

# **ECCK White Paper 2021**

## Message from Chairperson



Dear Valued Members and Friends,

Following the successful launch of the ECCK White Paper in 2015, I would like to proudly present the seventh edition of the White Paper, a compilation of key industrial issues and recommendations from the European business community in Korea.

The ECCK always strives to position itself as the major communication platform for the European companies in Korea. In order to effectively represent our members' interests and implement the necessary changes to better the Korean business environment, we have several standing industrial committees to collect issues and opinions. To better provide information and transparency, the ECCK White Paper took shape as a medium to share such information. The views put forward in this publication are solely intended to promote open and effective dialogue and offer constructive recommendations for the improvement of European-Korean business relations. Furthermore, the White Paper provides an overview of the regulatory landscape in Korea as well as industry-specific challenges and prospects.

This year marked the 10th anniversary of EU-Korea Free Trade Agreement (FTA) and Korea and Europe are growing further as strategic partners in global affairs such as responding to climate change, recovering the economy and overcoming COVID-19. Considering the ever-developing relationship between Korea and Europe, the significance of knowing the market trends, regulatory framework, and emerging opportunities in Korea is paramount. On that note, the ECCK will continue to stand in the forefront of these issues and be the first point of contact for our members.

As we hope to grow and improve from this publication, we heartily encourage and welcome your feedback. I hope many good dialogues will be sparked by the White Paper, and a special thanks to our members for their input into this publication.

Thank you.

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a smaller, more intricate mark.

Dirk Lukat  
European Chamber of Commerce in Korea (ECCK) Chairperson

# ECCK White Paper 2021

## Table of Contents

Message from Chairperson	p 2
ECCK Introduction	p 6
Guideline	p 14
Executive Summary	
2021 Overview	
About ECCK White Paper 2021	p 16
Preface: A World in Transformation	p 17
Key Issues	p 19
'Low-hanging fruit' Issues	p 29
2020 Review	
Government Feedback on ECCK White Paper 2020	p 50
ECCK Committee Reports	
Automotive	p 53
Beer, Wine & Sprints	p 68
Chemical	p 76
Cosmetics	p 88
Fashion & Retail	p 96
Food	p 103
Healthcare	p 109
Insurance	p 123
Intellectual Property Rights	p 126
Kitchen & Home Appliances	p 138
Logistics & Transport	p 140
Marine & Shipbuilding	p 142
ECCK Working Group	
Aerospace & Defence	p 146
Energy & Environment	p 148
ICT	p 157
Taxation	p 163
Appendix	p 172

# ECCK Introduction

## ECCK Introduction

The European Chamber of Commerce in Korea (ECCK) is a distinguished association of European companies operating in or related to Korea. With the authorization from the Ministry of Trade, Industry, and Energy, the ECCK was officially founded as a non-profit organization on December 3, 2012.

Established with the blessings of the EU Delegation and the European business community in Korea, the ECCK's primary objective is to provide its members with information, communication, and access pertaining to the business and regulatory environment of Korea. While European firms form the largest membership base of the organization, the ECCK welcomes companies of all nationalities to join and share the experience first-hand.

Entrusted with member's mandate, the Board of Directors presides over the organization. The Advisory Board embodies business representatives nominated by either national chambers or embassies, providing general guidance and advice. The Secretariat functions to execute the Chamber's day-to-day activities and operations.

The ECCK aims to promote a sustainable relationship between European corporations and Korean government by working hand-in-hand with both parties. Furthermore, the Chamber strives to cultivate an optimal business environment and community for the European companies all the while operating for the benefit of the Korean society.

## ECCK Vision & Mission

The ECCK is committed to advancing the interests of companies from Europe operating in Korea. We cooperate with organizations 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 the business as well as economic and regulatory developments in Korea and Europe
- Creating networking opportunities for members and partners
- Contributing to the Korean society by supporting corporate social responsibility activities and promoting good corporate governance practices
- Becoming a commercial and cultural ambassador to Korea

## Board of Directors



**Dirk Lukat** (Germany)  
Chairperson of the Board  
Managing Director & CEO  
Schenker Korea

Dirk Lukat is a German citizen and has been Managing Director & CEO of Schenker Korea Ltd in Seoul since January 2015. He started his career at the former Schenker & Co. GmbH in Frankfurt and held a number of management positions at DB Schenker in Singapore, Vietnam, and India. Before coming to Korea, he served as General Manager of Schenker-Seino Co., Ltd in Japan and was active in the Logistics & Transport Committee of the European Business Council. He has comprehensive experience in the logistics industry including Contract Logistics, Air & Ocean Freight, Fairs & Exhibitions, and Projects for over 20 years. Dirk joined the ECCK as a member in January 2015.



**Jan Benggaard** (Denmark)  
Vice Chairperson of the Board  
Country President  
Oerlikon Balzers Korea

Jan Benggaard is a Danish citizen and is the Managing Director of Oerlikon Balzers Korea Ltd since November 2016. In Busan, he has been the Managing Director and Chief Executive Officer of Wärtsilä Marine Systems (previously L-3 Marine Systems) since 2002. Before moving to Busan in 1998, he worked as a project engineer and later as Sales Manager in charge of regional operations in the Americas and Europe. Jan's honorary assignments include being a Board Member and Treasurer of Busan International Foreign School since 2005 as well as a Vice Chairman of the ECCK since February 2015.



**Gilles Fromageot** (France)  
Director of the Board  
President & CEO  
AXA Korea

Gilles Fromageot is a French citizen and is the President & CEO of AXA Korea since 2017. Prior to his post, he served as Global Chief Financial Officer for AXA Global Director from 2015 to 2017 in Paris. Before joining AXA in 2012, he has worked with Mazars.

## Board of Directors



**Donghee Kim** (Korea)  
Vice Chairperson  
Country Leader  
Philips Korea

Donghee is a Korean citizen and is the Country Leader of Philips Korea. She has been driving the strategic growth and direction of all businesses within Philips Korea since 2018. She has a deep understanding of the healthcare industry and has accumulated extensive corporate and global leadership experience while managing multiple market segments in the Asia Pacific region (Edwards Lifesciences 2011-2018, Boston Scientific 2004-2011). Prior to joining the healthcare industry, she worked as a management consultant (Deloitte 2000-2002, Arthur Anderson 1997-1999).



**Donghwan Kim** (Korea)  
Director of the Board  
General Manager  
Finnair Oyj.

Donghwan Kim is a Korean citizen and has been working for Finnair as a Sales Manager since 2008. Until 2011, he mainly took care of regulatory matters as well as corporate & trade sales. In 2011, he has worked in Finnair HQ as a Corporate Sales Manager in global corporate sales team having a role of corporate sales in whole Europe to Korea. Then, he was appointed as a General Manager from 2012 taking responsibility of whole Finnair business in Korea.



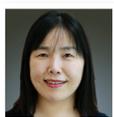
**Fredrik C Johansson** (Sweden)  
Director of the Board  
Country Retail Manager  
IKEA Korea

Fredrik is a Swedish citizen and has been Country Retail Manager of IKEA Korea since July 2019. He first joined IKEA in Älmhult, Sweden in 1987. After earning his Master's degree, he gained extensive exposure in the global home furnishing industry in various positions within IKEA in several countries spanning from Asia to Europe including Managing Director of IKEA Components. He moved to IKEA Retail in 2010, where he extended his experience as Deputy Store Manager and Store Manager for XuHui and Daxing stores in China. He was also the Deputy Country Manager for IKEA France for almost 3 years before joining IKEA Korea in 2017 as Deputy Country Manager.



**Thomas Klein** (Germany)  
 Director of the Board  
 President and CEO  
 Mercedes-Benz Korea

Thomas Klein is a German citizen and has been appointed as President and CEO of Mercedes-Benz Korea from January 1, 2021. Since beginning his career with Daimler AG in 1999, Thomas built his career as a member of Daimler AG's Management Trainee program, various functions in the German organization on both wholesale and retail level, Managing Director of Mercedes-Benz Passenger Cars at Sandown Motors Holding Pty, South Africa, and the President and CEO of Mercedes-Benz Cars Middle East in Dubai. He has successfully led the sales and services performance in the region based on his diverse experience in sales and marketing. He has significantly contributed to the overall success of the brand and built excellent relationships with partners as well.



**Elizabeth Kyunghee Nam** (Korea)  
 Treasurer of the Board  
 Finance Director  
 Diageo Korea

Elizabeth Kyunghee Nam is a Korean citizen and is Finance Director at Diageo Korea. She has 18 years of progressive experience in Finance and General management within the business units in the developed & emerging markets, global organization and start-up business. Before joining Diageo, Elizabeth worked with LG Telecom, Shepard, Schwartz & Harris and Philippine Airlines.



**Kay-Jannes Wegner** (Germany)  
 Trustee of the Board  
 Senior Attorney  
 Kim & Chang

Kay-Jannes Wegner is a German citizen and dual qualified lawyer (Rechtsanwalt, Germany and Solicitor, England and Wales). He has been working as a senior attorney with Kim & Chang since 2011, primarily advising European clients. Before moving to Korea, Kay-Jannes practiced with international law firms in London from 2001 to 2007 and Singapore from 2007 to 2011.

**ECCK  
 Secretariat**

**Christoph Heider**  
 President

Christoph Heider joined the ECCK on June 1, 2013. Before joining the ECCK, Christoph Heider had been with Bayer AG, a German pharmaceutical company since 1997. He held various positions in Bayer, including CFO at Bayer Korea, Head of Accounting & Reporting at Bayer Japan as well as Regional Manager for Legal Entity Accounting APAC at Bayer AG in Germany. In 2016, Heider received Honorary Citizenship of Seoul. His other honorary assignments include being a board member of Heider-Kober Foundation in Munich, Germany as well as being a member of the European Union Domestic Advisory Group and the Korea-EU Civil Society Forum.

**Bo Sun Kim**

Vice President

**Changhoon Rim**

Senior Manager, Automotive Committees

**Taeyang Kim**

Manager, Chemical Committee

**Ansook Park**

Director, Cosmetics/Healthcare Committees

**Siyoon Kim**

Manager, Financial Services Committee

**Hyokyung Suh**

Director, Food & Beverage/  
 Kitchen & Home Appliances Committees

**Eunsung Na**

Manager, IPR and Fashion & Retail Committees

**Hyewon Shim**

Manager, Event Management

**Hyoeun Choe**

Manager, Finance & Administration

**Hyeeun Cho**

Manager, Membership & Management Support

**So Hyeun Cho**

Manager, PR & Communications

**Jihyun Shin**

Assistant Manager, PR & Communications

**Nuri Chung**

Busan Chapter Representative

### **Committees, Working Groups & Forums**

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

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### **Events**

The ECCK organizes conferences and seminars of industrial relevance for knowledge sharing. In particular, 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 circulates regular publications to inform our members of the current market situation, key regulatory issues, and notable 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 Annual Report (yearly review of chamber operations)
- ECCK Quarterly Report  
(quarterly review of Europe and Korea economy)
- ECCK Connect Magazine
- ECCK Membership Directory  
(yearly update of ECCK membership)
- Newsletter (weekly and monthly updates to ECCK members)

### **EU Sponsored Programs**

The ECCK has built cooperative ties with the European Commission and have contracted to conduct research and promotional programs. Since 2013, the ECCK has contributed to Market Studies Papers as part of supporting the EU Gateway Business Mission, an EU-funded business delegation of European SMEs to Korea for successful market entry. The ECCK is also a member of the EBO Worldwide Network ASBL.

## Guideline

### How to read ECKK White Paper Key Issues and Recommendations

The ECKK White Paper 2021 presents a total of 114 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 16 industry committees and working groups. The purpose of the 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.

#### 2021 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 2021.

#### 12. Timing Improvement of Announcement for the Subsidy Support Standards of Electric Vehicles

The Ministry of Environment (ME) has announced the subsidy support standards for electric vehicles regarding the subsidy amount and subject vehicle models of subsidy support of that year based on the procedure of the project for electric vehicles distribution and the charging infrastructure establishment. However, since the subsidy support standards are announced in that year the subsidy system is applied, motor vehicle sellers are having difficulties in implementing the sales plans for electric vehicle of the year. In case the subsidy support standards are revised unfavorably for vehicles sellers to sell the electric vehicles in that year, there may be insufficient time for vehicle sellers to prepare for a change in conditions which might cause a disruption in implementing the established sales plan of the year. Therefore, it is necessary to announce the subsidy support standards at least 6 months in advance of the corresponding year. In addition, in case a revision of the subsidy standard causes a significant negative impact on sales of electric vehicles, it is necessary to maintain the existing subsidy support standards for a certain period.

#### Recommendation

It is recommended that the subsidy support standards for electric vehicles are announced at least 6 months prior to the year of the subsidy application.

Relevant Act/Regulation Article 58, Clean Air Conservation Act

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status New

# Executive Summary

## About ECCK White Paper 2021

The ECCK's White Paper is the chamber's annual key publication. It was first published in 2015 and since then has served as the main source of information on market access and other issues European business is facing when doing business in Korea. Thus, it aims to capture the essence of major industrial issues faced by the European businesses operating in Korea and proposes constructive recommendations to facilitate open and effective dialogue with the Korean government and relevant ministries. The White Paper is also shared with key personnel at the European Commission, the European Parliament, the European Free Trade Associations' (EFTA) Secretariat, governments of member states of the EU and EFTA, European business interest groups but also multinational organizations such as the OECD, the United Nations and the World Trade Organization.

The White Paper is compiled by dedicated ECCK staff based on input received from experts from the chamber's member companies. In fact, almost 200 professionals representing their company in the ECCK Committees and Working Groups contributed to ECCK White Paper 2021. The White Paper 2021 includes 114 (145 in 2020) constructive recommendations to the Korean government raised through 16 (20 in 2020) ECCK Committees and Working Groups. The ECCK appreciates the outstanding support from its members which can be translated to a strong commitment of the ECCK and its member companies to further work on a betterment of the business environment for European companies operating in Korea.

In fact, the compilation of all those issues and recommendation is only half of the work to make the White Paper a meaningful publication. The ECCK wishes to credit the Korean administration but especially the Office of the Foreign Investment Ombudsman which led by the Ombudsman Kim Sung Jin for all its openness to review those recommendations, to thoroughly follow up with experts in the Korean administration and at the end shared the feedback with the ECCK. The positive feedback received at the beginning of 2021 on about 43 (30%) out of the 145 recommendations submitted in 2020 can only be interpreted in a way that collaboration and cooperation can deliver meaningful results.

The ECCK further hopes for even better cooperation through even a more strengthened communication with the Korean administration.

## Preface: A World in Transformation

The year 2021 started with COVID-19 being a main disruptive factor in Korea and Europe, similar to the previous year. Although vaccines against COVID-19 are being rolled out in Europe and Korea, businesses and everyday lives have been and are still heavily being impacted by the measures implemented by governments to keep the pandemic under control.

Business in Korea has picked up as exports resulting in an expected annual growth of the Korean Gross Domestic Product (GDP) by 4.2%, and therewith making more than up for the economic slump in 2020 exceeding pre-crisis level. At the end of July, Korea is experiencing its fourth wave with more than 1,500 cases per day. As a consequence, countermeasures and stricter social distancing rules have been launched in the greater Seoul area.

The year of 2021 brought some positive developments for Korea as well. The G7 Summit was held from June 11 to 13, 2021 at Carbis Bay, Cornwall in the United Kingdom of Great Britain and Northern Ireland and British Prime Minister Boris Johnson as host of the summit invited – beside the heads of state from Australia, India and South Africa – Korean President Moon Jae-in. During his visit, President Moon met Charles Michel, President of the European Council, and Ursula von der Leyen, President of the European Commission.

Korea's global status furthered as the United Nations Conference on Trade and Development (UNCTAD) decided on July 2, 2021, to reclassify Korea as an advanced economy. This was from a pure economic point of view, an overdue decision. In 2020, Korea came up as the tenth biggest global economy. A few days after the announcement, President Moon Jae-in stated "We will continue to move forward by carrying out our responsibility and role in the international community."

Korea has shown international leadership. The most recent one was the P4G (Partnering for Green Growth and the Global Goals 2030) Summit on May 30 and 31, 2021 under the theme of 'Inclusive Green Recovery Towards Carbon Neutrality'. It is also expected that Korea will play a major role in the 2021 United Nations Climate Change Conference COP26, which to be held in Glasgow in November 2021.

In July 2020, the Moon Jae-in government launched the Korea New Deal with high hopes of focusing on Digital, Green and a Stronger Safety Net. President Moon stated that “The Korean New Deal will set the foundation for Korea’s next 100 years.” The ECCK Chairperson Dirk Lukat was invited by President Moon to participate in an event at the Blue House to commemorate the launch of the Korea New Deal one year ago. Although the invitation could not be maintained as the COVID-19 alert level increased, the message for the business community is clear.

The world is changing and the transformation process only has started. The EU Green Deal and the Korea New Deal are just the starting points of a long and burdensome process of change, which is still in its infant shoes – but for sure it will gain speed and traction over the course of the next years. The political decision made by governments to fight climate change through re-designing and re-shaping the societal and economical structure including business is a good one. Governments must balance their policies among many different stakeholders; business on the other hand have a much more focused look on technology and innovation.

The ECCK supports the EU Green Deal and the Korea New Deal. Achieving those targets has become more and more crucial. No government can allow not to get the best technology into its market to fight climate change respectively to move towards a more renewable energy infrastructure. For many years, the ECCK has been advocating a full adherence to international standards, reciprocal acceptance of testing procedures, etc. Lastly, this year has shown that domestic customized rules and regulations are not supporting business growth but are hindering it. Also, the same is true for fighting climate change. Governments shall reach out for the best target achievement ratio in their climate change target plan and should not be satisfied with a first runner-up situation. International standards or rules and regulations are now important as they have never been.

The race for carbon neutrality has begun; it is not a race of individual runners but a relay. It is a race that can only be won with a strong sense for cooperation and collaboration. I really hope to see everyone winning the race together.

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Christoph Heider  
European Chamber of Commerce in Korea (ECCK) President

On this page, ECCK has listed 114 key issues proposed in the White Paper 2021, which are categorized as either ‘**Policy (P)**’ or ‘**Regulatory (R)**’.

‘**Policy**’ related issues are industry specific issues that are raised toward the Korean government and National Assembly to establish and implement certain plans or to legislate pertinent regulations. On the other hand, ‘**Regulatory**’ issues are closely related to specific regulations which have been implemented by the Government.

Policy: P  
Regulatory: R

### Automotive Committee

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|---|---|
| 1. Improvement of Scope of Recalls - Corrective Actions on Unsold Vehicles                            | R |
| 2. Establishment of the Specific Cases Which are Excluded from the Calculation of Total Repair Period | R |
| 3. Introduction of Application Fees for the Motor Vehicles Exchange/Refund Arbitration                | R |
| 4. Clarification on the Definition of Serious Defects and General Defects                             | R |
| 5. Revision of Scope of Data Submitted by Motor Vehicle Manufacturers                                 | R |
| 6. Application of Flexibility on Vehicle Width Standards  | R |
| 7. Approval on Vehicles with New Technologies or Features   | R |
| 8. HS Code of Semitrailer-Towing Tractors   | R |
| 9. Stipulation of the Modification Report in Law  | R |
| 10. Adoption of Super Credit System to the Fleet Average System for Hydrogen and Electric Vehicles    | R |

# Key Issues

11. Clarification and Harmonization with the International Standard on the Calculation Method of Greenhouse Gas Emission of Medium-to-large Commercial Vehicles	R
12. Timing Improvement of Announcement for the Subsidy Support Standards of Electric Vehicles	R
13. Ensuring the Preparation Period to Achieve the Low/Zero Emission Vehicles Supply Target	R
14. Reduction of Time Required to Register Environmentally Friendly Vehicle	R
15. Examination of the Designating of the Used Vehicle Sale Business and Small Volume Automobile Repair Business as Businesses Suitable for Livelihood	R
16. Clarification Needed to Enhance Motor Vehicle Certification Process	P

### Beer, Wine & Spirits Committee

1. Allowing Smart-Order for Gift Purpose	R
2. Plan to Expand Liquor Type Subject to Specific Duties	P
3. Reconsidering Alcohol Level Restriction on Broadcast Advertisements	R
4. Allow Giveaways to be Promoted Online	R
5. Reconsidering Applying Different Unit Prices for Packaging Material Recycling Contribution for Products Exempt from Recycling Grade Indication	R
6. Reinforce of Consumer Safety Management and Strengthen of Responsibility for Parallel Imported Foods	P
7. Allowing Full E-Commerce of Alcoholic Beverages	P

### Chemical

1. Fulfillment of Obligation to Notify Technical Barrier to Trade (TBT) Pursuant to WTO Agreement	P
2. Confirmation of Chemical Substance Information Communicative Organization Members when Lead Registrant Submits Joint Dossier According to K-REACH	R
3. Ease off Permission Procedures when Changing Mosquito Repellent's Scent	R
4. Exemption for Surface Treated Substance from Hazards-Dangers Investigation Report	R
5. Liable Person for Material Safety Data Sheet (MSDS) Obligations on Chemical Products of Consignment Manufacturing (OEM, ODM)	R
6. MSDS Number Interlocking on IT System: MSDS Obligations for Products Contained Confidential Raw Materials	R
7. Grace Period of MSDS Submission	R
8. Exclusion for Small Quantity R&D Sample from MSDS Trade Secret Approval	R
9. MSDS Trade Secret Approval: Acceptance Classification based on Scientific Evidence	R
10. Phase-Out Period During Approval of Biocidal Product	R
11. Excessive Regulation of Household Disinfectant Product Managed by K-BPR	R

### Cosmetics

1. Development of Various Eco-friendly Packaging and Recycling Industry	P
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2. Provision of Sufficient Grace Period and Reasonable Introduction of Amendments to Packaging- Related Laws and Regulations	R
3. Introduction of an Integrated Operating System on the Effective Date when Labeling is Changed Due to the Revision of Packaging Related Laws	R
4. Timing of Evaluation of Packaging Material and Structure	R
5. Relaxation of Standard for the Quality-Structure and Recyclability of Packing Materials	R
6. Harmonized Interpretation for Packaging Method standard	R
7. Measurement Method for Packaging Space Ratio and Number of Times Packaged for Set Products Including a Pouch, etc.	R
8. Request to Exclude from the Packaging Material and Structure Evaluation If Sticker Label, etc. are Applied to Display Indication Requirements in Accordance with the Laws of the Exporting Country	R
9. Application of Optional Indication for Cosmetic Manufacturer	R

#### **Fashion & Retail Committee**

1. Labelling of Consumer Products	R
2. Price Labelling Requirement	R
3. Packaging Recyclability Labelling and Separate Discharge Mark	R
4. Safety Testing Standard for Infant Textile Products	R

5. Safety Control of Imported Food Containers	R
6. Safety Control of Household Chemical Products	R

#### **Food**

1. Harmonization of International Food Standards and Specifications – ‘Natural’ Labelling	R
2. Improvement for Equity in Administrative Measures against Domestic Food Manufacturers, Processors and Importers, Sellers of Imported Food	R
3. Improvement of Labelling of Natural and Synthetic Flavors	R
4. Ease of the Non-GMO Labelling Standards	R

#### **Healthcare Committee**

1. Renovate Drug Reimbursement Listing Process and Price Management System for Better Patients Access to Innovative Pharmaceuticals	R
2. Fairness and Global Harmonization Improvement for Risk Sharing Agreement (RSA) Re-Reevaluation	R
3. Fair Certification Standards for Selection of Innovative Pharmaceutical Companies	R
4. Consideration of Different Policy Approaches to the Introduction of Innovative Cell and Gene Treatments	P
5. Enhancing Access to Drugs for Rare and Incurable Cancer Patients	R

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|--|---|
| 6. Enhancing Transparency and Clear Role Sharing for National Health Insurance Committee Decisions                             | P |
| 7. Creating a Mutual Recognition Agreement (MRA) with EU   | R |
| 8. Transparent Data Sharing – NIP Big Data Utilization in Vaccine  | P |
| 9. Standardization of New Vaccine Listing Process for NIP  | R |
| 10. Recognition of Proper Value of Vaccines with Differentiated Pricing for Sustainable Access of Innovation for Public Health | R |
| 11. Improving Inoculation Fee System   | R |
| 12. Improve Vaccine Risk Level Classification Evaluation Standards   | R |
| 13. Improvement of Reagent Related Customs Clearance   | R |
| 14. Approval of Before and After Pictures Related to Fillers (Injectables) Usage   | R |
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#### Insurance Committee

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|---|---|
| 1. Release of Standardized Repair Cost and Hours of Imported Cars   | R |
| 2. Exemption Against Accidents while Driving Under the Condition of Drugs, Narcotics, etc.                            | R |
| 3. Mandatory Issuance of Health Insurance Medical Care Benefit Statement by the National Health Insurance Corporation | R |
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#### Intellectual Property Rights Committee

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|---|---|
| 1. Studies about Economic Impact of IP Infringements in the Digital Environment | P |
| 2. Reasonable Sentencing for IP Related Crimes as Effective Deterrents          | P |
| 3. Strengthening Border Measures against IP Infringing Goods                    | P |
| 4. Enforcement Against Resellers Infringing IPRs                                | P |
| 5. Annual Report on Seizure of Counterfeit Products at Customs                  | P |
| 6. Enhancement of Effectiveness of EMS Project                                  | P |
| 7. Designation of Special Judicial Authority to Local Government Officials      | P |
| 8. Enforcement Against Lookalike Products                                       | P |
| 9. Pro-active Measures by Online Intermediaries on Counterfeit Goods            | P |
| 10. Stakeholder Cooperation on Online Enforcement                               | P |
| 11. Standard Essential Patents  | P |
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#### Kitchen & Home Appliances Committee

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|---|---|
| 1. Converting KC Certificate into Electronic Document and Improving Data Search on Safety Korea | R |
| 2. Adoption of Regular Timeline on Changed Regulation   | P |
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**Logistics and Transport Committee**

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|--|---|
| 1. Direct Shipment Requirement – General | P |
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| 2. Direct Shipment via Transit Hubs / Change of Mode of Transportation | P |
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Policy: P

Regulatory: R

**Marine and Shipbuilding Committee**

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| 1. Practice of the Lowest Price Bidding System in Domestic Shipyards | P |
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| 2. Planned Merger of Hyundai Heavy Industries Holding (HHIH) and Daewoo Shipbuilding & Marine Engineering (DSME) | P |
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|----------------------------|---|
| 3. 52-hour Workweek System | R |
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| 4. Unfair Opportunities to Access R&D Funds and Programs as Foreign Invested Firms in the Maritime Indus | P |
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|------------------------|---|
| 5. COVID-19 Management | R |
|------------------------|---|
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**Aerospace & Defence Working Group**

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|---|---|
| 1. Extension of Period of Offset Implementation | R |
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|----------------------------|---|
| 2. Offset Performance Bond | R |
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**Energy & Environment Working Group**

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|---|---|
| 1. Direct Contract of Natural Gas Purchasing for Raw Material between KOGAS and Industrial Gas-Chemical Companies | R |
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| 2. Domestic Recognition of EPD in Accordance with ISO 14025 | R |
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| 3. Aligning with IEC Standard on Offshore Wind Turbine Generator (WTG) Certification | R |
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| 4. Improvement on Long-term Fixed-Price PPA (Power Purchase Agreement) Process for On-Off Shores Wind Power | P |
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| 5. Improvement on Weighting REC (Renewable Energy Certificate) for Direct PPA | R |
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| 6. Limitation for Development Premium and Civil Complaints | P |
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| 7. Clean Energy Production through Fuel Flexibility and Enhanced Efficiency | P |
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| 8. Ease in Regulations Regarding Licenses for Radioisotopes Handling (RI License) | R |
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**ICT Working Group**

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| 1. Network Requirement for Cloud Computing Service Provider in Financial Service Industry | R |
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| 2. System and Template Structure for Government ISP (Information Strategic Planning) Project Planning, Development, and Submission | P |
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| 3. Cloud Security Assurance Program (CSAP) | P |
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| 4. E-government Standard Framework Preferred Application Agencies | P |
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| 5. Application of Foreign Vendor Standard Contract by Public Agencies | R |
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6. Technology Neutrality in Mobile Communication Frequencies	R
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## Policy: P

Regulatory: R

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**Taxation Working Group**


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1. Necessity to Establish Standard For a Substantial Owner of Income Derived by Foreign Corporations Through a Pass-through Entity that is not an Overseas Investment Vehicle (OIV)	R
2. Improving the Convenience and Administrative Efficiency of Individual Income Tax Return Filing and Tax Payment Procedures for Nonresident Partners for Foreign Law Firms	R
3. Deductions for Overseas Education Fees	R
4. Public Notice of a List of Foreign Corporations by Category	R
5. Facilitation of the Pre-filing Process for Advance Pricing Agreements	R
6. Tax Exemption on Qualified Housing Benefit for Foreign Employees	R
7. Duty Exemption on Foreign Goods Stored in a Bonded Area Destroyed or Lost Due to Fire	R
8. Duty Reduction on Foreign Goods Returned From a Duty-free Shop	R

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'Low-hanging fruit' Issues

**'Low-hanging fruit' Issues**

'Low-hanging fruit' refers to "sweet and easy-to-reach fruit at the lower end of a tree's branches", and it can be interpreted as "task that is relatively easy to solve". ECCK has selected 'low-hanging fruit' issues among the 114 issues and recommendations included in the ECCK White Paper 2021 that can be improved relatively easily with a high probability of implementation. The list of the issues are as follows.

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**Automotive Committee**


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5. Revision of Scope of Data Submitted by Motor Vehicle Manufacturers	p 56
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**Beer, Wine & Spirits**


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1. Allowing Smart-Order for Gift Purpose	p 68
5. Reconsidering Applying Different Unit Prices for Packaging Material Recycling Contribution for Products Exempt from Recycling Grade Indication	p 71

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**Chemical Committee**


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1. Fulfillment of Obligation to Notify Technical Barrier to Trade (TBT) pursuant to WTO Agreement	p 76
2. Confirmation of Chemical Substance Information Communicative Organization Members when Lead Registrant Submits Joint Dossier According to K-REACH	p 77

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**Cosmetics Committee**

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6. Harmonized Interpretation for Packaging Method Standard p 92

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7. Measurement Method for Packaging Space Ratio and Number of Times Packaged for Set Products Including a Pouch p 93

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**Fashion & Retail Committee**

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1. Labelling of Consumer Products p 96

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**Food**

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3. Improvement of Labelling of Natural and Synthetic Flavors p 106

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**Healthcare Committee**

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8. Transparent Data Sharing - NIP Big Data Utilization in Vaccine p 116

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9. Standardization of New Vaccine Listing Process for NIP p 117

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**Intellectual Property Rights Committee**

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5. Annual Report on Seizure of Counterfeit Products at Customs p 129

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7. Designation of Special Judicial Authority to Local Government Officials p 131

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8. Enforcement Against Lookalike Products p 132

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**Marine & Shipbuilding**

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2. Planned Merger of Hyundai Heavy Industries Holding (HHIH) and Daewoo Shipbuilding & Marine Engineering (DSME) p 142

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5. COVID-19 Management p 145

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In 2020, the ECCK committees and working groups across 20 different sectors have raised 145 key industry issues and suggestions to the Korean government. The government's feedback and ECCK's future actions per issue raised by each committee are listed as below.

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### Automotive Committee

1. Improvement of the System of Imposing Penalty Surcharges on Voluntary Recalls

**Government Feedback:** Partially Accepted

**ECCK Future Action:** Closed (Success)

2. Improvement of Scope of Recalls

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

3. Flexibility for the Application of Total Repair Period of 30-days in Vehicle Exchange/Refund Regulations

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

4. Expansion of Authority of the Secretariat of the Committee for Deliberation on Safety and Defects of Motor Vehicles

**Government Feedback:** Partially Accepted

**ECCK Future Action:** Closed (Success)

5. HS Code of Semitrailer-Towing Tractors

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

6. Update of Annex of the EU-Korea FTA and UK-Korea FTA

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

7. Recognition on Korean Motor Vehicle Safety Standards for EU Type Approval Vehicles

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

8. Flexibility on Vehicle Width Standards

**Government Feedback:** Not Accepted

**ECCK Future Action:** Readdress

9. Stipulation of the Modification Report in Law

**Government Feedback:** On-going

**ECCK Future Action:** Readdress

10. Revision of Unnecessary Testing Methods Related to Emission/ Noise Certification of Manufactured Motor Vehicles

**Government Feedback:** Not Accepted

**ECCK Future Action:** Closed (Drop)

11. Clarification of Subject for Reporting and Management on Defects of Emission Related Components

**Government Feedback:** On-going

**ECCK Future Action:** Need to Monitor

12. Establishment of the Medium-and Long-term Roadmap for the Low Emission Vehicles Supply Target

**Government Feedback:** Partially Accepted

**ECCK Future Action:** Readdress

13. Clarification of the Calculation Methods for the Achievement Result on the Distribution of Low Emission Vehicles

**Government Feedback:** Accepted

**ECCK Future Action:** Closed (Success)

14. Flexibility in Utilization of Achievement Results in the Low Emission Vehicle Supply Targets

**Government Feedback:** Accepted

**ECCK Future Action:** Need to Monitor

15. Examination of the Designating of 'Used Vehicle Sale Business' and 'Small Volume Automobile Repair Business' as Business Suitable for Livelihood

**Government Feedback:** On-going

**ECCK Future Action:** Readdress

16. Unification of Similar or Duplicated Regulations Related to Motor Vehicles

**Government Feedback:** On-going

**ECCK Future Action:** Readdress

**Beer, Wine & Spirits Committee**1. Improvement of the Standard of Allowance of Testing**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)2. Offering Precise and Detailed Data of RFID System**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)3. Allowing Smart Order for Gifts**Government Feedback:** On-going**ECCK Future Action:** Readdress4. Deregulation of Digital Marketing Guideline on Smart Order**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress5. Reinforcing Regulation on Safety Management by Parallel Importers, Protecting Brand Equity and Clarifying Responsibility**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor6. Change 'Limits on Consumer Prize by Liquor Types' into 'Limits on Consumer Prize by Taxation Types' Based on Sales of the Previous Year**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Drop)7. Sufficient Grace Period and Reasonable Introduction of the Revision of Packaging Related Regulations**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Success)

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**Chemical Committee**1. Technical Barriers to Trade (TBT) Notification on the Amendment and Establishment of Regulations Related to Chemicals**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress2. Redundant Regulations between CCA and OSHA: Chemical Accident Prevention Plan vs. Process Safety Report (PSR)**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Success)3. Redundant Regulation of Import Procedures for Prohibited Substances**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor4. Test Data Regeneration for Existing Chemical Substances**Government Feedback:** Accepted**ECCK Future Action:** Need to Monitor5. Deletion of Tonnage Limits for Quantitative Structure – Activity Relationship (QSAR) Data Submission**Government Feedback:** Accepted**ECCK Future Action:** Readdress6. Detailed Proof for Notification of Hazardous Substance Designation**Government Feedback:** Accepted**ECCK Future Action:** Need to Monitor7. Individual Submission of Application Documents for Substance Approval**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress8. Technical Standard for Approval of Quasi-drugs Transferred from Ministry of Food and Drug Safety (MFDS)**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress9. Delay the Due Date of Active Substance Approval or Reduce Review Period**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress10. Guideline of Effects and Efficacy Success Criteria for Biocidal Product**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress

11. Review of Designation and Management System for Hazardous Chemicals**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress12. Exclusion of Consumer Biocidal Products from Application under the Chemical Control Act (CCA)**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor13. Redundant Requirements Within the CCA: Chemical Statistic Survey Report vs. Designated Hazardous Chemicals Circulation Report**Government Feedback:** Accepted**ECCK Future Action:** Need to Monitor14. Trade Secret Claim on Materials Safety Data Sheet (MSDS)**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress

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**Cosmetics Committee**1. Sufficient Grace Period and Reasonable Introduction of the Revision of Packaging Related Regulations**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor2. Package Recycle Classification Regulation in the Sensible Level**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)3. Labeling and Advertisement of Cosmetics Using Natural Related Claims**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor4. Recognition of Electronic Documents for Free Sale Certificate and Manufacturing Certificate**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)5. Expansion the Inclusion Criteria of Human Applications Test for Help Soften Red Lines Caused by Stretch Marks**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)

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**Fashion & Retail Committee**1. Labelling of Consumer Products**Government Feedback:** On-going**ECCK Future Action:** Readdress2. Safety Testing of Infant Textile Products**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress

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**Food Committee**1. Grace Period for Revised Food Labeling Standards**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)2. Ease the Labeling Standard of 'Natural Flavor'**Government Feedback:** On-going**ECCK Future Action:** Readdress3. Review on Standard of 'Natural Flavor'**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)4. Non-GMO Labeled Products from Overseas**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress5. Extension of the Scope of Permissible Recycled Plastic Resins for Utensils, Containers and Packages of Food**Government Feedback:** On-going**ECCK Future Action:** Closed (Success)

6. Sufficient Grace Period and Reasonable Introduction of the Revision of Packaging Related Regulations**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Success)

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**Healthcare Committee**1. Reforming HTA Guidance to Ensure Better Access to New Medicine for Patients**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress2. Recognition of Value of Global Innovative Medicines Through New Drug Listing Policy**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor3. Reforming Combination Drug Pricing Regulation**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor4. Negotiation Target and Contents for the Agreement of Estimated Amount of Use to the Drugs which Accepted the Upper Limit Amount of Cost that are Excluded of Drug-Pricing Negotiation**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor5. Duplicated Price Containment System of the Drugs Which Can be Extended Scope of Use for National Health Insurance (NHI)**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress6. Predictability, Transparency and Flexibility of Risk Sharing Agreement (RSA) Operation**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress7. Increasing the Drug Accessibility to Rare Disease and Rare Cancer Patients**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor8. Raising Fund for Severe Cancer Patients for Better Drug Access**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor9. Organization of a New Committee Under MOHW to Improve Patient Access on Cell & Gene Therapy in Korea**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor10. Introduction of Evaluation System for Anticancer Drug Benefits Review**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor11. Relaxation of the Requirements and Improvement of the Review Process for Innovative New Drug Substances with Expedited Reviews (conditional approval)**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor12. Drug Price Agreement and Execution Terms During Price Negotiation**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor13. Enhancing Transparency and Clear Role Sharing for National Health Insurance Committee Decisions**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor14. Improving the Transparency on ATP Based Price Cut**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor15. Fair Certification Standards for Selection of Innovative Pharmaceutical Companies**Government Feedback:** On-going**ECCK Future Action:** Readdress16. Participation of Multinational Pharmaceutical Companies in the National Health Insurance Policy Deliberation Committee**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)

17. Criteria for Judging Patentability for Selective Inventions in Korea**Government Feedback:** On-going**ECCK Future Action:** Closed (Drop)18. Mutual Recognition Agreement for GMP and QC Test Requirement with the EU (priority application of vaccines and biological products)**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress19. Reforming National Lot Release System for Imported Influenza Vaccine and its Hazardous Level Evaluation Standards**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress20. Improving the Vaccination Fee Scheme**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress21. Recognizing the Value of Innovative Vaccine Technologies for Public Health**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor22. Grace Period for Post-approval Changes for Pharmaceuticals, etc.**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor23. Replacement of Animal Testing Methods Used for Quality Testing of Biological Products**Government Feedback:** Accepted**ECCK Future Action:** Need to Monitor24. Review of Necessity for Test Items of the Specification and Analytical Procedures of Drug Products that are Additionally Established in Korea**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor25. Improving the Level of Supplementary Requests Related to CMC Review**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Success)26. Separation of the Release Specification and Shelf-Life Specification for Drug Products**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)27. Harmonization of International Standards for Pharmaceutical Equivalence Testing Standards**Government Feedback:** Partially Accepted**ECCK Future Action:** Closed (Success)28. Deletion of Regulations on the Implementation of Re-Evaluation of Drugs**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor29. Unharmonized Clinical Trial Amendment Process and Inconvenience for Applying Variation Separately in the Current Clinical Trial Management System**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)30. Categorizing Regulatory Process and Exemption of Supporting Documents Based on the Risk Assessment of the Regulatory Change**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)31. Permitting E-Signature on the BSE Statement**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor32. Establish a Separate Classification System to Clarify the Management Scope of the Filler**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor

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**Insurance Committee**1. Requesting a Supportive Review on the Proposal for Revision of Insurance Law for the Purpose of Prevention of Inheritance of Debts**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)

2. Release of Standardized Repair Cost and Hours of Imported Cars**Government Feedback:** On-going**ECCK Future Action:** Readdress3. Improvement of Full Payment System in Bodily Injury II for Medical Expenses**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor4. Inclusion of Insurance Company to the Notification Subject of Repair Estimates**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)**Intellectual Property Rights Committee**1. Lack of Cooperation on IP Enforcement**Government Feedback:** On-going**ECCK Future Action:** Closed (Drop)2. Ineffective Sentencing of IP-Related Crimes**Government Feedback:** On-going**ECCK Future Action:** Readdress3. Border Seizures**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress4. Annual Report on Seizure of Counterfeit Products at Customs**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress5. Expansion of EMS projects**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress6. Designation of Special Judicial Authority to Local Government Officials**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress7. Open Sale of Counterfeit Products**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)8. Enforcement Against Similar Marks**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)9. Stakeholder Cooperation on Online Enforcement**Government Feedback:** On-going**ECCK Future Action:** Readdress10. Copyright and Royalties**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor11. Standard Essential Patents**Government Feedback:** On-going**ECCK Future Action:** Readdress12. Ambiguity as to Interpretation of Legislation Related to Control of Technology Export**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor13. Damage Calculation Methods**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress**Kitchen & Home Appliances Committee**1. Improvement of the Labeling Requirement for Domestic Pressure Cooker**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)2. Converting KC Certificate into Electronic Document**Government Feedback:** On-going**ECCK Future Action:** Readdress

**Logistics & Transport Committee**1. Port-Mis Operational Secloding Reporting**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor2. Ocean Tariff Reporting for Korean Export/Import/Transit Cargo**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress3. Multimodal Transport Companies to Operate as Customs Brokers**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress4. Direct Shipment Requirement – General**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)5. Direct Shipment via Transit Hubs/Change of Mode of Transportation**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)

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**Marine & Shipbuilding Committee**1. Practice of the Lowest Price Bidding System in Domestic Shipyards**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress2. Scope of Suppliers' Compensation for Consequential Damages**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)3. Required Consent for Offshore Wind Projects**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)**Aerospace & Defence Working Group**1. DAPA Offset Policy Guidelines – Article 13 Related to Liabilities for Extension**Government Feedback:** On-going**ECCK Future Action:** Readdress2. DAPA Offset Policy Guidelines – Article 14 Related to Offset Performance Bond**Government Feedback:** Partially Accepted**ECCK Future Action:** Readdress

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**Energy & Environment Working Group**1. Direct LNG Import Request from Companies Using City Gas NG**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor2. Direct Contract Between KOGAS and Industrial Gas-Chemical Companies for NG Purchasing**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress3. Measuring Instrument Verification of EV Charging Stations**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)4. Plug Type of EV Charging Station**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)5. Ease Regulations Regarding Licenses for Handling of Radioisotopes (RI License)**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor6. Clean Energy Production Through Fuel Flexibility and Enhanced Efficiency**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress

7. Amendment of REC Price Scheme**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor8. Differentiation of REC Price between Local and Imported WTGs**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress9. Centralized Permit Process for Renewable Energy**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor10. PPA (Power Purchase Agreement) Contract Discrimination**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress11. Financial Support for Renewable Energy: Limit of Current REC**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress12. Energy Efficiency in Building: G-SEED Certification for Green Buildings**Government Feedback:** Not Accepted**ECCK Future Action:** Need to Monitor

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**Human Resources Working Group**1. Annual Leave Entitlement**Government Feedback:** Implemented**ECCK Future Action:** Closed (Drop)2. Exclusion from Benefits to Small and Medium-Sized Enterprises**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)3. Employment of Personnel with a Disability**Government Feedback:** Partially Accepted**ECCK Future Action:** Need to Monitor**ICT Working Group**1. Cloud Security Assurance Program (CSAP)**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress2. e-Government Standard Framework Preferred Application Agencies**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress3. Application of Foreign Vendor Standard Contract By The Public Agencies**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress

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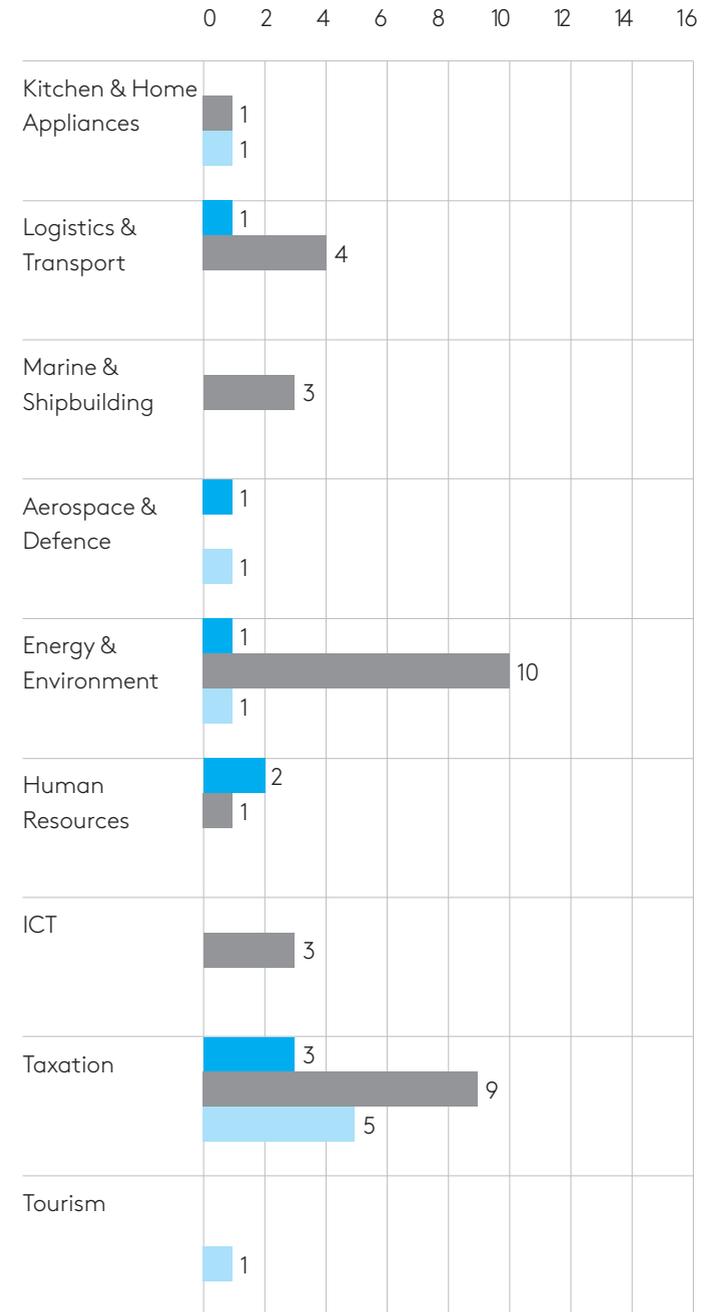
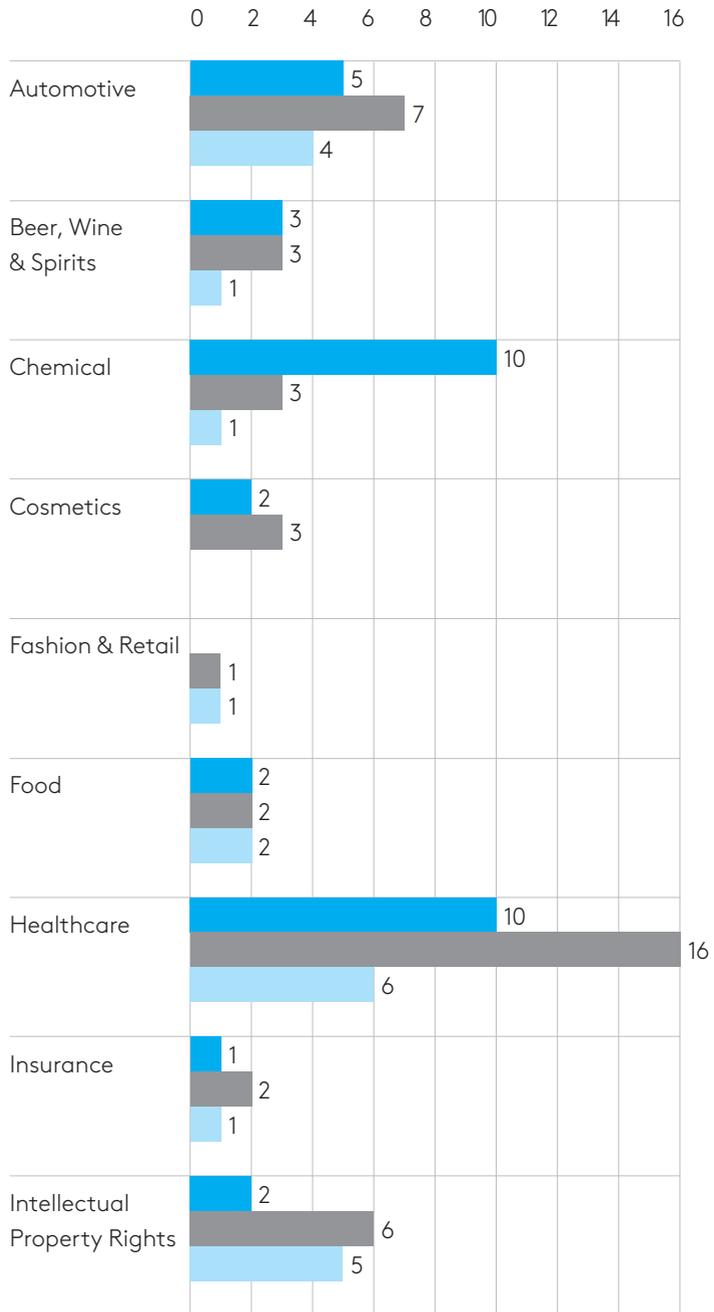
**Taxation Working Group**1. Request for a Deadline Extension of Corporate Tax Return Filing**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)2. Request to Ease Tax Requirements of Salary Income for Foreigner with Regards to COVID-19**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor3. Improving the Convenience and Administrative Efficiency of Individual Income Tax Return Filing & Tax Payment Procedures for Nonresident Partners for Foreign Law Firms**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress4. Creation of a Permanent Establishment (Pe) Due to the Temporary Displacement of Employees Due to COVID-19 Travel Restrictions**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor5. Unclear Audit Period for Documentary Audit**Government Feedback:** Implemented**ECCK Future Action:** Closed (Drop)

6. Tariff Assessment on the Transfer Pricing Adjustment**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor7. The Criteria of Income Classification for Use of Software**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor8. Deductions/Credits for Housing Related Expenses**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)9. Deductions for Overseas Education Fees**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress10. Inclusion of Expenses Occurred Overseas as Global Income Tax Filing Deductible**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)11. Exclusion of Over Par Purchase Bond Cost from Global Income Tax Calculation**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)12. Wht Issue when the Down Payment Paid to a Foreign Corporation is Substituted with Penalty/Compensation**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)13. Application of Transfer Pricing Regulations Under the Law for the Coordination of International Tax Adjustment to Domestic Related Party Transactions**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)14. Deadline for Country-by-Country Reporting Notification Form**Government Feedback:** Not Accepted**ECCK Future Action:** Closed (Drop)15. Clarification of Conditions for Deferment of Collection**Government Feedback:** Accepted**ECCK Future Action:** Closed (Success)16. Public Notice of A List of Foreign Corporations by Category**Government Feedback:** Not Accepted**ECCK Future Action:** Readdress17. (Special) Beneficial Ownership Test for Foreign Entities other than Overseas Investment Vehicles (“OIVs”)**Government Feedback:** On-going**ECCK Future Action:** Readdress

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**Tourism Working Group**1. Improper Application Of Immigration Act, Article 99-3 (Joint Penalty Provisions)**Government Feedback:** On-going**ECCK Future Action:** Need to Monitor

**ECCK White Paper 2020 Government Feedback  
(by Committee/Working Group)**



# ECCK Committee Reports

## Automotive

Changhoon Rim  
Senior Manager,  
Automotive  
Committees

### Key Issue & Recommendation

#### 1. Improvement of Scope of Recalls - Corrective Actions on Unsold Vehicles

According to Paragraph 1, Article 31 of Motor Vehicle Management Act, when any motor vehicle manufactured by a motor vehicle manufacturer has defects such as failing to meet Korea motor vehicle safety standards or hampering safe operations, the motor vehicle manufacturer is required to disclose it to the owner of the motor vehicle and take corrective actions. In other words, a vehicle with an owner must be a subject to corrective actions, however in the case of an imported motor vehicle, the term 'manufacture' is regarded as import (customs clearance), and the motor vehicles which were not sold should follow all legal corrective action procedures as stipulated in the Act once the vehicle is imported. As a result, motor vehicle manufacturers may be obliged to take corrective actions even if all vehicles subject to it, are not yet sold.

#### Recommendation

It is recommended to revise the relevant articles so that the subjects of corrective actions defined in the Article 31 of Motor Vehicle Management Act are the ones to be sold to consumers. In particular, it is necessary to exclude the vehicles from obligations required in corrective actions procedures, such as sending notifications to consumers through mail and announcements in newspaper for motor vehicles which were not sold.

Relevant Act/Regulation Article 31 (Correction of Manufacturing Defects), Motor Vehicle Management Act

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status Retained

#### 2. Establishment of the Specific Cases Which are Excluded from the Calculation of Total Repair Period

Article 47-2 of the current Motor Vehicle Management Act stipulates that if a motor vehicle is repaired at least once and the total period of repair exceeds 30 days, the owner may claim either a replacement or refund to the manufacturer. Currently,

the total period of repair is interpreted as the period from when the vehicle owner requests the repair to when the manufacturer notifies the owner of the completion of the repair. Exceptions to this include inevitable circumstances such as natural disasters, wars, etc. which are determined by the arbitration tribunal.

On the other hand, the criteria for motor vehicles (1-3) in the Settlement of Consumer Disputes notified by the Korea Fair Trade Commission (KFTC) according to the Framework Act on Consumers stipulates that legal holidays, strikes, and natural disasters are excluded from the calculation of total repair period, considering the total repair period as the actual period that was taken for repair.

However, since this regulation is mostly applicable to motor vehicles manufactured in Korea, it is recommended to adopt similar conditions that provide exclusion for motor vehicles manufactured overseas. The period when problems arise in the supply of vehicle parts due to the shutdown of factories, etc. should be excluded from the calculation of total repair period.

Recommendation

It is recommended to exclude legal holidays and weekends from the calculation of the total repair period as on those days workshops are normally closed and therefore it is difficult for manufacturer to proceed repairs during that period. Furthermore, in case of delayed supply deliveries due to inevitable circumstances such as a shutdown of a parts supplier, it is recommended to exclude that period from the calculation of the total repair period. In cases where the manufacturer provides a replacement car of similar quality to the consumers (vehicle owners) during the supply period, it is suggested to exclude such period from the calculation of the total repair period.

Relevant Act/Regulation Article 47-2, Motor Vehicle Management Act

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status Updated

3. Introduction of Application Fees for the Motor Vehicles Exchange/Refund Arbitration

Arbitration can be initiated in a simplified procedure including a free application fee. As a result, multiple arbitration applications have been submitted considered by manufacturers as not justifiable. Therefore, it is necessary to review the arbitration application fee to prevent unnecessary submissions and secure financial expenses for improving the policy operation. On the other hand, in case of a similar system, the arbitration application fee is charged for the medical arbitration to secure basic expenses to professionally resolve disputes.

Recommendation

In order to prevent arbitration applications which are considered by manufacturers as not justifiable, it is recommended to review the introduction of an application fee in the form of stamp duty when applying for arbitration.

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status New

4. Clarification on the Definition of Serious Defects and General Defects

Subparagraph 3, Paragraph 1, Article 22 of the Arbitration Regulations for Motor Vehicles Exchange, or Refund classifies defects that occur in 8 devices and motor vehicle bodies as serious defects and defects that occur in other devices and structures as general defects. However, it does not provide specific criteria for interpretation in practical situations. Due to the ambiguity of standards, unnecessary arbitration application has been submitted.

Recommendation

It is recommended to establish specific criteria for serious defects and general defects based on arbitration cases in the past.

Relevant Act/Regulation Subparagraph 3, Paragraph 1, Article 22, The Arbitration Regulations for Motor Vehicles Exchange, or Refund

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status New

#### 5. Revision of the Scope of Data Submitted by Motor Vehicle Manufacturers

According to Article 33 of Motor Vehicle Management Act, motor vehicle manufacturers submit details of gratuitous inspections and repairs, technical information data, and technical analysis data regarding fire and accident to the Ministry of Land, Infrastructure and Transport (MOLIT) on a monthly basis. The purpose of the Act is for the government to respond preemptively to flaws and defects of motor vehicles expanding the scope of data submitted to the government by manufacturers. However, since currently submitted 'Details of Gratuitous Inspection and Repairs' include cases that are not related to motor vehicle flaws and defects, it is necessary to exclude them or specify the scope of the 'Details of Gratuitous Inspection and Repairs' for submission. For example, the 'Details of Periodic Inspection', which is a required document to be submitted, is not relevant to flaws and defects of vehicles, rather, it covers details on exchange of engine oil or consumables.

'Repair Details of Corrective Measures' and 'Details of Free Repair for Designated Vehicle' are also considered inconsistent with the purpose of the system, as they respectively focus on details of corrective measures for manufacture defects and details of voluntary gratuitous repair by the manufacturer. In particular, the information is submitted in the form of technical information data, which results in duplication of submission.

#### Recommendation

It is recommended to exclude cases that are not related to motor vehicle flaws and defects and revise relevant provisions of the regulation to specify the scope of 'Details of Gratuitous Inspection and Repairs'.

Relevant Act/Regulation Subparagraph 3, Paragraph 3, Article 33, Motor Vehicle Management Act

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status New

#### 6. Application of Flexibility on Vehicle Width Standards

Article 4 of the current 'Rules on the Performance and Standards of Motor Vehicles and Parts' stipulates that the width of a motor vehicle cannot exceed 2.5m. Meanwhile, since the vehicle width standard in Europe is set at 2.55m, buses and some trucks built on a 2.55m width standard from Europe cannot be imported into Korea.

The motor vehicle width standard needs to be examined in connection with the road width standards. Current domestic road width standards are defined from 3m to 3.5m, providing flexibility on the width standard depending on the operation conditions. Given this, it seems technically feasible to give an additional flexibility of 0.05m to the current vehicle width standard of 2.5m, permitting a 2.55m standard, equivalent to that of Europe. In particular, the flexibility for expanding the distribution of environment friendly vehicles, such as electric buses, can be considered in accordance with the recent policy for distribution of environment-friendly vehicles for the improvement of air quality. In this regard, it is recommended to review whether the 2.55m width standard is acceptable for a limited number of vehicle categories such as freight/special motor vehicles, double-decker buses, environment-friendly passenger vehicles, etc.

#### Recommendation

It is recommended to permit a 2.55m width standard for limited vehicle categories such as trucks/special motor vehicles, double-decker buses, environment-friendly passenger vehicles, etc.

Relevant Act/Regulation Article 4, Rules on the Performance and Standards of Motor Vehicles and Parts

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status Retained

#### 7. Approval on Vehicles with New Technologies or Features

There have been cases where the authorities denied approving requests from imported motor vehicle manufacturers for new technologies or features applied to a new motor vehicle in accordance with Article 114-2 of Rules on the Performance and Standards of Motor Vehicles and Parts. The current Article 114-2 of Rules on the Performance and Standards of Motor Vehicles and Parts applies limited standards in permitting new technologies or features compared to Article 6 of Annex 2-C of EU-Korea FTA. It limits the conditions of approval as cases where the new technology/feature is superior to devices required under the existing safety standards or it is necessary to secure safety, whereas Article 6 of Annex 2-C of EU-Korea FTA allows new technology or feature unless it creates a risk for human health, safety, or the environment.

In addition, Article 6 of Annex 2-C of the EU-Korea FTA requires immediate notification of the decision to the other party if one decides to refuse the placing of a product on the market, on the ground that it incorporates new technology or feature. However, motor vehicle manufacturers are not given clear information on whether such notifications are being made.

#### Recommendation

When reviewing to approve new technologies and features to a motor vehicle, it is recommended to prioritize Article 6 of Annex 2-C of the EU-Korea FTA over Article 114-2 of Korea motor vehicle safety standards. Also, for new technologies or features that are exempted from the type approval in Europe, special cases should be granted in Korea. In case the authorities reject the approval of new technologies or features, the decision should be notified to the EU immediately in accordance with the Article 6 of Annex 2-C of the EU-Korea FTA.

Relevant Act/Regulation Article 114-2, Rules on the Performance and Standards of Motor Vehicles and Parts

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)

Recommendation Status New

#### 8. HS Code of Semitrailer-Towing Tractors

During the EU-Korea FTA negotiations, the HS Code of semitrailer-towing tractors was erroneously stated in the Annex 2-C-1 of the EU-Korea FTA. This resulted in the exclusion of semitrailer-towing tractors from the subjects of Annex 2-C (Motor Vehicles and Parts) of the EU-Korea FTA and exclusion of semitrailer-towing tractor from the subject of technical standard equivalence stipulated in Annex 2-C. In case of the safety standard of seat belt anchorage, the standard is included as an item for safety standard equivalence recognition according to Annex 2-C of the EU-Korea FTA. As semitrailer towing tractor is excluded from the subjects of Annex 2-C, it has not been applied as the subject of the provision in the Annex 2-C of the EU-Korea FTA although it can be recognized as satisfying the Korean safety standards if the vehicle satisfies the relevant UNECE standards. This leads to additional cost for the EU automobile manufacturers to develop vehicles that meet the Korean safety standards separately, restricting them from importing vehicles with more diverse specifications to Korea. Due to this factor, it is deemed that the EU automobile manufacturers and Korean customers are not fully benefiting from the FTA.

#### Recommendation

It is recommended to revise the related articles of the EU-Korea FTA to allow semitrailer-towing tractors to be included in Annex 2-C (Motor Vehicles and Parts) of the EU-Korea FTA.

Relevant Act/Regulation Annex 2-C (Motor Vehicles and Parts) of the EU-Korea FTA

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)/Ministry of Trade, Industry and Energy (MOTIE)

Recommendation Status Retained

9. Stipulation of the Modification Report in Law

Paragraph 2, Article 48 of the Clean Air Conservation Act requires automobile manufacturers to obtain a certification when modifying significant matters in the certification of emissions. However, reporting minor modifications that do not influence emissions is not directly regulated in the Clean Air Conservation Act. For this reason, automobile manufacturers that did not report minor modifications are deemed to have violated the certification and can be subjected to criminal punishment. Moreover, unlike domestic manufacturers, imported vehicle manufacturers are exposed to the risk of additional punishment under the Customs Law for violating the duty to report modifications. Since the subject of the modification report is a change that has no impact on the environment, it seems that the proportionality and justification of punishment should be reflected in the punishment standard. On the other hand, other legislations like the Clean Air Conservation Act clearly classify the approval/permit of important modifications and report/registration of minor modifications. Sanctions are differently regulated by punishing violators of the former and imposing fines for the violators of the latter.

Recommendation

It is recommended to regulate the modification report for minor changes separately in the Clean Air Conservation Act and differentiate the modification certification and report in its punishment, by referencing other legislation examples. When no modification certification is made, a penalty can be given and for violation of modification report, fines or measures other than criminal punishment can be given.

Relevant Act/Regulation Paragraph 2, Article 48,  
Clean Air Conservation Act

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status Retained

10. Adoption of Super Credit System to the Fleet Average System for Hydrogen and Electric Vehicles

The Ministry of Environment (ME) regulates emissions of hydrocarbon and nitrogen oxide of manufactured vehicles through the Fleet Average Systems (FAS) in the Clean Air Conversation Act. The Fleet Average System calculates the average value of emitted gas of vehicles sold each year by vehicle types and ensures that the value complies with the established emission standards.

Meanwhile, the current 'Motor Vehicle Average Energy Consumption Efficiency Standards and Greenhouse Gas Emission Standards' and the 'Low Emission Vehicles Supply Target System,' adopt a Super Credit System which calculates the sales volume of zero emission vehicles such as electric and hydrogen vehicles by multiplying certain factor to number of units of vehicles sold when calculating the total number of annual sales. The system is regarded to help motor vehicle manufacturers promote the distribution of environment-friendly vehicles.

Therefore, it seems necessary to consider the adoption of the Super Credit System to the Fleet Average System to allow the calculation of the total number of vehicles sold by multiplying certain factor to the sales number of zero emission vehicles such as hydrogen and electric vehicles. The adoption of the Super Credit System to the Fleet Average Systems can help accelerating the transition to zero emission vehicles by creating synergic effect with other existing systems. In addition, it will help the government to achieve its target of supplying environment-friendly vehicles and the goal of 2050 carbon neutral country in the long term by establishing a favorable environment for distribution of environment-friendly vehicles through non-financial means.

Recommendation

It is recommended to adopt the Super Credit System to the Fleet Average System as the level provided in the 'Motor Vehicle Average Energy Consumption Efficiency Standard and Greenhouse Gas Emission Standards'.

Relevant Act/Regulation Article 50-2, Clean Air Conservation Act

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status New

### 11. Clarification and Harmonization with the International Standard on the Calculation Method of Greenhouse Gas Emission of Medium-to-large Commercial Vehicles

After the adoption of the system for greenhouse gas emission standards of medium-to-large commercial vehicles, a domestic program, named HES (Heavy-duty Vehicle Emission Simulator), for greenhouse gas calculation has been applied. A similar calculation program is being operated in Europe, named VECTO (Vehicle Energy Consumption Calculation Tool). European commercial vehicle manufacturers are concerned that this might act as a potential barrier to importation since there is a possibility that different outcome of greenhouse gas emission is calculated from the identical vehicle model due to differences in HES and VECTO. To secure one of the objectives of the Korea-EU FTA; ensuring full reciprocal market access for both parties, it is necessary to conduct comparative analysis on the result of HES and VECTO so that the new domestic greenhouse gas calculation program (HES) does not act as a barrier to importation of European commercial vehicles into Korea.

In case of incomplete motor vehicles (cargo vehicles without cargo box), vehicle manufacturers are required to input the value of greenhouse gas emission in the status of incomplete vehicles, which is expected to be different with the actual emission in complete vehicles. To calculate emission for the incomplete motor vehicles, a standardized test method (cargo box, selection of payload etc.) that is harmonized with the standard adopted in Europe should be established.

#### Recommendation

It is recommended to improve the HES program by calculating value based on input factors in VECTO and comparing differences of results between HES and VECTO.

In case of cargo trucks which account for a large percentage of domestic operation, it is recommended to report the more realistic value by calculating greenhouse gas emission in the status of complete motor vehicles.

It is recommended to establish an emission calculation method that harmonizes with the international standards such as VECTO in Europe so that import manufacturers can calculate the greenhouse gas emission accurately for cargo vehicles imported in the status of incomplete vehicles.

Relevant Act/Regulation Guidelines for the Application and Management of the Average Energy Consumption Efficiency Standard and Greenhouse Gas Standard for Medium-to-large Commercial Vehicles

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status New

### 12. Timing Improvement of Announcement for the Subsidy Support Standards of Electric Vehicles

The Ministry of Environment (ME) has announced the subsidy support standards for electric vehicles regarding the subsidy amount and subject vehicle models of subsidy support of that year based on the procedure of the project for electric vehicles distribution and the charging infrastructure establishment. However, since the subsidy support standards are announced in that year the subsidy system is applied, motor vehicle sellers are having difficulties in implementing the sales plans for electric vehicle of the year. In case the subsidy support standards are revised unfavorably for vehicles sellers to sell the electric vehicles in that year, there may be insufficient time for vehicle sellers to prepare for a change in conditions which might cause a disruption in implementing the established sales plan of the year. Therefore, it is necessary to announce the subsidy support standards at least 6 months in advance of the corresponding year. In addition, in case a revision of the subsidy standard causes a significant negative impact on sales of electric vehicles, it is necessary to maintain the existing subsidy support standards for a certain period.

#### Recommendation

It is recommended that the subsidy support standards for electric vehicles are announced at least 6 months prior to the year of the subsidy application.

Relevant Act/Regulation Article 58, Clean Air Conservation Act

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status New

### 13. Ensuring the Preparation Period to Achieve the Low/Zero Emission Vehicles Supply Target

A vehicle seller that is required to distribute low and zero emission vehicles should submit a distribution plan for the following year by end of the year. If one does not meet the planned target, a financial penalty is imposed. At least two years of preparation period must be given from the date of promulgation of the supply target plan so that the headquarters of an imported vehicle seller establishes and implements the supply plan in a timely manner. Delay in the promulgation of the supply target undermines the predictability of imported vehicle sellers doing business in Korea and may hamper timely supply of low and zero emission vehicles in the domestic market.

#### Recommendation

It is recommended that the supply target of 3 years (2023-2025) for low and zero emission vehicles be promulgated within 2021 or at the latest by early 2022.

Relevant Act/Regulation Article 58-2, Clean Air Conservation Act

Responsible Authority & Division Ministry of Environment (ME)

Recommendation Status Updated

### 14. Reduction of Time Required to Register Environmentally Friendly Vehicle

To be recognized as environmentally friendly vehicle and receive tax benefits, a vehicle model must be registered in the list that meets standards in Article 4 (Technical Details) of 'Regulation on the Criteria of Environmentally Friendly Motor Vehicles'. In other words, each model of an environmentally friendly vehicle must be directly specified in the regulation and the regulation must be revised each time a new model is registered.

Consequently, it takes about 2 to 3 months from the time of application for registration as an environmentally friendly vehicle to the amendment of notification. This causes difficulties for manufacturers to supply environmentally friendly vehicles (low and zero emission vehicles) in a timely manner. This administrative delay may not be accord with the objective of

national policy which aims to reduce carbon emission as much as possible.

On the other hand, the '2019 Environmentally Friendly Supply Plan' notified by the Ministry of Environment (ME) in February 2019, specified that if the vehicle model which is subject to the subsidy is added, it will be published on the electric vehicle charging station homepage (ev.or.kr) of ME, which flexibly operates by notifying newly registered vehicles that are subject to the subsidies on the homepage.

#### Recommendation

It is necessary to reduce the administrative effort and time required due to frequent amendments of notification when registering models as environmentally friendly vehicles. It is recommended to provide flexible operating methods such as notifications on homepage when a new environmentally friendly vehicle model gets added.

In addition, when amending the Act on Promotion of Development and Distribution of Environmentally Friendly Motor Vehicles, it is recommended to revise the definition of environmentally friendly vehicles prescribed in the Article 2 from the description of "Motor vehicles notified through consultation between the Minister of Trade, Industry and Energy and the Minister of Environment" to "Motor vehicles decided through consultation between the Minister of Trade, Industry and Energy and the Minister of Environment."

Relevant Act/Regulation Article 2 of the Act on Promotion of Development and Distribution of Environment-friendly Motor Vehicles/Article 4 and Article 5 of the Regulation on the Criteria of Environment-friendly Motor Vehicles

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE)

Recommendation Status New

15. Examination of the Designating of the Used Vehicle Sale Business and Small Volume Automobile Repair Business as Businesses Suitable for Livelihood

It is being reviewed to designate the 'Used Vehicle Sales' business and 'Small Volume Automobile Repair' business as businesses suitable for livelihood. If they are designated as businesses suitable for livelihood, it is expected that most of imported vehicle manufacturers including the European manufacturers cannot expand their business in related business areas, leading to a negative impact on customer satisfaction and sales of new vehicles. It is considered that the used vehicle sales business and small volume automobile repair business are related to the safety of vehicles, and support from the headquarters for specialized service and continuous investment is necessary. Also, it is indicated that the restriction for those business areas is not corresponding to the market access provision which is stated in EU-Korea FTA. In this regard, it needs to be considered that business restrictions on the European automobile import companies on such business sectors may cause a trade issue. Moreover, it is considered that the used vehicle sales business and small volume automobile repair business in imported vehicle are not largely engaged with small businesses because it requires the purchase of high-priced vehicle and the substantial investment.

Recommendation

It is recommended to not designate the 'Used Vehicle Sales' business and 'Small Volume Automobile Repair' business as the businesses suitable for livelihood.

Relevant Act/Regulation Special Act on the Designation of Business Suitable for Livelihood

Responsible Authority & Division Ministry of SMEs and Startups (MSS)

Recommendation Status Retained

16. Clarification Needed to Enhance Motor Vehicle Certification Process

When a vehicle manufacturer submits documents related to vehicle certification, there are cases where the reviewed items and review period are inconsistent due to the lack of guidelines and procedures. The review itself is sometimes unduly conservative. To add on, there are cases where interpretation of the regulation and required documents differ depending on persons in charge at the government department, delaying the process. As a result, this delay in the vehicle certification leads to the overall delay in the procedure for sales of vehicles, and it poses a significant challenge to manufacturers.

Recommendation

To ensure consistent interpretation of laws and regulations, it is recommended to implement the transparency of relevant procedures by establishing the clear standards for certification procedures and interpretations, and in particular stipulating the review period clearly.

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT)/Ministry of Environment (ME)/Ministry of Trade, Industry and Energy (MOTIE)

Recommendation Status New

## Key Issue & Recommendation

### 1. Allowing Smart-Order for Gift Purpose

As online liquor purchases are allowed through smart orders, it became more convenient for consumers to buy products at the desired location. The smart order system provides convenience to consumers and it serves as a channel for companies to sell various liquor products produced in small quantities at the same time.

As online sales of liquor by smart order method increase, various consumer demands are emerging. One of them is the smart order of liquor for gift purposes, but according to National Tax Service, current regulations do not allow smart orders when the orderer and recipient are different.

Recently, introduction of the liquor vending machine was suggested to promote the convenience of both consumers and sellers. Considering the fact that age and identification verification are technically possible, there is no reason not to allow smart order of liquor for gift purposes that can maximize consumers' convenience.

#### Recommendation

In order to maximize customers' convenience by reducing direct contact between the seller and recipient during COVID-19 pandemic and to improve features of the smart order system, we suggest to revise or reinterpret current regulations to allow smart orders for gift purposes to the 3rd party recipient.

The age and identification verifications should be conducted when the 3rd party receives the gift. Furthermore, we recommend to introduce a monitoring system similar to the liquor sale record system for Korean traditional liquor sales to prevent smart orders from being used as for other purposes such as proxy purchase.

Relevant Act/Regulation Notice of Delegated Orders Concerning Mail Order of Liquor

Responsible Authority & Division National Tax Service (NTS)  
(Excise Tax Division)

Recommendation Status Retained

### 2. Plan to Expand Liquor Type Subject to Specific Duties

As of January 1, 2020, the standard taxation system of liquor tax for beers and takju has been changed from ad valorem duty to specific duty.

Since the purpose of changing the liquor standard taxation system to specific duty was to 'level the playing field', we believe practicing tax equity on all liquor is the way to fulfill the purpose of this specific duty reform. When application of specific duty was announced in 2019, it was realistically not possible to apply the system to all liquor, and therefore authorities explained that they will apply on beers and takju first and consider applying on other types of liquor after collecting sufficient opinions. However, there has not been enough action to gather opinions or related announcements on expanding specific duties to other types of liquor.

#### Recommendation

For companies engaging in global businesses, reviewing predictability and sustainability of a project takes a big part in managing the business. As the taxation system changes, companies need to modify their business plans and directions, which will have significant impact on deciding whether to export or not. Therefore, we request the authorities to review expansion to other types of liquor as well as to share the long-term plan.

Relevant Act/Regulation Liquor Tax Act

Responsible Authority & Division Ministry of Economy and Finance  
(MOEF)

Recommendation Status New

### 3. Reconsidering Alcohol Level Restriction on Broadcast Advertisements

The alcohol level allowed for liquor advertisement is less than 17% Alcohol by Volume (ABV) according to the National Health Promotion Act. This was first determined by the Enforcement Decree of the National Health Promotion Act enacted in 1995 and was decided considering the ABV of soju and spirits, that were more than 20 at the time intending to promote national health.

1. Soju is the world's best-selling spirits in the world. 98% of domestic spirits are diluted soju, which is 35% of all liquor sales in Korea (IWSR 2020)

2. wto.org/english/tratop\_e/dispu\_e/cases\_e/ds75\_e.htm

However, as the alcohol level for soju<sup>1</sup>, the most representative spirit recently has gone below 17 % alcohol, the majority of soju brands are conducting advertisements, and other high alcohol level products from the same brands are also sharing the benefit.

This phenomenon must be reconsidered from the point of view of national health promotion. Also, it should be considered if fair treatment between domestic goods and imported goods within the same spirits categories are given, in line with the Art. III GATT 1994 which was cited for 1998 WTO dispute case<sup>2</sup>.

Recommendation

In terms of promoting national health and fairness in regulation, we request to review the 17% ABV, which is the limit on advertising alcohol, considering the change in society, market, and products over the past 25 years.

Relevant Act/Regulation Enforcement Decree of National Health Promotion Act

Responsible Authority & Division Ministry of Health and Welfare (MOHW) (Division of Health Promotion)

Recommendation Status New

4. Allow Giveaways to be Promoted Online

According to the Paragraph 2 of Article 8-2 of the National Health Promotion Act "one shall not indicate prizes will be given to consumers to promote the sales of liquor besides informing the product's name, kind, and characteristic of the liquor", it is not allowed to promote or advertise giveaways for liquor products.

On the other hand, the 'Liquor Tax Act – Notice of Delegated Orders on the Establishment of Liquor Trader Order' allows liquor giveaways and sets the value and total limit accordingly. It also allows providing liquor cooling bags for quality maintenance without being affected by the value limit. Under the limit on gift amounts, companies plan to provide cups, bottle openers, and other related goods as gifts to customers. However, companies have not been able to effectively provide the benefits to customers as it is not allowed to promote the relevant information. In addition,

the standard of providing prizes or money is unclear, making it difficult for the liquor companies to set the direction of marketing and promotion.

Recommendation

We request clarification on the criteria for 'providing gifts and gifts to promote the sales of alcoholic beverages' so that legally operating alcoholic beverage companies can set a predictable business direction. In addition, we request that the relevant laws be amended so that consumers can receive benefits within the limit of prizes allowed by the Liquor Tax Act.

Relevant Act/Regulation National Health Promotion Act

Responsible Authority & Division Ministry of Health and Welfare (MOHW) (Division of Health Promotion)

Recommendation Status Updated

5. Reconsidering Applying Different Unit Prices for Packaging Material Recycling Contribution for Products Exempt from Recycling Grade Indication

According to the 'Plan for Application of Different Cost Contributions Based on Recyclability of Packaging Materials in 2021' announced by the Packaging Materials Association and the Korea Recycling Resources Distribution Support Center, wine and whisky items that fall under the 'exempt from indication of assessment results' among packaging materials that are difficult to recycle, a 20% surcharge is to be applied to the unit cost of the contribution.

In cases of wine and whisky, which got exempted from indication of assessment result since the special bottle colours and functional bottle caps were recognized as unavoidable packaging methods and package materials for quality maintenance and food safety purposes. However, this resulted in further burden in terms of contributions, compared to other packaging materials graded 'difficult'.

Especially in the case of whisky, those are special devices to prevent sales of counterfeit whisky, therefore if these devices are removed to meet the recyclable grade according to the authority's standards

for packaging materials, there could be a serious safety issue for consumers and could be abused for tax evasion purposes.

Recommendation

Although packaging materials of wine and whisky may have inconvenience in terms of 'recyclability', they got exempted from indication of recyclability because of their greater social benefits. In this regard, we suggest to be allowed at least to pay the same amount of contribution as other 'difficult' graded packaging materials.

Relevant Act/Regulation Act on Promotion of Saving and Recycling of Resources

Responsible Authority & Division Ministry of Environment (ME)  
(Resource Recycling Department)

Recommendation Status New

6. Reinforce of Consumer Safety Management and Strengthen of Responsibility for Parallel Imported Foods

Due to the active parallel import and overseas direct purchase systems, the number of parallel imports and overseas direct purchase of alcoholic beverages has increased significantly recently. As a result, the number of goods that do not comply with regulations and threaten consumer safety increases, and illegal and anomalous trade behaviors are found in the market.

For some parallel imported goods, there are cases of violating the Korean labelling rules of the Ministry of Food and Drug Safety (MFDS) and other eight ministries, and errors have been found in the registration of manufacturing factories and submission of product ingredient certificates in the pre-import declaration process. Also, product safety problems due to the lack of product liability (PL) threatens consumer's safety, and the responsibility for product defects is unclear that it harms brand awareness and makes it difficult for the companies owning the trademarks to manage the brand assets.

Overseas direct purchases for personal consumption also seems to be the blind spots posing a risk to consumer's safety as products

that are not properly inspected or containing forbidden ingredients are released into domestic market.

Recommendation

We request continuous management and verification of registration of overseas manufacturing facilities under Article 2 and import declaration of imported food under Article 27 in the Enforcement Rule of the Special Act on Imported Food Safety Control.

Furthermore, it is suggested continuous verification of compliance with Korean labelling and violation of regulations according to the Act on Labelling and Advertising of Foods. Especially, if there are consumer complaints or safety problems in the domestically distributed parallel imported products, we believe institutional measures to protect consumers during import declaration, such as subscription to product liability (PL) insurance, should be equipped in order to hold parallel importers accountable.

As it is hard to secure safety in cases of overseas direct purchases for personal consumption due to the lack of a formal import declaration process, we request strict monitoring and measures for abnormal purchase patterns.

Relevant Act/Regulation Act on Labelling and Advertising of Foods / Enforcement Rule of the Special Act on Imported Food Safety Control

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Imported Food Policy Department & Import and Distribution Safety Department)

Recommendation Status Retained

7. Allowing Full E-Commerce of Alcoholic Beverages

Despite the relative maturity of the country's retail e-commerce market, online sales of beer, wine and spirits barely contributed to the growth of e-retail—even as consumer demand and the COVID-19 pandemic which prompted the need for physical distancing and other restrictions. Current regulations restrict the e-commerce of alcohol. There is great, untapped potential for the e-commerce of alcohol in terms of shoring-up the economy and creating jobs.

Full alcoholic beverage e-commerce is permitted in many markets around the world—regulated under similar provisions as existing brick-and-mortar retail channels with regards to licensing and responsible service. Among the member-economies of the Organization for Economic Cooperation and Development (OECD), only South Korea and Poland prohibit the online sale and delivery of alcohol. The government amended existing laws to establish and enable the Smart Order program. While this established the foundation for full e-commerce of alcoholic beverages in the Korean market, it has been limited by the disconnect to delivery service.

In Asia, South Korea lags behind other mature economies who have gained from e-commerce by enabling online sale of alcohol through regulatory certainty and lack of overly burdensome alcohol e-commerce specific regulations. Alcohol e-commerce is not detrimental to traditional retail channels. Brand relationships fostered through each channel can supplement the other. As the popularity of e-commerce shopping continues to grow, the industry's product lines are diversifying, and competition is increasing.

COVID-19 has emphasized the need to take a more serious look at e-commerce and allow flexibility to drive economic activity—even more pertinent as the effects of the pandemic could linger for years to come. Pivoting to e-commerce would give traditional retail/on-trade outlets the opportunity to keep business activity going, even amidst pandemic-related restrictions are in place. This in turn, would protect jobs, create new employment streams and keep the economy afloat. E-commerce is also consistent with the COVID-19 risk management protocols recommended by health experts, even as businesses cater to consumer demand and changing consumption behaviors.

While regulations vary, many governments have pushed for liberalization and harmonization of alcohol e-commerce regulations to support local businesses. This includes elimination of discrimination and regulatory barriers to e-commerce, as well as take-away and delivery being made permanent. An appropriately regulated online alcohol sales and distribution channel would provide Korean consumers, retailers (including smaller and traditional businesses), and government material benefits, such as increased consumer choice and convenience, transparency in tax revenue and compliance, promoting responsible alcohol consumption and reducing public health risks. Further, fit-for-purpose regulations on

alcohol e-commerce can be incorporate responsibility in terms of sale and delivery through processes such as age verification and identification checks.

Recommendation

The ECCK proposes engagement and discussion with the industry in order to review existing regulations and identify a solution to allow for full e-commerce of all alcoholic beverages (i.e. beer, wine and spirits). This would let consumers continue to purchase liquor, sustaining business and economic growth while managing public health risks amidst the COVID-19 pandemic. Post-pandemic recovery will necessitate innovation that enables businesses to grow and harnesses consumer spending within a context of managing public health risks. With technological infrastructure currently place, concerns with regards to age verification and responsible consumption can be addressed though constructive engagement between government and the private sector.

Relevant Act/Regulation Liquor Tax Act, Notice on Sales of Liquor by Telecommunication Means

Responsible Authority & Division National Tax Service (NTS) (Excise Tax Division)

Recommendation Status New

## Key Issue & Recommendation

### 1. Fulfillment of Obligation to Notify Technical Barrier to Trade (TBT) Pursuant to WTO Agreement

In the case of cosmetics, pharmaceuticals, and electrical and electronic products, TBT notifications have faithfully made when enacting or/and revising relevant regulations and laws, and at least 60 days are given to collect opinions accordingly. For example, about 70 legislative and administrative announcements related to chemical regulations and laws occurred from January 1, 2020 to June 18, 2021, but only 3 cases were made in TBT notifications, which is 4.3%. This is a low figure compared to those 5 cases completed in TBT notification out of 14 legislative and administrative announcements related to cosmetics, which is 35.7% during same period.

Overseas stakeholders can adequately access domestic regulations changes and secure formal channel to submit their opinions to the relevant governments and agencies through the TBT notification. In particular, the chemical industry greatly needs TBT notification regarding domestic regulations affecting the import, manufacturing, labeling and testing standards of chemical substances/products given that the highly advanced and sophisticated global supply chain.

However, when it comes to the chemical regulations, the opinions from overseas stakeholders are not collected since the TBT notification has poorly carried out. Even if the TBT notification is in progress, many foreign stakeholders cannot review sufficiently due to the short comment period, which is usually 20 days. This will lower the transparency of the agreed international trade regulatory environment and come into a major risk factor for the domestic chemical market since the domestic regulations are not globally harmonized.

#### Recommendation

We recommend for each government agency to implement followings in order to strengthen the transparency of regulatory environment among WTO member countries.

- i. To fulfill TBT notification in good faith when enacting or revising the regulations and laws affecting registration, evaluation,

approval, safety confirmation, contents criteria, test methods and standards, classification and labeling, import procedures, MSDS submission and trade secret claims for chemical substances products (including active substances, biocidal products, household chemical products).

- ii. To give a reasonable comment period, at least 60 days prior to legislative amendments and 40 days for administrative enactment revision regardless of domestic or overseas stakeholders.

Relevant Act/Regulation Article 2 of WTO Agreement on Technical Barriers to Trade

Responsible Authority & Division Ministry of Environment (ME) (Chemical Policy, Chemical Products and Biocides, Chemical Safety Divisions) / National Institute of Environmental Research (NIER) (Risk Assessment, Chemicals Research Divisions) / Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status Updated

### 2. Confirmation of Chemical Substance Information Communicative Organization Members when Lead Registrant Submits Joint Dossier According to K-REACH

The National Institute of Environmental Research (NIER) has asked a Lead Registrant (LR) to confirm whether all Chemical Substance Information Communicative Organization (CICO) members will register and to complete 'Joint registration CICO approval' on the system when submitting joint dossier.

The LR is forced to submit the official statement of reason why the certain CICO member does not register if 'Joint registration CICO approval' is not completed via the system by the NIER.

But the LR cannot confirm the registration of CICO members at the moment when submitting joint dossier because CICO members will decide their own registration later depending on the classification and hazard test result of substances, final cost and grace period etc.

As the joint dossier will be automatically transferred to CICO members upon 'Joint registration CICO approval', the LR cannot approve the joint registration even for active members or CICO members manufacturing importing 1,000 tpa without payment settlement when submitting joint dossier.

Recommendation

We recommend the NIER not to review the CICO members' approval status for joint registration since the approval of each CICO member was considered as parts of CICO operation and suggest the following alternatives to be implemented:

- i. Confirmation and approval of CICO members for joint registration should be exempted from NIER's review when LR submits joint dossier as joint registration should be operated autonomically per CICO.
- ii. The automatic transferring of joint dossier to CICO members should be separated from 'Joint registration CICO approval' if LR should complete 'Joint registration CICO approval' for CICO members when submitting joint dossier.

Relevant Act/Regulation Article 15 of Act on Registration, Evaluation, etc of Chemicals / Article 17 of Enforcement Rule of Registration, Evaluation, etc of Chemicals

Responsible Authority & Division National Institute of Environmental Research (NIER) (Risk Assessment Division)

Recommendation Status New

3. Ease off Permission Procedures when Changing Mosquito Repellent's Scent

Mosquito repellents are quasi-drugs and required to have the Ministry of Food and Drug Safety (MFDS)'s approval after submitting safety and efficacy data. A product referring to the Quasi-drug Standard Manufacturing (QSM) have been exempted from submission of the data if its active ingredient, specification, quantity etc. are same to the other approved products.

In the past, safety and efficacy data were not required to submit

when only the scent from the already approved mosquito repellent was changed. However, due to the regulatory change in 2019, safety and efficacy data must be submitted even though the scent is only changed from the previously approved product or even if the product meets the QSM.

Although ingredients that have been used before in Korea as ingredients in existing fragrance are to be exempted from the safety and efficacy review, the MFDS does not provide a database for ingredients previously used.

In order to change to a new fragrance that has not used before, the efficacy and toxicity data needs to be prepared for the final product for one fragrance variant and undergo a safety and efficacy review.

Recommendation

We recommend that the submission of safety and efficacy data for the final product formula is exempted when changing fragrance from the previously approved mosquito repellent.

For other quasi-drugs that have already been registered, the submission of safety and efficacy data is exempted when only the fragrance is changed.

In the EU, if only fragrances or colors are different, it can be released without notification to the authorities, and in the US, if a fragrance is changed to an inactive ingredient list (1,538 types), a quick review is conducted.

Relevant Act/Regulation Article 21 of Regulations on Permission .Notification-Examination of Quasi-drugs (MFDS Public Notice No. 2021-13) / Quasi-drugs Standard Manufacturing (MFDS Public Notice No. 2018-14)

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Quasi-Drug Policy Division)

Recommendation Status New

4. Exemption for Surface Treated Substance from Hazards/Dangers Investigation Report under Occupational Safety and Health Act

Surface treating exemption is possible in case of falling under the criteria in Article 11 Clause 1.6 'Act on Registration, Evaluation, Etc. of Chemicals (K-REACH)' whereas 'Occupational Safety and Health Act (K-OSHA)' requires registering a surface treated substance which is a new chemical. Due to discrepancy of exemption clause, it is inevitable to perform toxicological studies and to submit reports on investigation of harm/danger of new chemicals under the Article 147 of K-OSHA in order to secure marketability in domestic.

Since surface treating is a chemical reaction between the functional groups only on the surface of a macroscopic particle with a surface treating substance, this kind of modification means a reaction of only a minor part (surface) of a macroscopic base material with the surface treating substance. As considering that most of the macroscopic base material is unmodified, there are several overseas jurisdictions where surface treating exemption were introduced as so do domestic law K-REACH.

Recommendation

We recommend to amend Article 150 Paragraph 1 of K-OSHA's enforcement rule by adding '4. When new chemicals which are surface treated' in order that those who get a notice about confirmation of exemption from chemicals registration from the environment minister under the Article 11 of the K-REACH shall be thought to have gotten confirmation following the Article 150 of K-OSHA's enforcement rule.

Relevant Act/Regulation Article 150 of Enforcement Rule of Occupational Safety and Health Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status New

5. Liable Person for Material Safety Data Sheet (MSDS) Obligations on Chemical Products of Consignment Manufacturing (OEM, ODM)

According to the answer from Korea Occupational Health and Safety Agency (KOSHA) through E-people (official recommends for interpretation of administrative affairs) with the definition of 'Manufacturer' on MSDS for the products manufactured by consignment (Original Equipment Manufacturing, OEM), Original Development/Design Manufacturing, ODM), it was confirmed that the fulfillment of the obligation should be performed only by the consignee (contract manufacturer).

In the case of many consignment manufacturing methods, detailed composition information is not shared with the consignee manufacturer, and in some cases, the consigned manufacturer's information is a trade secret that is not disclosed to the outside.

Considering the practices of other laws with the interpretation of manufacturer in consignment manufacturing, the consignor should be the subject of MSDS submission, CBI non-disclosure claim and filled in manufacturer on MSDS.

Recommendation

We recommend to provide clear guideline for the definition of the manufacturer which the consignor manufacturer is supposed to be the subject to be liable for MSDS obligations such as MSDS submission and CBI non-disclosure claim and instead of consignee manufacturer on MSDS by referring other laws.

• Common Rules of Value-Added Tax Act §.2-4-3.

In case that the product is directly planned, the raw materials are provided by consignor, the product is manufactured under consignor's name, and the product is sold under consignor's responsibility, the consignor is also recognized as a manufacturer.

• Designation and Safety Labeling Standards of Consumer Chemical Products subject to Safety Confirmation (ME Public Notice No.2020-117) §.2

The consignee can't be manufacturer and the consignor is liable for the Safety confirmation.

Relevant Act/Regulation Article 110 of Occupational Safety and Health Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status New

#### 6. MSDS Number Interlocking on IT System: MSDS Obligations for Products Contained Confidential Raw Materials

MSDS number use-interlocking function between Raw Material (RM) suppliers and downstream users was introduced in MSDS system, but it has been blocked currently. This function is urgently required given the circumstance that domestic manufacturers are inevitably forced to ask for full composition of RM so as to fulfill MSDS obligations towards their own finished or formulated products (FP). On the other hands, RM suppliers or overseas manufacturers are not possible to provide it due to the trade secret.

Moreover, overseas suppliers-manufacturers are continuously recommended to disclose full composition of non classified RM, which is not liable to MSDS obligations, by domestic manufacturer or FP importer ("Downstream Users" for RM supplier) so that they can submit or/and apply trade secret for their own products.

Full composition is confidential business information (CBI) and overseas companies cannot disclose it, so Downstream Users business in Korean market will be severely damaged once grace period is finished.

#### Recommendation

We recommend that the RM suppliers' MSDS number should be used and linked to the Downstream Users' MSDS through the IT system so that the domestic manufacturers can prepare and submit their MSDS without asking for the RM suppliers to disclose full composition of its products which is recognized as trade secrets.

We also suggest this function should be worked when importers or Only Representative (OR) complete their MSDS obligation by submitting Letter of Confirmation (LOC) without submitting full composition of its products.

RM suppliers' MSDS itself has to be used or linked to the Downstream Users if the MSDS number interlocking function has difficulty to implement through the IT system in near future.

Relevant Act/Regulation Article 161 and 162 (7) of Enforcement Rule of Occupational Safety and Health Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status New

#### 7. Grace Period of MSDS Submission

In accordance with the K-OSHA which implemented since Jan. 16, 2021, MSDS should be prepared and submitted to the Ministry of Employment and Labor (MOEL) before importing and manufacturing for chemicals and mixtures. However, a person/company which prepares or changes MSDS before the enforcement date of the amended OSHA is granted a grace period not to exceed 5 years as follows:

For chemical/mixture subject to MSDS preparation for importing and manufacturing,

- 1) January 16, 2022: more than 1,000 tpa
- 2) January 16, 2023: below 1,000 tpa and more than 100 tpa
- 3) January 16, 2024: below 100 tpa and more than 10 tpa
- 4) January 16, 2025: below 10 tpa
- 5) January 6, 2026: below 1 tpa

However, grace period is meaningless if the gap for quantity band exists between Raw Material (RM) suppliers' importation and domestic end user (manufacturer)'s production volume. (e.g. when RM supplier imports 0.1 tpa and domestic end user (manufacturer) manufactures more than 1,000 tpa, the manufacturer asks for the RM supplier to update MSDS according to their quantity basis, so RM supplier should update MSDS regardless of given grace period.)

#### Recommendation

We recommend to apply the grace period based on import quantity of raw material considering of the chemical and its mixture supply chain flow.

Relevant Act/Regulation Addendum Article 7 of Occupational Safety and Health Act / Addendum Article 9 of Enforcement Rule of Occupational Safety and Health Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status New

#### 8. Exclusion for Small Quantity R&D Sample from MSDS Trade Secret Approval

Documents related to MSDS trade secret approval should be submitted even for small R&D sample without exemption.

The review and approval of MSDS non-disclosure should be completed within 2 weeks, but actually it prolongs up to 1-2 months due to the consecutive supplementation orders by the Occupational Safety and Health Research Institute (OSHRI).

R&D sample should be delivered to user promptly or at least in time, however the excessive administrative and bureaucratic process obstacles the users to secure even small R&D sample in time.

Even more, overseas company would not provide full composition for small amount (100~200g) of R&D sample which is recently developed and not commercialized yet. This situation will obstacle for the overall R&D in domestic chemical industry.

#### Recommendation

We recommend to replace the trade secret approval procedure into simple reporting via the MSDS system for the R&D sample below 100kg.

Relevant Act/Regulation Article 112 of Occupational Safety and Health Act / Article 162 of Enforcement Rule of Occupational Safety and Health Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL) (Chemical Accident Prevention Division)

Recommendation Status New

#### 9. MSDS Trade Secret Approval: Acceptance of Classification Based on Scientific Evidence

The Occupational Safety and Health Research Institute (OSHRI) considers that no tested chemical is not-classified, however, there are chemicals which have been classified based on scientific background.

Inseparable chemical can be classified based on scientific prediction data since it cannot be tested solely. (e.g. if inseparable chemical is generated in reaction mixture, its classification can be estimated by whole reaction mixture testing result against known-chemicals classification).

Relevant Act/Regulation Article 104 and 110-116 Occupational Safety and Health Act / Standards for Classification-Labeling of Chemical Substances and Material Safety Data Sheet (MOEL Public Notice No. 2020-130)

Responsible Authority & Division Occupational Safety and Health Research Institute (OSHRI) (Chemical Substance Evaluation Department 1)

Recommendation Status New

#### 10. Phase-Out Period During Approval of Biocidal Product

According to Article 3, Paragraph 1, item 2 of the addendum of the K-BPR, the biocidal product can be manufactured and imported within one year although the contained active substances are prohibited or canceled their designation as existing active substances during the approval process of active substance.

During the approval process of biocidal products, there may be cases in which approval much be revoked for reasons such as excessive data purchasing cost or insufficient efficacy data, etc. However, there is no phase out period for in-market product and it is impossible to retrieval in-market product immediately.

Under the EU BPR, there is a 180-day phase-out period in case the biocidal product approval is revoked.

Recommendation

We recommend to add the phase-out period to the addendum and allow to manufacture, import and sell biocidal products within one year from the date of cancellation if the biocidal product, in which all active substances contained in the product are existing active substances, is canceled during its approval process of biocidal products.

Relevant Act/Regulation Addendum Article 3 of Act on Safe Control of Common Household Chemical Product and Biocides (K-BPR)

Responsible Authority & Division Ministry of Environment (ME) (Chemical Product and Biocides Division)

Recommendation Status New

11. Excessive Regulation of Household Disinfectant Product Managed under K-BPR

According to the revised public notice of 'Designation and Safety Labeling Standards of Consumer Chemical Products subject to Safety Confirmation' in July, 2021, an additional mandatory precaution for use related to detergent-disinfectant was required. 'Do not mix with other products as it may cause fatal damage to the human body.' should be indicated on product labeling.

The meaning of fatal damage implies the meaning of death, which may cause misunderstanding to consumers. In particular, as a multi-purpose disinfectant, laundry detergent and antibacterial claimed products are not damaged even if they contact with the skin after washing with water.

In overseas countries such as Europe, precautions for use are indicated according to the UN GHS hazard classification standard, and there are few household chemical products that label 'fatal damage' according to the GHS standard.

Recommendation

We recommend to exclude the products without a fatal-related content according to the UN GHS hazard classification in the safety data sheet from obligatory labeling requirements of 'fatal related precaution'.

Relevant Act/Regulation Attached Table 5 of Designation and Safety Labeling Standards of Consumer Chemical Products subject to Safety Confirmation (ME Public Notice 2021-150)

Responsible Authority & Division Ministry of Environment (ME) (Chemical Product and Biocides Division)

Recommendation Status New

## Key Issue

### 1. Development of Various Eco-Friendly Packaging and Recycling Industry

Recently, as interest in environmental issues has increased, companies are making various efforts to develop eco-friendly packaging such as the use of recycled materials (Post Consume Recycled, PCR), the use of biodegradable plastics, and the development of refillable containers. PCR plastic containers are eco-friendly resins that are focused on reusing them in the form of raw materials after consumers use/discard them, and they are also the packaging which reuse waste in a high level of efficiency. These PCR plastic containers are eco-friendly packaging which have the effect of reducing carbon emissions. Also, the usage of virgin plastic can be reduced.

However, due to low recyclability after use, some packaging using PCR fall on 'difficult to recycle' grade when evaluated according to relevant Korean regulation. This is because the recyclability of packaging differs from countries depending on the industry of each country. In addition, such packaging should be labelled as 'difficult to recycle' according to the Korean regulation, which can give consumers a negative impression even though they are eco-friendly.

#### Recommendation

It is recommended not only to introduce various regulations to protect the environment but also to develop Korea's recycling industry, so the material/structure criteria for 'difficult to recycle' grade of the 'Packing Material Recyclability Grade Standard' could be eased. It is also recommended to encourage companies to develop eco-friendly packaging in more diverse ways by exempting the labelling of 'difficult to recycle' for eco-friendly packaging.

For instance, exempting labelling of 'difficult to recycle' for packages made of PCR along with proof from companies and for refillable containers.

Relevant Act/Regulation Article 9-3 of the Act on the Promotion of Saving and Recycling of Resources/ Article 3-4 of the Enforcement Rule of the same Act, Article 5 (Exceptions on the display of assessment result) of Packing Materials-Structure Grade Display Standards

Responsible Authority & Division Ministry of Environment (ME) (Resources Recycling Division)

Recommendation Status: New

### 2. Provision of Sufficient Grace Period and Reasonable Introduction of Amendments to Packaging- Related Laws and Regulations

According to the revised 'Guidelines on Separate Disposal Indication Labelling', the guidelines will be applied from January 1, 2022, and January 1, 2024 for existing products. This applies to all products, except special drugs with an expiration date of 36 months or longer, etc., which the Minister of Environment recognizes as an exception and can set a separate enforcement period.

Changes in packaging labelling have a significant impact on the design and development stage of products, and there are cases in which significant design changes are necessary depending on the size of the material and packaging material. In the case of imported products imported as finished products, it takes more time than domestically manufactured products to change packaging and labelling because the cooperation of the exporting country manufacturer is required.

#### Recommendation

A grace period of at least two years is required so that companies can take practically appropriate measures in accordance with the revision of the laws related to label change.

Relevant Act/Regulation Promotion of Saving and Recycling of Resources Act / Enforcement Decree of the Promotion of Saving and Recycling of Resources Act / Guidance on Separate Disposal Indication Labelling

Responsible Authority & Division Ministry of Environment (ME)  
(Resources Circulation Policy Division)

Recommendation Status New

### 3. Introduction of an Integrated Operating System on the Effective Date when Labelling is Changed Due to the Revision of Packaging Related Laws

As interest in environmental protection is growing and related laws are scheduled to be amended to implement effective recycling policies to protect the environment, revisions requiring various environmental policy-related label changes are being carried out with different enforcement dates.

Examples: 1) Standards for Rating of Packaging Materials and Structures (Enforced on March 24, 2021), 2) Administrative notice of guidelines on separate disposal indication labelling (Scheduled to be enforced on January 1, 2022), 3) Proposal (Representative Yoon Mi-Hyang, Representative Lee Soo-Jin) newly to make amendments to the Promotion of Saving and Recycling of Resources Act to indicate the packaging space proportion, 4) Announcement of Legislative Notice of Amendment to the Promotion of Saving and Recycling of Resources Act and Sub-Acts of the Ministry of Environment (February 16–March 29, 2021); New proposal based on thickness, colour, and weight ratio of packaging materials.

Due to the amended regulations, unavoidable replacement of packaging materials may cause cost increases and disposal of existing packaging materials, so it is necessary to integrate enforcement date of various revisions in the operating system.

#### Recommendation

In the event of a change in labelling due to the revision of packaging-related laws, an integrated operation system for the effective date should be introduced to prevent the cost increase due to packaging material replacement and allow companies to come up with alternative solutions that can reflect environmental regulations as a one-stop shop.

Relevant Act/Regulation Promotion of Saving and Recycling of Resources Act / Enforcement Decree of the Promotion of Saving and Recycling of Resources Act / Standards for Rating of Packaging Materials and Structures / Guidance on Separate Disposal Indication Labelling

Responsible Authority & Division Ministry of Environment (ME)  
(Resources Circulation Policy Division)

Recommendation Status New

### 4. Timing of Evaluation of Packaging Material and Structure

In accordance with Article 9-3 Paragraph 2 of the Act on the Promotion of Saving and Recycling of Resources and Article 3-3 Paragraph 1 and 2 of the Enforcement Rule of the same act, companies should conduct a packaging evaluation according to the packing materials and structure and recyclability evaluation standard and the evaluation result should be submitted to the Korea Environment Corporation (KECO). In case of importers, it is necessary to conduct the evaluation and submit the result before customs clearance. But it is difficult to evaluate packaging accurately without actual packaging.

#### Recommendation

It is recommended to allow companies to conduct the packaging evaluation and submit the result to the Korea Environment Corporation (KECO) prior to market release rather than prior to manufacture and import of packaging, so that companies' difficulties can be resolved, and accurate evaluation can be ensured.

Relevant Act/Regulation Act on the Promotion of Saving and Recycling of Resources and Enforcement Rules

Responsible Authority & Division Ministry of Environment (ME)  
(Resource Recycling Division)

Recommendation Status New

#### 5. Relaxation of Standard for the Quality Structure and Recyclability of Packing Materials

The Annex 1 of the Ministry of Environment (ME)'s notification 'Packing Material Recyclability Grade Standard' establishes detailed standards of materials and structure for each packing material. In case of glass bottle packaging, it falls on 'difficult to recycle' grade if there's any non-separable cap and miscellaneous component from body. But, for some product types, it is difficult to improve packaging materials and structure for some reasons such as maintaining product quality and preventing counterfeit products (e.g. prevention of volatilization of alcohol in perfume products, etc.). In addition, even if there is non-separable material from body, glass bottles can be still recycled by crushing the glass bottles and separating metal parts using a magnet.

#### Recommendation

It is recommended to exclude perfume from the criteria of 'difficult to recycle'- non-separable cap/miscellaneous component of glass bottles.

Relevant Act/Regulation Packing Material Recyclability Grade Standard

Responsible Authority & Division Ministry of Environment (ME)  
(Resource Recycling Division)

Recommendation Status New

#### 6. Harmonized Interpretation for Packaging Method Standard

There are some cases which are ambiguous to determine the details of packaging method standard and/or its calculation method. It is difficult to receive regulatory interpretation directly from the Ministry of Environment (ME) in most cases, so when the questions are asked to testing agencies (Korea Environment Corporation and Korea Conformity Laboratories), different interpretations are provided in some cases. Therefore, it is concerned that it is difficult to receive harmonized/correct interpretation, and it might occur a different result of packaging layer/method depending on the testing agencies.

#### Recommendation

It is required to provide detailed and harmonized interpretation of packaging method standard and/or its calculation method for precise assessment, by securing the persons in charge in the Ministry of Environment (ME) or providing detail standard procedure to testing agencies.

Relevant Act/Regulation Standards on Packaging Material and Method/Simplified Calculation Method of Packaging Empty Space Ratio and Packaging Layer

Responsible Authority & Division Ministry of Environment (ME)  
(Resources Circulation Policy Division)

Recommendation Status New

#### 7. Measurement Method for Space Ratio and Number of Packaging for Set Products including Pouch

When packaging a set product, there is a case where components are put into a pouch, eco-bag, etc. In this case, the pouch, eco-bag, etc. have product value in themselves and play a role as a cushioning material as well as a product that consumers can reuse. However, even though it is a product that consumers reuse, if other components are put in it, it is sometimes viewed as packaging which packaging space ratio and number of times packaged should be measured. In particular, it is not appropriate to measure packaging space for a pouch, eco-bag, etc., because they do not have a fixed shape and do not occupy much volume.

#### Recommendation

As pouches, eco-bags, fabric pockets etc. have product value in themselves and can be reused by consumers, we recommend to exclude them from the subject to measurement of number of times packaged and packaging space ratio as they are considered as one of the components not packaging, even if other components are placed in them.

Relevant Act/Regulation Rules on Standards for Product Packaging Materials and Packaging Methods

Responsible Authority & Division Ministry of Environment (ME)  
(Resource Circulation Policy Division)

Recommendation Status New

8. Request for Exclusion of Packaging Material and Structure Evaluation for Products Labelled in Accordance with Exporting Country's Law

Currently, labels or inspection certificates that are inevitable to be attached additionally to the finished products according to relevant laws are prescribed as exclusion in the packaging material and structure evaluation.

The labels affixed for Korean labelling in accordance with 'Act on Labelling and Advertising of Foods, Cosmetics Act, and Liquor Tax Act' (which applies only to imported products · packing materials) are in this category.

However, in case of the cosmetics produced in the EU countries, labelling is regulated in accordance with the Article 19 of EU Regulation 1223/2009 and the indication of information is required. This is a mandatory indication in accordance with exporting country law and should be excluded from the subject to be evaluated.

Recommendation

It is recommended to add 'Foreign language labels with essential indications in accordance with exporting country's laws and related regulations' to the third paragraph of the basic principle of Article 9-3 of the Act on the Promotion of Saving and Recycling of Resources, Evaluation of Quality and Structure of Packing Materials [Appendix 1] Standard for the Quality Structure and Recyclability of Packing Materials.

Relevant Act/Regulation Article 9-3 of Act on the Promotion of Saving and Recycling of Resources/Evaluation of Quality and Structure of Packing Materials [Appendix 1] Standard for the Quality Structure and Recyclability of Packing Materials

Responsible Authority & Division Ministry of Environment (ME)  
(Resource Recycling Division)

Recommendation Status New

9. Application of Optional Indication for Cosmetic Manufacturer

In the case of imported cosmetics, since it is difficult for the government to verify in compliance with quality control standards and safety management standards from overseas manufacturers, it is mandatory for importing distributors to manage instead of domestic manufacturers. At the time of customs clearance, the overseas manufacturing country, manufacturer, and manufacturing as well as sales certificate are reported to the government, and the company is responsible for the quality of imported products such as domestic sales and distribution records and quality inspection.

According to the current regulations, the foreign manufacturer's name and address are displayed on the Korean label in Korean, but it is difficult to provide practical information to consumers because the pronunciation of each language is displayed in Korean. And in the case when consumer guidance about manufacturer and quality control, etc. is required, the responsible seller who is the importer can provide it. Even in overseas, the manufacturers are not indicated on the packaging of products. Also, in the case of imported cosmetics, the genuine information can be obtained and confirmed by the notation of the responsible seller.

There are proposals for voluntary labelling for local products since the manufacturer's labelling causes issues such as OEM monopoly and counterfeit products.

Recommendation

Based on the consumer's right to know, the information of the responsible seller is already indicated and the manufacturer's information can be easily checked even if it is not displayed. Therefore, it is necessary to consider the introduction of the optional indication system for the manufacturer's labelling of cosmetics.

Relevant Act/Regulation Cosmetic Law/Enforcement  
Decree of the Cosmetic Law

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

Recommendation Status New

## Key Issues

### 1. Labelling of Consumer Products

According to the Korean Agency for Technology and Standards (KATS) notification on the 'Safety Standards of Consumer Products Subject to Compliance with Safety Standards', manufacturers or importers of consumer products subject to safety standards are required to label their products with information, such as manufacturing date, import date, season of first sale, and lot number, in accordance with the requirements specified in the respective annexes of the safety standards. Although such information is useful in case of recalling deficient products, the regulatory burden on companies has increased as the indication methods differ from Annex to Annex. In addition, a QR code is not accepted as one of the indication methods of product information other than textile products despite the growing demand of the QR code labels, which deliver useful information to consumers as well as helps protect the environment.

#### Recommendation

It is recommended that labelling items, which are required for consumer products subject to safety standards, shall be allowed as diverse as possible for companies to choose from, including manufacturing date, import date, lot number, season of first sale, and so on. It is also recommended that a QR code be accepted as one of the labelling methods for other products other than textile products to ensure efficiency in delivering product information to consumers.

Relevant Act/Regulation Safety Standards of the Consumer Products Subject to Compliance with Safety Standards

Responsible Authority & Division Korean Agency for Technology and Standards (KATS) (Consumer Product Safety Division)

Recommendation Status Updated

### 2. Price Labelling Requirement

Pursuant to Article 5-3 of the 'Enforcement Regulation on the Open Price System', the text on price labels should be written over 15-point font size. However, companies have a wide variety of types of products, display methods, store design, customer handling methods, and brand strategies so that it is difficult to apply the price mark of more than fifteen points to all products collectively. For jewelry, such as earrings, it is practically difficult to mark prices according to the above requirement as they are very small and usually displayed side by side. In addition, stores that provide private customer service to all customers can answer their questions immediately if they inquire about product prices. Furthermore, customers can easily identify prices depending on colour or design of display in a store even though the size of font is less than 15 points.

#### Recommendation

It is reasonable that price shall be indicated in precise and noticeable way and font size that can be easily recognized by consumers rather than collectively applying the regulation of over 15-points font size. Therefore, it is recommended that retailers and stores shall be allowed to indicate the price in most appropriate matter concerning their own circumstances without a certain restriction on font size.

Relevant Act/Regulation Safety Quality Labelling Standard

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE) (Distribution and Logistics Division)

Recommendation Status Updated

### 3. Packaging Recyclability Labelling and Separate Discharge Mark

Following the promulgation of new regulations on the packaging recyclability grade and labelling system pursuant to Article 9-3 of the Act on the Promotion of Saving and Recycling of Resources in December 2019, manufacturers and importers are required to test and grade the quality and structure of these packaging materials. To obtain the confirmation of the grade, importers must submit a grade evaluation report on packaging materials, such as a certificate of packaging materials and structures or a material inspection report (instrumental analysis), issued

by the manufacturers before the shipment. However, due to the complicated distribution procedures of imported goods, importers have difficulty in obtaining a certificate of packaging materials and structures so that it is inevitable for some importers to request evaluation to designated testing agencies in Korea to acquire a material inspection report. Regrettably, the number of authorized testing agencies issuing an inspection report is insufficient to address all the evaluation requests in a timely manner. It is another hurdle that the categories, expense, and time required for testing differ by agencies when requesting for the same object.

Recommendation

Preparing guidelines for designated testing agencies is recommended while establishing sufficient qualitative and quantitative infrastructure for testing.

It is also worth considering allowing various methods of separate discharge marks, which are globally used in addition to domestic marks to alleviate burdens of multinational companies.

In addition, some packaging materials of watches and metal products/accessories not only function as packaging but also as protecting the products. It is imperative to define specific types of packaging materials subject to the separate discharge mark system considering whether an exemption applies in such cases.

Relevant Act/Regulation Act on the Promotion of Saving and Recycling of Resource/Guidelines on Separate Discharge Mark

Responsible Authority & Division Ministry of Environment (ME)  
(Resources Recycling Division)

Recommendation Status New

4. Safety Testing Standard for Infant Textile Products

Following an amendment made to the enforcement practices for infant textile products pursuant to Special Act on Safety for Children in 2018, infant textile products (children below the age of 36 months) are subject to safety confirmation, requiring an individual safety test for each product. To meet the requirements

for verification process of same model classification, additional tests are required for the infant textile products with different fabric, colours, component even after customs clearance of samples. This prerequisite increases financial and administrative burdens on importers who must submit various types of documents, including photos, test reports and product certificates of each variation, to obtain safety certification from a designated testing agency. Moreover, due to the absence of database by the Korea Customs Service (KCS), importers must submit the same documents repeatedly even if they import the same products, causing delays in customs clearance process. Furthermore, although certification criteria for best practice companies have been clarified under the directive on the designation of goods subject to Custom Confirmation of Clearance Requirements and Methods of the Confirmation under Article 226 of the Customs Act, importers still have difficulty in taking advantage of this system due to the absence of follow-up policies and procedures by the Korea Agency for Technology and Standards (KATS).

Regarding the safety testing standard, it is difficult to clearly define the criteria of design and colour requirements due to a wide variety of application in the light of the characteristics of clothing and fashion industry. In particular, due to the difficulty of quantifying colour variation on diverse design elements such as patterns or prints, the test results are highly subjective.

Additionally, while only eight domestic testing agencies are available to provide certification pertaining to the Article 22 (3) of the Special Act on Safety for Children's Products, additional domestic safety tests for infant textile products must be carried out even though they have already been tested overseas. A lack of alignment on the safety standards serves as a barrier to successful trade, making it difficult for foreign products to enter the Korean market while simultaneously frustrating Korean products from entering new markets.

Recommendation

To alleviate burdens on importers in compliance with the Special Act on Safety for Children, ECCK recommends establishing follow-up policies and procedures to facilitate the authorization of best practice companies which demonstrate a high compliance rate pursuant to the Directive on the designation of goods subject to

Custom Confirmation of Clearance Requirements and Methods of the Confirmation under Article 226 of the Customs Act.

Also, relax testing criteria for 'classification of colour and product' to the level that importers can accommodate a variety of designs reflecting the characteristics of the fashion and clothing industry.

Furthermore, it is recommended to include overseas testing agencies for safety confirmation recognized by the Special Act on Safety for Children's Products to avoid repetitive testing.

Relevant Act/Regulation Special Act on the Safety of Products for Children / Directive on the designation of goods subject to Custom Confirmation of Clearance Requirements and Methods of the Confirmation under Article 226 of the Customs Act

Responsible Authority & Division Korea Agency for Technology and Standards (KATS) (Consumer Product Safety Division) / Korea Customs Service (KCS) (Inspection Policy Division)

Recommendation Status Updated

##### 5. Safety Control of Imported Food Containers

According to the Special Act on Imported Food Safety Control, imported food containers are subject to inspection for safety and quality assurance by an inspection officer or agency before customs clearance formalities. However, importers face difficulties in preparing the required number of samples for inspection as the criteria of sample quantity in terms of materials and HS code of imported products are not specified in the regulation. For example, when importing a small quantity of various products, if the inspection agency requested an excessive number of samples after the arrival of imported products in Korea, it is difficult for importers to satisfy the request, resulting in the destruction of the imported products. In addition, importers found it difficult to utilize safety inspection reports obtained from an overseas testing agency prescribed in Article 21 of the Special Act due to the absence of specific guidelines to be used to operationalize the regulation.

Furthermore, some imported products are subject to additional random inspection even though they have been previously

inspected. Again, when importing a small quantity of various products (mostly less than five), importers found it difficult to provide the requested number of samples (average of five, exceptionally more than 70). If the requirement cannot be fulfilled more than three times, importers are given penalties after being designated as a nonconforming company. These procedures do not seem to reflect the global trend of small batch production.

Finally, importers who import a small quantity of various products normally request a large amount of inspection including precision tests. However, fewer than 15 precision tests can be performed per day by local authorities, so it takes an average of more than a month to process a single import.

##### Recommendation

In order to alleviate burdens on importers in compliance with the Special Act on Imported Food Safety Control, we recommend preparing specific guidelines on the criteria of sample quantity in terms of materials and HS code of imported products as well as internal guidelines to be employed to operationalize the use of safety inspection reports obtained from an overseas testing agency prescribed in Article 21 of the Special Act.

Furthermore, the importers who could not provide the required quantity of samples for random inspection due to the insufficient total number of imported products are penalized. Before designating the importers as a nonconforming company, it is advised to provide them the opportunity for explanation and disposal of imported products subject to violation.

Also, it is suggested to increase inspection capacity by securing additional inspection officers to facilitate the internal process.

Relevant Act/Regulation Special Act on Imported Food Safety Control

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Import Food Policy Division)

Recommendation Status New

## 6. Safety Control of Household Chemical Products

According to Article 10 of the Household Chemical Products and Biocides Safety Acts (K-BPR), manufacturers and importers of household chemical products are required to request confirmation tests at a qualified inspection agency or submit applications with product descriptions for approval depending on whether subject to safety confirmation or not.

In practice, when manufacturers or importers register at the Chemical Product (CHEMP), system which is a chemical products management system, with product descriptions including materials and usage, the assigned officers review and approve the application. However, their criteria on registration, such as classification of materials or registration items, are inconsistent, requiring additional steps of inquiring about the relevant information and revising it repeatedly. Although the registration approval period is set to be up to 30 days, it takes nearly 2 months to acquire approval for a single item, which causes delays and inefficiency.

In addition, the Chemical Product (CHEMP) system limits the daily number of approval cases to less than 10, and the review and approval of products is done in the order of the assignment of personnel, in lieu of the registration order. Since the reviewing period and standards vary by the assigned officer, approval is not issued in accordance with the registration order.

### Recommendation

We recommend that guidelines regarding the material registration and approval on the Chemical Product (CHEMP) system be specified to improve consistency and efficiency in the approval process of household chemical products.

It is also suggested that the daily number of approval cases be increased by securing additional staff to facilitate the internal process.

Relevant Act/Regulation Household Chemical Products and Biocides Safety Acts (K-BPR)

Responsible Authority & Division Ministry of Environment (ME)  
(Chemical Safety Division)

Recommendation Status New

Hyokyung Suh  
Director,  
Food Committee

## Key Issues

### 1. Harmonization of International Food Standards and Specifications – ‘Natural’ Labelling

In accordance with Article 2 of the content standards for unfair labelling or advertisement of food, etc. based on the Act on Labelling and Advertising of Food, etc., the use of the term Natural is prohibited in foods that contain synthetic flavors, colourings, preservatives, or any artificial or post-harvest chemical synthetic products, or foods that have undergone process other than removal of non-edible parts or minimal physical processes, and also in agricultural, forestry, fisheries, and livestock products in its natural state, drinking water, genetically modified food, and nano food.

According to the same act <Attachment 2>, minimal physical processes is defined as washing, peeling, pulverizing, stirring, freezing, refrigerating, drying (except over 60°C), molding, extrusion, filtration, centrifugation, mixing, aeration, ripening, natural fermentation, and dissolution.

International Standards related to the issue are as follows: CODEX, EFSA, US FDA, etc. do not specify the minimum process range for natural labelling of food, promoting the excess usage of the term, natural labelling.

Also, according to the definition and technical criteria for food ingredients to be considered as natural issued by the International Standards Committee (ISO), physical, enzymatic, and microbiological processing processes are broadly included in the scope of processing that is allowed for Natural labelling. Even if the processing is not included in the scope, if it is applied for food safety, it is recognized as the scope of processing that is allowed for natural labelling. From an academic standpoint, the heat treatment process is usually recognized as a part of the physical process.

### Recommendation

According to the current guidelines on the labelling of Natural food and food additives by the Korean Ministry of Food and Drug Safety, natural labelling is not possible for processed foods that require heat treatment for food safety. In foreign countries, natural labelling range is widely recognized, and products that have undergone heating (including 60°C or higher) process such as sterilization and pasteurization are also recognized as natural labelling.

# Food

For harmonization of international food standards and specifications, we request a review of natural claim standards (minimum physical process range) so that heat pasteurization can be included.

Relevant Act/Regulation Act on Labelling and Advertising of Food, etc.

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Food Policy of Labelling and Advertising Division)

Recommendation Status New

## 2. Improvement for Equity in Administrative Measures against Domestic Food Manufacturers, Processors and Importers, Sellers of Imported Food

For the same violation, the administrative measures applied to domestic food manufacturers and distributors and importers such as imported food tend to differ. Severe administrative sanctions are imposed on importers and sellers of imported foods, which is a discriminatory regulation that goes against fairness.

For example, according to the enforcement rules of the Special Act on Imported Food Safety Control (Attachment 13), in line with the administrative measures under the Food Sanitation Act, the measures for domestic food manufacturers on the same violation is suspension of the manufacture of the item for a certain period or suspension of the manufacture of item category. However, it stipulates that importers and sellers of imported food should be subject to business suspension for a certain period. For example, if parasites and their eggs, metal or glass foreign substances are mixed, in the case of domestically manufactured food, the first violation will result in a 7 day suspension of manufacture of the item, whereas, in the case of imported food, a maximum of 3 days of business suspension will be imposed. This not only delays importers and sellers of all products not related to the violation, but also brings irreversible and far-reaching effects such as damage to the company's reputation and worsening of employment conditions which cannot be assessed as the same level of sanctions with those applied to domestic food manufacturers.

Also, as for the administrative measure's standard of Enforcement rules of the Act on Labelling and Advertising of Foods. (Attachment 7), the standard measures against domestic food manufacturers are

suspension of the manufacture of the item for a certain period or the suspension of the manufacture of item category, whereas it is stipulated that importers and sellers of imported food should be subjected to business suspension for a certain period of time.

Comparison of Administrative Measures Related to Article 7 (4) and 12 (2) of the Food Sanitation Act			
Enforcement Rules of Food Sanitation Act(Attachment 23)		Enforcement Rules of the Special Act on Imported Food Control (Attachment 13)	
4. In case of violation of Article 7 (4) of the Act (the rest omitted) ha. mixed with foreign matter, (1) Mixing of parasites and their eggs, metal (metallic foreign matter, excluding iron powder) or glass	1st violation  7 days suspension of manufacturing the product and disposal of the product	11. In case of violation of Article 7 (4) of the Food Sanitation Act, Article 24 (1) and (2) of the Health Functional Food Act and Article 4 (5) and (6) of the Livestock Products Sanitation Control Act (the rest omitted)  (1) Mixing of parasites and their eggs, metal (metallic foreign matter, excluding iron powder) or glass	1st violation  3 days suspension of business and disposal of the product

Comparison of Administrative Measures Related to Article 4 (3) of the Act on Labelling and Advertising of Foods			
Domestic Food Manufacturing and Processing Industry		Import Sales Business such as Imported Food	
ii. Individual standards  A. In case of violation of Article 4 (3) of the Act (the rest omitted)  (4) When the date of manufacture, spawning date, expiry date, or quality maintenance period is not indicated or food without labelling is used for business (Applicable only to foods that must indicate the date of manufacture, spawning date, expiration date, or quality maintenance period)	1st violation  15 days suspension of manufacturing the product and disposal of the product	i. General standards  12. Administrative measures against a person who conducts business in each of the following item; If the standard for such measures falls under the suspension of the manufacture of an item, the measures of business suspension shall be made for a period equivalent to one-third of the period of suspension of manufacture of the item. If the standard for such measures falls under the suspension of the manufacture of item category, the measures of business suspension shall be made for a period equivalent to half of the period of suspension of manufacture of the item category. (the rest omitted)  D. Import and sale business of imported food, etc. under Article 2 of the Enforcement Decree of the Special Act on Imported Food Safety Control	1st violation  3 days suspension of business and disposal of the product

Recommendation

To ensure that the same administrative measures are applied to the same violations for both domestic food manufacturers and importers, we request to revise the standards of administrative measures of the Special Act on Imported Food Safety Control and the Act on Labelling and Advertising of Foods.

Relevant Act/Regulation Enforcement Rules of the Special Act on Imported Food Safety Control / Enforcement Rules of the Act on Labelling and Advertising of Foods

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Imported Food Policy Division) / (Food Labelling and Advertising Policy Division)

Recommendation Status New

3. Improvement of Labelling of Natural and Synthetic Flavors

In accordance with the Standards and Specifications for Food Additives Partial Revision Notice No. 2021-57, the Ministry of Food and Drug Safety (MFDS) deleted the part where the items of natural and synthetic flavors were divided and managed. The Ministry of Food and Drug Safety (MFDS) announced a plan to integrate and manage natural and synthetic flavors into one item of flavoring substances. This is the same as removing the distinction between natural and synthetic in sweeteners and colourants in 2018 and is intended to improve the management system of flavors to meet the international level.

According to the domestic regulations before the implementation of the amendments, as the standards classify and manage synthetic flavors and natural flavors in the Food Additives Code, synthetic flavor or natural flavor are separately labelled.

Compared to foreign countries, natural labelling according to the definition and specification of flavor in Korea is very limited. Therefore, it is often the case that the labelling is different from that of the exporting countries. For example, what is labeled as natural flavor in exporting countries, could sometimes be labelled as synthetic or artificial flavor according to Korean regulations. Therefore, it is difficult to provide consistent information to consumers and may cause confusion.

Recommendation

As Standards and Specifications for Food Additives Partial Revision Notice No. 2021-57 publicly notified, based on this, we request that the flavor labelling of domestic and imported foods be labelled as flavoring substances only without distinction between natural flavor and synthetic flavor.

However, if a product is labelled in accordance with the definition and standard of natural according to the existing Korean regulations, it shall be labelled as is. We suggest that Korean labelling to be clearly labelled as flavoring substances in accordance with Korean regulations.

Relevant Act/Regulation Act on Labelling and Advertising of Foods

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Food Policy of Labelling and Advertising Division)

Recommendation Status Retained

4. Ease of the Non-GMO Labelling Standards

In accordance with the Standards for Labelling of Genetically Modified Food, etc., Partial Revision Notice (Proposed) No. 2021-035, considering overseas standards, it is considered a very positive change to revise the non-GMO labelling requirements. The allowance for adventitious or technically unavoidable GMO genes in the final products will be changed from none to 0.9% or less (to be confirmed).

Before the implementation of the amendment, all the following conditions should be satisfied to label food as Non-GMO in Korea: 1) Manufacture and process soybean, corn, cotton, canola, sugar beet, and alfalfa (6 kinds of GMO approved category) as raw materials, 2) Content of raw materials of soybean, corn, cotton, canola, sugar beet, alfalfa (6 kinds of GMO approved category) is 50% or more, or the content of the raw materials is used as the priority, 3) Adventitious or technically unavoidable GMO genes are not allowed in the final products (to be revised).

Non-GMO labelling is only possible when all three conditions are satisfied, so there are few cases in which processed food can be labelled as such.

Recommendation

It is suggested to improve the labelling standards as the following to meet international standards, in line with the improvement direction of the authorities to promote the development of food-related industries and expand consumers' rational choices.

If soybeans, corn, cotton, canola, sugar beets, and alfalfa were used as raw materials, regardless of the content or content ranking of raw materials, we request that non-GMO labelling be possible for products that are below the adventitious or technically unavoidable standard.

Relevant Act/Regulation Labelling Standards for Genetically Modified Foods

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS)

Recommendation Status Retained

Ansook Park  
Director,  
Healthcare  
Committee

**Key Issues**

1. Renovate Drug Reimbursement Listing Process and Price Management System for Better Patients Access to Innovative Pharmaceuticals

It is difficult to introduce innovative pharmaceuticals with reimbursement coverage because of high dependency on HTA (Health Technology Assessment), relatively lower ICER (Incremental cost-effectiveness ratio) threshold and low utility value estimation. It also be hindered because of intensive price cut mechanism within 1-3 year of product reimbursement entry (limit on total amount, PV cut, etc.).

Recommendation

The policy improvement is required to recognize the value of innovative new drug. To ease the difficulty of new therapeutics entry, it is recommended to extend range of exemption from Health Economics Assess (Especially, rare disease therapeutics in case of no alternative, Combination treatment for life-threatening conditions).

Also, it is suggested to apply more flexible ICER threshold considering the GDP increase, disease severity, alternative available and life years gained rate. Otherwise, benchmarking the UK's example of special ICER consideration for HST (Highly Specialized Technology) could be considered.

There is urgent need of adjustment of the discount rate by adopting the updated foreign discount rate and Korean public-sector discount rate, current HTA guidelines which has not been updated for a decade. As well as Application of flexible EQ-5D tariff is recommended rather than a single Health-Related Quality Of Life (HRQOL) measurement of Incremental cost-effectiveness ratio (ICER).

It is also recommended to extend the relief for catastrophic medical cost in case the drug has low chance to get reimbursed but also has high medical need.

It is more helpful to strengthen the patient access to innovative medicine to modify price cut schemes in first 3 years (PV or limit on total amount) to be not affected after 4 year of reimbursement entry.

# Healthcare

Relevant Act/Regulation Regulation for Evaluation Criteria and Procedure for Reimbursement Eligibility of Drugs

Responsible Authority & Division Ministry of Health and Welfare (MOHW) (Pharmaceutical Benefits Division) / National Health Insurance Service (NHIS) (Drug Price Management Division)

Recommendation Status Updated

## 2. Fairness and Global Harmonization Improvement for Risk Sharing Agreement (RSA) Re-Reevaluation

Since the introduction of RSA in 2014, 44 products are listed under RSA refunding system as of March 1, 2021 (excluding 9 products with RSA terminated) and 7 products, which had already completed the RSA Re-evaluation, are facing Re-Reevaluation.

Fairness compared with other new drugs: The RSA drugs which completed the Reevaluation are already passed two times of pharmacoeconomic evaluation at least. The Re-Reevaluation for RSA drugs shall be unfair compared with other new drugs.

The RSA drugs which completed the re-evaluation are already managed by multiple price control measures such as Evaluation and Negotiation for guideline expansion, Price-Volume Agreement (PVA), Actual Transaction Pricing (ATP), Price-cut by Generic listing, etc. Therefore the RSA Re-Reevaluation for those drugs must be over-burdened and double regulatory controls.

Continuous erosion of new drug value: The new drugs listed through pharmacoeconomic evaluation (PE) are higher price-cut rate compared with that of generally listed new drugs (-10% vs. -6%). The RSA drugs completed the Reevaluation are new drugs already passed the PE as well as re-evaluation, and evaluation and NHIS negotiation completed for guideline expansion. Therefore, the price cut rate of RSA drugs completed the Reevaluation shall be even higher as well as opposite from the new drug value recognition.

Increasing the risk of 'Korea Passing' nowadays, the drug price level for other drugs is decreased. Especially the RSA Reevaluation compared with the generic listed alternative prices shall be unfair.

RSA drugs in overseas such as Australia can be renewed until the generic listing without critical issue.

## Recommendation

It is recommended to have no mandatory RSA Re-Reevaluation for the RSA Refunding Drugs, which has completed with re-evaluation, and shall be separated from RSA for renewal of RSA contract period until the generic listing.

Relevant Act/Regulation Detailed Operation Guideline on Risk Sharing Agreement Price Negotiation

Responsible Authority & Division Ministry of Health and Welfare (MOHW)

Recommendation Status New for Re-Reevaluation/Retained for RSA

## 3. Fair Certification Standards for Selection of Innovative Pharmaceutical Companies

The Innovative Pharmaceutical Companies (IPC) that are selected by the Ministry of Health and Welfare (MOHW) receive tax credit, R&D support, and drug pricing benefits in accordance with the Pharmaceutical Industry Promotion Act. However current selection standards have the unfair elements to give favors to domestic pharma companies. As of December 2020, among 48 certified IPC companies, only three multinational corporations (MNCs) are selected.

Major unfair elements are driven by no reflection on the MNCs' contribution to Korea. For example, export to overseas, technology transfer/partnership with MNCs are the evaluation elements for MNCs, and global direct R&D investment to Korea through a contract research organization (CRO) are not considered as R&D investment for evaluation.

## Recommendation

For new drug development, collaboration with CRO and global development are the global trend, so it is recommended that the global direct R&D investment to Korea through CRO to be considered as R&D investment for evaluation.

The investment such as collaboration Lab investment and activities

and collaboration/partnering efforts not to include into R&D due to other reasons shall be considered for evaluation.

Also, the MNCs can play the important role to achieve the goal for R&D excellence in Korea, so it is required to foster the MNCs' open innovation efforts. The MNCs' R&D contributions expected shall be recognized by selection evaluation standards separately.

Relevant Act/Regulation Regulation on Accreditation for Innovative Pharmaceutical Company

Responsible Authority & Division Ministry of Health and Welfare (MOHW), (Health Industry Development Division)/Korea Health Industry Development Institute (KHIDI)

Recommendation Status Retained

#### 4. Consideration of Different Policy Approaches to the Introduction of Innovative Cell and Gene Treatments

In rare genetic diseases and rare cancers, the era of cell/genetic treatments has arrived, so now the root cause of the disease can be treated and completely cured with a onetime treatment. To introduce such innovative treatments in Korea, the Ministry of Food and Drug Safety has prepared regulations for early review since the enactment of the Advanced Bio Act in 2019, and the relevant treatments has been approved in Korea. However, there are no application plan in regulation of National Health Insurance (NHI) in place for realistic treatment.

With the current level of policy support, it is expected that the introducing for the cell and gene treatments and securing of patient accessibility are unclear.

#### Recommendation

In line with the purpose of legislating the Advanced Bio Act, we recommend to actively introduce a diverse system for early access to treatment of innovative cell and gene therapy for rare diseases and rare cancers without alternatives under this act.

- Shorten the reimbursement review period with revision of Approval-Listing Linkage System or preliminary reimbursement before negotiating step for drug price.

- Improving the current P&R review system: Diversify managed entry agreement, flexible operation of Pharmacoeconomic Evaluation (PE) Exemption track
- Separate budget operation or fund preparation: Prepare separate finances, such as accounts for medicines for severe diseases and utilize them as financial resources for strengthening the guarantee of medicines for severe and rare diseases with high social demands.

Relevant Act/Regulation Advanced Regeneration Bio Act

Responsible Authority & Division Ministry of Health and Welfare (MOHW) (Health Insurance Medicine Department)

Recommendation Status Updated

#### 5. Enhancing Access to Drugs for Rare and Incurable Cancer Patients

Rare cancer patients have a lower than 5-year survival rate than those with common types of cancer, and incurable cancer patients who do not comply with standard treatment also have a survival period of less than six months, and they are in a blind spot in the medical care industry.

In the 4th National Cancer Control Plan, the annual performance indicators were prepared with a declaration to narrow the survival rate gap of rare and incurable cancer patients, but no plan for early review has been prepared after regulatory approval for those patients with a small life span left.

#### Recommendation

We recommend to build a system for rapid access to the drugs in the form of preliminary reimbursement before negotiating step for drug price if the review of clinical effectiveness of the drug were completed via the Cancer Review Committee. In France, a 'post ATU' process for innovative drugs is in place.

Also, we suggest to prepare a fund for rare and incurable cancer patients or expand the scope of catastrophic medical expenditure aid to rare and incurable cancer patients. In the UK and Australia, there are cancer drug fund to increase drug accessibility to cancer patients before reimbursement decision. In the 4th NCCP, the plan for expanding the scope of catastrophic medical expenditure

included but need more detail scope and plan.

Relevant Act/Regulation The 4th National Cancer Control Plan/Cancer Care Act/ Regulation for Evaluation Criteria and Procedure for Reimbursement Eligibility of Drugs

Responsible Authority & Division Ministry of Health and Welfare (MOHW) (Health Insurance Medicine Department)

Recommendation Status Retained

#### 6. Enhancing Transparency and Clear Role Sharing for National Health Insurance Committee Decisions

It is important to establish a system for several healthcare committees in which various stakeholders can maintain transparent decision-making based on evidence as healthcare policy decisions are comprehensive decision-making such as accessibility to new drugs, insurance policies and regulations. Although there has been improvement in transparency with the meeting minutes disclosure of the evaluation results of the Drug Reimbursement Evaluation Committee, but the minutes and evaluation results from Severe Disease Review Committee, Health-Economic sub-committee and Risk Sharing Agreement sub-committee are still not disclosed.

In addition, the review process between the committees and drug reimbursement evaluation committees on cost effectiveness and fiscal impact in recent years is redundant and repetitive, and it is unreasonable for pharmaceutical companies to go through the process of collecting opinions on the same content several times.

#### Recommendation

It is recommended to inform all review results at sub-committees under the Health Insurance and Review Assessment (HIRA) to the applicant company. Also, the Ministry of Health and Welfare (MOHW) should take an important role of mediation and consultation in all committee processes to ensure policy predictability and evidence-based decision making. Several sub-committees and Drug Reimbursement Evaluation Committee (DREC) in HIRA should be clearly defined their role and responsibility to ensure expert review and to avoid duplicated and repeated review process.

Relevant Act/Regulation Regulation for Drug Benefits of the National Health Insurance/Standards for Decision and Adjustment for Drugs

Responsible Authority & Division Ministry of Health and Welfare (MOHW) / Health Insurance and Review Assessment (HIRA) / National Health Insurance System (NHIS)

Recommendation Status Retained

#### 7. Creating a Mutual Recognition Agreement (MRA) with EU

The Ministry of Food and Drug Safety (MFDS) responded the recommendation is not acceptable, while MFDS accepted this recommendation in 2019 with sharing their plan of policy research and timeline.

As a member country of Pharmaceutical Inspection Co-operation Scheme (PIC/s), Korea maintains high quality standard in drug manufacturing and inspection. The European Commission (EC) has long history of Mutual Recognition Agreement (MRA) with PIC/s countries such as Australia, New Zealand, Japan and China. For more efficient distribution including vaccines, the expansion in MRA between the EC and Korea seems inevitable.

#### Recommendation

To demonstrate the value of MRA, it is recommended to eliminate the duplicated quality inspection process for the products which has co-manufactured under the CMO contract (such as COVID-19 Vaccines: its DP [or DS] made in EU and CMO companies finalized manufacturing and packaging in Korea). We already have seen a clear example via special law which is provide a special QC testing waive in case urgent situation with the proven the quality result by oversea manufactures such as COVID-19 vaccines. It is known that law amendment bill similar with the recommendation above submitted by lawmaker from ruling party. So, this would be a good start of pilot preparing MRA. It will allow us to reduce the duplicated QC testing and will contribute more fast/sustainable supply considering the social demands.

Alternative recommendation would be creating exemption rule

for the case of quality management data submission which can substitute the individual Quality Control (QC) test. For example, QC testing exemption for the individual batch can be possible when manufacturer submit the temperature management data for the product imported.

Relevant Act/Regulation Enforcement Regulation on the Safety of Drugs, etc./Regulations on Manufacturing and Quality Control of Drugs

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Pharmaceutical Quality / Biopharmaceutical Policy Divisions)

Recommendation Status Retained

#### 8. Transparent Data Sharing – NIP Big Data Utilization in Vaccine

Korea is the one of the matured countries in terms of national immunization system and available to track a historical vaccination record under Expanded Program on Immunization (EPI)/National Immunization Program (NIP) vaccine program.

This big data has enormous potential for research and industry in its ability to create value in several forms such as generating effectiveness data for vaccine; estimating demands for the sustainable supply; finding data gaps for introducing the new innovative vaccine in Korea.

And, this big data utilization by researcher and industry will bring lots of improvement of public health concerns in terms of preparation of future potential risky once KDCA prepare the immunization policy and vaccine supply plan.

However, the current data sharing of NIP shows very limited access to the industry, only access to the same level of public availability such as quarterly report with disease base. For example, there are combined data of Td/Tdap, not available to see where comes from access point etc.

It makes industry level difficulty to get a right insight to contribute for the public health system in Korea.

#### Recommendation

We request more transparent data sharing what KDCA is gathering the vaccination records with the relevant vaccine manufactures/suppliers. We recommend more frequent NIP data sharing monthly basis rather than quarterly.

Also, we suggest expanding data access to the industry by providing NIP data by channels (hospitals and clinics), age, geographic, and brand level rather than one lumpsum data of disease upon request. For example, HIRA data sharing of prescription drug.

Responsible Authority & Division Transparent Data Sharing – NIP Big Data Utilization in Vaccine

Recommendation Status New

#### 9. Standardization of New Vaccine Listing Process for NIP

There is no stipulated channel and/or process for a sponsoring vaccine company to apply for the National Immunization Program (NIP) introduction of new vaccines. Discussions on NIP inclusion of new vaccines happen in various but arbitrary way, lacking the system on which the initiation by the vaccine manufacturers/importers.

With this lack of process by regulation, it is hard to anticipate and prepare for immunization policies in terms of lack of transparency and predictability. Also, this causes unnecessary administrative cost and may hinder the timely access of new innovative vaccines to the needed population.

Also, without any pre-defined regulation time in review and decision-making, it takes differently. Last but not least, proper participation from the vaccine manufacturer/importer in the deliberation process is not secured.

#### Recommendation

It is required to establish the transparent and predictable NIP listing process for vaccine manufacturers/importers for application and discussion during the decision-making processes, to prepare the mid- to long-term vaccines/immunization policies.

It is necessary to set a system once manufacture/supplier wants to start to communicate NIP listing process with their new vaccine. We request to set a clear guideline and pathway by each step of NIP listing process time wisely and the documents that need be submitted during the review process. Also, we recommend to set and share a transparent review process with manufactures and suppliers once new product is applied to NIP listing process.

Responsible Authority & Division Korea Disease Control and Prevention Agency (KDCA) (NIP & VPD Control Division)

Recommendation Status New

#### 10. Recognition of Proper Value of Vaccines with Differentiated Pricing for Sustainable Access of Innovation for Public Health

Vaccines are crucial for the public health, and R&D of vaccines requires huge investment for many years in nature. There are substantial needs for innovative vaccines for current and future VPDs to protect people more and better. Also, policy signals to encourage further R&D for vaccines are essential.

However, vaccines are currently priced highly focusing on low-cost approach rather than acknowledging value of innovation and health outcome the vaccines bring into the society.

Although there is a brief pricing guideline within Korea Disease Control and Prevention Agency (KDCA) indicating the potential pricing differentiation for improved outcome, the premium priced vaccines are few. Also, measures to acknowledge various aspects of vaccine value including benefits from societal perspectives are not yet established.

#### Recommendation

It is required to improve the current vaccine pricing guideline in order to fully capture the genuine value of vaccines in terms of efficacy, safety, convenience, and technological innovation, with embracing extensive values from societal perspectives. Also, flexible application of vaccine pricing should be in place as a measure of preparedness for potential public health crisis such as global pandemic in order to secure the stable supply of vaccines.

Responsible Authority & Division Korea Disease Control and Prevention Agency (KDCA) (NIP & VPD Control Division)

Recommendation Status Retained

#### 11. Improving Inoculation Fee System

Combination vaccines reduces pain and inconvenience of inoculation for vaccinees while protecting people from multiple infectious diseases at the same time and contributes for high VCR, timely immunization, and a better overall experience for vaccinees and their caregivers. With this, combination vaccines are widely used all over the world and development of further combination vaccines with higher valences are ongoing even in Korea.

However, current reimbursement system for inoculation fee pays more for separate inoculation with mono vaccines and demotivate inoculators from vaccinating with multivalent combination vaccines.

Making physicians reluctant to adopt higher valent combination vaccines could hinder the alignment with the global standards, offering the best vaccination experience for vaccinees and their caregivers (and in terms of cost savings for the overall health system with less shots and less visits), and the access to the most advanced vaccination options, and the will for the further R&D by the industry.

#### Recommendation

It is necessary to have measures to be settled to address the demotivation of the inoculators when vaccinating with higher-valent combination vaccines and incentivize the vaccination of combination vaccines considering societal cost savings such as transportation and productivity loss otherwise.

We recommend proactive reviews to set more effective inoculation fee policy which can be allowed the suitable inoculation fee for HCPs in order to provide an innovative product benefit for lay publics.

Relevant Act/Regulation Regulations on Consignment of Vaccination

Responsible Authority & Division Korea Disease Control and Prevention Agency (KDCA) (NIP & VPD Control Division)

Recommendation Status Retained

#### 12. Improve Vaccine Risk Level Classification Evaluation Standards

The number of National batch release is counted for one of the assessment criteria for Vaccine risk classification. It is needed to apply global batch release history of the manufacturer or National lot release history of the manufacturer country for the same product with same specification which is released into Korea.

##### Recommendation

We suggest applying global batch release history of the manufacturer or National lot release history of the manufacturer country for the same product with same specification which is released to Korea when assessing vaccine risk classification.

Relevant Act/Regulation Acts on National Lot Release Drug Designation, Approval Procedures and Methods

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Biopharmaceutical Policy Division) / National Institute of Food Drug Safety Evaluation (Vaccine Division)

Recommendation Status Retained

#### 13. Improvement of Reagent Related Customs Clearance

QC Testing by local importers is mandatory to release products. Reagents and standards for vaccine, including biopharmaceuticals, require a large number of animal-derived reagents.

Animal-derived reagents and standard must pass quarantine or exemption from quarantine process by the Animal and Plant Quarantine Agency. However, the requirements for documents for quarantine are strict and original copy are required.

If the documents are not prepared in advance or if any modifications are required in the documents, the quarantine would cause long delay and impact the reagents, which can be discarded in the worst case-scenario.

##### Recommendation

We request simplifying the quarantine procedures for animal-derived reagents and standard products as it is highly required for stable supply of drug and vaccine for public health. The difficulty of animal quarantine is not only experienced by importers, but also in local manufacturers handling biopharmaceuticals.

The use of reagents and standards for Drug QC testing is very clear and its waste disposal is very transparent for the prevention of infectious diseases and its regulation. Therefore, we suggest exemption of animal quarantine like pharmaceuticals or for simplification quarantine after the first import which is passed animal quarantine and to be exempted from subsequent import.

Relevant Act/Regulation Article 31-41 of Animal Infectious Disease Prevention Act/Article 31-37 of Enforcement Rules of the Animal Infectious Disease Prevention Act/Quarantine Procedure and Standards for Designated Quarantine Items

Responsible Authority & Division Ministry of Agriculture, Food and Rural Affairs (MAFRA) / Animal and Plant Quarantine Agency (QIA)

Recommendation Status New

#### 14. Approval of Before and After Pictures Related to Fillers (Injectables) Usage

The current Enforcement Rules of the Medical Devices Act [Attachment 7] prohibits the scope of prohibited advertisements, such as '13. Advertising that displays or conceives the results of their use by comparison before and after use when advertising efficacy or performance'.

Filler products are class 4 products applied to highly hazardous medical devices, and it is very important for Healthcare Professionals (HCP) to confirm their effectiveness and efficacy in selecting products. Therefore, at least advertisement for

HCPs, we need to be allowed to use a before and after photos so that HCPs can verify the treatment results.

Recommendation

We suggest the use of before and after photos of filler procedures to be allowed to verify the treatment results when advertised for the HCPs.

Relevant Act/Regulation Enforcement Rules of the Medical Devices Act [Attachment 7] The Scope of Prohibited Advertisements

Responsible Authority & Division Ministry of Food and Drug Safety (MFDS) (Medical Device Management Department)

Recommendation Status New

Siyeon Kim  
Manager,  
Insurance  
Committee

**Key Issues**

1. Release of Standardized Repair Cost and Hours of Imported Cars

The system of publishing affordable repair costs as per Article 16 of the Guarantee of Automobile Accident Compensation Act was abolished in April 2020. With Article 15-2 of the Act newly established in October 8, 2020, the Act was revised to form the automobile insurance maintenance council and negotiate the estimate of repair costs.

Under the circumstances that repair costs may be determined depending on the contract with repair shops as the system of publishing affordable repair costs was abolished, it is impossible that the Ministry of Land, Infrastructure and Transport (MOLIT) publishes the repair costs for imported vehicles without any legal basis.

In addition, as insurance and maintenance industries propose items to the automobile insurance maintenance council, which is a nongovernmental organization, it is hard for MOLIT to decide what needs to be discussed in the council.

Recommendation

MOLIT replied that they would make efforts to suggest the council for discussing imported vehicles-related items. However, in line with the current increasing trend of foreign cars, research on appropriate maintenance time is necessary, and it is necessary to continue discussions on major agendas at the council, so we recommend the release of standardized repair cost and hours of imported cars by the council or MOLIT.

Relevant Act/Regulation Guarantee of Automobile Accident Compensation Act

Responsible Authority & Division Ministry of Land, Infrastructure and Transport (MOLIT) (Automobile Operation Insurance Division)

Recommendation Status Updated

# Insurance

2. Exemption Against Accidents while Driving Under the Condition of Drugs, Narcotics, etc.

The driver of any motor vehicle shall be prohibited from driving in a state that makes it impracticable for him or her due to the influence of drugs under the Article 45 of Road Traffic Act.

The Ministry of Land, Infrastructure and Transport (MOLIT) is reviewing the recovery of motor insurance payment of the driver driving in a state of drugs to raise awareness of serious violations of law and prevent accidents. Currently, in this case, the recovery was not possible at all from the driver driving under the influence of drugs.

Driver insurance has the nature of insurance that covers criminal and administrative penalties in the event of traffic injuries. Coverage is not provided for accidents that occur while driving under the condition of alcohol or without any license specified in Articles 43 and 44 of the Road Traffic Act. This is because the risk of occurrence of traffic injuries is higher than that of general traffic injuries, and the relevant Act also prohibits unlicensed driving and driving while drunk. However, accidents that occur while driving under the influence of drugs is still covered under driver insurance.

Recommendation

Recently, the frequency of accidents occurring while driving under the influence of drugs is increasing, and it is becoming a social issue. In this regard, it needs to be exempted from driver insurance coverage. It is recommended to revise the terms and conditions of the driver insurance coverage, so that accidents occurring while driving under the influence of drugs are not covered.

Relevant Act/Regulation Terms and conditions of driver insurance

Responsible Authority & Division Financial Services Commission (FSC) (Insurance Division) / Financial Supervisory Service (FSS) (Insurance Department)

Recommendation Status New

3. Mandatory Issuance of Health Insurance Medical Care Benefit Statement by the National Health Insurance Corporation

In accordance with the Personal Information Protection Act, the National Health Insurance Corporation (NHIS) restricts issuance of disease information that is close to private life in the health insurance medical care benefit statement.

Since there is no health insurance medical care benefit statement of National Health Insurance ('the statement'), it is impossible to confirm the reason for the insurance payments and the violation of the notification obligation. If the purpose of submission is [insurance company submission], the National Health Insurance Corporation does not issue the statement even though the data subject agrees to the company's request.

As a result of this, the insurer cannot check the insured's notice in advance so that the insured's failure of notification obligation occurring due to a simple mistake of the insured or the exclusion of insurance payment due to violation of notification obligation. In addition, for calculation of proper insurance premiums, insurance fraud etc., the statement should be issued.

Recommendation

It is recommended that the revision of the Article 35 (Access to Personal Information) be made to issue the statement if the data subject agrees. Or, it is suggested that the National Health Insurance Corporation revise the internal guideline to make issuance of the statement possible.

Relevant Act/Regulation Personal Information Protection Act

Responsible Authority & Division Ministry of the Interior and Safety (MOIS) / Ministry of Health and Welfare (MOHW) / National Health Insurance Corporation (NHIS)

Recommendation Status New

# Intellectual Property Rights

Eunsung Na  
Manager,  
Intellectual  
Property Rights  
Committee

1. European Commission.  
(2021). Report on  
the protection and  
enforcement of IPR in  
third countries

## Key Issues

### 1. Studies about Economic Impact of IP Infringements in the Digital Environment

The Korea Institute of Intellectual Property (KIIP)'s previous research in 2018 on the economic contributions of IP-intensive industries provided meaningful background and context on the contribution of IP-intensive industries to Korea's economy, particularly in relation to GDP, employment, wages, R&D investment, and advertising spending. Key findings from the research indicate significant contributions and growth in the importance of contributions of IP-intensive industries to the Korean economy. These findings have served as a useful reference and encouragement for businesses to understand the importance of investing in IP as well as its protection. According to the European Commission (EC) report<sup>1</sup> published in April 2021, the findings of KIIP's research provide valid quantitative confirmation of the importance of IPRs in Korea and will help increase the profile of IPR protection in Korea.

As a follow-up to the study of 2018, it will be useful to have a further quantitative research on the economic and social impact of intellectual property infringement in the digital environment, including the extent of the shift to IP infringements in the digital environment as a result of the COVID-19 pandemic. The research by the EUIPO on 'monitoring and analyzing social media in relation to IP infringement' conducted in 2021 can be a good example that the research reflects the impact of the COVID-19 pandemic on IPR infringement on social media, both in terms of the promotion and dissemination of both counterfeit products and pirated content.

#### Recommendation

Following the 2018 analysis on economic benefits provided by IP-intensive industries, it is recommended that further quantitative research be conducted to understand the economic and social impact of IPR infringement in the digital environment as a result of the COVID-19 pandemic.

Responsible Authority & Division Korea Institute of Intellectual Property (KIIP) (Future IP Strategy Research)

Recommendation Status Updated

Intellectual  
Property Rights  
Committee

2. European Commission.  
(2021). COMMISSION  
STAFF WORKING  
DOCUMENT - Report  
on the protection  
and enforcement of  
intellectual property  
rights in third  
countries.

3. OECD. (2018).  
Governance  
Frameworks to  
Counter Illicit Trade

2. Reasonable Sentencing for IP-Related Crimes as Effective Deterrents  
ECKK is pleased that Korea continues to enhance IP protection by expanding the punitive damages system to include design and trademarks infringements further from patents and trade secrets cases.

However, Korea's low level of criminal sentencing imposed for IP infringement is still considered hindering effective prevention of IP infringements. The Korean Copyright Act allows for up to five years of imprisonment or a financial penalty up to KRW 50 million, and the Trademark Act, Design Protection Act and Patent Act allow for up to seven years of imprisonment or a financial penalty up to KRW 100 million in case of infringement. Unfortunately, the actual sentences handed down in IP infringement cases remain low compared to other developed nations. The level of sentencing in Korea was also indicated as a 'systemic deficiency' as it was "considered insufficient to ensure adequate deterrence against IP infringements with regard to counterfeit and pirated goods"<sup>2</sup>.

Particularly for actors involved in creating, distributing and selling counterfeit products "penalties and sanctions are key deterrents, as these actors will prefer to trade in goods where the rewards are highest, and the risks are lowest"<sup>3</sup>. While in various countries counterfeiting is met with actual prison sentences, in Korea prison sentences on a probation basis or relatively low amount of fines are commonly handed down to sellers of counterfeit products.

#### Recommendation

It is recommended that the level of criminal sentencing for IP infringement be increased and further extended for repeat offenders in order to effectively prevent IP crime. This will be made possible by taking measures aimed at increasing awareness of the importance of IP and enhancing understanding of the lucrative nature of the counterfeit industry amongst all enforcement and judicial officials be prepared to assure their understanding of the implications of IP infringements.

Responsible Authority & Division Presidential Council on Intellectual Property (PCIP) (IP Protection Policy Division) / Supreme Court of Korea (Sentencing Commission)

Recommendation Status Updated

4. Junha Kang. (2018).  
Review on Border  
Measures for the  
Protection of  
Intellectual Property  
Rights. Journal of  
International Trade  
and Industry Studies,  
23(4), 97-125.

5. OECD and European  
Union Intellectual  
Property Office.  
(2021). Global Trade  
in Fakes

### 3. Strengthening Border Measures against IP Infringing Goods

The role of the Korea Customs Service and Customs Offices in protecting IP rights is crucial as border measures against counterfeit goods are the most effective to prevent IP infringement. Considering today's advanced distribution system, once counterfeit goods have already entered the market, tremendous amount of administrative power and personnel will be required to crackdown those infringing goods. It is clear that institutionalizing the way of stopping counterfeit goods at the border is the most efficient way of combating IP infringement<sup>4</sup>.

ECCK deeply appreciates that the Korea Customs Service and frontline Customs Offices have continued to strive to seize IP infringing goods such as counterfeits at the border and have provided online IPR training to improve employees' capabilities even during the COVID-19 crisis. However, the global trade volume of IP infringing goods has increased continuously, and the counterfeit industry accounts for about 2.5 percent of the total world's trade volume<sup>5</sup>. It has also been noticed that most of the counterfeit goods distributed in Korea are imported from China and other countries rather than produced domestically. Therefore, it is important that the Customs Offices increase the current level of inspection of counterfeit goods and manpower while improving expertise and capacity of customs officials to effectively detect counterfeit items.

#### Recommendation

To keep pace with global trade growth, it is recommended that the current level of inspection rate as well as the number of officials assigned to detect or conduct investigation on IP infringing goods be increased.

In addition, to strengthen expertise of customs officials, it is recommended that officials be given more opportunities to participate in training and seminars on IPR, including ECCK's capacity building seminars. It is also important to promote knowledge transfer during the handover process to maintain expertise on IPR and anti-counterfeiting activities within the relevant departments.

Responsible Authority & Division Korea Customs Service (KCS) (Inspection Policy Division) / Presidential Council on Intellectual Property (PCIP) (IP Protection Policy Division)

Recommendation Status Updated

### 4. Enforcement Against Resellers Infringing IPRs

It has been a concern for IP owners that some resellers, including parallel importers or sellers of pre-loved products, were found to infringe intellectual property rights. Some recent observations are as follows:

Some notorious parallel importers do not seem to hesitate to mix genuine and counterfeit products in the same package. These malicious activities make it difficult to discern whether a batch of product is genuine. In addition, other resellers of new genuine products or pre-loved items are also infringing IPRs by using protected trademarks and logos, advertisements, or digital creation without authorization. Those activities are likely to mislead consumers to believe that there exists a partnership between the resellers and brand owners or that the resellers are the brand owners.

#### Recommendation

It is recommended that imported products be properly scrutinized in order to avoid continuation of the abuse of right in parallel imports. Some measures such as reinforcing the control of the paid taxes by these importers or control on document forgery and fraud could be used to deter these malicious activities.

It is also recommended that the unauthorized use of trademarks by resellers engaging in commercial activities be strictly restricted by proper measures.

Relevant Act/Regulation Trademark Act

Responsible Authority & Division Korean Intellectual Property Office (KIPO) (Intellectual Property Protection Policy Division) / Korea Customs Service (KCS) (Inspection Policy Division)

Recommendation Status New

### 5. Annual Report on Seizure of Counterfeit Products at Customs

The annual reports on IPR Seizures published since 2015 by the Korea Customs Service are valuable resources which provide constructive statistics and cases of IP infringement in Korea. ECCK believes that the publication of such reports demonstrates the Korea Customs Service's efforts to prevent and fight against IP infringement.

However, it is difficult to assess the exact size and trends of total seizures since this report utilizes 'weight (in kilogram)' to quantify the seized products, indicating the size of total seizures as well as seizures by type of IPRs, customs, item, country of shipment, and means of transportation. When seizures are quantified by weight, it is difficult to accurately determine the scale and variation of seizures due to the large fluctuation of the seized items that vary from year to year. For this reason, statistics on IP infringement published by major countries/authorities, including the EU Commission and Japan, report "pieces" of seized items (rather than weight) in their customs reports.

Recommendation

As the publication of yearly reports on IPR seizures demonstrates KCS's efforts to protect intellectual property rights at the global level, it is recommended that the KCS align the counting units of IPR seizures with those of other major countries. This effort will allow the public to accurately assess the scale and variation of seizures regardless of the characteristics of the seized goods.

Responsible Authority & Division Korea Customs Service (KCS)  
(Inspection Policy Division)

Recommendation Status Updated

6. Enhancement of Effectiveness of EMS Project

Since the Korea Customs Service amended the Article 8-2 of the Regulation of Customs Clearance of International Mail Items, officials are given the authority to seize and store counterfeit products, rather than return these illicit products to their senders in 2018. In this context, an initiative was launched by the KCS and industry representatives, i.e., Express Mail Service (EMS) project to detect counterfeit goods more effectively through swift assorting of parcels, authenticating products, and building parcel database. A further noteworthy development is the expansion of the EMS project to include parcels arriving at ports as well as parcels imported through private courier services in 2020.

While the EMS project is an effective initiative that capitalizes on the cooperation of various stakeholders, there are certain structural challenges that keep it from reaching its full potential.

First, considering the vast number of international parcels coming into Korea, only a handful of customs officials are assigned to the task which makes it difficult to detect and manage counterfeit goods coming to Korea using the international parcel services. Second, not enough space to store seized goods is secured, slowing down the EMS Project.

Recommendation

In order to allow the EMS project to reach its full capacity, ECCK recommends that additional manpower be assigned to the detection and management of international parcels coming to Korea, and additional warehouse space be allocated to the storage of parcels seized through the EMS project.

Relevant Act/Regulation Regulation of Customs Clearance of International Mail Items

Responsible Authority & Division Korea Customs Service (KCS)  
(E-Commerce Division)/Korea Post (International Postal Logistics Center)

Recommendation Status Updated

7. Designation of Special Judicial Authority to Local Government Officials

ECCK is pleased that the open sale of counterfeit goods is rooted out at most popular tourist sites in Seoul, thanks to Seoul Metropolitan City's government officials who were designated to serve as Special Judicial Police since 2013 and is honored that ECCK contributed to this success by establishing a joint initiative between industry and Seoul City.

ECCK hopes that this success is repeated in Busan International Market and Daegu Seomun Market.

As witnessed in Seoul, it is far more effective to root out open sales of counterfeit goods when a municipality that understands the characteristics of its region very well is involved in educating local residents and conducting frequent raids. To this end, ECCK is prepared to actively collaborate with local government officials by providing capacity building seminars to develop their expertise in

anti-counterfeiting activities.

Recommendation

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

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 (Economy Division)

Recommendation Status Updated

8. Enforcement Against Lookalike Products

Counterfeiters have sought inventive ways to circumvent the law and enforcement activities against counterfeit products. In order to avoid seizures and enforcement actions, counterfeiters have looked at alternate methods to free ride on famous brands' attractiveness and mislead consumers. For example, some counterfeiters display unfinished products which contain the same shape as the genuine ones but without bearing any trademarks to which could be added after the product is sold. Also, others are selling products with removable parts that could reveal the trademarks after the removal.

While the use of similar marks for the same goods does constitute trademark infringement, enforcement activities tend to revolve around the seizure of products containing identical trademarks. A limitation of enforcement activities to merely identical trademarks, would incorrectly be perceived by the counterfeit industry to mean that the use of similar marks is acceptable.

Recommendation

It is recommended that enforcement officials include products containing marks that are similar to protected trademarks during raids considering these new practices by counterfeiters. It is useful

to refer to current developments in other countries, such as France and China, where authorities took measures to seize lookalike products and products with uncomplete trademarks when similar cases are encountered.

To this end, ECCK and its members stand ready to assist officials in their enforcement activities by providing them with useful knowledge and tools on intellectual property rights.

Relevant Act/Regulation Trademark Act

Responsible Authority & Division Seoul Metropolitan City Special Judicial Police Bureau for Public Safety / Busan Central District Office (Economic Promotion Division) / Daegu Central District Office (Economy Division)

Recommendation Status New

9. Pro-active Measures by Online Intermediaries on Counterfeit Goods

As digital transformation and contactless communication has been accelerated by the COVID-19 crisis, online transactions have dramatically increased around the globe. In line with such trend, the counterfeit industry has also expanded its operation to the online space, making consumers to be more easily exposed to illegitimate products. Although online service providers (or online platforms) pave the way for digital transformation, they also cause problems due to the core of their business model that creates value by engaging various market players, usually consumers and sellers. Some online platforms take their own measures to prevent the sale and distribution of counterfeit goods, but the level of their practices varies substantially due to a lack of legal framework.

While the Act on the Consumer Protection in Electronic Commerce, etc. has been amended in 2017 to improve the reliability of online marketplaces in response to their growing role in the national economy, these amendments do not suffice to combat the rise of online counterfeit sales to properly protect consumers.

Recommendation

ECCK is pleased that KIPO considers amending the Trademark Act to impose liability on online service providers for the distribution

of counterfeit products as mentioned in the KIPO's response to ECCK's White Paper 2019 and its announcement last October regarding 'Plan on Online Prevention of Counterfeit Goods.'

Adoption of the following three measures by online intermediaries is further recommended: adoption of keyword filtering systems; implementation of efficient and expeditious takedown procedures; deletion of ID and account(s) of sellers caught offering counterfeit products for sale to prevent recurrence.

Relevant Act/Regulation Trademark Act

Responsible Authority & Division Korean Intellectual Property Office (KIPO) (Trademark Examination Policy Division)

Recommendation Status Updated

#### 10. Stakeholder Cooperation on Online Enforcement

To combat online counterfeit sales, the European Union took initiative to sign a Memorandum of Understanding (MoU) in 2011 between online platforms and IP rights owners, including trademark holders, followed by a MoU in Thailand and the Philippines in 2021. According to a report<sup>6</sup> published by the European Commission in 2020, the MoU serves as a worthwhile means of exchanging information and ensuring effective cooperation between signatories. The MoU is considered useful to facilitate constructive dialogues focusing on new trends, such as design infringements, emerging fraud patterns and variation in consumer behavior. In addition, the MoU contributes to examine the impact of the COVID-19 crisis on anti-counterfeiting.

In practice, effective communication between trademark owners and online service providers based on a MoU will enable two stakeholders to collaboratively combat sellers of counterfeit goods. For instance, a seller detected for selling counterfeit goods on a certain platform is most likely to offer the goods on other platforms with the same registration information. Once a trademark owner has the confirmation of a seller's sale of counterfeit goods at a particular platform, the trademark owner can share the seller's information with other platforms so other platforms can verify whether the goods offered by the seller at their platforms are

6. European Commission. (2020). Report on the functioning of the Memorandum of Understanding on the sale of Counterfeit Goods on the internet

genuine or not. If the seller fails to show that the goods are genuine within a reasonable time, online service providers could suspend or cancel the registration of the seller. This process will enable effective/efficient detection and blocking of counterfeit sellers and reduce inevitable consumer damage.

While a MoU aimed at decreasing the availability of counterfeit products at online platforms was signed between KIPO and online service providers, industry has not been included in any discussion in this regard. Trademark owners who have not been invited to sign the MoU still do not have sufficient opportunity to collaborate with other stakeholders on addressing online counterfeit sales.

#### Recommendation

ECCK is pleased that the KIPO has facilitated cooperation on online anti-counterfeiting among various stakeholders by operating the "Council for the Prevention of Distribution of Counterfeit Products."

To further this effort, ECCK recommends that a MoU be prepared amongst all stakeholders (i.e. online service providers, trademark owners and associations), which will lead to the next level of collaboration to curb online counterfeit sales.

Responsible Authority & Division Korean Intellectual Property Office (KIPO) (Intellectual Property Investigation Division)

Recommendation Status Updated

#### 11. Standard Essential Patents

Global standards are fundamental to today's ubiquitous connectivity. The COVID-19 crisis has further emphasized the importance of connectivity as it plays a crucial role in reducing the impact of necessary quarantine measures as well as serving as economic and educational lifeline. The vast interoperability and performance provided by these global standards are the result of intensive research and development activities by companies in different parts of the world, brought together thanks to a performing standardization system, into an end-to-end solution.

The increasing importance of the cellular technologies has been demonstrated by the very rapid deployment and use of

5G technology in South Korea, where more than 15 million 5G subscribers are already benefitting of the additional services this new technology brings. Over the next decade, the importance of 5G and the further development of 5G standards, will address the needs of critical sectors including automotive, health, energy, agriculture, and manufacturing. It will support the essential automation and data exchange required for the Internet of Things (IoT) and be at the core of societal functions like transport, public safety, and defence.

To ensure that the enormous societal benefits of 5G and IoT are realized, it is critical that standards for mobile communications continue to be developed on the basis of cutting-edge technologies contributed by companies from all around the world, within a standardization framework that enables global collaboration and competition.

#### Recommendation

It is vital that a market-led, open, balanced and sustainable ecosystem is preserved for the development and rollout of new communication standards. Key factors for success in such are the continued voluntary contribution of cutting-edge technology to open standards by industry and research centers in exchange for the right for those who contribute their technology to license the intellectual property covering such technology on fair, reasonable and non-discriminatory (FRAND) terms.

Such a balanced approach will foster global markets and underpin a healthy and open technology ecosystem, enabling continued investments in R&D and ensuring access to state-of-the-art technologies for all.

In particular, it is recommended that the Korean government shall take account of the developments in this field and evaluate whether these developments can be applied to domestic situations. Some of the principles that have received broad support by international courts dealing with Standard Essential Patent (SEP) related litigation are as follows: SEP holders are entitled to seek injunctions; FRAND disputes are contract – not antitrust – issues; Device level licensing is appropriate and an industry norm; License royalties should be based on the economic value of the patented technology to the end-use of the connected product.

Relevant Act/Regulation Review Guidelines on Undue Exercise of Intellectual Property Rights

Responsible Authority & Division Korea Fair Trade Commission (KFTC) (Anti-Monopoly Division (Knowledge Industry)) / Korean Intellectual Property Office (KIPO) (Intellectual Property Creation Strategy Division)

Recommendation Status Updated

## Key Issues

### 1. Converting KC Certificate into Electronic Document and Improving Data Search on Safety Korea

'Korea Certification (KC) Certificate' is issued by three test laboratories: 1) Korea Testing Laboratories (KTL), 2) Korea Testing & Research Institute (KTR), 3) Korea Testing Certification Institute (KTC). The information on 'Electric Safety Certificate' is shared through Safety KOREA or UNI-PASS websites.

The companies are required to keep the original paper document of the safety certificate for renewal, cancellation and return of the certificate. Except such cases, the original paper certificate is not used normally. When updating the safety certificate, the original must be submitted to the testing laboratory. It takes time and money for the company to send it by courier or express, or to submit it in person. By switching to electronic documentation, laboratories can reduce the use of paper, and companies do not need to keep separate hard copies, which increases efficiency in document management and reduces logistics costs. It also enables efficient management of certificates.

Currently, on the Safety Korea website, manufacturers/importers can inquire the certificate of the 3 test laboratories. However, Excel extraction is not possible and contains only basic information. Detailed information such as ratings, factory addresses, etc. must be inquired by visiting each of the three test labs' websites. From the point of view of a company that must manage certificates for multiple products, the efficiency of work is very low.

#### Recommendation

If the electrical appliance safety certificate (KC Certificate) is converted into an electronic document, it is expected that more efficient management and storage will be possible. Electronic documentation of the certificate is suggested.

By expanding the certification data information already shared on the Safety Korea website, the ECCK recommends a system upgrade so one can check the certificate information in one place without searching on a separate testing laboratory site and extracting it in Excel.

Relevant Act/Regulation Enforcement Decree of the Electrical Appliances and Consumer Products Act  
Responsible Authority & Division Korean Agency for Technology and Standards (KATS)  
Recommendation Status Updated

### 2. Adoption of Regular Timeline on Changed Regulation

The Ministry of Environment (ME) has recently initiated to strengthen regulations to reduce waste generation and govern waste processing and recycling. Thus, amendments have been made or proposed to the Act on the Promotion of Saving and Recycling of Resources. Many regulations and laws have been announced one after another, making it difficult for the industry to keep up.

In the case of label change, the importer calculates the amount of inventory and sales forecast in advance and requires a preparation period of at least 18 months. However, there is not enough time for the industry to prepare because only the enforcement schedule has been set without a final regulation being announced. For example, in the case Adoption of Regular Timeline on Changed Regulation of the separate discharge labelling, according to the supplementary provisions of the amendment, existing products will follow the previous regulations until December 31, 2023, but for new products, it will be implemented from January 1, 2022. However, the final administrative notice as published on July 2021, which gave the companies less than 6 months to prepare labels to be attached to new products.

#### Recommendation

ECCK recommends to the Ministry of Environment to adopt regular timeline on changed regulation. For example, the changes to be collected once every three years with 1 year grace period in the case of changes to the labelling information.

Relevant Act/Regulation Act on the Promotion of Saving and Recycling of Resources  
Responsible Authority & Division Ministry of Environment (ME)  
Recommendation Status New

## Key Issues

### 1. Direct Shipment Requirement – General

'Article 13 of the EU-Korea FTA' provides that "preferential treatment provided for under (the FTA) applies only to products ... which are transported directly between the Parties". For efficiency purposes, it is common for companies to use a regional hub when distributing their products globally. Based on the FTA, it is not allowed for companies to transport their products to regional hubs for subsequent repackaging and redistribution, however. The strict requirement of the FTA has proven to be an undue burden on companies and have led certain companies to decide not to utilize the FTA in doing business with Korea, or in the EU.

#### Recommendation

It is recommended for the EU and Korea to agree on a modernization of the FTA that would allow for repackaging and redistribution in appropriate circumstances.

Relevant Act/Regulation Article 13 of the EU-Korea FTA

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE)

Recommendation Status Retained

### 2. Direct Shipment via Transit Hubs/Change of Mode of Transportation

Goods are shipped in many different ways from Europe to Korea, such as via transit hubs for re-commissioning by a logistics and transport service provider (i.e., airline hub in a non-EU country like Qatar) or by train from Europe to an Asian port where is then reloaded by a logistics and transport service provider to a vessel to be shipped to the final destination in Korea. It seems that in some cases, companies were informed by Korea Customs Service (KCS) that this is to be considered as indirect shipment and accordingly the shipment did not enjoy the preferential benefits of the EU-Korea FTA.

#### Recommendation

It is recommended that the above-mentioned cases to be considered as direct shipment by the originator of the shipment so

they should be acknowledged by KCS as direct shipment without any exception. The choose of the shipping route and its mode of operation should not have any impact of determination of direct or indirect shipment. The ECCK recommends that KCS drafts an internal communication to its employees to ensure that a common procedure is established.

Relevant Act/Regulation Article 13 of the EU-Korea FTA

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE)

Recommendation Status Retained

## Key Issues

### 1. Practice of the Lowest Price Bidding System in Domestic Shipyards

Domestic shipbuilding equipment companies have adopted bidding practices in bidding for orders by domestic shipyards, including bidding for total costs that are below their production cost.

These practices unfairly decrease competition and cause a deterioration in product quality and moreover result in maintaining of the status quo, decreasing investments in research and development, curbing innovation, and leading to unsustainable business practices.

#### Recommendation

In order to allow for fair competition and to further enhance sustainable business practices, it is recommended that the government actively promotes due consideration for safety, technology, quality and business experience, rather than merely focusing on price, in the bidding processes.

Responsible Authority & Division Korea Fair Trade Commission (KFTC)

Recommendation Status Readdress

### 2. Planned Merger of Hyundai Heavy Industries Holding (HHIH) and Daewoo Shipbuilding & Marine Engineering (DSME)

The planned merger between Hyundai Heavy Industries Holding (HHIH) and Daewoo Shipbuilding & Marine Engineering (DSME) provokes a high inquietude towards the global suppliers including the European shipping companies. They are major customers of DSME and HHIH and represent 30% of worldwide demand for cargo ships. If the combination obtains regulatory approval from the remaining countries EU, Korea, and Japan, it removes DSME as an important competitive force in the following markets: (i) large containerships, (ii) oil tankers, (iii) liquefied natural gas (LNG) and (iv) liquefied petroleum gas (LPG) carriers.

Considering the unified company will account for 60% of the LNG carrier market, which by the way is much higher than their combined market share of 21% of the global shipbuilding market, the remaining shipbuilders would not exert sufficient competitive pressure on the merged entity. Also, as these segments reside mainly

in the know-how, track-record, and in some cases in mastering the relevant technology, barriers are quite high for new entrants.

Therefore, a significant concern that the merger could lead to higher prices, less choice and reduced incentives to innovate.

#### Recommendation

In order to allow for fair competition and to further enhance sustainable business practices, it is recommended to disapprove the merger in case there is not any possible method to remove the possibility of limited competition notably in the LNG ship market.

Responsible Authority & Division Korea Fair Trade Commission (KFTC)

Recommendation Status New

### 3. 52-hour Workweek System

Since the first implementation of the 52-hour workweek system in 2018, the local maritime industry has been deeply concerned and affected by it. The rigid imposition of the system without considering specific workplace conditions has been undermining the industrial foundations. Although the act was revised several times for flexibility, it is still impacting the local maritime industry which frequently handles emergencies round the clock.

Moreover, considering the nature of the industry, which must meet the tight shipment and delivery schedule, working overtime on weekdays and holidays is inevitable. Especially during this unpredictable COVID-19 era.

#### Recommendation

To promote effective business practices and to further enhance sustainable development and work-life balance, it is recommended that the government recognises specific conditions of respective workplaces. Therefore, we suggest the maritime industry be included within the exempted industries (agriculture, livestock, poultry, and fishery) or to let the industry operate on a flexible workweek system all year round, instead of maximum six months, by having employees work extended hours during busy seasons and later go on deferred leave.

Relevant Act/Regulation Labour Standards Act

Responsible Authority & Division Ministry of Employment and Labour (MOEL) /Ministry of Trade Industry and Energy (MOTIE)

Recommendation Status New

#### 4. Unfair Opportunities to Access R&D Funds and Programs as Foreign-Invested Firms in the Maritime Industry

R&D is one of the key factors for business success in every industry including the maritime industry. Marine and offshore units often operate in difficult environments, where they are subject to constant wave action. Given these circumstances, unit owners require their assets to be built, maintained, and upgraded to the highest possible standards of safety, cost-efficiency, and sustainability frequently.

Since the release of COVID-19 recovery projects including the 'Korean Green New Deal', it seems like there are more R&D funds and program opportunities in the maritime industry than ever. Nevertheless, foreign-invested firms are excluded from seizing these valuable opportunities. Many a time, they are excluded from the beginning as these opportunities are only open to Korean companies. Or they are excluded through the selection process of candidate(s) although they perfectly meet the requirements. This does not align with the promised fair & non-discriminatory business environment to the foreign-invested companies in Korea.

#### Recommendation

To promote a fair and non-discriminatory business environment and transparent competition, it is recommended to clarify how foreign-invested firms can gain access to funds destined for R&D activities and create a transparent platform that will enable them to do so.

Furthermore, the ECCK suggests compiling a list of previous and future R&D pilot projects based on the industry segments listed in the government portal. Plus, it is recommended to ease indirect barriers for foreign-invested companies to support and become partners in R&D projects rolled out under the umbrella of the 'New Green Deal' Action Plans.

Responsible Authority & Division Korea Fair Trade Commission (KFTC) /Ministry of Oceans and Fisheries (MOF)

Recommendation Status New

#### 5. COVID-19 Management

The COVID-19 pandemic brought many disruptions in numerous industries and maritime was no exception. From the congestion in ports, crew change crisis, cruise lines, legal disputes to the shipbuilding and repair. The countermeasures against COVID-19 for the industry still remain unclear until now. In parallel, it seems like the government does not recognise the key role of the maritime personnel as an 'essential worker'. For example, in Singapore, whom Korea shares many similarities in the maritime industry, has defined shipping as an 'essential industry' and prioritized vaccination of people involved in this industry keeping the world trade running. Meanwhile, there has not been any discussion on defining the industry as an 'essential industry' nor prioritizing the shipping personnel in the COVID-19 vaccination procedure in Korea, where relies heavily on shipping and the shipping industry as well.

#### Recommendation

It is suggested to include the shipping industry as 'essential industry' and prioritize them in the vaccination procedure. Lastly, it is recommended to provide a globally standardized system and certificate that supports and ensures the free movement of vaccinated frontline maritime personnel.

Responsible Authority & Division Korea Disease Control and Prevention Agency (KDCA)

Recommendation Status New

## Key Issues

### 1. Extension of Period of Offset Implementation

According to Article 13-d of the Defence Acquisition Program Administration (DAPA) Offset Memorandum of Agreement that have been newly revised after 2018, legal liabilities of companies will increase if a project delivery deadline is not satisfied. The updated article states that an extension of the project period is subject to 0.15% penalty per day, which results in a total penalty of up to 54.75% per year. This amount is double the liabilities of domestic suppliers which are subject to 0.075% penalty per day, and up to 27.38% per year. These conditions represent a significant increase compared to the previous guidelines which are subject to 20% increase of the remaining offset value in the first year and 10% every subsequent year.

The DAPA explained that these newly set guidelines are more reasonable and flexible, and the penalty for delays less than 4 months under the new guidelines is more favorable than before. However, in practice, extension of only 4 months is very rare and usually more than several months are extended. Thus, increase in the burden on the obligor under the new regulations still exists. In addition, it is also necessary to consider that some of the delays may be due to the administrative processing of the DAPA.

#### Recommendation

When imposing penalties, it is recommended that the reasons for extension be decided after discussing with the obligor. If the reason for extension is not deliberate wrongdoing or lack of effort of the obligor, it is recommended to have a grace period granted. In addition, it is suggested that the DAPA to hold a public hearing to discuss proper directions of related policies.

Relevant Act/Regulation Article 13-d, [Table 2] Offset Memorandum of Agreement, DAPA Offset Program Guidelines

Responsible Authority & Division Defence Acquisition Program Administration (DAPA)

Recommendation Status Retained

### 2. Offset Performance Bond

Article 14 of Defence Acquisition Program Administration (DAPA) Offset Memorandum of Agreement states that if a foreign contractor fails to fulfill its offset obligation within the agreed implementation period of the agreement, the DAPA shall be entitled to confiscate 10% of the unfulfilled portion of said obligation from the offset performance bond as a penalty for contract violation. This seems problematic as it does not state if such confiscation would release the company (obligor) of its offset obligation. Moreover, it does not give the company any opportunity to discuss the decision.

The revised guidelines differ considerably from the previous guidelines that exempted foreign contractors from offset obligations if they decided to confiscate performance deposits. Moreover, the revised guidelines, in addition to other provisions that require additional penalties for periods of performance extensions, represent a much more and punitive penalty structure than the previous guidelines.

In this regard, DAPA provided an opinion that in case the obligation is not fulfilled, its obligation is not exempted after the performance deposit is confiscated, but is transferred to the next project, and it is regarded that the current project practically ends, meaning that the remaining value is not added. However, there still seems to be some ambiguity in the revised guideline. In case that a company fails to proceed the next project, there lies a concern that a company will be the object responsible for paying the penalty for a relatively long period of time until it starts the next project. It is still understood by the companies that the revised guideline would increase penalty without cap which could result in unlimited penalty for the obligors.

#### Recommendation

For a proper interpretation of the regulation, a briefing session on the revised guidelines for the obligors is necessary. In addition, it is recommended for the DAPA to hold a public hearing to discuss proper direction of related policies.

Relevant Act/Regulation Article 14, [Table 2] Offset Memorandum of Agreement, DAPA Offset Program Guidelines

Responsible Authority & Division Defence Acquisition Program Administration (DAPA)

Recommendation Status Retained

## Key Issues

### 1. Direct Contract of Natural Gas Purchasing for Raw Material between KOGAS and Industrial Gas-Chemical Companies

Industrial gas companies produce H<sub>2</sub>/CO using natural gas as raw material and supply H<sub>2</sub> and/or CO to customers who produce their final chemical products using CO/H<sub>2</sub> as intermediate as a main business. The customers' final products (TDI/MDI/PC) are exported mainly to overseas markets. Also, some industrial gas companies supply H<sub>2</sub> to Hydrogen Mobility like the Hydrogen Refueling Station (HRS) operation as a part of H<sub>2</sub> mobility business.

According to the Article 2 (3) of Urban Gas Business Act, a wholesale business means supplying gas to massive consumers defined by Enforcement Rule. In the Article 2 (2) 2 of Enforcement Rule, users of Power generation, Power and Heat generation and Mobilities' Hydrogen are entitled to receive the NG directly from the wholesaler.

Industrial gas companies who are using NG for raw material, which shall be excluded for fuel purpose, should be added to receive the NG directly from the wholesaler so that they can increase their customers' competitiveness in the overseas market and expand the business territory to Hydrogen Mobility. In general, the ratio between raw material and fuel purpose in the hydrogen manufacturing process is 80:20 respectively.

#### Recommendation

Currently the government allows such derogation to deal directly with KOGAS and access the KOGAS wholesale price only to power generation companies and Hydrogen for mobilities manufacturers. No issues are found in the EU countries as it is already a fully deregulated market for natural gas. We recommend to amend the Article 2 (2) 2 of Enforcement Rule as followed: "Users of Power generation, Power and Heat generation and Mobilities' Hydrogen, as well as users for industrial gas production with NG consuming plants who use it for raw materials (fuel purpose shall be excluded) are entitled to receive the NG directly from the wholesaler."

Relevant Act/Regulation Article 2 (3) of Urban Gas Business Act /Article 2 (2) 2 of Enforcement Rule of Urban Gas Business Act

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE) (Gas Industry Division)

Recommendation Status Updated

### 2. Domestic Recognition of EPD in accordance with ISO 14025

Environmental Products (EPD) are defined in accordance with ISO 14025 and EPD issued by Underwriter Laboratories (UL) is in use worldwide. EPD is applied as a standard data for global eco-friendly building certification such as LEEDS and BREEAM certification and is recognized as a measure of environmental evaluation in countries other than Korea. In the case of this item, Korea uses the same name as EPD, but within G-SEED, the recognition of non-domestic certification is restricted.

#### Recommendation

We recommend to review the products of companies with EPD in accordance with ISO 14025 so that there is no problem with the application of G-SEED environmental products.

The comparative analysis of the requirements of KEITI EPD and UL EPD quantifies and evaluates the environmental impact of producing, using and disposing of products for the same purpose and use, and the criteria are virtually the same. Therefore, it is reasonable the evaluation results about the environmental impact of producing, using and disposing of products to be recognized in domestic certification procedures if they were reviewed by the international agency pursuant to the UL EPD.

Relevant Act/Regulation G-SEED - 3.1 Use of environmental products (EPD)

Responsible Authority & Division Korea Environmental Industry & Technology Institute (KEITI) (Office of Environmental Declaration)

Recommendation Status New

### 3. Aligning with IEC Standard on Offshore Wind Turbine Generator (WTG) Certification

There is no concept of 'Rotor, Nacelle, Assembly (RNA) Component Certification' in the current KS certification process for wind turbine by Korea Energy Agency. According to the current International Electrotechnical Commission (IEC) regulations, it is allowed to certify RNA only, however, domestic KS certification includes the 'Tower Structures' in the certification category.

Furthermore, it is unreasonable to adopt a single certification including Tower and Foundation together even though the wind turbine generators are identical or the wind power equipment is located in the same farm, because the specification of foundation and tower can vary depending on environmental conditions such as water level and undersea geological features, mooring methods and arrangements.

For the certified wind turbine by IEC standards, the domestic certification process can be proceeded without hindrances by allowing to use documents and data used for IEC certification even if the 1-year pilot testing is omitted.

#### Recommendation

We recommend to either exempt or simplify domestic KS certification process by recognizing the RNA only certification certified by the IEC standards. We also recommend to allow to accept documents and data used for IEC certification when certifying the offshore wind turbine which does not install a pilot.

Relevant Act/Regulation Regulations on Medium and Large Wind Turbine KS Certification

Responsible Authority & Division Korea Energy Agency (KEA) (Wind Power Project Division)

Recommendation Status New

### 4. Improvement on Long-term Fixed-Price PPA (Power Purchase Agreement) Process for On-Off Shores Wind Power

Until now, GENCOs, KEPCO's subsidiaries which are 5 generation companies, invest shares of Special Purpose Companies (SPC) and conclude longer fixed-price Power Purchase Agreement (PPA) with them when constructing wind power plants. For this, GENCOs' investment and PPA are required to review the Cost Adequacy Evaluation pursuant to the KPX (Korea Power Exchange)'s internal operation regulations as well as the project feasibility by the Renewable Portfolio Standards (RPS) Committee pursuant to the 'Article 42 of Regulation on the Issuance of Renewable Energy Certificate and the Operation of the Certificate Market'. Through the review procedure, the unit price is determined for the fixed-price PPA between GENCOs and SPC.

In the review procedure, it is good strategy to verify the Capital Expenditures (CAPEX) & Operating Expenditure (OPEX), however, it seems to discourage industry and market to adjust the project feasibility into a certain level by assigning lower PPA price for the good wind condition complex and the higher price for the bad wind condition complex.

In addition, the RPS Committee approves the PPA price by evaluating the contribution to the domestic industry which is applied to the foreign imported turbine, and it results in discrimination in the PPA price between domestic and foreign imported turbines.

According to the Korea Power Exchange (KPX)'s analysis regarding the wind power generation feasibility in 2021, the differences between domestic and foreign imported turbines exist in terms of the revenue adequacy for onshore wind power as follow.

	CAPEX (mil.KRW/MW)	LCOE (KRW /kWh)	SMP (KRW /kWh)	1REC (KRW /kWh)	SMP+1REC (KRW /kWh)
Domestic	2,568	163.3	81.91	81.4	163.3
Foreign	2,313	147.1	81.91	65.2	147.1

#### Recommendation

We suggest to review CAPEX and OPEX considering the size of power generation complex and construction scale and determine PPA price based on the CAPEX/OPEX review result not the wind conditions by each power complex.

We also recommend to eliminate the evaluation criteria, contribution to the domestic industry (localization rate) which is only applied to the foreign imported turbines and to stop the additional PPA price calculation for domestic turbines when RPS Committee in the KEA review for the adequacy of PPA.

Relevant Act/Regulation Regulation on the Issuance of Renewable Energy Certificate and the Operation of the Certificate Market (NREC Notification 2021-8)

Responsible Authority & Division Korea Energy Agency (KEA) (Wind Power Project Division)

Recommendation Status Updated

#### 5. Improvement on Weighting REC (Renewable Energy Certificate) for Direct PPA

Apart from the fixed-price agreement with the GENCOs, KEPCO's subsidiaries which are 5 generation companies do not issue the Renewable Energy Certificate (REC) for the electricity supplied by direct Power Purchase Agreement (PPA) while the Electric Utility Act was amended to allow direct PPA between power generators and consumers.

Also, the weight is applied in basic weight '1' regardless of the energy sources when implementing RE100 through the direct PPA, while the government give relatively high weight and economic support to offshore wind power in order to encourage it.

In order to contract direct PPA, the offshore wind power generators have to give up some revenue which they can get from REC sales, or negotiate with consumers for the high price making up for the entire REC, and it is against the intention and purpose of current government's policy.

#### Recommendation

We recommend to apply the REC weight depending on the energy sources for the electricity supplied by the direct PPA between power generators and consumers, or to issue the REC for the left weight excepting the already applied basic weight '1' to guarantee the economic benefit and competitiveness of wind power.

Relevant Act/Regulation Electric Utility Act / Regulations on Support New-Renewable Energy Facilities

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE) (Renewable Energy Division)

Recommendation Status New

#### 6. Limitation for Development Premium and Civil Complaints

Repeated complaints have been filed due to the absence of integrated guideline towards the civil complaints resolution when developing on and offshores wind power complex. This results in delaying projects, increasing uncertainty and total cost.

In the case of floating wind farm in the Exclusive Economic Zone (EEZ), it is difficult to identify whom affected by the project because there are no regular fishermen by fixing their net and anyone having near sea permission can do fishery work unlike the wind farm developed in neighboring seashore.

This circumstance leads that not only the fishermen operating in the EEZ but also the local fishermen claim the damages and demand the compensation, or object the offshore wind farm construction, while there is no guideline for actual stakeholders to negotiate. It causes even regional conflicts among fishermen.

#### Recommendation

We request to prepare the integrated guideline about the local residents and organizations entitled to raise civil complaints when developing on/off shore wind power complex. For example, the towns and buildings located within 2km radius from the power generation complex, or the fishermen recognized their fishing operation for 3-5 years in the relevant water based on the objective reported data to the National Federation of Fisheries Cooperatives.

We also suggest to prepare a guideline detailed enough to apply so that the agreement between stakeholders based on the guideline can positively lead the relevant approval such as 'permission for occupancy and use of public waters'.

In Denmark, the compensation is made for facilities located within 1 km from the onshore wind power generation according to the integrated guideline.

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE) (Renewable Energy Industry Division) / Ministry of Oceans and Fisheries (MOF) (Marine Space Policy Division)

Recommendation Status New

### 7. Clean Energy Production through Fuel Flexibility and Enhanced Efficiency

There is an increased need for cleaner, more efficient energy sources to fight climate change and decrease carbon footprint. Gas turbines applied in combined heat and power applications (CHP) fit perfectly in this spot, especially for manufacturing sector and district heating and cooling. To meet energy source diversification in Korea, CHP is suitable to a variety of different fuels including hydrogen, ammonia, heavy hydrocarbons, high inert content fuel or biofuels. CHP solutions with gas turbines can have following merits:

- Enable fuel flexibility, allowing generators to switch from conventional fuels (diesel and natural gas) to next generation 100% green fuels such as hydrogen and its blends to bring CO2 emissions to zero without building entirely new systems.
- Provide the most efficient way to minimize fuel imports and to deliver predictable and reliable energy supply to manufacturing industries. Overall plant efficiency can reach 90%, thus reducing CO2 emissions.
- Increase the competitiveness of Korean industries by enabling manufacturers to diversify and localize energy production by leveraging distributed power generation, while also obtaining a lower cost of energy, reducing their manufacturing costs.
- Preserve the competitiveness of Korean exports if border-adjustment mechanisms like those being proposed in Europe are introduced that impose tariffs or prohibit the importation of certain goods based on lifecycle emissions.

However, even with the current carbon emissions trading scheme and existing subsidies, the economics for CHP are less attractive than alternative power source options which inhibits the sector growth.

### Recommendation

We recommend a 60MW limit for CHP with gas turbine incentives as this is usually the maximum size for manufacturing sector and suggest the government mandate new CHP installations with gas turbines provide energy savings of at least 10% compared with the audited baseline of factory energy profile and system efficiency.

Furthermore, we recommend the following incentives for CHP with gas turbines less than 60MW in manufacturing sector:

- Investment tax allowance for capital expenditure
- Import duty and import tax waiver for imported equipment
- Favorable natural gas tariff compared to conventional use such as packaged boilers
- Pre-defined permitting and licensing procedures as well as one-stop application

The evolution in Europe for CHP started in 1980's with incentive mechanisms like those in our recommendation. Today, EU-15 CHP contributes about 18% of total generation and typical proportion of total generation that can apply CHP is between 20% to 25%.

Responsible Authority & Division Ministry of Trade, Industry and Energy (MOTIE) (Industrial Environment Division)

Recommendation Status Retained

### 8. Ease in Regulations Regarding Licenses for Radioisotopes Handling (RI License)

Under current regulations, it is mandatory to hire SRI license holder for below radiation generator:

- i. Higher than 1MeV
- ii. Max operating voltage 350kV or more and capacity of 350kV 5mA or more with one system.
- iii. Less than max operating voltage 350kV and capacity of 250kV 5mA or more with two system

Although the radiation generator management standards such as safety management, radiation leakage dose, etc. and the measures for accident occurrence are the same as below, there

is a difference in hiring SRI or RI license holder due to the max voltage and capacity.

- Radiation leakage does 10 uSv/h at a distance of 10 cm from the surface: 350kV 5mA 1 unit = 250kV 5mA 1 unit
- Exceeding the annual dose limit of 20mSv for radiation workers at 1m even in case of abnormal handling of one 250kV/5mA radiation generator
- Safety measures are the same in case of risk of radiation exposure of workers due to abnormal handling
- In terms of safety management, there is no difference in safety measures and management from RI and SRI

#### Recommendation

We suggest changes in particular areas to be harmonized with international standard including permitting ownership of greater than 350kV nondestructive testing X-ray for key export/growing industries such as batteries even with just RI license holders by changing regulation to cover in the scope of the RI licensee for radiation generators of less than 1 MeV and alleviating safety concerns through imposing minimum experience for RI license holders, mandatory training, and usage of consulting companies.

Relevant Act/Regulation Article 53 (2) 7 and Article 84, Nuclear Safety Act / Article 82-3 and Article 83, Enforcement Decree of the Nuclear Safety Act

Responsible Authority & Division Nuclear Safety and Security Commission (NSSC) (Radiation Safety Division)

Recommendation Status Updated

Siyeon Kim  
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Working Group

#### **Key Issues**

##### 1. Network Requirement for Cloud Computing Service Provider in Financial Service Industry

Any financial company in Korea should conduct CSP (Cloud Computing Service Provider) Safety Assessment before they adopt any cloud service from any vendor by the relevant regulation.

In the checklists for CSP Safety Assessment, there is the network specific requirement, which asks if CSP can provide dedicated line of VPN (Network encryption in Network security from CSP Checklist).

In general, public SaaS (Software as a Service) providers, do not support a dedicated line or a VPN because the concept of dedicated line or a VPN does not match public cloud. In case that CSP supports the private connection, it means that customer just has another data center for the specific application area related to SaaS, which again cannot be regarded as true SaaS. In order to support private connection, CSPs must make huge investment to change cooperation environment, which is not realistic from economic perspective.

With this regulation, Korean financial companies cannot utilize the benefit from SaaS to best possible degree.

#### Recommendation

It is recommended that the explicit requirements for dedicated line of VPN for the connection between financial company and CSP to be eliminated.

Relevant Act/Regulation Article 14-2, Phrase 1-2 of the Regulation on Supervision of Electronic Financial Transaction

Responsible Authority & Division Financial Supervisory Service (FSS)

Recommendation Status New

2. System and Template Structure for Government ISP (Information Strategic Planning) Project Planning, Development, and Submission

The government's standards for the submission of the Information Strategic Planning (ISP) projects stages have been deemed detrimental to submitting the best work possible. This is per the unique case, which was assigned to the consortium deliver hyper-specific digital transformation plans.

Lateral systems such as BPR and Integrates Legislation appear to have an "autopilot" function whereby ISP may be review in a more efficient process. However, the subcontracting consortium found that the imposed guide surrounding the ISP restricts the consortium by 2000 minimum page count as well as specific PowerPoint templates, while not being able to use multiple document types and formats.

Though the attempts to mitigate ISPs and new legislations' complexities are well-noted and are progressive, further harm may extrapolate from not taking 'controlled' risks within the context of governmental digital transformation.

Recommendation

The recommended policy and operational amendment apply to mitigating imposed boundaries upon a contracted consortium of interest for when it comes to ISP-driven project due diligence. It is recommended that such acts of mitigation may take place in the form of following.

First, investing further resources into Government Legislation Integrated System, especially within the context of AI/ML, in efforts to open the horizons of how the system can process large/complex contexts of ISPs within a unified manner.

Second, give the contracting consortium a less restrictive formatting guidelines, which enables experts to deliver the proper ISP-related data, in a concise manner, which reduces the unnecessary use of bureaucratic resources.

Third, engage in more specific, action-based communication with foreign, public sector bodies, and co-develop new, cross border standards and partnership which enables more advanced ISP delivery and geopolitical relationships.

Lastly, purposefully allocate specific talent/workforce to ISP-focused initiatives and BPR whom have direct experience within the cutting-edge of ICT Digital Transformation and (ICT-Driven) Geopolitical Affairs.

Relevant Act/Regulation Business Process Reengineering (BPR) / Government Legislation Integrated System/ISP System

Responsible Authority & Division Ministry of Government Legislation (MOLEG) and other related ministries such as Ministry of Food and Drug Safety (MFDS), Ministry of Public Administration and Security (MOIS), Ministry of Agriculture, Food and Rural Affairs (MAFRA) and Ministry of Oceans and Fisheries (MOF), etc.

Recommendation Status New

3. Cloud Security Assurance Program (CSAP)

Today, for services provided to the citizens, public institutions such as the central government can use GCloud, however, for the local governments use is limited to the dedicated cloud that others can't access.

Other public institutions/agencies may use private cloud systems, but the cloud service providers must be certified according to the Cloud Security Assurance Program (CSAP), a certification system that certifies the security of a cloud system, administered by the Korea Internet & Security Agency (KISA). There are currently 23 companies certified by KISA, which are all Korean companies. The reason for that situation lies primarily in the fact that the CSAP requires essential manpower resources to be located in Korea. Foreign companies instead ensure having sufficient resources by utilizing their global service partnership to operate or manage the data centers.

The ECCK understands that the main motivation of CSAP is to ensure the highest possible level of security but also believes that same quality of security can be achieved if employees based and working abroad are qualified in the field and apply the latest business processes.

Recommendation

It is recommended to introduce a system of reciprocity to acknowledge the global certificate for guaranteeing security in the cloud security regulation and to allow remote operation rather than requiring the operating entity to reside in Korea as a prerequisite.

Relevant Act/Regulation Article 23 Paragraph 2 of Cloud Computing Development and User Protection Act

Responsible Authority & Division Ministry of Science and ICT (MSIT) (Internet and Digital Technology Promotion Division)

Recommendation Status Retained

4. E-government Standard Framework Preferred Application Agencies

The Ministry of the Interior and Safety (MOIS)'s 'Guidelines for the Establishment and Operation of Information Systems of Administrative and Public Institutions' stipulate that when developing information system of the public sector, the application of the eGovernment Standard Framework should be considered as a primary factor, but it is a common practice for administrative agencies to interpret and apply it as a de facto compulsory provision.

The e-government standard framework can only be applied to web systems based on JAVA programming language. Therefore, the framework restricts the participation of the packaged software that aren't JAVA-based in the public sector information technology projects.

Recommendation

The prerequisites for the application of the e-government standard framework are currently stipulated in the 'Standard Framework Application Guide for Information System Construction Orders' of the National Information Society Agency. It is recommended to elevate the conditions of application to the guidelines administered by Ministry of the Interior and Safety (MOIS), which is a higher-level agency.

In addition, it is suggested to exclude the restriction of other software development languages than JAVA in consideration of rapid application of new technologies and diversification of programming languages.

Relevant Act/Regulation Guidelines for Establishing and Operating Information Systems for Administrative and Public Institutions, Notification number 2019-60 of the Ministry of Interior and Safety (MOIS) and Standard Framework Application Guide for Information System Implementation Vendors, Version 2.9, March 2020

Responsible Authority & Division Ministry of the Interior and Safety (MOIS) (Digital Infrastructure Innovation Division)

Recommendation Status Retained

5. Application of Foreign Vendor Standard Contract by Public Agencies

When public institutions sign contracts to purchase goods, regardless of the type of the product, it is mandatory to use the general conditions of the purchase (manufacturing) contract and the special conditions of the purchase (manufacturing) contract. The contract is signed through an electronic agreement through the 'Korea ON-Line E-Procurement System'.

Hardware and software license vendors in the ICT field are unable to use their own standard contracts, making it impossible to sign contracts directly with public institutions. If administrative agencies accept standard contracts from vendors or negotiate and adjust contracts between the client and vendor, it is believed that the cost of introduction and administration costs will be reduced.

Recommendation

It is recommended to apply a more flexible approach to mandatory application of the general conditions of the purchase (manufacturing) contract and the special conditions of the purchase (manufacturing) contract. In addition, it is recommended to establish an institutional arrangement that allows the ordering administrative agency to flexibly sign contracts by creating an exception clause that accepts contracts using standard contracts from vendors.

Relevant Act/Regulation Contract Rules Number 491

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Government Properties Policy Division)

Recommendation Status Retained

#### 6. Technology Neutrality in Mobile Communication Frequencies

Currently, the technology method (e.g. 3G, 4G, 5G, etc.) is specified when assigning frequencies for mobile communication business, and telecommunication operators are simultaneously operating 3G, 4G, and 5G in different frequency bands.

The transition of users to 5G service is rapidly taking place, and commercial equipment and terminals are being supplied to the market to accommodate different bands and technologies of 3G, 4G, and 5G.

In addition, the Dynamic Spectrum Sharing (DSS), which simultaneously supports 5G in the 4G frequency band, has been commercialized enabling efficient 5G conversion of 4G frequencies. Current technology-dependent frequency allocation approaches might reduce frequency utilization efficiency and limit the use of advanced technologies.

#### Recommendation

It is recommended to define the technology method neutrally in the mobile communication frequency band allocated to the telecommunication service providers.

Relevant Act/Regulation Technical Regulations for Wireless Equipment for Telecommunication Business

Responsible Authority & Division Ministry of Science and ICT (MSIT)  
(Spectrum Policy Division)

Recommendation Status New

Siyeon Kim  
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Working Group

#### **Key Issues**

##### 1. Necessity to Establish Standard For a Substantial Owner of Income Derived by Foreign Corporations Through a Pass-through Entity that is not an Overseas Investment Vehicle (OIV)

The Corporate Income Tax Law (CITL) has clarified the standard to determine a substantive owner of the income derived from investment into Korea by a foreign corporation through an OIV by enacting Article 93-2 (special rule on substantive owner relating to OIV). However, since the provision merely defines an OIV similar to a collective investment vehicle (or fund) as defined under the Capital Market Law and fails to include equivalent or similar entities, there is still confusions as to whether an investment entity that does not squarely fall within the definition of an OIV should be treated as an OIV.

Specifically, the current provision defines an OIV as “an entity established in a foreign country, which conducts the activities of investments of acquisition, disposition of, or operation by other means of the assets subject to investment which have property values by attracting money from investors through solicitation of investment and distributes the return to the investors.” This definition is very similar to that of a collective investment vehicle under the Capital Market Law. As a result, only entities that constitute a collective investment vehicle under the Capital Market Law can be eligible for the application of this provision while there are still confusions as to whether the provision can be applied to an entity that does not fall squarely within the definition of a collective investment vehicle.

From a practical point of view, investment entities that do not satisfy the definition of a collective investment vehicle but is a pass-through entity are filing an OIV report taking the position that it is an OIV so that the foreign corporation, which is the ultimate investor, can be treated as the substantive owner of the income. However, under the strict interpretation of the provision, the OIV test should be applied to all investment entities and can disqualify certain entities from the OIV treatment (especially, the majority of the tax professionals anticipate that the courts will not accept investment entities that are not collective investment vehicles as an OIV). In conclusion, uncertainties still exist as to whether an investment vehicle included in the investment structure that does

not meet the definition of a collective investment vehicle can be eligible for the application of Article 93-2 of the CITL and whether the foreign corporation who is the ultimate investor can be treated as substantive owner of the income.

#### Recommendation

It is recommended to amend Article 93-2 of the CITL to clarify that the OIV treatment can also be applied to an investment entity that does not fall within the definition of a collective investment vehicle.

For instance, the definition of an investment vehicle can be amended as 'an entity established in a foreign country, which conducts the activities of investments of acquisition, disposition of, or operation by other means of the assets subject to investment which have property values by attracting money from investors through solicitation of investment and distributes the return to the investors or similar investment entity established in a foreign country.'

Relevant Act/Regulation Article 93-2, Article 98-4 and Article 98-6 of the Corporate Income Tax Law

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status Updated

### 2 Improving the Convenience and Administrative Efficiency of Individual Income Tax Return Filing and Tax Payment Procedures for Nonresident Partners for Foreign Law Firms

Following changes to the definition of foreign corporation under Article 2 of the Korean Corporate Income Tax Law (CITL) and Article 2(2) of the Presidential Decree of the CITL effective from Jan. 1, 2020, certain overseas partnerships may no longer be regarded as a foreign corporation for Korean tax purposes.

There is also a considerable administrative burden for the Korean tax office to ensure such tax returns are properly filed and administering/processing the returns including the process of registering each of the partners and processing the changes in the partners every year.

Other countries take a pragmatic approach to ease the administrative burden placed on taxpayers and tax authorities in these circumstances such as allowing a single composite income tax return to be filed on behalf of all partners. Such approaches are allowed in the UK.

#### Recommendation

It is recommended that the Ministry of Economy and Finance (MOEF) allows for easement of the tax compliance requirements requiring all non-resident partners to file individual income tax returns in these circumstances and instead allows for one single composite return to be submitted by the representative resident partner on behalf of all non-resident partners (provided that such non-resident partner's Korean source income is only business income from the law firm operating in Korea).

Relevant Act/Regulation Individual Income Tax Law

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status Retained

### 3. Deductions for Overseas Education Fee

Eligible individuals may claim 15% of tax credit for overseas education fees of dependents within the limit of up to KRW 3 million (per child for school fees up to high school) and KRW 9 million (per child for university fees) under Article 118-6, paragraph 5 of the Presidential Decree of the Individual Income Tax Law. However, these deductions are only available to Korean nationals, and foreign national residing in Korea are not eligible for such deductions.

#### Recommendation

To make the tax system more equitable it is recommended to revise the tax law so that the above education related deductions are also available to foreign nationals residing in Korea.

Relevant Act/Regulation Individual Income Tax Law

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status Retained

#### 4. Public Notice of a List of Foreign Corporations by Category

According to Article 2 (3) of Presidential decree of Corporate Income Tax Act, the Commissioner of the National Tax Service may publicly notify a list of foreign corporations by category. However, such a list has not been publicly notified and triggers uncertainties and disputes as to a certain foreign entity qualifies as foreign corporation or not. In countries like the US and the UK, taxpayers are able to refer to public notice of a list of foreign corporations by category.

##### Recommendation

Public notice of a list of foreign corporations by category should be released.

Relevant Act/Regulation Corporate Income Tax Law

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status Retained

#### 5. Facilitation of the Pre-filing Process for Advance Pricing Agreements

For taxpayers seeking an advance pricing agreement with the National Tax Service (NTS), a pre-filing meeting is informally held prior to the submission of a formal Advance Pricing Arrangement (APA) request. Pre-filing meetings are not a legal requirement but are typically held so that the applicant and tax officials can discuss the APA process, key points of the application, required information and documentation to be submitted.

While the aim of pre-filing meetings is to facilitate the NTS' evaluation of the APA request, in recent years the pre-filing process has been very slow, lasting up to a year or even more. Given the number of new cases but the limited amount of internal resources within the NTS, it is taking longer for taxpayers to schedule a pre-filing meeting. Even after the standard information required for the pre-filing process has been submitted, the tax officials typically request additional information which usually leads up to subsequent pre-filing meetings. Since the APA negotiations will typically last a minimum of two years, the current pre-filing

process is even further delaying the entire APA process and results in the need for additional investment in human and capital resources for taxpayers.

##### Recommendation

Reference to the APA pre-filing process does not exist in the actual law but in the APA annual report released by the NTS. However, the pre-filing process has evolved over the years and the descriptions contained in the annual report can differ from current practice. Hence further clarity should be provided to taxpayers with respect to the current practices of the NTS for pre-filing meetings and allow taxpayers to better predict when an APA request can be formally submitted.

Relevant Act/Regulation Law for the Coordination of International Tax Affairs

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status New

#### 6. Tax Exemption on Qualified Housing Benefit for Foreign Employees

The qualified employer-provided housing benefit had been excluded from employment income, but it is now treated as non-taxable employment income due to the change of provisions relating to the scope of non-taxable employment income. Due to this change, the foreign employees applying the flat tax rate in accordance of Article 18-2 of Special Tax Treatment Control Law (STTCL) is required to include the qualified employer-providing housing benefit as taxable income.

As a transitional measure, the non-taxable treatment of qualified housing benefit applies from the income earned after Jan. 1, 2022 for the foreign employees who elect to apply for the flat tax rate under Article 18-2 of STTCL. Therefore, the income tax burden of foreign employees who apply for the flat tax rate is expected to increase significantly from Jan. 1, 2022.

Although the purpose of the change of relevant provisions is not

to expand the tax base but to clarify the scope of non-taxable employment income, it will result in a side effect of excessively increasing the burden of income tax on foreign employees applying the flat income tax rate.

The qualified housing benefits, which had not been treated as taxable income for either Korean or foreign nationals equally, will be taxed differentially only on foreign employees. It is also against the purpose of Article 18-2 of STTCL of attracting high-end foreign talents.

Recommendation

It is recommended to revise the tax law so that the qualified housing benefit can be excluded from employment income for the foreign employees applying the flat tax rate even after Jan. 1, 2022.

Relevant Act/Regulation Article 17-4 of Enforcement Decree to the Income Tax Act

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Tax Policy Division)

Recommendation Status New

7. Duty Exemption on Foreign Goods Stored in a Bonded Area Destroyed or Lost Due to Fire

Article 160 (2) of the Customs Act stipulates that when foreign goods stored in a bonded area are destroyed or lost, customs duties thereon are collected from their manager or custodian of the bonded area. Customs duty imposition, however, can be exempted in cases where such foreign goods are destroyed or lost due to a disaster or other unavoidable causes.

Under the current regulations, the head of a customs office has no choice but to impose customs duties on useless foreign goods in a bonded area which are destroyed or lost because of an unexpected fire. A protest against duty imposition is the only measure for a taxpayer to obtain a duty exemption by proving that the fire is not caused by an arson attack or negligence of the manager of a bonded area such as smoking and that the circumstances are considered as a 'disaster or other unavoidable causes'.

Recommendation

It is recommended to revise the Customs Act so that customs duty could be exempted where foreign goods are destroyed or lost due to a fire provided the manager of a bonded area exercises due care.

Relevant Act/Regulation Article 160 of Customs Law

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Customs Policy Division)

Recommendation Status New

8. Duty Reduction on Foreign Goods Returned From a Duty-free Shop

Article 30 (1) of the Customs Act stipulates that customs values are appraised based on the price actually paid or payable for goods sold for export to Korea. Where an importer intends to market goods at a local outlet store at a lower price because market values have significantly reduced since first importation, the customs value of the duty-free goods should still be the price at the time of first importation into Korea by a foreign seller according to the current customs regulations. For instance, take an importer that purchases a brand-name handbag at EUR 1,000 from a foreign seller and sells it to a duty-free store at EUR 1,500. In the two years after the date of sale, the importer is obliged to pay customs duties on EUR 1,000 which is the price paid to the foreign seller at the stage of first importation even though identical handbags for an outlet store are imported and declared at EUR 500. However, where foreign goods returned from a duty-free shop are re-exported to a foreign seller and re-imported for outlet sales, the customs authorities accept an invoice price (e.g., EUR 500) which is agreed between an importer and a foreign seller considering the reduced market value of goods to be sold only at an outlet store.

Therefore, an importer needs to pay significant logistic expenses for re-exportation and re-importation procedures to pay customs duties on arm's length prices of goods returned from a duty-free shop. This issue has been made worse by the impact of COVID-19.

Recommendation

It is recommended to introduce a new regulation so that the customs value of foreign goods returned from a duty-free shop is calculated based on the nature of goods at the time of an import entry when they are re-purchased at a reduced price from a foreign seller with them being not physically re-exported and re-imported to the foreign seller.

Relevant Act/Regulation Customs Act or Restriction of Special Taxation Act

Responsible Authority & Division Ministry of Economy and Finance (MOEF) (Customs Policy Division)

Recommendation Status New

# Abbreviation

Abbreviation	Abbreviated	Expanded
ABV		Alcohol by Volume
APA		Advance Pricing Arrangement
ATP		Actual Transaction Pricing
CAPEX		Capital Expenditures
CBI		Confidential Business Information
CHP		Combined Heat and Power Applications
CITL		Corporate Income Tax Law
COVID-19		Coronavirus Disease 2019
CRO		Contract Research Organization
CSAP		Cloud Security Assurance Program
CSP		Cloud Computing Service Provider
DREC		Drug Reimbursement Evaluation Committee
DSS		Dynamic Spectrum Sharing
EC		European Commission
EEZ		Exclusive Economic Zone
EMS		Express Mail Service
EPD		Environmental Products
EPI		Expanded Program on Immunization
FAS		Fleet Average Systems
FP		Formulated Products
FRAND		Fair, Reasonable and Non-Discriminatory
GMO		Genetically Modified Organism
HCP		Healthcare Professionals
HES		Heavy-duty Vehicle Emission Simulator
HRQOL		Health-Related Quality Of Life
HRS		Hydrogen Refueling Station
HST		Highly Specialized Technology
HTA		Health Technology Assessment
ICER		Incremental Cost-Effectiveness Ratio
IEC		International Electronical Commission
IoT		Internet of Things
IPC		Innovative Pharmaceutical Companies
ISO		International Standards Committee

Abbreviation	Abbreviated	Expanded
ISP		Information Strategic Planning
K-BPR		Household Chemical Products and Biocides Safety Acts
K-OSHA		Occupational Safety and Health Act
K-REACH		Act on Registration, Evaluation, Etc. of Chemicals
KC		Korea Certification
KOSHA		Korea Occupational Health and Safety Agency
KPX		Korea Power Exchange
LNG		Liquefied Natural Gas
LOC		Letter of Confirmation
LPG		Liquefied Petroleum Gas
LR		Lead Registrant
MNCs		Multinational Corporations
MoU		Memorandum of Understanding
MRA		Mutual Recognition Agreement
NIP		National Immunization Program
OEM		Original Equipment Manufacturing
OIV		Overseas Investment Vehicle
OPEX		Operating Expenditure
OR		Only Representative
PCR		Post Consume Recycled
PE		Pharmacoeconomic Evaluation
PIC/s		Pharmaceutical Inspection Co-operation Scheme
PL		Product Liability
PPA		Power Purchase Agreement
PPA		Power Purchase Agreement
PVA		Price-Volume Agreement
QC		Quality Control
QSM		Quasi-drug Standard Manufacturing
REC		Renewable Energy Certificate



# Organizations

Organization	Abbreviated	Expanded
	MOLIT	Ministry of Land, Infrastructure and Transport
	DAPA	Defence Acquisition Program Administration
	FSC	Financial Services Commission
	FSS	Financial Supervisory Service
	FSS	Financial Supervisory Service
	HIRA	Health Insurance and Review Assessment
	KATS	Korean Agency for Technology and Standards
	KATS	Korean Agency for Technology and Standards
	KCS	Korea Customs Service
	KDCA	Korea Disease Control and Prevention Agency
	KEA	Korea Energy Agency
	KECO	Korea Environment Corporation
	KEITI	Korea Environmental Industry & Technology Institute
	KFTC	Korea Fair Trade Commission
	KHIDI	Korea Health Industry Development Institute
	KIIP	Korea Institute of Intellectual Property
	KIPO	Korean Intellectual Property Office
	KISA	Korea Internet & Security Agency
	KTC	Korea Testing Certification Institute
	KTL	Korea Testing Laboratories
	KTR	Korea Testing & Research Institute
	MAFRA	Ministry of Agriculture, Food and Rural Affairs
	ME	Ministry of Environment
	MFDS	Ministry of Food and Drug Safety
	MOEF	Ministry of Economy and Finance
	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
	MOLEG	Ministry of Government Legislation
	MOTIE	Ministry of Trade, Industry and Energy
	MSIT	Ministry of Science and ICT
	MSS	Ministry of SMEs and Startups

Organization	Abbreviated	Expanded
	NHIS	National Health Insurance Service
	NIER	National Institute of Environmental Research
	NSSC	Nuclear Safety and Security Commission
	NTS	National Tax Service
	OSHRI	Occupational Safety and Health Research Institute
	PCIP	Presidential Council on Intellectual Property
	QIA	Animal and Plant Quarantine Agency



# European Chamber of Commerce in Korea

The European Chamber of Commerce in Korea (ECCK) is a distinguished association of European companies operating in Korea. The ECCK's primary objective is to promote an optimal business environment and provide its members with information, communication, and access pertaining to doing business in Korea. ECCK is a non-profit and non-political organization.

- Prime Communication Channel to the Korean government, the European Union Delegation in Seoul, European embassies, influential private organizations and business associations, as well as the media.
- Committees and Forums Organized by industry, these platforms they are tasked to closely follow market trends and changes in the regulatory environment relevant to the interests of our members.
- Prominent Platform for Information Exchange: ECCK publishes a variety of periodicals – magazine, newsletter, annual white paper, membership directory, and survey reports – to inform members of current market issues and business trends.
- Networking Opportunities ECCK functions as the first point of contact for European executives or officials visiting Korea and regularly hosts various formal and informal gatherings.

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