

# Preface

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In the early stages of export-oriented industrialization, the Korean government shared the investment risks of private-sector firms, encouraged firms to invest for international competitiveness and regulated dominant firms to prevent abuses. The Monopoly Regulation and Fair Trade Act was promulgated in 1981, but the ensuing liberalization was asymmetric. Restrictions and investment controls were relaxed, and conglomerates expanded aggressively through debt financing. The combination of weakening control and continuing government guarantees helped to set the stage for economic crisis in 1997. After many large business groups failed, firms reassessed investment risks and increasingly focused on building core competence.

The 1981 Act was supplemented through amendments and other changes in line with the increasing competition-advocacy role of the Fair Trade Commission. The 1999 Omnibus Cartel Repeal Act removed legal exemptions for some 20 cartels. The same year, the legal standard for anticompetitive practices was changed from substantial restraint to unreasonable restraint of competition, making it no longer possible to defend a restrictive agreement on the grounds that it has an insignificant actual effect.

During the subsequent two decades, there has been a shift in emphasis from industrial policy to competition policy, with increasing reliance on market mechanisms. Many industries are still highly concentrated, however, and market concentration began increasing again. The Fair Trade Commission is committed to its competition-advocacy role, but institutional legacies tend to affect progress on core competition issues and efforts to make markets work better for consumers.

In the context of these issues, the Korea Development Institute and the East-West Center organized a study titled “Competition Law and Economics: Beyond Monopoly Regulation.” An international team of market experts compared market structures, with particular reference to the impacts of foreign competition on market concentration and ways to improve market structure. They also examined core competition issues,

including international experience with abuses of dominance, mergers and collusion, and vertical restraints. Their findings, presented in this book in both global and Korean contexts, will be helpful for better understanding the problems and designing future policies.

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