A. Purpose

(A.1) Purpose

The purpose of the present evaluation is to provide an evidence-based report assessing the impact of the implementation of the EU-Korea Free Trade Agreement (hereinafter referred to as the “FTA”), which has been provisionally applied since 1 July 2011.

It is important to already carry out an assessment of the impact of this FTA which is the first of a new generation of FTAs, characterised by their far-reaching and comprehensive nature, and concluded with a strategic trading partner for the EU.

(A.2) Justification

This evaluation comes after 4 years of the provisional application of the FTA. A few provisions of the FTA are however not yet applied, namely certain provisions of the Cultural Protocol and the provisions for criminal enforcement of intellectual property rights. In addition, the elimination of customs duties is still in progress. The majority of the customs duties on goods were removed already at the entry into force of the agreement. However, customs duties on certain industrial goods, including cars, are to be fully removed only after 5 years after the FTA is applied, i.e. in 2016. For a limited number of highly sensitive agricultural and fisheries products the transitional period is longer than 7 years.

However, it is considered important to evaluate already now the FTA as the lessons learned from its current implementation could serve as a basis for improving the design of FTAs being negotiated with other third countries and provide valuable input for the implementation of the FTAs that have been recently concluded.

B. Content and subject of the evaluation

(B.1) Subject area

The EU-Korea FTA covers not only elimination of tariffs on nearly all trade in goods, but also a reduction of non-tariff barriers to trade in goods, in services and investment (market access) and provisions on competition, government procurement, intellectual property rights, transparency in regulation, sustainable development, etc.

All the areas covered by the FTA and already in application will be subject to the present evaluation.

(B.2) Original objectives of the intervention

The objectives of the FTA are laid down in its Article 1.1(2). Those objectives are liberalisation and facilitation of trade in goods, in services and investment between the Parties, promotion of competition, further liberalisation of government procurement, protection of IPRs, removal of trade barriers, and promotion of foreign direct investment while integrating sustainable development in all trade areas.
(B.3) How the objectives were to be achieved

C. Scope of the evaluation/FC

(C.1) Topics covered

The evaluation will cover all areas of the FTA, except for those which are not yet applied pending the final conclusion of the FTA certain provisions of the Cultural Protocol and the provisions for criminal enforcement of intellectual property rights.

The geographical scope will be both the whole EU and the Republic of Korea. The evaluation period starts from 1 July 2011 – the date of the start of the provisional application of the FTA.

The impacts to be evaluated will be economic, social, environmental and human rights.

(C.2) Issues to be examined

The evaluation will examine the effectiveness and efficiency of the EU-Korea FTA with respect to achieving its objectives. Possible unintended effects will be also assessed. The evaluation will further examine the relevance of the EU-Korea FTA with respect to the current trade issues faced by the EU or Korea; the coherence of the EU-Korea FTA with the EU-Korea Framework Agreement and with the objectives of the EU trade policy.

The "EU added value" will not be included in the evaluation given that the provisions of the FTA currently applied fall within the area of the EU exclusive competence.

The evaluation questions will be specified in the Terms of Reference.

(C.3) Other tasks

N/A
## D. Evidence base

### (D.1) Evidence from monitoring

Regulation (EU) No 511/2011 of the European Parliament and of the Council of 11 May 2011 implementing the bilateral safeguard clause of the Free Trade Agreement between the European Union and its Member States and the Republic of Korea ("the Safeguard Regulation") contains provisions regarding monitoring of bilateral trade. According to Article 13(1) of the said Regulation, the Commission shall make public an annual report on the application and implementation of the FTA and according to Article 3(3) the Commission shall present an annual monitoring report to the European Parliament and the Council on updated statistics on imports from Korea of products in sensitive sectors and those sectors to which monitoring has been extended.

The above-mentioned two reporting requirements are part of the so called "Annual Report on the Implementation of the EU-Korea Free Trade Agreement" published annually by the Commission. The first Annual Report covered the period July 2011-July 2012 and was published in 2012. There have been three reports so far which can be found at: [http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=130](http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=130).

The reports contain: 1) an overview of the overall evolution of trade in goods and services, with a separate section on the evolution of trade in motor vehicles and parts; 2) data on the use of tariff preferences under the FTA; 3) an overview of the activities of the various committees and working groups established under the FTA; 4) an overview of the implementation of Chapter 13 of the FTA concerning trade and sustainable development; and 5) an overview of the implementation of the Safeguard Regulation, including summary of the result of the monitoring in the sensitive sectors, i.e. cars, textiles and electronics sectors, and the results of the monitoring of duty drawback.

The data in the Annual Reports is based on EUROSTAT. The data regarding goods is available in the course of the year following the reference year (July-June) while for services the data is available only two years after the reference year.

### (D.2) Previous evaluations and other reports


The evaluation will examine whether and to what extent the potential impacts as foreseen in the SIA have occurred. In particular, it will assess the extent to which the FTA has contributed to sustainable development in all its dimensions - economic, social (including human rights) and environmental. The evaluation should also build upon existing internal reports of DG Trade’s Chief Economist Unit, which contain a quantitative assessment of the impact of the FTA and also assess the impact the FTA has had on export diversification (exports of new products not previously exported). Those reports will be provided to the external contractor who will carry out the evaluation.

### (D.3) Evidence from assessing the implementation and application of legislation (complaints, infringement procedures)

N/A

### (D.4) Consultation

An external contractor will carry out the evaluation which will include a 12-week internet based public consultation expected to take place during the 2nd – 3rd quarters of 2016; it will be announced in the consultation planning which can be found at: [http://ec.europa.eu/yourvoice/consultations/docs/planned-consultations_en.pdf](http://ec.europa.eu/yourvoice/consultations/docs/planned-consultations_en.pdf) and will cover the main elements of the evaluation. The evaluation by an external contractor will also include targeted stakeholder consultations. These consultations are foreseen to take place during the 1st – 3rd quarters of 2016 and will have the following forms - interviews, surveys, roundtables, etc.

Possible target stakeholders groups can be: a) the business sector, including business associations, companies, SMEs, national and European chambers of commerce; b) NGOs, profit and non-profit organisations; c) governmental agencies, ministries and regional authorities, d) think-tanks, universities, research institutes, academia, law firms, which are directly or indirectly affected by the implementation of the FTA.
More information on the consultation strategy will be published on DG TRADE website in due course.

(D.5) Further evidence to be gathered

The evaluation will be carried out by an external contractor under the DG TRADE Framework contract for evaluations. The Terms of Reference for the project are expected to be finalised in October 2015, and the contract is foreseen to be signed at the end of 2015. The project will cover all the elements of the evaluation as described above, including the stakeholder consultations.

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<th>E. Other relevant information/ remarks</th>
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<td>Since the evaluation will be launched only 4 years after the beginning of the provisional application of the FTA, it may not provide a fully comprehensive analysis of the real effects of the FTA because of still limited time series of data, in particular for services and FDI, and the ongoing progressive elimination of customs duties. The majority of the customs duties on goods were removed already at the entry into force of the agreement. However, customs duties on certain industrial goods, including cars, are to be fully removed only after 5 years after the FTA is applied, i.e. in 2016. For a limited number of highly sensitive agricultural and fisheries products the transitional period is longer than 7 years. In order to address this challenge of data in progress, in addition to the quantitative and qualitative analyses, the evaluation will draw upon case studies and stakeholder consultations. In addition, it will not evaluate the areas which fall outside provisional application.</td>
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