Economic and trade relations with Korea

2007/2186(INI) - 19/11/2007

The Committee on International Trade adopted the report by David **MARTIN** (PES, UK) on the trade and economic relations with Korea. Overall, the committee calls for the conclusion of a Free Trade Agreement (FTA) with Korea that:

- covers trade in goods and services;
- makes scientific and technical cooperation and intellectual property an essential element of bilateral agreements;
- promotes cooperation on energy efficiency;
- is against climate change;
- includes provisions on other external aspects of energy policy, nuclear and renewable energy sources and the Galileo programme.

On a general level: MEPs consider that the size and rapid growth of the Southern Korean economy makes it a suitable candidate for a bilateral agreement but draws attention to the significant problems – including substantial non-tariff barriers (NTBs) – that will need to be addressed in order to reach a satisfactory agreement. They believe that an agreement limited to tariff reductions would merely produce short term benefits and therefore demands the dismantling of NTBs as well as the opening of the services sector in Korea. According to the MEPs, any FTA with Korea should take account of the four so-called Singapore Issues (foreign investment, competition, transparency in public procurement and trade facilitation). The Agreement should not be concluded in haste as a rapid timetable and artificial deadlines would lead to an agreement that was not wide ranging, ambitious and well balanced.

Sustainable development: MEPs believe that the Commission’s level of ambition with regard to increasing market access should be balanced by an equally ambitious approach to sustainable development. They also insist that there must be no exceptions to the rule that access to the internal European market is conditional on compliance with environmental protection standards. The report welcomes the introduction of stronger social and environmental clauses in the recently concluded US-Korea FTA. It considers that EU negotiators must see this as a base from which further progress can be made, particularly with regard to the ratification and enforcement of core International Labour Organization standards, Korea’s involvement in a post-2012 regime for combating climate change and recognition of existing EU environmental standards and legislation. It calls for any trade agreement with Korea to incorporate binding social and environmental clauses. The Member States and the Commission, during the bilateral negotiations with Korea, are called upon to support and promote the OECD guiding principles on corporate social responsibility (CSR), both for Korean enterprises operating in Europe and European enterprises established in Korea. Moreover, the report proposes that a mechanism be established whereby recognised EU or Korean workers’ and employers’ organisations should be able to submit requests for action which would be treated within a specified time period and could result in ongoing follow-up and review provisions, in order to maintain pressure against violations of workers' rights.

Sectoral issues: the report considers that Korea’s divergence from international norms and labelling requirements constitute major NTBs which present particular problems for the automotive, pharmaceutical, cosmetics and electronics industries. It calls on the Korean government to provide satisfactory explanations for such divergences or, otherwise, to commit during the FTA negotiations to remove them. It supports the Commission’s objective of assisting EU exporters of pharmaceutical products and medical devices by ensuring greater transparency in the Korean healthcare system but insists

that the Agreement should not create any legal or practical obstacles to Korean firms using the flexibilities set out in the TRIPs agreement and public health, adopted on 14 November 2001 in Doha, to promote access to medicines in developing countries.

Concerned that the EU-Korea FTA could have a severe negative impact on the European automotive industry, the committee requests that the Commission considers a strategy of phasing out EU import tariffs with safeguards. It recommends that this phasing-out shall be connected with the lifting of major NTBs on the Korean side. At the same time, the committee calls on the Commission to insist that EU automobiles complying with the United Nations Economic Commission for Europe (UNECE) standards can be imported into Korea without testing or homologation. MEPs oppose provisions exempting Korean vehicles from anti-pollution emission standards.

Special attention should be given to the shipbuilding industry and the concerns of both the Korean and European agricultural sectors should also be taken into account, particularly as regards the possible adverse effects of the FTA on the sensitive products concerned.

The report calls for measures to be taken immediately to combat the NTBs affecting fruit and vegetables and the excessively high tariffs applied to canned fruit. The committee is concerned about the difficulties foreign firms have in accessing the Korean market for services including banking, insurance and legal advice.

On intellectual property, the report attaches high priority to the effective enforcement of intellectual property rights, including through the introduction of adequate penalties for counterfeiting and piracy. It considers that special mechanisms of quick and efficient dispute settlement, in the context of existing WTO rules, should be included so that these and other unfair trade competitive practices can be dealt with adequately. MEPs consider that the current negotiation with Korea on the IPR protection should not undermine legitimate policy goals such as access to medicines by going beyond the TRIPs Agreement obligations, but that it should instead encourage the use of TRIPs' flexibilities.

The committee urges South Korea to introduce public performance rights for producers of sound recordings in line with the Rome Convention and the Directive 2006/115/EC of the European Parliament and of the Council on rental right and lending right and on certain rights related to copyright in the field of intellectual property. Other measures are needed to strengthen the fight against Internet piracy.

Relations with North Korea: the report recommends that the Commission seriously examines the extent to which trade relations between North and South Korea affect a FTA with the EU.

Parliament’s role in the negotiations: lastly, the report states that it wants to see Parliament closely involved in each stage of the negotiations and be given the chance to express its view on the acceptability of the negotiated text. It therefore expects the Commission and the Council to seek to present the agreement in a form that would require the assent of the Parliament.