and rights in the free zones. In such cases, the Land Expropriation Act shall apply thereto.

Article 20 (Exclusion of Act on Employment of Persons Eligible for Veteran's Benefits)

The Act on Employment of Persons Eligible for Veteran's Benefits shall not apply to corporate occupants.

Article 21 (Delegation of Authority)

The head of each administrative agency may delegate part of his/her authority to the heads of management agencies for the rational management and operation of free zones as prescribed by Presidential Decree.

Article 22 (Reporting)

The head of a management agency may, when necessary for the management and operation of free zones, request corporate occupants or support enterprises to make a report on their business as prescribed by Presidential Decree.

Article 23 (Penal Provisions)

- (1) Any person that has changed the kind of the product he/she manufactures, processes or assembles without obtaining permission referred to in Article 8 (2) shall be punished by imprisonment with prison labor for not more than five years or by a fine equivalent to not less than twice, but not more than five times the value of the product manufactured, processed or assembled.
- (2) In cases falling under the preceding paragraph, the product referred to in the preceding paragraph which is possessed or occupied by such offender shall be confiscated, and when confiscation is not possible, the value thereof shall be collected.

Article 24 (Penal Provisions)

Any person that has transferred, leased, allowed another person to use or provided as security land, factories, etc. without obtaining permission referred to in Article 15 shall be punished by imprisonment with prison labor for not more than five years or by a fine not exceeding five million won.

Article 25 (Penal Provisions)

Any person that has conducted business in violation of Article 17 (2) shall be punished by imprisonment with prison labor for not more than five years or by a fine not exceeding ten million won.

Article 26 (Penal Provisions)

Any person that has brought products into a bonded zone without taking legal procedures under this Act shall be punished in accordance with the Customs Act and Act on the Aggravated Punishment of Specific Crimes.

Article 27 (Penal Provisions)

Any person that has entered free zones without obtaining permission from the heads of management agencies in violation of Article 16 shall be punished by imprisonment with prison labor for not more than one year or by a fine not exceeding 50,000 won.

Article 28 (Fines for Negligence)

Any person that has failed to report in violation of Article 22 or has made a false report shall be punished by a fine for negligence not exceeding 10,000 won.

Article 29 (Joint Penal Provisions)

When a representative of a corporation or a proxy, employee or other worker of a corporation or a natural person commits an offense referred to in Articles 23 through 26 and 28 in connection with the business of such corporation or such natural person, not only shall the offender be punished but such corporation or such natural person also shall be punished by the relevant fine or fine for negligence.

Article 30 (Enforcement Decree)

Matters necessary for the enforcement of this Act shall be determined by Presidential Decree.

ADDENDUM <Act No. 2180, Jan. 1, 1970>

This Act shall enter into force on the date of its promulgation.

Appendix 3. LOCAL INDUSTRIAL DEVELOPMENT ACT

<Enforced on Jan. 1, 1970>

<Enacted by Act No. 2187, Jan. 1, 1970>

Article 1 (Purpose)

The purpose of this Act is to promote balanced development of the national economy by promoting appropriate dispersion of industries to provinces, narrowing the economic gaps between regions, and increasing job opportunities.

Article 2 (Designation of Incentivized Zones for Industrial Development)

- (1) The Minister of Construction may designate an area that meets the requirements under Article 3, in which it is considered necessary to encourage the development of industries, as an incentivized zone for industrial development (hereinafter referred to as “development zone”) ex officio or upon receiving a request from the competent Do Governor.
- (2) If a Do Governor intends to have an area designated as a development zone, he/she shall prepare documents as shall be set forth in Presidential Decree and shall submit the documents to the Minister of Construction through the Minister of the Interior.
- (3) When the Minister of Construction intends to designate a development zone pursuant to paragraph (1), he/she shall hear opinions of the competent Do Governor (limited to cases where a development zone is designated ex officio) and then shall bring the case to the Committee for Deliberation on Local Industrial Development for deliberation.
- (4) The construction of a building in a development zone designated pursuant to paragraph (1) shall be deemed construction of a building in an urban planning zone and shall be governed by the Building Act.
- (5) When the Minister of Construction designates a development zone under paragraph (1) or alters the area of a development zone, he/she shall publicly announce the designation or alteration, as shall be prescribed by Presidential Decree.

Article 3 (Requirements for Designation)

To be eligible for designation as a development zone, an area shall be currently industrially underdeveloped and shall meet the following requirements:

1. It shall be easy to secure land for factories and residential buildings;
2. It shall be easy to secure supply of water and electric power and to improve facilities for transportation and other public facilities;
3. It shall be at an optimal distance from cities, easy to supply labor force with favorable market conditions and with less risk of pollution;

4. It shall be easy to systemize industries.

Article 4 (Master plan)

- (1) A person who intends to create a development zone shall prepare a master plan for the site of the project in the development zone and the scale of facilities, as shall be prescribed by Presidential Decree, and shall obtain approval thereof from the Minister of Construction by way of the competent Do Governor and the Minister of the Interior, if the person is a private individual; and the Minister of the Interior if the person is a Do Governor. The same shall also apply to a proposed modification to the master plan with regard to any important matter as shall be specified Presidential Decree.
- (2) When the Minister of Construction approves a master plan pursuant to the foregoing paragraph, he/she shall notify the heads of related ministries thereof.

Article 5 (Support for Development)

- (1) When the central Government and a local government designates an area as a development zone, it shall provide support necessary for the rearrangement of the site and the construction of access roads, water supply, etc.
- (2) The items and ratio of expenses apportioned to the State when it provides the support under the foregoing paragraph shall be set forth in Presidential Decree.

Article 6 (Incorporation of Factories in Development Zone)

A person who intends to establish a factory in a development zone shall have the site designated by the competent Do Governor, as shall be prescribed by Presidential Decree.

Article 7 (Disposal of Properties in Development Zone)

- (1) Notwithstanding the State Property Act and other relevant Acts and subordinate statutes, the land owned by the State or a local government in a development zone may be loaned or sold to a person who has a site designated pursuant to the foregoing Article by a negotiated contract.
- (2) Notwithstanding the State Property Act and other relevant Acts and subordinate statutes, a person may be permitted to pay the price for the sale under the foregoing paragraph in installments during a period of not more than ten years.
- (3) In the case of the foregoing paragraph (2), the rent rate or the sale price and the method of payment shall be determined in accordance with the State Property Act.

Article 8 (Tax Exemption)

- (1) A new enterprise that establishes a factory in a development zone and runs a business (limited to an enterprise developed and established in accordance with the master plan for the development zone) shall be partially exempted from taxes pursuant to the Regulation of Tax Reduction and Exemption Act.

- (2) Where an enterprise in a development zone establishes a new facility or extends a facility, it may be allowed to make special depreciation for corporate taxation.

Article 9 (Application of the Land Expropriation Act)

- (1) Lands necessary for the creation of a development zone, fixtures on such lands, or any right other than the ownership of such lands or fixtures may be expropriated or used.
- (2) The expropriation or use under the foregoing paragraph shall be governed by the Land Expropriation Act.
- (3) In applying the Land Expropriation Act pursuant to the foregoing paragraph, the designation of a development zone under Article 2 (1) shall be deemed approval of a project under Article 14 of the Land Expropriation Act.

Article 10 (Deliberative Committee)

- (1) The Committee for Deliberation on Local Industrial Development shall be established in the Ministry of Construction to have the Committee deliberate on the approval of master plans for the designation of development zones and other important matters regarding local industrial development.
- (2) Necessary matters regarding the organization and operation of the Committee for Deliberation on Local Industrial Development shall be set forth in Presidential Decree.

Article 11 (Enforcement Decree)

Necessary matters regarding the enforcement of this Act shall be set forth in Presidential Decree.

ADDENDUM <Act No. 2187, Jan. 1, 1970>

This Act shall enter into force on the date of its promulgation.

Appendix 4. THE ACT ON DEVELOPMENT AND PROMOTION OF INDUSTRIAL SITES

<Enforced on Dec. 24, 1973>

<Enacted by Act No. 2657, Dec. 24, 1973>

CHAPTER1 GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to promote heavy and chemical industries by facilitating the development of industrial sites and water resources, thereby contributing to the development of the national economy.

Article 2 (Definitions)

The term “heavy and chemical industries” in this Act means industries that are critical to the nation such as iron, steel, shipbuilding, machinery, nonferrous metals, oil refinery, chemical, and pulp industries.

Article 3 (Master Survey)

The Minister of Construction shall conduct master surveys as necessary for preparing a master plan for the designation and development of development zones for industrial sites.

Article 4 (Delegation of Authority)

The Minister of Construction may delegate part of his/her authority under this Act to the Seoul Metropolitan City Mayor, the Busan City Mayor, or a Do Governor (hereinafter referred to as “Do Governor”), as shall be prescribed by Presidential Decree.

CHAPTER2. DEVELOPMENT OF INDUSTRIAL SITES, ETC.

Article 5 (Designation of Development Zones for Industrial Sites, etc.)

- (1) The Minister of Construction shall designate an area necessary for promoting heavy and chemical industries as a development zone for an industrial site (hereinafter referred to as “site development zone”) with approval from the President after deliberation by the State Council.
- (2) When Minister of Construction designates an area as a site development zone pursuant to paragraph (1), he/she shall publicly notify people of the designation, as shall be prescribed by Presidential Decree.
- (3) Article 4 of the Urban Planning Act shall apply mutatis mutandis to site development zones designated pursuant to paragraph (1).

Article 6 (Incorporation of master plans for Development of Industrial Sites)

When an area is designated as a site development zone pursuant to Article 5, the Minister of Construction shall establish a master plan for the development of the site development zone, as shall be prescribed by Presidential Decree.

Article 7 (Implementor of Project for Development of Industrial Site)

- (1) A project for the development of an industrial site shall be implemented by the central government, a local government, or the Industrial Sites and Water Resources Development Corporation.
- (2) If the Minister of Construction considers it necessary to implement a project for the development of an industrial site efficiently, he/she may authorize any person other than persons set forth in paragraph (1) to implement the whole or a part of the project, as shall be prescribed by Presidential Decree.

Article 8 (Approval of Implementation Plan for Project for Development of Industrial Site)

- (1) An implementor of the project for the development of an industrial project (hereinafter referred to as “project implementor”) shall prepare an implementation plan for the project for the development of the industrial site (hereinafter referred to as “implementation plan”) and shall obtain approval from the Minister of Construction, as shall be prescribed by Presidential Decree.
- (2) When the Minister of Construction approves an implementation plan pursuant to paragraph (1), he/she shall publicly notify people of the plan, as shall be prescribed by Presidential Decree.

Article 9 (Entrusted Implementation of Project for Development of Industrial Site)

- (1) A project implementor may entrust the Minister of Construction or a Government-invested institution with the implementation of projects for the construction of ports, harbors, facilities for water supply, roads, and other public facilities as shall be set forth in Presidential Decree (hereinafter referred to as “support facilities for an industrial site”) and the reclamation of land from public waters within the scope of the project for the development of an industrial project, as shall be prescribed by Presidential Decree.
- (2) A project implementor may entrust the competent Do Governor or head of a Si/Gun with the purchase of land and the compensation for losses with regard to the project for the development of an industrial site, as shall be prescribed by Presidential Decree.

Article 10 (Expropriation of Land)

- (1) A project implementor may expropriate or use the land or buildings necessary for the project for the development of the industrial site, fixtures on such land, or any right other than the ownership of fixtures on the land, a mining right, a fishing right, or a right to use water (hereinafter referred to as “land and other properties”).
- (2) The approval of an implementation plan under Article 8 shall be construed as the approval of a project under Article 14 of the Land Expropriation Act, and a petition for adjudication shall be filed within the period of implementation of the project specified in the approval of the implementation plan, notwithstanding Articles 17 and 25 (2) of said Act.
- (3) The Central Land Tribunal shall have jurisdiction over the adjudication on the expropriation or use under Article 9 (2).
- (4) Except as otherwise explicitly provided by this Act, the Land Expropriation Act shall apply *mutatis mutandis* to the expropriation or use under paragraph (1).

Article 11 (Advance Payment)

A project implementor may collect the full amount or a part of proceeds from a person who intends to buy a parcel of land developed by it or from a person who intends to use its facility, as shall be prescribed by Presidential Decree.

Article 12 (Beneficiary Charge)

If a person significantly benefits from the project for the development of an industrial site, the competent project implementor may collect a charge from the beneficiary for part of the relevant project cost within the extent of one-half of the benefit, as shall be prescribed by Presidential Decree.

Article 13 (User Charges and Causer Charges)

- (1) A project implementor may collect charges from users of support facilities for an industrial site for the full amount or a part of the construction cost of such facilities, as shall be prescribed by Presidential Decree.
- (2) A project implementor may collect a charge from a person who is liable for the cost of additional construction work or activity for the full amount or a part of the construction cost required as a consequence of such additional construction work or activity for support facilities for an industrial site, as shall be prescribed by Presidential Decree.

Article 14 (Inflictor Charges)

If a person’s act or business is likely to damage a facility managed by a project implementor, the project implementor may collect a charge from the person for the full amount or a part of the cost required for repairing or maintenance of the facility or the cost required for the prevention of damage to the facility, as shall be prescribed by Presidential Decree.

Article 15 (Reclamation of Land from Public Waters)

Where land is reclaimed from public waters in order to secure the land necessary for the project for the development of an industrial site, the approval of an implementation plan under Article 8 shall be construed as the license for the reclamation under Article 4 of the Public Waters Reclamation Act. In such cases, the Industrial Sites and Water Resources Development Corporation or a Government-invested institution shall be exempted from licence fees under the Public Waters Reclamation Act.

Article 16 (Hand-over of Developed Land, etc.)

- (1) A project implementor may hand over or transfer the land developed by the project for the development of an industrial site or support facilities built for the industrial site (including equipment) to the person responsible for the management of such land or such support facilities, as shall be prescribed by Presidential Decree. In such cases, the land shall be transferred at a reasonable price set by the Minister of Construction, and support facilities may be transferred at the construction cost, notwithstanding the State Property Act or the Local Finance Act.
- (2) A person who has land or support facilities for an industrial site handed over or transferred pursuant to paragraph (1) shall succeed to all the project implementor's rights and obligations that have arisen in the course of the development of the land or the construction of the support facilities for the industrial site.

Article 17 (Tax Exemption)

- (1) When the Industrial Sites and Water Resources Development Corporation or a Government-invested institution implements a project for the development of an industrial site, it shall be exempted from taxes under the Regulation of Tax Reduction and Exemption Act, relevant Acts and subordinate statutes.
- (2) The land or support facilities for an industrial site handed over and acquired pursuant to Article 16 (1) shall be exempted from the acquisition tax and registration tax under the Regulation of Tax Reduction and Exemption Act.

Article 18 (Entry to Land, etc.)

A project implementor may enter other person's land, temporarily use other person's land, or alter or remove bamboos, trees, soil, rocks, or other obstacles on other person's land in order to implement the project for the development of an industrial site, and Articles 5 and 6 shall apply mutatis mutandis to such cases.

Article 19 (Inspection of Relevant Documents, etc.)

If necessary to implement a project, a project implementor may inspect or copy necessary documents in a registry office or any other related administrative agency free of charge or request the head of a registry office or any other related administrative agency to issue a certified transcript or abstract of such documents.

Article 20 (Service of Documents)

If it is impossible to serve a document to an interested party due to inability to trace the interested party's address or abode, a project implementor may give public notice of the document as a substitute for the service of the document, as shall be prescribed by Presidential Decree.

Article 21 (Relationships to other Acts)

- (1) When a project implementor obtains approval for implementation under Article 8 for a project to develop an industrial site, the approval shall be construed as the following permission, authorization, consent, or approval:
1. Permission to implement an urban planning project under Article 24 of the Urban Planning Act or the approval of an implementation plan under Article 25 of said Act (limited to cases where the development of an industrial site is implemented as an urban planning project);
 2. Approval for a waterworks project under Article 13 or 32-2 of the Water Supply and Waterworks Installation Act;
 3. Permission for a public sewerage project under Article 13 of the Sewerage Act;
 4. Permission for the occupancy or use under Article 4 of the Public Waters Management Act;
 5. Permission to implement a port or harbor project under Article 12 of the Harbor Act;
 6. Permission to implement a river project under Article 23 of the River Act, permission to occupy a river under Article 25 of said Act, or permission to transport bamboos or trees under Article 26 of said Act;
 7. Permission to implement a road project under Article 34 of the Road Act;
 8. Permission for development under Article 13 of the Farmland Development Act;
 9. Permission to divert farmland under Article 3 of the Farmland Preservation and Utilization Act or consent, or approval to divert farmland under Article 4 of said Act;
 10. Permission to lumber or for other activities under Article 10, 24, or 48 of the Forestry Act;
 11. Permission to lumber or for other activities under Article 2 of the Act on Control of Forest Products (excluding the permission for transactions of forest products).
- (2) If an implementation plan under Article 8 includes any activity that requires a disposition under any subparagraph of paragraph (1), the Minister of Construction shall first consult thereon with the head of the competent ministry before approving the implementation plan.

Article 22 (Forced Collection)

- (1) A person who is obligated to pay a charge to a project implementor in accordance with any provision of Articles 12 through 14 fails to pay the charge, the project implementor may entrust the head of a Si (including the Seoul Metropolitan City Mayor and the Busan City Mayor; the same shall apply hereinafter) or a Gun having jurisdiction over the area with the collection of the charge, as shall be prescribed by Presidential Decree.
- (2) When the head of a Si/Gun is entrusted with the collection of a charge pursuant to paragraph (1), he/she may collect the charge in the same manner as delinquent local taxes are collected. In such cases, the project implementor shall pay an amount equivalent to 4 percent of the amount collected by the head of a Si/Gun to the Si (including the Seoul Metropolitan City and the Busan City) or Gun.

Article 23 (Petition)

A person who has an objection against the disposition made by a project implementor pursuant to this Act or the imposition and collection of various charges by a project implementor may file a petition with the Minister of Construction within one month from the date the person becomes aware of the disposition but within three months from the date such disposition is made.

Article 24 (Implementation of Projects for Development of Water Resources)

Articles 8 through 23 shall apply mutatis mutandis to projects implemented by the Industrial Sites and Water Resources Development Corporation for the development of water resources. In such cases, the term “project for the development of an industrial site” shall be construed as “project for the development of water resources.”

CHAPTER 3 MEASURES FOR RESETTLEMENT**Article 25 (Preparation and Implementation of Measures for Resettlement)**

- (1) A project implementor (including the implementor of a project for the development of water resources; the same shall apply hereafter in this Chapter) shall prepare and implement measures for the resettlement of persons who lose their basis of livelihood (hereinafter referred to as “resettlers”) as a consequence of providing land or other properties necessary for the implementation of the project for the development of an industrial site or water resources.
- (2) When a project implementor intends to prepare measures for resettlement pursuant to paragraph (1), it shall consult with the head of the competent local government thereon in advance.

Article 26 (Support for Measures for Resettlement, etc.)

- (1) The central government or a local government shall grant subsidies more preferential than others for the creation of housing sites and the construction of housing units as a measure for resettlement with the national housing fund under the Housing Construction Promotion Act.
- (2) A project implementor may entrust the competent Do Governor or the competent head of a Si/Gun with the purchase of land and other properties for resettlers and the preparation and implementation of measures for resettlement, as shall be prescribed by Presidential Decree.
- (3) The competent Do Governor or the competent head of a Si/Gun entrusted with the preparation and implementation of measures for resettlement pursuant to the foregoing paragraph may offset sale prices for the land or housing units in the new settlement against prices for the land and other properties that shall be paid to resettlers, as shall be prescribed by Presidential Decree.

Article 27 (Tax Exemption for Resettlers)

Resettlers who acquire a housing site, farmland, and residential house for resettlement shall be exempted from the acquisition tax and registration tax as provided by the Regulation of Tax Reduction and Exemption Act.

Article 28 (Preferential Employment of Resettlers)

A project implementor (including contractors if a project is implemented under contracts) or a person who runs an enterprise in a site development zone shall employ resettlers preferentially over others, unless there is any exceptional circumstance.

Article 29 (Payment of Compensations, etc.)

- (1) If there is any parcel of land or other property of which the transfer or preservation of ownership is not registered when a project implementor pays purchase prices or other compensations for land or other properties, the project implementor may pay compensations for the land or property to the person confirmed as the legitimated right holder by the competent head of a Gu/Si or an Eup/Myeon, as shall be prescribed by Presidential Decree.
- (2) Upon receiving an application for the issuance of a certificate pursuant to the foregoing paragraph, the competent head of a Gu/Si or an Eup/Myeon shall publicly notify people of the fact for 30 days before issuing the certificate, as shall be prescribed by Presidential Decree.
- (3) Any person who has an objection against the issuance of a certificate under paragraph (1) may file a written objection with the competent head of a Gu/Si or an Eup/Myeon during the period specified in the public notice under the foregoing paragraph.

- (4) Upon receiving an objection under the foregoing paragraph, the competent head of a Gu/Si or an Eup/Myeon shall investigate and verify the authenticity of the person who possesses the property at issue without registering it and shall issue a certificate or reject the application within 20 days from the date the objection is filed.
- (5) Article 10 of the Addenda to the Civil Act shall not apply to the land or other property of a person who is confirmed as a legitimate right holder pursuant to paragraph (1).
- (6) When a project implementor files an application for the registration for the transfer or preservation of ownership after paying the purchase price or other compensations pursuant to paragraph (1) to acquire a parcel of land or other property, it may substitute a document proving the cause of registration under Article 40 (1) 2 of the Registration of Real Estate Act with the following documents and may omit to submit a certificate of completion of registration regarding the right of the obligor of registration:
 1. A document describing the facts confirmed by the head of a Gu/Si or an Eup/Myeon pursuant to paragraph (1);
 2. A certificate of payment of the purchase price or other compensation.
- (7) The holder of the right of registration may file an application for registration for the transfer of ownership under the foregoing paragraph, notwithstanding Article 28 of the Registration of Real Estate Act.

CHAPTER 4 INDUSTRIAL SITES AND WATER RESOURCES DEVELOPMENT CORPORATION

Article 30 (Industrial Sites and Water Resources Development Corporation)

The Industrial Sites and Water Resources Development Corporation (hereinafter referred to as the “Corporation”) shall be incorporated in order to efficiently implement projects for the development of industrial sites and projects for the development of water resources.

Article 31 (Legal Personality)

The Corporation shall be a legal entity.

Article 32 (Place of Business)

- (1) The location of the Corporation’s principal place of business shall be stipulated by its articles of incorporation.
- (2) The Corporation may have offices or branch offices at places as necessary, with approval from the Minister of Construction.

Article 33 (Capital and Contribution)

- (1) The Corporation’s capital shall be 100 billion won, and the Government shall contribute the full amount of the capital.

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- (2) The time to pay the investment under paragraph (1) and the method of contribution shall be determined by the President of the Republic of Korea after deliberation by the State Council.
 - (3) The Government may make in-kind contributions with real properties or chattels to be used in projects for the development of industrial sites and projects for the development of water resources to the Corporation.
 - (4) Articles 3 and 4 of the Act on the Contribution In-Kind of State Property shall apply mutatis mutandis to cases where chattels are contributed pursuant to paragraph (3).
 - (5) The Government may grant to the Corporation as a contribution the right to use support facilities for industrial sites and facilities for the development of water resources, which are established by the Government.
 - (6) The method of calculating the value of contribution where the Government grants to the Corporation the right to use pursuant to paragraph (5) shall be set forth in Presidential Decree.

Article 34 (Formation of Corporation)

The Corporation shall be duly formed when the registration for its incorporation is completed at the registry office having jurisdiction over its principal place of business.

Article 35 (Articles of Incorporation)

- (1) The Corporation's articles of incorporation shall describe the following matters:
 1. Objectives;
 2. Name;
 3. Place of business;
 4. Matters regarding capital;
 5. Matters regarding executives and employees;
 6. Matters regarding the board of directors;
 7. Matters regarding business affairs and the execution of the business affairs;
 8. Matters regarding accounting;
 9. Matters regarding the methods of public notice;
 10. Matters regarding the issuance of bonds;
 11. Matters regarding amendments to its articles of incorporation;
 12. Matters regarding the acquisition, management, and disposal of assets;
 13. Other necessary matters.
- (2) Amendments to the articles of incorporation shall require authorization by the Minister of Construction.

Article 36 (Executives)

- (1) The Corporation shall have one president, one vice president, not more than seven directors, and one auditor.
- (2) The president shall be appointed by the President of the Republic of Korea with recommendation by the Minister of Construction.
- (3) The vice president and directors shall be appointed by the Minister of Construction with recommendation by the president.
- (4) The auditor shall be appointed by the Minister of Construction, subject to consultation with the Minister of Finance.

Article 37 (Term of Office for Executives)

The term of office for the president, vice president and directors shall be three years, while the term of office for the auditor shall be two years.

Article 38 (Executives' Duties)

- (1) The president shall represent the Corporation and have overall control over its business affairs.
- (2) The vice president shall assist the president and shall act for the president in his/her absence.
- (3) The auditor shall audit the Corporation's business performance and accounting.

Article 39 (Disqualifications of Executives)

None of the following persons shall be qualified as an executive of the Corporation:

1. A person who is not a national of the Republic of Korea;
2. A person declared incompetent, quasi-incompetent, or bankrupt and not yet reinstated;
3. A person in whose case two years have not yet passed since he/she completed a sentence of imprisonment without prison labor or any heavier punishment or since he/she was finally and conclusively relieved of such punishment;
4. A person in whose case two years have not yet passed since he/she received a sentence of a fine pursuant to any provision of this Act;
5. A person whose qualification is suspended by an Act or court judgment.

Article 40 (Restriction on Executives and Employees Holding Other Office)

No executive or employee of the Corporation shall engage in any for-profit business outside his/her duties, and no executive shall hold any other office without permission by the Minister of Construction, while no employee shall hold any other office without permission by the president.

Article 41 (Appointment and Dismissal of Employees)

The Corporation's employees shall be appointed or dismissed by the president in accordance with the articles of incorporation.

Article 42 (Status of Executives and Employees)

For the purposes of the penal provisions of the Criminal Act or any other Act, the Corporation's executives and employees shall be deemed public officials.

Article 43 (Board of Directors)

- (1) The Corporation shall have a board of directors to resolve on important matters related to its business affairs.
- (2) The board of directors shall be comprised of the president, the vice president, and directors, and the president shall take the chair.
- (3) A meeting of the board of directors shall be duly formed with the attendance of a majority of members, and a resolution at the meeting shall be adopted by an affirmative vote of a majority of members present at the meeting.
- (4) The auditor may attend a meeting of the board of directors to present his/her opinions.

Article 44 (Business Activities)

- (1) The Corporation shall conduct the following business:
 1. The following projects for the development of industrial sites:
 - (a) The development, management, and disposal of industrial complexes;
 - (b) The construction and management of ports, harbors, facilities for industrial water supply, and roads;
 2. The construction, operation, and management of the following facilities for the development of water resources (hereinafter referred to as "facilities for the development of water resources"):
 - (a) Multiple-purpose dams;
 - (b) Multiple-purpose water supply pipelines;
 - (c) Estuary dams;
 - (d) Facilities for the control of water level of reservoirs;
 - (e) Facilities for navigation on inland waters and canals;
 - (f) Other facilities for comprehensive development and use of water resources;
 3. Housing projects as measures implemented for resettlement as a consequence of the above-listed projects;

4. Reclamation of land from public waters in relation to a project for the development of water resources;
 5. Surveys, land surveys, design, testing, and research related to facilities for the projects listed in the foregoing subparagraphs;
 6. Projects incidental to the projects listed in the foregoing subparagraphs.
- (2) The Corporation may implement projects entrusted by the central government, a local government, or any other person in relation to a project under any subparagraph of paragraph (1).
 - (3) The Corporation may make an investment in a corporation that implements any project under the subparagraphs of paragraph (1) or may establish another corporation through a joint investment with the corporation mentioned above.

Article 45 (Application of the River Act)

- (1) Notwithstanding Articles 11 and 16 of the River Act, the Corporation may build, renovate, and manage facilities annexed to a river as facilities for the development of water resources, as shall be prescribed by Presidential Decree.
- (2) When the Corporation builds, renovates, or manages a facility annexed to a river pursuant to paragraph (1), it shall exercise the authority of the competent river management agency under the River Act, as shall be prescribed by Presidential Decree.

Article 46 (Grants)

- (1) Of the costs necessary for the construction, renovation, repairing, maintenance, or management of facilities for the development of water resources, the State may grant subsidies to the Corporation for the costs incurred in the control of floods and other costs as shall be specified by Presidential Decree.
- (2) The method of calculating subsidies that the State shall grant to the Corporation pursuant to paragraph (1) and other necessary matters shall be set forth in Presidential Decree.

Article 47 (Allocation of Costs)

The Corporation may allocate costs necessary for the construction, renovation, and management of facilities for the development of water resources to persons who will use running water for power generation, water supply, industrial purposes, or irrigation through such facilities, as shall be prescribed by Presidential Decree: Provided, that in cases of power generation such costs shall be allocated only to power plants that are attached to such facilities and use the reserved water.

Article 48 (Projects for Zoning and Rearrangement of Land)

- (1) If necessary to develop housing sites in a site development zone, the Corporation may implement a project for the zoning and rearrangement of land.
- (2) When the Corporation implements a project for the zoning and rearrangement of land pursuant to paragraph (1), the Corporation shall be deemed a local government for the purpose of applying the Land Zoning and Rearrangement Projects Act: Provided, that Article 32 (2) of said Act shall not apply to such cases.

Article 49 (Issuance of Bonds)

- (1) If necessary to conduct its business, the Corporation may issue bonds with approval from the Minister of Construction.
- (2) When the Minister of Construction intends to approve the issuance of bonds pursuant to paragraph (1), he/she shall consult with the Minister of Finance thereon in advance.
- (3) The Government may guarantee the payment of principal of bonds issued by the Corporation and interest thereon.
- (4) Necessary matters regarding the issuance, sale, and redemption of bonds issued by the Corporation shall be set forth in Presidential Decree.

Article 50 (Loans)

- (1) If necessary to conduct its business, the Corporation may borrow a long-term loan (including foreign loans; the same shall apply hereinafter) or a temporary loan for the funds necessary for its business with approval from the Minister of Construction.
- (2) The temporary loans under paragraph (1) shall be repaid within the same year: Provided, that if the Corporation is unable to fully repay such loans within the same year due to insufficiency of funds, it may carry over the loans to the following year with approval from the Minister of Construction.

Article 51 (Repayment Plan)

The Corporation shall prepare a plan for the repayment of long-term loans and the redemption of bonds for each business year and shall obtain approval from the Minister of Construction thereof.

Article 52 (Fiscal Year)

The Corporation's fiscal year shall correspond to the Government's fiscal year.

Article 53 (Budgeting and Accounting)

The Corporation's budgeting and accounting shall be governed by the Budgeting and Accounting of Government-Invested Institutions Act.

Article 54 (Appropriation of Profit and Disposition of Loss)

(1) Any profit accruing to the Corporation upon the settlement of accounts at the end of a fiscal year shall be appropriated for the following purposes in the following order:

1. Compensation for losses carried over;
2. Accumulation of the legal reserve until it reaches one-half of its capital;
3. Transfer to the National Treasury.

(2) Any loss incurred to the Corporation upon the settlement of accounts shall be compensated with the accumulated fund under paragraph (1) 2, and the deficiency shall be carried over to the following business year.

Article 55 (Supervision)

The Minister of Construction shall supervise the Corporation's business performance.

Article 56 (Inspection, etc.)

(1) The Minister of Construction may inspect the current status of the Corporation's business performance, accounting, and assets and may require the Corporation to make a report as necessary.

(2) If the Minister of Construction discovers any illegal act or wrongdoing upon an inspection conducted pursuant to paragraph (1), he/she may order the Corporation to take corrective or other necessary measures .

CHAPTER 5 PENAL PROVISIONS**Article 57 (Penal Provisions)**

A person who changes the form or quality of land, cuts off bamboos or trees, plants trees, collects soil or rocks, or builds, renovates, or extends a building or any other structure without permission in violation of Article 5 (3) shall be punished by imprisonment with prison labor for not more than six months or by a fine not exceeding 300,000 won.

Article 58 (Penal Provisions)

If an executive or employee of the Corporation evades, interferes with, or rejects inspection under Article 56 (1), or makes a false report, or violates an order issued pursuant to Article 56 (2), the executive or employee shall be punished by imprisonment with prison labor for not more than six months or by a fine not exceeding 100,000 won.

Article 1 (Enforcement Decree)

This Act shall enter into force on the date of its promulgation.

Article 2 (Repealed Act)

The Korea Water Resources Development Corporation Act shall be repealed on the day the registration for incorporation of the Corporation under this Act is completed.

Article 3 (Relationship to Other Act)

The term “Korea Water Resources Development Corporation” in any other Act or subordinate statute in force as at the time this Act enters into force shall be construed as the “Industrial Sites and Water Resources Development Corporation.”

Article 4 (Succession to Business, Rights, and Obligations)

- (1) The Corporation shall succeed to all the business, rights, and obligations of the Korea Water Resources Development Corporation.
- (2) The assets to which the Corporation shall succeed pursuant to paragraph (1) shall be appraised at book value as of the day immediately before its incorporation, and the transferred assets shall be construed as the Government’s contribution made simultaneously with the incorporation of the Corporation and shall be also deemed the paid-in capital at the time of its incorporation.

Article 5 (Change of Title to Transferred Assets)

The title of the Korea Water Resources Development Corporation stated in the registers and other official records of the Korea Water Resources Development Corporation’s assets transferred to the Corporation shall be construed as the title of the Corporation.

Article 6 (Status of Employees)

The employees of the Korea Water Resources Development Corporation as at the time the Corporation is incorporated shall be deemed appointed as employees of the Corporation.

Article 7 (Incorporation of Organizational Committee)

- (1) The Corporation Organizational Committee (hereinafter referred to as the “Organizational Committee”) shall be incorporated to carry out administrative affairs related to the dissolution of the Korea Water Resources Development Corporation and the incorporation of the Corporation.
- (2) The Organizational Committee shall be comprised of not more than seven Promoters commissioned by the Minister of Construction, and the Vice Minister of Construction shall serve as the chairperson of the Committee.
- (3) The Organizational Committee shall carry out the dissolution of the Korea Water Resources Development Corporation with approval from the Minister of Construction.

- (4) When the Minister of Construction intends to approve the dissolution pursuant to paragraph (3), he/she shall consult with the Minister of Finance thereon.
- (5) When the Organizational Committee completes the dissolution of the Korea Water Resources Development Corporation, it shall prepare the Corporation's articles of incorporation, obtain authorization thereof from the Minister of Construction, and then complete registration for dissolution of the Korea Water Resources Development Corporation and the incorporation of the Corporation.

Article 8 (Expenses for incorporation, etc.)

The expenses incurred in the dissolution of the Korea Water Resources Development Corporation and the expenses incurred in the incorporation of the Corporation shall be apportioned to the Korea Water Resources Development Corporation.

Article 9 (Transfer of Business)

After registration for the incorporation of the Corporation, promoters shall transfer its business affairs to the president without delay.

Article 10 (Dismissal of Promoters)

Promoters shall be deemed dismissed from office when the transfer of business affairs is completed pursuant to Article 9 of Addenda.

Appendix 5. ACT ON MANAGEMENT OF INDUSTRIAL COMPLEXES

<Enforced on Mar. 2, 1976>

<Enacted by Act No. 2843, Dec. 31, 1975>

Article 1 (Purpose)

The purpose of this Act is to promote the robust growth of the national economy through the rational operation of industrial complexes by providing for master matters regarding the management of industrial complexes.

Article 2 (Definitions)

The terms used in this Act shall be defined as follows:

1. The term “industrial complex” means a cluster of industrial sites zoned and developed in accordance with a comprehensive plan in order to collectively establish and foster enterprises manufacturing or processing goods;
2. The term “management of an industrial complex” means works specified by Presidential Decree as those related to the installation of facilities in an industrial complex and the sale, lease, maintenance, repair, and improvement of sites and facilities;
3. The term “Industrial Complex Management Corporation” means a legal entity established pursuant to Article 6 for the management of industrial complexes;
4. The term “resident enterprise” means an enterprise that concluded an occupancy contract in accordance with Article 11 (1);
5. The term “support enterprise” means an enterprise that concluded an occupancy contract in accordance with Article 11 (3).

Article 3 (Scope of Application)

This Act shall apply to industrial complexes specified by Presidential Decree among industrial complexes developed by the central Government, a local government, or any other person.

Article 4 (Notification of Designation, etc. of Industrial Complexes)

When the Minister of Construction designates an industrial site pursuant to any relevant Act or subordinate statute or authorizes or approves a plan for facilities for the development project, he/she shall notify the Minister of Commerce and Industry and the Minister of Interior thereof.

Article 5 (Management Authorities of Industrial Complexes)

- (1) An industrial complex shall be managed by the central Government, a local government, or the Industrial Complex Management Corporation.
- (2) The central Government or a local government may authorize the Industrial Complex Management Corporation to carry out works for the management of an industrial complex developed by the central Government or a local government, as prescribed by Presidential Decree.

Article 6 (Incorporation of Industrial Complex Management Corporation)

- (1) A person who intends to incorporate the Industrial Complex Management Corporation (hereinafter referred to as the “Management Corporation”) shall obtain permission from the head of the Industrial Complex Management Agency.
- (2) The Management Corporation shall be a legal entity.
- (3) Except as otherwise provided for in this Act, provisions regarding incorporated associations in the Civil Act shall apply mutatis mutandis to the Management Corporation.

Article 7 (Transfer of Industrial Complexes)

- (1) A person who intends to acquire an industrial complex transferred by a person who has developed the industrial complex or by a person who manages the industrial complex pursuant to Article 5 (1) (hereinafter referred to as the “managing agency”) shall obtain approval thereof from the head of the Industrial Complex Management Agency, as prescribed by Presidential Decree: Provided, That the foregoing shall not apply to cases where the central Government acquires an industrial complex.
- (2) If any person, other than a management authority, intends to acquire an industrial complex pursuant to paragraph (1), the person shall incorporate the Management Corporation.
- (3) A person who acquires an industrial complex transferred pursuant to paragraph (1) shall succeed to all rights and obligations arising in relation to the industrial complex.

Article 8 (Preparation of Master Management Plans, etc.)

- (1) When a local government or the Management Corporation intends to manage an industrial complex, it shall prepare a master management plan and annual business plans, as prescribed by Presidential Decree, and shall obtain approval from the head of the Industrial Complex Management Agency. The same shall also apply to cases where it intends to revise any of such plans.
- (2) When the head of the Industrial Complex Management Agency approves a plan pursuant to paragraph (1), he/she shall notify the heads of related ministries of the plan.

Article 9 (Zoning, etc. of Land for Specific Use)

- (1) A management authority shall divide the land in an industrial complex into a zone for factory facilities, a zone for supportive facilities, and a zone for public facilities for management purpose: Provided, that green zones may be installed as necessary.
- (2) The extent of a zone for factory facilities, a zone for supportive facilities, or a zone for public facilities under paragraph (1) and the scope of buildings to be built in such a zone shall be determined by the Minister of Commerce and Industry, subject to prior consultation with the Management Corporation, as prescribed by Presidential Decree.
- (3) When the Minister of Commerce and Industry determines the extent of a zone for factory facilities, a zone for supportive facilities, or a zone for public facilities under paragraph (1) and the scope of buildings to be built in such a zone pursuant to paragraph (1), he/she shall publicly announce them without delay.
- (4) Article 32 of the Building Act shall not apply to a zone for supportive facilities or a zone for public facilities publicly announced pursuant to paragraph (3).

Article 10 (Sale Price, etc. of Land, etc.)

A local government or the Management Corporation shall determine sale prices or rents for the land and facilities in an industrial complex and the method of payment of such prices or rents and shall obtain approval from the head of the Industrial Complex Management Agency thereof.

Article 11 (Occupancy Contract, etc.)

- (1) A person who intends to move into an industrial complex to run a business manufacturing or processing goods shall execute a contract on occupancy (hereinafter referred to as “occupancy contract”) with the competent management authority, as prescribed by Ordinance of the Ministry of Commerce and Industry.
- (2) When a resident enterprise under paragraph (1) intends to change an item of its business, it shall obtain consent thereto from the competent management authority.
- (3) Paragraphs (1) and (2) shall apply mutatis mutandis to a person who moves into an industrial complex to run a business of warehousing, transportation, or stevedoring, or any other business specified by Ordinance of the Ministry of Commerce and Industry, which is necessary to support business activities of resident enterprises.
- (4) The requisites for the qualification of a person who is eligible for moving into an industrial complex to run a business pursuant to paragraph (1) or (3) shall be prescribed by Presidential Decree.

Article 12 (Deadline for Disposal of Land, etc.)

- (1) When a resident enterprise or a support enterprise intends to dispose of the whole or part of the land owned thereby, it shall revert it to the competent management authority.
- (2) When a resident enterprise or a support enterprise intends to dispose of a factory and other facilities under construction (including its building site) before the construction of the factory is completed, it shall transfer them to the competent management authority: Provided, That if the management authority is unable to buy them, a resident enterprise or a support enterprise may transfer them to another resident enterprise or support enterprise or a third party with consent of the competent management authority.
- (3) When a resident enterprise or a support enterprise intends to dispose of a factory and other facilities (including its building site) owned by it before the construction of the factory is completed, it shall obtain consent thereto from the competent management authority.
- (4) Neither a resident enterprise nor a support enterprise shall lease (including sub-lease) its land, factory, or any other facility to other person: Provided, That it may lease part of its land, a vacant lot, or part of any other facility with consent thereto from the competent management authority.
- (5) The sale price of land under paragraph (1) shall be an amount calculated by adding the interest and expenses specified by Presidential Decree to the price at which an enterprise acquired, while the sale price of a factory or any other facility under the body of paragraph (2) shall be a market value appraised by an appraiser under the Appraisal Act.
- (6) If a person who intends to buy or lease land, a factory, or any other facility from a resident enterprise or a support enterprise pursuant to the proviso to paragraph (2) and (3), or the proviso to paragraph (4) is not a resident enterprise or a support enterprise, the person shall execute an occupancy contract in advance in accordance with Article 11 (1) or (3).

Article 13 (Acquisition of Land, etc. through Auction, etc.)

- (1) A person who acquires the land, factory, or any other facility of a resident enterprise or a support enterprise through an auction or by operation of any other Act shall report it to the competent agency within the period specified by Ordinance of the Ministry of Commerce and Industry from the date of acquisition. In such cases, if the acquiring person is not a resident enterprise or a support enterprise, the person shall execute an occupancy contract in accordance with Article 11 (1) or (3) within the period specified by Ordinance of the Ministry of Commerce and Industry from the date of reporting.

(2) A person who fails to execute an occupancy contract in accordance with paragraph (1) shall transfer to the property to another resident enterprise or support enterprise or a third party within the period specified by Ordinance of the Ministry of Commerce and Industry.

(3) Article 12 (6) shall apply mutatis mutandis to cases under paragraph (2).

Article 14 (Purchase of Land)

If part of the land that a resident enterprise or a support enterprise purchased is not used for the specific use under the relevant occupancy contract, the competent agency may pay the value under the former part of Article 12 (5) and purchase the land.

Article 15 (Termination of Occupancy Contract, etc.)

(1) If a resident enterprise or a support enterprise falls under any of the following subparagraphs, the competent management authority may terminate the relevant occupancy contract:

1. If a resident enterprise or a support enterprise fails to commence the construction of a factory and other facilities within the period specified by Ordinance of the Ministry of Commerce and Industry without a justifiable cause after executing an occupancy contract;
2. If it is found impossible in fact to complete the construction of a factory and other facilities;
3. If a resident enterprise or a support enterprise fails to commence its business within six months without a justifiable cause after completion of a factory and other facilities or temporarily suspends its business for not less than six consecutive months;
4. If an enterprise changes its business item without consent under Article 11 (2) (including cases to which the same paragraph shall apply mutatis mutandis pursuant to paragraph (3) of the same Article);
5. If a resident enterprise leases the whole of its site or its factory and other facilities to someone in violation of the body of Article 12 (4).

(2) A person whose tenancy contract is terminated pursuant to paragraph (1) shall discontinue its business immediately, except unsettled transactions and other business affairs specified by Presidential Decree.

(3) If an enterprise is a person who obtained approval for the inducement of foreign capital under the Foreign Capital Inducement Act, when a management authority intends to terminate the occupancy contract with the enterprise, the management authority shall obtain approval from the Minister of the Economic Planning Board in advance.

Article 16 (Disposal of Assets after Termination of Occupancy Contract)

- (1) A person whose tenancy contract is terminated on the ground under Article 15 (1) 1 or the former part of Article 15 (1) 5 shall transfer the land owned by the person to the competent managing agency within the period specified by Ordinance of the Ministry of Commerce and Industry.
- (2) A person whose tenancy contract is terminated on the ground under Article 15 (1) 2 shall transfer the land owned by the person and the factory and other facilities under construction to the competent managing agency within the period specified by Ordinance of the Ministry of Commerce and Industry: Provided, That if the competent managing agency is unable to purchase them, the shall transfer them to another resident enterprise or support enterprise or a third party with consent of the management authority.
- (3) A person whose tenancy contract is terminated on the ground under Article 15 (1) 3 or 4 or the latter part of Article 15 (1) 5 shall transfer the land owned by the person and the factory and other facilities to another resident enterprise or support enterprise or a third party with consent of the managing agency within the period specified by Ordinance of the Ministry of Commerce and Industry. The foregoing shall also apply to cases where a person closes down its business permanently.
- (4) The former part of Article 12 (5) shall apply mutatis mutandis to cases under paragraph (1) above, Article 12 (5) to cases under paragraph (2) above, and Article 12 (6) to cases falling under the proviso to paragraph (2) or (3) respectively.
- (5) If a person fails to transfer its land, factory and other facilities to a third person within the period under paragraph (3), the competent management authority may purchase such properties at the price under Article 12 (5).

Article 17 (Safety Control of Industrial Complexes, etc.)

- (1) The head of the Industrial Complex Management Agency may give instructions to resident enterprises as may be necessary in regard to safety control, pollution control, welfare facilities, and other landscaping works in an industrial complex, as prescribed by Presidential Decree.
- (2) Each management authority shall keep fire-fighting facilities as necessary in each industrial complex, as prescribed by Presidential Decree.

Article 18 (Committee for Deliberation on Industrial Complexes)

- (1) The Committee for Deliberation on Industrial Complexes (hereinafter referred to as the “Committee”) shall be established in the Industrial Complex Management Agency in order to have the Committee deliberate on important matters regarding the management of industrial complexes at the request of the head of the Industrial Complex Management Agency.

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- (2) Necessary matters regarding the organization, functions, and operation of the Committee shall be prescribed by Presidential Decree.

Article 19 (Government Subsidies)

The Government may subsidize a local government or the Management Corporation for part of expenses necessary for the management of an industrial complex, within budget limits.

Article 20 (Reporting)

- (1) The head of the Industrial Complex Management Agency may require a local government to report matters regarding the management of an industrial complex, as prescribed by Presidential Decree.
- (2) The head of the Industrial Complex Management Agency may require the Management Corporation, a resident enterprise, or a supportive agency to report matters regarding its business, as prescribed by Presidential Decree.

Article 21 (Guidance, Supervision, etc.)

- (1) The head of the Industrial Complex Management Agency may guide and supervise a local government or the Management Corporation with regard to the management of an industrial complex and order a local government or the Management Corporation to take measures necessary for the improvement of its business, as prescribed by Presidential Decree.
- (2) The Management Corporation shall not transfer its assets or provide its assets as security without approval from the head of the Industrial Complex Management Agency.

Article 22 (Revocation of Permission for Establishment of Management Corporation)

If the Management Corporation falls under any of the following subparagraphs, the head of the Industrial Complex Management Agency may revoke the permission for its establishment;

1. If it violates this Act or an order issued pursuant to this Act;
2. If it is engaged in any business outside the objectives of its establishment;
3. If it is found unable to achieve the objectives of establishment;
4. If it commits any act harmful to public interests.

Article 23 (Delegation of Authority)

In order to ensure the rational management of industrial complexes, the head of an administrative agency or the head of a local government may delegate part of his/her authority to the head of a local administrative agency under the control of the head of the Industrial Complex Management Agency, as prescribed by Presidential Decree.

Article 24 (Penal Provisions)

Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than one year or by a fine not exceeding one million won:

1. A person who transfers his/her land or factory or other facilities in violation of any provision of Article 12 (1) through (3);
2. A person who continues his/her business in violation of Article 15 (2);
3. A person who transfers his/her land or factory and or facilities in violation of any provision of Article 16 (1) through (3).

Article 25 (Penal Provisions)

Any person who falls under any of the following subparagraphs shall be punished by a fine not exceeding 500,000 won:

1. A person who leases his/her land or factory or other facilities to someone in violation of Article 12 (4);
2. A person who fails to transfer his/her land or factory or other facilities within the period under Article 13 (2);
3. A person who fails to transfer his/her land or factory or other facilities within the period under any provision of Article 16 (1) through (3);
4. A person who violates an instruction under Article 17 (1).

Article 26 (Fines for Negligence)

A person who falls under any of the following subparagraphs shall be punished by a fine for negligence not exceeding 300,000 won:

1. A person who fails to report in accordance with the former part of Article 13 (1) or makes a false representation in make such a report;
2. A person who fails to report in accordance with Article 20 (2) or makes a false representation in making such a report.

Article 27 (Joint Penal Provisions)

If the representative of a legal entity or an agent, an employee, or a servant of a legal entity or a private individual commits an offense under any provision of Articles 24 through 26 in the scope of the business of the legal entity or the private individual, not only shall such an offender be punished accordingly, but also the legal entity or the private individual shall be punished by the fine prescribed in the relevant Article.

Article 28 (Enforcement Decree)

Necessary matters regarding the enforcement of this Act shall be prescribed by Presidential Decree.

ADDENDA <Act No. 2843, Dec. 31, 1975>

Article 1 (Enforcement Date)

This Act shall enter into force 60 days after the date of its promulgation.

Article 2 (Transitional Measures)

- (1) A person who is not a local government but manages an industrial complex as at the time this Act enters into force shall be deemed the Management Corporation under this Act: Provided, That the Management Corporation under this Act shall be established within one year from the enforcement date of this Act.
- (2) If the head of the Industrial Complex Management Agency finds that a person is unable to establish the Management Corporation within the period under paragraph (1) due to an extenuating circumstance, he/she may extend the period by not more than one year.
- (3) The Management Corporation established pursuant to the proviso to paragraph (1) shall comprehensively approve the rights and obligations that have arisen in connection with the management of an industrial complex by the person who has previously managed the industrial complex.
- (4) A contract that a person who has moved into an industrial complex before this Act enters into force executed with the person who managed the industrial complex shall be deemed an occupancy contract under this Act.

Appendix 6. INDUSTRIAL PLACEMENT ACT

<Enforced on Jan. 1, 1979>

<Enacted by Act No. 3069, Dec. 31, 1977>

CHAPTER 1 GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to promote the balanced development of the national economy and the enhancement of national welfare by placing industries rationally to develop appropriate factory sites and by preventing excessive concentration of industries to facilitate the relocation of factories.

Article 2 (Definitions)

The term used in this Act shall be defined as follows:

1. The term “factory” means a building or working area in which machines or devices are installed to form a process of manufacturing goods (including a process of processing or repairing) by a manufacturing business (including a business of processing or repairing goods: hereinafter the same shall apply);
2. The term “relocation-promoted area” means an area specified by Presidential Decree among areas in a large city or its surrounding areas where the degree of concentration of industries and the rate of population growth are significantly high and thus it is necessary to move factories from the area to any other area;
3. The term “rearrangement-limited area” means an area specified by Presidential Decree as one where the degree of concentration of industries and the rate of population growth are high in the area and thus it is necessary to place restrictions on the establishment or extension of factories;
4. The term “inducement area” means an area designated pursuant to Article 16 as one where the degree of concentration of industries is low and thus it is necessary to induce industries and increase jobs.

Article 3 (Effect of Dispositions, etc. to Successor)

A disposition or any other action made pursuant to this Act or an order issued pursuant to this Act shall be effective to the successor to a person who holds the ownership of, or any other right to, the factory against which such a disposition or action is made.

CHAPTER 2 MASTER PLAN FOR INDUSTRIAL PLACEMENT

Article 4 (Master Plan for Industrial Placement)

- (1) The Minister of Commerce and Industry shall establish a master plan for industrial placement throughout the national land (hereinafter referred to as the “master plan for industrial placement”) and publicly notify people of the plan.
- (2) The master plan for industrial placement under paragraph (1) shall include the following matters:
 1. Matters regarding the placement of industries for each year, for each type of business, and for each region;
 2. Matters regarding the relocation of factories from a relocation-promoted area or a rearrangement-restricted area to an inducement area;
 3. Matters regarding the long-term demand for factory sites;
 4. Matters regarding the prevention of pollution and the conservation and rearrangement of the environment for each type of business and for each region;
 5. Other important matters regarding industrial placement.
- (3) When the Minister of Commerce and Industry intends to establish the master plan for industrial placement under paragraph (1), he/she shall consult with the heads of related ministries in advance and shall bring the plan to the Committee for Deliberation on Industrial Placement for deliberation.
- (4) The master plan for industrial placement under paragraph (1) shall harmonize with other plans for the use of the national land, such as the comprehensive plan for the construction in the national territory and other land use plans.
- (5) If it is necessary to implement the master plan for industrial placement, the Minister of Commerce and Industry shall prepare a plan for the supply of factory sites, as prescribed by Presidential Decree, and shall notify the Minister of Agriculture and Fisheries and the Minister of Construction of the plan respectively.

Article 5 (Survey on Factory Sites)

- (1) The Minister of Commerce and Industry shall conduct surveys on the location of factory sites, such as the distribution and features of industries in each region, the current status of the use of factory sites, and conditions of electric power, water supply, and transportation, on a regular basis for the establishment and implementation of the master plan for industrial placement and the formulation of standards for the location of factory sites.
- (2) The Seoul Metropolitan City Mayor, the Busan City Mayor, or a Do Governor (hereinafter referred to as “Do Governor”) may survey the actual operational status of factories within his/her jurisdiction and the trend in the location of factory sites

and may recommend necessary matters regarding the placement of factories to the Minister of Commerce and Industry.

- (3) The Minister of Commerce and Industry shall keep and maintain records of the current status of factory sites over the national land according to the surveys under paragraph (1) and the recommendations under paragraph (2) and establish the standard requirements for the land, employees, electric power, and water supply necessary for the production of each unit of product based on such records to utilize them as the guidelines for the administration of factory sites.

CHAPTER 3 LOCATION OF FACTORIES

Article 6 (Public Notification of Standards for Location of Factories)

The Minister of Commerce and Industry shall establish standards for the location of factories with regard to the following matters (hereinafter referred to as the “location standards”) and shall publicly notify people of such standards:

1. The ratio of a building site area to a factory building area for each type of manufacturing business (hereinafter referred to as the “standard factory area ratio”);
2. The installation of environmental facilities, including green areas in factory sites;
3. Conditions of location of sites for each type of manufacturing business in a specific area;
4. Restrictions on the location of types of business causing pollution (including facilities and substances).

Article 7 (Reporting on Establishment of Factories)

- (1) A person who intends to build (including cases where an existing building is to be used to run a manufacturing business) or extend a factory (excluding factories for types of business specified by Presidential Decree) at a scale equivalent to or larger than the scale prescribed by Presidential Decree in terms of the aggregate of the factory site area or the factory building area shall report it to the Minister of Commerce and Industry before commencing such construction works: Provided, That the foregoing shall not apply to cases where permission, authorization, or license (hereinafter referred to as “permission”) for the establishment of such a factory has been granted pursuant to other Acts specified by Presidential Decree.
- (2) Paragraph (1) shall also apply to cases where it is intended to modify a fact specified by Ordinance of the Ministry of Commerce and Industry among facts reported in accordance with paragraph (1).

Article 8 (Recommendation of Change of Location, etc.)

- (1) If the Minister of Commerce and Industry finds that a factory site does not meet the location standards under Article 6 as a result of an examination on cases reported in accordance with Article 7, he/she may recommend to change the location of the factory or install facilities that meet the location standards. The same shall apply to cases that fall under the proviso to Article 7 (1).
- (2) A recommendation under paragraph (1) shall be made within the period specified by Ordinance of the Ministry of Commerce and Industry from the date of filing the report (the date of filing an application for permission in cases under the latter part of paragraph (1)).

Article 9 (Order of Adjustment, etc.)

- (1) If a person builds a factory against a recommendation made to him/her pursuant to Article 8 (1) and, thus, is found to fall under any of the following subparagraphs, the Minister of Commerce and Industry may order the person to adjust or change the location of the factory or the business plan, as prescribed by Presidential Decree:
 1. If the construction of the factory significantly contravenes the layout for each region under the master plan for industrial placement;
 2. If the factory footprint is significantly below the standard factory area ratio and thus an excessively large area of land is unused;
 3. If the factory contravenes the standards for sites and severely degrades natural conditions of surroundings;
 4. If the construction of the factory significantly undermines conditions of the site of an existing factory.
- (2) An order of adjustment or change under paragraph (1) shall be issued within the period specified by Ordinance of the Ministry of Commerce and Industry from the day on which a recommendation is made pursuant to Article 8 (1).

Article 10 (Succession to Rights and Obligations)

- (1) A person who acquires a factory transferred by a person who filed a report under Article 7 (including persons in cases under the proviso to Article 7 (1); hereinafter the same shall apply) shall succeed to rights and obligations related to the factory.
- (2) If inheritance or a merger occurs with respect to a person who filed a report under Article 7, the heir or the corporation surviving after the merger or the corporation incorporated in the course of the merger shall succeed to rights and obligations related to the factory.

Article 11 (Measures against Excessively Large Factory Site)

- (1) The factory building footprint of a person who filed a report under Article 7 fails to meet the standard factory area ratio within the period specified by Presidential Decree from the day on which the construction of the factory is completed, the Minister of Commerce and Industry may give necessary instructions for the utilization of the factory site in accordance with details of the report.
- (2) If the factory building footprint fails to meet the standard factory area ratio within the period specified by Presidential Decree after the lapse of the period under paragraph (1), the excessively large factory site calculated by the standard factory area ratio for the type of business of the factory (hereinafter referred to as “site larger than the standard size”) shall be deemed the corporation’s land for non-business use under Article 188 (1) of the Local Tax Act for the purpose of applying the said Act.
- (3) After the lapse of the period under paragraph (2), the Minister of Commerce and Industry shall notify the competent head of a Si (including the Seoul Metropolitan City Mayor and the Busan City Mayor) or Gun of details of the site larger than the standard size.
- (4) The period under paragraph (1) or (2) may be varied for each type of manufacturing business.

Article 12 (Sale, etc. of Sites Larger than the Standard Size)

- (1) If the factory building footprint of a person who filed a report in accordance with Article 7 within the period specified by Presidential Decree after the lapse of the period under Article 11 (2) fails to meet the standard factory area ratio, the central Government or the competent local government may sell the site larger than the standard size on behalf of the owner of the factory site or may authorize a person specified by Presidential Decree to sell the site.
- (2) When a factory site pursuant to paragraph (1) is sold, the owner of the factory site shall be given a preliminary notice of the intended sale and shall be consulted in advance, as prescribed by Presidential Decree.
- (3) The procedure for the sale of factory sites under paragraphs (1) and (2) and other necessary matters shall be prescribed by Presidential Decree.
- (4) When the central Government, a local government, or a person specified by Presidential Decree sells a factory site pursuant to paragraph (1), it shall sell the site preferentially to the owner of a factory relocated pursuant to Article 25 (hereinafter referred to as “relocated factory”).

CHAPTER 4 RELOCATION OF FACTORIES

Article 13 (Restriction on Construction of Factories, etc.)

- (1) No one shall conduct any of the following activities in a relocation-promoted area or a rearrangement-limited area: Provided, That the foregoing shall not apply to cases specified by Presidential Decree among cases of the extension of a factory from a relocation-promoted area, the construction or extension of a factory in a rearrangement-limited area, and the relocation of a factory from a relocation-promoted area or a rearrangement-limited area:
 1. Construction or extension of a factory;
 2. Development of a factory site;
 3. Relocation of a factory.
- (2) A person who intends to build, extend, or relocate a factory pursuant to the proviso to paragraph (1) shall obtain a permit from the Minister of Commerce and Industry.
- (3) For the purpose of applying the Local Tax Act, the construction or extension of a factory under the proviso to paragraph (1) shall be deemed the construction of a new factory in a large city under Article 112 (3) or 188 (2) of the said Act.
- (4) When a person obtains a permit under paragraph (2), he/she shall be deemed to have filed the report under Article 7.

Article 14 (Registration of Existing Factories)

- (1) A person who owns (including lease; hereinafter the same shall apply) a factory in a relocation-promoted area or a rearrangement-limited area shall register it with the competent Do Governor within the period specified by Ordinance of the Ministry of Commerce and Industry from the enforcement date of the Presidential Decree that specifies the area. The foregoing shall also apply to cases where a person modifies any registered matter.
- (2) Upon receiving an application for registration of a factory pursuant to paragraph (1), a Do Governor shall report details thereof to the Minister of Commerce and Industry.
- (3) A Do Governor shall maintain the factory register and keep records of necessary matters.
- (4) When the Minister of Commerce and Industry considers it necessary to establish the master plan for placement of factories, he/she may require a person who owns a factory in any area other than relocation-promoted areas and rearrangement-limited areas to register the factory with the competent Do Governor.
- (5) Paragraphs (1) and (3) shall apply mutatis mutandis to cases under paragraph (4).

Article 15 (Relocation Order, etc.)

- (1) The Minister of Commerce and Industry shall designate factories that shall be relocated from a relocation-promoted area and issue an order to relocate such factories.
- (2) The scope of factories subject to the relocation order under paragraph (1), the procedure for the relocation order, and other necessary matters shall be prescribed by Presidential Decree.
- (3) When the Minister of Commerce and Industry intends to issue an order to relocate factories pursuant to paragraph (1), he/she shall determine the scope of factories that shall be relocated and the timing for relocating such factories and then make a public announcement thereof for a specified period.
- (4) The owner of a factory who receives an order to relocate the factory pursuant to paragraph (1) shall complete the relocation of the factory within two years from the day on which he/she receives the order: Provided, That the period may be extended by a period specified by Presidential Decree, if there is any exceptional excuse specified by Presidential Decree.
- (5) When the Minister of Commerce and Industry issues an order to relocate a factory pursuant to paragraph (1) or extends the period pursuant to the proviso to paragraph (4), he/she shall notify the competent Do Governor of details of thereof.
- (6) The Minister of Commerce and Industry shall maintain the factory relocation register and keep records of necessary matters.

Article 16 (Designation of Inducement Area)

- (1) In order to ensure the appropriate placement of industries throughout the national land, the Minister of Commerce and Industry may designate an area to which it is considered necessary to intensively induce industries as an inducement area.
- (2) An inducement area under paragraph (1) shall be designated from among areas that meet the following requirements:
 1. The degree of concentration of industries in the area shall be low;
 2. The effectiveness from the induction of population and industries to the area shall be expected;
 3. It shall be possible to systemize the induced industries along with existing industries;
 4. It shall be easy to improve factory sites and supportive facilities for water supply, electric power, and other utilities.
- (3) When the Minister of Commerce and Industry designates an inducement area pursuant to paragraph (1), he/she shall make a public announcement thereof.

Article 17 (Plan for Inducement of Industries)

- (1) When the Minister of Commerce and Industry intends to designate an inducement area pursuant to Article 16 (1), he/she shall establish a plan for inducement of industries in advance in accordance with the master plan for industrial placement.
- (2) The plan for inducement of industries under paragraph (1) shall include the following matters:
 1. The location and scope of the area prearranged as the inducement area;
 2. Types of business and the scale of factories to be induced;
 3. The supply of labor necessary for induced factories;
 4. The securing of factory sites;
 5. The improvement of infrastructure for telecommunications, vocational training, medical care, education, and other facilities specified by Presidential Decree.
- (3) When the Minister of Commerce and Industry intends to establish a plan for inducement of factories pursuant to paragraph (1), he/she shall hear the opinion of the competent Do Governor in advance and consult with the heads of related ministries.

Article 18 (Disposal of Assets in inducement Areas)

When the central Government or a local government intends to sell the land owned by it for factories in an inducement area, it shall sell the land to the owner of a relocated factory preferentially.

Article 19 (Preferential Implementation of Urban Plans, etc.)

- (1) The central Government or a local government shall implement urban planning projects for roads, waterworks, and housing preferentially in an inducement area.
- (2) The central Government or a local government shall implement the improvement of support facilities for telecommunications, welfare, vocational training, health and medical care, education, and cultural activities preferentially in an inducement area.

Article 20 (Creation of Industrial Complexes in Inducement Areas)

- (1) A person who intends to create an industrial complex in an inducement area shall have the area prearranged for the industrial complex designated by the Minister of Commerce and Industry, as prescribed by Presidential Decree. The foregoing shall also apply to cases where it is intended to make a change in the designation.
- (2) When the Minister of Commerce and Industry designates or changes an area prearranged for an industrial complex pursuant to paragraph (1) shall make a public announcement thereof.

- (3) An area prearranged for an industrial complex under paragraph (1) shall be an area appropriate for the specific use area under the Act on the Utilization and Management of the National Territory or the Urban Planning Act.
- (4) As to the creation of an industrial complex under paragraph (1), Articles 23 through 30 of the Urban Planning Act shall apply *mutatis mutandis*.
- (5) Paragraphs (1) through (4) shall not apply to a zone designated for the development of industrial sites pursuant to the Act on the Development and Promotion of Industrial Sites.

Article 21 (Designation of Special Zone for Rearrangement of Industries)

- (1) If it is considered particularly necessary to rearrange factories in an area in order to prevent excessive concentration of factories and disorderly expansion of factories in the area and preserve the surrounding environment of the area, the Minister of Commerce and Industry may designate the area as a special zone for rearrangement of industries through deliberation by the State Council.
- (2) When the Minister of Commerce and Industry designates a special zone for rearrangement of industries pursuant to paragraph (1), he/she shall make a public announcement thereof.

Article 22 (Implementation Plan for Rearrangement of Industries)

- (1) When an area is designated as a special zone for rearrangement of industries pursuant to Article 21, the competent Do Governor shall establish an implementation plan for rearrangement of industries and shall implement the plan with approval from the Minister of Commerce and Industry.
- (2) The implementation plan for rearrangement of industries under paragraph (1) shall include the following matters:
 1. Factories for the types of business that shall be rearranged and the scale of such rearrangement;
 2. Placement of factories;
 3. Improvement of facilities;
 4. Other matters necessary for the improvement of industries.

Article 23 (Restriction on Establishment of Factories, etc.)

- (1) No one shall build or extend a factory (including machines and devices; hereinafter referred to as “factory and other facilities”) in contravention of the purposes of an implementation plan for rearrangement of industries in a special zone for rearrangement of industries.
- (2) The scope and scale of the factories and other necessary matters under paragraph (1) shall be prescribed by Presidential Decree.

Article 24 (Order for Rearrangement, etc.)

If a Do Governor considers it particularly necessary for the implementation of an implementation plan for rearrangement of industries under Article 22, he/she may designate factories subject to the rearrangement and issue an order to repair facilities or take other necessary measures or to relocate such factories within a period specified by him/her, which shall not exceed the period specified by Presidential Decree.

Article 25 (Reporting on Relocation of Factories, etc.)

- (1) A person who intends to relocate a factory from a relocation-promoted area, a rearrangement-limited area, or a special zone for rearrangement of industries to an inducement area or any other area (excluding relocation-promoted areas, rearrangement-limited areas, and special zones for rearrangement of industries) shall report it to the Minister of Commerce and Industry. The foregoing shall also apply to cases where a person who intends to make a change to a fact specified by Ordinance of the Ministry of Commerce and Industry among reported facts.
- (2) A report filed in accordance with paragraph (1) shall be deemed a report filed in accordance with Article 7.
- (3) Articles 8 and 9 shall apply mutatis mutandis to a person who files a report under paragraph (1).

Article 26 (Preferential Support to Relocated Factories)

The central Government or a local government shall support relocated factories preferentially.

Article 27 (Purchase, Utilization, etc. of Remaining Sites of Relocated Factories)

The central Government or a local government may purchase the remaining site of a relocated factory preferentially or may take necessary measures to utilize such site for the conservation of the urban environment.

Article 28 (Tax Exemption)

A person who relocates a factory in a relocation-promoted area, a rearrangement-limited area, or a special zone for rearrangement of industries to an inducement area or any other area or who builds a factory in an inducement area to run a business shall be exempted from taxes pursuant to the Regulation of Tax Reduction and Exemption Act.

Article 29 (Measures against Violations of Order for Relocation)

- (1) If a person fails to relocate a factory within the period under Article 15 (4) or 24 in violation of an order to relocate the factory, the Minister of Commerce and Industry or the competent Do Governor may request the head of a relevant agency to discontinue the installation of facilities for electric power, telephone, or waterworks to the factory or cut off the supply of such utilities.

- (2) If a person continues a business in a factory in violation of an order to relocate the factory without relocating the factory within the period specified by Presidential Decree after the lapse of the period under Article 15 (4) or 24, the Minister of Commerce and Industry or the competent Do Governor may order the person to discontinue business operation fully or partially within a period specified within the maximum of two years, may revoke the permit for business, or may request the head of a relevant agency to discontinue business or revoke the relevant permit.
- (3) Upon receiving a request pursuant to paragraph (1) or (2), the head of a relevant agency shall comply with the request, unless there is any exceptional circumstance.
- (4) For the purpose of applying the Local Tax Act to a factory that remains after the lapse of the period given for relocation in violation of an order of relocation under Article 15 (1) or 24, such factory shall be deemed a new factory built in a large city under Article 112 (3) or 188 (2) of the said Act from the end of the period on.

CHAPTER 5 COMMITTEE FOR DELIBERATION ON INDUSTRIAL PLACEMENT

Article 30 (Establishment of Committee for Deliberation on Industrial Placement)

- (1) The Committee for Deliberation on Industrial Placement (hereinafter referred to as the “Committee”) shall be established within the Ministry of Commerce and Industry in order to deliberate on important matters regarding the relocation of factories and the change of location of factories under this Act.
- (2) Necessary matters regarding the organization, functions, and operation of the Committee shall be prescribed by Presidential Decree.

CHAPTER 6 SUPPORT AND SUPERVISION

Article 31 (Financial Support by Government)

When it is necessary to provide financial support for the following costs incurred to a person who creates an industrial complex for relocated factories or in an inducement area, the Government may grant loans for part of the fund, as provided for in the Act on Special Accounts for Fund Management:

1. Costs of the creation of factory sites;
2. Costs of the relocation of factories;
3. Construction costs of factories;
4. Other costs specified by Presidential Decree.

Article 32 (Reporting and Inspections)

- (1) When a person who builds or extends a factory in accordance with this Act completes the construction of the factory, the person shall report to the Minister of Commerce and Industry on the completion within one month from the date of completion, along with documents specified by Ordinance of the Ministry of Commerce and Industry.
- (2) If the Minister of Commerce and Industry considers it necessary upon receiving a report under paragraph (1), he/she may assign public officials under his/her control to inspect the current status of operation of the factory and may instruct the owner of the factory to repair facilities or to take any other measures according to the outcomes of the inspection.
- (3) A public official who conducts an inspection pursuant to paragraph (2) shall produce a certificate indicating his/her authority to people concerned.
- (4) The Minister of Commerce and Industry may require a person who owns a factory in a relocation-promoted area, a rearrangement-limited area, an inducement area, a special zone for rearrangement of industries, or any other area or the owner or occupant of a relocated factory to make a report on necessary matters regarding the location of the factory or the construction of the factory, as prescribed by Presidential Decree.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 33 (Designation of Areas, etc.)

In principle, the extent of a relocation-promoted area or any other area under this Act shall be designated by the unit of each administrative district.

Article 34 (Cooperation)

- (1) When the Minister of Commerce and Industry intends to accept a report or grant permission pursuant to this Act, he/she shall notify the heads of related agencies of details thereof.
- (2) When the Minister of Construction intends to designate, alter, or subdivide an industrial zone in a relocation-promoted area, a rearrangement-limited area, an inducement area, or a special zone for rearrangement of industries pursuant to the Act on the Utilization and Management of the National Territory or the Urban Planning Act, he/she shall consult with the Minister of Commerce and Industry thereon in advance.

Article 35 (Restriction on Permission for Construction of Building, etc.)

The head of a related agency or a Do Governor shall not grant the permission for the creation of a factory site, the permission for construction of a building, or the permission

for business under the relevant Acts and subordinate statutes to a person who failed to file a report on the construction or extension of a factory under this Act or a person who did not obtain permission for the construction, extension, or relocation of a factory.

Article 36 (Relationship to Other Acts)

- (1) When a person files a report under Article 7 (including a report under Article 25; hereinafter the same shall apply in this Article), the person shall be deemed to have obtained the permission under Article 15 (5) or 16 (4) or (5) of the Act on the Utilization and Management of the National Territory.
- (2) When a person files a report under Article 7, the person shall be deemed to have filed a report under Article 58 of the Emergency Order on Economic Stability and Growth.
- (3) When a person files a report under Article 7, the person shall be deemed to have obtained the designation of a site under Article 6 of the Local Industrial Development Act.
- (4) When an area is designated as an inducement area under Article 16, the area shall be deemed designated as an inducement zone for industrial development under Article 2 of the Local Industrial Development Act.

Article 37 (Delegation or Entrustment of Authority)

The Minister of Commerce and Industry may delegate part of his/her authority under this Act to the head of an affiliated agency or each Do Governor or entrust the head of another administrative agency with part of his/her authority under this Act.

Article 38 (Enforcement Decree)

Necessary matters regarding the enforcement of this Act shall be prescribed by Presidential Decree.

CHAPTER 8 PENAL PROVISIONS

Article 39 (Penal Provisions)

Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than three years or by a fine not exceeding 15 million won:

1. A person who builds or extends a factory in violation of Article 7 or who makes a misrepresentation in making a report under the said Article;
2. A person who violates an order under Article 9 (1) (including cases to which the same provisions shall apply mutatis mutandis pursuant to Article 25 (3));
3. A person who builds, extends, or relocates a factory in violation of Article 13 (1) or (2);
4. A person who builds or extends a factory or any other facility in violation of Article 23;

5. A person who relocates a factory in violation of Article 25 or who makes a misrepresentation in making a report under the same Article.

Article 40 (Penal Provisions)

Any person who violates an order to discontinue business under Article 29 (2) shall be punished by imprisonment with prison labor for not more than one year or by a fine not exceeding five million won.

Article 41 (Penal Provisions)

Any person who rejects, interferes with, or evades an inspection under Article 32 (2) shall be punished by a fine not exceeding five million won.

Article 42 (Fines for Negligence)

Any person who falls under any of the following subparagraphs shall be punished by a fine for negligence not exceeding three million won:

1. A person who fails to file for the registration under Article 14;
2. A person who fails to make a report under Article 32 (1) or (4) or who makes a misrepresentation in such report.

Article 43 (Joint Penal Provisions)

If the representative of a legal entity or an agent, an employee, or an employee of a legal entity or a private individual commits an offense under any provision of Articles 39 through 41 in the scope of the business of the legal entity or the private individual, not only shall such offender be punished accordingly, but the legal entity or the private individual also shall be punished by the fine prescribed in the relevant Article.

ADDENDA <Act No. 3069, Dec. 31, 1977>

Article 1 (Enforcement Date)

This Act shall enter into force on the day specified by Presidential Decree.

Article 2 (Transitional Measures concerning Excessively Large Factory Sites)

- (1) A person who has a factory already built before this Act enters into force shall be deemed to have made a report under Article 7.
- (2) If the factory building footprint of a person under paragraph (1) remains below the standard factory area ratio continuously until after the end of the period specified by Presidential Decree, the Minister of Commerce and Industry may instruct the person to utilize the area for any purpose corresponding to the original purpose, dispose of the area, or take other necessary measures.

(3) For the purpose of applying the Local Tax Act to a site larger than the standard size where the factory building footprint remains below the standard factory area ratio until after the end of the period specified by Presidential Decree after the lapse of the period under paragraph (2), the site exceeding the standard size shall be deemed the corporation's land for non-business purpose under Article 188 (1) of the said Act.

(4) Article 11 (3) and (4) shall apply mutatis mutandis to cases under paragraph (2) or (3).

Article 3 (Transitional Measure concerning Incentivized Zone for Industrial Development)

An incentivized zone for industrial development designated under Article 2 (1) of the Local Industrial Development Act as at this Act enters into force shall be deemed an inducement area designated pursuant to this Act.

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