

ECCK

White Paper

2023

Message from Chairperson



Philippe Van Hoof
Chairperson,
European Chamber
of Commerce in
Korea

Dear Valued Members,

It is my privilege to present you with the ECCK White Paper 2023, a significant publication of the Chamber that focuses on key industrial matters and recommendations from the European business community in Korea.

As the newly appointed Chairperson of the ECCK starting from June 1, 2023, I look forward to collaborating with all our members, representing their interests and concerns through close cooperation with the Korean authorities.

Over the years, the ECCK has established effective communication channels and engaged in constructive dialogues with the government, particularly regarding deregulation and creating a business-friendly environment. These issues remain a top priority not only for us but also for the Korean business. Therefore, the ECCK White Paper has been acting as a vital and unique communication platform, bridging the ECCK, its members and the Korean government since the launch in 2015.

The White Paper is prepared annually through intensive and dedicated work of our committees, and industry experts from our member companies. The process spans approximately six months and this year, we collected one hundred issues and recommendations from seventeen committees. These recommendations broadly cover 3 main themes:

- Fair and balanced regulations (Aerospace & Defence, Automotive, Beer, Wine & Spirits, Chemical and Insurance),
- Business impact (Cosmetics, Fashion & Retail, Healthcare, Intellectual Property Rights and Tourism) and
- Sustainability (Energy & Environment, Food, Logistics & Transport and Sustainability committees).

For these 3 themes, the pledge by the new administration last year to cut red-tape and lead a pro-business policy has been very much appreciated by ECCK and its members. The ECCK is now very keen to engage with the Korean authorities to see how this will be translated into meaningful facts for its members and their partners in Korea.

The importance of ECCK's advocacy activities continues to grow with foreign direct investment (FDI) in Korea last year hitting a record. According to the Ministry of Trade, Industry, and Energy (MOTIE), total FDI made to Korea amounted to USD 30.45 Billion

in 2022, a 3.2% increase from the year before, which was USD 29.5 Billion. This is the first time the figure has surpassed USD 30 Billion. I am confident that this growth in investment from the European business community in Korea will enable the Chamber to offer valuable communication channels with the Korean authorities through the White Paper publication.

While we continue our efforts to produce the White Paper, since last year we have introduced the ECCK Sustainability Awards. The objective of the awards is to promote sustainability across all industries and to recognise both European and Korean companies demonstrating a transition to a sustainable way of doing business. The application is open until the end of September and the awards ceremony will be held on November 10. We hope to update you about the meaningful initiatives and look forward to another success this year.

Regarding sustainability, please allow me to flag the off-shore wind industry as an area where European companies and ECCK can contribute a lot, not only in terms of projects and technology but also in policy making. ECCK will be looking at positively engaging with the Korean authorities involved in policy making, among others concerning establishment of the offshore wind power promotion Act, the distinction between on-shore and off-shore wind, wind power fixed offtake auctions and uncertainty of permission and approval for development including public water occupancy permit.

As a practical example, ECCK could look for opportunities to team up with the National Chambers to support combined trade missions from several European countries to showcase European companies' technology and look for partners in Korea.

At last, I would like to send my heartfelt gratitude to our members for their dedication and input into creating this year's ECCK White Paper publication. I am positive that this book will enable our members to actively engage in open and effective dialogues with the Korean government, which will be the key to the successful development of the Korean business environment, for Korean companies and the European business community operating in and with Korea.

Thank you.

A handwritten signature in black ink, appearing to read 'Philippe Van Hoof', written over a horizontal line.

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

Executive Summary



Christoph Heider
President,
European Chamber
of Commerce in
Korea

The European Chamber of Commerce in Korea's (ECCK) core business is the representation of European business towards the Korean government in reconciliation with its main political stakeholders the European Commission, the EFTA Secretariat, and the United Kingdom of Great Britain and Northern Ireland's Department for International Trade.

The ECCK's White Paper is the Chamber's key publication: It is an annual compendium of issues and recommendations to the Korean authorities worked out by our committee members. The White Paper is considered the most essential structured compilation in Korea for policy changes related to business operation.

The ECCK is especially grateful to the Office of the Foreign Investment Ombudsman, led by Ombudsman Kim Sung Jin, who is coordinating the White Paper feedback process with the Korean ministries. Thanks to this strong support, the ECCK received positive feedback on 40% of recommendations made in the White Paper 2022.

Korea is and will remain an important market for European companies. Korea is and will remain a like-minded partner for Europe.

The European Commission and Korea has signed a Digital Partnership Agreement in November 2022 followed by the first Digital Partnership Council in June 2023. Presidents Charles Michel and Ursula von der Leyen met with President Yoon Suk-yeol for the EU-Korea Summit sending a strong signal of increased cooperation. The leaders also launched the EU-Korea Green Partnership to ensure cooperation in transitioning to a carbon free economy.

The United Kingdom of Great Britain and Northern Ireland and Korea are in the process of finalising their renewed Free Trade Agreement, and the European Free Trade Association (EFTA) and Korea agreed to continue consultations regarding upgrading the EFTA-Korea FTA. This all makes it very clear how connected but also how dependent the European and Korean economies are.

In 2022, shortly after President Yoon Suk-yeol was elected, Korea committed to be a Global Pivotal State. This is a strong commitment being vocal on the international stage mirroring the economic

power of Korea. I think we all need to be reminded that Korea was still registered as a developing country at the WTO up to 2020 and at the UNCTAD up to 2021. The ECCK consider Korea as a highly developed country and a technology leader in many areas. Thus, it is with great satisfaction to see Korea now filling out a role to shape the future of the world economy.

The White Paper 2023 contains 100 issues and recommendations and many of those are to be raised because of Korea specific regulations. Rules and regulations might have been modelled following international templates but have been customised to Korean environment; other rules and regulations are very Korea specific.

It is the hope of the ECCK and its members that Korea being a Global Pivotal State will go more and more for the full adoption of international standards but also reciprocity and equivalence agreements in the area of testing and certification.

A handwritten signature in black ink, appearing to read 'C. Heider', written in a cursive style.

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

ECCK White Paper 2023

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ECCK Introduction

ECCK Introduction

Established back in 2012, the European Chamber of Commerce in Korea (ECCK) functions as a prominent business association representing European companies operating in and with Korea. With a mission to advocate for the collective interests of the European business community, the ECCK offers its members valuable resources such as information, communication channels, and access to information concerning Korea's business and regulatory environment. As of August 2023, the Chamber consists of almost 400 member companies and approximately 50,000 employees in Korea.

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

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

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

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

ECCK Vision & Mission

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

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

Board of Directors



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

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

Board of Directors



Stefan Albrecht (Germany)
Vice Chairperson of the Board
Vice President and CFO
Mercedes-Benz Korea

Stefan Albrecht is a German citizen and was appointed as Vice President and CFO of Mercedes-Benz Korea on August 1, 2021. Since joining his career with Daimler AG in 1992, Stefan Albrecht has been working in the area of Venture Capital, Controlling, M&A and in several executive management positions for Daimler Trucks and Passenger cars in the regions. He has an excellent business expertise in Asia. For many years, he was responsible for all M&A activities in Asia & Pacific but also for major capital market transactions in Eastern & Western Europe. He has successfully developed the Heavy-Duty Truck Joint Venture with Foton in China and strongly led with his finance and business expertise to the development of Mercedes-Benz Japan. Additionally, he has greatly contributed to creating excellent finance performance in Korea's market based on his diverse experience and expertise in finance.



Younhee Kim (Korea)
Vice Chairperson
General Manager
Galderma Korea

Younhee Kim is a Korean citizen and is the General Manager of Galderma Korea since October 2020. She has extensive experience in the pharmaceutical, vaccines, skincare & medical device business industry for over 20 years. Her understanding of Korean business and culture is based on, not only the local experience but also the working experience in Asia Pacific region, Europe, and US. Before joining Galderma, she has worked with global companies including L'oreal Korea, MERZ Korea and MSD (MERCK & Co.,INC.) leading sales & marketing, other business and communications strategy. Younhee joined the ECCK as a member in October 2020, was elected as Vice Chairperson in May 2022.

Board of Directors



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

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



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

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

Board of Directors



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

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



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

David Taeseung Yoo is a Korean citizen and is the CO-CEO of Copenhagen Offshore Partners (COP) Korea since 2018. He has set up Korean entity for COP in 2018. He is an expert in offshore wind and has 13 years of hands on experience in renewable energy (offshore wind power) and played an instrumental role in driving the nation's offshore wind industry.



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

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



Johan Vandromme (Belgium)
 Trustee of the Board
 Senior Advisor
 Kim & Chang

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

**ECCK
 Secretariat**



Christoph Heider
 President

Christoph Heider has been the President of the European Chamber of Commerce in Korea (ECCK) since 2013. He is the former Chief Financial Officer for Bayer Korea Ltd. in Seoul and Regional Manager of Bayer AG Legal Entity Accounting Asia Pacific Division in Germany. Christoph had worked for Bayer Ltd. in Tokyo since 1997 having arrived in Japan as a teacher shortly before.

Christoph graduated with an Intermediate Diploma in Economics from the Technical University of Braunschweig, Germany in 1988 before going on to complete his Diploma in Business Economics from the University of Mannheim in 1991. He then went on to finish a Postgraduate Program in Japanese from the University of Tuebingen in Germany and Doshisha University in Japan in 1996.

Christoph will step down as President of the ECCK effective September 30, 2023.



Stefan Ernst
 Stefan Ernst will resume his responsibilities as President of the ECCK as from October 1, 2023.

Andrew Millard
 Busan Chapter Representative

Ansook Park
 Director, Cosmetics/Healthcare Committees

Bo Sun Kim
 Vice President, Government Relations

ECCK Secretariat

Cassandra Talbot

Manager, L&T/Sustainability/Tourism Committees

Changhoon Rim

Senior Manager, Aerospace & Defence/Automotive Committees

Eunsung Na

Manager, Fashion & Retail/IPR Committees

Geumchae Noh

Senior Manager, Finance & Administration

Hyewon Shim

Senior Manager, Marketing & Event Management

Hyokyung Suh

Director, Head of Committee Operations

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

Jihyun Shin

Assistant Manager, PR & Communications

Jungju Park

Assistant Manager, Membership Administration/F&A Support

Siyoon Kim

Manager, ICT/Insurance/Taxation Committees

Sunyoung Kang

Assistant Manager, International Affairs & Management Support

Taeyang Kim

Manager, Chemical/Energy & Environment Committees

Young Eun Kim

Director, PR & Communications

ECCK Services & Programs

Committees & Forums

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

Events

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

Publications

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

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

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

The ECCK White Paper 2023 presents a total of 100 industry issues and recommendations intended to improve the business environment in Korea. The recommendations are developed through extensive consultations with our European members participating in our 17 industry committees. The purpose of the 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.

2022 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 2022.

Ansook Park
Director
Cosmetics
Committee

Cosmetics

7

Total Key Issues

1

Issue Description

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

Issue

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

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

2022 Recommendation

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

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

Recommendation

Relevant Act/Regulation

Responsible Authority & Division

Recommendation Status

Cosmetics Act

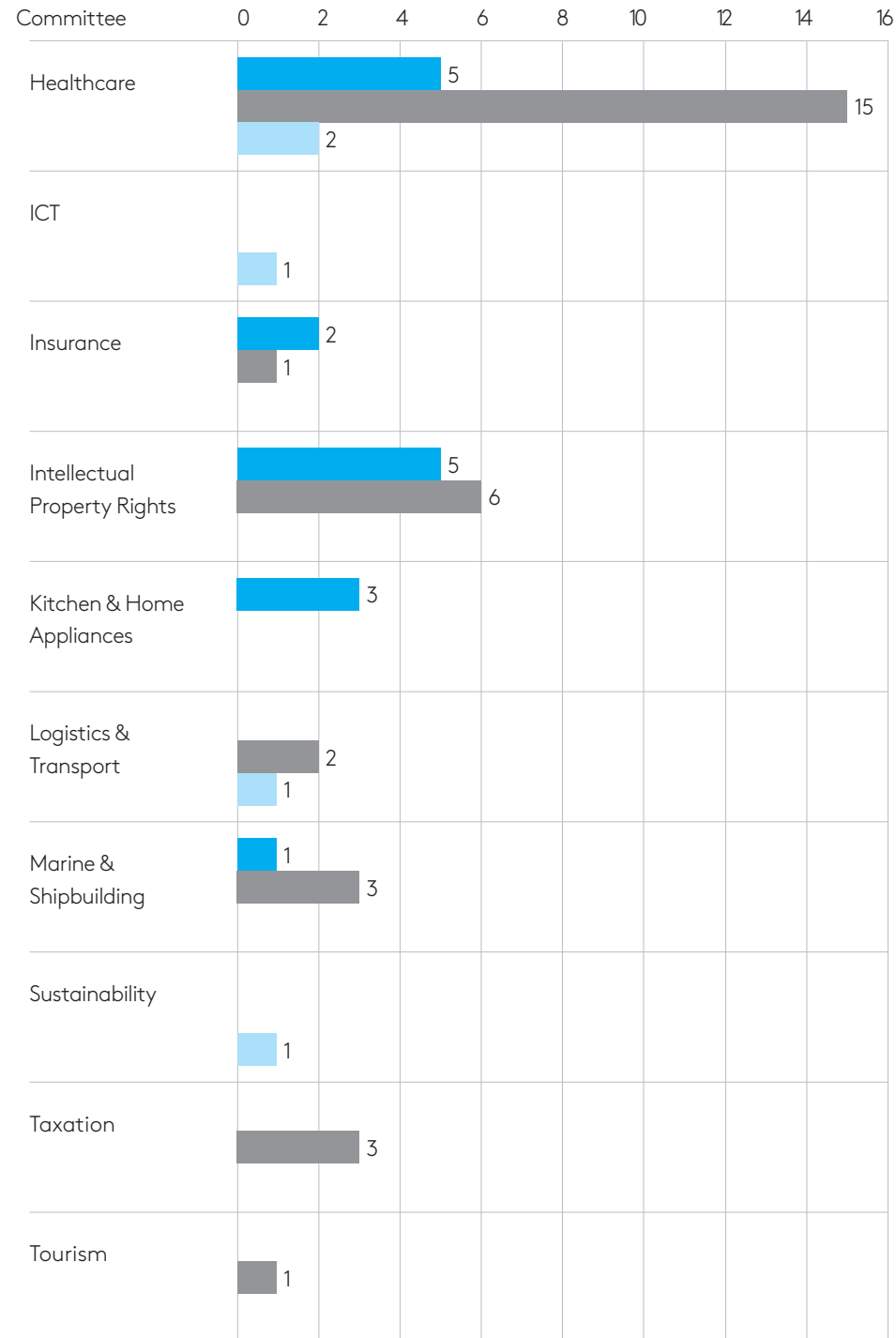
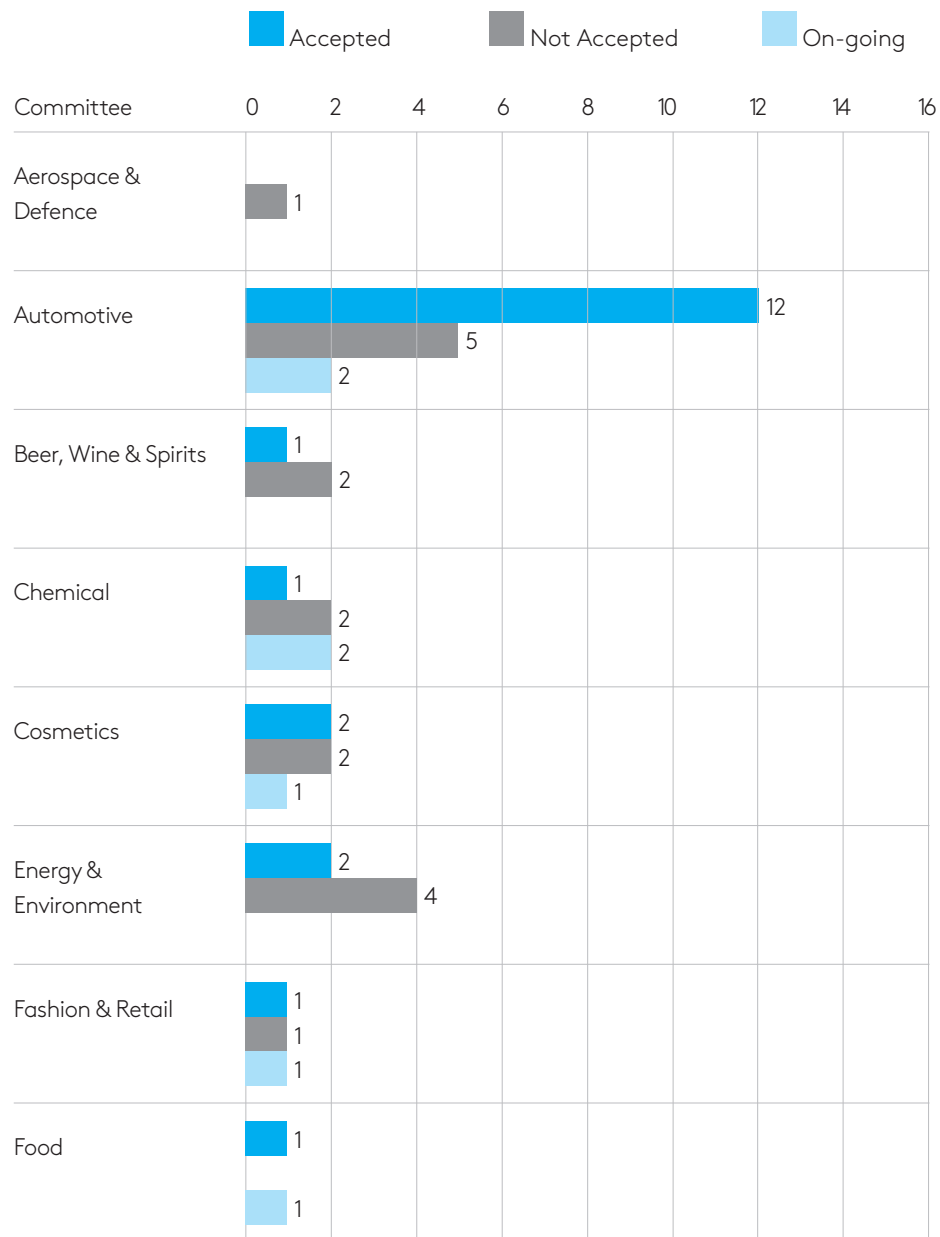
Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)

New

71 - Cosmetics

2022 Review

In 2022, the ECCK committees across 18 different sectors have raised 96 key industry issues and suggestions to the Korean government. The government's feedback per each committee is listed in summary as below.



This section outlines the details of the 2022 issues and recommendation with the government’s feedback and ECCK’s future actions as below.

Government Feedback

- ✔ Accepted
- ⬇ Partially Accepted
- ✘ Not Accepted
- 🕒 Long-term review

ECCK Future Action

- ✔ Closed (Success)
- ✘ Closed (Drop)
- 📈 Need to Monitor
- 🔄 Readdress

	Issue	Government Feedback	ECCK Future Action
Aerospace & Defence	1 Improvement of Offset Policy	✘	📈
Automotive	1 Improvement of the Application Standard on the Rule of 'Correction of Defects Before Sales' for Incomplete Vehicles	✔	✔
	2 Modification of the Deadline for Submission of Data Submitted by Motor Vehicle Manufacturers	✔	📈
	3 Introduction of a Fast Arbitration Review Procedure in the Automobile Replacement and Refund System	✘	✘
	4 Application of Flexibility on Vehicle Width Standards	✘	🔄
	5 Enhancement of Practicality of Recognition on International Standards	⬇	📈
	6 Revision of HS Code of Semitrailer-Towing Tractors	✘	🔄
	7 Improvement of the Process of the Modification Reporting	✔	📈
	8 Abolition of the Report for the Voluntary Free Repair Which Does Not Affect Emissions	✔	✔

	Issue	Government Feedback	ECCK Future Action
	9 Providing Flexibilities to Fleet Average System (FAS)	✘	🔄
	10 Clarification on the Cold CO Test Requirement for Plug-In Hybrid Electric Vehicles	✔	✔
	11 Improvement of Formula for the measurement of Evaporative Emissions	✔	📈
	12 Clarification of Certification Procedures for Electric Vehicles	✔	📈
	13 Harmonisation of Test Procedure Requirements for Plug-In Hybrid Electric Vehicles and Electric Vehicles	✔	📈
	14 Requirements on All Electric Range Test at Cold Temperature for Electric Vehicles	🕒	📈
	15 Request for the Issuance of Performance Certificate of Average Energy Consumption Efficiency of Motor Vehicles	✔	📈
	16 Rationalisation of Standards for Average Greenhouse Gas Emission for Heavy Duty Vehicles	🕒	📈
	17 Improvement of Reporting Procedure of Energy Consumption Efficiency for Motor Vehicles	⬇	📈
	18 Improvement of Registration Procedures for Environment-Friendly Vehicles	⬇	📈
	19 Integration of Government Authorities Regulating Motor Vehicles	✘	📈
Beer, Wine & Spirits	1 Harmonise Liquor E-commerce Delivery to Consumers for All Retail License Holders	✘	🔄

	Issue	Government Feedback	ECCK Future Action
	2 Plan to Develop Alcohol Tax Policy Roadmap Subject to Specific Duties	✗	🔄
	3 Implementing QR Code Labelling (E-Labels)	✔	📈
Chemical	1 Request for Harmonisation with International Standards	🕒	📈
	2 Unpredictable Law Amendments, Short Comment Periods, and Grace Periods	✗	📈
	3 Request for Importing, Manufacturing, and Selling within the Grace Period for Biocidal Products Containing Approved Active Substances	✔	✔
	4 Improvement of Fragrance Labelling Standards for Household Chemical Products Subject to Safety Verification	✗	🔄
	5 Modification of Method to Establish Chemicals Trade Secret Names (TSN) on Material Safety Data Sheet (MSDS)	🕒	🔄
Cosmetics	1 Simplified Measurement Method for Product Packaging and Provision of Guidelines	📉	📈
	2 Introduction of Pre-Inspection on Packaging Method	📉	📈
	3 Measurement Method for Space Ratio and Number of Packaging for Set Products including Pouches	✗	✗
	4 Application of Optional Indication of Cosmetic Manufacturer	🕒	📈
	5 Acceptance of E-copy Submission of TSE/BSE-related Documents	✗	🔄

	Issue	Government Feedback	ECCK Future Action
Energy & Environment	1 Incentivising Long-Term Local Supply Chain Development for Wind Power	✗	✗
	2 Improvement on Resident Consent Guideline Based on EBL (Electricity Business License)	✗	🔄
	3 Electricity Business License Evaluation Body for Projects Located in Unclear Jurisdiction Areas Between Local Governments	✗	🔄
	4 Proposal for Market Implementation of Offshore Wind Energy Exclusive REC	✔	✔
	5 Efficient Grid Usage and Prevention of Grid Capacity Pre-Emption	✔	✔
	6 Direct Contract (Wholesale Pricing) of Natural Gas Purchasing for Raw Material between KOGAS and Industrial Gas-Chemical Companies	✗	✗
Fashion & Retail	1 Labelling of Consumer Products	✗	🔄
	2 Standards for Lead Content in Metal Accessories	🕒	🔄
	3 Safety Testing Standards for Infant Textile Products	✔	📈
Food	1 Scope of Administrative Disposition for Food Import and Sales Business	🕒	✔
	2 Labelling of 'Unsalted' Butter	✔	✔
Healthcare	1 Expansion of the Scope of PE Exemption Application for 'Severe Incurable Disease Treatments' and 'Number of Patients'	✗	🔄
	2 Expansion of Scope of Application for Risk Sharing Agreement (RSA) for Orphan Drugs and Low QoL Chronic Disease Drugs	✗	🔄

Issue	Government Feedback	ECCK Future Action
3 Improvement of RSA Re-evaluation and Re-evaluation Post Management	✗	🔄
4 Improvement of Rule for Expansion of Benefit Standards for Risk Sharing Agreement (RSA) Drugs	✗	🔄
5 Improvement of Separation of Refunding System from RSA Scheme	✗	🔄
6 Improvement of Procedures for Expansion of Reimbursement Standards and Transparency in Decision-Making	✔	📈
7 Improvement of Reimbursement Registration System for Rare Diseases which Chronically Deteriorate the Quality of Life	🕒	📈
8 Improvement of Access to Medicines for Complex Chronic Metabolic Diseases	✔	✔
9 Introduction of Value-Based Pricing System for Each Indication	✗	📈
10 Exception Application and Improvement of Simple Pricing Formula for Low-Dose Paediatric Biopharmaceutical Drugs (Preferential Treatment for Paediatric Drugs)	⬇️	📈
11 Allow Pre-issue of Drug Code when M&A Transferring of Pharmaceutical Products	✗	📈
12 Rx to OTC Switch Process Establishment	✗	📈
13 Separate Standards for Advertisements for General Consumers and Medical Professionals are Required	✗	✗

Issue	Government Feedback	ECCK Future Action
14 Provide Opportunity to Participate in the Service Fee Expert Committee for Major Infectious Diseases Requiring New Service Fee	✗	📈
15 Inclusion of Utilising Rapid AMR Tests in the National Antimicrobial Stewardship Program	✗	🔄
16 Request of Set Up for Communication Channels between Private-Public and Academic when Introducing New Vaccine and Selecting Candidate Vaccines of National Immunization Program (NIP)	✔	📈
17 Improvement of Risk Classification Evaluation Standards for National Lat Release Products (Vaccine)	🕒	📈
18 Creating a Mutual Recognition Agreement (MRA) with the European Union (EU)	⬇️	📈
19 Recognising the Proper Value of Vaccines with Pricing Guideline with standardized Evaluation Indicators	✗	🔄
20 Taking Measures to Encourage the Inoculation of Combination Vaccines through Improving the Administration Fee System	✗	🔄
21 Normalisation of Sharing of National Vaccination Data/Data Segmentation and Refinement	✗	✔
22 Standardisation of CVS Drug Classification Decision Criteria and Transparency in Designation Committee's Operation Plan	✗	📈
ICT		
1 Cloud Security Assurance Program (CSAP)	🕒	📈

	Issue	Government Feedback	ECCK Future Action
Insurance	1 No Official Notification to Non-Members on the Amendment of Insurance Act/ Enforcement Decree and Regulation of Supervision on Insurance Business by General Insurance Association	✓	⚡
	2 Standardisation of Two-wheeled Vehicle Repair Criteria	✗	🔄
	3 Exemption Against Accidents while Driving Under the Influence of Drugs, Narcotics, etc.	✓	✓
Intellectual Property Rights	1 Studies About Economic Impact of IP Infringement	✓	⚡
	2 Reasonable Sentencing for IP-Related Crimes as Effective Deterrents	✓	⚡
	3 Strengthening Border Measures Against IP Infringing Goods	✗	🔄
	4 Enforcement against Parallel Importers Infringing IPRs	✗	⚡
	5 Enforcement against Resellers Infringing IPRs	✓	✓
	6 Annual Statistical Report on IPR Seizures at Customs	✗	✗
	7 Enhancement of Effectiveness of EMS Project	✗	🔄
	8 Designation of Special Judicial Authority to Local Government Officials	✗	✗
	9 Enforcement Against Lookalike Products	✓	⚡
	10 Systematic Supplement to Prevent the Distribution of Counterfeits by Online Service Providers	✓	⚡

	Issue	Government Feedback	ECCK Future Action
	11 Stakeholder Cooperation on Online Enforcement	✗	✗
Kitchen & Home Appliances	1 Converting KC Certificates into Electronic Documents	✓	⚡
	2 Improving Data Search on Safety Korea	⬇️	⚡
	3 Improving Labelling Requirements for Manufacturing Date	✓	✓
Logistics & Transport	1 Enhancing Trade Capacity Through Expanding Access to Regulated Trade Routes Along the Yellow Sea and to Japan	🔄	⚡
	2 Expanding Cargo Export Capacity Through Gradual Lifting of Cabotage Rules	✗	⚡
	3 Enhancing Safety Management Through the Reassessment of the Scope of Liability Related to the Terminal Safety Management Fee	✗	⚡
Marine & Shipbuilding	1 Practice of the Lowest Price Bidding System in Domestic Shipyards	✗	✗
	2 52-hour Workweek System	✗	✗
	3 Opportunities to Access R&D Funds and Programs as Foreign-invested Firms in the Maritime Industry	✗	✗
	4 Opposition to Amendment of the Marine Traffic Safety Examination Implementation Guidelines	✓	✓
Sustainability	1 Sustainability/Circular Economy in Education	🔄	⚡

	Issue	Government Feedback	ECCK Future Action
Taxation	1 Deductions for Overseas Education Fee	⊗	⊗
	2 Tax Exemption on Qualified Housing Benefit for Foreign Employees	⊗	↻
	3 Penalty Waiver for the Voluntary Reporting of Foreign Bank and Financial Accounts and Foreign Real Property	⊗	⊗
Tourism	1 Limitation of External Hotel Signage	⊗	Ⓜ

ECCK Committee Reports

Aerospace & Defence

1

Total Key Issue

1.
Improvement of
Offset Guidelines

Issue

One of the key topics to do with military contracts in Korea is Offset. Although Offset guidelines allow a wide array of project types (including Transfer of Technology, Logistics Support, etc.), the DAPA usually favours Manufacturing & Export (M&E) projects.

Nevertheless, many projects (even M&E ones) cannot be implemented due to a very rigid interpretation of Offset guidelines and rules, which is also detrimental to long term partnerships with Korean companies.

Below are three areas in which there are key obstacles preventing foreign companies from smoothly implementing offset projects and developing long term partnerships with Korean Industry Participants (KIPs).

1. Eligibility of existing contracts/work packages

Existing contracts/work packages are not eligible under the Offset guidelines as they are not recognised as new activities. There are no incentives under offset guidelines for foreign companies to renew or extend existing contracts and work packages.

2. Extension of Offset implementation period

Long duration work packages are not recognised beyond the initial Offset Program implementation period (which is usually the period of implementation in the main defence contract) and therefore cannot be used for other Offset obligations or future Offset obligations.

3. Expansion of the banking system

Under the Offset guidelines, the banking system is not applicable to current Offset obligations and multiple projects. As a result,

credits which are generated after the end of an Offset contract implementation period cannot be recognised and used for current Offset commitments.

Recommendation

It is recommended that the following improvements to the Offset guidelines be implemented:

The recognition of all procurement volumes already in place in Korea. An extension of the implementation period of Offset obligations in line with the long lead times of the Aerospace and Defense industry. An expansion of the banking system to benefit current obligations.

Such relaxation of the rigid Offset guidelines would also be greatly beneficial to Korean companies and suppliers (including SMEs) as it would facilitate the maintenance and increase of activities in Korea and further the development of long-term relationships with Korean suppliers.

Relevant Act/Regulation	Offset Program Guidelines
Responsible Authority & Division	Defense Acquisition Program Administration (DAPA)
Recommendation Status	Updated

Automotive

20

Total Key Issues

1. Update on the Recognition of Technical Regulations in the EU-KOR FTA and Detailed Regulations of Motor Vehicle Safety Standards

Issue

It is necessary to update the provisions that recognise technical regulations from overseas (Europe) in the domestic motor vehicle safety standards.

In order for automobile manufacturers to avoid difficulties in developing separate vehicle specifications for the Korean market due to the differences between Korean and European safety standards, it is necessary to harmonise further the safety standards between Korea and Europe and regularly update Appendix 2-C-3 of Annex 2-C of the EU-KOR FTA and Table 4 of the Detailed Enforcement Rules on the Performance and Standards of Motor Vehicles and Parts (Table 4).

Specific updates are needed in the following areas:

- The renumbering of revised regulations: The EU/UN Regulations and Korean motor vehicle safety standards (Motor Vehicle Regulations) have been revised and renumbered. However, previous regulation numbers remain listed in Appendix 2-C-3 of the EU-KOR FTA and in Table 4.

For example:

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

- The addition of harmonised regulations to Appendix 2-C-3 of the EU-KOR FTA and in Table 4.

For example:

Regulation	Korea	Europe	Remark
Frontal impact with fixed barrier	Article 102-3, Motor Vehicle Regulations	UN-R137	
Pole side impact	Article 102-4, Motor Vehicle Regulations	UN-R135	
Acoustic vehicle alerting system	Article 53-3, Motor Vehicle Regulations	UN-R138	
Seatbelt device	Article 27, Motor Vehicle Regulations	UN-R14, 16	Add to Table 4
Tire pressure monitoring system	Article 12-2, Article 88-3, Motor Vehicle Regulations	UN-R141	
Window glass	Article 34, Motor Vehicle Regulations	UN-R43, GTR6	

- The harmonisation of standards for other similar regulations.

For example:

Regulation	Korea	Europe
Rear pedestrian protection devices	Article 53-2, Motor Vehicle Regulations	UN-R158
Coupling devices	Article 20, Motor Vehicle Regulations	UN-R55

Recommendation

It is recommended to update Appendix 2-C-3 of the EU-KOR FTA and update Table 4 of the Detailed Enforcement Rules on the Performance and Standards of Motor Vehicles and Parts with a view to reflect relevant amendments of motor vehicle safety standards. It is recommended these updates cover the revision of regulations' numbers, the inclusion of additional harmonised regulations, and the harmonisation of further safety standards between Korea and Europe.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Appendix 2-C-3 of Annex 2-C of the EU-KOR FTA • Table 4 of Detailed Enforcement Rules on the Performance and Standards of Motor Vehicles and Parts
Responsible Authority & Division	<ul style="list-style-type: none"> • Ministry of Land, Infrastructure and Transport (MOLIT), • Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	Updated

2. Revision of HS Code of Semitrailer-Towing Tractors in Annex 2-C	<u>Issue</u> Semitrailer-towing tractors are currently not covered under the Motor Vehicles and Parts Annex of the EU-KOR FTA. It is recommended to revise the relevant provisions to include this product category within the scope of the FTA.
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During the EU-Korea FTA negotiations, the HS Code of semitrailer-towing tractors was incorrectly stated in the Annex 2-C-1 of the EU-Korea FTA. As a result, semitrailer-towing tractors were excluded from the coverage of Annex 2-C (Motor Vehicles and Parts) of the EU-KOR FTA, and it is not receiving equivalent recognition regarding motor vehicle safety standards as stipulated in the relevant provisions of the Motor Vehicles and Parts Annex.

For example, the safety standard for seat belt assembly anchorages is designated as an equivalence recognition item in Annex 2-C of the EU-KOR FTA. This means that if seat belt assembly anchorages comply with the corresponding UN regulations, they should be recognised as satisfying the corresponding Korean safety standards. However, despite this, the exclusion of semitrailer-towing tractors from the scope of the Annex has resulted in the UN regulations regarding seat belt assembly anchorages for semitrailer-towing tractors not being acknowledged in Korea.

Due to this, additional costs for European automobile manufacturers are incurred, as they have to develop separate vehicles that meet Korean safety standards. Furthermore, the export of vehicles with more diverse specifications to Korea is restricted. As a result, European automobile manufacturers and Korean customers are not able to fully benefit from the FTA.

Recommendation

It is recommended that relevant articles in the EU-KOR FTA be revised to allow for the coverage of semitrailer-towing tractors in Annex 2-C (Motor Vehicles and Parts) of the EU-KOR FTA.

Relevant Act/Regulation	Annex 2-C (Motor Vehicles and Parts) of the EU-KOR FTA
Responsible Authority & Division	<ul style="list-style-type: none"> • Ministry of Land, Infrastructure and Transport (MOLIT), • Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	Retained

3. EV Battery Safety Certification System	<u>Issue</u> It is necessary to establish a safety certification system for the traction batteries installed in electric vehicles (EV) that does not act as a barrier to the sales of EV in Korea for European manufacturers.
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In 2022, a bill was introduced in the National Assembly, proposing that automobile manufacturers or parts manufacturers obtain certification from MOLIT for core devices equipped with new technologies to confirm compliance with motor vehicle safety standards. In response to this, MOLIT is preparing to introduce a safety certification system for EV batteries.

However, European automobile manufacturers have concerns that this system may impose additional burdens on the certification process for EVs in Korea, potentially leading to a delay in their introduction.

Specific improvements are recommended in the following areas:

- It is suggested that the scope of submitting detailed specifications for traction batteries should be based on UN R-100.
- Since the self-certification label attached to the vehicle already indicates the completion of safety certification for the traction batteries, it is suggested not to impose an obligation to additionally attach safety certification labels for traction batteries in the vehicle.
- It is suggested that important changes that require reconfirmation of the traction battery should be determined based on the criteria specified in UN R-100.
- It is suggested that Technical Services registered in WP29 as testing agencies should be designated as testing agencies in Korea without additional registration procedures.
- It is considered that conformity inspection which the Korean government is trying to adopt, is similar to the Conformity of Production (COP) conducted in Europe. Therefore, going through conformity inspection in Korea would be redundant, and it is recommended to allow manufacturers to replace conformity inspection in Korea by submitting the COP reports and performance test certification obtained in Europe.

Recommendation

It is recommended that European automobile manufacturers who have obtained UN R type approval in Europe should be

recognised as satisfying the requirements of battery safety certification system in Korea. In addition, it is recommended that the scope of detailed specification and details of major changes regarding traction batteries be harmonised with UN R-100, indication of battery safety certification labels be replaced with self-certification labels, technical services registered in WP29 be designated as testing agencies, and conformity inspections be replaced with the COP in Europe.

Relevant Act/Regulation	Article 30-7, Draft of Partial Amendment of Motor Vehicle Management Act (Alternative, March 2023)
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	New

4. Issue
Application of Flexibility on Vehicle Width Standards

Vehicle width standards in Korea need to be improved given the difference in standards between Korea and Europe.

Article 4 of the current 'Rules on Performance and Standards Motor Vehicles and Parts' stipulates that the width of a motor vehicle cannot exceed 2.5m. As the vehicle width standard in Europe is set at 2.55m, buses and trucks built to a 2.55m width standard cannot be introduced to the Korean market.

Current domestic road width standards range is defined from 3m to 3.5m, providing flexibility on the width standards depending on the operation conditions. Given this, it seems technically feasible that an additional 0.05m could be added to the current vehicle width standard of 2.5m, thereby permitting the 2.55m standard applied in Europe.

Especially given the recent policy for the distribution of environment-friendly vehicles for the improvement of air quality, flexibility is needed to support the expansion of the distribution of environment-friendly vehicles, such as electric trucks. In this regard, it is recommended to review whether the 2.55m width standard is acceptable for vehicle categories such as freight/special motor vehicles, double-decker buses, environment-friendly vehicles, etc.

MOLIT has expressed concerns that width standards for vehicles must be aligned with road design standards, and so any revisions to

these standards may have an impact on road traffic. In recognition of this, to confirm whether it is possible to relax the width standards, it is recommended to conduct empirical analysis on the actual impact of width relaxation on the road traffic.

Recommendation

It is recommended that a width of 2.55 meters for freight/special vehicles, double-decker buses, and eco-friendly passenger/freight vehicles be allowed. Additionally, to objectively assess the impact of relaxing the width standards on road traffic, conducting empirical research studies is also recommended.

Relevant Act/Regulation	Article 4 of Rules on the Performance and Standards of Motor Vehicles and Parts
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	Retained

5. Issue
Recognition of UN Reg. Type Approval for Battery Safety Standards

It is recommended to recognise UN R type approval as complying with Korean safety standards for traction batteries.

At present, most of the safety standards for traction batteries in Korea are harmonised with international standards. However, the immersion test, which is not specified in international standards, is considered a required test in Korea. European automobile manufacturers incur additional costs to conduct this test to comply with the requirements in Korea.

On the other hand, UN R-100 requires a similar test¹ to the immersion test in Korea, and electric vehicles that have obtained UN R-100 type approval may be regarded as having satisfied the safety aspects that the immersion test aims to confirm.

Recommendation

It is recommended that UN R-100 type approval issued in Europe for the traction battery be recognised as satisfying Korean safety standards for batteries.

In addition, it is recommended that technical regulations for batteries (UN R-100) be added to Appendix 2-C-3 of the EU-KOR FTA, so that if traction batteries meet the technical regulations of

1 UN R-100 Annex 7A: Verification method for testing authorities confirming document-based isolation resistance compliance of electrical design of the vehicle after water exposure
UN R-100 Annex 7B: 7B Vehicle-based test procedure for protection against water effects.

the EU, they should also be recognised as compliant with the corresponding technical regulations in Korea.

Relevant Act/Regulation	Article 18-3 of Rules on the Performance and Standards of Motor Vehicles and Parts
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	New

6. Improvement of Cyber Security and Software Update Management System	<p><u>Issue</u></p> <p>There is a need for more flexibility in the application of requirements automobile manufacturers are subject to concerning cyber security and software update management system of automobiles.</p> <p>The adoption of regulations regarding cyber security and software update management system in the Motor Vehicle Management Act and its lower regulations is currently under discussion.</p>
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According to the current draft, automobile manufacturers are required to submit information regarding updates in advance to MOLIT, which could pose a significant burden. Automobile manufacturers are concerned that it would be challenging to report every software update due to the large volume of updates, and there are concerns that the sales of vehicles could be delayed until the automobile manufacturers receive approval from MOLIT. Therefore, it is considered more efficient for MOLIT and KATRI to directly access the IT systems of European automobile manufacturers and verify the necessary information, rather than requiring manufacturers to submit the information themselves.

Recommendation

It is recommended that, if the manufacturer obtained the UN Regulation type approval issued in Europe (UN R-155 for cyber security, UN R-156 for software updates), they should be recognised as meeting the requirements of the corresponding domestic regulations regarding cyber security and software update management.

In regards to the software update management system, it is recommended that MOLIT and KATRI verify the required information directly through the IT systems of European manufacturers instead of requiring automobile manufacturers to submit software updates in advance themselves.

Finally, it is recommended that the technical regulations (UN R-155, 156) for cyber security and software update management be added to Appendix 2-C-3 of the EU-KOR FTA, so that if they satisfy the EU technical regulations they can also be recognised as complying with the corresponding Korean technical regulations.

Relevant Act/Regulation	Motor Vehicle Management Act and Lower Regulations (Legislative Discussion Stage)
Responsible Authority & Division	Ministry of Land, Infrastructure and Transport (MOLIT)
Recommendation Status	New

7. Establishment of Procedures for Granting Exemptions for New Technologies	<p><u>Issue</u></p> <p>It is necessary to establish clear procedures for granting exemptions for new technologies applied in motor vehicles.</p> <p>At present, when automobile manufacturers incorporate new technologies in motor vehicles not included in Korean motor vehicle safety standards, they are required to obtain exemptions from MOLIT. However, the specific procedures for granting such exemptions are not clearly defined in Korean regulations.</p>
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This lack of clarity on procedure has led to difficulties in communication between automobile manufacturers and the relevant authorities. This, in turn, could create obstacles to the introduction of new technologies in Korea.

MOLIT is planning to establish an approval procedure for new technologies however, it has not yet been announced.

Recommendation

It is recommended that relevant procedures for granting exemptions for new technologies in automobiles be established within the year of 2023.

Relevant Act/Regulation	Article 114-2 of 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. Issue
Application of the Information System in the Modification Report

Regarding the modification report requiring automobile manufacturers to report changes in emission certificates to the Ministry of Environment, it is recommended to utilise information systems in the report process.

According to Paragraph 3, Article 67 of the Enforcement Rules of the Clean Air Conservation Act, automobile manufacturers are required to report modifications to the Minister of Environment (President of the National Institute of Environmental Research in case of imported vehicles) regarding changes which do not increase the amount of emission (Modification Report).

Reporting systems allow manufacturers to report modification details to the ME in a more simplified way in cases where there is no increase in the amount of emissions.

It is understood that when an automobile manufacturer submits a modification report, the manufacturer can be deemed to have completed the modification report from the date of application. Therefore, if an automobile manufacturer submits a modification report through KENCIS (The Korea Emission & Noise Certification Information System) instead of in a document form, it is recommended that this be acknowledged as the automobile manufacturer having fulfilled the modification report requirements.

Recommendation
It is recommended that if an automobile manufacturer submits a modification report through KENCIS, the automobile manufacturer should be recognised as having completed the modification report requirements.

Relevant Act/Regulation	Paragraph 3, Article 67 of Enforcement Rules of the Clean Air Conservation Act
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Updated

9. Issue
Providing Flexibilities to Fleet Average System (FAS)

In Fleet Average Systems (FAS) that regulate the average emission value per unit of motor vehicles, it is recommended to provide flexibility that helps manufacturers comply with the regulation.

Currently, the ME regulates vehicle emissions through FAS, which calculates the average volume of gas emitted from vehicles sold each year and ensures that the volume calculated complies with established emission standards.

In light of recent updates concerning the strengthened goals outlined in the 2030 Nationally Determined Contributions (NDC) and the 2050 carbon neutrality plan, environmental standards for motor vehicles are expected to be made increasingly more stringent at a rapid pace.

While automobile manufacturers are making efforts to increase the sales of environment-friendly vehicles, they may face difficulties in complying with FAS if the sales of such vehicles do not meet expectations. Failure to comply with average emissions standards may lead to the suspension of vehicle sales.

In contrast, the United States (who implemented the FAS earlier) allows manufacturers to trade credits for average emissions. This credit trading system provides a means for automobile manufacturers facing difficulties in meeting the FAS standards to sustain their business. It is understood that FAS was adopted during the negotiation process of the U.S.-KOR FTA. Therefore, it could be considered reasonable to not only adopt the same regulatory aspects but to also introduce the same flexibility measures.

For reference, the corporate average CO2 regulation under the Clean Air Conservation Act allows CO2 credit trading between manufacturers.

Recommendation
It is recommended that an emission credit trading system for FAS be adopted. This will enable emission credit trading among automobile manufacturers based on target achievement results (NOx, SO2, etc). If a review period is required for the revision of the system, it is additionally recommended to link the implementation of the credit

trading system with the introduction of the next average emissions standard, applicable from 2026.

Relevant Act/Regulation	<ul style="list-style-type: none"> Article 50-2 of Clean Air Conservation Act, [Table 19-2] Permissible Emission Levels, etc of Enforcement Rules of Clean Air Conservation Act
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Updated

10. Issue
 Establishment of Standards for Average GHG Emissions for Medium/Large-Sized Commercial Vehicles
 There is a need for the prompt establishment of target standards in the average greenhouse gas (GHG) emission system for medium/large-sized commercial vehicles.
 A voluntary reduction period has begun in 2023, and mandatory reduction will be implemented from 2026. However, specific reduction targets and the methodology for setting those targets, as well as penalties for automobile manufacturers who fail to meet such target standards, have not been finalised yet. This lack of clarity is causing automobile manufacturers difficulties in planning their related strategies.

Recommendation

It is recommended that the average GHG standards from 2026 be established based on the average emissions value of automobile manufacturers in the industry during the reference period (2021-2022). Furthermore, it is recommended that these standards be promptly finalised, and the criteria for target standard failure penalties be shared with automobile manufacturers.

Relevant Act/Regulation	Guideline for Application and Management of Standard of Average Energy Consumption Efficiency and Permissible Levels of Greenhouse Gas Emissions for Medium/Large-Sized Commercial Vehicles
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Updated

11. Issue
 Requirements on All Electric Range Tests at Cold Temperatures for Electric Vehicles
 It is necessary to improve the heater setting requirement applied during the driving mileage test for electric vehicles to reflect the actual driving environment.

According to Table 5-2 of the Regulations for the Test Procedure of Manufactured Motor Vehicles, the heater setting requirement for an all-electric range test at a cold temperature (-6.7°C) is regulated to be 'heater operated at maximum'. The test takes several hours and the temperature inside the vehicle during the test could even reach above 40°C under the 'maximum' heater setting condition. This can cause difficulties for the operator during the certification tests and additionally does not reflect a realistic driving situation.

For reference, in the US, the climate control setting should be on 'Auto setting' to 72°F (=22°C) (40 CFR Part 1066, Subpart H). It is also stipulated in China that the 'Auto setting' be 22°C (GB/T 18386). Both of these cases reflect realistic driving conditions.

Having included this issue in the 2022 ECCK White Paper, the feedback received from the ME was that long-term review of the issue is necessary. Considering the increasing importance of EV sales for automobile manufacturers, we hope that this recommendation will be reviewed positively.

Recommendation

It is recommended that the heater setting conditions during all-electric range tests conducted at a cold temperature (-6.7°C) be changed from the 'Maximum Setting' to an 'Auto Setting' of 22°C.

Relevant Act/Regulation	Regulations for Test Procedure of Manufactured Motor Vehicles
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	Retained

12. Issue
 Improvement of Required Items for EV Certification
 It is necessary to improve the list of items automobile manufacturers are required to submit during EV certification as some of those items impose burden on the EV manufacturers.

During EV certification, automobile manufacturers are requested

to submit photos of EV parts. This is to verify the consistency between the submitted documentation and the actual parts. However, if a manufacturer intends to use different parts than those detailed in photos submitted, a reliance on photo submissions may not be a sufficient way of preventing such practices. Therefore, photo submission requirements appear to increase the burden on manufacturers to less practical effect. Moreover, photos have not been required for internal combustion engine vehicles during the certification process even though the same issues can occur.

Additionally, automobile manufacturers are requested to provide relevant information for EV driving range simulations during EV certification processes. However, we consider that this information is not directly relevant to EV certification, thus should be excluded from the list of items that should be submitted during the certification process.

Recommendation

It is recommended that the obligation to submit photos of EV parts during the certification process be eliminated. It is also recommended that the information for EV driving distance simulations be excluded from the list of items that should be submitted during the certification process.

Relevant Act/Regulation	Regulations for Certification, Test Method and Procedure of Manufactured Motor Vehicles
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	New

13.	<u>Issue</u>
Support for Expanding the Distribution of Medium/Large-Sized Electric Freight Motor Vehicles	It is necessary to establish support measures in the form of government policy to expand the distribution of medium/large-sized electric freight motor vehicles in Korea. Medium/large-sized freight motor vehicles, compared to passenger vehicles, travel longer distances and emit higher amount of gas emissions. Therefore, promoting the widespread use of environment-friendly freight motor vehicles can have a significant impact on improving air quality in the transportation sector. For this reason, European automobile manufacturers in Korea are actively promoting the introduction of electric freight

motor vehicles. However, there are challenges in terms of relevant regulations and infrastructure in the Korean market making it difficult to adopt environment- friendly commercial vehicles.

For instance, while subsidies are provided for electric buses and hydrogen freight vehicles, there are no subsidy criteria in place for medium/large-sized electric freight motor vehicles.

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

Recommendation

It is recommended that subsidy criteria for medium/large-sized electric freight motor vehicles (including special vehicles such as tractors) be established and implemented. Furthermore, it is recommended that the availability of charging infrastructure dedicated to medium/large-sized electric freight motor vehicles be expanded and support be increased for the cost of installation of such charging facilities.

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

14.	<u>Issue</u>
Improvement of Management Standards of Vehicles for Certification Testing/ Advertisement	There is a need for the improvement of the management standard for imported vehicles intended for certification tests or for advertisement, as such vehicles are not allowed to be sold in Korea. Vehicles that are customs cleared via the exemption for certification tests (emissions/noise/fuel efficiency) or exhibition/advertisement are currently not allowed to be sold directly in Korea. Even if a vehicle model obtains certification after importation, it is not permitted to be sold in Korea simply because the vehicle was imported before certification. Such vehicles are either exported and re-imported after certification to be sold in Korea, or have to be scrapped. This is considered a waste of resources and unnecessary cost.

Recommendation

It is recommended that sales of imported motor vehicles intended for certification testing (emissions/noise/fuel efficiency) or advertisement be allowed in Korea by completing the certification process for the same model family.

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

15. Enhancement of Environmental Certification Procedures through Improving KENCIS (Korea Emission & Noise Certification Information System)	<p><u>Issue</u></p> <p>Environmental certification processes need to be improved in a more efficient way in line with the KENCIS improvement research being conducted by the ME.</p> <p>The ME is conducting research to improve KENCIS with the aim to computerise the certification process and minimise the submission of hard copies.</p> <p>In order to systemise all certification procedures in the future, it is recommended to convert all certification document formats to the KENCIS system (e.g. create different application forms for electric vehicles and internal combustion engine vehicles separately). Also, it is recommended to utilise Excel upload functionalities to avoid manual entry errors.</p>
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Recommendation

It is recommended that there be continuous improvements made to systemise all certification procedures in the future. Such improvements include conversion of all certification document formats to the KENCIS system and utilising upload functionalities in order to avoid errors from manual entry.

Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	New

16. Clarification of Modification Report Procedures for Vehicle Energy Efficiency Testing Facilities	
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Issue

It is recommended to clarify reporting procedures to relevant ministries regarding changes in the motor vehicle energy consumption efficiency testing facilities.

The ME and MOTIE require automobile manufacturers to obtain confirmation for certain changes in emission and energy consumption efficiency testing facilities. Emission testing facilities accredited by the ME are under obligations to report any changes in staff and instruments.

Currently, automobile manufacturers can ask MOTIE/KEA (Korea Energy Agency) that accreditation for energy consumption efficiency testing facilities be replaced by accreditation results issued by the Minister of Environment. However, it is not clear whether reports concerning testing facility changes can also be replaced with verification results from the Minister of Environment. This can lead to a lack of timely reflection of the changes made.

Recommendation

It is recommended that if a report is made to the ME regarding changes in testing facilities, MOTIE's reporting requirements should be considered fulfilled according to the verification from the Minister of Environment.

Relevant Act/Regulation	Regulation on Energy Consumption Efficiency and Grade Indication for Motor Vehicles
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	New

17. Improvement of Registration Procedures for Environment-Friendly Vehicles	
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Issue

Regarding the procedures in which automobile manufacturers apply for low/zero emission vehicles to be designated by MOTIE as environment-friendly vehicles, it is recommended that the time taken until the registration of environment-friendly vehicles be reduced.

In order to get tax benefits for low/zero emission vehicles, vehicle models should be designated as environment-friendly vehicle by MOTIE. However, to be designated as an environment-friendly vehicle, vehicle models should be registered and included in the

relevant notification (The Regulation on the Criteria of Environment-friendly Motor Vehicles). It takes a long time for such vehicles to be registered as environment-friendly vehicle since the notification needs to be amended. This causes difficulties for manufacturers in releasing electric vehicles into the market in a timely manner.

Therefore, it is suggested that the time required for the designation of environment-friendly vehicles be shortened to facilitate the timely distribution of such vehicles by automobile manufacturers.

Recommendation

It is recommended that current registration procedures for environment-friendly vehicles be revised in a similar way to that of the website registration system currently used for electric vehicle subsidies.

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

18. Elimination of Trade Barriers for Mandatory Installation of Car Fire Extinguishers

Issue

Given regulations on the mandatory installation of fire extinguishers inside motor vehicles, there is a need to relax excessive regulations on the import of fire extinguishers.

Starting from December 2024, the installation of fire extinguishers inside motor vehicles with a seating capacity of five or more is scheduled to become mandatory in Korea.

Regarding the mandatory installation of fire extinguishers, the European automobile industry is considering an ex-work fire extinguisher solution by installing fire extinguishers in factories. In this case, the fire extinguishers installed are tested and validated by manufacturers to ensure their safety in compliance with all crash tests.

However, the above-mentioned solution cannot be implemented in Korea. European automobile manufacturers are required to install Korean fire extinguishers after customs clearance due to the following problems:

- Type approval requirements for fire extinguishers are not harmonised between Korea and the EU.
- There are also difficulties in obtaining approval for and clearing customs of fire extinguishers that are installed in motor vehicles in Europe. To obtain type approval in Korea, it is necessary to either have testing facilities within Korea or contract with those who possess such facilities. Even after obtaining type approval, customs clearance is allowed only after a number of extinguishers are removed from motor vehicles, and the Korea Fire Institute conducts tests on a selected few.

As a result, it is practically impossible to import European fire extinguishers that have been installed in European automobile manufacturing factories.

Recommendation

It is recommended that the installation of imported fire extinguishers that meet the technical requirements of the EU type approval be allowed as fire extinguishers inside motor vehicles in Korea.

Additionally, it is recommended that the fire extinguisher requirements between the EU and Korea are harmonised.

Finally, it is recommended that the procedures that currently require removal of fire extinguishers during vehicle customs clearance with a view to conducting additional tests in Korea be eliminated.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Article 11, Article 37 of Act on Installation and Management of Firefighting Systems, • Article 6, Article 21 of Rules on Quality Control of Firefighting Supplies
Responsible Authority & Division	National Fire Agency (NFA)
Recommendation Status	New

19. Establishment of Integrated Information System for Motor Vehicles

Issue

Interconnection or the integrated operation of the government ministry's information systems for the certification and management of motor vehicles is needed.

Currently, automobile manufacturers input relevant information into the information systems operated by each government ministry for the certification and management of motor vehicles as specified in the relevant laws and regulations. However, existing information systems have different formats in different ministries, and there may be cases where similar information needs to be inputted redundantly into each system, which can impose additional burdens on automobile manufacturers.

For example, after obtaining motor vehicle certification, automobile manufacturers are required to input both the specification control number and the Vehicle Identification Number (VIN) into the Korea Emission & Noise Certification Information System (KENCIS). However, if KENCIS is connected with MOLIT's system for vehicle specifications, it is anticipated that VIN information could be acquired without requiring separate input from automobile manufacturers.

Recommendation

It is recommended that an integrated information system for the certification and management of motor vehicles be established among government ministries or that relevant information be shared between the information systems of different ministries to enhance efficiency.

Responsible Authority & Division	<ul style="list-style-type: none"> • Ministry of Land, Infrastructure, Transport (MOLIT), • Ministry of Environment (ME), • Ministry of Trade, Industry, and Energy (MOTIE)
Recommendation Status	New

20.
Integration of
Government
Authorities
Regulating Motor
Vehicles

Issue

There is a need to integrate government authorities that administer regulations on motor vehicles since the current management of motor vehicles is conducted separately by different ministries.

Regulatory control of motor vehicles is complexly executed by three ministries. Motor vehicle policies and safety standards are managed by MOLIT, while emissions and noise regulations are managed by the ME, and energy efficiency is managed by MOLIT and MOTIE.

As the technology and adoption of zero emission motor vehicles

such as electric and hydrogen vehicles continue to advance, the foundation for the current distribution management structure has been weakened. For example, in the case of the driving range of EVs on a single charge, these three ministries regulate and exercise administrative power differently.

Having raised this issue in the 2022 ECCK White Paper, we received the feedback of 'long-term review' from MOLIT and 'Not Accepted' from the ME. To accelerate the development of the related industrial ecosystem of future automobiles, it is necessary to promote the integration of the authorities that govern regulations concerning motor vehicles.

Recommendation

It is recommended that a single government department be established that is dedicated to governing regulations concerning motor vehicles and that, in the process of doing so, overseas cases are taken into consideration, such as the Federal Motor Transport Authority in Germany (KBA).

Relevant Act/Regulation	<ul style="list-style-type: none"> • Motor Vehicle Management Act • Clean Air Conservation Act • Energy Use Rationalization Act
Responsible Authority & Division	<ul style="list-style-type: none"> • Office for Government Policy Coordination • Ministry of Land, Infrastructure, and Transport (MOLIT) • Ministry of Environment (ME) • Ministry of Trade, Industry, and Energy (MOTIE)
Recommendation Status	Retained

Beer, Wine & Spirits

5

Total Key Issues

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

Issue

Consumer behaviour and attitudes towards on-line food and beverage purchases changed quickly and dramatically over the pandemic, with on-line purchases reaching USD 157 Billion in 2022 up from USD 118 Billion in 2021. The most popular products sourced on-line in 2022 were food & beverages (12.69%). However, consumers are not able to enjoy unrestricted e-commerce for alcoholic beverages.

Whilst on-line sale and delivery of 'traditional Korean alcohol' directly to consumers is allowed without restriction, beer, imported wine and spirits are excluded. For these latter categories, only restricted on-line sales when alcoholic beverage is paired to food delivery orders are permitted. However, liquor e-commerce is allowed globally in almost all OECD countries such as the U.S, the U.K, France, Germany, Japan and even in China.

In 2020, the NTS introduced the 'Smart Ordering System' that allowed consumers to place liquor orders on-line, before picking orders up at retail stores. This laudable pilot programme was launched to improve the efficiency of store management and increase liquor sales for retailers, while providing some additional convenience to consumers through reducing waiting and ordering time in-store.

Although originally designed to prevent undesirable market behaviour, the continued prohibition of retail alcohol license holders' e-commerce may inhibit the growth and competitiveness of small producers in Korea. Korea has seen a significant growth of small and 'craft' producers of beer, wine, and spirits, resulting in independent distillers, soju producers, and breweries with well-established reputations for quality and craftsmanship across the country.

Opening e-commerce to all retail license holders will allow for Korea to become an innovator in bringing new types of beers, wine, and spirits to the country's discerning consumers, the region, and beyond, especially during this time of promotion of K-spirits exports.

Recommendation

Fair competition is vital for the growth and development of any industry and economy. Unintendedly, the current system favours convenience stores as pick up locations and has de facto created unfair advantages for certain players in the market. It is essential to promote fair competition within the liquor industry to drive innovation, foster creativity, and ensure a level playing field for all stakeholders. By doing so, the industry can unlock its full potential and contribution to the Korean economy.

While Korea has been actively fostering innovation in various sectors, such progress has been hindered in the liquor industry due to constraints. This limitation not only curtails creativity within the Korean liquor market but also hampers the potential for export opportunities. It is unfortunate that the liquor industry has not been able to keep pace with other categories in terms of introducing new initiatives and products.

The opening of e-commerce is mutually beneficial for both the industry and consumers. In doing so, companies can strive to enhance their competitiveness by offering a wide range of choices and options to the increasingly discerning Korean consumers, leading to a diverse range of experiences for the consumers.

Alcohol e-commerce can also support and extend existing efforts to promote responsible drinking, as well as measures to address harmful alcohol consumption, particularly among vulnerable groups. As such, to manage public concerns and risks while expanding liquor e-commerce, it is recommended that global guidelines such as IARD standards¹ and delivery education programs be implemented. To this effect, the ECCK is strongly in favour of developing locally relevant guidelines and programs.

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

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

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

Issue

Economic efficiency, equity, transparency, compliance, and enforceability are the general principles that guide taxation policy. In addition to this, alcohol taxation requires the balancing of various policy objectives, including the need to raise revenue, encouraging responsible drinking choices, and easing administration.

The Korean economy has been facing the twin challenges of stagnation and inflation. Unfortunately, the ad valorem liquor taxation system for a wide variety of alcoholic beverages is adding to the burden on households in today's highly inflationary economic environment. As the ad valorem tax system is based on product costs/import prices, it directly impacts household incomes.

The specific tax system on the other hand is based on alcohol content of products, making it a tax system that adequately reflects the potential danger of alcohol misuse (based on the quantity of alcohol consumption and not on a product's price). In addition to this, global and Korean trends of drinking less but better are stifled by the ad valorem system, despite being beneficial to health given a reduction in consumption.

The implementation of a specific tax system does not result in a decrease of government tax revenue. On the contrary, it offers several benefits that contribute to a more stable and predictable revenue stream. Specific tax systems provide greater flexibility to governments as revenue is more predictable and the government can easily adjust the rates. It is simple to administer, enabling government officials to focus their efforts on compliance and enforcement activities. All the information needed to calculate tax is available either on the label of packaged goods, or on the shipping documents of bulk goods. This reduces incentives for tax avoidance activities as product value is not a factor in calculating tax liabilities. As a result, it discourages illicit activities.

In fact, specific taxation of alcohol is a globally recognised best practice, supported the World Bank, the World Health Organization, the OECD, and the IMF. Overall, international experience demonstrates that specific taxes, based on alcohol content, lead to a stable effective and efficient alcohol tax system.

In Korea, fermented alcohol products hold a high share of consumption

(60.1% of total alcohol sales, 2021 KOSTAT data) for alcoholic beverages. 90.6% of the fermented alcohol beverage category—beer and takju—are already subject to a specific tax system. Furthermore, considering the growth of all fermented categories, it is important to establish a uniform tax system for all products within the same category. This approach will help prevent significant confusion or disruptions in the future.

Recommendation

It is recommended that the specific liquor taxation system be expanded to the rest of the fermented alcohols (still and sparkling wines). With the inclusion of growing prestige wines and the champagne market, this expansion would further develop the luxury market, where Korea already plays a significant role. It also has the potential to establish Korea as a central hub and gateway to the broader North Asian market, similar to Hong Kong's role within Asia.

Through taking such steps, there would be a positive ripple effect, beyond the immediate benefits of trading and distribution, on related sectors such as tourism and exhibitions, advertising and promotion, management, logistics/storage, and consulting services, thus fostering growth and prosperity.

Relevant Act/Regulation	Liquor Tax Act
Responsible Authority & Division	Ministry of Economy and Finance (MOEF)
Recommendation Status	Updated

3. Implementing Globally Standardised Nutrition Labelling for Alcoholic Beverages

Issue

The Ministry of Food and Drug Safety (MFDS) and industry organisations have been mutually agreed and signed the MOU that alcoholic beverage manufacturers can choose to display only calorie information on their packaging, instead of nutrient information. However, the MFDS has requested that the main label should show the total calories 'per bottle', rather than 'per serving' which has the most relevance to consumers. Across most countries, nutritional information and calories are indicated per 100 ml/grams, as well as per serving, and for alcohol there is added information on how many standard drinks² contained in a bottle.

2. A standard drink or unit of alcohol is a measure of alcohol consumption representing a fixed amount of pure alcohol.

There is no practice of indicating calories for the whole bottle only.

Still and sparkling wines, liquors and liqueurs are not packaged as 'single-serve' products, nor are they recommended to be consumed as such, making it mandatory to indicate 'per serving' information. Information by per bottle would create confusion for consumers as they normally consume only a certain number of individual servings contained in a bottle. In practice, consumers drink different amount of beer and whisky. Therefore, information based on per litre/gram and per serving size allows consumers to be able to compare different products. However, information on total calories per bottle can cause misunderstandings and confusion for consumers. Moreover, most other countries do not provide 'per bottle' information.

Globally, food and beverage companies are seeking more proactive ways to meet consumer demands. Using a new digital system such as e-labelling (QR-codes) is one such initiative. This new initiative could offer consumers an efficient solution to their desire for more transparency on product content and health information. The EU has been leading joint initiatives with manufactures of alcoholic beverages in this regard. Starting from 2021, European consumers have gained the ability to access information about wine and spirits products they buy using QR code technology, conveniently provided in their native language. This significant development, known as a U-LABEL, is the outcome of distinctive collaboration between CEEV (Comité Européen des Entreprises Vins) and SpiritsEUROPE, showcasing their commitment to innovation in the industry.

As responsible members of Korean society, global companies are voluntarily trying to introduce these initiatives to Korean consumers. To provide them with a variety of information, companies are prepared to use electronic methods pre-emptively. However, due to nutritional labelling units differing from international standards, the technology has not been introduced to Korea. Since the e-label information is collectively controlled and managed by headquarters, it is difficult to change the system only for a certain country.

Recommendation

It is recommended that there be more flexibility in the legal interpretation issued by the MFDS given that there is particular concern in regards to the inclusion of total calorie values per bottle for alcoholic beverages as it may cause confusion among consumers. It is believed that adhering to a global standard method for calorie indication would instead help consumers through providing consistent information.

It is recommended that the relevant authorities to allow internationally recognised nutrition labelling so that Korean consumers can also convey necessary information about products through e-Labels. The overall aim should be to develop regulations that allow any wine or spirit company to give consumers in Korea relevant, standardised, and detailed product information, such as a list of ingredients, nutritional information per serving/drink and 100 ml, responsible drinking guidelines, and information about sustainability via e-labels (QR code) that are easy to administer.

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	New

4.	<u>Issue</u>
Review the Direct Shipment Clause	Korea's sophisticated consumers are seeking new, niche, customised and specialised products, especially in the FMCG sector. However, unlike big brand products, these products are difficult to import via shipping containers as they are often unable to meet the 'Minimum Order Quantity' and may require the use of distribution hubs.

However, as a result of the EU-Korea FTA, the preferential tariff rate only extends to goods shipped directly from the EU to Korea. According to the direct transport clause under the existing Rules of Origin, goods shipped via distribution hubs (such as Singapore) do not benefit from preferential tariffs, even though the products do not go through any substantive change in the hub and are simply combined into customised orders (unpacking-repacking) for Korea's discerning consumers.

This not only creates barriers for Korean consumers, that restrict them from enjoying new global trends, but it may also limit the possibility of Korean small but competitive brands in the cosmetics, food and other industries, from entering the EU market via distribution hubs in the third countries.

Moreover, industry players are requesting that the Rules of Origin clause be revisited during the upcoming UK-Korea FTA upgrade talks which will be part of their efforts to make a better trade environment between the two countries. The EU-Korea FTA also needs to review

the direct shipment clause to create a more competitive trade environment and enable consumers to benefit from it.

Recommendation

It is recommended that the direct shipment clause in the EU-Korea FTA be revised by means of a negotiation between the EU and the Korean government. This will enable the use of distribution hubs for repacking purposes.

Relevant Act/Regulation	EU-Korea FTA (Rules of Origin)
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE), Korean Customs Service (KCS)
Recommendation Status	New

5. Amending Unfair Restrictions on Broadcast Advertisements

Issue

Broadcast advertisements for alcoholic beverages are regulated under the National Health Promotion Act and Broadcast Act. Alcoholic beverages that contain 17% or more alcohol by volume (ABV) are prohibited from being advertised on TV and radio according to the Enforcement Decree of the National Health Promotion Act.

Products with less than 17% ABV are allowed to be advertised on various types of TV media (such as on terrestrial TV, cable TV, IPTV, and SkyLife), from 22:00 to 07:00 on the following day. These products can also be advertised over the radio from 17:00 to 08:00 on the following day. For example, soju, the biggest-selling product type in the spirits category in Korea, is widely advertised on TV, as the alcohol content of major brands is just shy of 17%.

The World Health Organization (WHO) outlines multiple policy options through which to regulate the marketing of alcoholic beverages in its 'Global Strategy to Reduce Harmful Use of Alcohol'. These options include regulating the content and volume of advertisements, regulating sponsorship activities, etc., but there are no ABV-based policy recommendations.

Major European countries like Germany and the United Kingdom do not impose ABV or hour restrictions on alcohol advertisements on TV. Even in countries where hour restrictions are imposed, such as Ireland or the Netherlands, there are no ABV restrictions on them.

In Asia, there are no ABV or hour restrictions in major countries like China or Singapore in regards to TV or radio advertisements. In markets where hour restrictions do exist, such as Australia, Japan and Taiwan, there are no ABV restrictions.

Recommendation

It is recommended that the advertisement regulations be amended by the government to end discrimination as a result of ABV. This will enable them to instead focus on the content, channel, audience, and timing of advertisements, instead of on the ABV content of the products being advertised.

Relevant Act/Regulation	National Health Promotion Act, Broadcasting Act
Responsible Authority & Division	Ministry of Health and Welfare (MOHW) (Division of Health Promotion), Korea Communications Commission
Recommendation Status	Retained

Chemical

7

Total Key Issues

1. Purchase of Government-Owned Hazard Test Data for Overseas Registration

Issue

Foreign companies have experienced following problems when purchasing government-owned hazard test data for the purpose of overseas (outside Korea) registration:

- There is a large gap and explicit inequality in pricing between overseas and domestic registration. Pricing is consistent as 30% of the hazard test data generation cost for domestic registration, on the other hand, it differs upon the number of companies consisting of a Chemical Substance Information Communicative Organization (hereinafter 'CICO') for overseas registration as following table.
- The domestic pricing mechanism for overseas registration is excessively expensive considering that 30% of the data generation cost charged includes a sub-license usage fee for overseas registration in accordance with the standards of the German Chemical Industry Association (VCI) in the EU.

	Domestic registration	Overseas registration
Rates for hazard test data generation cost	30% per a CICO (regardless of the number companies consisting of CICO)	1 - 5 company(ies): 30%
		6 - 30 companies:
		5 x the number of companies
		More than 30 companies: 150%
	5% per an individual company	N/A
	3% per a small sized company	N/A

- Direct remittance from non-Korean companies is not possible as the payment method for purchasing costs is 'Giro', which can only be deposited in Korea.
- During purchase applications, only two types of 'use' can be

selected: either 'joint registration' or 'late registration'. It is not possible to input other types of use.

- It is rarely possible to make an informed decision whether or not to purchase government-owned hazard test data since the summary of test data does not provide sufficient information.

Recommendation

It is recommended that pricing be equally applied for overseas registration and domestic registration when purchasing government owned hazard test data, irrespective of calculating methods or the number of companies. In addition, it is recommended that direct overseas payment to the Korean government be enabled and for registration purpose options to be diversified.

It is also recommended that the quality of short summaries of test data be improved to the same degree as that of robust study summaries. Alternatively, it is recommended that the bare minimum level of required information be provided, such as sameness information (a standard by which to determine the reliability of test data) in both Korean and English.

Last but not least, it is recommended that the Ministry of Environment provide the bare minimum summarised information needed on government-owned test data through the OECD eCHEM portal. That way, companies in OECD member countries can access relevant test data, while complying with the guidance specified in the OECD Mutual Acceptance of Data (MAD), such as on how to minimise redundant testing.

Relevant Act/Regulation	Manual for application and use approval of government-owned hazard test data
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	New

2. Globally Harmonised Hazard Examination Results for Registered Substances and Justification on Non-Harmonised Results

Issue

The hazard classification determined sometimes differs from the underlying test data submitted by the registrant. Moreover, reviews and decisions made on certain hazard classifications for registered chemical substances performed by National Institute of Environmental Research (hereinafter 'NIER') are not done on clear grounds.

For example, substance A is registered and notified by EU Classification·Labelling·Packaging (CLP) as Germ Cell Mutagenicity Category 2 in the EU, but it is classified and notified as Germ Cell Mutagenicity Category 1B in Korea even though registration was done with the same test data.

If hazards of a substance are differently classified and notified in Korea from the EU, manufactured and distributed substances internationally which are already registered in the EU face with different level of liabilities in regulatory compliance. This is because that Korean regulations designate toxic and restricted substances as well as establish legal threshold of their contents based on those different classification unlike EU. It leads to excessive regulations towards downstream uses in Korea and will put the competitiveness of domestic chemical industry behind.

Recommendation

It is recommended that further explanation be provided on reviews and decisions concerning hazard classifications if different from those submitted by registrants following notification of their hazard review results by NIER. This will clarify the grounds on which to justify why the review result does not follow original test data.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Article 21 of Act on Registration and Evaluation of Chemicals • Article 28 of Enforcement Rule of the same Act • Regulation on Registration Dossier Preparation and Method for Hazard Review
Responsible Authority & Division	Ministry of Environment (ME), National Institute of Environmental Research (NIER)
Recommendation Status	Updated

3. Issue
Improvement of R&D Exemption Follow-up Report
Manufacturers exempted from the registration of 0.1 tons of chemical substances or more per year are required to submit an R&D exemption follow-up report.

Currently, the follow-up report is to be submitted even for R&D exemptions completed more than 5 years ago given that the deadline for submitting follow-up reports is not specified. However, it is difficult to track R&D samples which were sold or given 5 years or

more ago due to the long and complicated chemical supply chain.

When applying for R&D exemption, the disposal method must be written in the disposal plan. In addition, the disposal method needs to be checked first and documented evidence supplied (such as a consignment processing contract) when submitting a follow-up report. However, there are situations in which it is difficult to provide proof of disposal. Such situations include:

- Cases in which samples are delivered to customers. To request the result or report concerning R&D is equivalent to asking for the third companies' trade secrets.
- Cases concerning fuel additives for transportation engine testers (in cars, ships, etc.). Fuel additives are completely burned by oxygen and heat during engine operation, so there is nothing to discard as they all disappear during the research process.
- Cases involving the addition and use of urea decomposition inhibitors to increase the efficiency of urea fertiliser used in crops. All decomposition results from chemical reactions with fertilisers, so there is nothing to discard as everything disappears during the research process.

Recommendation

It is recommended that a deadline of 5 years be set for the submission of follow-up reports concerning R&D exemption. This would be in line with the 5-year requirement of recording and retaining relevant documents as defined in the Article 54 of Enforcement Rule of AREC.

It is also recommended that follow-up reports be simplified given that it is not possible to prove the evidence of disposal and samples delivered to customers are hard to track. In addition, it is recommended that the process be briefly described instead of having to submit documented evidence when applying for exemption in cases that there is no disposal method due to self-destruction.

Relevant Act/Regulation	Article 7 and Attached Table 5 of Enforcement Rule of Act on Registration and Evaluation of Chemicals (AREC)
Responsible Authority & Division	Ministry of Environment (ME)
Recommendation Status	New

4. Issue
 Establishment of Content Standards for Ingredients under Conditions of Exemption and Submission of Health and Risk Data for Fragrances in Biocidal Product Approval

When applying for biocidal product approval, it is mandatory to submit data on the hazards of active substances and other components contained in the product. However, National Institute of Environmental Research (hereinafter 'NIER') announced that test data can be exempted in the case of components other than active substances only when valid hazard information on 'all components' is included in the product on May 25, 2023.

Fragrances are mixtures with very many substances and are classified as constituents other than active substances. As such, it is very difficult to obtain information on 'all substances' from fragrance raw material suppliers. Furthermore, it is practically impossible to prepare and evaluate hazard information for all components, so it is not possible to obtain an exemption from hazard test data for products containing fragrances.

Since fragrance constitutes a very small amount (usually 1% or less) of a biocidal product, most of the components used in fragrances are also small in volume. Nevertheless, fragrance is not exempted from hazard test data because it is difficult to verify the hazard information on 'all components' and all tests must be conducted and submitted. It is necessary to improve this requirement as such excessive regulation requires too much time and effort to submit data after having conducting all tests.

Recommendation
 If there is confirmation that there is no Substance of Concern (SoC) in the constituents contained in fragrance and used in biocidal products at a standard content level (e.g., 0.1% or more), it is recommended that the submission of materials for the hazard test of the relevant constituents be exempted when applying approval of the biocidal product.

Relevant Act/Regulation

- Article 21 of Enforcement Rule of the Act on Safety Management of Household Chemical Products and Biocides
- Articles 3 to 6 of Regulation on the Scope and Methods of Preparation of Active Substance and Biocidal Product Approval Application Data
- Guidance on scope and exemption conditions in submitting health risk data of components other than active substances for biocidal product approval by NIER

Responsible Authority & Division Ministry of Environment (ME) (Department of Chemical Product Management)
 Recommendation Status New

5. Issue
 Trade Secret Claim Unit on Material Safety Data Sheet (MSDS)

Non-disclosure of a substance on a Material Safety Data Sheet (hereinafter 'MSDS') shall be approved on a product-by-product basis according to the current Occupational Safety and Health Act (hereinafter 'OSHA').

Most industrially used chemical products have various content ratios with minimal variation in the amount of substance used, and product names differ accordingly.

Product names often differ between when they are developed and after commercialisation, even for products with the same composition ratio. This is because products should be sold under different names, even if their contents have the same composition ratio. This is to prevent leakage of trade secrets between clients considering the supply chain of high-tech products.

Recommendation
 It is recommended that non-disclosure approval numbers be given per substance on MSDS regardless of the contents used in several products. This can be done by applying, reviewing, approving the non-disclosure on a substance-by-substance basis.

Given that repetitive review of products with similar contents and composition ratio is currently required, improvements made to the current MSDS non-disclosure approval system will increase the efficiency of how human and administrative resources of government agencies, as well as industries, are used.

Relevant Act/Regulation

- Article 112 of Occupational Safety and Health Act
- Article 161 and Form 63 of Enforcement Rule of the same Act

Responsible Authority & Division Ministry of Employment and Labor (MOEL)
 Recommendation Status New

6. Issue
 Modification of Method to Establish Chemicals Trade Secret Name (TSN) on Material Safety Data Sheet (MSDS)

Anyone who intends to use Chemicals' Trade Secret Name (hereinafter 'TSN') on Material Safety Data Sheets (hereinafter 'MSDS') shall prepare TSN in accordance with the standard set by the Ministry of Environment (hereinafter 'ME') in its notice concerning the 'Preparation Method of Data Protection Application and the Protection Data Management Method', and can get approval for use from the Korea Occupational Safety and Health Agency (hereinafter 'OSHA').

It is easy to infer the original name of chemical substances used from the current TSNs on MSDS and there are lots of polymers which are impossible to assign TSNs according to the previous ME's Notice. Therefore, this may cause enterprises to become disadvantaged concerning the protection of their confidential business information.

In addition to this, the TSN of polymers prepared according to the previous notice from the ME is complicated and long, and therefore has low readability which is of no use to workers.

Recommendation

It is recommended that the following amendment be applied when preparing TSN on MSDS according to OSHA, given the recent revisions to the ME's notice concerning the 'Preparation Method of Data Protection Application and the Protection Data Management Method' effective as of January 1, 2024:

- Notwithstanding subparagraphs 1 through 7, it may be designated a generic name prepared in accordance with the EU's guidelines on 'How to Prepare a Request for Use of an Alternative Chemical Name for a Substance in Mixture' if a person who transfers a mixture does not wish to include the original name in the Chemical Substance Safety Information pursuant to Article 35 (2) of the Enforcement of Rule of Act on Registration and Evaluation of Chemicals.

** For further details, please refer to 5.2., Section 1, General Information-How to fill in the suggested alternative chemical name for the substance (p.25) in the EU's guidelines on 'How to Prepare a Request for Use of an Alternative Chemical Name for a Substance in Mixture'

Relevant Act/Regulation	<ul style="list-style-type: none"> • Article 112 of Occupational Safety and Health Act (OSHA) • Article 17 of Standard for Classification-Labeling of Chemical Substance and Material Safety Data Sheet
Responsible Authority & Division	Ministry of Employment and Labor (MOEL)
Recommendation Status	Updated

7. Issue
 Redundant Regulation for Exemption from Investigation of New Chemical Substance's Hazards and Dangers

Regulations considered redundant have been raised in the past given that a similar regulation, the 'Investigation of New Chemical's Harmfulness and Hazardousness', exists under the Occupational Safety and Health Act (hereinafter 'OSHA') and contains details concerning new chemical substance registration under the Act on Registration and Evaluation of Chemicals (hereinafter 'AREC').

To resolve unnecessary duplication of regulations, Ministry of Employment and Labor (hereinafter 'MOEL') added following proviso clause to article 147(1) of the Enforcement Rule of the OSHA in December 2019:

- Provided, that in the case of a new chemical substance is registered with the Minister of Environment pursuant to article 10 of the AREC, shall be deemed to submit an investigative report on the hazards and dangers to the Minister of Employment and Labor.

Although the Enforcement Rule of the OSHA was amended, the redundant regulations still remain which causes confusion in the industry since there is a gap between the exemption of new chemical substance registrations, and investigation-based exclusion of new chemicals' hazards and dangers pursuant to AREC and OSHA respectively.

Notwithstanding, the exemption of new chemical substance registration under the AREC, cases corresponding to the investigation of new chemical's hazards and dangers under the OSHA include:

- Chemical substances manufactured or imported to export the whole amount thereof.
- A chemical substance subject to surface treatment and another substance that treats the surface of the substance.

Recommendation

It is recommended that Article 150 of Enforcement Rule of the OSHA be deleted and Article 147 (1) be amended so that registered or exempted new chemical substances pursuant to AREC are deemed submitted or exempted from investigation of hazards and dangers required by the OSHA.

It is also recommended that MOEL confirms the registered or exempted new chemical substances under the AREC in consultation with the Ministry of Environment rather than to issue a separate certificate for investigation of hazards and dangers.

Relevant Act/Regulation	<ul style="list-style-type: none">• Article 147(1), 150 and 151(1) of Enforcement Rule of Occupational Safety and Health Act (OSHA)• Article 11 of Act on Registration and Evaluation of Chemicals (AREC)
Responsible Authority & Division	Ministry of Employment and Labor (MOEL)
Recommendation Status	Updated

Cosmetics

7

Total Key Issues

1.
Reconsideration
of the Functional
Cosmetics System
for the Sake of
International
Harmonisation of
Regulations

Issue

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

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

Recommendation

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

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

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

2. **Application of Optional Indication for Cosmetic Manufacturers**

Issue

According to current regulation, the name of the manufacturer and information on its location are required to be written on cosmetic packaging, but this does not conform to the intended purpose of the law, which is to make cosmetics sellers responsible for quality and safety management, distribution, and sales. Therefore, such information cannot be considered as an essential item to include on labelling related to consumer safety at the time of purchase.

In addition to this, international harmonisation is required as manufacturers are not indicated on cosmetics overseas. This triggers OEM monopoly and similar products or duplicates in Korea, and also creates limitations to the growth of a brand-centred industry.

Furthermore, current regulations on Korean labeling requirements are meant to strengthen consumer safety and clarify responsibility when consumers purchase products, however the manufacturer's address overlaps with the country of origin and is written in Korean, so it does not fit the purpose of the label.

Recommendation

Since it is possible to check manufacturer information via the information on the seller responsible, it is recommended that an optional indication system for cosmetics manufacturer information be introduced.

Relevant Act/Regulation	Cosmetics Act, Article 10-1 Enforcement rule of the Cosmetics Act, Article 19-4
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)
Recommendation Status	Retained

3. **Expansion of Expression Range of Cosmetic Labelling and Advertising**

Issue

The 'Guidelines for labelling and advertising of cosmetic products' provides examples of prohibited expressions that do not meet the definition of cosmetic or that could possibly mislead consumers. However, some expressions are classified as prohibited even though they meet the definition of cosmetic in a particular context. This makes it difficult for companies to label and advertise using such expressions.

The following are examples of prohibited expressions:

- Detox (should be allowed in cleansing products that wash away impurities in pores)
- Redness & Erythema improvement (Redness relief through moisturising and soothing can meet the definition of cosmetics)

Protection of the balance of beneficial bacteria (Prohibited because it is considered an expression only for feminine cleansers, but could be considered an acceptable expression for microbiome-related cosmetics under recent development)

Recommendation

It is recommended that the prohibited expressions detailed in the 'Guidelines for labelling and advertising of cosmetic products' be reconsidered in light of the latest trends in cosmetic development and several cases in which expressions used conform to the definition of cosmetic in a specific context.

Relevant Act/Regulation	Guidelines for labelling and advertising of cosmetic products
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)
Recommendation Status	New

4. **Application of Tolerance for Raw Material Standards that Restrict the Use of Cosmetics**

Issue

Table 2 of the Regulations on Safety Standards etc. for Cosmetics in accordance with Article 8 of the Cosmetics Act details ingredients subject to restrictions on use in cosmetics.

This is a limiting standard based on consumer safety and both domestic and foreign risk assessment results.

However, since tolerances are set in actual manufacturing processes and there are test error tolerances, it is difficult to meet the actual standards of ingredients.

Recommendation

It is recommended that an error tolerance be established for use in the manufacturing process that refers to the tolerance set in the actual process and test error tolerance. Additionally, it is recommended that guidelines in relevance to this error tolerance be distributed.

Relevant Act/Regulation	Regulations of Safety Standards etc. for Cosmetics
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)
Recommendation Status	New

5. Lowering follow-up inspection standards of overseas manufacturing sites for imported cosmetics

Issue
Since 2013, MFDS has been conducting follow-ups on the management of the overseas manufacturers of imported cosmetics exempted from local quality inspections. In the case of European factories, two manufacturers have been inspected every three years.

However, as MFDS's on-site inspections have already been carried out several times, and domestic manufacturers following 'Cosmetic Good Manufacturing Practice (CGMP, the local standard for inspections) are also subject to re-inspection once every three years, the on-site inspection standard for European manufacturing plants should be alleviated in accordance with the similar level.

Recommendation

It is recommended to lower the re-inspection standard to one manufacturing site within 3 years, for companies that have completed on-site inspections of overseas manufacturing sites by the MFDS more than once.

Relevant Act/Regulation	Regulation on the Remission of Quality Inspection for Imported Cosmetics
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Cosmetics Policy Division)
Recommendation Status	New

6. Additional Grace Period for the Space Ratio of Delivery Packaging for Consumers

Issue
A partial amendment to the 'Regulations on Packaging Materials and Methods for Products' (Ministry of Environment Decree No. 984) was announced on April 29, 2022.

According to the amendment, the space ratio of delivery packaging for consumers should be 50% or less, and it shall be packed less than one time.

In consideration of the preparation period needed by manufacturers, importers, and sellers, the revised regulations specify that these rules shall be enforced from the date on which two years have passed since the announcement. As such, this amendment shall be implemented as of April 30, 2024.

However, as of June 2023, detailed guidelines from the Ministry of Environment on how to comply with the regulations have not been provided, causing the industry to be unable to start preparations for compliance.

Recommendation

A two-year grace period was initially deemed necessary in consideration of the preparation period needed by manufacturers, importers, and sellers. Therefore, it is recommended that a two-years grace period be granted following the publication of detailed guidelines by the Ministry of Environment. This will enable the industry to prepare and execute the facilities, equipment, personnel, and procedures needed to comply with the regulations in a practical way.

Relevant Act/Regulation	Regulations on Packaging Materials and Methods for Products
Responsible Authority & Division	Ministry of Environment (ME) (Resources Circulation Policy Division)
Recommendation Status	New

7. Exclusion of 'Recycled Packaging' from the Evaluation Target of 'Harmfulness and Circulatory Usability' According to the Basic Act on Resource Circulation

Issue
According to Article 19 of the Basic Act on Resource Circulation, products suspected to be harmful to human health and the environment are evaluated for harmfulness and circulatory usability. As a result of the evaluation, if it is judged that the product etc. is harmful to human health and the environment or difficult to circulate, it is possible to recommend improvement of harmfulness and circular usability by setting a period to those who produce/process/import/sell the product. If such improvements are not implemented, the evaluation result can be disclosed.

But packaging materials that can be recycled must also adhere to the Enforcement Rules of the Act on the Promotion of Saving and Recycling of Resources, namely:

- 1) Recycling logo of packaging materials is indicated on the packaging

materials.

2) Packaging materials are evaluated for ease of recycling, and the results are indicated on the packaging materials.

3) In accordance with the producer responsibility recycling (EPR), the company reports shipment/import performance of products and packaging materials that are subject to recycling obligations every year and pay recycling contributions accordingly.

It seems excessive to require that packaging materials subject to recycling obligations need an additional evaluation of the circulatory usability of packaging materials according to the Basic Act on Resource Circulation, a recommendation to improve packaging materials, and the disclosure of the evaluation results when requested improvements are not made. Therefore, it should be considered reasonable to exclude items subject to recycling obligations from the subject.

Particularly in the case of products imported from overseas countries, it is not easy to change packaging materials only for Korea given that products manufactured in the same manufacturing plant are sold all over the world. Indeed, such changes are expected to consume a lot of resources and money which will negatively impact the industry and may defeat the purpose of the regulation.

Recommendation

It is recommended that items subject to recycling obligations be excluded from the subject of Article 19 'Packaging Circulation Usability Evaluation' of the 'Basic Act on Resource Circulation'.

Relevant Act/Regulation	Basic Act on Resource Circulation
Responsible Authority & Division	Ministry of Environment (ME) (Resources Circulation Policy Division)
Recommendation Status	New

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6

Total Key Issues

1. Publishing Monthly (or Quarterly) Plans of Voltage-wise Power Systems and Grid Connectivity Information for On-Offshore Wind Power Projects

Issue

During the project preparation period before application for an electricity business license, it is difficult for power generation companies (developers) to respond to the changes of substation information to be interconnected at the actual commercial operation period.

This is because the information on substations and power systems disclosed by Korea Electric Power Corporation's (KEPCO) cyber branch is not real-time information. Therefore, it is necessary to periodically (monthly or quarterly) disclose information regarding substation and transmission network availability.

In addition to this, only the 154kV and 22.9kV system information is disclosed for current systems as of 2022. This information may differ from the situation at the time of commercial operation. If the total installed capacity exceeds 500 MW as a result of cooperation between several power generation companies, it is only possible to make business investment plans if accurate 345 kV system information is known.

Recommendation

It is recommended that KEPCO officially publishes a plan that includes voltage-wise substation and grid capacity information on a monthly or quarterly basis as amending relevant regulations.

In addition to this, due to the current situation in which the grid system is lacking, it is recommended that information be disclosed so that renewable energy supplies can be expanded further via a re-assessment of the system that considers the

following: a) the capacity factor of renewable energy, b) a load factor calculation standard, and c) the removal of projects not actually implemented.

Relevant Act/Regulation	Article 20-2 of Enforcement Rule of Electric Utility Act
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE), Korea Electric Power Corporation (KEPCO)
Recommendation Status	New

2. Excessive Standards When Reviewing Electricity Business License	<u>Issue</u> By amending relevant regulation as of August 1, Ministry of Trade, Industry and Energy (MOTIE) has strengthened requirements through which to check the financial capabilities of applicants and commitments made during the Electricity Business License (EBL) application stage in order to increase the probability of success of offshore wind projects and expedite their deployment.
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Conducting a pre-screening of developers on the basis of their technical and financial capabilities is essential to increase the chances of successful and faster deployment of offshore wind projects, especially given the offshore wind industry is only just starting to develop in the market.

However, as the EBL is the first license needed to start the development of offshore wind projects in Korea from among all the permits/consents required across 29 different Acts, requirements included in the amended requirements are considered excessive and difficult for investors/developers to fulfill. The following are examples of this:

- 1) Requirements to provide a legally binding letter of commitment
In order to provide a legally binding letter of commitment, applicants need to be assured that the proposed projects can be both profitable and developed to their full potential. However, there are still a lot of development risks and uncertainties that the applicants need to consider and resolve at the time of EBL application.

In addition to this, under the current offshore wind development framework, developers will only be able

to secure revenue contracts upon completion of an Environmental Impact Assessment (EIA). This is normally two years after the approval of the EBL and therefore, it will be difficult for applicants to provide a legally binding letter of commitment at the EBL application stage.

- 2) Requirements to provide 1% of total project costs as paid-in capital
Due to the lengthy development times and high development costs of offshore wind projects, many projects are developed by Special Purpose Companies (SPCs) where individual project companies are owned by the developer or a consortium of developers. Especially, the requirement to provide 1% of the total project costs is rather excessive and will be a significant amount for offshore wind projects even before having EBL permission.
- 3) Requirements to start construction within five years and to start operation within eight years
The subparagraph 4, paragraph 1 of article 8 specifies durations within which to start construction and operations respectively depending on generation type.

In the case of offshore wind projects, developers are required to start construction within five years, and operation within eight years. However, the current requirements lack consideration for the different types and scales of the offshore wind projects currently being developed in Korea.

Recommendation

It is recommended that a non-binding document be accepted, such as a Letter of Intent (LOI), instead of a legally binding letter. Such documentation can serve as sufficient proof of the commitments of a developer when applying EBL.

It is also recommended that the required rate of paid-in capital be adjusted from the current rate of 1%, to 0.5% for offshore wind power. In addition to this, it is recommended that developers' financial strength and capabilities be screened rather than SPC's paid-in capital in consideration of amendment purpose that is to examine whether the developer enables to fund their SPC at the stage of EBL permission.

Finally, it is recommended that more segmented operation durations for offshore wind power be introduced according to project capacity as follows:

- 8 years: below 500MW
- 9 years: more than 500MW and below 1,000MW
- 10 years: more than 1,000MW

Relevant Act/Regulation	Detailed Permission Standards for Electricity Business License
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	New

3.	<u>Issue</u>
Evaluation Criteria for Public Acceptance in Electricity Business License (EBL) for Onshore Wind Power Project	Electricity Business License (EBL) is permitted by the Minister of Trade, Industry and Energy (MOTIE) after deliberation by the Electricity Regulatory Commission (KOREC). The current regulations for permission only provide abstract criteria regarding 'effort to enhance public acceptance' as below. <ul style="list-style-type: none"> • Enforcement Rule of the Electric Utility Act states that 'The degree of acceptance in the area designated for electric facility construction is expected to be high.' • Criteria for the examination of EBL: 'Considering the reasonableness of local government opinions, efforts to enhance public acceptance, and other factors for comprehensive examination.'

Due to the abstract nature of the aforementioned criteria, many ongoing projects have difficulties in implementing requirements on 'efforts' varying by local governments, and deliberation decisions whether to fulfill the criterion also differ from official to official within the permission agency. This increases uncertainty in regards to onshore wind power generation project development and leads to frequent delays.

In addition to this, according to the guidance document announced by the KOREC regarding public acceptance, issues related to public acceptance are to be considered reasonable during the establishment of specific local-oriented plans for power generation projects after having obtained an EBL.

Moreover, the guidance recognises that thorough examinations

public acceptance are better suited to conduct by local governments when authorising development activities which are under their jurisdiction rather than evaluating EBL permission where at the first license to start onshore wind projects.

Recommendation

It is recommended that in the process of obtaining an EBL, securing public acceptance is limited to the gathering of residents' opinions (i.e. Public Notice in Local Newspaper). This is based on Article 4, Paragraph 2 of the Enforcement Decree of the Electric Utility Act, which relates to the 'Opinion Gathering Procedure for Power Generation Project.'

It is also recommended that relevant laws be amended to ensure that proactive efforts to secure public acceptance, such as obtaining consent forms and conducting public hearings, shall only take place during the application stage of development permit relevant activities after the EBL, as stated in the guidance document announced by the KOREC.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Article 7 (3) 1 of the Enforcement Rule of Electric Utility Act • Attached Table 1 of Detailed Permission Standards for Electricity Business License
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE), Electricity Regulatory Commission (KOREC)
Recommendation Status	New

4.	<u>Issue</u>
Rationalising of Occupancy or Use Permit for Public Waters	Occupancy or Use Permit of Public Waters (OPPW) is the key permit required for offshore wind development in Korea. OPPW is required for wind measurement campaigns, for geotechnical surveys, and for the construction and operation of offshore wind farms. Due to growing concerns from fisheries and residents regarding the use of public waters for offshore wind development, the Public Waters Management and Reclamation Act (Public Waters Act) was amended in January 2022 to enforce permitting authorities to collect opinions from stakeholders in the requested area who could be potentially impacted while reviewing OPPW applications. The following are examples of issues related to OPPW:

- 1) Requirements to provide 100% stakeholder consent
Since the amendment came into effect in July 2022, some

permitting authorities demand applicants to obtain 100% consent from stakeholders identified before OPPW can be approved, however the amendment only specifies that authorities collect and consider opinions. In addition, as there are no detailed processes or guidelines on how to define potentially impacted stakeholders, permitting authorities rely on the identification of potentially impacted fishery groups solely from National Federation of Fisheries Cooperatives without any evidential data that proves that the identified parties will be potentially impacted.

2) Excessive occupancy fees

The occupancy fee calculation procedure lacks consideration for offshore wind projects, especially in the case of floating offshore wind projects. In particular, occupancy fees for anchor buoys are calculated using the length of the mooring from the buoy to the clump, which is used to link anchors. However, the length of the mooring used in floating offshore wind farms varies from 600m to 800m, depending on the water depth. Due to their weights, most of the mooring lines are installed on the seabed or near the seabed and so applying the same method of calculation for standard anchor buoys is not ideal and will lead to significant occupancy fees, which will increase overall project costs.

3) Increased complexity due to permitting jurisdiction

Public waters within 12 nautical-mile (NM) from the shore are under the jurisdiction of regional government, whereas public waters beyond 12NM are under the jurisdiction of the regional Ministry of Oceans and Fisheries (MOF). Due to this difference in jurisdiction, offshore wind projects currently being developed in Exclusive Economic Zones (EEZ) located beyond 12NM from the shore, face increasing complexity as multiple OPPWs are required for offshore wind farms and export cable corridors.

Recommendation

It is recommended that guidance on realistic and practical ways to consider the opinions of stakeholders while reviewing the OPPW be prepared and applied. This is because obtaining 100% consent from stakeholders is considered an overly conservative interpretation of the law and is not in line with the purposes of the amendment.

It is also recommended that the current fee calculation method for occupancy fees be improved to cater for specific offshore wind projects. This can be done by defining direct occupancy areas as areas actually being occupied by export cables and mooring lines only, rather than defining direct occupancy areas as being a circular area in which the radius spans from the centre of the buoy to the edge of the clamp. In addition to this, it is recommended that new pricing mechanisms be developed to ensure that consistent and similar prices are applied for offshore wind projects in Korea as nearest land price varies a lot depending on the location of the wind farm.

Finally, in order to streamline various permitting processes it is recommended that a single government body be appointed to speed up the deployment of offshore wind projects in Korea, as well as reduce unnecessary burden on investors and developers.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Article 13 of Public Waters Management and Reclamation Act • Article 13 of Enforcement Decree of the same Act • Article 11 and Attached Table 2 of Enforcement Rule of the Same Act • Regulation on Works for Public Waters Management and Reclamation
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF)
Recommendation Status	New

5. Improving Wind Power Fixed Offtake Auctions' Standard	<p><u>Issue</u></p> <p>It is essential to secure attractive revenues early to provide investment certainty for the development of capital-intensive offshore wind projects. In Korea, the government has introduced auctions for developers to secure 20-year fixed offtake contracts with Generation Companies in Korea (GENCOs).</p>
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Current regulations require developers who have been successful in auctions, and entered into fixed offtake contracts with GENCOs, to complete facility verifications within 60 months from the contract signing date for offshore wind projects with capacities of more than 100MW. However, this requirement lacks consideration for the different types and scales of offshore wind projects currently being developed in Korea.

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

Recommendation

It is recommended that at least 72 months be granted in order to complete facility verification for projects with a capacity of more than 500MW or floating offshore wind projects which require more time to complete construction.

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

6. Issue
 Expanding of Resident Participation Scheme for Offshore Wind Project
 Although the scope of resident participation scheme in Offshore Wind (OSW) projects is set to within 10 km, it is necessary to amend related rules and regulations. This is in order to increase the likelihood of social acceptance regarding renewable energy through broadening the scope of resident participation in consideration of the specificity of OSW.

As OSW power investments increase, OSW sites are becoming larger. Accordingly, the Ministry of Trade, Industry and Energy (MOTIE) has expanded the scope of areas subject to resident participation projects from 5 km to 10 km, limited to power facilities for 100,000kW or more, to increase social acceptance for OSW.

Expanding the range of participation in the resident participation scheme to 10 km is a remarkable step taken by the government. Even so, considering current offshore wind farm development trends in the distant sea, due to the large size and maritime topographical

conditions of Korea as an archipelago, it is necessary to consider expanding the scope of areas subject to resident participation according to specific conditions.

Recommendation

In the case of offshore wind power facilities with a capacity of 100,000 kW or more, if there is no land or island within a radius of 10 km from each generator, it is recommended that the scope of the area subject to the resident participation project be amended so that it can be expanded and applied according to the following special conditions:

- (1) In the case that there is no land or island within a radius of 10 km from the offshore wind power generator, it is recommended that applications are extended to the city, county, and district that has jurisdiction over the sea area where the island is located within a straight line distance in the direction of the land, even if the radius exceeds 10 km.
- (2) Due to the nature of offshore wind power facilities, it is necessary to develop and operate an operating port for operation & management (O&M) (support port) and such a facility would require operation for around 30 years beyond the life cycle of a power plant. The development of a support port for O&M on an inhabited island closest to offshore wind power facilities, rather than a large-scale support port located on land (typical special port), is developed based on the Fishing Port Development Act. However, there is no separate institutional support plan to improve resident acceptance. Hence, it is recommended that this matter be resolved so that the city, county, and district where the 'island' on which a support port is developed can also participate in the resident participation project.

Relevant Act/Regulation	Attached Table 2-2 the range of resident participation scheme of Guideline on Management Operation for Renewable Portfolio Standards (RPS) and Renewable Fuel Standard (RFS)
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE)
Recommendation Status	New

Fashion & Retail

7

Total Key Issues

1. Standard for Lead Content in Metal Accessories

Issue

On December 29, 2021, the Ministry of Environment revised its notification of the 'Designation of Restricted and Prohibited Substances' (Ministry of Environment Notice No. 2021-295). This was done to strengthen the standard of the mixture content of restricted substances 06-5-8 (lead and mixtures containing 0.06% of lead or more) that are manufactured, imported, sold, stored, transported, and used for paint and metal accessories, from 0.06% to 0.009%.

Although a two-year grace period was granted (the import ban will take effect from July 1, 2024, and the restriction of sales, storage, transportation, and use will take effect from January 1, 2025), the definition of metal accessories stated in the notification is still unclear and it is difficult for industry to set the scope of metal accessories. Furthermore, domestic standards of lead in metal accessories are excessive compared to the ones in the EU or other overseas countries (e.g., the United States of America, the United Kingdom of Great Britain and Northern Ireland, China, Brazil, etc.).

Recommendation

It is recommended that, as in other countries, paint and metal accessories be separately regulated and restricted, and the domestic regulations for the lead content in metal accessories be relaxed to 0.06% as before to ensure compatibility with international standards.

Relevant Act/Regulation	Designation of Restricted and Prohibited Substances
Responsible Authority & Division	Ministry of Environment (ME) (Chemicals Policy Division)
Recommendation Status	Updated

2. Contract between Domestic and Foreign Agencies for Mutual Recognition of Safety Verification Test Results of Infant Textile Products

Issue

Under the current law, only five domestic testing agencies are allowed to provide certification under the Article 22 (3) of the Special Act on the Safety of Children's Products. Infant textile products which have already undergone extensive overseas tests must go through additional safety tests in domestic Korean agencies.

According to Article 22 (7) of the Special Act on the Safety of Children's Products, a testing and inspection agency may sign a contract with domestic and foreign agencies that conduct testing and inspection on children's products subject to safety verification. This facilitates mutual recognition of the results of product safety verification tests and inspections. However, this policy has not been used in practice due to a lack of information on the specific standards and procedures concerning recognition.

ECCK is pleased that the official discussion on this agenda was held between the EU and Korean authorities and hopes that they will soon bring about a positive result.

Recommendation

To avoid unnecessary duplicate safety verification testing on infant textile products in Korea (a huge financial and administrative burden to industry), it is recommended that the Korean Agency for Technology and Standards (KATS) actively supports domestic and foreign testing agencies when signing contracts that stipulate mutual recognition of the results of product safety verification test.

Furthermore, while reviewing the scope and content of contracts, it is recommended that KATS does not discriminate between countries in terms of location of foreign agencies, and that the industry and testing agencies be informed of the results of evaluations, as well as their detailed criteria, following their review.

Relevant Act/Regulation	Special Act on the Safety of Children's Products
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS) (Consumer Product Safety Division)
Recommendation Status	Updated

3. Product Information Indication by QR Code	<p><u>Issue</u></p> <p>In the post-COVID era, multinational companies have joined the digital transformation movement to reduce carbon emissions and improve consumer convenience. In light of this, many companies are trying to remove or reduce paper labels and replace them with QR codes that provide information on products and company to consumers.</p> <p>Korean government ministries, such as the Ministry of Food and Drug Safety (MFDS), are already operating pilot projects for medicines and foods, and are providing consumers with product information via barcodes or QR codes labelled on containers and packaging materials.</p> <p>However, according to the annex concerning textile products subject to safety standards under the ‘Electrical Appliances and Consumer Products Safety Control Act’, information that can be recognised through the indication of the QR code is limited to ‘information that can objectively track when the product was made’. Other information must be indicated via the relevant method specified in the annex, which is very limited. Moreover, QR code utilisation is not permitted for other product categories such as leather products, metal accessories, sunglasses, etc.</p> <p><u>Recommendation</u></p> <p>In line with current digital transformation trends and environmental protection efforts, it is recommended that QR codes be recognised as an optional means through which garments can indicate required product information and/or precautions for use. In doing so, consumers can easily and more efficiently check exact information on products via QR codes provided by companies.</p>
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Relevant Act/Regulation	Electrical Appliances and Consumer Products Safety Control Act
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS) (Electrical & Telecommunications Product Safety Division)
Recommendation Status	New

4. Exemption from Safety Certification, etc. of Imported Appliances for the Purpose of Repairing Products and Providing Quality Services	<p><u>Issue</u></p> <p>According to the Operation Instruction of Electrical Appliances and Consumer Products Safety Control Act, electrical appliances and consumer products that are not intended for sale or rental may be exempted from safety certification, self-regulatory safety confirmation, or supplier conformity confirmation, etc. in certain cases.</p> <p>While a small number of electrical appliances are imported for after-care service purposes, such as for the repair of products sold to customers and are specially designed and selected for their own products, they are classified as general electrical appliances and must go through the safety certification or report process.</p> <p><u>Recommendation</u></p> <p>Electrical appliances or equipment used for improving and managing the quality of products are essential to provide excellent quality service to customers. Furthermore, they are not imported for purpose of sale or rental and are used by experts under strict safety conditions in a limited place.</p> <p>It is therefore recommended that the following be added to the exemption provisions concerning safety certification, self-regulatory safety confirmation, supplier conformity confirmation, etc.:</p> <p>Operation Instruction of Electrical Appliances and Consumer Products Safety Control [Table 16]</p> <p>10. If an electrical appliance or a consumer product is imported for the purpose of repairing and providing quality service without the purpose of sale or rental, it may be confirmed as exempt by the management director.</p>
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Relevant Act/Regulation	Operation Instruction of Electrical Appliances and Consumer Products Safety Control
Responsible Authority & Division	Korean Agency for Technology and Standards (KATS) (Consumer Product Safety Division)
Recommendation Status	New

5. Exemption from Conformity Assessment of Imported Appliances for the Purpose of Repairing Products and Providing Quality Services	<p><u>Issue</u></p> <p>According to Article 58-3 (1) 1 of the Radio Waves Act, equipment that is not intended for sale or rental may be exempted from Conformity Assessment in some cases.</p> <p>While a small number of electrical appliances (such as lint removers, ultrasonic washers, electric sewing machines, electric tools, etc) are imported for after-care service purposes, such as the repair of products sold to customers, and are specially designed and made for their own products, they are classified as general equipment and must go through the Conformity Assessment process detailed in the Radio Waves Act.</p>
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Recommendation

Electrical appliances or equipment used for improving and managing the quality of products are essential to provide excellent quality service to customers. Furthermore, since they are not imported for purpose of sale or rental and used by experts under strict safety conditions in a limited place, it is recommended that they shall be added to the exemption scope of conformity assessment.

Relevant Act/Regulation	Radio Waves Act, Enforcement Decree of the Radio Waves Act, Notification on Conformity Assessment of Broadcasting and Communications Equipment
Responsible Authority & Division	Ministry of Science and ICT (MSIT) (Radio Policy Planning Division), National Radio Research Agency (ICT Conformity Assessment Division)
Recommendation Status	New

6. Omission of Handling Precautions Indication for Textile Products	<p><u>Issue</u></p> <p>Annex 1 (Textile Products) of the Safety Standards of the Consumer Products Subject to Compliance with Safety Standards Act states that 'Handling precautions may be omitted for shrouds, handkerchiefs, towels, mosquito nets, covers, bags, etc.' [7.3.1]</p> <p>Indication of handling precautions for these products is considered subject to omission as they are not washed, ironed, or dry-cleaned, or because the size of these products is too small to include such indication.</p>
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However, there are other items that are not washed, ironed, or dry-cleaned, or are too small on which to indicate such precautions. These items are not specified in the annex, making it difficult for companies to determine whether handling precautions can be omitted or not.

Recommendation

Textile products, such as hats, belts, hairbands, gloves, ties, and socks are also items that are too small on which to indicate precautions. Additionally, it is possible that such items may not be washed, ironed, or dry cleaned.

Therefore, in order to clarify if indication of the handling precautions of such items may be omitted, it is recommended that the scope of products included in the annex be expanded as follows:

Annex 1, 7.3.1

However, handling precautions may be omitted for shrouds, handkerchiefs, towels, mosquito nets, covers, bags, hats, belts, hairbands/headbands, gloves, ties, socks, etc.

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

7. Reduction or Exemption of Customs Duties for Items and Fixtures Imported for Brand Exhibition Purposes	<p><u>Issue</u></p> <p>Fashion brands hold their own exhibition events to inform the public of the design and artistic value of their merchandise. This promotes and increases, not only the aesthetic level and artistry of the brand, but also the brand's reputation. Items and fixtures to display at such exhibitions are temporarily imported to Korea then exported to other countries according to a schedule.</p>
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Recently, there have been many solo brand exhibitions, but despite the changing and diversification of international trade patterns over the past 40-plus years, guidelines for exhibitions have not changed. Since 1984, brand exhibitions are still not recognised as subject to customs duties reduction or exemption.

According to the interpretation of the exhibition by the Korea Customs Service No. 1275-583 ('84. 3. 31), 'The exhibition can only be recognised as such if it is hosted by a public institution or if two or more manufacturers' products are compared and displayed in a public place, therefore in the case of an event whose purpose is to sell a single company's merchandise in a private place, it cannot be recognised as an 'exhibition' under the same regulation'.

Additionally, according to current practices, items and fixtures for exhibition are exempt from customs duties only when they are imported together with the merchandise for exhibition. However, merchandise is mainly imported by air, and items and fixtures (display, showcase) must be imported separately by sea considering their volume and transportation costs. Therefore, items and fixtures not imported together with merchandise for exhibition are not considered as items falling under the category of fairs, exhibitions, shows, and contests of Article 50-6 of the Enforcement Rule of the Customs Act. In this regard, even though the items and fixtures are exported after being used for less than a year, they are not exempted from the customs duties.

Recommendation

Under current regulations, customs duties are reduced or exempted only if exhibitions are hosted by public organisations or are held in a public place. Therefore, it is recommended that the concept of 'exhibition' be expanded, and guidelines established so that exhibitions held in private spaces (such as department stores, streets, galleries, hotels, and art spaces that are easily accessible to the general public) may also be recognised by the Korea Customs Service as exempt from customs duties in consideration of the purpose and contents of the exhibition.

Moreover, in the case of items and fixtures imported for 'exhibition, demonstration, performance, etc.', it is recommended that such items according to the Article 50-10 of the Enforcement Rule of the Customs Act be implemented with the same custom duty reduction and exemption as merchandise even if shipped and cleared separately from merchandise due to transportation reasons.

Relevant Act/Regulation	Customs Act (Article 97 Exemption from Customs Duties for Re-Exportation), Enforcement Rule of the Customs Act (Article 50)
Responsible Authority & Division	Korea Customs Service (KCS) (Clearance and Logistics Policy Division)
Recommendation Status	New

3

Total Key Issues

1. Long Lead Time for Import Sanitation Assessment for Livestock Products

Issue

According to Article 2(2) of the Livestock Products Sanitary Control Act, when seeking to import livestock products into Korea for the first time (such as meat, packaged meat, raw milk, edible eggs, processed meat products, processed milk products, and processed egg products), importation is only allowed after going through an import sanitation assessment process.

Detailed procedures and methods concerning import sanitation assessments for livestock products are prescribed below in Table 5 pursuant to Article 11(3) of the Enforcement Rule of the Special Act on Imported Food Safety Control. Moreover, the Ministry of Food and Drug Safety should initiate the import sanitation assessment process in the order it receives the import approval request from the exporting country, and notify the exporting country of this fact. It takes a considerable amount of time to implement the above procedure due to factors such as the large volume of requests for import sanitation assessments, the response of the exporting country, etc., and therefore this acts as a trade barrier.

In the case of livestock products (e.g., ice cream products) from countries that are not allowed to export to Korea, the registration of the exporting country must precede via import sanitation assessment processes for livestock products. Once this step is completed, the import sanitation assessment process for individual foreign establishments can be carried out.

Currently, the import sanitation assessment for foreign establishments is being conducted relatively smoothly without any major problems, but it takes a considerable amount of time to register the relevant

country. For instance, there is a case in which the process of registration of a country was initiated in 2018 but has not yet been completed and is still at an early stage.



Recommendation

It is recommended that a legal maximum processing period be set for import sanitation assessments for processed livestock products (e.g., within 3 years, with the possibility of an additional 1 year extension depending on the response from the exporting country's government). This will enable the governments of both parties to actively respond to the import sanitation assessment process, and to promote the positive development of trade between countries by predicting the point at which the import sanitation evaluation process may be completed.

Relevant Act/Regulation	Special Act on Imported Food Safety Control
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (On-site Inspection Division)
Recommendation Status	New

2. Standards for Recycled Food Containers

Issue

The Ministry of Environment (ME) has released an administrative notice on the 'Criteria for Recycled Raw Materials in Food Containers'. This details the facility criteria and quality standards that sorting and recycling operators must adhere to in the process of producing new containers for food and beverages from recycling transparent PET. Additionally, a system for recycling transparent PET that has been separately collected and processed (through physical processes such as washing, grinding, and melting) into food containers was implemented on February 24, 2022.

In order to ensure public health safety in regards to the recycling of transparent PET bottles for food container production, the ME and the Ministry of Food and Drug Safety (MFDS) have implemented a dual verification system. In this system, the ME is responsible for

the primary verification process that involves collecting and sorting transparent PET bottles into intermediate materials (flakes), while the MFDS handles the subsequent secondary verification process by evaluating and recognising the final materials approved for use in the production process of food containers according to the administrative notice on 'Standards and Specifications for Apparatus, Containers, and Packages'.

Efforts to reduce the use of plastic are being made worldwide, and in EU countries, safety assessments and related standards have already been established¹. This has led to the use of containers with physically recycled PET flakes in many products. However, the current domestic regulations are interpreted as being limited to the sorting and recycling of transparent PET generated domestically. This results in a situation where finished products with recycled PET flakes produced outside of Korea cannot be imported.

Recommendation

It is recommended that a separate system be established to address cases in which imported food products manufactured overseas (including in the EU) contain recycled PET flakes. This will facilitate the submission of safety assessment data for such recycled PET flakes, whose equivalence can then be reviewed and approved by the ME and the MFDS.

Additionally, considering international standards and the well-established nature of related systems in exporting countries, it is also recommended that discussions recognising equivalence between countries be reviewed as well.

1. Article 5 of the Regulation (EC) No 282/2008 of the Commission of 27 March 2008 on recycled plastic materials intended to come into contact with foods and Articles 8 and 9 of the Regulation (EC) No 1935/2004 of the European Parliament and of the Council of 27 October 2004 on materials and articles intended to come into contact with food.

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

3. Packaged Products Subject to a Ban on Repacking	<u>Issue</u> Prior to the implementation of the 'Ban on Repacking' in 2021, the Ministry of Environment announced in a press release that 'reducing unnecessarily repackaged packaging materials in the distribution process is an essential task to reduce packaging waste, which accounts for 35% of household waste.'
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Businesses subject to the ban on repacking are specified in Article 11 (Ban on Repackaging of Packaged Products) of the 'Regulation on Standards for Packaging Materials and Packaging Methods for Products'. This includes 'a person who manufactures or imports products' and 'a person who sells packaged products in a large-scale store or a store with an area of 33 square meters or more in accordance with Article 2(3) of the 'Distribution Industry Development Act''.

Where i) a product is manufactured and sold outside of Korea in bundles of two or three individual pieces, and ii) at the time of importing into Korea, no separate repacking act is carried out by an importer, at a large-scale store, or at a store with an area of 33 square meters or more, it is considered that such cases are not subject to the ban on repackaging under domestic regulations.

However, although manufacturers, importers, and sellers in Korea do not engage in the repacking act, the Ministry of Environment has issued a legal interpretation that prohibits the importation of products into Korea that are packaged in bundles of two or three individual pieces from the manufacturing stage by foreign food facilities that do not violate domestic law.

Moreover, products packaged by foreign food facilities in bundles of two or three individual pieces are not allowed to be exported to Korea, while products packaged in bundles of one, four, or more (five, six, seven, etc.) are allowed to be exported to Korea. Considering the Ministry of Environment's goals to reduce domestic waste, this regulation can be considered unreasonable in terms of equity.

Recommendation

Regardless of whether or not products are packaged in bundles of two or more from the manufacturing stage, if they are sold in the exporting country after being produced in the packaged form and simply imported into Korea without undergoing a separate repacking process, then such products should not be subject to a ban

on repacking. As such, it is recommended that a reasonable legal interpretation be issued by the Ministry of Environment in regards to this matter.

Relevant Act/Regulation	Notification of Exception Standards for Repacking of Packaged Products
Responsible Authority & Division	Ministry of Environment (ME) (Resources Circulation Policy Division)
Recommendation Status	New

Ansook Park
Director
Healthcare
Committee

Healthcare

10

Total Key Issues

1.
Pricing Policy for
Value Recognition of
Innovative drugs

Issue

Innovative drugs significantly contribute to improving quality of life and extending the survival of patients who have been unable to receive treatment due to the lack of available therapies, or who suffer from a decreased quality of life due to the worsening of their disease despite treatment. Particularly for patients with severe or rare diseases, improved accessibility to innovative drugs can lead to disease remission and/or a healthier life. This in turn can result in greater socio-economic benefits and the potential reduction of healthcare expenditure.

1. The unmet needs of regulatory changes in response to the expanding concept of innovative drugs

New immune-oncology drugs, immune-related diseases drugs, targeted therapies, and other novel drugs are being developed to target a wide range of indications due to their expandable biological mechanisms of action. However, existing regulations and policies define innovative drugs solely based on the development of new substances, thus lack recognition of the value of research and innovative targeting of diverse indications in line with recent scientific advancements. Therefore, there is still an unmet need for changes to drug pricing policies in order to encompass not only new substances or technologies, but also to recognise the value of research and innovation in addressing new indications appropriately.

Even though patient access has been improved with the introduction of the Risk Sharing Agreement (RSA) and Pharmacoeconomic Evaluation (PE) exemption pathway for new drugs evaluation, there are still many restrictions concerning RSA re-evaluations and the

coverage expansion of new indications. As a result, there are still considerable barriers to accessibility for patients, and hindrances to value recognition and related patient access to innovative treatment persist.

2. The unmet needs and international developments to recognise the value of innovation for pediatric and rare disease patients

Concerning innovation and/or coverage expansion, it is more difficult to conduct clinical trials for pediatric patients in comparison to adults, which puts a significant burden on companies. As a result, off-label use of drugs in pediatrics is common. For example, early treatment of gastrointestinal genetic diseases occurring in neonates is crucial to the prevention of growth impairments, and early treatment of chronic conditions (e.g., atopic dermatitis) that manifest during childhood can reduce the lifelong burden of disease and treatment costs. Innovative drugs for pediatric patients will be more cost-effective as their use will lead to a reduction in the negative physical and psychological impacts long term unmanaged conditions have.

When expanding coverage criteria for medications that have already been deemed cost-effective through economic evaluations, foreign countries such as the UK (NICE¹) consider the need to prioritise cost-effectiveness assessments for pediatric populations, potential fairness issues across age groups, and make coverage decisions simultaneously with regulatory approval without requiring separate cost-effectiveness assessments.

3. Limitation of access to innovative drugs for domestic patients due to the devaluation of innovative new drugs in Korea

There is significantly low accessibility to new drugs in Korea in comparison to other countries such as Japan, it is only about half the level and a low level of the G20 country average.²

Even after drugs are registered through RSA as innovative drugs, the price of such drugs is reduced multiple times as a result of various post-management systems. These post-management systems are reinforced by simply comparing the system in different countries (ignoring the difference between drug registration procedures and the distinctiveness of system in each country) and by excessively emphasising budget impact. This is in order to reduce

financial expenditure without considering the overall drug price policies. Concerningly, Korea-passing could be accelerated and accessibility to innovative drugs for domestic patients could be greatly reduced.

In the case of RSA drugs, value-added tax (VAT) is being imposed on the published list price, instead of the actual price, after companies' refund to National Health Insurance Service (NHIS). As a result, the VAT rate for RSA drugs significantly exceeds the legally mandated 10%. In this regard, companies involved must pay around double the standard VAT rate, which ultimately leads to a devaluation of the price of new drugs.

Recommendation

It is recommended that the following policy/regulation changes reflective of the concept expansion of innovative drugs be implemented:

1. Implementation of indication-specific pricing
Research on new indications and correlating value should be evaluated equally in order to develop of new drugs. In line with recent scientific innovation concerning the targeting of various indications, countries like Australia, Germany, and France have introduced indication-specific pricing systems. Therefore, it is recommended to introduce a pricing system in Korea that applies weighted average prices based on cost-effectiveness for different indications and takes into consideration administrative burdens via pilot projects for drugs covered under RSA.

2. Improvement on guarantee of the value of innovative drugs
For the innovative drugs, that show significant improvement in clinical or have new mechanism, do not have equal treatment in therapeutic, treatment for diseases that threaten the survival, or drugs that achieved approval through GIFT³ of Korea, BTD⁴ of USA, PRIME⁵ in Europe, and SAKIGAKE⁶ in Japan, it is therefore recommended that the value of innovative drugs be guaranteed by providing flexible ICER⁷ threshold values, applying the maximum price on choosing comparators, and extending RSA applications.

3. Scope expansion of RSA drugs

1) In cases where new reimbursement criteria of evaluated indication are requested and expected additional costs is less

1. National Institute for Health and Care Excellence

2. According to the 'Global Access to New Medicines Report' published by PhRMA in April 2023, out of a total of 460 new drugs launched in the market from 2012 to 2021, only 22% were covered by public insurance in Korea, while 48% were covered by Japanese health insurance. This is a low level compared to the G20 country average of 28%

3. Global Innovative product on Fast Track
4. Breakthrough Therapy Designation
5. Priority Medicine
6. 先駆的医薬品
7. Incremental Cost-Effective Ratio

than KRW 1.5 Billion, it is recommended that the exemption of pharmaco-economics evaluation and price reductions.

2) In cases where reimbursement criteria are expanded during the RSA period, resulting in changes to the upper limit amount, reimbursement rates, caps, and expected additional costs, it is recommended that a revised RSA scheme be applied for the next 5 years from the date of the reimbursement expansion.

3) In cases where the cost-effectiveness of drugs has been clearly assessed in adult study and meet the following condition, it is recommended to be exempted from the cost-effectiveness evaluation processes:

- When it is recognised as chronic diseases that manifest in childhood and continue into adulthood with the age criteria extension.
- When there are no alternative or therapeutic equivalent treatments available at the corresponding age.
- When age-specific dosing regimens have been established through pediatric clinical trials.
- When there is a significant improvement in clinical outcomes compared to existing treatments (superiority in efficacy, safety, and significant improvement in quality of life).

The following regulatory/policy improvements are also recommended:

1. Improvement of double taxation of VAT for RSA drugs

It is recommended that VAT law or the reimbursement procedures/regulations of the RSA be improved through discussing and coordinating across relevant government departments, so that the VAT of 10%, as stipulated by the law, can be paid based on the actual amount.

2. Improvement in RSA re-evaluation

- It is recommended that the reassessment of the expiration of contracts be limited to those with outcome-based RSA, and that pre-planned data for each product be submitted for evaluation.
- In the case of finance-based RSA, which has already undergone economic evaluations to address financial risks, it is recommended that the process of re-evaluation be improved. This can be done by omitting repetitive

cost-effectiveness evaluations and negotiations on drug prices with NHIS and instead confirming the extension of the contract period to ensure fairness, predictability, and sustainable patient accessibility.

- It is also recommended that clear provisions be established to allow pharmaceutical companies to terminate contracts without requiring a separate reassessment should they wish to do so.
- During reassessments, it is recommended that changes in specific categories based on long-term actual reimbursement information be considered, so long as they do not result in an increase of financial burden. Moreover, the possibility of risk-sharing category changes should be examined in cases where there is a significant difference between the actual claimed amount and the expected claimed amount.

3. Integration of price cut measures

To ensure the supply of innovative drugs and patient access to them, it is recommended that there be a move away from drug pricing policies that solely consider the financial impact on health insurance funding, and that flexible drug pricing policy be introduced to reflect the value of innovative drugs. To minimise inefficiencies caused by the duplication of multiple mechanisms for drug price reductions, it will be also necessary to implement streamlined and integrated post price cut measures. In order to effectively reflect the value of innovative drugs while reducing administrative burdens, such a system should be predictable, transparent, and efficient.

4. Re-consideration of Price-Volume Agreement (PVA) regulation revision

If the PVA system were to be strengthened further, there could be concerns regarding a cascade effect on the prices of both alternative drugs and innovative drugs. This could ultimately lead to a decrease in patient accessibility and hinder the guarantee of the public's right to health, which would contradict the main purpose of compensating the value of innovative drugs. Therefore, it is recommended that a comprehensive reassessment of the PVA revision be carried out.

Under the current PVA system there are temporary increases in drug use due to issues such as supply disruptions. It is recommended that these be addressed by applying appropriate adjustments, even if

multiple similar products are available, which would support stable supply to Korea.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Decision and Adjustment Guideline on Drugs, Article 7 (Evaluation for Drugs) • Regulation for Evaluation Criteria and Procedures, etc. for Reimbursement Eligibility, etc. of Drugs • Detailed Evaluation Guideline for Negotiation Subjected Drugs such as New Drugs, 1.8. Evaluation Standard for Drugs with Manufacturers or etc. Obligation Conditions • Negotiation Guideline for Drug Pricing • Detailed Operation Guideline for Negotiation of RSA Drugs
Responsible Authority & Division	<ul style="list-style-type: none"> • Ministry of Health and Welfare (MOHW) (Division of Pharmaceutical Benefits) • Health Insurance Review and Assessment Service (HIRA) (Pharmaceutical Benefit Department), National Health Insurance Service (NHIS), Ministry of Economy and Finance (MOEF)
Recommendation Status	Updated

2. Expansion of Risk-Sharing Agreement and Economic Assessment Exemption Systems to Improve Patient Accessibility

Issue

Risk Sharing Agreements (including refunds) are only applicable to drugs for severe diseases, such as anticancer drugs and treatment for rare diseases. However, due to the small number of patients and difficulties in diagnosis as a result of the nature of rare diseases, drugs for diseases not subject to benefit extensions do not meet the conditions for Pharmacoeconomic Evaluation (PE) exemption, further hindering patient access to orphan drugs.

In the case of severe diseases, severe chronic diseases or rare diseases which deteriorate the quality of life or make it difficult to lead daily lives due to irreversible degradation of the function of important organs, treatment needs are high. However, due to limitations in disease and clinical research design, they are often licensed only by improving surrogate endpoints instead of improving survival rates. To demonstrate cost-effectiveness, the Incremental Cost-Effectiveness Ratio (ICER) value through Life Year Gain should be proved lower than the threshold. Even so, as clinical studies require the collection of survival improvement data and apply the same ICER threshold

as other diseases in order to conduct economic evaluations that do not consider the specificity of severe diseases, severe chronic diseases or rare diseases which make it hard to lead daily lives, it is difficult to introduce new drugs for rare diseases.

Some PE exemptions have been expanded as of 2023, but along with this expansion the criteria of the small numbers of target patients have been changed to minimum requirements. Moreover, expansion targets are limited to rare disease treatments and anticancer drugs used in children that have proven to improve quality of life. Treatments for severe diseases that cause significant continuous/irreversible deterioration and ultimately lead to death are still in a blind spot in regard to the current reimbursement system, even when it is difficult to prove cost effectiveness through PE evaluation due to difficulties in generating evidence.

When evaluating reimbursement for rare disease treatments, the HIRA sometimes can consider urgently needed drugs that have not been approved by the Ministry of Food and Drug Safety as alternative drugs, which makes it difficult to apply special exceptions to the listing system. Additionally, there are some cases where reimbursement guidelines are not set because the target patient group in question has not yet been designated as having a rare disease.

Even in the case of severe obesity, surgical therapy has been reimbursed since 2019, and an evaluation for drug treatment reimbursements can be considered when application is submitted. However, accessibility to drug treatment for severe obesity is still lower than that of other chronic diseases and it is difficult to obtain treatment to the best effect.

Recommendation

It is recommended that the following improvements be implemented:

1. Expansion of RSA criteria
Even if not corresponding to diseases subject to benefit extension, it is recommended that an extended review of drugs which improve the quality of life of patients with chronic diseases be carried out so that they can be included in RSA applications.
2. Flexible application of cost-effectiveness threshold
In the case of drugs for severe disease, severe chronic diseases or rare diseases which deteriorate the quality of life or make it difficult

to lead daily lives due to irreversible degradation of the function of important organs, it can be hard to demonstrate the effect on survival rate improvement via clinical studies. As such, it is recommended that an expected increase in survival rate through improvement of surrogate factors be recognised when reviewing economic evaluations, or that a flexible ICER threshold that considers the specificity of a disease be applied.

3. Improvement of PE exemption systems

In consideration of the overall purpose of PE exemption pathway introduction, it is recommended that requirements on the type of diseases eligible and the number of eligible patients be relaxed, and the criteria for determining alternative treatments be reviewed in a reasonable manner:

- Target drugs: Even if not a rare disease treatment or anti-cancer drug, the criteria should be expanded to include serious disease treatment drugs for health conditions that cause gradual or irreversible significant deterioration, antifungal drugs in national essential drugs, and to clarify the criteria for 'progressive serious diseases'.
- Number of target patients: the criteria for 'small number of patients' should either be deleted, or amended to include up to 500 patients, which is 1 per 100,000 of the population.
- Criteria for judging alternative therapies: Improvements to the criteria judging alternative therapies or therapies with an equivalent therapeutic position should be made.

4. Improvement of evaluation methods for ultra-rare diseases treatment

When evaluating reimbursement for new drugs for ultra-rare disease treatments, it is recommended that emergency introduction drugs, not yet approved by the Ministry of Food and Drug Safety, be excluded from the scope of alternative drugs.

In cases where treatments for ultra-rare diseases without disease codes obtain approval from the Ministry of Food and Drug Safety, it is recommended that a system be introduced that automatically categorises such cases as ultra-rare diseases under national management, and that a benefit extension code be assigned.

Rare disease treatments with multiple indications must also be evaluated for listing concerning only those indications so long as some

of them meet cost-effectiveness or special listing system conditions (such as risk sharing systems, omission of economic evaluation data submissions, etc).

5. The creation of an active obesity control environment and improvement of treatment accessibility

In regard to the active treatment and support for people with highly obesity included in the tasks under the 1st Nationwide Comprehensive Obesity Control Measures, the following remedies are recommended:

- Education and counseling for highly obese patients should be reimbursed by National Health Insurance system.
- Management guidelines focusing on obesity should be developed.

And the 2nd Nationwide Comprehensive Obesity Control Measures should include contents concerning reconsideration of treatment access for highly obese patients.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Decision and Adjustment Guideline on Drugs, Article 7 (Evaluation for Drugs) • Regulation for Evaluation Criteria and Procedures, etc. for Reimbursement Eligibility, etc. of Drugs • Detailed Evaluation Guideline for Negotiation Subjected Drugs such as New Drugs, 1.8. Evaluation Standard for Drugs with Manufacturers or etc. Obligation Conditions
Responsible Authority & Division	<ul style="list-style-type: none"> • Ministry of Health and Welfare (MOHW) (Division of Pharmaceutical Benefits) • Health Insurance Review and Assessment Service (HIRA) (Pharmaceutical Benefit Department)
Recommendation Status	Updated

3. Expansion of Newborn Screening Subject to Enhanced Coverage for Rare Disease

8. Ministry of Health and Welfare Notice No. 2018-185

Issue

In 2018, the Ministry of Health and Welfare decided to permit reimbursement for the 'congenital metabolic abnormality test (screening)', a screening test for all newborns⁸. Diseases subject to newborn screening are those that can be cured if detected early and treated early, and which, if left untreated, can lead to mental retardation, mental or physical disability, or premature death. However, 'rare diseases with treatments', for which early diagnosis is recommended, are currently excluded from newborn screening

tests in Korea, and there has been no improvement in the 5 years since reimbursement measures have been implemented. This area needs improvement in order to strengthen coverage for patients with rare diseases.

Recommendation

It is recommended that rare diseases subject to newborn screening tests be reimbursed quickly following discussion and evaluation by an expert group. Examples of such rare diseases that should be eligible for reimbursement include Pompe disease, Gaucher disease, and Mucopolysaccharidosis (MPS), and Fabry disease, which are treatable lysosomal storage disorders (LSD) recommended by the World Health Organisation (WHO) for early diagnosis.

It is also recommended that a regulatory framework for newborn screening and public health policies be established, such as ‘Newborn Screening Saves Lives Act’ in the US, in order to support continuous improvement and management in this area.

Relevant Act/Regulation	<ul style="list-style-type: none"> • National Health Insurance Act, Article 41 Paragraph 3 • Rules on Standards of Medical Care Benefits under National Health Insurance, Article 5 Paragraph 2 Details on the application standards and methods of medical care benefits
Responsible Authority & Division	Ministry of Health and Welfare (MOHW) (Division of Health Insurance Benefits)
Recommendation Status	New

4. Improving the Procedure of the Current Pricing and Reimbursement System

Issue

1. Improvement of new indication reimbursement process
There are many cases where drugs that should be extended in the reimbursement criteria do not proceed to the next stage of the reimbursement process, even though reimbursement standards were set after application, because there is no regulation on the review period.

For example, after the HIRA reports a drug reimbursement standard to the MOH, the pre-review period is often prolonged by the MOH. As such, progression to the next reimbursement evaluation stage is delayed.

New drugs used for the treatment of rare diseases are evaluated by

the Committee (Drug Reimbursement Evaluation Committee) within 100 days from the date of application. Unlike the improvements made to the system for rapid insurance benefit registration, newly added indications for rare diseases and related procedures and regulations for rapid evaluation of reimbursement expansion are not properly established.

2. Improvement of Reporting Procedures for Pricing Agreement Implementation Management

The mandatory signing of pricing agreements for new drugs and post-marketing management of drugs has led to a rapid increase in the number of drugs subject to price agreements. However, reporting procedures within NHIS have not been properly established, resulting in an increased administrative burden on companies.

Recommendation

The following improvements are recommended:

1. Improvement of new indication reimbursement process
 - Regarding the reimbursement expansion for drugs, it is recommended to stipulate an evaluation period of 100 days for rare drugs, and 150 days for other drugs in the '2.4. Evaluation procedure for rare disease treatments that require urgent and prompt introduction (Detailed evaluation criteria for drugs subject to negotiation such as new drugs, HIRA notice)'. This is to promote transparency of the evaluation process and to ensure that the period is the same as for new drugs.
 - If the HIRA conducts reimbursement standard expansion, it is recommended that the interim procedure to report to the MOHW be omitted, and instead reported only after having received the final review by the Drug Reimbursement Evaluation Committee, as is the case for new drugs.
 - If the HIRA sets the reimbursement standards of drugs that fall under exclusion criteria of adjustment of the upper limit amount in the [Annex 3] of 'Regulation for Evaluation Criteria and Procedures, etc. for Reimbursement Eligibility, etc. of Drugs', it is recommended that a prompt final notification by the MOHW without any additional procedure.
 - It is recommended that the contents of evaluation reports concerning post- reimbursement standard meeting reviews be shared with corresponding pharmaceutical companies

in the form of meeting minutes (Currently, only 'reported' is mentioned in formal documents).

2. Improvement of Reporting Procedures for Pricing Agreement Implementation Management

It is recommended that a stable and reliable system for the existing online platform⁹ be established, and its active use promoted. To prevent varying requests and excessive information demands from different personnel, it is also recommended that unified reporting requirements and procedures for pricing agreement implementation management be established, based on the contents of pricing agreements. Moreover, it is recommended that reporting cycles be established, such as quarterly or biannual reports, to ensure regular and systematic reporting.

And it is recommended that procedures are simplified so that MFDS can directly share information concerning business cooperation between the MFDS and the NHIS (such as clinical trial notification obligations and actions for drug re-evaluation, quality control obligations and measures to be taken in case of administrative disposition, efficacy/effect change/additional notification duty, etc.).

Relevant Act/Regulation	<ul style="list-style-type: none"> • Detailed Evaluation Guideline for Negotiation Subjected Drugs such as New Drugs • Regulation for Evaluation Criteria and Procedures, etc. for Reimbursement Eligibility, etc. of Drugs
Responsible Authority & Division	Ministry of Health and Welfare (MOHW), Health Insurance Review and Assessment Service (HIRA), National Health Insurance Service (NHIS)
Recommendation Status	Updated

5. Recognition of the Value of Innovative Vaccines and Improvement of the New Introduction Process	<p><u>Issue</u></p> <p>In order for a new drug to be included in the reimbursement list, the Drug Reimbursement Evaluation Committee (DREC) evaluates various factors comprehensively. Such factors include:</p> <ol style="list-style-type: none"> Clinical usefulness such as substitutability, disease severity, and therapeutic benefits. Cost-effectiveness factors such as medication cost, degree of improvement in clinical outcomes, and PE evaluation results. Budget impact factors such as patients' number, expected
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usage, and substitution effects compared to existing drugs or treatments.

- Current status in other countries.
- Other impacts on public health. Based on this evaluation, the committee determines the price and reimbursement of drugs.

The 'Guidelines for Determining Vaccine Supply Prices in National Immunisation Programmes' specify that the estimated price of vaccines is determined based on their efficacy, safety, and convenience in administration. However, there is still a lack of clear criteria for pricing newly introduced vaccines, and there is no formal procedure in place to incorporate the manufacturer's opinion during the pricing process.

A national immunisation programme manual for evaluating the introduction of new vaccines has been published and includes the selection process for candidate vaccines. However, the most important partner in the country's new vaccine introduction and implementation, the company, is excluded from the six-step procedure outlined in the manual.

Due to limitations in the process governed by academia and health authorities, the procedure for introducing new vaccines suffers from a lack of transparency and predictability. This not only poses challenges for companies in ensuring the sustainability and stability of their operations, but also imposes unnecessary administrative costs on the government agencies responsible for the implementation of vaccination policies. It also increases the likelihood of a variety of difficulties in actual process of implementation related to quantity and timing of supply.

In order to create an environment in which innovative new domestic vaccines are continuously developed and reliably supplied, the value of vaccines needs to be clearly evaluated, reflecting their innovativeness. Such a process should be transparently disclosed to manufacturers, and decisions regarding the introduction of innovative vaccines should consider possible socio-economic impacts on the basis of age-specific characteristics.

Recommendation

When introducing new vaccines into the national immunisation programme, it is recommended that comprehensive pricing guidelines be established that quantitatively evaluate overall value according to

standardised evaluation criteria specific to vaccines, such as cost-effectiveness assessment results, budget impact, relative effect to existing vaccines, and the potential for stable supply. This will ensure that the results of the evaluation are reflected in the pricing of new vaccines.

Furthermore, it is recommended that a process be established in which companies are notified within a specific timeframe regarding the results of expert advisory committee discussions (such as those held by the Advisory Committee on Immunisation Practices) and the rationale behind pricing. This will enhance transparency and predictability of evaluation results. In addition to this, it is recommended that the guidelines issued by the Korea Disease Control and Prevention Agency and the Advisory Committee on Immunisation Practices be updated quickly and continually when new vaccines are introduced.

In order to secure stable supplies and accurate demand forecasts, it is recommended that more detailed and specific data and information be provided than that currently available. This could be done through the inclusion of separate data submissions for Td¹⁰ and Tdap¹¹ vaccines (as they belong to different product categories but are currently combined in the data, making it difficult to accurately assess demand) and disclosure of more detailed data concerning region and age group.

The establishment of an official communication channel, and creation of a joint consultative body comprising of government, industry, academia, and experts, are essential to the success of long-term strategies. In this regard, the following are also recommended for consideration:

- Vaccine companies (manufacturers/importers) should also be included in the investigation of vaccine demand for the introduction of new vaccines. This will ensure that objectives and scientific data are thoroughly reviewed, allowing for formal communication channels to be established, beyond survey questionnaires, that enable industry stakeholders to engage in discussion.
- Considering the demographic and socio-economic aspects of Korea, a joint consultative body comprised of government, industry, academia, and experts should be established. Through holding regular meetings, this body will be able to contemplate on what long-term strategies could be most effective and how to optimise the value of vaccinations.

- 10. Tetanus and diphtheria toxoid vaccine
- 11. Tetanus, Diphtheria and Pertussis vaccine

Relevant Act/Regulation	Guidelines for Determining Vaccine Supply Prices in National Immunisation Programmes
Responsible Authority & Division	Korea Disease Control and Prevention Agency (KDCA) (Division of Immunisation, Division of Healthcare Associated Infection Control)
Recommendation Status	Retained

6. Taking Measures to Encourage the Inoculation of Combination Vaccines and Reduced Dose of Vaccines through Improving the Administration Fee System

Issue

Combination vaccines greatly contribute to improving VCR and timely immunisation procedures by reducing the number of vaccinations and visits to medical institutions. This is of great benefit to all vaccinees, their caregivers, and health care professionals. These vaccines are currently widely being used all around the world, and measures to further encourage the use of combination vaccines should continuously be developed so that Korea can also meet global standards.

Although the administration fee for tetravalent and higher combination vaccines is set to 50% higher than that of trivalent vaccines or have fewer components, it is still quite low compared to administration fee for vaccines that are given separately. Under such circumstances, inoculators should inform caregivers on new vaccination options and give additional consultations on safety.

Although not considered combination vaccines, there are other vaccines that reduce the number of inoculations with the same efficacy. These can not only reduce the total number of inoculations needed, similar to combination vaccines, they can also result in faster completion of inoculation and prevent diseases earlier.

As COVID-19 shifts to classification as an endemic, the demand and development of combination vaccines is expected to steadily increase into the future. Therefore, in order to guide and help inoculators to voluntarily encourage combination vaccinations, additional compensation schemes for administration costs need to be discussed.

Recommendation

It is recommended that a patient centred vaccination system be established by encouraging vaccination via combination vaccines and reduced vaccination dosage through improvement of

administration costs. In the long run, this will lay the groundwork for global companies to introduce new combination vaccines in Korea while simultaneously encouraging domestic companies to invest in R&D.

In addition to this, it is recommended that more suitable inoculation fee policies be set that can guide and help inoculators to encourage use of combination vaccines and vaccines with reduced dosage, so that the best options for vaccination can be offered to vaccinees and their caregivers while also considering societal cost savings (such as transportation and productivity loss reduction). In case of the United States, the inoculation rate of combination vaccines and reduced dose of vaccines was increased through recognition of each component and the reimbursement of inoculation fees.

Relevant Act/Regulation	Pricing Criteria for the Cost of Vaccination Administered by Commissioned Medical Institutions
Responsible Authority & Division	Korea Disease Control and Prevention Agency (KDCA)
Recommendation Status	Retained

7. Expansion of OTC for e-label Pilot Projects

Issue
The purpose of E-labeling is to make full use of Korea's advanced digital environment to provide patients with electronic information on medication quicker and more accurately. In the case of Over-The-Counter (OTC) medicines (mostly consumed directly by patients rather than being prescribed by medical professionals), it is necessary to deliver information that is tailored to patients' perspectives and specific needs.

Currently, in most countries such as the United States, the United Kingdom, and Australia, pharmaceutical product leaflets are managed according to two categories: one for healthcare professionals, and another for general consumers. However, in Korea, the current regulations require the production of a single leaflet that does not distinguish between healthcare professionals and general consumers.

While current approval information concerning general pharmaceuticals uses simplified terminology, it may still be difficult for patients to understand, and the volume of information contained in product leaflets can make it challenging for patients to find the information they need quickly and easily.

Therefore, implementing electronic information provisions concerning general pharmaceuticals aligns perfectly with the purpose of E-label project. This would enable efficient provision of customised information to specific patient groups, such as children, pregnant women, and nursing mothers. Additionally, it would allow for more diverse methods of delivering medication information to vulnerable groups, such as those who are visually impaired.

Recommendation

We recommend that when selecting products for the second year of the pilot project for electronic medication information provision (e-labeling), there should be an expansion of the range of products to include OTC. This would ensure that the objectives of e-labeling are reflected throughout the pharmaceutical industry.

Relevant Act/Regulation	Pharmaceutical Affairs Act
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Drug Policy Division)
Recommendation Status	New

8. Utilising Before and After Photos to Educate Healthcare Professionals

Issue
According to the Enforcement Regulations of Medical Device Act, using before and after photos to educate healthcare professionals (HCP) with professional knowledge and clinical experience is prohibited due to the possibility of misunderstanding of efficacy. The materials utilised for HCP education aim to improve their expertise, ultimately facilitating the safe and effective use of medical devices. Therefore, separate standards are required that are different from that of photos used for promotional/advertising purposes.

EU and USA allow to use Before and After Photos in academic symposiums.

Recommendation

It is recommended that the 'Medical device advertisement manual' be amended so that before and after photos can be used for the education of professional medical personnel.

Relevant Act/Regulation	Enforcement Regulations of Medical Device Act
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Medical Device Management Division)
Recommendation Status	Retained

9. Relaxation of Diagnosis Conditions for Multiplex Group 1_Respiratory Virus

Issue

Currently, infection test fee calculation guidelines for sample tests stipulate that test fees can be claimed only when a lab specialist is present, as demonstrated in the following case:

(Note: Tests that utilise nucleic acid amplification, nucleic acid hybridisation, and sequencing methodologies can have fees calculated only when a specialist in pathology or laboratory medicine reads, prepares, and keeps a reading report. However, in the case of NU-704LA, NU-704MA, and NU-723NA are calculated only when a specialist in laboratory medicine reads, prepares, and keeps a reading report.)

The most important thing in managing highly contagious respiratory viruses, such as COVID-19, is to prevent the spread of infection through rapid diagnosis, and to minimise community infection.

Currently, Nu680 multiplex group 1 has a PCR product that can quickly identify the presence of up to five respiratory viruses at the same time in about 30 minutes from a sample obtained via a nasopharyngeal swab. However, due to the guidelines, this cannot be used in hospitals or clinics.

Although a diagnostic test specialist may be present in a general hospital, or higher health care institution with an emergency room or intensive care unit, it is not used in areas with poor medical accessibility or public health centres as it cannot be used in primary institutions where the power of dissemination must be controlled first.

Recommendation

We recommend that the calculation guidelines be relaxed so that the multiplex group 1 rapid respiratory virus test can be used at the clinic level among infection tests.

Relevant Act/Regulation	General Reimbursement Claim Conditions for Infectious Disease Diagnosis
Responsible Authority & Division	<ul style="list-style-type: none"> Health Insurance Review and Assessment Service (HIRA) (Benefits Listing Department) Ministry of Health and Welfare (MOHW) (Department of Health Insurance Benefits)
Recommendation Status	New

10. Reflecting Increased Cost and Exchange Rate Fluctuation to COVID-19 in the Relevant Service Fee of in Vitro Diagnostic Medical Devices

Issue

Although production and export of in vitro diagnostic medical devices have increased significantly due to COVID-19, the rate of increase in imports remains relatively low¹². This is partly due to a rapid increase in the number of manufacturers rather than in the number of importers.¹³ A large reason for this is the increase in overall costs, including costs related to manufacture/importation, diagnostic reagents, and equipment.

12. 30.29% export growth rate vs. 9.02% import growth rate in 2021, from MFDS medical device manufacture and import/export statistics in 2022

13. 7.5% increase in the number of producers vs. 2.3% increase in the number of importers in 2020-2022

Diagnostic equipment accounts for a large portion of logistics costs, and in the case of microbiological testing (one of the oldest in vitro diagnostic tests), the import share is 100%. It is classified a microbial incubator and microbial classification, and an identification device on MFDS device category classification.

It has been more than 20 years since diagnostic equipment was introduced to Korea, and the current cost of it is much higher than the cost at the time of initial introduction. In lights of this, companies that supply most of the equipment are working to raise the selling price of the equipment and reagents used.

In contrast to this, the current microbial culture and identification test has been used at the same, or lower, price over the past 10-plus years, despite an increase in the number of uses as a result of corona, etc., and overall cost increase. (e.g., Nu581 RVRBS: 168.28 points in 2012, 167.95 points in 2023)

In the case of therapeutic materials, the range of fluctuations in manufacturing and import costs (such as regular exchange rate fluctuations), is reflected in the upper limit according to the 'Criteria for determining and adjusting behavioral treatment materials, etc.'. As there is no mechanism at all for in-vitro devices, the burden of increased costs is borne by the company.

Recommendation

It is recommended that cost increases for in-vitro diagnosis devices be amended to appropriately reflect their current service fees.

Responsible Authority & Division	<ul style="list-style-type: none"> Health Insurance Review and Assessment Service Ministry of Health and Welfare (MOHW) (Department of Health Insurance Benefits)
Recommendation Status	New

Insurance

7

Total Key Issues

1. Need for Urgent Improvement of Network Segregation on Financial Sector Cloud-related Regulations

Issue

The need to relax the network segregation regulations for operational systems that are not related to financial transactions and do not handle customer or transaction information has been continuously raised, and the Financial Services Commission has also decided to apply the improvement proposal.

Recommendation

It is recommended that the announcement of the plan to consider relaxing network segregation regulations through use of a regulatory sandbox (in the first half of 2023) be implemented as soon as possible so that cloud (SaaS) in the form of software for non-critical business can be used on the internal network (as press release on November 23, 2022).

Relevant Act/Regulation	Article 15 (1) (3) of the Electronic Financial Supervision Regulation
Responsible Authority & Division	Financial Services Commission (FSC) (Electronic Banking Division, Financial Regulatory Sandbox Team)
Recommendation Status	New

2. Need for Urgent Improvement of Network Segregation Regulations for Development/Test

Issue

The network segregation regulations uniformly apply physical network separation to development/test servers without reviewing whether personal credit information is held or the importance of electronic financial transactions. This hinders the efficiency of development/testing and does not keep up with the changes in the IT work environment.

Recommendation

It is recommended that an exception be made to the network separation regulation for development/testing areas and implemented soon. This issue was mentioned in the Financial Services Commission's press release on April 15, 2022, regarding how to improve cloud and network separation regulations in the financial sector but was excluded from the Financial Services Commission's resolution on the amendment of the 'Electronic Financial Supervision Regulation' to ease cloud and network separation regulations in November 2022.

Relevant Act/Regulation	Article 15 (1) (3) of the Electronic Financial Supervision Regulation
Responsible Authority & Division	Financial Services Commission (FSC) (Electronic Banking Division, Financial Regulatory Sandbox Team)
Recommendation Status	New

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

Issue

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

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

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

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

Recommendation

It is recommended that the criteria for calculating and applying the empirical risk rate be changed to allow for greater flexibility in the calculation and application of the empirical risk rate in consideration of the actual situation faced by small companies. In doing so, small companies will be able to apply a risk rate commensurate with the risk of the contractor population.

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

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

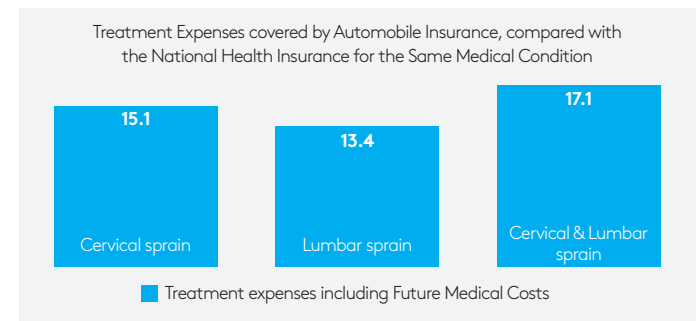
Relevant Act/Regulation	Article 7-73 of the Insurance Business Supervision Regulations
Responsible Authority & Division	Financial Services Commission (FSC) (Insurance Division)
Recommendation Status	New

4. Issue
 Clarification of Treatment Criteria for Minor Accidents
 It is necessary to establish clear criteria for treatment in the case of minor accidents through engineering analysis. In doing so, excessive and unnecessary medical treatment for minor accident cases caused by a compensation mentality that results in increased social costs can be addressed.

In 2022, medical expenses for minor injuries (Grade 12-14) accounted

for 82% of total treatment costs and this number has been increasing annually.

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



It is estimated that excessive payments for the medical expenses of minor injury patients of up to KRW 700 Billion to KRW 1.3 Trillion (based on 2019 data) are made annually, leading to additional social costs equivalent to KRW 34,000 to KRW 62,000 per vehicle in automobile insurance premiums.

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

Recommendation

It is recommended that an engineering risk analysis be conducted in addition to medical opinions for minor accident victims be collected. An amendment of Article 15 of the Guarantee of Automobile Accident Compensation Act related to the automobile insurance treatment cost is necessary as it restricts medical treatment for minor accidents below a certain speed change (ΔV). This could be facilitated by requesting injury analysis from the Korea Automobile Insurance Repair Research & Training Center (KART).

Additionally, an amendment to Article 11 of the Guarantee of Automobile Accident Compensation Act is required to exclude accidents below a certain speed change (ΔV) from the coverage of indemnity payments to victims for no injuries.

* The International Research Council for Automotive Repairs (RCAR) has provided international recommended standards based on speed change (ΔV).

- In Germany, accidents with a speed change (ΔV) of less than 11 km/h are considered without injuries.
- In Spain, accidents with a speed change (ΔV) of less than 8 km/h are considered without injuries.

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

5. Strict Management Required for Excessive and Inflated Repair Companies

Issue

Due to the prevailing practices of excessive and inflated repairs by certain local maintenance companies, as well as instances of violence and obstruction against insurance companies attempting to provide fair repair costs, there is an urgent need for institutional improvements and a strict oversight of maintenance operators by regulatory authorities capable of accurate assessment and enforcement.

Some maintenance companies engage in such prevailing practices of excessive and inflated repairs, such as excessive repair cost claims with unrelated trunk or fender repairs for minor bumper damages (reported by SBS on February 20, 2022)

In regions where these problematic maintenance companies are prevalent, the average claim amount exceeds approximately 30% (44% for foreign brands) when compared to the regional average, which is a serious issue.

Reference: Average claim amount per region
(Source: the Korea Automobile Insurance Repair Research & Training Center (KART))
Unit: K KRW

	Q1 2022		Q2 2022		Q3 2022		Q4 2022	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Korea	832	1,719	837	1,704	836	1,743	100	100
Incheon	1,077	2,445	1,067	2,337	1,064	2,513	127	144
Gyeonggi	868	1,815	874	1,791	874	1,830	105	105
Seoul	780	1,954	795	1,924	792	1,968	95	113
Choongnam	923	1,475	910	1,523	899	1,466	108	84

Insurance companies have made continuous efforts to adhere to

loss adjustment standards and ensure appropriate claim payments, but face difficulties in responding due to organised interference from maintenance companies.

Troublesome maintenance companies persistently file complaints with the Financial Supervisory Service (FSS) or engage in actions such as restricting access for insurance assessors and physically threatening them, thus fatigue among claim handlers is accumulated and legitimate loss assessments are undermined.

Recommendation

To prevent excessive and inflated repairs for minor accidents, it is recommended that provisions to the Automobile Management Act (e.g., Article 58, Clause 4) be added that stipulate the obligation of automotive management operators (maintenance operators) to comply with 'standards for minor damage repairs' and penalties for violations.

Regulatory authorities with jurisdiction and authority over maintenance operators under the Auto Management Act need to accurately assess the situation and provide strict guidance and penalties for violations of relevant laws.

Relevant Act/Regulation	Clause 4, Article 58 of the Automobile Management Act
Responsible Authority & Division	The Ministry of Land, Infrastructure, and Transport (MOLIT) / Local governments
Recommendation Status	New

6. Legislative Advocacy for Special Laws to Prevent Insurance Fraud

Issue

Insurance fraud continues to evolve and becomes more organised. However, the Special Act on the Prevention of Insurance Fraud, enacted in 2016, has remained pending in the National Assembly without any amendments. This has made it difficult to effectively address the evolving nature of insurance fraud, as noted by the industry.

* Key contents of the proposed bill: Establishment of a government joint task force on insurance fraud prevention, Penalties for solicitation and inducement of insurance fraud, Establishment of grounds for recovery upon definitive insurance fraud rulings, Enhanced penalties for insurance industry professionals involved in insurance fraud, Enhanced penalties for severe insurance fraud offenses, Publication of a list of insurance fraud companies, etc.

Recommendation

It is recommended that a revised and effective Act on Prevention of Insurance Fraud be enacted as soon as possible. It is also recommended that urgent legislative action be taken regarding the proposed bills related to insurance fraud.

Relevant Act/Regulation	Special Act on Prevention of Insurance Fraud
Responsible Authority & Division	The National Assembly/Financial Supervisory Service (Insurance Fraud Investigation Division)
Recommendation Status	New

7. **Non-Distributable Surrender Value Reserve in IFRS 17 Shareholder's Equity**

Issue
In December 2022, a new non distributable surrender value reserve was introduced in the Korean Application of IFRS 17* standards, with the objective to strengthen the financial customer protection by preventing dividend distribution from insurance companies.

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

The Korean surrender value reserve does not comply with International IFRS 17 standards and gives the message that the equity of shareholders exceeding the solvency level necessary to operate (as resulting from K-ICS) cannot be distributed to the shareholders. This represents a significant hurdle for the insurance market attractiveness in Korea for investors.

Recommendation

It is recommended to remove surrender value reserve and align with International IFRS 17 principles.

Relevant Act/Regulation	Article 6-11-6 and 6-18-6 of the Insurance Business Supervision Regulations
Responsible Authority & Division	Financial Supervisory Service (FSS)
Recommendation Status	New

* IFRS17: International Financial Reporting Standards 17 in effect from January 1, 2023
* K-ICS: Korean-Insurance Capital Standard

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Property Rights
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7

Total Key Issues

Intellectual Property Rights

1. **Studies about Economic Impact of IP Infringement**

Issue

The European Union Intellectual Property Office (EUIPO) has conducted various research on the social and economic impact of intellectual property infringement. For instance, the EUIPO has published the Status Report on IPR Infringement¹, a report on Global Trade in Fakes², and more recently, a report on Misuse of E-Commerce for Trade in Counterfeits³ and Risks of Illicit Trade in Counterfeits to SMEs⁴.

1. European Union Intellectual Property Office. (2020). Status Report on IPR Infringement.
2. OECD and European Union Intellectual Property Office. (2021). Global Trade in Fakes
3. OECD and European Union Intellectual Property Office. (2021). Misuse of E-Commerce for Trade in Counterfeits
4. OECD and European Union Intellectual Property Office. (2023). Risks of Illicit Trade in Counterfeits to SMEs.
5. Siyeol Kim. (2022). Key Points and Implications of the OECD-EUIPO Joint Report on Global Trade in Fakes. Korea Institute of Intellectual Property. IP Focus (2022-04)

The EU provides updated information through these reports on the importance of intellectual property rights, measures to combat infringement, and updated information on trade trends and new means of counterfeit distribution.

These studies by the EUIPO are indeed useful in that they provide a quantitative analysis on the infringement of intellectual property rights and its impact on the economy. However, in Korea, research on intellectual property rights infringement is limited and the issue of counterfeit distribution has not been dealt with from a national security perspective. In this regard, in addition to improving public awareness, a continuous and detailed investigation and analysis on counterfeits affecting national security⁵, as well as quantitative study on IP infringement at the community level, is needed.

Recommendation

It is recommended that further quantitative research be conducted by domestic research institutions to evaluate the economic and social impact of IPR infringement.

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

2. Strengthening Criminal Penalties for Crimes Infringing Intellectual Property Rights

Issue

The ECCK is pleased that the agenda on ‘Strengthening Criminal Penalties for Crimes Infringing Intellectual Property Rights’ was included in the 40 national tasks announced by the Korean government last December to improve the foreign investment environment.

Korea’s low level of criminal sentencing imposed for IP infringement is still considered as hindering effective prevention of IP infringements. While the Korean Copyright Act allows for up to five years of imprisonment or a financial penalty of 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 of up to KRW 100 Million in case of infringement, the actual sentences handed down in IP infringement cases remain low in comparison to other developed nations. Moreover, prison sentences on a probation basis or relatively low fines are commonly handed down for illegal counterfeit distribution crimes committed.

Recommendation

In line with the announcement by the Korean government on the national tasks concerning the improvement of the foreign investment environment, it is recommended that sentencing standards for IP infringement crimes be reviewed properly and made more stringent.

Following revision of the sentencing guidelines, it is recommended that an increase in the level of criminal sentencing for IP infringement be considered for repeat offenders in order to effectively prevent IP-related crimes.

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

3. Strengthening Border Measures against IP Infringing Goods

Issue

The role of the Korea Customs Service and Customs Offices in protecting IP rights is crucial as border measures against counterfeits are one of the most effective ways to prevent IP infringement. Considering today’s advanced distribution system, once counterfeits enter the market, a tremendous amount of administrative power and personnel will be required to crack down such counterfeits. As a result, ‘it is clear that institutionalising the way of stopping IP infringing goods at the border is the most efficient way of combating IP infringement’⁶.

6. 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.

The ECCK deeply appreciates that the Korea Customs Service initiated customs training in the first quarter of 2023 and that more trainings are scheduled than in 2022. However, it is important to continuously dedicate effort and attention to this matter at the institutional level as sufficient manpower is needed to effectively conduct crackdown activities on the front-line at customs.

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.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Korea Customs Service (KCS) (Inspection Policy Division)
Recommendation Status	Updated

4. Annual Statistical Report on IPR Seizures at Customs

Issue

The annual report on IPR Seizures published since 2015 by the Korea Customs Service (KCS) is a valuable resource which provides constructive statistics and examples of cases concerning IP infringement in Korea. Over the past few years, the ECCK has continuously recommended that the Korea Customs Service indicate the number of confiscated IP infringing goods in the report, and that it be published more promptly.

The ECCK deeply appreciates that the KCS published its 2022 report earlier this year in April, and that it has started to include information on the actual number of seized items. This is a remarkable improvement given that it is now possible to more accurately identify trends in counterfeit imports and the scale of seizures.

Recommendation

It is recommended that a publication schedule be established and maintained so that valuable information on trends in counterfeit imports and the scale of seizures can be up to date and readily accessible.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Korea Customs Service (KCS) (Inspection Policy Division)
Recommendation Status	Updated

5. Enhancement of Effectiveness of EMS Project

Issue

Since the Korea Customs Service amended Article 8-2 of the Regulation of Customs Clearance of International Mail Items in 2018, officials have been given the authority to seize and store counterfeits, rather than return such illicit products to their senders.

In light of this, an initiative was launched by the KCS and industry representatives such as the Express Mail Service (EMS). The purpose of this project was to detect counterfeit goods more effectively through swift assorting of parcels, authenticating products, and building parcel database. A further noteworthy development in 2020 was the expansion of this project to include parcels arriving at ports, as well as parcels imported through private courier services.

While the EMS project has been an effective initiative that capitalises 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. This makes it difficult to detect and manage counterfeits coming to Korea using the international parcel services.

Second, not enough space is secured to store seized goods which slows the EMS Project down.

In addition to this, the Korea Customs Service has conducted special customs clearance measures one to two times a year to intensively crack down on express/postal items throughout the peak season of overseas direct purchases and, during this time, the number of seized counterfeits is extremely high. This shows

that most counterfeits are imported via express/postal items with relatively simple import procedures.

Recommendation

To allow the EMS project to reach its full potential, it is recommended that additional manpower be assigned to the detection and management of international parcels coming to Korea, and that additional warehouse space be allocated for the storage of parcels seized as a result of the EMS project.

Additionally, it is recommended that intensive crackdowns on express/postal items be carried out at a higher frequency, given that they are only currently being conducted once or twice a year on Single's Day and Black Friday.

Relevant Act/Regulation	Regulation of Customs Clearance of International Mail Items
Responsible Authority & Division	Korea Customs Service (KCS) (E-Commerce Division)
Recommendation Status	Updated

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

Issue

Seoul Metropolitan City's government officials were designated to serve as Special Judicial Police since 2013 and have contributed to rooting out the sale of counterfeits at the most popular tourist sites in Seoul.

The ECCK appreciates Seoul Metropolitan City's continuous efforts and is honoured that the ECCK was able to contribute to this success through establishing a joint initiative between industry and Seoul City.

The ECCK hopes that such an achievement can be made, not only in Seoul Metropolitan City, but also in Busan International Market and Daegu Seomun Market where counterfeits are still being sold in public.

As witnessed in some cases in Seoul, it is far more effective to eradicate the counterfeits being sold in public when a municipality that understands the characteristics of its region very well is involved in educating local residents and conducting frequent crackdown activities.

According to a recent survey conducted by the ECCK in which 511 Busan citizens participated (May 2023)⁷, 64% of respondents answered that they had experience purchasing counterfeits, and 27% admitted to having purchased fake goods from street stalls and traditional markets.

In this regard, the role of local government officials is crucial to the effective crack down of counterfeits openly sold in street stalls and traditional markets, and it is necessary that such officials gain expertise in identifying counterfeits.

Recommendation

It is recommended that local government officials of Busan and Daegu Metropolitan City request the Prosecution Service to assign them special judicial authority to investigate counterfeit activities and seize illicit products in accordance with 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	<ul style="list-style-type: none"> • Busan Central District Office (Economic Promotion Division) • Daegu Central District Office (Employment Economy Promotion Division)
Recommendation Status	Updated

Issue

The ECCK is pleased that sequential amendments to the Trademark Act has been proposed (in 2020) which stipulate the indirect responsibility of product sales intermediaries, and to the Invention Promotion Act (proposed in 2022) which allow claims to be made for the provision of information on infringers when infringement has taken place.

Given the current trend where online markets and social media have become a major tool for transacting counterfeits, consumers are more easily exposed to illegitimate products.

Although online service providers and platforms pave their own way through which to prevent the sale and distribution of counterfeits, their practices vary substantially due to a lack of a legal framework.

Recommendation

As the agenda on the 'Establishment of a System to Prevent Distribution of Counterfeits by Online Service Providers' was included in the 40 national tasks announced by the Korean government in December 2022 to improve the foreign investment environment, it is recommended that the KIPO leads the amendment to the Trademark Act.

In addition to this potential development, it is recommended that discussions such as roundtable meetings among all stakeholders (including trademark holders, online marketplaces, and social media) be held on a continual basis in order to collect valuable opinions, draw meaningful conclusions, and ultimately succeed in revising the Trademark Act.

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

Kitchen & Home Appliances

1. Inspection Rules for Kitchen Appliances Receiving a Non-conformity Notice

Issue

Enforcement Rule of the Special Act on Imported Food Safety Control [Appended Table 10] Criteria for Classification of Imported Foods, etc. (4) Same company, same imported foods, etc.

In the case of having received a notice of nonconformity as a result of inspection

Foods or Food Additives	Country of manufacture, foreign food facility, product name, manufacturing method, and raw material	Recognised as the same company, same product → 5 times of detailed inspection
Apparatus, Containers and Packages	Country of manufacture, foreign food facility, material, and base colour	Same company, same material → 5 times of detailed inspection AND Product which contains the material → 1 time of detailed inspection (the 1 st shipment after having received the notice of nonconformity)

The Ministry of Food and Drug Safety (MFDS) has stated that, in cases where the first imported product contains a material that has received a notice of nonconformity, the finished product shall be subject to one more detailed inspection in addition to the five times of detailed inspection of that material.

In the case of kitchen appliances, there are products that are made simply of one single material and colour, but there are also products that consist of several parts such as coffee machines.

Importers must procure parts that are in contact with food to submit for a detailed inspection of an appliance to be conducted. However, as each part has a different supplier, sufficient time is needed for importers to collect all the parts required. When the material of a product from an overseas manufacturer, imported by several importers, has received a nonconformity notice, the following difficulties are expected:

1. <https://impfood.mfds.go.kr/>

- i) Importers cannot know in advance whether the product to be imported is the first imported product after having received a notice of nonconformity, and thus will be subject to a detailed inspection.
- ii) There is a lack of information on the Imported Food Information Maru¹ website where information concerning the colour is not available.
- iii) As the conditions for collecting samples of parts require them to be in the same B/L (Bill of Lading) as the corresponding finished product, there is no use in ordering additional parts and receiving them separately.

The only remaining solution is to disassemble all finished products and prepare parts for an inspection. However, for small parts, dozens of finished products must be disassembled to match the sample quantity required for inspection. As a result, the cost burden on the company increases, customs clearance is delayed due to the inspection period, and the finished product cannot be disassembled and reassembled after inspection, resulting in an unnecessary waste of resources.

Recommendation

Considering that kitchen appliances are managed separately according to material and colour, it is recommended that only non-conforming materials be subject to inspection five times instead of all materials.

Relevant Act/Regulation	Enforcement Rule of the Special Act on Imported Food Safety Control Appended Table 10
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Imported Food Inspection Division)
Recommendation Status	New

2. Improvement of 5-year Cycle Detailed Inspection System for Kitchen Appliances

Issue

Imported foods, etc. are subject to detailed inspection pursuant to Attachment 9 (Inspection Method 2. A. 7) of the Enforcement Rule of the Special Act on Imported Food Safety Control. Those that are re-imported are subject to document inspection as they meet the conditions of 'same company, same imported foods, etc.' under Attachment 10(4).

In addition to this, the 'same company, same imported foods, etc.' of apparatus, containers, and packages are recognised as such in accordance with Subparagraph 4(c) of Attachment 10, the same 'manufacturing country, foreign food facility, material, and base colour, imported again within five years after having received detailed inspection at the time of initial import.

This period is generally calculated from the date on which the import declaration confirmation certificate has been issued after the initial import inspection. In the case of random sample inspections of key inspection items determined by the MFDS, it is calculated from the date on which the import declaration confirmation certificate has been issued.

Unlike food products, kitchen appliance parts that will have contact with food must be prepared for detailed inspection. However, products that consist of several parts (e.g. mixers, coffee machines, or toasters) are subject to the following difficulties:

- i) Importers need to have a certain preparation time to identify the list of relevant parts to be inspected, such as the material, colour classification, etc.
- ii) Importers need to procure and collect parts from various different suppliers in the quantity required for inspection.
- iii) Importers need to ensure that all parts are shipped and imported in one B/L (Bill of Lading) together with the corresponding finished product. In addition, this must be done according to the timeline of the first import declaration after 5 years have passed.
- iv) In case an importer fails to procure some parts within the shipment timeline, the product cannot be imported.
- v) When many products reach five-year cycles at the same time, importing a wide range of small products is a challenge in terms of ensuring that all components of various products are available within a specific period of time.

For the above reasons, importers have asked the MFDS whether it is possible for industry to pre-emptively conduct a detailed inspection before reaching five years of validity period, however the MFDS responded by stating that, since only the document inspection can be conducted within five years, the industry cannot arbitrarily request for such detailed inspection.

Recommendation

In the case of kitchen appliances, it is recommended that regulations be revised so that detailed inspections can be conducted at the time requested by the company from one year prior to the arrival to five years after the detailed inspection is conducted at the time of initial import.

This will prevent the rush of multiple products being inspected all at once and will allow companies to schedule and import samples systematically. Furthermore, it is also expected that the safety of imported products will be further improved through conducting inspections before five years has passed.

Relevant Act/Regulation	Enforcement Rule of the Special Act on Imported Food Safety Control Attachment 10
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Imported Food Inspection Division)
Recommendation Status	New

3. Exemption from Import Declaration and Labelling for Re-Importation of Kitchen Appliance Parts for the Purpose of Product Repair

Issue

Parts are frequently imported for the purpose of repairing products by companies that import and sell kitchen appliances (coffee machines and beverage makers, etc.). In the case of re-importation of parts that have been in contact with food, an import declaration should be made by filling out a form detailed the parts of an apparatus, containers and packages in accordance with Table 4 of Article 8-3(2) of the Regulations on Inspection of Imported Foods, etc.

Most parts are not sold to consumers but instead are used for the repair and replacement of appliances. This is performed by skilled engineers at each company's service centre and re-imported parts cannot be used for any other purpose than for the kitchen appliances concerned.

Although such parts are used only for the purpose of product repair and there is no way for consumers to have access to labelling, import declarations and labelling are still required. As such, regardless of whether or not re-imported parts are produced in batches or in small quantities, various additional costs (labour cost, printing cost, etc.) are incurred due to the labelling of items, which places a burden on importers.

Recommendation

It is recommended that kitchen appliance parts re-imported for the purpose of product repair be exempted from import declaration requirements by instead interpreting them as 'machines and parts used for the manufacture, processing, cooking, storage, transportation of foods, etc.' as prescribed in Attachment 9 (Method of Inspection of Imported Food) of the Enforcement Rule of the Special Act on Imported Food Safety Control.

If import declarations are required, even though parts are imported only for professional repair purposes, it is recommended that the following be taken into consideration:

- i) such parts are not sold directly to the end-consumer.
- ii) they are used by skilled engineers for the purpose of repair or replacement of appliances.
- iii) According to Table 1 of the Enforcement Rule of the Act on Labelling and Advertising of Foods, 'imported foods, etc. for the purpose of in-house manufacturing and processing' are partially exempt from the labelling requirements. As such, it is recommended that parts imported for repair purposes be included in the scope of items subject to exemption from labelling requirements as in Table 1, so that only the product name and the manufacturer's name can be labelled.

Finally, in accordance with Paragraph 2 of Attached Table 3 of the Enforcement Rule of the Act on Labelling and Advertising of Foods, it is recommended that parts imported for repair purposes be subject to exemption from labelling requirements in Korean, provided they are partially labelled in English or in the language of the exporting county.

Relevant Act/Regulation	Act on Labelling and Advertising of Roods, Special Act on Imported Food Safety Control
Responsible Authority & Division	Ministry of Food and Drug Safety (MFDS) (Food Policy of Labelling and Advertising Division, Imported Food Inspection Division)
Recommendation Status	New

4. Review of Separate Discharge Mark Labelling and Internationalising of Plastic Labelling

2. Separate Discharge Mark <https://www.keco.or.kr/web/lay1/SIT183C1049/contents.do>

Issue

The Separate Discharge Mark System is a system that facilitates the separation and discharge of packing materials subject to recycling obligations, and increases the separation and collection rate of recyclable waste so that producers can smoothly fulfil their recycling obligations.

In recent years, Korea's separate discharge marks are becoming increasingly subdivided and require more indications². These changes pose a burden on businesses to change labels by applying segmented indications to their products. As such, it is necessary to examine whether or not segmentation of the indications will help the public meet their recycling obligations more easily and practically.

Among the separate discharge marks in Korea, plastics are classified as Resin Identification Code (RIC) classification marks. However, since they are different from internationally accepted logos and are required to be written in Korean, the same information should be re-indicated with Korean logos when importing products. Actions such as these, including the addition of Korean marks or stickers to packing materials, have rather a negative impact on the environment.

[RIC Code Mark]



[Korean Separate Discharge Mark - Plastics]



Although there exist differences in indicating recyclability between countries, most of the marks for plastics are the same as, or similar to, the RIC code.

Recommendation

Changing product labels requires a lot of resources and causes a lot of resources to be discarded in the process. It is therefore recommended that further changes in the current Separate Discharge Mark System be avoided, and that a review be conducted to determine if only the information essential to consumers should be provided.

Considering the environmental impact of such additional marking requirements, and the fact that there are already mark standards that are recognised internationally, it is recommended that Korean marks be replaced with international marks on plastic materials.

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

5. Improvement of Location of Conformity Assessment Indication for Broadcasting and Communications Equipment

Issue

According to Attachment 5 (2. C.) ‘Standards and Methods for Indicating Conformity Assessment of Broadcasting and Communications Equipment, etc.’ of the ‘Notice on the Conformity Assessment of Broadcasting and Communications Equipment’, the conformity assessment of a product shall be indicated on both the surface and the packaging of the product.

Due to the nature of global products being exported to many countries, countries that use common imprinting can share a common stock, allowing for the flexible management of stock. However, in Korea, information on conformity assessments (such as company names, equipment names, model names, manufacturing dates, manufacturers, and manufacturing countries) is required to be indicated on a product’s surface. As such, only products with Korean imprinting can be imported, increasing logistics costs and making it difficult to manage stock.

Similar statutes from other countries and other Korean regulations are as follows:

[EU–Indication on the product or packaging³]

Importers shall indicate on the apparatus their name, registered trade name or registered trademark and the postal address at which they can be contacted or, where that is not possible, on its packaging or in a document accompanying the apparatus. The contact details shall be in a language easily understood by end-users and market surveillance authorities.

3. Directive 2014/30/ EU of the European Parliament and of the Council of 26 February 2014

[Korea – Operational Guidelines on Electrical Appliances and Consumer Products Safety Control]

Article 59 (Indication method)

An indication of safety certification shall be affixed to the relevant product or packaging so as not to easily fall off. This may be printed or imprinted, but must be indicated on the product in principle.

Recommendation

It is recommended that the location on which to indicate conformity assessment information be changed from ‘on the relevant product and packaging, to ‘on the relevant product or packaging’ in the conformity assessment indication criteria for broadcasting and communications equipment, etc., in order to ease the burden on the industry.

Relevant Act/Regulation	Notice on Conformity Assessment of Broadcasting and Communications Equipment
Responsible Authority & Division	National Radio Research Agency (Information and Communication Conformity Assessment Division)
Recommendation Status	New

6. Easing Testing Standards for Household Scales

Issue

According to Article 14 of the Measures Act, measuring instruments prescribed by the Presidential Decree, for which error management is necessary to secure fair commercial transactions or certification, shall obtain ‘type approval’. However, since the subordinate statute⁴ sets the scope for type approval regardless of its usage, there is regulatory inconsistency in regards to which household scales are subject to type approval which constitutes a technical barrier to trade.

4. Article 10 of the Enforcement Decree of the Measures Act, Table 7

The procedure to obtain type approval is extremely strict. Due to such strict regulatory hurdles, household scales available in the domestic market are limited in type and sold at relatively high prices. This can be regarded as an excessive regulation that reduces the opportunity to introduce various products at reasonable prices to consumers.

Recommendation

It is recommended that ‘for commercial use’ scales be clearly distinguished as requiring type approval, and that ‘for household

use' scales be exempted from type approval, regardless of their maximum capacity.

As the agenda on the 'Plan to Ease the Certification Burden by Regulating the Scope of Type Approval for Commercial Use and Excluding Household Scale from the Type Approval' was included in the 40 national tasks announced by the Korean government in December 2022 to improve the foreign investment environment, the ECCK hopes that this regulation will be deregulated through prompt implementation of this reasonable recommendation.

Relevant Act/Regulation	Measures Act
Responsible Authority & Division	Ministry of Trade, Industry and Energy (MOTIE), Korean Agency for Technology and Standards (KATS)
Recommendation Status	Update

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Logistics & Transport

3

Total Key Issues

1.
Enhancing Trade
Capacity Through
Expanding Access
to Regulated Trade
Routes

Issue

Some regulations such as the Internal Rules on Vessel Deployment and Management in the China-Korea Trade Routes by the Yellow Sea Liners Committee, suggest that routes may only be open to carriers bearing the flags of the nations who have created such agreements and regulations (e.g. in the case of the Yellow Sea, it is suggested that routes are only open to carriers bearing Korean and Chinese flags.). However, in certain cases (such as between Korea and Japan), reverse routes to Korea are open to carriers of other nationalities.

It has been stated that there are no restrictions on ship operation between Korea and foreign countries according to the nationality of the shipping company or ship, so long as regular shipping companies report their operation plans to the Minister of Oceans and Fisheries, (irregular shipping companies do not have the obligation to report).

However, for example, in the case of the Korea-China route, the Korean and Chinese governments determine matters related to route establishment and ship operation via bilateral agreements and that may not include provisions outlining how other carriers may operate these routes.

As such, without explicit permission or clarification, carriers of other nationalities may receive differing information on this matter and are therefore unable to undertake activities that could offer valuable support in enhancing and expanding trade to and from Korea.

Recommendation

The ECCK recommends to clarify this matter on whether or not such restrictions exist (explicitly or implicitly) in writing either within bilateral

agreements themselves, or in the form of guidelines readily accessible to foreign carriers. This could be done either on a bilateral basis, and/or inclusive of carriers from other nationalities for enhanced transparency and the promotion of improved relations in the industry internationally.

In doing so, foreign carriers may then have clarity on the use of the above-mentioned trade routes and may gain a better understanding as to what has been agreed between Korea and other regional governments (e.g. in China and Japan).

Should there be such clarification, non-member lines and carriers of other nationalities could then take better steps to offer their support to the Korean government to enhance and expand trade to and from Korea. Especially in cases where routes are declared officially open to non-member lines and foreign carriers, additional capacity could then be provided that could aid Korea's trading companies as they export and import within the region and beyond.

Relevant Act/Regulation	Internal Rules on vessel deployment and management in the China-Korea trade routes (Yellow Sea Liners Committee)
Responsible Authority & Division	Ministry of Ocean & Fisheries (MOF)
Recommendation Status	Updated

2. Issue
 Expanding Capacity Through Gradual Cabotage Revision
 Several countries have been taking steps to gradually relax their cabotage regulations in recent years and, in doing so, are well placed to improve connectivity, increase competitiveness, and expand capacity in the logistics and transport industry. However, this is still not the case in Korea.

According to the Ship Act, 'Non-Korean ships shall not be permitted to call at closed ports of Korea or to transport passengers or cargo between domestic ports'. Major ports like Incheon are currently expanding capacity which could give carriers the opportunity to carry cargo directly out of Incheon. However foreign carriers are not permitted to serve on Incheon-Busan shuttle routes.

In addition to this, cargo transshipment results in increased costs to be borne by foreign carriers and customers, thus negatively affecting trade.

It also has a considerable impact on the development of the industry and economy on a national level:

- Capacity expansion in niche ports in line with major ports could increase connectivity on an international, national, and local basis. Not doing restricts the growth of both imports and exports.
- Given the impact the industry currently has on climate change and pollution, the sustainable development and expansion of ports could facilitate the faster transition of a sustainable logistics and transport industry nationally in line with Korea's net-zero goals .
- Cabotage restrictions not only put restraints on local competition, but they also restrict the development of competitiveness internationally. Allowing foreign carriers to participate in the domestic market would promote and facilitate the transfer of valuable know-how, modern best practices, and the expertise needed to increase Korea's competitiveness on a global scale.
- Cabotage regulatory provisions and capacity expansion could enable foreign carriers to provide invaluable support across the country in the event of a national emergency, thus contributing to the strengthening of national security measures.

Following submission of this issue in 2022, the feedback received cited security and economic concerns as to why the request for resolution was not accepted.

European member companies understand these concerns and recognise the essential role that cabotage might play in protecting and developing the domestic shipping industry.

Given this and recent industry trends and developments (such as the development of Incheon's new port), foreign carriers are keen to offer their support to enhance the efficiency of the logistic supply chain, promote the carriage of lower cargo volumes a lower cost, and facilitate the positive growth of both imports and exports. It also appears that major ports, such as Incheon Port, are in agreement with the benefits this could have and are keen to attract larger carriers. As such, through considered revision of cabotage regulations, Korea could be well-placed to benefit from the continuity and sustainability

of services without there being a negative impact on national security.

Recommendation

The second part of Article 6 of the Ship Act stipulates provisions that could enable foreign carriers to operate locally, such as:

‘... in any such case as otherwise prescribed by another Act or treaty, in any such case as escaping from a maritime accident or seizure, or in any such case as permitted by the Minister of Land, Transport and Maritime Affairs.’

In light of this, and in consideration of the concerns raised, it is recommended that a feasibility study be first carried out by the Ministry of Land, Infrastructure and Transport and the Ministry of Ocean and Fisheries in consultation with foreign carriers. This could ensure that any cabotage revisions made are evidence based and supplemented with safeguard measures that can simultaneously protect national sovereignty and allow for positive growth.

Following this, it is recommended that cabotage regulations be amended in line with this study. If successful, the following benefits can be expected:

- A positive boost to imports and exports (particularly for local import and export businesses based in the Seoul and Gyeonggi areas.) as a result of capacity expansion, knowledge transfer, and enhanced competitiveness at both a local and international level.
- Support for the growth of Incheon port (especially in light of the new facilities being developed) which could in turn lead to greater support for the development of sustainable and more efficient ports nationally.
- Enhanced connectivity that could be of great benefit to other areas of the country, especially in case of a national emergency.
- The improvement of the overall operational effectiveness of cargo shipment locally and internationally.

All in all, through cooperation, compromise, and collaboration, steps can be taken that will ensure the long-term, sustainable development and growth of the logistics & transport industry and trade for both Koreans and foreign carriers alike.

Relevant Act/Regulation	Ship Act
Responsible Authority & Division	Ministry of Ocean and Fisheries (MOF) and Ministry of Land, Transport, and Maritime Affairs
Recommendation Status	Retained

3.

Adoption of an Eco-Friendly Policy Framework for Port Operations

Issue

Investment in eco-friendly equipment through subsidisation and timely implementation of eco-friendly policies is necessary to create an environment in which ports and businesses in the logistics and transport industry may actively participate in the prevention of global warming.

However, due to an absence of active support from the government to facilitate the introduction of eco-friendly equipment, there are delays to the construction of eco-friendly ports in Korea.

Given the current levels of fine dust (PM) and nitrogen oxide (NOx) generated from ports, eco-friendly equipment conversion projects at major domestic container ports need to be supported and promoted in order to meet the Korean government’s national eco-friendly policy goals.

Recommendation

The ECCK recommends that the Ministry of Ocean and Fisheries actively establishes and utilises a policy framework in alignment with the Ministry of Environment’s policies concerning the continuous management of harmful emissions that will facilitate the procurement and implementation of eco-friendly stevedoring (cargo on/offloading) equipment.

Not only will this result in a greater, quicker, and a more efficient green transition to eco-friendly ports and logistics and transport facilities, but it will also help the Korean government in pursuit of its overall net-zero goals.

Responsible Authority & Division	Ministry of Ocean and Fisheries (MOF), Ministry of Environment (ME)
Recommendation Status	New

Marine & Shipbuilding

1

Total Key Issue

1.
Unfair Business
Opportunities
for Foreign Class
Societies on Bare
Boat Charter-Hire
Purchase (BBCHP)
Vessels

Issue

A BBCHP vessel
BBCHP vessel can initially and during the charter period be registered under any foreign flag, and any international class society can act as the certifier and Recognized Organization (RO) for the vessel during the charter period.

By enactment of the Ship Safety Act in 1982, the Korean government introduced the Bare Boat Charter - Hire Purchase (hereinafter 'BBCHP') scheme as a financing system to help domestic owners acquire ships with a limited initial investment. BBCHP ships fly a non-Korean flag and are chartered by a Korean shipping company subject to the conditions that the flag of the ship shall be changed to Korea and that the Korean shipping company shall obtain the ownership of the ship upon completion of the charter period.

According to the Korean Ship Safety Act, there is a requirement that vessels under the BBCHP scheme must undergo an annual mandatory survey & certification by Korean Register (the national Korean classification society) or French Shipping Authority (which was delegated authority by Korean authorities in 2015), even if the ship has already been certified by an international classification society. This means that shipping companies with ships under BBCHP contracts inevitably choose KR or BV as classification society to avoid double classification costs.

Financing and refund guarantees

Korea is also given preference regarding state financing and refund guarantees for new buildings. In 2013, agreements were signed between the state institutions Export-Import Bank of Korea, Korea Finance

Corporation and KR to the extent that funding and guarantees are only issued if the newbuilding is classed by KR. Since Korean shipyards usually seek financing and refund-guarantees from their local banks, these agreements have the effect that the Korean market is in fact largely closed for other foreign classification societies while major classification societies are operating in Korea through subsidiaries, branch or representative offices in Korea to deliver their services to their clients.

These measures restrict the development of competitiveness in the Korean maritime industry by limiting the selection of international service providers. We firmly believe that these measures violate both the spirit and letter of Korea's obligations under the EU-Korea Free Trade Agreement, the EFTA-Korea Free Trade Agreement, and the WTO-General Agreement on Trade in Services (GATS).

Recommendation

To promote a fair and non-discriminatory business environment and ensure transparent competition, it is recommended to stop linking the state financing and refund guarantees to mandatory use of Korean Register.

Relevant Act/Regulation	Ship Safety Act
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF) (Maritime Industry and technology Division)
Recommendation Status	New

Sustaina- bility

1

Total Key Issue

1. Developing a Harmonised Climate Transition Plan Linked with Green/Transition Finance

Issue

The Korean government has announced several meaningful sustainability-related policies, initiatives, and guidelines in recent years.

One such key act related to climate transition is the Carbon Neutrality Law. Under this law, the Korean Government shall re-examine its national strategy every five years in consideration of technical conditions and prospects, social conditions, etc. and modify as necessary.

The Korean government also recently introduced the National Plan for Carbon Neutrality and Green Growth that further elaborated on the government’s commitment to Net Zero 2050.

The Korean government has created the Presidential Commission on Carbon Neutrality and Green Growth as a hub for communication and has taken steps to set up the 2050 Carbon Neutrality and Green Growth Committee. However, due to the relatively complex organisational structures within the Korean government, involving multiple parties, cross-ministry collaboration and harmonisation on matters related to sustainability and net-zero is not yet fully tested.

The role of financing is critical to achieve the Net Zero 2050 commitment as the climate transition plan is not achievable without corresponding financing commitments.

As such, concise and consistent climate transition planning across ministries and departments is needed for corporates, Korean and foreign alike, to efficiently be able to develop financing activities in much needed areas crucial to effective climate transition.

Recommendation

In Singapore, there is a dedicated Ministry of Sustainability and the Environment, and in the European Union, the European Commission has been designated the central body for both climate transition and sustainable finance in order to establish the sustainable policies.

Currently Korea has no such Ministry level grouping for sustainability, but the Presidential Commission on Carbon Neutrality and Green Growth is well placed to be the main communication hub through which to set-up a harmonised standard that can link the climate transition plan with necessary green/transition financing.

In this regard, the ECCK recommends that the climate transition plan¹ be reviewed not only in relation to technical or social conditions, but also in relation to green and transition finance which could facilitate the delivery of a more harmonised approach.

This could then serve as a strong foundation for all industries and companies across the nation to develop their own sustainable finance plans encompassing both financial and sustainability factors. In doing so, Korea can be more fully supported by the private sector in its efforts to achieve its Net Zero 2050 goals.

1. The National Plan for Carbon Neutrality and Green Growth (<https://m.me.go.kr/eng/web/board/read>).

Relevant Act/Regulation	<ul style="list-style-type: none"> • The Basic Act on Carbon Neutral and Green Growth for Climate Crisis Response (Carbon Neutrality Law) • The Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis
Responsible Authority & Division	Ministry of Environment (ME), Ministry of Economy and Finance (MOEF) and Presidential Commission on Carbon Neutrality and Green Growth
Recommendation Status	New

Taxation

3

Total Key Issues

1. Introduction of the Under Taxed Profit Rule

Issue

Korea enacted the global minimum tax rules as recommended by the OECD in December 2022. The newly enacted rules include 'supplementary rules for income inclusion', referred to as the 'Under-taxed Profit Rule' ('UTPR') in the OECD Model Rules, to be effective for fiscal years starting on or after January 1, 2024.

The aim of the rules is to ensure that large multinational groups with consolidated revenue exceeding EUR 750 million pay a minimum effective tax rate of 15% in every territory in which they operate. The UTPR broadly applies where: (i) top-up tax is due because the effective tax rate of any constituent entity within the group has an effective tax rate of less than 15%, and (ii) the country where the ultimate parent company resides (or other parent company of the low taxed entity) has not implemented the global minimum tax rules to collect the top-up tax.

Most other countries globally are still in the progress of implementing the global minimum tax rules. Most are adopting a staggered implementation of introducing the main rules from 2024 and the supplementary UTPR one year later from 2025 at the earliest. For instance, the EU only plans to implement the UTPR for fiscal years commencing on or after January 1, 2025, and the UK has reserved its decision on the effective date of the UTPR. While these countries have announced plans to implement the main rules from 2024, if there are any delays to this intended timetable, there could be adverse consequences for any EU parented group operating in Korea. As such, there are growing concerns among foreign MNEs that have business operations in Korea over the application of UTPR from 2024. If Korea applies the UTPR from 2024, this could result in multinational groups

having to pay substantial additional taxes in Korea with respect to business operations that have no connection with Korea.

Recommendation

It is recommended that Korea delay the effective date of the UTPR until 2025. This would be consistent with the approach adopted by other countries globally and would minimise any potentially significant adverse implications for inbound multinational groups if the rules are implemented in 2024 before other countries have implemented the main rules in their domestic tax legislation.

Relevant Act/Regulation	Law for the Coordination of International Tax Affairs ('LCITA') Article 70
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) (Tax Policy Division)
Recommendation Status	New

2. Tax Exemption on Qualified Housing Benefit for Foreign Employees

Issue

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 with 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 January 1, 2024 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 January 1, 2024.

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 January 1, 2024.

Relevant Act/Regulation	Enforcement Decree to the Income Tax Act Article 17-4
Responsible Authority & Division	Ministry of Economy and Finance (MOEF) (Tax Policy Division)
Recommendation Status	Retained

3. Deductions for Overseas Education Fees	<u>Issue</u> 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 nationals residing in Korea are not eligible for such deductions.
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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

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Tourism

6

Total Key Issue

1. Facilitating the Reduction of Disposable Plastic Use in the Hospitality Sector	<u>Issue</u> According to the current Resource Recycling Act, hotels with more than 50 rooms are prohibited from providing disposable amenities free of charge. Other single-use, plastic items such as water bottles are currently exempt from these regulations however many hotels are working hard to suppress their use as they make up a substantial amount of plastic waste generated by the hospitality sector.
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The use of glass containers as a sustainable alternative has become a global standard for many in the industry. However, as there are few domestic suppliers able to provide non-plastic recyclable containers, the only option now is to continue to use plastic. Moreover, due to this lack of supply, the price of procuring such alternatives may be too much.

Not only does this pose as a challenge for hotels to fully adopt zero-waste policies and practices, it also may hinder the Korean government from making progress in pursuit of the sustainable development goals it has committed to (i.e. 09. Industry Innovation and Infrastructure, 11. Sustainable Cities and Communities, 12. Responsible Consumption, 13. Climate Action, etc.)

Recommendation

It is recommended that clear incentives be put in place to encourage and support suppliers in developing sustainable alternatives to plastic.

In doing so, the production and sale of recyclable containers could become more attractive and competitive, and the use of plastic water bottles and other single-use plastic items commonly used in the hospitality sector across nation can be greatly reduced.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Law on the Promotion of Saving and Recycling of Resources (Article 10) • Korean National Sustainable Development Goals (K-NSDG 2018) • The Tourism Promotion Act (Chapter V)
Responsible Authority & Division	Ministry of Environment (ME), Ministry of Culture, Sports, and Tourism (MCST)
Recommendation Status	New

2. Issue
 Increasing Availability of Sustainable Seafood Options for the Hospitality Sector
 The hospitality industry has been very keen to support local efforts to promote eco-friendly tourism and achieve Korea's Sustainable Development goals. In line with goals 11 (Sustainable Cities and Communities), 12 (Responsible Consumption), and 14 (Life Below Water), hotels have been actively seeking suppliers of certified sustainable seafood for their food and beverage services.

Certified Sustainable Seafood is currently available in the market through the Aquaculture Stewardship Council (ASC) and Marine Stewardship Council (MSC). However, due to the cost of implementation and certification, many fisheries and fish farms still do not adopt these standards. As such, procurement of sustainable seafood is difficult and costly.

Recommendation
 Government quotas on fishing stocks and the implementation of certified (3rd party) sustainable fishing and procurement practices are mandatory in Europe.

It is recommended that the local government create similar incentives for local fisheries, including grants and other support to facilitate the implementation of these standards across the industry.

In doing so, not only will it help the hospitality and tourism industry in Korea in its efforts to become eco-friendlier and more sustainable, it is also expected to promote the sustainability and continued future prosperity of the local fishing industry.

Relevant Act/Regulation	<ul style="list-style-type: none"> • The Seafood Industry Promotion and Support Act • The Tourism Promotion Act (Chapter IV and V)
Responsible Authority & Division	Ministry of Oceans and Fisheries (MOF), Ministry of Culture, Sports, and Tourism (MCST)
Recommendation Status	New

3. Issue
 Resolving Staffing Shortages in the Tourism and Lodging Industry
 In recent years several industries in Korea have faced a shortage of staff due to a variety of factors.

The Korean government has been taking steps to support industries that are suffering from a lack of personnel through allowing companies to hire more foreign workers to fill these gaps.

One such solution to this problem has been the recent changes to the E-9 visa system. The following five industries with labour shortages are now able to employ foreign staff via the E-9 visa system subject to conditions:

- Manufacturing (E-9-1): Small and medium-sized enterprises in the root industry or general manufacturing industry;
- Construction (E-9-2): Construction Site;
- Agriculture/Livestock (E-9-3): Crop cultivation, livestock, and related service industries;
- Fishing (E-9-4): Coastal and offshore fishing, aquaculture, salt collection;
- Service (E-9-5): Construction waste disposal, refrigeration and refrigeration warehouses, recycling materials collection and sales, publishing (books, music)

The Tourism and Lodging industry is experiencing similar manpower shortages, particularly in the post-covid era. Despite this being the case, it has not been included in the list of industries above and as a result of this and other regulations and requirements (such as Korean language level requirements) it is very difficult to employ foreign staff in the sector to meet the industry's needs.

Recommendation
 As announced by the government on June 5, 2023, a dedicated task team will conduct a survey on the supply and demand of manpower in the Tourism and Lodging industry this year to assess the degree of suffering from labour shortage.

The ECCCK commends these efforts and recommends that the E-9 visa system be reviewed and amended to include the Tourism and Lodging industry to provide relief from this issue and to help to revitalise the tourism sector post-covid in Korea more quickly and efficiently.

It is also recommended that the government consider the establishment of initiatives that will allow for foreign students and working holiday visa holders to undertake Korean language training programmes while working as trainees in the industry. Such programmes have existed in other countries: for example, China has allowed graduates from other countries to do full-time paid work as management trainees in hotels while studying mandarin at local universities on long-term student visas. Similarly, working holiday visa holders may take up work placements at hotels in Japan without initially having strong Japanese language skills.

Should the Korean government consider these solutions it will be able to provide much needed support to the industry and can capitalise on the benefits multicultural and multilingual staff can bring to the local tourism sector.

In doing so, it will be more able to efficiently fulfil its goals in successfully promoting Korea as a key tourist destination, promote Korean language learning and increase its capacity to successfully host large-scale global events and conferences such as the Busan World Expo.

Relevant Act/Regulation	<ul style="list-style-type: none"> • Notification of decisions made by the Foreign Workforce Policy Committee in accordance with Article 5 of the 'Act on Foreign Workers' Employment, etc.' (37th/36th) • The Tourism Promotion Act (Section 7)
Responsible Authority & Division	Ministry of Employment and Labor (MOEL), Ministry of Culture, Sports, and Tourism (MCST)
Recommendation Status	New

4. Introducing and Developing Local Regulations Regarding Sustainable Aviation Fuel	<p><u>Issue</u></p> <p>The Tourism Sector accounts for roughly 8% of the world's carbon emissions and nearly 50% of the carbon footprint of global tourism is the result of transportation, mostly aviation-related.</p> <p>Now that travel and tourism activities have resumed in the post-covid era, bold steps need to be taken to ensure airlines can reduce their emissions and support national efforts to achieve net-zero goals.</p>
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Other countries including the US have introduced policy support measures such as tax incentives to promote the expansion of SAF

use and reduction of greenhouse gas emissions from aircrafts.

Moreover, in April 2023, the European Commission proposed a Sustainable Aviation Fuel Blending Mandate for fuel supplied to EU airports in order to transition the industry from a minimum of 2% blended SAF use in 2025 to 100% SAF use by 2030.

Despite this global movement towards SAF production, regulation, and use in other countries/regions, there are still currently no regulations, equivalent carbon credit schemes, or government incentives to encourage nor facilitate the transition locally.

The absence of such a framework and public awareness has resulted in airlines lacking the motivation to shift to greener alternatives and even if SAF is purchased for use, there are no clear local guidelines or regulations under which to categorise SAF for tax declaration purposes.

Overall, this poses a significant barrier to both airlines and the Korean government as they are not able to move forward quickly and efficiently in pursuit of effective carbon reduction goals.

Recommendation

The expansion of the bio-jet fuel supply is widely regarded a key part of the decarbonising process of, not just the aviation sector, but the tourism sector as a whole.

Given this, the ECCK recommends the Korean government take steps to introduce and develop local regulations regarding SAF in harmonisation with international mandates and standards.

Although SAF is currently more expensive than fossil-based jet fuel, future economies of scale production is predicted to result in long-term cost savings.

Support from the Korean government through the establishment of such a framework could help expedite this process and in turn, domestic and foreign airlines alike could make the changes needed that will help Korea meet its net-zero goals.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Ministry of Land, Infrastructure, and Transport (MOLIT)
Recommendation Status	New

5. Issue
Improving Connectivity and Transfer Options for the Tourism Sector

2023-2024 has been officially designated the year of travel to Korea and the Korean government is taking great steps towards revitalising the tourism industry post-covid.

Despite such efforts, there still remain issues with connectivity and transfer options that has a significant effect on inbound international travel and tourism and the recovery of the sector as a whole.

The separation of transfer options between Incheon and Gimpo Airport is a good example of this and has a considerable impact on inbound international travelers: Currently there is no KTX availability from Incheon airport and the few domestic transfer options available are costly, infrequent, and limited in destination. Gimpo, on the other hand, has considerable domestic transfer options available, however inbound international travel is limited to the immediate region (Taiwan, Japan, etc).

Tourism trends across the sector have shown a gradual move away from group travel bookings to individual 'a la carte' and 'workation' type travel. Moreover, it is recognised that global interest in Korean culture has greatly increased, resulting in more inbound international travelers from all over the globe.

Travelers unfamiliar with the local transportation system and language may find it more difficult to access areas across the country that could benefit from a boost of tourism (e.g. the areas promoted by Ministry of Culture, Sports, and Tourism) and/or for key international events (e.g. Busan World Expo).

Recommendation

It is recommended that the Ministry of Culture, Sports, and Tourism collaborates with the Ministry of Land, Infrastructure, and Transport to establish a long-term transfer and connectivity plan. For maximum impact, it is also recommended that this be done in consultation with locally based foreign travel and tourism enterprises that can provide valuable input from an international perspective.

In doing so, not only will this help to facilitate and boost inbound international tourism, Korean and Foreign tourism businesses alike will be better able to recover, expand, and prosper across the country.

Relevant Act/Regulation	N/A
Responsible Authority & Division	Ministry of Land, Infrastructure, and Transport (MOLIT), Ministry of Culture, Sports, and Tourism (MCST)
Recommendation Status	New

6. Issue
Limitation of External Hotel Signage

In contrast to normal office buildings and signages, it is of the utmost importance for hotels, to make potential customers aware of their business and attract them. However, the external signages for hotels are regulated as such that hotels are limited to two (2) external building signages with a width not exceeding half of the building width. This limitation in some cases causes bad visibility due to small letters.

Recommendation

It is recommended that this limitation be reviewed and more flexibility allowed, especially in the case of hotels with small building widths.

Relevant Act/Regulation	Enforcement Decree of The Act on The Management of Outdoor Advertisements, etc. and Promotion of Outdoor Advertisement Industry
Responsible Authority & Division	Ministry of Culture, Sports, and Tourism (MCST)
Recommendation Status	Retained

Abbreviation

Abbreviation	Abbreviated	Expanded
	ABV	Alcohol by Volume
	ARECs	Act on Registration and Evaluation of Chemicals
	ASC	Aquaculture Stewardship Council
	BBCHP	Bare Boat Charter-Hire Purchase
	B/L	Bill of Lading
	CGMP	Cosmetic Good Manufacturing Practice
	DREC	Drug Reimbursement Evaluation Committee
	EBL	Electricity Business License
	EC	European Commission
	EEZ	Exclusive Economic Zone
	EIA	Environmental Impact Assessment
	EMS	Express Mail Service
	EV	Electric Vehicles
	FAS	Fleet Average Systems
	FMCG	Fast Moving Consumer Goods
	GENCO	Generation Company
	GHG	Greenhouse Gas
	HCP	Healthcare Professionals
	ICER	Incremental Cost-Effectiveness Ratio
	KBA	Federal Motor Transport Authority in Germany
	KENCIS	The Korea Emission & Noise Certification Information System
	K-NSDG 2018	Korean National Sustainable Development Goals
	LOI	Letter of Intent
	LSD	Lysosomal Storage Disorders
	MPS	Mucopolysaccharidosis
	MSC	Marine Stewardship Council

Abbreviated	Expanded
MSDS	Material Safety Data Sheets
NDC	Nationally Determined Contributions
NOx	Nitrogen Oxide
OPPW	Occupancy or Use Permit of Public Waters
OSHA	Occupational Safety and Health Act
OTC	Over-The-Counter Medicine
PE	Pharmacoeconomic Evaluation
PM	Fine Dust
PVA	Price-Volume Agreement
RIC	Resin Identification Code
RO	Recognised Organization
RSA	Risk Sharing Agreement
SoC	Substance of Concern
SPC	Special Purpose Companies
STTCL	Special Tax Treatment Control Law
TSN	Trade Secret Names
VAT	Value-Added Tax
VIN	Vehicle Identification Number

Organisations

Abbreviation	Organisations	Expanded
ACRC	Anti-Corruption and Civil Rights Commission	
DAPA	Defense Acquisition Program Administration	
FSC	Financial Services Commission	
FSS	Financial Supervisory Service	
FTC	Fair Trade Commission	
GIAK	General Insurance Association	
HIRA	Health Insurance Review and Assessment Service	
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	
KEPCO	Korea Electric Power Corporation	
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	
KOREC	Electricity Regulatory Commission	
KOSIS	Korean Statistical Information Service	
KTC	Korea Testing Certification Institute	
KTL	Korea Testing Laboratories	
KTR	Korea Testing & Research Institute	
MAFRA	Ministry of Agriculture, Food and Rural Affairs	
MCST	Ministry of Culture, Sports, and Tourism	
ME	Ministry of Environment	
MFDS	Ministry of Food and Drug Safety	
MOEF	Ministry of Economy and Finance	
MOEL	Ministry of Employment and Labor	
MOF	Ministry of Oceans and Fisheries	
MOGEF	Ministry of Gender Equality and Family	
MOHW	Ministry of Health and Welfare	

Abbreviated	Expanded
MOIS	Ministry of the Interior and Safety
MOLEG	Ministry of Government Legislation
MOLIT	Ministry of Land, Infrastructure and Transport
MOTIE	Ministry of Trade, Industry and Energy
MSIT	Ministry of Science and ICT
MSS	Ministry of SMEs and Startups
NFA	National Fire Agency
NHIS	National Health Insurance Service
NIER	National Institute of Environmental Research
NSSC	Nuclear Safety and Security Commission
NTS	National Tax Service
OPC	Office for Government Policy Coordination
OSHRI	Occupational Safety and Health Research Institute
PCIP	Presidential Council on Intellectual Property
QIA	Animal and Plant Quarantine Agency
TPRC	Transportation Pollution Research Center
VCI	German Chemical Industry Association

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