
ECCK QUARTERLY REPORT Q1/2021

GENERAL OVERVIEW

The mayoral by-election for the country's two biggest cities, Seoul and Busan, was held on April 7, 2021. Oh Se-hoon, the Seoul mayor candidate for the main opposition People Power Party won his opponent Park Young-sun from the ruling Democratic Party by more than 18 percentage points. In Busan, People Power Party candidate Park Hyung-joon beat Democratic Party candidate Kim Young-choon by another large margin. A failure to stabilize real estate market and land speculation scandals as well as downfall of the former Seoul and Busan mayors weakened the credibility of the government and the ruling party. The elected mayors will serve for 14 months until the regular local election next June. Also, Korea's presidential election is scheduled to be held in March 2022. President Moon Jae-in is serving his last year in the office, but his approval rating has been dropping to new lows. The low support for the President and Ruling bloc had a direct effect on mayoral by-elections.

With the fourth wave of COVID-19, the number of confirmed cases continue to rise around the world. In April, the number of daily new cases in Korea also rose to 700s from the 400s in March. However, Korea's vaccination timeline is facing multiple uncertainties, the country may not be able to reach its goal of achieving herd immunity by November considering the low inoculation rate. As of April 11, 2.3 percent of Korea's populations had been given at least one shot of the vaccine.

According to the Bank of Korea's announcement on April 15, the growth rate for this year's domestic economy is forecast to be 3.5 percent, higher than the earlier estimate of 3.0 percent in February, although uncertainty remains over the future growth path. The International Monetary Fund recently raised Korea's growth outlook from 3.1 percent to 3.6 percent for 2021. The Organization for Economic Cooperation and Development also forecasted a 3.3 percent growth.

In March, Seoul City and Gyeonggi Province government issued administrative order on mandatory COVID-19 tests for foreign workers. Immediately after the announcement was made, the foreign community in Korea including the ECCK and European embassies actively raised the issue of discrimination to the Korean government. After two days the announcement was made, the Central Disaster and Safety Countermeasures Headquarters requested the withdrawal of the order and Seoul City government corrected the order stating that foreign workers as well as Koreans at high-risk workplaces should take PCR tests by end of the month.

On February 23, ECCK announced its new Board of Directors for the 2021-2023 mandate. Following the board elections at the annual general meeting of 2021, Dirk Lukat, CEO of Schenker Korea, has been re-elected for another term as Chairperson of the ECCK. Donghee Kim, Country Leader of Philips Korea, and Fredrik C Johansson, Country Retail Manager of IKEA Korea, have been newly elected to the Board. Jan Benggaard, Country President of Oerlikon Balzers Korea, Gilles Fromageot, President & CEO of AXA Korea, Dong-Hwan Kim, General Manager of Finnair Oyj, Gerd Bitterlich, Vice President & CFO of Mercedes-Benz Korea Ltd., Elizabeth Kyunghee Nam, Finance Director of Diageo Korea, and Kay-Jannes Wegner, Senior Attorney of Kim & Chang, have been re-elected as members of the Board.

In March, the Blue House has announced a cabinet reshuffle. Chief of Staff for Policy Kim Sang-jo stepped down and Senior Secretary to the president for Economic Affairs Lee Ho-seung has been promoted to Chief of Staff for Policy. Additionally, Ahn Il-whan, former Vice Minister of the Ministry of Economy and Finance (MOEF), was appointed as Senior Secretary to the President for Economic Affairs.

On March 19, the Anti-Corruption and Civil Rights Commission (ACRC) launched its Foreign Enterprises Ombudsman Office at the Government Complex in Seoul, which will investigate and handle civil complaints. In March, SK Group Chairman Chey Tae-won was inaugurated as Chairman of the Korea Chamber of Commerce and Industry (KCCI) and LS Group Chairman Koo Ja-yeol was inaugurated as Chairman of the Korea International Trade Association (KITA).

Trade in Goods between Europe (EUR) and Korea (KOR)						
Unit Value: USD Million	Q1/2021		Q1/2020		Q1/2021 vs Q1/2020	
	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR	EUR > KOR	KOR > EUR
EU	15,161	16,283	14,027	13,128	8.1%	24.0%
UK	1,388	1,387	979	1,149	41.8%	20.8%
EFTA	1,428	466	1,055	375	35.4%	24.3%
Total	17,977	18,136	15,082	13,503	19.2%	34.3%

In Q1/2021, exports from the EU to Korea increased by 8.1% to USD 15.2 billion (compared to USD 14.0 billion in Q1/2020). Exports from the UK and EFTA to Korea increased by 41.8% and 35.4% respectively. Exports from Korea to EU increased a combined 24.0% to USD 16.3 billion; exports to the UK increased by 21.0% and to EFTA by 24.3%.

Q1/2021 - Foreign Direct Investment (Arrived) in Korea

Unit Value: USD million	Q1/2021		Q1/2020		Q1/2021 vs Q1/2010	
	No. Businesses	Value	No. Businesses	Value	No. Businesses	Value
EU	63	2,399	60	431	5%	456.6%
UK	11	49	21	160	-47.6%	-69.4%
EFTA	3	0.6	6	2.5	-50%	-76%
Total	77	2,449	81	592	-4.9%	313.7%
<i>All countries</i>	481	4,296	457	2,987	5.3%	43.8%
European share	16.0%	57.0%	17.7%	19.8%	-9.7%	187.6%

European Foreign Direct Investment (FDI) in Korea in Q1/2021 increased by 313.7% compared to Q1/2020, representing 57.0% of the total foreign direct investment. Singaporean FDI accounted for 12.5%, Canadian FDI for 8.5%, and Japanese FDI for 4.8%. Germany was the largest European investor in Korea during this period with a total of USD 2.1 billion in arrived direct investments – primarily due to Delivery Hero’s acquisition of Woowa Brothers; the second and third largest European investors were Luxembourg and the UK with USD 115.0 million and USD 49.0 million in arrived direct investments, respectively.

ECCK MARKET OVERVIEW

Chemicals Committee:

The Ministry of Environment (ME) proposed to amend the Chemical Control Act Enforcement Rule on March 12, which partially reflects ECCK’s recommendation to exempt consumer biocidal products need from the mandatory requirements applied to hazardous chemicals. According to the amendment proposal, consumer chemical products controlled by the Labeling and Safety confirmation under the K-BPR will be exempted from certain criteria and labeling obligations applied to those handling hazardous chemicals.

Cosmetics Committee:

The Ministry of Food and Drug Safety (MFDS) announced its acceptance of electronic documents for customs clearance of imported cosmetics as of January 2021. This was a long-standing recommended of ECCK. From April 2021, electronic documents for manufacturing certificates and free sale certificates are also officially allowed.

ECCK had a meeting with the ME about the Repackaging Act proposal for mandatory pre-test & labelling of packaging ratio by external institutes. ECCK has opposed this bill and the ME proposed a compromised to accept a self-test before product release. ECCK further met with the National Assembly to raise the industries difficulties the proposal would entail.

Fashion & Retail Committee:

On February 22, the European Commission and Korea conducted a Technical Barriers to Trade Meeting to discuss about the testing procedures for infant clothing in effect since November 2018. ECCK provided the European Commission with information on the excessive increase in testing costs as well as the lack of development with regards to customs facilitation procedures.

Passenger Vehicles Committee:

The Ministry of Land, Infrastructure and Transport (MOLIT) announced the amendment of the Motor Vehicle Management Act on February, allowing the reduction of penalty surcharge in case of voluntary recall, as was raised by ECCK.

ECCK REPRESENTATION

- January 26: Meeting with Ministry of Environment Chemical Policy Division
- January 27: Courtesy visit to KOTRA President Kwon Pyung-oh
- January 27: Courtesy visit to Ombudsman Kim Sung Jin
- February 1: Meeting with Ministry of Trade, Industry and Energy (MOTIE) Europe Trade Division
- February 5: Meeting with Korea Electronics Technology Institute (KETI) Kim Young sam
- February 8: Meeting with National Assembly Member Hong Jungmin
- February 16: Meeting with Korea Commission for Corporate Partnership (KCCP) Chairman Kwon Ki-hong
- March 2: Meeting with Seoul City Mayor Candidate Ahn Cheol-soo
- March 12: Meeting with FKI Vice Chairman & CEO Kwon Tae Shin
- March 15: Meeting with Seoul City Mayor Candidate Park Young-sun
- March 26: ACRC Roundtable with Foreign Businesses in Korea
- March 31: Meeting with Gyeonggi-do Ambassador for International Relations Choi Sung Hyun
- April 1: Meeting with Korea Internet & Security Agency (KISA)

April 23, 2021
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.or.kr)

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