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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 20 October 2017

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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AND THE COUNCIL ANNUAL REPORT ON THE IMPLEMENTATION OF  
THE EU-KOREA FREE TRADE AGREEMENT

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Delegations will find attached document COM(2017) 614 final.

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Brussels, 20.10.2017  
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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**ANNUAL REPORT ON THE IMPLEMENTATION OF THE  
EU-KOREA FREE TRADE AGREEMENT**

{SWD(2017) 345 final}

## 1. INTRODUCTION

1 July 2017 marked the sixth anniversary of application of the Free Trade Agreement (FTA) between the EU and its Member States and the Republic of Korea (in this report referred to as Korea). The FTA has been provisionally applied since July 2011. On 13 December 2015 it entered formally into force after ratification by EU Member States. The Additional Protocol to the FTA to take into account the accession of Croatia to the EU has been provisionally applied since 26 May 2014 and entered into force on 1 January 2016.

The EU-Korea FTA is the first of a new generation of comprehensive FTAs. It is also the EU's first trade deal with an Asian country. It is the most ambitious FTA implemented by the EU so far.

This is the fifth Annual Report on the implementation of the EU-Korea FTA. It is prepared in accordance with the provisions of Regulation (EU) No 511/2011 of the European Parliament and of the Council of 11 May 2011 implementing the bilateral safeguard clause of the Free Trade Agreement between the European Union and its Member States and the Republic of Korea<sup>1</sup>. According to Article 13(1) of this Regulation, the Commission shall make public an annual report on the application and implementation of the Agreement. The report is accompanied by a Commission Staff Working Document that contains the annual monitoring report on updated statistics on imports from Korea of products in sensitive sectors as required by Article 3(3).

On 18 May 2017 the European Parliament adopted a resolution<sup>2</sup> to take stock of the first five years of implementation of the FTA between the EU and Korea. The Parliament acknowledged the very positive economic results of the agreement for the EU, while also expressing concerns on some outstanding points and in particular as regards labour rights in Korea.

## 2. METHODOLOGY USED FOR THE ANALYSIS

The below analysis of the bilateral trade flows for goods between the EU and Korea is based on a comparison of data for the full calendar year of 2016 with 2010, the last full calendar year before the FTA entered into provisional application on 1 July 2011.

For trade in services and for investment the analysis is based on the latest available annual data from 2015, again compared with 2010.

It should be noted that changes in trade flows cannot be attributed solely to the FTA as other factors also have an influence. However the figures provided below give a good indication of how the FTA has worked so far.

The report also gives an overview of the activities of the various committees and working groups established under the FTA to monitor the implementation of the agreement, in the period from January 2016 to May 2017.

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<sup>1</sup> OJ L 145, 31.5.2011, p. 19

<sup>2</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2017-0225&language=EN&ring=A8-2017-0123>

### 3. EVOLUTION OF TRADE (YEAR-TO-YEAR AND SINCE THE START OF PROVISIONAL APPLICATION)

#### 3.1. Trade in Goods

##### 3.1.1. Overall Evolution of Trade in Goods

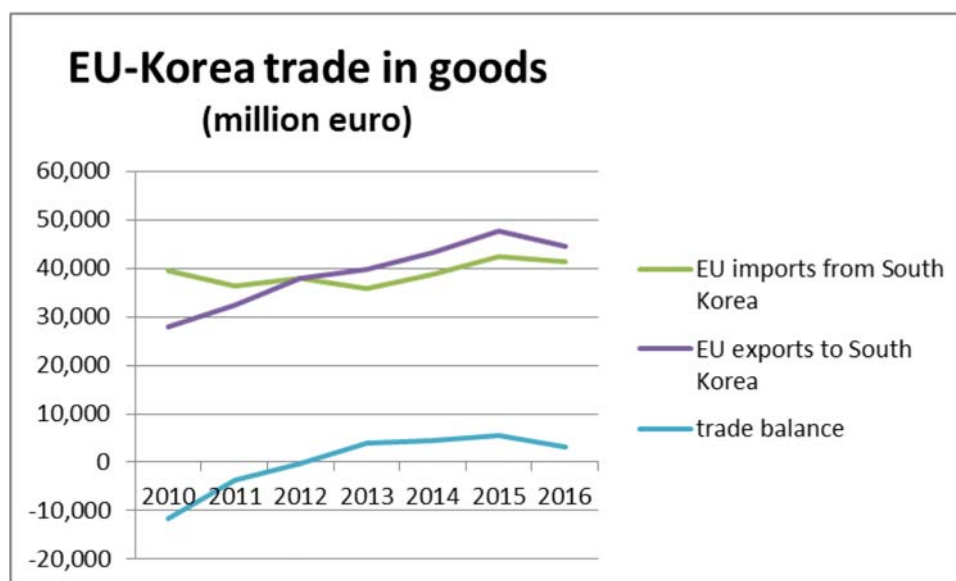
It should be noted that the gradual entry into force of agreed tariff concessions over the first years after the start of provisional application on 1 July 2011 ended on 30 June 2016. As of then, almost all tariffs are fully liberalised so that, in contrast to previous reports, there is no longer any distinction between fully, partially or not liberalised products.

EU exports to Korea increased by 59.2%, from 28 billion EUR in 2010 to 44.5 billion EUR in 2016. The average increase of EU exports to Korea was 8.1 %, the average growth of EU imports from Korea 0.8% per year.

In 2010, the base year before the start of provisional application of the FTA, EU exports to Korea were 28.0 bn € and imports from Korea were 39.5 bn € In 2016, EU exports to Korea were 44.5 bn € and imports from Korea were 41.4 bn € So the EU's 11.6 billion EUR trade deficit with Korea in 2010 has turned into a trade surplus of 3.1 billion EUR in 2016.

The current level of EU exports to Korea would have generated duty payments of approximately 2 billion EUR had the FTA not been in place<sup>3</sup>.

**Graph 1: EU Exports to and Imports from Korea, 2010-2016 (billion EUR)**



EU28 merchandise trade with South Korea (in million euro)							
	2010	2011	2012	2013	2014	2015	2016
EU imports from South Korea	39,534	36,312	38,014	35,837	38,772	42,365	41,437

<sup>3</sup> This calculation is based on Korean imports from the EU at HS6 level, in the fifth year of the FTA implementation (ITC data).

EU exports to South Korea	27,961	32,515	37,815	39,910	43,188	47,787	44,506
trade balance	-11,573	-3,797	-199	4,073	4,416	5,422	3,069

Source: Eurostat June 2017

Between 2015 and 2016 total EU exports to Korea declined by 6.9%. EU imports from Korea declined by 2.2%. This led to a decrease of the EU trade surplus from 5.4 to 3.1 billion EUR. The decline is in line with the overall pattern of trade for the EU in 2016. Between 2015 and 2016 total EU exports to the world declined by 2.4%. EU imports from the world declined by 1.2%.

The more pronounced decline of EU exports to Korea is inter alia due to lower sales of machinery, transport equipment, motor vehicle (also related to the diesel engine scandal) and UK oil exports (due to end of Iran sanctions), and lower number of delivery of aircrafts (with more deliveries scheduled for the next years). Vice versa, 2016 showed a fall in EU imports of vessels, LCDs and petrochemicals from Korea.

Imports from Korea represented 2.6% of total imports into the EU in 2010, and 2.4% in 2016, making Korea the EU's 8<sup>th</sup> largest import origin in 2016. EU exports to Korea represented 2% of total EU exports in 2010, and 2.6% in 2016, making the Korea the EU 9<sup>th</sup> largest export market in 2016. Korea was the EU's 8<sup>th</sup> largest partner in terms of total trade.

On the Korean side, the EU's share in total Korean imports increased from 9.1% before the start of application of the FTA to 12.8% in 2016, making the EU the 2<sup>nd</sup> largest Korean import origin (after China). Over the same period of time, the EU's share in total Korean exports declined from 11.5% to 10.9%<sup>4</sup>, making the EU the 3<sup>rd</sup> largest Korean export market. The EU was Korea's 3<sup>rd</sup> largest partner in terms of total trade (after China and US).

### 3.1.2. Sectoral Effects

In terms of EU exports to Korea, in 2016 the most important product categories are as follows:

- "Machinery and appliances" (HS<sup>5</sup> 16) accounted for 29.2% of total EU exports to Korea. This product category showed a decrease of 8.2% compared to 2015.
- "Transport equipment" (HS 17), represented 21.2% of total EU exports to Korea. This category showed a decrease of 6.4% compared to 2015.
- "Chemical products" (HS 06), accounted for 13.6% of total EU exports to Korea. This product category showed an increase of 8.4% compared to 2015.
- Other categories of products that have shown a significant increase in EU exports since July 2011 are "Mineral products" (HS 05)<sup>6</sup>, "Pearls & precious metals" (HS 14), "Footwear" (HS 12) and "Wood" (HS 09).

<sup>4</sup> The EU's share in total Korean imports refers to Korea's imports from the EU as a share of Korea's imports from the world. The EU's share in total Korean exports describes Korea's exports to the EU as a share of Korea's exports to the world.

<sup>5</sup> Harmonised system

<sup>6</sup> EU exports of "Mineral products" to Korea increased mainly in the first year of FTA implementation. They account for 7% of total EU exports to Korea.

As far as EU imports from Korea are concerned, in 2016 the main product categories are:

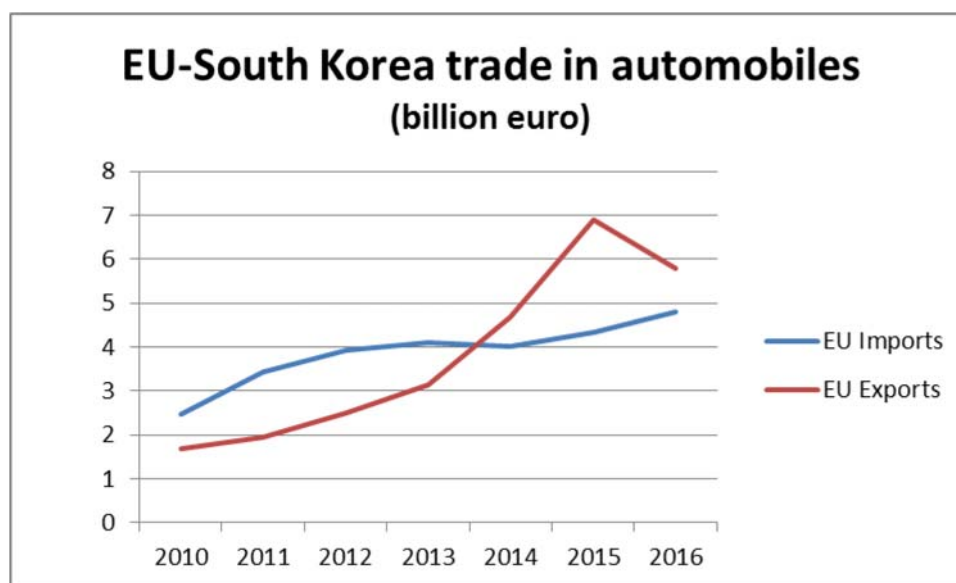
- "Machinery and appliances" accounted for 33.9% of EU imports from Korea. This product category showed a decrease of 4.9% compared to 2015.
- "Transport equipment", accounted for 26.1% of total EU imports from Korea. This product category showed a decrease of 4.9% compared to 2015.
- Significant increases were noted in EU imports of "Chemical products" and "Plastics" (HS 07).

### 3.1.3 Bilateral Trade of Motor Vehicles and Car Parts

EU exports of motor vehicles (HS 8703) have increased by 244% in value from 2010 to 2016, from 1.68 billion EUR (64,200 units) to 5.79 billion EUR (176,900 units), accounting for 13% of total EU exports to Korea.

EU imports from Korea have grown by 53% from 2.48 billion EUR to 4.79 billion EUR or by 13% in terms of units imported (from 300,000 to 339,000). Motor vehicles account for almost 12% of total EU imports from Korea.

**Graph 2: EU Exports to and Imports from Korea of Motor Vehicles, 2010-2016 (billion EUR)**



EU exports of car parts to Korea<sup>7</sup> were around 1.4 billion EUR in 2016. This represents an annual increase of 25% over 2015.

EU imports from Korea of car parts were around 3.5 billion EUR in 2016. This represents an annual increase of 9% over 2015.

The trade deficit in car parts remained stable at around -2.1 billion EUR.

<sup>7</sup> Car parts include tyres (401110, 401211), engines (840733, 840734, 840790, 840820) and parts (8708).

### 3.2. Trade in Services and Investment

The latest data available on services and investment is from 2015. In 2015, EU exports of services amounted to 11.1 billion EUR. This represents an increase of 49% compared to 2010 (though a decrease of 7% compared to 2014). In the same year 2015, EU imports of services from Korea amounted to 6.3 billion EUR. This represents an increase of 32% compared to 2010 (with a 7,3% increase compared to 2014). EU trade in services with Korea represents approximately 1% of extra-EU trade in services. The EU has a trade surplus in this field of 4.8 billion EUR in 2015.

**Table 1: EU-Korea trade in total services (million EUR)**

	<b>EU Imports (Debit)</b>	<b>EU Exports (Credit)</b>	<b>EU Trade Balance</b>
<b>2010</b>	4,769	7,422	2,653
<b>2011</b>	4,625	7,887	3,262
<b>2012</b>	4,919	9,005	4,086
<b>2013</b>	5,641	10,758	5,117
<b>2014</b>	5,868	11,934	6,066
<b>2015</b>	6,298	11,089	4,792

Source: Eurostat (BOP)

In 2015, EU outward FDI stocks to Korea were equal to 49.8 billion EUR, equivalent to 3.5% of extra-EU FDI stocks. In 2015, EU inward FDI stocks from Korea totalled 20.9 billion EUR, equivalent to 0.7% of extra-EU FDI stocks. So the EU stocks in Korea are about 2,5 times bigger than Korean stocks in the EU. EU inward FDI stocks increased by 59% and outward FDI stocks increased by 33% from 2010 to 2016.

**Table 2: EU-Korea Foreign Direct Investment (million EUR)**

	<b>Stocks</b>		<b>Flows</b>	
	<b>Inward</b>	<b>Outward</b>	<b>Inward</b>	<b>Outward</b>
<b>2010</b>	13,140	37,480	4,012	2,448
<b>2011</b>	10,782	36,306	1,810	2,217
<b>2012</b>	16,866	35,206	4,302	-179
<b>2013 (b)</b>	14,949	32,274	1,340	823
<b>2014</b>	17,565	45,829	4,486	5,485
<b>2015</b>	20,914	49,755	1,800	-6,428

Note: (b) break in series. Data for 2010-2012 is compiled according to the BPM5 methodology and is not comparable with data for 2013-2015 which is based on the BPM6 methodology. Special-Purpose-Entities (SPEs) are included<sup>8</sup>.

<sup>8</sup> In 2014, SPEs accounted for 44% of EU outward stocks to Korea and 3% of EU inward stocks from Korea. Regarding flows, 84% of EU outward flows to Korea and 19% of EU inward flows from Korea referred to SPEs.

### 3.3. Preference Utilisation Rate

This rate shows to what extent EU exporters are using the FTA preferences, i.e. take advantage of the FTA's duty reductions<sup>9</sup>. In 2016, the overall EU Preference Utilisation Rate on the Korean market was 71%, the highest rate ever. This compares to 68% in 2015, and 65% in 2014 and 2013.

At Member State level, there is a wide range of preference utilisation rates, fluctuating from 20.8% (Malta) to 86.8% (Belgium). The countries with the highest rates, above 80%, are Belgium, Slovakia, Cyprus, Austria and Hungary. On the contrary, the Member States with the lowest rates, below 60%, are Croatia, Ireland, the Netherlands, Estonia, Finland and Malta.

By HS Section<sup>10</sup>, the highest overall rates are found in Animals and animal products (Section 1) at 95.4% and in Transportation equipment (Section 17) at 95%. More specifically, Motor vehicles (Chapter 87 in Section 17), accounting for more than 20% of all preference EU exports to Korea, show a preference utilisation rate of 95.1%.

On the other hand, the lowest overall rates (below 60%) are found in Base metals and articles made of base metal (Section 15) at 58.8%, in Pearls and Metals (Section 14) at 56.9%, in the very important sector of Machinery and mechanical appliances, electrical equipment (Section 16) at 54.7%, in Hides and skins (Section 8), in Arms and ammunition (Section 19) and in Miscellaneous (Section 20) at 53.7%, 53.1% and 51.2% respectively.

With respect to the Korean exports to the EU, the overall preference utilisation rate on the EU market was higher than the EU rate, at 87% in 2016, compared to 85% in 2015 and 84% in 2014.

## 4. ACTIVITIES OF THE IMPLEMENTATION BODIES

The institutional provisions of the EU-Korea FTA (Art. 15) established seven Specialised Committees, seven Working Groups and an Intellectual Property (IP) Dialogue. The annual meeting of the Trade Committee at ministerial level plays a supervisory role and ensures that the FTA operates properly. From January 2016 till May 2017, most meetings of committees and working groups, including the Trade Committee, took place in the EU, as summarised below.

The **Working Group on Motor Vehicles and Parts** met in Brussels on 21 June 2016 and addressed environmental issues, technical standards, harmonization, convergence and market access issues. Progress was made on the technical update of Annex 2-C. During the Working Group, positive developments were noted on EU concerns such as seat technical requirements, Flex-PLI test procedure and adoption of 48V technology. Market access issues discussed included, inter alia, truck-tractors, self-certification and marking of car parts, restricted market access for certain vehicle types, vehicle width limit, homologation certificates and policies affecting imports of motorbikes.

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<sup>9</sup> It is equal to the following ratio:

$$\frac{\text{Korea's preferential imports (the value of EU exports to Korea that enter Korea under the preferential rates)}}{\text{Korea's preference eligible imports (the value of EU exports to Korea that are eligible for preferential rates)}}$$

<sup>10</sup> Harmonized Commodity Description and Coding System



The **Working Group on Pharmaceuticals and Medical Devices** which met in Brussels on 22 June 2016 discussed, inter alia, the Korean pharmaceuticals pricing policy and the appropriate recognition of the value of innovative drugs and technologies, serialisation for drugs, recognition of pharmaceuticals compendiums from the EU, as well as the reimbursement of single use devices, clinical test requirements, and the state of play of the notified bodies in the EU.

The **Committee on Sanitary and Phytosanitary Measures** met in Brussels on 21 October 2016. It discussed the import approval procedure on EU beef, the EU request to recognise regionalisation decisions, the lifting of the Korean bans on pork, poultry and poultry products from certain EU Member States, and the “born and raised” clause in the bilateral sanitary protocols between EU Member States and Korea. The EU also raised issues about the quantity of sample collection for testing on high value products and an issue related to certification on Korean rules for products manufactured in one EU Member State and shipped to Korea via another Member State. Korea raised a point on export of chicken-ginseng soup to the EU.

On 15 November 2016, the **Trade in Goods Committee** met in Brussels. It discussed the overall implementation of the FTA after five years and recognised its beneficial effects for both the EU and Korea. Both sides discussed the outcome of the Electronics Dialogue that took place the day before covering a wide range of issues (review of Articles 4 and 5.2 of Annex 2-B of the FTA, extension of the scope of Annex 2-B to include radio equipment testing, state of play of the implementation of the EU Eco-design Directive for TV and Display, test requirements for the conformity assessment procedures of the EU Radio Equipment Directive, grace period for the implementation of new LVD and EMCDD). Market access issues of the EU cosmetics industry were raised again, namely the Korean electronic data interchange (EDI) system and the requirements for downtown duty-free shops to reserve space for sale of products of small and medium-sized enterprises (SMEs). On competition, the EU side requested information on the Korean legislation regarding prohibited subsidies, and expressed concern on Korean support plans for the local shipbuilding industry. Finally, the Parties discussed preparations of the Trade Committee.

On 16 November 2016, the EU and Korea held a meeting of the **Trade Remedy Cooperation Working Group** in Brussels. The meeting enhanced the knowledge and understanding of each other's trade remedy laws, policies and practices. It also allowed for an exchange of statistics and information regarding bilateral anti-dumping measures and on-going investigations as well as global trends in trade remedy investigations.

The **Intellectual Property Dialogue** took place in Seoul on 24 November 2016. Both sides provided updates on the legislative and policy developments on copyright, patents, trade marks and enforcement. The EU side raised the importance of maintaining a balance between the right holders of standard essential patents and implementers in Korea's competition policy. The EU side further expressed its concerns about the lack of implementation of the FTA provisions on public performance rights, pending the revision by Korea of the Copyright Act, and underlined the economic importance for both the EU and Korea of this issue.

The meeting of **Working Group on Government Procurement** took place in Seoul on 26 November 2016. The Parties provided information on recent legislative developments,

discussed Korea's broad interpretation of the security exception under Article 3 GPA and exchanged views on access for SMEs to procurement. Among other issues, the EU inquired about a possible interest from the Korean side to create a common procurement portal or a link between the respective portals. The Parties agreed to further enhance their cooperation.

The **Working Group on Geographical Indications (GIs)** had two working meetings organised by teleconference in 2016, one on 7 July and the other on 30 November. Discussions continued on the process to add GIs to the list protected under the FTA. The parties also discussed the enforcement of European GIs on the Korean market and Korean GIs on the EU market.

The 4th EU-Korea meeting of the **Cultural Cooperation Committee** was held on 6 March 2017 in Seoul. Both sides agreed to renew the entitlement for EU-Korea audio-visual co-productions to benefit from their respective schemes for the promotion of local/regional cultural content, and to increase their information efforts towards audio-visual operators. Other topics concerned artistic residencies, exchange of data and support to cultural cooperation.

On 24 March 2017, the **Committee on Trade and Sustainable Development** met in Brussels. The parties exchanged views on their respective environmental and labour policies. Chapter 5 below describes these discussions in more detail.

On 7 April 2017, the **Customs Committee** met in Seoul. It addressed issues related to the rules of origin, such as the interpretation of primary ingredient of surimi base, origin verification procedures and the approved exporter system, as well as the technical update of product specific rules from HS2007 to HS2017. The parties also discussed cooperation on European Anti-fraud Office (OLAF) investigations on the circumvention of trade defence measures concerning stainless steel tube and solar panel modules originating in China and the EU provided a general explanation on the legal and practical requirements that need to be fulfilled for the mutual recognition of Authorised Economic Operators.

The **Trade Committee** met for the sixth time on 16 December 2016 in Brussels. The meeting was co-chaired by Commissioner for Trade, Ms Cecilia Malmström, and Korea's Minister for Trade, Industry and Energy, Mr. Hyunghwan Joo, both accompanied by large delegations. On the occasion of the fifth anniversary of the application of the EU-Korea FTA, both sides welcomed the increase of bilateral trade relations, and gave an outlook on future relations (e.g. increase preference utilisation rate and SMEs participation, adapt to technological change). Korea drew attention to its continuing (though lowered) trade deficit with the EU.

As regards exploratory FTA amendment discussions, the EU reiterated its interest in amending provisions related, inter alia, to direct transport, repaired goods and truck-tractors. Korea recalled that it was in principle keen to negotiate with the EU on investment protection, but that it was not for the time being ready to go ahead on the basis of the EU's Investment Court System approach.

The EU expressed serious concerns on insufficient progress on the ratification and implementation of International Labour Organization (ILO) conventions and on protection of labour rights in Korea. It strongly emphasised the need to allow EU beef exports to Korea. Other issues addressed included regionalisation (pork and poultry), customs procedures

(origin verification), temporary duty exemption for repaired goods, Intellectual Property Rights (public performance rights), geographical indications, automobiles (homologation), shipbuilding (subsidies) and postal and courier services.

Korea confirmed that it was prolonging the temporary tax exemption for repaired goods for another two years, beyond the 31 December 2016 deadline, following repeated EU and industry demands. Korea raised implementation and market access issues related to chicken soup, Surimi (fish), EU eco standards for UHD televisions, good manufacturing practices for medical devices, mutual recognition for professional services, and EU anti-dumping investigations. Both sides agreed to follow-up the discussed implementation and market access issues in the context of the respective Specialised Committees and Working Groups.

## **5. IMPLEMENTATION OF THE PROVISIONS ON TRADE AND SUSTAINABLE DEVELOPMENT**

The Commission continued to engage with Korea on implementing commitments contained in the Trade and Sustainable Development (TSD) Chapter related to labour and environment. Particular emphasis was placed on labour rights in view of ensuring progress in implementing commitments made in terms of, for example, respecting, the ILO fundamental principles of freedom of association and right to collective bargaining and ratification of ILO fundamental conventions.

The fifth meeting of the TSD Committee was held in Brussels on 24 March 2017. This allowed the EU and Korea to continue their dialogue and cooperation on implementing the TSD Chapter. With regard to labour policy issues, the EU underlined the need of ensuring progress in the implementation of ILO fundamental conventions and the situation with regard to freedom of association. Korea provided information on the domestic context and the efforts made to ratify ILO fundamental conventions, and on the situation regarding freedom of association. In this respect, the EU considered that these matters would require further discussion. Korea also presented the challenges it faces regarding youth unemployment and the '4<sup>th</sup> Industrial Revolution' and referred to in that regard to the importance of social dialogue. The EU also provided information on the policy paper on the EU Pillar of Social Rights and made a presentation on actions taken to promote social dialogue.

The EU and Korea also evaluated their cooperation project on the implementation of ILO Convention 111 on discrimination in employment and occupation, which was seen as meaningful in offering greater understanding between Korea and the EU, since overcoming gender discrimination was seen as a common challenge.

The TSD Committee meeting also discussed environment policy issues, where the EU and Korea exchanged information on their respective actions to promote the Circular Economy, including waste management. Korea and the EU considered that further cooperation and exchange of information would be of mutual benefit and Korea would consider the EU offer of a Circular Economy Mission to Korea. The EU and Korea also exchanged information on their respective efforts to ratify the Minamata Convention on Mercury. Korea and the EU discussed their efforts with regard to combatting illegal trade in eels within the framework of CITES and with regard to reaching biodiversity targets set under the Convention on Biological Diversity.

On cooperation on climate change, the EU stressed the importance of collaboration between strategic partners and the G20 leadership role with regard to the implementation of the Paris Agreement and the importance of coherent climate policies. Korea and the EU reviewed the ongoing cooperation project on Emission Trading Systems, which was going well, and agreed that the involvement of other Korean ministries would be beneficial to the project.

The Commission used a multitude of other channels to communicate its concerns regarding the labour rights situation in Korea and to press for further progress. The concerns were raised at the Trade Committee, in correspondence from the Commissioner for Trade to her Korean counterpart and in numerous bilateral contacts, including by the EU Delegation in Korea.

The implementation of the TSD Chapter was also supported by an active participation from civil society through the EU and Korean Domestic Advisory Groups (DAG), which since September 2015 met four and eight times respectively. The EU DAG was particularly active in presenting members' opinions regarding the labour rights situation in Korea. The fifth meeting of the Civil Society Forum, which brings together the EU and Korean DAGs, took place on 20-21 March 2017 in Brussels and was preceded by a workshop on Corporate Social Responsibility. The Forum issued recommendations to the EU and Korea on the implementation of the TSD Chapter.

## 6. SPECIFIC AREAS SUBJECT TO REPORTING OR MONITORING

In accordance with article 3 (3) of Regulation (EU) No 511/2011 of the European Parliament and of the Council of 11 May 2011 implementing the bilateral safeguard clause<sup>11</sup>, the Commission shall present an annual monitoring report to the European Parliament and the Council on updated statistics on imports from Korea of products in sensitive sectors and those sectors to which monitoring has been extended. The evolution of EU imports from Korea in the sectors covered by the monitoring (cars, textiles, electronics) and the results of the specific monitoring on duty drawback are presented in the Commission Staff Working Document attached to this report.

## 7. MAIN OPEN ISSUES AND FOLLOW-UP ACTIONS

Full and correct implementation of the EU-Korea FTA continues to be of key importance, in order to bring the expected benefits to both sides.

The EU has serious concerns in particular in the area of trade and sustainable development, i.e. on insufficient progress on the ratification and implementation of ILO conventions and on protection of **labour rights** in Korea. The Commission will engage closely with the new Korean government in order to address them, and continue its cooperation with the EU DAG and with the Civil Society Forum comprised of stakeholders from all sides.

The EU has a particular interest in exporting again beef to the Korean market which has been closed to all EU imports since January 2001. The acceptance of the principle of regionalisation for animal diseases by Korea is another important topic in the sanitary and phyto-sanitary area.

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<sup>11</sup> OJ L 145, 31.5.2011, p. 19

In the area of **Intellectual Property**, Korea needs to establish a remuneration system for public performance rights. It also needs to agree to protect additional Geographical Indications and accept the principles of the regulatory framework for postal services. Other market access and implementation issues relate inter alia to electronics, cars and machinery.

Improvements in the areas of **customs procedures** could contribute to increase the preference utilisation rate, and further facilitate the participation of small and medium sized enterprises (SMEs). Technological changes, for instance in the area of electronics, will require adaptations.

The specialised **committees and working groups** established under the EU-Korea FTA will continue to discuss and seek solutions to the implementation and market access issues, with the aim to produce tangible results. They have also proven to be useful fora to discuss current and up-coming regulatory developments and areas of future cooperation.

Furthermore, the Commission will pursue exploratory discussions with Korea on a package of **amendments** to the FTA or its protocols, with the aim of reaching a balanced and mutually agreeable outcome.

## **8. CONCLUSIONS**

The first six years of application show that the EU-Korea FTA has worked very well.

EU exports of goods to Korea increased by 59% between 2010 and 2016. Also Korean exports increased, though at lower pace given the decrease in demand in the EU in the context of the financial crisis. This has turned the EU's trade in goods' deficit of 11.6 billion EUR in 2010 into a surplus of 3.1 billion EUR in 2016.

EU exports of services to Korea increased by 49%, compared to 32% for EU imports from Korea from 2010 to 2015. The EU had a 4.8 billion EUR trade surplus in 2015.

Over the same period, EU inward FDI stocks increased by 59% and EU outward FDI stocks (EU investments in Korea) increased by 33%.

Though some difficulties persist as outlined in section 7, in the vast majority of areas the implementation works well and strongly supports economic development on both sides. This was also recognised in the resolution of the European Parliament which was adopted on 18 May 2017<sup>12</sup>.

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<sup>12</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2017-0225&language=EN&ring=A8-2017-0123>