Economic and trade relations with Korea

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The European Parliament adopted a resolution based on the own-initiative report drafted by David **MARTIN** (PES, UK) on the trade and economic relations with Korea. It began by pointing out that Korea is the EU's fourth largest trading partner outside Europe, and the EU was the largest foreign investor in Korea in 2006. Korea has signed Free Trade Agreements (FTAs) with the United States and a number of other leading trading partners and is currently negotiating additional agreements.

General issues: MEPs consider that a successful outcome of the DDA remains the EU's trade priority and would be concerned if bilateral negotiations with Korea or other partners were to distract from the achievement of this objective. However, they believe that bilateral negotiations with major trading partners or regions can usefully supplement the multilateral rule book provided they produce ambitious, high quality agreements that go well beyond tariff reductions. The size and rapid growth of the Korean economy makes it a suitable candidate for such an agreement but Parliament draws attention to the significant problems – including substantial Non Tarrif Barriers (NTB) – that will need to be addressed in order to reach a satisfactory agreement. An agreement limited to tariff reductions would merely produce short-term benefits. Parliament demands the dismantling of NTBs as well as the opening of the services sector in Korea. Any FTA with Korea should also take account of the four so-called Singapore Issues (trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation). Parliament concludes that the mutually beneficial content of the agreement is far more important than a rapid timetable. It would be concerned if artificial deadlines were to lead to an agreement that was not wide ranging, ambitious and well balanced.

Sustainable development: environmentally-friendly products should have their tariffs reduced more quickly and more sharply than other goods. Parliament calls on the Commission and the Korean negotiators to produce a clear definition of such products, and strongly recommends that the environmental conditions under which goods are produced be duly taken into account. The Sustainability Impact Assessment (SIA) must be published in good time so that its results can influence the outcome of the negotiations. Parliament believes that the Commission's level of ambition with regard to increasing market access should be balanced by an equally ambitious approach to sustainable development. There must be no exceptions to the rule that access to the internal European market is conditional on compliance with environmental protection standards. Any trade agreement with Korea must also incorporate binding social and environmental clauses. In addition, Member States and the Commission must promote the OECD Principles of Corporate Governance and Corporate Social Responsibility, both for Korean enterprises operating in Europe and European enterprises established in Korea. Parliament 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 on those who violate workers' rights.

Sectoral issues: the resolution calls for the conclusion of an 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, seeks to combat climate change and includes provisions on other external aspects of energy policy, nuclear and renewable energy sources and the Galileo programme. Parliament 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, Parliament 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, Parliament 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.

Parliament goes on to state that it regards the tariff peak and excessive labelling requirements faced by the distilled spirits industry to be a priority for the negotiations. Measures should be taken immediately to combat the NTBs affecting fruit and vegetables and the excessively high tariffs applied to canned fruit. Parliament 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 resolution attaches high priority to the effective enforcement of intellectual property rights, including through the introduction of adequate penalties for counterfeiting and piracy. MEPs consider, however, 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.

Parliament urges South Korea to introduce public performance rights for producers of sound recordings in line with the Rome Convention and Directive 2006/115/EC 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.

North Korea and Kaesong: Parliament welcomes the role of the Kaesong Industrial Complex in contributing to regional peace and security, but believes that the inclusion of goods from the Kaesong Industrial Complex in an FTA raises serious legal and technical problems. It recommends that the Commission seriously examine the extent to which trade relations between North and South Korea could be assisted through an FTA with the EU. Any agreement should include an undertaking not to lower labour standards in order to attract foreign investment in any part of the territory of the parties including export processing zones.

Parliament's role in the negotiations: lastly, the resolution 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 under Article 300(3)(ii) of the EC Treaty.