



The Korea Chamber of Commerce and Industry

Public-Private Deregulatory Taskforce

Troubleshooting Problems on Every Aspect of Business



**The Korea Chamber
of Commerce and Industry**



**Presidential Council
on National Competitiveness**



Best Unconventional Project 2011



EXECUTIVE SUMMARY

The Presidential Council on National Competitiveness (PCNC) was set up in 2008 when the current Korean government came to office. The creation of the PCNC had two objectives. The first was to transform the conditions of trade and manufacture in Korea. The second, more practical, was to see the PCNC as a decisive troubleshooter of problems affecting businesses.

An effective communication channel between decision- and policy-makers in business management and government agencies emerged as an essential component of the PCNC activity. The Korea Chamber of Commerce and Industry (KCCI) proposed for a public-private initiative, in support of the public cause which cannot be dealt with by the government alone. Subsequently, the Public-Private Deregulatory Taskforce (hereinafter referred to as the “Taskforce”) was jointly established by the KCCI and the PCNC in April 2008.

The Taskforce is charged with a fieldwork to identify business concerns and the ensuing efforts to come up with solutions in consultation with the relevant government authorities. Its cooperation mechanism is backed by 71 regional chambers as well as some 1,000 industry associations based in Korea. Relentless efforts of the Taskforce bore fruit as 1,347 issues have been resolved with far-reaching effects in the areas of location, environment and others, among which 714 cases were successfully turned into laws, decrees and regulations.

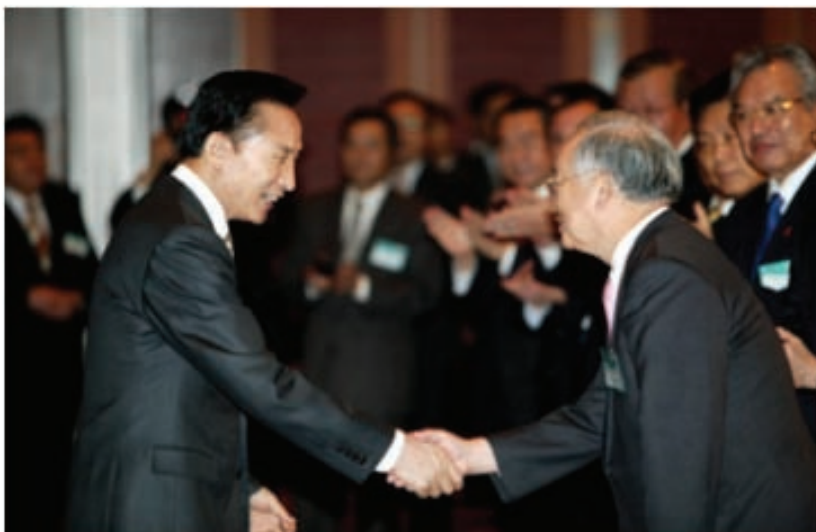
Beyond dispute the Taskforce now has a reputation for its optimal troubleshooting approach, thereby making a remarkable contribution to increasing investment, creating job and alleviating corporate burden. The KCCI also enjoys a boosting effect in membership satisfaction, new subscription and prestige reputation. The Taskforce became the most highlighted activity of the KCCI and has received wide attention from the government, businesses and media.

BACKGROUND

The current government was inaugurated in 2008 against the backdrop of the people's yearning for reinvigoration of the Korean economy. Consequently, it adopted a strategy that re-focused priorities on competitiveness and growth. Korea's national competitiveness level at the time remained at the staggering level of 30th for the past ten consecutive years, in contrast to the good performance of its neighbors. The government has been alerted to the possibility that Korea's growth potential would be eroded by a "sandwich" effect of being squeezed between advanced and developing economies, declining birth rate and the accelerated aging of society.

The newly elected President of Korea Lee Myung-bak responded to these challenges by establishing the Presidential Council on National Competitiveness (PCNC), for better regulation in the aspect of removing unnecessary barriers in business.

The PCNC adopted a two-track approach to meaningful use. The first track reforms systems to overhaul the basic underlying framework while the second delivers deregulation to tackle specific areas of concern for businesses. Redesigning of a nation's systems to bolster competitiveness requires time and patience as it is a consensus-building exercise in social and political sense. Thus, the PCNC found it necessary to take swift deregulation measures on a parallel track to identify and resolve issues that hamper business.



Addressing on-site issues, however, requires close relationship between the businesses (demand side) and the government (supplier side). Less will be achieved by efforts of the government alone, bearing in mind there needs to be a channel of two-way communication for listening and action-taking between the government and businesses.

Accordingly, the KCCI proposed for a separate organization dedicated to improving business on-site issues, which resulted in the joint establishment of the Public-Private Deregulatory Taskforce by the KCCI and the PCNC in April 2008.

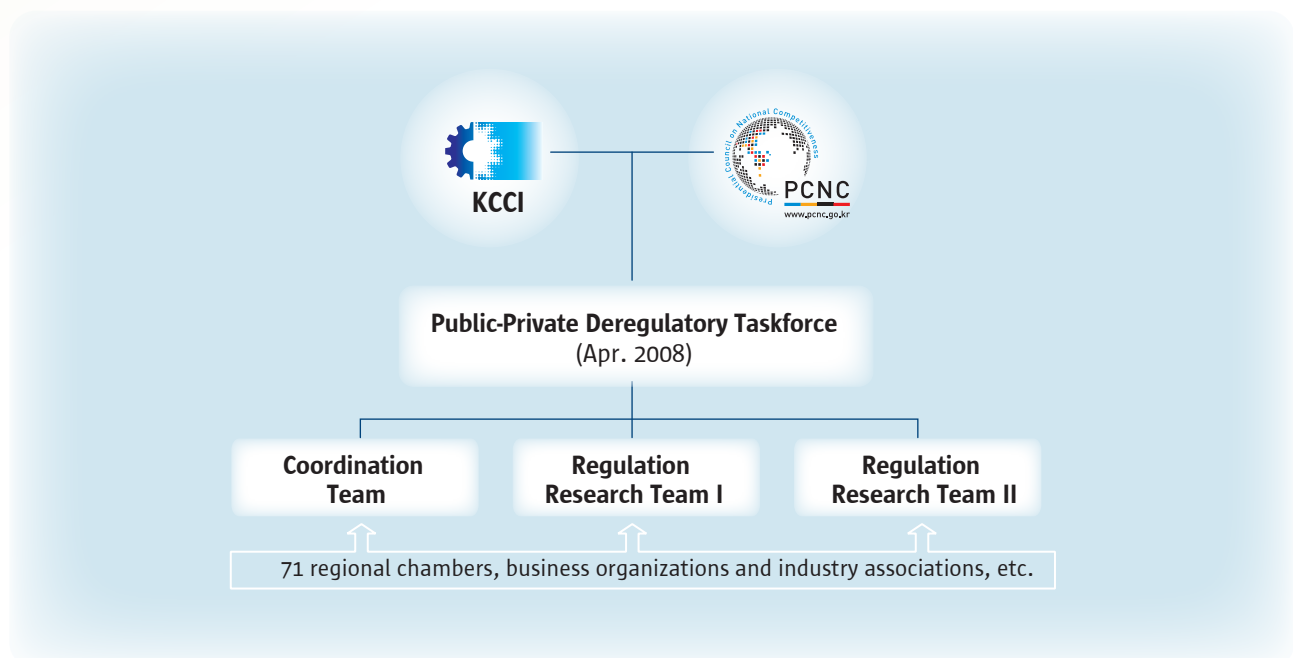
The KCCI is the only comprehensive business organization in Korea that encompasses companies of all sizes, in all industries and at all locations. More than 120,000 companies subscribe to a total of 71 regional chambers under the KCCI network. Moreover, the KCCI's close ties with other business organizations and industry associations make it the best candidate for the Taskforce.

STRUCTURE AND FUNCTION

Organization

The Taskforce is co-chaired by the vice chairman of the KCCI and a high-level government official, and staffed with experts from the KCCI, research institutes and private organizations.

Acting a primary liaison in the Taskforce, the government representative utilizes his field knowledge to persuade the officials in charge so that prompt action can be taken against current business issues. The high-level participation is designed to fight reluctance or delays on the part of the public officials when confronted with private-led initiatives.

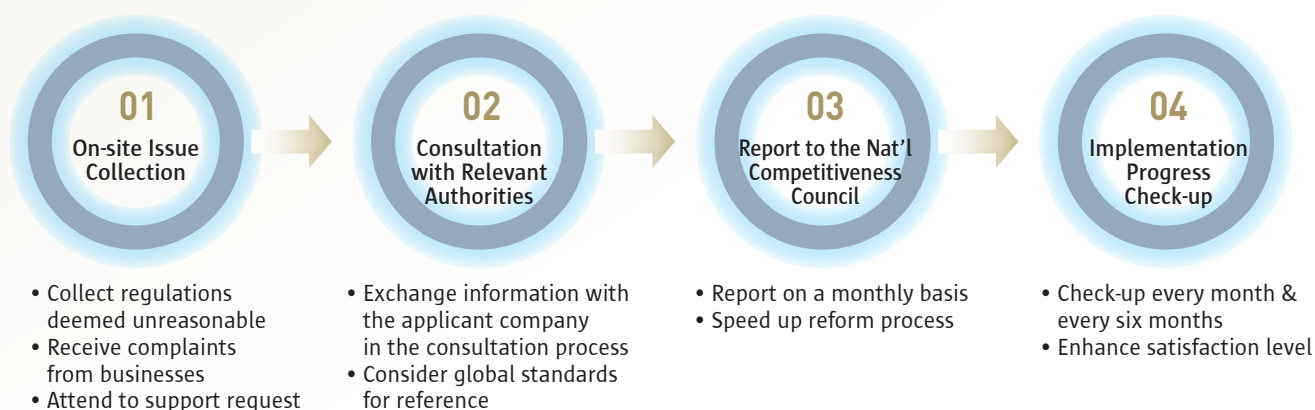


Function

The Taskforce maintains a strong focus on deregulation coming from the bottom up. Some of the activities tasked to the KCCI include on-site issue collection, response formulation and implementation progress check-up.

The Taskforce also supports the PCNC through making recommendations related to important laws and regulations, recent effort of which covers the areas of medicine, education and other service sectors as well as the rigid labor market.

Workflow



<Workflow of Issue Resolution Process>

On-Site Issue Collection

Field visits and industry roundtable meetings are set up to listen to what each company has to say. To this date, the KCCI's 71 regional chambers hosted 86 roundtable sessions in 52 regions, while the Taskforce organized 200 roundtable meetings for 100 industries and separate sessions for foreign chambers in Korea.

Description	Regional Roundtable	Industry Roundtable
Apr. to Dec. 2008	26 sessions	65 sessions (29 industries)
Jan. to Dec. 2009	30 sessions	67 sessions (40 industries)
Jan. to Dec. 2010	30 sessions	68 sessions (57 industries)
Total	86 sessions (52 regions)	200 sessions (100 industries)

Consultation with Relevant Authority

First, the Taskforce takes a business-raised issue to the official in charge in the relevant ministry for response measures. As most issues require in-depth coordination and formulation of an alternative measure, there will be a series of follow-up meetings afterwards, at which the officials in charge, the relevant company's staff and experts will consider the global standards and determine reasonable measures for improvement.

Report to the PCNC and Progress Monitoring

The Taskforce reports its findings to the PCNC. So far, 11 reports have been set forth at the monthly PCNC meetings which are presided by the President of Korea.

The Taskforce monitors the progress to date on a monthly and half-year basis to make sure there are no lapses in implementation at the government level. When there is a time delay, the Taskforce will call in the official in charge to find out the cause and urge a swift action.

The progress status is notified to the relevant company in an effort to respond to the businesses needs (demand side). The Taskforce also promotes its activity to the general public to build up public confidence in government policies.

OUTCOMES AND ASSESSMENT

To this date, the Taskforce improved 1,374 cases after consulting 2,146 on-site issues with the relevant ministries. 714 cases were resolved through amendment of relevant laws, decrees and regulations, while many more will further be improved through legal reform measures.

The table below shows a breakdown of the outcomes. Business location and housing and construction turned out to be of the highest frequency. Moreover, a heavy concentration was found in management issues such as finance and taxation, environment and safety and inspection.

< Breakdown of Improvements >

(Unit: Cases, %)

Description	Total	Biz Location	Housing & Construction	Finance & Taxation	Environment	Labor	Safety & Inspection	Others
No. of Reviewed Cases	2,146	287	288	285	197	145	164	780
No. of Improvements	1,374	205	166	156	127	103	102	515
Achievement Rate	64.0	71.4	57.6	54.7	64.5	71.0	62.2	66.0

The following tasks are the main areas of the Taskforce:

- Relaxation of business site control to allow for ease of factory expansion
- Adjustment in stringent environment policies to reflect the realities and work out reasonable alternatives
- Streamlining government approval and business start-up procedures
- Rationalization of regulations and procedures pertaining to the construction industry
- Improvement of outdated safety and inspection, and certification requirements
- Resolution of regional business issues in consultation with regional governments

Most importantly, the Taskforce recommendations for core deregulation measures were reflected in the government's policy-making in the areas of big business control, thereby easing restrictions on commercial capital for owning banks and relaxing metropolitan area controls.

<Notable Examples>

- ✓ A pharmaceutical company located in Yongin City, Gyeonggi Province, benefitted from deregulatory measures targeting the metropolitan region. The company is now able to expand its facility to meet the new Good Manufacturing Practice (GMP), a requirement to become effective from 2012. Currently, the company is investing US\$ 168 million to build anti-cancer medicine and other facilities.
- ✓ A total of 68 companies obtained new facility permits as a result of relaxed location control for factories that do not discharge waste water in the upstream of regional water sources. Combined total investment of these companies amount to US\$ 72.4 million and 150 new jobs will be created as a result.
- ✓ Web-based public administrative services have been increased from 188 to 1,800, thus relieving corporate burden while using off-line services.

Assessment


The Taskforce is an unprecedented experiment in Korea, in that deregulation is pursued jointly by the private and public sectors. An organization of the same nature can rarely be found at a global level. The Taskforce is led by the KCCI that represents the business community and supported by the government. Since its establishment 3 years ago, the Taskforce has earned a reputation in Korea as the optimal system to address on-site business issues.

The Korean businesses positively evaluate the current government's deregulation policy as well as the Taskforce activity. The satisfaction level of businesses continues to rise, according to our survey.

The KCCI survey shows that 76.7% of companies that issued complaints to the Taskforce "benefitted" from its activity. Likewise, the overall satisfaction level to the government's deregulation policy rose from 9.1% in 2004 to 41.6% in 2010, respectively.



< KCCI Survey on Deregulation Satisfaction Level >



Korea's regulation reform receives high acclaim not only in Korea but also around the world. At the World Bank's Doing Business, the yearly survey on ease of doing businesses in 183 countries, Korea's ranking is moving up steadily from 23rd in 2008 (the inauguration year of the incumbent government), to 19th in 2009 and 16th in 2010, respectively.

Meanwhile, President Lee Myung-bak demonstrated his strong commitment to the Taskforce activity on numerous occasions. President Lee repeatedly mentioned that the Taskforce activity constitutes a vital part of the government's business-friendly policy and thus needs to continue.

The following are some of the comments from experts and businesses in Korea.

Kim, Shin (Korea Institute of Public Administration, Senior Researcher)

When it comes to regulation reform, the incumbent government is very different from the previous government in that its deregulation system has both the public and private components to it. This is a new experience even at a global level and needs to be pursued continuously in future.

Choi, Geum-ju (Korean Women Entrepreneurs Association, Chairwoman)

I am totally taken by surprise at the efforts of the Taskforce. An organization as dedicated as the Taskforce to resolve issues on behalf of SMEs will certainly be of great boost to the SME sector.

Park, Jin-suk (SLI Language Institute, Vice President)

A deregulation system that opens its ears to on-site business complaints is most befitting to the global era, and will bring benefits to individual businesses as well as the national economy.

IMPACT

New Investment and Jobs

When the Taskforce was established in 2008, economic situation began to deteriorate at home and abroad. In the following year, the world was hit by a financial crisis which began in the U.S to trigger a sharp downturn in the global economy.

Under these circumstances, the Taskforce made a positive contribution to Korean businesses by carrying out in-depth analysis to formulate improvement measures on their behalf. Special attention was given to address issues related to business location and environment, leading to new investments and jobs created by the corporate sector.

Reduced Cost and Time

Regulations related to approval, administrative investigation, inspection, testing and training were rationalized. The Korean government integrated overlapping procedures and abolished perfunctory or unnecessary inspections and training requirements. Moreover, the government reviewed and updated its administrative measures to reflect advances in commercial products and technology and thus reduced the businesses' cost burden.

New Mindset for Government Officials

The public officials of the central and regional governments, many of whom were criticized for being too passive, now engage actively in deregulation activities through the Taskforce system.

As the system for regulation reform develops, government ministries are setting up separate units within their organizations in support of the Taskforce activity. Regional governments also engage with the Taskforce to address the problems of companies based in their respective regions.

New Role for Chambers

As the Taskforce come to function as a "comprehensive channel" of deregulation policy-making in Korea, the KCCI is subsequently enjoying an enhanced presence. In its third year of operation, the Taskforce activity has become a vital part of the chamber operation in Korea, amid wide attention of the government, businesses and media.

The regional chambers are also assuming an active player role as a "mini Taskforce." There had been various stumbling blocks to regulation reform in the past, but regional chambers are now actively relaying recommendations of their member companies to the Taskforce and dealing directly with regional governments on issues of regional concern.

The Taskforce activity also contributes to enhancing the membership satisfaction level of the chambers because the nature of a public-private system allows the chambers to consult directly with, and advocate business interests to the government.

The activity also proved to be an element of strength for the KCCI in expanding its membership subscription. As a matter of fact, KCCI's membership has been increased significantly since the establishment of the Taskforce.



< KCCI Membership Status >

IMPLICATIONS

Closer Cooperative Relationship with the Government

The success of the Taskforce lies in its ability to establish and maintain a close cooperative relationship with the government. The Taskforce is the outcome of the government response to the KCCI proposal on how the business community could support business-friendly policy of the current government. The public-private system could not have achieved outstanding results without the strong commitment of President Lee and close coordination with the relevant ministries.

Low Cost & High Efficiency

The Taskforce activity is highly-efficient but extremely low in cost. Its annual budget is approximately U\$ 2 million, merely accounting for 1% of the KCCI budget, yet it is now regarded as the core component of the KCCI operation. Thus, chambers backed by same resolve around the world can easily take after the KCCI model without creating a heavy budgetary burden.

Suitability for the Chamber's Role

The Taskforce activity fits right in with the main function of a chamber, which can be none other than membership advocacy. Also, the KCCI's extensive regional network provides the necessary capability for the Taskforce in carrying out its activities. Consequently, the KCCI will seek to continuously strengthen the Taskforce function in future.