

# ECCK QUARTERLY REPORT Q1/2019

## INTRODUCTION

President of the Republic of Korea Moon Jae-in started the year 2019 with meeting business. In January 2019 he met 130 Korean business leaders, including the heads of the country's top 25 conglomerates.

Following other meetings, he met with **Foreign business leaders on March 28** where ECCK was represented by Chairperson Dimitris Psillakis and which further featured participation by representatives of 26 European companies. This meeting was the first of its kind since his inauguration and is considered by the ECCK as a very important one. President Moon acknowledged in his speech the importance of the foreign business community noting that the **foreign businesses account for 19% of Korea's overall exports, as well as 7% of employment in Korea**. Furthermore, he stated that his administration will support foreign business proactively so that steady investments and best practices can continue. It is also noteworthy that not only in the meeting with President Moon Jae-in but also in meetings with newly appointed **Yoo Myung-hee, Minister for Trade**, and **Hong Nam-ki, Deputy Prime Minister and Minister of Economy and Finance**, the ECCK White Paper was mentioned as a valuable policy tool. Importantly, it was further confirmed that qualified **feedback on all 123 recommendations will be provided** to the ECCK in or before April 2019. The ECCK in this respect highly appreciates the cooperation with Korean government and acknowledges their efforts for this official feedback procedure which was agreed in 2018 and is now being conducted for the first time.

**On April 9, EU Trade Commissioner Cecilia Malmström visited Seoul to attend the 8<sup>th</sup> Trade Committee Meeting with Trade Minister Yoo Myung-hee.** In advance of such meeting ECCK business representatives met with Trade Commissioner Malmström to brief her on current affairs. At the Trade Committee Meeting, Korea requested the European Commission to facilitate trade procedures for Korean firms in the area of steel, automobiles (passenger and commercial vehicles), pharmaceuticals and also for the Korean chicken soup *Samgyetang*. Trade Commissioner Malmström raised multiple re-occurring issues but also stressed the need to resolve issues linked to the unpredictable regulatory changes, lengthy administrative procedures and discretionary enforcement. In her engagements she also referred to the **Business Confidence Survey 2018** initiated by the ECCK and conducted in cooperation with 11 other European country chambers in Korea. Beside trade related issues, Trade Commissioner Malmström also touched the non-yet implemented four **ILO Core Conventions**.

## GENERAL OVERVIEW

The challenges Korea is facing in 2019 are not marginal. The labour market still remains a challenge; although 250,000 jobs could be created in March 2019, a high portion is to be credited to the public sector. The new minimum wage in the amount of KRW 8,350 (+10.9% versus previous year) is feared to have a substantial negative impact especially on workplaces at SMEs but also indirectly at bigger corporations due to a spill-over effect. The Bank of Korea expects the **economy to grow by 2.6%**. It needs to be seen if the US administration will impose additional tariffs on Korean cars which is expected to lower the Korean GDP by 0.3 percentage points. Also, the looming trade conflict between the US and the PR China also might have a certain impact on the Korean economic growth. Exports in 2018 surpassed USD 600 billion in 2018 with about 20% contributed by Semiconductors. In 2019, export did not start off well. Exports declined in January by 5.8%, in February by 11.1% and in March by 8.2% primarily due to substantial lower shipments of memory chips and petrochemicals. The constant transfer of production from Korea towards other but primarily emerging markets will continue and therewith will have an additional negative impact on the Korean GDP. In short: Challenges are substantial and that's why **concerted initiatives – government and business – are of high importance**.

### Trade in Goods between Europe (EUR) and Korea (KOR)

Unit: EUR million	Q4/2018		Q4/2017		Q4/2018 vs Q4/2017	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
<b>EU</b>	12,028	13,042	12,819	12,682	-6.2%	2.8%
<b>EFTA</b>	1,126	380	961	2,568	17.2%	-85.2%
<b>Total</b>	<b>13,153</b>	<b>13,422</b>	<b>13,781</b>	<b>15,250</b>	<b>-4.6%</b>	<b>-12.0%</b>

In Q4/2018, exports from the EU to Korea decreased from EUR 12.8 billion in Q4/2017 by 6% to EUR 12.0 billion; exports from Korea to the EU reached EU 13.0 billion compared to 12.7 billion in Q4/2017 (+3%). Exports from EFTA to Korea amounted in Q4/2018 to EUR 1.1 billion exceeding Q4/2017 by 17%. Exports in Q4/2018 from Europe (EU & EFTA) reached 13.1 billion versus 13.8 billion in Q4/2017 (-5%) as exports from Korea amounted to EUR 13.4 billion versus EUR 15.2 billion in Q4/2017 (-12%).

## Trade in Goods between Europe (EUR) and Korea (KOR)

Unit: EUR million	1-12/2018		1-12/2017		1-12/2018 vs 1-12/2017	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
<b>EU</b>	49,193	51,049	49,800	49,996	-1.2%	2.1%
<b>EFTA</b>	4,246	2,529	3,869	5,639	9.7%	-55.2%
<b>Total</b>	<b>53,439</b>	<b>53,578</b>	<b>53,669</b>	<b>55,635</b>	<b>-0.4%</b>	<b>-3.7%</b>

Trade between Korea and Europe decreased slightly compared to 2017 (when total trade amounted to EUR 109 billion. Exports from the EU to Korea decreased from EUR 49,780 billion to EUR 49,193 billion (-1%); Korean exports to the EU increased from EUR 49,996 billion by 2% to EUR 51,049 billion. Exports from EFTA to Korea stood in 2018 EUR 4,246 billion – an increase of 10% over 2017 as exports from Korea to EFTA decreases from EUR 5,639 billion to EUR 2,529 billion (-55%).

Q1/2019 – Foreign Direct Investment in Korea				
Unit Value: USD million	Pledged		Arrived	
	Nr Businesses	Value	Nr Businesses	Value
<b>EU</b>	81	987	61	1,460
<b>EFTA</b>	11	47	7	7
<b>Total</b>	<b>92</b>	<b>1,034</b>	<b>68</b>	<b>1,467</b>
<i>All Countries</i>	<i>572</i>	<i>3174</i>	<i>395</i>	<i>2,634</i>
<b>European share</b>	<b>16.1%</b>	<b>32.6%</b>	<b>17.2%</b>	<b>55.7%</b>

European investments represented 56% of the total foreign direct investment in Korea in the first quarter of 2019. The Netherlands was the largest European investor in Korea in the first quarter of 2019, with a total of USD 730 million in arrived direct investments. The second largest European investor was Hungary with in excess of USD 300 million in arrived direct investments.

## ECCK MARKET OVERVIEW

**Passenger Vehicles Committee** and **Heavy Duty Commercial Vehicles Committee**: following the EU-Korea FTA Working Group Meeting in December 2018, ECCK invited the EU Delegation to Korea (EUD) to receive a briefing on the results of the EU-Korea FTA Working Group Meeting. At the Passenger Vehicles Committee, the Korea Environment Corporation shared its amendment plan for its **‘Regulation for the Evaluation of Electric Vehicles Subject to Distribution’**. ECCK delivered its Committee opinion to the Korean authority indicating that the amendment should **consider the actual effectiveness of technical aspects**. ECCK also indicated that from EU-Korea FTA perspective, it should not act as a barrier for European manufacturers to the Korean market. ECCK held the **Korea-Europe Future Automotive Conference 2019** on March 26 under the theme of ‘Future of Clean Mobility’. Korean and European experts from automotive research institutes and industry discussed about clean mobility trends focusing on electric vehicle and hydrogen vehicle technology.

**Tires Committee**: Korea Energy Agency (KEA) drafted its application schedule for tires’ energy efficiency rate amendment. ECCK submitted its opinion letter to KEA **recommending an extension of the grace period for the sale of old type tires**, considering the actual development/production schedule of tire manufacturers.

**Chemical Committee:** in reaction to the amendment and enforcement of numerous chemical regulations, the **Polymer Working Group** kicked off in order to discuss the establishment of guidelines for polymer registration and exemption undertaken by the Ministry of Environment's (ME) Polymer Research Study through the provision of various practical cases. Additionally, in January and March, **meetings were held with Ministry of Employment & Labor (MOEL) to deliver the chemical industry's opinion** concerning the preparation of Material Safety Data Sheet (MSDS) Submission, Confidential Business Information (CBI) approval and the standard accordance of polymer exemption with K-REACH as the Occupational Safety and Health Act was amended.

**Cosmetics Committee:** ECCK met with the Ministry of Food and Drug Safety (MFDS) on the draft of safety standards of cosmetics in January. Following concerns raised by ECCK, MFDS withdrew newly proposed restrictions for the use of Sodium Lauroyl Sarcosinate. A member of the National Assembly requested MFDS to provide cosmetic import prices; in response to such, ECCK met with Korea Consumer Agency (KCA) & Korea Pharmaceutical Traders Association (KPTA) to raise its concerns. Taking into consideration ECCK's input, MFDS limited the information provided which cannot be made available publicly.

ECCK discussed with the EUD on confidentiality and discriminative actions against importers. The ME proposed strict packaging regulations at the end of 2018 and new rules on waste materials are enforced from January 1, 2019. Due to this revision, a disposable plastic shopping bag cannot be provided to the consumers in department stores. On behalf of the members of the **Cosmetics and Fashion & Retail Committees**, ECCK met ME to discuss practical difficulties and **ME finally announced new guideline of paper bags on March 28 reflecting ECCK's proposal**. On March 28, ECCK was invited to attend a meeting with Korean Agency for Technology and Standards (KATS) to discuss opinions on synthetic plastic bags. Aligning with the standards of other bags, **KATS accepted ECCK's recommendation to remove the standards of synthetic plastic bags**.

**Healthcare Committee:** on January 22, ECCK invited the EUD to share the outcome of the most recent working group meeting on Pharma and Medical Devices between the European Commission and the Korean government. ECCK met with the Japan Pharmaceutical Manufacturers Association (JPMA) to align its position on patent issues. **The practices relating to patent term extensions of salt products – also addressed in the White Paper 2018 – was finally resolved in January 2019 following a decision by the Supreme Court**. On January 23, ECCK attended a KOTRA roundtable meeting with the Korean IP Office (KIPO) and MFDS on patent issues. Recently the National Health Insurance Service (NHIS) requested new obligations in drug price agreements which were seen by pharma companies considered as burdensome and requires further consultation.

**Food & Beverage Committees:** ME will conduct evaluations regarding manufactured/imported packaging materials. Producers obligated to recycle, are required to label the results of the evaluation of the quality and structure of packaging materials on the exterior of the packing materials. **ECCK has submitted members' opinion to ME and held rounds of discussions. ECCK will be a part of the common committee and participate in the discussion for the detailed standards**. In December 2018, two separate bills have been submitted by members of the National Assembly, the main content of which is the inclusion of warning statements and graphics showing the dangers of drinking and driving on alcoholic beverage containers. ECCK is currently monitoring when these bills will be slated for discussion at the National Assembly.

**IPR Committee:** the Korea Institute of Intellectual Property (KIIP) has analyzed the **economic contribution of IP-intensive industries in Korea**. The findings provide a quantitative confirmation of the importance of IPRs in boosting economic performance, supporting job creation and innovation at industry level. Such study was **recommended by ECCK in its White Paper 2018** and also follows various meetings between ECCK and KIIP to share research methods conducted abroad. ECCK further presented Korea’s best IP enforcement practices at Unifab’s European IP Forum in Paris on March 15.

**Marine & Shipbuilding Committee:** the Ministry of Oceans and Fisheries (MOF) announced its subsidy policy plan for LNG bunkering core technology and related equipment. The localization policy might lead to unfair business practices as it one-sidedly benefits local companies. On March 25, the Committee members met with representatives of domestic equipment companies **to discuss technical cooperation regarding original technology to prevent patent disputes and to share opinions on possible win-win plans**.

## ECCK REPRESENTATION

- January 31: Meeting with KOTRA President Kwon Pyung-oh
- January 31: Meeting with Foreign Investment Ombudsman Kim Sung Jin
- February 14: Meeting with DG GROW Director Kristin Schreiber
- February 21: Meeting with MOTIE Europe Trade Division Director Ju-ho Song
- February 27: Meeting with MOTIE Deputy Minister Tae-Seong Park
- March 4: Meeting with Head of Invest Korea Shawn Chang and DG Young-seon Lee
- March 12: Meetings with FSS Governor Yoon Suk Heun
- March 13: Meetings with European Commission Directorate Generals TRADE, GROW, TAXUD
- March 26: Meeting with Trade Minister Yoo Myung-hee
- March 28: Meeting with Korean President Moon Jae-in
- April 9: Meeting with EU Trade Commissioner Cecilia Malmström

April 18, 2019  
ECCK

### About ECCK:

The European Chamber of Commerce in Korea (ECCK) is the pre-eminent association of European companies conducting business in or related to Korea. Representing the common voice of the European business community in Korea, the ECCK aims to function as the platform for information exchange, effective communication channel to the Korean authorities and convener of networking opportunities for European businesses. The ECCK is a non-profit and non-political organization. ([www.ecck.eu](http://www.ecck.eu))

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