

January 5, 2024

## FIRST GOVERNMENT REPORT IN 2024 ON THE AGENDA FOR ECONOMIC POLICY IN KOREA

On January 4, 2024, the government held a townhall discussion on the topic of a robust economy and announced the Agenda for Economic Policy in 2024. Bae, Kim and Lee ("BKL") has compiled and examined the specific areas where businesses may improve performance and responses to regulations by actively engaging in discussions with relevant governmental authorities.

BKL's Government Relations (GR) Solutions Group is comprised of lawyers with substantial legal knowledge and a wealth of experience in dispute resolution across various fields, and our professionals have accumulated experience at the working and policy-making level across multiple levels in the government and the National Assembly. Based on such experience, the GR Solutions Group supports companies to participate in policymaking or legislative processes that may have a critical impact on business operation and decision-making, and offer advice on lawful alternative dispute resolution methods to change unreasonable existing laws and regimes.

### I. SUMMARY AND IMPLICATIONS OF THE 2024 ECONOMIC POLICY AGENDA

The main themes of the 2024 Agenda for Economic Policy are "people's livelihood" and "structural reform for continuous growth," which consist of four detailed policies, including:

- A. Recovery of the people's livelihood
- B. Management of dormant risk
- C. Implementation of a dynamic economy
- D. Inclusion of future generations

It appears that the government will present the general framework for economic policy while allowing businesses to have the opportunity to prepare specific measures that reflect economic realities to participate in the decision-making process of the national and local governments in the course of policymaking.

With respect to the most important policy objective, "recovery of the people's livelihood," the government's priority is to stabilize prices and standard of living. However, the government is expected to pursue said objective not through regulations, but by monitoring the impact businesses have on prices and any unfair practices while promoting transparency.

On the other hand, in order to foster growth of local economies and investment in the construction sector, the government is proposing to create business promotion zones such as special districts for development. Such efforts will be initially led by proposals and applications from local governments and ministries of the government, but will also require input from companies.

Within the objective of “management of dormant risk,” the government is expected to strengthen support for businesses to mitigate the impacts of the real estate project financing, which is currently the most significant risk faced by the Korean economy.

In order to “implement a dynamic economy” the government intends to continue its efforts to deregulate the economy through the efforts of the task force specifically designed to repeal overly burdensome regulations while pursuing the growth of high-tech industries by eliminating barriers to entry into sectors such as semiconductors, secondary batteries, bioindustry and mobility.

In the course of implementing the aforementioned policies, businesses have an opportunity to take a proactive role by understanding the government’s policy direction and developing reasonable measures in response thereto.

## **II. DETAILED POLICIES OF THE 2024 ECONOMIC POLICY AGENDA**

The direction of the 2024 economic policy is quite broad in terms of its content and scope, but the following items are targeted to have achieve limited goals through specific measures, such as by improving the management environment and responding to regulations, through active consultations with relevant departments.

The detailed agenda by each sector are expected to be further developed through business reports released by department and subject, so careful monitoring and discussion will be necessary.

## **III. RECOVERY OF THE ECONOMY**

### **A. Stabilizing Prices and Standard of Living**

1. Continue comprehensive responses to achieve prices in the 2% range in the first half of 2024 by monitoring unfair competition within market of every day commodities and improve restrictions to competition in sectors such as oil, alcohol, telecommunications equipment, finance, apartment bidding, pork distribution, and OTT services.

### **B. Accelerated Recovery of Domestic Demand and Exports**

1. Promote domestic tourism by increasing support for local and foreign travelers
2. Support goal of USD 700 billion in exports and USD 57 billion for overseas contracts in 2024
  - Expand legal capital of the Export-Import Bank of Korea and establish a special program for large-scale contracts
  - Induce participation of private financing in large-scale contract projects
  - Enhance method of winning overseas contracts by expanding equity investments through the Korea Infrastructure Urban Development Corporation (KIND)
3. Support companies from tax, finance and regulatory perspectives, especially within major industries such as semiconductor and shipbuilding, and new high-growth industries such as data and bioindustry
  - Continuous search of delayed corporate investment projects through regional investment support task force

- Cooperate with economic organizations, associations and local governments in order to resolve investment challenges
- 4. Promotion of investment in local economies and the construction industry by creating special districts to boost employment, education and urban culture

#### **IV. DORMANT RISK MANAGEMENT**

##### **A. Mitigation of Risks relating to Real Estate Project Financing**

1. Examine challenges for each project financing project and strengthen management and support, including by facilitating restructuring of insolvent and potentially insolvent businesses
  - Consider purchase of relevant project site by Korea Land and Housing Corporation (government-owned entity) or by private company
  - In the event of partial deficiency in business feasibility, the Project Financing Normalization Fund (KRW 2.2 trillion) to facilitate the purchase and re-structuring of projects to provide immediate stabilization

##### **B. Secure Supply Chain Stability**

1. Actively respond to supply chain risks through establishment of the supply chain committee (policy review and coordination), operation of immediate response team and collection of funds
  - Designate 200 key items for economic security and development of technology for core materials and strengthen capacity for resource development by raising additional funds of up to KRW 10 trillion
  - Increase the supply scale of the supply chain stabilization program of the Export-Import Bank of Korea (KRW 20 → 22 trillion) and extend raw materials import insurance by K-Sure until 2024

##### **C. Improvement of Financial Stability**

1. Enhance customized support for companies at risk
  - Introduction of incentives under the Special Act on the Corporate Revitalization to facilitate voluntary corporate restructuring between large and small-medium enterprises

#### **V. IMPLEMENTATION OF A DYNAMIC ECONOMY**

##### **A. Strengthen Ecosystem for Innovation**

1. Push for drastic deregulation to promote corporate innovation
  - Continued efforts to repeal overly burdensome regulations that pose significant obstacles for investment
  - Overhaul of regulations relating to regulation sandboxes so that products and services in developing industries can be quickly launched into the market

**B. Accelerated Development of High-tech Industries**

1. Establish a comprehensive plan to support specialized complexes and create an additional state-of-the-art complex to create a bio-innovation ecosystem
2. Invest at least KRW 150 trillion over the next 3 years through policy financing in 5 core technology industries (i.e. semiconductor, battery, bioindustry, future mobility and hydrogen)
3. Invest KRW 3 trillion in existing innovation growth funds to new industries and high-growth small and medium-sized enterprises, and attract new investment of KRW 3 trillion in 2024

**C. R&D Innovation to Create a Global Hub of Science and Technology**

1. Expand incentives to attract global R&D centers (e.g., designate global R&D centers as a foreign investment area, increase the reduction rate of lease payments to 70% and the applicable reduction period from 5 years to 10 years)
2. Revise the preliminary feasibility assessment system to shift the focus to innovative and pioneering R&D

**D. Strengthen Growth of Small and Medium-sized Business and Accelerate Growth of Venture and Start-up Ecosystem**

1. Active investment in funds and strengthen venture investment incentives
2. Encourage M&A through deregulation and tax support
  - Ease restrictions such as regulation on the calculation of merger value between non-affiliates and regarding M&A related loans by financial investment companies
3. Pursue development of high-growth and youth-friendly sectors
  - Strengthen competitiveness and support advancement of OTT in Korea within foreign jurisdictions and establish a plan to secure IP of production companies
  - Pursue enactment of the Framework Act on Service Industry Development to promptly establish a systematic support base for the service industry

**E. Guarantee Fair Opportunity**

1. Increase market dynamics through deregulation of competitive restrictions such as barrier to entry
  - Strengthen competition in the liquor manufacturing and distribution process by rationalizing the liquor license system and simplifying the liquor tax reporting system
2. Prohibit abuse of superior bargaining power and anti-competitive acts
  - Devise institutional measures to promote fair competition in the platform sector, including prohibition of abuse of power by dominant platforms (e.g., preferential treatment of affiliates, restrictions on multi-homing)

## VI. INCLUSION OF FUTURE GENERATIONS

### A. Response to Population and Climate Crisis

1. Implement carbon-neutral policies through spread of carbon-free energy and acceleration of low-carbon conversion
  - Promote the electric vehicle industry by increasing subsidies based on vehicle performance to improve performance and encourage innovation
  - Develop an organic ecosystem, including the application of allotment tariffs on essential raw materials for secondary batteries such as electrodes and anode-active materials
2. Enhance infrastructure support for climate response, such as green finance and emission control system
  - Establish a plan that takes into account Nationally Determined Contribution, such as increase of paid allocation, expansion of benchmark allocation and prevention of excessive allocation of exhaust permits
  - Establish a roadmap to develop the emissions trading market by increasing market participants, introducing derivative transactions and improving the auction system for paid allocation
  - Introduce a system in which the government guarantees fixed emission allowance price for a certain period of time when a company adopts innovative low-carbon technology to reduce uncertainty from low carbon innovation technology investments

BKL provides comprehensive services, including legislative, policy-making and enforcement services, to support a wide range of transactions between economic players by combining its outstanding legal knowledge with the GR Solutions Group's insights of legal and policy experts from the National Assembly.

We will continue to distribute newsletters after each government announcement of various policies by sector that require proactive attention and responses throughout the year, so please look forward to the next newsletter.

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For any inquiry or questions regarding the content of this newsletter, please contact us.

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## Related Professionals

### Byong Yol Woo

Senior Foreign Attorney

T 82.2.3404.6990

E byongyol.woo@bkl.co.kr

### Sodam Kweon

Partner

T 82.2.3404.7651

E sodam.kweon@bkl.co.kr