

## **Joint Statement of Foreign Chambers of Commerce in Korea**

November 30, 2018

Seoul, Republic of Korea

The American Chamber of Commerce in Korea (AMCHAM), the British Chamber of Commerce in Korea (BCCK), the European Chamber of Commerce in Korea (ECCK), the French Korean Chamber of Commerce and Industry (FKCCI), and the Korean-German Chamber of Commerce & Industry (KGCCI), hereinafter referred to as the “Chambers,” issue this Joint Statement to confirm their support for building a strong, transparent and innovative Korean economy that will provide long-term, wide-ranging opportunities for participation and jobs for all irrespective of age and gender. The Chambers are committed to supporting innovation and investment in Korea and full and complete cooperation with the Korean Government to achieve a vibrant, fair and transparent economy.

Our member companies represent the vast majority of foreign investors in Korea who are some of the largest contributors of employment opportunities for women and youth, leaders in technology and innovation and contributing revenues through withholding and corporate taxes. The Chambers reaffirm our commitment to be a positive influence to support the Korean Government’s goals of creating more job opportunities, increasing income to the Korean workforce, and building a just and equitable society. Given the global trend of widening inequality and weakening growth potential, we fully support the Korean Government’s strategy to achieve people-centered inclusive growth through encouraging fair competition and equitable economic participation, fostering innovation, and strengthening the social safety net. The Chambers affirm our desire and commitment for frequent engagement and continued dialogue between the foreign business community and the Korean Government, as well as our willingness to participate in important events whose objectives are to improve the economy and to support job creation.

The Chambers understand the importance of predictability and transparency of regulation in helping foreign companies predict with accuracy the environment for their investments in Korea. We welcome the Korean Government’s effort to improve the transparency of the regulatory environment subsequent to entering into the Korea-U.S. FTA, Korea-EU FTA and the Korea-EFTA FTA. The Chambers stress the need to give greater weight to the predictability and consistency of the regulatory environment. The Chambers recognize the need for improved coordination between all government agencies in Korea to ensure consistent and predictable enforcement of rules and regulations.

In particular, the Chambers applaud the mission of the Korea Fair Trade Commission (KFTC) to ensure compliance with matters including fair and free competition and consumer protection, and admire the passion and hard work the KFTC investigators bring to their responsibilities. When obtaining information and data, it is important to follow proper procedures and due process in the conduct of investigations and the rules applicable to such investigations established by the KFTC. The recent commitments by the KFTC to due process

in their investigations and the publishing of such rules is admirable. We believe it is important for the KFTC to engage in regular training programs and establish rules similar to those required to be followed by prosecutors in which evidence obtained in violation of the rules of procedure established by the KFTC cannot be used by the KFTC in their investigation.

A favorable tax regime is vital for companies in Korea to retain expatriate employees who for decades have assisted Korea in achieving its status as one of the most advanced economies in the world. We are concerned that the recent announcement to potentially eliminate the flat tax for foreign individuals resident in Korea for more than five years will create economic disincentives for foreign companies that will trigger relocations and involuntary repatriation of employees to lower-cost jurisdictions, with a consequent loss of jobs, tax revenues and income to the Korean economy. We therefore believe it is beneficial for the economy to continue the flat rate even for those who have been in Korea for more than five years.

The Chambers have expressed concerns regarding the lowering of the reporting threshold for foreign financial assets and the penalty for failing to make the report or delayed reporting. Unlike similar regulations in other countries, the Korean regulation requires reporting of stock retirement funds, IRAs, 401K plans and similar types of retirement accounts that are not generating taxable income in any jurisdiction and are most often outside the individual's control to access, value or report, and levies a potential penalty of up to 100% or more of the value of the non-reported retirement assets. Enforcement of such penalties on retirement assets will force expatriate residents of Korea to leave the country, leading to a loss of tax revenues and expertise that contribute to Korea's economic development. We hope that some adjustment to this rule will be made to exclude retirement accounts and to eliminate or lower the penalties to a more reasonable level which is not punitive for failing to understand the value of non-vested stock or retirement accounts.

The Chambers support the Korean Government's far-sighted initiatives to foster Fourth Industrial Revolution industries in Korea. Foreign companies can provide invaluable technology, expertise, and innovation to contribute to the development of innovative new industries and are willing to be of assistance. We hope the Korean Government will partner with the foreign business community in Korea to develop rules and regulations for industries such as cloud computing that are in line with global standards and to promote mutually beneficial collaboration between global companies and local small and medium enterprises.

The ambition, education, creativity, and productivity of Korean employees are second to none in the world. We believe that the foreign business community and the Korean Government can work together to achieve greater opportunity for Korea's young and old alike. We are committed to making this happen and pledge our full support to build a stronger, more vibrant, and globally competitive Korean economy.

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James Kim  
Chairman & CEO  
American Chamber of Commerce in Korea

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Sean Blakeley  
CEO  
British Chamber of Commerce in Korea

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Christoph Heider  
President  
European Chamber of Commerce in Korea

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David-Pierre Jalicon  
Chairman  
French Korean Chamber of Commerce and  
Industry

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Barbara Zollmann  
President & CEO  
Korean-German Chamber of Commerce and  
Industry