

Headline: Maximum administrative pecuniary penalty is under consideration for Google's systematic obstruction of FTC investigation

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Marking the first anniversary of his inauguration as the chairman of the Korea Fair Trade Commission (KFTC), Dongsoo Kim speaks to Hankook Ilbo.

KFTC only played its normal role as an administrative agency by pursuing shared growth and closely watching consumer price

A view that the commission is playing an economic police is based on a partial perspective of seeing the role of the commission only as a regulator

KFTC will closely tracks the rapid growth of electronic commerce to aggressively protect consumers



Chairman Dongsoo Kim of the Korea Fair Trade Commission (KFTC) is one of the heads of government agencies mentioned most frequently in the media last year. He relentlessly put pressure on big businesses, insisting that they ought not to enter the business territories of mom-and-pop stores. He called in the heads of hypermarkets to pressure them to lower sales commissions from small businesses. When Shin Ramyeon Black, an allegedly premium version of Shin Ramyeon, which is the most favored ramyeon brand in Korea, was launched with a premium price, the KFTC compared the ingredients of Shin Ramyeon Black and general Ramyeon brands and announced the results to the public. It was an iconic example of the commission's effort to stabilize the prices of daily necessities of common people. However, some critics directed sarcastic barbs at the commission that it gave a blind eye to its essential role of intensely watching the concentration of

economic power to large companies, just playing a henchman of the government for its economic policy focused on shared growth and curbed inflation.

However, he was firm when we met Chairman Kim for an interview in his office located in Seocho-dong, Seoul on December 28, 2011, a few days away from the first anniversary of his inauguration, which falls on the third of January. He stressed that the commission simply played its role as an administrative agency, which formulates policies and execute them. The commission's provision of objective information on premium products to help consumers judge whether or not they deserve premium prices was to encourage rational consumption among the public. Its pressure on hypermarkets to reduce excessive sales commissions was to fix a long-entrenched unfair practice in the retail industry. All were examples of the commission's normal use of its administrative authority. Chairman Kim expressed his dissatisfaction with the cynical gibe that the commission is an economic police, complaining, "They are only looking at half the functions of the commission." In his opinion, regarding the commission only as a regulator of unfair trade acts is a partial perspective.

To be sure, he agrees that the commission has also been faithful to its role of an economic persecution to facilitate economic order. "We diligently watched to see whether or not conglomerates violated any competition provisions in outsourcing jobs and performing any other act that might cause a concentration of economic power. We made it an obligation to disclose transactions of a certain size or larger and made legal grounds to minimize arbitrary influence of business owners," firmly stating, "I cannot agree with those who point out that the commission has made light of its proper role."

The commission has homework to do: it has no authority to conduct investigations without agreement, and thus has no way to properly deal with frequent obstruction of KFTC investigations. A case in point is Google, a multinational business. When a team of KFTC investigators stormed its Korean office on September 5 last year, Google deleted files from its computers, and the next day, it had its employees remain at home on the pretext that they were telecommuting, systematically obstructing the investigation. Regarding this, Chairman Kim says, "We are considering imposing the maximum administrative pecuniary penalties, which are KRW 200 million for a business and KRW 50 million for an executive or employee.

The KFTC investigation of Google is deemed to match the commission's success in having Apple amend its unfair iPhone warranty policy. The commission is closely investigating whether or not Google prevents such competitors as Naver and Daum from entering the business by ensuring smartphones come out on the market with the Google search engine in them and whether or not the practice has encouraged consumers to use the Google search engine more frequently than the other search engines. Chairman Kim believes a successful completion of this unprecedented investigation not only in South Korea but also in the world will add further to the prestige of the Korean fair trade watchdog.

The focus of the commission for the New Year of 2012 is placed on consumer protection. He plans to provide information on the quality and prices of most frequently consumed products through online consumer reports. "The commission will provide financial support to consumer groups for their recruitment of intervenors in lawsuits so that more damage suits will be filed against collusions that cause damage among many consumers," emphasizes the KFTC chairman, adding, "The commission will also pursue appropriate statutory amendments."

Chairman Kim particularly notes electronic commerce, of which the annual sales recorded KRW 28 trillion last year, exceeding those of the department store sector, which stood at KRW 24 trillion. Considering its annual growth rate of over 20 percent, this new channel is expected to entrench itself as the number one retail channel this year, overtaking hypermarkets, which posted KRW 34 trillion in annual sales last year. "We will lay the foundation for consumers to buy products with confidence from such e-commerce marketplaces as Internet shopping malls and social commerce sites," states Mr. Kim, adding, "This effort will also have a positive side effect of improving some irrational parts of conventional retailing."

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