EU/Korea Free Trade Agreement: bilateral safeguard clause

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The Commission presents the **3rd Annual Report on the implementation of the Free Trade Agreement between the EU-South Korea** (*for the results of the 1st report, please refer to the summary dated 25/02 /2013 included on the same procedure file*).

To recall, 1 July 2013 marked the second anniversary of the Free Trade Agreement (FTA) between the EU and its Member States and the Republic of Korea (South Korea), which has been provisionally applied since July 2011. It is the first of a new generation FTA, characterised by its far-reaching and comprehensive nature. It is also the EU's first trade deal with an Asian country.

This is the third Annual Report on the implementation of the FTA, in accordance with the provisions of Regulation (EU) No 511/2011 of the European Parliament and of the Council implementing the bilateral safeguard clause of the Free Trade Agreement between the European Union and its Member States and the Republic of Korea.

Objectives of the report and main findings: the present report has a two-fold objective: (i) to comply with the Regulation on the adoption of the FTA; (ii) present an annual monitoring report on updated statistics on imports from Korea of products in the sensitive sectors and those sectors to which monitoring has been extended.

The main findings from the Commission’s analysis may be summarised as follows:

- **Positive outcome for the parties**: based on three years of implementation of the EU-Korea FTA, it is clear that the FTA has worked well for both sides, **in particular for the EU**. EU exports of goods to Korea **increased by 35%** in the third year of FTA implementation, compared to the 12-month period before the FTA took effect. While imports from Korea were roughly equal to the 12-month period before the FTA, they increased by 6% in the third year of FTA implementation, compared to the previous year. The weaker performance of Korean exports has to be seen in the context of the decreased demand in the EU following the financial crisis: EU imports from its 14 main suppliers have decreased and in fact Korea is one of the few trade partners, along with Turkey and China, whose exports to the EU increased in the third year of FTA implementation. It seems therefore that the FTA has mitigated the impact of the crisis on Korean exports and that without the FTA, the Korean exports to the EU would have been hit much harder;
- **Liberalisation of goods**: when looking at the development of bilateral trade of goods which has been fully or partially liberalised by the FTA, the situation looks brighter also for Korea, with **an increase of 21% in exports of fully liberalised goods and 26% of partially liberalised goods to the EU**. On the EU-side, exports of fully and partially liberalised goods have also increased more than exports overall, with an increase of 46% for fully liberalised goods and 37% for partially liberalised goods;
- **Products in sensitive sectors**: the report noted that while trade is prospering, full implementation of the FTA remains of key importance. Some implementation and bilateral trade issues persist. For example, **in the automotive sector tackling the remaining non-tariff barriers remains a challenge**. As regards Sanitary and Phytosanitary Measures, some of the issues encountered by EU exporters stem from the fact that Korea applies different import conditions for EU Member States for animal and plant products, although the legislation is fully harmonised in the EU. This delays access to the Korean market, as EU Member States have to undergo individual negotiations.

However, there are also success stories, such as the conclusion of the **agreement of equivalency of organic, agricultural processed products** at the end of 2014. As a consequence, processed organic products processed and certified in the EU may be sold as organic in Korea as of 1 February 2015.

Governance: the FTA implementation structure, with its various specialised committees and working groups has proven an effective way to discuss and seek solutions to the implementation and market access issues. They also provide a regular forum to discuss current and future regulatory developments and any implications these may have on future exports.

Discussions to amend the FTA will continue in the 4th year of implementation, with a view to finding a balanced "package" of amendments, with economic benefits to exporters and consumers in the EU as well as in Korea, to futher improve the FTA and to make it more trade-facilitative.