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# Korea–EU FTA: Breaking New Ground

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## Introduction

The European Union (EU) is an important economic partner for Korea in both trade and investment.[1] If the EU is considered a single economic area, it is 14 times larger than the Korean domestic market and it has always been an important export destination of Korean companies. In 2014, trade with the EU accounted for 10 per cent of Korea's total trade, making the EU the equal second-most important partner after China (21 per cent), alongside the United States of America (USA) (10 per cent). European companies have been very active in investing in Korea. According to European statistics, they represent more than 40 per cent of the cumulative total of foreign direct investment (FDI) since 1962 (Delegation of the EU to the Republic of Korea 2013). During 2008–12, European companies were the largest contributors to inward FDI into Korea with investment totalling US$22 billion.

Korean companies are also increasingly active in investing in Europe. Half of Korean cars sold in European markets are produced in the assembly lines in Slovakia and the Czech Republic, and Korean electronics companies made a number of important investments from research

1 For the purpose of this chapter, Korea refers to the Republic of Korea.

and development (R&D) centres to production facilities in Europe. In financial sectors, Korea's economy is more closely related to European financial markets. According to statistics from the Bank for International Settlement (BIS), European banks have very important exposures to the Korean economy. Almost half of Korea's external liabilities are with European banks, which means that both economies are increasingly interdependent. In this context, creating a more stable economic framework can be beneficial to both Korea and the EU and this was the background upon which Korea and the EU agreed to launch free trade agreement (FTA) negotiations in 2007. By 2015, the Korea–EU FTA was the only FTA that the EU has implemented with an Asian country.

This chapter reviews Korea's economic relations with the EU, focusing on the Korea–EU FTA implemented in July 2011. The FTA should be understood from mutual economic interests as well as Korea's overall trade policy. The Korea–EU FTA was the first FTA that Korea implemented with a large trading partner, and it is the EU's first 'new generation', or 'WTO-plus' FTA. This chapter firstly reviews the background of the Korea–EU FTA from both the Korean and EU perspectives. It describes the economic and political background of the FTA in the context of the overall trade policy of Korea and the EU. Secondly, it sheds light on the negotiation process of the FTA, focusing on arguments raised during the process. Thirdly, it examines the trade statistics over four years of the FTA. To compare changes in trade before the FTA and after its implementation, important factors are considered that affect trade from both sides. Finally, this chapter discusses future prospects for Korea's economic relations with the EU in the context of the Korea–EU FTA.

## Background of the Korea–EU FTA

### Korea's perspective

Negotiating an FTA with the EU was included in Korea's FTA roadmap announced in September 2003. This medium-term FTA plan reflected and expanded upon Korea's first FTA, the 2003 Korea–Chile FTA. Even though trade with Chile accounted for a small part of Korea's total trade, this first FTA provoked significant controversy and its ratification took more than one year. In order to obtain public support, the Korean government set up the FTA roadmap, which stated four principles of the Korean government's FTA policy: 1) multiple-track FTAs; 2) advanced and comprehensive FTAs; 3) transparent procedures in FTA preparation; and 4) diplomatic consideration in FTA policy (Ministry of Foreign Affairs and Trade, Korea, 2003, cited in Kang 2009: 16).

The roadmap also announced trade partners to be considered for FTAs on the basis of concrete economic criteria, such as economic feasibility and large and advanced economies. It organised prospective FTA partners into two groups: short term (negotiation within two years), and medium term (negotiation in more than three years). The EU was included in the list of medium-term prospective FTAs, along with the USA and China. One reason for this longer time frame was that the impact of FTAs with large trade partners would be much more significant than FTAs with small countries. Also, the EU exercised a *de facto* moratorium on new FTA negotiations during 1999–2006 in favour of the Doha Round of multilateral discussions in the context of the World Trade Organization (WTO) (Lamy 2002).

Table 1. Korea's FTA roadmap and list of FTA partners according to time schedule

| Time frame | Countries in consideration | Remarks |
|---|---|---|
| Short term (within two years) | Japan, Singapore | • Start negotiations as soon as possible, including joint feasibility studies |
| | Association of Southeast Asian Nations (ASEAN), Mexico, European Free Trade Association (EFTA) | • Prepare negotiations or joint studies when appropriate conditions are met |
| Medium and long term (in three–five years) | USA, EU, China | • Progressive approach |
| | Israel, Peru, Panama, New Zealand, Australia | • Countries who have shown their intention to conclude FTAs with Korea |
| | Canada, India | • Prospective FTA partners |

Note: Canada and India were reclassified as FTA partners of short term, when the roadmap was revised in May 2004.

Source: Ministry of Foreign Affairs and Trade, Korea, 2003.

In the meantime, trade and investment with European countries increased rapidly. In 2007, the EU became the second-largest trade partner for Korea after China. After its first FTA with Chile, Korea first initiated new FTA negotiations with the European Free Trade Association (EFTA). The FTA with the EFTA was generally considered as a preparatory step to one with the EU, because its member countries had maintained free trade status with the EU, adopting most of the EU's trade regulations. The Korea–EFTA FTA was concluded after only 10 months of negotiation.

## EU's perspective

In the mid-2000s, EU business circles and external trade surroundings put increasing pressure on the EU to pursue bilateral FTAs. There were increasing concerns that industries of emerging countries such as India, Brazil and China would become more competitive than European industries. In this context, the arrival of the new trade commissioner, Peter Mendelssohn, brought a new point of view on bilateral FTAs. He argued that wisely constructed and ambitious bilateral agreements with carefully chosen partners could create new trade and improve the competitiveness of EU companies in key foreign markets experiencing high growth.

Incorporating new objectives in external trade policy, the European Commission announced a new trade policy in October 2006, later known as 'Global Europe' (European Commission 2006). The strategy emphasises the role of the EU's external trade policy, which contributes to the EU's competitiveness in foreign markets. Considering that it proved hard to make progress with investment, public procurement, competition and intellectual property rights issues in the WTO Doha Round, negotiating comprehensive FTAs with like-minded countries was regarded as the second-best option.

In order to select FTA partners, the European Commission proposed key economic criteria: 1) market potential (economic size and growth); 2) level of protection against EU exports (tariffs and non-tariff barriers, NTBs); and 3) potential partners' FTA negotiations with EU competitors (potential discriminatory impact on European firms). On the basis of these principles, the European Commission identified the Association of Southeast Asian Nations (ASEAN), Korea and the Mercosur bloc of countries in South America as priorities.

In addition to using economic criteria for selecting FTA partners, Global Europe is notable in several other respects. First, it aimed for ambitious and high-level FTAs. New competition-driven FTAs are aimed to be comprehensive and ambitious in coverage, aiming at the highest possible degree of trade liberalisation, including far-reaching liberalisation of services and investment. Second, ongoing or scheduled FTA negotiations with the EU's competitors (implicitly the USA) were taken into account. Third, the new FTAs would explicitly focus on tackling NTBs through regulatory convergence and contain strong trade facilitation provisions, intellectual property rights and competition. This means that the new FTA model that the European Commission sought to construct was seeking deep integration, including harmonisation of trade-affecting rules. These objectives of the EU's FTA policy corresponded to what Korea had been seeking for its FTA roadmap.

# Negotiating the Korea–EU FTA

## Negotiation process

Official Korea–EU FTA negotiations were launched in May 2007 after a series of preparatory meetings held the previous year. It took over two years, eight rounds of negotiations and many technical meetings to finalise the agreement in October 2009. By this time, Korea had already finished FTA negotiations with the USA and had signed the Korea–US (KORUS) FTA in June 2007. This allowed Korean trade negotiators to use technical know-how obtained in these negotiations as an example for an advanced FTA. Effectively, this experience provided a partial template for the Korea–EU FTA. From its side, the EU sought a comprehensive and advanced FTA with Korea, which was at the time its most economically developed bilateral FTA partner to date. Accordingly, the Korea–EU FTA became the most comprehensive FTA ever negotiated by the EU.

The agreement eliminated import duties on nearly all products (97.3 per cent of Korean products for the EU market by number of items) and it liberalised services trade to a greater degree than the KORUS FTA (KORUS-plus) did. Composed of 15 chapters, the Korea–EU FTA includes provisions on investment (termed as 'establishment' due to the fact that the European Commission has an EU mandate in foreign trade policy, not foreign investment policy) both in service and industrial sectors, provisions on intellectual property and competition rules. The Korea–EU FTA is also a pioneering case in that it aims to reduce NTBs and promote a future dialogue on industrial regulation. During the preparatory and implementation period, Korea changed many parts of its domestic laws to be able to implement the KORUS and Korea–EU FTAs. Most of the revisions concern service sectors and intellectual property.[2]

2 The Korea–EU FTA had a two-year transition period in order to accommodate market liberalisation and to revise domestic laws. In line with the KORUS FTA, Korea changed 57 Acts, enforcement decrees and rules (as of September 2012). Most changes were relevant to the implementation of the Korea–EU FTA, because it was in part based on the KORUS FTA, in particular its services chapter.

## Diverging concerns between Korea and the EU

Two issues delayed the finalisation of the overall negotiation: 1) the duty drawback system (DDS); and 2) rules of origin.[3] Korea and the EU showed a very clear divergence on the DDS from the beginning. For Korea, the DDS is a crucial support system, especially for small and medium enterprises that rely heavily on outsourcing production of intermediate goods to China and Southeast Asia. Without DDS, any kind of FTA would not bring about tangible economic benefits to Korean firms. It seems that European negotiators understood that the DDS is important for the Korean Government not only for economic purposes, but also for political reasons. To gain ground for Korean exporting firms, it was necessary for the Korean Government to maintain the DDS, which dated back to 1964 in the Korean customs system. The problem was that the EU had not included the DDS in its previous three FTAs (i.e. with Chile, Mexico and South Africa). The reason for this can be found in the trade structure of European countries that rely largely on intra-European trade for supplies of intermediate products. More developed Western European firms have taken advantage of the European enlargement towards Eastern Europe in this respect. As a result, they tend to rely to a far lesser extent on outsourcing from outside the EU, so that the DDS is less important for them.

However, this relative indifference of the European Commission on the DDS soon turned into a major preoccupation, when major industrial associations in the EU—especially the association of automobile producers—showed their concerns about Korea's DDS and its positive effect on the price competitiveness of Korean products. The European Automobile Manufacturers' Association (ACEA) strongly opposed Korea's intention to include the DDS in the Korea–EU FTA (ACEA 2009). The ACEA argued that approving the DDS in the framework of the Korea–EU FTA would offer a disproportionate competitive advantage to the Korean auto industry when exporting to the EU. It also insisted that this would set a precedent for other scheduled EU FTAs. In finalising the negotiations, Korea and the EU reached a compromise. In the final deal, the EU agreed to allow Korea to maintain the current DDS (on average 8 per cent) on Korea's exports to the EU for five years from the start of the

3 DDS allows an importer to obtain a refund of import duty, if the imported good is subsequently exported. The rules of origin are criteria that specify the degree to which the value of a final product is produced in the exporting country.

FTA implementation. If Korea's imports of intermediate goods increased rapidly after the five-year grace period, the EU would be allowed to limit DDS to 5 per cent.[4]

Setting a threshold for local content in the rules of origin was also an issue for both parties. As with the DDS case, the EU had a precedent that served as a principle: in its FTAs with Chile, Mexico and South Africa, the EU set the minimum percentage of locally produced content in a final product to 60 per cent. This meant that in order to be qualified as 'Made in Korea', at least 60 per cent of the value of a product needed to be produced in Korea. Korea's initial proposal for minimum local content was 35 per cent, as in the KORUS FTA. In the final deal, EU agreed to reduce the local content threshold to 45 per cent.

After more than two years of negotiations, Korea and the EU signed the deal in October 2010 during Korea's presidential visit to Brussels for the 8th Asia-Europe Meeting summit. The agreement was approved in February 2011 by the European Parliament and Korea's National Assembly ratified it in 5 May 2011. With this, all necessary legal procedures were completed and the FTA entered into effect on 1 July 2011.

## Four years after implementing the Korea–EU FTA

### Trade flow between Korea and the EU after the global financial crisis

In the 2000s, trade between Korea and the EU increased considerably. Korea's exports to the EU soared from US$39.2 billion in 2000 to US$98.4 billion in 2008. Imports from the EU showed a similar increase from US$23.4 billion to US$58.4 billion. In this context, the possibility of FTA implementation raised the prospects for more exports to the EU. Various studies suggested that the Korea–EU FTA would contribute to increasing Korea's exports to the EU, as well as to Korea's gross domestic product (GDP). A 2010 study by the Korea Institute for International

4 The Singapore–EU FTA initialled in late 2013 excludes all kinds of drawback of duties for bilateral trade. Given that the FTA with Singapore will undoubtedly serve as a template for FTAs with other ASEAN members, it seems likely that the EU does not want to include the DDS in its future FTAs.

Economic Policy (KIEP) expected that the FTA would increase Korea's exports to the EU by US$2.5 billion per year and, as a result, Korea's GDP would increase by 0.1 per cent in the short term and by 5.6 per cent in the long term (KIEP 2010). Decreux, Milner and Péridy (2010) provided a similar estimation, stating that Korea's export to the EU would increase by up to 5.5 per cent following the implementation of the FTA.

While Korea's trade surplus vis-à-vis the EU reached a record level of over US$19 billion in 2007, it has gradually decreased since then. Korea's imports from the EU increased by 21 per cent per year from 2009 to 2011, while its exports to the EU increased only at an annual rate of 9 per cent in the same period. The reason for the difference between export and import growth rates is the slowdown of the EU's economic growth, which decelerated import demand, and the increase of imports into Korea from the EU due to Korea's rapid economic recovery. In 2011, Korea recorded several monthly trade deficits with the EU, and in 2012 Korea recorded a US$1 billion trade deficit with the EU for the first time since 1998. The deficit expanded further to US$9.1 billion in 2015.

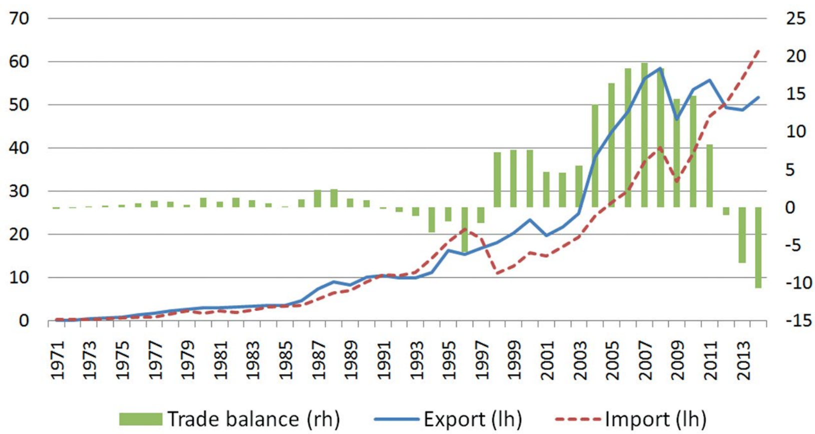


Figure 1. Korea's goods export to and import from the EU, 1971–2014 (US$ billion)

lh, left hand; rh, right hand

Sources: UN Comtrade database, comtrade.un.org/db/; Korean Statistical Information Service, kosis.kr/eng/.

## Four years of the Korea–EU FTA

Korea's exports to the EU, which had been recovering following the 2008 global financial crisis, began to decrease in the second half of 2011. For the first year of the FTA with the EU, Korea's exports to the EU decreased 12 per cent compared to the previous year. This result is an exception, given Korea's overall exports to the world increased by 7 per cent in the same period, as shown in Table 2. For Korea, this outcome based on trade statistics is rather disappointing, as most of the previous studies predicted a substantial increase in exports. Moreover, this figure contrasts with Korea's considerable increase in exports to the USA after the KORUS FTA. For the second year, Korea's exports to the EU once again fell, by 4.7 per cent, while it rebounded in the third year, largely due to the base effect.

Table 2. Korea's exports to its trade partners before and after the Korea–EU FTA, 2010–15 (US$ billion)

| | One year before | 1st year | 2nd year | 3rd year | 4th year | 4 years total |
|---|---|---|---|---|---|---|
| EU | 57.9 | 50.8 | 48.4 | 51.7 | 47.6 | (–17.7) |
| | | (–12.3) | (–4.7) | (6.7) | (–7.8) | |
| China | 125.6 | 133.2 | 140.5 | 145.8 | 143.8 | (14.5) |
| | | (6.1) | (5.5) | (3.8) | (–1.3) | |
| USA | 54.2 | 59.1 | 59.2 | 64.6 | 72.1 | (33.2) |
| | | (9.1) | (0.2) | (9.2) | (11.7) | |
| Japan | 34.3 | 40.1 | 36.6 | 33.7 | 29.3 | (–14.6) |
| | | (16.8) | (–8.8) | (–7.7) | (–13.1) | |
| India | 12.5 | 12.5 | 11.6 | 11.9 | 12.5 | (–0.1) |
| | | (–0.5) | (–6.8) | (2.4) | (5.2) | |
| ASEAN | 62.2 | 75.5 | 82.9 | 84.4 | 78.4 | (26.0) |
| | | (21.3) | (9.9) | (1.8) | (–7.2) | |
| Korea's total export | 518.7 | 556.6 | 549.4 | 566.4 | 551.9 | (9.7) |
| | | (7.3) | (–1.3) | (3.1) | (–2.5) | |

Note: 1) Numbers in parentheses refer to annual percentage change. 2) One year before: July 2010 – June 2011, 1st year: July 2011 – June 2012, 2nd year: July 2012 – June 2013, 3rd year: July 2013 – June 2014, 4th year: July 2013 – June 2014, four years total: change in exports from one year before (July 2010 – April 2011) and the 4th year (July 2014 – June 2015).

Source: Author's calculation based on data from Korea International Trade Association.

In contrast, Korea's imports from the EU increased by 13.1 per cent for the first year of the FTA (Table 3). Given that Korea's overall imports from the world increased by 9 per cent in the same period, the increase in imports from the EU is consistent with the overall trend. However, imports from the EU also increased for a second year by 8 per cent, while Korea's overall imports increased only by less than 2 per cent. During four years of the FTA implementation period, imports from the EU increased by almost 40 per cent and the trade balance turned from a surplus of US$14.5 billion to a deficit of US$12.9 billion. It is clear that the FTA exerted a positive influence on Korea's imports through the tariff-cut effect, given that the growth rate of imports from the EU was four times larger than Korea's overall import growth. However, a question remains regarding the fall in exports to the EU under the 'FTA effect'. In order to understand this change in trade between Korea and the EU, it is necessary to review the economic situation and trade flow in more detail.

Table 3. Korea's imports from its trade partners before and after the Korea–EU FTA, 2010–15 (US$ billion)

| | One year before | 1st year | 2nd year | 3rd year | 4th year | 4 years total |
|---|---|---|---|---|---|---|
| EU | 43.5 | 49.1 | 53.0 | 60.0 | 60.5 | (39.5) |
| | | (13.1) | (8.0) | (13.2) | (0.9) | |
| China | 81.0 | 83.8 | 81.3 | 85.9 | 90.6 | (11.9) |
| | | (3.4) | (–2.9) | (5.6) | (5.5) | |
| USA | 42.4 | 45.7 | 40.8 | 43.7 | 44.2 | (4.1) |
| | | (7.8) | (–10.7) | (6.9) | (1.1) | |
| Japan | 67.6 | 66.8 | 62.2 | 56.3 | 50.8 | (–24.9) |
| | | (–1.2) | (–6.9) | (–9.4) | (–9.8) | |
| India | 6.8 | 7.3 | 6.6 | 5.6 | 4.8 | (–29.4) |
| | | (7.0) | (–9.9) | (–14.5) | (–14.4) | |
| ASEAN | 48.8 | 53.5 | 51.7 | 53.8 | 49.0 | (0.5) |
| | | (9.7) | (–3.4) | (4.2) | (–9.0) | |
| Korea's total import | 479.7 | 513.7 | 523.2 | 518.7 | 485.7 | (3.3) |
| | | (9.3) | (1.8) | (–0.9) | (–6.4) | |

Note: 1) Numbers in parentheses refer to annual percentage change. 2) One year before: July 2010 – June 2011, 1st year: July 2011 – June 2012, 2nd year: July 2012 – June 2013, 3rd year: July 2013 – June 2014, 4th year: July 2013 – June 2014, four years total: change in imports from one year before (July 2010 – April 2011) and the 4th year (July 2014 – June 2015).

Source: Author's calculation based on data from Korea International Trade Association.

First, there is a stark contrast between Korea's exports to the EU and other regions. Exports to the EU have been decreasing despite the FTA, while its exports to other trade partners have increased considerably. Over the four years since the FTA came into effect, Korea's exports to the EU fell by more than 15 per cent. On the other hand, its exports to the USA, China and the ASEAN countries increased by 14–33 per cent during the same period. The answer to such a difference can be found from a comparative view on exports of other Asian countries to the EU. According to trade data from Eurostat, most East Asian exporting countries—China, Japan and Taiwan—have experienced a sharper decline in their exports to the EU than Korea. While China's exports to the EU increased by 7 per cent, Japan and Taiwan's exports to the EU dropped by 8–20 per cent. Given the continued depreciation of the Japanese yen from late 2012, it is intriguing to see that Japanese exports to the EU have seen the most visible decrease.

It is noteworthy that most East Asian economies experienced a decrease in exports to the EU. They have common features in that they are specialised in exports in manufacturing sectors. The sharp fall in domestic demand in the EU has exerted undoubtedly a very negative influence on exports to the EU of East Asian countries with a high export share in manufacturing industries. In other words, the less-than-expected performance in Korea's exports to Europe should be attributed to weak demand in the EU from around 2008. Indeed, the decline in exports to the EU was common among the exporting countries in Asia.

Second, the fall in exports is salient in ships and electronics, which are Korea's most important export items. For example, ship exports accounted for 28 per cent of Korea's total exports to the EU in 2011. However, its export amount fell by more than 60 per cent since the implementation of the FTA. Exports of mobile phones, LCD televisions and semiconductors were reduced by 15–52 per cent. These products are marked either by general European import market contraction, due to the economic recession, or by relocation of Korean firms to Southeast Asia in order to cut production cost. Because Korean exports to the EU are highly concentrated in these few sectors, their fall creates a more statistically important impact on change in overall exports to the EU. On the other hand, Korea's exports increased for manufacturing items—such as refined oil, automobiles and chemical products—for which the tariff cuts were quite important.

Third, Korea's imports from the EU increased considerably, which had a more important impact on change in the trade balance than the decrease in exports. Imports from the EU increased by almost 40 per cent over four years. This figure is outstanding, given that Korea's total imports only increased by less than 4 per cent during the same period. At the sectoral level, an increase in imports from the EU is identified over a wide range of manufacturing products, from intermediates such as crude oil and refined petrol to machinery, automobiles and luxury items. For instance, Korea's import of both crude and refined oil from the EU (Brent oil) was negligible before the FTA, but its import soared and accounted for 17.2 per cent of Korea's total import from the EU. Instead, imports from Organization of the Petroleum Exporting Countries (OPEC) countries fell, which means the FTA created a trade diversion effect from Korea's main oil resource to the EU—largely the United Kingdom. Some imports from Japan in machinery and industrial equipment were replaced by European products.

Fourth, the weakening value of the Euro (since mid-2011) exerted a positive influence on the EU's exports in that European products became cheaper outside of Europe. The reasons for the weak Euro can be explained by the decline of confidence and economic recession in the Eurozone and the lowest key interest rate since the introduction of the Euro in 1999. As a consequence, the trade balance of crisis-affected European countries improved considerably. For example, Germany recorded its largest-ever trade surplus. It is expected that the Euro will remain weak while the European Central Bank considers an expansionary monetary policy. This will create a favourable trade environment for European exporters.

Korea's exports to the EU turned to positive growth in the third year of the FTA, mainly due to the base effect. As European economies start to lift themselves out of the recession, it is likely that Korea's exports to the EU will increase. However, as the EU is negotiating FTAs with Japan and members of ASEAN, Korea's unique status as the EU's FTA partner in East Asia may become obsolete. All the more, the relocation of Korean firms will be more salient as they try to create supply chains in developing countries. In this context, the role of the FTA in promoting export in statistical terms will meet its limit and a more comprehensive approach will be required to make full use of the FTA.

## Conclusion

In summary, this chapter has indicated that Korea enjoys close ties with the EU both in bilateral trade flows and in terms of investment by EU firms in Korea and Korean investment in assembly operations in the EU. Korea's trade and investment relationship with the EU is similar to that with the USA. A factor in the EU giving high priority to Korea, along with ASEAN and Mercosur as a target for a 'new generation' or 'deep integration' FTA following the EU's Global Europe initiative of 2006 was that the USA had already begun FTA negotiations with Korea. The importance of global supply chains, especially in the sourcing of intermediate products from China and Southeast Asia, for the production of final goods, especially cars and consumer electronics, was a major issue for the EU in its FTA negotiations with Korea.

These issues were only settled in the final stages of the negotiations. In the final deal, Korea was able to maintain its DDS for a limited time, and the EU modified its rules of origin requirements by accepting a local content of 45 per cent on Korea's exports to the EU, compared to its customary demand of 60 per cent. In the short period since the Korea–EU FTA entered into force in July 2011, the study of the trade flows implies that the agreement has been somewhat more beneficial to the EU than to Korea. Nevertheless, the high price elasticity of demand of the manufactures that dominate Korea–EU trade can be significantly impacted on by short-term economic circumstances.

The Korea–EU FTA contains a few elements that should be noted. Conventionally, FTAs focus on reducing tariff barriers. However, the role of tariff barriers in trade has become less important, as developed countries have already lowered their tariffs on manufactured goods in the context of General Agreement on Tariffs and Trade (GATT) and WTO. As it has been difficult to progress trade liberalisation in the multilateral context, bilateral FTAs are implemented to advance the agenda. Issues of trade negotiation have therefore shifted from tariff liberalisation to harmonisation and mutual recognition of different regulations. This was also the case in the Korea–EU FTA. During the negotiation of the Korea–EU FTA, different standards between Korea and the EU were highlighted, particularly regulations on the safety certificate procedures in electrical/electronic goods and product standards for automobiles.

The Korea–EU FTA states that both parties establish regular committees on how to reduce trade-impeding regulatory barriers. It is still hard to expect that Korea and the EU can complete a free trade framework equivalent to that of the European Economic Area where most of the trade-related regulations are highly harmonised and mutually recognised. However, as trade and investment relations between the two parties are strengthened by the FTA, the pressure on them to tackle NTB issues will increase. What we will see during the next few years will be policy efforts to coordinate business practice as well as 'regulatory convergence' between Korea and the EU. This will certainly require more time and involve more stakeholders—not only government officials, but also businesses.

Technology cooperation can be another opportunity in the period since the conclusion of the FTA. For example, Korea and the EU could create and activate international technology transfer mechanisms through both public and private initiatives. Small and medium enterprises can experience a number of hardships in the course of doing business, from finding technology to financing. In some cases, it is impossible for small and medium enterprises to independently introduce, apply and spread new technology. As institutional cooperation frames have been consolidated by the Korea–EU FTA and its associated arrangements, it will be more possible to promote cooperation between private firms. Trade associations can find a more important role in this regard.

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