

Special Report



The 2022 South Korean Presidential Election: Implications & Outlook

March 16, 2022

One week ago, in Korea's closest presidential election, main opposition People Power Party candidate, Yoon Suk-yeol, was elected as the next President of the Republic of Korea. In this post-election "Special Report," we go beyond summarizing President-elect Yoon's campaign pledges to focus on analyzing the new government's policy and the expected impact on businesses, especially foreign companies that invest and do business in South Korea.

We also cover some of the key developments that have occurred during the first week of this two-month transition period leading up to the inauguration on May 10, including the President-elect's transition plans and announcements concerning the Presidential Transition Committee.

We hope you will find our report helpful, as you refine your business strategies.

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I. Introduction

The 20th presidential election was held on March 9, 2022, and Yoon Suk-yeol, the main opposition candidate of the conservative People Power Party (“PPP”), was elected as the next President of the Republic of Korea. The election was a close call. By a slim margin of 0.73%, Yoon beat Lee Jae-myung, the presidential candidate of the ruling Democratic Party of Korea (“DPK”). President-elect Yoon will take office on May 10, 2022 for a single 5-year term.

Yoon is a former Prosecutor General, who was appointed by the incumbent President Moon Jae-in. He emerged as a political figure in less than one year. Yoon won the election with the support of 48.6% of the votes from Korean citizens, who favored a regime change from the current government led by President Moon. As such, it is expected that Yoon will run the government in significantly different directions than his predecessor.

Below are the key events that will take place, leading up to the May 10 presidential inauguration.



Challenges for President-elect Yoon

From his first day in office, the President-elect will face a challenging political environment. Although the People Power Party secured 4 seats in the by-elections held alongside the presidential election on March 9, resulting in 110 seats in the National Assembly, the DPK still holds 172 of the 300 seats. Since the next general elections are scheduled for April 10, 2024, this DPK-led legislature will continue until at least May 2024. This means it is somewhat uncertain whether the new Yoon government can successfully deliver on the policy transformations that Yoon pledged during the presidential campaign. For example, most socio-economic policies that Yoon suggested during the campaign, such as labor and real estate tax reform, require legislation to implement them, meaning it can only be accomplished with the support of DPK lawmakers.

Another major challenge facing the incoming administration is how to navigate complex foreign policy issues. Amid the intensifying competition between the United States and China, the President-elect declared that a deeper alliance with the United States should be the main thrust of the South Korean

foreign policy. Yoon also stated that he would even consider further deploying the U.S.-manufactured Terminal High Altitude Area Defense (“THAAD”) system in Korea, and expressed interest in engaging in the activities of the working groups of the Quadrilateral Security Dialogue (“Quad”) that might lead to Korea’s accession to it later. China is wary of Yoon’s expressed policy stance leaning toward the U.S., hinting that Korea’s strengthened partnership with the U.S. will impair Korea’s economic interests, which is closely tied to China. Also, it will be a great challenge for the Yoon administration to mend the long strained Korea-Japan relations.

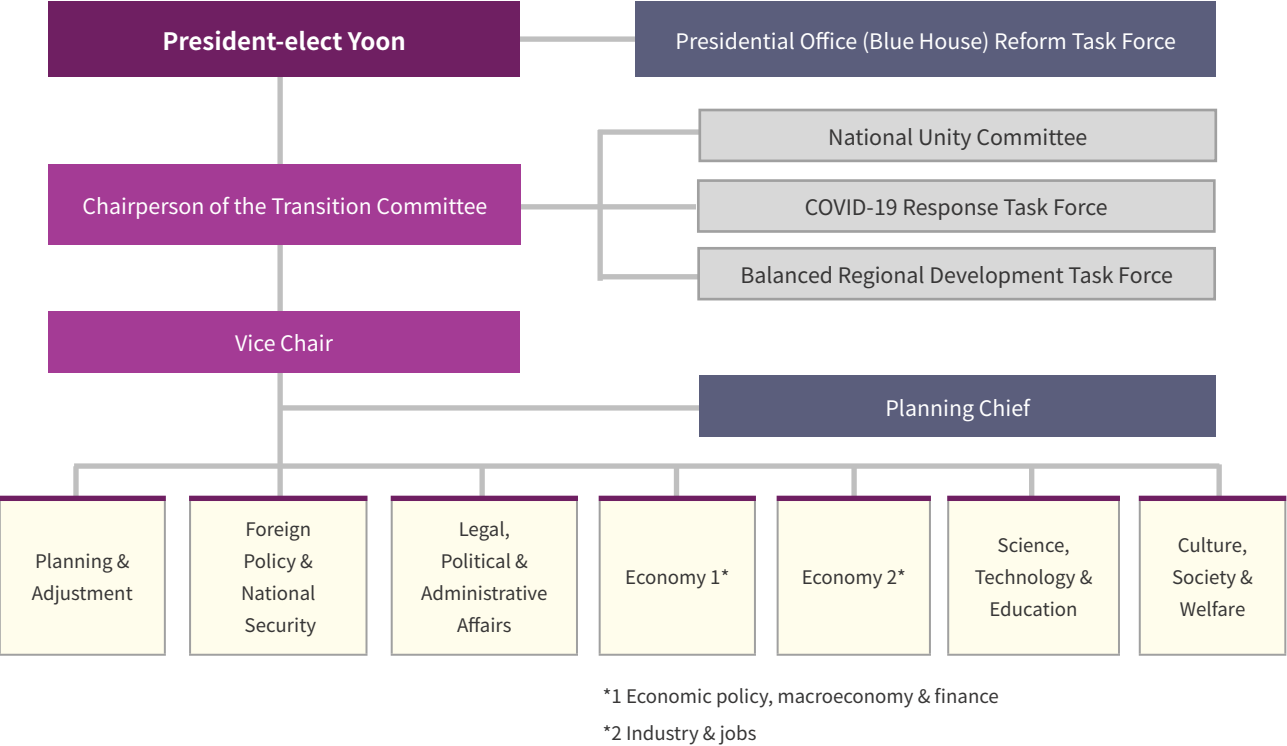
Launch of the Presidential Transition Committee

On March 13, Yoon announced that the minority party (People’s Party) chairman Ahn Cheol-soo will lead the Presidential Transition Committee (“Transition Committee”) as its Chairperson. Additionally, Yoon’s campaign chief and four-term conservative legislator, National Assemblyman Kwon Young-se, was named as the Vice Chair. Former Jeju Provincial Governor, Won Hee-ryong, who also served as the Yoon campaign’s policy chief, was named the Planning Chief (in charge of developing campaign pledges into policy agenda and related government initiatives).

With Ahn Cheol-soo appointed as the Transition Committee Chair, the Yoon government is presenting itself as a PPP-People’s Party joint government. Ahn, who was the former People Party presidential candidate, contributed to Yoon’s win by agreeing to a unified candidacy with Yoon. As a result, some of Ahn’s campaign pledges are expected to be reflected in the policies that the Yoon administration will pursue. However, given the minor position of the People’s Party in the National Assembly, it should be President-elect Yoon and his party (PPP) that will lead the overall policy directions. It also remains to be seen whether President-elect Yoon’s PPP will merge with Ahn’s People Party, as Yoon has previously stated.

On March 14, President-elect Yoon also announced that the National Unity Special Committee will be headed by Kim Han-gil, the former leader of the DP. Former interim chief of the Liberty Korea Party (which preceded the PPP) was announced as the head of the Regional Balanced Development Task Force. We understand that Yoon plans to announce the full list of the Transition Committee members within the week of March 14, which is much earlier than expected. He is expediting the transition process for a more smooth transition of power from the incumbent government. Yoon also announced that unlike President Moon, he will make appointments to the Transition Committee based fully on merit, without considering quotas for women and regional distribution.

The Transition Committee will be comprised of seven subcommittees that address matters of national affairs: (1) planning & coordination; (2) foreign policy & national security; (3) politics, judiciary & administration; (4) “economy 1” (economic policy, macro-economy, banking & finance); (5) “economy 2” (industry & jobs); (6) science, technology & education; and (7) society, welfare & culture. Below is an organizational chart of the Transition Committee as of March 14, 2022:



For about two months, the Transition Committee will carry out important missions of defining the national vision and policy objectives that the Yoon administration will pursue for the next 5 years. The new government’s policy directions will be crystalized by the Transition Committee. Also, the government restructuring plan and qualification screening of candidates for Prime Minister and cabinet-level Ministers will be performed by the Transition Committee.

II. Overview of the Yoon Administration's Expected Policy Directions

The Presidential Office Reform

President-elect Yoon seeks to dismantle the “monarchical presidency” by turning the Blue House into a more open and people-friendly government. To that end, Yoon vowed that he will move the presidential office out of the palace-like presidential office (“Blue House”) near the Bugak Mountain. He is considering moving to Gwanghwamun or Yongsan area of Seoul.

At the same time, the presidential office is expected to be downsized, and will focus mainly on political affairs and public relations. Yoon may also abolish the positions of senior presidential secretary and the powerful Civil Affairs Secretarial Office (which has controlled the public prosecutors' offices). Accordingly, the Prime Minister and Ministers of central government agencies (ministries) will be given broad autonomy and greater responsibilities.

Yoon also plans to run the government, assisted by sectoral “public-private joint committees” to be established directly under the President. Notably, world-class subject matter and industry experts, and even foreigners, will be invited to join these committees. The Transition Committee has already undertaken specific work to implement such “*presidential office reform*” plan. President Moon made a similar attempt, but failed due to presidential security issues and concerns raised by neighboring businesses. So how it will actually work out remains to be seen.

Overview of the Expected Policy Directions

The Yoon administration's policies will be specifically determined through the Transition Committee's activities, but overall policy directions can be discerned on the basis of Yoon's campaign pledges (and to a certain extent, Ahn's campaign pledges) and the formation and mission statements of the Transition Committee. In general, the Yoon administration is expected to pursue the following policy directions:

- ***Integrating the divided people:*** The 2022 presidential election produced a winner and a loser by the smallest margin of votes in history, which means that the Korean people are sharply divided by ideology, generation, class, and region. The President-elect has realized that he would not be able to run the country efficiently without bringing people together, including those who did not vote for him. This is likely why he has formed the “national unity committee” and the “balanced regional

development task force.” In order to achieve national unity or integration, the President-elect may give up or revise controversial policies he pledged during the campaign. For example, Yoon’s pledge to abolish the Ministry of Gender Equality and Family was opposed by most female voters in the presidential election. As such, we cannot rule out the possibility that this idea may be discarded, although the President-elect continues to state that he will follow through on this pledge.

- **Market-driven economy & deregulation:** During the first press conference after the election, President-elect Yoon emphasized that his administration will rebuild the “liberal democracy” and the “market-driven economy.” This means that Yoon’s government will advocate for “economic growth led by the private sector,” rejecting the Moon administration’s “growth by government spending” or “income-led growth” approach. The new administration considers “deregulation” to be crucial to revitalizing the Korean economy and enabling companies to create jobs.
- **Supporting self-employed & small businesses affected by the COVID-19 pandemic:** Self-employed and small businesses have been most heavily affected by the COVID-19 pandemic, and the Yoon administration pledged to provide massive financial support to them. Accordingly, a “COVID-19 response task force” has been formed. It will be led by the Transition Committee Chair Ahn Cheol-soo, who taught and practiced medicine for many years.
- **Technology & innovation-based growth:** Yoon’s economic policy aims to “reinforce Korea’s competitiveness through scientific and technological development.” This coincides with Ahn’s science and technology-oriented policy directions. The President-elect will establish a public-private joint committee to mobilize collective wisdom of subject matter and industry experts necessary to develop science and technology. In the same vein, Yoon proposed that the U.S.-Korea security alliance be expanded to a more comprehensive economic alliance, leading a global innovation in the areas of semiconductors, batteries, artificial intelligence (“AI”), 6G communication, nuclear power, and aerospace technology. Yoon also pledged to foster and vitalize the coin, start-ups, and game (“CSG”) industry.
- **Promoting labor market flexibility and creating high-quality jobs:** The President-elect stated that the best welfare is “jobs” and that jobs are created by companies, not by the government. Yoon pledged that his administration will provide systemic support for companies to create good jobs. Along these lines, Yoon is expected to pursue labor market flexibility and alleviate problems stemming from the 52-hour workweek limit and minimum wage system.
- **Bringing back nuclear energy & reshaping zero carbon policy:** Nuclear power plants, which were phased out under the Moon administration, will be brought back. Building Korea into the “number 1 nuclear power country” is one of Yoon’s top 10 campaign pledges. Under the Yoon administration, nuclear power will account for more than 30% of the entire power generation. Accordingly, Korea’s

“Net Zero by 2050” (carbon neutrality) strategy will likely be revised, so that the energy mix will mainly comprise of nuclear and renewable energy.

- ***Ensuring Fairness, justice, & common sense to tackling economic and societal issues:*** Despite his policy of private sector-driven economy, Yoon will likely not compromise his principles of fairness, justice, and common sense in running the country. As the country’s former chief prosecutor, the President-elect is expected to take a hard stance against corruption, abuse of power, or bribery, for which he was known throughout his career. It is expected that the investigation power of the public prosecutors – which were partially imparted to the police and the Corruption Investigation Office for High-ranking Officials – will largely be reinstated. However, in dealing with economic and societal issues, the principles of fairness and justice are used as a rationale to protect the weak and the socially repressed, consumers, laborers, and small-and-medium-sized enterprises (“SMEs”). In these areas, it remains to be seen how the Yoon administration will harmonize the fairness and justice principles with the need to encourage and enable private companies to do business, free of government intervention, so that they create more jobs. For example, the Serious Accident Punishment Act and certain fair trade laws to regulate platform businesses would entail such conflicting policy objectives.

III. Policy Outlook by Issue & Sector

In this section, we will highlight some of the salient policies that the Yoon administration is expected to pursue, based mainly on his campaign pledges, and that would affect corporations and businesses in Korea.

1. Foreign Policy

With the Russian invasion into Ukraine and the growing U.S.-China rivalry, “economic security,” particularly securing stable and resilient supply chains, has emerged prominently as a priority agenda for the new government. Foreign policy and matters of national security are intertwined with the Korean economy. Therefore, it is necessary for the President-elect to aptly maneuver his declared foreign policy directions while securing Korea’s economic security.

If the Yoon administration pursues a more active foreign policy with emphasis on core values, his administration will be better poised to elevate his domestic legitimacy as well as South Korea’s global stature. However, as noted above, the new administration will face tough foreign policy challenges. Yoon’s stance on relations with key nations in the Asia-Pacific region and beyond are summarized below:

- ***United States (U.S.):*** President-elect Yoon has been a strong advocate for the Korea-U.S. alliance. Yoon has also expressed interest in joining working groups under the Quad to become a major partner of the U.S. in the Indo-Pacific on various issues, including cybersecurity and maritime security. The Quad is a group of the U.S., Australia, India, and Japan designed to facilitate the strategic security dialogue among them amid China’s increasing clout and assertiveness in the Indo-Pacific region. Economically, Yoon is also expected to work closely with the Biden administration to ensure a free and open Indo-Pacific region. Yoon is likely to support the U.S. Indo-Pacific Economic Framework (“IPEF”), by which the U.S. looks to strengthen its role in the Indo-Pacific region, establish a secure supply chain, and help enact new international trade rules on digital economy, climate change, as well as stricter environmental and labor standards. In the military arena, Yoon is likely to consolidate military cooperation with the U.S. and call for the full resumption of joint military exercises with the U.S., which had been suppressed for the nuclear talks with North Korea under the Moon administration. Hours after Yoon was declared the winner in the presidential election, President Biden called President-elect Yoon to congratulate him, and that the two leaders committed coordinating closely to address the threats posed by North Korea’s nuclear and missile programs.

- **Japan:** Another daunting foreign policy challenge ahead of Yoon is how to improve deeply soured relations with Japan. During the presidential campaign, Yoon stated that we should look to the future to improve not only the Korea-Japan relations, but also resume the U.S.-Japan-Korea trilateral cooperation. Experts note that the key to improving relations with Japan is to build fresh momentum and restore trust, including by resuming regular shuttle summits. There might be a trilateral summit meeting between Korea, the U.S. and Japan around President Biden's planned visit to Japan in May 2022, which will offer a good opportunity for rebuilding rapprochement between Seoul and Tokyo.
- **China:** China is South Korea's biggest trading partner. In 2021, Chinese market accounted for about 25% of Korea's entire exports. Ebbing relations with Beijing would create challenges for the Korean economy. For now, the Chinese President Xi Jinping sent a congratulatory cable to Yoon on March 10, stating: "China intends to deepen friendship and cooperation, and is willing to develop stable and long-term relations with South Korea as strategic partners." On the same day, President-elect Yoon stated during his meeting with Chinese ambassador in Seoul that he and his administration will develop relations with China based on mutual respect. However, Yoon did not elaborate on how he would deal with Beijing's potential negative reaction if he followed through on his campaign pledge to further deploy THAAD. In 2016, when South Korea initially agreed with the US to deploy THAAD, China retaliated economically, which led to a sharp decline in Chinese tourists to South Korea and also in South Korean automotive sales in China.
- **North Korea:** Like his conservative predecessors, Yoon views North Korea with more skepticism than the Moon administration, which pursued inter-Korea engagement and an end-of-war declaration. Yoon's policy approach toward North Korea will be the biggest policy difference between the outgoing Moon administration and Yoon's administration. Yoon is expected to change the Korean government's focus to denuclearization and deterrence. During the campaign, President-elect Yoon even spoke about "preemptive strikes," stating that Seoul should use military capability if it determines that an attack from Pyongyang appears imminent. The new administration may face a serious provocation from Kim Jong-un soon, as his regime in North Korea has stepped up tensions on the Korean peninsula, testing new ICBM technologies and resuming nuclear activities. The U.S. called North Korea's recent missile tests a "serious escalation." Against such backdrop, it is likely that we have to get through a longer period of non-engagement between the two Koreas.

2. Corporate Governance/SMEs

The new administration's corporate governance agenda aims to provide active support to SMEs and to protect the rights and interests of founders of SMEs.

- ***Targeted government support for SMEs:*** The new government will likely amend existing laws or enact special laws to strengthen support for SMEs and start-ups. For example, Yoon pledged to expand cases, where SMEs can enjoy benefits of SME status for a three-year grace period, when they grow into medium-sized companies. The President-elect also pledged to assist SMEs affected by COVID-19 pandemic by spending KRW 50 trillion, in addition to KRW 16.9 trillion approved by the National Assembly in February. Yoon promised to help SMEs enhance their digital competitiveness by, for example, providing financial and tax support to SMEs to access remote work system and cloud infrastructure and software or to build "smart factories". Yoon administration is also expected to take measures that will ease inheritance of an SME business. For example, measures may include repealing restrictions on change in the business types or shortening the post-inheritance monitoring period, which is currently 7 years.
- ***Revamping corporate laws for SME founders:*** The President-elect also promised to introduce a "multiple voting share" system, whereby founders of start-up companies secure management rights with a small amount of capital. Recently, the e-commerce giant Coupang issued multiple voting shares when it was listed on the New York Stock Exchange. To make this possible in Korea, the Korean Commercial Code that adopts "one share, one vote" principle has to be amended. In addition, Yoon promised to streamline the "specially-related person" (SRP) system. Currently, SRP definitions are scattered in various laws, such as tax law, the Commercial Code, and capital and financial supervision laws. SRP is used to achieve various regulatory objectives, in particular, to prevent evasion of laws through related persons. However, SRP-based regulation has caused a number of problems to corporate founders, as the SRP concept is too broad, and proving non-existence of real bondage between the principal and a SRP is very difficult. It remains to be seen how the Yoon administration can improve SRP.

3. Labor & Employment

In contrast to the Moon administration's labor policy, the Yoon administration is expected to ease labor regulations by expanding the flexible working hour system, reforming the wage system, diversifying types of employment, and by promoting labor-management autonomy.

- ***Expansion of flexible working hours:*** As part of the labor reform, President-elect Yoon is emphasizing the need for flexibility in the current 52-hour workweek system. Among others, specific measures that Yoon has set out in his pledge include: (i) expanding the calculation period of the selective working hour system (will likely be set at the discretion of the employer and employee not exceeding one year, as opposed to the current 1 to 3 months); (ii) adopting an annual working hour savings account system; (iii) allowing the right to freely convert between full-time and part-time work while maintaining regular employee status; (iv) a new type of full-time employment category that allows independent selection of working hours; and (v) exempting professionals and high-salaried workers from working hours regulations. If the Yoon administration adopts such a system, it would enable companies to operate the working hour system with more flexibility and discretion, based on the labor-management agreement.
- ***Merit-based wage system & fair job market:*** The Yoon administration is expected to replace the current seniority-based wage system to a work value-and performance-based wage system. Yoon has also pledged to promote fairness in the labor market through disclosure of wage information for each job category, and to enact the "Fair Hiring Act" to guarantee fairness in all aspects of the hiring process. The President-elect also plans to amend the current law on fixed-term workers through the "Act on the Protection of Fixed-term and Part-time Workers."
- ***Minimum wage reform:*** Yoon has promised to slow down the increase in the minimum wage, as well as reform to the decision-making method concerning minimum wage, and different application of minimum wage by region and by industry.
- ***Serious Accident Punishment Act ("SAPA") reform:*** While President-elect Yoon did not make any specific commitments concerning the SAPA during the campaign, he is likely to maintain the position of "preventing serious accidents through relevant enforcement ordinances and criminal enforcement, while improving any unreasonable aspects, such as ambiguity of the person representing the enterprise, that have been identified since the law went into effect earlier this year.
- ***Labor-management relations:*** To prevent long, tedious labor-management conflicts and to enhance the Labor Relations Commissions' ability to mediate labor disputes, committees dedicated

to prolonged labor-management disputes will likely be formed. Labor-management relations experts may be appointed as standing members to increase the committees' ability to mediate labor-management disputes. In addition, to promote participatory and fair labor-management relations, a direct voting system is expected to be implemented to elect members of the labor management councils.

4. Fair Trade

We expect that the Yoon administration will emphasize self-regulation to promote innovative growth and private sector-led growth. Also, the new government is likely to address power imbalance between large companies and SMEs, including addressing the key issues of online platforms, technology theft, and price-cutting. During the campaign, Yoon stressed the importance of the competition authority's strict regulation of unfair trade practices and other activities that could stifle competition. Yoon's campaign pledges also focused on resolving competition-related disputes through alternative dispute resolutions.

- ***Addressing power imbalance through damage relief & unit price interlocking system:*** Yoon vowed to support SMEs to enable them to gain more bargaining power in their transactions with conglomerates. Along the line, the new administration is likely to push for the introduction of the unit price interlocking system, which would require contractors to raise unit supply prices if raw material prices increase. Also, to protect subcontractors from raw material price fluctuation, the Yoon administration is also likely to require contractors to have mandatory consultation with subcontractors on supply price adjustment.
- ***Alternative Dispute Resolution (“ADR”) systems:*** The new administration will likely promote the use of ADR systems through the enactment of the “Fair Trade Dispute Mediation Integration Act,” so that competition-related disputes can be resolved more efficiently and the burden of the Korea Fair Trade Commission (KFTC) having to undertake remedial measures could be alleviated. Moreover, after July 2022, as the KFTC's consent decree system will be applicable to violations of the Fair Transactions in Subcontracting Act, the Act on Fair Transactions in Large Retail Business, Fair Agency Transactions Act, and the Act on Door-to-door Sales, the use of these ADR systems is expected to increase significantly.
- ***Strengthened enforcement against technology misappropriation:*** The new government will likely strengthen enforcement against large companies for stealing/misappropriating technologies of SMEs. The KFTC is already operating the “Technology Misappropriation Anonymous Reporting Center,” which will incentivize companies to comply with laws related to technology misappropriation,

particularly in subcontracting transactions.

- ***Online platform regulation:*** There is a growing consensus on the need to control anti-competitive behavior of the platform industry. However, the Yoon administration will likely take a cautious approach in introducing and enforcing online platform regulation, so that such regulation does not disrupt innovative growth of the platform industry.
- ***KFTC's exclusive criminal referral right:*** Additionally, the Yoon administration will likely preserve the KFTC's exclusive right to submit criminal referrals (allowing prosecution and criminal punishment only when the KFTC has submitted criminal referral to the Prosecutor's Office). The KFTC's exclusive criminal referral right is expected to be exercised in harmony with the Ministry of SMEs & Startups' ("MSS") mandatory 'referral request' obligation. As the MSS has to request the KFTC to send cases to the public prosecutors for criminal investigations, it would encourage the KFTC to more actively exercise its criminal referral right.

5. Criminal

Contrary to the Moon administration's move to reduce the power of the Prosecutor's Office, Yoon pledged that his administration would guarantee more independence to the prosecution. However, as the DPK holds a supermajority in the National Assembly, it is highly likely that such a reform measure may face strong opposition. Nevertheless, certain reform measures can be taken through amendments to the presidential (enforcement) decrees, which do not require the approval of the National Assembly.

- ***Abolishing the Minister of Justice's authority to command the prosecution:*** As part of Yoon's "prosecution reform" pledge, "abolishing the Minister of Justice's authority to command the prosecution" appears to be at the top. Under the Moon administration, this authority of the Minister of Justice was exercised three times, among which two were used by the former Minister Choo Mi-ae during her first year in office. In July 2020, while Yoon was the Prosecutor General, she stopped the prosecution from initiating an investigation into a former reporter, who allegedly coerced an inmate to expose dirt on a popular political commentator. In October 2020, she also commanded Yoon to withdraw from the investigation of a massive financial fraud scandal involving Lime Asset Management and an investigation into suspicion of a member of Yoon's family. Against such background, Yoon will attempt to abolish the Minister of Justice's authority to command the prosecution.
- ***Adjustment to the prosecution's investigatory authority:*** As a result of the Moon administration's adjustments and reform to the investigatory authority of the Prosecutor's Office, the prosecutors'

authority to directly investigate crimes was reduced to six major categories. Yoon has already stated that he will allow prosecutors to directly conduct supplemental investigation after the case is forwarded by the police. Therefore, it is expected that some of the prosecutors' reduced authority may be partially restored. Further, there is a possibility that the prosecutors may be allowed to independently conduct additional investigations.

- ***Adjustment to the role of the “Corruption Investigation Office for High-ranking Officials”:*** The Moon administration created an independent investigation agency known as the Corruption Investigation Office of High-ranking Officials (“CIO”) in January 2021. The propriety and independence of the CIO has been debated. Yoon indicated that his administration will eliminate the independent power of the CIO to investigate high-ranking public officials and allow both the prosecution and the police to investigate the alleged corruption.

6. Tax

The Yoon administration's tax policy aims to invigorate the stagnant economy hit by COVID-19, foster SMEs and start-up companies, support low income workers and senior citizens, and “normalize” real estate tax that has distorted the real estate market. Yoon's tax pledges are focused on the following issues:

- ***Market revitalization:*** In order to assist start-ups and SMEs to attract talent, up to KRW 200 million worth of stock options provided to employees will be tax free, which is four times the current KRW 50 million tax exemption limit. Further, the new government is expected to introduce tax measures to support the digital economy and carbon neutrality. Also, to encourage the succession of family businesses (particularly SMEs), the Yoon administration will likely expand its tax support related to succession of family businesses (particularly SMEs). In addition, to revitalize the stock market, Yoon proposed reversing the Moon administration's capital gains tax on investors. This includes a revision to the amended tax law set to take effect in 2023 that will allow taxes of up to 25 percent on annual capital gains exceeding KRW 50 million.

However, President-elect Yoon did not commit to reductions or exemptions of corporate income tax, other than corporate income tax deductions for companies investing in semiconductor R&D centers, clouding computing R&D, and for businesses that invest in the creation of new facilities in Korea due to closure or reduction of their overseas operations.

- ***Real estate-related tax:*** The Moon administration aggressively introduced policies with the goal of cooling down the property market prices by tightening mortgages, increasing taxes, and setting limits to rent increases. However, the property ownership taxes and capital gains taxes from

property transactions were largely increased, which played a role in causing housing prices to rise at an unprecedented pace. To address these issues, Yoon pledged to set up a task force to stabilize the real estate market to lower the transfer tax and real estate holding tax for single-home owners, temporarily reduce transfer tax for multi-home owners, and to ease regulations for real estate loans.

7. Information & Communications Technology (“ICT”)

As part of campaign pledge, President-elect Yoon has stated that he would create a science & technology committee jointly led by the government and the private sector, which would play a key role in helping to create future growth engines for Korea. Yoon has stated that his goal is to have Korea become a leading digital economy by expanding infrastructure for digital data utilization and by introducing 6G communication. The President-elect has also pledged to increase financial support and investment for technological innovations in such areas as AI, software, digital infrastructure, and digital convergence industries. Yoon plans to encourage self-regulation while minimizing government intervention in the ICT industry. Yoon’s campaign promises include the following:

- ***AI and software industries:*** Yoon’s campaign pledges includes creating the world’s largest AI computing infrastructure that research institutions, universities, and private companies can use jointly, and to strengthen the government’s role to promote the growth of the AI industry. Also, the President-elect has proposed doubling the size of public IT procurement projects and to greatly expanding the scope of software R&D government projects.
- ***Expanding digital infrastructure:*** The Yoon administration will likely focus on promoting digital infrastructure-related technologies and businesses, such as AI, augmented reality (AR), virtual reality (VR), high-definition displays, high-speed 5G and 6G mobile communications. Yoon pledged to provide 5G services on next-generation devices (e.g., robots). He also promised to promote the use of private cloud by the public sector under the “private cloud first policy.”

8. Automotive & Mobility

Yoon has pledged to promote the electric vehicle (“EV”) industry and promote innovation in the mobility industry. At the same time, the Yoon administration will likely impose strict regulations on internal combustion/diesel engine vehicles to help reduce fine dust pollution. President-elect Yoon’s pledges for the automotive and mobility industries are generally consistent with initiatives that have already been promoted by the relevant government agencies (ministries). The relevant ministries are currently preparing to enact laws and

regulations on the automotive and mobility sectors. Below we outline the Yoon administration's related key legislative and policy objectives.

- ***Promoting the EV industry:*** Yoon pledged to deregulate and promote the EV industry. He also promised to enable electric vehicles to be charged at gas stations/LPG charging stations. For example, Yoon's party (PPP) has pointed out that it is impossible to install EV facilities at gas stations under the current Act on the Safety Control of Hazardous Substances, due to provisions on separation of distance between such facilities and gas stations. President-elect Yoon has pledged that the relevant regulations will be amended, so that fuel cells could be installed at gas stations/LPG charging stations, and to freeze EV charging fees for 5 years.
- ***Regulation of internal combustion / diesel engine vehicles:*** President-elect Yoon also pledged to reduce fine dust pollution by 30%. To achieve this, the new administration would reduce the deadline for phasing out old diesel vehicles classified as grade 4 or lower by three years. Also, the Yoon administration plans to introduce Euro 7 in 2025, which will be the final and most stringent European emission standards. President-elect Yoon has also promised to prohibit new registration of internal combustion engine vehicles beginning in 2035. This could mean that car manufacturers will have to stop developing new vehicle models and manufacturing internal combustion engine vehicles. It remains to be seen whether this will be implemented, as it is likely to trigger opposition due to its impact on employment, the automotive component industry, among others.
- ***Promoting innovation in the mobility industry:*** In order to promote innovation in the mobility industry, the Yoon administration plans to push for relevant regulation. Bills to promote the mobility industry and to enhance the safety and convenience of personal mobility devices (e.g., regulations on business registration, installing/managing facilities to ensure safety of personal mobility devices) currently remain tabled at the National Assembly.
- ***Promoting development of new delivery and transportation methods (e.g., drones, UAM):*** President-elect Yoon promised to advance technology and infrastructure for a transition to future intelligent mobility industries, such as autonomous vehicles, drones, and urban air mobility ("UAM"). Yoon has stated that his administration will promote commercialization of demonstration routes as UAM test beds in the metropolitan area. Yoon promised to establish air mobility network and integrated transfer system centered on key transportation points. Also, the Ministry of Land, Infrastructure and Transport ("MOLIT") has commissioned a research study to enact laws and regulations on UAM.

9. Healthcare

Yoon's number one campaign promise was to focus on overcoming the COVID-19 crisis. The President-elect also made campaign pledges related to the bio-health industry, promoting the telemedicine industry, and enhancing government support for vaccine R&D and cutting-edge medical fields.

- **COVID-19 policies:** President-elect Yoon pledged to overhaul the current COVID-19 response system. He has followed through on one such promise by establishing a "COVID-19 response task force" as part of his Presidential Transition Committee. This task force will be headed by the Transition Committee Chair Ahn Cheol-soo.
- **National support measures for the bio-health industry:** Yoon promised to expand national support for the bio-health industry, designating it as one of the key five technological sectors to promote. Yoon also plans to establish a Bio-pharmaceutical Innovation Committee under the direct supervision of the Prime Minister. The following is the new administration's main policy goals for the bio-health industry.
 - **The national health insurance coverage expands:** Yoon's pledges in the bio-health sector include measures to expand the national health insurance ("NHI") coverage, such as increasing support for continuous glucose monitoring, gait therapies using rehabilitation robots, national health checkup for osteoporosis and depression, among others. Also, access to new drugs is expected to improve, since Yoon promised to shorten the NHI registration process for oncology drugs lacking alternative medicines and other treatments of severe diseases. On development of highly expensive new drugs, policy debates on pension reform may involve discussions on creating a separate fund and the Risk Sharing Agreement ("RSA"), in which pharmaceutical companies bear some degree of uncertainties in new drugs' efficacy and financial impact of a health insurance.
 - **National pension system reform:** President-elect Yoon's health and welfare policies include reform of the national pension system, which is predicted to be depleted by 2056 according to the Ministry of Economy and Finance ("MOEF"), if the current system is maintained as is. It remains to be seen how the national pension system will be reformed.
 - **Promoting digital healthcare and telemedicine:** The new administration would aim to promote the digital biomedical industry and train digital medical professionals. To achieve this, Yoon plans to introduce the "digital healthcare primary counselor/doctor," who will manage personal medical data and digital health care services. Also, non-face-to-face medical treatment pilot projects on islands and in mountainous regions of Korea will be introduced. Such policies are

likely to vitalize telemedicine services in the long run, which will lead to governmental support for R&D and development of new services by healthcare and ICT companies. They will also trigger policy discussions on measures to mitigate problems that may be caused by telemedicine, such as personal data leakage and large corporations' collection of individuals' medical information.

- **Enhanced governmental support for R&D of vaccines/medicines and cutting-edge medical fields:** Yoon pledged to double the size of the governmental support for R&D projects in the bio-health industry, focusing on securing proprietary technologies. Specifically, there will be an increase in governmental support for R&D in rapid vaccine development and manufacturing technology, post-COVID 19 vaccines and medicines, essential vaccinations, bio-digital fields, cutting-edge medical fields (e.g., regenerative medicine, precision medicine, brain science, aging process, genome editing, and synthetic biology). As a result of the enhanced governmental support for R&D, more Korean pharmaceutical companies are likely to carry out government projects. Also, an increase in R&D investments and global pharmaceutical companies' stronger interest in the Korean market are also expected.

10. Consumer Goods / Distribution

President-elect Yoon promised to strengthen food safety standards and ensure sustainable food and agriculture systems. The President-elect's campaign pledges are in line with the plans of the Ministry of Food and Drug Safety's ("MFDS"), which recently announced its key plans for 2022 to create a safe and robust ecosystem for food production and distribution. Yoon pledged that he will advance the Moon administration's agenda to enhance food safety for consumers, noting that "the agricultural and livestock industry is a key national industry as well as a growth engine." To strengthen food safety, Yoon promised to expand the supply of safe food to the public by introducing stricter GMO labeling standards. Previously, the Moon administration failed to fulfill President Moon's campaign promises to stop the use of GMO products in schools and to require food companies to disclose their GMO ingredients. Yoon also promised to implement regulations/standards that require the labeling of the place of origin of agricultural and fishery products.

11. Energy and Environmental, Social & Governance (“ESG”)

The Yoon administration is expected to pursue the following energy and ESG policies:

- ***Energy & climate policy:*** President-elect Yoon committed to achieving the goal of carbon neutrality (carbon net zero by 2050; 40% reduction by 2030) pursuant to the Nationally Determined Contribution (“NDC”) submitted by the Moon administration. Yoon stated, however, that he will change the strategies employed by the Moon administration and adopt “realistic” strategies to achieve such goal. The most important strategic change involves the nuclear power policy. Yoon vowed that he will repeal the Moon administration’s nuclear phase-out policy and achieve the carbon neutrality with a new energy mix including nuclear power and new & renewable energy (e.g., solar, wind, fuel cell). The Yoon administration is expected to increase the portion of paid-for carbon allowances and provide tax support for investments in energy-saving facilities.
- ***Environmental policy:*** Yoon administration will likely carry on other environmental policies pursued by Moon administration. For example, the contemplated legislation on the reduction of waste or use of plastic packaging would seriously affect companies, as they may need to be given to changing the materials used in the manufacturing of goods as well as the waste disposal method or location.
- ***Reinforcing ESG management support for SMEs & venture companies:*** The new government will likely set up support system for SMEs and venture companies, considering their limited capabilities and resources for ESG management. To create an environment where companies realize tangible benefits from their ESG investments, the Yoon administration will likely provide financial and tax support and legal consulting services for companies, and encourage management status evaluation using ESG indicators.

12. Real Estate & Construction

Yoon Administration’s key real estate policies include increase in the supply of housing through reconstruction and redevelopment, and normalization of private rental housing market through revision of tenancy laws.

13. Banking & Finance

President-elect's pledges related to the banking and finance sector include promoting digital finance innovation, enhancing the competitiveness of the financial sector, and strengthening financial consumer and shareholder protection.

- ***Improvement in regulations for digital finance innovation:*** Improvements in financial regulations related to digital finance are expected to bring about overall changes in the financial regulatory environment. While autonomy is given to market participants, on consumer protection issues, the level of sanctions or punishment is likely to be strengthened.
- ***Expansion of business scope of the financial institutions:*** As control over loan-deposit margins is expected to become stricter, financial institutions need to create new revenues through entry into new businesses. Yoon administration is likely to support the Financial Services Commission's plan to expand the scope of work in each financial sector to enhance the competitiveness of the financial industry.
- ***Financial consumer protection:*** Following the enforcement of the Financial Consumer Protection Act in March 2021, there have been many institutional changes. The Financial Services Commission has also established a system to strengthen financial consumer protection and improvement of financial practices as part of its core tasks for 2022. The Yoon administration will likely push for active enforcement of such consumer protection schemes.
- ***Minority shareholder protection:*** The issue of shareholder protection arose due to listing after spin-off and the sale of stock options by management. As such, monitoring/supervision of the capital market is expected to be strengthened. Specifically, physical spin-off requirements are likely to be strengthened and shareholder protection measures institutionalized.

14. Virtual Assets

Shifting away from the Moon administration's tightening of regulation on cryptocurrencies, Yoon pledged to revitalize the virtual asset industry through deregulation on cryptocurrency trading, including easing tax requirements on cryptocurrency investment profits and allowing initial coin offerings ("ICO") in Korea. In 2021, the government introduced a new regulatory process that shut down roughly half of South Korea's crypto exchanges. Lack of legislative clarity on virtual asset tax has been a source of confusion for both investors and regulators.

- ***Investor protection:*** In 2021, the MOEF planned to impose tougher crypto income taxes on investors whose gains exceed KRW 2.5 million, beginning in 2022. But the plan was halted amid fierce political opposition, as the standard was too high compared to taxes on profits from stock investments. Stock investors are required to pay income taxes only when their gains exceed KRW 50 million. As such, Yoon pledged that he will raise the threshold for paying capital gains tax on earnings from cryptocurrencies to the same level as stock investments and provide tax exemptions for returns of up to KRW 50 million.
- ***Introducing a basic law on virtual assets:*** During the campaign, the President-elect stated that he would introduce a virtual asset law aimed at protecting investors, including tightening the monitoring of illegal cryptocurrency trading, expanding insurance policies to tackle concerns over hacking and system errors, and confiscating the entire amount of profit obtained through unfair manipulation. Yoon stated that he will establish a new government agency to oversee the virtual assets industry, such as cryptocurrency and non-fungible tokens (“NFTs”) and ICOs. This is expected to induce investments into the virtual asset businesses.

IV. Conclusion

Leading up to the presidential inauguration on May 10, it is important to closely monitor the Presidential Transition Committee’s specific implementation plans of the President-elect’s campaign pledges, as well as the discussions and decisions related to the national policy agenda. We will continue monitor the developments and keep you informed.

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