Competere Foundation

Economic effects of Korean competition enforcement and platform regulation

Competition policy losses resulting from additional fairness and price-cap measures

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Key Takeaways

- **Korea's proposed platform measures leave the central economic concerns unchanged.** The Fairness Act and delivery-platform price caps could preserve or increase the harm identified in the earlier analysis.
- **The risks extend across the economy.** Existing competition enforcement affects investment, trade and property rights beyond the platform and food-delivery sectors.
- **The measures can reinforce one another.** Price caps constrain revenue while restrictions on contracts and business practices can limit firms' ability to adjust, potentially increasing the combined harm.
- **Measures intended to help small merchants can undermine them.** Lower commissions may come at the expense of promotions, customer demand, delivery coverage and investment.
- **The economic consequences reach the United States.** Reduced opportunities for US exports, technology services and investment connect Korea's regulatory choices to US prosperity.
- **Korea's choices have wider strategic significance.** Greater restrictions on US platforms could strengthen the position of Chinese competitors benefiting from government support and weaken competition on the merits.
- **Our analysis estimates long-run losses of $440–521 billion for Korea and $395–646 billion for the United States from competition enforcement and the proposed platform measures.**

Executive Summary

1 This memorandum assesses harms to Korea and the United States (US) from the Korea Fair Trade Commission's (KFTC) misapplication of competition policy; the Online Platform Fairness Act; and the additional delivery-platform price-cap regime. This analysis is particularly relevant as we approach the one-year anniversary of the Korea Strategic Trade and Investment Deal (the "Joint Fact Sheet"), in which Korea committed not to create unnecessary barriers in digital services, including platform regulation, and to implement additional procedural fairness measures in competition proceedings. As such, this analysis provides a basis for bilateral examination of this commitment.

2 Our analysis shows that for Korea the long run retained competition-policy loss is $440bn to $521bn For the US it is $395bn to $646bn. This builds off our previous analysis on the application of Korean competition policy enforcement practices and the proposed Online Platform Markets Act, which showed an impact of up to $469 billion to the Korean economy over ten years and up to $525 billion to the U.S. economy over the same time period. The ranges reflect the uncertainty in modelling laws that are not yet passed with uncertain interaction effects. What is clear is that these changes do not significantly impact the range of damage our earlier analysis showed with slight increases to reflect the price cap legislation. The takeaway is that the package proposed does not have any impact on the previous analysis, and may in fact inflict more harm on the US and Korean economies than the previously modelled package.

3 More broadly, it analyzes different approaches for the rules governing competition, regulation, property rights and the interaction of national markets—and highlights why Korea's platform choices matter beyond the immediate losses quantified in this analysis, just as the EU's *ex ante* approach to competition policy has negative implications beyond the European market. In particular, it shows how if Korea's enforcement approach and system disadvantages US firms while reinforcing advantages enjoyed by Chinese competitors, even if unintentionally, the strategic concern is greater than ordinary protection of domestic firms. Overall, our analysis demonstrates that to protect investment, trading opportunities, and commercial flexibility while safeguarding users, Korea should re-anchor its digital platform regulation and enforcement around a core consumer-welfare standard. Rather than relying on blanket price ceilings—such as caps on merchant fees and rider pay—the Korean economy would be better served if the KFTC required clear evidence of exclusionary behavior and net consumer harm while fully evaluating market efficiencies and innovation before enacting remedies. Finally, because enforcement practices, the Fairness Act, and price-cap regimes interact and create compound financial losses, policymakers must evaluate these measures jointly to produce predictable, proportionate, and evidence-based regulations.

Analysis Overview

4 This memorandum assesses three sources of harm to Korea and the United States (US): the Korea Fair Trade Commission's (KFTC) misapplication of competition policy across the economy; the Online Platform Fairness Act, using the earlier Korea Online Platform Markets Act (KOPMA) estimate as its benchmark; and the additional delivery-platform price-cap regime. We retain the original competition-policy estimates and add the price-cap information separately. The analysis extends the Competere Foundation's work on anti-competitive market distortions (ACMDs), meaning government measures that impede competition on the merits. [1–3]

5 For Korea, the retained competition-policy loss is 10.24% of long-run gross domestic product (GDP) per capita ($175.40 billion at the inherited economic scale). Full Fairness Act equivalence to KOPMA adds 12.564% ($215.20 billion), and the wider-foodservice price-cap scenario adds 0.609% ($10.44 billion). The additive reference is therefore 23.414% ($401.03 billion). These effects do not operate in isolation and in fact there is evidence of a substantial interaction effect from the literature. The earlier interaction uplift needs to be increased as these three mechanisms of distortion are mutually reinforcing. Applying a 30% interaction effect would raise this to 30.438% ($521.34 billion), but we have applied a range to reflect different interaction scenarios. [1, Tables 4–5; 4; Annex 2]

6 For the US, we retain the earlier $300.83 billion competition-policy estimate and the existing transmission conventions. Without an additional interaction uplift, the annualised comparisons are $46.82 billion at benchmark market size, $49.67 billion using the Fairness Act's ten-year average, and $53.28 billion in the terminal-year market-growth case. A separate 30% US stress assumption gives $60.87 billion, $64.58 billion and $69.27 billion respectively. The Korean interaction percentage and the US percentage may not be the same. As always in the ACMD model, we calculate a long-run effect and then apply it over a ten-year period. However, the annual figures are not projections; the long-run figure is the important one. [2; Annex 2]

7 We have reviewed the Fairness Act provisions and found there are areas where an argument could be made that it is less damaging than KOPMA on its face. However, if the KFTC applies it in the same way it has approached competition enforcement to date then these differences will be sharply narrowed. The separate lower-Fairness scenario retains the assumed 30% reduction in its standalone harm relative to KOPMA, but we also use KOPMA as a benchmark in a series of scenarios. With enforcement and price-cap contributions unchanged, the additive Korean reference is $336.47 billion (19.645%), and the US annual-average comparison is $43.91 billion. The corresponding 30% interaction stress results

remain $437.42 billion and $57.09 billion. The Fairness discount and interaction uplift are distinct assumptions; neither percentage is estimated from the legislative text.

Competition and consumer welfare

8 The appropriate benchmark is whether competition improves prices, output, quality, choice and innovation. Protecting a particular competitor or contractual margin does not protect the competitive process. The Singham–Abbott framework places productive and allocative efficiency at the centre of competition enforcement; the Foundation's earlier Korean analysis applies that framework to digital markets and precautionary regulation. [1,5]

9 *Digital platforms connect merchants, consumers, riders, payment services and advertisers. Fees charged to one group may support services supplied to another. A merchant commission cannot therefore be evaluated in isolation from incremental orders, customer acquisition, delivery reliability and the total transaction price*. If significant innovation improvements are not made because of price caps or other anti-competitive rules, it is the merchants, and ultimately their consumers who will pay the price.

Retaining the economy-wide competition policy estimate

10 The original analysis concerns the KFTC's enforcement approach across the economy, including its effects on investment, business freedom, trade and property rights. That exposure is much broader than the food-delivery and foodservice exposure used for the price-cap scenario. A cap can impose a severe constraint within affected transactions while producing a smaller national aggregate. The existing enforcement harm remains in the baseline; the cap adds a separate source of harm. The price-cap component shocks are retained, but their sector weight now reflects foodservice and food-related hospitality. [1, Table 4; 2, Table 4]

The proposed delivery fee regimes

11 There are a number of different delivery proposals. Lee Kang-ill's Bill 2213454 permits a decree-set ceiling no higher than 15% on brokerage, payment and advertising charges and also regulates payments to riders. Its stated scope includes food and daily necessities delivered through quick commerce. Park Jeong-hun's Bill 2213519 includes delivery charges within its stated 15% ceiling. Kim Nam-geun's Bill 2215046 focuses on food-delivery platforms and preferential fees for small merchants. We model a binding cap on food delivery, with spillovers into restaurants and food-related hospitality. This is a defined food-sector scenario and assumes that one of these measures becomes the final legislation. We have not modelled the economic differences between the bills, as they all carry significant anti-competitive harm in the food sector. [6–9]

12 Including delivery in a cap changes the economic constraint substantially. The reported example of a ₩20,000 order with ₩3,300 in delivery costs, ₩600 in payment processing

and ₩400 in additional charges totals ₩4,300. An all-in 15% ceiling would allow ₩3,000, a ₩1,300 gap. This example illustrates the mechanism; it is not a representative estimate of platform margins or a prediction of full consumer pass-through. [9]

13 Delivery costs depend on distance, density, time and weather rather than basket value alone. A percentage ceiling can make low-value orders and thin routes uneconomic. Adjustment may take the form of higher minimum orders, fewer promotions, longer waits, reduced geographic coverage or slower investment. A restriction on explicit fee increases cannot remove these resource costs.

14 Li and Wang's US fee-cap study identifies changes in platform promotion, charges and restaurant demand. It shows that price caps have a tendency to damage the very people they are intended to help. Specifically, independent restaurants in regulated cities (i.e., those paying reduced commission fees) experience a decline in orders and revenue, whereas chain restaurants (i.e., those paying the original fees) see an increase in orders and revenue. According to their study, this "intriguing" finding suggests that chain restaurants, not independent restaurants, benefit from the regulations that were intended to support SME's and independent restaurants. [10]

15 Rider-pay ceilings introduce a further input-market constraint. Where rider availability is scarce, restrictions on remuneration can reduce supply and coverage. Conversely, a binding pay floor combined with a merchant-fee ceiling may reduce viable orders or hours. Protecting riders from cost shifting is desirable, but it does not ensure that every existing service remains viable when revenue and adjustment options are constrained simultaneously. The result is a reduction in output, as is usually the case with a price cap.

The Online Platform Fairness Act

16 Bill 2215044 concerns platform intermediation between domestic business users and consumers. Its main provisions address contracts and notice, settlement and protection of merchant proceeds, unfair trading practices and enforcement. The legislative tracker identifies an ongoing proposal. The analysis concerns that identified draft, rather than an enacted consolidated regime. [11,12]

17 Settlement security and clear contracts can strengthen participation. The bill's principal settlement rule is 20 days after the relevant statutory trigger, with transitional periods. It generally requires protection of at least 50% of managed proceeds, initially 30%, through segregated deposits or qualifying insurance. The financing burden therefore concerns unsettled balances and compliant protection arrangements, not a compulsory cash freeze equal to half of annual turnover. [11, arts 10–11 and supplementary provisions]

18 *The fundamental competition concerns are uncertainty surrounding restrictions on ordinary commercial differentiation and distortions in the interactions between willing buyers and willing sellers. Efficient distinctions in service levels, merchant fees, promotion and risk management can be difficult to separate from unfair conduct if prohibitions are not accompanied by objective justification and efficiency defences.* Safeguards may improve trust, but excessive prescription can deter investment in the services that create merchant demand. Under the Singham–Abbott framework, the resulting loss of output and innovation is a consumer-welfare cost, even where an intervention improves a particular merchant's contractual terms.

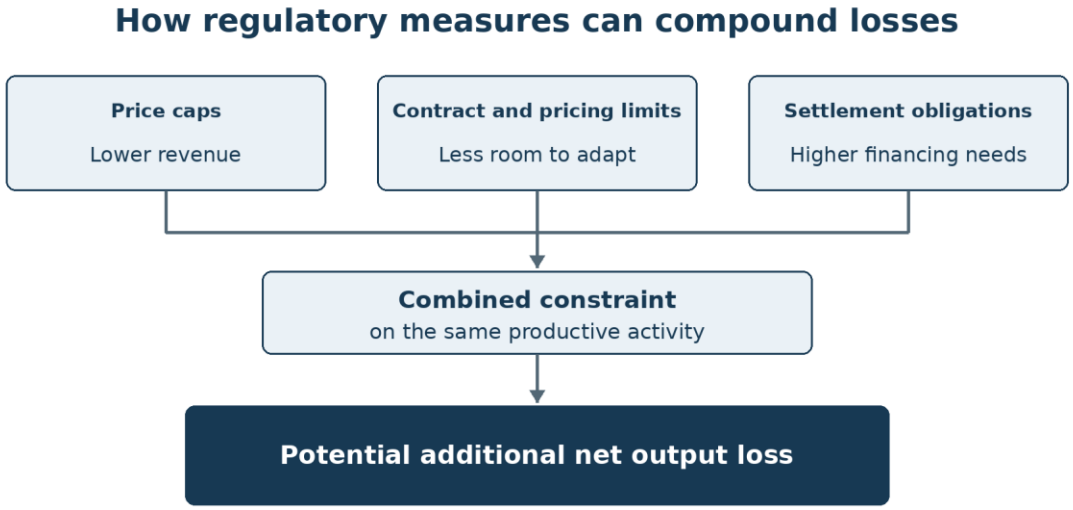
19 The proposed surcharge can reach 10% of the relevant sales base; the alternative ₩5 billion figure is a ceiling. Article 36 provides for objection, stays and judicial challenge. The issue is therefore the proportionality and predictability of sanctions and the effectiveness of review, rather than the complete absence of review. [11, arts 35–36]

20 In the full-equivalence scenario, the Fairness Act is assigned the Foundation's published KOPMA impact. This is an explicit policy-equivalence assumption: the instruments differ legally, but are treated as having an equivalent net effect on competition, property rights and market access. The driver here is the approach of the Korean government and Korean regulators to competition matters. Understanding this means that we can make assumptions about how the Fairness Act will be used to support overall KFTC goals which we find to violate the Singham–Abbott framework. We have used the KOPMA data from the previous memorandum as the Fairness Act benchmark. The three sources remain the retained

competition-policy enforcement estimate, the Fairness Act benchmark and the additional price-cap regime. [1–2]

Evidence and measurement of interaction effects

21 The three measures can reinforce one another where they constrain the same productive activity. A binding price cap reduces revenue, while restrictions on contracts, service tiers or pricing may prevent an efficient response; settlement obligations can increase financing needs. The relevant interaction is the additional net output loss caused by their joint application, beyond the sum of comparable standalone effects.



22 A further feedback is possible if weaker investment, entry or network density leads to higher unit costs and prompts additional intervention. We regard this as a plausible risk.

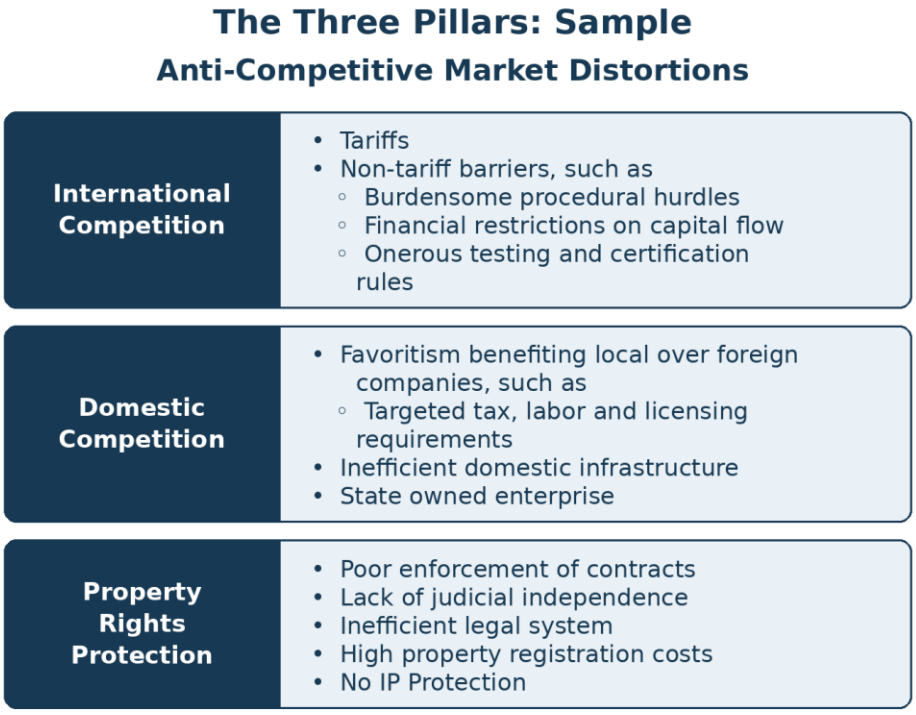
23 The empirical literature supports examining these mechanisms but does not provide an easily transferable Korean GDP percentage. The delivery-platform evidence provides an anchor for the amount of commission revenue recovered through adjustment. Research on coordinated labour and product-market reform also finds interactions. Production-network research explains why substitution, reallocation and supplier links matter. Annex 2 sets out the evidence, its limits and the calibration needed. [10,13,14]

24 We therefore use an additive reference with no additional interaction uplift, alongside separately labelled adverse scenarios. The former does not estimate the true coefficient as zero and is not a proven lower bound. The retained 30% uplift is a stress assumption, not an empirically selected central estimate. Annex 2 shows signed sensitivity and defines the coefficient as additional joint loss divided by the standalone sum, after removing overlap.

The standalone ACMD shocks, sector exposure and KOPMA equivalence remain conditional inputs. [1–2]

Effects on Korean GDP per capita

25 The ACMD model relates GDP per capita to three pillars: international competition (IC), domestic competition (DC) and property rights (PR). IC captures openness to overseas competition and trade; DC measures the conditions for rivalry and business activity within the economy; PR captures protection of investment, contracts and legal rights. Each pillar combines weighted subcomponents, so an assumed deterioration in a particular rule or market condition affects its component score and, through its weight, the pillar index. [1,15,16]



26 We rely on the ACMD IC, DC and PR pillar scores, using the framework described in Singham and Abbott [5, chapter 4] and Singham [16, chapters 3–4]. The calculation uses Korea's complete 2022 observations and the retained coefficients (GDP per capita gains) of 6.37% for IC, 8.03% for DC and 6.86% for PR per one-point pillar change. [1, Table 4; 15]

27 This is an indicative starting point. We assume percentage reductions in selected subcomponent scores to represent the proposed policies, rather than claiming that the legislation has already caused measured changes of that size. For example, a 15% reduction

in a business-freedom score of 6.3534 gives 5.4004; the change is then multiplied by the component's 25% weight within DC and by the food-sector exposure factor. Annex 1 records every assumed cut. The assumptions can be refined against the final legislation and evidence of actual effects. However, we consider these reasonable projections, recognising that changes in legislation and implementation would affect the scores.

28 The price-cap shocks reduce the affected-activity DC index by 0.468860 points, PR by 0.318175 and IC by 0.261515. Applying the coefficients gives a 7.613474% long-run loss before sector exposure. We replace the $160 billion digital-retail market with the foodservice benchmark reported by the US Department of Agriculture (USDA): ₩177.12 trillion, or $137.1 billion, in 2022. Dividing this by the retained Korean GDP benchmark of $1,712.794 billion gives an 8.004464% exposure proxy. This covers the wider foodservice market into which delivery disruption can spread. [4,15]

29 Delivery orders are a channel of restaurant sales and must not be added again to the foodservice total. Spillovers can arise because delivered and dine-in meals share kitchens, labour, purchasing and investment, while reduced orders affect food suppliers. We therefore apply the full foodservice benchmark in the central wider-spillover case, including restaurants, cafés, bars and institutional food service. Hospitality here concerns food provision; we do not apply the shock to all hotel-room revenue, tourism or food manufacturing. Applying the same intensity throughout this market is an assumption. Annex 1 tests weaker spillovers. Sales divided by GDP remains an exposure convention, not the sector's domestic value-added share: imported and intermediate inputs, substitution and offsetting gains can reduce net output effects. Broader digital-market coverage remains relevant to Fairness/KOPMA, whose inherited weights are retained. [4,17]

Price-cap contribution by pillar

Pillar	Affected activity score decline	Long-run GDP per capita loss	Long-run benchmark amount
IC	0.261515	0.1333%	$2.284bn
DC	0.468860	0.3014%	$5.162bn
PR	0.318175	0.1747%	$2.992bn
Total		0.6094%	$10.438bn

Source: component calculations in Annex 1, with the foodservice exposure applied once. Dollar amounts are long-run benchmark equivalents; dividing by ten gives the inherited allocation comparison. Losses are positive magnitudes. The wider-spillover case assumes full transmission across the selected foodservice market.

30 The retained Korean competition enforcement estimate is $175.400 billion, or 10.2406% of benchmark GDP per capita, reproducing the earlier Table 4 headline of 10.24% and $175.40 billion. Its original component coverage factors are retained, without applying the food-sector exposure factor. Its ten-year annualised comparison is $17.540 billion. Annex 1 identifies the retained arithmetic separately from the price-cap calculation. [1, Table 4]

31 The Fairness Act benchmark remains the published 12.564% long-run KOPMA loss, equivalent to $215.195 billion at the same Korean economic scale. Its existing digital-market coverage adjustments are retained. The rough ten-year annualisation is $21.520 billion. This policy-equivalence assumption remains a major contributor to the combined estimate and should be tested against the final scope and implementation of the Fairness Act. [1, pp 14–17]

Source or scenario	Long-run GDP per capita loss	Long-run benchmark amount	Annualised amount ÷ 10
Retained KFTC enforcement	10.2406%	$175.400bn	$17.540bn
Fairness Act using KOPMA benchmark	12.5640%	$215.195bn	$21.520bn
Additional price cap	0.6094%	$10.438bn	$1.044bn
Additive reference No extra interaction	23.4140%	$401.034bn	$40.103bn
Additional loss if uplift is 30%	7.0242 percentage points	$120.310bn	$12.031bn
Adverse scenario 30% uplift	30.4382%	$521.344bn	$52.134bn
Sensitivity 10–20% uplift	25.7554–28.0968%	$441.137–481.240bn	$44.114–48.124bn

32 The additive reference implies a 23.414% long-run GDP-per-capita gap and a $40.103 billion ten-year allocation comparison. The 30% stress case gives 30.438% and $52.134 billion respectively. Dividing a long-run benchmark amount by ten is an allocation convention, not a reconstruction of yearly losses, a cumulative ten-year forecast or an annual growth-rate effect.

33 At the inherited $33,121.40 GDP-per-capita benchmark, the additive reference equals approximately $7,755 per person; the 30% stress case equals $10,082. The stress assumption adds $120.310 billion, or 7.024 percentage points of benchmark GDP per capita. It therefore needs evidence for a large additional effect, over and above the three retained standalone contributions. These are output equivalents, not equal cash losses to households.

Transmission to the United States

34 US effects arise through reduced export opportunities, headquarters and technology services, investment and wider productivity effects. Commercial losses of US-owned firms abroad are not automatically losses of US domestic output. For the Fairness Act and price-cap contributions, we retain the earlier paper's commercial-opportunity transmission mechanism and implied 1.5 GDP-drag multiplier. The competition-policy estimate is already a GDP measure and does not receive that multiplier again. These remain conditional model comparisons. [2, Table 4 and paras 44–53; 18]

35 The earlier US enforcement calculation gives a 1.085206% GDP-per-capita effect, approximately $893 per person and $300.83 billion in aggregate. We retain that published dollar estimate. Consistent with the treatment of level effects in this memorandum, its ten-year allocation is $30.083 billion for each annualised comparison. [2, Table 4]

36 For the revised price-cap comparison, we retain 25% US participation, with a 20–30% sensitivity range, and the 1.5 commercial-opportunity conversion. These were digital-retail assumptions in the earlier study; their application to foodservice is a modelling assumption, not an observed US share of Korean restaurants or hospitality. The relevant channels include platform services, franchise and technology income and food-supply opportunities. Applying the central parameters to Korea's $10.438 billion price-cap amount gives $3.914 billion; the ten-year allocation is $0.391 billion. An empirically calibrated food-sector estimate would require separate exposure and domestic-value-added data for those channels. [2, Table 6; 18]

37 The US KOPMA source has a different time structure: Table 8 expressly gives year-by-year opportunity losses, beginning at $10.9 billion and reaching $15 billion in year ten. After the 1.5 multiplier these are $16.35 billion and $22.50 billion. The reported $128 billion opportunity total and $192 billion GDP-drag equivalent are cumulative ten-year amounts. The separate Korean and US KOPMA calibrations are retained. [2, Table 8 and para 53]

38 At benchmark market size, the additive comparison is $30.083 billion + $16.350 billion + $0.391428 billion = $46.824 billion. The enforcement and price-cap terms use the ten-year allocation; the Fairness Act term was already annual in its source. Using $192 billion divided by ten for the Fairness Act's annual average gives $49.674 billion. Applying an independently assumed 30% US uplift gives $60.872 billion and $64.577 billion. These stress figures preserve the previous comparison; that US uplift has not been empirically calibrated.

39 The terminal-year sensitivity applies the inherited 6% annual growth parameter for ten full years to the $137.1 billion foodservice market, giving $245.525 billion and an allocated price-cap contribution of $0.701 billion. Adding the $30.083 billion enforcement allocation and $22.50 billion terminal Fairness Act contribution gives $53.284 billion before any extra interaction, or $69.269 billion under a separate 30% stress uplift. [2, Table 5]

US GDP-drag comparison	Benchmark market size	Annual average fixed cap market	Terminal-year market growth
Retained KFTC enforcement after ten-year allocation	$30.083bn	$30.083bn	$30.083bn

Fairness Act using published annual or average figures	$16.350bn	$19.200bn	$22.500bn
Additional price cap after ten-year allocation	$0.391bn	$0.391bn	$0.701bn
Additive reference No extra interaction	$46.824bn	$49.674bn	$53.284bn
Additional loss if US uplift is 30%	$14.047bn	$14.902bn	$15.985bn
Adverse comparison 30% US uplift	$60.872bn	$64.577bn	$69.269bn

Source: revised arithmetic retaining the US enforcement estimate, KOPMA annual series and ten-year price-cap allocation. Columns are alternative comparisons and must not be added. A common yearly implementation path is needed to estimate actual annual losses. The 30% row is a separately imposed US stress assumption, not a coefficient transmitted from Korea.

40 Varying only assumed US participation from 20% to 30%, without an additional interaction increment, gives $46.75–46.90 billion; $49.60–49.75 billion; $53.14–53.42 billion for the benchmark, annual-average and terminal comparisons respectively. Annex 2 varies the interaction separately.

Assessing a lower impact from the Fairness Act

41 The proposition that the Fairness Act could be less damaging than KOPMA has a reasonable basis, but it is conditional. Under the Singham–Abbott consumer-welfare framework, we assess effects on output, quality, entry and innovation, including productive and allocative efficiency. The ACMD model translates specified changes in IC, DC and PR into GDP-per-capita effects. [1,5,16]

42 On the face of the bill, there is a reasonable basis for a lower estimate. Articles 2–3 focus on intermediary transactions between domestic business users and consumers, whereas the earlier KOPMA benchmark covered six platform-service sectors. The KFTC's September 2024 briefing also distinguished competition regulation across those six services from merchant-protection and settlement measures. That distinction supports examining the instruments separately. However, the Fairness Act's turnover thresholds do not require a finding of dominance: its narrower transaction focus could in theory still reach more firms. Decree-set thresholds,exclusions, and ultimately KFTC discretion will determine effective coverage. [2, Table 6; 11, arts 2–3; 19]

43 There are also potentially beneficial safeguards. Fee transparency can reduce information costs; Predictable payment terms that do not present as a burden to platforms can reduce merchants' counterparty risk and support entry. Article 11 permits payment-guarantee

insurance, so the requirement is not necessarily an equivalent cash deposit. Transitional provisions moderate initial settlement obligations, and Article 36 preserves routes to challenge decisions. These features justify allowing some offset to regulatory costs where their implementation is proportionate. They do not themselves quantify that offset. [11, arts 6, 10–11, 36 and supplementary provisions]

44 Substantial risks nevertheless remain. The items noted above, though possibly beneficial to merchants, introduce challenges for platforms that are not usually subjected to financial custody rules that typically are only applied to banks. This risks creating additional burdens that could cancel out any benefits gained from merchants. Furthermore, Article 13 covers unfair discrimination, forced transactions, adverse terms, interference and exclusivity. It can reach practices that also arise in platform-monopoly regulation, including self-preferencing and tying. Its unfairness qualification means these are not all prohibited automatically, but leaves their treatment to the authority's discretion. The text does not expressly make net consumer harm the governing test, and therefore we can assume implementation and enforcement policies similar to those we generally see from the KFTC. Broad corrective powers under Article 31 and a surcharge under Article 35 of up to 10% of the prescribed sales base can intensify uncertainty. A change in legislative label therefore does not remove the enforcement concerns in our framework. [11, arts 13, 31, 35]

45 In pillar terms, DC may improve through lower transaction risk but deteriorate through limits on differentiation and commercial adaptation. PR may benefit from protection of merchant proceeds while contract restrictions and uncertain remedies weaken investment incentives. IC depends on effective access and even-handed treatment of foreign suppliers; a domestic-transaction test does not by itself exempt foreign-owned platforms. These effects must be assessed together. The domestic-user wording in Article 3 should not be read as confining coverage to Korean-owned intermediaries. [11, arts 2–3, 6–14]

46 Our assessment is therefore that lower aggregate harm is plausible under a narrower, proportionate and predictable implementation, but the claim is not established simply by comparing the bills' titles or counting obligations. *Broad interpretation of Article 13 could preserve much of the earlier harm.* We retain the full KOPMA-equivalence case as a comparison and add the lower-impact case below. Earlier platform proposals also varied, so the comparator here is the KOPMA impact benchmark used in our published studies. [1,2,11,19]

Assuming 30% less harm from the Fairness Act

47 This section assumes a 30% reduction in the Fairness Act's net standalone harm relative to KOPMA. For reasons stated above, we do not think that the Fairness Act would constitute

such an improvement, but we include this calculation to illustrate what the damage to the Korean and US economies is, even in this scenario which is most favorable to the notion that the Fairness Act is a significant improvement over KOPMA. The justification is a material allowance for its more focused transactional scope and the potential benefits of contract transparency and protected settlement, while retaining 70% for the conduct restrictions, financing burden and enforcement uncertainty that remain. The direction of this adjustment is supported by the legal differences; the precise 30% is a judgement for this scenario, not a coefficient estimated from those provisions.

48 The Fairness Act contribution is multiplied by 0.70 once, equivalently scaling its inherited linear shock contributions to 70%. The same discount applies to the inherited US Fairness annual series. Enforcement, price-cap exposure, US participation and the 1.5 conversion remain fixed. We report both the additive reference and the same 30% interaction stress to isolate the Fairness assumption; holding that stress percentage fixed is a comparison convention, not evidence that implementation would leave interaction unchanged.

49 For Korea, 12.564% × 0.70 gives an 8.7948% standalone Fairness loss, or $150.637 billion. The additive reference is 0.102405778 + 0.12564 × 0.70 + 0.006094177918 = 0.196447955918. Multiplication by 1.30 then gives the separate adverse case of 25.538%. Both use the same revised foodservice exposure.

Korean source or scenario	Long-run GDP per capita loss	Long-run benchmark amount	Annualised amount ÷ 10
Retained KFTC enforcement	10.2406%	$175.400bn	$17.540bn
Fairness Act at 70% of KOPMA	8.7948%	$150.637bn	$15.064bn
Additional price cap	0.6094%	$10.438bn	$1.044bn
Additive reference Lower Fairness harm	19.6448%	$336.475bn	$33.647bn
Additional loss if uplift is 30%	5.8934 percentage points	$100.942bn	$10.094bn
Lower Fairness 30% uplift stress	25.5382%	$437.417bn	$43.742bn
Full equivalence 30% uplift stress	30.4382%	$521.344bn	$52.134bn

Source: retained standalone inputs with only Fairness reduced to 70%. The additive reference includes no unestimated interaction increment; the stress comparison adds 30% once. Dollar amounts are long-run benchmark equivalents and simple ten-year allocations, not reconstructed cumulative losses.

50 The lower-Fairness additive reference is 19.645%, or $336.475 billion, with a $33.647 billion allocation comparison. Under the 30% stress assumption, the lower-Fairness result is $437.417 billion (25.538%), compared with $521.344 billion for full equivalence. At either common interaction assumption, lowering Fairness by 30% reduces the total by 16.1%, because the other contributions remain.

51 For the US, the Fairness Act's published $128 billion ten-year commercial-opportunity benchmark becomes $89.60 billion; its $192 billion GDP-drag equivalent becomes $134.40 billion. They are alternative measures and are not added together. The GDP contributions become $11.445 billion in the first-year benchmark, $13.440 billion on the annual-average comparison and $15.750 billion in the terminal-year case. The enforcement allocation and price-cap contributions are unchanged. [2, Table 8 and para 53]

US GDP-drag comparison	Benchmark market size	Annual average fixed cap market	Terminal-year market growth
Retained KFTC enforcement after ten-year allocation	$30.083bn	$30.083bn	$30.083bn
Fairness Act at 70% of KOPMA	$11.445bn	$13.440bn	$15.750bn
Additional price cap after ten-year allocation	$0.391bn	$0.391bn	$0.701bn
Additive reference Lower Fairness harm	$41.919bn	$43.914bn	$46.534bn
Additional loss if US uplift is 30%	$12.576bn	$13.174bn	$13.960bn
Lower Fairness 30% US uplift stress	$54.495bn	$57.089bn	$60.494bn
Full equivalence 30% US uplift stress	$60.872bn	$64.577bn	$69.269bn

Source: the same US transmission and time conventions, with Fairness reduced by 30%. The additive and stress rows are alternative assumptions, and the three columns are alternative comparisons. The US stress percentage is not an empirical estimate.

52 The lower-Fairness additive US comparisons are $41.919 billion, $43.914 billion and $46.534 billion. A separate 30% stress uplift gives $54.495 billion, $57.089 billion and $60.494 billion. Varying participation alone from 20% to 30%, without extra interaction, gives $41.84–42.00 billion; $43.84–43.99 billion; $46.39–46.67 billion respectively. The Fairness discount, US participation and interaction are separate sources of uncertainty.

53 Even accepting the 30% reduction, all three sources of harm remain substantial. This scenario does not reduce the original enforcement estimate merely because the new bill is less restrictive than KOPMA. [11, art 4]

Trade and competitive neutrality

54 The trade question is whether the measures alter competitive opportunities, not simply whether they are prima facie discriminatory. In Japan – Alcoholic Beverages II, the World Trade Organization (WTO) Appellate Body explained that Article III of the General Agreement on Tariffs and Trade protects equal competitive conditions rather than a particular trade volume; the analysis did not depend on proving subjective protectionist intent. Article III concerns goods. Platform services require analysis of the relevant services and investment obligations and commitments, including applicable schedules and exceptions, but the same principles apply. What matters from an assessment of discrimination is not the decided cases of the WTO's Appellate Body although these are helpful, but clear discriminatory intent as a matter of trade law more generally. [5; 20, pp 16, 27–29]

55 The November 2025 US–Korea joint fact sheet expressly addresses non-discrimination and unnecessary barriers in digital services, including online platform regulation, and additional procedural fairness in competition proceedings. [21] It provides a concrete basis for bilateral examination of the new proposals. Two recent studies illustrate why that examination must consider enforcement in practice. The Computer & Communications Industry Association (CCIA), a technology industry association, finds that US firms faced penalties 4.2 or 6.6 times the Korean level relative to estimated Korean business activity during 2016–2025, depending on the activity measure used. [22, pp 3–4] The Information Technology and Innovation Foundation (ITIF), a technology policy think tank, reports that the mean positive surcharge per observation for US firms was approximately 21 times the Korean mean over the same period. [23, Figure 1 and Appendix] CCIA also identifies differences in how the sales base for penalties is constructed. The KFTC's surcharge assessment against Qualcomm reached beyond Korean-market sales, whereas the Korean cases it examined used domestic sales of the business concerned. [22, pp 7–8] Such differences matter to equality of opportunity because the burden of enforcement affects the terms on which firms can operate, invest and compete. Formally neutral legislation does not ensure equal competitive conditions where its administration places a disproportionate burden on foreign firms. Coverage thresholds, exemptions, enforcement, remedies and access to review should therefore be assessed together; the fact that some Korean firms also bear costs does not by itself resolve the equality-of-opportunity question. There is also a growing body of evidence that there significant procedural irregularities that particularly single out US firms. The intensity of probes, the use of dawn raids as a first not last resort, and threats of criminal action levied to harass middle managers in US firms abound. Some of the procedural tactics suggest fishing expeditions against US firms. Some of this is reminiscent of the behavior of

European Commission regulators in the 1990s and 2000s which targeted US firms. While procedural irregularities, and due process violations have been included in our economic estimates, there is evidence that this getting worse not better, and there is also evidence of KFTC officials themselves coming under political pressure to achieve certain results.

Korea and the competing economic operating systems

56 There is a contest over the world's economic operating system (OS): the rules governing competition, regulation, property rights and the interaction of national markets. We distinguish three systems. This framework helps explain why Korea's platform choices matter beyond the immediate losses quantified above.

57 **Operating system 1** (OS1) rests on competition on the merits under the Singham–Abbott framework. Countries interoperate through mutual recognition and equivalence, preserving scope for regulatory competition. Different approaches can then be tested against their ability to improve consumer welfare, productivity and growth. This is the system we advocate, and the one which has a proven track record of creating wealth. [5,16]

58 **Operating system 2** (OS2) reflects the precautionary regulatory approach increasingly associated with the European Union (EU). Prescriptive rules and barriers can generate ACMDs and limit commercial experimentation. Our concern is that sustaining this approach depends increasingly on extending its rules abroad through harmonisation and the "Brussels Effect", meaning the influence of EU standards on conduct beyond its borders. Wider adoption reduces the competitive pressure that alternative regulatory systems would otherwise exert. If OS2 becomes the norm, it will lead to wealth destruction, loss of innovation and a contracted global economy.

59 **Operating system 3** (OS3) is a state-directed model built around state-owned enterprises and privileges granted to private firms that advance government policy. Chinese industrial policy provides a prominent example. Government-created advantages can be transmitted into foreign markets through the firms that receive them. As with OS2, alignment with the system's rules and practices are necessary to sustain it by limiting exposure to competition on the merits. As with OS2, OS3 leads to wealth destruction and damage to innovation.

60 These categories describe institutions and policies, not permanent national identities. A country can follow OS1 in one sector and OS2 or OS3 in another. The EU's single market began with a strong market-opening logic based on mutual recognition and equivalence among member states (OS1), while we see its more recent regulatory direction as moving towards OS2. China is not permanently confined to OS3. Our argument is that durable wealth creation and GDP-per-capita growth rest on OS1 principles; growth within a mixed system does not establish that its distortions caused that growth. In the case of China, moving from a very low base where the bulk of the population lives in rural areas can be swiftly rectified by moving people to cities as China did. However, China's GDP per capita has not yet broken five figures, and still represents only 12-15% of US GDP per capita.

61 In our assessment, OS1 is losing ground as precautionary and state-directed approaches extend their reach. Korea therefore faces a consequential choice. A United States that remains substantially committed to OS1 has an incentive to favor supply chains and partners that compete on comparable terms and to restrict exposure to distortions arising under OS2 and OS3. This creates a risk of commercial exclusion for partners that entrench those distortions; given Korea's ambitions with respect to the AI tech stack, for example, exclusion

would be highly damaging to Korean companies such as Samsung and SK Hynix. Korea's choices matter both for its own prosperity and for the wider trading system.

62 ***If Korean law disadvantages US firms while reinforcing advantages enjoyed by Chinese competitors, the strategic concern is greater than ordinary protection of domestic firms.*** Alibaba's own securities disclosures illustrate why government support matters. Its 2019 Hong Kong prospectus records Chinese renminbi (RMB) 666 million in government grants for fiscal year 2019 and describes grants that offset specified costs and expenses. Its fiscal year 2026 annual report records RMB 11.950 billion in Chinese tax-holiday and preferential-tax effects, together with RMB 10.821 billion in additional research and development tax deductions. [24,25]

63 Shein's Hong Kong prospectus discloses 15% Chinese mainland tax rates for qualifying service enterprises and 12.5% for a qualifying software subsidiary in 2023, against the standard 25%. Its aggregate concessionary-tax benefits also include Singapore incentives and cannot all be assigned to China. These disclosures establish government benefits relevant to an ACMD assessment. They can be easily used to cross subsidize into the firm's Korean operations. [26]

64 Such support can lower beneficiaries' costs and strengthen their ability to displace US rivals. Korean rules that constrain US platforms more heavily could compound that advantage. A bilateral competitive-neutrality assessment should therefore examine both the underlying government benefits and the comparative burden of Korean regulation. The disclosures support scrutiny of this mechanism; demonstrating actual foreclosure requires evidence on coverage, enforcement, pricing and market outcomes. This issue cannot be ignored in assessing the US–Korea trade relationship.

Policy implications

65 *The KFTC should restore the consumer-welfare standard to enforcement across the economy, require evidence of exclusion and net consumer harm, and account for efficiencies and innovation before imposing remedies. Revising the new legislation alone would leave the original enforcement source of harm in place. Predictable, proportionate enforcement is therefore an essential part of the response. [1–3,5]*

66 *Korea should preserve competition between different platform business models and service packages. Blanket merchant-fee and rider-pay ceilings should be avoided in favor of targeted scrutiny of exclusionary conduct, deceptive charges and coercive contracts, supported by evidence of consumer harm. Transparency should make total charges and optional services easier to compare without dictating the commercial allocation of every cost.*

67 *The enforcement environment, Fairness Act and price-cap regime require a joint assessment because each may change the adjustment options available under the others. The standalone calculations indicate substantial conditional losses. Additional interaction should be measured as a net joint-policy effect, with overlap and benefits accounted for, rather than inferred from the existence of several restrictions. We report the additive reference and retain 30% as an adverse sensitivity pending that evidence. Re-anchoring enforcement and both measures to consumer welfare would protect trading opportunities and investment while allowing legitimate merchant protections.*

Annex 1 Component scores and calculation

The price-cap baseline is Korea in 2022: DC Data row 1139, IC Data row 1139 and PR Data row 1013 in the three Competere Foundation research workbooks. Weights are recorded in row 1. No 2023 score enters the price-cap shock calculation. The table reproduces the component inputs in the analysis; the arithmetic below retains the precision reported for the aggregate shocks. [15]

Pillar and column	Component	Weight	Before	Cut	After	Weighted decline
DC D	Labour freedom	25%	4.5658	10%	4.1093	0.11415
DC E	Business freedom	25%	6.3534	15%	5.4004	0.23825
DC F	Financial freedom	6.25%	4.6000	5%	4.3700	0.01437
DC K	Mobile subscriptions	3.125%	3.7742	15%	3.2081	0.01769
DC L	Internet use	3.125%	6.7867	10%	6.1081	0.02121
DC M	Government integrity	25%	5.0548	5%	4.8021	0.06319
PR D	Challenging regulations	24%	3.4327	10%	3.0894	0.08238
PR E	Settling disputes	6%	4.1914	10%	3.7723	0.02515
PR G	Investor protection	9.01%	5.2000	20%	4.1600	0.09370
PR H	Financial legal rights	5.44%	3.5000	20%	2.8000	0.03808
PR I	Judicial independence	2.55%	3.9333	20%	3.1466	0.02006
PR J	Enforcing contracts cost	9%	6.5331	10%	5.8798	0.05880
IC F	Timeliness	11.4107%	5.3216	5%	5.0556	0.03036
IC G	Trade freedom	29.1667%	6.0053	10%	5.4047	0.17515
IC H	Foreigners visiting	8%	7.0000	10%	6.3000	0.05600

“After” is the component score within affected activity. “Weighted decline” is before × cut × within-pillar weight, before food-sector exposure. All other components remain unchanged. PR intellectual property protection is column F and is unchanged in the price-cap scenario.

The pillar indices move from 5.390980 to 4.922120 for DC, 4.809043 to 4.490868 for PR, and 5.402420 to 5.140905 for IC within affected activity. The economy-wide declines after the full foodservice exposure factor are 0.037530, 0.025468 and 0.020933 points respectively. These reproduce the 0.609418% national price-cap loss.

Reproducible arithmetic

The within-activity price-cap loss is the sum of each weighted pillar decline multiplied by its coefficient. Sector exposure is then applied once, following the studies’ linear approximation. The coefficients come from a specification with log GDP per capita as the dependent variable;

the displayed percentages retain the inherited linear convention rather than introducing an exponential retransformation.

$$0.0637 \times 0.261515338 + 0.0803 \times 0.468859503 + 0.0686 \times 0.318174915 = 0.076134744$$

$$137.1 \div 1712.794338947 = 0.080044636$$

$$0.076134744 \times 0.080044636 = 0.006094178$$

$$0.102405778 + 0.125640000 + 0.006094178 = 0.234139956$$

The retained Korean enforcement calculation uses Table 4 of the original memo. Summing coefficient × component weight × score decline × coverage gives 10.2405778%, reproducing its rounded 10.24% and $175.40 billion. This is kept separate from the price-cap shocks above. The Fairness Act retains the published 12.564% KOPMA benchmark. Extra decimal places preserve calculation consistency; they do not imply greater empirical precision. [1, Tables 4–5]

Korean benchmark GDP is $33,121.40 × 51,712,619 = $1,712.794 billion. The additive reference is $401.034 billion. The separate 30% stress case is $521.344 billion; their ten-year allocation comparisons are $40.103 billion and $52.134 billion. The revised foodservice market is a 2022 observation, matching the component-score year; inherited GDP and currency conventions remain for comparability. Sales/GDP is an exposure proxy, not a national-accounts value-added share. The linear convention itself is material for effects of this size and is not validated by adding an interaction allowance. [1,2,4]

The US additive benchmark is $300.83 billion ÷ 10 + ($10.9 billion + $10.438073 billion ÷ 10 × 25%) × 1.5 = $46.824428 billion. Replacing the Fairness term by $192 billion ÷ 10 gives $49.674428 billion. For the terminal comparison, use $15 billion × 1.5 for Fairness and multiply the price-cap contribution by 1.06^{10}, giving $53.283987 billion. Multiplying each sum by 1.30 yields the separate US stress cases. The 1.5 conversion applies only to opportunity terms; 25% participation and 6% growth are transferred assumptions. [2]

Sensitivity to spillovers across foodservice and hospitality

Let D denote delivery-channel sales, H total foodservice sales and λ the relative shock intensity in other foodservice. Effective exposure is [D + λ(H − D)] ÷ GDP. Statistics Korea reports 2022 online food-service transactions of ₩26.594 trillion. Using the USDA report's ₩1,291.95 per US dollar gives D = $20.584 billion; H = $137.1 billion. Treating delivery as embedded in H avoids adding the same meal twice. λ = 0 is the direct-channel comparison; λ = 1 applies the shock throughout the foodservice benchmark. This is an exposure sensitivity, not an input–output multiplier estimate. [4,17]

Spillover into other foodservice and exposure proxy	Cap only GDP per capita loss	Combined GDP per capita loss No extra interaction
Delivery only 1.2018%	0.0915%	22.8961%
25% spillover 2.9025%	0.2210%	23.0256%
50% spillover 4.6031%	0.3505%	23.1550%
75% spillover 6.3038%	0.4799%	23.2845%
Full sector spillover 8.0045%	0.6094%	23.4140%

This sensitivity changes only food-sector exposure; enforcement and Fairness stay fixed. Full spillover is the wider-impact assumption used in the main tables, not an estimated transmission rate. Lower domestic value added or offsetting activity would reduce the cap increment further. Overlap is a separate issue: deducting half the price-cap amount for illustration gives an additive reference of 23.1093%, or 30.0421% with a 30% stress uplift. No measured overlap deduction is available, so the main tables retain the explicit assumption of no duplication. An interaction uplift cannot correct duplicated standalone losses.

Annualisation is an allocation convention, not a cumulative-loss calculation. Estimating actual losses over ten years requires a yearly implementation and transmission path, baseline real GDP per capita, projected population and consistent prices.

Annex 2 Evidence and calibration of interaction effects

A1. We define interaction against a common counterfactual, with the same horizon, prices, population and policy coverage. Let E, F and P denote standalone net output losses and O any duplicated loss. The reference is $A = E + F + P - O$. If L is the joint-policy loss on that same basis, the additional interaction is $I = L - A$ and its uplift is $\tau = I/A$. A positive τ means amplification; a negative τ means attenuation. The main calculations assume $O = 0$ and do not estimate I. The reference convention omits an unestimated increment; it does not prove additivity or establish a minimum loss.

A2. Pairwise effects and any further three-way effect should be separated. For example, $I(F,P) = L(F,P) - L(F) - L(P)$, after consistent treatment of overlap. With enforcement already present, the incremental Fairness–cap interaction is $[L(E,F,P) - L(E,F)] - [L(E,P) - L(E)]$. This comparison prevents the entire existing enforcement loss from being reclassified as an effect of the new laws. A cap-related interaction must be weighted by the activity exposed to both measures, not automatically by all Korean output.

An empirical anchor for constrained adjustment

A3. Li and Wang study 14 US localities during March–September 2020. Section 5.4 reports a back-of-the-envelope 30% platform-commission loss without strategic responses, against 17.9% with responses. The difference is 12.1 percentage points of pre-cap commissions. If a second rule blocked a fraction b of that recovery, a linear illustration gives an additional commission-loss ratio of $b \times (30 - 17.9)/17.9 = 0.67598b$. This is a revenue calculation, not an estimated joint-law GDP effect. [10, section 5.4]

Assumed share of recovery blocked b	Extra commission loss relative to the 17.9% loss
25%	16.9%
50%	33.8%
75%	50.7%
100%	67.6%

A4. A 30% commission-loss uplift requires $b = 44.4\%$, which has not been measured. The short pandemic sample and assumed counterfactual limit transferability. Preventing responses can benefit merchants or consumers. GDP calibration additionally requires jointly exposed value added, productive responses, substitution and participant gains. The table does not establish a GDP percentage. [10, sections 5.4 and 6.3]

What the wider literature establishes

A5. Berger and Danninger estimate labour–product-market interactions in employment growth across Organisation for Economic Co-operation and Development (OECD) countries. Their Table 5 reports coordination gains of 15.4% and 34.9% over partial-reform effects for two reform sizes. These are model-based reform calculations, not observations of Korean platform regulation or a confidence interval. They also find that raising one restriction is less harmful when the other is already high. Their evidence therefore cannot be reversed mechanically to support superadditive losses from simultaneous new restrictions. It supports testing interactions, including attenuation, rather than selecting 30% by analogy. [13, pp 593–594, 604–605]

A6. Baqaee and Farhi show how nonlinear aggregate effects depend on substitution elasticities, production links, returns to scale and factor reallocation. Their framework provides a basis for tracing shocks through a production network, but no transferable percentage for these Korean bills. A Korean calibration would require domestic input–output coefficients and sector responses, including imported inputs and displaced or redirected demand. A sales/GDP exposure weight is not a substitute for those data. In default of that we show effects based on a series of interaction effects. [14]

How a GDP interaction percentage would be estimated

A7. A direct empirical estimate requires comparable firms or markets exposed to neither rule, each rule separately and both, preferably across staggered implementation. Changes in real value added or productivity under the joint regime must be compared with the sum of standalone changes. Pre-existing trends, policy selection, enforcement intensity and common shocks must be controlled for; uncertainty should reflect the level at which policy varies. Commission receipts alone do not identify net output.

A8. If each further round of loss equals fraction r of the preceding round, indefinitely persistent feedback gives uplift $r/(1 - r)$, for $0 \leq r < 1$. A 30% uplift requires $r = 23.08\%$ if the entire standalone sum participates. If only fraction φ is exposed, $\tau = \varphi r/(1 - r)$; for $\varphi = 25\%$, a 30% uplift requires $r = 54.55\%$. These are algebraic requirements, not estimates. Calibration needs evidence for exposure, response and persistence; a finite horizon or delays change the multiplier. In the absence of evidence for these bills, which have not yet been enacted, we illustrate a range of interaction effects to indicate the possible scale of the loss (including a negative interaction effect).

Signed sensitivity of the retained calculations

Assumed uplift τ	Korea full GDP per capita loss	Korea lower Fairness GDP per capita loss	US full Average comparison	US lower Fairness Average comparison
-10%	21.073%	17.680%	$44.707bn	$39.523bn
0%	23.414%	19.645%	$49.674bn	$43.914bn
10%	25.755%	21.609%	$54.642bn	$48.306bn
20%	28.097%	23.574%	$59.609bn	$52.697bn
30%	30.438%	25.538%	$64.577bn	$57.089bn

A9. All rows hold standalone inputs, overlap convention and exposure fixed. Minus 10% illustrates attenuation; 0% is the reference convention; positive rows illustrate amplification. The grid is not an estimated range, probability distribution or confidence interval, and its endpoints are not bounds. Korea and the US are shown at matching numerical assumptions only to aid comparison; their actual coefficients need not match. The 30% row preserves the earlier adverse case without presenting it as evidence-based.

A10. US interaction requires separate estimates for exports, headquarters and technology services, investment and domestic supply chains. Lost Korean output or overseas revenue is not automatically lost US value added. The inherited participation and conversion assumptions do not estimate this extra effect. The US additive and stress figures therefore remain conditional comparisons, pending channel-specific evidence and a common yearly path. [2,18]

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