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COVER NOTE

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

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

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Subject: COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY
OF THE EVALUATION of the Implementation of the Free Trade
Agreement between the European Union and its Member States, of the
one part, and the Republic of Korea, of the other part

Delegations will find attached document SWD(2019) 103 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EVALUATION

of the Implementation of the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part

{SWD(2019) 102 final}

In 2016 the Directorate General for Trade (DG TRADE) of the European Commission has commissioned an evaluation of the implementation of the Free Trade Agreement between the EU and its Member States and the Republic of Korea (hereinafter referred to as “FTA”) to an external consultant - Civic Consulting and Ifo Institute.

The EU-Korea FTA has been provisionally applied since 1 July 2011. It is the first of a new generation of EU trade agreements, characterised by its comprehensive nature and high level of ambition, and the first one concluded by the EU with an Asian country.

The purpose of the evaluation was to provide an in-depth ex-post analysis of the performance of the EU-Korea FTA, as well as to use the lessons learned to improve the design and the implementation of other EU trade agreements. Accordingly, the evaluation examined the effectiveness and efficiency of the EU-Korea FTA in view of achieving its objectives, its relevance for addressing current trade issues and its coherence with the EU-Korea Framework Agreement and the objectives of the EU trade policy. The analysis of the FTA effectiveness included an assessment of its impact on sustainable development in its economic, social and environmental dimensions, as well as on human rights. The evaluation period covered the time from the start of the provisional application of the FTA - 1 July 2011 - until the latest available data at the start of the evaluation - 2014 - 2016.

Based on the analysis carried out, the Commission concluded that the EU-Korea FTA has been *effective* in achieving several of its specific objectives set out in Article 1.1(2) of the FTA, although, in some cases, few issues limit the full potential of the FTA. Specifically, the FTA has been effective in *liberalising and facilitating trade in goods and services and investment* between the EU and Korea, resulting in increase of trade volumes on both sides. The FTA has contributed to the protection of the *intellectual property rights*, in particular their enforcement and the protection of geographical indications. The FTA also succeeded in *reducing non-tariff trade costs*; however further work is needed as regards costs related to standardisation, conformity assessment, labelling, sanitary and phytosanitary measures. The FTA has had so far limited effect on *promoting competition*, on *further liberalising the government procurement markets* and on *contributing to the objective of sustainable development*. The FTA has led to a limited but notable *reduction of global CO₂ emissions*, has *boosted bilateral foreign direct investment (FDI)* and has *benefited consumers*.

As regards the contribution of the FTA to the *overarching objectives* of harmonious development and expansion of world trade, promotion of economic growth and stability, poverty reduction, raising standards of living, improvement of the general welfare and contribution to sustainable development¹, the Commission considers that it is too early to draw definitive conclusions because those objectives require a longer period of time to produce tangible results.

¹ Although the Commission considers it too early to draw definitive conclusions regarding the FTA’s contribution to sustainable development, it has nevertheless provided the tools for the launch of consultations regarding the implementation of Korea’s commitments pursuant to the International Labour Organisation conventions.

The evaluation did not identify any unintended negative *side effects* of the FTA with respect to the economic, social, human and labour rights, and environmental dimensions.

With respect to *efficiency*, while the FTA implementation resulted in some costs, such as administrative costs for businesses and costs for financing the institutional structure of the FTA, both the EU Member States and Korea experienced notable gains in welfare as a result of the FTA. Certain inefficiencies were identified such as the effects of the direct transport clause for certain industries, the administrative burdens in some countries for applying for an approved exporter status and the continued existence of certain non-tariff measures.

The EU-Korea FTA was found to be *coherent* with the EU-Korea Framework Agreement and with the EU trade policy.

The FTA provisions continue to be relevant for addressing current trade issues, although in some cases respective FTA amendments would be necessary to address issues more effectively.

In conclusion, the evaluation demonstrated that the EU-Korea FTA has so far performed well in terms of achieving its specific objectives and is on track to achieving its overarching objectives. The few issues which have been identified as affecting the performance of the FTA have had limited impact and do not require major changes of the FTA.

Full and correct implementation of the EU-Korea FTA continues to be of key importance for the Commission in order to bring the expected benefits to both the EU and Korea. The full effect of the implementation of a trade agreement takes time. It is therefore possible that the present evaluation underestimates the effects of the EU-Korea FTA. There is also a need for improvement of the collection of relevant trade statistics by responsible EU bodies to facilitate the analysis of causal effects of EU trade agreements in the future.

Therefore, the Commission will carry out a follow-up evaluation after a period of several years when the full effects of the FTA are observable. It would then be also possible to compare the longer-term effects of the EU-Korea FTA with the effects of other 'new generation' trade agreements concluded by the EU such as the Comprehensive Economic and Trade Agreement between the EU and Canada ("CETA") and the Economic Partnership Agreement between the EU and Japan EPA ("EU-Japan EPA").