

# ECCK QUARTERLY REPORT Q1/2020

## INTRODUCTION

In Q4/2019, the Ministry of Economy and Finance (MOEF) replaced the phrase “economic sluggishness” with “restricted growth” indicating that a certain economic trend change is to start soon. Obviously, this statement is now more than obsolete. Nobody could have ever imagined that the whole world will be hit this hard by a new virus. Even in February 2020, COVID-19 rather was considered a regional issue and since then, the virus has spread globally and is now affecting heavily life and business operation.

As a consequence, global economic growth will sharply turn negative in 2020. Kristalina Georgieva, Chairwoman and Managing Director of the International Monetary Fund (IMF) said that “in fact, we anticipate the worst economic fallout since the Great Depression”. The IMF on April 14, 2020, published its World Economic Outlook in which the growth outlook for this year was reduced by 6.3% to minus 3.3%. The economic contraction is forecasted in the US to be 5.9%, in the Euro zone 7.5% and in the UK 6.5%. This prediction is in line with the view of the World Trade Organization who said that global trade will contract by between 13% and 32%.

## GENERAL OVERVIEW

Bank of Korea Governor Lee Ju-yeol stated that it will not be easy for the Korean economy to grow 1.0% in 2020 even if situation related to COVID-19 considerably improves in Q2/2020. Taking into account the critical situation in the US and in Europe with lockdowns and reduced business activities and therewith lower demand, the forecasts by the IMF of a 1.2% decrease or the Korea Economic Research Institute of a 2.3% decrease seems to be more realistic.

Trade in the first three months of the year did relatively well, but as expected declined considerably in April; in the first 10 days of April exports declined by 19% YoY and imports by 13%. It needs to be seen if the World Trade Organization’s prediction that trade will shrink between 13% and 32% will become a reality.

It needs now to be seen how the support measures launched by the Korean government will soften the economic impact and how quickly the economy can recover and to which extent. The Korean government will announce on April 18, to decide on either maintaining or loosening its social distance guidance. The ECCK hopes and wishes that the Korean government will make a wise decision balancing health concern and economic growth. Additionally, it is our hope that the current crisis also can be seen as an opportunity, after having implemented the short-term emergency measures, for meaningful mid- and long-term reforms to facilitate economic recovery and to ensure sustainable economic growth.

Korea’s 21<sup>st</sup> parliamentary elections took place on April 15. The ruling Democratic Party of Korea with a small satellite party won 180 seats in total, out of the 300-seat national assembly. The main opposition party United Future Party obtained 84 seats and its parliamentary partner won 19 seats, bringing the total to 103 seats in the national assembly. Before the election, the ruling party had 123 seats and the opposition had 122 seats in the outgoing parliament. The election result gives the ruling party the power to push through legislation without opposition party’s votes. However, it falls short of the necessary two-thirds majority required for constitutional amendments. President Moon Jae-in’s approval rating stood at 55%, which is more than a 10% increase since the beginning of the year according to the local pollster Realmeter.

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

Unit Value: USD million	Q1/2020		Q1/2019		Q1/2020 vs Q1/2019	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
EU (including UK)*	14,012	13,106	13,563	13,568	3.3%	-3.4%
UK	987	1,151	1,248	1,671	-20.9%	-31.1%
EFTA	1,055	374	1,040	670	1.4%	-44.2%
<b>Total</b>	<b>15,067</b>	<b>13,480</b>	<b>14,603</b>	<b>14,238</b>	<b>3.2%</b>	<b>-5.3%</b>

Source: KITA

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

\*\* While our reports normally contain Eurostat trade data, in order to reflect the recent developments, we have decided to use KITA’s trade data for this edition instead.

Exports from the EU to Korea have shown a slight increase during Q1/2020, whereas exports from Korea to the EU experienced a slight decrease. While exports from EFTA to Korea in Q1/2020 equally increased slightly, exports from Korea to EFTA decreased by 44%. Total exports in Q1/2020 from Europe (EU, EFTA & UK) to Korea reached USD 15.1 billion (reflecting a 3.2% increase), whereas exports from Korea to Europe amounted to USD 13.5 billion (reflecting a 5.3% decrease).

Unit Value: USD million	Q1/2020		Q1/2019		Q1/2020 vs Q1/2019	
	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
EU (including UK)*	64	573	63	1,460	1.6%	-60.8%
UK	19	156	13	121	46.2%	29.1%
EFTA	5	1.7	8	13	-37.5%	-86.8%
<b>Total</b>	<b>69</b>	<b>574</b>	<b>71</b>	<b>1,473</b>	<b>-2.8%</b>	<b>-61%</b>
<i>All countries</i>	418	2,475	445	2,931	-6.1%	-15.6%

Source: MoTIE

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Total Foreign Direct Investment in Korea in the first quarter of 2020 decreased by 15.6% compared to the first quarter of 2019, with European investments decreasing by 61%. Nonetheless, European investments represented 23% of the total foreign direct investment in Korea in the first quarter of 2020, with Singapore accounting for 44%, China and Hong Kong for 9% and the US for 8%. The Netherlands was the largest European investor in Korea for this period, with a total of USD 317 million in arrived direct investments; the second and third largest European investors were the United Kingdom and Italy with USD 156 million and USD 43 million in arrived direct investments respectively.

## ECCK MARKET OVERVIEW

**Beer, Wines & Spirits Committee:** The Ministry of Environment (ME) announced the Enforcement Decree on the Promotion of Saving and Recycling of Resources on February 17. Following input by ECCK in 2019, glass bottles used as a container for fruit wine and whisky are exempted from displaying the recycling standard.

The National Tax Service has decided to allow the online ordering of alcoholic products. Orders can be made via smart phone application and consumers are required to pick up their products at physical stores. With online sales being allowed for traditional alcohols, ECCK has advocated for this change.

**Chemicals Committee:** In response to the ECCK Chemical Committee's opinion letter submitted in January 22, Korea Customs Service (KCS) decided to grant a three-month grace period for consumer chemical products controlled by K-BPR which are subject to confirmation by the Head of the local Custom Office. This grace period enables industry to develop internal IT systems to comply with KCS' requirements following from the recent amendment of the 'Designation on Goods and Procedures Subject to Confirmation by Head of Custom Office' notice.

**Cosmetics Committee:** Due to worldwide COVID-19 outbreak and corresponding social distancing, many European countries are struggling to send original documents for customs clearance. ECCK discussed the issues with the Korea Pharmaceutical Traders Association and the Ministry of Food and Drug Safety (MFDS) and suggested to adopt temporary actions to allow electronic documents. MFDS accepted to handle the issues case by case.

Repackaging is not allowed from July 1, 2020, in principle. The standard of repackaging is very crucial for cosmetic products. ECCK organized a meeting with Prof. Jong-Chul Seo of Yonsei University who is

preparing a research report for the ME. He explained the report status, regulatory plans and the proposals. and agreed to reflect the members' request.

To revise the packaging recycling rules for cosmetics, Seoul National University is conducting a study for the Korea Packaging and Recycling Corporation. ECCK organized a meeting with the university to discuss about the study and share members' input.

**Fashion & Retail Committee:** As of the end of last year, new customs verification practices for infant textile products have been implemented, resulting in excessive delays in imports. Following input by ECCK, the KCS created new guidelines for the Alleviated Customs Procedure, which can significantly decrease the duration of customs clearance.

**Healthcare Committee:** On February 3, ECCK participated in a meeting with the European Commission's DG Trade, the EUD and industry to prepare the Market Access Working Group Meeting on Pharma & Medical Devices between the EU and Korea.

In light of the COVID-19 outbreak, ECCK organized a meeting with Congresswoman Seung Hee Kim on April 9. The meeting was attended by the Committee Chairperson and Vice-Chairperson and the main topics were enabling better access to innovation for patients, simplifying processes and action required to handle the COVID-19 outbreak, especially in the end-to-end supply chain from the manufacturing site in another country to the pharmacy in Korea.

**Heavy Duty Commercial Vehicles Committee:** On February 3, ECCK participated in a meeting with the European Commission's DG Trade, the EUD and industry to prepare the Working Group meeting on Motor Vehicles and Car Parts between the EU and Korea. Following such, ECCK delivered a recommendation for flexibility on the vehicle width standard to the EU Delegation. This was followed by Ministry of Land, Infrastructure and Transport (MOLIT)'s announcement on the amendment on the items excluded from measurement of vehicle width.

**Intellectual Property Rights Committee:** ECCK organized a meeting with KCS's Investigation Planning Division on February 4 in order to learn more about the Division's new legislative authority to rate the activities of online intermediaries to curb the sale of counterfeit products. In order to facilitate them in such rating exercise, the officials requested ECCK to share industry insights on the cooperation with online intermediaries.

**Marine & Shipbuilding Committee:** ECCK organized a meeting with the EUD following the Trade in Goods Meeting between the EU and Korea on February 7. During the meeting members shared the challenges in the maritime industry.

**Passenger Vehicles Committee:** On February 3, ECCK participated in a meeting with the European Commission's DG Trade, the EUD and industry to prepare the Working Group meeting on Motor Vehicles and Car Parts between the EU and Korea.

ECCK further discussed the harmonization of the safety standard on the 'identification of hand controls, tell-tales and indicators' with Korean counterparts, following its inclusion in the ECCK White Paper 2019. ECCK delivered detailed examples for consideration in the harmonization efforts.

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**Tires Committee:** ECCK met with the Korea Environment Corporation (KECO) regarding the scope of tires and manufacturers that are subject to the Tire Noise Reporting system. During this meeting KECO provided helpful clarification which reflecting ECCK's position.

## ECCK REPRESENTATION

- January 10: Courtesy visit to Italian Ambassador Federico Failla
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- January 10: Courtesy visit to German Ambassador Stephan Auer
- January 13: Courtesy visit to KEF Chairman Kyung Shik Sohn
- January 17: Courtesy visit to KITA Chairman Young Ju Kim
- January 29: Courtesy visit to FKI Vice Chairman Tae Shin Kwon
- February 3: Courtesy visit to Dutch Ambassador Joanne Doornewaard
- February 5: Courtesy visit to British Ambassador Simon Smith
- February 6: Courtesy visit to French Ambassador Philippe Lefort

April 17, 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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