

# EU's Trade Strategies and Korea-EU Cooperation Plans

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## I. Introduction

The trade landscape has recently undergone significant transformations, marked by the erosion of multilateralism, the escalating strategic rivalry between the United States (US) and China, the disruptive impact of the COVID-19 pandemic, and the outbreak of Russian-Ukrainian war. In response to these challenges, the European Union (EU) has launched a series of novel strategic initiatives. While the EU has focused on the resilience of supply chain, digital transformation, and tackling of climate change by its internal motivation, it also has to passively respond to external pressures such as the energy crisis triggered by the war and the public health crisis during the COVID-19 era. Despite the different motivations, the EU has tried to strengthen the competitiveness of intra-EU industries and reduce extra-EU dependence in all areas.

The purpose of this report is to summarize the findings of Jang et al. (2022), who conducted a comprehensive review of the recent changes

in the EU's medium- to long-term trade strategies, and identified the opportunities for Korea and the EU to cooperate in the areas that the EU has focused on due to internal and external motivations. Since the EU has not abandoned cooperation with the so-called "like-minded countries" in spite of its inward-looking trade regime shift, there is room for cooperation between Korea and the EU, which share the similar values such as liberal democracy, peace and the protection of human rights.

## II. EU's Response to Trade Landscape Changes

### 1. Supply Chain Resilience

In February 2021, the European Commission unveiled its mid- to long-term trade strategy, which aims to achieve the ambitious goal of 'Open Strategic Autonomy.' The impetus for this new trade strategy stems from the recognition of the profound changes in the global

trade landscape around the EU. Notably, the US and China have pursued protectionist and unilateral trade policies, casting a shadow of uncertainty over the EU's external economic relations within the existing international economic order. For example, the U.S. and China are locked in a competition for technological supremacy in high-tech sectors, even seeking to exclude each other from the supply of critical raw materials indispensable to these industries, such as rare earths and lithium. As the EU is heavily dependent on China for these core minerals, there is a growing and pervasive awareness of the potential consequences, including China exploiting this dependence for strategic gain or the US disrupting imports of goods dependent on Chinese raw materials. As a result, the EU has come to realize that heavy reliance on China threatens the stability of its supply chain.

The EU, in response to these changes, has proposed a series of measures to strengthen semiconductor and battery supply chains, including the Single Market Emergency Instruments, the EU Chips Act and the Critical Raw Materials Act. The EU recognizes that its competitiveness is currently weak and its supply chains are too dependent on offshore sources, especially in the industries of strategic importance or high growth potential. All of the above policies aim to promote to increase the share of domestic production and decrease the share of offshore production in these supply chains, by providing support measures such as subsidies and tax benefits.

## 2. Digitalization

In 2019, the newly assumed European Commission unveiled a comprehensive agenda with six key priorities, one of which is 'A Europe fit for the digital age' strategy. The EU Digital Strategy, under this overarching vision, has a resolute goal: to ensure a smooth transition into the Digital Decade by 2030. At the heart of this digital roadmap is the 'Digital Compass', a set of concrete objectives, and the 'Path to the Digital Decade', a policy program that charts the course for the EU's digital transformation.

Digital Compass, launched in March 2021, has four fundamental pillars: cultivating a high-skilled workforce in digital-related industries, building a secure and sustainable digital infrastructure, facilitating business digitalization, and comprehensively digitalizing public services. The Path to the Digital Decade program establishes a monitoring and cooperation framework to ensure that the digital transformation outlined in the Digital Compass is on track.

In June 2022, the European Commission took further steps towards digitalization, aligning its strategy with the digitalization efforts of EU member states. While the Commission had previously published a digitalization strategy in 2018, with a focus on functional aspects of IT such as security, privacy, openness, transparency, and the components, the 2022 iteration takes on a deeper dimension. It resonates with European values, emphasizing the reinfo-

ancement of partnerships between agencies and ministries, rapid responsiveness to citizens through digital channels, empowering ministries to take the lead in digital transformation, providing digital sovereignty and autonomy through open-source solutions and open standards, and strengthening an integrated security framework and a cybersecurity culture to fend off cyberattacks.

### 3. Climate Change and Energy Security

To tackle climate change, the EU is implementing one of the world's most advanced and forward-looking environmental policies. With the recent announcement of the 'Fit-for-55' legislation, the EU is accelerating its green structural transformation by reducing carbon emissions by 55% from 1990 levels by 2030. Additionally, the EU will ban internal combustion engine vehicles from 2035, raise the renewable energy target, expand the scope of the emissions trading system, phase out free allowances, and introduce a carbon border adjustment system for offshore countries.

The energy crisis, which was triggered by the Russia-Ukraine war, forced the EU Commission to address the issue of very high energy dependence on Russia. The Commission announced REPowerEU in May 2022, which ensures that the EU and its member countries can manage the crisis by diversifying energy sources, while not hindering their efforts towards climate-neutral energy transition. The

REPowerEU consists of four areas: saving energy, diversifying energy supply, transitioning to clean energy, and promoting investment and reform.

While there is a consensus among major European countries to pursue the expansion of renewable energy sources such as solar and wind power, there are different attitudes to nuclear power and natural gas among the member states. In the aftermath of the Russia-Ukraine war, reliance on nuclear power generation is expected to remain high for the time being, as the short-term shock cannot be absorbed by limited supply of renewable energy. In some EU member states, such as Germany and France, the deadline for operating or decommissioning nuclear power plants has been extended in order to resolve short-term imbalances in energy supply and demand.

### 4. Managing Public Health Crisis

The COVID-19 pandemic had a significantly impact on the EU, resulting in a high number of infections and deaths as well as a sharp decline in economic growth. To combat the pandemic, the EU has implemented various measures, including the establishment of joint response procedures among member states, the jointly purchase and distribution of vaccines, the provision of financial support at the EU level, and active participation in multilateral cooperation.

During the pandemic response, the need for a new multilateral arrangement to ensure stable

funding and enforce cooperation become apparent, as the limitations of the WHO or sporadic international consultations revealed their inability to effectively respond to an infectious disease. To address these limitations, the EU, together with the WHO and other international partners, proposed the establishment of an International Treaty on Pandemic Prevention, Preparedness and Responses (in short, the Pandemic Treaty). The Pandemic Treaty aims to create a warning system for future pandemic responses; share data and collaborate on research between countries; support national and international production of vaccines, therapeutics, diagnostics, and personal protective equipment; establish a system for the distribution of medicines and medical supplies; and improve public health response measures.

### III. Potential Areas of Korea-EU Cooperation

Following a comprehensive assessment of the European Union's recent initiatives to address critical challenges in supply chains, digitalization, climate change response, energy security, and public health crises, Jang et al. (2022) have identified promising avenues for cooperation between Korea and the EU.

To ensure that Korea's engagement in EU efforts to restructure offshore supply chains not only contributes to, but also strengthens these chains, proactive measures are essential. Promoting Korea as a reliable and credible partner should be at the forefront of these efforts. Additionally, facilitating investment by Korean

companies in the EU, particularly in the semiconductor industry, and actively representing Korean interests in the establishment of international standards for batteries are strategies worth exploring. Moreover, fostering technical exchanges with relevant EU organizations and businesses is essential to foster collaboration. Regarding the critical minerals, which play a pivotal role in combatting climate change, bilateral cooperation holds great promise. EU experts recommend establishing links between respective early warning systems and critical minerals monitoring to facilitate the seamless information sharing and promote joint procurement initiatives.

Korea and the EU can also work together to ensure fast and sustainable digitalization. This includes the Korea-EU Digital Partnership, which aims to encompass cutting-edge technologies such as 5G/6G, high-performance computing, quantum technology, artificial intelligence, and blockchain. To further promote digital trade and bolster digital economic cooperation, there's a proposal to modernize e-commerce provisions within the Korea-EU Free Trade Agreement. Creating a conducive regulatory environment that nurtures the growth of the digital market is another critical aspect. As digital-related regulations continue to evolve within each nation, joint efforts to harmonize these frameworks can ensure a smoother and more efficient digital marketplace. The policy paper also recommends strengthening cooperation in digital and information communication technology (ICT) infrastructure and technical areas.

In terms of responding to climate change, Jang et al. (2022) suggest three key areas of cooperation. Firstly, cooperative programs for the joint development of eco-friendly technologies can significantly advance sustainability efforts. Secondly, joint participation in multilateral discussions on climate change response can amplify the global impact of their contributions. Finally, joint support for climate change response and adaptation efforts in developing countries underscores the shared responsibility for addressing this global challenge. Climate change transcends national boundaries and requires effective multilateral cooperation for meaningful solutions. Korea should also continue bilateral energy cooperation with key EU member states such as Germany, France, and Poland, but consider policy measures that are consistent with each country's own policies, especially with regard to nuclear power and natural gas.

To tackle the current and future public health crisis, Korea has the opportunity to continue its collaboration with the EU in three pivotal areas.

First, by continuing bilateral cooperation, both entities can enhance their preparedness for future infectious disease crises. This includes not only improving the relevant provisions of the EU-Korea Free Trade Agreement but also intensifying cooperation through diplomatic channels. Second, both nations can exert their collective influence by engaging as peers in multilateral organizations, leveraging their shared experience and resources to contribute effectively to global health security. Finally, South Korea can play a critical role by offering technical cooperation in the pharmaceutical field. This involves sharing expertise, knowledge, and resources to bolster pharmaceutical capabilities.

Overall, this study highlights various ways in which Korea and the EU can strengthen their cooperation in areas such as supply chain reorganization, digital transformation, climate change response, energy security, and public health crises. By working together, both sides can achieve their common goals and respond more effectively to global challenges.

## Reference

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