



# EUROPEAN COMMISSION

Directorate-General for Trade

Directorate C - Sustainable Development, Bilateral Trade Relations  
The Director

Brussels, 24 September 2007

Trade/C/IGB/UW D(2007)

## REPORT OF THE 3<sup>RD</sup> ROUND OF EU-KOREA FTA NEGOTIATIONS, 17-21 SEPTEMBER 2007, BRUSSELS

The 3<sup>rd</sup> round of the EU-Korea FTA negotiations took place 17 to 21 September 2007. 142 Korean negotiators came to Brussels for detailed discussions with the over 50-strong Commission team to cover all aspects of the FTA. The sides were led by Korean Deputy Minister KIM Han-soo and Director Ignacio Garcia Bercero of the European Commission.

The discussions covered all aspects of a future agreement: Trade in goods (including general text, tariffs, NTBs, TDI, TBT, SPS, customs and trade facilitation, and rules of origin), establishment, services, and e-commerce, and rules (IPR, competition including subsidies, government procurement, transparency, trade and sustainable development, dispute settlement and mediation mechanism).

Work progressed well, in particular on the drafting side of goods and rules, and considerable parts of the texts have been un-bracketed following last week's discussions. This is notably the case for the general text on trade in goods, the NTB annex on pharmaceuticals, TDI, TBT, competition (antitrust and mergers), the framework text on government procurement, transparency, trade and sustainable development, dispute settlement, and mediation. Good discussions also took place on IPR, although the EC still has to present a proposal on GIs. Progress has been made possible by full Korean engagement, presenting comments on EC drafts or EC edited texts prior to the round, which allowed us to work on a common basis. In many instances, both sides agreed to continue reflection and internal consultation that should help to further clean the texts over the next couple of weeks. At the end of this process, we expect that text remaining in brackets will mostly represent issues of substance which need further discussion.

Art. 4.1(a)  
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[REDACTED]

Art. 4.1(b)

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[REDACTED]

[REDACTED]

Discussions produced an understanding on how tariff negotiations can be taken forward during the next round in October this year. Useful discussions took place on **services and investment** with parallel sessions ongoing throughout the week. The agreement text has been addressed in its entirety, as well as a wide variety of service sectors, and MFN exemptions. Korea presented her initial offer on financial services and establishment.

The negotiations continued to attract considerable **media attention** in South Korea with over 30 Korean journalists coming to Brussels to cover the round, including through daily press briefings by the Korean chief negotiator KIM Han-soo. Vis-à-vis the press, Ignacio Garcia-Bercero emphasized the importance of a good, balanced and successful outcome from the negotiations, no deadline has been set for the negotiations, and that the EC would not sacrifice the quality of an agreement for speed.

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Also, a smallish group of some 30 **protesters** staged non-violent demonstrations near the negotiation venue in down-town Brussels, and in the Schuman area. They mainly represented Korean labour unions (including from Hyundai automotive) and pork, dairy, and beef farming interests.

[REDACTED]

Other side-events have been organised by the Korea International Trade Association, **KITA**, leading a pro-FTA Korean industry alliance. This included signing a joint declaration with BusinessEurope in support of the FTA.

The main outcomes of the 3<sup>rd</sup> round of negotiations are:

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- Tariff

[REDACTED]

Discussion allowed us to come to an understanding on how to take the tariff discussions forward during the next round in October this year, where tariff discussions should be held for each of the main sectors - agriculture (including PAPs), fisheries and industrial goods

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[REDACTED]

- On NTBs, we had constructive discussions going into the detail of many difficult and complex issues. Constructive and text-based discussions narrowed down issues of substance for pharmaceuticals, [REDACTED]

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- Good progress has been made in removing brackets in the general texts on trade in goods and on trade defence instruments. Few issues remain in the general text on trade in goods. [REDACTED]

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- A couple of brackets have also been removed and the bulk of text in the TBT chapter is agreed. [REDACTED]  
[REDACTED] Concerning the SPS chapter, it is welcome that Korea embarked on text based discussion, [REDACTED]

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Art. 4.1(a)  
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- The customs and trade facilitation chapter saw a general 'cleaning-up' exercise removing many brackets in the text. No particularly difficult areas have been identified, [REDACTED]  
Further discussion may also be required on customs cooperation and mutual administrative assistance.

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- Detailed discussions on the origin protocol and starting on the list rules. [REDACTED]

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[REDACTED] The first reading of the remaining chapters of the list rules will have to continue at the next round in October.

- As for services and investment, useful discussions addressed the agreement text in detail, and covered many sectors (professional, other business, environment, transport, telecommunications, postal, construction, distribution, energy, tourism, and financial), and new elements on the table like MFN exemptions, Korea's initial offer for financial services and establishment in non-service sectors, as well as some other new Korean texts (e.g. audiovisual cooperation). [REDACTED]

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- The IP chapter has been reviewed and a lot of text has been cleared of brackets. No major difficulties appeared in trademarks and designs, we are further apart in copyright and neighbouring rights where we propose concepts so far unknown to Korea ('droit de suite' and public broadcasting). [REDACTED]

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[REDACTED] GIs have been discussed as well, and the EC will present a draft.

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- Overall good progress on the chapter on competition (anti-trust and mergers)

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- The text on government procurement is largely agreed, and it has been confirmed that the basis for the requests will be the existing commitments of the Parties under the GPA.

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- The text for a horizontal transparency chapter is close to agreement, following good and result oriented discussions. Remaining brackets reflect areas where language is being checked with legal experts, but do not appear to reflect differences in substance.
- Good progress on trade and sustainable development where discussions have been based on an EC text including Korean drafting comments, resulting in immediate agreement or at least a good understanding on many issues preparing agreement before the next round of negotiations on this chapter.

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- Very constructive and open-minded discussions on dispute settlement which allowed to clear most of the text. Outstanding issues are the scope of the bilateral DS (left for later discussions once we have a clearer view of the content of the Agreement) and the relation with WTO DS. No further comments on the code of conduct. Discussion of the mediation mechanism focussed on a limited number,

To sum-up, a week of intense work which produced considerable progress on the rules side, where some texts have come close to closure, where useful discussions on services and investment have taken place, but which did not bring the hoped-for break-through in the tariff discussions. However, the agreement on the way forward helps maintaining our high ambition.

Detailed follow-up has again been agreed, updating and further cleaning up the textual proposals, and exchanging additional information. At the next and 4<sup>th</sup> round in Seoul (15-19 October 2007), discussions are expected to focus on sectoral discussions on tariffs, detailed discussions of the services text and offers, continued discussion of rules of origin, and the IPR chapter.

As for tariffs, in particular, it has been agreed to have detailed discussion with Korea at the next round which will have to identify and probe real sensitivities of Korea, to clarify Korea's readiness to offer KORUS parity, and to give Korea a better understanding of the implications of EC conditionalities like in our the zero-for-zero offers. We would not wish to underestimate the potential difficulty of such process, but consider it the best way to maintain a high level of ambition.

The new Korean Trade Minister KIM Jong-hoon who has taken office in August 2007 is expected to come to Brussels during the first half of October (to be confirmed).

Ignacio GARCIA BERCERO

Art 4.1(b)

Enclosures

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Art. 4.1(b)