

Economic and trade relations with Korea

European Parliament resolution of 13 December 2007 on the trade and economic relations with Korea (2007/2186(INI))

The European Parliament,

- having regard to the Framework Agreement for Trade and Cooperation between the European Community and its Member States, on the one hand, and the Republic of Korea, on the other hand¹,
 - having regard to the study entitled 'Economic Impact of a Potential Free Trade Agreement Between the European Union and South Korea' by Copenhagen Economics & Prof. J. F. Francois,
 - having regard to the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions 'Global Europe: Competing in the World. A contribution to the EU's Growth and Jobs Strategy' (COM(2006)0567),
 - having regard to its resolutions of 13 October 2005 on prospects for trade relations between the EU and China² and of 28 September 2006 on the EU's economic and trade relations with India³,
 - having regard to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the International Labour Organization (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy,
 - having regard to the OECD Employment Statistics 2007,
 - having regard to the Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity, adopted on 4 October 2007 by the Republic of Korea (subsequently referred to as "Korea") and the Democratic People's Republic of Korea (subsequently referred to as "North Korea"),
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinion of the Committee on Industry, Research and Energy (A6-0463/2007),
- A. whereas the rule-based multilateral trading system, established through the World Trade Organisation (WTO), continues to represent the most suitable framework for regulating and promoting fair and equitable trade by developing appropriate rules and ensuring compliance with those rules,

¹ OJ L 90, 30.3.2001 p. 46.

² OJ C 233 E, 28.9.2006, p. 103.

³ OJ C 306 E, 15.12.2006, p. 400.

- B. whereas the EU should continue to give priority to the achievement of a balanced outcome of the Doha Development Agenda (DDA), which would assist developing countries to play a full part in the international trading system,
- C. whereas bilateral and inter-regional trade agreements can nevertheless complement the WTO rule book by covering issues such as social and environmental standards where it is currently difficult to find multilateral agreement,
- D. whereas the agreement with Korea can also address questions of investment and trade in services, but should do so in a way which ensures that market opening does not compromise either European or Korean rules on the protection of public services and cultural diversity or the policy space needed to unilaterally enact sustainable social, economic and environmental policies in the EU as well as in Korea,
- E. whereas Korea is one of the world's leading economies with an income per head that is equivalent to a middle-ranking EU Member State,
- F. whereas poverty remains an unresolved and deepening problem in Korea which, according to OECD statistics, ranks among the three OECD members that have the biggest income gap and which are experiencing the greatest widening of the income gap; whereas Korea ranks last among OECD countries with less than 5 percent of tax income being spent on social security, compared to an OECD average of 43 percent,
- G. whereas Korea is the EU's fourth largest trading partner outside Europe, and the EU was the largest foreign investor in Korea in 2006,
- H. whereas Korea has signed Free Trade Agreements (FTAs) with the United States and a number of other leading trading partners and is currently negotiating additional agreements,
- I. whereas market access is being increasingly hampered by various types of non-tariff barrier (NTB), including a failure to adopt international norms and standards, that are partially responsible for the structural EU deficit in bilateral trade relations,
- J. whereas studies show that an EU-Korea agreement could produce substantial economic gains for both parties, but that, in any of the scenarios considered, Korea would receive two thirds of the benefits,

General issues

1. Considers that a successful outcome of the DDA remains the EU's trade priority and would be concerned if bilateral negotiations with Korea or other partners were to distract from the achievement of this objective;
2. Believes that bilateral negotiations with major trading partners or regions can usefully supplement the multilateral rule book provided they produce ambitious, high quality agreements that go well beyond tariff reductions;
3. Considers that the size and rapid growth of the Korean economy makes it a suitable candidate for such an agreement but draws attention to the significant problems – including substantial NTBs – that will need to be addressed in order to reach a

satisfactory agreement;

4. Believes that an agreement limited to tariff reductions would merely produce short-term benefits and therefore demands the dismantling of NTBs as well as the opening of the services sector in Korea;
5. Considers that any FTA with Korea should take account of the four so-called Singapore Issues (trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation);
6. Concludes that the mutually beneficial content of the agreement is far more important than a rapid timetable and would therefore be concerned if artificial deadlines were to lead to an agreement that was not wide ranging, ambitious and well balanced;

Sustainable development

7. Considers that environmentally-friendly products should have their tariffs reduced more quickly and more sharply than other goods; calls on the Commission and the Korean negotiators to produce a clear definition of such products; strongly recommends that, in such a definition, the environmental conditions under which goods are produced be duly taken into account;
8. Regrets that a Sustainability Impact Assessment (SIA) has not been undertaken at an earlier stage given the planned negotiating timetable; considers it of the utmost importance that the results of the SIA be published well ahead of the signing of an agreement and that sufficient time be allowed for full public consultation so that the SIA's results can influence the outcome of the negotiations; calls on the Commission to consult Parliament, the Council and civil society if the SIA study suggests that there are mitigation requirements and to negotiate the final FTA accordingly;
9. Believes that the Commission's level of ambition with regard to increasing market access should be balanced by an equally ambitious approach to sustainable development; also insists that there must be no exceptions to the rule that access to the internal European market is conditional on compliance with environmental protection standards;
10. Welcomes the introduction of stronger social and environmental clauses in the recently concluded US-Korea FTA as the result of pressure from the US Congress;
11. Considers that EU negotiators must see this as a base from which further progress can be made, particularly with regard to the ratification and enforcement of core ILO standards, Korea's involvement in a post-2012 regime for combating climate change and the recognition of existing EU environmental standards and legislation;
12. Calls for any trade agreement with Korea to incorporate binding social and environmental clauses;
13. Calls on the Member States and the Commission, during the bilateral negotiations with Korea, to support and promote the OECD Principles of Corporate Governance and Corporate Social Responsibility, both for Korean enterprises operating in Europe and European enterprises established in Korea;

14. Considers an ambitious sustainable development chapter to be an essential part of any agreement but recalls that the ultimate objective is the enforcement of agreed standards; takes the view that this requires the chapter to be subject to the standard dispute settlement mechanism;
15. Believes that a Trade and Sustainable Development Forum, made up of representatives of workers' and employers' organisations and of NGOs, could play a valuable role in ensuring that greater market opening is accompanied by rising environmental and social standards;
16. Proposes that a mechanism be established whereby recognised EU or Korean workers' and employers' organisations should be able to submit requests for action which would be treated within a specified time period and could result in ongoing follow-up and review provisions, in order to maintain pressure on those who violate workers' rights;

Sectoral issues

17. Calls for the conclusion of an FTA with Korea that covers trade in goods and services, makes scientific and technical cooperation and intellectual property an essential element of bilateral agreements, promotes cooperation on energy efficiency, seeks to combat climate change and includes provisions on other external aspects of energy policy, nuclear and renewable energy sources and the Galileo programme;
18. Considers that Korea's divergence from international norms and labelling requirements constitute major NTBs which present particular problems for the automotive, pharmaceutical, cosmetics and electronics industries; calls on the Korean Government to provide satisfactory explanations for such divergences or, otherwise, to commit during the FTA negotiations to remove them;
19. Supports the Commission's objective of assisting EU exporters of pharmaceutical products and medical devices by ensuring greater transparency in the Korean healthcare system but insists that the Agreement should not create any legal or practical obstacles to Korean firms using the flexibilities set out in paragraphs 4 and 5 of the Declaration on the TRIPs agreement and public health, adopted by the WTO Ministerial Conference on 14 November 2001 in Doha, to promote access to medicines in developing countries;
20. Emphasises that a mutual recognition agreement (MRA) should be incorporated in the EU-Korea FTA in order to further eliminate trade obstacles caused by unnecessary duplicate procedures carried out by Korean authorities which pose obstacles for EU companies within various industries wanting to sell their products to Korea;
21. Regrets that Korea's failure to follow international norms leads to animals being subject to unnecessary, duplicative tests; considers that the Agreement should seek to ensure that scientifically validated alternatives to animal testing that have been approved by one party should be presumed acceptable to the other party;
22. Is concerned that the EU-Korea FTA could have a severe negative impact on the European automotive industry; requests therefore that the Commission considers a strategy of phasing out EU import tariffs with safeguards; recommends that this phasing out should be connected to the lifting of major NTBs on the Korean side;

23. Notes, with regard to the automotive industry, that Korea has signed and ratified the United Nations Economic Commission for Europe (UNECE) Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and/or be used on Wheeled Vehicles, and has thus committed itself to implementing the standard regulations; calls on the Commission to insist on their rapid implementation; at the same time, calls on the Commission to insist that EU automobiles complying with UNECE standards can be imported into Korea without testing or homologation; opposes provisions exempting Korean vehicles from anti-pollution emission standards;
24. Considers that, in the light of the EU's problematic experiences with the Korean shipbuilding industry, special attention should be given to this sector in the negotiations;
25. Considers that during the negotiations the Commission should also take into account the concerns of both the Korean and European agricultural sectors, particularly as regards the possible adverse effects of the FTA on the sensitive products concerned;
26. Regards the tariff peak and excessive labelling requirements faced by the distilled spirits industry to be a priority for the negotiations; calls for measures to be taken immediately to combat the NTBs affecting fruit and vegetables and the excessively high tariffs applied to canned fruit; considers the achievement of a satisfactory outcome with respect to Geographical Indicators to be of the utmost importance;
27. Is concerned about the difficulties that foreign firms face in gaining access to the Korean market for services including banking, insurance and legal advice;
28. Attaches high priority to the effective enforcement of intellectual property rights including through the introduction of adequate penalties for counterfeiting and piracy; considers that special mechanisms of quick and efficient dispute settlement, in the context of existing WTO rules, should be included so that these and other unfair trade competitive practices can be dealt with adequately; states that the current negotiations with Korea on the protection of intellectual property rights should not undermine legitimate policy goals such as access to medicines by going beyond the TRIPs Agreement obligations, but that it should instead encourage the use of TRIPs' flexibilities;
29. Urges Korea to introduce public performance rights for producers of sound recordings in line with the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention) of 1961, the World Intellectual Property Organization (WIPO) Performances and Phonograms Treaty (WPPT) of 1996 and Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property¹;
30. Calls on Korea to fully comply with the WIPO "Internet Treaties" (the WIPO Copyright Treaty (WCT) of 1996 and the WPPT) including: full legal back-up for technological protection measures used by copyright owners, including a prohibition against circumvention; the provision of exclusive rights over all forms of Internet dissemination to sound recording producers; the establishment of an effective notice and takedown procedure; the recognition of protection for temporary copies and a narrowing of the

¹ OJ L 376, 27.12.2006, p. 28.

private copying exception in the digital realm;

31. Urges Korea to strengthen the fight against Internet piracy by: improving incentives for cooperation by network providers in the fight against piracy; encouraging the Copyright Protection Centre to ensure that foreign right holders are protected against online piracy of their work; investigating and prosecuting entities involved with illegal Internet sites, servers, storage services and file sharing services;
32. Emphasises that any FTA with Korea should ensure the following:
 - an improvement and simplification of Community rules on origin,
 - broader harmonisation of existing international norms and standards instead of the introduction of new standards,
 - more stringent disclosure requirements and the promotion of best practices in regulation,
 - the transparency of national support mechanisms and the dismantling of existing NTBs;

North Korea and Kaesong

33. Welcomes the role of the Kaesong Industrial Complex in contributing to regional peace and security; believes, nevertheless that the inclusion of goods from the Kaesong Industrial Complex in an FTA raises serious legal and technical problems;
34. Recommends that the Commission seriously examine the extent to which trade relations between North and South Korea could be assisted through an FTA with the EU;
35. Emphasises that any agreement should include an undertaking not to lower labour standards in order to attract foreign investment in any part of the territory of the parties including export processing zones;

Other issues

36. Believes that, in order to demonstrate an ongoing commitment to multilateral negotiations, Korea should be ready to offer duty-free, quota-free access to Least Developed Countries (LDCs), following the example of the EU's Everything But Arms (EBA) scheme, under conditions that uphold equivalent labour and environmental standards;

Parliament's role

37. Considers that the legitimacy and public acceptability of an agreement requires that Parliament be closely involved in each stage of the negotiations and be given the chance to express its view on the acceptability of the negotiated text; expects the Commission and the Council to seek to present the agreement in a form that would require the assent of the Parliament under Article 300(3), second subparagraph, of the EC Treaty;

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38. Instructs its President to forward this resolution to the Council and the Commission, the governments and parliaments of the Member States and to the Government and Parliament of the Republic of Korea.