

# ECCK QUARTERLY REPORT Q3/2020

## GENERAL OVERVIEW

According to the latest 'World Economic Outlook' released by the IMF, Korea's economy will shrink 1.9% this year as the COVID-19 pandemic ravaged exports and consumption. It is a slight increase from its previous announcement of a 2.1% decrease in June. In September, President Moon Jae-in approved KRW 7.8 trillion for this year's fourth extra budget to combat the country's economic fallout, mostly focused on four major areas: (i) emergency support for SMEs (ii) emergency support for employment (iii) livelihood support for low income households (iv) day care support and others. The total of this year's national stimulus packages adds up to KRW 278 trillion as the government has stepped up fiscal and monetary responses to the pandemic.

In July, President Moon announced that the country will invest KRW 160 trillion by 2025 under its 'New Deal Initiative' stimulus package into various 'green and digital' public and private programs to create 1.9 million jobs and stimulate economic growth. In October, President Moon included 'regional development' as another keyword of the New Deal initiative. Almost half of the budget (KRW 75 billion) will be spent on projects in the local areas outside the capital Seoul.

Korea has now signed five special fast-track entry procedures with key partner countries (China, UAE, Indonesia, Singapore, Japan) for businesspeople to expedite travel and continue economic activities. On September 4, Korea and Singapore agreed to introduce a "fast-track" entry program allowing not only Korean citizens, but also permanent residents and long-term visa holders residing in Korea to enter Singapore using the express entry process. The ECCK has recommended including foreign residents in Korea in the scope of this procedure and accordingly appreciates that the recommendation was positively considered. ECCK hopes that with these successful launches of fast-tracks, Korea and Europe will also implement fast-track entry program as well to maintain and develop bilateral economic and trade cooperation and keep the industrial and supply chains of the two sides stable and unimpeded.

Trade Minister Yoo Myung-hee advanced to the third and final round with the sole remaining opponent Nigeria's Ngozi Okonjo-Iweala of the bid for the next Director-General of the WTO. The Korean government is fully supporting her and actively campaigning for Trade Minister Yoo, and the election results will be delivered in early November. In Brussels, European Commission Executive Vice President Valdis Dombrovskis, a former Latvian prime minister, has been confirmed as the EU's new Trade Commissioner on October 7, after Phil Hogan's resignation in August.

Trade in Goods between Europe (EUR) and Korea (KOR)						
Unit Value: USD Million	Q1-Q3/2020		Q1-Q3/2019		Q1-Q3/2020 vs Q1-Q3/2019	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
EU (excluding UK)	39,719	33,745	38,373	35,713	3.5%	-5.5%
UK	3,052	3,309	3,195	4,453	-4.5%	-25.7%
EFTA	3,102	1,710	3,196	1,969	-2.9%	-13.2%
<b>Total</b>	<b>45,873</b>	<b>38,764</b>	<b>44,764</b>	<b>42,135</b>	<b>2.5%</b>	<b>-8.0%</b>

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

In Q1-Q3/2020, exports from the EU to Korea increased by 3.5% to USD 39.7 billion (compared to USD 38.4 billion in Q1-Q3/2019). Exports from the UK and EFTA to Korea decreased by 4.5% and 2.9% respectively. Exports from Korea to Europe decreased a combined 8% to just under USD 39 billion; exports to the EU decreased by 5.5%, to EFTA decreased by 13.2% and to the UK by 25.7%.

Q1-Q3/2020 - Foreign Direct Investment (Arrived) in Korea						
Unit Value: USD million	Q1-Q3/2020		Q1-Q3/2019		Q1-Q3/2020 vs Q1-Q3/2019	
	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
EU (excluding UK)	145	2,095	140	2,766	3.6%	-24.3%
UK	42	224	47	514	-10.6%	-56.3%
EFTA	20	96	24	88	-16.7%	9.1%
<b>Total</b>	<b>207</b>	<b>2,416</b>	<b>211</b>	<b>3,369</b>	<b>-1.9%</b>	<b>-28.3%</b>
<i>All countries</i>	1,002	8,130	1,271	7,884	-21.2%	3.1%
<b>European share</b>	<b>20.7%</b>	<b>29.7%</b>	<b>15.7%</b>	<b>48.6%</b>	<b>31.9%</b>	<b>-38.9%</b>

European Foreign Direct Investment in Korea in Q1-Q3/2020 decreased by 28.3% compared to Q1-Q3/2019, representing 29.7% of the total arrived foreign direct investment in Korea in Q1-Q3/2020. Singapore FDI accounted for 18.7%, Malta FDI for 13.4%, Cayman Islands FDI for 10.2% and the US FDI for 8.9%. Malta was the largest European investor in Korea during this period, with a total of USD 1 billion in arrived direct investments; the second and third largest European investors were the Netherlands and Germany with USD 466 million and USD 257 million in arrived direct investments respectively.

## ECCK MARKET OVERVIEW

**Chemicals Committee:** The Committee received official feedback from the Ministry of Environment (ME) on its position letter on polymer registration and exemption-technical part, which was issued in cooperation with various counterparts. Amongst others, ME indicated that it would accept internally

utilized analysis characterization for insoluble polymers in Korea as well. Further details would be indicated in the Guidance for Polymer Registration and Exemption.

The Committee had a joint meeting with ME, the National Institute of Environment Research (NIER) and the Korean Environment Corporation (KECO) to discuss the polymer notification exemption under the Toxic Chemicals Control Act (TCCA). During this meeting the officials agreed that recipients of original registrants' exemption certificates under the TCCA can fulfil their notification obligation by submitting the exemption certificate notification number, as the original registrants will submit a list of recipients of such exemption certificates.

**Cosmetics Committee:** The Committee actively participated in meetings on the repackaging criteria organized by Ministry of Environment. As a result of the Committee's input, the **scope of repackaging criteria has been changed** from all packaging materials to only plastic vinyl materials and an **additional grace period** until July 2021 will be applied.

On September 15, the Committee organized an online meeting with the Cosmetics Policy Division of the Ministry of Food and Drug Safety to discuss about outstanding challenges. During the meeting the **officials agreed to accepting electronic documents for customs clearance of cosmetic products.**

**Fashion & Retail Committee:** On August 20, the Committee participated in a meeting with the Korean Agency for Technology and Standards (KATS) and a number of Korean testing agencies together with the EU Delegation and industry representatives. The meeting was organized in order to share industry's **challenges with regards to the challenges and costs involved in the testing procedures for infant clothing** in effect since November 2018.

**Heavy Duty Commercial Vehicles Committee:** A number of amendments have been made with regards to safety standards in Korea, including with regards to heavy duty commercial vehicles. In particular, the **number of items that are exempted from the measurement for the vehicle width have been expanded**, a topic which ECCK has raised for a considerable period. The Committee shared information about the vehicle width measurement standard in the EU and Korea with members and delivered its proposal to KATRI requesting the exemption of 'aerodynamic devices' from the vehicle width measurement standard for the harmonization with EU standard.

**Intellectual Property Rights Committee:** On September 23, the Committee organized its **eighth annual IPR Conference**. Taking note of the EU's Green Deal and the Korean New Deal, this year's event focused on IP's potential to help realize plans for a sustainable, greener future.

**Kitchen & Home Appliances Committee:** The Committee organized a meeting with the Ministry of Food and Drug Safety (MFDS) to discuss about increases in MFDS' random sampling tests for food appliances and containers. During the meeting, MFDS shared that such increase was due to the implementation of an AI system as of 2020. Noting industry's concern over the increase in random tests, MFDS agreed to some **factor adjustments for products subject to two or more food inspection targets**, other than simple materials.

**Passenger Vehicles Committee:** The Korea Automobile Testing & Research Institute (KATRI) shared the draft amendment for the Korea New Car Assessment Program (K-NCAP) evaluation standard. The Committee **submitted its input on such draft with KATRI**, including a recommendation for harmonization of evaluation standard with Euro-NCAP.

## ECCK REPRESENTATION

- July 1: Breakfast Meeting with MSS (Ministry of SMEs and Startups) Minister PARK Young Sun
- July 2: EU-Korea Virtual Business Conference
- July 7: Breakfast Meeting with KCCI Executive Vice Chairman WOO Taehee
- August 4: Meeting with National Assembly Member KIM Yongmin
- August 18: Courtesy visit to KEF Chairman SOHN Kyung Shik
- August 20: Courtesy visit to KITA Chairman KIM Young Ju
- September 15: EU-Korea Domestic Advisory Group Meeting
- September 24: Meeting with MOTIE Europe Division Director SONG Ju-ho
- October 13: Breakfast Meeting with 8th UN Secretary General BAN Ki-moon

October 23, 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))

**Disclaimer:**

The information and opinions in this report were prepared by ECCK. The information herein is believed by ECCK to be reliable and has been obtained from public sources believed to be reliable. ECCK makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgement of the cited sources and/or the author as of the date of this report. They are subject to change without notice and ECCK has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. This report is provided for informational purposes only and ECCK does not accept any responsibility for liabilities arising from the use of this document or its contents.