SHIN & KIM
법무법인(유) 세종

Special Report
on the 21st Presidential Election

June 10, 2025

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I. Summary of Election Results

In the 21st presidential election of the Republic of Korea, Lee Jae-myung, the candidate from the Democratic Party of Korea, was elected President. He secured 49.42% of the votes, defeating Kim Moon-soo of the People Power Party, who received 41.15%. The margin of victory was 8.27 percentage points, corresponding to approximately 2.89 million votes. Candidate Lee Jun-seok of the Reform Party received 8.34% of the votes.

II. Outlook on Major Policy Direction

Following the confirmation of Lee Jae-myung as the 21st President, a series of steps will be taken to prepare for the inauguration and launch of the new administration. These steps include setting the national vision and key policy priorities, reorganizing government ministries as necessary, and nominating the Prime Minister and ministerial candidates to form the new cabinet.

Under ordinary circumstances, a new administration prepares for its launch by forming a Presidential Transition Committee pursuant to the Presidential Transition Act. However, in cases of by-elections due to impeachment, the presidential term begins immediately upon confirmation of the election results[1], leaving no time to form such a committee.

For example, in the case of the Moon Jae-in administration which took office after the impeachment of former President Park Geun-hye, a “State Affairs Advisory Committee” was organized in place of a Presidential Transition Committee to carry out its roles and functions. This body was responsible for establishing the national vision and goals, and for identifying key policy agendas. It is expected that the new administration will also establish a “State Affairs

1 Article 14 (Commencement of Term Office) (1) The President's term of office shall begin at zero hours of the day following the expiration date of his or her predecessor's term of office: Provided, That the term of office of the President elected at an election held after the term of his or her predecessor expires and at an election held due to vacancy shall begin from the time when the return is determined.

Advisory Committee" or a similar body to develop a roadmap for governance and design the new administration's key policy agendas.

Below, we set out a timeline that the new administration is expected to follow in forming the new government, based on precedent set by the Moon administration.

Establishment of the National Policy Agenda

The national policy agenda embodies the government's declaration of the key policies it intends to prioritize during its term, along with details on how those policies will be implemented. It provides insight into the administration's policy direction, enhances credibility at home and abroad by specifying the implementation timeline, and serves to enable efficient allocation of resources by assessing the priorities among policies. As such, the national policy agenda is directly linked to changes in the business environment.

After being inaugurated on May 10, 2017, the Moon administration promulgated the "Presidential Decree on the Establishment and Operation of the State Affairs Advisory Committee" on May 16, thereby providing the legal basis for the committee's operation. The key contents of the decree are as follows:

[Key Provisions of the Presidential Decree on the Establishment and Operation of the State Affaires Advisory Committee]

○ **Functions**
- Assessing the current status of the government's organization, functions and budget.
- Establishing the government's policy direction
- Selecting major national policies and formulating mid- to long-term implementation plans
- Other matters necessary for the President's planning of state affairs

○ **Composition**
- One Chairperson, three Vice Chairpersons, and up to 30 members
- The Chairperson, Vice Chairpersons, and members are appointed or commissioned by the President

○ **Duration**
- Operates for a maximum period of 50 days, with a possible extension of up to 20 days if deemed necessary

The State Affairs Advisory Committee of the Moon administration operated for 55 days (having been established on May 22, 2017, and dissolved on July 15, 2017). During this period, the committee established a national roadmap and formulated 100 key policy declarations for the national policy agenda. The committee consisted of one chairperson, three vice chairpersons (Chair of the Party Policy Committee, Senior Presidential Secretary for Policy, Minister of Government Policy Coordination), and 30 members, including government officials and private-sector experts—a total of 34 members. It was organized into six subcommittees (Planning, Economy I, Economy II, Society, Political Administration, Foreign Affairs and Security), along with a Spokesperson's Office and an Administrative Office. In addition, the National Takeover Committee was established and operated as a separate organization to collect various policy demands and opinions from the public. It received more than 290 work reports from 85 organizations and held more than 210 formal and informal roundtable meetings.

[Major Activities of the Moon Administration's State Affairs Advisory Committee]

Date (Year 2017)	Details
May 16	Enactment of the Presidential Decree on the Establishment and Operation of the State Affairs Advisory Committee
	Appointment of the Committee Chairperson
May 22	Inauguration ceremony and first plenary session
May 24	Start of ministry-level policy briefings
May 29	Holding of the second plenary session
June 4	Official announcement of the launch of the national policy agenda-setting process
June 5 – July 10	Holding of the third to eighth plenary sessions (discussion and selection of key issues for the national policy agenda)
July 15	Conclusion of the Committee's activities
July 19	Reporting of the national policy agenda to the public

The new administration is also expected to establish a national policy agenda through the State Affairs Advisory Committee or a similar body. With a sharp decline in the potential growth rate and a transition of power in process, substantial changes in government policy are expected. Businesses should therefore establish and improve communication channels to ensure their views are reflected during the agenda-setting process and develop coordinated response strategies across different industries.

Government Reorganization

The new administration is expected to unveil its government reorganization plan outlining the structure of the new administration. The Moon administration, in the absence of the Presidential Transition Committee that normally prepares this plan, announced its reorganization plan, following discussions between the government and the ruling party. Under this plan, the Small and Medium Business Administration was elevated to the Ministry of SMEs and Startups; the Ministry of Science, ICT and Future Planning was restructured as the "Ministry of Science and ICT", and the Ministry of Government Administration and Home Affairs was renamed as the Ministry of the Interior and Safety. On June 9, 2017, 120 lawmakers from the Democratic Party proposed a partial amendment to the Government Organization Act, and after bipartisan discussions, the amendment was passed in the National Assembly on July 20, 2017, and promulgated into force on July 26, 2017.

President Lee Jae-myung has proposed a number of government restructuring plans, including reforming the Ministry of Economy and Finance to enable it to focus more effectively on the formulation and implementation of economic policy, establishing a new Ministry of Climate and Energy to actively pursue a policy of carbon neutrality and energy transition, and expanding and strengthening of the Ministry of Gender Equality and Family into the Ministry of Gender Equality and Family Affairs. These changes are likely to have significant impact on businesses. Other reorganization proposals mentioned during the Lee presidential campaign—such as restructuring the financial regulatory system, transferring the Board of Audit and Inspection to the National Assembly, and establishing the Committee for "Basic Society" (Recovery and Growth Committee for a Basic Society)—should also be closely monitored.

The new administration is also expected to draft its own government reorganization plan through consultations with the ruling party and submit a proposed amendment to the Government Organization Act to the National Assembly. Unlike during the early days of the Moon administration, the Democratic Party now holds a majority in the National Assembly, which may allow for a faster implementation of proposed reorganizations. If government ministries are reorganized, it is also likely that corresponding adjustments will be made to the National

Assembly's standing committees.

Cabinet Formation

On the day of his inauguration (May 10, 2017), former President Moon Jae-in nominated the Prime Minister and the Director of the National Intelligence Service and appointed the Chief of Staff to the President and Chief of the Presidential Security Service. Within two weeks of his inauguration, on May 21, 2017, he nominated ministers for the Ministry of Economy and Finance and Ministry of Foreign Affairs, among others, gradually forming his cabinet shortly thereafter. By July 3, 2017, President Moon finalized the appointments for key ministerial posts and Blue House senior aides. However, controversies surrounding several nominees, subsequent replacements, and National Assembly confirmation hearings delayed the full formation of the cabinet until August 14, 2017 —97 days after President Moon's inauguration.

[Timeline of Nominations and Appointments of the Moon Administration]

Date (Year 2017)	Appointment/Nomination
May 10	Nomination of Prime Minister and National Intelligence Service (NIS) Director; Appointment of Chief of Staff to the President and Chief of the Presidential Security Service
May 21	Nomination of Ministers for the Ministry of Economy and Finance and Ministry of Foreign Affairs; Appointment of the Director of National Security and Chief of the Presidential Policy Office
May 30	Nomination of Ministers for the Ministry of the Interior and Safety, the Ministry of Land, Infrastructure and Transport, the Ministry of Oceans and Fisheries, and the Ministry of Culture, Sports and Tourism
June 11	Nomination of Ministers for the Ministry of Education, the Ministry of Justice, the Ministry of National Defense, the Ministry of Environment, and the Ministry of Employment and Labor
June 13	Nomination of Ministers for the Ministry of Science, ICT and Future Planning, the Ministry of Unification, the Ministry of Agriculture, Food and Rural Affairs, and the Ministry of Gender Equality and Family
July 3	Nomination of Ministers for the Ministry of Trade, Industry and Energy and the Ministry of Health and Welfare and the Chairpersons of the Financial Services Commission and Korea Communications Commission

The new administration is expected to broadly follow a similar timeline. The Prime Minister nominee must undergo a confirmation hearing and obtain approval from the National Assembly. Cabinet nominees must also undergo confirmation hearings. However, since the Democratic Party, now the ruling party, holds a majority in the National Assembly, the new administration is expected to finalize its cabinet appointments more quickly than the Moon administration. If government ministries are newly established or restructured through a government reorganization, nominations for the relevant ministerial posts may take place after the National Assembly adopts the amendment to the Government Organization Act authorizing such reorganization .

III. Analysis and Implications of the New Administration's Pledges

【General Overview: Policy Direction of the New Administration】

The Democratic Party's presidential campaign platform sets out "Recovery, Growth, and Happiness" as three core visions Accordingly, the new administration is expected to adopt a three-phase approach: first, restoring eroded economic fundamentals and reviving growth momentum through industrial restructuring and legal/institutional reforms; second, focusing on economic growth to overcome challenges posed by rapidly changing external environment, low birthrates, and sluggish growth; and finally, advancing toward a "universal basic society" in which all citizens can lead happy and dignified lives.

President Lee Jae-myung is expected to implement an expansionary fiscal policies aimed at supporting people's livelihoods and revitalizing domestic demand. As an initial step, he is expected to push forward with the KRW 13.8 trillion supplementary budget passed on May 1. However, amid current conditions, the role of recovery-focused fiscal policy may be more crucial than the budget itself. Discussions may continue as to whether the supplementary budget will be used as a means to support local currency and stimulate domestic demand.

Making Korea one of the world's top five economic powers was a central focus in President Lee's campaign. The campaign platform included a commitment to foster new industries through the development of six strategic growth engines—AI, Bio, Content, Defense, Energy, and Manufacturing (the so-called "ABCDEF" plan)—and to build a new foundation for growth. In particular, the new administration plans to support advanced industry sectors through a large-scale National Growth Fund (KRW 100 trillion), foster self-reliance in core components and materials, and ensure stable access to critical minerals to enhance global supply chain resilience. Supply chain issues are expected to be addressed through an economic security control tower.

In view of the importance of these measures, businesses are advised to closely monitor availability of government support measures, such as the Supply Chain Stabilization Fund and tax incentives, and explore ways to utilize them effectively. In addition, systematic communication channels should be established with relevant institutions, including proactive information sharing with government agencies in the event of signs of supply chain disruptions.

Furthermore, efforts to restructure and promote digital transformation will be intensified in key legacy industries like steel and petrochemicals.

The vision presented is that of a society where all citizens are respected and live happy lives in harmony with one another. In other words, once the preconditions of recovery and growth are achieved, the ultimate goal is to move toward a "universal basic society" —a society in which the community collectively assumes responsibility for ensuring the basic living standards of its members, in preparation for potential social crises that may arise from the advancement of high-tech industries such as AI.

While the new administration emphasizes pragmatic and centrist economic growth, it must also address issues of reform and redistribution issues. Consequently, some degree of policy uncertainty may emerge during the formulation and implementation of the national policy agenda. Businesses should therefore proactively prepare response strategies to minimize risks and capitalize on emerging opportunities. In particular, the new administration is expected to move swiftly on key policy fronts such as labor, welfare, and corporate regulation, with a focus on delivering tangible outcomes. With the Democratic Party holding a parliamentary majority, rapid legislative action is expected on previously contested bills that had been stalled due to presidential veto under the previous administration. These include amendments to the Commercial Act, the Trade Union and Labor Relations Adjustment Act, the Act on Promotion of Use of Community-Based Gift Certificate, and the Grain Management Act.[2] These developments underscore the need for businesses to stay ahead of policy shifts in engage in early risk assessment and strategic planning.

[2] The number of bills vetoed by the president under the previous administration: 42 in total, including those vetoed more than once.

On foreign policy, the new administration is expected to pursue a pragmatic approach focused on promoting national interests and strengthening Korea-U.S.-Japan trilateral cooperation rooted in the Korea-U.S. alliance. Historical and territorial issues with Japan will be addressed in accordance with Korea's long-standing position, while social, cultural, and economic cooperation will be pursued with a forward-looking policy approach. Regarding China and Russia, the new administration has announced its intention to maintain stability while balancing economic cooperation with security interests. This national pragmatic diplomacy prioritizing national interest is expected to provide the flexibility needed to respond to a rapidly changing global order.

【 Sector-Specific Pledge Analysis and Implications 】

1 Fair Trade

[Key Points]

- Regulatory measures in the online platform sector are expected to be strengthened, to address power imbalances, promote competition, and protect consumers, including through the introduction of a system placing a cap on commission fees.
- New systems aimed at enhancing bargaining power and protecting rights and interests of economically disadvantaged parties and small and medium-sized enterprises (SMEs) are expected to be introduced and enforced more strictly to resolve power imbalances affecting economically disadvantaged parties and small and medium-sized enterprises (SMEs).

Key Pledges:

▶ Enacting the Online Platform Act and Building a Transparent and Fair Online Platform Market

- Establishing legal and regulatory systems tailored to the characteristics of online platforms
  - Introducing market fairness laws to protect platform vendors and promote mutually beneficial cooperation
  - Enacting laws to prevent abuses of monopolistic positions by domestic and global platform giants
  - Promoting fair competition to strengthen the market's self-regulating functions and re-invigorate innovation across industries
  - Restructuring systems to prevent harms to platform consumers and support rational decision-making by consumers in online environments
- Creating regulatory frameworks to ensure fairness and order in the delivery business market

  - Enacting the Online Platform Fairness Act to prohibit discriminatory brokerage fee rates and impose caps on fees, while streamlining fragmented self-regulatory frameworks across government ministries
- Increasing social and economic responsibilities of large platform companies
  - Mandating revenue reporting obligations for platforms whose sales exceed a certain sales threshold in Korea
- Strengthening the prohibition of forced in-app payments by legislation to enhance global fairness in app markets—prohibiting the imposition of discriminatory conditions on external payments, requiring reasonable fee setting, etc.
- Strengthening protection of consumers against deceptive digital practices (dark patterns) that harm consumers

▶ Strengthening Bargaining Power of Economically Disadvantaged Parties

- Preventing unfair practices such as coercion to purchase and discriminatory pricing, which impose costs on economically weaker parties
  - Granting registration and collective bargaining rights to franchisees, agents, subcontractors, and online platform vendors
  - Vesting small businesses in weaker bargaining positions with the right to negotiate transaction terms
- Enacting laws such as the Fair Transactions in Franchise Business Act , Fair Agency Transactions Act and Online Platform Fairness Act to build a fair economic ecosystem

▶ Enhancing the Bargaining Power and Rights of SMEs

- Legalizing exceptions to the Application of the Fair Trade Act for joint projects carried out by SME cooperatives
- Granting collective bargaining rights to SME cooperatives to enhance SME bargaining powers
- Expanding participation of regional SME cooperatives in regional policy-making processes

- Reducing cost burden on subcontracted SMEs by including energy costs and other expenses in the scope of cost-linked transaction price adjustments
- Cracking down on unlawful practices such as forced non-linkage agreements and contract splitting to ensure successful implementation of the cost-linked transaction price adjustment systems
- Enhancing the rights of construction contractors
  – Mandating the use of standard subcontract forms in public projects, improving market entry standards, and enhancing subcontract review criteria

▶ Preventing the Misappropriation of SME Technologies

- Establishing court authority to compel the submission of relevant materials to the Fair Trade Commission and the Ministry of SMEs and Startups in damage-related litigation
- Creating a fund to support victims of unfair trade practices—offering legal consultation, litigation assistance, and financial stability support for individuals and companies damaged by unfair trade practices
- Strengthening protection for SMEs through enhanced support systems for victims damaged by unfair trade practices
  – Enhancing the remedial framework for unfair practices such as conducting investigations into, and identifying remedies for, consignment-subcontract transactions

▶ Improving Corporate Governance and Eliminating Private Gains by Controlling Shareholders

- Addressing concerns over economic power concentration arising from the excessive expansion of control through minority shareholdings
- Strengthening oversight and sanctions against unfair internal transactions
  – Enhancing oversight of unfair succession practices and preferential business dealings that serve the private interests of founding family members
  – Strengthening sanctions against unlawful conduct by imposing fines equivalent to the unjust gains derived from such acts

Implications

The new administration has presented "fair growth" as one of the three core strategies for Korea's "genuine growth," with the establishment of a 'fair and mutually beneficial market order' as a key initiative. The regulatory direction and law enforcement approach of the Fair Trade Commission (the "FTC") under the new administration are aligned with this goal, particularly its focus on platform-related regulations and addressing power imbalances. However, policies that emphasize the protection of relatively weaker parties such as platform sellers and SMEs must be carefully calibrated to ensure they contribute meaningfully to sustainable and genuine growth. Accordingly, businesses will need to plan ahead in light of the policy direction taken by the new administration. The FTC's key policy initiatives for 2025 may serve as a useful reference in this regard.

◉ **Establishment of a Regulatory Framework for Platforms**: The new administration plans to introduce legislation aimed at addressing power imbalances in the online platform sector, promoting competition, and protecting consumers. Despite concerns over potential trade issues raised in connection with such platform-related legislation, the administration has expressed its intent to initiate legislative action such as the Platform Fairness Act and the Platform Competition Promotion Act. It would therefore be important for businesses to closely monitor legislative developments. As for resolving power imbalances, the new administration plans to introduce the Platform Fairness Act to protect platform sellers and strengthen co-prosperity. In particular, it has proposed banning discriminatory commission rates and introducing a commission cap in the delivery market. Furthermore, legal grounds to allow platform sellers to register collective organizations and exercise collective bargaining rights will be established. With the ruling Democratic Party having taken an active stance on addressing power imbalances in the platform economy—and with several related legislative proposals already submitted—there is strong momentum behind ongoing legislative and regulatory efforts. The FTC, on its part, has initiated preemptive action, including the establishment of a dedicated task force to handle delivery platform-related cases (see FTC press release dated May 12, 2025), as well as holding consultations with small business associations affected by platform commissions. These developments indicate that the new administration is expected to fulfill its campaign pledge to pursue the enactment of the Platform Fairness Act. Ahead of the introduction of the Platform Fairness Act, platform operators should take proactive measures to increase transparency in how commission rates are set and charged. They should also carefully assess their relationships and negotiation practices with platform vendors to minimize the risk of FTC investigations and potential sanctions.

As for promoting competition in the platform market, the new administration aims to introduce laws to curb the abuse of dominant market positions by domestic and global platform giants. The objective is to prevent monopolistic practices, foster innovation, strengthen market self-regulation, and promote fair competition. The new administration has affirmed its intent to introduce a prospective Platform Competition Promotion Act, but its content and regulatory measures are subject to ongoing discussions. Given its firm policy stance, enactment of the proposed legislation appears likely. In parallel, the FTC may take active steps through law enforcement and market investigations despite potential trade issues related to such regulatory efforts. Furthermore, on consumer protection, the new administration plans to strengthen regulations against misleading marketing tactics (dark patterns) and improve systems that would allow consumers to make informed decisions. Legislative improvements are also being planned, for purposes of addressing widely criticized limitations in existing platform regulations—such as the lack of robust reporting obligations regarding domestically generated revenues and the limited effectiveness of laws prohibiting forced in-app purchases.

Despite the presence of trade-related concerns, the new administration remains firmly committed to these legislative goals. Businesses should therefore assess the risks posed by potential new regulations and adapt their business models accordingly. Furthermore, businesses that intend to maintain their current practices should be prepared to proactively communicate its plans to regulatory authorities.

◉ **Strengthening of The Bargaining Power of Economically Disadvantaged Parties Such as Franchisees and Sales Agents**: As part of its regulatory approach to power imbalances, the new administration proposes allowing franchisees, sales agents, subcontractors, and platform sellers to register organizations and be granted collective bargaining rights. This initiative relates to the amendment to the Franchise Business Act (designated for fast-track review) aimed at granting such rights to franchisees and is expected to extend to sales agents, platform sellers and others. However, the proposed amendment has raised concerns about potential misuse of the right to request negotiations by franchisee organizations. Such misuse could unduly interfere with franchisors' business operations or impose excessive burden if multiple organizations submit negotiation requests. If similar provisions are introduced into the Agency Act or Platform Fairness Act, affected businesses may face similar challenges. Therefore, businesses subject to these regulations should review and standardize their procedures for responding to such requests in accordance with applicable laws and enhance internal compliance training in advance. Proactive engagement with regulators will also be important to address potential operational difficulties that may arise from the abuse of collective bargaining rights.

◉ **Enhancing Bargaining Power and Protecting The Rights and Interests of SMEs, and Preventing Technology Misappropriation**: To address power imbalances between large companies and SMEs, the new administration plans to introduce and refine systems that improve SMEs' bargaining power and protect their rights and technologies. In addition to expanding the scope of the existing delivery price indexing system to enhance its effectiveness, the new administration has expressed its strong commitment for SME protection through measures such as granting collective bargaining rights to SME cooperatives and exempting them from the application of the Fair Trade Act. In particular, the new administration, recognizing the importance of the construction industry and the current economic challenges, plans to implement fair trade policies aimed at protecting construction SMEs. Key measures include mandating the use of standard subcontract agreements in public construction projects and enhancing the criteria for evaluating the appropriateness of subcontracting practices. In addition, to better protect the technologies of SMEs, the government is expected to pursue further legislation and stricter enforcement against technology misappropriation. Measures under consideration include enhancing the order-to-submit-evidence system and establishing a relief fund for victimized SMEs. Alongside these legislative efforts, enforcement by the FTC is also likely to be strengthened. With the launch of the new administration, the FTC is expected to actively conduct fact-finding investigations into potential violations of the Subcontracting Act involving SMEs, and a rise in complaints and reports filed by SMEs in this context is anticipated. Accordingly, to prepare for increased regulatory risks, businesses should review their existing relationships with SMEs and establish systems—such as fair trade compliance programs—to ensure that relevant laws are observed during contract negotiations and executions.

◉ **Improving Corporate Governance and Eradicating Unfair Practices by Controlling Shareholders**: The new administration has pledged to improve corporate governance and eliminate unfair practices benefiting controlling shareholders. Accordingly, stricter law enforcement and policy initiatives from the FTC concerning corporate groups and internal transactions are anticipated. In particular, as the new administration has signaled increased scrutiny of unfair internal transactions and improper succession of management control, as well as stronger sanctions against unlawful practices, the FTC may consider not only imposing fines for such unfair conduct but also filing criminal complaints against both companies and individuals. In this context, businesses should ensure procedural legitimacy at all stages—from selection of business partners to the negotiation and review of contract terms—and retain supporting documentation to proactively manage legal risks.

2 Transportation, Mobility, Logistics, and Freight

[Key Points]

- In light of the mandatory safety certification for electric vehicle (EV) batteries, it is necessary to establish a strengthened quality control system and prepare for compliance with government guidelines.
- As the enactment of the Personal Mobility (PM) Act becomes increasingly likely, proactive measures such as revising internal regulations and adjusting revenue models are required.

Key Pledges:

▶ Creating a Convenient and Safe Transportation and Logistics Environment

- Promoting safe electric vehicles, implementing battery certification systems and expanding the scope of introduction of fire prevention and suppression equipment for EVs
- Enacting the "Personal Mobility Safety and Utilization Promotion Act" (the "PM Act") for safe management of shared e-scooters and similar devices
- Supporting the development of the taxi industry (through measures such as recognizing taxis as quasi-public transportation, promoting and regulating taxi-hailing platforms, and expanding the coverage and support for demand-responsive public taxi services)
- Establishing safety measures for elderly drivers, including financial support for purchasing pedal misapplication prevention devices
- Increasing support for freight transport workers through the re-introduction of the freight truck safety fare system
- Considering an amendment to the Motor Vehicle Management Act to support used car and vehicle tuning industries
- Introducing and expanding (in phases) transportation systems tailored for rural and fishery villages

- Enhancing public safety and convenience by integrating the dual high-speed rail systems into a unified network to increase service frequency

▶ Expansion of Support for Cutting-edge Land and Transportation Projects

- Regulatory redesign and expanded government support to foster advanced and high-value-added industries in land and transport sectors
  - Establishing a support system for testing and commercialization to accelerate the early deployment of cooperative autonomous driving
  - Reviewing regulatory frameworks to establish a foundation for the commercialization of autonomous driving, smart cities, 4D mapping, and related high-value big data industries
  - Advancing the commercialization roadmap for K-UAM (Korean Urban Air Mobility) and expanding national support for demonstration projects targeting airport shuttles, tourism, and public services
- Driving logistics innovation by integrating transportation networks across multiple modes of transit
  - Development of logistics systems using new modes of transport like drones

▶ Transition to Eco-Friendly Transportation

- Supporting the demonstration of large-scale eco-friendly mobility such as electric and hydrogen trains and promoting hydrogen fuel subsidies and related support measures
- Promoting innovative eco-friendly transition policies in transportation and logistics sectors
  - Encouraging the distribution and sales of affordable electric vehicles and hydrogen-powered commercial vehicles
  - Promoting temporary reimbursement for EV fire insurance premiums and vehicle safety inspection fees
  - Expanding zero-emission vehicle charging infrastructure and purchase subsidies

▶ Realization of Railway Undergrounding

- Formulating and implementing phased comprehensive plan for relocation of railways underground
- Increasing priority pilot areas to enhance the feasibility of underground railway projects

▶ Securing Competitiveness in the Aviation Industry

- Strengthening safety investments and inspections of airlines and airport facilities to prevent aviation accidents
- Fostering, and establishing safety management infrastructure for, low-cost carriers
- Fostering high value-added sectors such as aircraft components, maintenance, and airport services sectors
- Promoting overseas expansion of Korean airport (K-Airport) business models

▶ Ensuring Logistics Security by Acquiring Strategic National Vessels

- Maintaining a 70% or higher utilization rate of national vessels for transporting key energy resources
- Preventing overseas sales of shipping companies and vessels responsible for transporting key energy resources
- Blocking the entry of bulk cargo shippers into the shipping industry to strengthen competitiveness of national shipping companies responsible for transporting key energy resources

▶ Fostering and Supporting Maritime Professionals

- Fostering seafarer-specific polytechnic institutions to develop skilled personnel through marine education institutions
- Improving the attractiveness of maritime careers for Korean seafarers through enhanced training and working conditions
- Supporting the establishment of systems for training and long-term residency for

skilled foreign seafarers
- Maintaining an annual reserve force of 1,000 seafarers to secure a stable supply of Korean national maritime personnel

▶ Establishing Arctic Route Bases

- Supporting the development of strategic hubs for Arctic route expansion
- Strengthening efforts to establish a national-level Arctic route control tower and international cooperation networks
- Promoting the development of infrastructure and technology for safe Arctic navigation
- Activating Arctic routes through efficient port management and operation systems
- Promoting port redevelopment and the establishment of related research institutions to create a strategic hinterland complex for the Northern Sea Route in the Busan-Ulsan-Gyeongnam (BUK) region and the southeastern coast
- Providing specialized support for shipbuilding maritime industries and marine-related industries (MRO) including ship management industries
- Promoting the relocation of the Ministry of Oceans and Fisheries to Busan

▶ Becoming a Global Maritime Power

- Expanding ship financing for flag carriers to build eco-friendly vessels in response to the IMO's strengthened environmental regulations
- Making a bid to host the 4th UN Ocean Conference in 2028
- Expanding the 'Excellent Shipper Certification System' to include domestic coastal shipping companies
- Expanding the supply chain for eco-friendly fuels—such as electricity, green methanol, and ammonia—through demonstration projects involving eco-friendly fuel-supplying vessels and coordinated industry demand linkage
- Launching and expanding green shipping routes between domestic and overseas ports as well as between domestic ports

▶ Securing Transportation Rights for Island Residents and Promoting Island Tourism

- Improving living conditions of island residents by introducing a public ferry system to guarantee transportation rights for island residents
- Increasing budget allocations for fire suppression systems on coastal passenger ferries and fire prevention measures for electric vehicles

Implications

◉ **Promoting the Activation of The EV Battery Certification System**: Following the amendment of the Motor Vehicle Management Act, from February 17, 2025, manufacturers and importers of electric vehicles (EVs) and EV batteries are required to obtain safety certification from the Minister of Land, Infrastructure and Transport. While Korea's existing automobile safety regulations are based on a self-certification system by manufacturers, a separate pre-certification system for EV batteries will be introduced due to their direct link to safety incidents such as fires. The new administration's policy is in line with this existing policy direction of the previous government, and relevant companies should respond to the new regulatory environment by strengthening their quality control systems, ensuring the production of safe batteries that meet certification requirements, and closely monitoring government guidelines.

◉ **Introduction of Regulations through PM Act Legislation**: Since 2020, the Democratic Party has pushed forward with the enactment of the 'Act on the Safety and Promotion of Use of Personal Mobility Devices (the "PM Act")'. Although both the ruling and opposition parties acknowledged the necessity of such legislation in response to rising electric scooter-related accidents, it was not adopted by the National Assembly due to a lack of consensus on specific provisions.

As the PM Act is likely now considered a priority under the new administration, companies in this sector must prepare for regulatory tightening. Specifically, they should revise internal policies to reflect the key provisions of the PM Act, adjust revenue models to account for compliance costs, and monitor the legislative process closely.

- **Acceleration of Transition to Future Mobility**: The new administration's commitments to future mobility—such as autonomous vehicles and Urban Air Mobility (UAM)—reflect a continuation of the policy direction pursued by the previous government. Rather than introducing entirely new policies, these initiatives focus on advancing and realizing existing plans. As supportive policies for the future mobility industry continue to evolve, it is evident that the transportation sector is undergoing a transformation—from traditional manufacturing to a technology-driven, innovation-focused industry.

  The 'Act on the Support for the Innovation and Revitalization of Mobility,' which forms the legal basis for policies to stimulate future mobility industries, has been in effect since October 19, 2023. Companies and those engaged in future mobility industries should align their objectives with the government' s roadmap by making proactive technology investments and developing strategic responses to anticipated regulatory changes.

- **Promotion of Railway Undergrounding Projects**: The 'Special Act on Railway Undergrounding and Integrated Development of Railroad Sites (the "Railway Undergrounding Integrated Development Act"),' which includes provisions on funding methods and regulatory exemptions for 'railway undergrounding' projects, took effect on January 31, 2025. Given this legislative development and the fact that this was part of the Democratic Party's campaign platform since the last general election, railway undergrounding and development of surrounding areas are expected to be actively pursued.

  Since the railway undergrounding project involves attracting private investment, businesses should closely monitor the opportunities and familiarize themselves with the various special provisions under the Railway Undergrounding Integrated Development Act (e.g., relaxed standards under the National Land Planning and Utilization Act, Act on Urban Parks and Green Areas and Parking Lot Act as well as local government subsidies and loans).

Amid concerns over profitability, there are growing calls for stronger incentives. It would therefore be important to closely monitor the development of related policy measures.

- **Strengthening of Aviation Safety Management and Related Regulations**: On April 30, 2025, the Ministry of Land, Infrastructure and Transport announced its "Aviation Safety Innovation Plan," aiming to overhaul safety systems across the aviation sector. Consistent with this policy direction, the new administration's aviation policy focuses on investments in safety and maintenance. In light of recent incidents such as the Jeju Air accident and the announcement of the Aviation Safety Innovation Plan, businesses in the aviation sector should proactively implement voluntary safety enhancements and closely monitor the government's implementation of these measures.

- **Increasing the Share of National Carriers in Strategic Cargo Transportation**: A policy initiative to boost national shipping carriers' share in transporting strategic energy cargo aims to establish a stable business foundation. However, this may clash with cargo owners' preference for international bidding processes that offer more competitive freight rates. To maintain an appropriate level of national carrier utilization, it may be necessary to build consensus through shipper-carrier consultative bodies and consider introducing incentives for cargo owners (e.g., increased tax credits for transport costs). It is advisable for businesses to prepare for these potential developments accordingly.

- **Development of Arctic Route Shipping**: The use of Arctic shipping routes, which could significantly shorten travel distances to Europe, calls for efforts for developing vessel and equipment technologies and investing in necessary infrastructure. However, the need for physical navigability, regulatory challenges in neighboring countries like Russia, and the need to ensure economic viability present significant hurdles. It is therefore important for businesses to make mid- to long-term preparation. Nevertheless, companies in this sector should monitor for potential new business opportunities arising from the implementation of related campaign pledges.

◉ **Response to Environmental Regulations**: With the global trend toward stricter environmental regulations, it will be important to proactively develop and demonstrate eco-friendly ship technologies and expand access to green ship financing for securing leadership in eco-friendly transportation.

Shipping companies should stay abreast of international environmental regulations and establish systems that enable timely compliance, while actively leveraging government support measures and related incentives.

3 Land, Construction and Infrastructure

[Key Points]

- With the government's policy to expand residential and cultural spaces within industrial complexes, various business opportunities are anticipated to arise, such as those for the development of new mixed-use spaces through the conversion of existing industrial sites.
- While high-density mixed-use development is expected to create new opportunities, careful planning will be required to address infrastructure demands and cost-related issues.

Key Pledges:

▶ Establishing a Safe Construction Environment

- Creating a safe and healthy construction environment as a foundation for revitalizing the construction industry
- Strengthening disaster safety infrastructure for buildings, including systems to prevent submersion and electric shock
- Implementing measures to prevent recurring underground safety accidents
- Expanding barrier-free urban projects to support the mobility of the mobility-vulnerable groups, such as the elderly, disabled, and pregnant women

▶ Remodeling Aging Production Bases

- Expanding smart-green industrial complex projects to create digital and decarbonized industrial environments
- Transforming existing industrial complexes into youth-friendly cultural convergence spaces by implementing renovation and combining residential and cultural areas
- Enhancing living conditions for young residents in regions undergoing industrial transformation

- Promoting high-density, mixed-use redevelopment of idle and decommissioned factory sites in hub cities and urban centers to transform them into regional innovation hubs

▶ Revitalizing the Construction Economy

- Restoring the competitiveness of specialized construction businesses and improving the rights of construction entrepreneurs
- Strengthening national construction competitiveness to revive Korea's status as a construction powerhouse

▶ Rural Revitalization Projects

- Expanding rural vacant home revitalization projects and increasing support for second homes and return-to-farm or return-to-village residents to promote work-life balanced lifestyles
  - Enacting the Rural Vacant House Maintenance Act
  - Supporting village-level regeneration initiatives by promoting projects such as community-based hotels, cafés, youth housing, and experiential housing
  - Expanding the construction of stay-type shelters and rural complex living facilities
  - Constructing rental houses for residents returning to farm/villages and restoring and expanding budget for related support programs

▶ Real Estate Supply Policy for the Middle-Income and Low-Income Households

- Shifting from housing policy focused on price-suppression on ultra high-priced apartments to expanding housing supply for the middle-income and low-income households
- Developing measures to address the issue of high pre-sale prices, which hinder new housing demand
- Easing procedural requirements and regulatory standards for redevelopment and reconstruction—such as floor area ratio and building coverage ratio—under the guiding

principle of enhancing public interest

- Establishing a policy direction for stable management of the total volume of household debts

▶ Achieving Balanced National Development and Decentralization through the '5 Mega-Regions and 3 Special Provinces' Initiative

- Establishing special local governments for each of the five mega regions (Seoul Capital Area, Southeast, Daegu-Gyeongbuk, Central and Honam)
- Promoting legislative amendments to enhance the autonomy and competitiveness of the three special self-governing provinces (Jeju, Gangwon and Jeonbuk)
- Establishing a new national council for balanced development and decentralization
- Strengthening local autonomy substantially through the institutionalization of the Central-Local Cooperation Council

▶ Fostering Regional Strategic Industries and Promoting Local Investment

- Fostering competitive regional strategic industries by creating synergies among innovation cities, free economic zones, and national and regional industrial complexes
- Promoting regional economic vitality through opportunity development zones and local investment incentives
- Improving environmental conditions in regional hub industrial complexes and strengthening competitiveness of tenant companies
- Creating youth-friendly industrial complexes where young people want to work
- Expanding local investment promotion subsidies and strengthening the performance of local-initiated investment job creation programs

▶ Realizing Balanced Development by Completing Regional Growth Hubs

- Completion of establishment of "Sejong" as the administrative capital

- Improving residential conditions for relocated public institutions and promoting a second wave of relocation of public institutions
- Easing regulations to promote high-density development around regional metropolitan express railway stations and encourage relocation of corporate headquarters
- Promoting city-specific landmark projects to enhance urban competitiveness
- Developing high-level new cities with self-sustaining functions
- Expanding support and designations for regions at risk of depopulation

▶ Active Implementation of the Four Major Rivers Rewilding and Water Quality Improvement

- Reversal of decisions to dismantle the Geum-gang and Yeongsan-gang river weirs and initiating their restoration
- Fully opening the weirs on the Nakdong-gang river and promptly improving intake and outflow facilities
- Canceling new dam construction plans that neither contribute to flood or drought prevention nor have local community support
- Blocking pollutants through advanced water purification (ozone, activated carbon) systems targeting industrial wastewater, livestock effluents, and harmful substances entering the Four Major Rivers (including the Nakdong-gang river)
- Strengthening the control of non-point source pollution such as phosphorus and nitrogen runoff from farmland
- Expanding data-driven intelligent sewage treatment systems
- Applying innovative water treatment agents and setting standards for microcystin to fundamentally control algal bloom
- Expanding water quality monitoring centers to cover the entire Four Major Rivers
- Assessing, dismantling, and upgrading small-scale weirs, hydraulic structures, and dams to restore continuity of aquatic ecosystems
- Promoting ecological restoration by opening estuary banks

▶ Expanding Housing Policies for One-Person Households and Youth

- Promoting the development of residential complexes near workplaces and transit hubs—such as "live-work proximity" housing and "sleeper zones" near transit stations—targeted toward single-person households and young residents
- Providing housing design support for first-time independent single-person households, including tailored housing information and guidance
- Strengthening transparency by prohibiting so-called 'blind billing' of maintenance fees in studio apartments and 'officetels' (i.e., multi-use buildings functioning as a small office and a residence)

▶ Improving Housing Environment for University Students and Youth, and Building Integrated Living Spaces in Harmony with Local Communities

- Establishing residential support centers to ensure stable housing for university students and youth to revitalize local areas
- Expanding the supply of "happy joint dormitories" utilizing closed elementary/middle schools and national/public university sites
- Increasing dormitory-type youth housing to promote local community integration
- Reducing dormitory fees by extending deadlines for VAT exemption

▶ Housing Support Policy for Genuine End-Users

- Expanding housing supply for those in genuine demand for housing
- Converting excessive commercial land to residential sites to prevent 'vacancy explosion'
- Expanding 'housing REITs' for stable housing supply by both public and private sectors
- Addressing inter-floor noise issues and pre-construction defects to ensure 'safe and comfortable' housing
- Expanding targeted financial support for those in genuine demand for housing, including those without houses
- Encouraging long-term fixed-rate mortgage loans
- Legalizing unregistered structures to ensure housing stability

▶ Gradual Expansion of Public Rental Housing

- Gradually increasing the proportion and quality of public rental housing
- Expanding diverse types of customized public pre-sale housing and affordable housing
- Developing countermeasures for housing-vulnerable population, including residents of shantytowns

▶ Society Without *Jeonse* (Rental Deposit System) Fraud; Reduced Rent Burden

- Recognizing *jeonse* fraud as a national disaster and expanding victim support under the Special Act on *Jeonse* Fraud
- Overhauling laws related to *jeonse* fraud and strengthening penalties for offenders
- Improving guarantee systems to prevent *jeonse* fraud and to shield tenants from liabilities
- Providing incentives to landlords who maintain *jeonse* deposits at certain levels below the housing price
- Reducing rental costs for young people and housing-vulnerable populations

▶ Solving Housing Issues for Promotion of Marriage and Childbirth

- Prioritizing newlyweds in public rental housing supply
- Increasing special supply quota for newlyweds

▶ Resolving Senior Housing Challenges

- Expanding welfare housing for the elderly
- Promoting the construction of senior-friendly green architecture and remodeling, including universal design initiatives
- Creating large-scale residential facilities for retirees to support balanced regional development

Implications

President Lee Jae-myung pledged during his campaign to expand housing supply to stabilize housing for ordinary citizens—especially for the younger generation—through high-density mixed-use development, development of areas near transit stations, and the utilization of idle land in the land, construction, and infrastructure sectors. To realize this pledge, the new administration is expected to inject public funds and implement concrete policy and institutional reforms. As this expansion in housing supply may also boost the construction sector, it will be important to closely monitor upcoming policy announcements and institutional changes.

- **Recovery of Construction Industry**: New policies are expected to restore the competitiveness of specialized construction companies amid conflicts over construction projects. In the overseas construction sector, the PIS and GIF funds are expected to be significantly expanded to strengthen competitiveness in securing overseas investment development projects, and the role of the Korea Overseas Infrastructure and Urban Development Corporation is also expected to be strengthened accordingly.

- **Expansion of Residential and Cultural Spaces within Industrial Complexes**: As industrial structures have evolved recently, the number of idle industrial-use sites limited to industrial purposes within these complexes is increasing. Policies to upgrade aging industrial complexes by converting such sites into residential and cultural uses are expected to be implemented.

- **Completion of Balanced Regional Development**: Discussions are expected to take place on the establishment of a branch of the National Assembly and a second office in Sejong City, as well as the relocation of the Presidential Office. In addition, the second phase of the relocation of public institutions to regional areas is expected to proceed, along with improvements to the living conditions in existing innovation cities.

◉ **Housing Supply Expansion Policy**: The new administration is expected to shift away from overly restrictive measures aimed at suppressing high-end housing prices and instead focus on policies that expand housing supply for the middle-income and low-income households. Key initiatives include the expedited implementation of the third phase of new town developments—with a reduced share of commercial land—as well as streamlining redevelopment and reconstruction procedures and easing regulations on floor area and building coverage ratios to increase supply in high-demand areas. At the same time, new regulations on pre-sale price assessments may be introduced to rein in excessively high pricing in newly built units.

◉ **Housing Demand Support Policy**: To increase the supply of residential land in urban areas, that the administration is expected to expand private rental housing supply by utilizing idle land owned by public institutions or companies. It is anticipated that the development of private rental housing with a lease term of 10 years or more will grow by utilizing project REITs that utilize in-kind contributions of the relevant land. Additionally, to expand high-quality public rental housing for the middle class and low-income households, construction-based purchase rental housing projects led by LH (Korea Land & Housing Corporation) are expected to be continuously promoted for the foreseeable future.

◉ **Expansion of One-Person and Youth Housing Development**: In order to solve the housing problems faced by young people, the government is expected to promote policies that expand the supply of small-scale one-room apartments for single-person households, 1.5-room co-living spaces, and university dormitories. Rather than simply supplying housing, these initiatives are anticipated to take the form of integrated developments that promote proximity to workplace and regional co-prosperity. To support this approach, policies such as revitalizing redevelopment projects in aging urban areas near stations and selecting development and operation entities to ensure stable housing supply are also expected to be implemented.

◉ **Housing Supply Policy for the Socially Marginalized**:

– **Promotion of Senior Housing Supply**: As the elderly population continues to grow, the need for senior housing development and supply will increase. The new administration is expected to implement policies to supply senior housing that provide comprehensive services, including hospitals, leisure facilities, recreational facilities and healthcare, meals, and cleaning.

- **Expansion of Housing Supply for Newlyweds**: Policies to increase the supply of public rental housing and special housing for newlyweds are expected.
- **Easing of Housing Rental Burden**: Expanding support for victims of *jeonse* fraud, encouraging stable rental markets through incentives for landlords, and expanding rental vouchers to ease the burden of monthly rent for vulnerable groups such as young people are expected.

4 Finance

[Key Points]

- As regulations related to consumer protection, accident prevention, and security are expected to be strengthened, businesses will need to prepare appropriate response measures such as expanding dedicated teams and staffing.
- New revenue opportunities are expected to emerge in growing sectors such as digital assets and pet insurance. At the same time, interest rate reductions and expanded financial support for small business owners and socially vulnerable groups are also planned. As a result, maintaining balanced financial management will become increasingly important for financial institutions.

Key Pledges:

▶ Rooting Out Financial Crimes That Harm Livelihoods to Protect Financial Consumers

- Significantly strengthening punitive measures for financial crimes affecting the livelihood of ordinary citizens
- Mandating the forfeiture of criminal proceeds from crimes that cause harm to many ordinary citizens, including voice phishing and multi-victim scams
- Doubling rewards for reporting illegal private loans (currently up to KRW 20 million)
- Strengthening regulations on unregistered and fraudulent financial acts that have become increasingly sophisticated (e.g., illegal investment chat rooms)
- Establishing systems to improve the effectiveness of measures like freezing suspected fraud accounts

▶ Eliminating Evasion of Responsibility in Financial Incidents

- Maintaining strict principles of punishment for parties responsible for financial incidents
- Imposing punitive fines for violations of financial security obligations leading to

financial security incidents
- Introducing a clawback system for management executives of financial institutions in cases involving significant accounting misstatements
- Eliminating short-term performance incentives in the banking sector to promote long-term financial stability and responsible management

▶ Creating a 40-Trillion-Won Annual Venture Investment Market

- Substantially increasing the budget and the duration of the Korea fund of funds (Motae Fund), while launching an AI scale-up funds for SMEs
- Attracting global venture investment capital by establishing a global fund of funds
- Allowing venture investment by retirement pension funds
- Expanding venture fund contributions from pension funds and pension fund investment pools
- Introducing the Business Development Company (BDC)
- Increasing tax credits for corporate investors making investments in a private venture fund of funds
- Stimulating venture investment exit markets via M&A support, etc.

▶ Actively Fostering Unicorn Companies in Deep Tech and Fintech Innovation Sectors

- (Startup Phase) Expanding investments in innovative ventures by utilizing surplus financial resources from public institutions and government funds
- (Growth Phase) Strengthening policy guarantees based on technological viability and capability
- (IPO Phase) Creating tailored technology-based IPO frameworks for innovative ventures
- (Regional Investment) Establishing (tentatively named) regional growth funds to revitalize regional venture ecosystems
- Exploring diverse strategies to expand financial support for SMEs and venture businesses

▶ Strengthening Consumer Protection through Advanced Financial

Systems

- Enhancing systems to improve financial consumer protection
- Overhauling accounting systems to increase transparency across society
- Promoting Open Finance (open financial system) to expand innovative financial services

▶ Creating Fair Market Order by Eliminating Price Manipulation and Market Abuses

- Introducing the one-strike-out rule for unfair practices in capital markets such as stock price manipulation
- Mandating the return of short-term trading gains by insiders and major shareholders of listed companies
- Gradually expanding the scope of mandatory disclosure of material criminal records (e.g. fraud, embezzlement and breach of trust) for executives of listed companies
- Strengthening sanctions for uses of non-public information by employees of financial institutions in connection with the performance of duties
- Reviewing the enhancement of eligibility screening for limited partners (LPs) in private equity funds (PEFs) and investment partnerships
- Establishing a Korean-style Fair Fund (fund for fair compensation) to strengthen investor protection

▶ Revitalizing the Stock Market

- Restructuring stock markets based on company characteristics and increasing shareholder returns
- Overhauling regulatory and market systems to attract foreign investment and actively pursuing Korea’s inclusion in the MSCI developed market index
- Improving the rate of return by gradual scale-up of retirement pension funds, including the expansion and reform of SME retirement pension funds
- Addressing issues related to steep IPO price drops on initial trading days
- Upgrading KOSDAQ venture funds to attract new capital

▶ Supporting Asset Building and Improving Financial Accessibility for the Youth

- Launching a Youth Future Installment Savings Account to help the youth accumulate seed capital
- Introducing free financial consulting services available to all young people

▶ Building Trust in Public Pension Funds

- Continuing the reform of public pension funds aimed at enhancing retirement income security and addressing concerns over pension sustainability
- Reorganizing the structure of national and basic pension funds, incorporating retirement pension funds into the public pension system, and redefining the government's role in the management of public pension funds

▶ Reducing the Cost Burden of Pet Care

- Introducing a standardized fee system for veterinary care to reduce the medical treatment cost of pets and improving infrastructure to promote pet insurance

▶ Significantly Reducing Financial Burden on Small Business Owners

- Establishing comprehensive COVID loan relief plans
- Supporting small business owners affected by the December 3 declaration of martial law
- Expanding low-interest refinancing loans and interest subsidy programs to reduce interest burden on small business owners
- Relaxing eligibility requirements for, and expanding the scope of beneficiaries of, debt restructuring programs like the Restart Fund, and reducing applicable penalties
- Introducing customized long-term installment repayment programs for self-employed and small business owners

- Promoting the establishment of specialized policy finance institutions for small business owners for efficient financial support for small business owners

▶ Substantially Reducing Loan Repayment Burden

- Amending the Banking Act to reduce the loan repayment burden by preventing the unfair transfer of legal costs of various contributions to consumers at the time of setting additional interest rates
- Reorganizing the financial institution education taxation system to reduce interest burden on financial consumers
- Promoting refinancing options for small business owners and self-employed business owners
- Considering the phased exemption of prepayment fees for policy mortgages and loans provided by policy-based financial institutions

▶ Expanding Inclusive Finance and Reducing Financial Barriers for Vulnerable Groups

- Establishing internet banks specializing in mid-rate interest loans for financially vulnerable groups, such as low-income individuals and small businesses
- Expanding the “6080” customized housing pension system, including relaxation of housing price requirements for eligibility
- Operating various financial branches tailored to the characteristics of marginalized areas
- Establishing a (provisional name) “Inclusive Finance Stability Fund” using contributions from finance companies to secure stable funding for policy-based inclusive finance
- Actively incorporating non-financial information of financially-vulnerable individuals with insufficient financial histories

▶ Enhancing Protection for Responsible Debtors

- Establishing a ‘bad bank’ to write off long-term small delinquent debts

- Expanding liquidation-type debt restructuring programs such as special reduction and repayment deferral
- Considering expanding the scope of debtor's legal representatives

▶ Ensuring Rights of Insurance Policyholders

- Reducing the burden on policyholders by adopting a "prepayment and post-settlement" approach within the co-payment cap system
- Introducing optional riders for medical indemnity insurance to help reduce premium burdens on policyholders
- Promoting the establishment of market order through unified mutual agreements among life, non-life insurers, and independent agents (GAs)

▶ Expanding Support for Marriage and Childbirth

- Gradually introducing the "Our Child Independence Fund"
- Increasing support for newlyweds for marriage and childbirth
- Providing loans for newlyweds and adjusting repayment amounts based on the number of children

Implications

◉ **Strengthening the Protection of Financial Consumers**: The enactment of the Multi-Victim Financial Crime Prevention Act, the mandatory confiscation of criminal proceeds from crimes such as voice phishing, and other measures related to public livelihood are expected to significantly strengthen protections for financial consumers. Since there is likely to be a broad public consensus on the basic intent and direction of these initiatives, related policies are expected to be pursued swiftly and decisively. In particular, with expectations of fundamental changes in the supervisory system and legal framework for financial consumer protection—including measures such as the strengthening of the independence of financial consumer protection agencies, consideration of introducing a one-sided binding authority system, and the enactment of a Basic Accounting Act—financial institutions should take proactive steps by expanding their personnel and organizational capacity dedicated to financial consumer protection. This includes measures such as preventing voice phishing, responding to consumer complaints, and resolving disputes.

Meanwhile, Open Finance refers to an evolution beyond Open Banking, which was focused on opening access to bank account information and payment functionalities. It encompasses an expansion into a wide range of financial products and services, representing a comprehensive transformation of the financial ecosystem. In Korea, the term has generally referred to the advanced integration of Open Banking with financial data. The Financial Services Commission has repeatedly presented its vision for Open Finance. The successful implementation of Open Banking is viewed as a major achievement in Korea's financial innovation, and it now serves as the foundation for a natural transition to Open Finance. In line with this, the new government has designated the promotion of Open Finance as a key national policy agenda item, outlining specific plans to improve the quality of financial services through the digital transformation of financial infrastructure, efficient use of financial data, and consumer-centered service innovation.

Traditional financial institutions, such as banks, continue to exert significant influence over the financial infrastructure within a specialized institutional framework. However, constraints within the financial product distribution structure and the existing regulatory environment underscore the importance and potential impact of Open Finance policies. With the government's official declaration of the Open Finance era, financial companies and fintech firms should pay close attention to the government's policy roadmap and subsequent implementation plans to seize opportunities for collaboration and innovation. Open Finance is expected to become a central pillar in enhancing the competitiveness of the financial industry and increasing consumer benefits.

◉ **Stricter Punishment for Financial Incidents**: Financial institutions are expected to face significantly strengthened inspections and sanctions in the event of a financial incident, including strict application of the accountability framework under the Act on Corporate Governance of Financial Companies, which may lead to direct liability for executive.. In addition, as reforms to internal evaluation systems—such as the rationalization of Key Performance Indicators (KPIs)—are being introduced, financial institutions should regularly assess whether such incentives may foster a short-term performance focus or elevate the risk of financial misconduct. Careful and continuous oversight of internal evaluation frameworks will be critical. Institutions should also reinforce internal controls to guard against excessive profit-seeking behavior.

Following a personal information leak incident in 2014 involving a credit card company, financial authorities introduced stringent financial security regulations to prevent recurrence, including network separation rules, which was unprecedented at the time. Despite these measures, personal credit information leaks and security incidents continue to occur within the financial sector, underscoring the need for substantial improvements in the financial security system.

The new administration pledges to introduce a punitive fine system for financial security incidents, aiming to raise awareness and establish a more effective security response framework. Over the years, there have been consistent calls for shifting financial security regulations toward self-regulation while strengthening corresponding post-regulatory accountability. This trend is expected to serve as a catalyst for raising the overall level of financial security. Financial authorities are also working to revise electronic financial supervision regulations by early 2025, shifting from rule-based to principle-based financial security regulation systems. The introduction of punitive fines is expected to drive financial institutions to strengthen their autonomous security capabilities and establish more responsible security management systems.

Moving forward, financial companies and fintech firms are anticipated to build a trustworthy financial ecosystem through proactive internal control systems focused on managing and preventing security risks.

◉ **Fostering Venture Investment Market**: Various policies are expected to be implemented to nurture venture companies, including expanding investments in venture enterprises, introducing Business Development Companies (BDCs), revitalizing mergers and acquisitions (M&A), and strengthening guarantees based on intellectual property rights. These initiatives appear to be an extension of the venture support policies pursued during the Moon administration through the establishment of growth support funds. Venture companies should actively explore ways to leverage these institutional changes, while financial institutions will need to prepare to create new revenue streams through investments and loans to venture companies.

◉ **Actively Cultivating Innovative Unicorn Companies**: The new administration plans to invest in innovative venture companies through a fund of funds matched with private capital, presenting new business opportunities for asset management firms. Additionally, by expanding special guarantees and supporting connections such as IP-based guarantees and securitized guarantees (P-CBOs), financial institutions are expected to mitigate credit risks when lending to innovative venture companies through policy guarantees. Furthermore, if technology value assessments and listing review plans reflecting advanced technological characteristics of innovative venture companies are established, investments in these companies are likely to be revitalized, increasing profit opportunities for investment firms through listings.

◉ **Establishing a Fair Market Order**: Policies aimed at establishing a fair market order are anticipated to be pursued through multiple approaches, such as introducing a one-strike-out system, strengthening sanctions against the use of undisclosed information, and introducing a Korean-style fair fund. Given the minimal partisan disagreement surrounding these goals and policy directions, related institutional improvements are expected to be rapidly implemented. Businesses should therefore proactively prepare to adapt to these changes and manage potential impacts.

Among these, the Fair Fund is a system modeled after a U.S. SEC initiative aimed at enhancing investor protection and restoring market confidence. It operates by collecting disgorged profits (unjust enrichment) and civil penalties from violators and using those funds to compensate investors harmed by the misconduct. If this system is introduced in Korea, it is expected to provide robust protection for investors harmed by unfair trading practices. However, the establishment of a Korean-style fair fund requires the enactment or revision of relevant laws, so it is important to closely monitor the details regarding the funding sources for the fair fund, the scope of eligible victims, the methods for determining the extent of damages, and the compensation procedures.

- **Revitalizing the Stock Market**: Alongside establishing a fair market order, various measures are expected to be implemented to revitalize the stock market, including restructuring the stock market, strengthening shareholder returns, promoting inclusion of Korea in the MSCI Developed Markets Index, and upgrading the KOSDAQ Venture Fund. Efforts to include Korea in the MSCI Developed Markets Index have mostly addressed the issues that previously hindered inclusion, such as the abolition of the foreign investor registration system, expansion of English-language disclosure content, and relaxation of requirements for opening integrated foreign stock accounts, which are expected to enhance the prospects of inclusion in the Index in the near future. If inclusion is decided within the year, it is anticipated to have a positive effect such as increased foreign investor inflows and a rise in the stock index. Additionally, if a suite of shareholder return enhancement measures—such as treasury stock cancellations and the restructuring of low price-to-book ratio (PBR) companies—are implemented, the current Value-Up program is expected to be strengthened further. Therefore, business entities likely to be affected will need to be prepared in advance.

- **Supporting Young Adults' Asset Growth**: The introduction of the Youth Future Savings Account aligns with the intent of the Youth Leap Account pursued by the previous government, and the implementation of "Financial Counseling for All" appears to be a policy facing little public opposition. Given that accounts opened during youth tend to continue being used over time (initial account effect), financial companies should actively prepare to secure new customers by monitoring the implementation of the Youth Future Savings Account.

◉ **Alleviating the Burden of Pet Care Costs**: Despite increased demand for pet insurance due to the growing pet-owning population, market formation has been slow due to the lack of infrastructure ensuring transparency in veterinary care costs. Enhancing transparency in veterinary costs is expected to lay the foundation for revitalizing the pet insurance market. Insurance companies will need to closely monitor ongoing policy discussions and prepare accordingly.

◉ **Reducing Financial Burden for Small Business Owners**: Various pledges have been proposed to reduce the financial burden on small business owners, emphasizing the social role of financial companies serving small businesses, rather than prioritizing profit. Financial institutions need to pay attention to the financial changes resulting from the implementation of these policies and strive to discover new revenue sources in the process.

The new administration has also promised to alleviate the burden of simple payment fees for small business owners and self-employed individuals. While there have been various discussions regarding the appropriateness of simple payment fees and the government's role, the government has refrained from direct market intervention, except for imposing fee disclosure obligations on large businesses. It is still uncertain what specific policies the new government will implement to reduce simple payment fees, but various solutions, such as introducing a cost estimation system similar to that of credit cards or mandating preferential fee rates for small and medium-sized merchants, are under consideration. Since many simple payment service providers are small and medium-sized venture companies identified by the government as main targets for development, and are also considered key growth drivers of the digital economy, fee reduction policies should be coordinated to alleviate the management burden of small business owners and self-employed individuals without hindering the innovation and growth potential of the fintech industry. The new government is expected to drive the sustainable development of the digital financial ecosystem through well-crafted policy frameworks that strike a harmonious balance between two core objectives: protecting small business owners and fostering the growth of the fintech industry, based on principles of coexistence and mutual benefit.

◉ **Expanding Inclusive Finance**: Comprehensive measures for COVID-19 loans, the introduction of customized long-term installment repayment programs, the promotion of refinancing loans, the gradual exemption of early repayment fees, and the establishment of an Inclusive Finance Stability Fund are expected to be fully implemented as part of inclusive finance policies. In particular, the inclusive finance policies pursued during the Moon administration are anticipated to be significantly expanded and reorganized into a second phase of inclusive finance. Consequently, there will be increased social pressure on financial companies to play an active role in inclusive finance. Financial institutions should actively cooperate in areas requiring joint efforts within the financial sector to align with these policy directions and proactively identify and implement tasks that can be undertaken independently, such as advancing credit evaluation systems for low-income individuals and small business owners using AI.

Currently, three internet-only banks are currently active in Korea. At their inception, these banks were expected to invigorate Korea's rigid banking industry as "catfish", but there have been criticisms about their insufficient performance in handling mid-interest rate loans and excessive reliance on interest margin income. In response, the new government pledges to establish a new internet-only bank specializing in providing mid-interest rate loans to small business owners, and has also presented specific policy directions, including the advancement of credit scoring systems (CSS) incorporating AI and fintech and an increase in the mandatory loan ratio for low- and medium-credit borrowers at existing internet-only banks.

These political pledges are expected to present new opportunities for prospective entrants preparing to enter the internet banking market and serve as a catalyst for existing internet banks to reevaluate their business models. In particular, existing internet-only banks will need to prepare for the possibility of additional obligations exceeding the target ratio for loans to medium- and low-credit borrowers (30% based on average balance) announced in late 2023.

The new administration's push to approve a fourth internet-only bank is expected to not only help alleviate the interest rate disparity but also serve as a catalyst for new competition and innovation across the banking sector by actively leveraging emerging technologies such as AI.

- **Insurance Policyholder Protection**: If the policyholder co-payment ceiling system is upgraded to a "prepayment and post-settlement" model, insurance policyholders are expected to receive the full insurance payment upfront, thereby reducing their financial burden. However, it should be noted that in order for insurance companies to directly settle accounts with the National Health Insurance Service in the following year, revisions to the National Health Insurance Act and detailed operational plans for the settlement system will need to be made.

  Meanwhile, for the first and second-generation indemnity health insurance, where continued deficits have made substantial annual premium increases inevitable, the introduction of optional rider options can be beneficial. However, to enhance the effectiveness of this measure, close coordination between financial authorities and the insurance industry is necessary regarding the scope of excluded coverage riders and appropriate levels of premium discounts. Therefore, the insurance industry should organize its position in advance and communicate it to the financial authorities.

  In addition, the signing of a comprehensive mutual agreement is expected to have a positive effect by enabling the imposition of penalties not only on insurance companies but also on general agencies (GAs) in cases of improper business conduct. However, to avoid excessive burden, it is necessary to ensure that the unique characteristics of each sector are appropriately reflected in the mutual agreement, and preparations should be made accordingly.

- **Expansion of Marriage and Childbirth Support**: Low birth rates represent one of the most pressing social challenges in Korean society, making government-level support essential to address the issue. To this end, the new government has announced a policy that includes opening a fund account for children with regular deposits and offering tax benefits on the financial income those accounts generate. Additionally, newlywed couples will be eligible for marriage and childbirth support loans, with reductions in principal and interest based on the number of children they have. This policy could provide financial institutions involved in fund management and loan services not only with an opportunity to enhance their social value, but also with a new source of revenue. Accordingly, proactive preparation in this regard is considered necessary.

5 Virtual Assets

[Key Points]

- With the second phase of legislation on virtual assets expected to revitalize the relevant market, it is necessary to prepare in advance to comply with stricter regulations.

Key Pledges:

▶ Making Korea a Global Digital Asset Hub

- Building an industrial foundation by restructuring the digital asset ecosystem
- Institutionalizing virtual assets and linked products to ensure safe investment opportunities
- Expediting legislation of token securities to foster diverse business opportunities

Implications

Due to the implementation of the EU's Markets in Crypto-Assets Regulation (MiCA) and the potential passage of U.S. regulatory bills such as the GENIUS Act for strategic reserves and regulation of stablecoins, the establishment of a regulatory framework for virtual-assets has emerged as a major international issue. In addition, with Bitcoin reaching all-time highs, public interest in crypto-assets is at an unprecedented level, and Korea is also expected to actively pursue policies aimed at transforming itself into a global digital asset hub.

◉ **Acceleration of Phase 2 Legislation on Virtual Assets**: Phase 2 goes beyond the Phase 1 legislation focused on user protection. The purpose of Phase 2 legislation is to establish a regulatory system that encompasses the issuance and distribution of virtual assets, and the registration, operation, and supervision of virtual-asset businesses. This legislation signals a clear policy shift toward formally integrating the virtual asset industry into the institutional framework and promoting its development in a structured and proactive manner. At the same time, it reflects an intention to recognize virtual assets as a key part of the financial market and to strengthen systematic regulation and oversight.

However, once Phase 2 legislation is enacted, individual business activities such as trading, brokerage, custody, management, advisory, and valuation of virtual assets may be treated as separate licensing categories, with restrictions on concurrent operations. Additionally, public oversight of listing and delisting procedures could be enhanced, likely bringing structural changes across the virtual asset industry.

◉ **Introduction of Virtual Asset-Bsed Spot ETF**: to the government is pursuing the introduction of spot ETFs (Exchange-Traded Funds) backed by virtual assets such as Bitcoin. This would mark a significant turning point in recognizing virtual assets as traditional financial products. As a result, not only retail investors but also institutional investors—including pension funds and insurance companies—are expected to participate in the market, thereby contributing to greater liquidity and stability of the virtual asset sector.

To introduce such ETFs, detailed discussions are needed on matters such as the eligibility criteria for virtual asset custodians, the methodology for index pricing, and the roles of Authorized Participants (APs).

◉ **Legal Framework for Security Token Offerings (STOs)**: The government is moving to amendthe Capital Markets Act and Electronic Securities Act to allow the issuance of securities based on blockchain networks. This initiative aims to enhance investment accessibility and stimulate transactions in real-world assets—such as real estate, artworks, and intellectual property—which have traditionally been difficult for general investors to access.

As there is no significant partisan disagreement on this matter, related legislation is expected to progress without delay under the new administration.

Once STO issuance and distribution are institutionalized, this will likely generate a wide range of new business opportunities, including STO issuance platforms, distribution infrastructure, and the design and management of underlying investment products.

◉ **Issuance of KRW-Based Stablecoin**: A KRW-based stablecoin is a privately issued digital KRW that maintains a 1:1 value peg to the legal tender and can be transferred and traded on blockchain networks. This signals a shift from account-based finance to token-based finance and is expected to create vast business opportunities across the fintech and digital financial infrastructure, including payment platforms (e.g., online shopping malls, subscription services), overseas remittances (low-cost, high-speed transfers), blockchain wallet development, and on/off-chain API integration services.

6 Corporate Governance

[Key Points]

- With the expansion of directors' fiduciary duties to shareholders, it will be necessary to strengthen shareholder-friendly policies and establish a robust legal review framework for major corporate decisions.
- Improvements will be needed across all areas of corporate management, including strengthening internal control systems, enhancing transparency in accounting and financial management, and strengthening communication with shareholders.

Key Pledges:

▶ Improving Corporate Governance to Protect Minority Share-holders

- Codifying director's fiduciary duty to shareholders to establish a principle that ensures the interests of all shareholders are duly considered.
- Requiring companies above a certain size to appoint a minimum percentage of independent directors who are free from management influence and able to provide effective oversightto.
- Gradually expanding separate election of audit committee members in large listed companies
- Revising relevant regulations to prevent the exclusion of cumulative voting system from articles of incorporation, thereby promoting its adoption in large listed companies.
- Mandating electronic voting and proxy voting in large listed companies and introducing advisory shareholder proposals.
- Addressing concerns over excessive concentration of economic power stemming from the expansion of control through minority shareholding.

▶ Eliminating the Misappropriation of Private Gains by Controlling

Shareholders

- Applying fair value assessments in mergers and acquisitions involving publicly listed companies, taking into account factors such as share price, asset value, and earnings value.
- Institutionalize a system to allocate a portion of new shares to parent company shareholders when a subsidiary is listed following a physical spin-off.- Introducing a mandatory tender offer system to ensure that minority shareholders have an opportunity to exit and share in the control premium in the event of a corporate acquisition.
- Introducing a merger inspection system that allows shareholders to petition the court to appoint an examiner in the event of a merger between a listed company and its affiliate.
- Mandatory cancellation of treasury shares of a listed company to be considered
- Strengthening oversight and penalties on unfair intra-group transactions

Implications

◉ **Fiduciary Duty to Shareholders**: In the 22nd National Assembly, a proposed amendment to the Commercial Act—led by the Democratic Party of Korea—sought to expand the scope of directors' fiduciary duty to encompass not only the company but also its shareholders. However, the amendment ultimately failed to be enacted due to the acting president's exercise of the veto power and its subsequent rejection in a re-vote.

If this legislative proposal were to be enacted in the future, companies may be required to assess whether corporate actions—such as organizational or governance restructuring, mergers and acquisitions (M&A), investment decisions, and capital-raising activities—benefit not only the company as a transaction party but also its shareholders. In such a legal environment, increased shareholder activism is expected, particularly from minority shareholders and activist funds.

Moreover, due to interpretive uncertainties surrounding the scope of directors' fiduciary duty to shareholders and their potential intersection with criminal liability, companies would need to conduct more careful and deliberate legal reviews during the decision-making process.

◉ **Expansion of Separate Election of Audit Committee Members**: If the number of separately elected audit committee members in large listed companies were increased from the current minimum of one to two or more, there is a heightened possibility that individuals backed by minority shareholders could gain a controlling influence over the audit committee. This possibility becomes even more significant in listed companies where controlling shareholders hold relatively high ownership stake. For example, under Korean law, holding companies are required to own at least 30% of their listed subsidiaries (and subsidiaries must hold at least 30% of their listed sub-subsidiaries). In such cases, the combination of the expanded separate election requirement and the 3% voting cap rule, which limits the voting rights of large shareholders in separate elections, may further increase the likelihood that minority shareholder- nominated candidates are elected. Given these dynamics, the management of affected listed companies should proactively develop response strategies to maintain sound governance and mitigate potential risks arising from changes in audit committee composition.

◉ **Activation of Cumulative Voting Mechanisms and Introduction of Advisory Shareholder Proposals**: Cumulative voting, which allows shareholders to allocate their votes in proportion to the number of directors to be elected (e.g., casting all votes for a single candidate when electing multiple directors), is designed to protect minority shareholders and enhance their influence. However, increased use of cumulative voting could also lead to greater uncertainty in corporate management, particularly regarding board composition and decision-making.

Advisory shareholder proposals refer to shareholder resolutions that, even if approved at a general meeting, do not carry binding legal force. While such resolutions are legally considered to be “recommendations” in effect, in practice, boards may find it difficult to disregard them without reputational or legal risk, particularly if the proposal receives strong shareholder support. Moreover, unresolved or dismissed proposals could escalate into litigation.

Accordingly, corporate management should prepare in advance for these developments by formulating appropriate safeguards to preserve managerial discretion, while balancing transparency and responsiveness to shareholder interests.

- **Mandatory Electronic Voting and Proxy Solicitation for Large Listed Companies**: While the specific details of this policy pledge have not yet been confirmed, it is highly likely that a mandate for electronic general meetings of shareholders (electronic AGMs) will be introduced for listed companies above a certain size. This expectation is based on the close link between electronic voting and electronic AGMs, as well as the Democratic Party's recently stated intention to reintroduce an amendment to the Commercial Act that includes provisions to mandate electronic AGMs for certain listed companies—an effort that previously failed to pass the National Assembly.

  If such a mandate is introduced, affected listed companies will need to review the applicable legal requirements in detail and prepare accordingly. This includes upgrading systems to support real-time audio and video transmission at meeting venues, implementing secure electronic voting systems, and establishing reliable methods for verifying the identity of shareholders and their proxies who participate electronically. A multifaceted approach to compliance will be essential to ensure readiness for the new regulatory environment.

- **Preferential Allotment of New Shares to Parent Company Shareholders in Split-off IPOs**: In the case of a physical spin-off followed by the IPO of the newly created subsidiary (commonly referred to as a "spin-off listing" or "split-off listing"), the introduction of a policy requiring preferential allocation of a portion of new shares to existing shareholders of the parent company could have significant implications.

  Such a measure may lead to an increase in the ownership stake of potentially adversarial minority shareholders, which could complicate governance. In addition, the process of preferential allocation may prolong the IPO timeline and increase procedural complexity. Accordingly, companies considering or planning a spin-off listing should develop appropriate strategies to address these potential challenges.

- **Mandatory Tender Offer in M&A**: If a mandatory tender offer system is introduced, requiring buyers to purchase a certain percentage of remaining shares upon acquiring a controlling stake during an M&A, the buyer may be forced to acquire more shares than initially planned, leading to higher transaction costs and even potential deal failures.

  Therefore, parties involved in control transfers of listed companies should be well-acquainted with the details of such system and consider various deal structures to choose the optimal transaction approach.

- **Mandatory Cancellation of Treasury Shares of Listed Companies**: If the cancellation of treasury shares becomes mandatory, it may become difficult for listed companies to use treasury shares as a means of defending management control or using them for strategic disposal to friendly entities.

  Moreover, this could limit the ability to raise capital through issuance of exchangeable bonds backed by treasury shares. As a result, companies may become increasingly reliant on alternative financing instruments such as convertible bonds (CBs) and bonds with warrants (BWs), potentially leading to changes in shareholding structures and capital composition.

  Therefore, listed companies with a high proportion of treasury shares should pay close attention to whether it becomes mandatory to cancel treasury shares and assess the potential implications for their capital strategy.

  In addition, the new administration is likely to promote measures aimed at improving corporate governance and protecting minority shareholders by addressing self-dealing practices of controlling shareholders. These measures may include increasing the proportion of independent directors in companies above a certain size, requiring fair value assessments in mergers involving listed companies, and introducing a merger examiner system for mergers between listed companies and their affiliates. Given these anticipated reforms, companies should continuously monitor legislative developments related to M&A transactions and corporate governance. In particularly, companies should proactively prepare by strengthening internal controls, enhancing communications with shareholders, and developing mutifaceted strategy to maintain management stability and respond effectively to the evolving regulatory landscape.

7 Labor

[Key Points]

- There is a growing need for companies to develop long-term strategies aimed at building stronger and more sustainable trust between labor and management, as well as to proactively establish internal systems capable of effectively managing and resolving conflicts and disputes.
- To achieve the dual goals of extending the legal retirement age and creating job opportunities for young people, companies should consider adopting a more flexible and efficient wage structure that balances generational equity and operational sustainability.

Key Pledges:

▶ Recognizing Employee Status of Employees of Subcontractors

- Revising the Labor Union Act to impose the obligation on principal contractors (i.e., lead companies) that substantively and directly influence or determine the working conditions of subcontracted workers to engage in collective bargaining with labor unions composed of those subcontracted workers.

▶ Phased Extension of Legal Retirement Age to 65

- Legislation extending the retirement age to 65 is expected to be pursued within 2025, following consultation with relevant stakeholders.

▶ Presumption of Employee Status for Service Providers

- Service providers to be presumed to be employees, unless the employer can prove otherwise.

▶ Expanding Applicability of the Labor Standards Act

- Applying the Labor Standards Act to businesses with fewer than five employees
- Guaranteeing labor rights to workers working very short hours, in proportion to their working time

▶ Strengthening Workplace Rights for All Working People

- Enacting the "Framework Act on Guaranteeing Rights at Work" to apply to non-employee labor providers
- Clarifying coverage and expanding applicability of labor laws including the Labor Standards Act
- Ensuring actual protection of non-regular workers in labor administration and under labor laws

▶ Achieving Workplace Democracy by Strengthening Autonomy in Management-labor Relations

- Promoting full implementation of "labor director system" in the public sector
- Institutionalizing a permanent worker representative committee to lead negotiations on autonomy in management-labor relations
- Pursuing ratification of ILO Convention No. 190 on the elimination of workplace harassment (eliminating violence and harassment in the world of work)

▶ Reducing Working Hours

- Introducing a 4.5-day workweek

▶ Banning Inclusive Wage System and Strengthening Working Hour Management

- Promoting legislation to prohibit inclusive wage systems
- Introducing mandatory working hour record-keeping

▶ Revitalizing Sectoral (Industry-Wide) Bargaining and Expanding the Applicability of Collective Agreements

- Establishing sectoral bargaining model in the public sector
- Promoting measures such as the automatic extension of collective agreements or the extension of their applicability through administrative orders

▶ Introduction of Wage Distribution System and Disclosure of Wage Data

- Introducing a wage distribution system to ensure equal pay for equal work based on job, position, and years of service
- Providing wage data to support sectoral bargaining

▶ Strengthening Labor Inspections

- Increasing labor inspectors and granting labor inspection authority to local governments alongside the central government authorities

▶ Youth and Region-Centered Employment (job creation) Policy

- Guaranteeing youth's right to work and expanding job opportunities
- Improving laws and systems to comprehensively promote regional employment
  – Offering professional, unified job support services to maximize user convenience

Implications

◉ **Yellow Envelope Act**: This policy proposal, strongly opposed by the business community, has been criticized as one that could severely disrupt labor-management relations and significantly weaken industrial competitiveness if implemented.

Currently, labor unions composed of subcontractor employees negotiate directly with the subcontractors. However, the amendment seeks to revise the definition of "employer" under the Labor Union Act so that principal contractors meeting certain criteria would be obliged to respond to negotiation terms demanded by from subcontractor labor unions.

If the amendment passes, most subcontractor unions are expected to request collective bargaining with the principal contractor—who typically controls contract pricing. In contrast, the principal contractor is likely to refuse, asserting that it has no direct or substantial control over subcontractor employees' working conditions. Whether the principal contractor must comply with such requests for negotiation will likely be decided through court rulings, potentially resulting in significant disruption and increased disputes surrounding collective bargaining.

◉ **Gradual Extension of the Legal Retirement Age**: There is criticism that extending the retirement age would benefit mostly large corporations and the public sector while reducing quality job opportunities for younger generations.

However, it is notable that the People Power Party has proposed a continued employment system where workers reaching their retirement age would end their current contracts and be re-employed under adjusted wages as part of a broader elderly employment policy. In this context, whether through retirement age extension or continued employment, some form of employment extension seems highly likely.

If the retirement age is extended, companies will face increased labor costs and may reduce the hiring of younger employees. To prevent this, wage adjustment measures must be incorporated during the extension process. Labor unions, however, oppose wage reductions, making the issue of wage flexibility a core issue in any retirement age reform.

◉ **4.5-Day Work Week**: This pledge aims to prevent overwork-related deaths and improve quality of life by reducing working hours. The business community takes the view that this would harm industrial competitiveness, while labor groups insist on reduced hours without pay cuts.

Given the global trend toward shorter workweeks, some form of reduction appears likely. However, to ensure proper implementation, both the views of labor and management must be considered in developing a realistic and acceptable plan.

- **Basic Law for Workplace Rights**: According to a Ministry of Employment and Labor survey on platform workers, labor service providers who are not considered an "employee" (non-employee labor service providers) frequently experience issues from employers who may, for example, refuse to pay or unilaterally reduce compensation, and make other unilateral decisions (e.g., withholding work, unfair dismissal, or assigning extra work). They are also vulnerable to abuse, assault, sexual harassment, and bullying. The new administration is expected to promote policies to address these issues and guarantee basic rights for such labor service providers. A similar bill known as the "Framework Act for Working People", is under consideration by the National Assembly. The bill includes provisions such as mandatory written contracts, restrictions on unfair dismissal, parental leave, protection for pregnant workers, prohibitions on workplace harassment and sexual misconduct, and support for skill development.

  A key issue is whether the Framework Act for Workplace Rights will mirror the Labor Standards Act (focused on employment relationships) or will be more aligned with laws governing fair trade among independent contractors (similar to the Fair Transactions in Subcontracting Act). It is expected that the Framework Act for Workplace Rights will likely resemble the Framework Act for Working People in terms of its content.

- **Introduction of a "Deemed Employee" System**: This system would deem non-employee labor service providers—including special employment types, platform workers, and freelancers—as employees and recognize them as such unless the employer proves otherwise.

  Companies using such labor service providers would need to reclassify them as employees, reduce their numbers, or at the very least manage them carefully to avoid the risk of misclassifying them as employees.

- **Introduction of a Wage Distribution System**: This policy proposes collecting and publishing wage distribution data from companies based on seniority, job role, and position. It is intended to support and revitalize sectoral collective bargaining. However, companies may be reluctant to disclose their own wage data, and even if wage data is disclosed, it would be difficult to enforce standardization across companies. More observation is therefore needed to see how the government proceeds with this policy.

- **Expansion of the Application of The Labor Standards Act**: Expanding the Labor Standards Act to cover businesses with fewer than five employees, protecting workers working very short hours, and protecting severance pay for employees with less than one year of service are likely to affect small businesses.

- **A Ban on the Inclusive Wage System**: Some argue that the inclusive wage system (which bundles all compensation into a fixed amount, including for overtime) should be abolished as it gives rise to "unpaid labor". Others view a legislative ban as excessive, given that the Supreme Court already upholds the system only under strict conditions. If a full ban is introduced, the lack of a clear legal definition of "working hours" could make labor time management difficult. Therefore, businesses should closely monitor the developments in this area.

- **Mandatory Working Hour Recording System**: This system, widely adopted in advanced countries, aims to improve labor oversight. This system is considered necessary in light of the confusion that arises during the supervision of working hours. Although there is growing support for introducing the system, the Labor Standards Act does not clearly defined working hours, resulting in many cases falling into legal ambiguity in practice. It would therefore be essential to include a clear definition of working hours before implementing the system.

- **Sectoral (Industry-Wide) Bargaining**: Expanding sectoral collective bargaining has long been a labor union objective. While the pledge does not call for legalizing sectoral bargaining, it suggests that the public sector will take the lead in establishing a model for voluntary sectoral negotiations.

◉ **Confirmation of Effect of Collective Agreements**: Automatic extension of the effect of collective agreements closely resembles the general binding effect under Article 35 of the Trade Union and Labor Relations Adjustment Act, and the extension through administrative orders is analogous to the regional binding effect under Article 36 of the same Act. It will be important to closely examine how this new provision aligns with current systems.

◉ **Strengthened Labor Inspections**: To strengthen the protection for employees' rights, including by addressing unpaid wages, the new administration is expected to grant local governments concurrent authority with the central government to conduct labor inspections. However, enforcement overly focused on meeting performance targets by both central and local authorities could hinder business activity, highlighting the need for a balanced approach.

8 Serious Industrial Accidents

[Key Points]

- Companies need to proactively comply with a wide range of safety and health measures to ensure that all labor service providers are protected under the Occupational Safety and Health Act.
- There is a need to strengthen the overall product safety management system, with producers and distributors taking broad responsibility for serious accidents caused by defects in raw materials and manufactured products.

Key Pledges:

▶ Creating a Safe Construction Environment

- Establishing a safe and healthy construction environment to revitalize the industry
  - Strengthen safety measures throughout construction planning, design, work, and supervision
  - Expand smart safety equipment such as intelligent CCTVs and increase regional building safety centers
  - Introduce a fair wage system in construction
  - Prevent illegal employment of construction workers and strengthen fatal accident prevention measures
- Enhancing disaster safety infrastructure in buildings to prevent electric shock, submersion, etc.
  - Reinforce safety management of facilities using IoT, robots, and drones
- Devising countermeasures to prevent recurring underground safety accidents
  - Expand the use of integrated underground space maps and set separate construction standards for risk areas

▶ Ensuring Safety from Hazardous Chemicals

- Promoting the identification of toxic substances contained in odors emitted around industrial complexes and strengthening the management and oversight of emitted pollutants
- Strengthening management of illegally distributed chemicals
  - Reinforce control over volatile organic compound emissions

▶ Enhancing Competitiveness and Workplace Safety for SMEs through Digital Transformation

- Expanding tax benefits for SME investments in industrial accident prevention and workplace safety

▶ Building a Labor Health and Safety System for All Workers

- Expanding the Occupational Health and Safety Act to cover all types of workers
- Overhauling outdated industrial accident prevention systems
- Establishing integrated safety management between principal contractors and subcontractors
- Imposing penalties on workplaces that fail to conduct risk assessments
- Developing measures to prevent overwork-related deaths and mental health issues, including those arising from emotional labor
- Expanding worker and union participation in health and safety systems

Implications

◉ **Creating a Safe Construction Environment**: The new administration is expected to strengthen safety measures throughout all stages of construction projects, including ordering, designing, construction, and supervision. Under the current Occupational Safety and Health Act, construction project owners who do not directly manage or supervise the construction works are subject to relatively eased requirements compared to contractors in preventing industrial accidents.

However, the new administration may implement stricter requirements for project owners. A Supreme Court ruling in November 2024 (Case No. 2023*DO*14674) established the criteria for distinguishing between contractors and construction project owners. Businesses must therefore carefully assess whether they fall under the category of a contractor or a project owner when commissioning construction projects and implement safety measures accordingly. Safety measures may also be strengthened with respect to design and construction supervision. Particularly in cases where design, installation, or management defects in large-scale buildings or public facilities cause harm to citizens, the Serious Accidents Punishment Act (the "SAPA") may apply pursuant to the provisions related to serious public accidents. Since safety and health management systems for serious industrial accidents and serious public accidents differ significantly, a separate system tailored for serious public accidents must be established.

◉ **A Society Safe from Hazardous Chemicals**: The new administration is expected to strengthen the prevention and response measures for chemical accidents. SAPA regulates serious public accidents caused by defects in raw materials or products during production, manufacturing, sale, or distribution. The raw materials subject to SAPA are not limited to hazardous or dangerous substances. Not only producers and manufacturers, but also sellers and distributors must work together to prevent and respond to accidents. Since chemical accidents often result in large-scale disasters with high casualties, severe criminal liability may follow. As the legal principles are not yet fully established, businesses should set up safety and health management systems with the assistance of experts.

◉ **Establishing Occupational Safety and Health Systems for All Working People**: The Occupational Safety and Health Act amended in 2019 expanded its scope of protection to include not only "employees" but also "individuals providing labor," including certain types of non-standard workers such as special-type workers, delivery personnel, and franchisees. The new administration may further expand this scope to encompass "all working people". If special-type workers who were previously not covered by the Act are now covered, employers will be required to implement safety and health measures for them. As serious industrial accidents under SAPA are premised on industrial accidents defined by the Occupational Safety and Health Act, expanding the scope of those protected under the Act would effectively mean an expanded application of SAPA. Therefore, businesses should review the types of labor service providers it engages and restructure its safety and health management system accordingly.

◉ **Overhaul of the Outdated Industrial Accident Prevention System**: The new administration is expected to establish an integrated safety and health management system to protect subcontracted workers. Under the current law, if subcontracted work takes place in a contractor's workplace, it is the contractor that must establish a safety and health management system. However, the scope and the particulars of this requirement may be further expanded. Also, under SAPA, the procedures for identifying and mitigating hazardous factors are not limited to risk assessments under the Occupational Safety and Health Act. Currently, the Occupational Safety and Health Act lacks penalty provisions for failing to conduct risk assessments. Therefore, the law may introduce penalties for non-compliance and broaden the requirements for risk assessments. Notably, the Ministry of Employment and Labor revised the "Guidelines on Workplace Risk Assessment" in 2023, introducing significant changes to the procedures. Businesses that have yet to implement these procedures at a workplace, they should do so promptly. Additionally, new or strengthened safety and health standards for office workers—concerning issues such as overwork or emotional labor—may be introduced. Companies that mainly employ office workers should monitor these developments closely.

◉ **Expanding Participation of Workers and Unions in Safety and Health Systems**: SAPA provides for procedures to consider workers' opinions, and the Occupational Safety and Health Act includes provisions for worker participation in risk assessments and the right to stop work. The new administration is expected to expand these participation requirements. Inadequate consultation procedures or lack of worker participation in risk assessments are frequently cited as employer violations in serious accident cases. Accordingly, businesses should review and improve any shortcomings in worker participation within their current safety and health systems and ensure compliance with the amended legislative requirements.

9 Culture, Arts, and Tourism

[Key Points]

- Various growth opportunities are expected to emerge in the content industry through production support and tax incentives across a range of Korean Wave content sectors.
- With the establishment of the K-Cultural Power Committee to oversee the overall cultural policy, it is important to closely monitor changes in content production and distribution processes.

Key Pledges:

[Culture and Art]

- Promoting "Live Aid K-POP Concert (provisional name)" led by the private sector with government support, and expanding overseas content support centers to host K-Food organizations
- Expanding support for emerging and core content-related technologies; broadening tax incentives for content creation; introducing refundable incentives for reinvestment in content; strengthening copyright protection in new creative environments; and enhancing swift enforcement against illegal content distribution, including strengthened international cooperation for cross-border investigations
- Developing large-scale cultural infrastructure, such as a 50,000-seat multi-purpose arena-style performance hall, supporting multilingual translation of content for global export, and creating a Korean version of the Silicon Valley
- Establishing the "National Committee for Cultural Power Enhancement" under the Ministry of Culture, Sports and Tourism

[Tourism]

- Designating "Cultural Tourism Special Zone" to revitalize local economies and promoting "Workations" by facilitating collaboration between local governments and businesses

Implications

- **Government-Supported Concerts and Events**: Large-scale events such as government-supported, privately-led concerts are likely to be promoted, alongside expanded support and incentives for the production and international distribution of export-oriented content. Additionally, support and incentives may be offered for the production and distribution of content aimed at export markets. Businesses engaged in content production and distribution should closely monitor the eligibility criteria for participating in government-supported programs and analyze potential support and benefits available through content distribution. It would be advisable to design content production and distribution structures to maximize access to such support.

- **Support for the Korean Wave Content Industry**: Support for production and tax benefits is expected across various sectors, including music, webtoons, and publishing. Businesses planning to enter the content industry should analyze the types of content for which support is available and the eligibility requirements. From the early stages—such as establishing a legal entity and defining business areas—businesses may consider structuring their operations to qualify for such benefits.

- **Prompt Response to Illegal Distribution of Copyrighted Materials**: Responding to illegal content distribution, especially when servers are located overseas, poses practical challenges. The government is expected to introduce faster access-blocking measures and strengthen international cooperation in criminal investigations to build an institutional framework for protecting copyrights. Although a system for international investigative cooperation already exists, its practical effectiveness has often been limited. Therefore, content producers and distributors should stay informed about where these legal developments are headed and be prepared to actively utilize any new and effective systems to protect their content.

◉ **Establishment of Arena-style Performance Halls**: This is a pledge to attract foreign tourists by establishing large-scale performance halls and facilitating K-pop concerts. Various support measures are expected to be introduced to enhance the utilization of newly established performance venues. K-pop businesses should analyze whether there is support or incentives available for distributing content in the relevant territory and consider including corresponding provisions when entering into agreements.

◉ **"Korean Silicon Valley" Initiative**: A self-sufficient content-focused industrial complex, where companies and research institutes are clustered for production and distribution, is expected to be developed. To revitalize the complex, support and benefits may be provided during the investment and production phases. Businesses interested in content-related ventures should analyze what types of content qualify for support and what the eligibility requirements are. From the initial establishment of a legal entity and definition of business domains, it would be strategic to structure the operations to take advantage of such benefits.

◉ **Establishment of the K-Cultural Power Committee**: To better implement any cultural policy, a "K-Cultural Power Committee" will be set up under the Ministry of Culture, Sports and Tourism. This may result in additional regulations related to content production and distribution. Businesses involved in this field should analyze the Committee's composition and specific scope of work to prepare internal organizational structures and manuals to address any new regulations that may be introduced.

◉ **Designation of Cultural Tourism Special Zones and Promotion of Workations**: As part of a national project, certain regions may be designated as Cultural Tourism Special Zones, which could stimulate the local construction industry through tourism development. Businesses that implement workation programs may also receive separate forms of support and benefits. Businesses in relevant sectors should analyze whether they can receive such support in these zones and consider incorporating related provisions when drafting contracts with employees or other stakeholders.

10-1 Games

[Key Points]

- With growing recognition of games and gaming culture, the new administration is expected to promote the game industry through streamlining regulations and expanding support policies.
- Policies supporting global expansion and the promotion of indie games are expected to create new growth opportunities, including access to overseas markets and enhanced industry competitiveness.

Key Pledges:

▶ **Promoting a Balanced Gaming Culture Through Regulatory Reform, Global Market Expansion, and Support for Indie Game Development**

▶ **Expanding SME Export Support Programs Using Games and Other K-Content to Secure Competitiveness**

▶ **Operating Digital Detox and Recovery Programs for Youth Experiencing Digital Overdependence, Including Excessive Gaming**

Implications

As seen in the handling of the game addiction disease classification issue, the new administration is likely to pursue a range of policies that are supportive of the gaming industry. Active engagement by the gaming industry will be essential during the public consultation process on the new administration’s policies.

◉ **Balanced Gaming Culture**: Policies aimed at improving society’s negative perception of games are expected to be implemented. These may take the form of nationwide campaigns or global events. The intention appears to be to reposition the gaming industry, particularly as a pillar of the K-content sector and a driver of national growth, by re-examining traditional regulatory frameworks such as youth protection and gambling regulation. The promotion of e-sports as a vital part of the gaming industry is also expected to contribute to the establishment of a healthy gaming culture.

◉ **Regulatory Improvements**: It is highly likely that the cost of developing games will be included in tax credit programs. Reforms may also be made to the rating classification system, content revision reporting, and online game identity verification systems. In terms of governance reform in the gaming sector, the regulatory role of the Game Rating and Administration Committee and the promotional role of the Korea Creative Content Agency are expected to be reviewed. Consultation on launching a new gaming-related organization or institution may also gain momentum during this process.

◉ **Support for Global Expansion**: Support will primarily focus on games already in the market; however, in certain cases, tailored assistance may also be provided from the development stage, led by qualified project managers. Special emphasis will be placed on tailoring support to the legal and cultural frameworks of each target country to enhance effectiveness. In particular, through the expansion of government programs that assist small and medium-sized enterprises (SMEs) in exporting K-content, gaming companies are expected to receive policy consideration aimed at producing tangible support for their international expansion efforts.

◉ **Promotion of Indie Games**: There appears to be a policy shift toward placing small and indie game developers at the center of gaming policy discussions—an area historically dominated by large corporations, mainstream titles, and platform-focused content. The goal is to ensure that competitive ideas can lead to the launch of new games by providing support across business, development, and service stages. For games applying advanced technologies, various policies—such as regulatory sandboxes—will likely be introduced to help transition these ideas through commercialization, ultimately creating a foundation for competitive success.

10-2 Broadcast Media

[Key Points]

- Policies aimed at enhancing the competitiveness of media content—part of the broader goal of establishing Korea as a cultural powerhouse—are expected to generate new growth drivers and create opportunities for increased revenue.
- Policies aimed at improving regulatory consistency across identical or similar services and eliminating regulatory disparities between traditional and new media are expected to assist in establishing a fair and sustainable competitive environment.

Key Pledges:

▶ Restoring The Public Role of Broadcasting and Fulfilling Public Responsibilities.

- Improving laws to guarantee the political independence of public broadcasters
- Reforming the funding structure and license fee distribution system for public broadcasters
- Defining the public functions and roles of public broadcasters
- Securing autonomy in reporting, production, and programming

▶ Fostering a Reliable and Trustworthy Media Environment for Users

- Strengthening self-regulation and restoring trust in broadcast media
- Increasing platform accountability for anti-constitutional and anti-social content
- Strengthening the Korea Communications Standards Commission's independence and political neutrality

▶ Improving Legislation and Institutions to Keep Pace With Changes in the Broadcast Media Ecosystem

- Integrating governance structures and legal systems related to broadcasting and visual media
- Amending the Act on the Establishment and Operation of the Korea Communications Commission

▶ Building a Global Media Powerhouse

- Designating media and content industry as a national strategic industry
- Expanding financial and tax incentives for media R&D and production investment
- Expanding support for global competitiveness of K-OTT content and platforms
- Developing measures to activate media commerce services such as home shopping

▶ Improving Legislation to Strengthen Broadcast Media Competitiveness

- Advancing regulatory parity and modernization of the broadcasting and media regulatory framework
- Transforming the broadcast advertising system to revitalize broadcast advertising
- Reorganization of the Broadcasting and Telecommunications Development Fund and the Information and Communication Promotion Fund
- Creating a level playing field in the pay-TV market

▶ Active Support for Local and Mid-sized Broadcasters

- Expanding support for local and small broadcasters
- Supporting the production of local and small broadcasters by improving the advertising system
- Improving support for implementing localization in broadcast

▶ Promoting Non-discriminatory Media Access

- Expanding online education program support for vulnerable groups
- Enhancing media literacy training
- Ensuring broadcasting access for people with disabilities and enhancing media welfare

Implications

In the broad sense, media policy under the new administration is expected to be shaped by three core pillars: media policy governance, public broadcasting governance, and the overhaul of media regulatory framework. The new government is likely to prioritize restoring public trust and public value through governance reforms, followed by policies aimed at revitalizing the broadcasting and media industry. At the center of the media policy governance lies the Korea Communications Commission (KCC), and it is expected that various public broadcasting issues will also be addressed. Likely policy measures include the consolidation of fragmented media-related governance and legislation, and a full amendment of the Act on the Establishment and Operation of Korea Communications Commission.

Discussions on media policy governance are expected to progress in tandem with broader debates on government organizational reform, as they involve reassigning roles and functions within the overall administrative structure. These developments are likely to proceed rapidly following the launch of the new administration, and businesses should monitor the process closely to align their management strategies accordingly.

◉ **Public Nature and Responsibilities of Broadcasting**: To ensure the political independence of public broadcasters, reforms will likely include restructuring executive appointment procedures with greater viewer participation and strengthening qualification requirements for board members and CEOs. The legal definitions and responsibilities of public broadcasters are expected to be clarified to firmly establish their public service role. Additional measures may be implemented to strengthen the public interest functions of general programming and news-only channels.

The government may also legislate the creation of programming committees with equal labor-management representation to safeguard editorial independence in news, production, and programming.

◉ **Reliable Media Use Environment**: To secure the credibility, accountability, and political neutrality of media, policies are expected to focus on strengthening self-regulation mechanisms for addressing false or manipulated information in broadcasting, increasing platform accountability through algorithm transparency, and a full overhaul of the composition and operational structure of the Korea Communications Standards Commission.

◉ **Becoming a Global Media Power**: The new government is likely to expand financial and tax support for media R&D and content production and aggressively pursue policies to promote the overseas expansion of K-OTT content and platforms. Businesses will need to strengthen localization strategies and develop innovative converged content. Additionally, the introduction of data home shopping channels tailored to small businesses and SMEs may be pursued alongside deregulation policies to enhance competitiveness among existing operators.

Enhancing Broadcast Media Competitiveness: Regulatory modernization will likely focus on establishing regulatory parity between similar services and eliminating discriminatory regulations between traditional and emerging media formats. Reforms aimed at the sustainability of advertising—the media industry's core revenue source—are also expected.

Moreover, the long-discussed integration of the Broadcasting and Communications Development Fund and the Information and Communications Promotion Fund may finally move forward, with policy goals centered on using the consolidated fund to strengthen the media industry. Policies to establish a fair and transparent pricing system between pay-TV platform operators and content providers are also anticipated.

11 Healthcare/Medical/Pharmaceutical/Bio

[Key Points]

- Heightened public attention on the healthcare and pharmaceutical industries is expected to elevate corporate social responsibility expectations and reshape the competitive landscape, underscoring the need for proactive strategic responses.
- As health insurance reforms aimed at stabilizing healthcare finances include stricter pricing controls on uncompensated care services, revenue management is becoming increasingly important for healthcare organizations and related companies.

Key Pledges:

▶ Strengthening State Investment and Accountability in the Pharmaceutical and Bio Industries, and Ensuring a Stable Supply of Essential Medicines

- Increasing state investment and reward system for pharmaceutical and bio powerhouses
  - Establishing a strategic R&D investment system and delivering results, as well as strengthening the public-return support framework
  - Implementing unified and predictable drug pricing systems to drive R&D investment
  - Creating a convergence ecosystem of new technologies such as AI big data for global drug development
  - Promoting the expanded application of the risk-sharing arrangements (RSAs) to improve accessibility and innovation in pharmaceuticals
- Establishing a Support System for Innovative Pharmaceutical Companies and Strengthening the Social Responsibility of Pharmaceutical Companies
  - Improving the certification system for innovative pharmaceutical companies considering sustainable investment and innovation creation
  - Establishing a drug price compensation system linked to R&D investment ratio for pharmaceutical companies

  - Assisting pharmaceutical companies in enhancing and diversifying their social contributions efforts
- Resolving Essential Medicine Supply Shortages and Establishing a Stable Supply System
  - Providing active support for technology development for localization and self-sufficiency of essential raw materials and vaccines
  - Expanding incentives for finished pharmaceutical products using domestic ingredients
  - Establishing a publicly entrusted production and distribution system to resolve supply instability of national essential drugs
  - Promoting alternative dispensing measures, including restricted formulary prescriptions for essential drugs facing supply instability
- Building crisis response infrastructure as well as expanding and strengthening international cooperation for any potential pandemic in the future

▶ Focus on Building a Digital Health Transformation Growth System, Cultivating Talent and Ensuring Credibility

- Building an AI-based digital healthcare innovation growth framework
- Establishing a convergence support system for medical science to train medical scientists and research professionals
- Fostering innovation and establishing an appropriate compensation system for the medical device industry
  - Fostering the digital health medical device industry to increase global reach and exports
  - Establishing a quality management system for medical devices and appropriate reimbursement standards for innovative medical devices
- Advancing the distribution structure of the medical device industry by improving unfair practices such as the consignment purchasing system

▶ Rural Revitalization Projects Aimed at Transforming Rural Areas Into Vibrant Communities Where People Want to Live, Work, and

Thrive

- Providing essential services such as healthcare, care, livelihood, transportation, to promote a compassionate welfare system
  - Expanding community-based visiting doctors, and mobile daily living support services

▶ Advancing Ecosystem and Biodiversity Conservation Policies at The International Level

- Promoting national biosecurity efforts to manage invasive species that are transmitters of viral diseases like COVID-19
  - Increasing role in managing invasive species, zoonotic diseases, and GMOs

▶ Building a Society Where Seniors Can Live With Happiness, Dignity, and Fulfillment

- Gradually expanding health insurance coverage for dental implants

▶ Building a Society Where Children's Rights Are Protected

- Improving child health and reducing health inequalities

▶ The Health of National Veterans Is The Responsibility of The State

- Building a veterans healthcare system without blind spots for the health of all veterans
  - Introducing quasi-veterans hospitals utilizing local public hospitals in areas without dedicated veteran hospitals to expand benefits not available at designated partner hospitals
  - Introducing a regional veterans primary care program
  - Expanding home visit medical services for those with limited or no mobility
- Promoting customized and comprehensive measures for the aging of national veterans

▶ Improving Military Service Conditions/Establishing a Welfare Environment for Cultural and Artistic Professionals

- (Military) Providing support for comprehensive medical check-up costs for long-term service members
- Expanding social insurance coverage for cultural and artistic professionals
  - New health insurance premium assistance

▶ Strengthening Nutritional Support, Including the Introduction of Full GMO Labeling and the Expansion of KRW 1,000 Breakfast and Food Vouchers for Young Workers

- Introducing a full labeling of genetically modified organisms (GMOs), with phased implementation

▶ Promoting Women's Sexual and Reproductive Rights and Health

- Empowering women's health rights and improving healthcare access across the life cycle
- Building a public healthcare system that promotes sexual and reproductive health
- Expanding support for national human papillomavirus (HPV) immunizations
  - Expanding free vaccinations currently offered to female adolescents to male adolescents
  - Considering a transition to higher-quality vaccines to increase protection

▶ Promoting Social Inclusion of People With Disabilities Through Enhanced Rights Protection

- Expanding health rights coverage
  - Expanding access to primary care for people with disabilities
  - Expanding medical reimbursement for people with disabilities, increasing support for assistive devices, and enhancing delivery systems

- Expanding support for people with developmental and mental disabilities
- Building a support system for people with borderline intellectual functioning

▶ Enhancing Support For Infertile Couples

- Including basic screening for men and women in the national health screening program to prevent early infertility

▶ Improving Quality of Life With Life-stage-based Loneliness Policies

- Developing loneliness response policies for key groups, including youth, middle-aged adults, older adults, and single-person households
  - Expanding mental health support for adolescents and the elderly, including counseling and screenings for depression, anger, and stress, as well as health management programs, leisure and hobby activities; and providing therapeutic gardening and other activities

▶ Establishing a Community-Based Integrated Care System That Enables People to Receive Medical and Care Services While Remaining in Their Homes

- Building an integrated community care system that allows older adults, people with disabilities, and the medically vulnerable to access necessary services without having to move into institutions or hospitals
- Significantly expanding home-based services such as home visits by medical professionals, rehabilitation, nursing care, housekeeping support, day/night/short-term care, and provision of nutritious meals
- Expanding the scope of community care beyond older adults to include people with severe disabilities and those with mental health conditions; establishing dedicated care departments within local governments and increasing specialized personnel

▶ Reducing the Burden of Caregiving by Expanding Integrated Nursing Care Services and Applying Health Insurance to Caregiving Costs

- Expanding and improving the quality of integrated nursing care services
  - Full-scale expansion to public medical institutions and regional hub hospitals to reduce disparities in access to healthcare services
  - Gradual expansion to acute care hospitals with 300 or more beds to reduce the caregiving burden for surgical and critically ill patients
- Extending health insurance coverage to include caregiving costs for inpatients in nursing facilities
- Establishing a caregiver training and certification system to improve care quality management
- Supporting the functional redefinition of long-term care hospitals and nursing facilities

▶ A Country Where Young People Are Empowered to Shape Their Own Futures

- Strengthening policies for high-risk youth, including those with emotional and behavioral issues or borderline intellectual functioning
  - Enhancing tailored long-term counseling support, emergency and night-time response systems, and access to medical services for high-risk youth

▶ Building Essential Regional Public Healthcare Systems

- Establishing a sufficient compensation system for essential medical care and establishing an “Essential Regional Medical Services Fund”
  - Applying additional reimbursement rates to healthcare providers offering essential services such as severe or emergency pediatric deliveries
  - Enhancing compensation systems for institutions providing essential medical services and fulfilling public healthcare roles in local areas
- Securing essential regional healthcare personnel through the introduction of a regional

physician system, new regional medical schools, and public healthcare academies

- Establishing a responsibility-based essential healthcare network centered on national university hospitals and reinforcing healthcare decentralization to local governments
- Strengthening state responsibility for medical accidents in essential healthcare fields to ensure safe treatment environments
- Expanding public healthcare infrastructure based on medical service areas
  - Promoting construction, acquisition, or public conversion of hospitals in areas lacking public healthcare institutions

▶ Advancing Meaningful Healthcare Reform in Partnership With the Public and Strengthening Collaboration Across the Healthcare Sector

- Establishing a "People-Centered Healthcare Reform Deliberation Committee" with participation from the general public
  - Ensuring inclusive participation of medical professionals, experts, patients, and citizen representatives to foster social dialogue and consensus
- Presenting a "Sustainable Healthcare Reform Roadmap" supported by the public
  - Establishing and operating a Medical Workforce Estimation Committee and restructuring related bodies such as the Residency Training Environment Evaluation Committee
- Shifting the direction of healthcare reform from a provider-centered to a patient-centered system
- Strengthening interprofessional collaboration among healthcare professions and ensuring the appropriate supply of healthcare personnel

▶ Promoting Personalized Primary Care and Expanding Home and Visiting Medical Services

- Building a personalized primary care system centered around the primary care physician
  - Introducing integrated service models that combine in-person, telemedicine, and

home-visit care at the institutional level

- Strengthening compensation systems for primary care practices, visit services and in-home care
  - Promoting a nationwide primary care system by enabling tiered registration of primary care physicians, with a focus on geriatric and pediatric care
- Expanding the number of providers offering home-based services

▶ Alleviating Emergency Room Overcrowding by Establishing a Regionally Coordinated Emergency Medical Service System

- Establishing and reinforcing functions and compensation for emergency medical institutions based on patient severity levels
- Implementing a rapid transport-admission-transfer system for emergency patients
- Building a 24-hour specialist response system for critical and emergency cases

▶ Stabilizing Health Insurance Finances With Government Support and Continuously Expanding Coverage to Ease the Burden of Healthcare Costs

- Ensuring efficiency and sustainability of health insurance finances
  - Securing stable government subsidies for health insurance
  - Developing alternative payment systems and restructuring the fee-for-service compensation framework
  - Suppressing excessive medical utilization and strengthening price control systems for non-covered medical services
  - Establishing fair insurance premium assessment standards and continuously reforming income-based contribution systems
  - Containing Factors That Cause Deterioration of Health Insurance Finances and Strengthening Preventive Measures Eliminating illegal private hospitals that cause proxy surgeries, excessive treatments, and fraudulent claims
  - Expanding exemptions from penalties and reward programs for voluntary reporting

and whistleblowing
- Strengthening punishment and recovery measures against illegal hospital operators and unjust profits
- Expanding Various Coverages to Prevent Diseases and Reduce Burden for the Elderly and Children Gradually expanding health insurance coverage for dental implants for seniors
- Enhancing early diagnosis and preventive treatment for severe respiratory diseases in the elderly
- Promoting health insurance coverage for RSV (respiratory syncytial virus) preventive antibodies for infants and young children
- Extending free influenza vaccination to middle and high school students
- Reducing Medical Expenses Through Expanded Coverage Reflecting Disease-Specific Characteristics Improving national screening and management systems for curable diseases such as hepatitis C
- Promoting health insurance coverage for robotic surgery for diseases with clear treatment efficacy, such as prostate cancer

▶ Expanding Support for Rare and Incurable Diseases, Strengthening State Responsibility for Childhood Obesity and Diabetes

- Easing the burden of rare and incurable diseases
  - Reducing the patient co-payment rate under special calculation cases applied to rare and incurable diseases
  - Improving the health insurance reimbursement system for treatments of rare and incurable diseases
- Expanding welfare service support for patients with rare diseases
- Increasing support for patients with type 1 diabetes
- Strengthening state responsibility for childhood obesity and diabetes

▶ Enhancing Patient Safety and Convenience by Institutionalizing Telemedicine and Establishing a Public E-Prescription Transmission System

- Institutionalizing telemedicine with consideration for quality and safety of medical care
- Establishing and utilizing a public electronic prescription transmission system
- Strengthening protection systems for sensitive medical information and ensuring its public use

Implications

The new administration is expected to implement policies in the healthcare, medical, pharmaceutical, and bio sectors centered around strengthening public responsibility under government leadership. This policy direction is likely to expand business opportunities through initiatives such as the promotion of AI-driven digital healthcare, enhanced insurance coverage for rare and intractable diseases, and the strengthening of essential healthcare infrastructure in regional areas.

◉ **Enhancing Public Nature of the Medical and Pharmaceutical Sectors**: The new administration is expected to expand public-sector leadership in fostering the pharmaceutical and biotech industries. Key policies include strengthening the "public-return" support system for R&D investments, reorganizing support systems for innovative pharmaceutical companies, promoting corporate social responsibility, and establishing a publicly commissioned production and distribution system for essential medicines. Plans to build or convert public hospitals and acquire private hospitals for public use are also under discussion. These developments offer business opportunities but also increase expectations for corporate responsibility. Businesses should closely monitor how the new administration balances public interest and industry growth.

◉ **Strengthening Infrastructure for Essential Medicines and Services**: Efforts to secure a stable foundation for essential medicines and essential medical services have become a major policy issue due to the global shortage of pharmaceuticals and disruptions in the supply of medical services in less-preferred specialties. The new administration is expected to promote incentives and limited generic name prescribing to address the instability in the supply of essential medicines and to establish a stable supply system. It also intends to create a "Essential Regional Healthcare Fund" and strengthen regional healthcare infrastructure through local medical schools and national university hospitals. These policies may present significant opportunities for regional healthcare providers.

◉ **Expanded Coverage for Rare and Intractable Disease Treatments**: The new administration is expected to enhance access to innovative therapies by expanding the application of the Risk-Sharing Agreement (RSA) scheme—especially for rare and intractable diseases—and improve reimbursement processes while reducing out-of-pocket costs for patients. These measures will likely create more opportunities for high-cost, innovative drugs to be reimbursed under national health insurance.

◉ **Fostering AI-Based Digital Healthcare Industry**: In line with broader national AI initiatives, the new administration is expected to build a growth framework for AI-based digital healthcare. Policies will likely include support for global expansion and export of digital health devices, as well as establishing appropriate reimbursement systems for innovative medical devices. Regulatory efforts—such as the implementation of the Digital Medical Devices Act and the Ministry of Food and Drug Safety's AI device guidelines—are expected to accelerate growth in this sector and facilitate their integration into the national health insurance system.

◉ **Institutionalization of Telemedicine and Expansion of Home and Primary Care Models**: The institutionalization of telemedicine, expansion of home care, and reforms to create a primary care-centered delivery system (e.g., personal doctor systems) are also anticipated. These changes may spur growth not only in medical services but also in supporting platform and technology industries.

◉ **Health Coverage Expansion Tailored to Disease Characteristics**: The new administration is expected to pursue cost savings in national healthcare expenditures through expansion of integrated nursing care services, increased health insurance coverage for dental implants for the elderly, enhanced support for women's health, and improved assistance for infertile couples—all reflecting a focus on strengthening coverage for the elderly and women—as well as expanded coverage that considers the specific characteristics of individual diseases. Plans include expanding integrated nursing care services, extending coverage for dental implants for seniors, increasing women's health support, and boosting support for infertile couples. Policies will also likely target diseases with clear treatment outcomes, such as expanding national screening for hepatitis C and adding robotic surgery for specific conditions to insurance coverage. These efforts suggest opportunities for increased reimbursement for curable diseases and technologies with clear clinical benefits.

- **Public Participation in Healthcare Reform Governance**: Healthcare reform will likely be pursued through a "Public-Centered Healthcare Reform Deliberation Committee" comprising healthcare professionals, experts, patients, and citizen representatives. Businesses should closely monitor the discussions on care delivery systems, regional infrastructure, and workforce supply to anticipate and respond to structural changes in the healthcare industry.

- **Stronger Regulations to Stabilize National Health Insurance Finances**: With expanded health coverage likely increasing insurance spending, the new administration may introduce cost-saving measures to stabilize the National Health Insurance budget. These may include limiting excessive medical utilization, tightening pricing controls on non-covered services, and cracking down on illegal "ghost hospitals" operated by unqualified entities. In this regulatory context, medical institutions and related companies will need to enhance financial management and prepare for tighter oversight of pricing and service practices.

12 Energy

[Key Points]

- With increased emphasis on the climate crisis and carbon neutrality in the energy sector, the establishment of a new Ministry of Climate and Energy and policy-driven expansion of renewable energy (e.g., offshore wind power) are expected to gain momentum. Strengthened support for RE100 is likely to facilitate the establishment of RE100 industrial complexes, which will reduce corporate costs and invigorate the private Power Purchase Agreement (PPA) market. Accordingly, businesses should formulate energy procurement and investment strategies to seize emerging opportunities.
- The construction of large-scale transmission networks has the potential to improve the conditions for executing major projects. Therefore, close monitoring of project developments is necessary. In line with the planned complete phase-out of coal power plants by 2040, a strategic approach will be required to restructure corporate energy portfolios and shift investments away from coal.

Key Pledges:

▶ Achieving RE100 Through a Major Transition to Eco-Friendly Renewable Energy

- Strengthening the supply of renewable energy to drive the transition toward RE100
- Promoting institutional reforms to establish a virtuous cycle ecosystem for renewable energy
- Enhancing the RE100 capabilities of domestic companies through the development of dedicated RE100 industrial complexes

▶ Building a Renewable Energy-Focused Energy Expressway

- Providing national-level support for offshore wind power to ensure energy security and achieve carbon neutrality

- Constructing the West Coast Energy Expressway by 2030 and the U-shaped Korean Peninsula Energy Expressway by 2040
- Enhancing grid flexibility and power ICT in line with the increased share of renewable energy
- Reforming systems to shift toward a low-consumption, high-efficiency energy structure
- Building a full-cycle industrial ecosystem to promote the expansion of a clean hydrogen economy

▶ Promoting "Solar Pension" Payments and Achieving Energy Self-Sufficiency

- Establishing resident-led, publicly supported solar income villages to provide energy-based income to residents and support local welfare and energy consumption
- Supporting solar panel installation on rural homes to provide "solar pension" payments
- Promoting energy self-sufficiency by utilizing locally produced renewable energy for villages and agricultural operations
- Gradual adoption of RE100 in the agri-food sector with improvements in energy efficiency and conservation

▶ Promoting the Coal Power Phase-Out by 2040 and Transition, and Enacting the "Coal Power Plant Phase-Out Support Act"

Implications

◉ **Strengthening the Expansion of Renewable Energy for Carbon Neutrality and a Just Transition**: The Democratic Party has designated the achievement of 2050 carbon neutrality as a national policy objective and has proposed various concrete implementation measures to that end. As a result, the pace at which companies transition their power procurement structures toward renewable energy is expected to accelerate.

- **Rising Demand for Energy Transition and Growth of the Private PPA Market:** The new administration is expected to significantly increase the share of renewable energy to achieve RE100 targets, while also strengthening the supporting infrastructure and policy framework. The government-led expansion of RE100 is anticipated to drive power transition demand not only among global corporations but also among domestic mid-sized enterprises, thereby creating new business opportunities for private power providers. Companies should develop power procurement plans in line with various transition scenarios and, when considering investment, formulate strategies that take grid conditions into account to select optimal project sites.

- **Creation of RE100 Industrial Complexes and Incentives:** The government is likely to promote the development of renewable energy-dedicated industrial complexes to support domestic companies lacking RE100 capabilities. Businesses entering these industrial zones can benefit from long-term fixed-price PPA contracts, improving energy cost predictability while reducing grid connection, permitting, and auxiliary development costs compared to developing their own project sites. Businesses interested in entering these complexes should preemptively review qualification and evaluation criteria and begin discussions with relevant authorities, while also exploring diverse PPA models within these zones to achieve cost stability and RE100 compliance.

- **Laying the Foundation for Renewable Expansion by Resolving Grid Constraints**: The new administration is expected to promote an "energy highway" project, including HVDC transmission networks connecting offshore wind farms along the west coast and renewable energy in the Chungcheong region to the Seoul metropolitan and southeastern regions. This would help resolve the current bottleneck in grid access, accelerating the development of large-scale renewable projects. Given the long timelines, large budgets, and potential for local opposition involved in grid construction, companies should closely monitor progress and be ready to participate in stakeholder consultations, including local compensation negotiations if needed.

◉ **Expansion of "Sunlight Pension" and Local Energy Independence Models**: The nationwide expansion of the "Solar Pension" program, currently being implemented in Sinan County, Jeollanam-do, is also a possibility. Under this model, a portion of the profits from power generation projects is shared with local residents. While this may require companies to adjust for longer investment recovery periods and lower returns, involving residents early on as direct investors or equity participants can reduce the risk of delays due to collective complaints or opposition movements. In regions where development projects face strong local resistance, this approach may also help mitigate project-related risks. Companies should develop business plans aligned with the new profit-sharing model and carefully design the legal structure of resident-participation projects accordingly.

◉ **Response Strategies to 2040 Coal Phase-Out**: With the government aiming to phase out all coal power plants by 2040, companies operating such facilities must consider early retirement scenarios. Businesses should adjust their generation portfolios by shifting investment toward gas, nuclear, or renewable energy facilities. Moreover, as legislation is being proposed to support regions affected by coal plant closures (e.g., the "Coal Power Plant Phase-Out Support Act"), companies may explore opportunities to attract new industries or develop regional industrial bases in those areas, should the law be enacted.

13-1 Communications

[Key Points]

- Policies aimed at reducing communication costs—such as mobile fee discounts for enlisted soldiers and affordable, data-safe mobile plans—are expected to continue being promoted across various areas.
- Policies supporting infrastructure investment to enhance communication quality, including the expansion of 5G backhaul Wi-Fi, are also anticipated

Key Pledges:

▶ Reducing Communications Costs for the Public

- Introducing a new tax deduction for communication costs
- Promoting the use of MVNO phones and unlocked phones
- Implementing a nationwide affordable data-safe mobile plan
- Establishing a user-centric data utilization system
- Expanding mobile fee discounts for enlisted soldiers
- Expanding public 5G backhaul Wi-Fi networks

Implications

◉ **Reducing the Burden of Communication Costs:** The new administration is expected to introduce a tax credit system for communication expenses incurred by workers, their children, and elderly parents aged 65 and over. It also plans to increase the mobile fee discount for military personnel from the current 20% to 50%. The communication tax credit was part of the Democratic Party's campaign pledge in the last general election and was proposed as a bill in the 22nd National Assembly. While increasing the discount rate for military personnel is expected to improve welfare, careful policy design is needed to manage fiscal impact and define eligibility criteria.

- **Promotion of MVNOs and Unlocked Phones**: Revitalizing mobile virtual network operators (MVNOs) and the market for unlocked phones is closely tied to reducing household communication costs, promoting competition in the telecom sector, and expanding consumer choice. However, as this issue also intersects with the Mobile Device Distribution Act and broader handset distribution policies, it will require a thorough and detailed policy discussion in upcoming deliberations.

- **Data-Safe Plans**: These plans allow users to continue using data at a designated speed (QoS) without additional charges after exhausting their basic data allowance. While they help prevent data disconnection and unexpected charges, careful consideration is needed regarding the restricted speed thresholds and pricing levels to ensure service quality and fairness.

- **5G Backhaul Wi-Fi Expansion**: The new administration is expected to install high-quality public Wi-Fi using 5G backhaul in major subway systems, including the airport rail line. This aims to improve overall public access to fast internet. However, implementation will require further discussions regarding spectrum availability, infrastructure costs, and other technical challenges.

13-2 Science and Technology

[Key Points]

- National R&D capabilities are expected to be strategically concentrated in high-tech sectors such as artificial intelligence. These efforts will be closely aligned with broader policy objectives, including balanced regional development and mutually beneficial cooperation between large enterprises and small and medium-sized enterprises (SMEs).
- Establishing a company-led open R&D system and governance system is expected to facilitate the direct reflection of field-level insights in the policymaking process.

Key Pledges:

▶ Establishing an Innovative Ecosystem for Advanced Strategic Industries Such as Semiconductors and Secondary Batteries

- Developing three next-generation semiconductor technologies (power, automotive, and low-power AI semiconductors)
- Securing super-gap technological competitiveness in next-generation secondary batteries
- Establishing a RE100 semiconductor cluster
- Strengthening the comprehensive semiconductor ecosystem, including fabless companies, advanced packaging, and materials/parts/equipment companies

▶ Ensuring Sustainability of National R&D

- Securing R&D budget at a certain level relative to the budget for national expenditure
- Strengthening review functions and improving transparency in the operation of government R&D budgets
- Establishing legal and institutional frameworks for industrial dissemination of R&D outcomes

▶ Expanding Support for Emerging Young Talent in Science and Technology

- Nurturing scientific and technological talent to secure future growth engines
- Clarifying the legal status of postdoctoral researchers
- Increasing compensation for student researchers

▶ Building Governance for National Science and Technology Innovation

- Promoting practical engagement of private-sector experts in science and technology policy
- Promoting the transition from fragmented R&D systems across ministries to a centralized system
- Promoting an open, industry- and researcher-driven R&D system

Implications

The new administration's science and technology policy direction appears to focus on expanding and streamlining the R&D budget, fostering a researcher-centered environment, and linking scientific advancement with balanced national development. Close attention should be paid to how these policies are reflected in the government's restructuring of governance. Businesses that are planning or executing large-scale R&D projects should align their investment decisions with these broader policy shifts.

◉ **Fostering an Innovation Ecosystem for Advanced Strategic Industries**: The government is expected to establish a comprehensive semiconductor ecosystem hub by focusing on three next-generation semiconductor technologies—power, automotive, and low-power AI semiconductors—as well as securing technological leadership in next-gen secondary batteries. A key point in this process will be achieving regional balance and promoting cooperation between large and small enterprises.

Rather than concentrating development in specific areas or groups, the aim is to ensure that the growth of advanced strategic industries is distributed nationwide. Policies will seek to define clear roles for various special zones—such as Opportunity Development Zones and R&D Special Zones—and maximize synergies by linking them with specialized clusters, free economic zones, national/regional industrial complexes, and local academia-industry-research networks.

The early establishment of a mass-production-linked testbed for advanced semiconductors is also expected to support the technological competitiveness of materials, parts, and equipment suppliers, thereby fostering a global R&D environment. Businesses engaged in projects within these industries should explore strategies that incorporate regional partnerships and collaboration with SMEs.

- **Sustainability of National R&D**: To address recent controversies over R&D budget cuts, the administration plans to ensure the sustainability of national R&D capacity. This will likely involve securing the R&D budget at a stable ratio relative to total national expenditure and enacting legal frameworks that facilitate the broad diffusion of R&D results across all industries.

- **Science and Technology Talent Development**: The administration aims to reorganize the currently fragmented science and technology workforce development system to better support future national growth. It plans to expand support for young researchers, legally define the status of postdoctoral researchers, increase stipends for student researchers, and implement support policies to help early-career researchers progress into mid-career roles. These measures are intended to ensure a stable supply of research talent.

- **Governance for Scientific and Technological Innovation**: Policies will focus on strengthening the autonomy and accountability of the science and technology ministry, especially in budgeting and performance evaluation. The government also aims to enhance expertise and openness in policymaking by expanding the substantive involvement of private-sector experts.

Moreover, it plans to consolidate the currently fragmented R&D system across ministries into a more centralized structure. A major shift will be the expansion of public-private collaborative R&D, in which industry and researchers jointly participate throughout the entire R&D lifecycle—from project planning to implementation—ushering in a new open, enterprise-driven R&D governance model.

13-3 AI

[Key Points]

- New growth opportunities are expected to emerge for related companies in the process of building infrastructure such as the AI expressway and establishing an AI R&D ecosystem, including next-generation semiconductors.
- Demand for timely and specialized consulting is anticipated to increase in response to changes in AI governance as well as trends in policies and regulations.

Key Pledges:

▶ Leaping Toward Becoming a Global Top 3 AI Power Through the Great AI Transformation (AX)

- Promoting concentrated investment of KRW 100 trillion in AI and other advanced strategic industries
- Securing core technologies and foundational capabilities for the AI ecosystem
- Promoting AIoT and cloud services, and introduction of AX one-stop vouchers
- Establishing the No.1 AI hub in the Asia-Pacific region

▶ Strengthening Development and Investment in Next-Generation Advanced Technologies for the AI Era

- Developing next-generation AI semiconductor technology and creating an industrial ecosystem
- Commercializing AI-driven next-generation networks (6G)
- Promoting network modernization, including Open-RAN
- Strengthening R&D support for quantum information and communication technology

▶ Building the World's Most Advanced AI Infrastructure

- Securing high-performance GPUs
- Building the AI expressway through the construction of AI data centers
- Creating a national AI data integration cluster
- Fostering national AI innovation hubs

▶ Becoming a Global Leader in AI Talent Development

- Establishing a world-class AI talent development system
- Building a tailored AI training system across all stages of life
- Attracting global AI talent and expanding R&D support
- Ensuring universal access to AI for all citizens

Implications

◉ **Advancing to a Top 3 Global AI Power:** The new administration places AI at the forefront of its strategy for national economic and industrial transformation, presenting entry into the world's top three AI powers as a key national vision. It plans to advance this goal by promoting a coordinated approach to technology development, infrastructure investment, and talent cultivation. The government aims to fundamentally enhance Korea's industrial foundation through initiatives such as the AI Transformation (AX) ecosystem, support for next-generation AI semiconductor development, and a KRW 100 trillion strategic investment in advanced industries.

Flagship projects such as the "K-Mistral" national AI champion and the AI-specialized pilot city *AI Home & City* are expected to drive Korea's position as the No. 1 AI hub in the Asia-Pacific region. These initiatives could offer significant momentum for companies seeking global expansion.

◉ **AI Infrastructure Development:** The administration will prioritize building national AI infrastructure, including the creation of AI data centers equipped with cutting-edge GPUs and the formation of an "AI Highway" and centralized AI data center clusters.

These centers will be designated as national strategic technology commercialization facilities and enjoy tax incentives. Additionally, specialized AI industrial zones will be fostered as key innovation hubs.

Businesses should closely examine the benefits of participating in these regional hubs. This cluster policy presents significant growth opportunities for data center operators, cloud service providers, and GPU hardware suppliers, especially in the context of increased government procurement for high-performance AI hardware.

- **AI Technology Development:** The administration plans to rapidly establish a domestic AI semiconductor ecosystem by supporting the development of next-generation semiconductor technologies such as low-power, high-performance NPUs and PIMs. Additionally, it has pledged to commercialize a next-generation AI-driven network (6G) by 2030, highlighting the strategic importance of networking infrastructure in the AI era. Semiconductor and equipment manufacturers should proactively engage in government R&D initiatives and ecosystem-building efforts to uncover new business opportunities.

- **AI Governance**: Significant restructuring of AI governance is underway. The administration is expected to enhance the role of the Presidential Committee on National AI and create a new *Senior Secretary for AI Policy* within the Office of the President. Additionally, swift enactment of subordinate regulations under the AI Basic Act is likely, accelerating the implementation of AI policy.

  While details of the government reorganization are not yet public, strong leadership from the President's office signals a centralized and proactive approach to AI governance. Companies investing in or planning AI-related projects should pay close attention to early developments and seek timely and specialized policy consulting.

- **Corporate Strategy**: Bold government investment and policy execution in AI are expected to drive rapid changes across the entire AI industry value chain. Businesses should reassess their AI-related business portfolios to identify new growth opportunities and consider organizational restructuring around AI. This could include strengthening the role of a CTO or appointing a Chief AI Officer (CAIO), as well as establishing dedicated AI departments.

Acquisitions of AI-focused startups or forming strategic alliances to bolster AI capabilities may also become viable options for companies seeking to remain competitive in an AI-driven economy.

13-4 Data/Privacy/Information Protection

[Key Points]

- As the AI ecosystem expands, the importance of systematic management of corporate data and the establishment of data asset strategies is expected to grow.
- Investment in information security is expected to increase, along with a growing emphasis on public-private cooperation in the field of cybersecurity.

Key Pledges:

▶ Establishing Legal and Institutional Frameworks for Easy and Secure Data Utilization

- Securing training data for artificial general intelligence (AGI) through the Second Digital New Deal
- Promoting the trade of AI training data
- Promoting regulatory reform to enable data utilization in sectors such as healthcare and finance

▶ A Country Safe From Cyber Threats

- Strengthening cybersecurity to protect critical national infrastructure and personal data
- Establishing a cross-government cyber security response system
- Enhancing competitiveness in cybersecurity technology and industry through public-private cooperation
- Strengthening responses to digital safety threats such as phishing and smishing

▶ Strengthened Personal Data Protection

- Redefining the role and enhancing the status of the Personal Information Protection Commission
- Establishing a personal data protection assessment and management system for the AI era

Implications

◉ **Data Utilization**: To build and vitalize the AI ecosystem, securing high-quality training data for AI—alongside R&D and infrastructure development—is essential. In this regard, the new administration is expected to promote policies to support the development and acquisition of AGI training data through the "Second Digital New Deal."

Furthermore, to advance the data economy in the AI era, the government will likely push for greater openness of public sector data and reinforce institutional frameworks such as data valuation, quality certification, and standardized contracts to facilitate the trading of AI training data. If AI training data trading becomes active, new business models such as data brokers and data curation services are expected to emerge. Existing AI companies may also gain more opportunities to participate in the development of high-performance AI during the data acquisition process. Meanwhile, regulatory reforms in sectors such as healthcare and finance are expected to accelerate digital transformation within those industries. Accordingly, companies need to systematically manage their data and establish data asset strategies based on proper valuation. Companies should also explore models for data sharing and collaboration with other companies to create mutual synergies.

◉ **Cyber Threats**: In response to the AI era, the new administration is expected to focus its national policy capabilities on cybersecurity to protect key national infrastructure and personal information. In particular, the protection framework is likely to shift from a network-based model to a data-centric model. As part of this transition, the administration plans to enhance the "Information Security Disclosure System," which requires companies to be more transparent in disclosing their cybersecurity investments and dedicated personnel. There is also a possibility that companies may be obligated to make an immediate nationwide announcement in the event of a serious personal data breach.

The administration is also likely to strengthen the cybersecurity sector by approaching it from an industrial perspective. This includes supporting the diversification of cybersecurity technologies, localizing core technologies, and establishing private sector–led security product standards and certification criteria to boost adaptability to technological changes.

Identifying core assets and potential threats will become essential for companies to prioritize their security investments. It will also be important to build a comprehensive impact assessment framework covering personal data and other critical information. In addition, companies should consider participating actively in public-private cybersecurity collaborations to enhance information sharing and joint response capabilities.

◉ **Personal Data Protection**: The new government is expected to redefine and strengthen the role and authority of the Personal Information Protection Commission. There will likely be policy and institutional efforts to reconcile the conflicting values of industrial promotion and personal data protection, allowing the Commission to fulfill its original mission effectively. Moreover, policies aimed at reinforcing compliance with personal data protection in line with the AI era—such as improvements to personal data evaluation and management systems—are also likely to be implemented. The business community should stay alert and respond proactively to these developments.

13-5 New Business Platforms

[Key Points]

- Regulatory policies for online platforms are expected to be implemented to enhance user protection and strengthen the social and economic responsibilities of platform companies.
- Platform companies will be increasingly expected to assume greater responsibility in areas such as protecting platform vendors, promoting fair partnerships, and ensuring consumer protection.

Key Pledges:

▶ Establishing an Industrial Ecosystem to Foster New Industries and Growth Engines

- Promoting proactive and voluntary business restructuring by companies to build a new industrial ecosystem
- Laying the foundation for nurturing next-generation industries through regulatory sandboxes
- Strengthening industry-academia-research collaboration to commercialize new technologies and products and create new markets

▶ Significantly Increase Venture and Startup R&D Budgets

- Incubating startups through venture equity investment models

▶ Fostering a Startup Ecosystem by Improving Regulations and Resolving Conflicts

- Strengthening the control tower function for regulatory innovation
- Promoting effective use of regulatory sandboxes

- Establishing a streamlined regulatory framework for emerging technologies
- Promoting conflict resolution and cooperation between startups and traditional industries

▶ Actively Fostering Unicorn Companies in Deep Tech and Other Innovative Fields

- Expanding investment in innovative venture companies using surplus funds from public institutions and funds
- Strengthening policy guarantees based on technological feasibility and business potential
- Establishing a tailored special listing system for innovative venture companies based on their technology

▶ Enacting the Online Platforms Act

- Introducing a fair market legislation to protect platform vendors and promote mutual cooperation
- Enacting legislation to prevent abuse of market dominance and monopolistic practices by domestic and global platform giants
- Revising systems to prevent consumer harm on online platforms

▶ Building a Transparent and Fair Online Platform Market

- Enhancing user protection standards for major platform companies
- Strengthening the social and economic responsibilities of large platform companies
- Enacting complementary legislation to prohibit forced in-app payments
- Strengthening measures to prevent consumer harm from dark patterns
- Granting collective registration and bargaining rights to platform vendors

▶ Building a Delivery Culture That Makes Everyone Happy

- Establishing a regulatory framework to ensure fair practices in the delivery market

- Improving working conditions for delivery workers and promoting a safe delivery culture

Implications

◉ **Establishment of a New Industry Ecosystem**: The new government is expected to enhance the effectiveness of the regulatory sandbox system by expanding its application to support the market entry of innovative companies and by establishing a framework to link achievements confirmed after special exemptions to further technological development and commercialization. In addition, it aims to eliminate regulatory uncertainty that hinders the emergence of new industries and to strengthen the role of a regulatory reform control tower.

Given that regulatory reform has consistently been a key policy initiative with each new administration, close monitoring of the policy implementation and proactive engagement is necessary. The early stage of a new government term is considered a "golden time" for regulatory reform, making it important to track developments and actively submit proposals for improvement.

Notably, resolving conflicts between startups and traditional industries is expected to be a key policy priority, which may also create room for previously rejected business models to be reconsidered.

◉ **Fostering Unicorn Companies**: The new administration plans to introduce life-cycle tailored support policies for innovative venture companies: attracting investment during the startup phase using surplus public funds, providing policy guarantees based on technological feasibility during the growth phase, and offering customized listing mechanisms for the IPO stage.

A significant portion of R&D funding is expected to be allocated to ventures and startups. For high-potential, technology-based startups, the government aims to provide comprehensive services such as equity investment, incubation, mentoring, and expert support.

However, the diversity and complexity of startup support policies—regarding eligibility, methods, and timing—require careful attention to avoid missing out on available support.

- **Online Platform Regulation**: The new government is expected to take policy measures to resolve ongoing issues related to platform regulation. A new "Online Platform Act" is likely to be introduced to strengthen protections for merchants and promote co-prosperity, prevent monopolistic abuses, and enhance self-regulation and competition within the platform market.

- **Increased Accountability for Platform Companies**: The new government is anticipated to actively pursue policies that raise user protection standards through mandatory monitoring of fake news, online reputation protection for disaster victims, and protocols for digital service outages (e.g., required actions, reporting, and notifications).

  Additionally, policies may be introduced to regulate global platform operators by enforcing domestic revenue reporting obligations, formalizing network usage contracts, and introducing complementary legislation related to in-app payments.

  Given the possibility of a new approach that distinguishes this administration from its predecessors, close and continuous monitoring is essential.

- **Establishing Fair Order in the Delivery Market**: The new administration is likely to promote fairness in the delivery market by prohibiting discriminatory intermediary commission rates and by potentially introducing commission caps. Furthermore, institutional changes may be introduced to improve the working conditions and social safety nets for delivery workers.

14 Taxation

[Key Points]

- The introduction of tax incentives aimed at promoting domestic production of strategic industries is expected to significantly boost companies' incentives to manufacture in Korea.
- It is also essential to monitor legislative trends concerning tax benefits for new growth sectors, SMEs, and regions at risk of population decline.

Key Pledges:

▶ Introducing Tax Incentives to Support Investment in Strategic Industries and National Advanced Strategic Industries

- Alongside the existing "Integrated Investment Tax Credit," a new "Tax Incentive to Promote Domestic Production of Strategic Industries" will support domestic production of cutting-edge products based on national strategic, emerging and original technologies
- Income tax and corporate tax exemptions will be granted for investments in domestic advanced strategic industries such as AI

▶ Expansion of Tax Incentives for New Growth Industries

- Expanding tax incentives for the cultural content sector, including performing arts, publishing, and video production
- Providing tax deductions for R&D investment expenses of defense exporters
- Expanding tax incentives for media R&D investments and OTT production investments
- Strengthening tax incentives for technology-driven startups led by young entrepreneurs
- Expanding tax credits for corporate investors contributing to private venture capital funds to foster the growth of the nation's venture ecosystem
- Expanding tax incentives for shippers that foster mutually beneficial relationships with

carriers, and for carriers that operate environmentally friendly vessels

▶ Fostering and Strengthening the Competitiveness of SMEs That Are Successful in the Global Environment

- Granting tax incentives to large and small businesses that participate in shared-prosperity smart factory initiatives
- Expanding tax incentives for investments in industrial accident prevention and workplace safety for small businesses
- Providing tax incentives through the SME Globalization Promotion Act and the SME Carbon Neutrality Support Act

▶ Promoting Regional Balance and Expand Renewable Energy Share

- Reviewing expanding corporate and income tax reductions in regions with declining populations
- Increasing tax credits for donations to hometowns
- Promoting tax incentives by including solar and wind power in national strategic technologies

▶ Supporting Small Business Owners and Easing Their Operating Burdens

- Expanding the credit card income tax deduction rate and limit for small business operators
- Providing on-going tax credits for “responsible lessors” who offer fair and stable lease terms

Implications

The new administration is expected to focus on protecting strategic industries through tax incentives, expanding investments in advanced strategic sectors such as AI to strengthen Korea's global technological competitiveness, and solidifying the country's status as a powerhouse in culture, defense, and media. At the same time, it aims to ease the tax burden on SMEs and small business owners impacted by global trade conflicts, while promoting balanced regional development and the adoption of renewable energy.

◉ **Tax Incentives for Strategic Industries**: The government plans to introduce a 'Tax Incentive for Promoting Domestic Production of Strategic Industries', which will reduce corporate income tax in proportion to the production and sales volume of high-tech products designated as nationally strategic, when such products are manufactured and sold domestically. For companies that have no taxable income due to substantial initial investments in facilities, partial cash refunds are expected to be introduced. Since this incentive can be applied alternatively with the existing integrated investment tax credit under Article 24 of the Restriction of Special Taxation Act, companies producing strategic technologies such as electric vehicles should carefully compare the benefits under each scheme and select the most advantageous one. Furthermore, companies considering overseas expansion should factor in these tax incentives when making business decisions.

◉ **Enhanced Tax Support for New Growth Sectors**: The new government is set to provide generous tax benefits to advanced strategic sectors such as AI, cultural content, and defense exports. Additional support is expected for institutional investors in the venture capital market and shipping companies that operate eco-friendly vessels. Businesses involved in sectors such as AI, music, performing arts, publishing, webtoons, and video content should thoroughly assess their eligibility for these benefits and may also consider proactively advocating for additional tax relief measures.

- **Boosting Globally Competitive SMEs**: To build an SME-driven economic structure, the government plans to enact a special law that supports the globalization and carbon neutrality of SMEs, including the introduction of new tax support provisions. Tax benefits are also expected for large corporations and SMEs collaborating in smart factory initiatives aimed at digital transformation, as well as for investments made to prevent industrial accidents. SMEs should remain attentive to legislative developments and ensure they meet the requirements for these potential tax incentives.

- **Other Tax Reforms**: The government is considering expanding corporate and income tax reductions for businesses in depopulated regions and implementing tax benefits for solar and wind energy projects. Tax relief measures to reduce the management burden on small business owners are also likely. Businesses planning to relocate to rural areas or involved in renewable energy sectors should closely track relevant legislative developments.

15 Crime, Justice

[Key Points]

- The introduction of a Korean discovery system is expected to strengthen the prevention and enforcement against corporate technology misappropriation.
- The enactment of attorney-client privilege legislation is expected to enhance the effectiveness of legal representation and advisory services.

Key Pledges:

▶ Promoting Judicial Reform

- Guaranteeing the right to a speedy trial
  - Expanding selection of judicial researchers and assigning them to first instance courts
  - Introducing an online trial system
- Improving the judicial evaluation system.
- Expanding public participation in trials by expanding the scope of trials with public participation and strengthening exclusion criteria.
- Increasing the number of Supreme Court justices and expanding public hearings by the full court.

▶ Strengthening Public Interest of the Legal Profession

- Institutionalizing the compensation system for court-appointed lawyers and expanding the scope of assistance provided by court-appointed lawyers
- Enacting attorney-client privilege laws
- Assigning attorney disciplinary authority to an independent committee

▶ Improving Laws and Regulations in Accordance with Public Expectations

- Pilot introduction of a system of fines proportional to assets and income
- Increasing the allocation of fines toward direct support for victims
- Strengthening powers of the Pardon Review Committee

▶ Completing Prosecutorial Reform

- Separating investigation and prosecution, and ensuring the professionalism of investigative agencies
- Establishing investigative procedure laws to protect the human rights of parties involved in investigations
- Substantially strengthening judicial oversight of prosecutors' abuse of prosecutorial discretion

▶ Creating an Anti-Corruption Public Service Culture that Meets Public Expectations

- Enforcing strict measures against corruption and misconduct by public officials, including those in positions of power
  - Strengthening penalties for spouses of high-ranking public officials who accept bribes
  - Raising fines under the Anti-Graft and Whistleblower Protection Acts
  - Codifying bans on improper solicitation by public officials toward private companies
- Strengthening conflict of interest policies to prevent public officials from exploiting their positions for personal gain.
  - Clarifying the regulations on recusal from duties in matters involving the president's private interests
  - Expanding the scope of corporations and organizations considered to have private interests related to public officials and their families—from the current criterion of “employment status” to include the “exercise of substantial influence,” such as through shareholding
  - Introducing immediate removal from duty and penalties on public officials who, while continuing to perform duties involving conflicts of interest, refuse to divest

conflicting assets or establish a blind trust—thereby strengthening sanctions for the willful evasion of conflict of interest obligations

- Simplifying whistleblowing procedures and strengthen protection for whistleblowers

▶ Strengthening the Public Role of Lawyers and Reforming the Judicial System to Better Uphold Human Rights

- Enacting legislation to recognize attorney-client privilege

▶ Ensuring the Political Neutrality and Democratic Control of the Police by Abolishing the Police Bureau and Establishing a Police Commission

- Abolishing the Police Bureau to ensure political neutrality
- Empowering the National Police Commission for democratic oversight of police

▶ Building a Society Where Women Feel Safe

- Strengthening public response systems to address intimate partner violence against women
- Enhancing prevention and response to digital sex crimes

▶ Ensuring Public Safety from Crimes

- Imposing tighter oversight on violent offenders with a history of repeat offenses and irrational motives
- Strengthening youth crime response systems
- Eliminating alcohol-related crimes
- Enforcing strict penalties for high-tech cybercrime
- Enacting the Special Crime Prevention Act

▶ Strengthening and Supporting Police Operations

- Establishing a prevention statistics system for “random crimes (crimes with abnormal motives)” that enables the compilation of statistics and AI analysis of violent crimes
- Expanding distribution of protective gear such as stab-proof vests and batons to enable the police to respond actively to violent crimes
- Increasing overtime budgets to reinforce police patrol operations

▶ Strengthening Financial Consumer Protection by Cracking Down on Crimes that HRM Livelihoods and Financial Crimes

- Imposing significantly tougher penalties for destructive financial crimes
- Mandating the confiscation of profits from criminal activities such as voice phishing and Ponzi schemes
- Doubling the rewards for reporting illegal loan businesses (currently capped at 20 million KRW)
- Strengthening the regulation of unregistered and deceptive financial practices, such as illegal trading chat rooms
- Enhancing the effectiveness of the guidelines for suspending accounts suspected of fraud

▶ Preventing Evasion of Responsibility in Repeated Financial Accidents

- Holding responsible parties strictly accountable for financial scandals
- Imposing punitive fines for violations of financial security obligations that result in a financial security incident
- Introducing a clawback system that requires executives of financial institutions to return compensation for a defined period in cases where serious errors are identified in financial statements
- Eradicating banks’ short-term, performance-centered management practices

▶ Enacting Laws to Guarantee Public Safety and Effectively Respond to Social Disasters

- Enacting legislation for the management and response to social disasters in light of increasing frequency and impact
  - Assigning preemptive management responsibilities and response obligations to the heads of relevant agencies according to the type of disaster and establishing cooperative systems among government ministries
  - Immediately establishing an accident investigation committee in the event of a social disaster to investigate and analyze the incident and devise measures to prevent recurrence

▶ Zero Tolerance for Technology Theft

- Establishing legislation and enforcing policies based on the fundamental principle that "a company that steals technology will fail"
- Introducing a Korean discovery system to collect evidence of patent infringement

▶ Establishing Fair Market Orders By Eradicating Asset-Stripping and Price Manipulation

- Introducing a one-strike-out system for unfair capital market practices, such as stock price manipulation
- Mandating that listed companies claim the return of profits from short-term trades by executives, employees, and major shareholders
- Gradually expanding the mandatory disclosure of significant criminal records (e.g., fraud, embezzlement, or breach of trust) of executives of listed companies
- Strengthening sanctions on financial company employees who use undisclosed job-related information
- Considering the enhancement of eligibility criteria and screening procedures for limited partners (LPs) in private equity fund (PEF) investment associations
- Introducing a Korean Fair Fund (Fair Compensation Fund) to strengthen investor protection and compensation

▶ A Society Free from Jeonse (Rental Deposit System) Fraud with Restored Housing Ladder for Low-Income Citizens by Offering Affordable Monthly and Deposit-Based Rentals

- Recognizing *jeonse* fraud as a social disaster and expand the scope of victim support under the Special Act on *Jeonse* Fraud
- Revising relevant laws to prevent *jeonse* fraud and strengthen punishments for perpetrators

Implications

◉ **Judicial Reform**: The new administration is expected to advance specific judicial reforms, including expanding the recruitment of judicial researchers, introducing online trial systems to ensure the right to a speedy trial, increasing the number of Supreme Court justices, and restoring public trust in the appeals process by opening oral arguments in *en* banc sessions.

Expanding the recruitment of judicial researchers and implementing an online trial system could significantly accelerate dispute resolution, thereby reducing litigation costs and improving access to the judicial process. These reforms are also expected to positively influence the transparency and efficiency of court proceedings. However, increased attention must be paid to the potential risk of personal and corporate confidential information being leaked. As the importance of prompt and effective legal responses grows, the demand for legal professionals is also likely to rise.

Expanding the number of Supreme Court justices is closely tied to potential changes in the Court's review structure, and is therefore expected to spark considerable debate during the legislative process. Amid ongoing concerns over insufficient deliberation and delays in rulings due to the overwhelming volume of appeal cases, increasing the number of judges could help reduce the caseload for judges, thereby enabling more prompt and thorough appellate review. However, it is unlikely that this measure alone will resolve the current issues. As such, a more fundamental reform of the appellate system is also expected to be considered alongside the proposed increase in justices.

◉ **Strong Response to Crimes Undermining the Livelihoods**: Crimes that harm the livelihoods and target socially vulnerable individuals—such as voice phishing, rental deposit fraud, and pyramid schemes—are likely to be met with stronger enforcement measures. These may include the establishment of an interagency investigative body to enhance the punishment of offenders, as well as policies aimed at significantly expanding the recovery of illicit gains obtained through such crimes.

◉ **Zero Tolerance for Technology Theft and Financial Crimes**: To support the growth of cutting-edge industries such as artificial intelligence, a zero-tolerance approach is anticipated for crimes involving technology theft. This will likely entail the creation of a close coordination framework between investigative and intelligence agencies to combat the leakage of sensitive technologies abroad. Additionally, in order to maintain a sound stock market—a cornerstone of capitalism—policies may aim to reinforce collaboration among relevant authorities (including the Financial Supervisory Service, Financial Services Commission, police, and prosecution) to more effectively address financial market crimes, particularly stock manipulation and insider trading.

◉ **Prevention of Random and Heinous Crimes Against Women and Children**: To prevent violent and random attacks targeting women and children, a range of policies are expected to be introduced, including the strengthening of police presence, tighter monitoring of individuals with similar criminal histories, and enhanced support systems for victims.

◉ **Reform of Investigative Procedures and Structure**: As part of a broader prosecutorial reform initiative based on the separation of investigation and prosecution functions, there is a possibility that the Prosecution Service will be restructured into two separate entities—an Office of Prosecution and an Office of Investigation. Additionally, to strengthen democratic oversight of the police, policies may be pursued to abolish the Police Bureau and enhance the role of the Police Commission by expanding citizen participation.

◉ **Establishment of Attorney-Client Privilege**: The enactment of attorney-client privilege is anticipated. Once implemented, communications between attorneys and clients, along with documents and materials prepared by attorneys on the client's behalf, will be protected from disclosure. This legal safeguard will enable more effective and confidential legal representation and advisory services. In particular, in countries such as the United States and members of the EU, attorney–client privilege is strictly protected. Many multinational companies operate their compliance programs on the assumption of such protections. If attorney–client privilege were to be explicitly codified in Korea, it could enhance the confidence of foreign companies in the domestic legal environment and open the door to institutional frameworks that align more closely with global corporate standards.

◉ **Strengthening the Public Role of Attorneys**: The new administration is also expected to pursue reforms that reinforce the public service function of lawyers. Key initiatives include institutionalizing compensation systems for public defenders, expanding the scope of legal aid, legislating attorney-client privilege, and transferring attorney disciplinary authority to an independent committee. These efforts will enhance legal protection for vulnerable populations and raise ethical standards in legal practice. For businesses, these changes are likely to encourage serve as a catalyst for strengthening legal capabilities and promoting alignment with social responsibility (ESG) initiatives.

16 Environment/Carbon Neutrality

[Key Points]

- The establishment of the Ministry of Climate and Energy is expected to accelerate the transition toward clean energy.
- The anticipated expansion of paid emission permit allocations and the introduction of energy-related taxation are expected to further underscore the importance of corporate efforts toward carbon neutrality.

Key Pledges:

▶ Strategic Response to the Rapidly Changing Trade Environment

- Strengthening capabilities to respond to global environmental trade trends spurred by the climate crisis
  - Enhancing the export competitiveness of Korean companies and creating future jobs by proactively responding to environmental trade barriers, such as the Carbon Border Adjustment Mechanism (CBAM), RE100, and ESG management
  - Strengthening the ability of high-carbon industries, such as steel, as well as small- and medium-sized enterprises (SMEs), to respond to global carbon regulations

▶ Introducing State-of-the-Art Firefighting Equipment and Expanding Fire Safety Gear

- Developing and distributing cutting-edge equipment, such as life-saving robots and firefighting drones
- Expanding the availability of fire suppression equipment for electric vehicle fires, including portable water tanks and asphyxiation fire blankets

▶ Building a Society Safe from Hazardous Chemicals

- Establishing a support system for the early detection, rapid response, and long-term treatment of chemical disasters in daily life, such as the humidifier disinfectant tragedy
- Promoting the swift elimination of highly toxic substances, such as carcinogens, reproductive toxicants, and endocrine-disrupting chemicals
- Supervising and managing emissions containing toxic substances around industrial complexes
- Strengthening control over the illegal distribution of chemical substances
  – Reinforcing management of facilities emitting volatile organic compounds (VOCs)
  – Tightening distribution controls on chemicals that are harmful to human health

▶ Improving the Environmental Impact Assessment (EIA) System Through Transformative Changes

- Promoting the introduction of an EIA escrow system
- Adjusting the calculation of EIA agency service fees and prohibiting unfair payments
- Improving the accessibility, reliability, and objectivity of EIAs by introducing new technologies

▶ Implementing Effective Carbon Neutrality Policies and Transitioning to Carbon-Neutral Industries

- Promoting institutional reforms to strengthen carbon reduction
- Enacting the "Special Act on Fostering the Climate Tech Industry"
- Establishing the Ministry of Climate and Energy to actively respond to carbon neutrality and the energy transition
- Pursuing continuous structural transformation of the industry to achieve carbon neutrality by 2050
- Enacting a Carbon-Neutral Industry Act to strengthen global industrial competitiveness and address the climate crisis
- Strengthening carbon-neutral capabilities by discovering new carbon-neutral industries and technologies
- Promoting low-carbon processes and technological innovation continuously in high-emission sectors

▶ Achieving RE100 Through an Eco-Friendly Renewable Energy Transition

- Expanding the supply of renewable energy to achieve RE100
- Improving systems to create a virtuous cycle ecosystem for renewable energy
- Establishing RE100-exclusive industrial complexes to strengthen the capacity of Korean companies to meet RE100 standard
- Enacting the "Coal-Fired Power Plant Phase-Out Support Act" to ensure a just transition

▶ Plastic-Free Policy and Carbon Storage Project

- Introducing a deposit system for transparent PET bottles to increase plastic recycling, reduce PET bottle production, and promote carbon neutrality
- Developing measures to end the use of the metropolitan landfill by advancing a circular economy
- Requiring businesses that use plastic raw materials above a certain threshold to use recycled plastic

▶ Clear Skies Without Fine Dust

- Strengthening the management of workplaces with integrated permits to achieve a PM2.5 level of 13 μg/m^3 by 2029
- Strengthening control measures for major sources of ultrafine dust, such as nitrogen oxides (NOx), volatile organic compounds (VOCs), and ammonia (NH_3)
- Phasing out and converting coal power plants by 2040
- Promoting eco-friendly and innovative policies to transition the transportation and logistics sectors

▶ Promoting the Rewilding of the Four Major Rivers and Improve Water Quality

- Blocking pollutants by applying drinking water treatment methods (e.g., ozone and activated carbon) to industrial wastewater inflow (e.g., the Nakdong River), trace toxic chemicals and livestock wastewater

- Expanding water quality measurement centers to cover all four major rivers

▶ Implementing International-Level Policies for Ecosystem and Biodiversity Conservation

- Seeking international (IPCC) certification of wetlands as carbon sinks

Implications

◉ **Continued Commitment to Carbon Neutrality:** Governments worldwide are actively working to meet their 2030 Nationally Determined Contributions (NDCs), implementing a broad range of greenhouse gas reduction policies in line with global climate goals. In this context, the business community should not expect major reversals or delays in policy but instead prepare for the steady continuation of carbon neutrality mandates.

◉ **Energy Policy Realignment through the Establishment of the Ministry of Climate and Energy**: With the launch of the Ministry of Climate and Energy, the new administration is expected to realign its energy policy toward long-term sustainability. Companies should pay close attention to changes in the national energy mix, shifting cost structures, and associated policy adjustments that may impact operations, investment, and supply chain strategies.

◉ **Tightening of Fire Safety Regulations**: To improve fire prevention and safety, the government plans to streamline certification systems such as KFI (Korea Fire Institute product certification) and KFAC (Korea Fire Agency equipment certification). As stricter standards are adopted, compliance will become increasingly vital, particularly for businesses operating aging infrastructure. Fire safety equipment manufacturers and users should track regulatory updates closely, as these changes may also present new market opportunities.

◉ **Enhanced Oversight of Chemical Substance Management:**In response to continued industrial accidents involving hazardous chemicals, the new administration intends to tighten the regulatory framework for chemical management. Businesses must reassess their compliance with the Chemicals Control Act and the Act on the Registration and Evaluation of Chemical Substances. Proactive risk mitigation strategies—including internal reviews and safety audits—will be essential.

◉ **Implementation of Escrow-Based Environmental Impact Assessments**: To improve objectivity and transparency in environmental reviews, the new government plans to introduce an escrow-based environmental impact assessment system. Under this model, developers will deposit funds, and independent third-party institutions will conduct the assessments. Although this approach may increase costs and timelines compared to the current system, the government is expected to explore measures to limit administrative burdens, establish cost ceilings, and enhance predictability in the review process.

◉ **Strengthened Anti-Plastic Policies**: In line with global movements toward stricter plastic reduction mandates, the new government is also expected to promote relevant policies. This could lead to greater opportunities in plastic reuse and recycling businesses.

◉ **Stricter Regulation of Fine Dust Emissions**: The new government is also expected to strengthen fine dust reduction policies targeting facilities subject to integrated environmental permitting under the Act on the Integrated Control of Polluting Facilities. Violations of permit conditions may result in operational suspensions lasting from ten days to several months. Companies must therefore establish or enhance internal compliance monitoring systems to ensure ongoing adherence to air quality standards and environmental regulations.

17 ESG

[Key Points]

- As mandatory sustainability disclosure requirements are set to be expanded in phases—starting with listed companies with assets of KRW 2 trillion or more—companies must develop the necessary capabilities and internal control systems to facilitate ESG performance reporting.
- Amid efforts to improve the reliability of ESG information—through strengthened stewardship codes, enhanced disclosure infrastructure, and measures to prevent ESG-washing—both companies and investors will need to reinforce ESG performance disclosure and related investment activities.

Key Pledges:

▶ Promoting the Expansion of ESG Management

- Increasing investment in carbon reduction and renewable energy using national funds
  - Increasing the supply of capital for renewable energy and climate technology facilities, such as solar and offshore wind
  - Strengthening transition finance to support the green transformation of SMEs
- Enhancing the effectiveness of stewardship codes for public pension funds and institutional investors
  - Expanding the scope and targets of the stewardship code to encourage responsible investment
  - Requiring entrusted institutions to disclose the results of their stewardship code implementation
- Improving the infrastructure for ESG disclosure, measurement, and evaluation
  - Establishing an objective ESG evaluation system reflecting the Korean context and features of relevant industries
  - Strengthening regulations against greenwashing in ESG practices
- Rapid promotion of mandatory sustainability report disclosure by listed companies

- Gradually introducing "Say on Climate" to strengthen corporate climate disclosures
  – Including climate action plans, reduction targets, and progress as agenda items subject to shareholder vote at general meetings

▶ Supporting Leading ESG Management in Public Institutions

- Strengthening the evaluation of ESG management in public institutions to reinforce the public nature of their operations
  – Securing and enhancing the expertise and independence of evaluators during public institution management assessments
  – Introducing a rational ESG evaluation system tailored to the characteristics of each public institution to facilitate customized management improvements
  – Establishing minimum passing standards for ESG items that are applicable to all public institutions
- Promoting investment in ESG-leading companies through policy-based financial institutions to support sustainable development
  – Reflecting ESG performance when financial institutions provide investments, loans, and guarantees, thereby increasing financial support for high-performing companies
- Enacting the "Act on Supporting Corporate ESG Adoption and Expansion" (TBD).
  – Encouraging companies to develop ESG evaluation and disclosure systems, and provide consulting support
  – Providing fiscal and administrative support and preferential treatment to companies with excellent ESG evaluations

▶ Preparing for the Era of $1 Trillion Exports by Strategically Responding to a Rapidly Changing Trade Environment and Innovative Trade Structures

- Strengthening global trade response capabilities in light of the climate crisis
  – Preemptively responding to environmental trade barriers, such as the Carbon Border Adjustment Mechanism (CBAM), RE100, and Environmental, Social, and Governance (ESG) management, to enhance the export competitiveness of Korean companies

and create future jobs
– Strengthening the carbon regulation response capabilities of high-emission industries, such as steel, as well as those of small- and medium-sized enterprises (“SMEs”)

▶ Promoting an Economic Structure Centered on Environmentally Resilient SMEs

- Establishing an institutional foundation to promote ESG management innovation among SMEs
  - Expanding customized ESG support across all SME sectors
  - Building a stage-by-stage support system from "preparation → diagnosis → implementation" to improve ESG responsiveness
- Enacting the SME Carbon Neutrality Support Act
  - Establishing carbon neutrality implementation plans, greenhouse gas reduction targets, infrastructure, energy transition, and eco-friendly equipment replacement
  - Introducing support projects for carbon reduction, sector-specific joint R&D, and tax benefits

Implications

◉ **Early Adoption of Mandatory ESG Disclosure for Listed Companies:** The new administration is expected to rapidly implement a phased expansion of mandatory sustainability disclosure, beginning with listed companies with assets of KRW 2 trillion or more. In parallel, the Korea Accounting Standards Board is preparing Korea-specific sustainability disclosure standards, and discussions around the scope and implementation of mandatory reporting are likely to accelerate following the administration’s inauguration. Businesses should proactively prepare by gaining a clear understanding of the applicable ESG disclosure requirements and by building the necessary internal capabilities, governance structures, and control systems to support effective ESG performance reporting.

◉ **Improving the Reliability of ESG Information Across the Investment Chain**: The importance of ESG and sustainability-related information is expected to grow significantly in capital markets. Policy efforts such as strengthening stewardship codes, enhancing the infrastructure for ESG measurement, evaluation, and disclosure, and cracking down on ESG-washing are aimed at ensuring the reliability of ESG data. These developments will support the transparent production and distribution of trustworthy ESG information, ultimately enhancing the resilience and sustainability of the entire investment chain. Investors are expected to expand ESG-oriented investment strategies, while companies must strengthen their ability to disclose ESG performance credibly and consistently.

◉ **Strengthening the Link Between SME Competitiveness and ESG Management**: For Korean SMEs to remain competitive in the global market, advanced ESG practices are becoming indispensable. The new administration is expected to provide tailored and stepwise support to improve ESG responsiveness among SMEs, with a particular emphasis on carbon management. SMEs should take proactive steps to implement foundational ESG practices—such as appointing responsible personnel, preparing for disclosures, and developing data management systems—so they can fully benefit from available government resources including self-assessment tools, customized consulting services, and funding or R&D support.

◉ **Enhanced ESG Evaluation Standards for Public Institutions**: The administration is also expected to introduce ESG evaluation frameworks specifically tailored to the nature of public institutions, while also applying common ESG assessment criteria across agencies. Accordingly, public institutions will need to integrate ESG principles into their business models and develop internal policies and reporting systems to support ESG disclosure, monitoring, and evaluation.

18 International Trade

[Key Points]

- Amid growing uncertainty surrounding tariff negotiations with the U.S., the government is expected to reassess the broader trade environment before finalizing the negotiations.
- Along with efforts to stabilize supply chains and expand policies that regulate unfair trade practices, discussions about joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) may be reignited as a means of establishing a third trading bloc.

Key Pledges:

▶ Promoting Economic Diplomacy that Actively Responds to Changes in the International Trade Environment

- Establishing multilateral trade agreements to combat protectionism and economic nationalism
- Building stable supply chains through enhanced solidarity with major countries using bilateral and multilateral economic security dialogues and IPEF supply chain agreements
- Institutionalizing regular public-private joint economic security inspection meetings (TBD) to create a permanent joint response system

▶ Pragmatic Diplomacy Centered on National Interest and Expansion of Diplomatic Domains

- (United States) Strengthening comprehensive cooperation based on mutually beneficial relations and proactively resolving pending issues such as tariffs and defense cost-sharing under a Trump administration

- (Japan) Pursuing the future-oriented development of Korea-Japan relations and strengthening Korea-U.S.-Japan cooperation
- (China) Continuing to deepen the strategic cooperative partnership between Korea and China and institutionalizing the Korea-China-Japan cooperation system
- (Russia) Ensuring the stable management of Korea-Russia relations to protect the rights and interests of Korean citizens and businesses
- (EU/Europe) Seeking cooperation to establish an open global trade system and expand practical cooperation in areas such as climate, advanced technology, infrastructure, human rights, and cybersecurity
- (Global South) Building upon and further developing the New Southern and New Northern Policies, deepening the Special Strategic Partnership with India, and strengthening regional cooperation with ASEAN, Central Asia, the Middle East, and Oceania

▶ Preparing for the Era of $1 Trillion in Exports through Strategic Responses and Innovative Trade Structures

- Diversifying export markets and products, shifting the trade structure toward a technology- and value-added focus to reduce dependence on specific countries and secure mid- to long-term export competitiveness
- Strengthening the response to global carbon regulations, such as the Carbon Border Adjustment Mechanism (CBAM)
- Promoting the globalization of domestic small-but-strong and midsized companies with global capabilities
- Expanding multilateral and bilateral free trade agreements (FTAs) while protecting domestic industries and providing all-out support to minimize damages to Korean investors in the U.S.
- Stabilizing and diversifying supply chains for key materials and minerals by strengthening bilateral and multilateral cooperation

▶ Introducing Tax Incentives to Promote and Support Domestic Production of Strategic Industries

- Providing corporate tax deductions proportional to the production and sales volume of advanced, nationally strategic products produced and sold domestically, and considering partial cash refunds under certain conditions

Implications

◉ **Tariff Negotiations with the U.S.:** One of the new administration's immediate priorities is managing the ongoing tariff negotiations with the United States, particularly in relation to reciprocal and product-specific tariffs such as those imposed under Section 232 on automobiles, steel, and aluminum during the Trump administration. However, a number of recent developments—including a 90-day tariff suspension agreed upon between the U.S. and China, a U.S. court ruling (currently under appeal) that found reciprocal tariffs unlawful, and the limited progress in bilateral deals (with the UK being the only country to reach an agreement as of May 8)—have significantly increased uncertainty surrounding the negotiation environment. Notably, President Lee Jae-myung expressed during the campaign that there is no need to rush these negotiations. Accordingly, the new administration is expected to take a cautious and strategic approach, reevaluating the existing negotiation framework, the evolving international trade landscape, and the actions of other countries before deciding how to proceed.

◉ **Trade Agreements:** The new administration's policy platform emphasizes strengthening multilateral trade frameworks and continuing to expand free trade agreements (FTAs) in response to rising protectionism and economic nationalism. Given the weakening authority of the WTO and Korea's existing FTAs with major partners such as the U.S., EU, ASEAN, and India, discussions on joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are likely to be reignited. While Korea already has FTAs with all CPTPP members except Japan and Mexico, joining the agreement would likely require the adoption of high-standard trade rules and further market liberalization. Nevertheless, in the context of heightened U.S.–China trade and technology tensions and the potential for a more aggressive U.S. tariff regime under a second Trump administration, CPTPP could serve as a stable, rules-based "third zone" for Korea—supporting the development of reliable supply chains and a predictable trade environment. The fact that the EU is reportedly conducting internal reviews on CPTPP accession further underscores the importance of monitoring ongoing developments.

◉ **China–Japan–Korea FTA:** Although there are preliminary signs that the long-stalled trilateral FTA negotiations would resume (last held in 2019 after beginning in 2012), complex industrial competition among the three countries may continue to impede high-level market liberalization. Accordingly, the new administration is expected to focus on restarting talks and maintaining momentum rather than pushing for immediate or comprehensive outcomes.

◉ **Supply Chain Resilience:** Strengthening supply chain resilience is becoming a pillar of economic security. The new administration is expected to continue policies aimed at minimizing risks from supply chain disruptions. These will include building on the previous administration's New Southern and New Northern Policies, deepening regional cooperation with the Global South, strengthening alliances through frameworks such as the Mineral Security Partnership (MSP) and the Indo-Pacific Economic Framework (IPEF), and pursuing both stabilization and diversification of critical materials supply chains. Further initiatives include upgrading the national early warning system for supply chain risks and institutionalizing regular public-private joint economic security meetings, which will include Korea's four major business associations. Businesses are encouraged to actively engage in these forums to help shape practical and forward-looking policies.

◉ **Stronger Trade Enforcement:** As anti-dumping, countervailing duties, and other trade barriers proliferate globally, there is growing concern over the misuse of Korea as a transshipment hub by third-country exporters. In many cases, products undergo only minimal processing in Korea before being re-exported—typically to the U.S.—with a misleading Korean origin. Such practices can damage the reputation of legitimate Korean exports and may trigger retaliatory tariffs or additional trade restrictions. The new administration is expected to strengthen enforcement against unfair trade practices. Businesses should remain vigilant in identifying and preventing conduct that may trigger regulatory action.

◉ **Tax Incentives for Domestic Production of Strategic Industries**: The new administration plans to introduce a new tax credit scheme that reduces corporate taxes in proportion to the production and sales of advanced products classified as national strategic technologies, provided they are manufactured and sold domestically. This mirrors initiatives such as the U.S. Inflation Reduction Act and is intended to prevent the offshoring of core industries. Given that the overall impact of this initiative will depend heavily on the criteria for selecting eligible products, the scale of tax benefits, and the mechanism of implementation, companies should closely monitor legislative developments.

19 Consumer Goods & Retail

[Key Points]

- Strengthening of anti-plastic policies is expected to generate new opportunities in industries such as eco-friendly packaging and recycled plastics.
- The introduction of group registration and collective bargaining rights for franchisees and online platform sellers is expected to enhance the negotiating power of economically disadvantaged parties.

Key Pledges:

▶ Enacting the Online Platform Act

- Establishing market regulations that reflect the unique nature of online platforms
  - Enacting the Market Fairness Act to protect platform-based merchants and strengthen mutual cooperation
  - Enacting laws to prevent the abuse of monopolistic positions and the harm caused by dominant domestic and foreign platforms to enhance self-regulation and promote fair competition to drive innovation across industries
  - Improving systems to prevent consumer harm and support rational consumer decision-making

▶ Becoming a Global Leader in the Market for Transparent and Fair Online Platforms

- Enhancing user protection by large platform companies
  - Introducing monitoring and reporting systems for fake news (i.e., false or manipulated information)
  - Mandating reporting to authorities, notification of causes, and countermeasures in case of digital service outages
  - Safeguarding the online reputations of individuals affected by national disasters and

societal crises.
- Strengthening inspection and enforcement related to personal data collection and usage

- Reinforcing the social and economic responsibility of large platform companies
  - Improving the mandatory reporting of domestic revenue for platforms that exceed a certain threshold and institutionalize fair network usage agreements
- Strengthening the law banning forced in-app payments to improve global fairness of app markets
  - Prohibiting discriminatory conditions for external payments and require reasonable commission rates

▶ Strengthening Bargaining Power for Franchisees, Dealers, Trustees, and Platform-Based Merchants

- Preventing the transfer of costs to economically vulnerable groups through coercive sales practices or discriminatory pricing
  - Introducing a group registration system and collective bargaining rights for franchisees, dealers, trustees, and platform-based merchants to ensure fair contracting
  - Granting negotiation rights to SMEs in weaker positions so they can participate in discussions on trading terms

▶ Creating a Delivery Culture Where Everyone Can Thrive

- Establishing a regulatory framework to ensure fairness in the delivery market
  - Enacting the Online Platform Fairness Act to prohibit discriminatory commission rates and introduce commission caps
  - Reorganizing the fragmented platform self-regulation systems managed by the KCC and the FTC
- Improving working conditions for delivery workers and promoting a culture of safe delivery
  - Strengthening social safety nets, such as mandatory commercial delivery insurance and safety education for delivery workers

- Introducing plastic reduction measures
  – Promoting the use of eco-friendly packaging materials and introducing systems for reusable containers

▶ Promoting Plastic-Free Policies and Carbon Storage Projects for Future Generations

- Activating plastic recycling and contributing to carbon neutrality by introducing a deposit system for transparent PET bottles and reducing their production
- Requiring businesses that use plastic raw materials above a certain threshold to use recycled plastics

Implications

◉ **Strengthened Regulation and Accountability for Major Platforms**: The new administration is poised to impose stronger regulations on dominant digital platforms, banning discriminatory commission rates among business users, and enabling online platform users to form groups and negotiate transaction terms are likely to be implemented.

◉ **Expansion of Anti-Plastic Policies**: Aligning with international efforts to reduce plastic waste—such as the EU's directive requiring plastic packaging to contain at least 30% recycled material by 2030—the Korean government is expected to accelerate its own policy initiatives. These changes are anticipated to open new growth avenues for businesses engaged in sustainable packaging, recycled plastics, and circular economy technologies.

20 Intellectual Property Rights

[Key Points]

- The domestic copyright protection system is expected to be enhanced through faster blocking of illegally distributed content hosted on overseas servers and strengthened international cooperation in enforcement and investigations.
- A new evidence collection system is expected to be introduced to facilitate proof of technology theft and assessment of damages, making it necessary for companies to establish corresponding internal structures and protocols.

Key Pledges:

▶ **Providing Support across the Start-Up, Growth, and Investment Stages of Unicorn Companies in Innovative Fields Such as Deep Tech and Fintech**

▶ **Expanding Tax Incentives for the Content Industry, Provide Refundable Incentives for Reinvestment in Content Creation, Strengthening Copyright Protection for New Creative Environments, and Rapidly Blocking Illegal Distribution While Enhancing International Cooperation on Investigations**

▶ **Introducing A Korean Discovery System to Counter Technology Theft That Collects Evidence of Patent Infringement**

Implications

- **Support for Innovation in Deep Tech and Fintech**: To support unicorn companies in innovative sectors such as deep tech and fintech, the government is expected to promote increased investment by utilizing surplus funds from public institutions and government-managed funds. In addition, new funding mechanisms, such as regional growth funds, are likely to be established to provide support through various channels.

  For entrepreneurs seeking to launch businesses in innovative fields, it may be beneficial to analyze the scope of eligible support and the criteria for receiving such benefits. Structuring the business from the early stages—such as incorporation and business domain definition—in a way that aligns with these criteria may help ensure access to available support programs.

- **Promotion of Hallyu (K-Wave) Content Industry**: Tax incentives and production support are expected across a wide range of content sectors such as music, webtoons, and publishing. Entrepreneurs in the content business should consider analyzing which types of content are eligible for support and what the conditions are, so that they can structure their business entity and operations in a manner that qualifies for such benefits from the outset.

- **Rapid Response to the Distribution of Illegal Content:** The government is expected to reinforce institutional safeguards to protect domestic copyrights by enabling faster access-blocking mechanisms and strengthening international investigative cooperation—particularly in cases involving illegal content distribution via overseas servers. Although formal cross-border enforcement channels already exist, their effectiveness remains limited in many instances. Therefore, content producers and distributors should closely monitor how these frameworks evolve and be ready to actively utilize them when enforcement becomes practical and effective.

◉ **Introduction of a Korean-Style Discovery System**: The planned Korean-style discovery mechanism involves court-appointed experts conducting on-site investigations to collect evidence necessary to prove acts of technology misappropriation and to calculate damages. This system is designed to address current limitations in the evidentiary process—particularly where document submission orders or motions to preserve evidence are insufficient to identify infringing acts or secure evidence that is predominantly in the opposing party's possession. However, the introduction of such a mechanism, especially in patent litigation, raises concerns about potential overreach. For example, under the pretext of evidence collection, companies may face forced inspections of offices or IT systems, increasing the risk of unrelated trade secrets or sensitive information being exposed or misused. In light of these concerns, businesses should closely analyze the legal and operational risks associated with the system's institutionalization. They should also advocate for the adoption of safeguards that mitigate such risks. Internally, it would be prudent for businesses to prepare response protocols and manuals in advance to ensure readiness once the system is enacted.

21 Compliance

[Key Points]

- Although no major compliance issues surfaced during the presidential campaign between the candidates, the significance of corporate compliance is expected to grow substantially, depending on the policy direction of the new administration.

Key Pledges:

▶ Need to Monitor Future Developments

Implications

◉ **Need for Enhancing Compliance Programs and Training:** Although there were no notable new compliance-related pledges during the presidential campaign, this does not diminish the need for proactive detection of legal risks and the importance of compliance management. On the contrary, as new regulations and key policies are introduced and implemented under the new administration, the importance of compliance is expected to grow. It will be increasingly critical to accurately understand and disseminate newly adopted policies across the organization through appropriate training programs.

Several areas in particular warrant close attention: (i) in areas such as AI, platforms, big data, and virtual assets—where there is a continued need for the development of new regulations and policies—there is a possibility that guidance similar to the U.S. Department of Justice’s revised *Evaluation of Corporate Compliance Programs* (as amended in September 2024) may be introduced, particularly in relation to AI compliance; (ii) in areas with broad societal impact—such as fair trade, mutual cooperation, information security, labor, serious industrial accidents, and the environment—it is becoming increasingly important to update internal control systems to reflect the content of new policies. Additionally, with the amended Fair Trade Act taking effect in June 2024, and the introduction of autonomous compliance programs, new incentive schemes may be implemented for companies that establish effective compliance systems. Therefore, it is essential to closely monitor developments in this area.

Ultimately, following the launch of the new administration, companies should remain vigilant to emerging regulatory and policy trends and continue efforts to enhance and advance their existing compliance programs.

22 Defense/Security

[Key Points]

- As government-wide support for the defense industry is expected to create new opportunities across related sectors, it will become increasingly important to engage in proactive preparation.
- As investment in national defense R&D is projected to expand, it will be necessary to prepare in advance for potential issues such as participation restrictions and legal disputes over intellectual property rights.

Key Pledges:

▶ Reform Toward a Military that Serves the People

- Gradually increasing civilian oversight of the Ministry of National Defense and the Defense Acquisition Program Administration
- Integrating military educational institutions

▶ Establishing a Robust Military System through Strong Defense Reform

- Increasing investment in AI defense technology to enhance operational efficiency
- Reorganizing the Marine Corps into a semi-independent fourth armed force
- Easing building height restrictions in military protection zones and areas surrounding military airports

▶ Strengthening Practical Cooperation with the EU and Europe

- Expanding substantial cooperation on issues such as cybersecurity and the defense industry

▶ Strengthening and Developing the Alliance with the U.S. through Practical, National-Interest-Based Diplomacy

- Enhancing comprehensive cooperation based on mutually beneficial relations in areas such as defense and advanced science and technology
- Continuing to strengthen practical cooperation through information sharing, personnel exchanges, and joint research and development (R&D) in military and advanced technology fields

▶ Enhancing Performance of Korean-Style Ballistic Missiles and Missile Defense System

▶ Promoting the mid-to-long-term establishment of a Space Operations Command, Building a Military Satellite System Capable of 24-Hour Surveillance Over the Korean Peninsula, and Advancing the Transfer of Wartime Operational Control (OPCON)

▶ Supporting K-Defense to Become One of the Global Top Four (G4) Defense Exporters

- Transfering the role of defense industry coordinator from the National Security Office to the Office of the Senior Secretary for Economic Affairs
  - Institutionalizing regular presidential meetings on defense export promotion strategy
  - Establishing a dedicated task force to strengthen global competitiveness in shipbuilding contract acquisition
  - Expanding investment in defense research and development (R&D) to build an AI-powered defense technology foundation
- Supporting defense export companies through R&D tax credits and the expansion of policy-based financial assistance
- Strengthening the capabilities of the Defense Acquisition Program Administration
  - Streamlining defense procurement systems, such as requirement planning and testing

– Expanding the transfer of the Agency for Defense Development's core defense research technology to the private sector
– Introducing a project coordination system to avoid excessive competition between companies and improve export competitiveness
– Launching the "Innovation Mining" system to accept proposals for new weapon systems or business strategies directly from defense companies

Implications

◉ **Strengthening Government-Wide Support**: The new administration's defense industry strategy can be characterized as "strong government leadership". It has identified the defense sector as a key engine for overcoming Korea's low-growth economy and has announced plans to enhance inter-agency coordination. Regular defense export strategy meetings chaired by the President will be institutionalized, and the Defense Industry Officer within the National Security Office will be reassigned to the Office of the Senior Secretary for Economic Affairs, thereby expanding the office's role into a comprehensive control tower overseeing export financing, tax support, and broader policy coordination.

Given that defense exports are often conducted through government-to-government (G2G) contracts, this shift is expected to provide Korean defense firms with stronger institutional backing. Companies should closely track the development of new financial and tax support policies and actively utilize them.

◉ **Enhanced Role of the Defense Acquisition Program Administration (DAPA)**

The new administration aims to:
① streamline Korea's complex defense acquisition process,
② expand the transfer of core technologies from the Agency for Defense Development (ADD) to the private sector, and
③ introduce a project coordination system to reduce excessive competition and enhance export competitiveness.

This project coordination mechanism marks a return to direct government intervention in defense industry operations—reversing the market liberalization that followed DAPA's establishment. Although implementation details are still pending, DAPA's influence on decision-making is expected to increase.

While the system is intended to prevent over-competition and foster global competitiveness, there is a risk that decisions regarding project participation or scope may be influenced by policy judgments rather than transparent market principles, potentially undermining fair competition.

◉ **Increased Investment in Defense R&D** The administration plans to not only restore the R&D budgets that were cut by the previous government, but also significantly increase national investment in defense-related R&D—particularly in advanced technologies such as AI. The *Innovation Mining* initiative is expected to expedite the application of civilian innovations in military contexts. This will be supported by the consolidation of existing fast-track acquisition and R&D programs into a unified "Rapid Demonstration Program". In addition, civil-military cooperation models such as *Spin-on* (transfer of civilian technology to defense) and *Spin-up* (simultaneous civilian and military technology development) are expected to be further promoted.

This shift is likely to result in increased in-house R&D among defense firms, as well as active collaboration and M&A activity with innovative SMEs and startups.

However, defense R&D is governed by the Defense Science and Technology Innovation Promotion Act, which imposes unique restrictions on IP ownership and licensing compared to general government-funded R&D. In joint R&D projects, disputes over IP rights may also arise. Accordingly, companies must conduct thorough IP reviews when negotiating R&D contracts or agreements.

Moreover, the implementation and royalty obligations for IP owned by ADD have emerged as a critical issue in defense exports. Defense contractors should adopt a comprehensive IP strategy covering the entire lifecycle from development to export.

◉ **Preparation for U.S. Defense Export and Cooperation** President Lee Jae-myung has pledged a pragmatic, interest-based diplomacy with the United States, aiming tostrengthen the bilateral alliance—including in shipbuilding, weapons systems, and defense exports.

Starting this year, companies participating in U.S. defense procurement are required to obtain Cybersecurity Maturity Model Certification (CMMC). While this certification is now mandatory, many Korean companies remain underprepared, and institutional support remains limited. In light of this, Korean companies and the government should begin taking proactive steps to better position themselves for participation in the evolving defense cooperation landscape, such as offering consulting support for certification and pursuing a bilateral CMMC mutual recognition agreement with the U.S..

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