



KOREA FAIR TRADE COMMISSION

Press Release

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KFTC to Establish Sound Market Order for Shared Growth and People's Stable Livelihood

- 2011 KFTC Work Plans to support Government's effort to build fair society-

The Korea Fair Trade Commission (KFTC, Chairman: Chung Ho-Yul) briefed Mr. President Lee Myung-Bak on its 2011 work plans on December 15 (Wed.).

President Lee made a visit to the KFTC for a briefing of the Commission's 2011 work plans and participated in a discussion afterwards on how to improve business relationship between large companies and small/mid-sized enterprises (SMEs) for their shared growth. He emphasized an important role of the KFTC to build fair society, and encouraged the KFTC staffs to exert strong efforts for this work.

Chairman Chung presented as the Commission's major policy tasks for the year 2011 mutual growth of large businesses and SMEs and stabilization of ordinary people's livelihood, which ultimately are aimed to support the government's effort to build fair society. The KFTC's policy approach stems from concerns on SMEs' ongoing struggle even after the recent improvement in the economic situation, which requires the environment for shared growth of SMEs and large businesses. Moreover, as price hikes in daily necessities are likely to place a heavy burden on ordinary people's lives, stimulating competition, thereby keeping prices stable is an important task.

Chairman Chung also stressed that establishing business practice for voluntary compliance of competition law is as crucial as law enforcement by government authorities to establish the sound market order in the long run.

The 2011 KFTC work plans were designed to help ensure realization of fair society with four policy tasks of;

- ① improving business relationship between large companies and SMEs for their mutual growth;
- ② stimulating competition to stabilize ordinary people's livelihood with strengthened measures;
- ③ creating fair trade environment by empowering consumers; and
- ④ spreading business culture of voluntary compliance of competition law.

< Summary of 2011 Work Plan >

1) Improving business relationship between large companies and SMEs for mutual growth

The KFTC will ensure implementation of 『Comprehensive Measures for Mutual Growth of Large Businesses and SMEs』 announced on September 29, 2010. Under the announced measures, the KFTC will revise Fair Subcontract Transaction Act to specify conditions for the Korea Federation of Small and Medium Business seeking consultation to adjust unit prices of supplied goods, expand the scope of legal application and mandate the use of a written form when requesting technology-related documents. The Commission will also encourage establishment of the information sharing system on unit price changes of supplied goods and system for notification on ordering plans and the volumes to be ordered. These systems will help ensure that adjusted unit prices are reflected vertically in the supply chain having impact on the 2nd- and 3rd suppliers, and enhance transparency in the ordering practice.

The KFTC will pay close attention to difficulties that SMEs experience in the business operation and reinvigorate enforcement against legal violations that harm SMEs. The Commission will conduct a survey on business practices in the manufacturing industry and launch an ex officio investigation into unlawful practices of, for example, forcing unit prices down or stealing technology focused on industries where subcontracts are frequently made and which has severe impact on the overall economy. It will also strengthen sanctions for habitual offenders by reporting them to the prosecution more actively and disclosing the list of companies that have poor record of legal compliance.

The KFTC will correct unfair business practices of large distribution companies. For this purpose, the KFTC will draw up Fair Distribution Transaction Act (provisional name) to shift the burden of proof away from the law enforcement authority and make large distribution companies justify their alleged anticompetitive behavior. The Commission will publicize sales commissions of large distribution companies to encourage competitive commission reduction. Moreover, it will strengthen on-site inspection of each major distribution companies (department store, large retailer, TV home shopping company) to monitor illicit practices such as unlawful returning of goods.

The KFTC will keep a close eye on market players that exploit their market power to hamper business of SMEs. To this end, the Commission will correct IPR abuse practices such as exclusionary cross-licensing or imposing unfair conditions for license contract identified in an investigation into the IT and pharmaceutical industries. The investigation will be expanded to target machinery, chemical and other industries which seem to be prone to IPR abuse. It will also conduct intensive monitoring on unfair practices of platform business that undermine SMEs' business in online marketplace for goods and digital contents. In particular, exclusive transaction, discriminatory treatment and unfairly passing costs on to SMEs will be closely monitored.

2) Stimulating competition to stabilize ordinary people's livelihood with strengthened measures

The KFTC will continue to be vigilant in monitoring price-fixing of products whose price hikes can cause severe impact on people's lives. For this purpose, the Commission will keep close track of price changes of goods that are closely related to people's lives such as farm produce, dairy products and processed food. It will also strengthen penalty for bid-rigging conspirators in public procurement who cause price hikes in the private sector and budget wastes. For this, the Commission will actively report bid-rigging cases to the prosecution and make a request for prohibiting colluders' bidding participation for future contracts.

The KFTC will make sure that consumers have more access to product information to provoke price competition. The Commission will steadily increase the number of daily products that are examined for comparing prices and identifying price differences in domestic and overseas markets. And it will set up an integrated product information network, a one-stop web site that provides consumers with useful product information once separately managed by different Ministries. The integrated product information network will have "Online Marketplace" which enables direct transaction between producers and consumers' cooperatives.

The KFTC will improve monopoly/oligopoly market structure to lay the foundation for price competition. In line with this, the commission will launch the 3rd stage of entry regulations improvement program. In the 3rd stage, the focus will be put on lowering entry barriers in healthcare, broadcasting, communications, education and energy industries. It will also conduct thorough review on progress in 46 tasks that were carried out in the 1st and 2nd stages. The Commission will also conduct close review on M&As between large distribution companies and large scale cross-border M&As that could harm small and medium suppliers to provide protection for domestic industries and consumers

3) Creating fair trade environment by empowering consumers

The KFTC will strengthen effectiveness of remedies for consumer damage. It will extend consumers' rights to cancel contracts into consumer fraud cases so that consumers can cancel contracts in such cases where sellers provide false

information or fail to give important information. The Commission will also improve dispute settlement system by designing standards for resolving disputes in newly emerging areas such as wired & wireless bundle service.

The KFTC will enhance efficiency of the review of unfair adhesion contracts of financial products. By establishing review standards for financial adhesion contracts, the Commission will facilitate the review process and expand the scope of review to include commercial banks and mutual savings banks.

The KFTC will correct unfair adhesion contracts of service providers that are closely related to people's lives such as fitness centers or nursing homes as well as web sites such as online shopping malls or game sites where privacy infringement frequently occurs.

The KFTC will continue to prevent consumer harm in areas that have particularly poor record of consumer protection such as funeral service industry, multi-level marketing (MLM) and e-commerce. For this purpose the Commission will 1) investigate and sanction funeral parlors which are not registered or fail to have a contract for preserving deposit money, 2) crack down on fraudulent MLM schemes targeting vulnerable people such as elderly citizens and 3) investigate practices of refusing to give refunds for digital contents such as smart phone applications.

4) Spreading business culture of voluntary compliance of competition law

The KFTC will expand "Shared Growth Arrangements between Large Businesses and SMEs" to cover more company participants. In addition, the Commission will operate "Consultative Body for Shared Growth" comprising representatives of large companies, subcontractors and relevant business organizations to improve rules and identify and spread best practices.

The KFTC will also establish guidelines for each industrial area to spread best practices across the markets. The newly designed guidelines will be applied to, for example, the standard setting involving patent technologies and donation by medical equipment manufactures.

Furthermore the Commission will encourage SMEs to introduce the Compliance Program and put much effort to prevent companies' antitrust violation by conducting anti-cartel education programs for Korean companies operating in domestic and overseas markets.