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ANNUAL REPORT ON COMPETITION POLICY DEVELOPMENTS IN KOREA

-- 2012 --

This report is submitted by Korea to the Competition Committee FOR DISCUSSION at its forthcoming meeting to be held on 30-31 October 2013.

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Executive Summary

1. This report addresses events that have occurred from Jan. 1, 2012 to Dec. 31, 2012. The Korea Fair Trade Commission (the “KFTC”) continued to focus its efforts on the effective implementation of 13 laws including the Monopoly Regulation and Fair Trade Act.

2. Fair Trade Commission sets its task goal as *realization of “warm” market economy where SMEs, large companies and consumers sympathize*. The commission has been committed to establishing a free and fair market order so that the outcome of the market performances can be equally shared among all economic subjects.

3. As part of this effort, first, the commission has reinforced its monitoring on the field close to people’s livelihood and the public sector’s bid rigging in order to eradicate cartels and unfair practices and create a competitive market environment. It imposed remedies on 30 cartel cases which include home appliances, instant noodles and fertilizers, and levied fines equivalent to 360 million dollars. It put efforts to foster competitive market environment by proceeding with plans (i.e. expansion of competition among Incheon Airport businessmen exempt from taxation) to improve twenty anti-competitive regulations.

4. Second, following the launch of an all-source portal for consumers, the “Smart Consumer” service in January 2012, the commission introduced a Korean consumer report, “Bigyo Gong-gam” in March 2012, in order to help consumers play more active roles. Also, by building purchase security protection service as a safeguard, the commission aimed to promote sound online market vitalization.

5. Third, through enforcing policies to implement fair trade practices and create shared growth culture among large companies and SMEs, the commission induced large business groups to voluntarily improve their unfair practices against subcontracting SMEs. In order to prevent subcontractors’ damage caused by verbal order, the commission wrote and revised standard subcontract documents for chemical, primary metal and publishing industries. In 2012, the commission supported fair trade agreement¹ among 145 large companies and 28,000 joint ventures to expand the base for shared growth culture.

6. Public documents, including more detailed descriptions of full texts of many matters referred to in this Annual Report, are available on the KFTC’s website in English at eng.ftc.go.kr.

1. Changes to Competition Laws and Policies, Proposed or Adopted

1.1 Summary of new legal provisions of competition law

7. The commission amended its enforcement decree in the direction of limiting the level of reduction for the second-in confessors. For cartels among two enterprisers, the KFTC approved 100 percent redemption for the first-in confessors only, while excluding redemption for the second-in confessors. For cartels among more than 3 enterprisers, the commission excluded redemption for the belated second-in confessors who reported more than 2 years later than the first-in report date.

8. The commission aimed to enhance the effectiveness of sanctions on cartels, and induce competition to report cartels voluntarily by broadening gap between first-in and second-in confessors’ incentives. Meanwhile, the KFTC strengthened legitimacy of redemption scheme for voluntary report by

¹ Companies should be allowed to prevent violation of the law on their own to sustain fair trade practices and ensure win-win cooperation among large companies and SMEs. Based on this idea, large companies, SMEs and the government have introduced the Triangle Cooperation Program (TCP), a program in which large and small companies conclude a convention to fair trade and win-win partnership, and provide incentives such as exempting KFTC’s ex officio investigation of companies with good implementation performance. (September 17, 2007)

excluding belated reports from the redemption benefit. The scheme had been pointed out to be lagging fairness as there were cases that companies which had enjoyed the most benefits of unfair profits from cartels abused the loophole of leniency program and voluntarily reported themselves to get fine exemption. And it also had been pointed out to be lagging effectiveness as both of the two colluded companies were exempted from fines.

9. In order to prevent companies from deliberately omitting to report their M&A's, the KFTC raised the minimum fine rate for violation of M&A transactions report. The commission raised the fine rate for violation of prior report of M&A from 1.5 – 20 million won (approximately 1400 – 1800 dollars) to 15 – 40 million won (approximately 14,000 – 36,000 dollars). The amendment, according to the delayed number of days from the following day of the due report date, enables fining additional due as much as 150% of the fine, making it possible to impose fines on violators up to 0.1 billion won (approximately 91,000 dollars). The commission readjusted the fine rate for violation of ex post facto report to a realistic level of 4 – 12 million won (3600 – 11,000 dollars) from 1 – 3 million won (910 to 2,730 dollars).

10. The commission upgraded the rule of fine rates for additional dues on defaults and refunds from notification to enforcement decree, readjusting the fine rates to the current trend of interest rates.

[Table 1] Rates for additional dues on defaults and refunds

Additional dues	Before amendment	After amendment
On defaults	Approx. 10.59% YOY (Mandated by Notification)	8.5% YOY (Mandated by Enforcement Decree)
On refunds	5.52% YOY (Mandated by Notification)	4.2% YOY (Mandated by Enforcement Decree)

1.2 Other relevant measures, including new guidelines

1.2.1 Amendment of rules on the KFTC's Committee Operation and Case Handling Procedure

11. This rule is a Korea Fair Trade Commission's Notification legislated to specify a series of handling procedures related to the commission's investigation, examination and its meeting operation.

12. The KFTC amended its Procedures Rule to specify deliberation preparation procedures requirements and clarify standard of permission for peruse and duplication of files attached to examination report. The amendment was aimed to enhance the fairness and effectiveness of the commission's decisions and to further guarantee a respondent's right to defense.

13. The commission mandated the requirements of commencing deliberation preparation procedures to be when there are disputes over sincerity of statements of the testifiers and stakeholders, when fact relations are complicated or have issues, and when there are recognized reasons to have the procedures to protect the respondent and effectively operate the deliberation. Also, the commission stipulated that the respondent can submit their opinion on the necessity of commencing the procedures when they submit their opinion on the examination report.

14. Even when uninvolved in fact relations, the attached materials to the examination report are clarified to be open to the respondent in principle, except for business or privacy confidential and other materials regulated by legislations.

1.2.2 Amendment of cartels examination standard

15. Cartels examination standard is an established rule of the KFTC that stipulated the general principle to effectively and consistently deal with cartels. It was amended in August 2012, complementing

the previous standard, which lacked specific standards for dates to calculate the numbers and periods of cartels and termination dates.

16. First, the commission specified items related to agreements and agreement assumptions among more than two entrepreneurs, as a standard to judge the validity of cartels. It is assumed that a cartel is agreed upon, even without direct evidence of agreement among entrepreneurs, when it is highly probable that the practices were jointly taken, in the light of the characteristics of the traded field, products and services, economic cause, ripple effect, number and manner of contacts among entrepreneurs. To support the assumption, supporting circumstantial evidences were complemented with examples. The evidences include the case when (in) direct meetings, contacts and information exchanges, and concurrence in behavior of the concerned entrepreneurs cannot be explained as the result of market condition, and when concurrence in behavior is not likely to happen without an agreement, considering the industrial structure.

17. Second, the judgment standard of cartels is complemented, considering the numbers and period of the cartels. When several agreements were concluded over a long period of time, the numbers of cartels are stipulated to be judged considering the purpose and continuity of each agreement. This reflects the content of the precedent that a series of agreements can be regarded as cartels even if there is no agreement on the basic principle. Regarding the initiating date of a cartel, the date of agreement in principle is decided to be the cartel period. When it is hard to define the agreement date, each entrepreneur's initiating date is decided to be the cartel period. On the termination date of a cartel, in principle and considering the Supreme Court cases, it is regarded that the cartel is terminated when entrepreneurs participating in the cartel express their will to withdraw from the cartel and act against the agreement. Only, there is an escape clause that just the expression of intention to withdraw from the agreement can constitute the termination of the cartel, when it is recognized that it is difficult to act against the agreement.

18. Third, the content that divides hardcore and soft cartels is deleted. Instead, illegitimacy is examined, dividing cartels into two categories: cartels that create only anti-competitive effect; cartels that create both anti-competitive effect and increased effectiveness.

1.2.3 Amendment of the merger notification guideline

19. The KFTC made a clear interpretation regulation so that consistent and unified interpretation is possible for judging merger notification obligation. The commission revised the merger notification guideline in June 2012, which includes such content as enhancement of predictability and reduction of confusion of enterprises, and alleviation of the enterprise's burden by simplifying notification template and submitted documents required to report a merger.

20. The changed content of the regulation is as follows. First, only the final acquirer is granted the reporting duty when the merger transaction is continuous, in such a way as reselling stocks on the day or within the filing period of acquisition. Second, when there are more than two merger transactions within one legal act (i.e. contract), only the major merger is specified to be subject to file, based on the content of the contract. Third, when calculating a foreign company's sales figures in Korea, sales figures among affiliates are excluded to avoid double counting.

21. The content related to simplification of merger notification template and submitted documents is as follows. When the company has called for an arbitrary pre-examination, before the formal filing, on whether the case is anti-competitive or not, materials already submitted by the time of the pre-examination are exempt from attachment when filing formally. When writing foreign affiliates' status report is written, affiliates with no sales figures in Korea are to write only the company name, area and type of business.

22. Acquisition of stocks by a large company is in principle, the subject of prior notification, but there are cases stipulated to be subject to the ex post factor report, on characteristics of the legislation and, or contract. exempted from prior notification and subject to ex post factor report are when notification to another authority is unified, based on public purchase, bequeath, and other laws, and when an ex post factor report is submitted to the authority concerned. On public purchase, the “Act on capital market and financial investments” stipulates the time limit on stock acquisition, and on bequeath, transfer of ownership goes into effect concurrently with the occurrence of cause. Thus bequeath and prohibition of transaction conflict when only prior notification is operated. The measure is taken to solve such problems.

2. Enforcement of competition laws and policies

2.1 *Summary of Actions against anticompetitive practices, including agreements and unfair business practices*

23. Among cases the commission dealt with, cases that applied to law violation which led to voluntary correction or above warning measures are as follows, according to type of behavior. The number of violations of cartels increased (76.2%) to 37 from 21, meanwhile the number of violation of restraint on economic power concentration decreased (59.7%) to 31 from 77, and the number of unfair concerted practice decreased (42.3%) to 41 from 71.

[Table 2] Performances KFTC dealt with that are voluntarily corrected or received more than warnings

Types	'08	'09	'10	'11	'12
Abuse of market dominant position	5	2	7	0	1
Violation of limit on merger	27	23	21	21	37
Violation on economic power concentration	116	41	36	77	31
Cartels	65	63	62	71	41
Ban on the enterpriser's organization	98	107	62	85	66
Unfair trade action	565	446	360	279	248
Total	876	682	548	533	424

2.2 *Action against cartel*

2.2.1 *Summary of activities*

24. The KFTC uncovered 41 concerted practices and imposed remedies at levels above warning: 2 claims, 28 corrective measures and 11 warnings. Two cases that claims were imposed on, and 24 out of 28 cases remedies were imposed on were fined respectively.

[Table 3] Corrections of concerted practices by types of measures

(Measures above Warnings, Unit: Number of cases)				
	Complaint	Remedies	Warning	Sum
Numbers	2 (Fines concurrently imposed: 2)	28 (Fines concurrently imposed: 24)	11	41
Ratio	4.9%	68.3%	26.8%	100%

25. By types of violations, the numbers of price cartels were the highest at 17, followed by bid rigging at 16, which are the result of the commission's focus on detection and correction of more anti-competitive cartels.

[Table 4] Market performances by types of concerted practice

	Price fixing	Limit on production and release	Joint business performance	Limit on business activity	Bid rigging	Total
Numbers	17	3	3	2	16	41
Ratio	41.5%	7.3%	7.3%	4.9%	39.0%	100%

2.2.2 Case 1: Collusive pricing on fertilizer

26. Three fertilizer manufacturers avoided competition by set the volume and bidding price of each company in advance, and put into practice at the fertilizer bid placed by National Agricultural Cooperative Federation and National Federation of Cooperatives. Market share of eight items from the thirteen participating fertilizer manufacturers was 100 percent, marking high successful bid rate above 99 percent on average, resulting from the collusion.

27. The KFTC determined the thirteen fertilizers' concerted practice corresponds to 'price setting, maintenance or change' and 'limiting products' production, release, transportation, and/or trade, or limiting transaction of products or services, issuing remedies and imposing fines of 83 billion won (approximately 75million dollars) in total.

28. The measure was meaningful as it collapsed the old collusion practice and the solid structure of fertilizer market. It is said that at a competitive bidding in 2011 after the KFTC's on-site inspection, selling price of tailored fertilizers decreased by about 21% year-on-year. And farmers' allotted charges on fertilizers decreased about 102.2 billion won (approx. 90 million dollars) year-on-year. Activated price competition at the fertilizers market is expected to lower farmers' allotted charges on fertilizers, while enhancing competitiveness of the overall industry.

2.2.3 Cartel 2: Collusive pricing on instant noodles

29. Four instant noodles manufacturing and sales companies exchanged information and raised the price all at once six times in total. Each of the manufacturers set the release price and suggested retail price of their main products the same.

30. Knowing that the others would follow suit, the leading company in the field let them know of its price increase information, encouraging them to increase their price as well. The other companies checked one another's price increase, sharing price increase information. Also, they were vigilant over seceders and reinforced their collusion by constantly exchanging sensitive business information such as: sales performance and target; means of business support; and promotion and launch plan for new products.

31. The number of cartels-related emails from year 2003 to 2009 that KFTC secured reach as many as 340. Instant noodle association's regular general meetings and manager meetings held every March have been used as channel of continuous information exchange and mutual cooperation among the instant noodle manufacturers.

32. The KFTC decided that four manufacturing and sales companies' concerted practice applies to 'setting, maintenance and change of price' and issued remedies and imposed fines of 135.4 billion won (approx. 123 million dollars). The case is significant as it expressed the commission's will to enforce the law strictly on cartels targeting items closely related to people's lives. The long-time solid cartel among oligopolistic companies whose market shares sum up to be nearly 100 percent, has now collapsed, inviting expectation that ramen market's price competition in effect will be activated.

2.3 *Action against unfair business practices*

2.3.1 *Summary of activities*

33. In total, 996 unfair business practices were handled in 2012, representing 76 percent of the all Fair Trade Act-related cases dealt with in 2012. Meanwhile, when looking at the cases by types, most cases were related to undue customer enticement (539 cases, 54%) and abuse of superior bargaining position (308 cases, 31%).

[Table 5] Handled unfair business practices by types

Types	Cases
Refusal to deal	43
Discriminatory treatment	8
Exclusion of competitors	11
Enticement of competitors	539
Coercion to deal	17
Abuse of superior bargaining position	308
Exclusive dealing contract	25
Disturbance of business practice	29
Unfair support	11
Maintenance of resale price	10

2.3.2 *Case 1: Undue customer enticement by telecommunications service providers and mobile phone manufacturers*

34. Three telecom service providers and three phone manufacturers set mobile phone price high in advance, using the fact that mobile phones with large sums of subsidies have bigger customer enticement effect, then provided the customers the inflated subsidies through retail stores.

35. In the current structure where sales of mobile phones and telecom services are combined, it is hard for customers to grasp the mobile phone price structure and there are no transparently-set mobile phone prices. Using this, telecom companies and manufacturers provided customers with subsidies coming from inflated mobile phone prices. This led customers to misinterpret buying the combination of telecom service and mobile phone with no actual discount benefits as buying expensive mobile phones cheap. This applies to illusion marketing, which leads customers to misunderstand that subsidy system is a practical discount system that reduces purchasing price of the device.

36. S telecom restricted the ratio of devices directly supplied to the distribution network from S manufacturer without going through S telecom to within 20 percent. And this led to restricted price competition among mobile phones from different distribution media. This was possible by denying registration of the supplied materials when materials directly distributed by S manufacturer exceed 20 percent, using S telecom's old system of pre-registering identification number at the telecom company.

37. Such practices by the telecommunication companies and manufacturers apply to 'undue customer enticement' and 'exclusive dealing contract.' Thus KFTC issued remedies along with imposition of fines worth of 45 billion won (approx. 41 million dollars). The case put the brakes on the three telecom companies and three manufacturers' business practice which had been deceiving consumers by using consumers' unfamiliarity with the mobile phone price structure and inflating the price of mobile phones and pretending as if they were giving a discount to consumers. Also, the KFTC laid foundation of mobile phone market competition vitalization, by detecting and correcting practices that impede manufacturers' direct distribution of the devices.

2.3.3 Case 2: Remedy on resale price maintenance of The North Face® products

38. G company sold The North Face® outdoor products to specialty stores nationwide from November 1997 to January 2012, and coerced them not to sell products at lower than the price the company specified. The company clarified the duty to observe consumer price in the “special sales agency agreement,” to en effect cancel the contract, suspend release, collect guarantee and issue warnings on the specialty stores that break the price policy and offer discounts.

39. Since 2002, the company added online sales prohibition regulation in the contract, increasing the effectiveness of resale price maintenance by blocking in advance online sales completion which is active in price sales.

40. The commission, determining that such practice belongs to ‘resale price maintenance’ and ‘exclusive dealing contract,’ issued remedies along with imposition of fines that worth approximately 5.2 billion won (approx. 4.8 million dollars). The measure, by imposing the largest amount of fines in the KFTC’s sanctions history, sanctioned rigorously on a practice that limits price competition and infringes consumer interest. This measure would serve as an opportunity for a vitalization of price sales competition at the distribution stage, which will pop the price bubbles of outdoor products including The North Face®, relieving consumers’ burden.

3. The role of competition authorities in the formulation and implementation of other policies

3.1 Improving anticompetitive regulations

3.1.1 Overview

41. Improvement of anticompetitive regulations is the fundamental mission to form a competitive market structure by getting rid of unreasonable entry barrier. It is important to form a free and fair competition environment where individuals’ imagination and creativity can be expressed to realize an economy where innovation and effectiveness become the foundation of convergence of industry and technology, which lead to a virtuous cycle of expansion of sustainable growth potentials and creation of quality jobs.

42. 42. The government so far has continued to improve regulations, but reached the limit of regulations improvement not leading to the realization of the growth potential. There are many anticompetitive regulations remained in the industry, including entry regulation which impedes free entry to market.

43. The KFTC has been promoting improvement of entry regulation since 2009, recognizing the urgent need of maintaining anticompetitive regulation and changing to competition-enhancing market structure for Korea to be a leading market economy. Promotion works selected through opinions from entrepreneurs’ group and experts, self market analyses, are requested to be studied by service providers. Then work improvement plans have been planned, through open discussions and meetings to get stakeholders’ opinions, and by listening to related ministries and getting mediations from the Presidential Council on National Competitiveness, and the Prime Minister’s Office.

3.1.2 Major cases of improving anti-competitive regulations

44. Public notification of command on liquor telemarketing limits the number of bottles of traditional liquor one person can buy online per day not to exceed 50. This has caused consumers who wish to buy them in large volumes to lend others’ names or to spend more than two days, leading to their inconvenience. Even companies with a large demand for special events and gifts had to visit stores by

themselves, leading to waste of their time and money. The amendment has relaxed quantitative restriction per day, leading to vitalized small-scale traditional liquor businesses, and enhanced benefit of consumers with large demands on traditional liquors.

45. Public notification of command on establishment of liquor trade order limits the place of consumer preference survey, including free tasting event of a small-scale beer, to the business site of the licensed entrepreneur. This is serving as a de facto entry barrier for small scale entrepreneurs to get license, develop a new product and attempt to enter the general beer market. It is also infringing the predictability of the entrepreneur by leaving the standard of beer tasting event requirement under the mercy of the head of Korea tax office. The improvement scheme allows small scale beer brewers to hold tasting events on other than their business site, as a prior step to acquire general beer brewing license. And this is expected to lead to entry of new competitive entrepreneurs and broadened range of consumer choice, thanks to enhanced understanding of consumer preference and promotion of new products.

46. Incheon International Airport Corporation, when selecting duty free shops to enter the airport mall, had granted the right to monopolize liquor and cigarette sales to only one duty free shop. For a year since March 2008, when it changed to a monopoly, prices of 30 major liquors has increased by 9.8 percent on average, causing harmful effect of monopoly. When the corporation selects plural duty free shops for liquor and cigarette sales according to the improvement scheme, it is likely to promote competition, which will lead to decreased prices and expanded consumer options.

3.2 Competition Assessment

3.2.1 Overview

47. Since the OECD released ‘Competition Assessment Toolkit’ in 2007, Korea referred to it and made a Korean version of assessment toolkit. The ‘Competition Assessment Analyses Guidelines’ by the Cabinet Office was revised and gave way to the KFTC to execute competition assessment on establishment and reinforced regulation of the government ministries. Accordingly, the assessment procedure has been introduced as a prior step to regulation examination of Cabinet Office Regulatory Reform Committee, and was executed by the KFTC, equipped with experience and expertise in anticompetitive regulations.

3.2.2 Achievement

48. In 2012, the commission reviewed 407 bills in total and suggested opinion of ‘positive anti-competitiveness’ on 26 regulation proposals. Consequently 15 of the proposals were withdrawn or improved in the process of examination by the Regulatory Reform Committee or re-review by the competent authority. One of the major cases the commission assessed was the bill to revise the enforcement decree of the Construction Law, which granted the owner and manager of a multiple use building to conduct inspections regularly, while making an architect designated by the mayor, governor, or head of the district (gu) office. After the assessment, the commission pointed out that appointing a specific architect would demotivate the designated architect with monopolistic inspection right, leading to loss of bargaining power of the building owner in the process of inspection contract conclusion, which is likely to increase the prices, including inspection charge.

49. It is pointed out that it mars the effect of regulation reform when the same or similar regulations are stated in the ordinance or rule of the local governments, despite the government’s efforts to improve regulation on the ordinance, established rule and notification. Thus the KFTC agreed to improve metropolitan governments’ anticompetitive ordinances, and basic local governments’ 40 ordinances or rules, 1209 ordinances and rules.

3.3 *Consumer Policy*

3.3.1 *Significance*

50. Consumer policy regulates relationships among entrepreneurs to maintain and promote fair and free competition among them, and contributes to enhancement of consumer welfare by having products supplied by many entrepreneurs. On the other hand, the policy also regulates relationship between entrepreneurs and consumers, at a guardian position, to protect consumers who are at a relatively inferior status than entrepreneurs. Consumer policy creates environment where consumers can buy quality products enjoying the expanded options. Sharing the same goal of consumer welfare enhancement, competition policy and consumer policy complement each other and generate environment for ‘consumers’ effective choice,’ where consumers enjoy the ‘expanded meaningful options’.

3.3.2 *Provision of product information to support consumers’ reasonable purchase decision*

51. By providing full information consumers need, the commission relieves the information asymmetry so that consumers can lead a rational consumption life, fully functioning as a principal agent in the market.

52. Since 2008, the KFTC has been providing price and quality comparison information via Korea Consumer Agency and consumer groups. From 2012, the information has been provided under the name ‘Bigyo Gong-gam (called ‘K-Consumer Report’ before August 2012).’ In 2012, information was provided on 11 items i.e. hiking boots, variable insurances, children’s beverages, wireless electric kettles, baby bottles, sunscreens, takeout coffees, batteries, detergents for drum washing machines, dishwashers and strollers.

53. Pricing information on items with suspected price distortions was provided by distribution channels and phases. Such information began to be provided from 2012, and through consumer groups, information was provided on 11 items, i.e. Korean beef, strollers, electric irons, electric razors, electric toothbrush, frying pans, whiskeys, cosmetics, smartphone components, toys and infants clothing.

54. The commission provided information of consumer-participating product reviews, under the name ‘Consumer Talk-Talk,’ in which consumers write reviews to share the usage experience on products they have actually used. Information provided for year 2012 was on SUVs, movie theaters and ski resorts.

55. As electronic devices including smartphones and tablet PCs spread widely, the KFTC launched ‘Smart Consumer,’ a ubiquitous consumer information portal site, in January 2012. Smart Consumer provides, as key contents, product comparison information (Bigyo Gong-gam, pricing information classified by distribution channels and phases), consumer-participating product review information (Consumer Talk-Talk) and integrated recall information classified by items. Forming a linkage to 102 websites from 68 institutions, the portal has arranged at one site an array of various consumer information formerly scattered about on each website. This enables consumers to find useful information such as real transaction apartment price provided by Ministry of Land, Infrastructure and transport and oil price information by the Korea National Oil Corporation. The website is receiving huge interest and response from consumers, with regard to providing objective and reliable consumer information, contrary to commercial information.

3.3.3 *Consumer education*

56. The KFTC carried out consumer education project in order to develop consumers’ reasonable consumption potential. The commission put efforts to enhance educational effect by diversifying education methods in accordance with education objects. Specifically, the commission classified consumer education

targets according to the educated people's characteristics: the elderly, homemakers, marriage immigrants, the disabled and children from the vulnerable. The content include types of damage vulnerable consumers usually suffer, ways to apply for remedy, and other things vulnerable consumers should know as a principal agent of the market. The KFTC provided 481 times of consumer education, targeting 21 thousand people.

[Table 6] Number of education times and educated people (Classified by social stratum)

	Number of education times	Number of educated people
Low income elderly citizens	82	6,960
Low income homemakers	19	1,091
Marriage immigrants	150	3,761
Children from the vulnerable	144	6,638
Disabled	55	2,147
North Korean defectors	31	805
Sum	481	21,40

3.3.4 Correction of unfair adhesion contract

57. With people's increased interest and recognition over adhesion contract examination, numbers of counseling and examination request over unfair adhesion contracts are on the rise as well. In 2012, among 906 examination requests, the commission recommended measures to correct on 8 cases and demanded voluntary correction on 107 cases. Compared to other cases, adhesion contract case has higher voluntary correction rate. It means that people damaged by unfair adhesion contract are the majority, and concluding cases quickly with the entrepreneurs' voluntary correction is better than taking time-demanding official measures, to recover the rights and interests of the majority consumers, and be responsive to changes in trade conditions.

[Table 7] Corrections of unfair adhesion contracts year-on-year

Year	'08	'09	'10	'11	'12
Examination request	1,030	998	1,008	957	906
Prosecution	-	-	-	-	-
Remedies	-	-	-	1	-
Correction request	1	-	-	-	-
Types of measures					
Correction recommendation	76	43	31	46	8
Warning	-	-	-	-	-
Voluntary correction	113	121	134	147	107
Sum	190	164	165	194	115

58. To be more specific, the correction focused on fields consumers frequently damaged from, including an adhesion contract provision that disenable fee refunds, and a provision that puts extravagant charges on contract cancellations. Accordingly, the following provisions were corrected: the provision that unconditionally disenable balance return of a consumer who bought more than a certain rate of the

recommended amount of mobile coupon; the provision of a social commerce coupon carrier that bans the use and refund of expired coupons.

59. In order to establish sound trade practices and prevent adhesion contract with unfair content being commonly used, the commission recommends entrepreneurs to use standard adhesion contract with clearly stated contract provisions that are necessary for trade. In 2012, the KFTC legislated and revised standard adhesion contract for online games, loan trading, agency service for studying abroad procedures.

3.3.5 *E-commerce*

60. Widespread use of smartphones and tablet PCs gave way to ubiquitous access to the internet and dramatically invigorated the e-commerce market. The market size for 2012 reached approximately 32.3 trillion won (29.3 billion dollars).

61. The commission improved the system to prevent in advance the consumer damage caused by the characteristics of e-commerce, in which transactions between sellers and buyers do not occur face-to-face. The KFTC prepared 'Guidelines of Autonomous Compliance in Social Commerce,' for commercial activities by individual bloggers who did not declare to conduct telemarketing.

62. Also, the commission continues to monitor and correct law violations of e-commerce activities. The KFTC also corrected deceptive consumer enticement by an online bookstore, and a social commerce company's violation of Electric Commerce Consumer Protection Law, in which the company advertised a product to be genuine when it is not.

4. Resources of competition authorities (Annual Budget, Number of Employees)

63. As of June 2013, the number of employees of the KFTC is 519, and annual budget KRW 84.6 billion (about \$77 million). The budget has been on the steady rise since 2006, which is mainly due to the KFTC taking over the operation of the Korea Consumer Agency from the Ministry of Strategy and Finance in 2008.

[Table 8] Number of Employees & Annual Budget (as of June 30, 2013)

	Employees	Budget (KRW hundred million)
2012	519	846
2011	514	788
2010	493	710
2009	493	729
2008	493	677
2007	504	547
2006	486	387
2005	484	348
2004	469	288
2003	416	264
2002	416	246
2001	416	220