Economic and trade relations with Korea

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PURPOSE: to propose a new strategy to integrate trade policy into the European Union’s competitiveness and economic reform agenda.

CONTENT: the purpose of this Communication is to set out the contribution of trade policy to stimulating growth and creating jobs in Europe (see INI/2006/2292). It sets out how, in a rapidly changing global economy, the can build a more comprehensive, integrated and forward-looking external trade policy that makes a stronger contribution to Europe's competitiveness. It stresses the need to adapt the tools of EU trade policy to new challenges, to engage new partners, to ensure Europe remains open to the world and other markets open to European businesses.

There are two critical and linked requirements for European competitiveness. First, having the right internal policies, which reflect the external competitive challenge and maintain openness to trade and investment. Second, **ensuring greater openness and fair rules in other markets, in particular our future major trading partners**. Both must be underpinned by transparent and effective rules – domestic, bilateral and multilateral.

Based on this analysis, the European Commission proposes to build an agenda for action in the months and years ahead. From Autumn 2006 and through 2007, the European Commission will set out the competitiveness agenda for EU trade policy with a series of linked initiatives:

In the months ahead the Commission proposes:

Internally, to :

- make sure that internal policy proposals, while furthering European standards, fit with global competitiveness challenges;
- make sure the benefits of trade opening are passed on to citizens by monitoring developments in import and consumer prices;
- equip people for change through the new generation of cohesion policy programmes and the European Globalisation Adjustment Fund.

Externally, to:

- maintain the EU’s commitment to the Doha Trade Round and the WTO as the best way of opening and managing world trade;
- make proposals on priorities in trade and investment relations with China as part of a broad strategy to build a beneficial and equal partnership;
- launch a second phase of the EU Intellectual Property Rights (IPR) enforcement strategy;
- make proposals for a new generation of carefully selected and prioritised Free Trade Areas (FTAs);
- make proposals for a renewed and reinforced market access strategy;
- propose measures to open procurement markets abroad;
- conduct a review of the effectiveness of our trade-defence instruments.

The Commission also intends to **propose a new generation of FTAs**, if approached with care, can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation. The key economic criteria for new FTA partners should be market

potential (economic size and growth) and the level of protection against EU export interests (tariffs and non tariff barriers).

With a GDP of EUR 598 billion in 2005 and trade with the EU at 53.3 billion, **Korea** (with whom negotiations are on-going) appears to be a priority for the EU. According to World Bank calculations, the annual average growth rate for Korea from 2005-2025 should be around 4.7% representing a **market potential of EUR 45 billion** for the same period. This country combines high levels of protection with large market potential and they are active in concluding FTAs with EU competitors.

In terms of content new competitiveness-driven FTAs would need to be comprehensive and ambitious in coverage, aiming at the highest possible degree of trade liberalisation including far-reaching liberalisation of services and investment. A new, ambitious model EU investment agreement should be developed in close coordination with Member States. Where partners have signed FTAs with other countries that are competitors to the EU, full parity at least should be sought. Quantitative import restrictions and all forms of duties, taxes, charges and restrictions on exports should be eliminated.

FTAs should also tackle non tariff barriers through regulatory convergence wherever possible and contain strong trade facilitation provisions. They should include stronger provisions for IPR and competition, including for example provisions on enforcement of Intellectual Property rights along the lines of the EC Enforcement Directive. The EU will seek to include provisions on good governance in financial, tax and judicial areas where appropriate. It should also ensure Rules of Origin in FTAs are simpler and more modern and reflect the realities of globalisation.

In considering new FTAs, the EU will need to work to strengthen sustainable development through its bilateral trade relations. It will also take into account the development needs of its partners and the potential impact of any agreement on other developing countries, in particular the potential effects on poor countries' preferential access to EU markets. In line with its position in the WTO, the EU will encourage our FTA partners to facilitate access by least-developed countries to their market, if possible by granting duty and quota free access. Lastly, FTA provisions should be an integral part of the overall relations with the country or region concerned.