Competere Foundation

Executive Summary

Advice on Application of Competition Policy in Korea

Advice on Application of Competition Policy Against Large US firms in Korea

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Introduction

This document presents the key findings from two Competere Foundation reports, *Korean Economic Losses: Advice on Application of Competition Policy against Large U.S. Firms in Korea* and *U.S. Economic Losses from Korean Competition Policy*. These studies quantify the economic costs of Korea's current competition and digital-market policies, the Korea Fair Trade Commission's enforcement practices and the proposed Online Platform Markets Act, and their impact on both the Korean and United States economies.

The analysis applies the Singham Anti-Competitive Market Distortions (ACMD) Model to quantify the effect of Korean enforcement and regulation on GDP per capita. [1][2] It uses the Singham–Abbott Framework (derived from their book *Trade, Competition and Domestic Regulatory Policy*) for competition policy to assess how Korea's current approach to enforcement and the Online Platform Markets Act depart from an effects-based, consumer-welfare standard and to outline the reforms needed to restore growth and investment in both economies.[3]

The combined impact of Korea's competition enforcement and digital-market regulation amounts to losses of up to 469 billion dollars for Korea and 525 billion dollars for the United States over ten years.

Korean competition enforcement and the Online Platform Markets Act have imposed large and measurable costs on both the Korean and United States economies. Under current Korea Fair Trade Commission enforcement, Korea's GDP per capita is reduced by 10.24 percent, equal to losses of 175.4 billion dollars over ten years. The Online Platform Markets Act adds a further 12.6 percent, or 215 billion dollars. Together, these measures result in a total ten-year loss to the Korean economy of up to 469 billion dollars. This represents losses of up to 9,063 dollars per person and 22,657 dollars per household (using an average household size of 2.5 persons). For the United States, the same policy posture reduces GDP per capita by 1.085 percent, equal to 893 dollars per person and 300.8 billion dollars over ten years, with the Online Platform Markets Act adding 128 billion dollars. The combined effect results in total U.S. losses of up to 525 billion dollars over ten

[1] The full details of the SRB and SRB-γ ACMD models can be found in chapters 3 and 4 of Shanker A. Singham, *International Trade, Regulation and the Global Economy: The Impact of Anti-Competitive Market Distortions* (London: Routledge, 2025), https://www.routledge.com/International-Trade-Regulation-and-the-Global-Economy-The-Impact-of-Anti-Competitive-Market-Distortions/Singham/p/book/9781032944166.

[2] Shanker A. Singham and Alden F. Abbott, Trade, *Competition and Domestic Regulatory Policy: Trade Liberalisation, Competitive Markets and Property Rights Protection* (London: Routledge, 2023).

[3] Shanker A. Singham and Alden F. Abbott, "The Role of Consumer Welfare in Competition Implementation and Enforcement," in Trade, Competition and Domestic Regulatory Policy: Trade Liberalisation, Competitive Markets and Property Rights Protection (London: Routledge, 2023), chap. 3.

years, representing losses of up to 1,559 dollars per person and 3,897 dollars per household. These estimates are derived directly from the Singham ACMD Model used in both national studies.

I. The Problem: Form-Driven Enforcement and Precautionary Regulation

Korean competition enforcement has moved away from an effects-based consumer-welfare approach toward one driven by fairness rhetoric, form, and precaution. The result is a system that penalizes efficient conduct, blunts dynamic rivalry, and produces measurable economic loss.

The KFTC's recent practice has moved away from a consumer welfare analysis that is good competition practice and towards the European Union's more precautionary, structural approach, with a focus on discredited "big is bad" theories especially in platform markets. In this setting, dominance and success become grounds for suspicion, even where consumers benefit. Enforcement has relied on formal categories of abuse rather than demonstrable consumer harm, and regulation now codifies these tendencies in ex-ante rules that apply before any harm is shown.

The interaction between the two policy tracks compounds the problem. KOPMA introduces general obligations on platform design, data use, and business conduct that restrict flexibility and raise compliance costs. These rigidities are then cited in ex-post enforcement as evidence of dominance or exclusionary intent. Regulation creates the conditions for inflexibility, and enforcement treats that inflexibility as proof of market power. The cycle reinforces allocative, productive, and dynamic inefficiency, lowering welfare and investment in both economies.

Recent matters illustrate the pattern. Cases involving Qualcomm licensing, Google's Android anti-fragmentation agreements, One Store distribution exclusivity, Naver's search and shopping self-preferencing, Kakao Mobility's platform conduct, and Coupang's algorithmic retail practices have relied on form-based theories that would be difficult to sustain under an effects-based test requiring proof of consumer harm. In each instance, efficient business practices were treated as suspect, and the resulting remedies limited economies of scale and slowed innovation.

II. The Replacement: An Effects-Based System Anchored in Consumer Welfare

The corrective is the Singham–Abbott Framework derived from their book on Trade, Competition and Domestic Regulatory Policy. It re-anchors competition assessment in

consumer welfare and organizes enforcement around three measurable dimensions of efficiency.

Allocative efficiency focuses on price and output effects, ensuring that liability depends on measurable harm rather than market structure.
Productive efficiency guards against mandates that duplicate infrastructure or impose unnecessary costs that are passed through to consumers.
Dynamic efficiency makes innovation, interoperability, and investment explicit parts of enforcement and regulatory analysis.

Remedies under this framework are disciplined: narrow, behavioral, and directed at the conduct that caused harm. Structural outcomes are reserved for rare, durable monopolies where efficiency trade-offs are clear. The same discipline applies to public policy. Rules and regulations that distort entry or investment are treated as anti-competitive market distortions (ACMDs) and subjected to competition-advocacy review.

The Singham–Abbott New Media Economy extends the consumer-welfare framework to converged telecommunications, audiovisual, and internet markets, explaining how technological change and network effects alter competitive dynamics and why policy must account for economies of scale and innovation in these sectors.[4] It explains how the microprocessor revolution reduced transmission costs, shifted value toward content, and produced multi-sided platforms with strong network effects and economies of scale. In such environments, competition occurs "for the market," and interventions that fragment ecosystems or restrict scale reduce consumer welfare. The framework links these insights to international disciplines in trade, intellectual property, and investment, showing that precautionary regulation in digital markets can conflict with existing commitments on openness and non-discrimination.

III. The Logic: How Enforcement and Regulation Create Measurable Loss

The empirical relationship between policy design and welfare outcomes is quantified through the Singham ACMD model (the Model). The Model is a panel-data regression of the log of GDP per capita on annual data from 2010 to 2023 with country and year fixed effects. It links per-capita income to three pillars: international competition, domestic competition, and property rights. The elasticities derived from this analysis form the quantitative backbone of the study. The Model estimates the effect of changes in

[4] Shanker A. Singham and Alden F. Abbott, "Impact of the New Media Economy," in *Trade, Competition and Domestic Regulatory Policy: Trade Liberalisation, Competitive Markets and Property Rights Protection* (London: Routledge, 2023), chap. 14.

competition and property-rights conditions on GDP per capita. A one-point increase in each pillar leads to the following changes in per-capita income:

The Model estimates how changes in competition and property-rights conditions affect national income. It regresses GDP per capita on three policy pillars (domestic competition, international competition, and property rights) using data from 2010 to 2023 with country and year fixed effects. The fixed effects control for country-specific characteristics that do not vary over time and for global economic shocks that affect all countries equally, allowing the coefficients to capture the true relationship between policy conditions and income. The coefficients represent the percentage change in GDP per capita associated with a one-point improvement in each index.

Policy Pillar	Estimated Effect on GDP per Capita	Interpretation
Domestic competition	0.0803	One-point improvement in domestic competition increases GDP per capita by about 8%.
International competition	0.0637	One-point improvement in international competition increases GDP per capita by about 6%.
Property rights	0.0686	One-point improvement in property-rights protection increases GDP per capita by about 7%.

These results demonstrate that competition intensity and secure property rights are direct drivers of economic performance. The same relationships, when reversed, measure how policy distortions reduce income.

Applying the estimated elasticities to current policy conditions quantifies the losses arising from Korea's enforcement practices and the proposed Online Platform Markets Act, as well as the transmitted effects on the United States. The results show both the GDP-per-capita reductions and the corresponding ten-year national losses.

Economy	Channel	GDP-per-Capita Reduction	Ten-Year National Loss (USD)
Korea	KFTC enforcement	10.24%	175.4 billion
	KOPMA	12.6%	215 billion
	Combined (with 15–20% interaction)	≈22.8%	449–469 billion (midpoint ≈ 459 billion)
United States	Enforcement	1.085%	300.8 billion
	KOPMA	—	128 billion
	Combined	—	500–525 billion

The Model shows that Korea's enforcement and ex-ante regulation together reduce Korean GDP per capita by more than twenty-two percent, generating losses of up to 469 billion dollars over ten years. The corresponding impact on the United States reaches as high as 525 billion dollars over the same period. The interaction between enforcement and regulation explains why these combined losses exceed the sum of the individual components. Regulation creates rigidities that later appear as evidence of dominance, prompting additional enforcement that further constrains output, investment, and innovation.

IV. The Solution: Integrating the Framework and the Model; locking into US-Korea Trade Deal

The Model measures the cost of Korea's current competition enforcement and ex-ante regulation. These policies reduce income in both Korea and the United States through lower scale, weaker innovation, and restricted market access. The Singham–Abbott Framework and the New Media Economy set out the reforms needed to correct these losses by restoring a consumer-welfare standard in competition enforcement, removing regulatory distortions, and establishing the conditions for a more open and balanced digital and trade relationship between Korea and the United States.

In practice, enforcement should return to a consumer-welfare test based on price, output, quality, and innovation. Each case should specify the theory of harm, the expected welfare effects, and the metrics by which those effects should be tested. Ex-ante regulations such as KOPMA should be subject to the same discipline: before adoption, they should be required to pass a competition filter demonstrating that expected benefits outweigh dynamic efficiency losses. The KFTC should expand its competition-advocacy function to identify and remove ACMDs, including those created by public-sector rules that limit entry or impose asymmetric burdens on firms.

The Model provides a foundation for measuring how policy affects welfare. Its value lies in how it can be improved and applied to guide competition and regulatory policy. The model should be used to strengthen consumer welfare across the three efficiencies: by improving allocative efficiency through rules that promote lower prices and greater output, by advancing productive efficiency through reduced duplication and lower compliance costs, and by restoring dynamic efficiency through stronger incentives for innovation and investment. Used in this way, the model becomes not only a diagnostic tool but also a guide for policy improvement.

We can lock in the preferred end -state (see below) into a trade deal between Korea and the US which would translate into half a trillion dollars in benefits for the US economy, as

well as yielding almost as much of a benefit into the Korean economy – a genuine win-win for both.

V. The End State: Restoring Rivalry, Innovation, and Growth

The goal of reform is a competition and regulatory system grounded in consumer welfare and guided by measurable outcomes. Enforcement focuses on evidence of harm to price, output, quality, or innovation, and regulation intervenes only where a market failure is clearly identified. Remedies are proportionate, time-limited, and subject to review. Such a system restores rivalry by rewarding efficiency, encouraging innovation, and attracting new investment.

For Korea, this approach improves productivity by aligning legal standards with economic theory in the implementation of competition policy. The Korea Fair Trade Commission should make enforcement predictable and transparent by publishing the economic basis of its decisions and reporting their effects on efficiency and welfare. Regulatory agencies should adopt competition assessments consistent with OECD principles and evaluate their major rules against a consumer-welfare benchmark.

For the United States, these reforms reduce regulatory divergence and trade friction, ensuring that Korea's policies remain compatible with international disciplines on competition and digital markets.

The Singham–Abbott Framework and the Model together define this structure. The Framework establishes the principles of efficiency and welfare that guide enforcement and regulation, and the Model provides the means to measure their impact over time. In this end state, competition policy becomes empirical and accountable: each rule, remedy, and enforcement action can be tested by its economic effect on consumers and producers. This transparency aligns Korea's system with the most effective elements of international best practice and strengthens its credibility in trade and regulatory cooperation.

VI. Why Now

The convergence of ex-post enforcement and ex-ante regulation has created a decisive moment for reform. The implementation of KOPMA codifies precautionary obligations that will, if left unchanged, harden into a permanent regulatory structure. Each new case or rule adds to the circular relationship that depresses innovation and investment. The quantitative results show that the cost of inaction is already material: 459 billion dollars in losses to Korea's economy and more than 500 billion to the United States.

This is also a moment when measurement and methodology are available to guide change. The Framework defines how to evaluate competition and design remedies; the Model provides the means to quantify their effect. Together, they offer a reproducible and transparent basis for a competition-policy reset grounded in evidence rather than form.

At the moment the US and Korea are negotiating an agreement to lower the very high tariff the US imposed on Korea. While that agreement has many elements, this issue represents a win-win for both parties. The changes suggested should be much easier for both governments to domesticate into a trade agreement than Korea agreeing to investment commitments of $330bn (amounting to a transfer of 19% of its GDP). By contrast Korea itself stands to gain from these changes at much higher levels. From a US perspective, a deal that locks in changes to competition policy and digital rules has the advantage of being a template for similar deals with the EU, Japan and the UK where similar problems affect the US tech sector. From a Korean perspective, Korea could benefit from first mover advantage and obtain a better deal in these areas than other countries.

VII. Mutual Gains

Re-anchoring Korea's competition and digital-regulation systems to the Singham–Abbott Framework, monitored through the Model, is a win-win outcome. For Korea, it removes the measurable drag on national income, restores incentives for innovation, and aligns domestic enforcement with the country's broader economic goals. For the United States, it reduces a growing regulatory barrier to trade and investment. For both, it builds a foundation of policy coherence in digital markets where economies are deeply interconnected.

The gains are not theoretical or academic. The same Model that measures losses can measure recovery. Improvements in the three pillars of competition and property rights translate directly into higher per-capita income and productivity growth. The Framework supplies the operational path by which those improvements are achieved: enforcement and regulation constrained by evidence, transparency, and consumer welfare.

VIII. Conclusion

Korean competition enforcement and digital-platform regulation have produced large and measurable losses to both the Korean and United States economies. These losses are the product of a policy system that values form and precaution over demonstrated consumer harm. The Singham–Abbott Framework and the Singham ACMD Model provide the means to reverse this outcome. The Framework restores consumer welfare as the organizing principle of enforcement and regulation; the Model quantifies the gains from doing so.

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Together they offer an evidence-based, operational plan to replace a form-driven regime with one grounded in measurable effects on price, output, quality, and innovation.

Implementing this reform should stem the measured losses, re-establish dynamic rivalry, and create a transparent, reproducible system of governance that supports growth, innovation, and openness in both economies.