



# ASSESSING RESULTS OF THE EU-KOREA FREE TRADE AGREEMENT



PROJECT FUNDED  
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# OVERVIEW OF THE RESULTS OF THE EU KOREA FREE TRADE AGREEMENT



- > The EU-Korea Free Trade Agreement (FTA) was provisionally applied in July 2011. Most tariffs and other trade barriers were removed in the first two years. The FTA fully entered into force in 2016.

- > Trade in goods and services between the EU and Korea has expanded significantly and contributed to economic growth in both partners in a period when growth in world trade was slow and uneven.



- > Intra-industry trade has expanded in machinery, automobiles, chemicals, electrical/electronic products, pharmaceuticals, and other sectors between the EU and Korea.

- > As a result, supply chains involving EU and Korean companies have become more integrated, facilitating economic gains from specialisation and economies of scale.



- > Foreign direct investment has expanded between the two economies contributing to exchange of technology, increasing capital investment, and creating well-paid skilled employment. Protection of IPR under the FTA is viewed as positive by enterprises.



- > The Trade and Sustainable Development chapter is viewed constructively by Korean NGOs and policy makers.



- > Korean consumers have benefited from the broader range of higher quality products from Europe. This is confirmed by a study by the Korea Consumer Agency and the interviews of Korean Consumer Groups.



# ASSESSING RESULTS OF THE EU-KOREA FREE TRADE AGREEMENT



HRVP Mogherini meets Cho Yoon Je, Special Envoy of the Republic of Korea. © European Council

## QUALITATIVE ASSESSMENT STUDY

- > A Qualitative Assessment Study was launched by the European Commission in September 2016 focusing on EU business operators in Korea, and importers, distributors and consumers in Korea to assess the results after five years of the FTA implementation.
- > The respondents for the survey questionnaire are representative of the target groups of EU exporters to Korea, EU investors in Korea, and importers in Korea of EU products for both goods and services. With 121 respondents, the survey results provide useful insights into the overall EU business sector in Korea and Korean importers and distributors and reflect their perspectives on the implications and impacts of the FTA.
- > To deepen the analysis, 68 qualitative interviews were conducted with European business operators, Korean enterprises, European and Korean business associations, Korean NGOs and consumers.
- > The Qualitative Assessment, based on the evidence from the enterprises and stakeholders, finds that the FTA has succeeded in reducing tariff and non-tariff barriers to products, in reducing barriers to services trade, in reducing barriers to investment, and in enhancing protection of intellectual property rights.
- > Both SMEs and larger enterprises have very positive assessments of the results of the FTA.
- > More than three-quarters of all enterprises indicate that they have upgraded products and services, expanded the range of products available, integrated more into supply chains, developed new products, or innovated in processes and services. This evidence indicates longer term economic benefits to the enterprises and the partner economies.

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# KEY ELEMENTS OF THE EU-KOREA FTA



## Protectionism offers no protection

Statement by **H.E. Cecilia Malmström**,  
European Commissioner for Trade  
at the 2nd EU-Korea Business Forum in Seoul –  
September 21, 2017.  
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The EU-Korea FTA was the first deep and comprehensive FTA negotiated by the European Union (EU). The FTA addresses both border measures and 'beyond the border' measures for trade in goods, services and investment, and includes chapters on trade and sustainable development and on protection of intellectual property rights.

About 70% of the tariffs were eliminated in July 2011 when the provisional application of the FTA started. About 99% of tariffs were eliminated by year 5 except for selected agricultural tariffs in Korea. The EU-Korea FTA is being used heavily by the private sector in both partners. The level of utilisation of tariff preferences for Korean exports to the EU has averaged 85% while the EU rate of utilisation is lower but rising (71% in 2016).

There are detailed rules and procedures including sectoral and other annexes to deal with issues of technical regulations, sanitary and phytosanitary measures (SPS), customs and trade facilitation, trade in services, establishment and e-commerce, payments and capital movements, government procurement, intellectual property, competition, transparency, trade and sustainable development, dispute settlement and institutional provisions.

# 99 % of tariffs eliminated

# 1

## OVERVIEW OF ECONOMIC DEVELOPMENTS AND IMPACTS

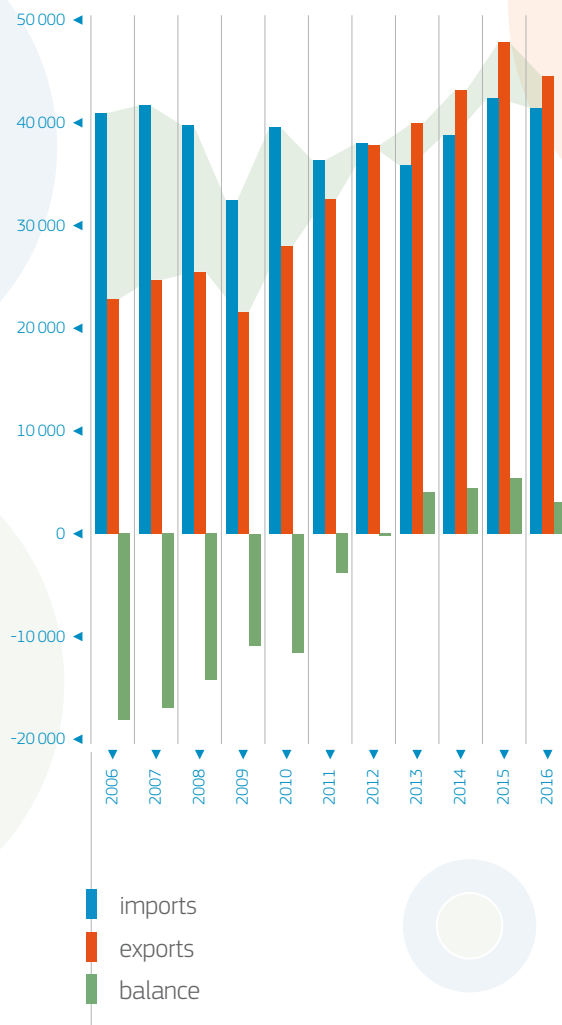
### 1.1 TRADE IN GOODS

> Trade expanded between the EU and Korea in the period after implementation of the FTA in 2011. This was a period when growth in world trade was slower than in previous decades.

The EU has increased its **exports** to Korea from an average of about **23 billion euro** during **2006-2009** to an average about **45 billion euro** in **2014-2016**.

The EU trade **balance** has swung from a deficit of **10 billion euro** in **2010** before the FTA to a surplus which peaked at **7 billion euro** in **2015** since the FTA. The EU surplus has declined in 2016.

**FIGURE 1: EU TRADE IN GOODS WITH KOREA 2006-2016 IN MILLION EURO**

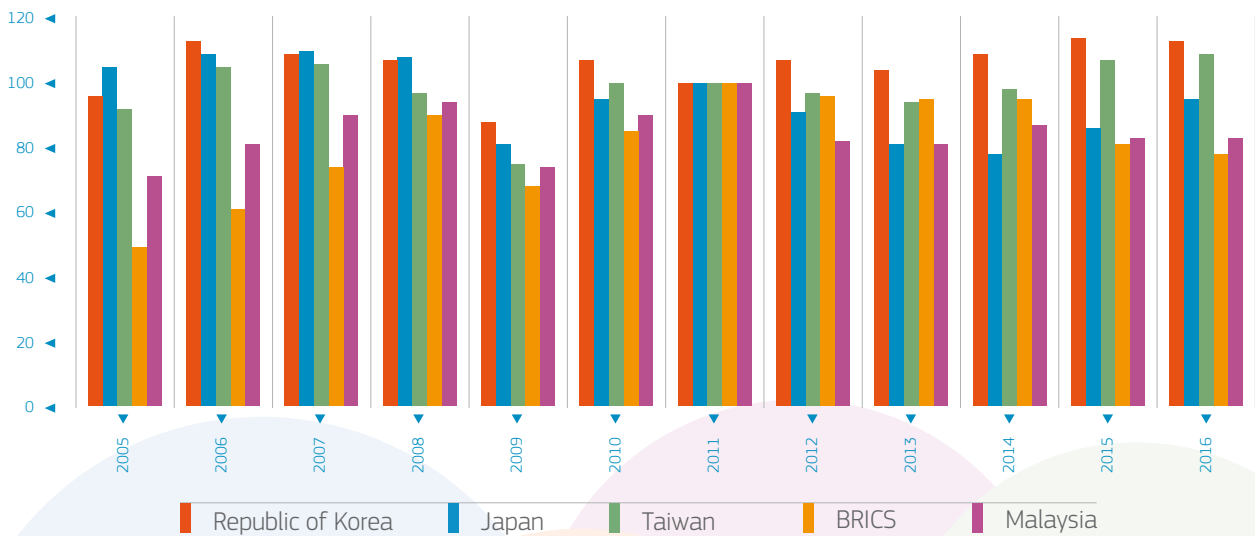


**Trade flows** are influenced by cyclical and macroeconomic factors as well as the FTA. An example is that the **sales of ships** to the EU from Korea have **declined since 2011** amidst a global slump in world shipbuilding with slow growth in world trade.

Source: Eurostat Comext Data Base

> The following graph compares the trade performance of Korea with the trade performance of other advanced Asian economies, and other emerging economies, in exporting to the EU.

**FIGURE 2: INDEX OF EXPORTS FROM SELECTED PARTNERS TO THE EUROPEAN UNION**



In the pre-FTA period, 2005–2010, the pattern of exports to the **EU from Korea** was largely in line for the pattern of growth of exports to the **EU from Japan, Taiwan, and Malaysia**. The group of **Brazil, Russia, India, China and South Africa (BRICS)** increased exports to the EU rapidly prior to 2011.

**Exports from the BRICS to the EU** performed worst in the post-FTA period.

**Korean exports to the EU have grown noticeably faster** than those of the reference group of Japan, Taiwan, and Malaysia since July 2011 when the FTA was launched. **Exports to the EU from Korea** (the red line) increased by about 20 percent, while exports to the EU from the three reference countries largely stagnated until 2016.

Thus, we observe evidence of a positive impact of the **FTA on Korean exports to the EU relative to competitor economies in Asia and emerging economies**.

This was in the context of a turbulent world economy with slower growth in world trade than had been experienced in previous decades, which was the aftermath of the global contraction.

Source: www.intracen.org, Trade Map data base



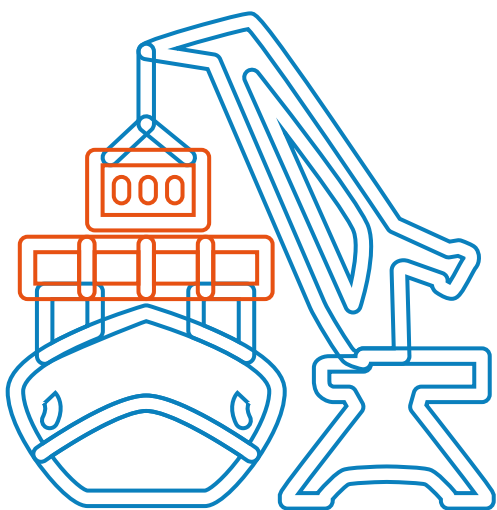
> **Similar Manufacturing Products are the largest exports for both economies leading to increased 'intra-industry' trade.**

- > The largest export sectors to Korea from the European Union in 2016 were in order: Machinery; Vehicles and parts; Electrical machinery and electronics; Optical and precision equipment; Pharmaceutical products; Aircraft; and Organic chemicals.
- > 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; thus, the expansion of bilateral trade is characterised by expanding 'intra-industry trade'. Specialised products in the same industry are exchanged to exploit economies of scale and specialisation and a more diverse range of products are made available to producers and consumers as tariffs and other trade barriers are reduced. Most of these sectors have experienced significant growth in exports since the FTA was launched and as trade barriers were reduced<sup>1</sup>.

The expansion of trade has been led by 'intra-industry' trade in specialised products between the two economies, which indicates that supply chains have become more integrated and that there have been gains from economies of scale and increased technological specialisation.

▼  
The **expansion of trade**  
has been led by **'intra-industry'**  
trade in specialised products between the two economies.



> **Selected Products have shown strong growth for each partner.**

- > Exports to Korea from the EU have expanded more rapidly in selected industries: Leather products; Meat; Perfumes and oils; Wine and spirits; Clothing and shoes; and Dairy products.
- > Exports to the EU from Korea have expanded more rapidly in selected industries: Organic chemicals; Pharmaceuticals (exceptionally rapid growth); Aircraft and parts; Furniture; Specialty textiles; and Jewellery.

1. An exception is Korean exports of ships to the EU which has been affected by prolonged cyclical impacts.



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## > Supply Chains have become more integrated.

Supply chains have become more integrated for both European and Korean companies, and more companies and affiliates are integrated into supply chains. This process started during the initial FTA negotiations, and has become more intensive since the FTA was implemented. Several examples were documented.

- > Hyundai and Kia are assembling motor vehicles in the Czech Republic and Slovakia.
- > Samsung assembles substantial volumes of electronic products in Vietnam which are re-exported to Europe, and which is not reflected in bilateral trade between the EU and Korea.
- > Korean auto-parts manufacturers are exporting parts and components to European automotive assemblers in China as a result of developing supply chain relationships with these manufacturers through the FTA.
- > European companies are integrating Korean affiliates into their supply chains.
- > More integrated supply chains lead to economies of scale and increased innovation and diffusion of technology which make companies and their supply chain networks more competitive and more resilient.
- > Both SMEs and larger enterprises in the [survey responses](#) and the [qualitative interviews](#) indicated that integration into supply chains was a key result of the FTA. Enterprises indicate that they are upgrading products and services in order to respond to increased trading opportunities and to address competitive challenges with the FTA.

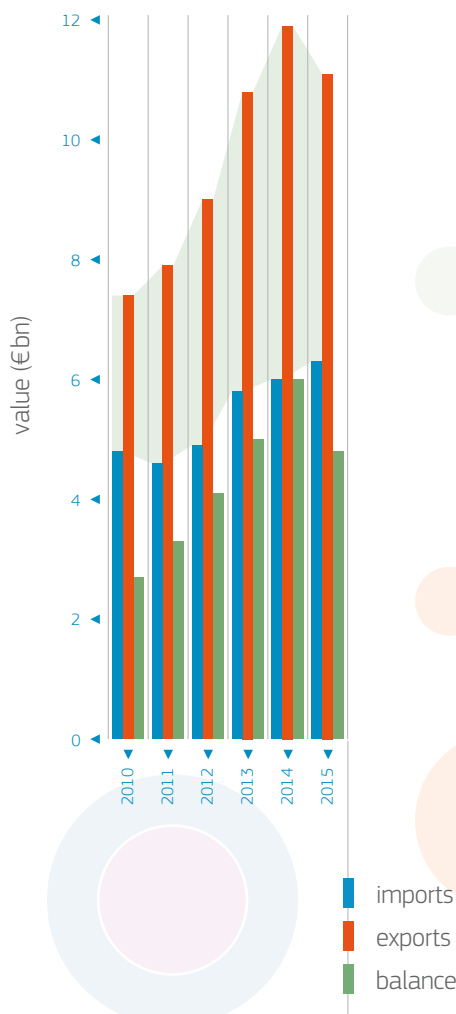
## 1.2 TRADE IN SERVICES

> Trade in Services between the EU and Korea has grown substantially since the FTA.

**Exports of Services from the EU to Korea** have increased by **50%** since the FTA.

**Exports of Services from Korea to the EU** has increased by **35%** since the FTA.

**FIGURE 3: EU TRADE IN SERVICES WITH KOREA 2010-2015**



Source: Eurostat

The growth in export of services exports in both directions indicates that specialisation is occurring within services industries leading to economic gains. **Economies of scale and innovation are important benefits of greater trade in services in both directions.**

Two-thirds of the respondents to the questionnaire from the services industries indicated that the EU-Korea FTA has been highly effective in increasing trade in services for their enterprises.

In the qualitative interviews, respondents indicated that the Services and Investment provisions in the FTA provided a stable framework for them to do business in Korea and enabled them to invest and to develop their business.

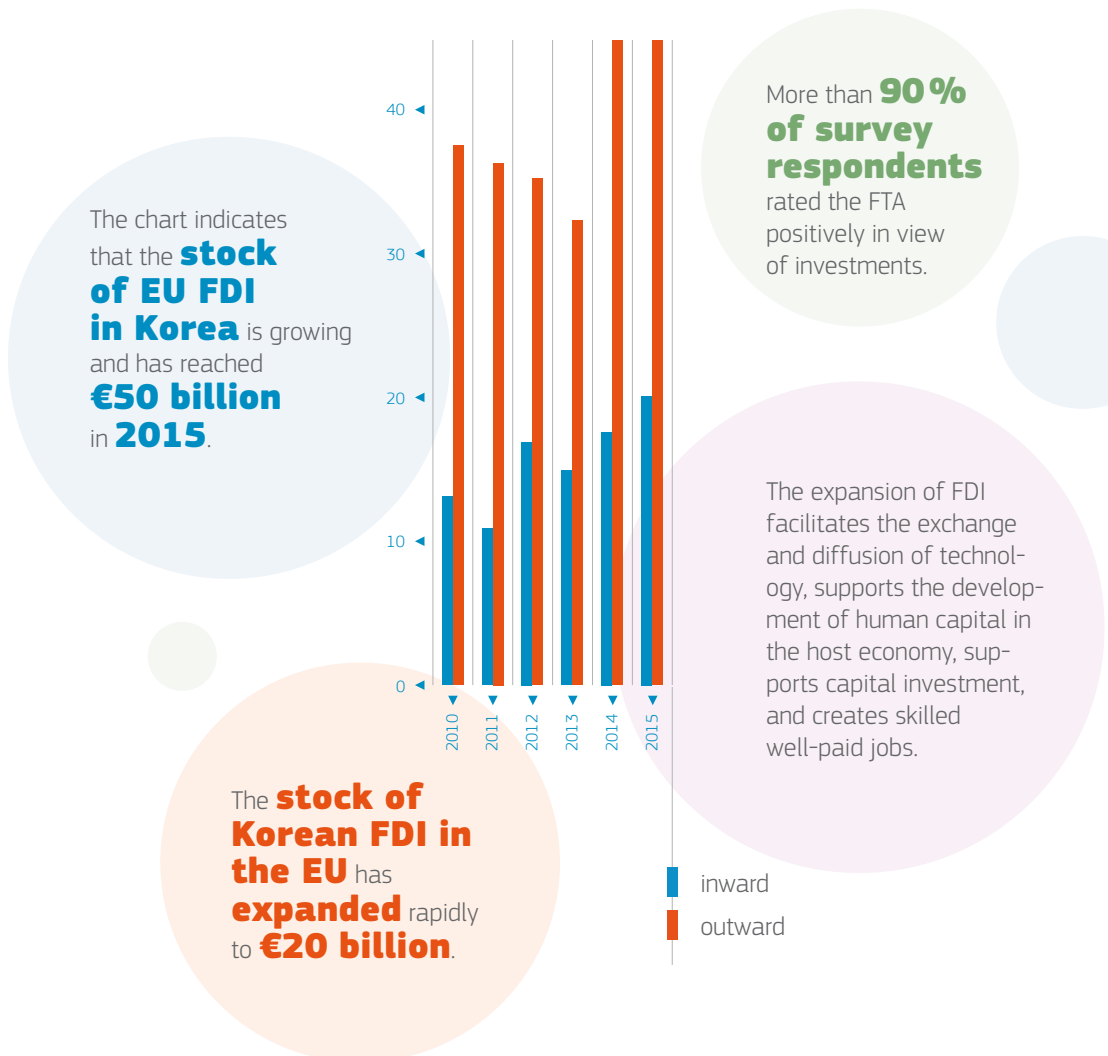
In the qualitative interviews, service providers indicated that the FTA has provided opportunities for them to develop specialised services.

The impact of the FTA has been to expand trade in goods, services and investment between the EU and Korea increasing the demand for specialised cross-border and support services. Thus, the FTA indirectly supports their expansion of services to their clients, because the growth of trade and investment between the EU and Korea among their clients results in increased demand for specialised services.

### 1.3 FOREIGN DIRECT INVESTMENT

> The FTA has stimulated foreign direct investment between the EU and Korean economies.

**FIGURE 4:** STOCKS OF FOREIGN DIRECT INVESTMENT BY EU INVESTORS IN KOREA AND KOREAN INVESTORS IN THE EU 2010-2015 IN € BILLION.



Source: Eurostat

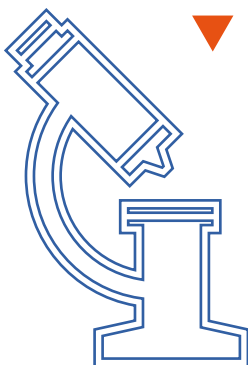
# 2

## MOVING TOWARDS DEEPER INTEGRATION

- > One of the key objectives of the EU-Korea FTA was to deepen integration between the EU and Korean economies by addressing, eliminating and reducing non-tariff measures. The respondents to the survey and to the interviews offer insights into the success of these initiatives.

### 2.1 ASSESSMENT OF THE FTA ON SANITARY AND PHYTO-SANITARY MEASURES (SPS)

- > Success was achieved in finding a mutual recognition approach for certification of organic foods.
- > Policy dialogue under the FTA led to a change in Korean regulations which recognised that ripening of cheeses can have equivalent effects to pasteurisation, although a significant issue arose with Korean SPS restrictions on unpasteurised cheeses.
- > However, there are still difficulties with SPS measures and other restrictions such as tariff-rate quotas which limit food imports into Korea. Trade has expanded in selected agricultural exports to Korea but a wide range of SPS measures and other restrictions remain in place.
- > In the qualitative interviews, some enterprises importing foods expressed concerns in the interviews about requirements for registration of foods implemented by the Ministry of Food and Drug Safety (MFDS). From 3 August 2016, all foreign manufacturing facilities that produce food and food packaging to be sold or marketed in Korea are required to be registered.



#### ASSESSMENT

Cooperation on SPS measures has achieved some success, but much more needs to be done.

### RESOLVING SPS ISSUES: CHEESE

Cheeses such as Parmigiano-Reggiano and Grana Padano were subject to SPS restrictions in Korea. The reason was that the cheeses were not pasteurised and instead were heat-treated and ripened using know-how and practices developed over many decades.

The Korean authorities recognised that the ripening process for selected cheeses was equivalent to pasteurisation in effect. This was achieved through policy dialogues under the FTA that provided benefits to European producers of these products and to Korean consumers.



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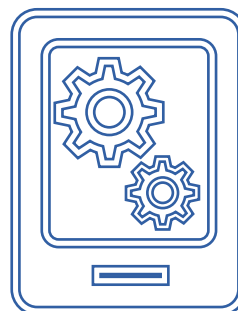


## 2.2 ASSESSMENT OF THE FTA ON TECHNICAL BARRIERS TO TRADE (TBT)

- > The FTA has contributed to the resolution of a number of issues related to technical regulations and standards and helped to prevent new issues arising. Most respondents to the questionnaire and many interview participants rated improved cooperation on technical regulations and standards as a positive feature of the FTA.
- > The rules and consultation mechanisms of the FTA under Chapter IV Technical Barriers to Trade (TBT), which builds on the WTO TBT, and including the Sector Annexes under the FTA, are regarded by respondents as having constructive outcomes in many cases. As a result of cooperation under the FTA, there are fewer issues or problems arising than before the FTA implementation.
- > For example, the technical work such as development of EU-Korea FTA User Guide for Electromagnetic Compatibility (EMC) and Electric Safety Certification is useful in building effective cooperation and mutual recognition on conformity assessment in specific industries and products.
- > Another example of success in cooperation on technical regulations includes the acceptance of EURO VI certificates for heavy duty commercial vehicles.
- > However, issues have arisen with respect to labelling and marketing claims which are viewed as restrictive.
- > At the same time, several of the enterprises and business associations interviewed, and about one quarter of the survey respondents, indicated that more intensive cooperation on technical regulations and standards would be desirable in the future. Issues have arisen with homologation in the automotive sector. Some recommend developing further the mutual recognition approaches which have been initiated under the FTA.

### ASSESSMENT

Significant progress in cooperation on Technical Barriers has been achieved in the FTA. Yet, some enterprises believe that there needs to be further cooperation in dealing with technical regulations and standards.



## 2.3 ASSESSMENT OF THE FTA ON INTELLECTUAL PROPERTY RIGHTS

Most elements of the Intellectual Property rules are now applicable. Key provisions include:

- > Copyright and related rights including public performance rights are protected. Rights of authors expire 70 years after the author's death (previously 50 years): Broadcasting organisations' rights expire not less than 50 years after first transmission. Unauthorised transmission over the Internet is not allowed. Rights of performers in case of broadcasting and communication to the public of their performances are protected.
- > Trademarks are protected and both sides are required to provide a publicly available electronic database of trademark applications and registrations.
- > Designs are protected which is a WTO plus commitment.
- > Geographical indications (GIs) for foodstuffs and agricultural goods, and wines and spirits build on WTO obligations. Now, 160 GIs from the EU are protected in Korea and 64 GIs from Korea are protected in the EU.
- > Provisions are provided for the patent right's extension for pharmaceutical and plant protection products and data exclusivity for pharmaceuticals (5 years) and plant protection products (10 years)



# The **FTA IPR provisions** are regarded as useful for the **systemic rules**, but concerns are still expressed about some aspects of enforcement.

According to the result of the survey and the interviews, GIs are regarded as valuable for the branding in food and beverage products. At the same time, Korean NGOs are less concerned about the costs of GIs in practice. Prior to the FTA, NGOs were concerned about the consumer cost implications of GIs.

The provisions on extension of patent rights and data exclusivity are regarded as useful by the pharmaceutical sector.

The overall assessment of the survey respondents of the Intellectual Property Rights (IPR) provisions in the FTA is positive. About 90% of the respondents rated the IPR provisions between 5 and 7 out of 10. The FTA IPR provisions are regarded as useful for the systemic rules, but concerns are still expressed about some aspects of enforcement.

## ASSESSMENT

Provisions such as geographical indications are regarded as very useful by food and beverage companies for branding and marketing. At the same time consumer groups and other NGOs who had concerns about the implications of geographical indications on prices recognise that the price impacts are modest.



## 2.4 ASSESSMENT OF CUSTOMS AND TRADE FACILITATION

The FTA provisions on Customs and Trade Facilitation are viewed positively by survey respondents and the respondents to the interviews. Yet for some respondents the procedures for certifying the origin of goods under the FTA create challenges.

Some respondents had positive views about rules of origin procedures while others had concerns:

- > About 45% of survey respondents rate the challenges with fulfilling Rules of Origin requirements as presenting few difficulties. At the same time about 40% of the survey respondents rate the challenges of fulfilling rules of origin as significant, indicating that they are experiencing, or have experienced, some challenges. In the interviews, several firms indicated that they had difficulties in meeting the origin certification and verification requirements. In particular they had difficulty in the first years of the FTA to get proper origin declarations from suppliers in Europe. However, the enterprises indicated that they had improved their processes and interaction with suppliers. Thus, the collection and preparation of origin documentation was working better now. However, there were still difficulties with validating authorised exporters.
- > Respondents recognised the efforts of the Korean Customs to simplify documentation and to assist origin certification by Korean SMEs through Uni-Pass. Yet there remain challenges with customs administration in Korea related to the implementation of the FTA especially regarding rules of origin. A few firms expressed concerns about customs audits in Korea that they regarded as excessively strict. These concerns emerged in the questionnaire responses and in the qualitative interviews.

In the responses to the survey question about which barriers remain to accessing the Korean market after the FTA, the answer cited most often is: 'Customs procedures which cause delays in customs clearance or create uncertainties about valuation and duties and taxes to be levied.' These concerns are related primarily to certification and verification of origin.

# 3

## DIFFERENT PERSPECTIVES ON THE EU-KOREA FTA

### 3.1 CONSUMERS

As clearly evidenced by the survey questionnaire results and the qualitative interviews, European enterprises, both large and small, are expanding and upgrading their range of products provided to Korean consumers. The quality and the diversity of the products offered by European enterprises are appreciated by Korean consumer groups, as was reflected in the results of the KCA survey. Interviews of importers and distributors of cheese in Korea confirmed that, especially with the acceptance of ripened cheese in Korea through modifications of the SPS regulations in Korea that imports of European cheeses are providing quality products and providing value for money in the marketplace.

At the same time, European food exporters and Korean food importers are concerned about SPS measures and other non-tariff measures affecting food imports such as pork and poultry products, which can have adverse effects on consumer prices.



About

**3/4**  
**of SMEs**



indicate that they have  
**increased**  
the scale of their  
**operation**

### 3.2 SMES

The survey responses, and the qualitative 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 constitute almost half of the 121 respondents to the Survey. Also, about 40% of the companies interviewed in the qualitative interviews were SMEs.

- > About three-quarters of the SME respondents ranked their responses to the FTA as very positive, a higher proportion than for all respondents which includes larger enterprises and other stakeholders. Thus, SMEs are very positive about the impact of the FTA.
- > The sectors covered by SMEs range from food products including importing and distributing wine and beverages, to cosmetics, leather products, and fashion apparel and also include machinery and automotive parts and some services sectors.
- > There is a broad diversity in the products and services exported to Korea or imported into Korea by SMEs among the respondents, which aligns with the overall export profile of the EU to Korea.
- > About three quarters of SMEs indicate that they have increased the scale of their operation and a further three-quarters indicate that they have upgraded and expanded the diversity of product and services they were supplying.

- > SMEs are directly contributing to the expansion of varieties of products and services available to Korean consumers. Similarly, SMEs are providing a richer array of specialised goods and services to Korean enterprises enhancing the competitiveness of the Korean enterprises.



▼  
The **FTA is 'win-win'**  
**for both parties.**

The approach to sustainable development in the EU-Korea FTA is regarded by

**Korean NGOs**

as more appropriate as compared with other **FTAs**

### 3.3 KOREAN STAKEHOLDERS

The following assessment has been derived from a series of interviews with Korean policy-makers and regulatory agencies and also with Korean enterprises and business associations combined with survey responses:

- > The FTA is 'win-win' for both parties, and the text of the FTA can be a model for Korea's FTAs with other trading partners.
- > The FTA is contributing to Korean companies' deepening involvement in global supply chains. There is evidence from both the questionnaire responses and the qualitative interviews that Korean enterprises in sectors such as automotive parts are diversifying their marketing channels and supplying a broader range of companies and more diversified geographic markets.

- > The approach to sustainable development in the EU-Korea FTA is regarded by Korean NGOs as more appropriate as compared with other FTAs. The annual civil society forum under the EU-Korea FTA is regarded by NGOs as a useful process for policy dialogue which facilitates a more structured and cooperative discussion of the issues on sustainable development both domestically and internationally.



# 4

## RESULTS OF THE QUALITATIVE ASSESSMENT

### 4.1 CONCLUSIONS

The Qualitative Assessment Study has two main conclusions.

1

First, there is much evidence from the analysis of the questionnaire results and the qualitative interviews that the FTA implementation has been effective and efficient in qualitative terms for EU business operators in Korea, and for importers, distributors and Korean consumers.

We have indicated that the enterprises both large and small have a very positive assessment of the impact of the FTA, and perceive it as contributing positively to the business environment in reducing customs duties, in addressing technical barriers to trade, in addressing SPS measures, in protecting IPR, in supporting trade in services and e-commerce, fostering investment, and supporting sustainable development. Not all issues are fully resolved in all these policy and regulatory areas, but the FTA implementation has been effective and efficient in removing barriers to trade, in preventing new barriers from arising, and in providing a more predictable business and trading environment.

2

Second, the FTA has achieved many of the objectives for which the EU-Korea FTA was adopted, and many of the economic results.

Before the implementation of the EU-Korea FTA, there were concerns in the European automotive industry that Korea would expand exports of vehicles to Europe and that European manufacturers would not be able to sell in Korea. In fact, EU car exports to Korea more than doubled, while imports from Korea increased by about one-half.

Korean commentators have expressed concerns about the EU trade surplus with Korea under the FTA. However, the aggregate evidence is that trade has expanded in both countries in a difficult macroeconomic context where growth in world trade was slow and uneven after a global contraction in 2009. The swing from a large trade surplus for Korea to a moderate trade surplus for the EU attracted

much attention in Korea, but in fact Korea was able to expand exports to the EU in order to maintain and increase its market share in the EU market when other Asian economies such as Japan, Taiwan, and Malaysia, experienced declines in their relative exports to the EU. Also, Korean exports to the EU expanded during 2011-2016, when Korean exports on a global basis were growing at a slower rate.

The aggregate indicators of the expansion of trade in goods, services and FDI on bilateral basis are positive for the achievement of the static economic gains foreseen in a number of the economic studies in advance of the FTA including that conducted by the Sustainability Impact Assessment.

In addition, the clear evidence of the expansion of intra-industry trade in goods in both directions in differentiated products, the expansion of trade in services in both directions, and the expansion of bilateral FDI flows in both directions, are positive indicators of increased specialisation and potential dynamic efficiencies in innovation and productivity growth. These results are consistent with the analysis of potential dynamic growth effects conducted by the EU-Korea FTA Sustainability Impact Assessment.

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 offered by the implementation of the FTA.

The FTA is already 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.

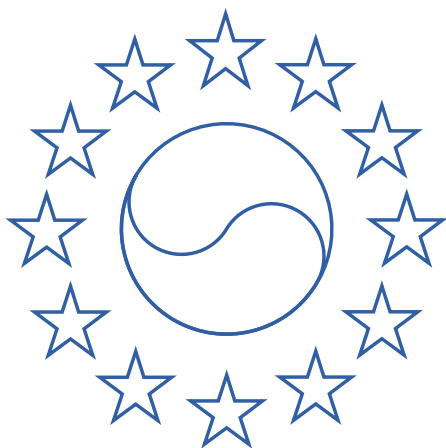
The cyclical factors are now waning in their influence, but the positive effects on the FTA in expanding trade in goods and services, in facilitating FDI, in fostering interlinkage of supply chains, and in promoting innovation and economic dynamism will be sustained for years to come.

The implementation and development of the FTA must continually be adapted, and when possible, deepened to



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bring mutual benefits to the partners. Much progress has been made in reducing trade barriers for trade in goods and services. Progress has also been made in addressing non-tariff measures, but continued efforts are needed to deepen the cooperation and to achieve further economic integration.



## 4.2 FUTURE ISSUES

Overall the assessment of the EU Korea FTA by the enterprises, business associations and other stakeholders among the target groups addressed in this study was very positive. Much has been achieved. First the elimination of most tariffs, reduction of non-tariff restrictions, and removal of barriers to trade in services and investment have stimulated trade in goods and services and foreign direct investment.

Although much has been achieved from the perspectives of enterprises and other stakeholders, there are still some complex and challenging issues. In some areas, enterprises strongly expressed beliefs that more needs to be done. The EU-Korea FTA has succeeded in deepening of trade integration between the EU and Korea and addressing beyond the border issues, but there is scope for intensifying and further deepening economic integration.

# 5

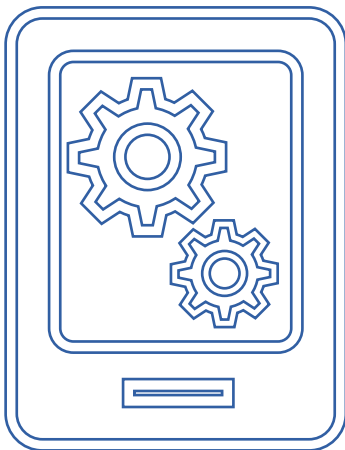
## KEY RECOMMENDATIONS OF THE QUALITATIVE ASSESSMENT STUDY

1

### Streamline the Certification of Rules of Origin and Customs Procedures.

Many issues with rules of origin certification have been identified by survey respondents and by interviewees.

**The overall objective of the FTA is to reduce the cost of compliance with Rules of Origin, to increase the utilisation of the FTA tariff preferences for qualifying products, and to reduce errors in, and refusals of, Origin Declarations.**



2

### Deepen cooperation on Technical Regulations and Standards.

There has been progress in cooperation on technical regulations and standards under the FTA.

Sectors which have identified issues include cosmetics, machinery and equipment, and automotive products. Similarly, there is scope for policy dialogue and cooperation under the FTA on the regulations on labelling and marketing claims.

3

### Deepen cooperation on Sanitary and Phytosanitary Measures.

There has been progress in cooperation on Sanitary and Phytosanitary measures.

The mutual recognition of organic foods, and the recognition by Korea that ripening of cheeses achieves the desired benefits for safe consumption, are very useful steps. Yet cooperation on SPS could be strengthened substantially. More progress in cooperation on SPS is needed to strengthen the scientific basis of SPS measures and risk management.

