Implementation of the Free Trade Agreement between the European Union and the Republic of Korea

2015/2059(INI) - 18/05/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 468 votes to 118, with 39 abstentions, a resolution on the implementation of the Free Trade Agreement between the European Union and the Republic of Korea.

Benefits of the Agreement: Members welcomed the fact that the Agreement has led to a **significant growth in trade** between the EU and Korea.

The EU-Korea Free Trade Agreement formally entered into force on 13 December 2015. The EU's trade deficit, which amounted to EUR 7.6 billion in the 12-month period preceding the Agreement's validity, turned into a **trade surplus of EUR 2.5 billion** in the fifth year of the Agreement's validity.

During the period of validity of the Agreement:

- **EU exports to Korea** grew by 47 % whereas imports to the EU from Korea in the fifth year of validity of the Agreement had grown by 11 % in comparison with the 12-month period preceding the validity of the Agreement;
- the **EU's share in total Korean imports** grew from 9 % before the Agreement's entry into force to 13 % in the fourth year of its validity;
- EU exports of **passenger vehicles** to Korea grew by 246 % whereas EU imports of passenger vehicles from Korea grew by 71 %;
- EU exports of **services** amounted to EUR 11.9 billion in 2014;
- the EU's foreign direct investment (FDI) in Korea in 2014 reached EUR 43.7 billion, making the EU the largest investor in Korea.

Progress to be made: Parliament noted that progress made by Korea on the objectives enshrined in the trade and **sustainable development** chapter is not satisfactory and that there are still cases of violation of freedom of association, including troubling examples of imprisonment of trade union leaders, and interference in negotiations.

The Commission is called upon to take up formal consultations with the Korean Government towards ensuring the **ratification by Korea of the fundamental International Labour Organisation** (ILO) conventions which this country has not ratified yet.

Pending issues: while the Agreement meets the expectations of the parties in terms of increased bilateral trade and a deeper commercial partnership, the following issues should be analysed to remedy existing problems:

- **technical barriers to trade**, such as: the direct transport clause, which prevents companies from optimising economically their container shipments, the clause on repaired goods, the inclusion of truck-tractors in the scope of the Agreement, and the issue of the rules and procedures governing certificates for machines exported to Korea;
- **barriers in the area of sanitary and phytosanitary measures**, including: barriers restricting exports of EU beef and pork, as well as dairy products;

- **intellectual property rights**, such as: recognition and protection of geographic designations and commercial rights to the public performance of musical works, phonograms and performances protected by copyright or related rights;
- the chapter on **trade and sustainable development**;
- the wording of the **rules on origin** and their effect on the preference utilisation rate;
- **customs-related matters** including origin verification procedures.

In addition, recently there have been cases of creation of **new non-tariff barriers**, such as previously non-existing technical norms for machines, equipment or vehicles.

Strengthen relations: Members supported the **further deepening of trade and investment relations between the EU and Korea**, in particular the Agreement's Investment Chapter and called on the parties to build on a new investment court system proposed by the Commission. The Commission is called, in the long term, to develop a **multilateral investment court system** that would potentially replace all investment dispute resolution mechanisms in current and future free trade agreements.

Parliament stressed that the activities carried out in the framework of the Agreement should continue in practice to be subject to **periodic analyses** and evaluations regarding trade impact on specific economic sectors of the EU and of every EU Member State respectively.