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- Korea to Reform U-Turn Policy to Promote Regional Investment -

The Ministry of Trade, Industry and Resources (MOTIR, Minister JK Kim) announced measures to redefine and promote Korea's U-turn policy at the Ministerial Meeting on Economic Affairs on May 29, 2026. In response to rising global protectionism and supply chain realignments, the measures form part of a key national policy task to move beyond the simple relocation of overseas operations, promote regional investment, and secure domestic production and innovation capacity in advanced strategic sectors.

The government will focus on four priorities: redefining eligibility for U-turn companies, reforming the U-turn subsidy system, strengthening screening and management while rationalizing implementation requirements, and providing targeted support to attract companies and facilitate investment execution.

1. Redefining Eligibility for U-Turn Companies

Korea's initial U-turn policy focused on helping Korean companies with overseas operations return home when business conditions deteriorated, leaving eligibility narrowly defined.

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Reflecting a broader shift in major economies such as the United States and Japan, which are expanding reshoring support to secure production capacity in advanced strategic sectors, the government plans to revise relevant laws and regulations on U-turn companies in 2026 and implement the revised framework in 2027.

First, the government will ease the same-or-similar product and service requirement by broadening how similarity is assessed. In addition to materials, parts, and production processes, assessments will also consider function, use, core technologies, and supply chains. This will help companies invest in new industries and upgrade their business structures. The government will also broaden the exemption cases in which companies can qualify for U-turn recognition without closing, selling, or downsizing their overseas operations. Companies in advanced industries or supply chain sectors will also qualify for this exemption if their investment in Korea is recognized as a core production facility, or “mother factory.” Through these changes, the government aims to move beyond formal requirements and secure advanced manufacturing and innovation capacity in Korea.

2. Reforming the U-Turn Subsidy System

The current U-turn subsidy system applies preset subsidy rates under a fixed table, limiting its ability to attract high-quality returning companies to regions outside the capital area. To promote regional investment and U-turn investment in advanced strategic sectors, the government will shift to a case-by-case negotiation model for subsidies.

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Under the new model, the government and companies will consult on support levels for strategic sectors such as advanced industries and supply chains, as well as large-scale investment projects. Support will vary based on factors including non-capital region investment, youth employment, advanced strategic technologies, and whether the project involves a mother factory. The government will also replace fixed subsidy caps with maximum subsidy rates, while keeping the current system for general industries and small-scale investments.

3. Strengthening Screening and Follow-Up Management

Some designated U-turn companies have lost their status after failing to make domestic investments as planned. To improve follow-through and keep unqualified companies out of the system, the government will screen investment plans and companies' execution capacity more closely from the selection stage. It will also establish a working-level committee on domestic return to systematize company selection and subsidy reviews and set procedures for the negotiated subsidy model.

For subsidized companies, the implementation period will be extended beyond the current three years based on the scale of support. Post-designation requirements will also be adjusted to reflect automation at manufacturing sites and changes in the industrial structure. The government will continue monitoring employment and site area at existing operations, but will no longer link them mechanically to subsidy settlement. Companies that create more jobs than planned may also receive post-investment incentives.

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4. Attracting Strategic Companies and Supporting Investment Execution

The government will proactively identify and attract potential U-turn companies with core capabilities in advanced industries, manufacturing AI transformation (M.AX), and supply chains. It will work with overseas offices of the Korea Trade-Investment Promotion Agency (KOTRA) to find interested companies and create a local-government IR platform to help regions pitch investment opportunities to U-turn candidates. Project managers and a U-turn investment support team will assist companies from investment review through execution, address on-site challenges, and help scale up successful cases.

Minister JK Kim said, “U-turn investment is no longer simply about relocating factories. It is becoming a strategic choice about where companies place the center of technology development, production, and supply chains.” He added, “Based on feedback from the field, the government will redefine U-turn policy and expand support to promote region-led U-turn investment and attract high-quality companies.”

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