

S.Korea-EU FTA summit

SEOUL (South Korea) - SOUTH Korea and the European Union hope to use a weekend summit to make progress on a stalled free trade agreement and lay the groundwork for expanded relations.

An EU delegation led by European Commission President Jose Manuel Barroso and Czech President Vaclav Klaus planned one-day talks Saturday with South Korea President Lee Myung-bak. The Czech Republic holds the rotating EU presidency.

South Korea and the EU are trying to nail down a free trade deal but have been hindered by differences over refunds South Korea pays to local companies who import parts from third countries before exporting finished goods.

The 27-member EU does not accept the practice, known as duty drawback, in its free trade agreements. European automakers have also expressed concerns about the deal as South Korea enjoys a huge trade surplus in vehicles.

That has not proven easy so far. South Korean Trade Minister Kim Jong-hoon and EU Trade Commissioner Catherine Ashton were unable to achieve a breakthrough during talks on the sidelines of the Group of 20 summit in April.

A South Korean Foreign Ministry official said Friday that a deal was unlikely to be announced this weekend, though expressed hope one could be completed next month. He spoke on condition of anonymity, citing sensitivities ahead of the summit.

The EU and South Korea are major trade partners - \$98.4 billion (\$142.4 billion) worth of goods in 2008. The EU is South Korea's second-largest trading partner after China and is its largest foreign investor.

Auto trade heavily favors South Korea. South Koreans bought 32,756 vehicles from EU states last year, while South Korea exported 408,934 vehicles to the EU. EU manufacturers accounted for 53.1 percent of South Korea's imported vehicle market.

The summit will be the fourth between South Korea and the EU, though will be the first time one will be held in South Korea. – AP

The New York Times (March 25, 2009)

Europe Cautious About Any Trade Deal With Korea

By STEPHEN CASTLE

BRUSSELS — The [European Commission](#) said Tuesday that “very significant subjects” still need to be resolved before the world’s largest trading bloc can complete a tariff-reduction agreement with South Korea. Already facing a catastrophic reduction in sales because of the economic downturn, the European automotive industry reacted with alarm to the announcement at a news conference in Seoul, South Korea, early Tuesday of an outline for a free-trade agreement.

If a deal is completed, it will be a rare move toward free trade at a time when politicians across the globe are under pressure to resort to protectionism. But the European Commission’s spokesman on trade, Lutz Güllner, moved quickly to dampen suggestions that the bloc was close to signing an agreement.

“What’s important,” he said in Brussels, “is to underline that there is no agreement as yet.” He added: “The chief negotiators have made significant progress in their discussions but there are still some very significant subjects that still need to be resolved.”

That contrasted with the more upbeat comments made earlier in South Korea. Ignacio García Bercero, the chief European negotiator, said at a news conference in Seoul that he was “convinced that this is an agreement that not only will bring tangible economic benefits for all sectors of our economies, but also it will be a very timely signal of our commitment to open markets in a very difficult economic situation,” Reuters reported.

The next opportunity for a breakthrough is on April 2, when European and South Korean officials may meet on the sidelines of the Group of 20 summit in London. But given the fragile economic situation, European governments are under pressure to resist signing off on a deal without movement from South Korea.

Mr. Güllner said that among the issues left to be resolved was a timetable for eliminating Europe’s 10 percent tariff on imported cars, and the right of South Korean exporters to reclaim duties paid on imported components.

A third issue involves the so-called rules of origin, which define where, for the purpose of trade agreements, goods have been made. Ivan Hodac, chief of the European Auto Manufacturers’ Association, said there was opposition in several countries to the outline agreement.

“I don’t believe this is a good agreement for the E.U.,” Mr. Hodac said. “It’s definitely not good for one of the most important industries the E.U. has: automakers.” European automakers want tariffs to be eliminated over five-to-seven years, while the South Koreans are pressing for a timeframe of three-to-five years. South Korea and the [European Union](#) began their trade talks nearly two years ago, when the global economy was much stronger.

Despite calls for trade to be freed up as the world struggles with the worst economic downturn in decades, many countries have instead raised import duties or passed stimulus measures with subsidies to aid domestic industries.

Lourdes Catrain, a partner at the Brussels law firm of Hogan & Hartson, said she did not believe that significant differences between the two sides would be easy to resolve. “These are huge issues,” Ms. Catrain said. “It is so important that I believe that it is highly unlikely that the European industries concerned are going to give up.”

The [World Bank](#), in a report last week, said that since Nov. 17 members of the G-20 industrialized and emerging economies had adopted 47 measures aimed at restricting trade. By contrast, the Europe-South Korea deal would eliminate most tariffs within five years, facilitating bilateral trade, which totaled nearly \$100 billion in 2008.

Both sides are under considerable pressure not to let the deal founder. For Catherine Ashton, the European trade commissioner, the deal is her first real test since taking over from [Peter Mandelson](#) last year. Proponents say the agreement would be a major boon to the South Korean economy, which relies heavily on exports, notably of consumer electronics and cars.

Still, South Korean manufacturers continue to export far more automobiles to the European Union than go the other way. This is in part because the Koreans’ lines of fuel-efficient cars have been popular with cost-conscious consumers. The weakness of the won also has helped make South Korean products cheaper abroad.

A free trade agreement between the United States and South Korea, reached in 2007, has yet to be ratified. Some American politicians fear the agreement would be detrimental to automakers. A successful deal with the European Union could put pressure on congressional leaders to sign off on the agreement.