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**The Role of Competition Policy  
in Economic Reform  
- Based on the Korean Experience -**

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## < Opening >

Esteemed guests and ladies and gentlemen,

Let me first express my deep appreciation to the staff of the OECD and CLP who worked so hard to organize this historic forum on competition policy. It is a great honor for me to speak to this distinguished audience at the 1st GFC on the topic of the role of competition policy in Korea's economic reform.

Before I delve into the Korean experiences, I would like to start with  
**<The Role of Competition Authority in the Development of the Market Economy>**

Generally, in a narrow sense, conventional competition policy is regarded as the enactment and enforcement of competition laws that regulate anti-competitive practices.

In a broader sense, however, competition policy encompasses more fundamental aspects of economic policy, aiming at the promotion of market principles throughout the entire economy. For example, competition policy includes regulatory reform policy which eases market entry barriers and guarantees equal business opportunities to market participants; injecting market principles into the process of privatization of state-run enterprises; playing the role of competition advocate in order to ensure sectoral policies follow market principles ; and developing a culture of competition by instilling a competition mindset into the players in the market.

Competition policy, in this sense, can be a very effective strategy for economic reform.

I believe that competition authorities, as pioneers of reform, need to focus on fulfilling more comprehensive policy objectives. To attain successful development of the market economy, simple enforcement of competition laws will not suffice. This holds particularly true for a country in the early stages of adopting competition laws. The antitrust authority needs to disseminate competition principles throughout every corner of the economy as well as enforce competition laws. I believe that a developed market economy and balanced growth can only be achieved when all the players--the government, the private sector, and consumers--become competition-minded.

With this background, I would like to move on to **<Korean Competition Policies in the process of Economic Reform : particularly, Experiences and Lessons>**

During the 1960's and 1970's, the Korean economy was led by the government that employed an unbalanced, export-driven growth strategy. As a result, Korea attained remarkable achievements, including a 30-fold increase in the size of the economy and a 20-fold increase in national income over just two decades.

However, those two decades were also characterized by policies that emphasized governmental protection and intervention,

rather than competition in the domestic market. On top of that, there was very little foreign competition. The very dearth of competition led to distortions of market functions. Monopolistic and oligopolistic market structures and a concentration of economic power became prevalent.

In order to address those problems, Korea embarked on economic reforms and shifted its policy direction in the early 1980's. The new policy line consisted of three pillars: autonomy, stability, and openness. Autonomy means stimulating competition in the domestic market, while openness refers to introducing foreign competition. It was also during this time that competition laws and the KFTC were established in Korea.

Over the last two decades, the KFTC did not limit its role to the traditional scope of competition policy. Not stopping at simply enforcing competition laws, the KFTC made steady efforts to spread the principle of competition throughout the economy.

For one, the KFTC assumed the role of competition advocate, so that government agencies would incorporate the principle of competition in their policies. Under the general competition law of Korea, each government agency is required to consult with the KFTC prior to enacting or revising any laws and decrees which could restrain competition. Thanks to this legal mechanism, many anti-competitive regulations have been filtered out. For example, in the fiscal year of 2000, 481 legislative measures were examined by the KFTC and 51 were revised upon advice of the KFTC.

In addition to filtering out regulations prior to enactment, the KFTC examined and revised regulations already in force. From April 1997 through 1998, the KFTC operated the Committee on Economic Regulatory Reform and the committee successfully performed far-reaching reform despite pervasive and deep-seated resistance. The activities of the committee also helped spearhead this reform drive throughout governmental agencies.

Moreover, during the process of the privatization of state-run enterprises, the KFTC acted to increase competition and ensure that privatization did not end up merely changing public monopolies into private monopolies.

As such, the KFTC has faithfully carried out economic reform by disseminating the principle of competition. I believe this role and function of the KFTC is bolstered because the chairman of the KFTC, as a regular member of the cabinet, is entitled to advocate competition perspectives during the process of major policy making.

The financial crisis that struck Korea at the end of 1997 has provided Korea with an opportunity to re-examine its overall economic policies. In this process of reflection, the importance of competition policy has been often highlighted. The crisis came about mainly because Korea failed to establish an efficiently functioning market system and maintained government-dependent industrial policies inherited from the development era. All the economic players have learned that market-led innovation is essential to enhance efficiency throughout the government and business sectors.

All things considered, let me dare to say that Korea's antitrust enforcement has been successful and contributed to the economic reform. I believe a number of factors have helped bring about this success.

First, as mentioned earlier, the KFTC did not stop at simply enacting and enforcing competition laws, but extended its reach to solidify the market economic system. Second, the competition authority maintained its independence so that it could enforce competition laws rigorously and consistently within the framework of laws and principles. Third, the KFTC was successful in developing a social consensus on the importance of competition policy throughout the public and private sectors. Fourth, the unyielding spirit of the KFTC has played a role. Instead of succumbing to opposition and resistance from interest groups and other ministries, it successfully coped with the conflict and tension that always arises in the course of reform.

However, I admit that there are some areas where improvements are needed. The KFTC should have played a stronger role in the introduction of foreign competition and it also has to cope with the new challenges arising from globalization and the digitalization of the economy. In the future, the KFTC intends to intensify its commitment to addressing these challenges.

## **<Closing>**

Ladies and gentlemen,

A market economy is like a living organism. For the market economy to become healthy and strong, constant economic reform needs to be pursued, which entails tremendous challenges and difficulties. We are all aware that competition authorities cannot do this job alone. However, at the very least, the competition authority needs to take the initiative because no other agency will tackle this noble task.

Allow me to close my remarks by thanking you once again. I sincerely hope that the Korean experience provides some useful lessons and serves as a guide for nations shifting toward a market economy. Thank you for your time and attention.