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# ECCK QUARTERLY REPORT Q2/2019

## INTRODUCTION

In April 2019, the ECCK received formal feedback from the Korean government on all 123 issues and recommendations listed in the White Paper 2018. Almost 40% of the responses from the Korean government were positive, 15% of the recommendations required further consideration and the remainder was not taken on board. The feedback has been shared with the ECCK's Committee Members as well as with European embassies. The ECCK is very pleased to have received full feedback for the first time since the publication of the White Paper and highly appreciates the cooperation with the Korean government and their efforts for this official feedback procedure.

On June 10 the Korean and the British governments reached an agreement to continue their current trade relations after a possible exit from the European Union by the United Kingdom on October 31, 2019. On June 28 and 29, 2019, the G20 Summit took place in Osaka, Japan. During the summit, Presidents Donald Trump and Xi Jinping agreed to resume economic and trade negotiations and to not impose additional new tariffs on Chinese products. Trump thereafter visited Korea where he met Kim Jung-un at Panmunjom on June 30, 2019; originally named a summit, this was later on referred to rather as a meeting between the two leaders. On July 1, 2019, Japan declared to strengthen regulations on the country's exports of three key materials to Korea's semiconductor and display makers. The Korean government met with Japanese counterparts on July 12, 2019, to discuss various scenarios in order to find common ground.

In Europe, the election of the European Parliament took place from May 23 to 26 2019. Following such, David Sassoli (Italy) was elected President of the European Parliament on July 3, 2019, and Ursula von der Leyen (Germany) was confirmed by the European Parliament on July 16, 2019, to succeed Jean-Claude Juncker as President of the European Commission effective November 1, 2019.

The European Commission has officially requested Korea on July 4, 2019, to convene a panel of experts as "the EU believes Korea has not made sufficient efforts to fulfil key ILO conventions under the FTA labour rules". Korea joined the ILO in 1991, but so far has not ratified four out of eight core conventions in particular C87 Freedom of Association and Protection of the Right to Organise Convention, 1948; C98 Right to Organise and Collective Bargaining Convention, 1949; C29 Forced Labour Convention, 1930; and C105 Abolition of Forced Labour Convention, 1957.

## GENERAL OVERVIEW

The new minimum wage for 2020 was set on July 12, 2019; it was decided to raise the minimum wage from KRW 8,350 to KRW 8,590 (+2.9%). The decision was criticised by Korean Confederation of Trade Unions (KCTU) and Federation of Korean Trade Unions (KFTU) as it seems now more difficult to reach KRW 10,000 as pledged by President Moon Jae-in during his campaign; Moon Jae-in offered a public apology on July 14, 2019, for an apparent failure to keep his campaign pledge. It was surprising to hear small business owners demand a lower minimum wage for foreign workers due to lower productivity in June; an official from the Ministry of Employment and Labour stated that "introducing a different minimum wage system for non-Koreans would be difficult, at least in the short run, because of the anti-discrimination law."<sup>1</sup> A similar request was issued a few days later by Liberty Korea Party Chairman Hwang Kyo-ahn citing "foreigners have made "no contribution" to South Korea's economy" as the reason for a lower minimum wage for foreign workers versus their Korean peers.<sup>2</sup>

The Bank of Korea has lowered its growth forecast for the Korean economy on July 18, 2019 from **2.5% to 2.2%**, which is still higher than the expectations by Morgan Stanley and Nomura Securities (1.8%), Fitch Ratings (2.0%), and Moody's Investors Service (2.1%). The most pressuring issue Korea needs to settle is the new trade conflict with Japan – following the latter's imposition of export control of three key materials to Korea's semiconductor and display makers – in order to avoid negative impacts on its economy. The extension and diversification of export markets by new FTAs seems to be high on the agenda as well. The ECCK specifically agrees with one statement recently made by Korea International Trade Association (KITA) that "while clinching new deals is also important, we need to review whether the existing ones are functioning as well"<sup>3</sup>. In short: Challenges are substantial and that's why **concerted initiatives – government and business – are of high importance**. This might include also a general adjustment of the economic policy or an overdue labour reform.

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

Unit Value: EUR million	Q1/2019		Q1/2018		Q1/2019 vs Q1/2018	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
<b>EU</b>	11,436	12,917	12,219	11,922	-6.8%	7.7%
<b>EFTA</b>	1,024	1,021	1,006	988	1.8%	3.2%
<b>Total</b>	<b>12,460</b>	<b>13,938</b>	<b>13,225</b>	<b>12,910</b>	<b>-6.1%</b>	<b>7.4%</b>

In Q1/2019, exports from the EU to Korea decreased from EUR 12.2 billion in Q1/2018 by 6% to EUR 11.4 billion; exports from Korea to the EU reached EUR 12.9 billion compared to 11.9 billion in Q1/2018 (+8%). Exports from EFTA to Korea in Q1/2019 remained stable at EUR 1 billion, whereas exports from Korea to EFTA increased by 3% exceeding EUR 1 billion. Exports in Q1/2019 from Europe (EU & EFTA)

<sup>1</sup> <http://m.koreatimes.co.kr/pages/article.asp?newsIdx=270520>

<sup>2</sup> [http://www.koreatimes.co.kr/www/nation/2019/06/113\\_270878.html](http://www.koreatimes.co.kr/www/nation/2019/06/113_270878.html)

<sup>3</sup> <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3064227>

reached 12.5 billion versus 13.2 billion in Q1/2018 (-6%) as exports from Korea amounted to EUR 13.9 billion versus EUR 12.9 billion in Q1/2018 (+8%).

#### First Half/2019 - Foreign Direct Investment in Korea

	H1 (Jan - Jun) 2019		H1 (Jan - Jun) 2018		H1 2019 vs. H1 2018	
	Arrived		Arrived		Arrived	
Unit Value: USD million	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
<b>EU</b>	117	2,929	117	3,349	0.0%	-14.3%
<b>EFTA</b>	15	62	13	24	13.3%	61.2%
<b>Total</b>	<b>132</b>	<b>2,990</b>	<b>130</b>	<b>3,373</b>	1.5%	-12.8%
<i>All countries</i>	823	5,637	941	10,231	-14.3%	-81.5%
<b>European share</b>	<b>16.0%</b>	<b>53.0%</b>	<b>13.8%</b>	<b>33.0%</b>	13.9%	37.9%

European investments represented 51% of the total foreign direct investment in Korea in the second quarter of 2019. Malta was the largest European investor in Korea in the second quarter of 2019, with a total of USD 780 million in arrived direct investments; the second largest European investor was the United Kingdom with USD 380 million in arrived direct investments.

## ECCK MARKET OVERVIEW

**Passenger Vehicle Committee:** the Ministry of Environment (ME) is preparing detailed rules for the implementation of its LEV (Low Emission Vehicle) Supply Target scheme. **ECCK called on the ME to integrate such scheme in its current CO2 target regulation** in order to avoid double punishments.

**Heavy Duty Commercial Vehicle Committee:** the ME announced that it plans to amend the modification report procedure for the emission certifications. **ECCK shared its concern that such amendment will not resolve the current issues** and that instead a distinction between modification certification for major changes and modification report for minor changes in law would provide a solution.

**Tires Committee:** the Korea Energy Agency (KEA) shared its draft for tire energy efficiency standard amendment with industry. **Based on ECCK's recommendation, KEA adjusted the application schedule** of new tire energy efficiency standard permitting a one-year extension for production of tires with old standard.

**Chemical Committee:** ECCK organized a roundtable meeting with ME following its submission of a bill to implement a 'Universal Chemical Tracking System' to the National Assembly. Additionally, **ECCK submitted its opinion on a lower statute of the Occupational Safety and Health Act** regarding the MSDS submission and CBI approval system to Ministry of Employment and Labor (MOEL). In June, ECCK organized a roundtable meeting with foreign chemical agencies and ME in order to deliver concerns and to explore future cooperation toward K-REACH. ECCK additionally organized a Polymer Seminar to learn the main contents of the draft Guideline on Polymer Exemption and Identification for Joint Registration of ME.

**Cosmetics Committee:** ECCK has participated in the ME's Recycling Consultative Meeting to share its members view on proposed recycling standards. **ECCK succeeded in extending the grace period for packaging evaluation and labelling and the ME decided to exclude the ban of PVC adhesives on PET bottles in its revised proposal following ECCK's input.** In May, ECCK was invited to a meeting organized by the ME's Resource Circulation Division to discuss a draft regulation related to repackage & package ratio. Following such, the ME accepted ECCK's proposal to exclude packaging ratio rules for cosmetics having small contents. To follow-up on new rules on natural/organic cosmetics, ECCK was invited to join Consultative body organized by Ministry of Food and Drug Safety (MFDS).

**Food & Beverage Committees:** ECCK arranged a **roundtable meeting with the Import Food Policy Division of the MFDS** in order to learn about its general import food safety policy including updated regulation. The ME indicated that it will conduct evaluations regarding manufactured/imported packaging materials starting from December 2019. 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 submitted an industry opinion related to the preparation time and procedure revision to ME and engaged in various rounds of discussion.

**IPR Committee:** On May 19, the ECCK conducted its IPR Awareness Campaign at the 14<sup>th</sup> Busan Global Gathering. At designated booths, ECCK engaged with the participants to enhance public awareness on the economic benefits of IP and further displayed a wide range of counterfeit products to inform of their negative consequences to society. Following such ECCK published a report on Busan consumers' perception of counterfeit products. On June 6, the IPR Committee was awarded a Global Anti-Counterfeiting Award for its activities to combat counterfeiting and raise IP awareness. In particular, the IPR Committee was found to be **"an invaluable counterpart by both industry and government in conducting active enforcement and raising public awareness of the challenges of IPR infringements"**.

## ECCK REPRESENTATION

- April 12: Roundtable Meeting with Anti-Corruption and Civil Rights Commission (ACRC)
- April 23: Meeting with EFTA Parliamentary Committee
- May 15: Meeting with Former German Chancellor Gerhard Schröder
- May 17: Foreign Investment Advisory Council (FIAC) Meeting
- May 27: Meeting with Financial Services Commission (FSC) Chairman Choi Jong-ku
- May 31: Meeting with Ban Ki-moon Centre for Sustainable Development
- June 3: Meeting with EU Transport Commissioner Violeta Bulc
- June 10: Meeting with European Patent Office (EPO) President António Campinos
- June 11: Meeting with Namyangju City Mayor Kwang-Han Cho
- June 17-19: Meetings with European Commission Directorate Generals TRADE and GROW
- June 20: Meeting with EFTA Secretary-General Henri Gétaz
- June 21: Meeting with Korean Ambassador to the EU Hyoung-zhin Kim
- June 28: Meeting with Korea Fair Trade Commission (KFTC) Vice Chairperson Ji Chul-ho

July 19, 2019  
ECCK

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**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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