



EU-SOUTH KOREA FREE TRADE AGREEMENT

10 KEY BENEFITS FOR THE EUROPEAN UNION

1. Korea has removed its import tariffs on EU industrial and agricultural goods

South Korea has removed tariffs on imports of industrial and agricultural goods from the EU.

It lifted them on the majority of goods in 2011 as soon as the agreement started to apply, and reduced the rest gradually.

Before the agreement, South Korean tariffs averaged 8%; five years after it began applying, they were less than 0.5% and continued to fall.

This makes European exports to South Korea such as cars, chemicals, electronics and clothing more competitive in South Korea.

Trade figures show that firms in the EU and South Korea have been making good use of the tariff preferences under the agreement.

2. More opportunities for EU services suppliers

The agreement has brought new opportunities for EU companies in the services sectors.

It covers services such as:

- construction
- environmental services
- express delivery services
- financial services
- postal services
- professional services
- shipping
- telecommunications
- transport

Specific examples:

Telecommunications

Allows EU companies 100% ownership in the Korean telecommunication sector.

Shipping Services

- full market access for EU firms
- the right to set up business in South Korea
- EU firms can use South Korean port services and infrastructure the same way as their South Korean counterparts

Financial Services

All EU financial firms have:

- substantial access to the Korean market
- the right to freely transfer data from their branches and affiliates to their headquarters

Legal Services

European lawyers and law firms:

- can use titles from their home country, such as *solicitor*, *avocat* or *Rechtsanwalt*;
- have the right to open offices in South Korea to advise foreign investors or Korean clients on non-Korean law, and;
- are allowed to form partnerships with Korean firms and recruit Korean lawyers to provide 'multi-jurisdictional' services.

3. Electronics, pharmaceuticals and medical devices – cutting costs, not standards

Before the trade agreement entered into force, EU manufacturers of consumer electronics and household appliances had to duplicate cumbersome and expensive testing and certification procedures to be allowed to sell their products in South Korea.

The trade agreement provides solutions for such barriers to trade and cuts costs for businesses by:

- encouraging the use of international standards;
- encouraging producers and importers to take responsibility for ensuring their products comply with South Korean regulations and to sign a declaration to this effect, thereby avoiding the need for a compulsory third party certificate, and;
- eliminating third party certification for a selected number of products.

EU exporters of pharmaceuticals and medical devices benefit from South Korea's pricing decisions being more transparent and predictable.

As in many EU Member States, South Korean health authorities set the prices at which medicines are reimbursed. The agreement ensures that pricing and reimbursement decisions are based on clear and objective criteria.

Under the agreement, the EU and South Korea have set up a working group so they can cooperate on regulatory issues.

4. More opportunities for EU car manufacturers

EU car manufacturers have benefitted from South Korea having removed:

- import duties, and;
- non-tariff barriers.

Under the agreement, South Korea accepts that international or EU standards are equivalent to its own most important technical regulations. This means EU carmakers can sell products in South Korea that have been made in accordance with EU specifications, without having to undergo additional testing or approval.

The agreement

- stipulates there will be no new unjustified barriers in the automotive sector, and;
- sets up a working group to cooperate on regulations.

The trade agreement means there is no need to:

- carry out specific expensive tests to show products comply with a wide range of safety standards – for example crash tests – because South Korea now recognises tests carried out in the EU that show compliance with EU standards.
- comply with specific Korean standards – for example on noise or technical specifications on many car devices and features, such as lights, seats and steering wheels.

5. More opportunities for EU firms to tender for Korean government contracts

Thanks to the trade agreement, EU firms can tender for public works concessions and 'Build-Operate-Transfer' (BOT) contracts in South Korea not covered by the World Trade Organization Government Procurement Agreement commitments.

The trade agreement guarantees European firms have legal and practical access to such tenders.

6. Better protection of intellectual property rights

Protecting and enforcing intellectual property rights (IPR) is crucial to European competitiveness.

The agreement covers

- copyright
- designs
- enforcement
- geographical indications (GIs)

The agreement's provisions for enforcing intellectual property rights go beyond those of the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

Geographical indications (GIs) are signs used on food and drink products that have a specific geographical origin and possess qualities or a reputation due to that origin.

For example:

- | | | |
|--------------------|------------------------------|-----------------------|
| • Bayerisches Bier | • Jambon de Bayonne | • Prosciutto di Parma |
| • Bordeaux wines | • Manchego cheese | • Rioja |
| • Champagne | • Ouzo | • Szegedi szalámi |
| • České pivo | • Parmigiano Reggiano cheese | • Tokaji wine |
| • Grappa | • Polska Wódka | • Vinho Verde wine |
| • Irish whiskey | | |

The agreement prohibits the sale of fake versions of such products in South Korea using the name of the geographical indication. This provides more export opportunities for European producers of the genuine article and means South Korean consumers can be confident of buying genuine products.

7. Stronger competition rules

The agreement prohibits and sanctions certain practices and transactions that distort competition and trade between the EU and South Korea.

For example:

Anticompetitive practices that harm consumers and raise prices.

- cartels
- abusive behaviour by companies with a dominant market position
- anticompetitive mergers

Subsidies that distort international trade and harm competition.

Under the agreement, the EU and South Korea must:

- report annually on the total amount, type and the sectoral distribution of subsidies, and;
- give further information on subsidy schemes or individual subsidies if asked to do so.

The rules on subsidies apply to goods (except for agriculture and fisheries) and might be extended to services in future.

8. More transparent rules and regulations

Before the agreement, European firms doing business in South Korea often said that the lack of transparency around rules and regulations made it doing business difficult.

Under the agreement, all regulations affecting the areas it covers must meet certain standards of transparency.

For example, firms or people must be allowed to comment on new regulations that could affect them.

9. Commitment to sustainable development

The agreement creates a framework for cooperation between the EU and South Korea on trade and sustainable development.

The EU and South Korea make firm commitments to labour and environmental standards.

On workers' rights they:

- commit to the International Labour Organization's core labour standards and decent work agenda, and;
- commit to ratify and effectively implement all conventions identified by the ILO that go beyond core labour standards.

On the environment they:

- commit to effectively implement all multilateral environmental agreements to which they are party;
- agreed to quickly cut tariffs for environmentally friendly goods so as to promote sustainable development through green technologies, and;
- agreed to open their environmental services markets to each other.

On regulation they:

- confirm each other's right to regulate, while aiming for a high level of protection for the environment and workers' rights, and;
- agree not to waive or derogate from such standards in a manner that affects trade or investment between them.

On monitoring they:

- set up Domestic Advisory Groups where representatives of civil society can monitor that the EU and South Korea are fulfilling their commitments, and;
- set up mechanisms for settling differences through an independent panel of experts.

10. A fast way to settle any disputes

The agreement includes

- a dispute settlement mechanism to ensure commitments made can be enforced, and;
- a mediation mechanism to tackle non-tariff barriers.

The procedure foresees an arbitration ruling within 120 days, which is much faster than in the World Trade Organization.