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*Plenary sitting*

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**A8-0123/2017**

10.04.2017

# REPORT

on the implementation of the Free Trade Agreement between the European Union and the Republic of Korea  
(2015/2059(INI))

Committee on International Trade

Rapporteur: Adam Szejnfeld

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the implementation of the Free Trade Agreement between the European Union and the Republic of Korea (2015/2059(INI))

*The European Parliament,*

- having regard to the Free Trade Agreement of 16 September 2010 between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part<sup>1</sup>,
- having regard to the Framework Agreement for Trade and Cooperation of 30 March 2001 between the European Community and its Member States, on the one hand, and the Republic of Korea, on the other hand<sup>2</sup>,
- having regard to the Commission communication of 14 October 2015 entitled ‘Trade for all – Towards a more responsible trade and investment policy’ (COM(2015)0497)<sup>3</sup>,
- having regard to its resolution of 7 July 2015 on the external impact of EU trade and investment policy on public-private initiatives in countries outside the EU<sup>4</sup>,
- having regard to its resolution of 27 September 2011 on a New Trade Policy for Europe under the Europe 2020 Strategy<sup>5</sup>,
- having regard to Regulation (EU) No 511/2011 of the European Parliament and of the Council of 11 May 2011 on implementing the bilateral safeguard clause of the Free Trade Agreement between the European Union and its Member States and the Republic of Korea<sup>6</sup>,
- having regard to the Council decision of 16 September 2010 on the signing, on behalf of the European Union, and provisional application of the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part<sup>7</sup>,
- having regard to its resolution of 17 February 2011 on the draft Council decision on the conclusion of the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part<sup>8</sup>,
- having regard to its resolution of 25 November 2010 on international trade policy in the

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<sup>1</sup> OJ L 127, 14.5.2011, p. 1.

<sup>2</sup> OJ L 90, 30.3.2001, p. 46.

<sup>3</sup> [http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/index\\_en.htm](http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/index_en.htm)

<sup>4</sup> Texts adopted, P8\_TA(2015)0250.

<sup>5</sup> OJ C 56 E, 26.2.2013, p. 87.

<sup>6</sup> OJ L 145, 31.5.2011, p. 19.

<sup>7</sup> OJ L 127, 14.5.2011, p. 1.

<sup>8</sup> OJ C 188 E, 28.6.2012, p. 113.

context of climate change imperatives<sup>1</sup>,

- having regard to its resolution of 25 November 2010 on human rights and social and environmental standards in international trade agreements<sup>2</sup>,
  - having regard to its resolution of 25 November 2010 on corporate social responsibility in international trade agreements<sup>3</sup>,
  - having regard to the Marrakesh Agreement establishing the World Trade Organisation,
  - having regard to its resolution of 5 July 2016 on a new forward-looking and innovative future strategy for trade and investment<sup>4</sup>,
  - having regard to Article 21 of the Treaty on European Union (TEU),
  - having regard to Articles 207, 208 and 218 of the Treaty on the Functioning of the European Union (TFEU),
  - having regard to Rule 52 of the Rules of Procedure,
  - having regard to the report of the Committee on International Trade and the opinion of the Committee on Employment and Social Affairs (A8-0123/2017),
- A. whereas the fifth anniversary of the entry into force of the Free Trade Agreement between the European Union and its Member States and the Republic of Korea (hereinafter ‘Korea’) fell on 1 July 2016;
- B. whereas the Commission’s new trade strategy ‘Trade for all’ emphasises the importance of ensuring the effective implementation of EU free trade agreements, including through the use of the dispute settlement mechanism therein;
- C. whereas the EU-Korea Free Trade Agreement (hereinafter the ‘Agreement’) formally entered into force after being ratified by the EU Member States on 13 December 2015;
- D. whereas the EU-Korea Free Trade Agreement is the first of a new generation of free trade agreements concluded by the EU with an Asian partner, which, in addition to removing tariffs, also contains rules on eliminating non-tariff barriers, thereby creating new market access opportunities for services and investments, as well as in the areas of intellectual property, public procurement and competition policy, and will thus serve as an example for future free trade agreements;
- E. whereas during the period of validity of the EU-Korea Free Trade Agreement:
- the EU’s trade deficit, which amounted to EUR 7.6 billion in the 12-month period

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<sup>1</sup> OJ C 99 E, 3.4.2012, p. 94.

<sup>2</sup> OJ C 99 E, 3.4.2012, p. 31.

<sup>3</sup> OJ C 99 E, 3.4.2012, p. 101.

<sup>4</sup> Texts adopted, P8\_TA(2016)0299.

preceding the Agreement's validity, turned into a trade surplus of EUR 2.5 billion in the fifth year of the Agreement's validity;

- EU exports to Korea grew by 47 %, from EUR 30.6 billion in the 12-month period preceding the Agreement's validity, to EUR 44.9 billion in the fifth year of the Agreement's validity, including EU exports to Korea of products that were fully or partially liberalised by the Agreement, which rose by 57 % and 71 % respectively, and EU exports to Korea of products subject to a zero-duty rate under the Most Favoured Nation (MFN) clause, which rose by 25 % (EUR 1.9 billion);
- imports to the EU from Korea in the fifth year of validity of the Agreement amounted to EUR 42.3 billion and had grown by 11 % in comparison with the 12-month period preceding the validity of the Agreement, including Korean exports to the EU of products that were fully or partially liberalised by the Agreement, which rose by 35 % and 64 % respectively (by EUR 5.0 billion and EUR 0.5 billion respectively), and Korean exports to the EU of products subject to a zero-duty rate under the Most Favoured Nation (MFN) clause, which rose by 29 % (EUR 5.8 billion);
- 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; at the same time, the EU's share in total Korean exports fell from 11 % to just below 9 %;
- EU exports of passenger vehicles to Korea grew by 246 %, from EUR 2.0 billion in the 12-month period preceding the validity of the Agreement to EUR 6.9 billion in the fifth year of its validity;
- EU imports of passenger vehicles from Korea grew by 71 %, from EUR 2.6 billion in the 12-month period preceding the validity of the Agreement to EUR 4.5 billion in the fifth year of its validity;
- EU exports of services amounted to EUR 11.9 billion in 2014, growing by 11 % in comparison with the previous year, and leading to an EU trade surplus with Korea in the services sector amounting to EUR 6.0 billion in 2014; at the same time, imports to the EU of services from Korea amounted to EUR 6.0 billion, marking a 4 % increase in comparison with 2013;
- the EU's foreign direct investment (FDI) in Korea in 2014 reached EUR 43.7 billion, making the EU the largest investor in Korea; FDI from Korea in the EU in turn reached EUR 20.3 billion, marking an increase of 35 % in relation to the previous year;
- the EU preference utilisation rate on the Korean market grew to 68.5 %, while the Korean preference utilisation rate amounted to approximately 85 %;
- seven special committees, seven working groups and a dialogue on intellectual property were established;
- the Trade and Sustainable Development Committee – which is a specialised body focusing on the implementation of the chapter on trade and sustainable development of the EU-Korea Agreement – is operating;

1. Recalls that the EU-Korea Free Trade Agreement is a process and not a one-off transaction, and its activities should therefore, pursuant to the provisions of the Agreement, 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; emphasises, in that connection, the importance of ensuring that the Agreement is properly implemented and that its provisions are observed;
2. Welcomes the fact that the Agreement has led to a significant growth in trade between the EU and Korea; urges the Commission and the Member States to further examine the consequences and the direct impact of the Agreement on consumer welfare, entrepreneurs and the European economy and to more effectively inform the public about these impacts;
3. Stresses that the conclusion of the Agreement was unprecedented, both in terms of the Agreement's scope and in terms of the swiftness with which trade barriers were to be removed – for instance, five years after the Agreement entered into force practically all import duties had been removed on both sides;
4. Points out that the EU-Korea Free Trade Agreement, like other agreements on free trade, services and investments, has a positive impact on the socio-economic development of the parties to the Agreement, on economic integration, on sustainable development, and on bringing countries and their citizens closer together;
5. Notes the efforts of the Civil Society Forum and of the domestic advisory groups set up in accordance with the provisions set out in the chapter on Trade and Sustainable Development, which is an integral part of the overall package of the Free Trade Agreement; recalls that both parties have committed under Article 13.4 of the Agreement to respect, promote and realise in their laws and practices the principles following on from their obligations deriving from membership of the ILO and the ILO Declaration on Fundamental Principles and Rights at Work, notably of freedom of association and the right to collective bargaining; emphasises, however, 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, which should rest within the autonomy of the bargaining partners; in this respect, urges the Commission to take up formal consultations with the Korean Government in accordance with Article 13.14 of the Agreement and, if such consultations should fail, calls on the panel of experts mentioned in the same article to take action and to continue the dialogue with regard to the failure of the Korean Government to comply with some of its commitments, and in particular to make continued and sustained efforts, in line with the obligations enshrined in the Agreement, towards ensuring the ratification by Korea of the fundamental ILO Conventions which this country has not ratified yet;
6. Stresses that there are significant differences in the level of utilisation of preferences between EU Member States, ranging from 16 % to 92 %; points out that increased utilisation of the preferences in force could bring EU exporters further benefits amounting to more than EUR 900 million; suggests that the utilisation of the preferences in this and other trade agreements should be analysed in order to maximise

the utilisation of the trade benefits;

7. Acknowledges that, while the Agreement meets the expectations of the parties in terms of increased bilateral trade and a deeper commercial partnership, the following issues, under the Agreement and as part of a dialogue with Korea, should be analysed, appropriately enforced and implemented within the spirit of the Agreement, and should be revised to remedy existing problems:
  - a) 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 – equally importantly – the issue of the rules and procedures governing certificates for machines exported to Korea;
  - b) barriers in the area of sanitary and phytosanitary measures, including: barriers restricting exports of EU beef and pork, as well as dairy products;
  - c) 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;
  - d) the chapter on trade and sustainable development: ratification and implementation by the Korean party of the fundamental Conventions of the International Labour Organisation;
  - e) the wording of the rules on origin and their effect on the preference utilisation rate;
  - f) customs-related matters including origin verification procedures;
8. Notes that recently there have been cases of creation of new non-tariff barriers, such as previously non-existing technical norms for machines, equipment or vehicles; stresses that an especially unacceptable phenomenon is the withdrawal of the vehicle type homologation for various European car manufacturers on unsubstantiated grounds; calls on the Commission to engage in bilateral talks to eliminate this negative phenomenon;
9. Points out that many small and medium-sized enterprises (SMEs) are not aware of the opportunities that the Agreement brings; calls, therefore, on the Commission and the EU Member States to study the preference utilisation rate of SMEs in particular and to take effective steps to raise awareness among SMEs regarding the opportunities that the Agreement has created;
10. Supports the further deepening of trade and investment relations between the EU and Korea, in particular the Agreement's Investment Chapter; expects the difficulties concerning the Trade and Sustainable Development chapter to be resolved prior to the negotiations on the Investment Chapter; supports the involvement of the parties to the Agreement in creating further economic growth and sustainable development for the

benefit of EU and Korean citizens; calls on the Commission and the Government of the Republic of Korea not to use the old ISDS method in the event of negotiations on an investment chapter, but to build instead on a new Investment Court System proposed by the Commission, and calls on the Commission in the long term to develop a multilateral investment court system that would potentially replace all investment dispute resolution mechanisms in current and future FTAs;

11. Stresses the importance of further enhancing international cooperation in the multilateral, plurilateral and regional international framework, in the context of the WTO, such as in relation to negotiations on the Environmental Goods Agreement (EGA) and the Trade in Services Agreement (TiSA);
12. Stresses that the strategic values of the EU-Korea FTA extend beyond the sphere of trade as it lays a solid foundation for a deeper relationship with long-term engagement and contributes to the establishment of a strategic partnership between the EU and Korea;
13. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the EU Member States and the Government and National Assembly of the Republic of Korea.



17.6.2016

## **OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS**

for the Committee on International Trade

on the implementation of the Free Trade Agreement between the European Union and the Republic of Korea  
(2015/2059(INI))

Rapporteur: Siôn Simon

### **SUGGESTIONS**

The Committee on Employment and Social Affairs calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

- A. whereas the EU-Republic of Korea Free Trade Agreement (FTA) has brought significant benefits to trade between both parties, contributing to economic development, opening up new business opportunities and creating new and sustainable jobs, both in the EU and in the Republic of Korea;
- B. whereas the EU- Republic of Korea Free Trade Agreement opened new trade opportunities in the fast growing east Asian market;
- C. whereas, under Chapter 13 of the FTA, the Republic of Korea has undertaken to respect, promote and realise, in its law and practices, core international standards as laid down in International Labour Organisation (ILO) conventions;
- D. whereas the EU-Republic of Korea FTA is the first of a new generation of FTAs concluded by the EU, in that its scope is wider than that of any previous agreements and includes commitments on labour rights, a follow-up system and the involvement of the social partners and civil society;
- E. whereas, under Chapter 13 of the FTA, the EU and the Republic of Korea confirm the parties' right to establish their own levels of environmental and labour protection while aiming at a high level of protection;
- F. whereas the future trade strategy declares strong labour rights to be one of the goals of a fair trade policy;

1. Welcomes the steps taken by the Commission as regards trade relations with the Republic of Korea to promote sustainable development, particularly in the field of employment and occupation;
2. Is concerned at the latest reported repression of trade unions in the Republic of Korea; calls on the Commission to initiate consultations with the Korean authorities on the reported violations of fundamental rights such as freedom of association and the failure to ensure effective recognition of the right to collective bargaining; asks the Commission to make its assessment of the situation publicly available; believes that it is important to look ahead and investigate where the free trade agreement can be improved in a manner that benefits both parties, with regard not only to business interests, but also the interests of employees and the wider public;
3. Recalls that a Party shall not weaken or reduce the labour protection afforded in its laws to encourage trade or investment; is concerned at the recent revisions of labour law undertaken by the Republic of Korea, and therefore calls on the Commission to investigate possible non-compliance and prepare adequate measures in case of breaches of the requirements laid down in Chapter 13;
4. Encourages the Republic of Korea to ratify and implement without undue delay the fundamental ILO conventions that it has not yet ratified; welcomes the launch of the EU-funded project to support the Republic of Korea for the implementation of the ILO convention on non-discrimination in employment and occupation as an important initiative in the protection of workers' fundamental rights;
5. Commends the role of the Domestic Advisory Groups (DAGs) in the preparation of a joint project regarding the implementation of ILO Convention 111, and suggests that the DAGs prepare a similar project on the implementation of all ILO core conventions in the near future;
6. Deplores the absence of a clause in the EU-Republic of Korea FTA which would exempt repaired goods from custom duties on re-entry; calls on the Commission to find, as a matter of urgency, a solution to this problem, which constitutes a competitive disadvantage for European companies, putting jobs at risk;
7. Ask the Commission to have the development of the labour rights situation in the Republic of Korea observed by the DAGs, and to receive, examine and find solutions in line with the outcome of the DAGs' discussions;
8. Recalls the commitment of both the EU and the Republic of Korea to the promotion of decent work, to freedom of association and to the effective recognition of the right to collective bargaining, the eradication of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation;
9. Stresses that labour standards should not constitute non-tariff trade barriers but should, rather, contribute to ensuring an adequate protection of employers' and employees' interests, raising living standards and promoting economic growth, competitiveness and stability;

10. Expects that the parties to the agreement respect workers' fundamental rights and international core labour standards in line with Article 13 of the FTA; recommends that the Commission provide an assessment of its implementation; believes that European businesses have an important role to play in promoting international standards on good governance and human rights; supports the inclusion of workers' rights clauses in all relevant international agreements between the EU and third countries, including with regard to labour standards;
11. Calls on the Commission to monitor closely the impact of the agreement on the European labour market and specific economic sectors at Union and Member State level;
12. Stresses the importance of dialogue between the Commission, social partners and civil society with a view to pursuing the implementation of the commitments set out in the agreement.

## RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	15.6.2016
<b>Result of final vote</b>	+: 39 -: 3 0: 4
<b>Members present for the final vote</b>	Guillaume Balas, Tiziana Beghin, Brando Benifei, Vilija Blinkevičiūtė, Enrique Calvet Chambon, David Casa, Martina Dlabajová, Lampros Fountoulis, Elena Gentile, Marian Harkin, Danuta Jazłowiecka, Agnes Jongerius, Rina Ronja Kari, Agnieszka Kozłowska-Rajewicz, Kostadinka Kuneva, Jérôme Lavrilleux, Javi López, Morten Løkkegaard, Thomas Mann, Dominique Martin, Elisabeth Morin-Chartier, João Pimenta Lopes, Georgi Pirinski, Marek Plura, Terry Reintke, Sofia Ribeiro, Maria João Rodrigues, Claude Rolin, Anne Sander, Siôn Simon, Jutta Steinruck, Romana Tomc, Yana Toom, Marita Ulvskog, Renate Weber, Tatjana Ždanoka
<b>Substitutes present for the final vote</b>	Daniela Aiuto, Georges Bach, Lynn Boylan, Eva Kaili, Eduard Kukan, Edouard Martin, Michaela Šojdrová, Neoklis Sylikiotis, Tom Vandenkendelaere, Flavio Zanonato

## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	21.3.2017
<b>Result of final vote</b>	+: 33 -: 4 0: 1
<b>Members present for the final vote</b>	William (The Earl of) Dartmouth, Laima Liucija Andrikienė, Maria Arena, Tiziana Beghin, David Borrelli, David Campbell Bannerman, Daniel Caspary, Salvatore Cicu, Marielle de Sarnez, Karoline Graswander-Hainz, Bernd Lange, David Martin, Emmanuel Maurel, Anne-Marie Mineur, Sorin Moisă, Franz Obermayr, Artis Pabriks, Franck Proust, Godelieve Quisthoudt-Rowohl, Viviane Reding, Inmaculada Rodríguez-Piñero Fernández, Tokia Saïfi, Matteo Salvini, Marietje Schaake, Joachim Schuster, Joachim Starbatty, Adam Szejnfeld, Hannu Takkula, Iuliu Winkler, Jan Zahradil
<b>Substitutes present for the final vote</b>	Klaus Buchner, Agnes Jongerius, Stelios Kouloglou, Ramona Nicole Mănescu, Ramon Tremosa i Balcells, Jarosław Wałęsa
<b>Substitutes under Rule 200(2) present for the final vote</b>	Philippe Loiseau, Jordi Solé

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

33	+
ALDE	Schaake Marietje, Takkula Hannu, Tremosa i Balcells Ramon, de Smeets Mariëtte
ECR	Campbell Bannerman David, Starbatty Joachim, Zahradil Jan
EFDD	(The Earl of) Dartmouth William, Beghin Tiziana, Borrelli David
PPE	Andrikienė Laima Liucija, Caspary Daniel, Cîciu Salvatore, Mănescu Ramona Nicole, Pabriks Artis, Proust Franck, Quisthoudt-Rowohl Godelieve, Reding Viviane, Saïfi Tokia, Szejnfeld Adam, Wałęsa Jarosław, Winkler Iuliu
S&D	Arena Maria, Graswander-Hainz Karoline, Jongerius Agnes, Lange Bernd, Martin David, Maurel Emmanuel, Moisă Sorin, Rodríguez-Piñero Fernández Inmaculada, Schuster Joachim
VERTS/ALE	Buchner Klaus, Solé Jordi

4	-
ENF	Loiseau Philippe, Salvini Matteo
GUE/NGL	Kouloglou Stelios, Mineur Anne-Marie

1	0
ENF	Obermayr Franz

### Key to symbols:

+ : in favour

- : against

0 : abstention