



EUROPE - NEWS SCAN

South Korea, EU Fail to Reach Agreement on Free Trade Agreement – 2009/04

Despite a tentative agreement announced late last month, South Korea and the European Union failed to finalize a free trade agreement at an April 02 meeting in London.

Negotiations on the agreement began nearly two years ago but have been held up on duty drawbacks and rules of origin. On duty drawbacks, the Koreans want to refund import tariffs to companies which use imported materials to manufacture products for export. On rules of origin, South Korea wants items made at a Seoul-funded industrial complex in North Korea to be treated as South Korean goods.

Although Brussels has indicated some flexibility on the issue of rules of origin, the Europeans strongly oppose the duty drawback, arguing that it would favor South Korean exporters at the expense of European companies. The EU does not allow duty drawbacks under its existing free trade accords with Mexico and Chile.

Despite the failure to finalize the accord, the two parties have publicly committed to continue working towards agreement and ratification, believing that an FTA will further enhance the already considerable trade and investment ties between the two parties. In 2007, the EU was the largest foreign investor in South Korea and its second largest trading partner, with outstanding investment amounting to 43.4 billion dollars, and two-way trade worth more than 90 billion dollars. When concluded, analysts believe the agreement would eliminate some 97 percent of tariffs on bilateral trade over the next five years.

The EU has been very aggressive in establishing free trade agreements in recent years, and it is highly likely that an FTA between Korea and the EU would favor Korean companies at the expense of Alberta exporters seeking access to the European market.

Source:

South Korea, EU Fail to Conclude FTA. Korea Times, April 03, 2009.

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