



Submission No 38

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

Organisation: Department of Foreign Affairs and Trade

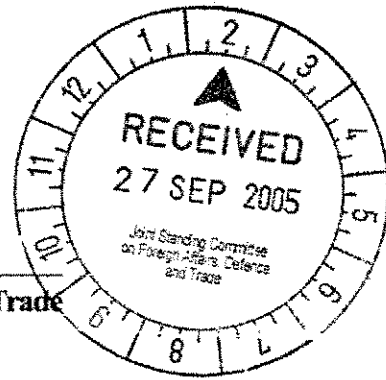
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Australian Government

Department of Foreign Affairs and Trade



26 September 2005

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Dr John Carter
Secretary
Foreign Affairs Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 0221

Dear Dr Carter

I refer to the JSCFADT's request for further information in relation to its inquiry into relations with Korea.

Please find enclosed DFAT's responses on the composition of the AKF Board, the value and extent of sister city/state relationships with Korea and more detail on the AKF's *Investigating Australia* study kit. I enclose also details from Austrade on its activities in the Korean market.

Yours sincerely

Paul Robilliard
Acting First Assistant Secretary
North Asia Division

FOLLOW-UP QUESTIONS (1) The following details membership of the Australia-Korea Foundation Board as at 16 September 2005. Board members have high-levels of expertise in their own chosen fields. For nearly all this includes a high level of experience and understanding of Korean culture and affairs. The Board works as a team, and the inputs of those without extensive Korean experience is framed against the greater collective understanding.

Name	Position	Expertise
Dr Don Stammer	Chairman	Former central banker, former Head of Investment Strategy, Deutsche Bank Australia, currently company chairman and company director. Whilst with the Reserve Bank of Australia and Deutsche Bank visited the ROK on 20 occasions. Has high level expertise on banking, financial and economic circumstances in Northeast Asia including the ROK and in Australia. Drives the AKF's Commerce and Industry program and, more recently, its Education program. Pro-actively represents the AKF in Australia and the ROK.
Ms Katie Benson Managing Director Langham Hotel Melbourne	Member	24 years Senior Executive international experience with Starwood Hotels and Resorts, including in the People's Republic of China and the Middle East. Along with Tourism Australia, advises the AKF on its work in the field of Tourism (a sub-set of its Commerce and Industry program).
Rev.Stephen Choi	Member	Korean-born Australian national with extensive links into the Korean community in Australia. Minister of Religion. Chairperson of the Australia-Korea Sister City Working Committee. Advises the Foundation on all matters relating to Korean culture.
Mr Kim Dalton Australian Film Commission	Member	AKF has identified film and new media as an area where Australia-Korea links can be broadened and deepened. Dalton – CEO of Australian Film Commission - headed Australian delegation to 2 nd Korea-Australia Media Forum in 2005. In 2004 and 2005 took Australian delegations to the Busan International Film Festival. Dalton works closely with Professor Miller and relevant Korean agencies in putting in place links between a wide range of Korean new-media companies and Australian content providers.

<p>Prof Stephanie Fahey Director, Research Institute for Asia and the Pacific University of Sydney SYDNEY NSW 2006</p>	<p>Member</p>	<p>Former Professor and Head of Department of Asian and International Studies, Victoria University of Technology, has been Director of RIAP since 1998. Fahey has over 25 years experience working in the Asia Pacific region, has been engaged in research, consultancy, teaching and networking and business negotiations in 19 countries including the ROK. Sits on Mr Downer's Foreign Affairs Advisory Council. Fahey brings high-level academic insight into many areas of the AKF's policy discussions.</p>
<p>Dr Rodney Hall AM</p>	<p>Member</p>	<p>Writer, playwright and poet with an international reputation (14 novels published, won the Miles Franklin Award twice). Also a significant arts administrator (former Chairman of the Australia Council). Advises the AKF on all matters to do with visual and performing art, film and literature. Recent major achievements include Artistic Director, AKF's 10th Anniversary festival Seoul, and major player in the production of AKF-Kyobo Publishing photographic book <i>1904 Korea through Australian eyes</i></p>
<p>Prof Emeritus Michael Miller</p>	<p>Member</p>	<p>Established Institute for Telecommunications Research at the University of South Australia, currently Chairman m.Net Corporation, Director Foursticks Ltd. Director CRC for Satellite Systems, Fellow of the Academy of Technological Sciences and Engineering. Has made 7 working visits to the ROK to foster links between industry and research organisations. Largely responsible for major ROK research organisation establishing branch office in Australia. Initiated first and second Australia-Korea Broadband Summits, currently driving A-K links in e-health and - with Dalton - links in new media.</p>
<p>Dr Geoff Raby Deputy Secretary DFAT CANBERRA ACT 0221</p>	<p>Member</p>	<p><i>Ex officio</i>, representing the Secretary, Department of Foreign Affairs and Trade</p>
<p>Ms Rosalind Strong <i>Myjoka</i></p>	<p>Member</p>	<p>Former teacher and school principal (Vaucluse High), former Director NSW Adult Migrant English Service, former Director and CEO NSW Heritage Office, current President Asthma Foundation of NSW, Vice President UNIFEM Australia, Chair Museums and Galleries Foundation of NSW, Chair University of Sydney Union Foundation. Advises and assists the AKF develop its education and culture programs.</p>

<p>Dr Richard Walley OAM Chair, Australia Council 's Aboriginal and Torres Strait Island Board</p>	<p>Member</p>	<p>Actor, director, artist, writer, performer, arts administrator and expert on Aboriginal and Torres Straits Island art. Walley has performed in the ROK and has business interests there. Walley advises the AKF on Australian culture in general and Aboriginal culture in particular. The AKF has supported a considerable number of Aboriginal artistic performances under its Arts program umbrella.</p>
<p>Mr Mack Williams</p>	<p>Member</p>	<p>Former Australian Ambassador to the ROK who has maintained a very active interest in a wide range of areas of the bilateral relationship between the two countries – including as Vice Chairman of the Australia Korea Business Council and Chairman of the Advisory Council of the Korea Australasian Research Centre at UNSW. Currently also President of the Australian Institute of International Affairs (NSW Branch) and Council Member of the Research Institute for Asia and the Pacific at the University of Sydney (RIAP). As Deputy Chairman of the Cooperative Research Centre for Environmental Biotechnology involved in promoting research linkages with counterpart organisations in the ROK (as well as in China and Taiwan).</p>

FOLLOW-UP QUESTION (2)

Austrade Korea:

Austrade Seoul is located within the Australian Embassy and has a resource base of 15 full-time staff consisting of 3 A-based Trade Commissioners including the Senior Trade Commissioner and 12 Korean marketing staff.

Austrade Focus:

The focus of the Austrade office in Seoul is to support a wide range of existing and emerging exporters to tap into the areas of new opportunity in the South Korean market. Austrade adds most value to its clients through the ability to identify and deliver new business opportunities and play a crucial facilitation role in the conversion of those opportunities into ongoing business. The bulk of Austrade's clients are either experienced SMEs or increasingly, first-time micro exporters. This is not to the exclusion of assisting the larger exporters of commodities and resources; clients of Austrade Seoul in 2004-5 also included companies such as Elders Ltd and ALNG.

ABS has stated that there are roughly 2,100 companies currently exporting to the South Korean market; in 2003-4 Austrade Seoul serviced a total of 894 companies and of these, 244 achieved export success.

Austrade Seoul had strong results against its Key Performance Indicators (KPI) objectives in 2004-5, placing it among the most highly performing offices in Austrade's NEA region.

- Total Number of client successes facilitated : 244
- Existing Exporter client successes facilitated: 192
- Second export sale client successes facilitated: 44
- First time export sale client successes facilitated: 70
- Export Impact \$ facilitated: \$557million
- Total Number of Clients Serviced: 894

Balance between New and Established Exporters

Established areas with solid trade for several years include processed food, food ingredients, dairy products, beef, beverages, automotive components, timber, building materials, industrial technology, medical equipment and education services. Exports of Australian food and agricultural products to Korea now exceed A\$1 billion. Changing market trends within these sectors have opened up new sales and distribution channels and new product/service opportunities in many areas. Austrade clients in these areas include Murray Goulburn, Dairy Australia, Ballantyne Foods, Holden, ION Transmissions, Gunns, the Australian Cotton

Shippers Association, Pentarch Forest Products, Cochlear, Resmed and a number of Australian educational institutions.

New areas for business emerging in the last 4-5 years encompass the thoroughbred racing industry, organic food, health supplements, wine, the arts, craft and industrial design, IT, biotechnology, sports services and products, furniture, children's literature and learning tools, natural cosmetics, jewellery, and fashion. Opportunities in these areas stem from increased consumer purchasing power, changing lifestyle patterns, technological advancement and increasing preferences for imported products.

To target opportunities, Austrade develops a yearly business plan with sectoral emphasis based on the new drivers in the market, and supports each sector with a range of promotional activities in Australia and Korea. In 2004-5, over 25 events were conducted ranging in size from small to large and a further 32 promotional activities are planned for 2005-6.

Drivers of New Business, Austrade Support & Related Successes

Key business themes around which Austrade Seoul has predicated its business plan, along with examples of supporting activities and resulting client successes are as follows.

1. Well-Being Boom

The search for a higher quality of life has created a "Well-Being Boom" which continues unabated from 2004 and provides opportunities for a wide range of products spanning across cosmetics, aromatherapy, health food, wine, sporting equipment, and pets. The Australian lifestyle is in itself the "brand" that creates the launching platform.

Promotional Strategies:

Australia Day in January 2005 attracted an audience of over 1200 and showcased products and services from over 100 Australian companies. It presented 9 icons of the Australian lifestyle in a virtual experience environment, including winery, beach, golf course, beef restaurant, pub, aquarium, art gallery, spa and interior living space. Fifteen companies, including four new exporters collectively achieved sales of more than \$200,000 as a result.

In August 2005 Austrade conducted a Well-Being seminar series in 5 major Australian cities, and will run a Well-Being trade exhibition in Seoul in October 2005.

Success Story:

Olive Products Australia, a producer of olive leaf extract and olive leaf tea participated in a Wellbeing Product Sampling Showcase in October 2004. Samples of their products were exhibited to eighty Korean importers and distributors. The Korean companies met with Olive Products Australia when they visited Korea in late 2004 and with Austrade assistance Olive Products made their first sales of A\$700,000 to Korea by February 2005. The products are now sold nationwide through major retail outlets including department stores, discount stores and pharmacy chains

2. 5-day Working Week

The emergence of the “x-generation” of younger people exerting a strong influence on society will continue to drive demand for improved products and services in education, entertainment, telecommunications and lifestyle. The adoption of a 5- day working week in July 2004 has added fuel to this, as Koreans seek more lifestyle options.

Promotional Strategies:

The development of the thoroughbred racing industry with construction of a new race course in Busan and de-regulation of horse purchasing is a related development. Austrade has facilitated over 3 Korean buyer missions to visit the Magic Millions horse auction in Queensland. A showcase of equine products was held for buyers in Brisbane in June 2005 and an Austrade-led mission of industry representatives will visit Korea in November 2005.

Success Story:

Purchase of over 150 Australian race horses by the Korean Racing Association and individual horse owners in 2004, primarily through the Magic Millions and William Ingliss auction sales. Average purchase price of between US\$20,000- \$30,000 and first-ever export success for 14 individual stud farms.

3. The Broadband and Digital Content Explosion

Korea has the most advanced broadband network in Asia with 70 percent of the population connected to high-speed broadband. Adoption of internet based technology is very fast and has changed distribution routes dramatically. Korea has the second largest on-line and TV home shopping market in the world, exceeded only by the US.

Promotional Strategies:

The Korea-Australia-NZ Broadband Summit hosted by Korea in June 2005 attracted a delegation of over 30 high-level business people from Australia led by Senator the Hon Helen Coonan, Minister for Communications, Information Technology and the Arts. The Inaugural Summit was held in 2003 on the Gold Coast with a visit by Korean IT Minister Dr. Chin Dae-je and leading Korean companies. The next one is scheduled for 2006 in Adelaide. Austrade Seoul has played a leading role in facilitating business participation on both sides in this high level forum, providing a solid platform for pursuing opportunities

Success Story:

Following the first Australia-Korea Broadband Summit, a technology partnership between CSIRO and Korea’s leading research institute ETRI for the development of digital contents applications has been established generating A\$ 1 million revenue for CSIRO.

4. De-regulation and development of service industries

In line with a recognition that Korea needs to de-regulate and develop its service sector in order to reduce reliance on exports and stimulate domestic demand, new areas offering outwards investment opportunities for Australian firms have emerged. These cover sectors such as leisure, entertainment, financial services, corporate training, and human resources development. Macquarie Banks' wide ranging presence in Korea with 13 JV operations and their introduction of new financial services instruments to the market is an example of this.

Promotional Strategy:

Austrade Seoul, along with the Korean Embassy in Canberra, the Korean Trade Promotion Agency (KOTRA) and Macquarie Bank, conducted a series of seminars in all Australian capital cities in April 2004 entitled "Korea on the Axis of Asia", highlighting related opportunities for investment and service provision stemming from Korea's desire to be the financial and logistical hub of North Asia.

Success Story:

The Oceanis Group from Melbourne fully owns and operates the A\$30m Busan Aquarium – it is highly successful and located on the Haeundae Beach front. Since opening the Busan Aquarium in 2001 Oceanis has made further investments in Shanghai and Bangkok and plan a further investment in Ilsan just north of Seoul worth USD \$33 million. Oceanis have been a key client of Austrade Seoul for 5 years.

5. Domination of the Discount Store and Hyper-market

Food distribution in Korea has changed dramatically with the emergence of 248 discount stores and hypermarkets taking over from the "mom and pop" stores and wet markets representing a 29% market share and expected to expand further to 2008. Korea is the fastest growing world market for these retailers and has attracted significant investment from TESCO, COSTCO, Carrefour and Wal-Mart. Home-grown E-mart (owned by Shinsegae) is the dominant player with 34% of sales in the discount sector.

Promotional Strategy:

Food and Hotel Korea is a prestigious food trade show dedicated to international imported products only. Australia has had a dominant presence at this show since its inception in March 2003. The WA Government in Seoul, supported closely by Austrade held an Australian promotion at smaller discount chain GS Mart in July 2005. Austrade plans a significant Australian pavilion at Food and Hotel Korea 2006 – in 2005 export sales of A\$7.5 million were generated for 13 companies.

Success Story:

One of the participants in Food and Hotel Korea 2004 was The Original Waffle Company. Austrade arranged a number of meetings during Food and Hotel Korea and from these meetings The Original Waffle Company sold their first container into Korea to Day & Day, one of the leading bakery chains in Korea. Day & Day sells the waffles through small bakery

outlets in each of the E-mart stores. The value of the first container was approximately A\$25,000.

6. Discovery of Wine

Previously wine consumption was limited to the wealthy elite who had a strong preference for French wine. The focus on improved health and introduction of more “New World Wines” to Korea has generated a wine boom amongst other consumers. Following the conclusion of an FTA with Chile, Korean importers promoted Chilean wines heavily— their market share grew 120% in 2004. As the Chilean boom wanes, Australian wine has emerged as a preferred “brand”. While small in overall volume, sales of Australian wine to Korea expanded by 120% in 2003, and a further 25% in 2004 representing 8% total market share.

Promotional Strategy:

In May 2004 Austrade invited wine critic Jeremy Oliver to Korea for a gala dinner with wine tastings for a VIP audience at the Sheraton Walker Hill. Forty three Australian wineries exhibited at the Australia Day Lifestyle Showcase in January 2005. The AWBC working closely with Austrade will conduct an Australian Wine Week in October 2005.

Success Story:

Austrade introduced Korean wine distributor Kil-Jin International to the Grant Burge wine range utilising a series of independent reviews and tasting notes to engender the distributor’s confidence in what was previously an unknown brand in the market. Following this exposure Kil-Jin sent 8 of their sales staff for training in Australia and subsequently purchased two containers of the Grant Burge range. Kil-Jin is about to order a third container representing a significant market in road over a 6 months period.

7. Increased globalisation and foreign ownership of Korean companies

A large number of Korean assets were up for sale following the 1997-8 financial crisis, paving the way for a robust merger and acquisition market. For example, the financial sector has seen acquisitions by Citibank and Standard Charter of local Korean banks. In the manufacturing sector, a number of foreign acquisitions of poorly performing players occurred such as the GM takeover of Daewoo Motors. The automotive industry in general was significantly re-structured with changes in global procurement practices resulting in a surge of imported vehicles.

Promotional Strategy:

In 2005-6 Austrade proposes to conduct an in-depth study of the current status and future direction of the Korean auto sector, culminating in a buyer mission to Australia and production of an e-directory of Australian capability in Korea. In November 2004 Austrade Seoul ran a seminar on Australian Design Rules in the auto industry in support of the imminent sale of the Holden Statesman to Korea

Success Story:

Austrade Seoul has maintained close relationships with both Holden Limited and GM Daewoo Automotive Technologies Limited -GMDAT (customer) since 1994. The ongoing support including the organisation of Korea Automobile Manufacturers Association procurement missions to Australia in 1996 and 2001 has assisted Holden negotiate bulk sale and purchasing agreements for Holden engines. To date Holden has shipped 600 Statesman vehicles to Korea. Sales are tracking about 50% above expectations and there are projections that imports will reach 1400 units this calendar year, and around 2000 next calendar year.

8. Korea as a Hub for the Arts

Korea has emerged as a hub for cultural and artistic activities in North Asia in the last five years, driven by its own dynamic artistic landscape and export success in a range of film, TV and pop music to Japan, Taiwan, HK and Vietnam. The Korean government promotes the arts as a leading industry in Korea, and the Busan International Film Festival is a key regional event. Korean directors have recently won awards in the US and Cannes for their work. Strong interest in new works from abroad has created emerging opportunities for Australian artists, and investment in more artistic and cultural facilities.

Promotional Strategy:

Austrade Seoul actively supports Australia's participation in the annual Busan Film Festival and estimates that this sector generates in excess of A\$10m p.a. Austrade Seoul organised the first Aboriginal Art Exhibition in 2004 in which 45 works worth over A\$250,000 were sold. In 2004 Austrade also participated in the Seoul Design Festival in conjunction with an exhibition from RMIT and used both the Australia Day Lifestyle Showcase in January 2005 and the Korean International Art Festival in June 2005 to achieve further sales of \$25,000 for 6 artists. In November 2005, Austrade Seoul will support an Australian scarf festival at Hyundai Department Store and further art exhibitions are planned for 2006.

Success Story:

Gunns WA, the largest supplier of jarrah timber in Australia commenced exports to Korea 2004. Austrade worked closely with a Korean distributor to have the product specified for the external areas of the Leeum, Samsung Museum of Art. The Leeum complex is a unique arts area built by Samsung to house a comprehensive collection of traditional, contemporary and modern Korean and International art. It is recognised as one of the most important cultural art complexes in Seoul.

Fourteen containers of jarrah, valued at A\$400,000 were supplied to the Leeum Museum in Seoul South Korea in May 2004. After the museum opened in early 2005 subsequent interest generated from the Leeum work led to another 12 containers of jarrah to be specified for the Ilsan Cultural centre due to be opened in 2006.

FOLLOW-UP QUESTIONS (3)

- i) Sister City/State relationships appear to have benefit in that they draw attention to elements of the Australia-Korea relationship. We agree with the Queensland State Government's statement that these formalised relations offer a platform for development of people-to-people linkages between regions, leading to broader economic and social outcomes.
- ii) There is greater potential for developing sister city connections between Australian and Korean cities. The Australia-Korea Foundation is currently working with the Clarence Valley Council (NSW) with a view to assisting it put in place a Sister City relationship with Gapyeong.
- iii) We understand the follow Australia/Korea Sister City/State relationships are currently in place:
 - New South Wales – Seoul city
 - Canterbury – Eunpyong-gu
 - Penrith – Gangseo-gu
 - Parramatta – Chung-gu
 - Bankstown – Yangcheon-gu
 - Burwood – Geumcheon-gu
 - Victoria – Busan city
 - Manly - Haeundae-gu
 - Brisbane – Daejon city
 - Blacktown – Suseong-gu
 - Queensland – Gyonggi-do
 - Townsville – Suwon city
 - Bathurst – Gwangju city
 - Toowoomba – Paju city
 - South Australia – Chungchongnam-do
 - Mareeba - Samchok City

FOLLOW-UP QUESTIONS (4)

The *Investigating Australia* study kit was first produced in video plus printed teachers' workbook plus internet site format in 1999. Twelve months after its launch the AKF conducted a sample survey which suggested the kit was being used in Social Studies, Geography and English language classes in Korea. The AKF then commissioned an independent evaluation which revealed a solid uptake in the classroom supplemented by a strong administrative awareness: this later translated into elements of the first kit being incorporated into the official schools' curriculum. Feedback from a variety of sources was positive. The Korean Ministry of Education has congratulated Australia for being the only foreign country to undertake such a promotional initiative.

In 2002 the AKF began the task of updating some of the filmed video segments and moving this material to interactive CD-ROM format. The CD-ROM was produced as a two-pack set, one in English the other in Korean. The Korean language audio segments were produced by the Korean Education Broadcasting Service. The kit website www.auskorea.com was updated and upgraded. The bilingual kit was distributed to Korean schools in November 2003.

Over the past 18 months the AKF has worked to promote both awareness and use of the kit, demonstrating it widely and using every opportunity to obtain media coverage of this resource. With a view to having elements included in the new schools' curriculum, the AKF has also demonstrated the kit to Ministry of Education officials, official textbook writers and textbook publishers. The Foundation has received positive feedback about the kit from a variety of sources. At present we cannot provide specific data about how widely or how regularly the kit is used but the AKF is developing the Terms of Reference for an independent evaluation of the *Investigating Australia* study kit. As elements of the kit are in the curriculum we would think it is in use. Anecdotal evidence suggests its widest current usage is as an English-language learning device.

The AKF plans to update the kit, but not by updating the CD-ROM. With the ROK's high (90%) Broadband connectivity the AKF is of the view the entire kit material should be moved to that format where it can be readily accessed and readily updated. The Foundation is currently exploring the possibility of having at least the kit website hosted on a Korean server, hopefully by the Korean Ministry of Education.