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EP WORKSHOP ON EU-KOREA FTA – ONE YEAR AFTER ITS ENTRY INTO FORCE

ADDRESS BY RENÉ VAN SLOTEN, CHAIR OF BUSINESSEUROPE'S MARKET ACCESS WORKING GROUP

Chairman, Commissioner, Minister,
Ladies and Gentlemen,

Thank you for giving BUSINESSEUROPE the opportunity to speak at this workshop on the first year of the EU-Korea Free Trade Agreement.

In the absence of progress of trade liberalisation at the multilateral level, BUSINESSEUROPE wholeheartedly supports the European Commission's pursuit of deep and comprehensive, 21st century type FTAs. The EU-Korea FTA fulfils this goal in every aspect. Korea is the tenth important trade partner for the EU, while the EU is the third important one for Korea. The Agreement covers not only tariffs and non-tariff barriers to trade in goods, but also contains provisions on trade in services, on investment, trade facilitation, export taxes, intellectual property, public procurement and regulatory cooperation. We hope that this agreement will pave the way for equally ambitious agreements with other countries, e.g. the US, Japan, Mercosur, India, Canada, Malaysia. But ambition on paper needs to be matched by ambition in implementation. If agreements are not implemented according to the letter and the spirit, then the benefits will not follow!

The EU-Korea FTA is now some fifteen months in operation, and last July a second step in import tariff reduction was made. This will expose sectors in both regions to increased competition. But such competition is welcome if the terms of the agreement are lived up to in a fair manner and everybody can play their comparative advantages.

It is difficult to assess the results of the FTA after one year of operation. It takes time to reap the full benefits. I would therefore caution interpreting statistics after one year. Experience with other FTAs is that there usually is no watershed in trade between the partners from entry into force. Rather we see a gradual growth of exports AND imports, allowing each partner to play their competitive advantages. This is at least the experience of my own industry, the chemical sector.

Let me recall the ambitious nature of this agreement: 70% of the tariff lines for goods became duty free on day one! Practically all duties on industrial goods will have been removed by 2016. On the Korean side only a few sensitive items, mainly agricultural products, will benefit from longer transition periods. After three years nearly 95% of chemical trade between the EU and South Korea will have been liberalized, bringing benefits to all the downstream sectors that use chemicals: electronics, textiles, food, automotive, agriculture,...



For the machineries and electric appliances sector around 98% of trade will be fully liberalized after three years, liberalisation of trade in large and mid-sized cars will be reached after 3 years, for small cars after 5.

What do we see in practice after one year? I understand from trade figures that the EU has apparently benefitted more in the first year than South Korea. In the period July 2011 till June 2012 the EU trade deficit with Korea was at a record low of about 2.5 billion euro. However, the results are not evenly spread across sectors.

The EU-Korea working group, which deals with the reduction or abolition of the so-called non-tariff trade barriers, has already met several times at different levels and has had constructive discussions. However, various problems are still unsolved and market access barriers continue to exist.

As regards financial services for example, we note a real resistance at the working level in the Korean Financial Supervisory Services to make the changes as agreed in the FTA, and we encourage the Korean authorities to ensure that the commitments will be respected in this area.

A horizontal problem that requires the attention from the two sides is the situation with respect to the direct transport provision in the Rules of Origin Protocol. In consequence European companies wishing to serve the Korean market via the hub in Singapore are unable to take the full benefits of the EU-Korea FTA. Also the fact that only the invoice declaration and no longer the EUR1 document can be used as proof of origin is a problem for many companies. We understand this issue is under discussion and hope it will be solved soon.

On the services side, we also call for continued monitoring to ensure that progress will be achieved in the issue related to access to European Lawyers, and for a reform of Korean Post, which has discriminatory rights to the disadvantage of the European express delivery companies.

Again, these are all first results, and not everything may be due to the FTA, but overall it is clearly beneficial for both the EU and South Korea. Of course not everything is perfect yet and implementation will remain a challenge! We count on both sides to duly implement all the elements of the agreement, and that safeguard measures can be resorted to in case of real need.

But let these problems - however important they are for the operators concerned and which certainly need to be solved – not detract from the essentials. This is a good trade agreement that should serve as a model for other FTAs. It is a beacon of light at times when protectionism is looming and the multilateral trade agenda is blocked. BUSINESSEUROPE calls on both the EU and South Korea to make this agreement a shining example in the pursuit of further trade liberalisation.

Thank you for your attention.
