
ECCK QUARTERLY REPORT Q4/2020

GENERAL OVERVIEW

After the third wave of COVID-19 reached its peak last December in Korea, the number of daily new COVID-19 cases have gone down to under 400 with the start of the new year, easing social distancing measures and business operation restrictions. With the country's relatively good defence against in economic fallout from the pandemic, Korea is forecast to rank first among the OECD members in terms of economic growth, and a rebound in exports has continued with total value hitting record high for December.

On November 15, the Regional Comprehensive Economic Partnership (RCEP) was signed, which covers almost one-third of the world's population and GDP. The Korean government is planning to complete domestic implementation procedures by second half of the year. On January 11, the Korean government also announced that it will actively consider joining of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as part of its efforts to expand mega FTAs and to accelerate economic recovery.

During the President Moon Jae-in's new year press conference held on January 18, President responded to the controversy of the passage of three 'fair economy' bills which are aimed at bolstering the rights and welfare of workers, raising the minimum wage and shortening mandatory work hours. The bills were devised to reform the nation's family-owned conglomerates driven economic ecosystem, which has been President Moon's top economic policy goals since 2017. However, many business leaders are begging to differ as the new bills will severely impact business operations with increase in corporate tax and pressure to create more job vacancies. Additionally, the Korean government has recently proposed a voluntary profit-sharing scheme encouraging profitable companies to distribute part of their profits to companies that have been hit hard by the COVID-19 pandemic.

On January 18, the Korea Disease Control and Prevention Agency (KCDA) has announced that everyone including foreign residents in Korea to get COVID-19 vaccine for free of charge. The Korean government hopes to dole out its first vaccine doses by the end of February or early March and achieve herd immunity by the end of September. Prior to the announcement, the ECCK has recommended to the KCDA to include foreign residents in the vaccination plan and should provide vaccinations to foreign residents in Korea as well as Koreans in the same vaccination order. We truly appreciate that the recommendation was positively considered and thank the Korean government for their swift and meaningful action.

With the start of the new year, the Blue House has announced a cabinet reshuffle. Kwon Deok Cheol has been inaugurated as the Minister of Health and Welfare (MOHW). He was the President of Korea Health Industry Development Institute (KHIDI) and former Vice Minister of MOHW. Byeon Chang-heum has been inaugurated as the Minister of Land, Infrastructure and Transport (MOLIT). Prior to the appointment of his new position, Byeon was CEO of Korea Land & Housing Corporation (LH).

Additionally, Han Jeoung-ae, National Assembly Health and Welfare Committee Chairperson and Democratic Party lawmaker, has been nominated for the Ministry of Environment (ME). The nominee to head Ministry of Justice (MOJ) is Park Beom-gye. Former National Security Office (NSO) Chief Chung Eui-yong was nominated to head Ministry of Foreign Affairs (MOFA). Last but not least, National Assembly Member Kwon Chil-seung was nominated to lead Ministry of SMEs and Startups (MSS).

Trade in Goods between Europe (EUR) and Korea (KOR)						
Unit Value: USD Million	Q1-Q4/2020		Q1-Q4/2019		Q1-Q4/2020 vs Q1-Q4/2019	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
EU (excluding UK)	55,073	47,691	51,626	47,244	6.7%	1.0%
UK	4,379	4,479	4,169	5,515	5.0%	-18.8%
EFTA	4,312	2,228	4,338	2,503	-0.6%	-11.0%
Total	63,764	54,398	60,133	55,262	6.0%	-1.6%

*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 Q1-Q4/2020, exports from the EU to Korea increased by 7% to USD 55.1 billion (compared to USD 51.6 billion in Q1-Q4/2019). Exports from the UK to Korea increased by 5%, with exports from EFTA decreasing by 0.6%. Exports from Korea to Europe decreased a combined 1.6% to just under USD 54 billion; exports to the EU increased by 1.0%, to EFTA decreased by 11.0% and to the UK by 18.8%.

Q1-Q4/2020 - Foreign Direct Investment (Arrived) in Korea						
Unit Value: USD million	Q1-Q4/2020		Q1-Q4/2019		Q1-Q4/2020 vs Q1-Q4/2019	
	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
EU (excluding UK)	163	3,344	179	5,130	-8.9%	-34.8%
UK	44	442	54	1,997	-18.5%	-77.8%
EFTA	23	101	31	167	-25.8%	-39.5%
Total	230	3,888	264	7,294	-12.9%	-46.7%
<i>All countries</i>	1,348	11,114	1,729	13,363	-22.0%	-16.8%
European share	17.1%	35.0%	15.3%	54.6%	11.8%	-35.9%

European Foreign Direct Investment in Korea in Q1-Q4/2020 decreased by 46.7% compared to Q1-Q4/2019. European FDI accounted for 35% of the total foreign direct investment in Korea throughout 2020, US FDI accounted for 27.6% and Singapore FDI for 16.4%. Malta was the largest European investor in Korea during this period, with close to USD 2 billion in arrived direct investments; the second and third largest European investors were the Netherlands and the UK with USD 530 million and USD 442 million in arrived direct investments respectively.

ECCK MARKET OVERVIEW

General -Taxation

The Ministry of Economic & Finance (MOEF) is reviewing to reclassify expenses by rental contracts signed by companies for their expatriates as tax deductible. As in general expatriates are falling under the flat tax rate system where a deduction of tax-deductible expenses is not allowed Thus, the reclassification would increase the tax payable quite considerably. The ECCK has raised its opinion towards the Ministry at the beginning of January 2021.

General - COVID-19 Vaccination for foreign residents

The ECCK officially requested the Korea Disease Control and Prevention Agency (KDCA) to provide vaccinations to foreign residents in Korea as well as Koreans in the same vaccination order. On January 18, the KDCA announced that foreign residents in the country will also be given the COVID-19 vaccine for free, as will Korean nationals, once the vaccines are rolled out. The ECCK also requested to include foreign residents without National Health Insurance Service subscriptions such as Business Delegates dispatched from their Headquarters or Foreign Affiliates, and Foreign Embassy people in order to form a successful herd immunity.

Beer, Wines & Spirits Committee, Food Committee and Kitchen & Home Appliances Committee:

Following a number of meetings with ECCK and industry throughout 2020, the Ministry of Environment (ME) officially announced its repackaging criteria on December 28. In such, ECCK recommendation to reduce the scope of repackaging to vinyl materials only has been accepted. Additionally, ME granted a further extension period for revised labelling proposal of packaging materials classification, also as per ECCK's input.

Chemicals Committee:

Following input from the Chemical Committee, the Ministry of Environment (ME) has published an amended K-REACH enforcement rule on December 17. As per such, industry is provided a one- year term to prepare hazard test data for the change registration in case of repurposing of or increases in their importing or manufacturing volume.

Additionally, the Chemicals Committee has provided its input with regards to the development of an IT system for the Material Safety Data Sheet (MSDS) to the Korea Occupational Safety and Health Agency (KOSHA). As a result of such, industry is permitted to issue the MSDS numbers themselves, greatly facilitating compliance.

Cosmetics Committee:

Following a number of meetings with ECCK and industry throughout 2020, the Ministry of Environment (ME) officially announced its repackaging criteria on December 28. In such, ECCK recommendation to reduce the scope of repackaging to vinyl materials only has been accepted. Additionally, ME granted a further extension period for revised labelling proposal of packaging materials classification, also as per ECCK's input. For cosmetic sectors, ME announced the labelling exemptions in case the company joins retrieve campaign of used containers.

Following ongoing requests thereto by ECCK, the Ministry of Food and Drug Safety (MFDS) will accept the use of electronic documentation for its customs clearance approval procedures in 2021.

Heavy Duty Commercial Vehicles Committee:

The Ministry of Environment (ME) announced the guideline for CO2 standard for heavy duty vehicles. ECCK has previously expressed its concern as to this standard’s potential to serve as a trade barrier for European commercial vehicle manufacturers. Noting such, the guideline stipulates that manufacturers participation on the application of the CO2 standard until 2025 will be voluntary.

Intellectual Property Rights Committee:

The Korean Trademark Act has allowed for statutory damage claims in case of infringements. Due to the relatively low maximum amount of KRW 50 million, the provision had not actively used and did not have a deterrent effect on infringements. Following engagement with officials on this topic for a number of years, the statutory damages cap for trademark infringements has been significantly raised up to KRW 300 million.

Passenger Vehicles Committee:

The Korea Automobile Testing & Research Institute (KATRI) shared the revised draft of the amended Korea New Car Assessment Program (K-NCAP) evaluation standard with automobile manufacturers reflecting recommendations suggested from ECCK, in particular as to the evaluation criteria for dummy displacement at frontal impact and application time for such. ECCK delivered additional recommendations to KATRI on the revised draft for the further improvement of the evaluation standard, in particular the harmonization of K-NCAP with Euro NCAP.

ECCK REPRESENTATION

- October: ECCK White Paper 2020 Hand-over meetings to Korean Ministries
- October 7: ACRC Roundtable with Foreign Businesses in Korea
- October 15: Meeting with Government-Private Joint Initiative on Regulation Reform
- November 5: MOTIE Deputy Minister Na Seung-sik Roundtable Meeting
- January 8: Courtesy visit to KEF Chairman Sohn Kyung Shik
- January 14: Courtesy visit to KITA Chairman Kim Young Ju
- January 18: Courtesy visit to FKI Vice Chairman & CEO Kwon Tae Shin

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)

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