

Regulatory Trends for E-commerce Platforms in South Korea

The rapid expansion of Chinese e-commerce platforms into South Korea has sparked concerns about consumer protection, and discussions on regulatory measures are intensifying, as highlighted at a forum hosted by National Assembly member Kang Min-guk of the People Power Party on October 7, 2024, titled "Consumer Harm and Prospects Following the Entry of Chinese Platforms into the Domestic Market."

1. Recent Trends in the E-commerce Market in South Korea

Prominent Chinese e-commerce platforms have gained significant traction in South Korea¹⁾, ranking among the top e-commerce platforms as of 2024. However, while offering consumers access to low-cost products and increased choices, this growth has been accompanied by a significant surge in consumer complaints.

This trend has led to the increase in regulatory scrutiny over the operation of global or foreign e-commerce platforms. Foreign operators targeting South Koreans market should closely monitor these discussions and movements, and prepare for stricter regulations and increased scrutiny in consumer protection, product safety, and data privacy compliance.

2. Key Issues for Global E-commerce Platforms

a. Consumer Rights Protection

- **Delivery and Contractual Breaches:** Delayed deliveries, incorrect shipments, and missing items.

Related Areas

E-Commerce

Consumer Protection

Data Privacy

Big Data &
Artificial Intelligence

IP & Technology

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1) Compared to the global e-commerce market's annual growth rate of 14.6%, the top three Chinese e-commerce companies have grown annually by 41%.

- **Refund Challenges:** Difficulty in obtaining refunds, often due to arbitrary denials.
- **Quality Concerns:** Defective products, counterfeit, and damaged products.
- **Inadequate Customer Support:** Customer support systems often have poorly designed interfaces that make it difficult to find essential options and are frequently limited to outbound emails, complicating the process for consumers to lodge complaints or resolve issues.
- **Use of Dark Patterns:** Tactics like staggered price disclosure and pre-selected options leading to consumer confusion.

b. Consumer Safety Concerns

- **Undermining Domestic Safety Regulations:** Growing concern exist that products sold through these platforms may bypass South Korean safety regulations, potentially including items recalled abroad, thus posing safety risks to consumers.

c. Personal Information Protection

- **Broad Consent Collection:** Chinese law permits platforms to collect personal information without clearly specifying the type, purpose, or processing methods, leading to overuse of broad consent by Chinese e-commerce platforms.
- **Erosion of Consent Rights:** While Chinese law mandates prior notification for processing personal information, platforms often rely on indirect notification methods such as privacy policies, or may omit this obligation under certain legal or administrative conditions, potentially eroding the rights of data subjects.
- **Potential Government Access to Personal Information:** Under Chinese law, personal information collected outside China may be accessed by the Chinese government without notifying the affected data subjects.

3. Recent Regulatory Trends

a. Amendment to the E-commerce Act

The National Assembly, on January 25, 2024, passed an amendment to the Act on the Protection of Consumers in Electronic Commerce (the "E-commerce Act") that strengthens regulations on dark patterns in e-commerce and aims to prevent consumer deception through dark patterns. Effective February 14, 2025, this amendment requires prior consent for increases in subscription fees or transitions to paid services and prohibits deceptive practices, including staggered price disclosure, pre-

selection of specific options, incorrect hierarchical structuring, obstruction of cancellation or withdrawal, and repeated interference.

b. Comprehensive Government Consumer Protection Measures for Overseas Online Platforms

The South Korean government has established a task force involving seven related ministries, including the Fair Trade Commission, the Ministry of Food and Drug Safety, and the Korea Customs Service, to formulate comprehensive measures for overseas direct purchases. On March 13, 2024, they announced consumer protection measures related to overseas online platforms, outlining three main strategies: stringent enforcement of domestic laws without discrimination, proactive prevention and redress of consumer harm, and the establishment of an inter-ministerial response system.

Specifically, the measures include:

(i) Stringent enforcement of domestic laws without discrimination:

- Investigation and sanctions for violations of laws such as the E-commerce Act and the Fair Trade Act, and requiring foreign platforms to designate a domestic representative through amendments to the E-commerce Act.
- Focused inspections in key areas of consumer harm, including food and drug safety, counterfeit goods, harmful content for minors, and personal information protection violations.
- Strengthening the management of hazardous imported goods through enhanced working group activities.
- Improving the risk management system for customs clearance.

(ii) Proactive prevention and redress of consumer harm:

- Establishment of hotlines.
- Providing integrated information through the "Consumer 24" website.
- Rapid response to crises by issuing consumer warnings.
- Conducting written surveys on both domestic and foreign platforms.
- Forming voluntary agreements to preemptively block harmful products.
- Monitoring platforms through consumer organizations.

(iii) Establishment of an inter-ministerial response system:

- Operating a task force for comprehensive inspections and preparation of countermeasures.
- Establishing a legal basis for working groups.

4. Discussion on Additional Regulatory Measures for Chinese E-commerce Platforms

At the forum, several additional regulatory measures were proposed:

- **Class Action Lawsuits and Punitive Damages:** Explore enabling class action lawsuits and punitive damages for consumers harmed by Chinese e-commerce platforms, given the limitations of individual international lawsuits.
- **Strengthening Mandatory Provisions in the E-commerce Act:** Reinforce mandatory consumer protection provisions in the E-commerce Act to prevent evasion and broaden protection for users of Chinese e-commerce platforms.
- **Expanding Domestic Law Application:** Proposals included the enforcement of obligations such as appointing domestic representatives for foreign businesses and applying South Korean consumer protection and privacy regulations directly to Chinese e-commerce platforms through legal amendments.
- **International Regulatory Cooperation:** Establish norms for dark patterns at the OECD level or promote mutual certification between countries, which would help ensure compliance with privacy protection standards in China.
- **Strengthening Safety Regulations for Direct Purchases:** Consider reinstating the earlier government policies banning the purchase of overseas products that have not received KC certification, or requiring platforms to inspect harmful products sold on Chinese e-commerce platforms.

5. Future Directions

The government and private sector are actively discussing additional regulatory measures to address the rapid expansion of Chinese e-commerce platforms. Foreign operators in South Korea should closely monitor these discussions and movements, and prepare for stricter regulations and increased scrutiny in consumer protection, product safety, and data privacy compliance.

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- **Advice on the E-commerce Act and Personal Information Protection Act:** Providing strategic counsel to help you navigate and comply with complex regulations.
- **Building Compliance Systems:** Developing robust compliance frameworks to prevent administrative penalties and ensure adherence to regulatory requirements.

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- **Responding to Regulatory Actions:** Effectively managing and addressing fines or corrective orders to mitigate impact and maintain operational integrity.

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