

ESF08-24

Mrs. Catherine Ashton
Member of the European
Commission
Trade Commissioner
European Commission
Rue de la Loi, 200
B - 1049 - Brussels

Brussels, 10 November 2008

RE: EU-Korea FTA must deliver on services

Dear Commissioner,

The European Union and South Korea are already important partners in trade in services, with a trade volume of more than 10.3 billions euros in 2006, with a benefit for the EU of more than 2.3 billions euros. This trade is growing considerably, with an increase of 63% in the last three years. Furthermore, the foreign direct investment (FDI) between the two countries in the services sectors amounts to an approximate figure of 3.5 billions euros per year.

But these figures could be considerably improved if the trade barriers between the two blocs in the various services sectors would be removed. The survey by Copenhagen Economics in March 2007 on the benefits of an EU-Korea FTA, as well as the one by the Centre for European Policy Studies in November 2007 have clearly demonstrated that there are large room of manoeuvre to improve the bilateral trade and investments between the two partners, with a clear benefit for the European services sectors. According to Eurostat FDI Yearbook 2007, Korea received only 2.4% of the EU outward FDI in 2005, of which more than 65% came from services sectors. This is a clear signal that the conditions are not ripe for our companies to invest in Korea and that better market access, better regulation and better implementation of the regulation, with quicker, more transparent and less burdensome administrative procedure, should be negotiated.

The European Services Forum has just come back from a mission in South Korea where these daily difficulties for the European services companies on the ground have been identified and assessed. It is clear that only proper trade negotiations will

give the necessary boost to prompt the government into further reforms. These reforms allowing our companies to expand their business in a secure environment are even more urgent now that the financial and economic crisis is seriously hitting the country.

That is the reason why the European services industry strongly supports the conclusion of a bilateral free trade agreement between the European Union and South Korea. Such an agreement should bind the current level of openness by the Korean legislation towards the foreign services suppliers, which has considerably improved compared with the level of commitments undertaken by Korea at the end of the Uruguay Round, since many national reforms took place in the country after the financial crisis in 1997, notably driven by the IMF. The offers by Korea in the GATS WTO negotiations and in the signed Korea-United States free trade agreement should form the basis of an agreement with the European Union. Indeed direct competitors to our companies should not be allowed to benefit from discrimination resulting from an FTA.

In addition, we encourage you to look for new market access in sectors that are of importance to our companies, like in telecommunications, maritime transport and news agencies, or further improve the market opportunities by negotiating further concessions in legal services and financial services.

We sincerely hope that you will be able to come close to a conclusion of these negotiations at your forthcoming meeting with Korean Trade Minister Kim Jong-Hoon in Paris. An early conclusion of a deal will be a strongly needed political signal that our economies are resisting protectionism and acting toward freer trade in a well regulated environment.

I look forward to meeting you soon, so that we can further discuss about this issue, as well as many others of interest to our members.

Yours sincerely,



Christoffer Taxell
ESF Chairman