



27 October 2011

### **CONFERENCE ON THE IMPLEMENTATION OF THE EU-SOUTH KOREA FREE-TRADE AGREEMENT**

**ORGANISED IN BRUSSELS BY EUROPEAN COMMISSION - DG TRADE  
CONFERENCE CENTRE ALBERT BORSCHETTE, BRUSSELS  
27 OCTOBER 2011**

**OPENING SESSION 9.30 – 10.30**

**ROLAND VERSTAPPEN  
CHAIRMAN, BUSINESSEUROPE'S INTERNATIONAL  
RELATIONS COMMITTEE**

Dear Commissioner De Gucht,  
Dear Ambassador Ahn Ho-young  
Dear Member of the European Parliament,  
Excellencies,  
Dear ladies and gentleman,

I wish to thank Commissioner Karel De Gucht and the European Commission for the invitation to this important event. My name is Roland Verstappen. I am Chairman of the International Relations Committee of BUSINESSEUROPE, and also Vice President of Arcelor-Mittal for International Affairs and Corporate responsibility. As you know, BUSINESSEUROPE represents 41 industrial and employers' federations in 35 European Countries, representing millions of European companies. And ArcelorMittal is the biggest steel & mining company in the world, with presence in more than 60 Countries. Around 35% our production is based in Europe, which makes this agreement relevant for us.

As business, in general, we are strongly in favour of deep and comprehensive free trade agreements with high growth markets. This is why there was strong support from the European business community during the negotiations and the ratification process of this historical FTA between the EU and Korea. Of course, we know that some European industries were less positive about the deal. We need to ensure therefore that all of the rules of this agreement are fully implemented for a level playing field.



### Why did BUSINESSEUROPE support the deal?

Essentially, because the agreement provides what business has been asking for, it:

- Provides access to a high growth Asian market
- Eliminates tariffs and technical barriers to trade
- Delivers real new access for services
- Enhances intellectual property rights protection
- Opens public procurement markets

The EU-South Korea Free Trade Agreement will bring significant benefits to European firms and is a key step forward for Europe's trade strategy. BUSINESSEUROPE therefore supports its implementation with strong monitoring measures.

Indeed, the concerns of parts of the business community that were expressed during the negotiations must be addressed by using all of the rules provided under the terms of the agreement. I also know that industry sectors will be able to further discuss these rules during this Conference. Enforcement of the rules is therefore essential. Both parties must abide fully by their commitments - especially in the removal of non-tariff barriers and regulatory cooperation. In addition, safeguard procedures should be used if justified.

### What are the major benefits for business?

This agreement has introduced significant **market access for goods** through **tariffs cuts**. Within the first five years of the agreement (1<sup>st</sup> July 2011-2016), 98.7% of duties on industrial and agricultural products will be eliminated – with a few exceptions for agriculture products. By the end of the transitional periods (up to 7 years for a few sensitive products), duties on almost all products will disappear.

The agreement includes a **bilateral safeguard clause** which allows the temporarily re-introduction of tariffs in case an increase of imports would cause or threaten *serious injury* to industry. We welcome both instruments and call the EU to monitor the market in sensitive sectors.

It was also paramount for BUSINESSEUROPE to break new ground on **non-tariff barriers (NTB)**. Tariff elimination would mean little without the resolution frequently expressed NTB concerns. The removal of well-known specific barriers in a number of sectors and the establishment of a robust mediation mechanism for future NTB issues was a must.

I congratulate Commission negotiators for their achievements on NTBs in the South Korea free trade agreement. This is a model for the future. For instance, all export duties are prohibited from the entry into force of the agreement. Specific **NTBs**, such as, differing standards relating to automotive, electronics and pharmaceuticals are



tackled in separate annexes to the agreement. We hope that implementation of these important rules will be followed closely by the Commission.

The discussion on rules of origin was a contentious issue during the negotiations. BUSINESSEUROPE wanted the EU to preserve as much as possible its standard rules of origin in order to maximise transparency and minimise administrative burden for European companies. Unfortunately, it was not possible to keep a firm stance on the prohibition of drawback. This might have an important impact on the competitiveness of many companies. That is why the safeguard procedure can be used where necessary to counter distortions caused by drawback for five years. Thereafter, the EU should carefully monitor this issue to ensure that any competitiveness impacts can be addressed.

**Services liberalisation** was another vital building block of the agreement. Korea offered the same access to European companies as will be given to our American counterparts under the Korea-US agreement – which as you know was ratified by the US Congress some weeks ago. Furthermore, in a number of areas – including the provisions concerning data transfer for financial services companies, rules on establishment for legal services, some aspects related to environmental services and to maritime transport services – more has been granted to European companies to achieve real market access. Some regulations still need to be put into place and we will monitor the proper and swift application of the FTA services provisions.

A final important area of the Agreement is the **rules package**. BUSINESSEUROPE supported the significant results in public procurement – where our companies will be able to bid for many governmental and local public projects, in pre-establishment investment, in trade facilitation, in competition, in regulatory transparency, etc. Also, the IPR disciplines and legal framework has been improved and that was a crucial aspect for some industries.

### **What are the preliminary results?**

100 days after the entry into force of the first EU FTA in Asia, data so far shows an increase in bilateral trade. EU exports have seen a 19% increase while Korean exports to the EU have risen by 17%. In July this year, the EU even registered a trade surplus with Korea for the first time in 10 years! The value and volume of the export of several EU products have jumped since 1<sup>st</sup> July. This is very good news, but of course we have to remain cautious as it is still unclear the extent to which such an increase was directly linked to the entry into force of the FTA. Indeed many exporters might have delayed their shipments until the official entry into force in order to benefit from the elimination or reduction of tariff duties. It will take at least two to three years to evaluate the real benefit from the FTA.

According to the Commission, the deal will create new trade in goods and services worth €19.1 billion for the EU. Another study calculates that bilateral EU-South Korea trade will more than double in the next 20 years compared to a scenario without the FTA. Although statistical data predictions are always to be taken with caution, should



this trend be confirmed, we can only welcome this at a time where the economic situation is really tough for European companies.

### **Why do we welcome this timely conference?**

This is the right moment to review the opportunities available through this agreement. There will be many sectors that will gain from the agreement, as well as sectors that will have to adapt to tougher competition in Europe. We need to work together to take advantage of the opportunities and help companies adjust to competition.

I understand that Commissioner De Gucht participated recently in a similar exercise in Seoul, inviting European companies which are already doing business in Korea to take advantage of the agreement. We welcome his commitment and are working closely with the business community on site, notably with our partner the EU Chamber of Commerce in Korea (EUCCK).

But it is also important to have an in-depth discussion here in Europe to encourage European exporters and investors to use the agreement in full.

We know that several key regulatory changes decided by the FTA need to be taken by the Korean government and parliament in order to ensure more open access to the Korean market. We hope that the Commission will provide participants with further details on this. I also hope that today will be an opportunity for the EU business community to offer feedback and raise contentious issues to the Commission in order to better address any difficulties or misunderstanding in the implementation.

Finally, I would like to join the Commissioner in his call to European companies to take up their responsibilities in this agreement and play their own part. For instance, controls at the borders – even if simplified – are still there and exporting companies interested in the Korean Market need to undertake the necessary formalities to get registered as “Approved Exporters” in accordance with the text of the agreement. I invite all companies and business organisations present today to relay that message down to the relevant companies.

BUSINESSEUROPE and the business community stand ready to help the Commission in monitoring this FTA, and we shall play our role in the specific committees that are set by the Agreement. We hope that the Commission will tell us a bit more on their role.

Thank you for your attention.

\*\*\*\*\*