EU/Korea Free Trade Agreement

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PURPOSE: the conclusion of the free trade agreement between the European Union and its Member States, on the one hand, and South Korea, on the other.

PROPOSED ACT: Council Decision.

BACKGROUND: the EU-Korea Free Trade Agreement was adopted according to the objectives defined in the Commission's communication "Global Europe - Competing in the world", which describes how the EU's trade policy can contribute to achieving the European strategy for growth and employment. This underlined that the Doha programme for development remains the EU's main priority. The communication also stressed the importance for the EU of using the framework provided by the WTO as the best way of opening up markets to trade and investment. It proposed a series of trade policy initiatives to complement efforts to relaunch WTO negotiations. Among these, it proposed the negotiation of carefully selected and prioritised free trade agreements (FTAs). Following the adoption of negotiating guidelines by the Council, on 23 April 2007, negotiations with Korea began in Seoul on 6 May 2007. These were completed with the initialling of the FTA, in Brussels, on 15 October 2009, after less than two and a half years of discussions. Parliament was kept informed regularly on the progress of the discussions by its Committee on International Trade (INTA). On 13 December 2007, Parliament adopted a resolution on economic and trade relations with Korea, which served as an important contribution to the negotiations.

IMPACT ASSESSMENT: in preparation for the negotiations, the Commission undertook and impact assessment to examine the potential impact of an FTA with South Korea. A more detailed evaluation of the impact of trade on sustainable development, examining the potential effects of the agreement in the economic, social and environmental fields was carried out in parallel with the negotiations. Additional studies, to analyse the FTA from both a quantitative and quantitative point of view, were also undertaken.

LEGAL BASE: Articles 91, 100(2) and 207, in conjunction with Article 218(6) a) v) of the TFEU.

CONTENT: the proposal represents the legal instrument enabling the conclusion of the FTA between the European Union and its Member States, on the one hand, and South Korea, on the other.

The purpose of the agreement is to establish a progressive and reciprocal liberalisation of trade in goods and services and to define rules on matters relating to trade.

Commercial aspects: the EU-Korea FTA sets down the measures needed to establish a free trade area in accordance with the provisions of Article XXIV of the General Agreement on Tariffs and Trade (GATT 1994). The two parties agreed to implement very rapidly the commitments to liberalise and will eliminate 98.7% of customs duties, in trade value, both for the industrial sector and for agriculture in the coming five years. The remaining customs duties will be eliminated almost entirely over longer transitional periods, with the exception of a small number of agricultural products, such as rice or garlic.

Sectoral Annexes have been negotiated on electronics, motor vehicles and their parts, pharmaceuticals and medical devices, as well as chemicals with a view to the dismantling of non-tariff barriers.

The FTA included the following distinct chapters covering:

- trade measures,
- Technical Barriers to Trade
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- sanitary and phytosanitary measures,
- customs procedures,
- trade facilitation,
- services,
- rules of establishment,
- Electronic Commerce (with schedules of undertakings in this matter which clearly go beyond the commitments made by each party under the General Agreement on Trade in Services (GATS) and that comply with Article V of the GATS)
- current payments,
- capital movements.

Competition and commercial compliance aspects: in terms of rules, the FTA defines ambitious commitments in the field of competition and, in particular:

- state aids,
- intellectual property (including the enforcement of these rules),
- public procurement.

More ambitious restrictive horizontal measures in regard to regulatory transparency in areas of importance for mutual trade and investment between the parties were also incorporated in the agreement.

Separate protocols: the FTA includes various protocols, including a protocol on **rules of origin** and one concerning **mutual administrative assistance in customs matters**, which include provisions defining the origin of products - a concept that is used to determine the duties applicable to traded products – governing the proof of origin and laying down the practical details of cooperation between the customs authorities.

It also includes a specific protocol on cooperation in the **cultural field**, which defines the terms of a strategic dialogue and cooperation to facilitate cultural exchanges.

It also provides an institutional framework for implementation independent of that provided in the FTA itself , with the creation a separate committee and a specific mechanism for dispute resolution.

Trade and sustainable development aspects: this section covers social and environmental aspects. It includes provisions on cooperation and establishes a novel monitoring mechanism involving civil society by means of a "**forum of civil society**".

Institutional aspects: institutional arrangements provide for the establishment of the Trade Committee, responsible for overseeing the implementation of the FTA and to examine how to further strengthen trade relations between the parties. An effective **dispute resolution mechanism** is provided for. The Trade Committee will comprise representatives of the EU and Korea. It will report on its activities and those of its committees, working groups and other specialized bodies to the Joint Committee established by the Framework Agreement. The updated framework agreement, coupled with the free trade agreement, reflects a new dimension of relations between the EU and Korea. At the request of the Council, the two agreements are legally and institutionally linked.

Provisional application: until the entry into force, this provides for its provisional application.

BUDGETARY IMPACT: the proposal has no financial impact on the Union's expenditure, but has a financial impact on its revenues.