



# **Korea-EU Trade relations**

## **Presentation for business delegation from Luxembourg**

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# EU and Korea

## Key Trade Partners and Major Exporters



- Population: **507 Mn.**  
- #1 world market



- GDP: **EUR 13.1 Tn.**  
- #1 world economy

(as of 2013)

← **EUR 35.8**

*Bn.*

*Exports*

→ **EUR 40**

*Bn.*

*Exports*



- Population: **50.2 Mn.**



- GDP: **EUR 0.98 Tn.**

- #10 world economy,  
(counting EU as one)

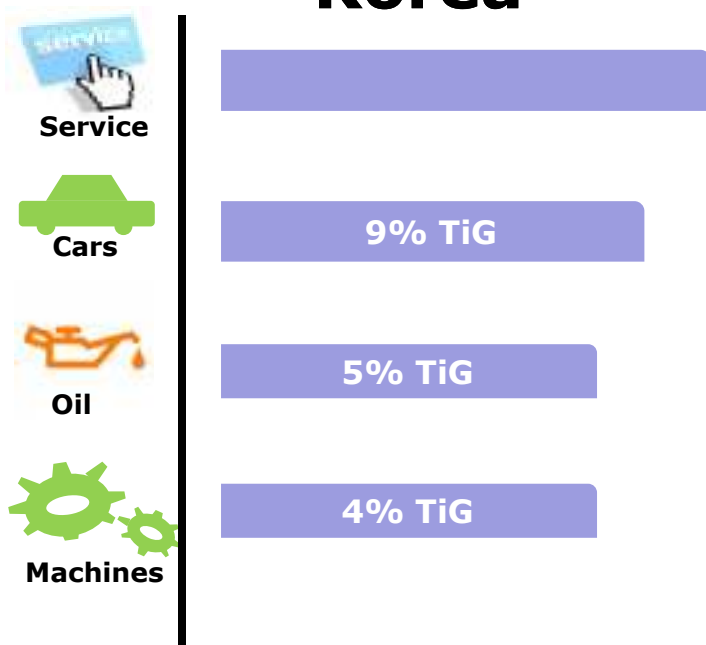
(as of 2013)

# EU and Korea

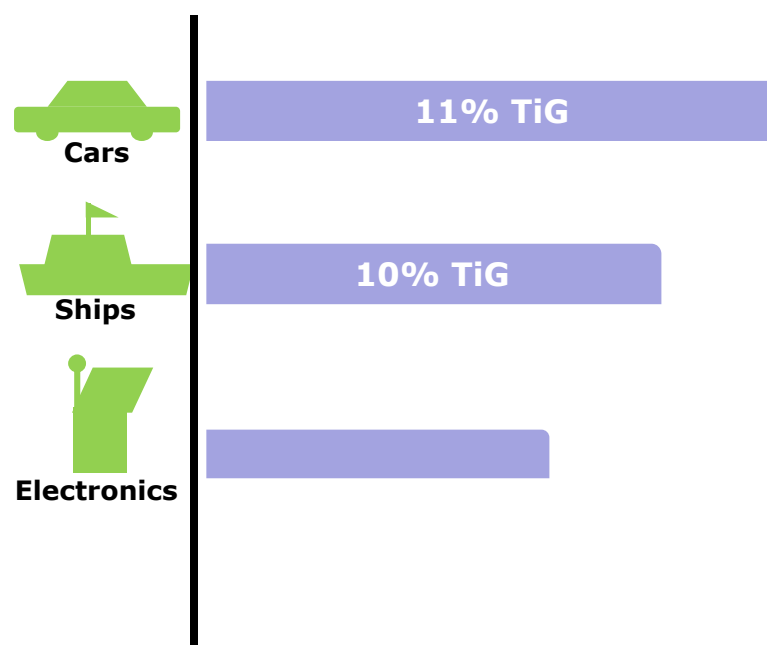
## Two Relatively Complementary Economies



### Top EU exports to Korea



### Top Korean exports to EU





## EU Korea FTA: A deep and comprehensive FTA

- Elimination of virtually all tariffs on goods within 5 years
- Services: further market access (as compared with GATS commitments) and improvement of rules for several sectors, in particular financial, insurance and legal services
- Rules: IPR (stronger rules and enforcement, protection of GIs), government procurement (enlargement of scope of WTO GPA), competition, sustainable development
- Creation of 13 FTA bodies and swift dispute settlement procedure
- And, very important, 3 chapters with non-tariff commitments for goods...



## Elimination of non-tariff barriers



### Automotive

- Equivalence of Key EU and Korean Standards
- Harmonization



### Consumer Electronics

- Mutual Recognition of Electromagnetic Compatibility & Electric safety Certificates

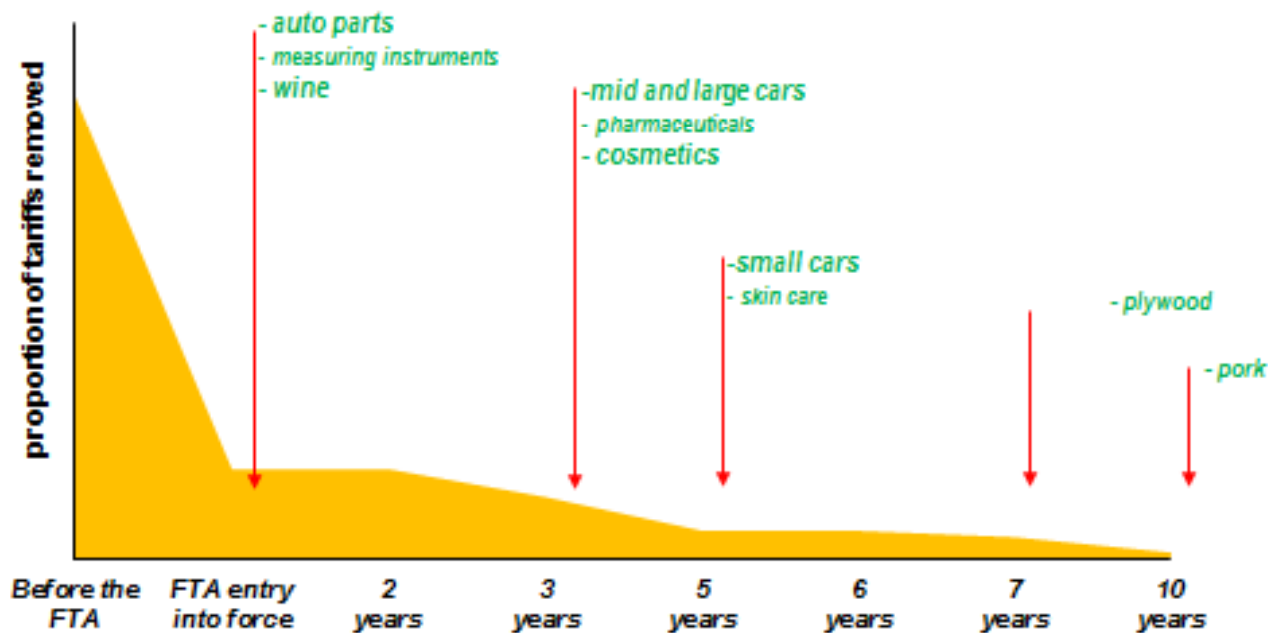


### Pharmaceuticals & medical devices

- Transparency and consultation of industry in decisions regarding reimbursement prices

# Tariff elimination for Korean importers of EU products

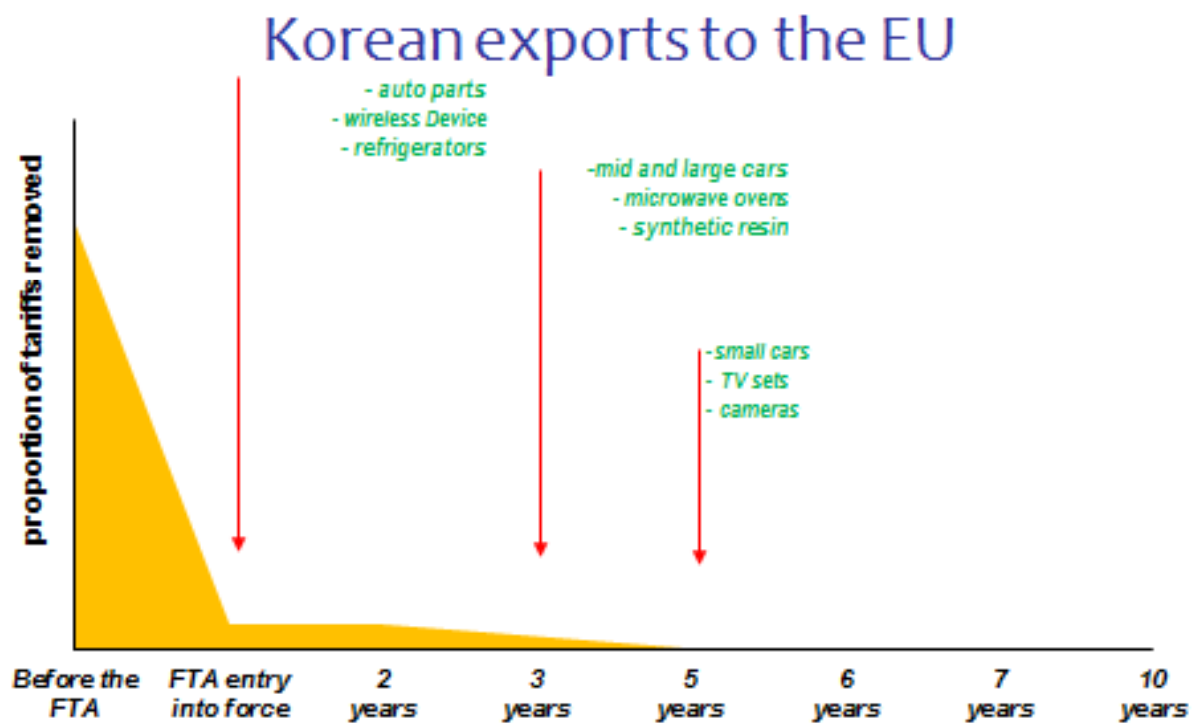
## EU exports to Korea





European  
Commission

## Tariff elimination for Korean exports





## First results

- EU-Korea **bilateral trade has increased** in spite of difficult economic conditions
- **Investment flows are peaking up** and companies show greater interest towards each zone
- **Greater regulatory convergence** and cooperation between EU and Korea
- Negative performance of certain sectors (e.g. **shipbuilding, aircraft building**) because of global overcapacity and overproduction







## After 3 year of FTA

- EU exports of goods to Korea **increased by 35% compared to pre FTA year and by 9%** in the third year of implementation of the FTA. **They stand at € 41.5 billion.**
- Fully liberalised goods increased by 46% and partially liberalised by 37%. EU exports to the world was 16% for fully liberalised and 19% for the partially liberalised.
- Korean exports have also increased during the 3<sup>rd</sup> year by 6% being back to the road of recovery



Graph 1: EU Exports to and Imports from Korea, July 2010-June 2014 (€ million)



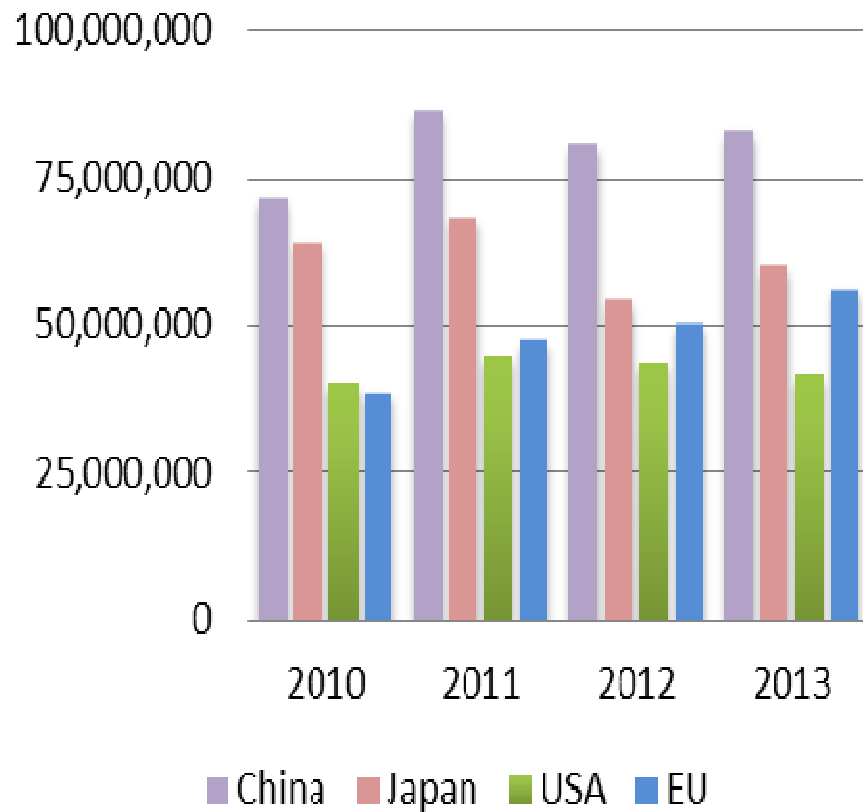
## EU-Korea Trade Balance



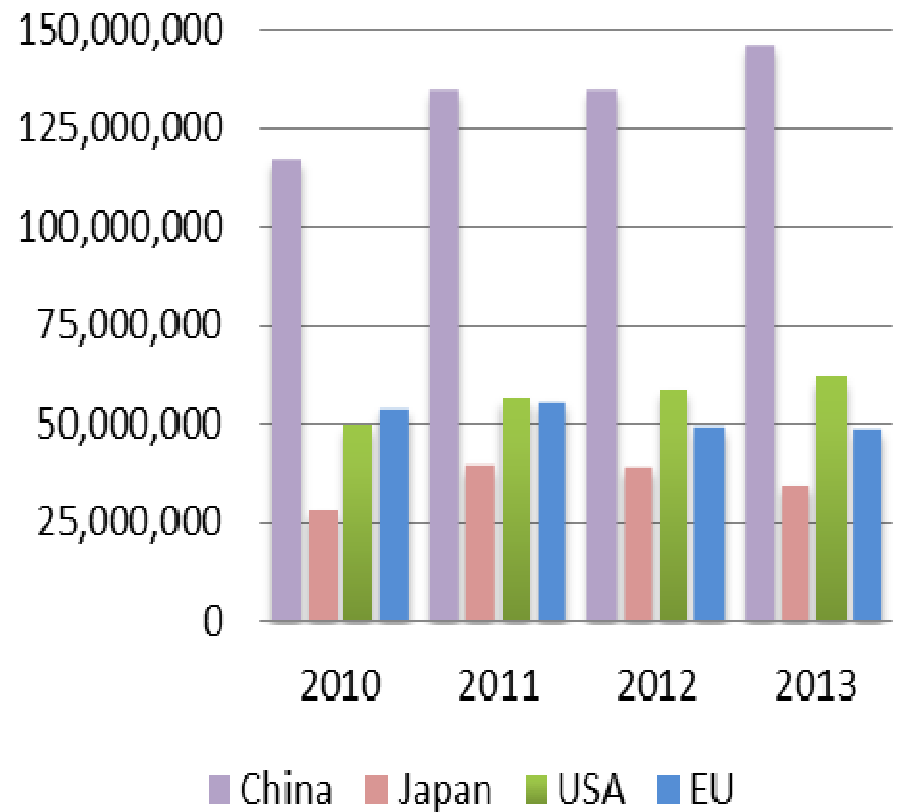
Source: COMEXT



## Korea Imports yearly



## Korea Exports yearly



## **Automotive : a win – win case**

**EU exports of cars to Korea increased by 30 % (122.798 units) in 2013, our most recent projections point out an increase or around 40% again in 2014**

**Imports of cars from Korea increased moderately by 14% in 2013 up to 402.000 units**





# Automotive - Ongoing work

- Regulatory issues
  - **Auto parts - Implementation of flexibilities on KC mark**
  - **Market access: vehicle width, seat restrictions**
- Environment Issues
  - **Emission standard of evaporative gas for motor vehicles**
  - **Emission Fleet Average Systems**





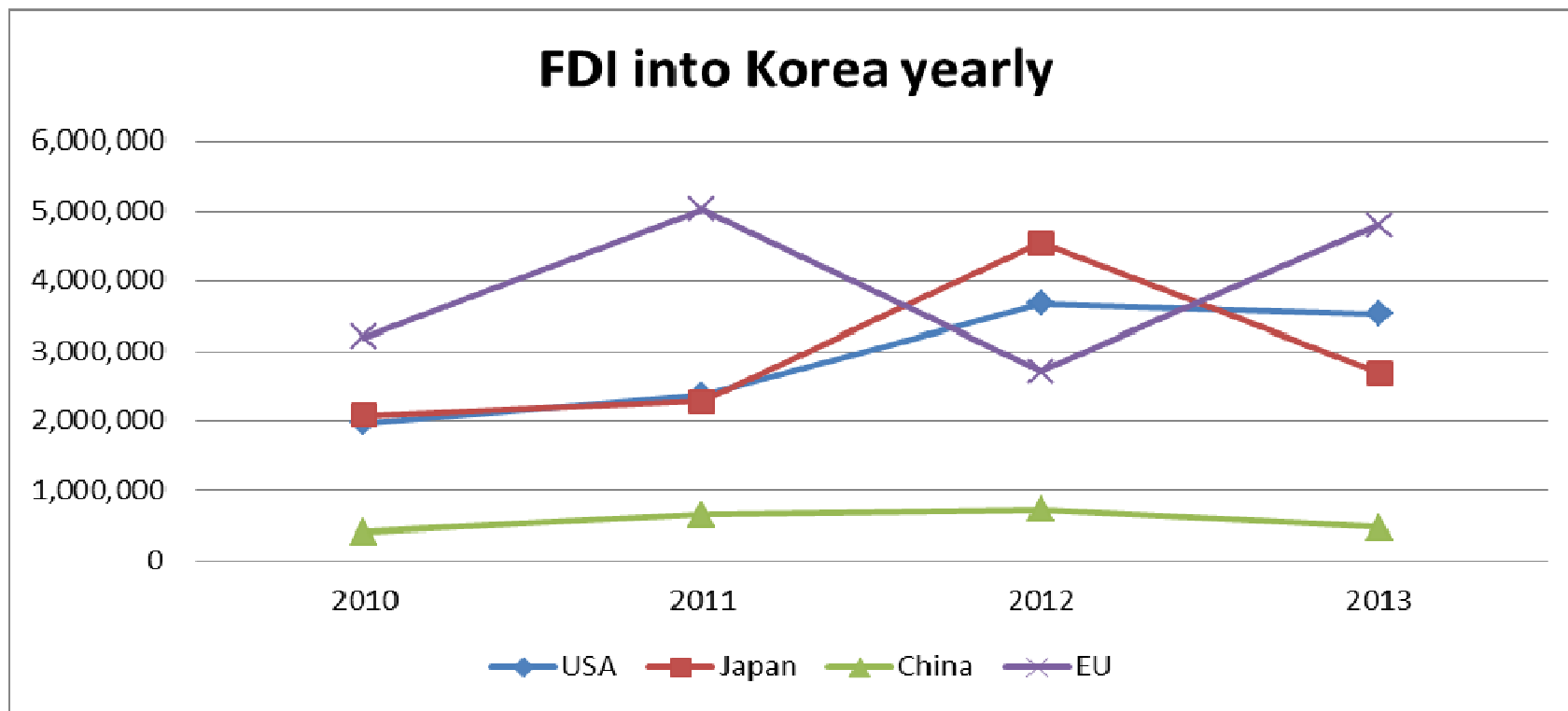
## Use of tariff preferences under the FTA

EU preference utilization rates in the period March-June 2013:  
66%. **Korea preference utilization rate**: close to 90%

**Duties potentially saved on EU's exports** amounted to around € 1.4 billion in the second year



# Investment figures



In 2013 the EU was again the biggest investor in Korea in 2013 and is also the largest provider of Foreign Direct Investments (FDI) in terms of investment stocks.





## FDI into Korea

- Foreign invested companies contribute to the Korean economy
- They employ around 500,000 people (6.2 % of Korean workforce)
- Generated about 500 trillion KRW in sales (about 15 % share)
- Korea and the EU share the view that much more could be done to harvest the full potential of Korea to attract FDI's.







## How to attract foreign (EU) investors a few suggestions

- Go on with liberalisation and deregulation
- Address the instability of the legal environment and reduce grey areas in regulations
- Improve efficiency and transparency of the public administration
- Public Procurements should be really open to foreign bidders without any discrimination.





## Conclusions and suggestions

- EU-Korea economic relations are excellent but can be further improved by:
  - **Implement smoothly the planned commitments and eliminate non-tariff barriers.**
  - **FTA improvements: elimination of the direct transport clause, re-entry after repairs**
  - **Building on the Korean de-regulation agenda, improve business environment for EU companies.**

