

Revitalization of Regional Economies with “Regulation-Free Zones”

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Summary

1. “Regulation-free zones” should be considered as part of any regional industrial policy to achieve balanced regional development.

- Such zones allow policy makers to establish and support creative spaces in a region so as to facilitate the creation of new growth engines, revitalize the regional economy, and meet the challenges arising from globalization.

- One or two strategic industries can be chosen for each city or province as part of a focused strategy, and regulations can be relaxed accordingly within a specified range of business areas.

2. Under the Special Act on Regulation-Free Zones, there will be both a positive list and a negative list. The positive list will specify eligibility criteria for companies to be deemed exempt from regulations, and the negative list will apply to pilot projects by corporations and projects involving new technologies.

- It is not the case that regulation-free zones will have no regulations whatsoever. They are based on the positive list on exemption where exemption provisions in the list can be applied selectively while a negative list is used in other cases.

3. A plan to nurture strategic industries in a certain community must be approved by a special committee before any regulation-free zone can be established there.

- To establish regulation-free zones and benefit from their presence, local governments must first establish plans to create such zones and must submit those plans to the special committee for review.

- The committee’s role ensures that the waiving of regulations will not be overused. Furthermore, the committee

is authorized to recommend the amendment of relevant laws and regulations if applicable provisions do not exist or are not suitable.

Policy Implications

- ① To promote regulation-free zones, there is a need for detailed guidelines on the provisions of the Special Act and its application.
- ② To maximize the benefits of regulation-free zones, opinions from businesses and local governments should be considered when deregulation plans are formulated. Relevant laws and regulations will need to be amended so that the system can be implemented across the country.
- ③ Relevant systems should be established to ensure the organic and effective management of the Special Act on Regulation-Free Zones.