

FREE TRADE AGREEMENT BETWEEN THE EFTA STATES AND KOREA

SUMMARY

The Free Trade Agreement between the EFTA States and Korea was signed in Hong Kong (Hong Kong, China) on 15 December 2005. The Agreement entered into force on 1 September 2006*. The Agreement covers all major areas of trade relations including trade in goods, trade in services, government procurement, competition and intellectual property. A Joint Committee is established for the supervision of the Agreement, and a chapter provides for dispute settlement procedures. Moreover, the EFTA States and Korea concluded bilateral agreements on basic agricultural products. An agreement on investment has been concluded between Korea, on the one hand, and Iceland, Liechtenstein and Switzerland, on the other, as well.

NAVIGATING THE AGREEMENT

The Agreement consists of ten Chapters with a total of 88 Articles and 13 Annexes and is completed by a Record of Understanding (Record of Understanding).

- **Trade in Goods**
- **Services**
- **Financial Services**
- **Competition**
- **Government Procurement**
- **Intellectual Property**
- **Institutional Provisions**
- **Dispute settlement**

TRADE IN GOODS

Korea is an important trading partner of the EFTA States. In 2004, the EFTA States exported goods worth 1'794 million US dollars to Korea and imported goods worth 886 million US dollars from Korea. (EFTA trade statistics/Korea).

* 1 October 2006 for Iceland

INDUSTRIAL GOODS AND FISH AND MARINE PRODUCTS

Most industrial goods, including fish and other marine products, will benefit from duty-free access to the respective markets as of the entry into force of the Agreement. For some products imported into Korea, customs duties are to be eliminated after a transitional period or after a joint review by the Parties (Annex V and Annex VI). The Agreement provides for liberal rules of origin and allows for the use of up to 60 per cent of non-originating input in the production of certain products (Annex I).

AGRICULTURAL PRODUCTS

Trade in processed agricultural products are covered in an Annex to the main Agreement (Annex IV: Processed Agricultural Products).

In addition, trade in basic agricultural products is covered in three bilateral agreements on basic agricultural products negotiated between the respective EFTA State Iceland (Agricultural Agreement between Iceland and Korea), Norway (Agricultural Agreement between Norway and Korea) and Switzerland/Liechtenstein (Agricultural Agreement between Switzerland and Korea) and Korea. These agreements form part of the instruments establishing the free trade area. They provide for concessions on both sides.

SERVICES

Trade in services is covered in a general chapter (Chapter III, Articles 3.1 to 3.20) and in Annexes on specific commitments (Annex VII), most-favoured-nation (MFN) exemptions (link Annex VIII), mutual recognition (Annex IX), telecommunication services (Annex X), and co-production of a broadcasting programmes (Annex XI). The Agreement covers all four modes of delivery (supply) of a service, as defined under GATS, and addresses all services sectors.

As in the GATS, the positive lists of specific commitments of each Party are an integral part of the Agreement. These lists will be reviewed every two years (the first revision will take place three years after the entry into force of the Agreement), with a view to providing for a reduction or elimination of substantially all remaining discrimination between the Parties for trade in services covered by the present Section on services.

Trade in financial services is dealt with in a special chapter (Chapter IV, Articles 4.1 to 4.21) that also establishes a Sub-Committee on Financial Services. Commitments have been improved to reflect recent legislative changes by the Parties.

COMPETITION

The Chapter on competition (Article 5.1) deals mainly with the co-operation, notification, consultation and exchange of non-confidential information between the Parties. In particular, consultations are provided for when important interests of Korea or an EFTA Member State may be adversely affected.

GOVERNMENT PROCUREMENT

In the Chapter on government procurement (Article 6.1 to 6.3 and Annex XII), the Parties recognize that the WTO Agreement on Government Procurement (WTO GPA) governs the rights and obligations of the Parties in this field. The Chapter also ensures that the Parties can have an “early harvest” of the outcome of the negotiations between the Parties in the context of the negotiations aiming at amending the WTO GPA.

INTELLECTUAL PROPERTY

The Agreement sets a high standard for the protection of intellectual property rights (Articles 7.1 to 7.3 and Annex XIII), covering areas such as patents, trademarks and copyright, and goes, in certain areas, beyond what is provided for under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and other international conventions and treaties.

INSTITUTIONAL PROVISIONS

The Agreement establishes a Joint Committee (Article 8.1), which supervises and administers the Agreement and oversees the further elaboration of the Agreement. Information exchanges and consultations can take place in the Joint Committee. The Joint Committee also takes decisions in cases provided for by the Agreement or makes recommendations.

Secretariats are also established under the Agreement (Article 8.2), consisting of the EFTA Secretariat for the EFTA States and the Ministry of Foreign Affairs and Trade for Korea.

DISPUTE SETTLEMENT

A Chapter on dispute settlement (Articles 9.1 to 9.11) contains rules and procedures for the avoidance or settlement of disputes arising from the Agreement between one or several EFTA States and Korea.

INVESTMENT AGREEMENT

An agreement on investment (Investment Agreement) was separately concluded between Korea, on the one hand, and Iceland, Liechtenstein and Switzerland, on the other. This agreement covers both access to markets and the protection of investments. The three EFTA States and Korea grant each other national treatment for the establishment of investors, except for a few cases where the Parties have lodged reservations based on restrictions in their national legislation. The agreement also foresees the possibility of direct dispute settlement between an investor and the Party of his investment.
