

# **ECCK White Paper 2024**

## Message from Chairperson



Philippe Van Hoof  
Chairperson,  
European Chamber  
of Commerce in  
Korea

Dear Members of the European Chamber of Commerce in Korea (ECCK),

I am delighted to present the 2024 ECCK White Paper. This year holds particular significance as we mark the completion of our 10th edition since the inaugural publication in 2015.

The ECCK White Paper is a key publication of the ECCK, containing vital recommendations to the Korean government, crafted by representatives from member companies active in our committees. The 2024 ECCK White Paper addresses over 70 issues and suggestions related to the regulatory environment in Korea. We anticipate that this year's ECCK White Paper will contribute constructively to promoting improvements in Korea's business environment and influencing relevant policy changes.

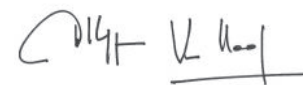
A substantial portion of the issues mentioned in the ECCK White Paper suggests aligning with international standards. Given the rapid introduction of various technologies and related services worldwide, it is challenging for regulatory frameworks to proactively keep pace with all these changes. However, basing management on established international standards not only enables efficient regulation but also fosters international competitiveness. For example, Korea's automotive, chemical, and cosmetics industries have been steadily expanding their markets over time by harmonising with international standards. We anticipate similar growth potential in the digital, green energy and sustainability sectors moving forward. With ongoing discussions surrounding the Korea-EU Digital Agreement and current legislative developments related to green energy, the opportunities for success in these sectors are expected to accelerate for both Korea and Europe.

It has been a year since I took office as Chairperson of the ECCK in June 2023. During this period, the ECCK and I have strived to establish effective communication channels with the government and continue constructive dialogue. Economic cooperation between Korea and Europe is a critical element for the growth and prosperity of both economies. European companies play a significant role in the Korean market, and the ECCK will remain committed to serving as a bridge for communication between European businesses and the Korean government.

Despite challenging economic conditions, including a global economic slowdown, high-interest rates, and fluctuating exchange rates, the Korean market remains an attractive destination for foreign investors. Korea's Foreign Direct Investment (FDI) continued to increase throughout 2023 and the first half of 2024. Especially, FDI from Europe to Korea increased by 21.6% year-on-year to \$9.8 billion. The Korean government is determined to achieve its annual FDI target of \$35 billion this year. During the Presidential Luncheon on February 14 and the 'Foreign Investment Strategy Meeting' hosted by the Minister of Trade, Industry, and Energy on April 3, I could clearly feel the government's resolute commitment. We are looking for numerous potential FDI opportunities in sectors such as renewable energy, fine chemicals, semiconductors, and biotechnology, all of which hold promising prospects in the future.

Finally, I extend my sincere gratitude to the member companies who have dedicated their time and effort to the publication of this year's ECCK White Paper. I am confident that the ECCK White Paper will enable our members to engage actively in open and effective dialogue with the Korean government, which will be a key to fostering a better business environment for both Korean companies and the European community.

Thank you.



Philippe Van Hoof  
Chairperson, European Chamber of Commerce in Korea (ECCK)

## Message from President



Stefan Ernst  
President,  
European Chamber  
of Commerce in  
Korea

Dear Members and Friends of the European Chamber of Commerce in Korea (ECCK),

The ECCK has continuously served as the representative voice of European businesses regarding the business environment in Korea. Our network extends beyond domestic boundaries, maintaining close cooperation with the European Commission in Brussels, the European Free Trade Association (EFTA) in Geneva, and the UK government, while also operating as a member of the European Business Organisation Worldwide Network (EROWN).

This year has seen heightened uncertainty in political and economic conditions, with the National Assembly elections in Korea in April, the European Parliament elections in June, and the upcoming US presidential election in November. Although the US presidential election outcome is still pending, it is expected that the policy focus on eco-friendly and technological transitions, as well as strengthening autonomy and resilience in industrial infrastructure, will be continued by the new parliamentary and governmental terms.

The ECCK will continue to strive to improve the overall business environment and enhance the competitiveness of the Korean market through the voices of European companies wishing to operate here. We will spare no effort to encourage even more corporate investment and exchange.

The ECCK White Paper addresses key issues and challenges faced by European companies in Korea, fostering constructive dialogue between the Korean government and European businesses. Over the years, the ECCK White Paper has expanded to cover a broader range of industries while continuously monitoring and presenting opinions for better outcomes on previously proposed or improved matters.

This year, our dedicated industry experts and committee members have compiled over 70 issues across 17 committees. More than half of these issues are new, with additional updates on amendments and re-submitted issues. We hope that this ECCK White Paper will contribute constructively as the current administration continues its regulatory improvement and relaxation policies. The issues mentioned in the ECCK White Paper remain high priorities not only for European companies but also for Korean companies.

Particularly, the proposal from the Human Resources committee regarding the 'Serious Accidents Punishment Act' is an issue that could significantly impact all industries, requiring careful consideration. As this law leans more towards post-accident punishment rather than preventive measures for solving industrial safety and health issues, a comprehensive discussion on its purpose and implementation methods seems necessary, considering the policy's effectiveness.

While other proposals are related to practical business operations and competitiveness, the Serious Accidents Punishment Act directly impacts decision-making stages of foreign direct investment (FDI) companies, along with labour market flexibility. Korea's FDI performance has reached record highs for three consecutive years, indicating a period of substantial growth potential through more proactive and aggressive attraction strategies. ECCK's proposals related to the labour market will help enhance Korea's competitiveness in terms of foreign direct investment.

The ECCK remains committed to creating an even better business environment for both Korean companies and the European community. We appreciate your continued interest and support and look forward to your ongoing encouragement.

Thank you.



Stefan Ernst  
President European Chamber of Commerce in Korea (ECCK)

# ECCK White Paper 2024

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# ECCK Introduction

## ECCK Introduction

Established back in 2012, the European Chamber of Commerce in Korea (ECCK) functions as a prominent business association representing European companies operating in and with Korea. With a mission to advocate for the collective interests of the European business community, the ECCK offers its members valuable resources such as information, communication channels, and access to information concerning Korea's business and regulatory environment. As of August 2024, the Chamber consists of more than 350 member companies and approximately 110,000 employees in Korea.

While most of its members consist of European firms, the ECCK extends a warm invitation to companies of diverse nationalities to join and collaborate in sharing their experiences. Entrusted with a member's mandate, the Board of Directors presides over the organisation. Additionally, the Advisory Board, comprising representatives nominated by national chambers or embassies, plays a vital role in providing valuable guidance and advice. Additionally, the Secretariat manages day-to-day activities and operations, ensuring the seamless functioning of the Chamber.

The primary goal of the ECCK is to foster an ideal business environment and community for European companies, striving to establish a sustainable and mutually beneficial relationship between European corporations and the Korean government through active collaboration with both parties. This annual ECCK White Paper is a perfect example of bridging European businesses and the Korean government together toward creating a better business environment.

The ECCK has also been striving to make a positive impact on Korean society by fostering connections between local and global CSR partners and our members.

The ECCK's influence goes beyond regional boundaries, as it has built collaborative ties with the European Commission and the Secretariat of the European Free Trade Association. Moreover, the ECCK holds membership in the European Business Organisation Worldwide Network (EOWN), further expanding its global reach and influence.

## ECCK Vision & Mission

The ECCK is committed to advancing the interests of companies from Europe operating in Korea. We cooperate with organisations that share mutual interests to fairly represent the European business community and promote an optimal business environment in Korea. To achieve these objectives, the ECCK focuses on:

- Ensuring a fair and open business environment by facilitating dialogue with the government
- Collecting and disseminating information on business as well as economic and regulatory developments in Korea and Europe
- Creating networking opportunities for members and partners
- Contributing to Korean society by supporting corporate social responsibility activities and promoting good corporate governance practices
- Becoming a commercial and cultural ambassador to Korea

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## Board of Directors



**Philippe Van Hoof** (Belgium)  
Chairperson of the Board  
Country Manager  
ING Korea

Philippe Van Hoof is the Country Manager of ING Bank N.V. in Seoul since August 2021. Prior to that, he was ING's Head of Financial Institutions APAC, based in Singapore, and has been a member of the Asia Pacific Senior Management Team since 2017. Philippe has 29 years of banking experience, including 15 years in Singapore, Korea and Japan. In addition to managing strategic relationships with banks, Philippe has extensive experience in covering insurers, asset managers, securities companies and sovereign wealth funds at executive/board level on a wide range of strategic topics. A Belgian citizen, Philippe joined the ECCK as a member from 2021 and was elected in June 2022 as a Chairperson of ECCK's Sustainability Committee. He then was appointed as a Chairperson of the ECCK in June 2023. While he was based in Singapore, Philippe was the chairman of Eurocham Singapore's Financial Services Committee until 2018, and later served as Vice President from April 2019 until July 2021.

## Board of Directors



**Mathias Vaitl** (Germany)  
Vice Chairperson  
President & CEO  
Mercedes-Benz Korea

Mr. Mathias Vaitl has been appointed as President and CEO of Mercedes-Benz Korea from September 1, 2023. Mr. Vaitl graduated with Diploma (FH) in Business Administration from Nuertingen-Geislingen University (HfWU) specializing in Automotive Industry and International Business Management in 2005, and in the same year, he joined Mercedes-Benz as a Business Manager for Dealer Network at its subsidiary in Prague, Czech Republic. Mathias Vaitl has extensive automotive experience in Digital Services, Sales, Training & Qualification, as well as Customer Services and Network Development in German, Chinese and Czech Republic markets.



**Per Stenius** (Finland)  
Vice Chairperson of the Board  
Chairman & CEO  
Reddal

Per Stenius is a Finnish Citizen and is the Director of Reddal Korea, as well as the Chairman and CEO of Reddal Inc. since 2010. He has over 25 years' experience in the field of strategy and operative process development in multiple industries. During his career, he has worked as a top management consultant and executive, holding positions at McKinsey & Company, Accenture, Stratos Ventures, and several technology companies. Per holds a PhD in Electrical Engineering from the University of California, Santa Barbara, a Masters in Economics from the University of California, Santa Barbara and an M. Sc. in Engineering from the Helsinki University of Technology. He has written over 30 articles in leading journals for business and science and serves as an Adjunct Professor at Seoul School of Integrated Sciences & Technologies. Per with Reddal Korea joined ECCK as a member in Oct 2020.

## Board of Directors



**Gayoung Lee** (Korea)  
Director of the Board  
Managing Director  
Knoell Korea Ltd.

Gayoung Lee is a Korean citizen and a Managing Director of Knoell Korea. She has been serving as Managing Director since the establishment of the company in Korea in January 2016. Before joining Knoell, she had been in the business area of sustainability and climate change mostly as a consultant. Since joining Knoell, she is working in chemical regulatory area.



**Erik Roelans** (Belgium)  
Director of the Board  
CEO  
ER-Marine

Erik Roelans is a Belgian citizen and leads the company ER-MARINE providing solutions for floating offshore wind projects. Based on over 20 years expertise from offshore oil & gas operations and offshore Newbuilding projects. Since 2008 Erik Roelans has been developing offshore energy reduction projects and alternative fuel implementation concepts with LPG, LNG, Methanol and the hybrid electrification of offshore installations. Since 2020 Erik is full-time occupied with the Korean floating offshore wind topic. Building on expertise and learning new things in this new industry and transforming this into practical solutions as a contributor to a more sustainable world.

## Board of Directors



**David Taeseung Yoo** (Korea)  
Director of the Board  
Co-CEO  
Copenhagen Offshore Partners

David Taeseung Yoo is a Korean citizen and is the CO-CEO of Copenhagen Offshore Partners (COP) Korea since 2018. He has set up Korean entity for COP in 2018. He is an expert in offshore wind and has 13 years of hands on experience in renewable energy (offshore wind power) and played an instrumental role in driving the nation's offshore wind industry. During the past years, David has also contributed successfully to the development of Korea's first 100MW scale offshore wind power project and implemented master plan and rolling plan for Korean government's 2.5 GW offshore wind power projects in the Southwestern Sea of Korea. Currently, he is supervising entire Korean offshore wind power development activities for COP and has been leading the success of COP Korea based on his expertise and experience.



**Robert Browell** (UK)  
Treasurer of the Board  
Partner  
Samil PricewaterhouseCoopers

Robert Browell is a British citizen and is a partner at Samil PricewaterhouseCoopers, the Korea member firm of PwC and Korea's largest professional services organisation. Robert has over 20 years of experience in providing services to multinational clients including a large number of European groups operating in a range of different industry sectors. Robert spent the first 10 years of his career working for PwC in the UK before joining PwC Korea in 2012. Robert is also currently serving as the Chairperson of the Taxation Committee at the European Chamber of Commerce and as Special Advisor to the British Chamber of Commerce in Korea.

## Board of Directors



### **Johan Vandromme** (Belgium)

Trustee of the Board  
Senior Advisor  
Kim & Chang

Johan is a Belgian citizen and has been a senior advisor with Kim & Chang since October 2020, as well as from 2007 to 2009. He started his career in Brussels in 2001 as a case-handler at the European Commission's Competition Directorate-General, before moving to Korea in 2007. He left private practice in 2009 to return to the service of the European Commission at the Delegation in Beijing, covering trade and competition matters, later coming back to Korea in 2013 to the Seoul Delegation. Prior to returning to Kim & Chang as a senior advisor in 2020, he was serving at the Beijing Delegation since 2018, covering matters of competition and justice policies for the Commission.

## ECCK Secretariat



### **Stefan ERNST**

President

Stefan Ernst joined the European Chamber of Commerce in Korea (ECCK) on September 1, 2023, appointed as President as of October 1, 2023.

Stefan has worked at Beiersdorf AG for 20 years, gaining extensive marketing and management experience in international markets such as Latin America, China, Taiwan, and Korea. Previously, he led the Beiersdorf Korea/Taiwan organisation from 2010 to 2013 and later became a Corporate Vice President of Global Pharmacy Operations based in Germany until his departure from the company in 2015.

After returning to Korea in 2016, he successfully led a start-up company, Mackevision Korea, which is a part of Accenture Song. Before joining the ECCK, he served as COO at ZABEL + PARTNERS architects, a professional architectural firm based in Korea.

Stefan is a German citizen fluent in German, English, Spanish and French, and is a highly versatile cross-cultural executive with 28 years of broad experience in marketing and general management roles.

Stefan graduated with a BA in European Business Administration from Middlesex University, Great Britain, and holds a Diploma as Dipl.-Betriebswirt from European School of Business, Germany, obtained in 1995.

Management  
Team

### **Bo Sun KIM**

Vice President

### **Geumchae NOH**

Team Leader, Finance & Administration

### **Ansook PARK**

Senior Director, Head of Committee Operations,  
Cosmetics/Healthcare Committees

### **Hyokyung SUH**

Director,  
Beer, Wine & Spirits/Food/Kitchen & Home Appliances Committees

## ECCK

### Secretariat

Committee  
Management

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#### Sunyoung KANG

Manager, Fashion & Retail/IPR Committees

#### Kyunghyun KIM

Manager, Chemical/Digital/Logistics & Transport Committees

#### Siyoon KIM

Manager, Insurance Committee/Taxation Forum/CFO Forum

#### Changhoon RIM

Senior Manager, Automotive/Aerospace & Defence Committees

#### Hyewon SHIN

Manager, Energy & Environment/Sustainability/Tourism Committees

#### Shinwon YOON

Manager, Beer,Wine&Spirits/Food/  
Kitchen&Home Appliances Committees

Administration

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#### Bokyoung CHO

Manager, HR&Compliance Forum, HR & General Affairs

#### Hyeun CHO

Team Leader | Membership Management & CR

#### Yuri JANG

Team Leader, PR & Communications

#### Hyewon SHIM

Team Leader, Marketing & Event Management

Busan Chapter

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#### Andrew MILLARD

Busan Chapter Representative

#### Yeaji KIM

Manager, Marine&Shipbuilding Committee

## ECCK

### Services & Programs

## Committees & Forums

Committees and Forums are the centrepieces of ECCK's activities. Comprised of participating member companies, Committees and Forums assist members to keep informed of regulations, to improve market intelligence, and to express positions on specific trade issues. Committees address industry-specific issues to Korean government counterparts. Meanwhile, Forums focus primarily on cross-industry topics, such as human resources, which are open to all members free of charge.

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### Events

The ECCK organises conferences and seminars of industrial relevance for knowledge sharing. We are actively engaged in dialogues with government agencies to represent the European industries' concerns and issues. Furthermore, formal, and informal networking events are hosted to encourage information exchange and business relationships. Finally, the ECCK functions as the first point of contact for European executives and officials coming to Korea.

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### Publications

As a platform of communication, the ECCK produces regular publications to inform our members of the current market situation, key regulatory issues, and social trends in Korea. In addition, we conduct surveys on the business climate in Korea and interviews with industry experts. Major publications include:

- ECCK White Paper
- Business Confidence Survey
- ECCK Connect Magazine
- ECCK Membership Directory
- Weekly Newsletter

**How to read ECCK White Paper  
Key Issues and Recommendations**

The ECCK White Paper 2024 presents a total of 70 industry issues and recommendations intended to improve the business environment in Korea. The recommendations are developed through extensive consultations with our European members participating in our 17 industry committees. The purpose of the ECCK White Paper is to serve as a constructive communication tool to the Korean government and European counterparts, and therefore every issue included in the publication is presented with a realistic recommendation that could be implemented by the relevant authorities.

The issues and recommendations take the following format:

**Issue Description**  
Details the present-day situation and how it affects the industry.

**2023 Recommendation**  
Presents specific actions that could improve the situation for all parties.

**Related Laws/Authorities  
Recommendation Status**  
Indicates a recommendation has been either 'Retained' or 'Updated' from last year's white paper, or it is a 'New' recommendation for 2024.

Ansook Park  
Director  
Cosmetics  
Committee

# Cosmetics

7

Total Key Issues

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**1**

**Issue Description**

Reconsideration of the Functional Cosmetics System for the Sake of International Harmonisation of Regulations

**Issue**

The Cosmetic Act, derived from the Pharmaceutical Affairs Act about 20 years ago, needs to be reevaluated in the context of the changing environment of the Korean cosmetics industry, which has grown to a global level.

Even though functional cosmetics are not medicine, the government approves the efficacy of cosmetics in advance. This is very different from Europe and other foreign countries where parties responsible for managing the efficacy of cosmetics as designated according to industry and market-oriented systems. In addition, this method of approval poses a challenge in the cosmetics industry where speed and diversity of product development are important.

**2023 Recommendation**

Through the adoption of enhanced monitoring and the capabilities of global-level safety evaluations and verification systems, we believe that the Korean cosmetics industry can increase its competitiveness in terms of speed and product diversity under a regulatory environment that is harmonised with global standards.

Therefore, it is recommended that the functional cosmetics system be abolished under the condition of proving cosmetic efficacy through a private sector-based verification system.

**Recommendation**

**Relevant Act/Regulation**

Responsible Authority & Division

Recommendation Status

Cosmetics Act

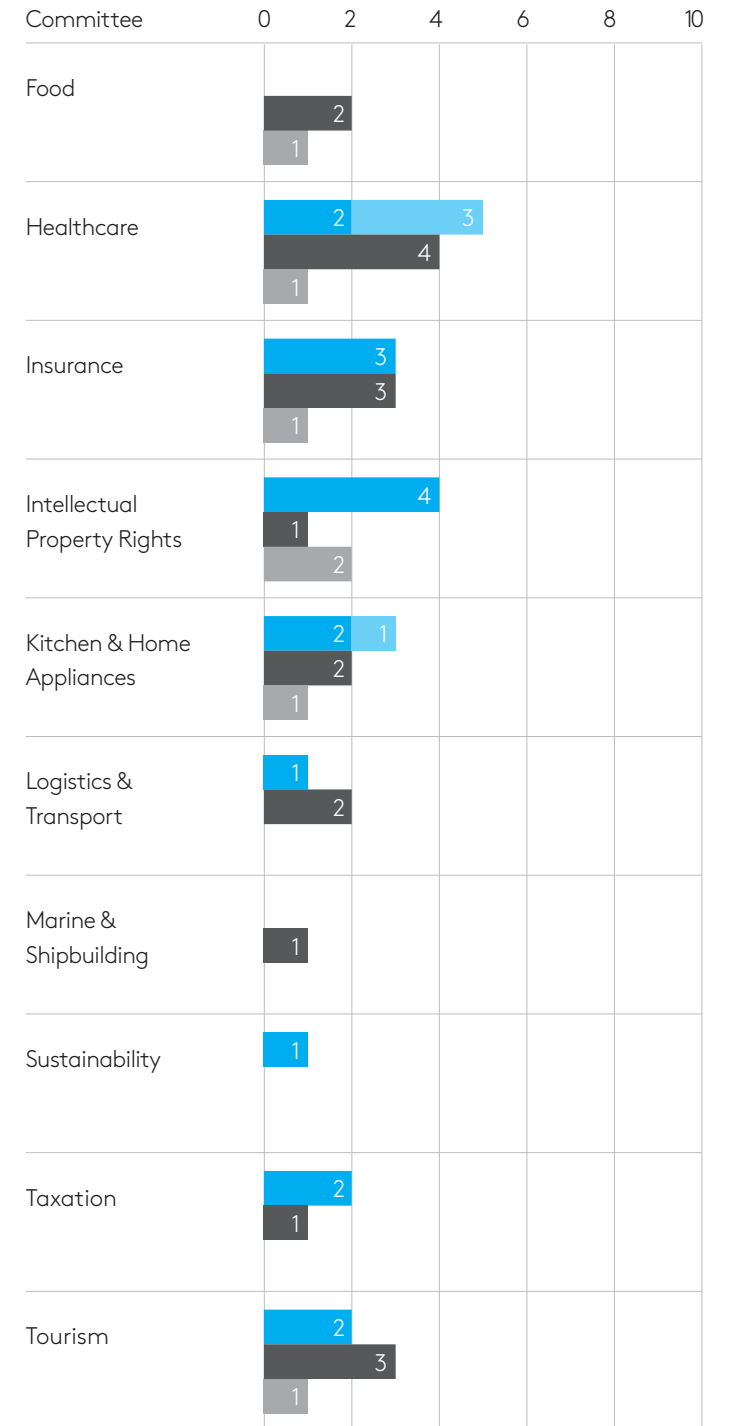
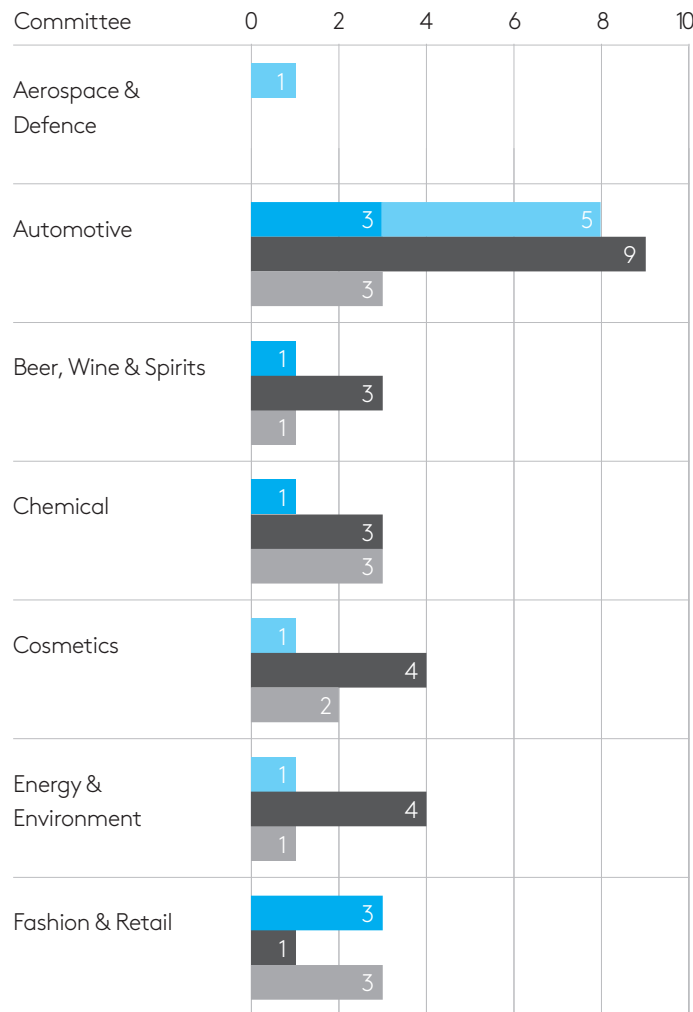
Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)

New

71 - Cosmetics

# 2023 Review

In 2023, the ECCK committees across 17 different sectors raised 100 key industry issues and suggestions to the Korean Government. The Government's feedback for each committee is summarised below.



This section outlines the details of the 2023 issues and recommendation with the Government's feedback and ECCK's future actions as below.

Government Feedback

- Accepted
- Partially Accepted
- Not Accepted
- Long-term review

ECCK Future Action

- Closed (Success)
- Closed (Drop)
- Need to Monitor
- Readdress

	Issue	Government Feedback	ECCK Future Action
<b>Aerospace &amp; Defence</b>	1 Improvement of Offset Guidelines		
<b>Automotive</b>	1 Update on the Recognition of Technical Regulations in the EU-KOR FTA and Detailed Regulations of Motor Vehicle Safety Standards		
	2 Revision of HS Code of Semitrailer Towing Tractors in Annex 2-C		
	3 EV Battery Safety Certification System		
	4 Application of Flexibility on Vehicle Width Standards		
	5 Recognition of UN Reg. Type Approval for Battery Safety Standards		
	6 Improvement of Cyber Security and Software Update Management System		
	7 Establishment of Procedures for Granting Exemptions for New Technologies		
	8 Application of the Information System in the Modification Report		
	9 Providing Flexibilities to Fleet Average System (FAS)		

	Issue	Government Feedback	ECCK Future Action
10	Establishment of Standards for Average GHG Emissions for Medium/Large Sized Commercial Vehicles		
11	Requirements on All Electric Range Tests at Cold Temperatures for Electric Vehicles		
12	Improvement of Required Items for EV Certification		
13	Support for Expanding the Distribution of Medium/Large Sized Electric Freight Motor Vehicles		
14	Improvement of Management Standards of Vehicles for Certification Testing/ Advertisement		
15	Enhancement of Environmental Certification Procedures through Improving KENCIS (Korea Emission & Noise Certification Information System)		
16	Clarification of Modification Report Procedures for Vehicle Energy Efficiency Testing Facilities		
17	Improvement of Registration Procedures for Environment Friendly Vehicles		
18	Elimination of Trade Barriers for Mandatory Installation of Car Fire Extinguishers		
19	Establishment of Integrated Information System for Motor Vehicles		
20	Integration of Government Authorities Regulating Motor Vehicles		

	Issue	Government Feedback	ECCK Future Action
<b>Beer, Wine &amp; Spirits</b>	1 Harmonising Liquor E-commerce Delivery to Consumers for All Retail License Holders	✗	🔄
	2 Expanding the Specific Liquor Taxation System to the Rest of the Fermented Alcohols (Still and sparkling wines)	🕒	🔄
	3 Implementing Globally Standardised Nutrition Labelling for Alcoholic Beverages	✔	🔄
	4 Review the Direct Shipment Clause	✗	✗
	5 Amending Unfair Restrictions on Broadcast Advertisements	✗	✗
<b>Chemical</b>	1 Purchase of Government-Owned Hazard Test Data for Overseas Registration	🕒	📈
	2 Globally Harmonised Hazard Examination Results for Registered Substances and Justification on Non-Harmonised Results	✗	📈
	3 Improvement of R&D Exemption Follow-up Report	✗	✗
	4 Establishment of Content Standards for Ingredients under Conditions of Exemption and Submission of Health and Risk Data for Fragrances in Biocidal Product Approval	🕒	📈
	5 Trade Secret Claim Unit on Material Safety Data Sheet (MSDS)	✗	📈
	6 Modification of Method to Establish Chemicals Trade Secret Name (TSN) on Material Safety Data Sheet (MSDS)	✔	✔
	7 Redundant Regulation for Exemption from Investigation of New Chemical Substance's Hazards and Dangers	🕒	📈

	Issue	Government Feedback	ECCK Future Action
<b>Cosmetics</b>	1 Reconsideration of the Functional Cosmetics System for the Sake of International Harmonisation of Regulations	✗	✗
	2 Application of Optional Indication for Cosmetic Manufacturers	🕒	📈
	3 Expansion of Expression Range of Cosmetic Labelling · Advertising	✗	📈
	4 Application of Tolerance for Raw Material Standards that Restrict the Use of Cosmetics	✗	📈
	5 Lowering follow-up inspection standards of overseas manufacturing sites for imported cosmetics	✗	✗
	6 Additional Grace Period for the Space Ratio of Delivery Packaging for Consumers	📉	✔
	7 Exclusion of 'Recycled Packaging' from the Evaluation Target of 'Harmfulness and Circulatory Usability' According to the 「Basic Act on Resource Circulation」	🕒	📈
<b>Energy &amp; Environment</b>	1 Publishing Monthly (or Quarterly) Plans of Voltage-wise Power Systems and Grid Connectivity Information for On-Offshore Wind Power Projects	🕒	🔄
	2 Excessive Standards When Reviewing Electricity Business License	✗	📈
	3 Evaluation Criteria for Public Acceptance in Electricity Business License (EBL) for Onshore Wind Power Project	✗	🔄
	4 Rationalising of Occupancy or Use Permit for Public Waters	📉	🔄

	Issue	Government Feedback	ECCK Future Action
	5 Improving Wind Power Fixed Offtake Auctions' Standard	✗	🔄
	6 Expanding of Resident Participation Scheme for Offshore Wind Project	✗	📈
<b>Fashion &amp; Retail</b>	1 Standard for Lead Content in Metal Accessories	🕒	📈
	2 Contract between Domestic and Foreign Agencies for Mutual Recognition of Safety Verification Test Results of Infant Textile Products	✔️	✔️
	3 Product Information Indication by QR Code	🕒	📈
	4 Exemption from Safety Certification, etc. of Imported Appliances for the Purpose of Repairing Products and Providing Quality Services	✔️	📈
	5 Exemption from Conformity Assessment of Imported Appliances for the Purpose of Repairing Products and Providing Quality Services	✔️	📈
	6 Omission of Handling Precautions Indication for Textile Products	🕒	📈
	7 Reduction or Exemption of Customs Duties for Items and Fixtures Imported for Brand Exhibition Purposes	✗	📈
<b>Food</b>	1 Long Lead Time for Import Sanitation Assessment for Livestock Products	✗	✗
	2 Standards for Recycled Food Containers	🕒	🔄
	3 Packaged Products Subject to a Ban on Repacking	✗	📈

	Issue	Government Feedback	ECCK Future Action
<b>Health Care</b>	1 Pricing Policy for Value Recognition of Innovative drugs	⬇️	🔄
	2 Expansion of Risk-Sharing Agreement and Economic Assessment Exemption Systems to Improve Patient Accessibility	⬇️	🔄
	3 Expansion of Newborn Screening Subject to Enhance Coverage for Rare Disease	✔️	✔️
	4 Improving the Procedure of the Current Pricing and Reimbursement System	⬇️	🔄
	5 Recognition of the Value of Innovative Vaccines and Improvement of the New Introduction Process	✔️	📈
	6 Taking Measures to Encourage the Inoculation of Combination Vaccines and Reduced Dose of Vaccines through Improving the Administration Fee System	✗	✗
	7 Expansion of OTC for e-label Pilot Project	🕒	✗
	8 Utilising Before and After Photos for Healthcare Professionals Education	✗	✗
	9 Relaxation of Diagnosis Conditions for Multiplex Group1_Respiratory Virus	✗	📈
	10 Reflecting Increased Cost and Exchange Rate Fluctuation to COVID-19 in the Relevant Service Fee of in Vitro Diagnostic Medical Devices	✗	📈
<b>Insurance</b>	1 Need for Urgent Improvement of Network Segregation on Financial Sector Cloud-related Regulation	✔️	✔️
	2 Need for Urgent Improvement of Network Segregation Regulations for Development/Test	✔️	✔️

Issue	Government Feedback	ECCK Future Action
3 Increase Flexibility in the Basis for Applying Premium Rates Commensurate with the Risk of a Group of Policyholders to Allow Cross-selection of Life and P&C Reference Net Premium Rates	✗	↻
4 Clarification of Treatment Criteria for Minor Accidents	🕒	↻
5 Strict Management Required for Excessive and Inflated Repair Companies	✗	↻
6 Legislative Advocacy for Special Laws to Prevent Insurance Fraud	✔	🔄
7 Non-Distributable Surrender Value Reserve in IFRS 17 Shareholder's Equity	✗	↻

### Intellectual Property Rights

1 Studies about Economic Impact of IP Infringement	✔	✔
2 Strengthening Criminal Penalties for Crimes Infringing Intellectual Property Rights	✔	✔
3 Strengthening Border Measures against IP Infringing Goods	🕒	🔄
4 Annual Statistical Report on IPR Seizures at Customs	✔	✔
5 Enhancement of Effectiveness of EMS Project	🕒	🔄
6 Designation of Special Judicial Authority to Local Government Officials for an Effective Crackdown on IP Infringement	✗	🔄
7 Establishment of a System to Prevent Distribution of Counterfeits by Online Service Providers	✔	✔

Issue	Government Feedback	ECCK Future Action
<b>Kitchen &amp; Home Appliances</b>		
1 Inspection Rules for Kitchen Appliances Receiving a Nonconformity Notice	✔	✔
2 Improvement of 5-year Cycle Detailed Inspection System for Kitchen Appliances	🕒	↻
3 Exemption from Import Declaration and Labelling for Re-Importation of Kitchen Appliance Parts for the Purpose of Product Repair	✗	✗
4 Review of Separate Discharge Mark Labelling and Internationalising of Plastic Labelling	✗	✗
5 Improvement of Location of Conformity Assessment Indication for Broadcasting and Communications Equipment	✔	✔
6 Easing Testing Standards for Household Scales	📉	↻

### Logistics & Transport

1 Enhancing Trade Capacity Through Expanding Access to Regulated Trade Routes	✗	↻
2 Expanding Capacity Through Gradual Cabotage Revision	✗	✗
3 Adoption of an Eco-Friendly Policy Framework for Port Operations	✔	✔

### Marine & Shipbuilding

1 Unfair Business Opportunities for Foreign Class Societies on Bare Boat Charter-Hire Purchase (BBCHP) Vessels	✗	🔄
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### Sustainability

1 Developing a Harmonised Climate Transition Plan Linked with Green/Transition Finance	✔	🔄
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### Taxation

1 Introduction of the Under Taxed Profit Rule	✔	✔
2 Tax Exemption on Qualified Housing Benefit for Foreign Employees	✔	✔

	Issue	Government Feedback	ECCK Future Action
	3 Deductions for Overseas Education Fees	✗	🔄
<b>Tourism</b>	1 Facilitating the Reduction of Disposable Plastic Use in the Hospitality Sector	✓	🔄
	2 Increasing Availability of Sustainable Seafood Options for the Hospitality Sector	✗	🔄
	3 Resolving Staffing Shortages in the Tourism and Lodging Industry	🕒	🔄
	4 Introducing and Developing Local Regulations Regarding Sustainable Aviation Fuel	✓	🔄
	5 Improving Connectivity and Transfer Options for the Tourism Sector	✗	🔄
	6 Limitation of External Hotel Signage	✗	🔄

# ECCK Committee Reports

# Aerospace & Defence

1

Total Key Issue

1.  
Improvement  
for Industrial  
Cooperation Quota  
(Consortium)  
Requirement

## Issue

When foreign defence companies bid for defence material procurement in Korea, there was previously a case where the Korean government requested the formation of a consortium (formally called the 'Industrial Cooperation Quota' which requires a foreign defence company to allocate a certain portion of the weapon system production to domestic (Korean) companies. European defence companies anticipate this consortium requirement might be requested in future defence material procurement as well.

The current consortium requirement focuses on engaging local industries in the manufacture of foreign defence material acquired by the Korean Government. This requirement presents practical challenges for the industries. It necessitates finding qualified new Korean partners for each bid, thereby disrupting foreign defence companies who have industrial manufacturing distribution plans & global supply chains.

Investing in the cost of seeking a new domestic partner and obtaining certification for new Korean partners, combined with the significant expenses of industrializing products newly introduced to Korea for one-off projects, is financially unsustainable. Ultimately, this requirement benefits neither the domestic defence companies nor the Korean government as the associated financial costs are likely to escalate.

Given the considerable level of exposure of the future industrial setups, original equipment manufacturers (OEMs) will have to provide for all associated risks, impacting their competitiveness. A portion of these costs will also be transferred to the Korean

suppliers, making it increasingly difficult for them to maintain competitiveness within the industry.

## Recommendation

It is recommended that the consortium requirement be exempted or removed from future defence material acquisition processes. If it is not possible to remove the consortium requirement, it is recommended that the scope of the consortium be expanded so that involvement of domestic suppliers in the global supply chain of foreign OEMs portfolio allows fulfillment of this requirement.

Relevant Act/Regulation	Article 15, Paragraph 7 of the Offset Program Guidelines
Responsible Authority & Division	Defense Acquisition Program Administration (DAPA)
Recommendation Status	NEW

# Automotive

7

Total Key Issues

1. Update on the Recognition of Technical Regulations in the Korea-EU FTA

Issue

It is necessary to update the provisions that recognize technical regulations from the European Union in Annex 2-C of the Korea-EU FTA.

Automobile manufacturers are facing difficulties in developing separate vehicle specifications for the Korean market due to differences between Korean and European safety standards. To facilitate trade, it is necessary to harmonize the safety standards between Korea and Europe, and to regularly update Appendix 2-C-3 of Annex 2-C of the Korea-EU FTA.

Specific updates are needed in the following areas:

- Updating regulation numbers:  
The EU/UN regulations and Korean motor vehicle safety standards (Motor Vehicle Regulations) have been revised and renumbered. However, the current Appendix 2-C-3 of the Korea-EU FTA still lists the previous, outdated, regulation numbers.

Examples include:

Regulation		Before Revision	After Revision
Lighting And Signalling System	Europe	UN-R4, 6, 7, 23, 38, 50, 77, 87, 91	UN-R148
		UN-R19, 98, 112, 113, 119, 123	UN-R149
		UN-R3, 27, 69, 70, 104	UN-R150
Fuel System (Rear Crash)	Korea	Article 91, Motor Vehicle Regulations	Article 91-2, Article 91-3, Motor Vehicle Regulations
	Europe	UN-R34	UN-R153
Electromagnetic Compatibility	Korea	Article 111-2, Motor Vehicle Regulations	Article 107, Motor Vehicle Regulations

- Adding harmonised regulations to the Appendix 2-C-3 of the Korea-EU FTA:

Examples include:

Regulation	Korea	Europe
Frontal Impact With Fixed Barrier	Article 102-3, Motor Vehicle Regulations	UN-R137
Pole Side Impact	Article 102-4, Motor Vehicle Regulations	UN-R135
Acoustic Vehicle Alerting System	Article 53-3, Motor Vehicle Regulations	UN-R138
Seatbelt Device	Article 27, Motor Vehicle Regulations	UN-R14, 16
Tire Pressure Monitoring System	Article 12-2, Article 88-3, Motor Vehicle Regulations	UN-R141
Window Glass	Article 34, Motor Vehicle Regulations	UN-R43, GTR6

- Harmonizing standards for similar regulations:

Examples include:

Regulation	Korea	Europe
Rear Pedestrian Protection Devices	Article 53-2, Motor Vehicle Regulations	UN-R158
Coupling Devices	Article 20, Motor Vehicle Regulations	UN-R55

This proposal was put forward through the 2023 ECCK White Paper, and received responses from the MOLIT and the MOTIE, indicating that discussions with relevant ministries are necessary, resulting in 'Not Accepted' and 'Long-term Review', respectively. According to Article 3 of Annex 2-C of the Korea-EU FTA, it is stipulated that both parties (Korea and the European Union) shall review Appendices 2-C-2 and 2-C-3 of this Annex at least every three years. In light of this FTA provision, a proactive review of the update to Appendix 2-C-3 is being requested.

Recommendation

It is recommended to update Appendix 2-C-3 of the Korea-EU FTA to reflect the relevant amendments to motor vehicle safety standards and to reflect latest technological progress. It is recommended the update covers: updating regulations' numbers, adding harmonised regulations, and aligning further safety standards between Korea and Europe.

Relevant Act/Regulation	Appendix 2-C-3 of the Korea-EU FTA
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT), Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	Updated

2. Issue  
 Scope of Vehicles Subject to Software Update Data Submission  
 Regarding the obligation for automobile manufacturers to submit software update details in advance to the MOLIT, it is necessary to define the scope of vehicles subject to data submission and to implement practical solutions for imported vehicle manufacturers to comply with this obligation.

Starting from August 2025, automobile manufacturers must submit relevant information to the MOLIT in advance if they intend to update the software installed in vehicles related to safe driving. For imported vehicles, the time when the vehicle clears customs in Korea is considered as the time the vehicle is 'manufactured.' As a result, it is understood that the requirement to submit relevant information to the MOLIT in advance applies to software updates that occur from customs clearance onward, including prior to the registration of the vehicles.

For imported vehicles, after customs clearance in Korea, various tasks are conducted before registering the vehicle and delivering the vehicle to the owner. These tasks include checking for flaws that may have occurred during transportation and providing convenient features suitable for the domestic market, which involve software updates. Consequently, if the requirement to submit software update information applies from customs clearance onward, before registration of the vehicle, the volume of data that imported vehicle manufacturers need to report will increase, thereby increasing the burden on manufacturers.

According to Article 34-5 of the Motor Vehicle Management Act, even for vehicles that are in operation, those with temporary operation permits, or those granted special exceptions are excluded from the requirement to submit update information in advance. In light of this provision, imposing the obligation to submit information for unregistered vehicles that are not in operation could be considered an excessively burdensome regulation.

### Recommendation

It is recommended that the scope of the requirement for automobile manufacturer to submit software update information in advance to the MOLIT, be defined as 'software updates occurring after the vehicle has been registered'.

Relevant Act/Regulation	Article 34-5, Paragraph 2 of the Motor Vehicle Management Act and its Lower Regulations
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	New

3. Issue  
 Establishment of Procedures for Granting Exemptions for New Technologies  
 It is necessary to establish clear procedures for granting exemptions for new technologies applied in motor vehicles.  
 Currently, when automobile manufacturers incorporate new technologies in motor vehicles that are not included in Korean motor vehicle safety standards, they are required to obtain exemptions from the MOLIT. However, the specific procedures for granting these exemptions are not clearly defined in Korean regulations.

This lack of clarity in the procedures has led to challenges in communication between automobile manufacturers and relevant authorities, creating obstacles for the introduction of new technologies in Korea.

Furthermore, according to the relevant provisions of the Korea-EU FTA (Annex 2-C, Article 6), it is stipulated that neither party shall prevent or unduly delay the placing on its market of a product on the grounds that it incorporates a new technology unless it can demonstrate that this new technology creates a risk for human health, safety or the environment. Therefore, there should not be excessive delays in granting exemptions for new automotive technologies from the EU in Korea.

This proposal was put forward through the 2023 ECCK White Paper and received a response from the MOLIT, indicating that the MOLIT plans to amend the relevant regulation (Rules on the Performance and Standards of Motor Vehicles and Parts) regarding the issue in the first half of 2024. However, at present

(June, 2024), it is difficult to predict the exact timing of the amendment and implementation of the amended regulation. We kindly request that MOLIT take into account the challenges that European automobile manufacturers may encounter in obtaining exemptions for new technologies in Korea, and we respectfully urge that the relevant procedures be promptly established.

Recommendation

It is recommended to promptly establish relevant procedures for granting exemptions for new technologies in automobiles.

Relevant Act/Regulation	Article 114-2 of the Rules on the Performance and Standards of Motor Vehicles and Parts
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	Retained

4. Providing Flexibilities to Fleet Average System (FAS)

Issue

It is requested that flexibility measures be introduced within the Fleet Average Systems (FAS) that regulate the average emission volume per vehicle sold by automobile manufacturers. These measures aim to facilitate smoother regulatory compliance for automobile manufacturers.

Currently, the ME oversees vehicle emissions through the FAS standards, which mandate that the average emissions of all vehicles sold annually by each automobile manufacturer must not exceed a specified threshold. In response, many automobile manufacturers have focused on developing and marketing zero-emission vehicles such as electric vehicles (EVs) to lower their average emissions and adhere to these standards.

However, with the forthcoming introduction of the next generation FAS standards, policies are expected to become more stringent by excluding EVs from the average emission calculation. This policy shift necessitates that manufacturers who have heavily invested in EV technology and EV sales rapidly alter their business strategies to comply with the reinforced standards.

It is understood that the FAS was introduced in Korea during the Korea-US FTA negotiation. In the U.S., where FAS standards were established earlier, there exists a supplementary measure that

permits the trading of credits accumulated under the FAS. This provision helps manufacturers adjust to sudden regulatory changes while maintaining business stability. In light of this, to ensure that manufacturers can smoothly adapt to the anticipated drastic changes in the next-generation FAS standards, it is essential to allow credit trading between manufacturers or provide a sufficient grace period for manufacturers to develop vehicles to comply with the new standards.

Recommendation

It is recommended to introduce a credit trading system within the Fleet Average System (FAS), enabling automobile manufacturers to trade accumulated credits with other manufacturers.

Should the timely implementation of such a flexibility measure prove challenging, it is advisable to provide a sufficient grace period of no less than two years before enforcing the new, stricter FAS standards. This grace period would afford manufacturers the necessary time to develop new vehicles in response to updated regulatory requirements.

Relevant Act/Regulation	Article 50-2 of the Clean Air Conservation Act [Table19-2] Permissible Emission Levels, etc. of Enforcement Rules of Clean Air Conservation Act
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Updated

5. Improvement of Management Standards for Vehicles Used for Electric Vehicle Subsidy Evaluation or Advertising Purposes

Issue

There is a need to improve the management standards for imported vehicles intended for electric vehicle subsidy evaluation tests or for advertisement/exhibition purposes, as these vehicles are currently prohibited from being sold in Korea.

There are cases where automobile manufacturers import vehicles with exemptions from certification for purposes such as electric vehicle subsidy evaluation tests (which determine whether a specific electric vehicle model qualifies for subsidy support), advertising, and exhibition. Even if these imported vehicle models obtain certification afterward, they are not permitted to be sold in Korea because they were imported prior to certification. As a result, these vehicles must either be exported and re-imported

after certification or be scrapped, leading to unnecessary waste of resources and costs.

This issue was previously raised in the 2023 ECCK White Paper, and the ME responded that vehicles imported for the purpose of certification testing can have the validity of the emission certification recognised (qualified for sales) once the vehicle model is eventually successfully certified, whereas this does not apply to vehicles imported for advertisement/exhibition purposes. It is understood that vehicles imported for the purpose of certification testing can be qualified for sale because these vehicles are guaranteed to be identical to the certified models. Accordingly, it is recommended that vehicles imported for advertisement/exhibition purposes be allowed for sale (recognizing the validity of the emission certification) if the automobile manufacturer can guarantee that these vehicles are identical to the certified models.

Recommendation

It is proposed that imported vehicles intended for EV subsidy evaluation tests or for advertisement/exhibition purposes be allowed for sale in Korea once the same model family has received certification.

Relevant Act/Regulation	Article 47 of the Enforcement Decree of Clean Air Conservation Act
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Updated

6.	<u>Issue</u>
Support for Expanding the Distribution of Medium/Large-Sized Electric Freight Motor Vehicles	<p>There is a need to establish government policy support measures to expand the distribution of medium/large-sized electric freight vehicles in Korea.</p> <p>Medium/large-sized freight vehicles travel longer distances and emit higher amounts of gas emissions compared to passenger vehicles. Therefore, promoting the widespread use of environment-friendly freight vehicles can significantly impact improving air quality in the transportation sector. Due to this potential, European automobile manufacturers in Korea are actively promoting the introduction of electric freight vehicles. However, there are challenges related to regulations and infrastructure in the Korean market that hinder the adoption of these environment-friendly commercial vehicles.</p>

For instance, while subsidies exist for electric buses and hydrogen freight vehicles, there are currently no subsidy measure in support of the dissemination of medium/large-sized electric freight vehicles.

In addition, since medium/large-sized electric freight vehicles cannot be charged at ordinary charging facilities for passenger vehicles, the installation of dedicated charging infrastructure for these freight vehicles is necessary.

This proposal was put forward through the 2023 ECCK White Paper and received feedback from the ME, indicating that a long-term review is necessary. Starting in 2026, the average greenhouse gas (GHG) emission standard will become mandatory for medium/large-sized commercial vehicles. Consequently, European commercial vehicle manufacturers will be required to reduce GHG emissions from their vehicles' fleet from 2026 onward, necessitating the adoption of electric freight vehicles instead of internal combustion engine vehicles. To ensure compliance with the GHG regulations set to be implemented in 2026, it is crucial to establish support measures for the dissemination of medium/large-sized electric freight vehicles promptly.

Recommendation

It is recommended to establish and implement a subsidy measure for medium/large-sized electric freight vehicles (including special vehicles such as tractors). Furthermore, it is recommended to expand the availability of dedicated charging infrastructure for these vehicles and to increase support for the installation costs of these charging facilities.

Relevant Act/Regulation	Article 58, Paragraph 3 of the Clean Air Conservation Act
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Retained

7.	<u>Issue</u>
Improvement of Registration Procedures for Environment-Friendly Vehicles	<p>There is a need to improve the procedures by which automobile manufacturers apply for their low/zero emission vehicles to be designated as environment-friendly vehicles by the MOTIE, specifically to reduce the time taken for such vehicles to be registered as an environment-friendly vehicle.</p>

In order to get tax benefits for low/zero emission vehicles, the vehicle model should be designated as an environment-friendly vehicle by the MOTIE. However, this designation requires the vehicle model to be registered in the relevant notification (Regulation on the Criteria of Environment-Friendly Motor Vehicles), a process that is lengthy due to the necessary amendments to the notification. For this reason, the current process sometimes presents challenges for manufacturers aiming to release electric vehicles to the market in a timely manner.

Therefore, it is necessary to shorten the time required for the designation of environment-friendly vehicles to facilitate the timely distribution by automobile manufacturers. As a measure to achieve this, it is considered feasible to amend the relevant notification, 'Regulation on the Criteria of Environment-friendly Vehicles', by including a provision that stipulates the detailed vehicle models of environment-friendly vehicles will be announced via a website.

Recommendation

It is recommended to revise the current registration procedure for environment-friendly vehicles, shifting from the existing notification amendment process to a more efficient website registration system, similar to the system used for the announcement of electric vehicle subsidies.

Relevant Act/Regulation	Regulation on the Criteria of Environment-Friendly Motor Vehicles
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	Retained

Shinwon YOON  
 Manager  
 Beer, Wine &  
 Spirits Committee

# Beer, Wine & Spirits

3

Total Key Issues

1. Harmonising  
Liquor E-commerce  
Delivery to  
Consumers for  
All Retail Licence  
Holders

Issue

The pandemic era has been a catalyst for transformation across numerous sectors, with consumer behavior adapting to the constraints and opportunities of these unprecedented times. One significant change is how consumers now purchase food and beverages, including alcohol.

South Korea's restrictions imposed on online sales of alcoholic beverages, the preferential treatment accorded to 'traditional liquors', which are allowed to be delivered directly to consumers, are harming consumer choice and discriminate between businesses, unduly restricting domestic non-traditional liquor business. It is imperative that South Korea revisits its regulatory stance to foster a fair, competitive, well-regulated, and diverse alcohol marketplace.

Adding weight to the call for reform are figures released by Congressman Hong Seong-guk from the Korea Customs Service: a staggering 39.5 billion won worth of alcohol was 'imported' via 'direct-to-home' consumer purchases from overseas online marketplaces and sellers - a fourteen-fold increase from five years prior with a 120-fold spike in whiskey imports alone as of Dec 2023. Wines and Spirits ordered abroad are being freely delivered directly to Korean doorsteps, and traditional liquors are available to purchase online for direct delivery, persisting with a ban on domestic e-commerce sales for all alcoholic products is counterproductive and discriminatory.

Recognising that the Korean authorities are satisfied with the level of under-age purchase risk on traditional liquor (and imported spirits ordered from overseas), it is discriminatory to forbid the online delivery of wines & spirits locally. Extending e-commerce

to other types of alcohol does not inherently pose a greater risk of youth drinking if similar robust age verification and regulatory controls are implemented. Fully liberalising direct-to-consumer alcohol e-commerce for retail licence holders in South Korea will level the playing field, meet consumer demands for convenience and preference for non-face-to-face transactions, ease inflationary pressures through lower prices, provide small-scale manufacturers access to all Korean consumers, enhance market diversity and category competitiveness.

Recommendation

Continued limitations on alcohol e-commerce and differentiation between product categories are discriminatory and run contrary to fair competition principles and lead to unintended consequences and sub-optimal outcomes. We ask for the harmonisation of Liquor E-Commerce delivery to consumers for all retail licence holders with regulation that supports fair, open, efficient, and transparent e-commerce in Korea.

Alcohol e-commerce can support and extend existing efforts to promote responsible drinking, as well as measures to address harmful alcohol consumption particularly among vulnerable groups. To manage public concerns and risks while expanding liquor e-commerce, we propose implementing global guidelines such as IARD standards<sup>1</sup> and delivery education programs. BWS committee and members are strongly in favor of developing locally relevant guidelines and programs.

The ECCK believes that e-commerce for alcoholic beverages should be permitted for all types of alcohol under the principle of fair competition. The current discriminatory practices should be prohibited until a fair competitive environment is established.

1. <https://www.iard.org/actions/E-CommerceStandards>

Relevant Act/Regulation	Liquor Tax Act, Notice of Delegated Orders Concerning Mail Order of Liquor
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) Individual Consumption Tax Division, National Tax Service (NTS) Excise Tax Division
Recommendation Status	Retained

2. Implementing Alcohol Label Regulations in Coalition with Global Standards and Practices

Issue

The increasing trend of providing detailed product information is empowering consumers to select quality products that meet their needs. Globally, the alcohol industry is adopting a self-regulatory approach to fulfill consumer demands for energy information and ingredient lists. However, implementing such a proactive approach for alcoholic beverages in South Korea is challenging due to the complex and overlapping regulations governed by eight different ministries.

This regulatory framework creates a significant burden for the industry, as each ministry has its own perspective and policy on alcohol labeling, and a single revision by one ministry could necessitate (un)coordinated changes across all eight.

The trend toward smaller packaging sizes, such as 50cl, 35cl, and 20cl added to additional information requested by the ministries further complicates labelling of alcoholic beverages and create additional cost for Korean consumers requested by necessity of local relabelling as mandatory information can't be printed within international label size. Current labels are already cluttered with information required by various different ministries, overwhelming consumers with excessive text and hindering their ability to find important details.

Recent revisions requiring the industry to add more information and increase text size are raising concerns that these changes may lead to greater confusion for consumers, making it even harder for them to find essential information on the already complicated to understand labels.

The alcohol industry globally is seeking proactive ways to provide more consumer information through methods most intuitive and convenient to them. One such initiative pioneered in the European Union is the use of digital systems like QR codes, which can offer an efficient solution beneficial to both consumers and the industry. This approach concurrently alleviates the regulatory and compliance burden on the regulators; 8 ministries in South Korea.

Recommendation

Aligning with global standards and emulating the established, tested, and proven EU example is recommended for South Korea when revising alcohol label regulations. This alignment will benefit both consumers and industry by supporting global trends in the industry's voluntary

efforts to provide quality information through convenient tools.

In addition, the industry request to revitalizing process on unifying governance and developing a reform plan to simplify alcohol labelling administration in Korea. To do so, BWS request the eight ministries to empower the foreign investment ombudsman body to collect views from the ministries and the industry to find an optimal labeling both physical and digital combination.

**Essential**

Requirements	EU	US	ROK	Recommendation
Product Name	○	○	○	
Alcohol category	○	○	○	
ABV	○	○	○	
Contents	○	○	○	
Country of origin	○	○	○	
Ingredients	Δ	Δ	○	
Energy per recommended serve	Δ	Δ	Δ	Reform (per bottle → per recommended serve)
Customer service contact number	Δ	Δ	○	
Age and Health warning (image)	Δ	Δ	Δ	Reform (image is better than statement)
Importer to Korea	Δ	Δ	○	
Alcohol producer	Δ	Δ	○	

**Additional**

Requirements	EU	US	ROK	Recommendation
Storage	X	X	○	Remove
Detailed address	X	Δ	○	Remove or Reform (CS contact number is already enough)
Place for refund or exchange	X	X	○	
Food sanitary service contact number	X	X	○	
Glass and packaging material	X	X	○	Remove or Reform
Age gate (Statement)	X	X	○	Reform
Health warning (Statement)	Δ	○	○	
Recycle image	Δ	Δ	○	
Responsible drinking recommendation	Δ	Δ	Δ	
Sales Channel	X	X	○	Reform

\*Duplicated information which is already in the front label should be removed

**Sample study on spirit label<sup>2</sup>**

○ regulation requirement  
 Δ voluntary action  
 X do not indicate

2. EU: Regulation 2011/1169, US: The Federal Alcohol Administration Act

Relevant Act/Regulation	Act on Labeling and Advertising of Foods
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Food Policy of Labeling and Advertising Division
Recommendation Status	New

3.

Expanding the Specific Liquor Taxation System to the Rest of the Fermented Alcohols (Still and sparkling wines)

Issue

Due to its proactive adoption of a specific tax system for beer and Takju, South Korea's is recognised as a leader within the alcohol industry, demonstrating the country's commitment to adopting global best practice approaches to alcohol taxation. A commitment to nurturing domestic competitiveness, efficiency, and transparency, whilst encouraging (as opposed to penalising) the trading-up in quality demanded by Korea's increasingly discerning consumers.

There is now the opportunity to extend this specific taxation system to all fermented alcohols (through the inclusion of still and sparkling wines) – a logical and relatively simple extension, due to both product variety and alcohol content. This initiative would lay a solid foundation for the potential consideration of specific tax on spirits, ultimately leading to a more coherent and fair taxation system across all alcohol categories – thereby, fostering an environment where producers can thrive and promoting sustainable growth and competitiveness within the industry.

Whilst, the focus is on fermented alcohol (the inclusion of still and sparkling wines), it is vital to note that the quest for the extension of the specific taxation system has gained strong support and consensus across the diverse players within Korea's liquor industry. This was demonstrated through the November 2023 seminar held at the National Assembly Member's Office, where there was an unprecedented display of unity across the industry. Organizations, including the Korea Wine & Spirits Importers' Association, Korean Traditional Liquor Association, Korean Distillers Association, Korean Wine Producers Association, and Korean Whiskey Association, collectively demonstrated positive support for a specific taxation model. Their unanimous support provides powerful testimony that this reform is not merely preferable but eagerly anticipated by industry professionals. The breadth of endorsement reflects a common understanding of the significant advantages derived from adopting specific taxation.

It is important to ensure that a specific tax system contributes to a more stable and predictable revenue stream – and does not decrease of government tax revenue. By applying specific taxation, the government can ensure more consistent tax liabilities and discourage the under-declaration of importer purchase price, and resale of overseas personal purchases. In fact, the specific taxation of alcohol is globally recognised best practice, supported the World Bank, the World Health Organization, the OECD, and the IMF. Adopting a more inclusive specific liquor tax structure would yield wide-ranging benefits: it promises to sharpen the competitive edge of Korean industry players, contribute to overall economic growth, through the development of ancillary sectors, where warehousing, logistics, education, hospitality, and tourism will undoubtedly benefits from enhanced workforce competencies and sectoral synergy.

Recommendation

The European Chamber of Commerce in Korea (ECCK) robustly supports the extension of specific taxation to all fermented alcoholic beverages (the inclusion of still and sparkling wines). This adjustment will strengthen and increase the sustainability of wine business in Korea through building expertise within the gastronomy and hospitality sectors, enhance consumer experiences through quality and range, whilst supporting up-trading to higher quality products - propelling growth throughout the wider economy.

Create working group with all the stakeholders (NTS, industry and more) to prepare the transition to specific tax to all alcohol categories.

Relevant Act/Regulation	Liquor Tax Act
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) Individual Consumption Tax Division, National Tax Service (NTS) Excise Tax Division
Recommendation Status	Retained

Kyunghyun KIM  
 Manager  
 Chemical  
 Committee

# Chemical

7

Total Key Issues

1. Expanding Scope of Signing Entities for LoC Under OSHA

Issue

Under the current Occupational Safety and Health Act (hereinafter referred to as 'OSHA'), when importing a chemical substance, a Letter of Confirmation (LoC) issued by the foreign manufacturer, verifying that the product does not contain hazardous agents other than those stated in the Material Safety Data Sheets (MSDS), can be submitted.

Currently, the Ministry of Employment and Labor (hereafter referred to as 'MOEL') accepts the signature or stamp of the foreign manufacturer (HQ) but does not recognize the signature of the Korean branch, which is appointed as the foreign manufacturer's representative for data submission.

The foreign manufacturer's Korean branch uses the same substance management system as the headquarters, allowing it to independently verify the full composition and provide this information to downstream users. Additionally, the Korean branch handles the actual response if issues arise with the registered substance.

Despite explaining the above, MOEL insists that the signature or stamp of the foreign manufacturer (HQ) is necessary for chemical substance-related documents.

However, Article 48-4 (Conducting Business Affairs by Persons Appointed by Overseas Manufacturers or Producers) of the Chemical Control Act enables appointed representatives to conduct the verification of chemical substances, and this provision can be applied to the current situation.

### Recommendation

We recommend expanding the scope of recognition to accept the signatures or stamps of Korean branches and similar entities that have been delegated information submission duties by foreign manufacturers on chemical substance-related confirmation documents.

Relevant Act/Regulation	Article 113 of the Occupational Safety and Health Act
Responsible Authority & Division	Ministry of Employment and Labor (MOEL)
Recommendation Status	New

2. Allowing Submission of LoC for SDS of Domestically Manufactured Products	<u>Issue</u> According to Article 110, Paragraph 2 of the Occupational Safety and Health Act (hereafter referred to as 'OSHA'), a person who intends to manufacture or import any substance subject to Material Safety Data Sheets (MSDS) preparation must separately submit the 'data sheets showing the names and content of chemical substances not falling under the classification standards prescribed in Article 104' (hereafter referred to as 'GHS non-hazardous substance information') to the Minister of Employment and Labour. However, for importers, the submission of GHS (Globally Harmonized System of Classification and Labelling of Chemicals) non-hazardous substance information can be replaced by a Letter of Confirmation (LoC) issued by the foreign manufacturer.
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In the chemical industry, MSDS is usually provided for GHS hazardous substances, making it difficult for downstream users to obtain information on GHS non-hazardous substances. Considering this industry practice, requiring only domestic manufacturers to submit GHS non-hazardous substance information can be seen as an adverse regulation for the domestic industry.

### Recommendation

Regulations should require equal submission of GHS non-hazardous substance information for both importers (or foreign manufacturers) and domestic manufacturers. We therefore suggest improving regulations by allowing domestic manufacturers to issue and submit LoCs, or by accepting MSDSs as an alternative dossier.

Relevant Act/Regulation	Article 110(2) of the Occupational Safety and Health Act and Article 157 of its Enforcement Rule
Responsible Authority & Division	Ministry of Employment and Labor (MOEL)
Recommendation Status	New

3. Alleviate Industry Burden Caused by Discrepancy in Chemical List Between AREC and OSHA
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### Issue

According to Article 108(1) of the Occupational Safety and Health Act (hereafter referred to as 'OSHA'), a person who intends to manufacture or import any non-phase-in substance that exceeds the quantity prescribed by the Ordinance of the Ministry of Employment and Labour must submit a hazards and risks investigation report (hereafter referred to as 'investigation report') to the Minister of Employment and Labour.

However, Article 10 of the Act on Registration and Evaluation of Chemical Substances (hereafter referred to as 'AREC') also requires the registration of non-phase-in substances. To alleviate overlapping obligations, a proviso clause was added to Article 147 of the Enforcement Rule of OSHA, stating that if a non-phase-in substance is registered under Article 10 of AREC, it shall be deemed to have submitted the aforementioned investigation report.

Although the industry's burden has been somewhat eased by this rule, confusion remains because the definitions of non-phase-in and phase-in substances prescribed by AREC and OSHA differ slightly. AREC defines phase-in substances by Article 2(3) and Article 3 of ME Notice No. 2023-122, while OSHA does not provide a definition for phase-in substances. Article 85 of the OSHA Enforcement Decree lists substances exempt from investigation, but these items do not align with AREC's definitions.

Because rules on registration/exemption of non-phase-in substances under OSHA differs from AREC, companies may unintentionally find themselves not complying with the applicable rules. Furthermore, there are no guidelines for submitting data, test methods, and so on when registering substances to which only OSHA applies, making it difficult for companies to comply with the law. In December 2017, during a meeting with multinational companies hosted by the Presidential Committee on Jobs, the Ministry of Employment and Labour and the Ministry of Environment officially stated their intention to implement unification in 2020 by pushing for a revision of the law in 2018.

### Recommendation

We recommend that AREC oversee the registration and evaluation of non-phase-in substances and remove the registration clause for non-phase-in substances from OSHA.

If the registration of non-phase-in substances remains essential for OSHA, we recommend amending Article 85 of the Enforcement Decree to include all existing chemical substances notified by AREC.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>Article 108 of the Occupational Safety and Health Act and Article 85 of its Enforcement Rule,</li> <li>Notice on Hazards and Dangers Investigation etc. of New Chemical Substances (MOEL, No.2024-2)</li> <li>Article 2 of the Act on Registration and Evaluation of Chemical Substances and Notice on Phase-in substances (ME, No.2023-122)</li> </ul>
Responsible Authority & Division	Ministry of Environment (ME), Ministry of Employment and Labor (MOEL)
Recommendation Status	New

4. Issue  
Resolving Redundancy in Hazardous and Risk Investigation Exemption Criteria

The Occupational Safety and Health Act (OSHA) contains regulations for the hazards and risks investigation of new chemical substances, which are similar to those in the Act on Registration and Evaluation of Chemical Substances (AREC). To resolve this redundancy, Article 147(1) of the Enforcement Rule of OSHA includes the following proviso clause: 'Provided, that in the case where a non-phase-in substance is registered with the Minister of Environment pursuant to Article 10 of AREC, it shall be deemed to have submitted an investigative report on the hazards and risks to the Minister of Employment and Labour.'

Despite this provision, confusion persists in the industry due to differences between the registration exemption under Article 11 of AREC and the hazards and risks investigation exemptions under Article 150 of OSHA's Enforcement Rules. Substances exempt from registration under AREC but still subject to OSHA's investigation include:

- Chemical substances manufactured or imported solely for the purpose of exporting the entire quantity.
- Chemical substances used for surface treatment and substances that treat the surface of other substances.

Recommendation

We propose deleting Article 150 and amending Article 147(1) of OSHA's Enforcement Rule to state that if a substance is registered or exempt under AREC, it will be considered as having submitted or been exempted from the hazards and risks investigation report under OSHA.

We also recommend establishing an integrated system through inter-ministerial collaboration so that the Ministry of Employment and Labour can confirm exemptions granted by the Ministry of Environment without issuing separate confirmation letters.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>Articles 147(1), 150 and 151(1) of the Enforcement Rule of the Occupational Safety and Health Act</li> <li>Article 11 of the Act on Registration and Evaluation of Chemical Substances</li> </ul>
Responsible Authority & Division	Ministry of Environment (ME), Ministry of Employment and Labor (MOEL)
Recommendation Status	Retained

5. Issue  
Enabling Simultaneous Registration as OR and Importer for The Same Substance

A Korean company, currently appointed by foreign manufacturer (A) as an only representative (hereafter referred to as 'OR') and registered substance (X) on their behalf, intended to import the same substance (X) from foreign manufacturer (B), a different company from another country. When this company inquired with the Ministry of Environment (ME) and the National Institute of Environmental Research (NIER) whether this was possible, the responses were as follows:

- Register B's substance (X) as an OR or withdraw all cases as an OR and re-register them as an importer.
- The authorities explained that this is due to concerns about so-called 'volume splitting', which involves dividing imported volumes and registering them at lower tonnage bands to reduce registration costs.

The same procedure is required when a company currently registered as an importer seeks to additionally register as an OR for the same substance.

From the perspective of domestic businesses, the registration cost for a single higher tonnage band is less burdensome than the costs for multiple lower tonnage bands. Therefore, volume splitting is implemented based on practical reasons rather than intentional cost-saving measures.

Stabilising the supply chain by having diverse foreign suppliers is natural in the industrial ecosystem and essential for competing with other countries. If registrations as an OR are cancelled, the importers of such

registrations would have to pay a large sum of foreign currency to overseas data owners to purchase the same toxicological studies that the ME already possesses.

For reference, under the EU Registration, Evaluation, Authorisation and Restriction of Chemicals (EU REACH) regulation, if an entity is already registered as an OR or importer and wishes to register the same chemical substance from another manufacturer, they are guided to register the quantities separately.

Recommendation

We recommend improving the system so that a company can simultaneously register or notify the same substance as both an importer and an OR.

Additionally, we ask the authorities to understand that most companies do not divide volumes intentionally when registering substances. Generally, registration costs for a single high tonnage band are lower than those for multiple lower tonnage bands.

Relevant Act/Regulation	Act on Registration and Evaluation of Chemical Substances and its Enforcement Rule
Responsible Authority & Division	Ministry of Environment (ME), National Institute of Chemical Safety (NICS), National Institute of Environmental Research (NIER, previous responsible authority)
Recommendation Status	New

6. Easing Hazards and Risk Data Submission Criteria for Fragrances in Biocidal Products	<u>Issue</u> According to the 'Notice on Hazards and Risk Data Submission Criteria for Fragrances in Biocidal Products' (hereafter referred to as 'Notice') issued by the National Institute of Environmental Research (NIER) this year, if there is an inhalation exposure route due to the product's formulation or usage, hazard data submission is exempt only for components present in less than 0.1% of the product. However, for substances of concern (SoC) (regardless of concentration) and allergens present in more than 0.01% of the product, hazard data must be submitted regardless of the exposure route.
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These requirements are more stringent than the initial ones, making compliance difficult at this time. Especially for Group 1 products, which

have an approval grace period ending in late 2025, there is insufficient time to produce data that meets these requirements. Additionally, the Notice is unclear about the scope of hazard data recognition, such as whether the hazard classification label alone is sufficient or if the original data, including endpoint values, that serve as the basis for the classification, must also be submitted.

Furthermore, these requirements are considered excessive compared to those for general consumer chemical products. Fragrances contained in consumer chemical products subject to safety confirmation have been sold for several years, but the above requirements were added during the transition to biocidal products.

As a result, amongst consumer chemical products, only biocidal products are required to submit hazard and risk data on toxic substances and allergens.

To alleviate the industry's data purchase burden for biocidal product approval, NIER has indicated that they will accept REACH public data (URL, etc.) that can confirm the classification mark or toxicity value as hazard data if the substance lacks a Harmonised C&L (Classification and Labelling) but has a REACH-registered C&L classification label. However, NIER has nonetheless recently requested that supplementations be submitted, such as dossiers without risk of copyright infringement or Letter of Access purchase receipts, causing industry confusion.

Recommendation

We respectfully recommend modifying the submission criteria so that hazard data is required only when individual fragrance and allergen components are present at 0.1% and 0.01%, respectively, rather than considering the total sum of these components in the product. Additionally, we suggest product content standards for biocidal products to be established, as the general consumer chemical products.

Also, we kindly recommend expanding the scope of submittable data for biocidal product approval. Specifically, open data (e.g., URLs) that confirm classification labels or toxicological values from sources such as the European Chemicals Agency (ECHA), the Research Institute for Fragrance Materials (RIFM), etc., should be recognised as hazard data without requiring additional documents such as reference purchase certificates.

Furthermore, we suggest that the endpoints used in risk assessments be applied to substances that have already been evaluated and designated as hazardous chemicals by the Ministry of Environment.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Consumer Chemical Products and Biocides Safety Control Act</li> <li>• Notice on hazards and risk data submission criteria for fragrances in biocidal products (NIER, 2024.04.18.)</li> </ul>
Responsible Authority & Division	Ministry of Environment (ME), National Institute of Chemical Safety (NICS), National Institute of Environmental Research (NIER, previous responsible authority)
Recommendation Status	Updated

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Article 35 of the Local Tax Act and Article 51, [Appendix1] of its Enforcement Decree</li> <li>• Articles 18, 20 and 54 of the Chemical Control Act</li> </ul>
Responsible Authority & Division	Ministry of the Interior and Safety (MOIS), Ministry of Environment (ME)
Recommendation Status	New

7. Redundancy in Licence Tax on Prohibited/Authorised/Toxic Substances	<p><u>Issue</u></p> <p>Articles 18 and 20 of the Chemical Control Act (hereafter referred to as 'CCA') stipulate that importers must obtain permission or file a report with the Minister of Environment when importing prohibited/restricted substances or toxic substances, respectively. Each permit or report, is subject to an application fee of 13,000 KRW, as specified in Article 54 of the same act.</p>
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In addition, the Local Tax Act mandates the payment of a licence tax of 18,000 KRW for each permit or report payable to the head of the local government with jurisdiction over the tax payment location.

As a result, importers are required to pay both the application fee and the registration licence tax for these substances. This dual payment requirement poses a significant burden, particularly for companies that handle a variety of substances, reagents, etc., in small quantities.

Recommendation

For business licences related to hazardous chemicals, the law requires the licence tax to be paid per licence rather than per item.

To reduce the burden on the industry, we suggest deleting or amending the clause in the Local Tax Act that mandates the payment of a registration licence tax for each item when obtaining permission or filing a report for the importation of prohibited/restricted/hazardous substances.

# Cosmetics

4

Total Key Issues

1. Grant a Grace Period When Changing Review Data Requirements for Functional Cosmetics

Issue

Functional cosmetics are reviewed in accordance with the Regulation on the Screening of Application for Functional cosmetics by MFDS notification. However, in cases where new interpretations are applied or existing review practices are changed concerning review details that are not clearly stated in the regulation, there are instances where sufficient discussion and grace period are not provided in advance, affecting product launches and other business operations.

For example, a guideline specifying the use of the latest version of the ISO measurement method for setting SPF ratings of sunscreen functional cosmetics was delivered on October 24, 2023. However, recognition of the previous version was limited to cases requested to a testing agency by December 31, 2023, or applied to MFDS for functional cosmetic evaluation before February 29, 2024.

Currently in Europe, previous versions other than the latest version are permitted, and companies voluntarily apply them without specific control regarding the implementation deadline for the latest version. Considering that UV protection tests are often conducted through external testing agencies, and that changes to test methods require time for contract modification and schedule adjustments, unpredictable guideline changes increase business instability.

Recommendation

It is recommended that when the interpretations have changed in reviewing details that are not clearly stated in the regulations, or when existing review practices are changed, sufficient discussion

and a grace period is granted in advance to the relevant industry. This will ensure that business operations can be maintained stably within a predictable range.

Relevant Act/Regulation	Regulation on Screening of Application for Functional Cosmetics
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Cosmetics Policy Division
Recommendation Status	New

2. Shortening the Clinical Trial Period for Functional Cosmetics for Anti-Hair Loss (Relief of Hair Loss Symptoms)

Issue

Functional cosmetics for hair loss symptom relief, based on the current definition of cosmetics (those that maintain or improve hair health and have a mild effect on the human body) and the definition of functional cosmetics by category according to Article 2 of the Enforcement Rule of the Cosmetics Act (cosmetics that help alleviate hair loss symptoms), aim to provide efficacy that helps alleviate symptoms with mild effects on the human body, rather than improvement or treatment.

Considering the purpose and efficacy category mentioned above, the required test period (minimum 24 weeks) guided by the current [Guidelines for Clinical Tests of Cosmetics that Help Alleviate Hair Loss Symptoms (Applicant's Guide)] appears to be an excessively stringent condition compared to the allowed efficacy category.

According to the 'Clinical Trial Guidelines of Hair-Growth Products', the improvement rate of the total number of hairs at 12 weeks is included in the secondary efficacy evaluation parameter, and 12-weeks is also recommended in the therapeutic exploratory trial to confirm the pharmacological effect and determine the appropriate dose during the clinical trial design. Comparing this to the 24-week test period required for cosmetics, the efficacy verification evaluation method appears somewhat excessive relative to the efficacy claims that can be made.

Moreover, compared to overseas standards, this period is relatively long (Europe, China: 12 weeks, etc.), making it difficult to utilize data accepted overseas domestically and causing difficulties for the industry in utilizing and preparing data.

### Recommendation

Considering the efficacy allowed for functional cosmetics for hair loss symptom relief and overseas cases, it is recommended to expand the application conditions of the trial period. This would allow the submission of data confirming efficacy if the efficacy is demonstrated after a specific period (e.g., minimum 12 weeks), even if it is not necessarily 24 weeks.

Relevant Act/Regulation	<ul style="list-style-type: none"><li>• Regulation on Screening of Application for Functional Cosmetics</li><li>• Guidelines for Clinical Tests of Cosmetics that Help Alleviate Hair Loss Symptoms (Applicant's Guide)</li></ul>
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Cosmetics Evaluation Division
Recommendation Status	New

3. Issue  
Enlargement of Sun Protection Factor (SPF) Indication  
In accordance with Article 13, Paragraph 2, No.1 of the Regulations on Screening of Application of Functional Cosmetics announced by the Ministry of Food and Drug Safety (MFDS), the Sun Protection Factor (SPF) Index shall be expressed as an integer within the range of -20% or less from the average value (rounded down to the nearest whole number) based on the test results.

The SPF measurement results may be affected by various factors such as the test institutions, test subjects, test methods, or the type of products. Considering these points, companies set a lower SPF value than the test results so that the SPF value can be guaranteed in the market, but it is difficult to manage because the MFDS's notice limits it to an integer within the range of -20%.

Regarding setting a lower SPF value, it is necessary to expand the conditions for labelling based on scientific grounds in terms of safety and effectiveness, and to harmonise with the indications of overseas countries.

### Recommendation

Since the SPF value can vary by various factors, if there are no concerns about consumer use based on scientific grounds in terms of safety and effectiveness, it is recommended to revise the conditions for labelling to be an integer below the average value (rounded

down to the nearest whole number) based on the measurement results so that it can be displayed within the scope of the company's substantiated claim.

Relevant Act/Regulation	Regulation on Screening of Application for Functional Cosmetics
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Cosmetics Policy Division
Recommendation Status	New

4. Issue  
Relaxation of Administrative Penalties on Labelling and Advertising of Cosmetics  
Under the current Cosmetics Act in Korea, if a problematic expression is found in labelling and advertising, strong administrative penalties such as suspension of sales or a ban on advertising activities are imposed on the product. Even in cases where immediate improvement is possible through simple modification of the relevant expression, such measures applied to the entire product impose excessive restrictions on businesses' advertising activities.

Hence, it is necessary to consider providing businesses with the opportunity to rectify identified issues by modifying or deleting the problematic expression, instead of imposing a sales suspension or an advertising ban on the entire product. As part of the measures for improvement of labelling and advertising, which is selected as a main task of MFDS Regulatory Innovation 3.0, the inclusion of a corrective order within the existing framework of administrative penalties should be explored.

As a point of reference, regulatory bodies in Europe and China, acknowledging the unlikelihood of serious harm to consumers arising from inappropriate expression in labelling and advertising, focus on rectifying the specific problematic expressions.

### Recommendation

It is recommended that, in cases where cosmetics labelling and advertising violates Article 13 of the Cosmetics Act, the specific problematic expression is deleted and a 'correction order' is included as an administrative penalty for initial violation in the [Annex 7] of Enforcement Rule of the Cosmetics Act.

Relevant Act/Regulation	Enforcement Rule of the Cosmetics Act
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Cosmetics Policy Division
Recommendation Status	New

Kyunghyun KIM  
 Manager  
 Digital Committee

# Digital

## 2

Total Key Issues

1. Improvements for CSAP Requirements (temp.)

### Issue

In February 2024, the Ministry of Science and ICT (hereafter referred to as 'MSIT') announced a draft amendment to the 'Notice on Cloud Security Assurance Program' (hereafter referred to as 'Draft amendment'), which raises concerns about increasing the technical burden on domestic and foreign cloud service providers (CSPs) and increasing unnecessary costs for both government bodies and CSPs.

The Draft amendment presents the following issues: Physical network separation does not enhance cloud security and negates the primary advantage of other clouds that use multi-tenant solutions.

Requiring all government bodies' data, related services, and its management personnel to be located domestically does not ensure data security; cybersecurity requires a broader perspective beyond the location of data residence.

Furthermore, mandating national standard encryption as a security requirement is impractical for many CSPs that use cutting-edge encryption technologies, many of which are globally recognised.

### Recommendation

Therefore, it is recommended to adjust the requirements for 'Low' and 'Medium' level of cloud security assurance program (CASP), which will account for most of the data handled by governmental bodies, to exclude the physical network separation and localisation obligations.

We also recommend that national standard encryption be required only for 'High' level CSAPs, while lower level CSAPs can use globally recognised encryption standards (e.g., FIPS 140-2 certification, etc.)

Furthermore, the source code disclosure requirements for encryption technology and data management solutions should be limited only to 'High' level CSPs.

Relevant Act/Regulation	Draft Amendment of 'Notice on Cloud Security Assurance Program (CSAP)'
Responsible Authority & Division	Ministry of Science and ICT (MSIT)
Recommendation Status	New

2. Issue  
 Suggesting Bill of Act for Fair Competition of Open Digital Platform

Digital transformation has created various new content, products, and services, vastly changing the consumer experience, many of which are provided through digital platforms.

Currently, only a few companies dominate the digital mobile operating system (OS) platform market, making it difficult for third-party product/solution providers to enter the market and for consumers to experience new technologies.

Third-party app/content developers for mobile operating systems (OS) generally cannot provide or promote their services to consumers outside the platform's own apps and are mandated to pay commissions of up to 30% of revenue to the platform.

Consumers experience difficulties in changing the default settings on their smartphones, which prioritise the OS's own apps over third-party ones.

Third-party developers of peripherals (smartwatches, earbuds, smart glasses, etc.) have limited access to the necessary technical information of the OS, while the OS's own subsidiaries have full access. Smartphone messages also are not interoperable between different OS despite the availability of a global standard (RCS). Smartphone users experience difficulties importing their own data (photos, files, music, etc.) from one OS to another.

Looking at international examples of this, the EU has passed and

is implementing the Digital Markets Act (DMA), which adopts ex ante regulation for a very limited number of Core Platform Service (CPS) providers. The UK's Digital Markets, Competition and Consumer (DMCC) Act was passed in May 2024 and is now in force. The Japanese government passed the Smartphone Software Competition Promotion Act in June 2024, which is expected to be in effect from 2025.

Recommendation

Relying solely on current ex-post antitrust or competition laws will not be sufficient to address the issues raised in the digital platform sector. It is recommended that a system be established to ensure proactive oversight of the behavior of dominant mobile OS platform companies to ensure a fair and contestable market environment.

It is recommended that consumers' interests be promoted by introducing legal clarity and predefined obligations for dominant digital platforms focused on mobile operating systems. The rules will be implemented as intended.

Relevant Act/Regulation	(Temp.) Platform Fair Competition Promotion Act
Responsible Authority & Division	Fair Trade Commission (FTC)
Recommendation Status	New

# Energy & Environment

1. Proposal for Voltage-Wise Power Systems and Grid Connectivity Information for Offshore Wind Power Projects

Issue

According to the response from the Ministry of Trade, Industry and Energy's Power System Innovation Division regarding item 1 of the 2023 ECCK Whitepaper on Energy and Environment, it has been confirmed that developers cannot access grid connectivity information on the Korea Electric Power Corporation (KEPCO)'s information disclosure portal during the early stage (i.e., pre-EBL stage) of installing wind measurement instruments. Furthermore, no visible plans have been announced for reviewing the target and scope of disclosed grid information.

Recommendation

The ECCK E&E Committee recommends establishing a 'preliminary review' procedure that developers can utilize prior to making investment decisions for wind measurement campaign (e.g., land lease/purchasing, permits, instrument installation, etc.)

Article 30 of the Civil Petitions Treatment Act and Article 33 of its Enforcement Decree stipulate that a petitioner may request preliminary review for legally mandated petitions that involve significant economic costs prior to formally submitting the petition to the head of an administrative agency. Some local governments operate such preliminary review request system based on this regulation. Similarly, the following benefits can be anticipated if a preliminary technical review procedure (in the context of power systems and grid connectivity information) is established prior to the EBL stage:

- a. MOTIE can filter out projects and developers with strong commitment to investment and development potential,

as well as forecast renewable energy supply based on such information.

- b. Developers can facilitate smooth permitting procedures (such as the transmission facility use agreement followed by EBL)
- c. The Electricity Regulatory Commission can effectively review investment commitment when applying for EBL.

These improvements would enable more efficient and informed decision-making for all parties involved in the development of offshore wind power projects.

Relevant Act/Regulation	Electric Utility Act
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE) Power Grid System Innovation Division, Korea Electric Power Corporation (KEPCO)
Recommendation Status	Updated

2. Establishment of Objective Public Acceptance Criteria for Electric Business Licenses (EBL)

Issue

Despite public acceptance being the primary reason for the deferral of EBL applications in 2022-2023, the evaluation criteria and standards for public acceptance remain ambiguous.

Ex1) Examination Criteria - Article 7, Paragraph 3, Subparagraph 1 of the Enforcement Rule of the Electric Utility Act states that 'the level of [public] acceptance for the planned construction area should be [high]'

Ex2) The detailed permission criteria for power generation projects in Appended [Table1] state that the application is evaluated 'in consideration of the rationality of the local government's opinion and [the applicant's] efforts to improve [public] acceptance'.

As the basis for the evaluation criteria and standards vary among reviewing authorities (i.e., local governments), it is imperative to establish consistent, minimum standards for public acceptance.

Currently, wind project development in South Korea requires two pivotal permits - EBL and development permit - both of which necessitate public acceptance during their permit processes. In

contrast, several countries have adopted a single permit procedure equivalent to a development permit that streamlines the development and public acceptance processes. For example, Japan requires only the consent of directly affected individual landowners when conducting a project without a separate procedure for development permit.

Recommendation

The ECCK E&E Committee recommends the following procedure contingent upon the agreement of the village representatives or the Development Committee:

- a. After conducting at least one briefing session for village representatives (i.e., the village head or equivalent) in the village or town where the project site is located, gather opinions from the participants. If the developer requests a briefing session, the approving authority (i.e. local government) shall coordinate the schedule and the attendees. The primary purpose of these sessions is to gather opinions, not to obtain approval or disapproval.
- b. It is recommended to specify 'village or town where the project site is located' as 'village or town within a 1km radius from the project site boundary'
- c. The approving authority shall ensure that the collected opinions should not delay the EBL if the developer presents measures addressing the village representatives' concerns. Public acceptance should be thoroughly scrutinised during the Development Permit stage rather than during the EBL process.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Article 7, Paragraph 3, Subparagraph 1 of the Enforcement Rule of the Electric Utility Act</li> <li>• Notification on Detailed Power Generation Project Permission Standards, Electricity Rate Calculation Standards, Allowable Errors of Electricity Meters and Operation of Electricity System [Attachment 1] Examination criteria for Power Generation Project Permission</li> </ul>
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE) Renewable Energy Deployment Division
Recommendation Status	Updated

3. Establishment of Objective Public Acceptance Criteria at the Permit Stage for Occupancy or Use of Public Waters for Offshore Wind Power

Issue

Regarding the collection and consent of stakeholder opinions, following the implementation of the amended Public Waters Management and Reclamation Act in July 2022, which introduced a procedure for collecting stakeholder opinions, some permitting authorities are now requiring applicants to obtain consent from all identified stakeholders when applying for occupancy or use of public waters. Additionally, the definition and identification procedures for stakeholders are unclear, particularly in the case of fishermen, stakeholders are identified through fisheries cooperatives without any supporting documentation

Recommendation

The ECCK E&E Committee recommends establishing practical guidelines for the identification of stakeholders and the procedure for collecting their opinions during the review of applications for the occupancy or use of public waters.

Relevant Act/Regulation	Article 8 of the Public Waters Management and Reclamation Act, Enforcement Decree of Public Waters Management and Reclamation Act
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF) Marine Spatial Policy Division
Recommendation Status	Retained

4. Revision of the Calculation Criteria for Occupancy or Use Fees for Public Waters

Issue

The current criteria for calculating occupancy and usage fees for public waters are based on the land price closest to the offshore wind farm area. Particularly in the Ulsan region, there is a significant disparity in fees compared to offshore wind farms in the West Sea, resulting in hundreds to thousands of times the difference, raising concerns about tax equity. There is no linkage between the closest land and the location of floating offshore wind farms up to 100 km offshore, which could justify such immense tax differences that clearly have a significant impact on the economic competitiveness of projects. The location of offshore wind farms should be determined by factors that affect economic viability, such as wind speed, water depth, geology, and proximity to industrial infrastructure. For example, in the UK and the US, occupancy and usage fees are calculated based on revenue or facility capacity.

### Recommendation

The ECCK E&E Committee recommends establishing reasonable criteria for calculating occupancy and usage fees for public waters as follows:

1. Based on the officially announced 'land price of the nearest coastal area in a straight line'
2. Imposing occupancy and usage fees as a certain percentage of the power company's revenue or a fixed amount per MW of the wind farm's capacity

Option 1) Allow the project operator to choose between the current land price application method<sup>1</sup> and the method based on revenue and facility capacity<sup>2</sup>, depending on which results in a lower fee.

Option 2) Set a price cap for occupancy and usage fees for public waters, and apply this cap if the calculated fee exceeds it.

Option 3) Establish and apply occupancy and usage fees for the Exclusive Economic Zone (EEZ) area.

Relevant Act/Regulation	Article 8 of the Public Waters Management and Reclamation Act
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF) Marine Spatial Policy Division
Recommendation Status	Updated

5. Establishment of a Prior Consultation Channel with Administrative Agencies for Military Operations-Related Issues

### Issue

The construction of offshore wind farms requires the cooperation of administrative agencies<sup>3</sup> for prior consultation with the Ministry of National Defense. If opinions stating that permission cannot be granted due to reasons such as radar interference and operational hindrance are received at the final permitting stage just before construction (occupancy and use permit for the entire public water area of the power generation site), it poses a significant risk to the progress of the offshore wind project, as it may necessitate changes in the project location and scale, which can determine the viability of the project.

3. Article 13, Protection of Military Bases and Installations Act (Consultation on Dispositions by Administrative Agencies)

Currently, there is no single administrative channel for this prior consultation, causing difficulties for offshore wind power developers who have to go through local maritime offices and local governments. This leads to inefficiencies in the consultation process and ultimately affects the project timeline. Therefore, it is urgently required to adjust the timing of the prior consultation procedures and establish a single point of contact.

### Recommendation

The ECCK E&E Committee recommends amending Article 7 (Prior Consultation on Occupancy and Use Permits) of the Enforcement Decree of the Public Waters Management and Reclamation Act to ensure that prior consultations take place at the initial stage rather than at the final permitting stage before construction begins.

(Current regulation) The head of the relevant administrative agency requested by the Public Waters Management Authority for consultation on occupancy and use permits shall submit their opinion to the Public Waters Management Authority within 20 days from the date of the request.

(Proposed Amendment) In cases where military operational issues are anticipated with the occupancy and use permit for public waters, the Minister of National Defense shall be included as a consultative party in the discussions with relevant administrative agencies.

The ECCK E&E Committee recommends establishing a single consultation channel within the Ministry of National Defense for efficient prior consultations.

Relevant Act/Regulation	<ul style="list-style-type: none"><li>• Article 13 of the Protection of Military Bases And Installations Act</li><li>• Article 7 of the Enforcement Rule of Public Waters Management and Reclamation Act</li></ul>
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF) Marine Spatial Policy Division, Ministry of National Defense (MND)
Recommendation Status	New

6. Establishment of Standards for Floating Substations

### Issue

According to Article 63 of the Electric Utility Act, those who install power generation facilities must undergo a 'pre-use inspection' conducted by the Korea Electrical Safety Corporation. However, due to the lack of standards related to floating offshore substations from both the Ministry of Trade, Industry and Energy (Korean Electrical Installation Regulations) and the Korea Electrical Safety Corporation (Electrical Installation Inspection and Testing Standards), it is currently impossible to install floating substations.

Recommendation

While there is a need to establish Korean standards for floating offshore substations, the ECCK E&E Committee recommends adopting international certification (DNVGL-ST-0145)<sup>4</sup> used overseas for floating offshore substations until Korean standards are established.

4. DNV-ST-0145 Offshore substations

Relevant Act/Regulation	N/A
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	New

7. Resolving Uncertainty Regarding the Timing of REC Multiplier Changes for Offshore Wind

Issue

Offshore wind projects secure Project Financing (PF) from financial entities based on the results of winning bids in fixed-price contract auctions for wind power. It takes approximately 4 to 6 years from winning the bid to completing the pre-use inspection. During this period, the REC multiplier may change. If the REC multiplier is lowered after the PF has been secured, the PF may be canceled, leading to the project being halted.

Additional, given the offshore wind industry in Korea is in early stage, the number of offshore wind projects has increased according to similar timelines, there are a lot of challenges in regards to securing required resources and infrastructure in time, and a lack of supply chains may cause further delays in development schedules.

Recommendation

The ECCK E&E Committee recommends amending the timing criteria for finalizing REC multipliers as follows:

(Current regulation) 'The REC multiplier for a facility that has received the anticipated multiplier review result is finalized at the time the facility inspection is completed.'

(Proposed Amendment) 'The REC multiplier for facilities that have received the anticipated multiplier review result is finalized at the time the facility inspection is completed. For wind power facilities that have won fixed-price contract auction, the REC multiplier criteria applied at the time of bid selection shall be adopted. However, the final multiplier will be determined by reflecting the water depth/distance of the wind farm that has completed the electrical safety inspection by the Korea Electrical Safety Corporation at the time of final facility verification.'

Relevant Act/Regulation	Rules on the Issuance of Renewable Energy Certificate and the Operation of the Trading Market [Table1]
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE) Renewable Energy Policy Division
Recommendation Status	New

8. Allowing Contracts with Multiple Off-Takers upon Winning Fixed Price Contract Auction for Wind Power

Issue

For offshore wind projects, even after winning a fixed-price contract auction, developers may face difficulties in securing contracts with obligated suppliers. Many offshore wind projects involve large-scale developments of 300-400MW or more. If it is not possible to establish capacity contracts on a one-to-one basis (developer to obligated supplier), this can lead to project delays and increased financial risk.

Recommendation

The ECCK E&E Committee recommends amending the regulations to allow for contracts between one developer and multiple obligated suppliers upon winning a fixed-price contract auction. This change would enable multiple obligated suppliers to participate in offshore wind projects.

Relevant Act/Regulation	Article 31-4 of the Rules on the Issuance of Renewable Energy Certificate and the Operation of the Trading Market
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE) Renewable Energy Policy Division
Recommendation Status	New

9. Relaxation of the Period for Pre-Use Inspections for Offshore Wind Power Projects of 300MW or More

Issue

According to current regulations, developers who secure fixed-price contracts through auctions must complete the pre-use inspection within 60 months from the date of signing the purchase agreement for offshore wind projects exceeding 100MW. However, it is unreasonable to require the completion of the pre-use inspection within 60 months for the increasingly large offshore wind projects and floating offshore wind projects being developed far offshore, as these projects are expected to require longer construction periods.

- 5. Projects approved by the Wind Bidding Committee where completion of the pre-use inspection within the installation period is impossible due to force majeure, reasons beyond the control of the contracting parties, etc.
- 6. For selected capacities exceeding 100MW: up to 12 months per instance, up to a maximum of 3 instances.

In response to the 2023 White Paper E&E agenda no.5 (improving the fixed-price contract auction), we received a reply from the Ministry of Trade, Industry and Energy's Renewable Energy Deployment Division stating that, for projects exceeding 100MW, extensions of the deadline<sup>5</sup> are allowed under certain conditions and procedures<sup>6</sup>, and that it is considered that sufficient time has already been granted.

However, these extension conditions and procedures are not specifically outlined, making it difficult to apply them in actual project sites. Therefore, clearer guidelines are needed.

Recommendation

The ECCK E&E Committee recommends clearly specifying the conditions and procedures for requesting an extension of the installation period.

Considering the long durations required for offshore wind power projects, the possibility of operating several divided EBLs within a single project, and the situation where multiple developers are simultaneously participating in developing large-scale wind farms, it is suggested that a minimum period of 72 months be granted to complete the pre-use inspection for offshore wind or floating offshore wind power projects of 300MW or more for developers awarded fixed-price contracts through competitive wind power bidding.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>● Act on the Promotion of the Development, Use and Diffusion of New and Renewable Energy</li> <li>● Guideline on Management Operation for Renewable Portfolio Standards (RPS) and Renewable Fuel Standard (RFS)</li> <li>● Rules on the Issuance of Renewable Energy Certificate and the Operation of the Trading Market</li> </ul>
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE) Renewable Energy Deployment Division
Recommendation Status	Updated

- 10. Expansion of Preliminary Review Scope for Protected Issue  
According to Article 13, Paragraph 3 of Protection of Military Bases and Installations Act, there is a system allowing for preliminary consultations to determine if the protection, management of the

Areas under the Protection of Military Bases and Installations Act and Amendment of Related Directives

protected area, or military operations will be affected. However, this system is limited to four types of protected zones: controlled protection zones, restricted protection zones, flight safety zones, and anti-air defense coordination zones.

According to Article 7, Paragraph 6 of the Enforcement Rule of Protection of Military Bases and Installations Act, applicants must submit a preliminary consultation request form and the required documents to the head of the relevant administrative agency, who then forwards them to the commanding officer of the jurisdictional unit. However, the Appendix 'Government Development Plans Subject to Consultation' of Directive on the Handling of Consultation for Government Development Plans does not include Electric Utility Act.

As a result, there is an issue where preliminary consultation procedures cannot be utilized during the development permit stage.

Recommendation

The ECCK E&E Committee recommends expanding the scope of preliminary consultations under Article 13, Paragraph 3 of the Protection of Military Bases and Installations Act to include all protection and restricted zones under the jurisdiction of the Ministry of National Defense, within the bounds of national security. For example, this could encompass air traffic control zones and flight restriction areas managed by the Ministry of National Defense.

To facilitate preliminary reviews of various constraints during the project planning stage, we also recommend adding power generation projects under the Electric Utility Act to the list of government development plans subject to consultation, as outlined in the Ministry of National Defense Directive.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>● Article 13 of the Protection of Military Bases and Installations Act</li> <li>● Ministry of National Defense Directive No. 2175 /Directive on the Handling of Consultation for Government Development Plans</li> </ul>
Responsible Authority & Division	Ministry of National Defense (MND)
Recommendation Status	New

# Fashion & Retail

## 4

Total Key Issues

1. Indication of Product Information via QR Code

Issue

In line with the recent global trend towards environmental protection, various industries are actively promoting eco-friendly technologies and digital transformation. Global companies and retailers are providing transparent and detailed product information through QR codes, establishing them as an essential tool for non-contact delivery of information. QR codes contribute to reducing plastic use and carbon emissions, enhancing consumer convenience, and strengthening global competitiveness. The Ministry of Food and Drug Safety (MFDS) and the Ministry of Environment (ME) are also reinforcing safe and transparent distribution channel management through QR code pilot projects.

However, for household textile products subject to safety standards under the Electrical Appliances and Consumer Products Safety Control Act, the use of QR codes is limited to specific product categories and only allows basic information such as manufacturing date and serial number for identification. This limitation hinders the provision of additional detailed information or usage precautions through QR codes, making it challenging for consumers to access all necessary information at once. It also imposes a burden on companies to diversify their information delivery methods. Therefore, in-depth discussion and improvement regarding the comprehensive provision of information through QR codes are necessary.

Recommendation

To align with the global trends of digitalisation and environmental protection, we recommend operating pilot projects for applying

QR codes to provide labelling information and usage precautions for textile products, allowing companies to selectively choose whether to utilize QR codes or not.

Relevant Act/Regulation	Electrical Appliances and Consumer Products Safety Control Act
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS) Electrical & Telecommunications Product Safety Division
Recommendation Status	Retained

2. Labelling Method for Important Information on Footwear Products

Issue

Based on the proposed amendments to household use textile products labelling requirements, the scope of product recognition had been both expanded and simplified. Considering the difficulty in tracing down the manufacturing month of an imported product, the month of importation has been accepted as an alternative for household use textile products.

Among the revisions made, new labelling methods for footwear products now recommended indicating important information such as outer material, dimensions, and handling precautions directly through stitching or equivalent methods. However, this requirement is considered challenging given the diverse forms and materials of footwear, as well as their small sizes. Especially for imported products, establishing separate production processes solely for Korean market can be burdensome, leading to increased production costs and a higher consumer burden.

Recommendation

For imported shoe products, stitching on finished products after importation is highly challenging due to the unique shapes, contours, and depths of footwear, making it difficult to embed additional information. Moreover, additional stitching may cause potential damage to the product's appearance. Therefore, considering the need to maintain the quality and production efficiency of imported shoe products, we request the deletion of Section 1.1.1 recommending the method specified in 6.1.1 for marking important information such as outer material, dimensions, and handling precautions for shoe products.

Relevant Act/Regulation	Annex 1 (Household Use Textile Products) of the Safety Standards for Consumer Products Subject to Compliance with Safety Standards
Responsible Authority & Division	Korea Agency for Technology and Standards (KATS) Consumer Product Safety Division
Recommendation Status	New

3. Simplifying Import Procedures and Reducing Costs through Improved Country of Origin Labelling for Retail Packaging

Issue

Based on the guidelines from the Korea Customs Service 'Notice on the Operation of the Country of Origin Labeling System', Annex 3 specifies detailed methods for country of origin labelling for different products. According to these regulations, items such as 'cosmetics (HS 3304)' and 'perfumes (HS 3303)' can have the country of origin labelled on the minimum retail packaging. However, items like 'mirrors (HS 7009)', 'brushes (HS 9603)', and 'eyelash curlers (HS 8203)' must have the country of origin labelled directly on the items themselves. This often necessitates opening the retail packaging before customs clearance to apply the country of origin label directly onto the items as per Annex 3 standards.

Despite the country of origin already being labelled on the minimum retail packaging, many difficulties arise due to the requirement of Annex 3 to open the packaging and label the items directly before customs clearance. This process can damage the products during handling, and also requires additional labour, increasing the overall labour cost. Furthermore, this additional step delays the customs clearance process, posing a significant burden on importers.

Recommendation

Products such as mirrors, brushes, and eyelash curlers sold to consumers in stores are primarily imported with the country of origin labelled on the retail packaging. In the EU, China, Japan, Vietnam, and Thailand, if the country of origin is labelled on the retail packaging, the products can be imported without the need to label the items themselves. Therefore, it is believed that labelling the country of origin on the packaging provides clear information to consumers and adopting internationally accepted labelling methods can streamline import procedures efficiently.

The country of origin is considered as one necessary information when purchasing the product but is not essential when using the products. In this sense, it is recommended to allow the country of origin to be labelled on the minimum retail packaging for items such as mirrors, brushes, and eyelash curlers.

Relevant Act/Regulation	Notice on the Operation of the Country of Origin Labeling System
Responsible Authority & Division	Korea Customs Service
Recommendation Status	New

4. Enhancing and Increasing the Flexibility of Labelling Standards for Leather Products

Issue

According to the Korea Agency for Technology and Standards (KATS) Notice 'Annex 3 (Leather Products) of the Safety Standards for Consumer Products Subject to Compliance with Safety Standards', products must be labelled with information such as the manufacturing date, import date, and initial season number according to the standards specified in the annexes, enabling objective tracking of the products. However, while products such as household textiles and sunglasses allow various labelling options, leather products are required to display the manufacturing date only.

Leather products are characterized by its short-term launches and discontinuations of various items. In addition, importers face significant challenges in communicating with manufacturers due to language and time barriers, making it difficult to collect the manufacturing date for all leather products.

Considering the actual purpose of the law, the requirement to display the manufacturing date is intended to facilitate product tracking in the event of any possible harm. However, this objective can also be adequately achieved by indicating other information such as the import date and sales season.

Recommendation

While the regulation aims to minimise inconvenience and risks associated with the distribution process of leather products, it has rather increased the operational burden on the importers. Therefore, it is requested to either allow various labelling options for leather products as well or apply the regulations regarding the display of the manufacturing date more flexibly. It is recommended that the labelling of

import dates, sales seasons, and other relevant information, in addition to the manufacturing date, be permitted for leather products to accommodate the circumstances of the companies.

Relevant Act/Regulation	Annex 3 (Leather Products) of the Safety Standards for Consumer Products Subject to Compliance with Safety Standards
Responsible Authority & Division	Korea Agency for Technology and Standards (KATS) Consumer Product Safety Division
Recommendation Status	New

Shinwon YOON  
Manager  
Food  
Committee

# Food

## 5

Total Key Issues

1. Establishment of Standards for Containers Using Physically Recycled Raw Materials Used for Imported Food Products

### Issue

In 2022, the 'Criteria for recycled raw materials in food containers' system implemented by the Ministry of Environment and Article 9-2 of the 'Food Sanitation Act' by the Ministry of Food and Drug Safety were newly established for double verification. According to the 'Standards for Recycled Raw Materials Used in Food Containers' system, it limits the scope of physical recycling to transparent PET bottles collected domestically. Consequently, foreign recycled raw materials and finished products manufactured from these materials cannot be imported into the country.

The Ministry of Environment and the Ministry of Food and Drug Safety's response to the same suggestions in the 2023 White Paper states that: 1) there is no approval system for non-EU member countries in the EU Regulation On Recycled Plastics In Contact With Food (Regulation EU 2022/1616) and; 2) the EU does not have any separate standard for recycled PET flakes, but rather only standards for chips are established and managed by the EU.

However, the EU operates an approval system for non-EU member countries, and as of October 27, 2023, it has been confirmed that there are 8 cases each of Korea's Recycling Installations, Facilities, and Companies that have been approved<sup>1)</sup>. In addition, as approvals are obtained for each recycling process in the EU, the inspection items and standards for each process are detailed, and it is interpreted that standards for flakes are also included<sup>2)</sup> (EU 2022/1616 Article 6, 7, 17).

Therefore, the regulations on the safety of recycled raw materials in contact with food are not fundamentally different from those of

1) See register according to EU Regulation 2022/1616 Article 24  
2) EU register for countries located outside EU of technologies, recyclers, recycling processes, recycling schemes, and decontamination installations.

the EU, but trade barriers have arisen due to the mixing of various standards related to the approval process.

Recommendation

We suggest that, in the event that recycled PET is used in imported finished food products manufactured overseas, a separate system is to be established requiring submission of evaluation data proving the safety of the recycled PET and its equivalency to be reviewed and approved by the Ministry of Environment and the Ministry of Food and Drug Safety.

Additionally, considering the increasing need for international regulations on packaging materials in contact with food, we recommend that efforts be made to establish international standards and guidelines.

Relevant Act/Regulation	Act on the Promotion of Saving and Recycling of Resources - Criteria for Recycled Raw Materials in Food Containers Food Sanitation Act - Standards and Specifications for Apparatus, Containers, and Packaging
Responsible Authority & Division	Ministry of Environment (ME) Resource Recycling Division, Ministry of Food and Drug Safety (MFDS) Additive Standards Division
Recommendation Status	Retained

2. Changes in the Labelling of Use-by Date or Date of Minimum Durability for Imported Food Products with Labelling of 'Year and Month'

Issue

According to the labelling standards for food, etc., if the use-by date or date of minimum durability (hereinafter 'use-by date, etc.')

of the exporting country indicated on imported food, etc. only indicates 'year, month, etc.,' it is stipulated that the labelling of 'day' must be indicated as the 1st of the indicated 'month'.

However, as it takes a significant amount of time for imported food to be transported from overseas manufacturing facilities to domestic imports, if the use-by date, etc. is indicated as the 1st of the corresponding 'month', the actual sales period will be even shorter.

Currently, products with relatively short use-by dates are facing various difficulties in inventory management and sales due to

this labelling regulation.

Additionally, due to labelling regulations such as use-by dates, etc., food that can be consumed by the end of the month in the exporting country is discarded up to a month earlier domestically, resulting in a waste of economic resources and an increase in food waste.

As the computerization of import and export logistics has advanced greatly, the use-by date set by the manufacturer and entered into the logistics computer network must be manually reset by the importer when importing into the country in accordance with this regulation. This manual work involves processes like subdivision and increases the risk of mislabeling or incorrect inventory management in the products produced in various sales units.

Recommendation

One of the main purposes of the recent introduction of the use-by-date labelling system was to minimize food waste. As mentioned above, this labelling regulation for use-by-date, etc. appears to run counter to the purpose of introducing this use-by-date labelling system.

In addition, products that display use-by dates, etc. in 'month and year' are made available for indicating only in 'month and year' for distribution until the last day of the month, as it is generally judged by the country of manufacture to have a low risk of food safety hazards even if consumed by the last day of the month.

In order to save resources, prevent human errors, and harmonize with international regulations, we suggest a revision of labelling standards for food, etc., so that when the use-by date, etc. is indicated only in 'year and month,' the use-by date or shelf life can be indicated by the last day of the relevant 'month'.

Relevant Act/Regulation	Act on Labeling and Advertising of Food - Labeling Standards for Food, etc.
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Food Labelling and Advertising Policy Division
Recommendation Status	New

3. Expansion of the Recognition Scope of Official Documents from Foreign Manufacturing Facilities During the Registration and Renewal Process	<p><u>Issue</u></p> <p>In July 2021, Paragraph 1 of Article 2 of the Enforcement Rules of the Special Act on Imported Food Safety Control was amended to require the submission of documents proving that 'the foreign manufacturing facility has been permitted, registered, or reported in accordance with the relevant food-related laws and regulations of the exporting country' (hereinafter referred to as 'registration documents'). Additionally, in March 2022, the relevant duties were transferred to the National Food Safety Information Service (NFSI) from the Ministry of Food and Drug Safety (MFDS). While we agree with the intention to manage imported foods more safely from the source through the registration of foreign manufacturing facilities, the amendment has created difficulties in the registration and renewal of these facilities. Consequently, delays in customs clearance occur, leading to various ancillary issues such as stock shortages and increased warehouse costs.</p>
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In the case of multinational companies, the parent company owns and manages multiple manufacturing facilities. Due to internal management reasons, the names of the parent company and the manufacturing facilities may slightly differ. It is common in foreign countries, such as in Europe, to add regional names to the end of the manufacturing facility names for convenience and to distinguish between different regional facilities.

Companies that previously imported without issue under the parent company's name now face challenges in aligning the manufacturing facility's name with government documents following the amendment. This results in difficulties in managing import history, replacing Korean labelling, and controlling domestic distribution.

Recommendation

The criteria for indicating the name of a foreign manufacturing facility may vary depending on the manufacturing facility in the exporting country. We strongly recommend expanding the scope of recognition for official documents from foreign manufacturing facilities in the following cases:

- a) If the address of the applied manufacturing facility matches the address on the documents issued by the government of the exporting country, but part of the facility name is slightly different (e.g., addition of regional names).

- b) If the manufacturing facility name and location are the same, but the indication of the corporate (e.g., Ltd.) differs.
- c) If the postal code and other details match between the documents issued by the government of the exporting country and the foreign manufacturing facility application (consent form), confirming that the location is the same, discrepancies in the detailed address such as the omission of the administrative district should be accepted.

Relevant Act/Regulation	Article 2 of the Enforcement Rules of the Special Act on Imported Food Safety Control
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) On-site Inspection Division, National Food Safety Information Service (NFSI) Imported Food System Department
Recommendation Status	New

4. Re-review of Partial Revision Notice on Labelling Standards for Food, Etc. Requiring Indication of Reduced Content	<p><u>Issue</u></p> <p>Although we agree with the intention of the revision of the Labelling Standards for Food, etc. (hereinafter referred to as 'Labelling Standards'), as announced in the Partial Revision Notice (No.2024-41), which aims to provide accurate information to consumers to prevent situations where consumers are burdened with actual price increases due to insufficient notification of decreased product content, we believe there is a high possibility of causing imbalance and confusion in regulations between related industries. This concern arises from significant differences between the Notice on Designation of Unfair Consumer Transactions by Business Owners, revised by the Fair-Trade Commission (hereinafter referred to as the 'Fair-Trade Commission Notice'), and the partial revision notice of labelling standards.</p>
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As a method of notifying consumers about changes in content, the 'Fair- Trade Commission Notice' allows for notification through one of the following methods: marking on the product packaging, posting on the manufacturer's website, or posting at the product sales location. However, the partial revision of the labelling standards permits only direct labelling on the product. The Ministry of Food and Drug Safety has already indicated disagreement with the position paper regarding this partial revision.

The factory price, presented as the standard for calculating the unit

price in the partial revision of the labelling standards, is defined as the price at which the import sales business releases the product for delivery. However, considering that even for the same product, the factory price may vary depending on the seller, and thus the unit price may also fluctuate depending on the seller, it appears inefficient to provide notification solely by indicating it on the product packaging. This approach increases unnecessary costs and consumer confusion.

Moreover, the 'Fair-Trade Commission Notice' states in the related guidelines that there is no obligation to notify changes in content when products produced overseas are simply imported and sold, excluding OEM/ODM products. However, the partial revision notice of labelling standards does not reflect this guideline.

Recommendation

In addition to the method of labelling on products as per the Fair-Trade Commission notice, we suggest requiring additional notice by one of the following methods: notifying on the business operator's website or posting at the place where the product is sold.

Furthermore, the Fair-Trade Commission's notification guidelines, which state that notification obligations do not arise when products produced overseas are merely imported and sold, excluding OEM/ODM products, appear to consider that importers have no real authority to change content. It seems that the purpose of the obligation to indicate content changes in the partial revision of the labelling standards is essentially the same as the Fair-Trade Commission notice: to prevent actions that make it difficult for consumers to know that a business operator has increased the price of a product by reducing the content. In the case of imported foods, excluding OEM/ODM products, it is unlikely that the importer/seller intended to increase the actual unit price of the product, as the importer does not have the authority to decide on content changes. Therefore, we propose excluding them from the labelling obligation.

Relevant Act/Regulation	Act on Labeling and Advertising of Food - Labeling Standards for Food, etc. Partial Revision Notice (No. 2024-41)
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Food Labeling and Advertising Policy Division
Recommendation Status	New

5. Adjustment of the Scope of Administrative Disposition for Businesses Importing and Selling Imported Food, Etc.

Issue

A person who has filed a business report for Imported Food, etc., and Sales Business is permitted to import and sell imported food, food additives, apparatus, containers, and packages, as well as operate a retail business that sells food and other items in offline stores such as department stores. When a business receives an administrative disposition of business suspension in accordance with the Enforcement Rules of the Special Act on Imported Food Safety Control ('Imported Food Act') [Table13] Administrative Disposition Standards, and the Enforcement Rules of the Act on Labelling and Advertising of Foods ('Food Labeling and Advertising Act') [Table7] Administrative Disposition Standards 1.12.La.Mok, the scope of the business suspension is excessively broad.

Business suspension means that all sales activities, such as importing and selling within a defined sales range, are suspended. This runs counter to the principle of proportionality and results in excessive scenarios involving the suspension of all forms of sale, not only the import and distribution of foods and other items but also the retail of all items sold by the company. Contrast this with a hypothetical domestic food manufacturing business that receives a suspension from manufacturing a 'specific item' for the same violation. For instance, if a foreign business receives a suspension due to a violation of product labelling standards, the company must suspend the retail as well as the import and distribution of the foods and other items. This results in financial damage due to sales loss and irreparable damage to its brand value. On the other hand, other retailers such as supermarkets can sell the company's 'violating product' as usual during the suspension period.

Additionally, considering the definition of sales business in the Food Sanitation Act, it can be construed as excessively harsh to include retail activities in the suspension of the import and sale of imported food.

Article 2 (1) of the Imported Food Act Enforcement Decree defines the scope of Imported Food, etc., and Sales Businesses as the "business of 'importing' and 'selling' imported food, etc." In addition, Article 15 (1) [Table 7] of the same Act's Enforcement Rule specifies facility requirements for each business type. Imported Food, etc., and Sales Business is required to establish a 'storage

warehouse', unlike other types of businesses. In contrast, [Table 14] of the Food Sanitation Act's Enforcement Rule does not require the installation of a separate 'storage warehouse' for Other Food Sales Business for food retail, except refrigeration facilities or sales stands. The provision requiring a 'storage warehouse' indicates that the law distinguishes the scope of the import and sale of imported food, etc., from other food sales business (the business of selling foods directly to end consumers).

Therefore, direct retail sales of imported food, etc., in offline stores such as department stores or electronic commerce channel by a business holder of the import and sales of imported food, etc., should be deemed as sales by other food sales business holders or general retailers and not as sales by the importer of the food and other items. As a result, retail businesses that sell directly to the end customer should be excluded from the business suspension of imported food, etc.

	<b>Comparative analysis of the Imported Food Act's and Food Sanitation Act's applicable business scope and facility standards</b>	
	Food Import and Sales Business under the Imported Food Act	Other Food Sales Business under the Food Sanitation Act
Business scope	Business of 'importing' and 'selling' imported food, etc.	Food sales in department stores, supermarkets, chain stores, etc., of a certain size or larger as specified by Ordinance of the Prime Minister, excluding edible ice sales, food vending machine sales, distribution specialized sales, and food sales at group cafeterias.
Facility standards	An independent office for business activities and a <u>warehouse to store</u> imported food in hygienic conditions.	Refrigeration facility or refrigerator, display stand and sales stand

#### Recommendation

Since domestic food manufacturers are subject to suspension of manufacturing only for specific items, and the sales targets under the Imported Food Act compared to the Food Sanitation Act, we believe that including retail activities in the suspension of imported food business is excessive.

Therefore, we recommend that the scope of the business suspension for import and sale of imported food, etc., should be limited to the act of importing food, etc., and the wholesale business.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Enforcement Rules of the Act on Labeling and Advertising of Food [Table7],</li> <li>• Enforcement Rules of the Special Act on Imported Food Safety Control [Table13]</li> </ul>
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Food Labeling and Advertising Policy Division/Imported Food Policy Division
Recommendation Status	Retained

# Healthcare

5

Total Key Issues

1.  
Devaluation  
of Innovative  
Healthcare  
Products and  
Unfair Competitive  
Environment

Issue

The European healthcare industry continues to face market access challenges in the Korean market in terms of transparency, predictability and fair treatment. These are crucial to ensuring patient access, creating an attractive investment environment and promoting fair trade for sustainable development. Korea's current pricing policies prioritize the budget impact on the National Health Insurance (NHI) over properly evaluating the value of innovative new treatments. Korea's Health Insurance Review and Assessment Service (HIRA) often adheres to predominantly conservative assumptions about clinical effectiveness and does not reflect a sufficiently flexible cost-effectiveness threshold (ICER-threshold) that considers the characteristics of the disease. As a result, the value of innovative drugs is not properly evaluated, and the clinical value of innovative drugs with multiple indications is not recognised for each indication.

Despite the Korean government's active promotion of Foreign Direct Investment (FDI), this unfair competitive environment for multinational healthcare companies creates a significant gap in the investment climate for foreign investors. These affected multinational healthcare companies may need to reconsider their investment in Korea, considering the potential impact on patients. The concerns are more serious than ever due to the disruption of the global supply chain, rising raw material and operation costs in the post-COVID era, and escalating international conflicts.

Recent research<sup>1</sup> on new drug expenditure by Prof. Lee Jong-Hyuk, released in October 2023, highlights how innovative pharmaceutical companies, including European ones, are being unfairly treated

1. Jong-Hyuk Lee et al, A Study on the Analysis of drug Expenditure on New Drugs in Korea and Rationalization Measures (2023)

due to lower budget allocations for new drugs compared to other countries. This situation contradicts the principle of the FTA Agreement which emphasizes value recognition for Innovation.

In the medical device / in vitro diagnostic industry, the Korean government is focusing on fostering the medical device industry as a major export industry. However, in product approvals and integrated reviews of innovative medical devices, the government places more emphasis on 'expanding the domestic market for domestic products' rather than the rapid introduction of innovative technologies by foreign medical device/in vitro diagnostic companies. This approach is creating an unfair competitive market environment.

Recommendation

In evaluating the innovativeness of a new drug, clinically meaningful improvement should not be limited to extending survival period but should recognize a wider range of clinical improvements. It is recommended that innovative drugs approved through the Global Innovative products in Fast Track (GIFT) of Korea, Break-Through Designation (BTD) of the USA, Priority Medicine (PRIME) in Europe, and SAKIGAKE in Japan be guaranteed value by providing flexible Incremental Cost-Effectiveness Ratio (ICER) threshold values. This approach should also apply multiple criteria decisions that consider overall aspects such as social demand and disease severity, in addition to cost-effectiveness. It is necessary to implement indication-based pricing, considering the disease's characteristics and the clinical value of the product.

The operation of specific committees, such as the Severe Diseases Evaluation Committee, should be improved by inviting relevant healthcare experts to committee meetings to ensure fair value evaluation.

To address the unfairness of the integrated review and evaluation criteria for innovative medical devices, it is suggested that KHIDI (one of the evaluation agencies) evaluation items include 'B. Possibility of market expansion - If the technology is introduced into the medical field, can we expect the possibility of expanding the domestic market size and improving import dependence?' may hinder the fair market competition opportunities for European IVD/ medical device companies. Therefore, the item 'Improvement of import dependence' needs to be deleted or modified.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>Article 2 (Access to Innovation), Article 3 (Transparency), Article 5 (Regulatory Cooperation) on Annex 2-D of the Korea-EU Free Trade Agreement (FTA)</li> <li>MOH 'Detailed Evaluation Criteria for New Drugs and Other Drugs Subject to Negotiation'</li> </ul>
Responsible Authority & Division	Ministry of Health and Welfare (MOHW), Health Insurance Review and Assessment Service (HIRA), Korea Health Industry Development Institute (KHIDI)
Recommendation Status	Updated

2. **Continuous Erosion of the Value of Innovative Drugs**

Issue

The multiple post-management systems of drug pricing in Korea undermine the transparency and predictability of the drug pricing decision process. This disrupts stable supply plans for innovative new drugs and could raise entry barriers for future innovative drugs by lowering the comparator's price level. This situation increases the possibility of 'Korea-passing', delaying the introduction of innovative new drugs and hindering patient access to these drugs. Despite these challenges, MOHW is hastily implementing a system to reduce drug prices for patent-expired drugs based on the IRP (International Referencing Pricing) system as part of strengthening the post-management of drug pricing evaluation on insurance-listed drugs.

- Ye-Rim Kang et al, An Overview and Suggestions of the Post-listing Control System for Pharmaceutical Pricing in Korea (2017)
- Dae-Won Kang et al, International Trend of External Reference Pricing, Korean Academy of Social & Managed Care Pharmacy Vol,5(1) 9-15 (2016)

Several studies<sup>1,2</sup> have already shown that there are many limitations and considerations in the direct comparison of drug prices due to differences in health insurance systems and drug price management systems domestically and abroad.

Despite the expected significant damage to the industry from the implementation of this system, it is being hurriedly implemented without sufficient deliberation or communication regarding the concerns related to the transparency and legality of procedures raised by the industry. This could violate the transparency and non-discrimination principles discussed in the Korea-EU FTA.

Recommendation

It would be necessary to reinvest the savings obtained through the deregulation of post-management systems (PVA, IRP) into expanding accessibility for innovative drugs ('innovative ecosystem

for healthcare industry', 'value for innovation').

The process of revising pricing policy, transparency and commitment to due process under the Korea-EU FTA, should be respected.

In cases where the impact on the industry is significant, such as with IRP, and there are many factors to consider in foreign drug price references, it is suggested to implement such measures after securing transparency and legitimacy through a pilot project or by gathering public opinion through additional notices and regulatory enactment.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>Article 2 (Access to Innovation), Article 3 (Transparency), Article 5 (Regulatory Cooperation) on Annex 2-D of the Korea-EU Free Trade Agreement (FTA)</li> <li>'Regulation for Evaluation Criteria and Procedures, etc. for Reimbursement Eligibility, etc. of Drugs'</li> </ul>
Responsible Authority & Division	Ministry of Health and Welfare (MOHW), Health Insurance Review and Assessment Service (HIRA)
Recommendation Status	Updated

3. **Improvement of Regulation on Risk Sharing Agreement (RSA) Drugs**

Issue

For follow-on drugs with RSA, cases arise where they are required to apply the same type of RSA as the originator drug, even though there are no regulatory restrictions on evaluating different RSA types. This issue is particularly prevalent when both the originator and the follow-on drugs are products of the same company, leading to an unreasonable situation where it is difficult to apply a different type of RSA because it is considered a change in the RSA.

In the case of financial-based RSA, it is considered possible to change the type of RSA during the re-evaluation at the end of the RSA contract period by assessing the budget impact from the refund information of the contract period. However, there are situations where it is difficult to make changes because of constraints tied to the initial contract type.

When expanding indications, there are instances where a different type of RSA is necessary due to the characteristics of the disease, such as different treatment duration, but the same type of RSA as the existing indication is applied.

After generic entry, the RSA contract automatically expires regardless of the remaining duration of the RSA contract. This creates concerns about the continuous supply of the original drug. If a generic drug enters the market, the original drug's price will drop to 53.55% of the actual price, making it difficult to supply the drug in South Korea due to IRP risk.

Due to the lack of proper mechanism for refund amount adjustment or its guidelines, companies with RSAs face an excessive value-added tax (VAT) burden, as VAT is based on the list price level, not the actual price. No other country faces this VAT overburden issue.

Recommendation

In the case of financial-based RSA, it is recommended to specify in the regulations the procedures and responsible entities for allowing different types of RSA between originator and follow-on drugs, and for enabling changes in the RSA type during indication expansion and re-evaluation.

It is recommended to revise RSA contract guidelines to allow maintaining RSA contracts regardless of generic entry by negotiating the actual price discount with NHIS.

For innovative new drugs that apply a risk-sharing contract, it is recommended to improve the relevant system so that VAT can only be paid based on the actual price.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>Detailed Evaluation Criteria for New Drugs and Other Drugs Subject to Negotiation</li> <li>Detailed Operational Guidelines for Risk-Sharing Drug Price Negotiations</li> </ul>
Responsible Authority & Division	Ministry of Health and Welfare (MOHW), Health Insurance Review and Assessment Service (HIRA), National Health Insurance Service (NHIS), Ministry of Economy and Finance (MOEF)
Recommendation Status	Updated

4. Promote a Mutual Recognition Agreement between Korea and the EU to Fully Recognize GMP Evaluation and Improve Quality Control Testing, and Specify the Regulation Related to the Improvement of Duplicate Quality Tests of Biological Products.

Issue

Korea has high-quality standards as a member of the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (PIC/S), and its level has been verified as it has emerged as a major manufacturing base for biopharmaceuticals through overcoming the COVID-19 pandemic.

In addition, after Switzerland, Singapore has signed a GMP mutual recognition agreement (February 2024), ensuring the GMP regulatory system equivalence of both countries, as both are PIC/S members. This recognition is expected to lead to positive developments in the pharmaceutical industry. Therefore, an expansion of the mutual recognition agreement between Korea and the EU is required to ensure quick and efficient supply of drugs.

As the first step in improving the finished product quality control (QC) test, the ECCK White Paper 2022 recommended 'redundant GMP evaluation and quality control test improvement of biological products (including vaccines)'. In response, it was confirmed that relevant regulations would be revised to replace certain animal tests in the vaccine finished product testing. Tests using some animals in the test of the finished product of the vaccine. As a result, the amendment to the 「Regulations on Product Approval and Review of Biological Products, etc.」 (Article 26 (General Matters) Paragraph 2, MFDS Notification) (December 2023) was made in December 2023.

This amendment established the basis for replacing the animal test of the finished product with the final bulk test results, applicable to domestic manufacturers. However, importers are still required to conduct animal testing as this change is not reflected in the higher regulations, specifically Article 60 (Compliance Items, etc. for Importers, etc.) of the 「Regulations on the Safety of Drugs, etc.」, an Ordinance of the Prime Minister.

Recommendation

To achieve full GMP evaluation mutual recognition and improve quality control testing, we recommend the continued pursuit of the Korea-EU mutual recognition agreement in accordance with the Korean-EU FTA Agreement (Article 5 'Regulatory Cooperation' of the Annex 2-D (Drugs and Medical Devices)).

In line with the global trend for advancing the quality/registration process of biopharmaceuticals and reducing animal testing, it is recommended that the revised 「Regulations on Product Approval and Review of Biological Products, etc.」 be applied equally to importers. This would allow some duplicate animal tests to be replaced with the original manufacturer's test results. Specifically, in Article 60 (Compliance Items, etc. for Importers, etc.) of the 「Regulations on the Safety of Drugs, etc.」, paragraph 5, it is recommended that the regulation specify this case so that the QC result or National release certification for the final bulk of the relevant product performed by the original manufacturer can replace the QC test or National release test of the importer (Article 60 Paragraph 1 Subparagraph 5 <New>).

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Article 5 (Regulatory Cooperation) on Annex 2-D of the Korea-EU Free Trade Agreement (FTA)</li> <li>• Article 26 of the Product Approval Review Regulations for Biological Products, etc.</li> <li>• Article 60 of the Regulation on Safety of Drugs, etc.</li> </ul>
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Biopharmaceutical Policy Division/Biopharmaceutical Quality Management Division
Recommendation Status	New

exchange rate, in 100 won increments.

However, the current upper limit adjustment rate is considered too low for the industry to feel the impact. This rate is insignificant compared to the increasing burden on the industry, such as the rise in raw material costs due to the exchange rate increases, the higher prices of imported finished products, and the rise in labor costs due to inflation.

Recommendation

It is recommended that the adjustment rates be improved from the existing 2% to 5% to better reflect reality.

Relevant Act/Regulation	National Health Insurance Act
Responsible Authority & Division	Ministry of Health and Welfare (MOHW) Health Insurance Review and Assessment Service (HIRA)
Recommendation Status	New

5. Improvement of the System for Exchange Rate Indexing Adjustment Table for Reimbursement Cap Price for Medical Devices

Issue

The MOHW and HIRA have set and announced the maximum amount for reimbursed medical devices in April and October of each year by adjusting the price in accordance with the 'Standards for Determination and Adjustment of Actions and Therapeutic Materials' (MOHW Notice No. 2022-231) [Annex 2], which outlines the criteria for exchange rate-linked adjustments of the maximum amount for therapeutic materials.

The 'Table of Adjustment Rates for the Upper Limit Amount of Medical Device by Exchange Rate Class' serves as the basis for these adjustments according to the range of fluctuation in exchange rates.

The baseline tier is tier 0 (between KRW 1,100 and KRW 1,200), and the adjustment rate is calculated by applying an upward or downward adjustment rate of 2% per tier, depending on the current

# HR & Compliance

1

Total Key Issue

1.  
Improvement of  
Serious Accidents  
Punishment Act

Issue

Korea's business associations have argued that "the Serious Accidents Punishment Act (SAPA) is not only an excessive regulatory legislation containing unprecedentedly strong sanctions provisions but also focuses on ex-post punishment rather than preventive measures to resolve occupational safety and health issues, thus having low policy effectiveness". They added that "the SAPA violates the constitutional principle of prohibition of excess and will discourage the promotion of active and proactive safety management".

The SAPA has quadruple sanctions provisions that are much stronger than the UK's Corporate Manslaughter Act, which served as a model. While the UK's Corporate Manslaughter Act only stipulates fines for corporations without provisions for physical punishment, the SAPA is imposing quadruple sanctions: fines for companies, individual punishment of managers (minimum prison terms), administrative sanctions such as business suspension and work stoppage, and punitive damages.

The reason why there have not been many indictments for violating SAPA and the fact that the investigation period is prolonged after the enforcement of SAPA is that the burden on investigative agencies such as the Labor Office and Prosecutors' Office to identify the Responsible Managing Person and prove the existence of crime elements is high, based on ambiguous legal regulations and non-binding explanatory notes.

The uniform designation of the Responsible Managing Person subject to punishment based on non-binding explanatory notes

distributed by the government, lacking specific delegation provisions in the enforcement decree of SAPA, provides room for arbitrary enforcement of the law by investigative agencies.

Recommendation

If maintaining the SAPA is inevitable, there is an urgent need to improve the relevant legal system to secure the SAPA's consistency with the Occupational Safety and Health Act (OSHA) and to clarify punishment requirements so that punishment is proportional to the degree of violation of duties by the Responsible Managing Person.

In addition, we recommend clarifying the subject of obligations (i.e. the concept and scope of the Responsible Managing Person) and the specific contents of the obligations (including the scope of responsibility of the Primary Business/Primary Agency).

Relevant Act/Regulation	SAPA (Serious Accidents Punishment Act), OSHA (Occupational Safety and Health Act)
Responsible Authority & Division	Ministry of Employment and Labor (MOEL)
Recommendation Status	New

# Insurance

7

Total Key Issues

1. Immediate Improvement of Cloud-Related Network Separation Regulations

Issue

Since September 2023, special exemptions have been granted through the financial regulatory sandbox for SaaS, particularly M365, within internal network. However, due to the complexity and lengthy lead times of the sandbox approval process, the following issues may arise.

First, a decline in international financial competitiveness is expected. As the digital transformation of financial services accelerates and despite the potential to disseminate domestic best practices within the group and export them internationally, excessive network separation regulations isolate domestic architecture from global trends. This makes it difficult to apply various new technologies such as generative AI, potentially leading to a decline in international competitiveness.

Second, there are restrictions on hiring excellent IT talent. Due to physical network separation regulations, IT personnel cannot work remotely, leading to the outflow of skilled workers to other industries. The difficulty in establishing an efficient development environment further restricts the recruitment of IT talent.

Third, advanced security and IT development/operation solutions cannot be applied. The limited scope of the financial regulatory sandbox system still prohibits the use of SaaS for security management and IT development/operation. Since most global high-tech companies offer these products only in SaaS form, the current network separation regulations prevent access to cutting-edge solutions, counteracting the intended goal of enhancing the security of financial institutions.

Recommendation

We recommend improving the current network separation system, which mandates excessive separation for all internal data and assets. Network separation should be applied to critical data and assets, while less critical data and assets should be managed with appropriate security controls, enabling the application of new technological trends through a risk-based information protection system.

We request that the sandbox approval process be simplified as much as possible. For non-core tasks, we recommend allowing companies to freely apply new technologies under the premise of security compliance, without requiring sandbox approval.

Relevant Act/Regulation	Article 15 Clause 1 (3) (5) of the Electronic Financial Supervision Regulation
Responsible Authority & Division	Financial Services Commission (FSC) Cyber and Information Security Division
Recommendation Status	Updated

2. Abolition or Change in the Accumulation of Surrender Value Reserves

Issue

From 2023, a new non distributable surrender value reserve was introduced in the Korean Application of IFRS 17 standards with the objective to strengthen the financial customer protection by preventing dividend distribution from insurance companies.

Customer protection issues are already covered by the K-ICS regulation, which precisely assesses the necessary solvency level to face adverse scenarios and protect the financial consumer rights. Adding a second level of requirements within a non-distributable reserve is therefore irrelevant and is a redundant regulation.

Recommendation

We would like to request the removal of surrender value reserve and comply with International IFRS 17 principles. This will ensure the removal of redundant regulations and enhance incentives for investment in the domestic insurance market and increase operational efficiency for insurance companies by eliminating unnecessary reserve calculation tasks.

If it is difficult to abolish the surrender value reserves immediately, as a temporary and transition method, we propose to change the

regulation by accumulating a certain amount each year until the accumulated amount reaches the surrender value reserves, instead of recognizing the surrender value reserves all at once. For example, we could revise the regulation so that the insurance companies accumulate at least 50% of net income each year until the accumulated amount reaches the surrender value reserves. This approach would not only protect customers but also secure a minimum amount for dividends to investors, lowering barriers to entry into the long-term insurance market and attracting investor interest in the domestic insurance market.

Relevant Act/Regulation	Article 6-11-6 of the Regulations on Insurance Business Supervision
Responsible Authority & Division	Financial Services Commission (FSC) Insurance Division
Recommendation Status	Updated

3. Issue  
 Reinforcement of the 1,200% Rule Application  
 In line with the purpose of the 1,200% cap on the commission for the first year which was introduced to prevent incomplete sales, the 1,200% rule should also be applied to GA agents.

To circumvent the 1,200% rule that currently applies only to insurance companies, there are instances where large scouting fees are offered and calculated differently from the new contract commissions. Additionally, in the case of General Agency (GA) insurance agents, they are promised or paid more than 1,200%, leading to frequent migration of insurance agents among insurance companies.

The high commission coverage of GAs and the excessive scouting costs paid by insurance companies have resulted in frequent migration and redundancies of insurance agents. This situation leads to the mass production of incomplete sales due to new products and systems, increases the burden of unnecessary business expenses on insurance companies, and ultimately raises the burden on insurance consumers as these costs are passed on to higher premium.

If unfair competition continues, it will adversely affect the sound management of insurance companies. Therefore, it is crucial to prevent unfair practices that exploit the regulation by adhering

to the original intent of the 1,200% commission cap regulation for the first year.

Recommendation

We would like to recommend that the 1,200% rule, which applies only to insurance companies, be applied to agents affiliated with General Agencies (GAs).

Additionally, we recommend that the 1,200% cap includes not only the commission for signing the contract but also the scouting fees paid to insurance agents.

Relevant Act/Regulation	Article 4-32-6 of the Regulations on Insurance Business Supervision
Responsible Authority & Division	Financial Services Commission (FSC) Insurance Division
Recommendation Status	New

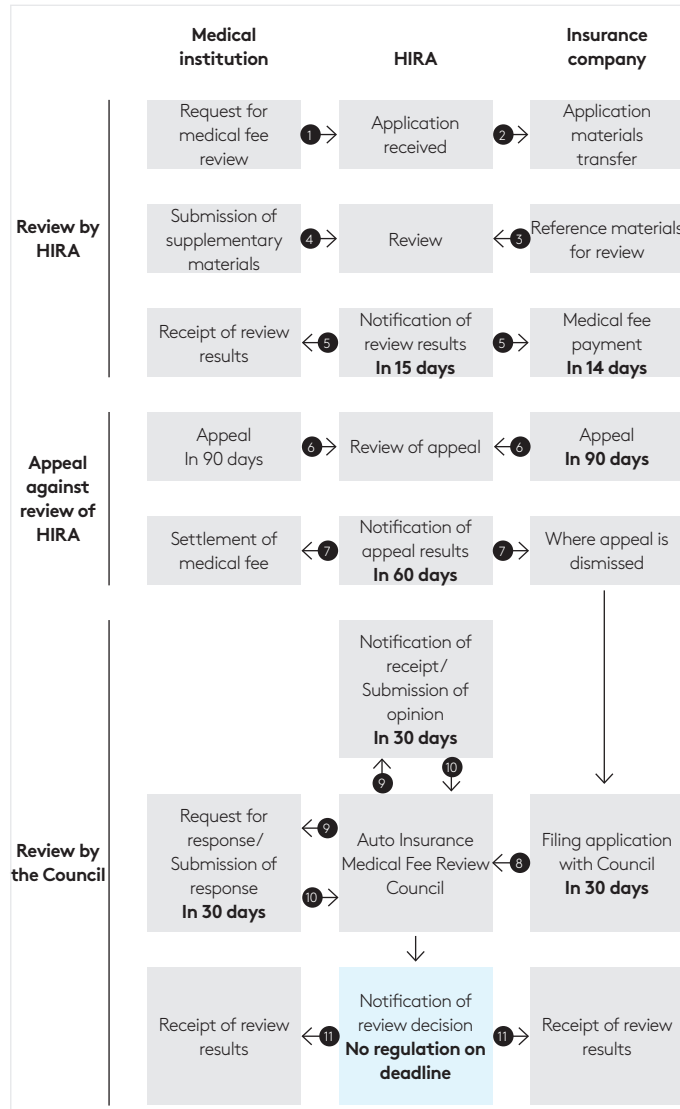
4. Issue  
 Establishment of a Deadline for Notification of Decisions by the Auto Insurance Medical Fee Review Council and Reflection of the Council's Decision in the Review by Health Insurance Review and Assessment Service  
 The purpose of establishing the Auto Insurance Medical Fee Review Council is to prevent and quickly resolve disputes related to medical fees. However, there is currently no regulation on the deadline for decisions, leading to significant delays, with some review decisions taking more than two years. Furthermore, the Council's review decisions are not reflected in the reviews conducted by the Health Insurance Review and Assessment Service (HIRA), forcing insurance companies to repeatedly file appeals with both the Council and HIRA. This results in unnecessary increases in workload and costs such as review fees. Therefore, improvements are needed.  
 The following outlines in the next page is the background for this recommendation.

If the review decision process of the Auto Insurance Medical Fee Review Council is improved, the following effects can be achieved.

First, unnecessary work processes can be streamlined. By establishing a deadline for a review decision by the Council, disputes can be resolved promptly, and the amounts of losses, such as medical fees, can be confirmed early. Reflecting the Council's decision in HIRA's review will eliminate unnecessary procedures, such as appealing to HIRA on matters that the Council has already decided on.

Second, social costs can be reduced. The costs incurred from unnecessary repetitive work by insurance companies, HIRA, and the Council, as well as the fees for filing appeals to the Council (base fee KRW 50,000 per case + 10% of the amount requested for review) can be reduced.

- Review process for auto insurance medical fee



Recommendation

We recommend establishing a deadline for review decision by the Council and reflecting on the Council’s decision in the review conducted by the Health Insurance Review and Assessment Service (HIRA).

Relevant Act/Regulation	Article 12 (Claim for and Payment of Medical Fees Covered by Auto Insurance), Article 12-2 (Entrustment of Work) and Article 17 (Auto Insurance Medical Fee Review Council) and Article 19 (Petition for Review, etc. of Medical Fees Covered by Auto Insurance) of the Guarantee of Automobile Accident Compensation Act
Responsible Authority & Division	The Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	New

5. Increase Flexibility in the Basis for Applying Premium Rates Commensurate with the Risk of a Group of Policyholders to Allow Cross-Selection of Life and P&C Reference Net Premium Rates

Issue

According to Article 7-73 (Principles of Insurance Rate Calculation), paragraph 2 of the Insurance Business Supervision Regulations, an insurance company may calculate insurance rates in a reasonable manner based on past experience statistics or objective domestic and foreign statistical data or calculate insurance rates based on reference net insurance rates provided by an insurance rate calculation organization.

However, due to the inflexible standards for calculating and applying the experience risk rate based on historical experience statistics, large companies with a large number of sales and insurance claims have more room to calculate and apply a risk rate commensurate with the risk of the contractor group, while small companies with a small number of sales and insurance claims have difficulty calculating the experience risk rate based on historical experience statistics, making it difficult to apply a risk rate commensurate with the risk of the contractor group.

For this reason, small companies use reference rates provided by insurance rate development organizations, but most of the statistics used to calculate reference rates are based on statistics of large companies, so it is not possible to apply risk rates commensurate with the risk of the small contractor population.

The Insurance Business Supervision Regulation also considers this situation and stipulates the principle of discounting in Article 7-73 (Principles of Insurance Rate Calculation), paragraph 5, but it is still difficult for small companies to apply risk rates commensurate with the risk of the policyholder group due to inflexible application standards.

Recommendation

We would like to request a change in the criteria for calculating and applying the empirical risk rate to allow flexibility in the calculation and application of the empirical risk rate that considers the actual situation of small companies, so that small companies can apply a risk rate commensurate with the risk of the contractor population.

In other words, the insurance rate calculation organization (development center) provides different reference net insurance rates for life insurance and non-life insurance, and despite the same coverage definition (reason for insurance payment), due to the distinction between life insurance and non-life insurance, only the life reference net insurance rate can be used for life insurance and only the non-life reference net insurance rate can be used for non-life insurance.

If this is deregulated to allow insurers to cross-select between life and non-life reference net premium rates based on the risk of the policyholder population, it could result in risk rates that are more commensurate with the risk of the policyholder population.

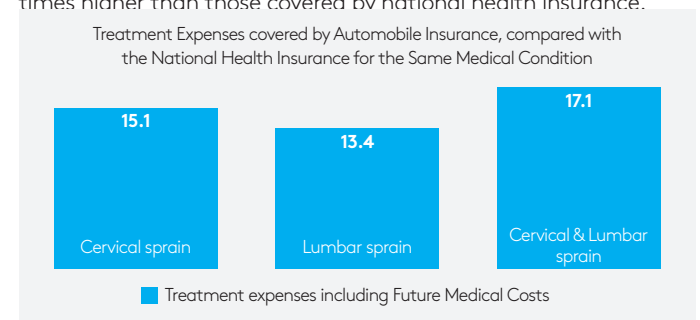
Relevant Act/Regulation	Article 7-73 of the Insurance Business Supervision Regulation
Responsible Authority & Division	Financial Services Commission (FSC) Insurance Division
Recommendation Status	Retained

6. Clarification of Treatment Criteria for Minor Accidents	<u>Issue</u> It would be necessary to establish clear criteria for treatment in the case of minor accidents through engineering analysis to address the excessive and unnecessary medical treatment for minor accident cases, caused by compensation mentality which results in increased social costs.
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In 2022, the medical expenses for minor injuries (Grade 12-14)

accounted for 82% of the total treatment costs and have been increasing annually.

In addition, in the case of diagnosing cervical and lumbar sprain, the treatment expenses covered by automobile insurance are 17.1 times higher than those covered by national health insurance.



It is estimated that excessive payments of up to 700 billion to 1.3 trillion won (based on 2019 data) are annually made for medical expenses of minor injury patients, leading to additional social costs equivalent to 34 to 62 thousand won per vehicle in automobile insurance premiums.

There is a need for institutional improvements to appropriately calculate personal injury insurance benefits for minor accidents (reported by KBS 9 o'clock news in October 2022).

Recommendation

We would like to request the application of engineering risk analysis in addition to medical opinions for minor accident victims, an amendment of the Article 15 of the Automobile Accident Compensation Security Law, related to the automobile insurance treatment cost, is necessary, which restricts medical treatment for minor accidents below a certain speed change ( $\Delta V$ ). This can be facilitated by requesting injury analysis from the Korea Automobile Insurance Repair Research & Training Center (KART).

In addition, an amendment to Article 11 of the Automobile Accident Compensation Security Law is required to exclude accidents below a certain speed change ( $\Delta V$ ) from the coverage of indemnity payments to victims for no injuries.

Relevant Act/Regulation	Article 15 and 11 of the Automobile Accident Compensation Security Law
Responsible Authority & Division	The Ministry of Land, Infrastructure, and Transport (MOLIT)
Recommendation Status	Retained

7. **Abolition of the IFRS4 Standard Business Report**

Issue  
From 2023, insurance companies are required to prepare and disclose financial statements and various reports based on IFRS 17. However, the monthly reports submitted to the Financial Supervisory Service still include reports based on the previous standard, IFRS 4. Consequently, insurance companies are preparing and reporting under both the new standard (IFRS 17) and the previous standard (IFRS 4).

Recommendation  
We would like to request the deletion of the IFRS 4 standard report from the monthly business reports submitted to the Financial Supervisory Service.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Article 6-8 of the Regulation of Insurance Supervision (Submission of Business Reports),</li> <li>• Article 4-1 of the Implementation Rules for Insurance Supervision (Format of Financial Statements, etc.)</li> <li>• Form 26 of the Implementation Rules for Insurance Supervision (Business Reports)</li> </ul>
Responsible Authority & Division	Financial Supervisory Service (FSS) Insurance actuary team
Recommendation Status	New

Sunyoung KANG  
Manager  
Intellectual  
Property Rights  
Committee

# 9

Total Key Issues

# Intellectual Property Rights

1. **Studies on the Economic Impact of IP Infringement**

Issue  
The Korea Institute of Intellectual Property (KIIP) is currently conducting research with the OECD to analyse the impact of circulating counterfeits of domestic brands in the overseas market (May-November 2023). However, this study is limited to K-brands only. In this regard, it is necessary to perform comprehensive research covering all IP infringements across every industry from both economic and social perspectives, to promote stronger domestic investment by international companies.

Recommendation  
It is recommended to implement measures to provide easy access to the research reports on the impact of overseas counterfeits through the integrated search system by Korean Intellectual Property Office (KIPO) and other local online platforms. Publicly available information should be easily accessible, including the publication schedule, period, and any access restrictions.

As recent the European Union Intellectual Property Office (EUIPO) research is conducted biennially, it is also requested that the Korea Institute of Intellectual Property (KIIP) regularly publishes reports as well. In the case of delays in publication schedule, the expected publication date and an overview of the report (table of contents) should be provided in advance. Additionally, the research on the impact of counterfeits should be conducted across all industries, not just for domestic companies, to derive results on the overall economic and social impact in Korea. Detailed and continuous investigation and analysis on counterfeiting issues as to consider their significant that may affect the national economy and security. Therefore, it is recommended to expand the scope of the research.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Korea Intellectual Property Protection Agency (KOIPA)
Recommendation Status	Retained

2. Strengthening Criminal Penalties for Crimes Infringing Intellectual Property Rights

Issue

ECCK is encouraged that the agenda on 'Strengthening Criminal Penalties for Crimes Infringing Intellectual Property Rights' was included in the list of national tasks for improving the foreign investment environment this year. Under Korean law, the Copyright Act charges the offenders with imprisonment of up to five years or a fine of up to KRW 50 million, while the Trademark Act, Design Protection Act, and Patent Act can result in up to seven years of imprisonment or a fine of up to KRW 100 million. However, the actual sentences handed down are lower compared to other countries, often resulting in light fines or probation for distributing counterfeits. While the criminal penalty levels in the domestic trademark and design protection laws remain unchanged, the sentencing standards for technology leakage crimes, specifically those based on the Unfair Competition Prevention and Trade Secret Protection Act, appear to have been intensified. The revisions of the sentencing standards for intellectual property and technology infringements from 2017 to 2024 reflect a commitment to strengthening the legal framework.

Recommendation

Strengthening criminal penalties for IP infringements is essential for protecting the modern economy and technological advancement. Therefore, it is requested that the criminal penalty standards in all intellectual property-related laws, including the Trademark Act and the Design Protection Act, be consistently reinforced. It is believed that revising the sentencing guidelines would strengthen the severity of penalties for IP infringement. In the case of offenders who repeatedly violates the law should face stricter penalties to prevent IP infringement effectively.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Sentencing Commission
Recommendation Status	Retained

3. Strengthening Border Measures against IP-Infringing Goods

Issue

According to the '2023 Annual Statistical Report on IPR Seizures' by the Korea Customs Service, the detection of trademark infringements decreased compared to the previous year (cases -20.2%, quantity -20.2%, weight -7.3%). Despite the increase in small-parcel counterfeit imports due to the acceleration of the online market and the escalating prevalence of overseas direct purchases, the detection rate via mail decreased by 80.3% (-31,738 cases) compared to the previous year, whereas the detection of express cargo merely increased by 15.2% (+9,156 cases). These statistics indicate that there are shortcomings in the measures to detect trademark infringements at the border.

Furthermore, the report indicates that among the intellectual property rights reported to customs in 2023, design rights accounts for 5,302 cases, counting up to 23.49% of the total reports. Nevertheless, the number of detected cases for trademark rights infringements was overwhelmingly high (98.4%), while other intellectual property rights, which presumably include design rights, accounts for only 1.5%. Such high number of report cases reflect a significant demand for the protection of design rights at the border level, yet responsive measures are nearly being manifested.

Recommendation

Since 2019, the detection of counterfeits imported via Express Mail Service (EMS) has shown remarkable progress due to the continuous efforts by the Korea Customs Service and intellectual property rights holders. However, counterfeiters have realized that EMS is no longer a stable means to import infringing goods and have started using different logistics channels. In line with this trend of increasing volume, it is recommended to build and operate infrastructure such as dedicated spaces and facilities, similar to the permanent IP rights appraisal office for international mail at Incheon Airport Customs, to sort and track down suspected infringements at each customs site handling express cargo.

The Korea Customs Service had recognised the necessity and difficulty of detecting infringements of the design rights and implemented a four-year project of developing smart tools with the Ministry of Science and ICT from 2020 to 2023 in response. In sequence, the Korea Customs Service plans to review the outcomes of these smart tools in 2024 and decide on their implementation. In this sense, it is recommended that some of the frontline customs

offices conduct a one-year pilot test to comprehensively evaluate the actual effectiveness of the smart tools to reasonably determine their final application.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Korea Customs Service (KCS) Export and Import Safety Examination Division
Recommendation Status	Updated

4. Issue  
 Enhancement of Effectiveness of the EMS Project  
 Since the Korea Customs Service's amendment of Article 8-2 of the Regulation of Customs Clearance of International Mail Items in 2018, officials have been given the authority to seize and dispose of counterfeits rather than return them to the senders. KCS and industry representatives have been cooperating to swiftly assort parcels, conduct on-site authentication, and build database for parcels to effectively track down counterfeits. Specifically, the Express Mail Service (EMS) project scope was expanded in 2020 to target not only parcels delivered through ports, but also those transmitted privately via courier services.

While the EMS project requires cooperation among various stakeholders, it is necessary to construct a structural arrangement of labour to maximise project outcomes. Considering the vast number of the international parcels and express cargos coming into Korea, only a handful of customs officials are assigned to the task of detecting the counterfeits. It is extremely challenging for such a small unit of manpower to cover and manage the enormous scale of the shipments. Moreover, the limited storage space to manage the seized products is also impeding the overall performance of the detection.

The Korea Customs Service (KCS) is currently conducting special customs clearance measures once or twice a year to intensively crack down on express/postal items during the peak season of overseas direct purchases. Yet, the volume of imported counterfeits is extremely overwhelming at the moment. Moreover, today's mounting trend of trading counterfeits through Chinese online platforms such as AliExpress and Temu is regrettably accelerating the volume as well. KCS's 2023 data indicates that about 90% of imported counterfeits are shipped through comparatively simple means such as express and postal channels.

Recommendation

It is recommended to deploy additional customs personnel and expand warehouse space for storing parcels seized through the EMS project to effectively perform the detection of counterfeits imported into Korea via international mail. Additionally, given the surge in counterfeit imports through Chinese platforms, it is advised to increase the frequency of intensive inspections on express and postal items, which are currently conducted one to two times a year.

Relevant Act/Regulation	Notification on the Import Clearance Procedures for International Mail
Responsible Authority & Division	Korea Customs Service (KCS) E-Commerce Division
Recommendation Status	Updated

5. Issue  
 Establishment of a System to Prevent Distribution of Counterfeits by Online Service Providers  
 In the current situation where online marketplaces and social media are major channels for transacting counterfeits, consumers are more easily exposed to illegal products. While online service providers are taking their own measures to prevent the sale and distribution of these counterfeits, the lack of legal grounds results in a discrepancy of counteracting measures between platforms.

According to the consumer protection measures related to overseas online platforms announced jointly by relevant ministries in March of 2024, the Korean Intellectual Property Office (KIPO) has been continuously monitoring and taking follow-up actions such as halting sales and imposing sanctions on counterfeit sellers on online platforms like AliExpress and Temu. Yet, to secure high effectiveness of the prevention, it is crucial to establish legal mechanisms that hold service providers accountable for infringement trademark rights, along with KIPO's independent regulatory system.

Recommendation

The ECCK welcomes the amendments to the Trademark Act in 2020 and the Invention Promotion Act in 2022, which include provisions allowing claimants of trademark infringement to exercise the right to request buyer information.

Furthermore, it is recommended that KIPO, in leading the development of the Trademark Act amendments, continues to

facilitate discussions among stakeholders, including trademark holders, marketplaces, and social media platforms, to gather meaningful feedback and ensure balanced trademark protection for both K-brands and international brands, thereby building a fair market environment.

Relevant Act/Regulation	The Trademark Act
Responsible Authority & Division	Korea Intellectual Property Office (KIPO) Trademark Examination Policy Division
Recommendation Status	Updated

of direct purchases from China. Therefore, it is recommended to significantly increase personnel for inspection and establish dedicated facilities to ensure the minimum inspection rate for products processed, prevent the distribution of counterfeits, protect consumers, and establish a fair market order at Pyeongtaek Customs.

Relevant Act/Regulation	The Trademark Act
Responsible Authority & Division	The Korea Customs Service (KCS) Export and Import Safety Inspection Division
Recommendation Status	New

6. Measures to Address the Increase in Imported Counterfeit Goods Due to Overseas Direct Purchases

Issue  
Due to the recent entrance of Chinese e-commerce platforms into the Korean market, the volume of small cargoes processed through simplified customs clearance has surged. According to the Korea Customs Service (KCS), the number of direct purchases from China increased by 70.3% in 2023 compared to the previous year, which is double the overall growth rate of imported products. For Pyeongtaek Customs, 39.75 million e-commerce items were processed in 2023 alone, with each customs officer handling approximately 3,800 items per day, which is more than three times the workload compared to other customs offices.

This dynamic increase in small cargoes from China has also exacerbated the issue of counterfeit goods distribution. According to the 2023 annual statistics on intellectual property rights (IPR) enforcement, 93% of the detected infringements in simplified customs clearance of express items were produced in China. It is estimated that a significant number of these counterfeits pass through without getting detected and circulate within the market due to manpower shortages. This situation presents a vital challenge to consumer protection and intellectual property rights in Korea.

Recommendation  
The 'Consumer Protection Measures Related to Overseas Online Platforms' announced by the Korea Customs Service (KCS) on March 13, 2024, mark a significant first step in strengthening customs clearance; however, more specific and swift actions are crucial to effectively address the surge in simplified customs clearance

7. Improvement of Systems for Eradicating the Distribution of Counterfeit Goods and Strengthening Intellectual Property Rights Protection

Issue  
On January 23, 2023, the Korea Customs Service (KCS) announced that a large quantity of carcinogens was discovered in the counterfeit goods. Among 142,930 counterfeit items, 25 products that come into direct contact with the skin were found to contain lead and cadmium at levels ranging from at least twice to as much as 930 times the existing safety standards for lead. These harmful carcinogens pose significant risks to consumer health, potentially causing diseases affecting the central nervous system, reproductive system, and respiratory system. With the increase in overseas direct purchases, the influx of unverified harmful products and intellectual property rights-infringing items has risen. In this consideration, counterfeits should be recognised as a serious issue threatening public health, beyond a mere violation of intellectual property rights of brands.

The ECCK attended the National Intellectual Property Committee meeting on February 15 and the Intellectual Property Protection Policy Council on April 5 to address public health issues related to counterfeiting and eradicate its distribution. The meeting held on April 5 was the very first Intellectual Property Protection Council meeting of the year and was attended by multiple government agencies such as the Ministry of Foreign Affairs, Ministry of Culture, Sports and Tourism, Ministry of Trade, Industry and Energy (Korea Trade Commission), Ministry of Justice, Ministry of SMEs and Startups, Korea Customs Service (KCS), and the Korean Intellectual Property Office (KIPO). At the meeting, ECCK proposed establishing a performance recognition system and enlarging

manpower of police officers and investigators who conduct night-time crackdowns.

On top of this, the Office for Government Policy Coordination announced plans to restrict the influx of harmful products through safety inspections, while the Korea Consumer Agency recommended that major platform operators block the sale of hazardous products.

Recommendation

In light of the increasing distribution of harmful counterfeits, it is recommended to propose additional measures on top of the government’s current active stance towards the issue. Currently, the enforcement of intellectual property rights (IPR) infringement crackdowns is not reflected in the performance evaluation of investigators, degrading their motivation. To counteract this decline in their enthusiasm, it is suggested to establish a system that recognises the performance of investigators and increase personnel to enhance the effectiveness of crackdowns. As part of the measures addressed to the recent discovery of the hazardous chemicals within counterfeiters, it is urged that relevant departments set clear goals and strategic plans for IPR investigations.

The EU is currently manifesting an incentive system which provides bonuses and promotion opportunities for investigators based on their performance in IPR enforcement. Moreover, the European Union Intellectual Property Office (EUIPO) operates a reward program for officials contributing to IPR protection activities as well. In similar, the United States’ Homeland Security Investigations (HSI) offers special bonuses and promotion opportunities for investigators in the IPR enforcement department based on their performance. Considering such practices held in different countries, it is also recommended that Korea establish an effective performance recognition system domestically.

Relevant Act/Regulation	Act on the Registration and Evaluation of Chemicals, Chemical Substances Control Act
Responsible Authority & Division	Korea National Police Agency (KNPA), Korea Intellectual Property Office (KIPO), Korea Customs Service (KCS), Korea Trade Commission (KTC)
Recommendation Status	New

8. Designation of Special Judicial Authority to Local Government Officials for an Effective Crackdown on IP Infringement

Issue

The Seoul Metropolitan City’s government officials have been designated as Special Judicial Police since 2013 and have significantly contributed to rooting out the sale of counterfeits at the most popular tourist sites in Seoul. ECCK appreciates Seoul Metropolitan City’s continuous efforts and is honoured that ECCK was able to contribute to this success by establishing a joint initiative between industry and Seoul City.

The ECCK hope for similar achievements not only in Seoul but also in Busan’s International Market and Daegu’s Seomun Market, where counterfeits are sold openly. As witnessed in some cases of Seoul, it is far more effective to eradicate counterfeits being sold in public when a municipality that understands the characteristics of its region very well is involved in educating local residents and conducting frequent crackdown activities. According to a recent survey, conducted by the ECCK, with 511 Busan citizens participating (May 2023), 64% of the respondents answered that they had experience purchasing counterfeits, and 27% of them reported buying fake goods from street stalls and traditional markets. In this regard, the role of local government officials is crucial for effectively cracking down on counterfeits openly sold in these venues. It is essential for them to gain expertise in identifying counterfeits.

Recommendation

It is recommended that local government officials of Busan and Daegu Metropolitan City request the Prosecution Service to assign them special judicial authority to investigate counterfeiting activities and seize illicit products pursuant to Articles 5 (38) and 6 (35) of the Act on the Judicial Police Officers and the Scope of Their Duties.

In addition, the ECCK hosts an annual Capacity Building Seminar on combating counterfeit products in Seoul, Daegu, and Busan, providing the latest information and enhancing enforcement effectiveness. Active participation is encouraged to maximize the benefits of these educational sessions. It is requested that relevant personnel from each jurisdiction attend the seminars every year to receive valuable training beneficial for eradicating counterfeits.

Relevant Act/Regulation	Act on the Judicial Police Officers and the Scope of Tasks
Responsible Authority & Division	Busan Central District Office Economic Promotion Division, Daegu Central District Office Employment Economy Promotion Division
Recommendation Status	Retained

9. Harmonisation of Royalty Imposition Methods in Copyright Law with International Standards

Issue

Korea's public performance rights system only partially adheres to international commitments and standards, including the TRIPS Agreement and the Free Trade Agreement with the EU. According to Article 29(2) of the Copyright Act of Korea, the exercise of copyright is restricted when commercial phonograms or cinematographic works are performed in public without receiving compensation. As an exception, Article 11 of the Enforcement Decree allows for the collection of copyright fees from specific facilities (business types) stipulated therein. This positive listing contains significant loopholes, such as stores below 3000 square meters and all types of restaurants. In 2018, a Presidential Decree added coffee shops, gyms, etc., to the list, but only if they exceed 50 square meters, which is not typical in Korea and does not reflect the fact that many small stores belong to major business chains.

Additionally, creators should receive appropriate compensation for the use of their works. The Copyright Act of Korea adopts a fixed method of imposing royalties based on store size and business type, which differs from the relatively flexible methods of royalty imposition in the EU and the United States. The current royalty levels are low, rendering the copyright essentially meaningless and not providing sufficient revenue for creators. This situation negatively impacts both Korean and international artists and is economically beneficial to copyright-infringing companies. Therefore, it is necessary to improve the system to meet international standards and adequately protect creators' rights.

Recommendation

Under the TRIPs (Agreement on Trade-Related Aspects of Intellectual Property Rights) Agreement and the Free Trade Agreement with the EU, royalties must generally be paid for playing copyrighted music in public. Therefore, it is recommended to transition from a positive list that specifies industries required to pay these royalties to a negative list that specifies exemptions based on valid reasons and considerations. Possible exemptions should be limited and justified by specific, legitimate reasons.

It is recommended that the Ministry of Culture, Sports and Tourism (MCST) significantly increase the current levels of monthly royalty payments to provide practical meaning to copyright and ensure enforceability. Additionally, MCST should consider adopting a flexible method

of imposing differentiated royalties based on store size and business type, in line with international standards and practices. This approach would help ensure that royalties are fair and appropriate, aligning with global standards.

Relevant Act/Regulation	Article 29 (2) of the Copyright Act and Article 11 of the Enforcement Decree of the Copyright Act
Responsible Authority & Division	Ministry of Culture, Sports and Tourism (MCST) Copyright Policy Division
Recommendation Status	New

# Kitchen & Home Appliances

1. Request for Relaxation of the Inspection Date Criteria for the '5-Year Cycle Detailed Inspection System for Imported Food and Other Items' of the Apparatus

## Issue

Starting from February 22, 2022, the '5-Year Cycle Detailed Inspection System for Imported Food, etc' has been applied. Accordingly, imported food and food containers that have not undergone random sampling after the initial detailed inspection are subject to renewed detailed test every five years.

When it comes to kitchen appliances that are in contact with food, unlike food products or packaging for food, detailed inspection includes a requirement to prepare components corresponding to food-contact surfaces. However, products consisting of numerous parts (e.g., blenders, coffee machines, toasters, etc.) face the following challenges:

- i) Preparation time is necessary to identify the parts subject to inspection, such as material and colour classification.
- ii) There are various suppliers for each part, and the production schedule is inconsistent, so it takes significant time to collect all parts with required quantities at once for inspection.
- iii) Scheduling difficulties arises when shipping all parts of a product and its corresponding components under one Bill of Lading (B/L) to meet the first import declaration deadline after five years. Holding off departure until all parts are ready at export country or waiting in bonded areas is required.
- iv) Inability to source some parts within the timeframe may prevent the import of corresponding products. This disrupts distribution schedules, damages brand image, and incurs additional costs and revenue loss aligned with newly shipped or planned products.
- v) Importing a variety of small-volume products encounters

difficulty in securing all components within a specific period, particularly when products subject to a five-year cycle arrive simultaneously.

## Recommendation

Unlike finished food products or packaging for food, which undergo one detailed inspection upon import, kitchen appliances are subject to simultaneous detailed inspections covering not only the finished product but also all components corresponding to food-contact surfaces in accordance with the prescribed 5-year cycle. We request a reconsideration to allow inspections starting six months prior to the scheduled inspection date.

Relevant Act/Regulation	Enforcement Rule of the Special Act on Imported Food Safety Control [Table10]
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) Import Inspection Division
Recommendation Status	Retained

2. Mitigation of Type Approval Scope for Household Scales

## Issue

According to the Measures Act, measuring instruments prescribed by the Presidential Decree, for which error management is necessary to secure fair commercial transactions or certification, shall obtain 'type approval'. On the other hand, according to the Enforcement Decree of the Act [Table7], products with a maximum capacity of 1kg or less that are labelled as household, educational, or reference, or weight on the scale or nameplate are exempt from type approval.

Due to these regulations, scales with a maximum capacity of more than 1kg must be type-approved regardless of their purpose. In this context, manufacturers find it particularly difficult, cumbersome and costly to market household scales exceeding 1kg. Consequently, consumers are forced to purchase expensive products even when high accuracy is unnecessary, such as for cooking. This restriction reduces consumer access to a wide range of affordable products, leading many to consider circumventing regulations through methods such as overseas direct purchase, purchase from small sellers.

In Europe, scales intended for weighing other products for commercial transactions (i.e., scales that determine the price of other products for sale, referring to the price in units of mass) must comply with

Directive 2014/31/EU, Non-Automatic Weighing Instruments (NAWI) with CE marking, Declaration of Conformity, etc. However, household scales, such as kitchen scales for weighing ingredients for food preparation at home (private) or other premises without commercial pricing purposes, and bathroom scales for personal measurement require manufacturer's name and maximum capacity on Directive 2014/31/EU, NAWI only without CE marking of that and Declaration of Conformity.

In Japan, Manufacturers and importers of scales used for domestic purposes (such as cooking) must comply with the technical standard (JIS B7613) and mark the scales with the appropriate markings (self-conformity declaration). Sellers are allowed to sell the scales only with the specified logo, reproduced below.



#### Recommendation

It is necessary to review the regulations in the current law to prevent potential problems with regulatory circumvention in the future and to ensure that the regulations reflect reality. In addition, the exemption of household scales from type approval was announced as one of the national tasks for improving the foreign investment environment through government-wide regulatory reform in December 2022 (by defining the scope of type approval of measuring instrument for commercial use and excluding household use from type approval to reduce the burden of certification).

As a suggestion, we would like to request that the 1kg or less maximum capacity criteria be removed to allow the marketing of household scales without the need to undergo type approval or alternatively, that the maximum capacity be realistically adjusted (e.g., from 1kg or less to 3kg or less) to address the current over-regulation.

(Draft 1) Enforcement Decree of The Measures Act [Table 7]

#### 1. Non-automatic scales

(Da) Electric indicating scales (except for those with a minimum graduation of less than 10mg, the number of black marks less than

100 or more than 200,000, (deleted), except for those labelled as household, educational, reference, or weight scales on the scale or nameplate)

(Draft 2) Enforcement Decree of The Measures Act [Table7]

#### 1. Non-automatic scales

(Da) Electric indicating scales (except for those with a minimum graduation of less than 10mg, the number of black marks less than 100 or more than 200,000, and a maximum capacity of 3 kg or less, except for those labelled as household, educational, reference, or weight scales on the scale or nameplate)

Relevant Act/Regulation	Enforcement Decree of the Measures Act [Table7] Measuring instruments that require type approval
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS)
Recommendation Status	Retained

#### 3.

Display of Legal and Non-Legal Units for Household Scales

#### Issue

The Measures Act requires household scales to display only legal units. Exceptions are made for cases where it is difficult to remove the non-legal unit markings if it may cause damage to the product or impairment of its the value, but this is limited to imported goods that are marked with both legal and non-legal units.

The ability to display multiple units of mass on household scales is one of the most important functions. Nevertheless, even if the legal unit kg (kilograms) and the internationally accepted units such as oz (ounces) and lb (pounds) are displayed sequentially on the scale, it constitutes a violation of the Measure Act and cannot be imported.

This restriction on the display of internationally accepted units limits opportunities for consumers in Korea to utilize a variety of information. It also restricts access to information for Koreans who have lived abroad and foreigners living in Korea, especially considering the easy access to overseas ingredients and recipes via the internet. Consequently, there have been instances of circumventing regulations through direct purchase from overseas or using online malls of small sellers such as smart stores.

For reference, there are instances where different units are indicated on other measuring instruments. Most thermohygrometers on the

market today have the ability to alternate between legal unit (Celsius) and non-legal unit (Fahrenheit).



### Recommendation

We recommend a review of the regulation to proactively prevent potential risks of circumvention and to provide an adequate range of mass units, considering the purpose of household scales.

As a suggestion, we would like to request a reinterpretation of Criteria for Correct Use of Legal Units Article 5 (Criteria for Usage of Legal and Non-legal Units) paragraph (1) 3.

(Recommended Draft) Criteria for recommending the correct use of legal units Article 5 (Criteria for Usage of Legal and Non-legal Units) paragraph (1).

3. In the case of imported goods that are displayed in both legal and non-legal units **(including those displayed in legal and non-legal units sequentially)** because it is difficult to remove the non-legal unit markings if it may cause damage to the product or impairment of their value, provided that the non-legal units must be internationally accepted units.

Relevant Act/Regulation	<ul style="list-style-type: none"> <li>• Article 6, Paragraph (1) and (3) of the Measure Act</li> <li>• Article 5, Paragraph (1) 3 of the Criteria for Recommending the Correct Use of Legal Units</li> </ul>
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS)
Recommendation Status	New

Yeaji KIM  
Manager  
Marine &  
Shipbuilding  
Committee

1

Total Key Issue

# Marine & Shipbuilding

1. Floating Offshore Wind in Korea - Market Restrictions Resulting from Amendment to the Ship Safety Act (SSA)

### Issue

The Ministry of Oceans and Fisheries (MOF) announced an amendment to the Ship Safety Act (SSA) on 2 February 2024, which clarified the scope of 'floating maritime structures'. Floating offshore wind power generation facilities are now included in the scope of 'floating maritime structures,' in addition to mobile offshore drilling units and flotel, already included in the SSA.

Under the SSA, all 'floating maritime structures,' including floating offshore wind power generation facilities (hereafter referred to as 'FOW') operating in Korean waters, must undergo design approval, construction, and periodical surveys. This crucial process is typically conducted by one of the Recognized Organizations (ROs), such as the Korean Register (KR), Bureau Veritas (BV), or Korea Maritime Transportation Safety Authority (KOMSA), highlighting their pivotal role in ensuring compliance with local regulations.

Floating offshore wind is an emerging industry where cost and efficiency in all parts of the value chain are critical to supplying affordable and reliable electricity across domestic and global markets. We note that floating offshore wind production units/installations are stationary and will typically not be manned except for short periods of technical maintenance. Safety risks are lower than operating ships or manned offshore oil and gas installations. The design and construction requirements for ships and offshore oil and gas installations are unsuitable for FOW floaters and would result in expensive solutions. This will ultimately limit the opportunities for developers to advance the industry at optimal investment costs.

The approval system and standardized approach, which require design,

production, and operation in accordance with international standards, are crucial. They will not only enhance the overall competitiveness of the domestic FOW industry but also expand global growth opportunities for national stakeholders, including domestic shipyards and suppliers.

Recommendation

We recommend that the Ministry of Oceans and Fisheries (MOF) delegate authority to conduct mandatory safety surveys for offshore wind installations to at least two internationally acclaimed third-party technical assurance providers, in addition to Korean Register (KR), Bureau Veritas (BV), or Korea Maritime Transportation Safety Authority (KOMSA).

Additionally, we suggest that the MOF clarify the technical requirements and safety standards applicable to floating offshore wind substructures and formally recognise these substructures as unmanned units under the applicable IEC standard, simplifying compliance and clarifying regulatory expectations.

Relevant Act/Regulation	Amendment to Ship Safety Act (Notice 2024-234) on 2nd of February 2024
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF) Maritime Industry and Technology Division
Recommendation Status	New

Hyewon SHIN  
 Manager  
 Sustainability  
 Committee

# Sustaina- bility

1

Total Key Issue

1. Develop a Framework to Measure and Monitor the Impact of Korea's Green Transition Plan

Issue

Achieving carbon emission reduction and an efficient, sustainable transition will require the creation of partnerships to foster a mutually beneficial ecosystem between private and public stakeholders.

Progress in non-financial objectives requires the assessment of elements of different natures (quantitative and qualitative) within separate reference systems. This makes it extremely difficult to compile, combine, and infer knowledge from heterogeneous and unstructured information. Therefore, establishing a commonly recognised measurement framework to ensure consistency and comparability is necessary.

Now that the Korean government has established a harmonised climate transition plan linked to the green transition of Korean industries, it is important to develop tools to evaluate and monitor their impact over time.

The objectives are to ensure comparability, accountability and relevant governance process for the goals defined by the government. In turn, this will lead to better adherence to these principles by all stakeholders and ensure clear communication to the public on the status of transition. Additionally, it will facilitate mutual market access and collaboration between the EU and Korea to maximise benefits of the Free Trade Agreement.

Recommendation

To achieve the goals outlined in the government plan, the ECCK Sustainability Committee recommends prioritising the following actions:

# Taxation

Siyoon KIM  
Manager  
Taxation  
Forum

## 3

Total Key Issues

- a) Define key performance metrics to be tracked.
- b) Measure tangible value created (in monetary terms under impact measurement concepts) from investments in sustainable infrastructure, financing, resource allocation and new consumption modes which can ultimately be linked to International Sustainability Standards Board (ISSB) or other disclosure rules.
- c) Showcase how the government incentive system facilitates sustainable transition for companies and organisations.
- d) Enhance external communication and cooperation through quarterly reporting to promote adherence to sustainable goals by the public and business sectors, reducing climate change risks.

Similarly, the EU, the US, and other countries, in collaboration with the business landscape and regulatory institutions, are adopting holistic approaches to non-financial value creation assessment. To enable benchmarking and advocacy for the Korean government on the international stage, establishing a measurement framework with common set standards is essential. This will promote the Korean government's economic and trade relations with its international partners.

Relevant Act/Regulation	Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis
Responsible Authority & Division	Carbon Neutrality and Green Growth Commission
Recommendation Status	New

1. Deductions for Overseas Education Fee

### Issue

If a resident with earned income pays overseas education fees for themselves or their dependents, they can claim a tax credit of 15% of the amount paid, up to a limit of KRW 3 million per child for school fees up to high school and KRW 9 million per child for university fee, under Article 118-6, paragraph 5 of the Presidential Decree of the Individual Income Tax Law. However, this deduction is currently only available to Korean nationals, and foreign national residing in Korea are not eligible for such deductions.

### Recommendation

To enhance tax equity, it is recommended to revise the tax law to allow foreign nationals residing in Korea to also be eligible for tax credits for overseas education fees paid for themselves or their dependents.

Relevant Act/Regulation	Article 59-4 of the Individual Income Tax Law and Article 118-6, Paragraph 5 of the Presidential Decree of the Individual Income Tax Law
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) Tax Policy Division
Recommendation Status	Retained

2. Submission Requirements of Master File and Local File

### Issue

When applying Article 34, Paragraph 1 of the Presidential Enforcement Decree of the Law for the Coordination of International Tax Affairs, the sales and total intercompany transaction amount of a taxpayer who has operated a business for less than one year in the relevant tax year are calculated by annualizing that amount.

### Recommendation

It does not seem effective for a company which has operated business for a short term to submit the Master file and Local file. For the convenience of taxpayers, it is recommended to provide clear guidance on the taxpayers that would be subject to annualization and preferably it should be limited to those that have operated businesses for a substantial portion of the year. For instance, it does not seem reasonable for taxpayers that have operated a month-long period business to be subject to Master file and Local file submission.

Relevant Act/Regulation	Article 34, Paragraph 1 of the Presidential Enforcement Decree of the Law for the Coordination of International Tax Affairs and Article 22 of the Enforcement Rule of the Law for the Coordination of International Tax Affairs
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) Tax Policy Division
Recommendation Status	New

3.  
Customs Valuation  
of Carnet Goods  
When Used for  
Other Purposes  
After Temporary  
Import

### Issue

The A.T.A Carnet system allows goods for fairs & exhibitions, and commercial samples to be temporarily imported without paying customs duties on the condition that they are re-exported after use for the intended purposes. If these carnet goods are to be used for purposes other than those intended after temporary import, approval from the customs authority and payment of deferred customs duties are required. However, the relevant customs laws and regulations do not clearly specify how these goods should be valued for customs purposes.

In principle, customs valuation should be based on the transaction value as stipulated in Article 30 of the Customs Law. However, this method cannot be applied to carnet goods, as they are not sold for export to Korea. Consequently, for carnet goods used for purposes other than intended, the valuation should be done under Article 35 of the Customs Law (other reasonable method), since Articles 31 to 34 are inapplicable. Due to the lack of clear provisions, there are frequent disputes between taxpayers and the customs authorities regarding the appropriate basis for customs valuation. For instance, the customs authorities may argue that the value indicated on the carnet certificate should be used as it is determined before the goods are physically

brought into Korea. However, this value is merely a nominal amount set for security purposes. If there is an actual price paid by the importer for the purchase of the carnet goods, it is more appropriate to use this price as the basis for customs valuation.

### Recommendation

To resolve frequent disputes, it is recommended to have clear provisions in the relevant law and regulations. According to the customs valuation principles, the transaction value (actual price paid or payable) should be the primary basis. Therefore, for carnet goods, the actual price paid by the importer should be used as the basis for customs value under Article 35 when requesting approval for the use of goods for other purposes.

Relevant Act/Regulation	Article 35 of the Customs Law
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) Tax Policy Division
Recommendation Status	New

# Abbreviation

Abbreviation	Abbreviated	Expanded
ABV		Alcohol by Volume
AREC		Act on Registration and Evaluation of Chemical Substances
A.T.A Carnet		Admission Temporaire/Temporary Admission Carnet
B/L		Bill of Landing
BTD		Breakthrough Therapy Designation
BV		Bureau Veritas
CCA		Chemical Control Act
CE		Conformité Européenne
CPS		Core Platform Service
CS		Customer Service
CSAP		Cloud Security Assurance Program
CSP		Cloud Service Providers
C&L		Classification and Labelling
DMA		Digital Markets Act
DMCC		Digital Markets, Competition and Consumer
DoC		Declaration of Conformity
EBL		Electricity Business License
EC		European Commission
ECHA		European Chemicals Agency
EEZ		Exclusive Economic Zone
EMS		Express Mail Service
ESG		Environmental, Social and Governance
EUIPO		European Union Intellectual Property Office
EU REACH		EU Registration, Evaluation, Authorisation and Restriction of Chemicals
EV		Electric Vehicles
FAS		Fleet Average Systems
FDI		Foreign Direct Investment
FIPS		Federal Information Processing Standard
FOW		Floating Offshore Wind
FTA		Free Trade Agreement
GA		General Agency

Abbreviation	Abbreviated	Expanded
GHG		Greenhouse Gas
GHS		Globally Harmonized System of Classification and Labelling of Chemicals
GIFT		Global Innovative products in Fast Track
GMP		Good Manufacturing Practice
HS		Harmonised System
HSI		Homeland Security Investigations
HQ		Head Quarter
IARD		International Alliance for Responsible Drinking
ICER		Incremental Cost-Effectiveness Ratio
IEC		International Electrotechnical Commission
IFRS		International Financial Reporting Standards
IMF		International Monetary Fund
IPR		Intellectual Property Rights
IRP		International Referencing Pricing
ISO		International Organization for Standardization
ISSB		International Sustainability Standards Board
IT		Information Technology
JIS		Japanese Industrial Standards
KART		Korea Automobile Insurance Repair Research & Training Center
K-ICS		Korean Insurance Capital Standard
KOSMA		Korea Maritime Transportation Safety Authority
KR		Korean Register
LoC		Letter of Confirmation
M365		Microsoft 365
MSDS		Material Safety Data Sheets
NAWI		Non-Automatic Weighing Instruments
ODM		Original Development Manufacturing
OECD		Organization for Economic Cooperation and Development
OEM		Original Equipment Manufacturing

Abbreviation	Abbreviated	Expanded
OR		Only Representative
OS		Operating System
OSHA		Occupational Safety and Health Act
PET		Polyethylene terephthalate
PF		Project Financing
PIC/S		Pharmaceutical Inspection Co-operation Scheme
PRIME		Priority Medicine
PVA		Price-Volume Agreement
QC		Quality Control
QR		Quick Response
RCAR		International Research Council for Automotive Repairs
RCS		Rich Communication Suite
REC		Renewable Energy Certificate
RIFM		Research Institute of Fragrance Materials
RO		Recognized Organization
RSA		Risk Sharing Agreement
SaaS		Software as a Service
SAPA		Serious Accidents Punishment Act
SoC		Substance of Concern
SPF		Sun Protection Factor
SSA		Ship Safety Act
TF		Task Force
TRIPs		Trade-Related Aspects of Intellectual Property Rights
URL		Uniform Resource Locator
VAT		Value-Added Tax

# Organisations

Organisations	Organisations	Expanded
DAPA		Defense Acquisition Program Administration
FSC		Financial Services Commission
FSS		Financial Supervisory Service
FTC		Fair Trade Commission
HIRA		Health Insurance Review and Assessment Service
KATS		Korean Agency for Technology and Standards
KCS		Korea Customs Service
KEPCO		Korea Electric Power Corporation
KHIDI		Korea Health Industry Development Institute
KIIP		Korea Institute of Intellectual Property
KIPO		Korea Intellectual Property Office
KOIPA		Korea Intellectual property Protection Agency
KNPA		Korea National Police Agency
KTC		Korea Trade Commission
MCST		Ministry of Culture, Sports and Tourism
ME		Ministry of Environment
MFDS		Ministry of Food and Drug Safety
MND		Ministry of National Defense
MOEF		Ministry of Economy and Finance
MOEL		Ministry of Employment and Labor
MOF		Ministry of Oceans and Fisheries
MOHW		Ministry of Health and Welfare
MOIS		Ministry of the Interior and Safety
MOLIT		Ministry of Land, Infrastructure and Transport
MOTIE		Ministry of Trade, Industry and Energy
MSIT		Ministry of Science and ICT
NFSI		National Food Safety Information Service
NHIS		National Health Insurance Service
NICS		National Institute of Chemical Safety
NIER		National Institute of Environmental Research
NTS		National Tax Service

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