



## Submission No 26

### **Inquiry into Australia's Relations with the Republic of Korea; and Developments on the Korean Peninsula**

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QUEENSLAND GOVERNMENT

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INQUIRY INTO

AUSTRALIA'S RELATIONSHIP WITH THE REPUBLIC  
OF KOREA

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## INTRODUCTION

- Queensland has an active relationship with the Republic of Korea (ROK) which ranks among the State's top three trading partners.
- Currently, bilateral activity centres on primary industries, education and tourism.
- Investment is particularly strong in the natural resources and mining sector. Queensland received the largest ever investment in Australia by a Korean company.
- Queensland exports to the ROK are highest in the resources sector however new export opportunities are emerging and trading opportunities exist in the food, multimedia related products and services, and marine sectors. The ROK is one of the two international target markets for the Queensland wine industry.
- Economic and cultural relations between Queensland and the ROK are fostered through in-market representation and high-level visits.
- Queensland was the first Australian state to establish an office in the ROK. In November 2001, the Honourable Peter Beattie MP, Premier and Minister for Trade, opened a Queensland Government Trade and Investment Office located in the business heart of Seoul, Teheran-ro, Gangnam, ROK.
- Tourism Queensland also maintains an office in Seoul and Education Queensland International has recently appointed a locally engaged officer.
- This submission provides an overview of the Queensland Government's relations with the ROK.

## SOCIAL AND CULTURAL RELATIONS

- Queensland and Gyeonggi Province have been Sister States for 8 years. At a local level, Townsville, Brisbane and Toowoomba enjoy sister city relations with Suwon, Daejeon and Paju respectively.
- These sister relations offer a platform for developing people-to-people linkages between both regions leading to broader economic and social outcomes.
- Pursuant to the Sister State relationship a personnel exchange program was in place from 2002-2005.
- Queensland officers from the Department of State Development and Innovation and the Department of Primary Industries and Fisheries undertook 11-month placements in the International Trade Division of the Gyeonggi Provincial Government. While in the ROK these officers liaised with private sector organisations in the Province, strengthened in-market networks and established new government and private sector links. In exchange, two officers from Gyeonggi Province worked in the Queensland Government's Trade and International Operations Division.
- Currently, 18 officials from the Gyeonggi Provincial Government are undertaking a four-week English language program at the Institute for Continuing TESOL Education at the University of Queensland. This is the first time that Gyeonggi Province has despatched a language program delegation to a destination outside the United States of America.
- During 2005-06 Sister State activities will be targeted at four sectors which have been identified as offering opportunities for increased commercial linkages. A series of short-term visitor exchanges will be offered in the fields of convention centre management, marine service and products, livestock and veterinary services and horticultural and forestry.
- According to Census 2001, there were 4,064 South Korea-born people residing in Queensland, which represented 10.4% of all South Korean citizens in Australia.
- The *Korean Society of Queensland* is the official organisation representing Koreans in Queensland and holds many events and activities to achieve these aims, such as the Korea Cultural Night. Other Korean organisations in Queensland include the *Korean Chamber of Commerce*, the *Korean Veterans Association* and the *Korean Students' Association*.

## ECONOMIC RELATIONS

### Trade

- The Queensland Government has identified the ROK as a key market for Queensland exporters.
- For the period 2003-04, Australian merchandise exports to the ROK were valued at AUD8.49 billion while Queensland merchandise exports totalled AUD2.19 billion, representing a 25.8% share of Australia's exports. Key Queensland exports included coal (AUD977 million), metalliferous ores and scrap metal (AUD304 million), meat and meat preparations (AUD240 million) and sugars, sugar preparations and honey (AUD223 million).
- For the same period Queensland's merchandise imports from the ROK were valued at AUD555.7 million. Key imports comprised road vehicles, telecommunications and sound recording equipment and combined confidential items of trade.
- While Queensland's major exports to the ROK are from the resource sector (44.6% of total merchandise exports were coal, coke and briquettes and 13.9% metalliferous ores and scrap metal), new export opportunities are emerging.
- The deregulation of the ROK's racing market in 2002 allowed private owners to import racehorses. The *Korean Racing Association* has purchased over 80 bloodstock horses since 2003 (including yearlings, broodmares and stallions) at the *Magic Millions* racing carnivals on the Gold Coast for a new racetrack set for completion by early 2006 in the ROK's second biggest city, Busan.
- In addition, the Queensland Government Trade and Investment Office in Seoul organised several influential Korean private race horse owners' visits to *Magic Millions* in January, March and October 2004. The buyers purchased a number of Queensland horses, bringing the combined value of bloodstock exports to the ROK to AUD972,500.
- The diminishing Korean agricultural sector and increasing domestic demand for international products are creating new trade opportunities in the Korean food and beverage market. For the 2003-04 period, Queensland supplied 53.1% of Australia's food and live animals exports to the ROK, valued at AUD477 million.
- In addition, Queensland supplies 97% of Australian sugar, sugar preparations and honey and 60.2% of Australian meat and meat preparation exports to the Korean market.

### **Trade Cont./**

- The Korean Food and Drug Administration recognised kangaroo meat for domestic consumption in July 2003. In July 2004 official approval was granted for imports into the ROK. The Queensland Government has worked closely with the Korean Food and Drug Administration and Ministry of Agriculture and Forestry in liberalising this sector. As a result, Queensland game meat companies have been exporting kangaroo meat to the ROK since 2004.
- Potential trading opportunities with the ROK exist in the following sectors:
  - food (processed food, food ingredients, wine, and health foods);
  - multimedia related products and services (content for education programming, websites, web casting, games, animation, post-film production, and digital and interactive television content); and
  - marine (marina development related services).

### **Investment**

- The Queensland Department of State Development and Innovation is undertaking an ongoing promotion of two-way investment in association with the Korea Trade – Investment Protection Agency (KOTRA).
- KOTRA held a trade and investment seminar in Brisbane in September 2003 with participation from more than 50 Queensland industry representatives. KOTRA has indicated that its Seoul Office will look at replicating this event in the ROK to further assist Korean investors understand the benefits of doing business in Queensland and to continue to develop the relationship that KOTRA has built with the Queensland Government.
- In November 2001, Premier Beattie signed a Memorandum of Understanding (MOU) with *LG Chem*, Korea's first chemical company, to establish an Ethylene Di-Chloride manufacturing facility in Gladstone worth AUD500 million. Under the umbrella of this MOU, *LG Chem* performed a feasibility study for the project for about one year and decided to postpone its commencement mainly due to the strengthening of the Australian dollar and the change of international/Korean domestic business environments.
- The Honourable Tony McGrady MP, Minister for State Development and Innovation led a 10-day trade mission to Japan, the ROK and China in April 2004. Minister McGrady promoted Queensland as a reliable source of high quality, competitively priced minerals, foodstuffs and other products and services during his visit to the ROK.

## **Wine Industry**

- The Honourable Margaret Keech MP, Minister for Tourism, Fair Trading and Wine Industry Development, launched the Queensland Government's Wine Industry Development Strategy in December 2004. Currently Japan and the ROK are the targeted international markets for this Strategy which aims to increase market penetration of Queensland wines – locally, domestically and internationally.
- Queensland wines are being promoted in the ROK through events such as *A Sense of Australia – Australia Day 2005 Lifestyle Showcase* held in Seoul on 26 January 2005 and the *Seoul Wine Show* held from 17-19 May 2005. The Queensland wineries which have participated in events in the ROK are Sirromet, Jimbour Wines, Clovely, Kominos wines, Ballendean, and Mary Byrnes wines.

## **OTHER COLLABORATIVE ACTIVITY**

### **Agriculture and Primary Industries**

- Queensland is actively pursuing agricultural and primary industry opportunities in the ROK and the Department of Primary Industries and Fisheries (DPI&F) regards the ROK as an important current and future market.
- The Honourable Henry Palaszczuk MP, Minister for Primary Industries and Fisheries has led two missions to the ROK in the past six months. The objectives of these missions were to promote the quality and integrity of Queensland food and to facilitate improved trade environments between Queensland and the ROK.
- DPI&F has been business matching Queensland and Korean companies for food and agricultural products as well as providing ongoing one-on-one trade assistance including export coaching and facilitation, inbound visits and delegations. Industries which have been involved include beef, pork, food ingredients, organic beef and value-added beef products, forage seeds, organic stockfeed, organic grain and value-added grain products.

### *Food Products*

- There is exponential growth in demand for organic, natural and food ingredient products in the ROK presenting good opportunities for Queensland companies. DPI&F is planning a trade mission in July 2005 to target these sectors.
- The Boosting Food Products project, a DPI&F initiative, aims to promote Queensland "food and ingredients" and develop continued trade opportunities for beef; pork; processed food; grain and value added grain products; organic, functional and health food products.



## **Agriculture and Primary Industries Cont./**

### *Forestry*

- DPI&F and the ROK's Ministry of Agriculture and Forestry are collaborating to encourage plantation investment in Queensland.
- The Korean Forest Service, which is under the Ministry of Agriculture and Forestry, is currently involved in a number of policy initiatives designed to increase long term resource security. This includes providing low interest loans to ROK-owned companies to establish plantations overseas. Under this scheme plantations have been established in seven countries including Australia. The ROK's long-term investment plan is to establish a total of one million hectares of forest plantation by 2050 which is expected to supply 50% of the country's timber demand.
- In 2002-03 ROK was Queensland's fifth largest export market for forest products.
- *Pentarch Forest Products* recently finalised a sales agreement with DPI Forestry which will see the company purchase up to 2.7 million cubic metres of timber from north Queensland forest plantations over the next 15 years. Initially, 80 percent of the timber will be exported to the ROK, Japan and China.

### *Agreements*

- The University of Southern Queensland's National Centre for Engineering in Agriculture has an agreement with the ROK Rural Development Administration.
- Pursuant to this agreement the National Livestock Research Institute, ROK is conducting research into the reduction of odour emission from intensive livestock operations. Their expertise is being combined with the odour measurement skills of DPI&F's intensive livestock environmental management researchers and the hydrodynamic modelling by researchers at the University of Southern Queensland to identify and assess promising odour-reducing technology. The manufacturing facilities of the DPI&F's agricultural engineering workshop will enable the research team to construct, evaluate and rapidly refine biofilter technology to achieve effective outcomes.
- The Gyeonggi Agricultural Research and Extension Services (GARES), ROK and the Queensland Government represented through DPI&F signed a Memorandum of Understanding (MOU) in March 2003. The MOU aims to foster bilateral exchange of agricultural technology; develop agricultural science; and promote mutual understanding and cooperation between the parties.

## **Agriculture and Primary Industries Cont./**

### *Agreements*

- Pursuant to this MOU, Queensland and ROK scientists have undertaken reciprocal visits to conduct research. During these visits, discussions have taken place regarding the extension of the collaboration to focus on climate and crop modelling. In addition, the ROK Meteorological Administration has demonstrated a strong interest in Queensland's climate products.
- A joint project is currently being developed between the Queensland Centre for Climate Applications and GARES with the objective of establishing long-term collaboration on scientific information between Queensland and the ROK.

### *Opportunities*

- The ROK presents significant opportunities for the export of Queensland technology in predictive system and research expertise in agricultural and natural resource management to improve irrigation systems design, water use efficiency, water resources management, risk management and decision processes in the ROK agriculture.
- DPI&F is currently investigating the possibility of working with the mango industry to assist Biosecurity Australia to negotiate export protocols for mangoes to the ROK.
- Other opportunities are available in the export of Queensland livestock into new Asian markets, namely China and the ROK. DPI&F is working with Biosecurity Australia and James Cook University to examine the logistics and market aspects such as animal welfare and animal health issues relating to such an export.

## **Natural Resources and Mines**

- The ROK is Queensland's second largest export coal customer, after Japan. Exports of thermal and coking coal from Queensland to the ROK have risen significantly over the past ten years. In 2003-2004, exports totalled 21.38 million tonnes, valued at AUD1.1 billion.
- The ROK has made substantial investment in Queensland's mining industry.
- *Korea Zinc*, the world's largest manufacturer of zinc metal and a world leader in zinc refining technology invested AUD650 million in the *Sun Metals Zinc Refinery* in Townsville, Queensland – the largest ever investment in Australia by a Korean company.
- This refinery opened in 2000 and is the world's first greenfields zinc refinery to be built in two decades. The refinery adds significant value to Queensland's zinc production that was previously exported as concentrate and consumes more than 400,000 tonnes of zinc concentrate each year from north west Queensland, other zinc mining areas of Australia and overseas.

### **Natural Resources and Mines Cont./**

- The *Sun Metals Corporation's* refinery also underpinned a resurgence of base metal mining in north Queensland, centred on Mount Garnet.
- In February 2005 the Queensland Department of Natural Resources and Mines hosted a delegation of twenty-two company and government representatives from the ROK. The delegation, coordinated by Invest Australia, was interested in coal investment opportunities and possible investment in infrastructure in the Surat Energy Resources Province. During their visit to Queensland, the delegation visited Queensland coal companies and toured the coal handling facilities of the Port of Brisbane.
- In 2003, the Queensland Department of Natural Resources and Mines provided specialised training and test equipment to the *Korea Gas Safety Corporation*. Negotiations are continuing in 2005 for further training for the Corporation's engineers.

### **Education**

- The ROK is a significant market for Queensland's education sector and export opportunities have expanded due to the deregulation of the ROK's education industry.
- In 2004, the ROK was Queensland's second largest market, after China, for international students. During this period, 6,010 students from the ROK were studying in Queensland, an increase of 20% on the 2003 figure of 5,009 students. Of this total number of students from the ROK, English Language Intensive Courses for Overseas Students (ELICOS) attracted 3,146 students and Vocational Education and Training (VET) attracted 636 students. The Schools sector experienced the highest increase attracting 1056 ROK students in 2004, representing a 28.2% rise on the 2003 figures. (Source: Australian Education International)
- Queensland universities enrolled approximately 1,083 students from the ROK in the academic year 2003, this represented a 7% increase over the 1,014 students of the previous year. Queensland had 29% of the 3,774 ROK university students in Australia. [Source: Department of Education, Science and Training (Higher Education Group) and Bond University]
- Queensland Government initiatives in this sector include: in-market promotional roadshows led by the Queensland Education and Training Export Board, provision of online vocational education and training, teachers training, development of agent networks and internship programs, as well as the establishment of a marketing officer for Queensland government schools in Seoul.

## Tourism

- The ROK is one of Queensland's emerging tourism markets.
- In the year ended December 2004, 63,573 visitors came from the ROK to Queensland which was 33.1% of the total Korean visitors to Australia.
- According to Tourism Australia, the Great Barrier Reef was the number one attraction for tourists from the ROK travelling to Australia.
- In the year ended December 2004, the most popular Queensland region visited by ROK visitors was the Gold Coast (56%), followed closely by Brisbane (52%) and Tropical North Queensland (14%).
- Queensland ranks highly as a popular honeymoon destination for the Korean market, the current trend being holiday resorts with luxury products.
- Golfing is also a significant market due to poor weather and a lack of local golf courses in the ROK. The Gold Coast's *Royal Pines Resort Golf Course* was recently showcased to Korean audiences when the two final days of the ANZ Ladies Masters, held in February 2005, was broadcast live in the ROK.
- The profile of Tropical North Queensland as a key destination for Korean visitors was boosted by seven charter flights from Seoul to Cairns in December 2004 – January 2005. These flights offered a total increase in capacity of 1776 seats and were the result of collaborative efforts by Korean Airlines, seven leading Korean travel agents, Tourism Queensland and Tourism Australia.
- As a pre-cursor to these flights, four-five night holiday packages showcasing the wonders of the tropical north were marketed in the ROK. Tourism Queensland also coordinated a series of promotional and marketing plans to complement the charters providing important information about local attractions and facilities.
- In March 2004, Tourism Queensland entered into an MOU with Singapore Airlines. Under the MOU, each party will invest AUD500,000 until 2008 in joint marketing initiatives. The ROK is one market which will benefit through joint marketing activities.
- Australian Tourism Exchange, Australia's premier tourism trade event and the largest international travel trade show in the southern hemisphere, will be held in Perth from 18 to 24 June 2005. Tourism Queensland is expecting that the event will provide for an increase in Queensland products packaged in Wholesale and Retail programs around the globe.