EU-KOREA FREE TRADE AGREEMENT

History and debates around a major milestone in international trade



The KOREU FTA at a glance

98.7%

Duties eliminated in trade value for industrial and agricultural products

+70.8%

In bilateral trade in goods

50bn

In FDI from EU to Korea

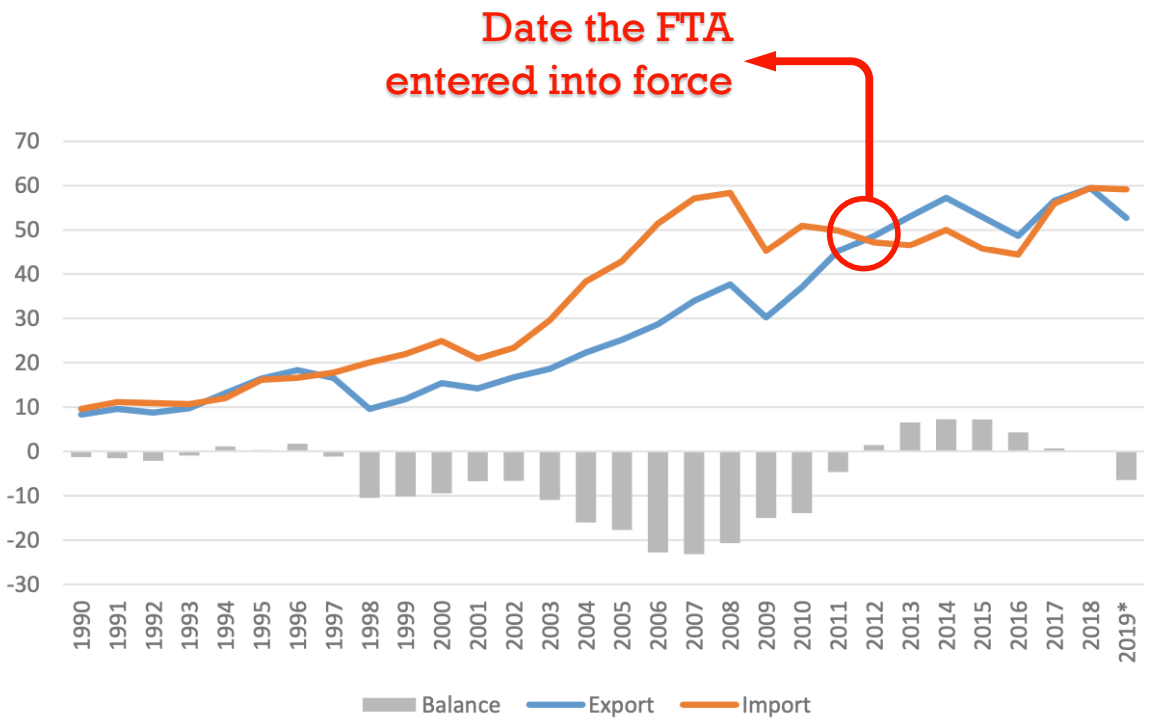


Fig 1 : Exports, imports and trade balance between the EU-28 and South Korea, 1990 to 2019 (in USD bn)

A pioneering agreement

1st

EU agreement with specific clauses regarding NTBs

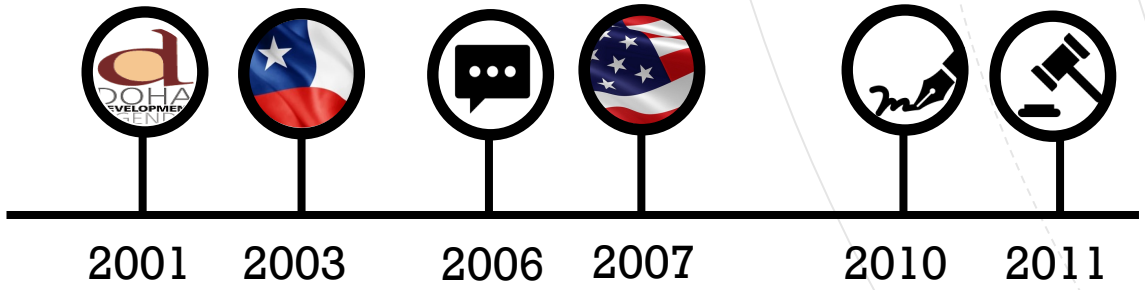
1st

EU FTA with a partner in Asia

1st

FTA to include TSD

Chronology of the FTA



What makes this Free Trade Agreement unique?

> *"The first deep and comprehensive FTA negotiated by the EU"* Cecilia Malmström, EU Commissioner for Trade, 2017, 2nd EU-Korea Business forum

The KOREU FTA : main terms

Chapter 2 : NTB and TB

- Removes most custom duties on goods
- Incorporate fundamental WTO rules on NTBs

Chapter 5 : SP measures

- Transparency and trade facilitation
- Formal dialogue on SP issues affecting trade

Chapter 14 : Copyright

- Enforcement of internal EU copyright rules
- stronger Rules on geographical indications

Chapter 13 : Sustainability

- Commitment to labour and environemental standards
- Commitment to ILO core labour standards
- Monitoring mechanism

The Rule of Origin and the DDS

The Duty drawback system :

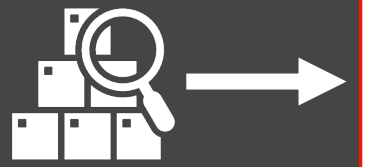
Step 1

- Assembles product in neighboring country (mostly southeast Asia)

Step 2

- Without DDS : pay significant custom duties on imported goods that are incorporated to other goods for export

The rule of origin:



Is 45% of the product value produced in SK?

Normal tariff

higher tariff

KOREU FTA RECEPTION
overall assessment*

QUANTITATIVE :

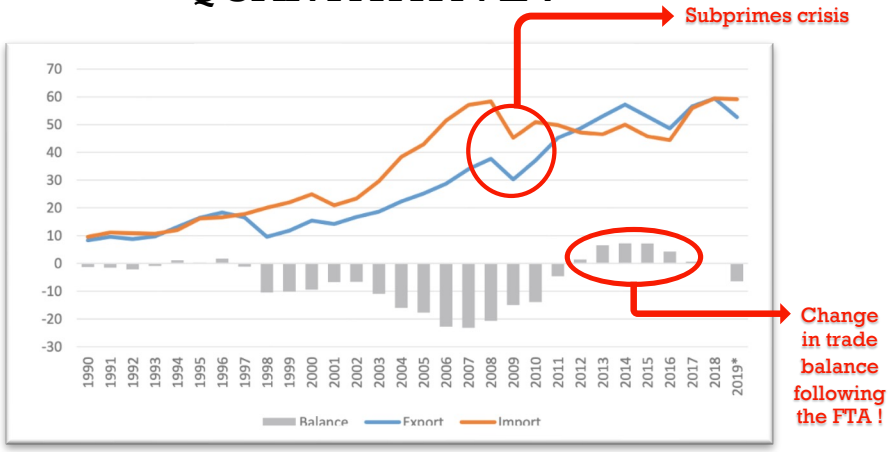


Fig 1 : exports imports and trade balance between ROK-EU

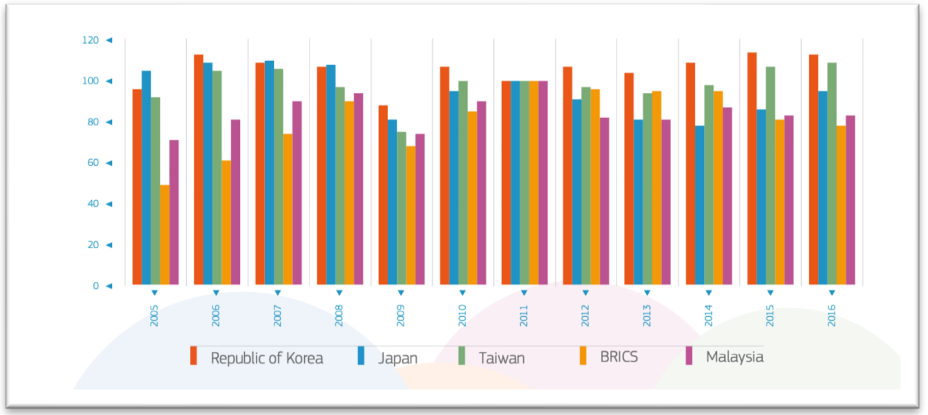


Fig 2 : Index of exports from selected partners to the EU

QUALITATIVE :

90% satisfaction rate

3/4

European companies** report having extended their activities in the country

*qualitative data drawn from a survey conducted by the EEAS (European Union External action service) in 2016 amongst european SME's, Importers, Exporters and Korean consumers
**for companies already active

Sector specific analysis

Several new advantages :

- Full market access for EU firms in shipping industry
- Removal of import duties + harmonization of safety standards for the car industry + MFN clause
- Can now access tenders for public work concessions…
- Main sectors for exports:

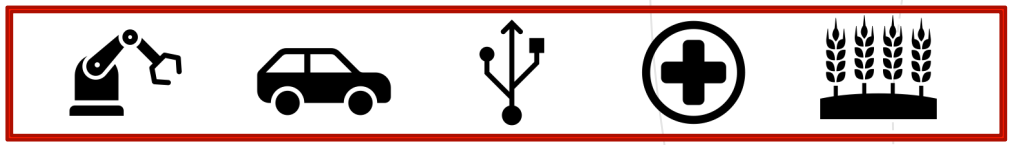




Fig 1: parmigiona regiona

Consequences for the EU

Key figures

+70%

In overall EU exports to Korea (2010-2020)

+50%

In EU exports in services to Korea (2010-2020)

3rd

Largest trading partner* of the ROK since 2020

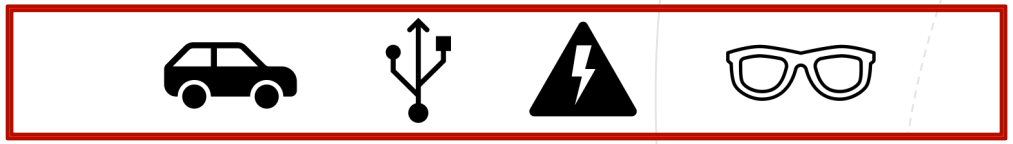
Fig 2: logo of the European chamber of commerce in Korea founded in 2012

* report from the EC directorate general for trade on trade in goods between EU and SK 2021

Sector specific analysis

Main trends and advantages:

- Enhanced access to EU market
- Movement of Korean supply chain towards CEECs
- Main sectors for exports:



Main points of tensions:

- Conflict over rule of origin and chapter 13

Key figures

50%
Of Korean cars now produced in CEECs

9th
Largest trading partner of the EU since 2010

+32%
In overall ROK exports to the EU (2010-2020)



Fig 1: Hyundai factory in the Czech republic

Consequences for South Korea



Fig 2: cover of Hankyorem article on trade dispute between EU-ROK over ILO violation

The KOREU FTA : controversies

1

Mixed Feelings in Korea:

- 2016 press conference organized by the EU to celebrate the FTA 5th anniversary with no Korean governement representatives
- Average results compared to KIEP's high expectations
- Went from excess trade balance to deficit

2

Tensions over chapter 13:

- EU triggered dispute settlement over ILO violations
- ROK only ratified 4/8 ILO conventions (didn't sign : freedom of association,…)

3

Tensions over rules of origin and SP :

- Fight over harmonization of rules for unpasteurized cheese (ex : parmigiano)
- Pb with SK ban on UK Beef

1

S. Korea posts trade deficit with EU following FTA

All News · 13:59 August 01, 2011

SEOUL, Aug. 1 (Yonhap) – South Korea logged a trade deficit with the European Union last month as imports spiked from the region after both implemented a free trade deal, customs data showed Monday.

Issue Key

2

[News analysis] S. Korea to become global test case in its trade dispute with the EU

Posted on : Jul.5,2019 16:14 KST Modified on : Jul.5,2019 16:14 KST

SK established FTA with EU after the latter started linking external trade with human rights



The EU has requested that South Korea convene an expert panel regarding the latter's violation of the two parties' FTA.

3

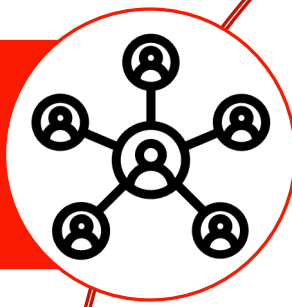


EU MARKET ACCESS FLASH NOTE

South Korea lifts its ban on Italian cheeses Parmigiano-Reggiano and Grana Padano

What is at stake with this agreement?

Turning Korea into a new Hub for European Companies wanting to expand in Asia



Affirming the EU as a major normative power in the region and beyond*



Placing Korea as the new leading middle power in Asia



*to read more about this topic: Zaki Laidi, EU Foreign Policy in a Globalized World, normative power and social preferences, 2008

Do you wish for future trade agreements to include a stronger political component ?

Do you think the broader objectives of this deal have been met ?

Time for Debate!



Should Korea have entered this deal ?

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