



The Rt. Hon. Baroness Catherine Ashton
Commissioner for Trade
European Commission
B-1049 Brussels

4 March 2009

Dear Commissioner,

I write concerning the decisive phase of the negotiations for a free trade agreement (FTA) with Korea. BUSINESSEUROPE believes that an EU-Korea FTA can be an important milestone for EU trade policy, provided it meets the high standards that the EU has set in its Global Europe strategy. Given the current global economic situation, it would also send a clear signal that Europe is committed to the principles and practice of open markets and free trade.

European companies are encouraged by the news of commitments made by Korea to date. We welcome the progress on goods and services market access, as well as on broad ranging rules, all of which appear substantive. Companies have, however, raised a number of real concerns which should be addressed as part of a balanced final agreement. Three areas have been highlighted by a range of businesses across economic sectors. Other important issues are addressed in the annex to this letter:

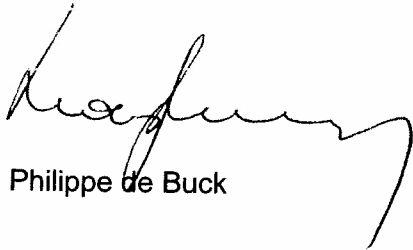
- Several sectors are concerned by the prospect that the agreement would permit Korea to maintain its duty drawback scheme indefinitely. Such an outcome would potentially give Korean firms an unfair cost advantage over their European counterparts and set the wrong precedent for future agreements. Given the economic and systemic importance of the issue any flexibility shown by the Commission in this area must be generously compensated by Korea.
- Rules of origin will be crucial for determining the impact of the agreement. EU industry believes that the rules of origin should be as close as possible to the EU's standard rules to minimise administrative burdens.
- The whole area of non-tariff barriers is vital to any deal. While all recognise the significant work the Commission has undertaken in this area already, industry sectors have important outstanding issues which will be key to determining the practical value of the package.
- For services and establishment, Korea's written offers will need to be closely scrutinised. While the preliminary indications of results here are positive, it is vital that the fine print lives up to promises made.



BUSINESSEUROPE believes that it is important for the Commission to continue to move forward with this negotiation in the coming weeks in order to reach a deal that copper fastens what is now on the table and makes progress on outstanding issues.

The business community as a whole will, of course, carefully assess the results once they are published in their entirety and judge the agreement based on the highest standards. The final agreement must provide real and effective new market access for European business. We believe the EU, with its market of 500 million consumers, is in a strong negotiating position. We therefore count on your efforts to reach an ambitious conclusion

Yours sincerely,



Philippe de Buck



ANNEX: Outstanding issues

Automotive

- The proposed tariff liberalisation schedules for automotive vehicles would be difficult to implement given the current economic situation in the sector. The EU's original proposed schedule is far more appropriate.
- Despite major progress on non-tariff barriers, the remaining issues will determine whether the package has value for EU exporters. All Korean NTBs that would prevent full market access to EU produced vehicles as well as their components should be removed, including those related to on board diagnostics, emissions standards and remaining safety standards.

Pharmaceuticals

- Disciplines on transparency and predictability of administrative decisions on pricing and reimbursement for pharmaceuticals should be strengthened. For such disciplines to be effective the agreement should include language requiring fully reasoned and transparent pricing and reimbursement decisions.
- Improved provisions on intellectual property, especially for regulatory data protection. The duration of protection should be closer to EU than to American standards.

Electronics

- Relaxation of the rules of origin would be inappropriate in this sector.
- This area includes products which should be subject to the maximum possible duration for tariff liberalisation.

Computer and related services

- The maximum time limit permit for access for contractual service suppliers in this area to the Korean market is currently one year. The Commission should look into extending this.

Authorised Exporter Certificate

- To date, an "invoice declaration" was to be used as a preference certificate by an "authorised exporter". This meant that, in particular, small and medium-sized enterprises with small export volumes were compelled to apply to the customs authorities for the status of "authorised exporter". We therefore request that a "EUR.1 movement certificate" drawn up by the customs authorities should be recognised as a preference certificate.

Agriculture

- European agricultural exporters should have no less favourable market access than the US and Chile for key EU exports.

Rail transportation

- Tariff liberalisation schedules should be fully reciprocal for rail transport.



- Implementation of public procurement commitments relating to the sector will need to be carefully monitored, with close involvement of the industry in follow-up working groups.

Chemicals

- While the agreement overall is very satisfactory as regards its effects on the EU chemicals industry, there are concerns about potential impacts on a few high volume polymers. Immediate tariff liberalisation could have serious consequences for those businesses, as they are particularly sensitive to current economic conditions and imports are suspected to be at dumping prices.