KOREA

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Executive Summary

1. In 2002, the KFTC made all-out efforts to achieve its goal of enhanced economic efficiency and consumer welfare by promoting competition and improving market structures and behaviors that hinder competition.

2. The following changes were made to the competition law and policy:

   - The Monopoly Regulation and Fair Trade Act (MRFTA) was amended to make rational improvements to its conglomerate policy, applying behavioral regulation instead of one-size-fits-all regulation that monitors conglomerate according to its asset size.

   - The KFTC strengthened its consumer protection mechanism to better protect consumers in emerging types of transactions such as e-commerce by newly enacting Consumer Protection Act on Electronic Transaction and amending Door-to-Door Sales Act.

   - Fair Franchise Transaction Act was enacted to promote fair trade practices in franchise transaction.

   - As was the case in 2001, Clean Market Project (CMP) was launched in 6 selected industries that have poor competitive environment and that closely affect people’s life. The CMP is to improve anti-competitive practices in the overall process of production, distribution and consumption. The KFTC launched targeted consumer group initiative, categorizing consumers into 6 groups and drawing policies that could substantially support them.

   - The KFTC organized Seoul Competition Forum and International Workshop on Competition Policy, serving as a bridge connecting developing and developed countries and promoted cooperation with its foreign counterparts, signing bilateral cooperation agreements with Australia and cooperation memorandum with transition economies in Eastern Europe and CIS countries.

3. The KFTC actively enforced its competition law. The KFTC identified 47 cases of cartel and imposed sanctions and surcharges of 53.1 billion won (US$ 45 million) and further ordered corrective measures on 6 M&A cases. Especially, the KFTC made use of extraterritorial application to impose corrective measures and surcharges against 6 foreign companies involved in international graphite cartels.

4. The KFTC actively engaged in competition advocacy works, exercising its prior consultation rights to detect and improve anti-competitive acts and enforcement decrees, launching regulatory reform on anti-competitive regulations and promoting competition in the public sector.

I. Changes to Competition Laws and Policies

1. Enactment and Revision of Competition Laws and Enforcement Decrees

   (1) Revision of the Monopoly Regulation and Fair Trade Act (MRFTA) and related enforcement decrees

5. The KFTC made a reasonable adjustment to its conglomerate policy, taking into account the changes in market with the corporate reform undertaken since the 1997 financial crises.
6. The KFTC applies behavioral regulation instead of one-size-fits-all regulation that monitors conglomerate according to its asset size. In the past, the KFTC selected and regulated the top 30 conglomerates according to the size of its asset. Now, the KFTC monitors conglomerate on the basis of its behavior such as mutual shareholding and cross debt guarantees.

(2) Enactment and Revision of the Laws related to Consumer Rights Protection

7. The KFTC enacted the Consumer Protection Act on Electronic Transaction. As e-commerce does not require direct contact between a buyer and a seller, consumer damage has been frequent. Before the enactment, the KFTC encouraged voluntary compliance with its guideline and standard adhesion contract, which leaves consumers vulnerable. Against such backdrop, the KFTC enacted the Consumer Protection Act on Electronic Transaction in March 2002.

8. The Act includes the following provisions:

- Consumer has the unconditional right to revoke his/her contract within 7 days.
- Issuer of electronic payment is obliged to subscribe to consumer damage compensation insurance so that consumer would be compensated in case the concerned issuer goes bankrupt or closes its business.

9. The KFTC revised its Door-to-Door Sales Act and related enforcement decrees. Since direct sales including door-to-door sales, telemarketing and multilevel marketing heavily rely on personal networking and face-to-face contact with the buyer, consumer damage is quite frequent. In March 2002, the KFTC revised the Door-to-Door Sales Act to monitor telemarketing and continuous contract other than door-to-door sales and multilevel marketing and further strengthen its regulation.

10. The Revised regulations include the following provisions:

- Buyer has the right to revoke one’s contract within 14 days of the subscription in door-to-door sales, multilevel marketing and telemarketing.
- Multilevel marketing businesses are obliged to subscribe to consumer damage compensation insurance in order to facilitate consumer compensation and to prevent consumer damage from illegal pyramid schemes.

(3) Enactment of the Fair Franchise Transaction Act and related Enforcement Decrees

11. Franchiser (franchise holder) frequently engages in unfair trade practices, hiding unfavorable information from franchisee and using its negotiating power to make unfair demand to franchisee. Against such backdrop, the KFTC enacted the Fair Franchise Transaction and related enforcement decrees to present principles of franchise transaction, institutionalize fair trade practices in franchise transaction and promote the development of sound franchise transaction.

12. The enacted Act and enforcement decrees include the following provisions:

- Franchiser is required to provide to potential franchisee its corporate information such as financial status and profitability before the contract so that candidate franchisee will have sufficient information for its decision.
To prevent franchiser from unilaterally terminating contract, the KFTC requires franchiser to notify to franchisee of the contract expiration 90 days before the expiration date and in case of contract termination, franchiser should grant franchisee 2 months of grace period during which demand for correction is to be made 3 times.

2. **Changes in Guidelines and Notifications**

13. The KFTC set the scope of resale price maintenance (RPM) for copyrighted works. The MRFTA, in principle, prohibits RPM activities under its Article 29. However, exemption is applied for copyrighted works that is stipulated under the IPR Protection Act and approved by the KFTC after the consultation with related ministries. After its consultation with publishing industry, the KFTC set and notified the scope of RPM for copyrighted works. RPM activities will be permitted to all copyrighted works until Dec. 31, 2004 and the scope will be gradually reduced since 2005.

14. The KFTC established provisions to mitigate sanctions for companies complying with Compliance Program (CP). The KFTC has promoted CP to encourage voluntary compliance from companies and to create a sound competition culture. Against such backdrop, the KFTC revised its Notification on case review procedural rules to include provisions on the mitigation of sanctions for companies complying with CP. During the case review, companies complying with CP would make a request for the mitigation of sanctions and the KFTC investigator would make an investigation into how well the concerned company complied with the CP and report the findings to the KFTC Commission. The Commission then would decide whether to exempt surcharges (20%~50%), public announcement or prosecution.

15. The KFTC established review criteria for the denial of access to essential facilities. In 2001, the KFTC revised its enforcement decree to stipulate as one of the abuse of market-dominant position the acts of refusing, discontinuing or limiting the access to essential facilities. In 2002, the KFTC amended its review criteria for the abuse of market-dominant position to better specify criteria for the denial of access to essential facilities. Requirements for essential facilities are as follows:

- Without the access to essential facilities, manufacturing and selling of a given product is impossible.
- An enterprise is a monopoly that exclusively owns and runs a given facility.
- An enterprise that seeks the access to a given facility cannot feasibly, economically, legally establish the same facility or substitute to another facility.
- The provisions specify the examples of the abuse of market-dominant position such as refusing the access to essential facilities, charging or submitting conditions that would make the access impossible or charging far higher or submitting more rigorous conditions to the candidate user compared to the previous user.

3. **Clean Market Project and Target Consumer Group Initiative**

**Clean Market Project**

16. As was the case in 2001, the KFTC implemented the CMP in 2002, selecting industries that have poor competitive environment and close relationship with the lives of people. Under the CMP, anti-competitive practices in the process of production, distribution, marketing and consumption are identified, corrected and improved. The KFTC designated industries that closely affect people’s lives so that
improvements made in such industries would greatly promote consumer welfare. 6 industries have been selected in 2002 including energy, financial services, distribution, real-estate, leisure/tourism services and private education.

17. Achievements

- The KFTC identified and ordered corrective measures against cartels in gas, credit card, record production and ski resort industries while ordering the correction of unfair provisions on adhesion contract in apartment rental services, private institutions, entertainment and professional sports sectors. Moreover, the KFTC imposed corrective measures on unduly advertising in television home shopping, private institutes and learning materials publishers.

- The KFTC further improved regulations to better protect consumers and promote competition by eliminating zoning in LPG sales, easing regulations on entry barriers in non-life insurance industry and strengthening consumer rights in membership services.

(2) Targeted Consumer Group Initiative

18. The KFTC launched the targeted consumer group initiative to accurately identify consumer needs and to better protect consumers. Under the initiative, consumers are categorized into 6 groups and the needs of each group are identified to enhance protection. In 2002, consumers that were considered especially vulnerable were categorized into 6 groups including teenagers (internet game, post-paid telephone service), married women (cosmetics, weight-loss products), the aged (paid welfare services, health products), farmers and fishers (distribution of agricultural and fisheries products), infants (disposable diapers, baby clothes, English institute for children) and students (referral services for studying abroad or overseas English institute). The KFTC identified cases of consumer damage and consumer complaints for each consumer group and ordered correction or made improvements in concerned sectors.

19. The KFTC has made the following progress in 2002:

- The KFTC ordered corrective measures on cartels in cosmetics, distribution of agricultural and fisheries products and referral services for studying abroad while imposing correction on unduly advertisements in weight-loss products and English institute for infants. The KFTC also corrected unfair provisions of adhesion contract in paid residence facilities for seniors and large-scale cramming institute.

- The KFTC made it possible to ban the post-payment for mobile or fixed-line telephone services in case parents wish to do so to prevent excessive use of telephone services by their teenage children. The KFTC identified 7 regulatory reform tasks such as establishing enterprise guideline in referral services for studying abroad or overseas English institute and health products for the aged.

4. Promotion of International Cooperation

20. The KFTC holds Seoul Competition Forum biennially and International Workshop on Competition Policy annually to promote competition culture in developing and transition economies. Seoul Competition Forum was organized back-to-back with International Workshop on Competition Policy for three days from Nov. 6 to 8 in 2002 with 250 attendees from 32 countries including Australia, Russia and Rumania and three international organizations, OECD, WTO and UNCTAD. With the motto of ‘competition brings prosperity,’ discussions were held under the topic that are of interest to both
developing and developed countries, ‘the desirable relationship between competition authorities and regulatory agency’ and ‘capacity-building of competition authorities.’

21. From 2002, training program for officials of competition authorities was newly established under the KOICA program. In 2002, two programs, economic policy and development in China, economic development and competition policy and law have been launched.

22. The KFTC made great efforts in promoting bilateral cooperation with foreign competition authorities, signing its first-ever bilateral cooperation agreement with the Australian counterpart in Sept. 2002. Moreover, the KFTC increased cooperation with transition economies, signing cooperation memorandum with CIS countries and Eastern European transition economies.

II. Enforcement of Competition Laws and Policies

Statistics following are data from Jan.1, 2002 to Dec. 31,2002.

1. Action against anticompetitive practices and cartels

   (1) Summary of Activities

23. In 2002, the KFTC handled a total of 3,347 cases, ordering corrective measures above warnings on 2,635 cases and imposing surcharges of US$ 75 million.

24. With its implementation of Clean Market Project and Targeted Consumer Group initiative, the KFTC handled more cases of unfair trade practices, prohibited acts of trade associations and unfair adhesion contract. The KFTC was able to identify more cases of unfair subcontract practices as it conducted a written-survey on subcontracting from 2001. While unfair subcontract practices have not yet disappeared, the number of unfair practices has been greatly reduced year-on-year in 2003, which shows that fair subcontract practices are taking root.

Table 1. Cases Closed by Type of Illegal Acts (Unit: case)

<table>
<thead>
<tr>
<th>Year Type of Illegal Act</th>
<th>94</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
<th>‘00</th>
<th>‘01</th>
<th>‘02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abuse of Dominance</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Violations of Business Combination Regulation 1)</td>
<td>13</td>
<td>23</td>
<td>36</td>
<td>47</td>
<td>29</td>
<td>19</td>
<td>48</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Violation of Provisions</td>
<td>8</td>
<td>3</td>
<td>14</td>
<td>6</td>
<td>11</td>
<td>38</td>
<td>19</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>Curbing Concentration of Economic Power</td>
<td>19</td>
<td>26</td>
<td>36</td>
<td>22</td>
<td>37</td>
<td>34</td>
<td>47</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>Undue Concerted Act</td>
<td>56</td>
<td>40</td>
<td>66</td>
<td>53</td>
<td>101</td>
<td>93</td>
<td>117</td>
<td>88</td>
<td>100</td>
</tr>
<tr>
<td>Prohibited Acts of Trade Associations</td>
<td>337</td>
<td>353</td>
<td>339</td>
<td>510</td>
<td>406</td>
<td>173</td>
<td>121</td>
<td>169</td>
<td>210</td>
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<tr>
<td>Unfair Trade Practices 2)</td>
<td>55</td>
<td>40</td>
<td>26</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Unfair International Contract</td>
<td>489</td>
<td>488</td>
<td>518</td>
<td>641</td>
<td>590</td>
<td>359</td>
<td>352</td>
<td>365</td>
<td>483</td>
</tr>
</tbody>
</table>
### Significant Cases

#### International Graphite Cartel

25. Six graphite manufacturers from the US, Germany, Japan that presumably take up 80% of global production agreed to the principles of collaborative acts in 1992 and engaged in concerted acts such as price fixing in global market.

26. Since the graphite cartel has been already identified and sanctioned in the US and Canada, the KFTC asked for documents on cartel to prove its illegality from competition authorities in the US and Canada. The investigation in Korea, instead, focused on finding out the impact of such cartel on Korean market. Graphite used in Korea is 100% imported and especially, import from the cartel accounts for 90%. The cartel inflicted damage worth $1.39 million.

27. Competition authorities in the US and EU provided documents on investigation and UCAR International Corp., one of the 6 cartel members actively cooperated with the KFTC. The KFTC sent its review paper to 6 cartel members and notified of such facts on its English website. However, only 4 members attended the full Committee meeting.

28. The KFTC ordered corrective measures on 6 graphite manufacturers and imposed surcharge worth $8.5 million. However, surcharge was greatly reduced for UCAR International Corp., which cooperated with authorities according to leniency program. The KFTC made use of extraterritorial application on the graphite case. The case shows that the KFTC is determined to enforce its competition law even on overseas corporate behavior if such action affects domestic market.

#### Credit Card Cartel engaged in fee increase

29. Four credit card companies including LG card, Samsung card, KB card and Foreign Exchange card have increased their fees on cash advance, installment payment and delayed payment to a similar level at about the same time.

30. The KFTC recognized that the fees on cash advance, installment payment and delayed payment increased to a similar level at about the same time and considered it a parallel behavior. The KFTC presumed a prior agreement among concerned enterprises based on the following circumstantial evidence.
Concerned enterprises exchanged and shared information related to fee increase and the level and timing of fee increase coincided with what is stated on internal documents.

31. The KFTC ordered corrective measures on the aforementioned 4 companies and imposed surcharge of 23.3 billion won on May 17, 2002. Such sanctions eliminated long-held cartel practices in credit card industry and facilitated price competition. Reckless fee increase by credit card companies were controlled and the welfare of credit card holders were enhanced.

Bid rigging of Seoul subway construction project

32. Hyundai Development Co. and Doosan Construction and Engineering Co. joined the bidding for 2 construction projects of Seoul City Subway Number 9 ordered by Seoul City Subway Construction Headquarter. Hyundai Development and Doosan Construction and Engineering each won the project.

33. Two construction companies seem to have exchanged information and agreed on the winning bidder beforehand. Internal documents proved that the two companies made an agreement on subway bidding.

34. The KFTC ordered corrective measures on Hyundai Development and Doosan Construction and Engineering and levied surcharge of 7.1 billion won on July 20, 2002. Rigorous sanctions are especially required for bid rigging of the public construction project since such behavior distorts competition and waste government budget. The KFTC imposed surcharge on not only the winners but also the losers of the tender to punish all bidders involved in rigging and eradicate bid rigging practices.

2. Merger & Acquisitions

(1) Summary of Activities

35. In 2002, the KFTC handled 602 cases, a 6.2% drop from 644 cases in 2001. Such decline is due to economic downturn home and abroad, fewer companies venturing into IT and new industries and a reduction in M&As carried out by foreigners.

<table>
<thead>
<tr>
<th>Table 2. Statistics on Cases Addressed (Unit : Case)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Review</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Corrective order</td>
</tr>
<tr>
<td>Exception</td>
</tr>
<tr>
<td>Accepted report</td>
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<td></td>
</tr>
</tbody>
</table>

In case of corrective order, the Full Committee has reached decision on 6 cases. However, the decision report has been sent to only 2 cases.

36. Seen from the types of merger, the number of conglomerate mergers declined compared to 2001 while the number of horizontal merger soared. Fewer companies ventured into IT industry, affected by global recession in IT industry and this led to a decline in the number of conglomerate mergers. On the other hand, there was an increase in the number of horizontal merger since companies sought to expand its market dominance or enhance its productivity by merging with competitors.
### Table 3. Forms of Business Combinations

<table>
<thead>
<tr>
<th>(Unit : Case)</th>
<th>‘99</th>
<th>‘00</th>
<th>‘01</th>
<th>‘02</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Number of Case</strong></td>
<td>557</td>
<td>703</td>
<td>644</td>
<td>602</td>
</tr>
<tr>
<td><strong>Horizontal Merger</strong></td>
<td>150</td>
<td>83</td>
<td>92</td>
<td>151</td>
</tr>
<tr>
<td><strong>Vertical Merger</strong></td>
<td>75</td>
<td>37</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td><strong>Conglomerate Merger</strong></td>
<td>332</td>
<td>583</td>
<td>487</td>
<td>386</td>
</tr>
</tbody>
</table>

(2) **Significant Cases**

Business transfer of Kohap Corp by Kolon Co.

37. The creditors of Kohap Corp. called for the public bid of its nylon film business as part of its workout program and Kolon Co., the highest bidder signed the divestiture contract on Sept. 30, 2002. Kolon notified the merger to the KFTC.

38. At the time of notification, nylon film market in Korea had oligopolistic structure, dominated by Kolon Co., Hyosung Co. and Kohap Corp. Kolon was a leader with the market share of 45.9%, followed by Hyosung(29.1%) and Kohap(13.1%). Nylon film is a tech-intensive product with only 6 to 7 companies holding the manufacturing technology worldwide and demand outpacing supply. Therefore, entry barrier is quite high.

39. This case falls into the typical horizontal merger between competitors in oligopolistic structure. If Kohap and Kolon merge, its market share would amount to 59% in local nylon film market, meeting the presumption requirement for competition restriction under the MRFTA. Given that entry barrier is quite high, the merger, if allowed, would substantially lessen competition in Korea’s nylon film market.

40. The KFTC ordered Kolon to sell within 2 months the production facilities acquired from Kohap except for uncompleted single-line production facility to the third party on Dec 23, 2002. While Kolon acquired 2 production facilities from Kohap, only one was operating and the other was uncompleted.

Acquisition of Daesun distilling Co.’s stocks by Muhak Co.

41. In June 2002, Muhak Co. a market dominant Soju (traditional liquor) manufacturer in Kyungnam Province acquired 33.7% of stocks in Daesun distilling Co., a market dominant Soju manufacturer in the neighboring Pusan city and notified of the merger to the KFTC.

42. Local brand has strong presence in Soju market of each province while building brand awareness takes time and money. Moreover, liquor manufacturer and local distributors have strong relationship. Therefore, making an entry to Soju market in province is practically impossible. At the time of the merger, market share of Muhak Co. accounted for 84.4% in Pusan city while that of Daesun reached 84.3% in Kyungnam Province.

43. As a result of the merger, the market share of Muhak and Daesun in Pusan city and Kyungnam Province would exceed 90%, making them a de facto monopoly. Market share in Pusan city would exceed 91.5% and share in Kyungnam Province 97.2%. Competitors in the region would be reduced from 3 to 2, substantially lessening restriction.
44. The KFTC ordered Muhak to sell all its acquired shares from Daesun to the third party within one year on Dec. 28, 2002.

III. Competition Advocacy

1. Prior Consultation on Anticompetitive Regulations

45. The KFTC exercises prior consultation rights during the process of enactment and amendment of acts and enforcement decrees to determine its anti-competitiveness on the ground of the Article 63 of the MRFTA. Governmental agencies should refer to the KFTC to determine the anti-competitiveness of newly enacted or amended acts and enforcement decrees. The KFTC would provide its opinion when anti-competitive elements such as entry to barrier, price fixing and cartel are found and if necessary, submit such opinions to Regulatory Reform Committee, Economic Ministers’ Meeting, Deputy-Ministers’ Meeting and Cabinet Meeting.

46. In 2002, the KFTC exercised prior consultation rights on 381 cases, an 11.8% drop from 2001. Such decline is the sign that reform undertaken since 1998 has matured and that the need for enactment and revision has decreased.

47. The KFTC provided opinions on 36 cases or 9.4% out of 381 reviewed cases and related acts and enforcement decrees were corrected according to the opinion of the KFTC for 29 cases or 80% out of 36 cases. Such figure shows that governmental agencies are seriously taking into consideration the opinion from the KFTC.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Prior consultation</th>
<th>Number of Suggestion</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reflected</td>
</tr>
<tr>
<td>2002</td>
<td>381</td>
<td>36(9.4%)</td>
<td>29(80.0%)</td>
</tr>
<tr>
<td>2001</td>
<td>432</td>
<td>53(12.3%)</td>
<td>47(88.70%)</td>
</tr>
<tr>
<td>2000</td>
<td>481</td>
<td>60(12.5%)</td>
<td>51(85.0%)</td>
</tr>
<tr>
<td>1999</td>
<td>561</td>
<td>72(12%)</td>
<td>64(88.0%)</td>
</tr>
</tbody>
</table>

Significant cases

48. The Ministry of Information and Communication was to revise Software Industry Promotion Act to newly include provisions on the standard software certification and software specialist designation system but deleted such provisions after the prior consultation with the KFTC. Standard software certification system would require government to intervene directly and indirectly in standard setting process for software. Such system would hinder the development of a variety of software and the standard setting by market competition. Under the software specialist designation system, designated companies will be entitled to extra points when bidding for the public projects and such system acts as entry barrier.

49. The Ministry of Construction and Transportation was to revise its Enforcement Decree on Construction Industry to increase by 100% the minimum 2-year performance requirements, which construction companies have to comply with to stay in business. However, after the prior consultation with the KFTC, such provisions were deleted. Under the revision, government would artificially liquidate certain enterprises that fail to meet the requirements and such intervention distorts market competition.

11
Moreover, it would be unreasonable to drive out certain firms based on its construction performance in a given period.

2. **Regulatory Reform**

50. Since its establishment, the KFTC has led the reform efforts by government, improving laws and regulations that are anti-competitive. Among governmental agencies, the KFTC was the first to advocate the need for reform and ran Economic Regulatory Reform Committee from 1997 to 1998, overseeing the entire regulatory reform. Since 1998, the Regulatory Reform Committee has allocated a member position to the deputy chairman of the KFTC so that the opinions from the KFTC could be reflected in regulatory reform process.

*Significant Cases in 2002*

51. The KFTC lowered entry barriers for job referral services and tourism industry. Restriction on office area, one of the requirements for business establishment in job referral services was eased. Moreover, the minimum capital requirement for business establishment in travel agency sector was eased.

52. The KFTC eased restriction on computer program distribution. The scope and criteria for the use of copyrighted computer program was stipulated in detail so that license of such copyrighted works would not be abused and the use of second-hand program would be facilitated.

53. The KFTC improved mandatory education system for certificate holder and certified enterprises. The mandatory education system now offers on-line program for those who cannot attend offline program. Moreover, the institutes providing mandatory education will increase in number.

3. **Competition Advocacy in the Public Sector**

54. Since 1998, Korean government has launched reforms in 4 areas including the public sector and vigorously carried out privatization and management innovation in the public sector. The KFTC has put serious efforts to introduce competition in the public sector.

55. The KFTC suggested competition-promoting measures to related agencies and SOE(State-owned enterprise) Privatization Committee in order to prevent public monopoly diverting to private monopoly in the privatization process. The KFTC suggested repeal or easing of anti-competitive provisions such as price regulations or approval/permission regulations when enacting or amending SOE-related laws and regulations. The KFTC has annually identified and corrected unfair trade practices or undue subsidiary transactions by the SOEs.

56. The KFTC has suggested the measures to introduce competition in the privatization process of the SOEs and most of the opinions have been reflected. The KFTC will create effective competitive environment, eliminate entry barriers to prevent public monopoly diverting to private monopoly. Moreover, the KFTC will strengthen its enforcement such as regulating discriminatory acts, abuse of market-dominant position and cartels to promote fair trade practices in privatized market.

IV. **Resources of Competition Authorities**

57. The number of staffs and budget gradually increased in the 1990s as government advocated competition policy and since 1998, the number of staffs stabilized at around 400.
58. Out of 457 staffs, those with master’s degree and above account for 16% or 7466 or 14% majored in economics, 66 or 14% in law, 44 or 9% in business administration and 80 or 17% in public administration. Among the staffs, there are 22 lawyers and 3 accountants.

Table 5. Personnel and Budget Expenditure of the KFTC

<table>
<thead>
<tr>
<th>Year</th>
<th>Person-years</th>
<th>Budget expenditure (million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>416</td>
<td>20.5</td>
</tr>
<tr>
<td>2001</td>
<td>416</td>
<td>18.3</td>
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</tr>
<tr>
<td>1997</td>
<td>403</td>
<td>15.3</td>
</tr>
</tbody>
</table>

1) This refers to the number of regular personnel. If irregular staffs are included, the KFTC employed a total of 444 staffs in the year 2000.

59. The KFTC plans to increase the number of professionals. Staffs are encouraged to study abroad on government-granted scholarships and to earn master’s degree of Ph. D in economics or laws. Also, the KFTC is hiring more certified professionals such as lawyers and accountants.

Table 6. Current Composition of the KFTC Personnel

<table>
<thead>
<tr>
<th>Classification</th>
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V. References to New Reports and Studies on Competition Policy Issues


6. Hak-Kuk Cho, the Role and Significance of the KFTC as a Competition Advocate, Nov. 2002


9. Major Papers presented at the Weekly Competition Forum
   3) Mi-Kyung Yoon, the Impact of FDI to Competition, Feb. 2002.
   6) Kap-Young Jung, the Trend in the Economics of Industrial Structure, June 2002.