

# WORLD TRADE ORGANIZATION

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**Working Group on the Interaction  
between Trade and Competition Policy**

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## COMMUNICATION FROM THE REPUBLIC OF KOREA

The following communication, dated 13 June 2000, has been received from the Permanent Mission of the Republic of Korea with the request that it be circulated to Members.

### Korea Fair Trade Commission: Competition Advocacy Role

1. Competition advocacy refers to all the efforts aimed at establishing the principles of a market economy in the government decision-making, enforcement, and deregulation processes. This includes urging public enterprises and corporations undergoing privatization to undertake restructuring measures in a pro-competition manner and eliminating economic regulations that reduce consumer welfare.
2. In order to play an effective competition advocacy role, competition authorities should be equipped with the necessary resources and authority. In addition, they should be able to take part in the government decision-making process in a timely fashion.
3. In this regard, the Korea Fair Trade Commission (KFTC) not only holds the characteristics needed to be an effective competition advocate, but also offers other important capabilities as well.
4. First, the KFTC is entitled to have prior consultations with relevant government agencies concerning legislation. Pursuant to Article 63 of the Monopoly Regulation and Fair Trade Act, the head of a pertinent administrative agency shall seek consultations with the KFTC in advance when he/she intends to enact or amend any act or decree, issue an authorization or take other measures that contain anti-competition elements. As such, Korea's general competition law only stipulates the competition advocacy role of the competition authorities. Such a role is deemed one of the core functions of the KFTC.
5. Second, the Chairman of the KFTC can sit and voice his opinion in Cabinet Meetings. Policies, once formulated, are difficult to change. In this regard, the KFTC Chairman can ensure that the views of the competition agency are reflected in the policy-making by attending and expressing his opinions at the Cabinet Meetings. Based on the authority and capacity provided by law, the KFTC has successfully fulfilled the role of a competition advocate.
6. With respect to the consultations on legislation, in the past three years, the KFTC has put forth its opinions on 403 (31.9%) of the 1264 requests made by relevant government agencies for the enactment and revision of legislation. Of that, the KFTC's views and suggestions were reflected in 310 (76.9%) of those changes in legislation. As such, the KFTC has helped oppose and prevent the

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introduction and amendment of anti-competition legislation, thereby achieving, in effect, regulatory reform.

7. The following are some of the KFTC's major achievements as a competition advocate:

- (a) Since 1997, it has taken measures to improve institutions and practices to prevent monopolistic or oligopolistic market structures in 20 sectors, including automobiles, steel and tyres.
- (b) In February 1999, the Omnibus Cartel Repeal Act was enacted. This resulted in the elimination or improvement of 20 cartels, including those that set the remuneration for 9 professional occupations, which included lawyers and professions that were subject to group negotiations among small and medium-sized enterprises (SMEs).
- (c) The KFTC also has a keen interest in the privatization of state-owned enterprises (SOEs). Privatizing backbone industries that operate under state monopolies could help produce private monopolies instead of state monopolies. In recognition of this possibility, the KFTC has actively pursued pro-competition policies, including those that promote deregulation.

8. The OECD Review of Regulatory Reform in Korea found that the KFTC has played a crucial role in establishing two essential principles of reform: reliance on the market mechanisms and openness.

9. The experience of the KFTC as a competition advocate has two implications. First, countries that pursue an economic policy focused on industrial policy are likely to breed anti-competitive governmental regulations. This was the case with Korea, where a government-driven growth strategy was adopted and anti-competition regulations established. Though this could be overlooked at the initial stage of development, it eventually distorted market structures and negatively affected economic development. The lesson is that every effort to build a market economy should be undertaken in the initial stage of development. This can be achieved through the introduction of competition policies, with the competition authorities taking on an active competition advocacy role. Second, it is critical to confer full authority to competition agencies to allow them to serve as effective competition advocates. Because developing countries, in particular, are facing special challenges in the promotion of a free market, the role of such competition advocates is essential to overcoming those challenges.

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