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# **5 Year Implementation of EU-Korea FTA**

## **- Evaluation and Policy Implications for Vietnam -**

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**II. EU-Korea FTA**

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## **I. Issues**

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## Issues

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- **Qualitative assessment of the EU-Korea FTA after five years.**
- **Economic context for implementation of the FTA**
- **What has happened with the implementation of the FTA?**
- **Have the objectives of the FTA been achieved?**
- **What have been the implications for enterprises and for consumers?**
- **What are the challenges for the future?**

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## **EU-Korea FTA**

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- **July 2011**
- **Tariff elimination / reduction**
- **Non-tariff-barriers addressed**
- **Provisions on:**
  - **Competition policy**
  - **Government procurement**
  - **Intellectual property**
  - **Transparency in regulation**
  - **Sustainable development**

## EU-Korea FTA

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- **EU exports to Korea of:**
  - Goods increased by 55% (EUR 30.6 bn to EUR 47.3 bn)
  - Fully liberalized goods increased by 57%
  - Partially liberalized goods increased by 70%
- **Korean exports to the EU**
  - Fully liberalized goods increased by 35%
  - Partially liberalized goods increased by 64%

## **Economic Context and Results**

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- **Trade in goods and services has expanded between the EU and Korea at a time of slow growth in world trade.**
- **The overall balance in bilateral trade in goods has been influenced by exchange rates and various cyclical and macroeconomic factors.**
- **Several special factors have influenced trade between the EU and Korea, including: trade in petroleum products, cyclical factors in shipbuilding, and the development of supply chains involving third countries.**



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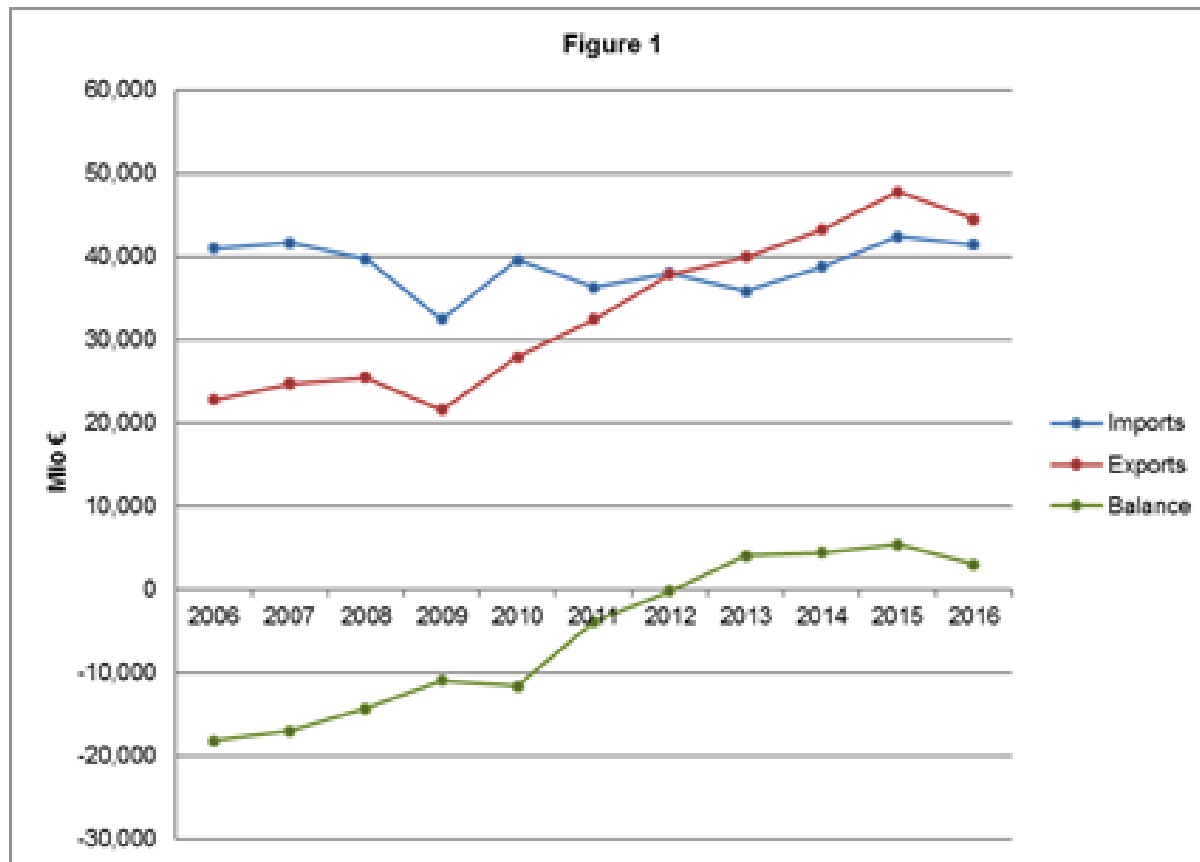
**III. Economic Performance: Graphic Presentation**

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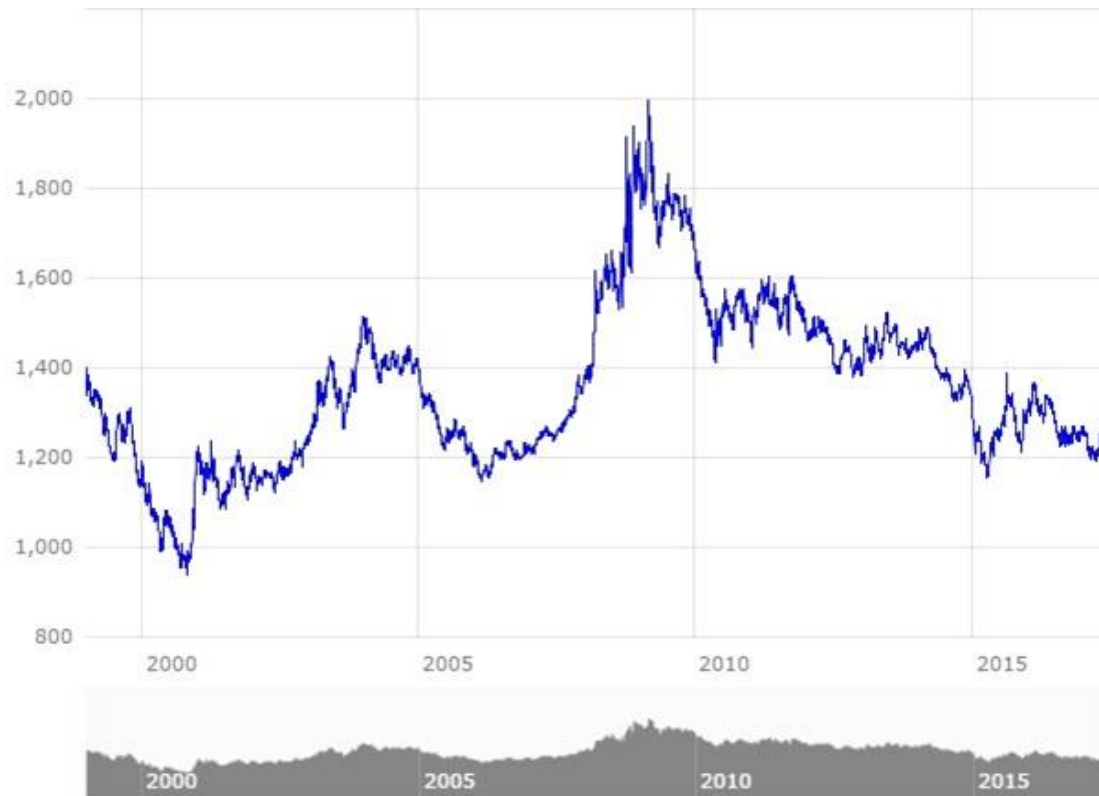
# Economic Performance: Graphic Presentation

Figure 1: EU Trade in Goods with Korea 2006-2016 in million Euro



# Economic Performance: Graphic Presentation

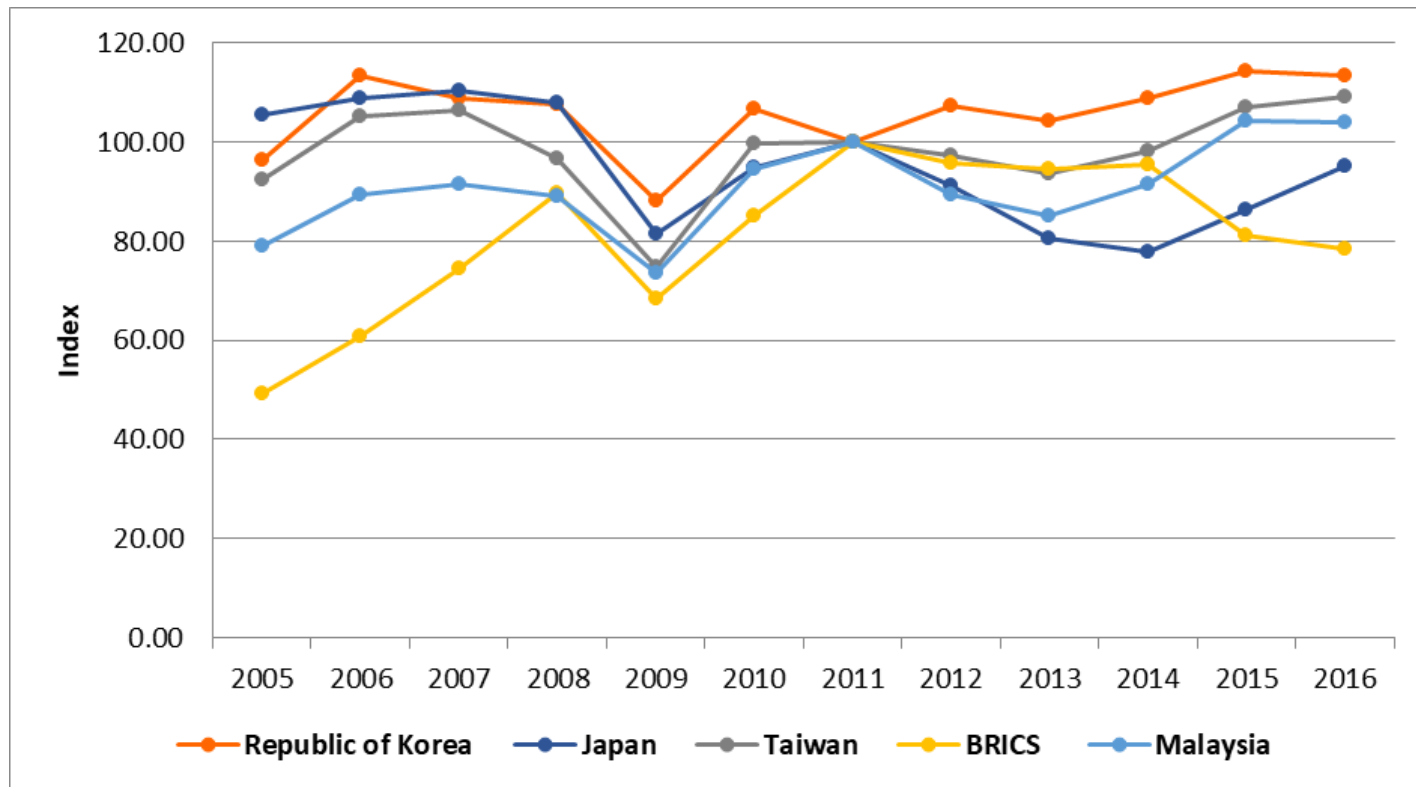
Figure 2: Euro and Korean Won Exchange Rate 1998-2017



Source: European Central Bank

## Economic Performance: Graphic Presentation

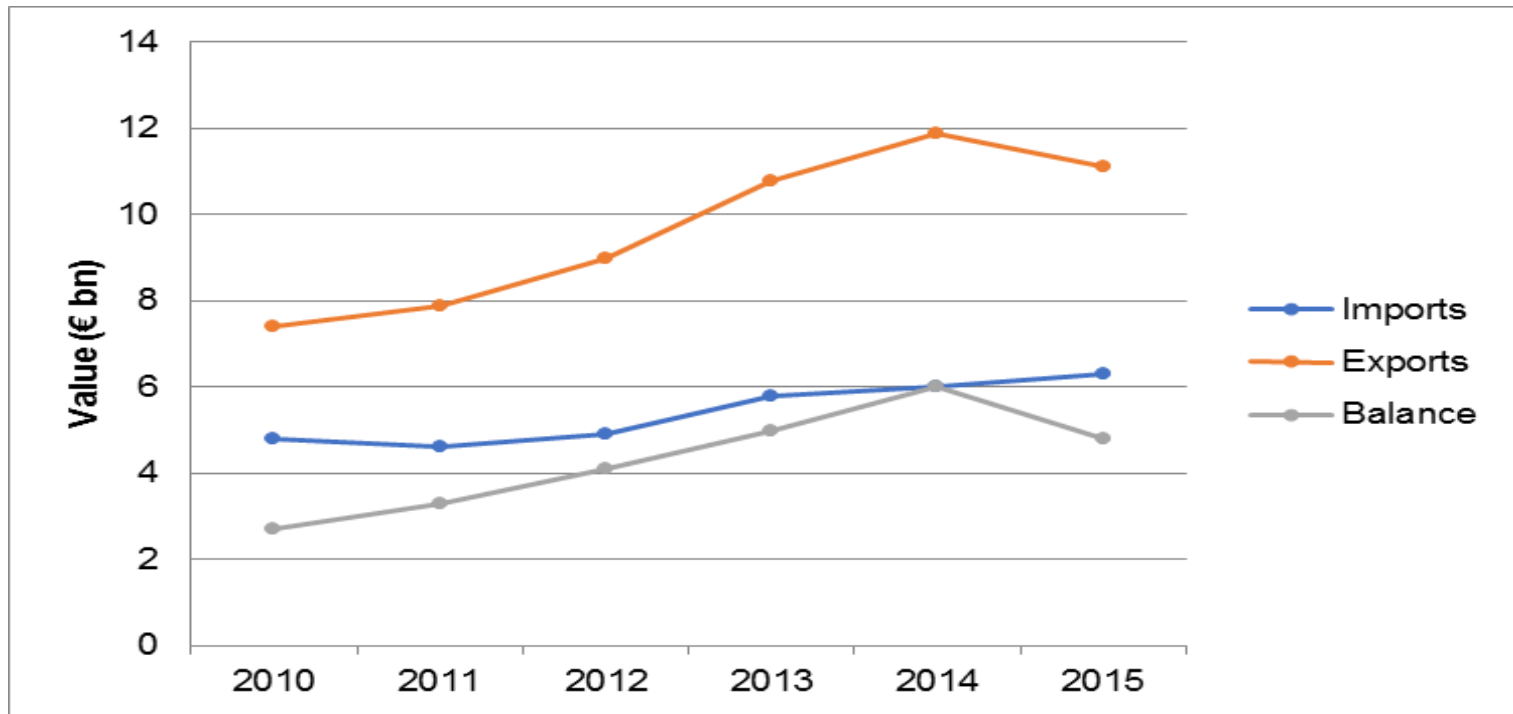
Figure 3: Index of exports to the EU for Korea and other economies



Source: Trade Map Data Base

## Economic Performance: Graphic Presentation

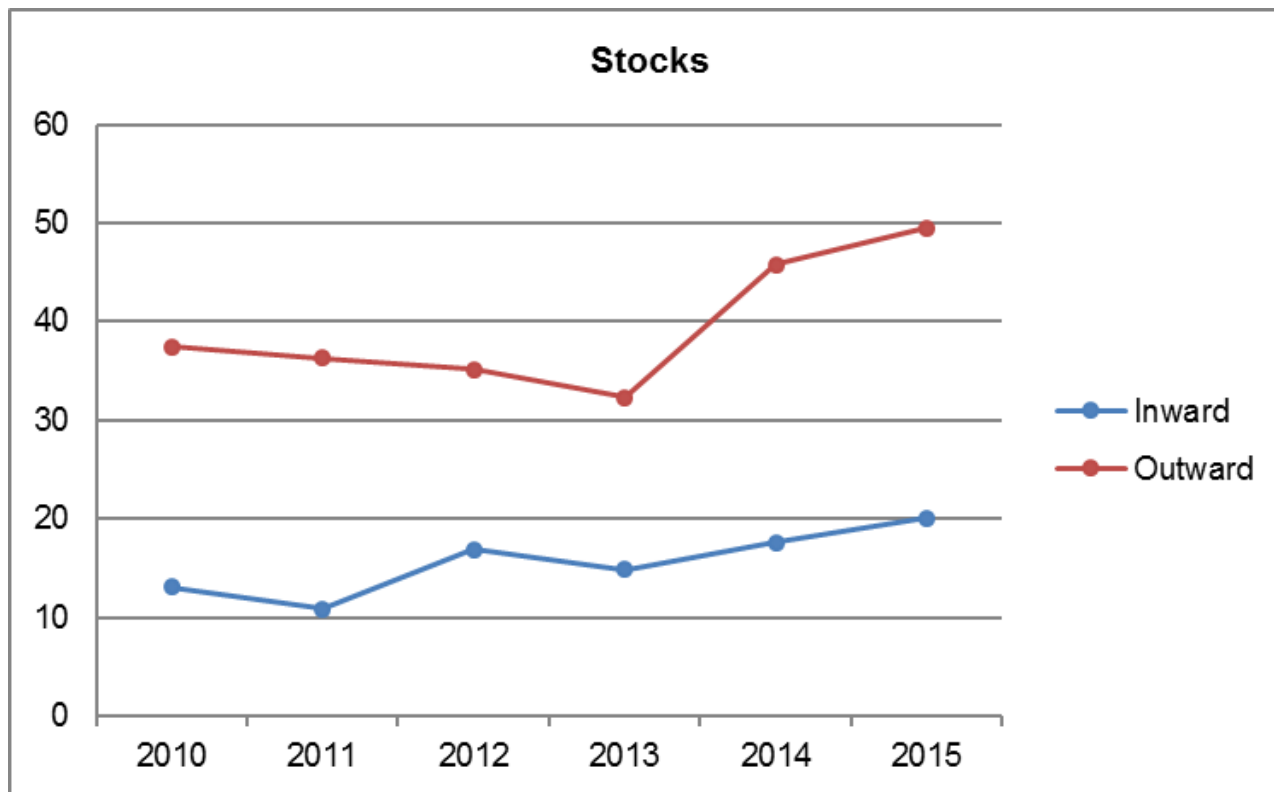
Figure 4: Trade in Services between the EU and Korea in billion euro.



Source: Eurostat

## Economic Performance: Graphic Presentation

Figure 5: The Stock of Direct Investment between the EU and Korea in billion euro.



Source: Eurostat

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## **Key Findings: Trade and Investment**

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- **The largest export sectors from Korea to the EU in 2016 were in order: Electrical machinery and electronics; Vehicles and parts; Machinery; Plastics; Ships; Iron and steel; and Optical and precision equipment.**
- **These leading export sectors are similar for the EU and Korea and trade has expanded in both directions; thus, the expansion of bilateral trade is characterised by expanding “intra-industry trade”.**



## **Key Findings: Trade and Investment**

- **Specialised products in the same industry are exchanged between the EU and Korea to exploit economies of scale and specialisation and to provide a more diverse range of products to producers and consumers. Evidence from the study indicates that reducing tariffs and other trade barriers stimulates this specialisation.**
- **Both large enterprises and SMEs indicated they had upgraded products and services, increased productivity, innovated in technology and design, and integrated supply chains.**

## **Key Findings: Trade and Investment**

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- **Specialisation in producing inputs at different stages in the supply chain in production of goods and services, achieves economies of scale and reinforces technological innovation.**
- **Important impacts of the EU-Korea FTA are to increase productivity and to stimulate innovation and to upgrade the goods and services available to businesses and consumers.**

## **Key Findings: Perspectives of Enterprises**

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- **Enterprises both large and small, have a very positive assessment of the FTA.**
- **About 85% of respondents to the questionnaire found that the EU-Korea FTA had been effective in expanding trade and investment between the EU and Korea. This result was confirmed by the qualitative interviews of both European and Korean stakeholders.**

## **Key Findings: Stakeholder Perspectives**

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- **The survey responses, and interviews, indicate strong positive responses to the FTA by Small and Medium Enterprises (SMEs) both on the EU and Korean side. SMEs have a very positive view of the FTA.**
- **SMEs are responding proactively to the trading opportunities and competitive challenges resulting from the FTA upgrading products and services.**

## **Key Findings: Stakeholder Perspectives**

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- **The FTA is contributing to the Korean companies' deepening involvement into global supply chains. There is evidence from both the questionnaire responses and the qualitative interviews, that Korean enterprises are diversifying their marketing channels and supplying more companies and more diversified geographic markets.**
- **The approach to sustainable development in the EU-Korea FTA is regarded as more appropriate as compared with other FTAs by Korean NGOs and policymakers.**

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## **Conclusions and Policy Implications**

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- **Evidence from the analysis of the survey results and the interviews indicates that the FTA implementation has been effective and efficient in qualitative terms for businesses in EU and Korea**
- **The FTA has achieved many of the objectives established in the EU-Korea FTA and achieved many of the economic benefits foreseen by the EU-Korea FTA Sustainability Impact Assessment and other studies done in advance of the implementation of the FTA.**

## **Conclusions and Policy Implications**

- **There is strong qualitative evidence that enterprises, both large and small, have adapted their strategies to reduce costs, to upgrade their products and services, to increase product diversity, to integrate into supply chains, and to innovate in response to the challenges and opportunities of the FTA.**
- **The FTA is contributing to productivity growth and economic dynamism in the EU and Korea. The dynamic growth effects are likely to be sustained due to increased competition and specialisation within supply chains.**



## **Policy Implications for Vietnam**

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- **Streamline the Certification of Rules of Origin and Customs Procedures.**
- **Deepen co-operation on technical regulations and standards.**
- **Deepen co-operation on sanitary and phytosanitary measures.**

## **Policy Implications for Vietnam**

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- **For higher economic gains**
  - FTA is (just) a framework, a contract providing the basis
  - FTA to be a living document
  - FTA spirit to be embraced
  - FTA opportunities to be realized, not limited

## **Policy Implications for Vietnam**

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- **Higher emphasis in the future**
  - R&D
  - Technical cooperation
  - Unified standards and procedures
  - Sustainable development

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**Thank you**

**Q & A**

