

## Latest Developments on Korea's Regulatory Policy

### 1. Temporary Regulatory Relief and Regulatory Reform for New Growth Engine Industries

The recent global economic crisis in 2009 provided a renewed impetus to implementing reform activities within Korea. The government took active response to the economic crisis by introducing new type of regulatory reforms such as **Temporary Regulatory Relief (TRR)** and **Regulatory Reform for New Growth Engine Industries**. With the leadership and the coordinated efforts across the government, Korea could take a quick action and it helped many companies and individuals, especially SMEs, in weathering away the economic crisis.

**Temporary Regulatory Relief (TRR)** is a mechanism to waiver or mitigates the implementation of some burdensome regulations for a certain period of time (1-2 years). This waiver aims at suspending the implementation of selective and burdensome regulations until the economic recovery.

The implementation of TRR focuses on three main areas: increasing investment in the creation of new business / reducing business burden / reducing hardships for SMEs and citizens. For example, as a result of TRR, the existing factories and plants located in a so-called 'preservation zone' will be allowed to construct additional facilities up to 40% (currently 20%) of their current business building coverage without requiring a separate building permit. Various forms of administrative investigations such as factory inspections will also be performed far less often. In addition, the rental rate applied to leasing governmental properties for small business will be reduced from 5% to 3 %.

The research carried out by the Federation of Korean Industries in 2009 revealed that business' entities are highly satisfied with the implementation of TRR on regulations. This waiver contributed to the enhancement of business investment and employment level.

*(For more details, see brochure on TRR)*

Also, **Regulatory Reform for New Growth Engine Industries** cleared off various stumbling blocks that hinder the development of future growth industries such as new and renewable energy, MICE (Meetings, Incentives, Conventions and Exhibitions) and tourism and green technology. It is the pre-emptive regulatory reform aimed at building momentum for future growth following the economic crisis. It focused on improving the outdated regulatory framework to be compliant with advances in technology and support creation of new markets by preparing institutional infrastructure. For example, as a result of reform, power plants are allowed to add facilities for new and renewable energy without a separate permit. Solar power systems are also allowed to be installed on existing buildings located in farming promotion zones and city parks. In addition, old palaces and museums opened for banquets for international events.

Even during the financial crisis of 1998, along with its large-scale restructuring process, Korea carried out active regulatory reform measures such as repealing 50% of the existing regulations and diminishing administrative burden on companies which eventually encouraged corporate activities. These regulatory reform measures were possible due to strong institutional basis such as the enactment of Basic Act on Administrative Regulations and establishment of the Regulatory Reform Committee in 1998. We have learned from this previous experience that regulatory reform can be very effective in overcoming crisis and this lesson still holds true in our efforts to defeat the current economic crisis. It is expected that these regulatory reform efforts such as TRR and Regulatory Reform for New Growth Engine Industries will enable Korea not only to triumph over the economic crisis earlier than expected but also to further strengthen its growth potential.

## **2. Regulatory Information System (RIS)**

In 2009, more systematic supports have been provided with the adoption of the **Regulatory Information System (RIS)**. It is an online system that covers the entire process of regulatory reform, ranging from regulatory review to registration, reform task management and access to regulatory information.

Through this new system, the whole process of regulatory review - from initial review request by each ministry, preparation of review report to notification of results by RRC – has been moved to on-line. Also, with the function that notifies unregistered regulations and termination date of sunset laws, the system offers a concrete management of regulations. Furthermore, for the regulatory reform management across the different administrative bodies, the system provides monitoring service on the current status of each ministry's regulatory reform process. In 2010, by linking the regulation register database of RIS to the current website of Regulatory Reform Committee ([www.rrc.go.kr](http://www.rrc.go.kr)), more upgraded and specified regulatory information search service and related statistics have been provided to citizens.

Since RIS is an integrated and comprehensive management of regulation from its introduction to termination, it has definitely contributed to the enhancement of transparency and quality of regulatory information with increased user satisfaction, effective reviews on regulation, and the implementation of the regulatory reform projects.

## **3. Expansion of Sunset Clause Legislation**

The Korean government has expanded Sunset clause Legislation since 2009. The original sunset mechanism established in 1997 makes a regulation invalid after a certain period, which can be called “Sunset for Termination.” While this system was applied only to newly established or enforced regulations, the new sunset system is applied to existing regulations. The new Sunset Clause mechanism is called “**Sunset for Review**”. Under this system, about 20% of the existing regulation is to be reviewed on a regular basis (about every 3 to 5 years) and become invalid once they are found to lack feasibility. It is likely that this mechanism will enhance the transparency and effectiveness of regulations and reduce unnecessary burdensome regulations.