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# ECCK QUARTERLY REPORT Q2/2020

## GENERAL OVERVIEW

The parliamentary election in April 2020 resulted in a considerable majority of the ruling party in the National Assembly. And after a month-long standstill of the parliament, the Committees at the National Assembly, have been set up including the respective Committee Chairs. The ruling Democratic Party took all chairman seats of the 18 standing committees of the 21st National Assembly, which came as a surprise as it was our assumption that President Moon Jae-in wanted to broaden the democratic alliance by including the opposition in leading roles at those Committees.

The EU-Korea Leaders' meeting on June 30, 2020 between President Moon Jae-in, President Charles Michel of the European Council and President Ursula von der Leyen of the European Commission was held successfully. The joint statement released thereafter included commitments on the Rule-based Trading Systems (WTO) and the EU-KOR FTA Enhancement. COVID-19 has served to a certain degree as an accelerator to focus even more on Climate Neutrality and the implementation of new technologies such as Fourth Industrial Revolution, Human Centric Digitalization, and Ethical AI Implementation. The EU-KOR Summit was followed two days later by the EU-Korea Virtual Business Conference organized by the ECCK, Korea Chamber of Commerce and Industry (KCCI), and BusinessEurope, in which European Commission President Ursula von der Leyen repeated her message to explore opportunities in business leading to a more sustainable future.

The nomination procedure for the new Director General at the WTO was closed on July 8, 2020 with Yoo Myung-hee, Minister for Trade, being one of the total 8 candidates. The selection process came in the face of numerous challenges, including growing protectionism, rising Sino-US tension and the COVID-19 pandemic. The escalating dispute between Korea and Japan over trade issues, which have been continuing since last July, is also an issue. It is expected that the selection process will be completed in Q4/2020.

The approval rating of President Moon has been falling for more than a month, standing at 44% according to Real Meter survey as of July 20. The rating still stands high, but the problem is the speed at which the ratings are dropping as current real estate woes and political controversy negatively affect the public sentiment. With recent passing of Seoul Mayor Park Won-soon, the top post of Korea's capital city is now vacant. The next election for Seoul and Busan City Mayor is in April 2021.

COVID-19 is continuing and the slight hope that we will see an improvement during summer did not materialize. Naturally it needs to be stated, that the overall situation in Korea can be described as outstanding in many aspects, while the mandatory self-quarantine and unfortunately also re-entry procedure for foreign residents or remain in place. In this challenging environment it seems to be extremely difficult to forecast the Korean GDP for 2020; the Bank of Korea assumes only a slight shrinkage of 0.2% as the World Bank forecasts a decrease of 2.3%. The Bank of Korea maintained its key rate at 0.5% and further economic support is expected due to the stimulus packages. On year exports decreased only 10.9% in June after a decrease of 23.6% in May 2020.

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

Unit Value: USD Million	H1/2020		H1/2019		H1/2020 vs H1/2020	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
EU (excluding UK)	26,459	21,718	25,164	23,902	5.1%	-9.1%
UK	1,945	2,314	2,191	3,304	-11.2%	-30.0%
EFTA	2,012	910	2,100	1,323	-4.2%	-31.2%
<b>Total</b>	<b>30,416</b>	<b>24,942</b>	<b>29,455</b>	<b>28,528</b>	<b>3.3%</b>	<b>-12.6%</b>

\*Given that the United Kingdom left the EU in the middle of Q1/2020 (on January 31, 2020), we have excluded the United Kingdom from the EU figures and indicated its individual trade figures.

In H1/2020, exports from the EU to Korea increased by 5.1% to USD 26.5 billion (compared to USD 25.2 billion in H1/2019). Exports from the UK and EFTA to Korea decreased by 11% and 4% respectively. Exports from Korea to Europe decreased a combined 12.6% to just under USD 25 billion; exports to the EU decreased by 9.1%, to EFTA 31.2% and to the UK 30.0%.

#### H1/2020 - Foreign Direct Investment (Arrived) in Korea

Unit Value: USD million	H1/2020		H1/2019		H1/2020 vs H1/2019	
	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
EU (excluding UK)	86	899	99	2,438	-13.1%	-63.1%
UK	33	200	32	506	3.1%	-60.5%
EFTA	5	1.7	17	62	-70.6%	-97.3%
<b>Total</b>	<b>124</b>	<b>1,101</b>	<b>148</b>	<b>3,006</b>	<b>-16.2%</b>	<b>-63.3%</b>
<i>All countries</i>	750	4,711	945	6,182	-20.6%	-23.8%
<b>European share</b>	<b>16.5%</b>	<b>23.4%</b>	<b>15.7%</b>	<b>48.6%</b>	<b>5.6%</b>	<b>-52.0%</b>

European Foreign Direct Investment in Korea in H1/2020 decreased by 52.0% compared to H1/2019, representing 23.4% of the total foreign direct investment in Korea in H1/2020. Singapore FDI accounted for 25.0%, US FDI for 11.2% and Kuwait FDI for 9.8%. Malta was the largest European investor in Korea during this period, with a total of USD 404 million in arrived direct investments; the

second and third largest European investors were the Netherlands and the UK with USD 362 million and USD 200 million in arrived direct investments respectively.

## ECCK MARKET OVERVIEW

**Beer, Wines & Spirits Committee:** On May 25, the Ministry of Environment (ME) announced a revision of the ‘Exception criteria for repackaged products’, which was supposed to be enforced from July 1. In light of the short preparation time, ECCK requested ME to allow for a grace period and to issue a detailed guideline. Following ECCK’s request, **ME announced a 6-month grace period and the preparation of a guideline**, for which it is gathering input from industry before finalization.

**Chemicals Committee:** After aligning with the European Chemical Industry Council, American Chemical Council, Japanese Chemical Industry Association and the Singapore Chemical Industry Council, ECCK submitted its **second joint letter on the polymer registration procedure under K-REACH** to the Ministry of Environment (ME). As per ME’s request, ECCK recommended a number of feasible standards for dossier preparation and improvements the technical guidance for polymer registration and exemption. On May 14, ECCK met with ME to discuss test data generation of existing chemical substances, as a result of which **ME confirmed to enhance its transparency** about criteria and procedures when designating applicable substances. ECCK further informed the Ministry of Employment of Labour’s Chemical Accident Prevention Division of expected **difficulties and concerns on the submission and transmission of confidential business information** on the Material Safety Data Sheet during a roundtable meeting on May 27.

**Cosmetics Committee:** Following a request by ECCK, the Ministry of Food and Drug Safety (MFDS) allowed the **provision of electronic documents for customs clearance** in light of the business restrictions following COVID-19 prevention measures globally. The Ministry of Environment agreed to an exemption from the recycling grade indication on packaging of cosmetic products following ECCK input, under the condition that companies joining a collection system for used packages.

Repackaging prohibition rules were due for enforcement as of July 1. Following input by ECCK to the affect since 2019, the ME decided to **delay the enforcement to January 1, 2021**. ECCK will join the consultative body to reflect members’ opinions to coming repackaging guideline.

**Healthcare Committee:** The Chairperson and Vice-Chairperson of ECCK’s Healthcare Committee met with **Congresswoman Kim Seung Hee** on April 9 to discuss about healthcare related issues and support due to the COVID-19 outbreak. Since the terms of newly elected Congressmen in 21<sup>st</sup> National Assembly are just started, ECCK will enhance an advocacy actions to National Assembly.

**Intellectual Property Rights Committee:** The European Commission has initiated a study on the most problematic online and physical markets situated outside the EU that are reported to engage in or facilitate IPR infringements, **the Counterfeit and Piracy Watch List**. After gathering insights from its members, ECCK provided the European Commission with its insights on the marketplaces in Korea that are of highest concern.

**Marine & Shipbuilding Committee:** Following a recommendation in the White Paper 2019 to increase the actual use of standard purchasing agreement, ECCK **received clarification from the Korean Fair Trade Commission** on the points allocation system for the evaluation of the implementation of subcontract agreements.

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**Passenger Vehicles Committee:** ECCK submitted a proposal to the Ministry of Environment calling for an amendment of the current **subsidy calculation standard for electric vehicles** in order to practically evaluate the performance and reduce excessive differentiation of the subsidy amount between vehicle models.

**Tires Committee:** ECCK participated in a round table meeting with the Korean Agency for Technology and Standards (KATS) on the **tire safety verification policy**. During such meeting KATS shared its guideline on the tire safety verification report, which incorporates ECCK's prior input.

## ECCK REPRESENTATION

- April 21: Meeting with KCCI Executive Vice Chairman WOO Taehee
- May 6: Dialogue with Foreign-Invested Companies in response to COVID-19 with MOTIE Minister SUNG Yun-mo
- May 11: ECCK Chairperson's meeting with KCCI Chairman PARK Yong-maan
- May 19: ECCK Breakfast Meeting with KFTC Chairperson JOH Sung-wook
- June 12: Meeting with Foreign Investment Ombudsman KIM Sung Jin
- July 1: ECCK Breakfast Meeting with MSS Minister PARK Young-sun

July 27, 2020  
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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