

# OECD-Korea Regional Centre for Competition

## Annual Performance Report 2005

In May 2004, the Organization for Economic Co-operation and Development (OECD) and the Korean Fair Trade Commission (KFTC) jointly established the OECD-Korea Regional Centre for Competition. Broadly speaking, the purpose of the Centre is to assist Asian competition authorities in developing and implementing effective competition law and policy. To this end, the Korea RCC serves as a focus for capacity building in Asia. The OECD provides support to the Korea RCC through the work product of the Competition Committee and professional support from the Competition Division.<sup>1</sup>

### I. Overview of 2005 Activities

During 2005 the Korea RCC continued its efforts to support competition institutions and promote sound competition policy enforcement. After conducting several events in 2004, the Centre established a full programme of activities for 2005. During the year, the RCC conducted a total of 8 events which focused on some of the most important core competences of competition authorities as well as best practices in the area of competition law. In this regard, the RCC delivered seminars on optimal anti-cartel enforcement policies and practices, best practices for assessing market definition and horizontal mergers, as well as seminars on certain business practices such as exclusive dealing, predation and price discrimination. In the area of competition law, the Korea RCC helped to coordinate comments on China and Indonesia's draft competition laws.

The Centre's programmes are designed primarily for front-line competition officials. In all, by years end, 138 people had attended events in Seoul either in the capacity of an expert or as a participant.<sup>2</sup> Moreover, through the Centre's eight events it delivered over 520 person-days of capacity building.<sup>3</sup> Experts and participants from 12 countries attended the Centre's programs from Australia, China, Hong Kong China, India, Indonesia, Korea, Japan, Mongolia, Singapore, Chinese Taipei, Thailand and Vietnam.

### II. Detailed Review of 2005 Activities

During 2005, the Korea RCC conducted 8 events of which 2 were KFTC training seminars and 6 were outreach seminars.<sup>4</sup> Outreach seminars focused on empirical methods for defining an antitrust market and assessing competitive effects, anti-cartel enforcement best practices, and topics such as predation,

---

<sup>1</sup> The Competition Committee is an OECD body that brings together the leaders of the world's major competition (or antitrust) authorities to exchange views and analysis on important competition issues. The Competition Committee brings together the 30 members of the OECD and 9 non-members. The Committee works for the adoption of market principles as the cornerstone of governments' policy initiatives and the reduction of anti-competitive conduct and market-distorting government measures and practices. The Competition Division is a special unit inside the OECD's Directorate of Financial Enterprise Affairs and supports the work of the Committee.

<sup>2</sup> In 2004 the RCC held 2 outreach seminars for countries other than Korea at which 25 people attended from 5 different countries. In addition to these two events, the RCC also held 4 events for the KFTC in which 93 people participated.

<sup>3</sup> Person-days are defined as the number of days a person attended an RCC training course. Thus, if 10 people attended a course for 5 days and 4 people attended a course for 3 days the number of person days of assistance delivered is 62 ( $10*5 + 4*3 = 62$ ).

<sup>4</sup> In addition to these two events, KFTC officials also participated in 2 outreach events.

exclusive dealing, and price discrimination. The 2 KFTC training seminars focused on empirical methods to define antitrust markets and assess competitive effects.

#### *Outreach Capacity Building Seminars*

Table I and II provide detailed information on the topics of the outreach seminars and participating countries. Additional detailed information about the substance of each seminar is provided in the Annex to this report. In total 96 people attended events in Seoul either in the capacity of an expert or as a participant which implies that the RCC delivered nearly 320 person-days of capacity building assistance. As one can see, Indonesia sent nearly twice as many officials to the Centre’s programs than either Singapore or China, the next most intensive users of RCC output.

**Table I. Number of Experts or Participants and Events Attended**

<b>Country</b>	<b>Number of Experts and Participants</b>	<b>Person-Days</b>	<b>Events Attended</b>
Indonesia	29	107	4
Singapore	16	62	2
China	16	40	2
Chinese Taipei	8	28	4
Vietnam	8	24	3
India	4	12	1
Japan	4	12	2
Thailand	4	12	2
Australia	3	10	3
Hong Kong China	2	6	1
Mongolia	2	6	1
<b>TOTAL</b>	<b>96</b>	<b>319</b>	

Table II provides details on each event. As one can see the largest event held at the Korea RCC occurred in October during which 32 officials from 8 countries in the region came as either a participant or as an expert. Notably, the focus of the October seminar was on anti-cartel enforcement which is often viewed by competition authorities as being of first-order importance. In addition, the October even also featured other topics such as predation, exclusive dealing, and price discrimination which are focal areas of many competition authorities in Asia.

**Table II. Summary of Outreach Activities for 2005**

<b>Event Name</b>	<b>Date</b>	<b>Total Number of Experts or Participants</b>	<b>Attending Countries (Number of Experts or Participants)</b>
Antitrust Market Definition and Competitive Effects Analysis	April 25-29	21	Australia (1), Indonesia (10), Korea (1), Singapore (7), and Chinese Taipei (2)
Seminar on Indonesian Competition Law	October 10-12	11	Australia (1) and Indonesia (10)

Anti-Cartel Enforcement Practices and Selected Unilateral Practices	October 12-14	32	Australia (1), China (8), Hong Kong China (2), India (4), Japan (2), Singapore (9), Chinese Taipei (2), and Vietnam (4)
Seminar on the Anti-Monopoly Law in China <sup>5</sup>	October 17-18	8	China (8)
Antitrust Market Definition and Competitive Effects Analysis	November 14-16	9	Indonesia (4), Chinese Taipei (1), Thailand (2), and Vietnam (2)
Regional Antitrust Workshop on Competition Case Studies	December 7-9	19	Indonesia (5), Japan (2), Korea (3), Mongolia (2), Thailand (2), Chinese Taipei (3), and Vietnam (2)

### *KFTC Seminars*

During 2005, the RCC provided intensive training to the KFTC in the area of antitrust market definition and competitive effects analysis through two seminars. Each of these events focused – at a high level – on empirical techniques that significantly aid these efforts such as merger simulation programs. In all, 42 officials from the KFTC participated in the Centre’s programs and in the process the RCC delivered 204 person days of teaching.<sup>6</sup> Moreover, several hundred pages of key documents were translated into Korean by the Centre’s staff in order to facilitate in-house professional development. Table III provides additional details.

**Table III. Summary of KFTC Training Seminars Activities for 2005**

<b>Event Name</b>	<b>Date</b>	<b>Total Number of Experts or Participants</b>	<b>Attending Countries (Number of Experts or Participants)</b>
Antitrust Market Definition and Competitive Effects Analysis	March 21-25	20	Korea (20)
Antitrust Market Definition and Competitive Effects Analysis	June 27- July 1	18	Korea (18)

### **III. Evaluation of RCC Seminars**

In January 2006 the Competition Division at the OECD conducted an evaluation of all outreach work in 2005. Countries were asked to rank the usefulness of each capacity building seminar conducted by OECD, including those held by the Korea RCC. Respondents were asked to indicate the usefulness of a specific event. One of the goals of this particular survey is to understand to what extent capacity building seminars affect the knowledge base of a competition authority.

Responses to that survey indicate that OECD capacity building seminars are highly valued. In particular, all responses to that survey indicated that Korea RCC seminars are well regarded. More specifically, responding countries found RCC seminars in Korea to be either very highly useful or highly useful in nearly equal proportions. In their responses, two countries made the following observations.

<sup>5</sup> The Asian Development Bank provided for the travel and accommodation expenses for experts and participants at this event.

<sup>6</sup> 38 KFTC officials participated in KFTC training events and an addition 4 officials attended outreach events.

In terms of educational background, more officials of the Commission have majored in law than in economics; thus, the training courses regularly provide these officials opportunities to learn more about and further broaden their understanding of economics and its applications to competition cases. This may eventually have an effect on the approach that is taken in some investigations and analytical skills that are used to handle cases. - Chinese Taipei

The sessions on the use of statistics to define the market were helpful in providing a quantitative dimension to market definition. - Singapore

As part of its usual business practices at the end of each seminar, the Korea RCC asks participants and experts what types of programs they would like to see offered in the near future. In general, participants indicated a keen desire to see more programs focused on abuse of dominance and in particular on exclusive dealing, predation, price discrimination, refusals to deal and other unilateral antitrust issues. To this end, the RCC will have an event on precisely these issues in October 2006.

## **Annex: Description of Individual Events in 2005**

### **Antitrust Market Definition and Competitive Effects Analysis for the KFTC**

**March 21-25**

#### **Attending Experts and Participants: Korea**

This seminar will explore useful ways of defining antitrust markets and assessing the potential for competitive effects from mergers and acquisitions. Topics to be discussed include: the historical role of price correlation analysis in market definition; under what circumstances product shipment patterns can be used to understand the likelihood of harm from a merger; useful market definition indices; the role of consumer choice, entry and exit in assessing market definition; as well as state of the art merger simulation exercises.

### **Antitrust Market Definition and Competitive Effects Analysis**

**April 25-29**

#### **Attending Experts and Participants: Australia, Indonesia, Singapore, and Chinese Taipei**

This seminar will explore useful ways of defining antitrust markets and assessing the potential for competitive effects from mergers and acquisitions. Topics to be discussed include: the historical role of price correlation analysis in market definition; under what circumstances product shipment patterns can be used to understand the likelihood of harm from a merger; useful market definition indices; the role of consumer choice, entry and exit in assessing market definition; as well as state of the art merger simulation exercises. In addition, participants will work through a case study involving a hypothetical merger of branded products. Participants will conduct interviews, examine documents, analyze data using techniques learned in class, and develop an outline of the way the case might be litigated in court. A defence team will also prepare their case and there will be a trial and a decision at the end of the week. During that exercise participants will also learn that appropriate remedies to ameliorate competition concerns can be divestitures of certain assets.

### **Antitrust Market Definition and Competitive Effects Analysis**

**June 27 - July 1**

#### **Attending Experts and Participants: Korea**

This seminar will explore useful ways of defining antitrust markets and assessing the potential for competitive effects from mergers and acquisitions. Topics to be discussed include: the historical role of price correlation analysis in market definition; under what circumstances product shipment patterns can be used to understand the likelihood of harm from a merger; useful market definition indices; the role of consumer choice, entry and exit in assessing market definition; as well as state of the art merger simulation exercises. In addition, participants will work through a case study involving a hypothetical merger of branded products. Participants will conduct interviews, examine documents, analyze data using techniques learned in class, and develop an outline of the way the case might be litigated in court. A defence team will also prepare their case and there will be a trial and a decision at the end of the week. During that exercise participants will also learn that appropriate remedies to ameliorate competition concerns can be divestitures of certain assets.

### **Seminar on Indonesian Competition Law**

**October 10-12**

#### **Attending Experts and Participants: Australia and Indonesia**

This seminar will explore a variety of issues covered under Indonesian Law No. 5/1999. The nature of this law is quite broad and covers oligopoly behaviour, price fixing, price discrimination, predation, and exclusivity of various types as well as other issues. As a result close attention will be devoted toward the practical issue of separating non cooperative oligopoly interaction from cartel conduct and the law and economics of practices that facilitate cartel adhesion. Actual data from the well-known international Lysine cartel will be examined and participants will attempt to determine the market price but for the

illegal conduct in that case using a variety of techniques. Further, participants will present several case studies and at the end of the seminar, participants will apply lessons from the event to the case studies that were presented. During another part of this event, the law and economics of predation, exclusive dealing, exclusive territories and price discrimination will be discussed. Participants will learn how to separate beneficial competition from illegal conduct designed to harm competitors and injure consumers. Once again, participants will present several case studies and the lessons from the event will be applied. At the end of the seminar, participants should be able to apply the lessons learned to cases involving large retailers, such as hypermarkets, to differential pricing by firms to various distributors and retailers and to cases involving exclusivity.

### **Anti-Cartel Enforcement Practices and Selected Unilateral Practices**

**October 12-14**

**Attending Experts and Participants: Australia, China, Hong Kong, India, Japan, Singapore, Chinese Taipei, and Vietnam**

This seminar will explore a variety of issues related to anti-cartel enforcement policies and practices around the world, practical issues related to detecting cartel activity and a variety of unilateral practices. Close attention will be devoted toward the practical issue of separating non cooperative oligopoly interaction from cartel conduct and the law and economics of practices that facilitate cartel adherence. Actual data from the well-known international Lysine cartel will be examined and participants will attempt to determine the market price but for the illegal conduct in that case using a variety of techniques. Further, participants will present several case studies and at the end of the seminar, participants will apply lessons from the event to the case studies that were presented. During another part of this event, the law and economics of predation, exclusive dealing, exclusive territories and price discrimination will be discussed. Participants will learn how to separate beneficial competition from illegal conduct designed to harm competitors and injure consumers. Once again, participants will present several case studies and the lessons from the event will be applied. At the end of the seminar, participants should be able to apply the lessons learned to cases involving large retailers, such as hypermarkets, to differential pricing by firms to various distributors and retailers and to cases involving exclusivity.

### **Seminar on the Anti-Monopoly Law in China**

**October 17-18**

**Attending Participants: China**

This seminar provides useful explanations on how certain sections of the draft anti-monopoly law in China could be enhanced. Topics covered include restrictive horizontal and vertical agreements, abuse of dominance, mergers and acquisitions, concessions, and administrative monopolies.

### **Antitrust Market Definition and Competitive Effects Analysis**

**November 14-16**

**Attending Experts and Participants: Indonesia, Chinese Taipei, Thailand, and Vietnam**

This seminar will explore useful ways of defining antitrust markets and assessing the potential for competitive effects from mergers and acquisitions. Topics to be discussed include: the historical role of price correlation analysis in market definition; under what circumstances product shipment patterns can be used to understand the likelihood of harm from a merger; useful market definition indices; the role of consumer choice, entry and exit in assessing market definition; as well as state of the art merger simulation exercises.

**Regional Antitrust Workshop**

**December 7-9**

**Attending Experts and Participants: Indonesia, Japan, Korea, Mongolia, Thailand, Chinese Taipei, and Vietnam**

This seminar will explore a variety of cases examined by various competition authorities in Asia. Key focus areas for the case studies include: cartels, abuse of dominance in non regulated sectors, and horizontal mergers. In addition, a variety of lectures will be given that focus on salient issues in these three areas. Finally, 2 countries will report on competition issues that they face.