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Regulatory Coherence: The Case of the Republic of Korea

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Abstract: The Government of the Republic of Korea has made great efforts to improve its regulatory management system and to realise regulatory reform since the economic crisis of the late 1990s. Section 1 of this paper explores the evolution of regulatory reform and reviews the coherence of the regulatory management system in the Republic of Korea. Sections 2 and 3 explore how this system was applied in two case studies of regulatory change: Section 2 on golf course regulation and Section 3 on the restriction of opening hours of food services businesses.

Keywords: Regulatory Reform, Regulatory Management System, Regulatory I mpact Analysis, Golf Course Regulation, Opening Hour Restrictions on Food Services Businesses, Reform of Existing Regulations

JEL Classification: F15; F23; K20; L51

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Section 1: The Evolution of Regulatory Management in the Republic of Korea

1. Introduction and Country Context

The legal system in the Republic of Korea (henceforth, Korea) is a civil (codified) system based on the national constitution. Since its adoption in 1948, the constitution has been revised several times, most recently in 1987 at the beginning of the Sixth Republic. The structure of the government is laid out within the constitution. There are three governmental branches: the legislative branch (National Assembly), the executive branch (Administration), and the judicial branch (Courts). As with most stable three-branch systems of government, a principle of checks and balances is in place. For example, judges on the Constitutional Court are partially appointed by the executive and partially by the legislature. Likewise, if a resolution of impeachment is passed by the legislature, this is sent to the judiciary for a final decision.

Under the constitution, legislation in the form of statutes or laws can be enacted by the National Assembly. When a law is passed by the National Assembly and sent to the executive branch, the government promulgates it upon the approval of the President by publishing the text in the government's Official Gazette. Beneath statutes and laws are 'Presidential Enforcement Decrees', which is subordinate legislation made by the Cabinet or the State Council composed of ministers to implement a law. Below these decrees are 'Rules', which are regulations written by each ministry and used to implement practical details in accordance with a law or a presidential enforcement decree. Korea has a presidential system of government with a relatively independent chief executive. The executive and legislative branches operate primarily at the national level, although local governments also carry out local functions.

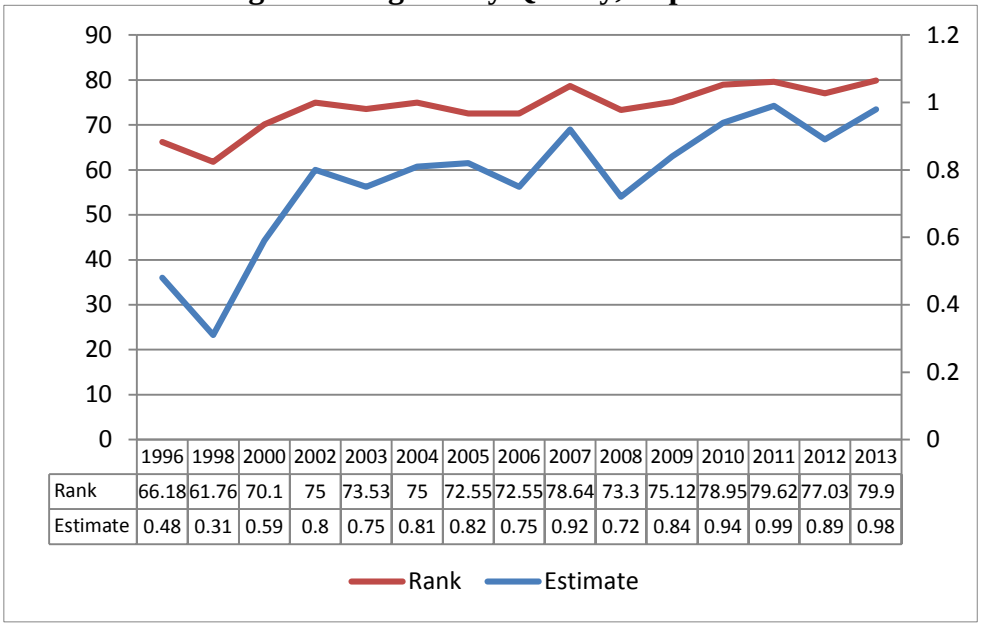
The constitution states that local governments deal with matters pertaining to the welfare of local residents, and manage public property and facilities, and may enact provisions relating to local autonomy regulations within the limits of the law. The head of a local government manages and supervises administrative affairs except as otherwise provided by the law. The local executive functions include those delegated by the central government, such as the management of public property and facilities,

and the assessment and collection of local taxes and fees for various services. Local governments have very limited policy-making authority. In general, most local government policies depend on how national policies are implemented, including regulatory reforms.

Korea is one of the world's fastest developing countries (KDI School and Ministry of Strategy and Finance, 2012). Gross domestic product increased from US$5.313 trillion to US$11.292 trillion (Korea was ranked the 12th-largest economy in the world in 2012). However, in terms of economic freedom the country only scores 70.3, making its economy the 34th freest among 177 countries in the 2014 Index of Economic Freedom (by the Heritage Foundation), with declines in labour freedom and monetary freedom offset by gains in the management of public spending and fiscal freedom over the previous year. Korea was ranked eighth in terms of the Economic Freedom Index out of 41 countries in 2014 in the Asia-Pacific region (The Heritage Foundation, 2014). According to the Worldwide Governance Indicator, the estimate for the regulatory quality estimate of Korea was 0.3 in 1998 but this increased to 1.0 in 2011. The index of regulatory quality indicates that overall regulatory quality improved considerably over a relatively short time period (The World Bank Group, 2013).

Overall regulatory quality has improved dramatically since 1996 (Figure 1).

Figure 1. Regulatory Quality, Republic of Korea

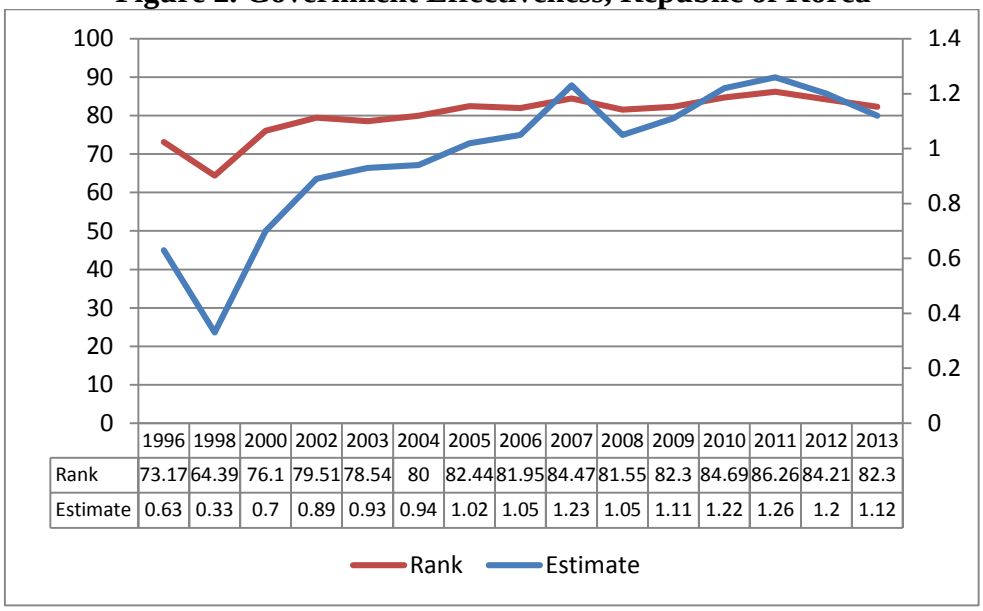


	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rank	66.18	61.76	70.1	75	73.53	75	72.55	72.55	78.64	73.3	75.12	78.95	79.62	77.03	79.9
Estimate	0.48	0.31	0.59	0.8	0.75	0.81	0.82	0.75	0.92	0.72	0.84	0.94	0.99	0.89	0.98

Note 1: Percentile rank among all countries (ranges from 0 to 100 rank).
Note 2: Estimate of governance (ranges from about -2.5 to 2.5 governance performance).
Source: World Bank, 2014.

The government's capability has also been enhanced over the same period, as shown in Figure 2.

Figure 2. Government Effectiveness, Republic of Korea



	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rank	73.17	64.39	76.1	79.51	78.54	80	82.44	81.95	84.47	81.55	82.3	84.69	86.26	84.21	82.3
Estimate	0.63	0.33	0.7	0.89	0.93	0.94	1.02	1.05	1.23	1.05	1.11	1.22	1.26	1.2	1.12

Note 1: Percentile rank among all countries (ranges from 0 to 100 rank).
Note 2: Estimate of governance (ranges from about -2.5 to 2.5 governance performance).
Source: World Bank, 2014.

2. The Evolution of Korea's Regulatory Management System

2.1 Evolution through each administration

In the evolution of Korea's Regulatory Management System (RMS), the initial area of focus was to control and manage regulatory inflation. Regulations were often of low quality, increasingly obsolete and even harmful to fast changing economic and social conditions, even in their initial stage.

The goals of the RMS have evolved with each change in administration:

1. Kim Dae-Jung Administration (1998.2–2003.2): Recovery from the financial crisis.
2. Roh Moo-Hyun Administration (2003.2–2008.2): Realisation of social equity and qualitative regulatory reform.
3. Lee Myung-Bak Administration (2008.2–2013.2): Business-friendly regulatory reform.
4. Park Geun-Hye Administration (2013.2–present): Economic revitalisation and creative economy.

The objectives of the RMS are to improve economic performance, quality of life and government effectiveness, including regulatory transparency and accountability. The RMS clarifies the goal that reform policies should pursue market-friendly regulations suitable for a global environment by replacing command-and-control instruments with market competition (Choi, 2001).

2.1.1 The Kim Dae-Jung Administration

The Kim Dae-Jung Administration was launched in 1997 during a period of foreign exchange turbulence in Asia that was to lead to the full-blown Asian financial crisis. To receive an International Monetary Fund (IMF) bailout package at the end of 1997, immediately before the beginning of the Kim Dae-Jung Administration, the government had to agree to the conditions of the IMF. Many of the requirements were related to economic regulatory reform, including capital market opening, improving corporate governance structures, and restructuring the economy along market principles. As a consequence, regulatory reform became a major political goal of the

Kim Dae-Jung Administration from its initial phase. The Presidential Regulatory Reform Committee (RCC) was established in accordance with the Framework Act on Administrative Regulations (FAAR) legislated at the end of the Kim Dae-Jung Administration (Kim, T.Y., 2003).

Based on the FAAR, the RRC was responsible for all regulations under the jurisdiction of all the various government offices. A total of 11,125 regulations were registered with the RRC, and the committee set itself the goal of eliminating 50 percent of these, abolishing 5,430 cases, or 48.8 percent, and improving 2,411 cases, or 21.7percent, in 1998. In 1999, the RRC reviewed the remaining 6,811 regulations that had been neither abolished nor improved in 1998, abolishing 704 cases, or 7.4 percent, and improving 570 cases, or 8.4 percent. In 2000, it reviewed 2,533 regulations stipulated in lower administrative orders, such as public announcements, guidelines and bylaws and 1,675 quasi-administrative regulations enforced by associations and public corporations, modifying 2,045 cases, or 57.2 percent of the total (Ha and Choi, 2012).

2.1.2 The Roh Moo-Hyun Administration

No administration in Korea was more socialist in its political leanings than the Roh Moo-Hyun Administration. Generally speaking, this administration placed greater emphasis on distribution and balanced development than on efficiency. Regulatory reform was not a major concern of the administration and the role of the RRC was diminished during the government's initial stages. However, the government later realised that the lack of any major regulatory reform effort was one of the reasons for disappointing investment levels by corporations and weak job creation. As a result, the government subsequently began to push for regulatory reform (Kim and Lee, 2008).

The government placed its emphasis on improving regulatory quality rather than reducing the quantity of regulations, focusing on 'bundled regulations' that stretched across a broad range of ministries. The Presidential Council for Promoting Regulatory Reform convened by the President and the Ministerial Meeting for Regulatory Reform presided over by the Prime Minister were both established in 2004, while the Regulatory Reform Task Force (RRTF) was formed as an affiliated organisation (the Ministry of Public Administration and Security, 2010). The government let the RRTF

improve key regulations, while allowing the RRC to examine regulations that had been recently promulgated or regulations that required strengthening, as well as regulations subject to improvement according to the FAAR.

2.1.3 The Lee Myung-Bak Administration

Although the Lee Myung-Bak Administration placed a high priority on regulatory reform in its national agenda, the regulatory information system (RIS) was not running well at that time. There was a widespread notion that systematic digitisation of regulatory information would be required for effective regulatory information, registration and review (Prime Minister's Office, 2013a). Consequently, the administration set up a basic plan for establishing a RIS in 2009 and conducted a sunset project to improve the function of the RIS. As a result, the entire regulatory life-cycle was digitised and can now be accessed online. These regulation stages included new and reinforced regulation proposals, regulatory review data, registered regulations, expired regulations, and annual regulatory reform performance reports (Lee, 2012).

The government also provided a Regulatory Information Portal service by comprehensively overhauling the homepage of the RRC[1] after 2010, in order to provide regulatory information in easier and more convenient ways. The Regulatory Information Portal was expected to make it easier for users to search for laws and regulations one-by-one by ensuring more systematic regulatory management. The government also enhanced regulatory quality and administrative efficiency in order to upgrade the system to integrate and manage all central and local government regulations (Prime Minister's Office, 2013a).

2.1.4 The Park Geun-Hye Administration

The current Park Geun-Hye Administration has taken the initiative in regulatory reform by reducing regulation and lowering obstacles in the public sector. This administration is vigorously focusing on removing unnecessary regulation and renovating the legal system so that individuals or businesses with creative ideas can turn them into new products and services, and quickly enter the market. The

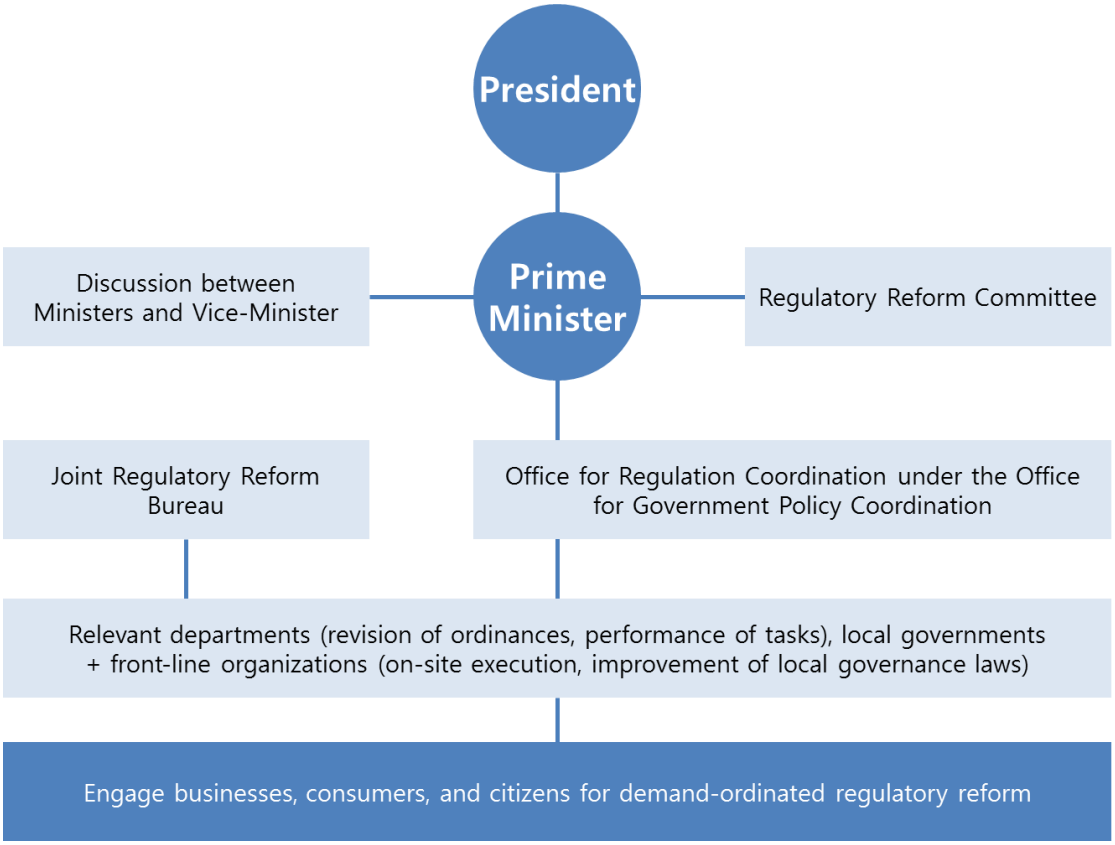
[1] http://www.rrc.go.kr

government is building soft infrastructure to enable convergence between different industrial sectors to this end by allowing SMEs to enter the market without unnecessary barriers. It is also taking steps to remove unnecessary walls between government agencies by building a system of creative collaboration to provide one-stop services (OSS) that meet the needs of companies (Korea Culture and Information Service, 2014).

The motivation and active participation of civil servants is a fundamental element in the success of regulatory reform. Regulatory reform, as with any other government reform, is doomed to fail without enlisting the backing of civil servants, who hold the key to the executive branch. The Park Geun-Hye Administration is making great efforts to change the culture in the country's civil service to one that is more conducive to regulatory reform (Kim, J. K., 2014).

Recognising the importance of regulatory reform, President Park has been addressing regulations that are a major obstacle in each sector in her 'Ministerial Meetings on Regulatory Reform' directly chaired by the President. On 20 March 2014, the President presided over ministerial and official private–public sector meetings on regulatory reform in the manner of an 'ultimate debate' and she pushed forward regulatory reform by encouraging openness, communication and participation (Kim, S. J., 2014). The Park Geun-Hye Administration's regulatory reform is particularly meaningful because it is being actively pursued by strong presidential leadership. In addition, it has engaged with both the private and public sectors, and the entire process is open for all people to see and communicate on in a transparent manner. This demonstrates that regulatory reform clearly reflects the administration's governance philosophy of openness, sharing, communication and cooperation (Korea Culture and Information Service, 2014).

Figure 3. Organisational Chart



Source: Korea Culture and Information Service, 2014.

2.2 Changes in focus over time

In a globalised market-driven economy, traditional government regulations were challenged because of the heavy regulatory burden imposed on businesses, the degree of administrative discretion required, and the low levels of compliance. The RMS therefore focused on eliminating outmoded and excessive regulation, and instead on establishing a comprehensive and systematic mechanism to effectively review and manage new regulations.

The focus of regulatory reform and economic policy of the Kim Dae-Jung Administration aimed to support recovery from the economic crisis that had erupted towards the end of 1997. In compliance with the FAAR, the administration set up the RRC, which was under direct presidential control. The RRC conducted a review and reform of existing regulation, together with a review of new and reinforced regulations,

following the RMS as stipulated in the FAAR. This enabled Korea to overcome the challenges of the crisis thanks to its regulatory reforms (Lee, 2011).

The Roh Moo-Hyun Administration did not claim to make regulatory reform one of its major policy agenda items in the early phase of its term. On the contrary, there was a strong perception that regulatory reform might be used to secure the interests of higher income groups by pursuing a policy of relentless competition in the market, rather than protecting lower-income citizens. Such an inclination led to the incapacitation of the RRC and its functions. However, robust global economic growth notwithstanding, no significant progress was made in terms of job creation. The government subsequently realised that these problems were attributable to sluggish corporate investment. Regulatory reform was therefore seen as a necessity to improve regulatory quality, although not to reduce the number of regulations (Ha and Choi, 2012).

The Lee Myung-Bak Administration put regulatory reform at the top of its policy agenda, as the best way of enhancing national competitiveness and creating jobs. Under the Presidential Council on National Competitiveness (PCNC), the regulatory reform steering group was jointly operated by the Korea Chamber of Commerce and the government, while the RRC was kept intact. The key "policy regulations" underwent extensive reform, such as regulations for governing metropolitan areas, restrictions on share ownership, and the separation between industrial and financial capital. All of these areas were previously considered untouchable, so these reform efforts were proof of remarkable progress. Progress was made in upgrading the basis for enhancing quality control, and carrying out scientific and rational management of regulations by instituting various regulatory reform measures, such as conducting temporary regulatory relief to overcome the economic crisis, applying sunset clauses to more regulations, registering unlisted regulations, and setting up an information system for regulations (Lee, 2011).

The Park Geun-Hye Administration is now focusing on regulatory reform to foster a creative economy. The term 'creative economy' means the process of creating jobs and industries through the convergence of science, technology, culture and industry in new and innovative ways. Park's strategies to achieve economic targets include tackling public sector reforms and boosting domestic demand through promoting small

and medium enterprises (SMEs) and the services sector, together with comprehensive regulatory reform. The Park Geun-Hye Administration is implementing sweeping regulatory reforms at home to facilitate investment to stimulate domestic demand, while externally it is stepping up efforts to create a business environment that is more favourable to foreign companies than any other country in the world. The Foreign Investment Promotion Act endorsed by the government passed in February 2014 and is expected to generate about ₩2.3 trillion of investment and 14,000 new jobs. Meanwhile, the Tourism Promotion Act is expected to create about ₩2 trillion in new investment and 47,000 new jobs.

2.3 Changes in the locus of RMS over time

The locus of RMS has shifted towards more positive ways of listening to and understanding public opinion based on the FAAR. The locus of RMS was located not far from the government's main offices in its early stages. It has moved towards more positive ways of listening to, and understanding, public opinion based on the FARR since 2010. If the head of a central administrative agency intends to establish a new regulation or reinforce an existing regulation, then he/she should listen to the opinions of other administrative agencies, civic groups, interested parties, research institutes, experts through public hearings and the pre-announcement of legislation (Article 9, Hearing Public Opinions, FAAR).

The website for regulatory reform allows citizens to voice their opinions on everything from issues relating to regulatory reform, to civil servants who have made a positive contribution towards reform, to less successful aspects of reform. All opinions that citizens submit are automatically transferred to the regulatory information portal of the Office of Government Policy Coordination and processed quickly. All recommendations for improving regulatory systems receive a reply within 14 days from the relevant government organisation concerning their applicability.

2.4 Changes of key themes

The Korean government began to intensively review and examine new or reinforced regulations through the RRC (RRC, 2014). Sixteen years after it was first

established in 1998, the RRC is currently being led by its eighth Chairman, and its members are composed of regulatory reform experts from academia, business and citizen groups.

The Presidential Council on National Competitiveness (PCNC) was established under the Lee Myung-Bak Administration as a new presidential regulatory reform organisation. While the RRC focused on examining new and reinforced regulations, managing regulatory information and the regulatory reform of each ministry, and the rearrangement and management of regulatory reform-related policies, the PCNC's emphasis was on strengthening national competitiveness by controlling key policies that have a greater impact on state affairs and bundles of regulations that involve multiple ministries. But no clear boundaries of working scope were drawn between the RRC and the PCNC in dealing with the reform of existing regulation, allowing them to engage in mutual cooperation and competition for regulatory projects.

The Lee Myung-Bak Administration also established the Public–Private Joint Regulatory Reform Task Force composed of government officials and staff from the PCNC and the Korea Chamber of Commerce and Industry, with the goal of reforming regulation in the field of business (Prime Minister's Office, 2013a). The Task Force hosted meetings jointly with local chambers of commerce and associations to engage in talks with the relevant people and visited industrial sites and engaged in face-to-face dialogues with business people. The Task Force is a private entity made up of experts and government officials, and is able to make rapid decisions regarding regulatory issues and proposals for their reform. Through such a system, the percentage of cases accepted as needing reform increased to 80 percent, from the previous 30 percent (Prime Minister's Office, 2013a).

The government has pursued e-Government as a core vehicle to sharpen its competitive edge, based on its global-leading IT network and software infrastructure, such as widespread broadband internet network, Government for Citizens (G4C) and Government for Business (G4B) internet sites. It has initiated the 'Smart e-Government Strategy' to help people access public services without constraints of space, time or medium through integrating Korea's cutting-edge IT technology and public services. The strategy is also part of continuous government efforts to address the low birth rate, an ageing population, and other social issues, and to proactively

respond to social security, public welfare and future issues (Ministry of Security and Public Administration, 2013).

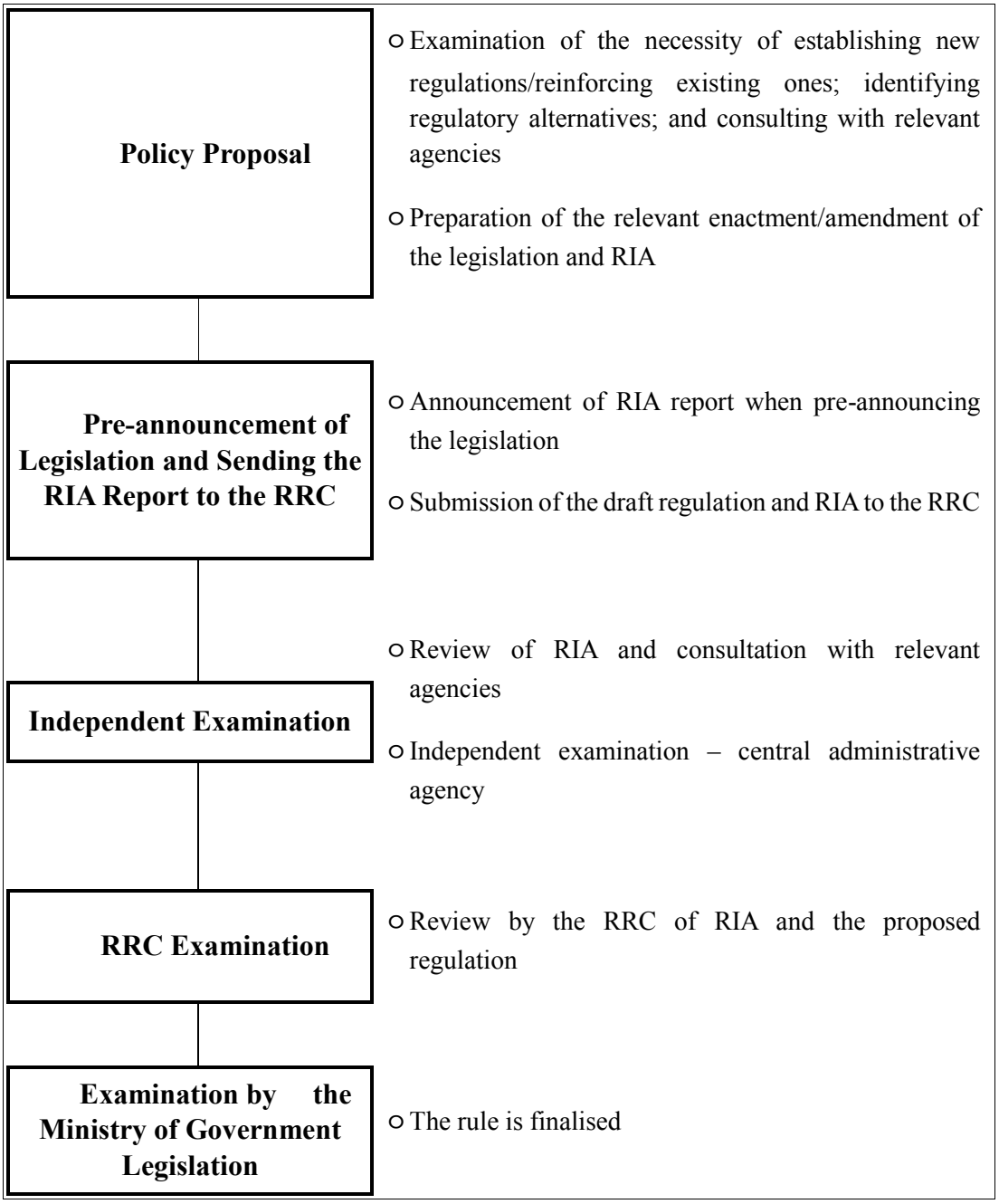
3. The Current State of the Regulatory Management System

3.1 Flow and stock policy tools

The principle of cost-effective regulation in Korea was consolidated by the implementation of Regulatory Impact Analysis (RIA). RIA is defined as the "means to predict and analyse the impact of a regulation on the everyday lives of citizens, as well as on the social, economic, administrative and any other aspects, by using objective and scientific means and thus to establish a standard which serves as the basis for determining the appropriateness of the regulation" (Article 2 of FAAR). RIA reports are prepared for the issuance of new regulations and the reinforcement of existing regulations. RIA has become an effective tool in improving the quality of regulation on the basis of cost benefit analysis (CBA) and other analytical tools.

To enhance the efficiency of RIA, the government revised a guidance manual in December 2008, specifying the details of those groups subject to regulation and interested parties. In order to raise the effectiveness of the administration and encourage the compiling of the analysis, the RRC had ministries use the RIA draft without having to create additional data. It also encouraged them to use the RIA report for regulatory review (Office for Government Policy Coordination, 2013).

Table 1. RIA and Rule-making



Source: Prime Minister's Office, 2013b.

Table 2. RIA Components

1. Need for Regulation
1-1. Problem statement (background and causes)
1-2. Need for establishing new regulations and reinforcing existing regulations
2. Review of Regulatory Alternatives and CBA
2-1. Review of regulatory alternatives
2-2. Comparison of the CBA results
2-3. RIA of small and medium enterprises
3. Propriety and Feasibility of Regulatory Content
3-1. Adequacy of regulations
3-2. Consultation with stakeholders
3-3. Feasibility of implementation

Source: Prime Minister's Office, 2013b.

One of the most remarkable changes was the removal of unnecessary factors in RIA guidance and the addition of multiple regulatory alternatives in the CBA. In addition, the intensity and methods of regulation, and whether they limit market competition and impact due to the difference in size of the businesses, were added to the contents of the RIA report (RRC, 2013).

The 'stock' policy tool is regulated under the FAAR. According to Article 8 of the FAAR, the effective period, or review period, for which a regulation remains in force is set as no longer than that required to achieve the objectives of the regulation, and the period must not exceed five years. If an extension of the effective period, or review period, of a regulation is necessary, the head of the central administrative agency will request an examination by the RRC six months prior to its expiry (Article 8 Stipulation of Effective Period of Regulations).

The 'sunset system' on existing regulations was put forward by the Lee Myung-Bak Administration. The government studied the possibility of introducing a sunset system on all existing regulations twice, in November 2009 and June 2010, and

concluded that 1,600 regulations out of a total of about 7,000 existing regulations (about 23 percent) were subject to a sunset system review. The regulations subject to the sunset system were made public and managed through the RIS to enhance public trust in regulatory reform. The number of applications of the sunset system since 2010 has continued to increase, indicating that the new system has successfully taken root.

Under the current RMS, all regulations must be based on legislation and a central administrative agency must register a regulation with the RRC. According to the Enforcement Decree of the FAAR, the head of a central administrative agency must register the name, content and legal basis, administrative agency, extension of the effective period, contents of lower statutes related with implementation, and the date of promulgation and implementation of the regulation (Article 4 Registration and Procedures of Regulation). This register system makes the management of the stock of regulations relatively more efficient with greater transparency. The RRC developed a computerised database system in 1999 and has since published this database online (Kim and Kim, 2014).

Since its introduction, Korea has struggled to effectively review existing regulation, similar to most countries. As a result, the Park Geun-Hye Administration recently established the Public–Private Joint Expert Committee under the RRC in order to strengthen the regulatory review system. This committee is composed of two sub-committees: the Expert Committee for Institution Study (ECI) and the Expert Committee for Costs (ECC). The ECI takes research on regulatory institutions and evaluates existing regulations issued by industries and citizens, while the ECC supports the operation of a Regulation Cost System (cost-in, cost-out), etc.

3.2 RMS: The Regulatory Reform Committee

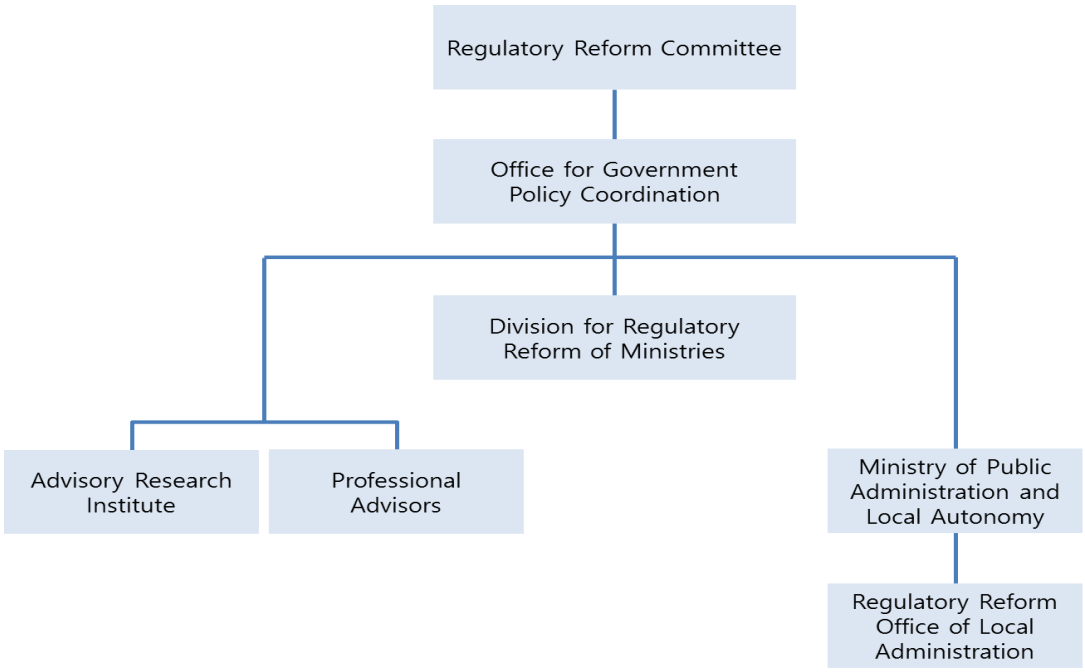
To launch systematic and comprehensive regulatory reform, Korea enacted the FAAR and set up the RRC in 1998 (Article 23 of the FAAR, 1998). Since its establishment, the RRC has played a key role in the RMS, as it has the legal authority to substantially review all ministries' plans for regulatory transparency.

The RRC consists of civilian members, government members and two co-chairs (the Prime Minister and a civilian co-chair). It is responsible for deliberating the basic

direction for regulatory policy, as well as reviewing and improving the RMS (Choi, 2003).

Activities related to implementing methods and procedures refer to the decision mechanism, which includes aggressive participation of the private sector and implementation of RIA. These features are required for reforms to be processed and depend primarily on the political will and capacity of reformers. Both participation of the private sector and RIA implementation are invaluable in helping to persuade interest groups to agree to reform (Park and Im, 2009).

Figure 4. RRC Organisation

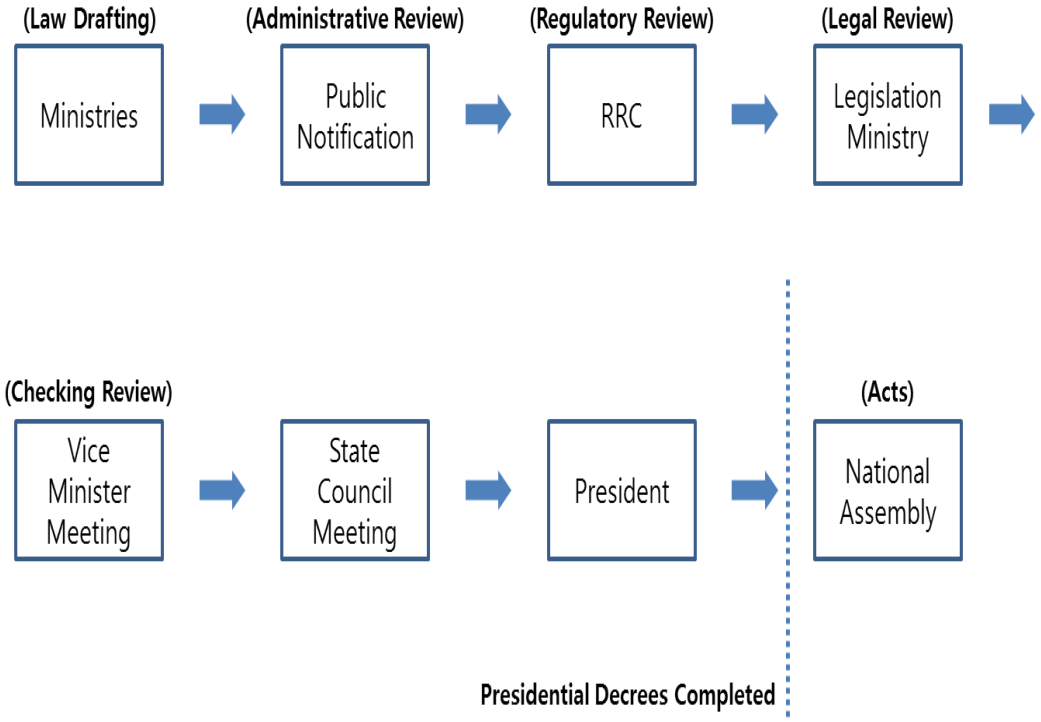


Source: Ha and Choi, 2012.

The RRC holds the central position in managing the RMS and reform policy under the auspices of the Prime Minister. The Prime Minister's Office (PMO) has a coordinating capacity and distinctive role in interlinking with central ministries and the RRC. The central administrative agencies and local governments operate their own regulatory review committees, consisting of civilian representatives and government officials, similar to the RRC. When the central administrative agencies improve or modify regulations, they have their own regulation review committee to review the

regulations prior to submission to the RRC. They have also set up and implement their own annual regulatory review.

Figure 5. The Process of Formulating Regulation



The head of a central administrative agency must request an examination by the RRC if he/she intends to establish a new regulation or reinforce an existing regulation. In cases of a legislative bill, the request for an examination must be made prior to filing a request for an examination of the legislative bill with the Minister of Government Legislation. When an examination is requested, he/she must submit to the RRC a draft of the regulation, along with the following documents (Article 10 Request for Examination):

- Regulatory impact analysis (RIA) report under Article 7 (1);
- Opinion from an independent examination under Article 7 (3); and
- Summary of opinions submitted by administrative agencies, interested parties, etc. under Article 9.

Figure 6. Review Process of New/Amended Regulation

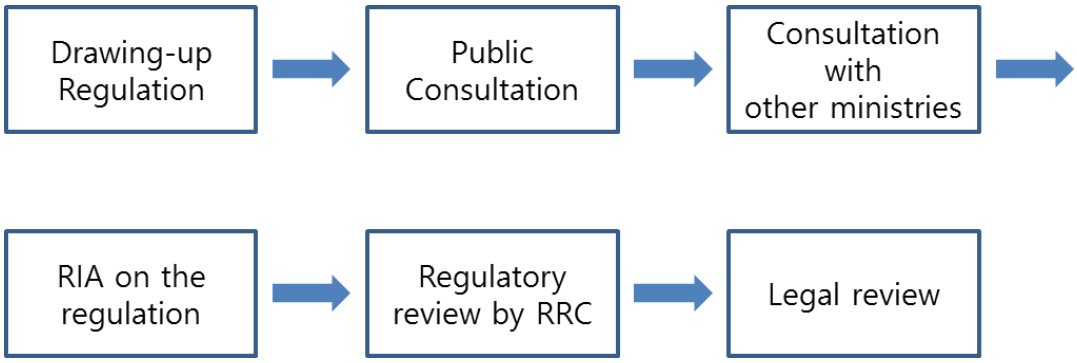
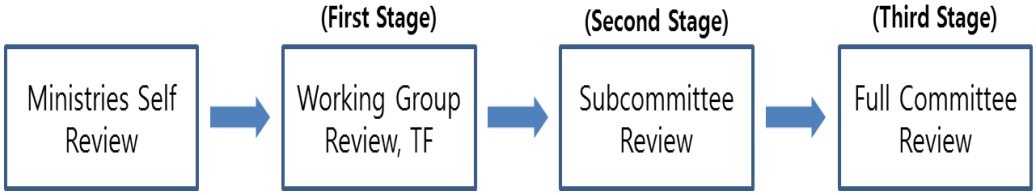


Figure 7. Review Process of Existing Regulation



The coverage of the RMS has changed over time since 1997. The Kim Dae-Jung Administration made an exception of the affairs executed by the National Assembly, the Courts, the Constitutional Court, the Election Commission, and the Board of Audit and Inspection and the affairs relevant to criminal matters, criminal administration, and security measures. It also excluded matters relevant to national security, defence, foreign affairs, unification and tax, which are not subject to the FAAR, as determined by presidential decree.

The Roh Moo-Hyun Administration supplemented some exclusions such as: matters relevant to enrolment, draft, mobilisation and training; matters relevant to military installations, the protection of military secrets, and the defence industry; and matters relevant to the items, rates, imposition and collection of taxes (FAAR, 1997, 2005).

The scope of the current RMS encompasses broad economic and social regulations except those concerning taxation, national defence and punitive measures (Article 3 Scope of Application) as follows:

- Affairs executed by the National Assembly, the Courts, the Constitutional Court, the Election Commission, and the Board of Audit and Inspection;
- Affairs relevant to criminal matters, criminal administration, and security measures;
- Matters relevant to information and security-related duties under the National Intelligence Service Act;
- Matters relevant to enrolment, draft, mobilisation and training under the provisions of the Military Service Act, the United Defense Act, the Establishment of Homeland Reserve Forces Act, the Framework Act on Civil Defense, the Emergency Resources Management Act, and the Framework Act on the Management of Disasters and Safety;
- Matters relevant to military installations, the protection of military secrets and the defence industry; and
- Matters relevant to the items, rates, imposition and collection of taxes

3.3 The role of local government regulation

Local governments play an instrumental role in implementing regulatory reform down to street level in Korea. They develop regulatory reforms that are best suited to their own local circumstances, as the central government delegates its functions to a subordinate authority. They may enact 'Municipal Ordinances' concerning their affairs within the purview of laws and subordinate statutes.

When local governments determine matters concerning restrictions on the rights of residents, the imposition of obligations on residents, or penal provisions, they must have the authority delegated by law. Heads of local governments may enact 'Municipal Rules' concerning their competent affairs to the extent delegated by laws and subordinate statutes, or by Municipal Ordinances (Articles 22 and 23, Local Autonomy Act).

3.4 Regulatory oversight mechanism

Overall regulatory oversight for regulatory reform is mostly undertaken by the government, with the Office for Government Policy Coordination (including the RRC)

as the central agency. The RRC makes regulatory information and regulatory review results open to the public through the Regulatory Information System (RIS), while also utilising the RIS to collect opinions from the public (Prime Minister's Office, 2013a).

Furthermore, the regulatory oversight mechanism is manned by citizens' active participation through the SME ombudsman and citizens' monitoring groups, amongst others (2013, White Paper). The government provides information on all regulations, as well as the government's regulatory reform efforts, on the 'Regulatory Reform Portal Site' so that people can oversee and contribute to the reform process in real time.

The Korean government allows for regulatory oversight by establishing an Ombudsman Office for SMEs under the Small and Medium Business Administration (SMBA) to reflect the opinions of SMEs. Since its inception, the Ombudsman Office for SMEs has registered 3,634 cases of difficulty and dealt with 3,338 of those cases. For instance, the mandatory use of accredited certificates was highlighted as a barrier to active electronic banking after hearings. For this reason, the relevant regulations were improved to enable small transactions of under US$282 through smart phones without accredited certificates. Such reform has enabled SMEs to reduce costs by US$250 million annually, which had previously been used for applying for the accredited certificates (Prime Minister's Office, 2013a).

3.5 Evaluation

According to the FAAR, the RRC verifies and inspects the improvement in, and operational conditions of, the regulations of each administrative agency to measure the effective regulatory improvement and may request that relevant institutions conduct public opinion surveys to objectively carry out verification, inspection and evaluation. The RRC must evaluate the findings of the verification and inspection, and report back to the President and the State Council. If the RRC deems that regulatory improvement has been passive or not implemented appropriately based on the results of its verification, inspection and evaluation, it may suggest necessary revisions to the President (Article 34 Inspection and Evaluation of Regulatory Improvement).

Table 3. Regulatory Reform Satisfaction Index

	Citizens	Policy Experts	Civil Servants
2005	56.2	61.0	-
2006	58.2	67.7	-
2007	54.8	63.0	-
2008	59.5	66.3	60.7
2009	62.9	66.5	63.6
2010	64.8	70.7	63.9
2011	65	72.6	64.1
2012	67.6	73.1	68.7
2013	65.7	71.9	69.0

Source: Regulatory Reform White Paper (2005-13)

In addition, the RRC must publish annually and promulgate a white paper regarding the status of major government regulatory reform issues to citizens (Article 35 White Paper on Regulatory Reform). The Prime Minister's annual budget for regulatory reform is US$1,557,059 (2014, Annual Revenue Expenditure Budget). Almost half of this total budget, or US$764,998, is assigned for operating costs of the RRC. In 2014, about 28 percent went towards building an information system for regulatory reform and 22 percent went towards the operations of the Public Private Joint Regulatory Reform Task Force.

4. Assessment of Korea's Regulatory Management System

4.1 Coherence

Korea adopts a whole-of-government approach towards RMS and regulatory reform. The RMS is based on a permanent regulatory reform system and regulatory reform has been consistently carried out by the RRC. Under the PMO, the RRC is able to comprehensively determine the basic direction of regulatory policy horizontally across different domestic regimes and vertically across levels of government. Most of critical 'bundled regulations' are inter-connected with the affairs of multiple ministries.

The PMO, whose role is to coordinate the diverse stances across ministries, is in charge of dealing with core regulations and bundled regulations involving multiple ministries. The PMO and each ministry are encouraged to compete in pursuing regulatory reform through the systematic assignment of duties according to their resulting impact and importance.

The Regulatory Reform Task Force was established to tackle the difficulties faced by businesses and to monitor the effects of regulatory reform regularly. In an effort to deal with new or strengthened regulations, the PMO established a seamless regulatory reform system, reviewing the need and feasibility of regulation by reflecting people's stances, not those of the relevant agencies.

The PMO formed a "Local Government Regulatory Reform Task Force", which combined government officials from the Office of Government Policy Coordination (OPC), the Ministry of Government Administration and Home Affairs (MOGAHA), and experts from research institutes, in 2006. It also expanded training opportunities for local government officials to change their regulatory mind-sets and enhance their skills. The PMO refers reform issues and proposals collected from local governments and businesses to the central government for review (RRC, 2006). The Park Geun-Hye Administration has spurred more regulatory reform by local governments, as it sees this as being essential for the implementation of effective reform (MOGAHA, 2014).

To ensure international coherence, the RRC has also abolished existing regulations that fail to fit global standards. The RRC participates in various international cooperation programmes, such as the OECD Country Review (1999–2000), the OECD review of regulatory review monitoring programme (2006-07), and the APEC Deregulation Report. The 2000 OECD Review stated that the cumbersome Korean system of standards and conformity certification was deemed by trading partners to be a source of obstacles to trade. Since then, the government has implemented an active policy in favour of enhanced transparency of the standardisation and certification system, and increased the use of global standards (OECD, 2007). To strengthen regulatory coherence, the RRC ensures that policies for all concerned areas are mutually supportive. The central government initially sets the regulatory reform agenda and then the regional and local governments follow. This mechanism for

coordination within and between governments on regulation and its reform is set up to maximise the benefits of reform and strengthen regulatory coherence.

From the perspective of avoiding duplication and inconsistency of regulations, the RRC introduced a central registration system for regulations. Ministries are required to register regulations under their jurisdiction to the RRC in a form that includes the content of regulations, the legal authority and the responsible agency. Using this registration system, Korea has established a useful database for subsequent regulatory management.

4.2 Assessment

By and large, Korea has made significant progress in terms of establishing a robust RMS required to enhance regulatory quality and to succeed in regulatory reform. As the OECD has said, Korea's massive deregulation was fairly effective and intensive in dealing with the effects of the economic crisis within a short period after the Kim Dae-Jung Administration (OECD, 2000).

In its initial stages, regulatory reform focused on the quantity of regulation rather than the quality. It relied heavily on political support stemming from the desire to recover from the economic crisis. The government has actively adopted OECD recommendations and guidelines since then (OECD, 2007). As a result, the focus of regulatory reform shifted from reducing the overall quantity of regulations to improving regulatory quality. This transformation was impressive in that it occurred relatively rapidly. However, both political will and government efforts to maintain the momentum of reform subsequently weakened, and the pace and intensity of reform slowed as the economy recovered. The Lee Myung-Bak Administration recognised regulatory reform as a means to increase national competitiveness and made regulatory reform an important government priority. In effect, the president became a strong advocate in pushing for regulatory reform. The current Park Geun-Hye Administration is aware that regulatory reform serves to solidify national competitiveness and to bolster the creative economy. The Park Geun-Hye Administration is placing more focus on implementing more advanced and comprehensive reform measures. To date, institutionalised reform in Korea has been successful in dealing with potential problems of reform by strengthening policy attention and public support. The

government has tried to maintain reform momentum by giving it a high priority in line with meeting public expectations.

The current registration system for regulations coming from local governments in Korea has not been managed and operated efficiently, especially compared with central government administration. Poor and inconsistent registration of regulations at the local level of government has resulted in fundamentally inefficient and incomplete regulatory reform in local governments.

In sum, the government's efforts to improve RMS and regulatory reform have produced major gains in moving towards a global market-driven economy. The radical approach of the current government is remarkable, having had a tremendous impact on the entire regulatory stock. It has laid the groundwork for moving forward towards market-driven regulations by clearing regulations through government intervention.

In Sections 2 and 3 of this paper, we explore the details of two regulatory changes: to golf course construction controls, and the opening hours of food services businesses. In particular, we explore regulatory reform in response to the economic crisis of the late 1990s and the evolving process of regulatory reform and the RMS.

In the following section, we explore the evolution of golf course regulation in Korea. This case illustrates that multiple regulatory responses are necessary to adequately respond to the unintended consequences of regulation. Because of its iterative nature, golf course regulation was responsive to environmental needs, as well as to industry demands and the government's attempts to transform existing policy.

Section 2: The Case of Golf Course Regulation in Korea[#]

1.Introduction

Until the early 2000s, it took a great deal of time and effort to undertake and complete the construction of a golf course in Korea; the administrative procedures alone took three to four years. Since reform carried out in accordance with the 'Golf Course Promotion Policy' in 2004, the time required has been halved to around one to two years. Regarding the economic benefits as a result of regulatory reform, total administrative cost savings of ₩3.7 billion have been made for each golf course, and total potential savings of ₩388.5 billion may have been made if applied to all 105 golf courses that were under construction during the period (Lee et al., 2006).

The contribution of regulatory reform towards golf course construction has not simply been limited to reducing administrative costs and the time required. As a golf course is being constructed, the economic effects are also positive through the hiring of local residents and stimulating the construction business (Cho, 2004). The number of golf course users has increased in accordance with the government's efforts to promote golf as a popular public sport since 1988. Such positive economic effects have been pioneered through golf course construction and have also worked as a driving force in mitigating burdensome golf course regulations. However, some unintended side effects were caused by mitigating a number of golf site regulations. In order to construct golf courses at lower cost, entrepreneurs began construction in mountainous areas in order to purchase land more easily, but the impact on nearby areas was that they suffered environmental damage. For example, agricultural pesticides used in managing grass on golf courses caused environmental contamination in neighbouring areas.

Throughout this process, Korea's RMS has attempted to consider both the benefits and costs, and to reflect the opinions of both experts, and directly concerned parties and environmental organisations. In so doing, the RMS has developed into a more

#This section is authored by SongJune Kim.

objective and transparent system. The improvement of the RMS has played a significant role in minimising the extent of trial and error in the process of regulatory reform and reducing the social costs. Likewise, Korea has reformed golf course regulations in a way that mitigates the burden of the regulations and any negative impacts of this mitigation of regulatory burdens simultaneously.

The purpose of this paper is to discuss the evolving process of regulatory reform and the RMS with special reference to the case of golf course regulatory reform. The efficient and effective ways of implementing regulatory reform is also discussed, by examining the characteristics of the RMS for successful golf course regulation and by understanding the improvements in the RMS.

2.The Requests for Regulatory Reform

Taking the opportunity of the 'Declaration of Golf Popularization' in 1988, the Korean government has consistently implemented its Golf Course Promotion Policy in pursuit of stimulating the domestic economy by means of promoting the popularity of golf and absorbing the demand of golf tourists to go overseas in pursuit of golf (Green Korea United (GKU), 2008). As a result, the number of annual golf course users increased significantly from 500,000 in 1990, to 1.7 million in 2000, and to 3.71 million in 2009 (Oh and Jeon, 2010). This shows the degree to which golf became a popular public sport, with a level of 8.5 percent participation amongst the domestic population as of 2009.

The steady increase in the number of golf courses in Korea can be largely explained by two reasons: the supply side and the demand side. First, on the supply side, the increase was due to the significant decrease in the burden on golf course entrepreneurs stemming from the government's support for tax and financial benefits in 1989. The government reduced or exempted composite land tax, valuable land tax, and added a special consumption tax for golf course entrepreneurs, as well as transforming luxurious property into general property. In the case of companies constructing golf courses, the government recognised this as being for business purposes, paving the way for companies to obtain bank loans for the construction (GKU, 2008). As a result, major companies could participate in the golf course

business with greater ease, and the financial burdens for golf course construction decreased considerably, while investors could cover construction costs through bank loans and membership distribution (Wang, 1991).

Second, in the early 2000s, golf courses were generating high rates of return. The average rate of return of listed companies at that time was 7.2 percent, but by adopting a membership system, golf courses could produce about 3.6 times this level of profit, at 26.1 percent. Companies that had been unable to find alternative investments due to the economic recession were motivated to make profits through golf course construction (Mo, 2006).

From the perspective of consumers, demand for golf increased in line with rising income levels and the partial implementation of a five-day working week. In the period 2003-04 in particular, the increase in the number of people using public golf courses who did not have membership, at 9.5 percent, was higher than the rate increase seen amongst membership-based users, at just 4.9 percent. This indicated that the popularity of golf accelerated based on the rise in the number of golf course users, paving the way for an enlargement of the golf-course user base (Mo, 2006).

Third, golf courses are one of the main sources of economic resources for local governments. The taxes levied on golf courses consist of acquisition tax, registration tax, property tax, and comprehensive real estate tax, plus a specific consumption tax and value-added tax that are levied on golf course users (Oh and Jeon, 2010). Taxes that can be drawn on by local governments are acquisition tax, registration tax, property tax, specific consumption tax, and value-added tax. These tax revenues are an attractive means of raising funds by local governments, given their normally weak base of financial resources. Golf courses are large-scale businesses requiring an average ₩60 billion to construct and secure regular tax revenues from golf course users.

Despite the steady increase in domestic demand for golf, however, there have been problems with the slow pace of golf market growth due to a shortage in supply and with a surge in outbound golf tourism due to relatively expensive fees at home. Compared with population per golf course in major countries in 2003, the United States had one golf course for every 14,000 people, Japan had one golf course for every 52,000 people, and the United Kingdom had one golf course for every 28,000 people.

In contrast, Korea had one golf course for every 210,000 people. Given the level of income in Korea compared with other countries, demand for golf courses seems to be inadequate (Regulatory Reform Committee (RRC), 2003). For this reason, the high cost of golf in Korea, making it more expensive than other countries, has led to an increase in Korean golf tourists going overseas to play golf. This is the reason the number of overseas golf tourists has continuously increased, from 40,940 in 2000, to 54,697 in 2001, and to 93,135 in 2002, and then to more than 100,000 golfers in 2003 (The Hankook Ilbo, 2003).

In 2003, the government discussed institutional measures to expand golf course construction to mitigate the imbalance between supply and demand, and absorb overseas golf tourists, as well as creating jobs and stimulating local economies as part of an effort by the then government's economic stimulus policy. First and foremost, the government attempted to simplify the approvals procedure for expanding golf course construction and to improve regulation in an environmentally-friendly way. For this, a joint Task Force was established to investigate policy measures to deal with location-related problems, improve the approvals procedure, reduce the financial burden, and strengthen environmental management in response to golf course construction by reviewing current regulations and case studies. The government then estimated that the effect of golf course construction on the local economy would reach ₩137.9 billion and create 1,145 new jobs each year. On the basis of 18-hole membership-based golf course construction, this includes ₩78.9 billion of production effect, ₩33.3 billion of added-value effect, ₩17.1 billion of income effect, ₩2.7 billion of net indirect tax effect, and ₩5 billion to ₩9 billion of registration tax and acquisition tax (Mo, 2006).

3. The Process of Regulatory Reform

3.1 Existing golf course regulation (before 2003)

The 1988 Golf Promotion Policy mainly focused on the maintenance of laws and a reduction in the tax burden. As a result, the government changed the legal basis for golf courses in order to set the stage for developing golf into a major public sport in 1989. Golf courses, once included in the category of 'luxurious facilities' according to

the ‘Tourism Promotion Act’, were then included in the category of ‘physical training facilities’ in accordance with the legislation of the ‘Installation and Utilization of Sports Facilities Act (IUSFA)’. Accordingly, golf courses were transformed from amusement parks into physical sites, according to the Cadastral Act, and received benefits by being exempt from onerous taxes. One decade later, in 1999, the obligations to establish golf courses as an annex and to pay for a golf course development fund were abolished, according to IUSFA. Accommodation could be set up inside a golf course. The financial burden of managing a golf course was also minimised, thanks to taxation benefits, whereby the rate of acquisition tax was reduced from 15 percent to 10 percent (Mo, 2006).

The government-led Golf Promotion Policy, however, has not always been consistent. Despite mitigating regulations aimed at minimising burdens on golf course management and promoting a wide range of facilities, one site regulation that has a direct impact on the increasing number of golf courses has been reinforced. The government legislated ‘Criteria for the Formulation of Landscape Plans in a Quasi-Urban Area’, in order to reinforce regulations on facility standards in semi-urban areas in February 2001, restricting reckless golf course construction in 2003 under the ‘National Land Planning and Utilization Act (NLPUA), and replacing the existing ‘Utilization and Management of the National Territory or Urban Planning Act’.

3.2 The reform of golf course regulation (2003–2004)

In 2003, the government started to consider ways to mitigate golf course regulation as part of its effort to rationalise regulation aimed at stimulating tourism and the sports industry. The government abolished the regulation restricting the site areas for golf courses and ski resorts, and instead improved the regulation by expanding preserved land by 20 percent to 25 percent for nature conservation. This measure was aimed at keeping more Korean overseas golf tourists in the country by increasing the number of domestic golf courses, lifting the restrictions on site areas for accommodation at golf courses in response to family-level tourism demand, and utilising land rationally in the case of local golf course construction, through the ‘Act on Special Cases Concerning the Regulation of the Special Economic Zones for Specialized Regional Development’ (RRC, 2003).

Golf course regulation was selected as a strategic project by the RRC in 2004. The RRC designed the purpose and strategy for improving construction-related regulations in order to stimulate local economies by creating employment, and to construct environmentally-friendly golf courses by rationalising regulation and reducing the construction period and the costs. The government also implemented regulatory reform by dividing the work into four sectors: site/facility sector, licensing-procedure sector, regulatory transparency sector, and finance/taxation aid improvement sector (Lee et al., 2006).

With regard to the site/facility sector, a number of policy measures were implemented in terms of golf course construction/support within a large complex or a city, the removal of irrational restrictive regulations on golf course facilities, the improvement of areas and criteria for mountainous districts, the extension of construction areas to include vulnerable product-based or marginal farmland, and an extension into utilising seashore hill areas and idle landfills. For licensing procedures, the government paved the way for simplifying duplicate procedures, improving the environmental and traffic impact assessment system, minimising the number of required documents, and improving license-related One-Stop Services.

Regulatory transparency minimised the discretionary influence of public official by modifying the regulations that were not based on legislation and by reviewing the concerned legislation. The standard of advance environmental assessment was also legislated at the level of a lower statute, such as an enforcement ordinance or notification, in order for entrepreneurs to predict the requirements in advance. The finance/taxation support sector improved the operation of local tax, the special consumption tax, and the Sport Promotion Fund in order to mitigate the burden on entrepreneurs and users.

Through such regulatory reform, in the case of one newly constructed golf course it is estimated that private companies' net benefits would increase by about ₩3.7 billion in licensing procedures for the business plan, by about ₩16 million in simplified negotiating procedures with the concerned agencies, by about ₩24 million in the environmental impact assessment system, and by about ₩4.6 million in the adjusted size of the targets of the traffic impact assessment.

However, the government-led mitigation of golf course regulation tended to cause reckless construction of golf courses, thus bringing about disputes due to lack of public consensus in advance. First, the restricting regulations over farmland conversion areas and over mountainous areas in the gross area were mitigated or abolished. In so doing, however, the increase in golf course construction around inexpensive and easy-to-purchase mountainous areas led to forest destruction and even to the destruction of ecologically protected areas. Following regulatory reform in 2004, the change in forest conversion areas surged threefold in 2005 and then by 4.5 times in 2006 compared with 2004. Consequently, the construction of golf courses in mountainous areas caused considerable forest destruction.

Table 4. Changes in Forest Conversion Areas

(Unit: ㎡)

	2004	2005	2006	2007	June, 2008	Total
Area	3,290,000	10,060,000	14,850,000	14,600,000	8,790,000	51,590,000

Source: GKU, 2008.

Second, public consensus with regard to mitigating golf course construction regulations was insufficient. The government estimated that mitigating regulations would lead to direct economic effects amounting to ₩27 trillion, helping to alleviate the economic recession. Civil society, however, pointed out that structural reforms needed to address the fundamental causes of the economic recession—households' bad loans and a weak correlation between exports and domestic demand—and these should come first in the economic recovery. It also argued that economic revitalisation through golf course construction was likely to overheat the real estate business, causing adverse side effects and environmental pollution, outweighing the benefits of golf course construction (Kukminilbo, 2004). Whether or not in agricultural areas, some areas were proactive in soliciting golf course construction beneficial for local development (The Munhwa Ilbo, 2004), while other areas started movements to prevent construction (The Kyunghyang Shinmun, 2004).

3.3 Regulatory adjustment (after 2004)

The government made continuous efforts to address the problems caused by regulatory reform in 2003-04. To begin with, the government attempted to complement site regulations for golf courses by improving four impact assessment systems, establishing the Business Difficulties Resolution Center (BDRC), and evaluating the strategic projects on regulatory reform. Improving the four impact assessment systems led to well-written evaluation reports and reinforced the responsibility of assessment agents. The government also set up a standard model for the evaluation report by different business types—housing site, road, golf course, etc.—and distributed this to entrepreneurs to make a qualified impact assessment beyond a certain level.

Although golf course construction within water-supply source protection areas had been banned across the board, the BDRC revised the standard for golf course locations in order to approve construction, when pollution could be reduced by the environmental impact assessment. Thus, these measures brought about positive results in golf course construction, avoiding pasture sites located within water-supply source protection areas. In assessing strategic projects, golf course construction regulation was selected as one of the main strategic projects in the architectural/construction sector and subject to regulatory reform. As a result, the uniformly applied provisions, such as the size of the golf course, were abolished, and the process by which mayors or governors approved business licences was also omitted in order to speed up the administrative procedures (RRC, 2005).

In 2006, the main provisions, methods and issues in the case of advance environmental assessment were chosen through detailed evaluation of the newly established reinforcing regulations. The main provisions are supposed to consider geography, landscape, green belt, ecology, water quality conditions, and other local traits, and to complement the existing ‘Enforcement Decree of the IUSFA’ and ‘Regulations Related to Standards of Sites and Conservation of Environment for Golf Course’.

Table 5. Focusing Areas for Advance Environmental Assessment

Focusing Assessment Areas	Assessment Method and Details
Geographical Features and Landscape	Make an assessment whether excessive topographical changes would damage the landscape. Areas having a gradient of 25° (5m×5m), taking up more than 40 percent within the location where a golf course will be constructed. (Its suitability will be reviewed and decided according to the business traits, but it should also consider local preservation).
Green Belt and Ecology	Make an assessment on whether it includes areas indicating favourable ecological zoning. Areas with a good natural environment (e.g., areas with first-class ecological zoning in accordance with Article 34 of 'Natural Environment Conservation Act'). Areas where endangered wild animals and plants according to Article 2 of 'Wildlife Protection and Management Act' inhabit on a site where a golf course will be constructed. (Such an area makes it a rule to be exempted.)
Water Quality Condition	Reviewing whether an area has lost its environmental benefits because of damage to waterfront areas (e.g., streams and lakes) Areas that should be mainly assessed in golf course. Suitability should be assessed by considering pollutants caused by waste water and rainfall and of outflow water treatment measures. Areas within 300m of the full water level of an agricultural reservoir with available reservoir storage of more than 300,000㎥ Areas within 300m of a national or local stream. Local streams are limited to local first-class streams with asterisk 1 according to the Enforcement Decree Of The River Act of a Presidential Decree No. 20722). Areas within 300m of a waterfront boundary designated by Article 4 of the 'Act on the Improvement of Water Quality and Support for Residents of the Riverhead of the Han River System', the 'Act on Water Management and Residents Support in the Nakdong River Basin', the 'Act on Water Management and Resident Support in the Geum River Basin' and the 'Act on the Management of Water and Support of Residents in the Yeongsan and Seomjin River Basins'.
Other Local Characteristics, etc.	Reviewing the suitability of golf course location considering other significant environmental impacts in addition to No.1 or No.3, or other local traits.

Source: 'Regulations Related To the Prior Environment Reviewing Items and Methods of Golf Course Construction', 2006.

The provision for 'The Investigation on Used Amounts of Pesticide in Golf Courses and the Method to Inspect Pesticide Residue' was legislated. According to this provision, all golf courses in Korea should inspect and analyse the used amount of pesticides and pesticide residue twice a year, once in the first half and once in the second half of the year. The information provided has helped to prevent environmental pollution by golf courses to the surrounding land, groundwater and streams (Ministry of Environment (MOE) & National Institute of Environmental Research, 2015).

In 2008, the government improved regulations for locating and establishing golf courses by incorporating a process of regulatory improvement in the tourism/services sector, as well as the proposals for regulatory reform. In the process of regulatory improvement in the tourism/services sector, the government reinforced regulations on mountainous gradients in the environmental impact assessment by revising 'Regulations Related to the Main Prior Environment Impact Assessment's Review Items and Method' and 'Regulations Related to the Standard for Golf Courses and Environmental Preservation'. In so doing, the government abolished the total percentage of the securing forest site, as well as the total percentage of the golf course area in comparison with the forest area by province. The government also revised the 'Directive on Land Propriety Assessment' by gathering projects on regulatory reform. In so doing, the standards were mitigated and golf courses could be located within 300m-500m of the full water level of an agricultural reservoir.

3.4 The outcomes of regulatory reform (since 2010)

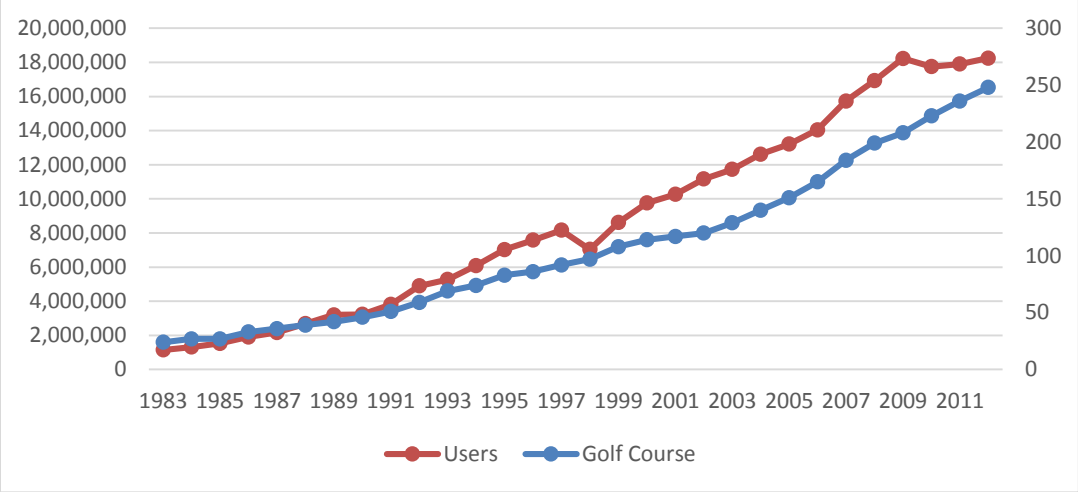
In general, regulatory reform of golf course regulations has been a success. The number of golf courses has increased, while the number of regulations concerning gold course sites has decreased. It can also be seen that environmental damage caused by golf courses has considerably reduced in accordance with the strengthening surveillance and supervision of environmental pollution.

The number of domestic golf courses has increased tenfold over the past three decades from 24 in 1983 to 248 in 2012. After the reform of golf course regulations was completed in 2003-04, golf course construction increased much faster than in the period prior to regulatory reform, as seen by the rate of 6 percent annual increase. Since demand for golf courses has still not been fully met, this may be the result of

facilitating private companies' autonomous entry due to the high rate of return of up to 30 percent (Kim and Kim, 2011). It could be therefore argued that the government's reform of site regulations has set the institutional foundations for balance within the golf market.

Figure 8. Changes in the Number of Golf Course Users

(Unit: people, place)



Source: Korea Golf Course Business Association.

Regulatory reform of golf course construction has worked by reducing the total number of relevant regulations. In 2004, the number of regulations related to golf course construction was 251, including the majority of regulations for sites and procedures, and 69 main regulations. Through the process of regulatory reform, the government began to improve the 46 remaining regulations: 13 on sites/locations, 11 on facilities/operations, 3 on taxation/financial aid, and 19 on simplifying licensing procedure. In 2007, about 96 percent of the regulations had been improved out of a total of 46 target regulations; 38 regulations had been completed, 6 regulations were in process, and the remaining two regulations had been carried forward for the longer-term period (Office for Government Policy Coordination (OGPC), 2007).

Table 6. Degree of Regulation Improvement by Sector

(Unit: case, %)

Sector	Number of Regulations Target	Rate of Improvement (Proceeding, Completed Regulation, Regulation Target)
Site Area Securing	13	92
Facility/Operation	11	100
Taxation/Fund Aid	3	66
Approval Procedure Simplification	19	100
Total	46	96

Source: Prime Minister's Office, 2007.

Clearly, consistent monitoring and surveillance of environmental pollution caused by golf course construction contributed to a reduction in the detection frequency of pesticide residue and reduced the number of cases where pesticides with high toxicity were used. In 2011, no pesticides were detected on golf courses in Gwangju (2), Kyeongsangbuk-do (44), Chuncheongnam-do (21), and Jeonranam-do (31), although they account for 24 percent of the total golf courses in Korea and 21.6 percent of the total use of pesticides. On a national scale, the use of pesticides with high toxicity has not been reported since 2006, and the inspection results on pesticide residue in each golf course have also shown clean results, with the exception of 2010 (Kim et al., 2014).

4. The Role of the Regulatory Management System

With regard to the regulations for golf courses in Korea, the wide variety of regulations, so-called 'bundled regulation', have had a complex impact on the construction and use of golf courses. Recognising problems with bundled regulation, the government significantly mitigated site regulations in the sectors of site/facility, licensing procedure, regulatory transparency, and finance/taxation aid through regulatory reform in 2004, resulting in a higher rate of golf course construction than prior to regulatory reform. However, while the government's uniformly implemented

regulatory reform facilitated golf course construction, even in mountainous areas due to inexpensive land prices, it also caused environmental damage in mountainous areas.

In order to deal with the problems caused by deregulation, the government gave shape to the provisions that should be considered in the case of constructing golf courses through the notification from the MOE. As a result, the process of reforming the government's regulation has changed into the regulation of the balance between the benefits to entrepreneurs and environmental protection.

As noted, the regulations for golf courses have constantly improved in Korea for the following reasons. First, the RMS designated a period of regulatory re-assessment to be implemented within five years, according to the FAAR, to ensure transparency and responsibility. Second, regulatory objectivity was ensured in the RIA by indicating existing objective research outcomes. Lastly, with wide participation by stakeholders, this served as a window to garner public opinion.

4.1 The obligation for a regulatory reassessment

The FAAR indicates a regulation's existing time limit and reassessment time limit to strengthen monitoring and reassessment over regulations. When establishing or strengthening regulations, the chief of a central administrative organ must set the regulation's existing time limit and re-assessment time limit, and then stipulate them in legislation. The regulation's existing time limit is supposed to be set at no more than five years.

Also, when it is necessary to extend the existing time limit or reassessment time limit, this must be approved in a preliminary review by the RRC. For instance, the provision of 'The Investigation on Used amounts of Pesticide in Golf Courses and the Method to Inspect Pesticide Residue' was revised in 2009, 2011, and 2014 following its legislation in 2006. Through the revising process, decisions on the use of pesticides became clearer, and the use of pesticides on golf courses could be more easily identified. Through the reassessment time limit, changes to the legislation can be considered by abolishing or revising articles within the designated period.

4.2 Ensuring objectivity through the Regulatory Impact Assessment

Amongst various regulations relating to golf courses, the 'Notice of Proposed Rulemaking on the Prior Environment Reviewing Methods of Golf Courses' stipulated that the area with a gradient of 20–30° should be less than 50 percent of the total area covered by the gold course construction. As the regulations was reinforced in 2006, the rate of the areas having gradients of 25° fell to below 30 percent, since constructing golf courses in mountainous areas not only damaged the environment but also threatened golf course safety. In this context, the government implemented the RIA on assumptions for the construction of a 991,735 m^2 sized golf course while reinforcing regulations at the same time.

The government estimated the value of business-planned sites through the Contingent Valuation Method (CVM) and calculated regulatory costs considering the rate immovable to advance environmental assessment from 2011 to 2014, and the annual golf course establishment plan. Given the overall costs and benefits, it was estimated that social net benefits would increase by about ₩6.6 billion. Thus, it could support the justification for the reinforced regulations through an objective analysis.

Table 7. Cost Benefit Analysis of Regulation

	Regulation Costs	Regulation Benefit	Social Benefits/Costs
Total Amount	₩51 billion/ 991,735 m^2	₩57.6 billion/ 991,735 m^2	₩6.6 billion/ 991,735 m^2
Basis of Calculation	Costs that are not constructed by evaluation standard	18 percent of the property value of the first-class land per *pyeong* with ecological naturalness	Regulatory cost benefit– Regulatory cost

Source: MOE, 2006.

4.3 Public consultation process for stakeholders

The process of public consultation on regulations was instrumental in increasing transparency and responsibility, and reaping positive results in terms of increased compliance by the regulatory target groups (Choi, 2011). Article 9 in FAAR stipulates the need for public consultation through various means when establishing or reinforcing regulations.

In the process of reforming golf course regulations, the government attempted to garner public opinion by setting up a joint private-public Regulatory Reform Task

Force (RRTF), established and operated by the BDRC. This collected public opinion through initiating public contests for people's proposals regarding regulatory reform. In the process of establishing the regulation prior to the notification of the advance environmental assessment of a golf course, opinions from the concerned departments (Ministry of Culture and Tourism, Ministry of Maritime Affairs and Fisheries), concerned stakeholders (golf industry, Korea Golf Course Business Association), and experts (architectural industry, Construction Association of Korea, Korea Institute of Policy Evaluation) were collected (MOE, 2006).

5. The Evolution of the Regulatory Management System

The basic principles of Korea's RMS were established in 1997 by FAAR. The issuance of regulations requires a legal basis and the most effective way is required to ensure objectivity, transparency and fairness in order to realise the purpose of the regulations. This principle has continued until now, and legislating/amending golf course regulations is also based on such principles. Nonetheless, regulatory reform has been continuously requested by society, either because complicated regulations have failed to fully reflect reality, or because regulations have had negative impacts on individual activities.

Golf course regulatory reform has been one of the most representative regulatory processes undertaken. As the demand for golf increased, so the need for more golf courses grew, and the government attempted to carry out regulatory reform in accordance with social demand. However, due to environmental destruction caused by golf course construction, the government had to find a balance during the process of legislating/amending the relevant regulations. Despite the considerable time and costs incurred in the process of legislating/amending site regulations in the early 2000s, Korea's current regulatory reform is being implemented in a more effective way than in the past.

In light of the regulatory policy cycle, regulatory objectivity and transparency have been achieved by a wide range of impact assessments aimed at legislating or amending regulations. This also helps in better understanding of bundled regulation through a regulatory map, while also considering international agreements and

regulatory levels in relation to other countries. In terms of policy support, the government has attempted to ensure regulatory compliance by varying the windows used to collect people's opinions and proactively participating in advertising major policies. With regard to the regulatory agency's monitoring and surveillance, a legal amendment procedure is in progress to strengthen the status of the RRC, which handles domestic regulations.

5.1 Regulatory policy cycle

In light of the regulatory policy cycle, the reform of golf course regulations in 2003 has evolved into a far more objective and transparent regulatory policy. It has implemented various types of RIA that directly impact on the improvement of golf course regulations, and has continuously improved legislating/amending regulations to reflect international agreements, such as the WTO and FTA, through a regulatory map to promote easier recognition of bundled regulation.

First, in dealing with a certain regulation, the Korean government makes an in-depth evaluation from various perspectives based on RIA, the Technology-Regulation Impact Assessment, the Small-Business Impact Assessment, and the Competitive Impact Assessment. Also, the government attempts to conduct a more professional RIA by implementing a RIA on detailed parts of technology regulation, small business, and fair competition. Such a RIA ensures specialty by establishing and operating the 'Technical Regulatory Reform Task Force', the 'Small and Medium-Sized Enterprise Regulatory Reform Task Force', and the 'Fair Competition Regulatory Reform Task Force' in accordance not only with the ministry responsible for regulations but also with each regulatory sector.2

Second, complementing the existing regulation regulatory registration system, the government has created a regulatory map in an attempt to help the regulatory target group to better understand bundled regulation consisting of complicated procedures. The main function of a regulatory map is to easily recognise the whole regulatory process by schematising the regulatory system, process and relevant documents with regard to a certain sector. After total inspection of the relevant regulations and

[2] 'Regulations Related to Establishment and Operation for Regulatory Reform Task Force for Fie ld-Based Regulatory Reform Operation'.

regulation categorising, the final draft is completed through a process of mutual relationship analysis, flow charts and diagramming. This process reduces regulatory costs by helping the regulatory target group with its understanding of the regulatory procedures and also providing an opportunity to assess whether there are duplicate or unnecessary regulations (RRC, 2007).

Third, Korea has established and amended regulations in consideration of WTO and FTA agreements in order to correspond to global standards. The aim of WTO and FTA agreements is to minimise unnecessary trade barriers in pursuit of free trade amongst member states. Barriers should not be added in legislated or amended regulations unless this is absolutely necessary, such as issues relating to the environment, security and public health. For these reasons, the government has attempted to comply with the agreements by adding the process to assess whether regulations, legislated or amended in the process of the RIA, impede free trade. This is another way of ensuring regulatory transparency, as it helps other member states to better understand the domestic regulatory status and prevents discriminatory treatment.

5.2 Supporting policy practices

In accordance with the development of data communication technology, the practice of supporting government policies has expanded gradually. Public consultations vary and PR via SNS has narrowed the distance between the government and the people. First, the windows for garnering public opinion have become more diverse. In 2003, the government set up the joint private-public RRTF, established and operated by the BDRC, in an attempt to garner public opinion by initiating public contests for people's proposals regarding regulatory reform.

In 2014, the government communicated with people through various channels: interview websites (Regulatory Reform Sinmungo in Regulatory Information Portal), ministries' official websites, SNS, etc. People's opinions concerning regulatory reform, proposed in Regulatory Reform Sinmungo, are transferred to the regulation-related department, where it is decided whether or not to accept them. Clarifying the process increases transparency and people's satisfaction. As of February 2015, the number of opinions registered in Regulatory Reform Sinmungo totaled 22,732; 9,942 opinions were replied to and 269 opinions were under review/discussion.

The government also conveys policy information via mobile messenger programmes such as Kakao Talk and MyPeople. Since individual users choose whether to receive the information or not, this information carries a greater power of delivery compare with newspapers or the mass media, which target unspecified individuals. Using SNS, Twitter and Facebook as the main means of communicating with people has paved the way for providing prompt feedback regarding government policies and increasing policy advertising.

5.3 Supporting Institutions

In 2014, 'the Legislative Bill of Regulatory Reform Act' was proposed in the National Assembly of the Republic of Korea. Although FAAR had been gradually revising the legislative bill, this was proposed on account of its failure to reflect the changing regulatory environment (Kim, 2014). The proposal included ways to legislate 'Cost-In, Cost-Out' and to strengthen the functions of the RRC.

Since being established in 1998, the RRC has carried out reviews and mediation of regulatory policies, as well as the evaluation and organisation of regulation (OGPC, 2015). Prior to investment, the government attempted to authorise the RRC to promote reform more effectively with powers of inspection of duties and submission of opinions for institutional improvements over the President, national Assembly, and local governments through the Special Act on Regulatory Reform (Moon, 2014).

6. Conclusion

The government's regulatory reform can be initiated for several reasons. In some cases it reflects requests from people who feel inconvenienced in their economic and social activities by a certain regulatory policy on one hand, or to transform the existing regulatory system for more successful implementation of a certain policy on the other hand. It seems that the regulatory reform over golf course regulation was initiated by a combination of the two, as mentioned above. In other words, demand from golf courses increased significantly in line with the rising popularity of golf, and so the government mitigated golf course regulations based on its policy objectives of stimulating the economy and reducing the number of Korean golfers becoming

overseas golf tourists. Despite this, regulatory reform focused only on revitalising golf and created other problems.

As burdensome site regulations were mitigated, many entrepreneurs seized the opportunity to construct golf courses, helping to achieve the policy objectives of increasing the number of golf courses and users. However, some golf courses that were constructed in mountainous areas with the aim of purchasing cheaper land have caused widespread environmental damage, while agricultural pesticides used to protect grass on golf courses have caused environmental pollution in neighbouring areas. In an attempt to address such side effects, the government suggested regulatory improvements in the form of existing regulatory reform.

Due to regulatory reform aimed at preventing reckless environmental damage, the regulations were improved in a far more objective and scientific way than would have been possible under previous regulatory reform. Compared with regulatory reform initiated in 2004, the government's regulatory improvements tended to reinforce existing regulations. In aiming to increase the number of golf courses and users, however, the Golf Promotion Policy contributed not only to achieving this policy objective, but also to reducing environmental damage and pollution through regulatory improvements.

The success of regulatory reform in Korea lies in having regular periods for regulatory assessments within the RMS, in predicting more objective and rational regulatory impacts via the RIA, and finally in ensuring regulatory compliance, as well as transparency, by gathering the opinions of concerned experts and stakeholders. The current RMS has been strengthened with more specialisation than the RMS of 2003, and improved in such a way as to establish more transparent procedures.

The regulatory policy cycle system has adopted guidelines for the RIA on the basis it being subdivided by professional fields, laying out procedures for bundled regulation using a regulatory map, and international agreements. Policy support has raised effectiveness of policy advertising by garnering public opinion in various ways and utilising SNS for proactive communication with stakeholders. It should be also noted that strengthening the RRC would pave the way for far more effective regulatory reform.

Through a public consultation process with various groups, the RMS has contributed towards decreased uncertainties caused by regulatory enforcement, reduced social costs, and promoted regulatory compliance of the regulatory target groups. It thus appears that continual development of the RMS is the best way forward for successful regulatory reform in reflecting social requirements and changes in the political environment.

In the following section, we explore the reform of opening hours of food services businesses. This case illustrates the central role of the RMS in initiating and institutionalising reform and in harmonising political leadership and public backing in support of reform coherence and performance. This case study illustrates the successful encouragement of market competition and civilian autonomy.

Section 3: The Case of the Reform of Opening Hours of Food Services Businesses in Korea#

1. Introduction: Reform of Opening Hours of Food Services Businesses

Before the regulatory reform of 1998, food-services businesses were required to obtain permits from government authorities with details concerning the condition of premises, the facilities, the number of employees, and sanitation, etc. The procedural period required to obtain the permit took considerable time, coupled with the need by the authorities to confirm whether the business ensured adequate standards in the facilities or not. Failure to maintain adequate standards resulted in complaints to the authorities. Serious complaints were also made after the issuance of permits, as the businesses were under strict regulation by local government officials and the police in order to protect social safety and juveniles against the abuse of alcohol and violent crime. Opening hours were restricted to midnight, with those breaking the rules facing severe penalties in most metropolitan cities, with the exception of Jeju Island and sea-port cities (RRC, 1999). In detail, the opening hours of food services businesses were restricted by metropolitan mayors/provincial (Do) governors based on regional circumstances, as shown in Table 8.

Table 8. Restrictions on Opening Hours by Region

Open hour	Region
Until 24:00	Seoul, Daegu, Guangju, etc. 11 City/Do
Until 02:00	Busan, Incheon, etc. 4 City/Do
No limitation	Jeju(Special area for tourism)

Source: White Paper on Regulatory Reform, 1999

#This section is authored by DaeYong Choi.

Food services businesses are categorised as follows:

- Rest restaurant businesses: Cooking and selling of mainly tea, ice cream, etc., or cooking and selling of food in fast-food stores or snack bars, where alcoholic drinking is not allowed;
- General restaurant business: Cooking and selling of food, where alcoholic drinking is allowed;
- Karaoke bar business: Cooking and selling of mainly alcoholic beverages, where customers are allowed to sing; and
- Entertainment bar business: Cooking and selling of mainly alcoholic beverages, where workers engaged in entertainment may be employed, or entertainment facilities may be established, and customers are allowed to sing or dance.

The Regulatory Reform Committee (RRC), which was established in April 1998, launched far-reaching reform of the existing regulations by setting reform guidelines abolishing anti-competitive regulations and encouraging civilian autonomy. According to these reform guidelines, ministries undertook regulatory clearance plans on existing regulations. At the same time, the RRC directly tackled policy regulations that were normally regarded as being in the hands of administrative bureaucrats. The regulation of opening hours of food services businesses was amongst these regulations.

The emphasis of the RRC reform was on encouraging business activities based on market competition and civilian autonomy. The aim was to transition towards demand-oriented regulation instead of supply-oriented regulation. Many restaurant owners complained about the strict enforcement of regulations and police raids, which gave rise to the need to bribe enforcing officials. Differences in opening hours by region were also regarded as unfair (RRC, 1999). The restriction on the opening hours of restaurants up to midnight in metropolitan cities caused inconvenience to people, particularly night-workers and tourists. Fairness was also an issue due to the differences in opening hour restrictions between different tourist zones, tourist hotels and City/Do industries. Excessive police and administrative enforcement was used to regulate opening hours. The RRC announced the start of regulatory reform of food services businesses by abolishing the restrictions on opening hours in May 1998.

Although there were strong opposition and resistance against the reform, it was made to abolish restrictions and change the licensing system for food service businesses from a strict permit system to a more flexible report system.

2. Impetus for the Change of Opening Hours of Food Services Businesses

The RRC played a vital role in reforming business rules and regulations that restricted or hindered economic activities and civilian autonomy. Out-dated and excessive regulations were eliminated under the regulatory reform programme. Food services businesses welcomed the reform scheme to abolish restrictions on opening hours, as they were able to boost their profits by extending their opening hours. Local governments also welcomed the reform scheme because it removed the need to undertake troublesome work to impose the previous regulations and also eliminated a source of corruption for enforcing officials.

However, civic organisations such as women's organisation, religious organisations and consumer groups claimed that the restrictions on opening hours of food services businesses was necessary and should not be liberalised because of possible social harm and damage. They were especially concerned about the liberalisation of entertainment bars' opening hours. They insisted that liberalisation of entertainment bars' opening hours would lead to a surge in the number of bars and this in turn would lead to rampant over-consumption of alcohol and a detrimental environment for youth.

Initially, while criticism against the RRC's scheme mounted, the President passively supported the RRC by remaining silent on the issue. The debate was fuelled by media attention and the proposed reform scheme became the subject of heated and emotional exchanges. Reactions to the reform scheme from women's, consumer and environmental groups were highly emotional, as the move was deemed to lead to a decay of social health and moral virtues. These groups argued that if restrictions were abolished, men would drink all night and eventually juvenile delinquency would follow.

Despite fierce opposition, the RRC continued to push forward with the reform and tried to persuade opposition groups by increasing public awareness. The RRC and the government actively and continuously briefed the public on the rationale behind the reform and its positive effects, and consistently entered into dialogue with opposing groups. After two months of public consultations, an agreement was reached and the reform proposal was endorsed by opposition groups. These opposition groups accepted complementary action to strengthen social protection from the detrimental effects of additional entertainment bars.

Given the concerns of opposition groups over entertainment bars, the RRC arranged supplementary measures to strengthen juvenile protection. Civic organisations argued that the RRC's stance was based on a strongly pro-business approach and that there should be representatives from civic groups in the RRC to ensure social safety and consumer protection. As a result, the RRC agreed to invite representatives of civic groups as members.

Open dialogue and discussions in public hearings, continuous persuasion by the RRC and its step-by-step approach to deregulation, ultimately led to a lifting of the restrictions on opening hours of food services businesses. The opening hours of Rest and General Restaurants was liberalised from 15 September 1998, and those of Karaoke and Entertainment Bars from 1 March 1999. General deregulation for start-ups in the food services businesses was switched from a strict permit system to a more flexible report system. In addition, the processing period of the licensing system was reduced from 3 to 5 days, to an immediate permit on receipt of an application, and *ex post* if official confirmation was needed. The results of the reform are summarised in Table 9.

Table 9. Reform of Opening Hour Restrictions of Food Services Businesses

Element	Before 1998	What changed
Restriction on the open hours	· Until 24:00 in Seoul, Daegu, etc. 11 City /Do · Until 02:00 in Busan, Incheon, etc. 4 City/Do · No Limitation in Jeju	· No restriction on rest and general restaurants from September 1998 · No restriction on karaoke and entertainment bars from March 1999
Spot raids by enforcing officials and police	· Strict enforcement and penalty	· No spot raids by officials on the opening hours according to the above periods
Start-up restaurant	· Strict *ex ante* permit system with confirmation by local authorities	· Report system with *ex post* complement by confirmation from November 1999
Processing period	· Three to five days	· Immediate permit from November 1999

Source: White Paper on Regulatory Reform, 1999.

Three forces came together to create the impetus for reform of opening hour restrictions of food services businesses.

- External pressure for reform triggered by the Asian financial crisis of 1997;
- An institutional framework for regulatory reform was in place; and
- Internal organisational dynamics that created pressure for reform.

2.1 External pressure for reform (the Asian financial crisis of 1997)

The Asian financial crisis of 1997 provided a strong motive for undertaking reform of the existing regulations in order to overcome the crisis. It triggered the radical reform of the whole of regulatory system, with the government intervening in the private sector to encourage greater market competition and civilian autonomy. This general consensus between the government and the general public for strong reform was possible in the context of wanting to overcome the impact of the economic crisis.

2.2 Institutional arrangements for regulatory reform were prepared before the crisis

Korea started to conduct administrative reform and deregulation in the 1980s in order to address demand for reform arising from a government-led development strategy. The reforms undertaken suffered from some limitations, such as a weak legal basis for institutional arrangements and longer-term sustainability, such as its ad hoc basis, temporary basis, or advisory role. Through this reform experience, the government enacted the FAAR in 1997 to provide a systematically sound and sustainable legal basis for regulatory reform. The major contents of the FAAR are as follows:

- establishing the RRC as a central reform driver and oversight body with a majority of civilian members, led by a co-chairmanship between the Prime Minister and a civilian co-chair;
- introducing regulatory managerial tools, such as regulatory reviews, regulatory impact analysis, registration and publication, etc.; and
- monitoring and evaluating the impacts of regulatory reform work.

Although enacted in 1997, enforcement of the FAAR only took place from 1998 onwards.

2.3 Internal organisational dynamics that created pressure for reform

In April 1998, the government established the RRC and launched drastic regulatory reform based on the FAAR to overcome the impact of the economic crisis. The RRC set the reform guidelines for existing regulations and announced some critical reform agendas, such as abolishing restrictions of the opening hours of food services businesses to encourage market competition and civilian autonomy. Each ministry was required to submit its draft reform plan to the RRC, which was then reviewed and the reform objectives agreed upon.

Regarding the reform of opening hour restrictions, the relevant ministries and agencies were not in opposition. The internal interactions and coordination between the RRC and the ministries and agencies were well managed in accordance with the policy process. However, civic organisations did oppose the reform and strong resisted the reform agenda, citing the need to protect social values and juveniles. The RRC, the

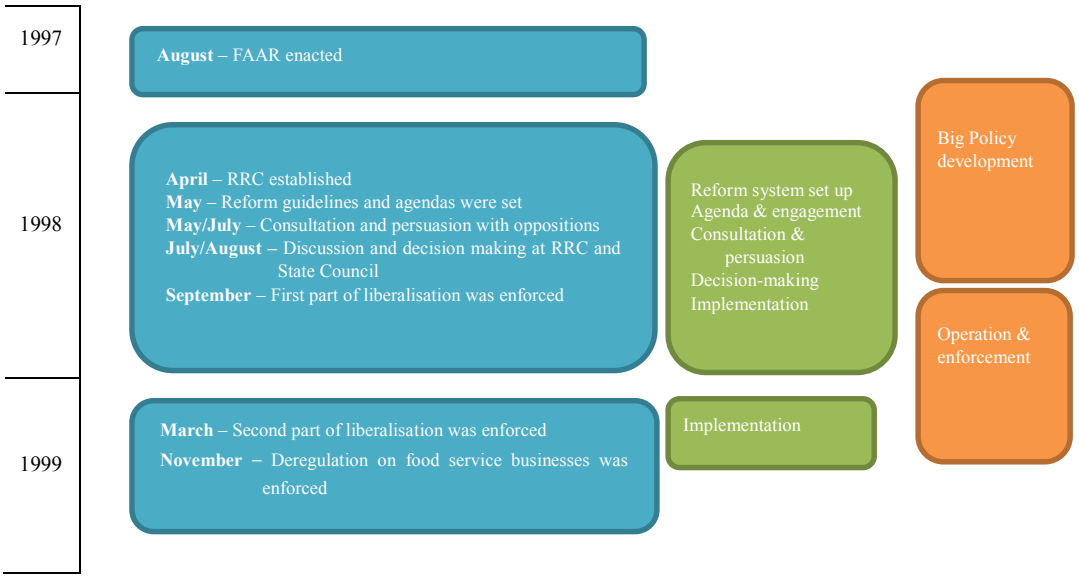
Prime Minister's Office and government ministries held public consultations and raised levels of awareness of the reform and continued to hold dialogue with groups opposed to the reform. As a result, continuous persuasion by the RRC and its step-by-step approach to deregulation ultimately led to the removal of restrictions on opening hours of food services businesses. Opening hours of food services businesses were liberalised in a step-by-step approach from September 1998. The Ministry of Welfare in charge of implementing the restriction took action by revising the relevant decrees.

3. The Sequence of Events

The reform measures proceeded in eight phases in sequence:

- establishing the RRC in April 1998;
- giving reform guidelines by the RRC to ministries in May 1998;
- announcing the reform initiative on opening hour restrictions by the RRC in May 1998;
- conducting public consultations and raising awareness by the RRC with relevant agencies and opposition groups, from May to July 1998;
- conducting discussions for decision-making at RRC meetings, with the Ministry of Welfare proposing to change the permit system for food services businesses to a report system between August to September 1998;
- taking the policy process for implementation to the State Council meeting in September 1998;
- enforcing no restrictions of opening hours on Rest and General Restaurants by revising the Ministerial Notification in September 1998;
- enforcing no restrictions of opening hours on karaoke and entertainment bars by revising the Ministerial Decree in March 1999; and
- enforcing a report system of food services businesses by revising the Presidential Decree in November 1999.

Figure 9. Timeline for the Reform of Opening Hours



3.1 Institution building and the reform drive (late 1997–April 1998)

The FAAR was enacted to provide legislative authority for stable regulatory reform in August 1997, which resulted from accumulated reform experience and lessons learnt arising from the limitations of temporary and advisory reform. The FAAR firmly guaranteed the private sector's involvement and civilian majority rule in comprising the RRC as a reform driver. Coincidently, the institutional arrangements were coming into force at the critical time of the Asian financial crisis, which provided a strong motive for later enforcement to overcome the impact of the subsequent economic crisis in 1998.

The first step was to set up the RRC composed of a majority of civilian members and government ministers, co-chaired by the Prime Minister and a civilian. The RRC played a central role in leading the reform drive by setting reform guidelines and agendas. The core principle was to encourage market competition and civilian autonomy by clearing away existing regulations. The RRC took the initiative of reforming opening hour restrictions on food services businesses by launching its regulatory reform in May 1998. The reform agenda was raised on the grounds that opening hour restrictions restrained business activities in the private sector to an excessive degree relative to the standards of a market economy and general behaviour.

Complaints from such businesses had already been expressed because of the inconvenience to customers and unfairness between regions.

3.2 Public consultation and decision-making (May 1998–September 1998)

The reform plan was welcomed by both relevant businesses and local governments, with the latter no longer required to undertake site raids and impose penalties. However, civic groups such as women's organisations, religious organisations and consumer groups, claimed that the restrictions on opening hours of food services businesses were necessary to minimise social harm and damage. These groups were especially concerned about the liberalisation of the opening hours of entertainment bars. They insisted that liberalisation of the opening hours of entertainment bars would increase the number of bars and lead to rampant over-consumption of alcohol, and create a detrimental environment for youth.

Despite fierce opposition, the RRC together with relevant ministries and agencies continued to push ahead with the reform and tried to persuade opposition groups by increasing public awareness of the reform. The RRC and the government continuously briefed the public on the rationale and positive impacts of the reform and held dialogues with opposition groups in order to reach an understanding. Finally, after two months of public consultations an agreement was reached and the reform proposal was endorsed by opposition groups, which accepted complementary action to strengthen social protection from entertainment bars.

Once the public consultations had succeeded in reaching agreement with opposing groups, formal discussions and a decision-making process quickly followed in the policy process. The Ministry of Public Health & Welfare drafted a reform plan to clear away existing regulations. The draft was finalised at the RRC and then it was moved to the vice ministers' meeting and the State Council meeting, composed of cabinet ministers for a formal decision taken by the executive. The relevant ministry took the required action to follow through the policy process, including the revision of laws for implementation, such as the reform of the licensing system for food services businesses into a report system with reducing administrative formalities.

3.3 Policy implementation and enforcement (September 1998–November 1999)

The implementation of liberalised opening hours of food services businesses was made step-by-step according to the strength of social values, beginning with Rest and General Restaurants and moving on to karaoke and entertainment bars. To protect social values, especially juveniles, complimentary action such as police patrolling and monitoring, and preventative activities against urban crime and violations, were significantly reinforced by the relevant agencies. This rapid decision-making and implementation process was possible because there was reform consensus between the government and the private sector to overcome the impact of the economic crisis through radical action through regulatory reform. Harmonisation between strong reform leadership and public support made it possible to take prompt and dramatic action in the central management of regulatory reform, implying that the reform work was well supported by administrative implementation and coordination, both horizontally and vertically.

4. The Role of the Regulatory Management System

The RMS was set up with the implementation of the FAAR in 1998, together with the establishment of the RRC. The reform of opening hour restrictions was one example of the abolition of existing regulations under the RRC's initiative to encourage increased market competition and civilian autonomy. The RRC played a central role in pushing ministries to cut existing regulations by half. This reform work involved a major policy to review the entire regime of regulations, including the revision of related and subordinate rules. While the lifting of opening hour restrictions on food services was done by revising decrees, the reform work was part of a major policy to change the entire regulatory regime.

The RRC, as the core part of the RMS, took a central role in reforming the opening hours of food services businesses, together with handling opposition groups. This essentially moved into the stage of public consultations and communication in support of the reform initiative. The RRC and the PMO were heavily involved in coordinating

and persuading opposition groups, including awareness amongst the broader general public.

The RMS provided a strong platform to enhance accountability and transparency in changing regulations, as showed in this case study. The RRC endorsed accountability and transparency by setting the reform guidelines and proposals to regulatory agencies. The first response of the regulatory agencies to the liberalisation of opening hour restrictions was one of reluctance because of civic groups' opposition and a reduction in regulatory influence. However, the RRC took pre-emptive action to set the reform guidelines and announce the reform plan to the public, making the reform both accountable and transparent. This emboldened both those inside and outside government with a stronger sense of zeal in dealing with opposition to the reform.

The case of reform of opening hour restrictions highlighted the positive role of the RMS in having an impact on the policy cycle, policy practices and the promotion of increased market competition and civilian autonomy from the viewpoint of the private sector. This was achieved by using normative logic, as opposed to a more analytical approach based on CBO in the initial stages of establishing the RMS. The RMS was meant to reform regulatory policy and implementation, both institutionally and substantively, reflecting the fact that there was a pathway from administrative reform to regulatory reform in Korea.

The institutional arrangements for the RMS were designed to facilitate regulatory reform linked to the policy process. In other words, if there were no RMS, such reform would not occur. Or if a reform was made, it would take far longer to reach agreement between the government, stakeholders and civic groups.

- Conducting drastic reform on existing regulations coupled with crisis management;
- Institutionalising regulatory reform with public-private partnerships in a civilian majority composition;
- Launching regulatory reform systematically and comprehensively; and
- Harmonising political leadership with public support to achieve reform coherence and performance.

The results of reform were estimated in various ways. One factor was the effect of deregulation on the market, as seen in Table 10. The total number of food services businesses and their rate of increase from 1997 to 2000 is shown in Table 10. In addition, the wide variety of restaurants and branded coffee shops in Seoul has only occurred since the liberalisation of the industry in recent years, and can be seen as one of the fruits of regulatory reform.

Table 10. Change of the Number of Food Services Businesses in the Republic of Korea

Year	1997	1998	1999	2000
No of Food Business (Increase rate %)	550,526	543,030 (-1.4)	564,686 (4.0)	570, 576 (1.0)

Source: Korean Statistical Information Service (www. kosis.kr/statistics).

5. What Difference Could an Enhanced RMS Have Made?

With respect to the reform of opening hours, the RMS played a central role not just in initiating policy change but also in supporting policy practices and the reform process. Although there was no CBA, the reform was supportive in advocating increased market competition and civilian autonomy. By linking the RMS with the Prime Minister as co-chair, and served by the PMO, it could play an oversight role of ministries in conducting regulatory reform. It could also support policy development in the process of drafting reform proposals, consultations, discussions and coordination for decision-making at State Council meetings.

In terms of the hypothetical question: “What role could an enhanced RMS have played in the case of opening hours regulation?”, if the case had been subject to the current RMS, would the outcome have been very different? It is necessary to consider which elements of the problem were foreseeable in advance and which were not. Korea has also introduced measures targeted at improving regulatory policy development and strengthening its institutions to make its regulatory system more effective in line with other OECD countries. The key components are as follows:

- a quality policy cycle;
- supporting policy practices (such as consultation); and

- capable oversight institutions.

5.1 The regulatory policy cycle

There are two important managerial tools to apply to this case: the role of the RIA in the review of new regulations; and the role of stock management to keep regulatory regimes under review. Regarding the RIA, this seems to have an important impact in identifying the costs and benefits of reform proposals. Subsequently, discussions concerning reform options can be based on coherent issues between stakeholders and the RRC. The same effect also applies to stock management of regulations by the RMS in checking the flow and stock of regulations in order to reduce regulatory burdens and costs in general.

5.2 Supporting practices

Policy development for regulatory management includes supporting policy practices as follows:

- consultation;
- communication and engagement;
- accountability and transparency; and
- learning.

The liberalisation of opening hours was aimed at encouraging greater market competition and civilian autonomy in response to demand from the food services sector concerning strict administrative controls and frequent intervention. This demand for reform from a regulated sector would be easily channelled under the current RMS. However, the case of reform in 1998 was initiated because of a strong administrative influence at that time. The RRC set the reform guidelines and pushed the regulatory agencies to reform. In line with this policy orientation, the RRC and the PMO were directly involved in consultations, communication and engagement, while shouldering accountability for the feasibility of the reform.

The case of opening hours included challenging issues, such as handling the opposition of civic groups intermingled with the discussion of social values. Government agencies superior to the regulatory agencies played a critical role in dealing with these opposition groups. A more focused approach would be to make

reform possible under the auspices of political leadership. Administrative implementation capacity could be better engaged in reform efforts and help to deal with obstacles to reform at the critical time. Without the imperatives driven by the economic crisis at that time, this approach to reform would not have been workable. In other words, it would not necessarily be possible under the current RMS because of the interest group politics that prevail. If there is serious rivalry and confrontation between interest groups, then the reform agenda could be in stalemate. An enhanced RMS would provide a sound basis for consultation, transparency and accountability between stakeholders, including regulators. There is still a gap in applying RIA to existing regulations, which is required in reviewing new regulations or strengthening existing regulations.

5.3 Oversight Institutions

Korea has sound institutional arrangements in which the RRC and the PMO monitor and evaluate regulatory matters through the functions of regulatory review and registration. All central agencies follow the compulsory review process in making or changing regulations. The PMO, in administrative terms, plays a central role in leading ministries' regulatory management by monitoring and evaluating performance, with the RRC served by the PMO. The PMO's oversight role on regulatory management is combined with its function of policy evaluation over central ministries. On regulatory management, central ministries are closely linked with the RRC and the PMO. Local governments have their own jurisdiction over regulatory management, although regulations relating to delegated affairs are under the management of central line ministries. Local governments are encouraged to adopt the RMS in line with the central government and their performance is evaluated by the Ministry of Government Administration and Home Affairs. While this oversight institution works well with the executive branch, closer cooperation on the RMS with the legislative branch is called for.

6. Conclusion

The case of the reform of opening hours was the product of regulatory reform to abolish existing regulations aimed at encouraging increased market competition and civilian autonomy. The Asian financial crisis of 1997 and the subsequent economic crisis triggered regulatory reform, the use of which had been prepared in advance by enacting the FAAR setting up the institutional framework. This simultaneously established the RMS with the enactment of the FAAR in 1998. The RRC, as a core component of the RMS, played a central role in conducting regulatory reform by setting guidelines for the review of ministries' reform plans. The RRC proposed the reform on opening hours of food services businesses, was directly involved in dealing with opposition groups, and completed the reform through to implementation. It enhanced reform performance by switching from a strict permit system for food services businesses to a more flexible report system. The RMS contributed to establishing regulatory reviews, the RIA, a regulatory register and publication of regulations, although no RIA was applied to the reform of opening hours, as the initial stages of regulatory reform focused on abolishing unnecessary and obsolete regulations.

Table 11. Policy Cycle Elements of the Case Study on the Reform of Opening Hours of Food Services Businesses

Policy Cycle Elements	National RMS tool	Significance of Impact	Where could a requisite system have made a difference?
Main Policy	Reform on existing regulations	Very significant	Regulatory Reform Committee (RRC)
Minor and legal policy	Revising decrees	Very significant	
Decision-making support	RRC	Very significant reform – hard work for persuading the opposing groups	
Change implementation	Revising decrees	Very significant	
Administration and		Very significant – change of enforcement	

enforcement			
Monitoring & review	Stock Stewardship	No significance – allowing the autonomy by deregulation	
Supporting policy practices			
Consultation communication & engagement	RRC & PMO	Very significant – wide ranging consultation and engagement	Prime Minister's Office (PMO)
Learning		Significant – lack of on the ground learning	
Accountability & transparency	Public law	Significant – strong accountability and transparency requirements in place	
Supporting Institutions			
Regulatory policy principles	Principles and policy in place	Very Significant – mood of the times was for regulatory reform	
Lead institution	RRC, PMO & MHW	Very significant – RRC played a leading role	Ministry of Health and Welfare (MHW)
Coordinating institutions & training providers	RRC, PMO & MHW	Very significant – RRC played a coordinating role	

Summary Comment

Since the economic crisis of the late 1990s, the Government of the Republic of Korea has sought to strengthen the RMS in order to improve the quality of regulation and reduce unnecessary regulatory burdens. This paper has explored the evolution of Korea's regulation as the RMS has sought to eliminate outmoded and excessive regulations and establish a comprehensive and systematic mechanism to effectively review and manage new regulations.

Section 1 of this paper explored the evolution of regulatory reform and the coherence of the RMS in Korea. This section outlined a range of government initiatives that sought to increase coherence and efficiency. The authors found that: the government successfully strengthened policy focus and garnered public support; the central administration was better at registering regulation than local administrations, making regulatory reform incomplete and inefficient at a local level; and the massive deregulation responded effectively to the economic crisis within a relatively short time period.

Section 2 examined how this system was applied to the reform of golf course regulation. This case illustrated that iterative reform responded effectively to both the original policy problem and the unintended consequences of policy responses. In this case, golf course regulation was responsive to environmental needs, as well as industry demands and the government's attempt to transform existing policy.

Section 3 considered the reform of the opening hours of food services businesses. This reform sought to abolish the restrictions on opening hours of these businesses and move from a strict permit system to a report system for licensing. This case illustrates the central role of the RMS in initiating and institutionalising reform and harmonising political leadership and public support to sustain reform coherence and performance. This case shows successful encouragement of market competition and civilian autonomy, as demonstrated by the increase in the total number of businesses in the post-crisis period from 1997 to 2000.

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