EU/Korea Free Trade Agreement: bilateral safeguard clause

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The Commission presents the **4th report** on the implementation of the EU-Korea Free Trade Agreement (*please refer to the relevant summaries of the three previous reports).*

To recall, 1 July 2015 marked the fourth anniversary of the Free Trade Agreement (FTA) between the EU and its Member States and Korea, which has been provisionally applied since July 2011. On 13 December 2015, it entered formally into force following the ratification by EU Member States.

The EU-Korea FTA is the first of a new generation of FTAs, characterised by its far-reaching and comprehensive nature. It is also the EU's first trade deal with an Asian country and the most ambitious FTA implemented by the EU so far.

This is the 4th annual report on the implementation of the FTA, presented 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 FTA between the European Union and its Member States and Korea.

The main conclusion of the report, based on more than four years of implementation, is that **the EU-Korea FTA has worked very well.**

Trade in goods: **EU exports of goods to Korea increased by 55%** in the fourth year of FTA implementation, from EUR 30.6 billion in the 12-month period before the FTA took effect to EUR 47.3 billion in the fourth year of the FTA.

At the same time **Korean exports increased, even though the increase is less than the EU's exports**. EU imports from Korea in the fourth year of the FTA amounted to 40.0 billion EUR, having increased by 5% since the 12-month period before the entry into effect of the FTA. The weaker performance of Korean exports of goods has to be seen in the context of the decreased demand in the EU following the financial crisis.

However, when looking at the development of bilateral trade in goods which has been fully or partially liberalised by the FTA, **the situation looks much brighter for Korea**, with an increase of **35%** in exports of fully liberalised goods and **64%** 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 **57%** for fully liberalised goods and **71%** for partially liberalised goods.

Sectoral effects:

- **in terms of EU exports**, the most important product categories are: "machinery and appliances" (+24%); "transport equipment" (+134%); "chemical products" (+21%). Other categories of products that have shown a significant increase in EU exports since July 2011 are "mineral products", "pearls & precious metals", "footwear" and "wood";

- as far as **EU imports from Korea** are concerned, the main product categories are: "machinery & appliances (- 16%); transport equipment", which, in June 2015 were almost at the same level as in June 2011. Significant increases were noted in EU imports of "chemical products" and "plastics", which have increased by 115% and 59% respectively since the FTA's entry into effect;

- **trade in motor vehicles**: EU exports of motor vehicles have increased by 206%, from EUR 2 billion (74,600 units) in the 12-month period preceding the entry into force of the agreement to EUR 6.1 billion (210,900 units) in the fourth year of the FTA, accounting for 13% of total EU exports to Korea. EU imports from Korea have grown by 53% from EUR 2.6 billion EUR to EUR 4 billion or by 13% in terms of units imported (from 300,000 to 339,000);

- in 2014 EU **exports of services** increased by 11% compared to the previous year, and EU imports of services from Korea increased by 4% compared to 2013. EU FDI inward stocks from Korea increased by 35% compared to the previous year.

Solving persistent problems: full implementation of the FTA continues to be of key importance, in order to bring the expected benefits to both sides. Some implementation and bilateral trade issues still persist. For example in the **sanitary and phytosanitary sector**, cumbersome authorisation procedures create barriers, which affect in particular EU beef and pork exports. Implementation has also caused concern in the areas of **intellectual property rights,** in particular in respect of public performance rights and geographical indications, as well as trade and sustainable development, where there is a need to speed up the ratification of fundamental International Labour Organisation (ILO) conventions.

In this respect, **the specialised committees and working groups** established to implement the FTA will continue to discuss and seek solutions to the implementation and market access issues, with the aim to produce tangible results. These implementation bodies have also **proven to be very useful forums** to discuss current and future regulatory developments and areas of future cooperation.

Lastly, as agreed at the Trade Committee in September 2015, the EU and Korea will continue discussions on a **package of FTA amendments**, with the aim of reaching a balanced and mutually agreeable outcome.