

DEAR AUSTCHAM MEMBERS,

The Korea Australia Free Trade Agreement (KAFTA) is at a critical stage in the ratification process. The KAFTA is currently going through the Australian ratification process which includes a two Senate committee hearings (Joint Standing Committee of Treaties and a Senate Enquiry). AustCham has lodged submissions to both of these Senate hearings. In Korea we are expecting the KAFTA to be progressed through a similar committee review process very soon in preparation for the National Assembly to review and ratify the KAFTA.

AustCham is currently conducting an advocacy project designed to ensure the ratification process continues to progress smoothly. AustCham is closely monitoring Korean media on the progress of KAFTA and other FTAs, developing proactive media stories which highlight the benefits of the KAFTA to Korean business and we plan to conduct KAFTA forums in conjunction with Korean Business associations.

To keep members informed we will circulate a monthly KAFTA update starting from this month (see below). This update is a summary of recent Korean media and updates on the ratification progress. We welcome any ideas and feedback from members on potential advocacy activities to further promote the Korea-Australia partnership.

Korea Australia Free Trade Agreement (KAFTA) Update 10th July 2014

KAFTA News

Below is a summary of recent news articles in the Korean media relating to the KAFTA.

Australia's former Prime Minister Julia Gillard says KAFTA will make way for a hopeful future E-Daily, 12 June

Australia's former Prime Minister, Julia Gillard, attended the fifth World Strategy Forum on 12 June and spoke on the topic 'FTA: Making a breakthrough for Korea, a resource-poor country.' She said KAFTA will open doors for a brighter future after it is ratified and added that Australia will be able to export many food items such as wine and Korea will be able to export more high-tech products to Australia.

Korean government to push for ratification of KAFTA in the second half of the year

Yonhap News/ Newsis/ News1/ KBS TV/ Chosun Biz/ Asia Economy/ Aju Business/ Electronic Times/ Segye Times/ News Tomato/ I-News24/ E-Today/ Naeil Shinmun/ Asia Today/ Newsway/ Kookje Shinmun, 2 July

On 2 July, Ministry of Trade, Industry & Energy held the 3rd Trade Committee meeting and decided to push for the ratification of FTAs that have already been signed, in the second half of the year. The ratification plan will include KAFTA, which was signed in April, and Korea-Canada FTA which was initialled last month. The Ministry will also focus on reaching an agreement on FTA negotiations with New Zealand and Turkey in the areas of service and investment.

Brendan Berne, Deputy Head of Mission at Australian Embassy in Seoul expresses his hopes for increased cooperation in the area of education through KAFTA

Maeil Business Newspaper, 25 June

Brendan Berne, Deputy Head of Mission at the Australian Embassy in Seoul said on 24 June that the KAFTA can provide mutual benefits for Korea and Australia in the area of education as well as in the areas of R&D and technology. He said Australia's strength lies in science, technology and R&D while Korea's strength lies in the commercialization and utilization of that technology in product development.

Korean investment into Australia increases rapidly following the KAFTA signing

Maeil Business Newspaper, 19 June

Korean investment into Australia is increasing following the signing of KAFTA, which enables Korea to invest up to AUD 1 billion into Australia without any particular approval procedure. Capital from Korea is flowing not only into resource development but also into promising Australian companies, the real estate market and infrastructure.

Seoul City signs an MOU with the Australian Financial Services Council

Yonhap News/ KBS TV/ Financial News/ Aju Business/ Korea Economic Daily TV, 16 - 17 June

Seoul, which brought in USD6.1 billion in foreign investment last year, plans to attract more foreign investment from Australia, which has the third largest managed investment market in the world. On 17 June, Seoul City signed an MOU with the Australian Financial Services Council (FSC). Under the agreement, the FSC will support Seoul City to become a financial hub and help with the development of the Yeouido International Finance Center (YIFC). In return, Seoul City will support FSC members' business expansion in Seoul and the KAFTA.

Interest in Australian wine spikes with KAFTA

Korea Economic Daily/ Kukmin Ilbo/ Maeil Business Newspaper/ Newsis/ Korea Economic Daily TV/ E-Today/ E-Daily/ E-Buzz/ I-News24/ E-News Today/ Simin Ilbo, 17 June

On 16 June, the Australian Embassy in Korea held an Australian wine tasting event at the Shilla Hotel to promote Australian wine's excellent quality and taste as well as its variety. The event was a great success, with 600 participants and 68 out of 80 Australian wine brands being represented. The Australian Embassy expressed their excitement about the prospect of Australian wine exports to Korea, as the current 15% tariff on imported Australian wine will be eliminated after the KAFTA is ratified.

Other FTA News

South Korea and Canada initial an FTA: Cars and home appliances expected to benefit starting next year

Money Today, 13 June

Canada-Korea FTA was initiated by Kyung-Lim Choi, the chief negotiator for Korea's FTA, and Ian Burney, the assistant deputy minister of Canada, on 12 June, according to the Ministry of Trade, Industry and Energy. Canada and Korea have held 15 official FTA negotiations since 2005, but it wasn't until this March that they reached an agreement on the matter. Canada, being South Korea's 25th largest trading partner in 2013, will remove the current tariff on 93.2% of Korean products within three years and 97.5% of the products within 10 years. Canada also will reduce its current 6.1% tariff on South Korean automobiles within 3 years, which will help Korean cars gain competitiveness against Japanese cars in Canada. Korea will remove the import tariff on 86.1% of the Canadian products in three years and 97.5% of the products in 10 years. Also, 211 agricultural products such as rice, milk powder, cheese and tangerines were excluded from the agreement while it was agreed that the tariff on Canadian beef will be lifted gradually over 15 years.

Korea and China to strive for conclusion of the Korea-China FTA by the end of this year and hold 12th negotiations in July

News1, 4 July

According to the statement on 3 July following the Korea-China summit, Korea and China agreed to ratify an FTA by the end of this year. There have been 11 rounds of FTA negotiations without much progress due to different views on the level of market opening especially regarding agricultural products. However, negotiations are expected to speed up with the Korea-China summit, where the two leaders were able to narrow the differences in opinion regarding which products to include in the agreement and how long the tariff elimination period should be.

Agriculture and fisheries industry to be affected negatively after TPP although GDP will increase by 1.7~1.8%

Money Today, 2 July

On 2 July, Ministry of Trade, Industry & Energy announced that TPP will affect the domestic agriculture and fisheries industry negatively, in terms of both trade balance and production. If Korea joins the TPP, the agricultural industry will experience a trade deficit of around USD 40 million a year and see its production decrease by more than KRW 100 billion a year, according to the report. Meanwhile, the report mentioned that Korea's GDP will increase by 1.7~1.8% as a result of the TPP.

Political News

President Park to announce a major cabinet reshuffle today

Chosun Ilbo, 13 June

President Park announced new ministerial candidates for seven government ministries on 13 June to achieve the goal of great national reform and improved safety while strongly pushing for economic innovation and reform in education, society and culture. This is the first major cabinet reshuffle since Park took office in February last year. The nominated candidates will go through a confirmation hearing before officially taking their positions.

President Park names four new senior presidential secretaries

Dong-a Ilbo, 13 June

President Geun-hye Park, on 12 June, replaced four secretaries in the latest shake-up of her office meant to regain public confidence following a deadly ferry disaster. The president, however, retained her chief of staff, Ki-choon Kim, sparking angry reaction from the main opposition New Political Alliance for Democracy.

[China President Xi Jinping's visit in Korea] Park, Xi boost security and business ties

Korea Herald, 4 July

China President Xi Jinping's recent visit to Korea has brought an important consensus between Korean and Chinese governments. The statement following the summit included a shared view to strengthen cooperation in business and culture, with a plan to ratify the Korea-China FTA by the end of this year. They also agreed to launch a foreign exchange market to allow direct trading of Korean Won and the Chinese Yuan.

National Assembly finalises the list of new committee heads for the second half of the 19th National Assembly

Chosun Ilbo, 25 June

On 24 June, the 19th National Assembly completed the election of committee heads for the second half of this year.

Key nominated committee heads relative to the KAFTA are as follows:

- Foreign Affairs & Unification Committee: Ki June Yoo
- Agriculture, Food, Rural Affairs, Oceans & Fisheries Committee: Mr. Woo Nam Kim
- Trade, Industry & Energy Committee: Mr. Dong Cheol Kim

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