
The Parliament of the Commonwealth of Australia

Australia's relationship with the Republic of Korea; and developments on the Korean peninsula

호주-한국 관계와 한반도 정세

Joint Standing Committee on Foreign Affairs, Defence and Trade

Foreign Affairs Sub-Committee

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Foreword

For over half a century Australia and the Republic of Korea (RoK) have enjoyed an important and productive relationship. The RoK is the tenth largest economy in the world and the third largest in Asia. In 2005, the RoK was Australia's third largest export market and fourth largest trading partner. Our trading relationship is complementary – Australia exports natural resources to the RoK and imports manufactured goods from the RoK.

This report reviews that trading relationship, but goes further to include issues such as cross-cultural understanding, and relations between Australian and Korean institutions, both government and non-government.

The report also includes a commentary on issues concerning the Democratic People's Republic of Korea because of their potential impact on regional trade and security.

The relationship between Australia and the RoK is strong and exists on many levels. While there appear to be no major impediments to the relationship, opportunities exist at the margins for enhancement.

Government to government interactions play an important role in setting the agenda in any bilateral relationship. Reciprocal visits by Australian and RoK Government Ministers are frequent and inter-government cooperation and consultation exists at many levels.

Australia and the RoK share a number of security interests in the Asia-Pacific region and the belief that cooperation in the areas of peacekeeping, consequence management, and defence industry cooperation are key focal points. The report recommends continued defence cooperation and further exploration of defence cooperation opportunities.

Trade is the mainstay in the Australia–RoK relationship. The report reviews trade between the two countries and the challenges facing the economic relationship.

Organisations such as AusTrade, and the Australia-Korea Business Council provide valuable assistance to Australian exporters. There is, however, the potential to expand the trade undertaken by the small business sector. To this end, greater support should be provided, by way of organisations such as the Overseas Korean Traders Association.

Free trade agreements are another way to increase trade, but any free trade agreement should not be at the expense of Australian and Korean cultural industries. As well, agriculture issues should be resolved early in any negotiations.

Educational services is an important sector in Australia's trade relationship with the RoK. The RoK is the second most important source country for foreign students studying in Australia. This market can be developed further through improving the educational experience of visiting students, reviewing visa requirements, and mutually recognising educational qualifications.

Cultural understanding enhances Australia's relationship with the RoK. There is potential to strengthen cultural understanding. For example, Australian businesses can gain an understanding of Korean culture by engaging local representatives in Korea. There are also opportunities to build country-to-country cultural understanding through sporting links and cultural exchanges.

The Australia-Korea Foundation (AKF) is a key body promoting the Australia-RoK relationship. The AKF promotes exchanges and institutional links in many areas and at all levels. The Committee recognises the valuable work of the AKF and has reviewed the expertise contributed by board members. This expertise covers the areas of AKF focus and the majority of board members have direct experience working in the RoK. Nevertheless, the report recommends that board membership should include more members with an intimate knowledge of Korean society and culture.

Teaching the Korean language and culture in Australian schools also promotes cultural understanding. Unfortunately, there has been a decline in Australian student interest in learning Korean. There are several reasons for this decline and the report presents a strategy to address this problem.

There is a high level of collaboration between Australia and the RoK in science and technology research. The risk, however, is that this activity becomes piecemeal and uncoordinated. The Commonwealth Department of Education, Science and Training needs to take the lead in providing a strategic direction through the development of an action agenda.

The RoK occupies an important place in North Asia. Situated between Japan and China, the RoK has established itself as an economic force in the region and globally. It is important that Australia continues to maintain and grow its relations with the RoK. I believe that this report, through its analysis and recommendations, will enhance what is already a strong relationship between the two countries.

A handwritten signature in black ink, appearing to read 'David Jull', with a long horizontal stroke extending to the right.

Hon. David Jull MP
Chair, Foreign Affairs Sub-Committee



Membership of the Committee

Chair Senator A B Ferguson

Deputy Chair Hon G J Edwards, MP

Members	Senator the Hon N Bolkus - from 01/12/04 to 30/06/05	Hon B G Baird, MP
	Senator A Bartlett - from 9/12/05	Mr R C Baldwin, MP - from 01/12/04 to 26/05/05
	Senator G Campbell - from 23/06/05 to 28/11/05	Mr R C Baldwin, MP - from 01/12/04 to 26/05/05
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	Mr C P Thompson, MP - from 26/05/05
	Mr M B Turnbull, MP - to 9/2/06
	Ms M Vamvakinou, MP
	Mr B H Wakelin, MP
	Mr K W Wilkie, MP



Membership of the Sub-Committee

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Acting Chair Senator M A Payne (from 10/05/05 until
3/11/05)

Deputy Chair Senator L Kirk

Members Senator A Bartlett (from 8/02/06)

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Mr C P Thompson, MP (from 26/05/2005)

Mr M Turnbull, MP (until 9/02/2006)

Ms M Vamvakinou, MP

Mr B Wakelin, MP

Mr K W Wilkie, MP

Sub-Committee Secretariat

Secretary	Dr Margot Kerley
Inquiry Secretary	Dr John Carter
Research Officer	Mr Michael Crawford
Administrative Officer	Mrs Jessica Butler



Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall inquire into and report on Australia's relationship with the Republic of Korea; and developments on the Korean peninsula.

The Committee shall review political, strategic, economic (including trade and investment), social and cultural issues; and consider both the current situation and opportunities for the future.



List of abbreviations

AAS	Australian Academy of Science
ABC	Australian Broadcasting Corporation
ACIS	Automotive Competitiveness and Investment Scheme
ACS	Australian Customs Service
ADF	Australian Defence Force
AEEMA	Australian Electrical and Electronic Manufacturers' Association
AEI	Australian Education International
AFC	Australian Film Commission
AKBC	Australia-Korea Business Council
AKF	Australia-Korea Foundation
AKTE	Australia-Korea Teacher Exchange
APEC	Asia Pacific Economic Cooperation
ARC	Australian Red Cross
ASC	Australian Sports Commission
ASEAN	Association of South East Asian Nations
ATSE	Academy of Technological Sciences and Engineering
AusAid	Australian Agency for International Development

AWBC	Australian Wine and Brandy Corporation
Caritas	Catholic Agency for Overseas Aid and Development
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
CSIRO	Commonwealth Scientific and Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry
DCITA	Department of Communications, Information Technology and the Arts
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMA	Department of Immigration and Multicultural Affairs
DITR	Department of Industry, Tourism and Resources
DPRK	Democratic People's Republic of Korea
EFTA	European Free Trade Association
ELICOS	English Language Intensive Courses for Overseas Students
ELTF	Endeavour Language Teacher Fellowships
ESOS	Education Services for Overseas Students
FTA	Free Trade Agreement
HSC	Higher School Certificate
ICG	International Crisis Group
ICT	information and communication technology
KARC	Korea-Australasia Research Centre
KEC	Korean Education Centre
KIGAM	Korean Institute of Geoscience and Mineral Resources
KOGAS	Korean Gas Corporation

KOSEF	Korean Science and Engineering Foundation
LNG	liquefied natural gas
MEAA	Media Entertainment and Arts Alliance
MLA	Meat & Livestock Australia
MoU	memorandum of understanding
MTCR	Missile Technology Control Regime
NALSAS	National Asian Languages Studies in Australian Schools
NGOs	non-government organisations
NLA	The National Library of Australia
NWSLNG	North West Shelf LNG Pty Ltd
NWSV	North West Shelf Venture
OECD	Organisation for Economic Cooperation and Development
OKTA	Overseas Korean Traders Association
RIMPAC	Rim of the Pacific
RoK	Republic of Korea
RSPAS	Research School of Pacific and Asian Studies
RTCA	Rio Tinto Coal Australia
SME	small and medium enterprises
UN	United Nations
UNCOK	United Nations Commission on Korea
UNHCR	United Nations High Commissioner for Refugees
VET	Vocational Education and Training
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation



List of recommendations

2 Inter-governmental relations

Recommendation 1

In recognition of the growing importance of the Australia-RoK defence relationship, the Committee suggests that Defence continues to explore opportunities to enhance participation in bilateral defence exercises.

Recommendation 2

At the first opportunity, the Australia-Korea Foundation ensure its board membership includes more members with an intimate knowledge of Korean society and culture.

3 The economic relationship

Recommendation 3

The Department of Foreign Affairs and Trade provide all possible assistance, via organisations such as the Overseas Korean Traders Association, to small businesses exporting or wishing to export to the Republic of Korea.

4 Challenges facing the economic relationship

Recommendation 4

In the event of the Commonwealth Government commencing free trade agreement negotiations with the Republic of Korea, Australian cultural

industries (as well as Korean cultural industries) be protected, and issues relating to agriculture be determined at an early stage of negotiations.

6 Education and research

Recommendation 5

Australian Education International create an Internet-based forum for Korean students returning from Australia. Comments on this forum should be regularly reviewed and followed up if necessary with Australian educators.

Recommendation 6

The Department of Education, Science and Training develop a memorandum of understanding with its Republic of Korea counterpart with a view to the mutual recognition of educational qualifications.

Recommendation 7

The Department of Immigration and Multicultural Affairs review the risk presented by students from the Republic of Korea who are accompanied by a guardian when they study in Australia. The result should be incorporated into the overall risk assessment for such students.

Recommendation 8

The Department of Education, Science and Training promote school exchange visits between Australia and the RoK through direct funding, or by facilitating sponsorship from non-Commonwealth Government bodies.

Recommendation 9

The Department of Education, Science and Training coordinate a review of the breadth and depth of science and technology research collaboration between Australia and the Republic of Korea with the purpose of providing strategic leadership through the development of an action agenda.

Australia's engagement with the Korean peninsula

Introduction

- 1.1 From time to time, the Joint Standing Committee on Foreign Affairs, Defence and Trade conducts broad ranging inquiries into Australia's relations with major countries. Recently, such inquiries have focused on Australia's near neighbours in the Pacific Rim such as Indonesia and Papua New Guinea. This report, however, focuses on North-East Asia with a review of Australia's relationship with the Republic of Korea (RoK) and developments on the Korean peninsula.
- 1.2 Australia has a significant trading relationship with the RoK, but the Committee has widened the scope of this review to include issues such as cross-cultural understanding, and relations between Australian and Korean institutions, both government and non-government.
- 1.3 The inquiry also includes the Democratic People's Republic of Korea (DPRK) under its terms of reference because developments on the Korean peninsula have the potential to impact seriously on regional trade, stability and security.

The current importance of the Australia—RoK Relationship

- 1.4 The importance of the Australia – RoK trading relationship is substantial. The RoK is the 10th largest economy in the world and the 3rd largest in Asia.¹ In 2004, the RoK was Australia’s 4th largest export market and trading partner.² Broadly speaking the relationship is complementary – Australia exports natural resources to the RoK and imports manufactured goods from the RoK.³
- 1.5 While Australia’s trading relationship with the RoK remains substantial, there is room for much more growth. In addition to the already established trade in primary resources, energy and manufactured goods, there is potential for expansion in areas such as food and entertainment services, automotive parts, financial services, tourism and educational services as well as collaboration in research and development.
- 1.6 In recent years, the RoK has begun to look beyond its immediate region and broaden the scope of its foreign relations. It has negotiated Free Trade Agreements with Chile and Singapore and hosted the 2005 APEC summit.⁴ Similarly, Australia has increasingly focused on closer relations with the countries of Asia, citing this engagement as an ‘abiding priority in Australian foreign and trade policy.’⁵
- 1.7 Enhanced cultural understanding between Australia and the RoK will be an important aspect to closer relations in the future. With the 6th largest Korean population outside of the RoK in Australia, the opportunity for expanded cultural understanding between Australia and the RoK is great.
- 1.8 The RoK and Australia share a range of strategic interests. RoK troops have served in East Timor and are currently serving in Afghanistan and Iraq. The war against terrorism, support for the non-proliferation of weapons of mass destruction, and events on the Korean peninsula are issues that have the potential to impact on regional security and will continue to draw Australia and the RoK together.

1 DFAT, *Submission No. 21*, pp. 269, 276.

2 DFAT, *Submission No. 21*, p. 283.

3 DFAT, *Submission No. 21*, p. 283.

4 DFAT, *Submission No. 21*, p. 272.

5 DFAT, *Advancing the National Interest: Australia’s Foreign and Trade Policy White Paper*, 2002, p. xv.

A brief history of Australia's relations with Korea

1884-1950

- 1.9 Australian involvement in Korea was limited in the period prior to the Korean War. In 1884, Presbyterian missionaries from Australia arrived in Korea and, over time, a small number of Koreans were brought back to Australia for vocational and religious training.⁶ Australian missionaries remained in Korea until the end of World War II.
- 1.10 In 1947, the United Nations (UN) voted to establish a Temporary Commission on Korea and, a year later, the United Nations Commission on Korea (UNCOK). Australia was a founding member of both Commissions. One of its delegates helped draft the UNCOK resolution, which was passed during a period when Australian External Affairs Minister Herbert Evatt was President of the United Nations General Assembly.⁷

The Korean War and beyond

- 1.11 Australia's bond with the RoK was solidified in 1950 when North Korea attacked the South. Australia contributed more than 18,000 troops to the United Nations contingent, which fought to defend South Korea. Australia lost 339 soldiers in the conflict, and since that time, the Korean people have acknowledged and been grateful for the 'assistance and friendship that Australia extended to them' in their time of need.⁸
- 1.12 Following the end of hostilities in 1953, Australia became a member of the United Nations Committee for Unification and Rehabilitation of Korea, a position it held until the dissolution of the Committee in 1973. Australia was also one of the first countries to open an embassy in Seoul (1962), thereby extending formal diplomatic recognition to the RoK.⁹

6 O Yul Kwon, Gregory J Trotman, *Australian Perceptions of Korea: Need for Korean Studies, Korea Observer* (Winter 2002): pp. 33-4.

7 Alan Dupont, *Australia's Relations with the Republic of Korea: An Emerging Partnership*, Griffith University: Centre for the Study of Australia-Asia Relations, Australia-Asia Paper No. 58, February 1992, p. 1.

8 Embassy of the RoK, *Submission No. 18*, p. 222.

9 O Yul Kwon, *Australian Perceptions of Korea: Need for Korean Studies*, p. 33.

- 1.13 Australia's trading relationship with the RoK blossomed after the Korean War. A critical point was in 1962, when President Park Chung-hee instituted a series of highly successful five-year plans designed to spur industrial development.¹⁰ Since that time, the RoK has turned itself into an 'internationally competitive and highly industrialized economy.'¹¹
- 1.14 While the 1997 East Asian financial crisis seriously affected its economy, the RoK responded by instituting a series of far-reaching reforms which stabilized the situation and allowed the RoK to emerge from the crisis in a far better position than other affected countries.¹²

Korean migration to Australia

- 1.15 Korean migration to Australia began in the 1970's and has gradually increased over the years. There were 60 Koreans living in Australia in 1970. Today there are approximately 72,963 people of Korean ethnic origin living in Australia. Initial migrants came under family or skilled migration categories; however, since the late 1980's many Koreans have migrated under the business category.¹³
- 1.16 The Korean community in Australia is the sixth largest Korean community outside of the RoK, representing 0.3 per cent of Australia's population but 1 per cent of New South Wales' population. It is a relatively young population with the second generation of Korea migrants just beginning to graduate from schools and universities, yet many in the community have already distinguished themselves in a variety of professional, sporting and artistic fields.¹⁴
- 1.17 In addition, a significant number of Korean-born children have been adopted by Australian families. In 2003-04 there were 98 adoptions, a figure second only to adoptions of Chinese children (112).¹⁵

10 DFAT, *Submission No. 21*, p. 276.

11 DFAT, *Submission No. 21*, p. 276.

12 DFAT, *Submission No. 21*, pp. 277-8.

13 Embassy of the RoK, *Submission No. 18*, p. 242.

14 Embassy of the RoK, *Submission No. 18*, p. 243.

15 Australian Institute of Health and Welfare, *Adoptions Australia 2003-04*, p. 14.

Conduct of the inquiry

- 1.18 In response to the interest of the Committee, on 7 April 2005, the Minister for Foreign Affairs, the Hon. Alexander Downer MP referred to the Committee, an inquiry into Australia's relationship with the RoK, and developments on the Korean peninsula. The Minister agreed with the Committee that the inquiry could serve to enhance Australia–RoK relations and raise Australia's profile as an important source of imports for the RoK economy. The Minister also welcomed the Committee's interest in the serious potential impacts of the current security situation on the Korean peninsula.
- 1.19 The Committee advertised the inquiry in *The Australian* on 20 April 2005. Letters inviting submissions were sent to relevant Ministers, Commonwealth agencies, State Premiers and a wide range of organisations with an expected interest in Australia's engagement with the RoK, and who had an interest in developments on the Korean peninsula. A press release was widely distributed.
- 1.20 The Committee received 58 submissions (listed at Appendix A), 18 exhibits (listed at Appendix B) and took evidence from over 30 individuals and organisations during public hearings in Canberra, Melbourne and Sydney (listed at Appendix C).

Structure of the report

- 1.21 This report continues in Chapter 2 with a discussion of high-level government to government relations, in particular visits involving Commonwealth Government Ministers and Parliamentarians, and high-level defence connections. The chapter also reviews the role of the Australia–Korea Foundation.
- 1.22 Chapter 3 covers the economic relationship between Australia and the RoK and includes a review of the organisations which assist trade and investment. The Committee identifies opportunities to expand intercountry trade and investment. The discussion of economic issues is continued in Chapter 4 in which the Committee identifies and comments on the impediments to the economic relationship.
- 1.23 Chapter 5 discusses cultural interaction between Australia and the RoK and how cultural ties can be strengthened. The theme is explored further in Chapter 6 which focuses on education issues. The chapter

covers the teaching of English and Korean, student exchanges, and scientific research collaboration.

- 1.24 The report concludes in Chapter 7 with a discussion of issues concerning the DPRK. The Committee reviews the DPRK's position in world affairs, the links between the DPRK and the RoK, and Australia's interactions with the DPRK.

Inter-governmental relations

Introduction

- 2.1 Government relations play an important role in the Australia-RoK relationship. As in any bilateral relationship, the ability of governments to communicate and work together on a wide range of issues determines the success of the overall relationship and has the potential to impact those involved.
- 2.2 Links between Australia and the RoK occur on many levels ranging from tourism to educational services and resources trade. Government relations are reflective of this diverse relationship, and as a result, a variety of Australian Commonwealth and RoK Government agencies communicate on a regular basis.
- 2.3 This chapter discusses high-level government relations, specifically exchanges and visits between Commonwealth Government ministers and Parliamentarians, defence connections and the role of the Australia-Korea Foundation.

Government and Parliamentary visits

- 2.4 Every Australian Prime Minister since 1982 has visited the RoK during their time in office. RoK Presidents, likewise, have visited

Australia on a consistent basis.¹ Additional contact takes place during annual talks between Australian and RoK Foreign and Trade Ministers, with a variety of other government Ministers also engaging in regular dialogue.

Commonwealth Government visits to the Republic of Korea

2.5 There have been the following Commonwealth Government visits to the RoK:

- Prime Minister John Howard MP – 2000, 2003 and 2005;
- Deputy Prime Minister Tim Fischer MP – 1999;
- Foreign Minister Alexander Downer MP – 2001 and 2003;
- Trade Minister Mark Vaile MP – 2002;
- Treasurer Peter Costello MP – 2005; and
- Communications, IT and the Arts Minister Senator Helen Coonan – 2005.²

Republic of Korea Government visits to Australia

2.6 There have been the following RoK Government visits to Australia:

- President Kim Dae-jung – 1999;
- Foreign Minister Ban Ki-moon – 2004;
- Trade Minister Hwang Doo-yun – 2003; and
- Defense Minister Yoon Kwang-ung – 2005.³

2.7 In addition to unilateral government visits between Australia and the RoK, leaders from both countries often meet at regional and global forums. Participation in the Asia Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN), the East Asia Summit process, the Organisation for Economic Cooperation and Development (OECD), the World Trade Organisation (WTO), and the UN represents valuable occasions for Australia and RoK leaders to meet and discuss relevant issues.

1 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 229.

2 DFAT, *Submission No. 21, Vol. 1*, p. 273; Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 535.

3 DFAT, *Submission No. 21, Vol. 1*, p. 273; Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 535.

2.8 The Department of Foreign Affairs and Trade (DFAT) noted that:

South Korea is a valuable partner and ally for Australia in multilateral fora. As influential regional democracies, with often overlapping trade and strategic interests, Australia and South Korea share similar perspectives on international and regional affairs and generally support each other's positions, arguments and candidates in multilateral forums.

Increasingly, Australia and South Korea act in diplomatic concert, especially within the region, to advance common global and multilateral goals.⁴

2.9 In recognition of the value of government visits, the RoK Embassy has called for increased exchange between heads of government. The Ambassador believed that:

The exchange of visits by heads of government is the most effective method in elevating across-the-board bilateral relations and will provide increased awareness of each other's strategic, economic and cultural importance.⁵

Government cooperation

2.10 Evidence would suggest that heads of government visits between the RoK and Australia do result in tangible, positive benefits. The following meetings are excellent examples of the kinds of benefits that government exchange can generate:

- Australia-Korea Broadband Summit 2003;
- Australia, New Zealand-Korea Broadband Summit 2005; and
- Korea-Australia Joint Committee on Energy and Mineral Resources Consultation and Cooperation Meetings.

Australia-Korea (New Zealand) Broadband Summits

2.11 Australia, the RoK and subsequently New Zealand met in 2003 and 2005 to discuss issues and areas for collaboration in the broadband field. In both instances, the meetings generated outcomes for Australia and the RoK. Key outcomes from the Summits included:

4 DFAT, *Submission No. 21, Vol. 1*, p. 274.

5 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 535.

- a collaborative arrangement between Korea's Electronics and Telecommunications Research Institute and the Australian Commonwealth Scientific and Research Organisation (CSIRO);⁶
- an MoU between Australia's Electrical and Electronic Manufacturers Association and ICA Korea (Korean Government agency which develops collaboration between Korean companies and companies located outside of Korea);⁷
- Australian Film Commission invitation to participate in a 2005 digital content conference in Seoul;⁸ and
- A memorandum of understanding (MoU) on the countering of spam between the Australian Communications Authority and the Korean Information Security Agency.⁹

Korea-Australia Joint Committee on Energy and Mineral Resources Consultation and Cooperation Meetings

2.12 The Joint Committee for Energy and Mineral Resources Consultation and Cooperation provides the opportunity for Australia and the RoK to 'exchange views on energy and minerals trade, energy use and demand forecasts and cooperation in energy and minerals research.'¹⁰ The most recent meetings of the Joint Committee took place in 2004 and 2005. Key outcomes from the meetings included:

- the conclusion of a bilateral treaty on resources cooperation;
- the linking of the Korean Institute of Geoscience and Mineral Resources (KIGAM) with Geoscience Australia;
- an MoU signed between KIGAM and CSIRO establishing the framework for future collaboration; and
- an exchange of information on Australia's and the RoK's recent energy policies.¹¹

6 Mr Peter Baxter, *Transcript 31 August 2005*, p. 13.

7 Mr Angus Robinson, *Transcript 1 September 2005*, p. 17.

8 Mr Kim Dalton, *Transcript 20 September 2005*, p. 67.

9 DCITA, *Submission No. 22, Vol. 1*, p. 319.

10 DITR, *Submission No. 49, Vol. 2*, p. 563.

11 DITR, *Submission No. 49, Vol. 2*, p. 564.

Parliamentary delegations

- 2.13 Parliamentary delegations have also been a feature of the Australia-RoK relationship. The RoK Embassy noted that:
- ... since the 1970s most Speakers of the Korean National Assembly have visited Australia during their term in office and many Australian parliamentary leaders (seven Speakers and three Presidents of the Senate) have also visited Korea.¹²
- 2.14 As the RoK Embassy submission noted, 'political exchanges between parliaments of the two democracies are extremely significant in promoting favourable foreign policy environments for each country' and 'need to be further increased.'¹³
- 2.15 The RoK Ambassador has commented that the RoK:
- ... would like to see the exchange visits of the [current] Speakers of [the] two Parliaments realised at an early date. We would also like to see Australian MPs and Senators increase their visits to Korea. Korean MPs comparatively often visit Australia on various occasions.¹⁴
- 2.16 There have been five Australian Parliamentary delegations to the RoK since 1998:
- January 1998 – 6th Annual Meeting of APPF;
 - July 1998 – Bilateral visit to RoK and Malaysia;
 - May 2001 – Official visit to RoK to commemorate the 50th anniversary of the Korean War;
 - July 2001 – Official visit to RoK and Indonesia; and
 - December 2003 – Official parliamentary delegation visit to RoK and Japan.¹⁵

12 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 229.

13 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 229.

14 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 535.

15 *Exhibit 15*, House of Representatives, Parliamentary Relations Office.

Committee comment

- 2.17 The Committee supports the need for regular governmental consultation between Australia and the RoK. It is satisfied with the current level of government visits and recognises the tangible benefits that can result from such exchange.
- 2.18 The Committee is pleased that a substantial level of parliamentary exchange between Australia and the RoK has occurred in the past.

Security relations

The Republic of Korea security posture

- 2.19 Massive economic growth has been the impetus behind an increasing RoK military capability. This enlarged capability, in turn, has allowed the RoK to realign its security priorities.
- 2.20 The view of the Department of Defence (Defence) is that under President Roh, the RoK is pursuing a dual defence strategy based on self-reliance, while maintaining strong US alliance ties. The RoK is focused on the need to defend the South from a potential invasion by the DPRK, with consideration being given to the eventual need to defend the entire peninsula upon reunification. Defensive considerations such as these are being coupled with the development of power projection capabilities designed to propel the RoK into the role of a regional power.¹⁶

Australia-Republic of Korea shared security interests

- 2.21 The RoK and Australia share a number of security interests in the Asia-Pacific region. The most important is ensuring the stability of the Korean peninsula itself. A complete discussion of the DPRK can be found in Chapter 7; however, both the RoK and Australia are committed to the peaceful settlement of the on-going North Korean nuclear issue. Other shared security interests include combating:

16 Department of Defence, *Submission No. 5, Vol. 1*, p. 39.

- terrorism – Australia and the RoK are participants in the global struggle against terrorism and have both contributed troops to the wars in Afghanistan and Iraq;¹⁷ and
- Weapons of Mass Destruction (WMD) proliferation – the Commonwealth Government leads the Australia Group of which the RoK has been an active participant. The RoK chairs the Missile Technology Control Regime (MTCR) which is supported by Australia, in particular MTCR outreach activities towards India and Pakistan.¹⁸

US regional engagement

2.22 US regional engagement is an important factor in Australian and RoK defence strategy. Defence noted that, 'Australia and [the RoK] occupy important geostrategic positions in the region and actively support US engagement in the region as a factor for stability.'¹⁹ Likewise, the RoK 'strongly supports US engagement as the key element of stable and sustainable security architecture in the Asia-Pacific region.'²⁰

Senior level defence visits

2.23 On May 31st 2005, RoK Minister for National Defense, Mr Yoon Kwang-Ung visited Australia for the first time. The visit allowed Australia's and the RoK's defence ministers to meet and 'exchange views on issues of mutual strategic importance.'²¹ Areas of mutual interest agreed upon during Mr Yoon's visit were:

- practical cooperation in peacekeeping;
- consequence management; and
- defence industry cooperation.

2.24 Australia and the RoK also engage in regular strategic dialogue on security issues and defence policies as well as annual senior level defence policy talks.²²

17 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 228.

18 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 228.

19 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 36.

20 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 224.

21 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 37.

22 Mr Benedict Coleman, *Transcript 1 September 2005*, pp. 36–7.

- 2.25 In 2003, the Chief of the Navy visited the RoK for the 50th anniversary celebrations of the signing of the Korean War armistice agreement.²³

Peacekeeping

- 2.26 Australia is a participant in many peacekeeping activities around the world. It is a member of the United Nations Command in the RoK, which oversees the 1953 armistice agreement,²⁴ and in October, 2005 an Australian army officer joined an international team monitoring border crossings between the RoK and the DPRK.²⁵
- 2.27 The RoK is active in the field of international peacekeeping. Recent RoK peacekeeping activities include:
- Somalia – 1993;
 - Georgia – 1994;
 - Western Sahara – 1994;
 - India-Pakistan – 1994;
 - East Timor – 1999;
 - Afghanistan – 2002;
 - Liberia – 2003; and
 - Burundi – 2004.²⁶
- 2.28 Defence stated that it was ‘hopeful that there are mutual lessons to be shared’ between Australia and the RoK in the peacekeeping field and perhaps ‘some cooperation [to be had] in peacekeeping doctrine.’²⁷
- 2.29 Participation in peacekeeping training courses is another potential area for cooperation. Defence has invited RoK officers to attend a peacekeeping operations course and is hopeful that ‘there may be similar [RoK] courses which might be suitable for the ADF.’²⁸

23 Defence, *Submission No. 5, Vol. 1*, p. 40.

24 Defence, *Submission No. 5, Vol. 1*, p. 41.

25 AAP Wire, *Australia to help UN in Korea*, 24, October, 2005.

26 Mr Benedict Coleman, *Transcript 1 September 2005*, pp. 43–4.

27 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 44.

28 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 44.

Consequence management

2.30 Defence believed that RoK forces were 'likely to have some good capabilities in the area of consequence management – dealing with the consequences of a terrorist attack,'²⁹ and noted that:

There are not many countries in the Asia-Pacific with good capabilities in this area, so it is important that we explore whether they have capabilities that are of interest to us – again, in terms of lessons learned and the type of techniques, equipment, skills, doctrine and organisation of their units. This is still a new, unfolding area, so the chance to compare notes about how they do business and how we do business in that area is pretty useful to us.³⁰

Defence industry cooperation

2.31 An MoU on defence industry cooperation between Australia and the RoK was signed on 8 August 2001. Since then, regular defence industry meetings have been held 'to identify opportunities to promote defence industry cooperation.'³¹

2.32 Recent examples of defence industry cooperation include:

- Australian purchase of a \$50 million oil tanker to replace HMAS *Westralia*;
- Boeing Australia has submitted a tender for the RoK's airborne early warning and control aircraft upgrade project;
- Samsung's interest in promoting their K9 self propelled gun for the Australian Defence Force project LAND 17 (a project designed to provide the Australian Defence Force with a indirect fire-support platform capability through to 2025-2030); and
- an agreement to purchase RoK manufactured 155 millimetre high-explosive artillery ammunition.³²

2.33 The Committee notes that the K9 is a tracked, self-propelled gun that is currently in service in Turkey and has been trialled in Malaysia. A decision on the LAND 17 project will be made before 2008 and the

29 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 44.

30 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 44.

31 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 37.

32 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 37.

potential exists for Defence to choose the Samsung K9 self propelled gun, should Samsung decide to bid on the tender.³³

- 2.34 In relation to the 155 millimetre high-explosive artillery ammunition purchased from the RoK, the Committee notes that the Australian Defence Industry was contracted to supply the ammunition and subsequently subcontracted to a Korean company (HANWHA) to supply that ammunition. Defence declared this was a 'stand-alone, one off buy.'³⁴

Exercise observation and participation

- 2.35 Australia and the RoK are participants in Rim of the Pacific (RIMPAC), a multinational maritime warfare exercise. In addition to RIMPAC, the RoK has been invited to, or sent observers to the following Australian exercises:
- Royal Australian Air Force Exercise, Pitch Black – 2004;³⁵
 - Royal Australian Navy Exercise, Kakadu – 2005;
 - Royal Australian Navy Exercise, Pacific Reach – 2007; and
 - occasional Royal Australian Navy ship visits to the RoK, including goodwill passage exercises.³⁶
- 2.36 Australia does not conduct bilateral exercises with the RoK. Defence noted that:

It is just not something that either side has raised at this stage. It might be one of the things that both sides might be able to identify as being in their interests in the future.³⁷

Defence educational exchange

- 2.37 In support of educational exchange between the RoK and Australia, Defence administers a 'modest' defence engagement program for the RoK. In the 2005-06 financial year, Defence expects to spend \$30 000 on the program. The relatively small amount of this expenditure

33 Defence, *Submission No. 47, Vol. 2*, p. 555.

34 Defence, *Submission No. 47, Vol. 2*, p. 555.

35 Defence, *Submission No. 5, Vol. 1*, p. 41.

36 Defence, *Submission No. 47, Vol. 2*, p. 554.

37 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 43.

reflects Defence's expectation that the RoK 'pays its own way ... in recognition of the strong state of the [RoK] economy.'³⁸

- 2.38 The Committee questioned Defence's decision to welcome RoK students on a full fee paying basis and sought clarification of the numbers of RoK students studying at the Australian Defence College and whether that number was affected by Australia's limited financial support for RoK defence students.
- 2.39 Defence noted that it does 'not have any difficulty in filling places [it makes] available to [the RoK] at the college'³⁹ and that 'Defence has a standing invitation to the RoK to send officers to the Australian Defence College each year.'⁴⁰ Defence added that:
- Since 2001 [the RoK] has sent three officers of a colonel equivalent level to the senior course at the staff college – the Centre for Defence and Strategic Studies. In 2001, 2002 and 2003, Defence paid for the attendants; it was at no cost to [the RoK]. The next [RoK] officer, a naval captain, to attend the same course in 2006 will be on a full fee for service basis which [the RoK] will be paying.⁴¹
- 2.40 In 2003, Australian Defence College students and Australian Defence Force Academy cadets visited the RoK.⁴²

Committee comment

- 2.41 The Committee is encouraged that Commonwealth and RoK Defence Ministers have recently met and supports their belief that cooperation in the areas of peacekeeping, consequence management and defence industry cooperation are key focal points for the Australian-RoK defence relationship.
- 2.42 A regional US presence is a significant component of Australian defence strategy and, therefore, the Committee recognises and sympathises with the RoK position towards a US presence in the Asia-Pacific region.
- 2.43 The Committee is pleased to note that the RoK has been a regular observer in Australian defence exercises. It is important for Australia

38 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 36.

39 Mr Benedict Coleman, *Transcript 1 September 2005*, p. 42.

40 Mr Chris Birrer, *Transcript 1 September 2005*, p. 42.

41 Mr Chris Birrer, *Transcript 1 September 2005*, p. 42.

42 Defence, *Submission No. 5, Vol. 2*, p. 41.

and the RoK to continue participation in exercise observer programs in order to better understand each other's operational capabilities.

- 2.44 The current level of educational exchange between the RoK and Australian Defence forces is satisfactory. It is the Committee's hope that as Australia and the RoK's defence relationship grows, so too will the number of defence student and cadet exchanges.

Recommendation 1

- 2.45 **In recognition of the growing importance of the Australia-RoK defence relationship, the Committee suggests that Defence continues to explore opportunities to enhance participation in bilateral defence exercises.**

The Australia-Korea Foundation

- 2.46 The Australia-Korea Foundation (AKF) was established by the Commonwealth Government in 1992. Its aim is to develop and strengthen the relationship between Australia and the RoK through the promotion of exchanges and institutional links with specific focus on the areas of commerce, industry and tourism, science and technology, education, the arts, media and sport.⁴³

Membership

- 2.47 The AKF is comprised of a board of 11 part-time members chaired by Dr Don Stammer (Chairman and Company Director of Deutsche Bank Australia), with a secretariat based in Canberra and Seoul. The board members have experience in a range of backgrounds that reflect the focus of the Foundation.
- 2.48 Dr Hyung-a Kim of the Australian National University has stated in her submission that the Australia-Korea Foundation board lacks membership with a thorough understanding of Korean culture and affairs.⁴⁴

43 DFAT, *Australia-Korea Foundation Annual Report 2003-2004*, p. 1.

44 Dr Hyung-a Kim, *Submission No. 11, Vol. 1*, p. 77.

- 2.49 The Committee sought a response from DFAT, which provided a list of AKF Board members and their interests. The Committee notes that membership comprises:
- two senior Commonwealth Government officials;
 - three Australian business leaders;
 - one former Ambassador to the RoK;
 - four academic and community leaders; and
 - one member of the Korean community in Australia.⁴⁵
- 2.50 Board selection would appear to be well considered. For example, the Committee has learned that in the case of AKF board member, Mr Kim Dalton, he ‘knew a lot about ... Korean industry prior to being approached to be on the AKF [board],’ and that he was asked to be on the board because, as a representative of the Australian film industry, he represented the potential for strategic engagement with the RoK in that field.⁴⁶

Funding and activities

- 2.51 Since 2003, the AKF has supported a number of products, activities and exchanges including:
- the *Investigating Australia* Multi-media study kit;
 - the Australia-Korea Broadband Summit;
 - George Rose photographs – touring exhibition and photographic book;
 - the Korean War Honour Roll quilt;
 - Australia-Korea collaborative e-health research; and
 - a variety of educational, sporting and scientific exchanges.⁴⁷
- 2.52 The AKF receives a budget of \$740,000 per annum which is provided through DFAT’s International Relations Grants Programme.⁴⁸ This level of funding is commensurate with the funding received by the

45 DFAT, *Submission No. 38, Vol. 2*, pp. 493–5.

46 Mr Kim Dalton, *Transcript 20 September 2005*, p. 65.

47 For a complete list of recent AKF activities see DFAT, *Australia-Korea Foundation Annual Report 2003–2004*.

48 DFAT, *Submission No. 21, Vol. 1*, p. 275.

Australia-China Council, the Australia-India Council and the Australia-Indonesia Institute. Additional funding received by bodies of this nature is sought from the non-government sector. In this area, the AKF receives less than these other bodies.⁴⁹

- 2.53 Despite limited funding, the AKF has had successes. The AKF's *Investigating Australia* media study kit has been distributed to every lower secondary school in the RoK and elements of the kit have been incorporated into the curriculum.⁵⁰ As a result, the RoK Ministry of Education has congratulated Australia for being the only foreign country to undertake such a promotional initiative.⁵¹
- 2.54 Financial sponsorship is, perhaps, the most important service the AKF provides. Each year the AKF offers financial support to individuals and institutions looking to engage with the RoK. Those awarded grants must have links in the RoK. This requirement effectively multiplies the impact of the grants by involving people in both countries. These exchanges, and the relationships that develop from them, are essential to building a stronger Australia-RoK relationship.
- 2.55 Major exchanges include:
- Gold Coast City – Chunchon City secondment program – an administrative officer exchange which assisted in the coordination of the 2003 Global Digital Cities Network Conference held on the Gold Coast;
 - the on-going Australia-Korea Teacher Exchange Program;
 - funding for scientific study between Charles Stuart University and Gyeongsang National University;
 - sponsorship of an Art residency program;
 - funding for McKinnon Secondary College and Barmera Primary School Korean exchange programs; and
 - funding for Korean film directors to participate in Australian film festivals.

49 DFAT, *Annual Report 2003-2004*, pp. 321-6.

50 Dr Leslie O'Brien, *Transcript 31 August 2005*, p. 10.

51 DFAT, *Submission No. 38, Vol. 2*, p. 503.

2001 review of Australia-Korea Foundation activities

- 2.56 In recognition of the great economic potential that a strengthened Australia-RoK relationship represents, the AKF, in 2001, commissioned a study titled, *Australia-Korea: Strengthened Economic Partnership*.
- 2.57 The study concluded that there were 'emerging new areas for a strengthening of the economic relationship' and that there were opportunities for collaboration 'in the more technology intensive sectors, education and training and in infrastructure and utilities.' The study further noted that the barrier to greater collaboration was the 'lack of knowledge about each other's strengths and weaknesses.'⁵²
- 2.58 The study made 12 specific recommendations designed to enhance Australia's economic partnership with the RoK. Key recommendations were:
- Australia and the RoK enter an umbrella agreement designed to strengthen the economic partnership between the two countries;
 - Australia and the RoK foster greater interest in each other's technology sectors;
 - a long term strategy be developed to promote Australian educational institutions to the RoK Government; and
 - the media be used more extensively to increase the profile of Australia and the RoK in each other's country.⁵³
- 2.59 The Committee questioned witnesses about the outcomes of the 12 recommendations. DFAT's response left some doubt in the Committee's mind as to the extent that the recommendations had been implemented.
- 2.60 The Committee observed that it appeared that approximately five of the 12 recommendations had yielded positive results and suggested that perhaps there has been a lot of dialogue but a lack of 'concrete' results since 2001.⁵⁴

52 Australia-Korea Foundation report, *Australia-Korea: Strengthened Economic Partnership*, August 2001, pp. iii-iv.

53 AKF report, *Australia-Korea: Strengthened Economic Partnership*, August 2001, pp. v-vi.

54 Committee, *Transcript 31 August 2005*, p. 15.

- 2.61 In its defence, DFAT suggested that some of the recommendations called for joint cooperation with the RoK Government, and that the RoK Government, in some circumstances, has not been receptive to Australian overtures.⁵⁵ In categorising the Australia-RoK relationship, DFAT added that it lacked the 'vibrancy' of an Australia-China or Australia-Japan relationship. This is something that DFAT, and by extension the AKF, continues to address.⁵⁶
- 2.62 The RoK Ambassador has responded to DFAT's suggestion that the RoK Government has not always responded positively to Australian proposals for cooperation. The Ambassador stated that while 'both governments may have different priorities in their respective interests and divergent approaches to the strengthening of the relationship,' it is important to remember that 'joint efforts by both governments have been contributing remarkably to the current excellent ties between the two countries.'⁵⁷

Committee comment

- 2.63 The Executive's response to the *Australia-Korea Strengthened Economic Partnership* report and its recommendations gets to the heart of the current Australia-RoK relationship. To date there is much recognition of the potential for the relationship to expand greatly, and although some work is being done to do just that, there is a general malaise that must be overcome. The AKF has the potential to be the Australian conduit for an invigorated relationship.
- 2.64 The Committee recognises the work that the AKF does and encourages it to continue expanding its role in the development of Australian-RoK relations.
- 2.65 Evidence provided to the Committee by DFAT, shows that each board member has been chosen because of their backgrounds in commerce, industry and tourism, science and technology, education, media, the arts or sports. Eight of the 11 members have had direct experience working in the RoK. However, only one is of Korean descent.⁵⁸

55 Mr Peter Baxter, *Transcript 31 August 2005*, p. 16.

56 Mr Peter Baxter, *Transcript 31 August 2005*, p. 16.

57 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 536.

58 DFAT, *Submission No. 38, Vol. 2*, pp. 493-5.

- 2.66 The membership of the Australia-Korea Foundation Committee adequately addresses the goals of the Foundation; however, the Committee believes that the Foundation's membership could be enhanced by members with a more intimate knowledge of Korean society.
- 2.67 An expanded AKF budget would help to generate greater activity between Australia and the RoK. The Committee encourages Australian non-government bodies – specifically those with interests in the RoK – to increase their funding to the AKF.
- 2.68 The Committee notes that the AKF website is not up-to-date and that many of the AKF's recent activities are not well advertised. Greater public exposure to the AKF and its activities would help advance the profile of the AKF in Australia, and, by extension, the profile of the Australia-RoK relationship.

Recommendation 2

- 2.69 **At the first opportunity, the Australia-Korea Foundation ensure its board membership includes more members with an intimate knowledge of Korean society and culture.**

The economic relationship

Introduction

- 3.1 The Australia–RoK economic relationship is a complementary one. Australia provides the RoK with energy, minerals and other raw materials. In return, Korea sells a substantial amount of telecommunications equipment, household electronics and motor vehicles to Australia.¹
- 3.2 Australian service exports such as education and tourism and direct investment have also become important aspects of the Australia–RoK economic relationship. Liberalisation of the RoK foreign investment system following the 1997 financial crisis has resulted in a rise in Australian direct investment in the RoK. Australian companies are now operating successfully in the RoK’s tourism, financial, legal and accounting services sectors.
- 3.3 RoK direct investment in the Australia has increased in recent years, with investment occurring in the resource, forestry and electronics sectors.²
- 3.4 Despite the strength of the economic relationship, there is still room for growth. The RoK Embassy believed that there existed a great potential to expand the relationship through the enhancement of ‘bilateral investment activities and science & technology cooperation

1 Mr Peter Baxter, *Transcript 31 August 2005*, p. 3.

2 DFAT, *Submission No. 21, Vol. 1*, p. 287.

on the basis of a complementary industrial structure.’³ DFAT similarly noted that ‘significant growth potential remains for Australian exporters in the Korean market,’ and cited the rural, energy and manufacturing sectors as areas for potential growth.⁴

- 3.5 This chapter will focus primarily on Australia’s business relationship with the RoK. Nevertheless, the Committee will note RoK business activities with Australia wherever possible.

Established and emerging areas of trade

- 3.6 Established exports from Australia to the RoK include:

- processed food and food ingredients;
- dairy products;
- beef;
- automotive components;
- timber and building materials; and
- educational services.⁵

- 3.7 In the RoK, increased consumer purchasing power, changing lifestyle patterns and a growing preference for imported goods have led to new opportunities for Australian exporters of:

- organic food;
- wine;
- information technology;
- biotechnology;
- sports services and products;
- children’s literature and learning tools; and
- cosmetics, jewellery and fashion.⁶

3 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 236.

4 DFAT, *Submission No. 21, Vol. 1*, p. 288.

5 DFAT, *Submission No. 38, Vol. 2*, p. 496.

6 DFAT, *Submission No. 38, Vol. 2*, p. 497.

Business representation

- 3.8 Over the course of the inquiry, the Committee was advised of five Australian representative bodies with links to the RoK:
- Austrade Seoul;
 - Australia–Korea Business Council;
 - Overseas Korean Traders Association;
 - Australia Electrical and Electronic Manufacturers’ Association; and
 - Meat & Livestock Australia.

Austrade Seoul

- 3.9 Success in the current Australia–RoK economic relationship, and any future expansion, rests in part on the ability of Australian and Korean companies to introduce and maintain a level of in-country representation as a means of establishing close trading relationships. Austrade Seoul plays an important role in this process, especially for those businesses that do not have the capacity to maintain their own in-country representation. However, even large, representative bodies turn to Austrade Seoul to assist in this regard.
- 3.10 Austrade’s mandate is to help Australians succeed in export and international business. Austrade assists ‘a wide range of existing and emerging [Australian] exporters to tap into areas of new opportunity’ in the RoK market and facilitates the ‘conversion of those opportunities into ongoing business,’⁷
- 3.11 Austrade’s performance was noted by the Managing Director of Oceanis Holdings Ltd (an Australian company that owns and operates the Busan Aquarium) who commented that Oceanis’ success in the RoK ‘has been aided in no small part by the excellent support received from ... our Austrade Commissioner.’⁸
- 3.12 Austrade Seoul employs 15 full-time staff, three of whom are Australian Trade Commissioners (including a Senior Trade Commissioner) and 12 who are Korean marketing staff. In 2003–04, Austrade Seoul assisted 894 companies of which 244 experienced

7 DFAT, *Submission No. 38, Vol. 2*, p. 496.

8 Oceanis Holdings, *Submission No. 27, Vol. 1*, p. 286.

export success. In 2005, Austrade Seoul was one of the highest performing offices in Austrade's North East Asia region.⁹

The Austrade Seoul business plan

3.13 Austrade Seoul has based its business plan on the following drivers of new business in the RoK. They are the:

- 'well-being' boom;
- five day work week;
- broadband and digital content explosion;
- domination of the discount store and hyper-market;
- discovery of wine;
- increased globalisation and foreign ownership of Korean companies; and
- emergence of Korea as a hub for the arts.¹⁰

3.14 For each of these drivers, Austrade Seoul has developed a promotional strategy and can isolate specific business successes within each category. Main successes include:

- the Australian-Broadband Summit – technology partnership between CSIRO and Korea's Electronics and Telecommunications Research Institute;
- assistance to the Oceanis Group in establishing and operating the Busan Aquarium; and
- negotiating assistance to Holden to facilitate bulk sale and purchasing agreements for Holden engines.¹¹

3.15 Several participants in the inquiry have noted either contact with or support from Austrade Seoul. In addition to Oceanis Holdings Ltd and Meat & Livestock Australia (which have been previously noted), the Australian Broadcasting Corporation; the Department of Communications, IT and the Arts; the Media, Entertainment and

9 DFAT, *Submission No. 38, Vol. 2*, p. 496.

10 DFAT, *Submission No. 38, Vol. 2*, pp. 497-501.

11 DFAT, *Submission No. 38, Vol. 2*, pp. 497-501.

Arts Alliance; and the Australian Wine and Brandy Corporation have all acknowledged positive relations with Austrade Seoul.

Committee comment

- 3.16 The Committee recognises the valuable assistance that Austrade Seoul has given to its clients. The key to Austrade Seoul's success is, in the Committee's opinion, the systematic way it has developed its business plan through identifying the principal drivers for business success in the RoK.

Australia-Korea Business Council

- 3.17 The Australia-Korea Business Council (AKBC) was established in 1978 with the purpose of 'enhancing the scope for trade and economic cooperation between Korea and Australia,' through the provision of dialogue opportunities between leaders of the business community.¹²
- 3.18 Dialogue opportunities are generated by the annual joint meeting between the AKBC and its Korean counterpart – the Korea-Australia Business Council. In addition, the AKBC arranges conferences, roundtable discussions and meetings between Australian and RoK business representatives, which are intended to 'enhance understanding of relevant current developments or issues facing business.'¹³ In its activities the AKBC works closely with the Australian Government.¹⁴
- 3.19 AKBC membership includes large Australian corporations as well as government and non-government organisations that are involved in trade with the RoK.¹⁵ The AKBC membership list includes:
- BHP Billiton;
 - Freehills;
 - Woodside Energy;
 - Austrade;
 - Rio Tinto;

12 Mr William Shields, *Transcript 20 September 2005*, p. 18.

13 AKBC, *Submission No. 17*, p. 201.

14 Mr Peter Baxter, *Transcript 31 August 2005*, p. 16

15 Mr William Shields, *Transcript 20 September 2005*, p. 18.

- Meat & Livestock Australia;
- Macquarie Bank; and
- Hyundai Motor Co. Australia.¹⁶

Overseas Korean Traders Association

- 3.20 Unlike the AKBC, the Overseas Korean Traders Association (OKTA) is much more representative of small, individual traders (mostly of Korean origin) who reside and operate businesses in Australia.¹⁷ The Association gives advice on trade opportunities and other trade related information to its members and has three branches in Australia – Sydney, Perth and Adelaide.¹⁸
- 3.21 The OKTA believes that small-scale, individual traders play an important role in the Australia–RoK business relationship, as they are often responsible for the initial introduction of Australian products to the Korean market. This effectively allows Australian companies to test the ‘marketability of Australian goods and services in Korea.’¹⁹ The importation of small quantities of Australian chilled beef into the RoK was cited as an example of Australian–Korea traders establishing a market in the RoK for Australian chilled beef prior to a large contract being signed between Daesang (a Korean food processing company) and Meat & Livestock Australia (MLA).²⁰
- 3.22 The OKTA encouraged the Australian government to ‘vigorously’ capitalise on the ability of Korean Australians to pioneer Korean markets. It has called for greater government support for the OKTA membership in its endeavours to introduce and advertise Australian products and services in the RoK. When asked by the Committee to expand on the type of government support that might be required, the OKTA provided the following example:

We organised [a] Korean trading school that was held last July for two and a half days and was heavily subsidised by the Korean government. The reason that they supported and subsidised that event was that they want to capitalise on the

16 AKBC, *Submission No. 17*, p. 201.

17 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 12.

18 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 11.

19 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 12.

20 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 12.

work, experience and knowledge of Korean-Australians to sell more products from Korea to Australia. The reciprocal way is also available to OKTA Sydney. By getting support from the Australian government, we could stage exactly the same kind of trading school ... in order to develop and sell more Australian goods and services overseas – not just to Korea.²¹

- 3.23 Austrade responded noting that it held a seminar series for Korean-Australian business people in 2003, in which OKTA members participated.²²

Committee comment

- 3.24 The Committee is aware of Austrade's support for small Australian companies but understands OKTA's desire for greater Australian Government support for small businesses exporting to the RoK market. The Committee agrees that small business has the potential to expand the trade relationship with the Republic of Korea.

Recommendation 3

- 3.25 **The Department of Foreign Affairs and Trade provide all possible assistance, via organisations such as the Overseas Korean Traders Association, to small businesses exporting or wishing to export to the Republic of Korea.**

Australian Electrical and Electronic Manufacturers' Association

- 3.26 The Australian Electrical and Electronic Manufacturers' Association (AEEMA) is an industry association representing Australia's infrastructure providers in three principal areas: electronics, electrical manufacturing and information and communication technology (ICT).²³
- 3.27 AEEMA seeks to 'form strategic alliances with kindred industry associations' in various countries with whom its members wish to

21 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 17.

22 Austrade, *Submission No. 55, Vol. 3*, p. 589.

23 Mr Angus Robinson, *Transcript 1 September 2005*, p. 17.

have a relationship for business development purposes. The RoK is one such country.²⁴

- 3.28 AEEMA's engagement in the RoK is based on its role of leading and implementing the Commonwealth Government's Electronics Industry Action Agenda, which has been singled out by the Minister for Communications, IT and the Arts as one of two areas (the other being a digital content action agenda) for formal engagement with the RoK.²⁵
- 3.29 AEEMA and ICA Korea (the RoK government agency which helps to develop collaboration between Korean and non-Korean companies) signed an MoU in 2003. The impetus behind the MoU was the first Australia Korea Broadband Summit and the result has been a document that has 'provided the basis on which ... a constructive and increasing relationship with Korea' has been formed.²⁶
- 3.30 In addition to the ICA Korea MoU, AEEMA has relationships with the Korean IT Security Association, the Korean Electronics Association and has recently agreed to sign an MoU with the Korean Electrical Manufacturing Association.
- 3.31 AEEMA strongly endorses a model for engagement with the RoK similar to the model it has employed successfully in Taiwan. It is a 'holistic engagement which involves Invest Australia, Austrade, five state governments, CSIRO and the National ICT Industry Alliance.'²⁷ The framework is based on five principles:
- research and product development collaboration;
 - high value ICT manufacture;
 - strategic alliances;
 - trade facilitation; and
 - investment attraction.²⁸

24 Mr Angus Robinson, *Transcript 1 September 2005*, p. 17.

25 Mr Angus Robinson, *Transcript 1 September 2005*, p. 17.

26 Mr Angus Robinson, *Transcript 1 September 2005*, p. 17.

27 Mr Angus Robinson, *Transcript 1 September 2005*, p. 21.

28 AEEMA, *Submission No. 4, Vol. 1*, p. 34.

Meat & Livestock Australia Limited

- 3.32 MLA is a producer-owned company, partially funded by the Federal Government. It provides two key services to the Australian beef, sheep meat and goat industry:
- marketing activities; and
 - research activities.²⁹
- 3.33 The Australian beef trade to the RoK is the focus of MLA's work in the RoK.³⁰ MLA has been able to develop the image of Australian beef as 'clean and safe' as well as 'nutritious and delicious,' and has projected this image to RoK retail, food service and trade industries.³¹
- 3.34 MLA takes a co-operative approach to its work. It is supportive of close liaisons with Australian Government agencies and relevant Korean industries. In-country representation is used in the RoK to 'foster trade relations, monitor market access arrangements and expand networks and relationships.'³²
- 3.35 MLA voiced its support during the inquiry for any Australian attempt to negotiate a free trade deal with the RoK. MLA's support is based on both offensive and defensive grounds. Offensively, a Free Trade Agreement (FTA) would address problem regulations facing Australian exports and defensively, an FTA with the RoK would place Australian beef exports in a more competitive position should the RoK sign an FTA with the US or Canada.³³ However, MLA recognises that any FTA negotiation with the RoK will involve very difficult negotiations over agricultural products.³⁴

29 MLA, *Submission No. 1, Vol. 1*, p. 3.

30 Specifics of the beef trade are noted later in the chapter.

31 MLA, *Submission No. 1, Vol. 1*, p. 8.

32 MLA, *Submission No. 1, Vol. 1*, p. 9.

33 Dr Peter Barnard, *Transcript 20 September 2005*, p. 68.

34 Dr Peter Barnard, *Transcript 20 September 2005*, p. 70.

Business engagement—energy, resources and primary produce

Energy and resources

- 3.36 Demand for energy and mineral resources in the RoK is high. Australia has benefited from this demand and is a major supplier of energy and mineral resources to the RoK. In 2004, Australia supplied the RoK with five and a half billion dollars worth of energy, minerals and metals exports.³⁵

Liquefied Natural Gas

- 3.37 Australian liquefied natural gas (LNG)³⁶ is represented by North West Shelf LNG Pty Ltd (NWSLNG) which owns and operates the North West Shelf Venture (NWSV) resource project. NWSLNG is owned by six companies:
- BHP Billiton Petroleum;
 - Chevron Australia;
 - Shell Development Australia;
 - BP Development Australia;
 - Japan Australia LNG; and
 - Woodside Energy.
- 3.38 Australia is a leading supplier of LNG to the Asia-Pacific region but is only one of several countries that supply LNG around the world. Countries such as Indonesia, Russia, Malaysia, Yemen and Qatar all compete with Australia for share of the LNG market in the Asia-Pacific. The marketability and competitiveness of Australian LNG is based on its ability to supply a safe, reliable and secure product.³⁷
- 3.39 In 2003, the NWSV secured a seven year contract with the Korean Gas Corporation (KOGAS) to supply over three million tons of

35 Mr John Karas, *Transcript 31 August 2005*, p. 79.

36 For an explanation of the LNG supply process see, *Transcript, 20 September 2005*, pp. 11-18.

37 NWSLNG, *Submission No. 14, Vol. 1*, p. 188.

LNG. This contract represents five per cent of the NWSV's current production.³⁸

- 3.40 RoK demand for energy, including LNG, is great and is predicted to increase by almost four per cent a year until 2017.³⁹ As a result, NWSLNG is confident that, because of its existing contract with the RoK, it is 'well-placed to build significantly on [its] position as an existing LNG supplier ... and secure new opportunities.'⁴⁰
- 3.41 While new opportunities exist, there have been disappointments. In 2004, NWSLNG bid on a contract to supply additional LNG to the RoK and was unsuccessful. A further discussion of that bid, and the challenges that the LNG industry in Australia face in the RoK, can be found in the next chapter.

Coal

- 3.42 Australian coal exports to the RoK made a substantial jump in 2004 when China re-directed its coal exports away from the RoK to satisfy its growing internal demand.⁴¹
- 3.43 Rio Tinto Coal Australia (RTCA) supplies POSCO (a RoK steel making company) with millions of tons of coking coal each year. The volume of trading between RTCA and POSCO has led to the establishment of the Mount Thorley Joint Venture. This joint venture represents a new, 'partnership approach ... above and beyond the traditional seller/buyer relationship.'⁴²
- 3.44 In addition to coking coal, RTCA exports thermal coal to a group of Korean companies called the Gencos. Exports of thermal coal to the RoK have fallen in recent years due to the supply of lower priced coal from China and the defaulting of contracts by the Gencos in favour of the lower priced Chinese coal.⁴³ The Department of Industry, Tourism and Resources (DITR) believes this situation has the potential for change as China's ability to sustain its current thermal coal export levels decreases.⁴⁴

38 Mr John Banner, *Transcript 21 September 2005*, p. 11.

39 NWSLNG, *Submission No. 14, Vol. 1*, p. 187.

40 NWSLNG, *Submission No. 14, Vol. 1*, p. 185.

41 DFAT, *Submission No. 21, Vol. 1*, p. 284.

42 Rio Tinto Australia, *Submission No. 31, Vol. 2*, p. 439.

43 Rio Tinto Australia, *Submission No. 31, Vol. 2*, p. 439.

44 Mr John Karas, *Transcript 31 August 2005*, p. 80.

Mineral resources

3.45 Key Australian mineral exports to the RoK are:

- gold;
- iron ore;
- lead; and
- uranium.

Gold

3.46 DFAT statistics cite non-monetary gold as one of the four largest Australian export items to the RoK.⁴⁵ DITR ranks the RoK as Australia's third largest export market but notes a downward trend in gold exports since 1996 when the RoK was Australia's largest gold export market.⁴⁶

3.47 Australia also imports non-monetary gold from the RoK. DFAT categorises RoK exports of non-monetary gold as 'highly volatile' – a statement that is substantiated by statistics showing a 72 per cent decrease in Korean non-monetary gold exports to Australia in 2004.⁴⁷

Iron Ore

3.48 Australia supplies 50 per cent of the RoK's iron ore, making it Australia's third largest market for iron ore after Japan and China.⁴⁸

3.49 The history of iron ore trade between Australia and the RoK dates back to the 1970s when POSCO agreed to a 130 000 ton purchase from Australian iron ore producer, Hamersley Iron. Today, POSCO is Hamersley Iron's largest customer.⁴⁹

3.50 Iron Ore exports to the RoK will continue to grow in the future. POSCO has announced plans to increase its production capacity and in response, Australian iron ore companies have committed to expanding their supply and port capacity.⁵⁰

45 DFAT, *Submission No. 21, Vol. 1*, p. 283.

46 Mr John Karas, *Transcript 31 August 2005*, p. 80.

47 DFAT, *Submission No. 21, Vol. No. 1*, p. 285.

48 Mr John Karas, *Transcript 31 August 2005*, p. 79.

49 Rio Tinto Australia, *Submission No. 31, Vol. 2*, p. 437.

50 Rio Tinto Australia, *Submission No. 31, Vol. 2*, p. 437.

Lead

- 3.51 The RoK is Australia's largest market for refined lead and the second largest market for lead concentrates. The total value of lead exports to the RoK in 2003–04 was \$140 million.⁵¹

Uranium

- 3.52 The RoK is Australia's fourth largest export market for uranium. Australian companies such as Energy Resources Australia have long standing relationships with Korean companies. This ensures Australia is well placed to meet the RoK's demand for uranium, which is expected to increase by 50 per cent over the next several years.⁵²
- 3.53 Historically, Australian uranium producers have entered into long-term contracts with the RoK. These contracts have ensured the supply of Australian uranium at very low prices and, as the contracts expire, Australian producers must compete with other uranium producers. This affects Australia's market share but can be countered by the extension, rather than re-negotiation of contracts. The existence of long-term contracts for Australian uranium plays a pivotal role in decisions to extend uranium mining operations in areas such as South Australia.⁵³

Additional resource trade

- 3.54 In addition to the afore mentioned mineral resources, Australia supplies the RoK with:
- bauxite;
 - aluminium;
 - copper; and
 - salt.

51 Mr John Karas, *Transcript 31 August 2005*, p. 80.

52 Mr John Karas, *Transcript 31 August 2005*, p. 80.

53 Committee, *Transcript 31 August 2005*, p. 83.

Committee comment

- 3.55 The Committee is aware of the large role that energy and resource exports play in the Australia-RoK business relationship. **These exports represent a vibrant area of trade that can be capitalised on to further develop the overall Australia-RoK relationship, particularly in areas such as value added manufacturing and service sectors.**

Primary produce

- 3.56 The RoK's agricultural policy is based on the desire for self-sufficiency. Consequently, the RoK Government heavily subsidises its agricultural industry. This poses issues for Australian exporters that will be discussed in the next chapter, but in spite of high agricultural protection in the RoK, Australia supplies the RoK with a range of primary products including:

- beef;
- wheat; and
- wood.⁵⁴

Beef

- 3.57 MLA cites the Korean market as one of its most important international markets. Last year, Australia exported 93,000 tonnes of beef to the RoK, making it Australia's fifth largest export to the RoK.⁵⁵
- 3.58 Sales to the RoK market have been growing steadily over a long period of time, and recently, growth in the chilled, grain fed and cuts trade has increased – all areas that are at the 'value end of the business'. MLA believes this represents positive growth at the 'right end of the business.'⁵⁶
- 3.59 Australian beef has benefited greatly in recent years by the absence of US beef in the market, due to BSE cases found in US beef. US beef has returned to the Korean market and the Committee inquired if there were efforts to consolidate the market advantage Australian beef had enjoyed during the absence of US beef.

54 DAFF, *Submission No. 35, Vol. No. 2*, p. 472.

55 Dr Peter Barnard, *Transcript 20 September 2005*, p. 66.

56 Dr Peter Barnard, *Transcript 20 September 2005*, p. 66.

- 3.60 The Department of Agriculture, Fisheries and Forestry (DAFF) noted that production of beef in Australia had increased to meet Korean demand,⁵⁷ and counter 'supply constraints [that] have restricted Australia's capacity to capture all of the market vacated by the US.'⁵⁸
- 3.61 To successfully compete with the US, the Australian beef industry must counter the image of Australia as a supplier of poorer quality, grass-fed beef. The US beef industry capitalised on the Korean preference for high-marbled, grain-fed beef and specific cuts for barbeque cooking and, as such, dominated the market. The MLA is actively marketing alternate cuts of Australian beef that would fit well with traditional Korean dishes in an effort to compete with the return of US beef to the market.⁵⁹

Wheat

- 3.62 Although the Committee received little information regarding the wheat trade with the RoK, wheat is second only to beef on the list of agricultural exports to the RoK, and is therefore noteworthy. Wheat is excluded from Australian agricultural export lists due to confidentiality, but DAFF estimates that in 2004, Australia exported \$338 million worth of wheat to the RoK.⁶⁰

Forestry

- 3.63 Forestry is an area of the trade relationship that is expected to grow in the coming years. In 1997, the RoK Forestry Administration (now known as the Korea Forest Service) signed an arrangement of cooperation with the then Department of Primary Industries and Energy. The arrangement established a cooperative committee that meets every two years to discuss forestry issues.⁶¹
- 3.64 Korea depends, in large part, on imports for its timber products and the RoK Government has actively supported Korean companies wishing to invest in overseas plantations. As a result, the RoK

57 Ms Nicola Gordon-Smith, *Transcript 31 Wednesday 2005*, p. 57.

58 MLA, *Submission No. 1, Vol. 1*, p. 5.

59 MLA, *Submission No. 1, Vol. 1*, p. 5.

60 DAFF, *Submission No. 35, Vol. No. 2*, p. 475.

61 DAFF, *Submission No. 35, Vol. No. 2*, p. 479.

company, Hansol, has made a substantial investment in plantation forestry in Western Australia.⁶²

- 3.65 The State of Queensland recognises that opportunities exist to develop trade with the RoK in the areas of forestry exports and forestry management research collaboration. The Queensland Government intends to pursue these opportunities through its newly established trade and investment office in Seoul.⁶³

Committee comment

- 3.66 Like energy and resources, exports of primary produce constitutes an important part of the Australia–RoK business relationship.
- 3.67 Australia has profited from recent opportunities in the RoK beef market and the Committee is satisfied with the steps taken to secure or maintain greater market share for Australian beef in the RoK.
- 3.68 The Committee encourages RoK investment in Australian plantation forestry and expects that forestry business between Australia and the RoK will grow in the future.

Business engagement—goods and services

- 3.69 As the Korean lifestyle begins to change, so too do the opportunities for new Australian business ventures in the RoK. In recent years, the RoK has introduced a five day work week, which has led to an increase in leisure time and spending in the RoK. Australian companies providing goods and/or services have had some success capitalising on these opportunities.
- 3.70 The profile of Korean companies in Australia has increased at an even greater rate. Through sponsorship and direct marketing, Hyundai, Kia, LG and Samsung have become household names in Australia and supply the country with quality, affordable products such as telecommunications equipment, motor vehicles, computers and televisions.⁶⁴

62 DAFF, *Submission No. 35, Vol. No. 2*, p. 479.

63 Mr Malcolm Letts, *Transcript 31 August 2005*, p. 71.

64 DFAT, *Submission No. 21, Vol. 1*, p. 285.

3.71 The term 'goods and services' is used in a broad manner for the sake of this report. It covers a wide range of products and activities that have come to the attention of the Committee. They include:

- Holden *Statesman* motor vehicles;
- motor vehicle parts;
- wine;
- education services;
- tourism services; and
- collaborative ventures.

Goods

3.72 Because the Australia–RoK business relationship has traditionally been one whereby Australia is a supplier of raw materials, manufactured goods do not feature prominently on the list of Australian exports to the RoK. There are a few exceptions. Internal combustion engines and motor vehicle parts make the list of major exports,⁶⁵ and in May 2005, Holden began exporting its *Statesman* vehicles to the RoK.⁶⁶

3.73 Wine, while not a major export as yet, is an export opportunity for Australia and is a good example of how emerging trends in the RoK market represent the potential for an increase in Australian goods exports to the RoK.

3.74 The Australian Wine and Brandy Corporation (AWBC) classifies the RoK as an 'emerging and embryonic market,' for Australian wine. Australia currently holds a seven per cent market share but, through the implementation of a strategic plan for the period between 2005 and 2008, the AWBC expects market share to grow to 20 per cent by 2010.⁶⁷

3.75 Growth potential is based on an increasing per capita consumption of wine in the RoK. Increased wine consumption is attributed to changes in the Korean diet (wine is considered a 'well being' product), a growing middle class, and a generational shift.⁶⁸

65 DFAT, *Submission No. 21, Vol. 1*, p. 283.

66 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 231.

67 AWBC, *Submission No. 30, Vol. 2*, p. 431.

68 AWBC, *Submission No. 30, Vol. 2*, p. 429.

- 3.76 Part of the AWBC plan for expansion in the RoK market calls for the implementation of several strategic initiatives, including:
- inviting key Korean representatives to visit Australia during the 2006 vintage to increase awareness of Australian wine and establish business relationships;
 - developing a comprehensive wine promotion for the RoK (Austrade will assist in its development);
 - providing key information about the Australian wine industry in the Korean language; and
 - recruiting of an executive officer with responsibility for the RoK market.⁶⁹
- 3.77 With the assistance of the AWBC and Austrade Seoul, Australian wine merchants have already achieved success in the RoK market. While challenges exist, (which will be discussed later in the chapter) the following example highlights the trade which is occurring between the Australian wine industry and the RoK.
- 3.78 Austrade Seoul introduced Korean wine distributor Kil-Jin International to the Grant Burge wine range through the use of wine notes and independent reviews. As a result of this exposure, Kil-Jin sent eight staff to Australia to train and subsequently purchased two freight containers of Grant Burge wine. A third container purchase is pending.⁷⁰

Services

- 3.79 There is significant potential for increases in the Australian services trade to the RoK. Education and tourism currently dominate Australia's services exports; however, service providers such as Macquarie Bank and Oceanis Holdings Ltd are also having success in the RoK.⁷¹ Collaboration between RoK and Australian companies in areas such as the gaming industry, and the opportunity for Korean companies to use Australian post-production film facilities represent avenues of trade that have shown great potential for further development.

69 Mr Steve Guy, *Transcript 21 September 2005*, pp. 28-9.

70 DFAT, *Submission No. 38, Vol. 2*, p. 500.

71 DFAT, *Submission No. 21, Vol. 1*, p. 287.

- 3.80 Korea is the second largest source country for international students in Australia. Twenty-four thousand Korean students were studying in Australia in 2005. The majority of those students were attending English Language Intensive Courses for Overseas Students with a smaller number attending Australian higher education and vocational training institutions.⁷²
- 3.81 The education market for Koreans studying in Australia is discussed in Chapter 6.
- 3.82 Like education, tourism accounts for a large portion of Australia's services exports to the RoK. Korea is Australia's seventh largest tourism market, the highest yielding market and the fastest growing. It has, however, dropped from the first ranked to fourth ranked aspirational destination for RoK tourists.
- 3.83 When asked by the Committee why Australia had fallen from first to fourth, DITR, after consultation with Tourism Australia, noted that marketing activity in the RoK was suspended after the 1997 Asian Crisis. Following the crisis, competitors such as the USA and Europe began marketing before Australia. In addition, Koreans generally associate Australia with its natural and physical environment and know little else of Australia and therefore do not consider it as a holiday destination.⁷³
- 3.84 In response to these findings and in recognition of the importance of the RoK market to Australian tourism, Tourism Australia has elevated the RoK market from Tier 2 status to Tier 1, thereby increasing marketing in the RoK. DITR has responded by commissioning a report titled *Korea: Building the Framework for Sustainable Inbound Tourism*, which was released in June 2005. The report identified three key areas that needed to be addressed in order to achieve the continued high growth and expansion of the Australian share in the RoK market:
- marketing and promotion;
 - product quality; and
 - aviation.⁷⁴

72 Ms Shelagh Wittleston, *Transcript 31 August 2005*, p. 36.

73 DITR, *Submission No. 51, Vol. 2*, p. 573.

74 Ms Patricia Kelly, *Transcript 31 August 2005*, p. 28.

- 3.85 The Committee queried DITR as to the effectiveness of the report. DITR responded that the report was received favourably in the RoK as a means of demonstrating Australia's seriousness about meeting the needs of Korean consumers and was strongly supported by the Australian tourism industry.⁷⁵
- 3.86 Education and tourism represent established, albeit growing, areas of the services trade between Australia and the RoK. It is also a one-way trade structure – Australian students and tourists generally do not go to the RoK. The future potential for two-way services trade rests in the ability of Australian and Korean companies to cooperate on a range of collaborative ventures, which will most likely occur in the ICT field.
- 3.87 In 2003, President Roh identified ten next generation growth engines that are expected to spur economic development in the RoK. The RoK Government is investing heavily in the research and development of these 'engines'. This presents an opportunity to expand the Australia–RoK relationship through joint business investment cooperation.⁷⁶
- 3.88 This has already begun in the services sector as RoK and Australian companies capitalise on scientific and technology synergies to develop products. The combination of Australian ideas and Korean capabilities would appear to be the template for this type of cooperation.
- 3.89 For example, former Australian Ambassador to the RoK, Mr Mack Williams, told the Committee about some Australian gaming inventors that 'hooked up' with Samsung to develop a product, which Samsung then launched in Japan. 'It became the best gaming software in Japan. It was created by Australians but released through Samsung into Japan.'⁷⁷

Committee comment

- 3.90 The Committee recognises the potential to expand the Australia–RoK business relationship beyond its current profile to include increased activity in the goods and services sector and encourages Australian goods and services providers to enter the RoK market.

75 Ms Patricia Kelly, *Transcript 31 August 2005*, pp. 29-30.

76 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 236.

77 Mr Mack Williams, *Transcript 7 November 2005*, p. 9.

- 3.91 Education and tourism service provision continues to be an Australian strength and the Committee commends the initiative of Australian education and tourism representatives who have chosen to increase their focus on the RoK market.
- 3.92 The Committee looks forward to the expansion of collaborative links between Australian and RoK businesses.

Business engagement—direct investment

- 3.93 Direct investment has not been a strong element of the Australia-RoK business relationship in the past. This is gradually changing. Since the 1997 Asian financial crisis, the RoK has liberalised its foreign investment system, through the introduction of new programs to attract investment and the removal of most restrictions.⁷⁸

Australian direct investment in the Republic of Korea

- 3.94 Australia now boasts some very successful investment ventures in the RoK. The Committee was advised that Macquarie Bank is a major investor in Korean infrastructure with 250 locally engaged employees. The Busan Aquarium, owned and operated by Melbourne based company Oceanis Holdings Ltd, has also successfully capitalised on the growing leisure market in the RoK.⁷⁹
- 3.95 The success of Oceanis's investments in the RoK indicates that, regarding tourism and leisure, Australia 'cannot afford to ignore such a prosperous society which is ... crying out for quality Australian tourism and leisure expertise.' Oceanis advised the Committee that the preoccupation of RoK companies with manufacturing and exporting presents 'serious opportunities for consumer oriented companies to focus on.' Oceanis cautioned, however, that Australia faced serious competition from Europe and the United States.⁸⁰

78 DFAT, *Submission No. 21, Vol. 1*, p. 287.

79 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 231.

80 Oceanis Holding Limited, *Submission No. 27, Vol. 1*, p. 385.

Republic of Korea business direct investment in Australia

- 3.96 The RoK Embassy submission noted that Korean companies have focused much of their Australian investment 'in the area of resource development,' to 'secure reliable supplies of Australian mineral and energy resources.'⁸¹ Both the Embassy and DFAT cite the electronics and forestry sectors as other areas of Korean investment in Australia.
- 3.97 Korean companies with Australian investments include:
- Korea Zinc;
 - Sun Metals;
 - POSCO;
 - Daewoo;
 - Samsung;
 - LG; and
 - Hansol PI.⁸²

Committee comment

- 3.98 The Committee concurs with Oceanis's view that Australian investors should not ignore the RoK market. The Committee has received other evidence which confirms the fact that opportunity exists for expanded trade and investment in emerging business areas in the RoK.
- 3.99 Austrade's support in promoting new areas of trade has been noted in this chapter and the Committee encourages the continued promotion, from all relative government agencies, of emerging trade opportunities in the RoK.
- 3.100 The Committee believes that in order to grow the Australia-RoK business relationship new areas of trade need to be explored. The Macquarie Bank and Oceanis Holdings Ltd examples prove that direct investment can be successful.

81 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 231.

82 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 232; DFAT, *Submission No. 21, Vol. 1*, p. 287.

- 3.101 The Committee recognises the level of investment of RoK companies in Australia and encourages other RoK companies to look to Australia for investment opportunities.

Challenges facing the economic relationship

- 4.1 Evidence received by the Committee suggests that there are a number of challenges facing the Australia–RoK economic relationship. This chapter will cover the following issues:
- anti-dumping;
 - trade barriers;
 - challenges in the tourism sector;
 - challenges in the LNG trade;
 - the cultural divide; and
 - the potential for an Australia–RoK Free Trade Agreement.

Anti-dumping

- 4.2 Perhaps the greatest challenge facing the Australia–RoK economic relationship is the issue of anti-dumping. Anti-dumping can be generally defined as the measures taken by a country, on behalf of a business, to restrict the selling of goods below normal value (dumping) into the domestic market through the application of a dumping duty.

- 4.3 Each country holds different perspectives on the issue. The AKBC describes it as a 'sensitive issue' for their Korean counterparts and has advised the Committee that it 'has the potential to have a negative impact on future relations [with the RoK].'¹ It believes that there are a large number of Korean companies involved in anti-dumping cases, and that the number is 'highly disproportionate to that of other [Australian] trading partners.'²
- 4.4 DFAT and the Australian Customs Service (Customs) acknowledge that it is an issue between Australia and the RoK, but reminded the Committee that generally, anti-dumping measures applied to the RoK are 'minimal in the context of [the] overall value of imports from the RoK,'³ and that the amount of Korean companies which Australia has initiated anti-dumping cases against is 'broadly consistent with Korea's status as Australia's ninth largest source of merchandise imports.'⁴

Republic of Korea concerns

- 4.5 Korean concerns regarding Australia's anti-dumping policies were voiced to the Committee by the RoK Embassy and the AKBC, which holds an industry dialogue on anti-dumping issues as part of the AKBC joint annual meetings.⁵ Specific areas of concern noted by the RoK Embassy and the AKBC included:
- the need for greater transparency in anti-dumping investigations;
 - the speed of the investigation process;
 - an alleged bias on the part of the Customs to support Australian businesses;
 - the impact of the review process; and
 - the need to consider the Australian national interest.
- 4.6 Customs addressed the grievances raised by the AKBC and the RoK Embassy in their submission and in evidence given to the Committee.

1 Mr William Shields, *Transcript 20 September 2005*, p. 19.

2 AKBC, *Submission No. 17, Vol. 1*, p. 207.

3 Mr Peter Baxter, *Transcript 31 August 2005*, p. 17.

4 CUSTOMS, *Submission No.19, Vol. 1*, p. 255.

5 Mr William Shields, *Transcript 20 September 2005*, p. 19.

Lack of transparency

The concerns

- 4.7 In its submission, the AKBC summarised the anti-dumping investigation process, stating that:
- If dumping is detected by the investigating authorities of an importing country, and if it is demonstrated that material injury has been caused or is threatened by that dumping to an industry in the importing country which produces the same product, the authorities of the importing country may impose a duty on the dumped imports to offset the margin of dumping.⁶
- 4.8 Having defined the role of material injury in the investigation process, the AKBC called for greater transparency in material injury findings.⁷ The need for a more transparent system was supported by the RoK Embassy which called for 'greater efforts ... to secure fairness and transparency [in] anti-dumping investigations.'⁸
- 4.9 The AKBC believed that investigations lacked transparency because, due to very strict Australian confidentiality laws, counsel for the opposing party cannot see evidence that is being submitted to the review board. Furthermore, the AKBC described the process as 'in house' and lacking in open debate.⁹
- 4.10 The AKBC therefore endorsed a system similar to that in Canada and the United States, whereby the opportunity for open debate existed at various stages. The AKBC believed that such changes would increase 'the degree of comfort that Korean exporters feel when they engage in the process,' because they would then know that they were being 'given a fair go to put [across] their point of view.'¹⁰
- 4.11 The Committee queried the AKBC about the Australian Anti-Dumping Authority that was abolished in 1999 after a government decision to simplify the investigation system. The Committee specifically asked whether that authority had provided 'sufficient independence, openness and due process?'¹¹ The AKBC responded

6 AKBC, *Submission No. 17, Vol. 1*, p. 204.

7 AKBC, *Submission No. 17, Vol. 1*, p. 208.

8 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 234.

9 Mr William Shields, *Transcript 20 September 2005*, pp. 21-3.

10 Mr Daniel Moulis, *Transcript 20 September 2005*, p. 20.

11 Committee, *Transcript 20 September 2005*, p. 23.

that it believed the Anti-Dumping Authority was valuable because it had 'some measure of independence for Customs'¹² but, nevertheless, it had not addressed broader issues such as 'true economic impact.'¹³

The response

- 4.12 Responding to the call for greater transparency in anti-dumping investigations, Customs advised the Committee that it 'examines each complaint using transparent, World Trade Organisation (WTO)-consistent methodology'. This was more stringent than the requirements in the WTO anti-dumping agreement. Customs cited its public file system and its practice of 'imposing the lowest level of measure necessary to remove injury from dumping,' as examples of the transparent and fair nature of the process.¹⁴
- 4.13 The Committee also sought Customs' views on the value of a competition regulator in the process such as the former Australian Anti-Dumping Authority.¹⁵
- 4.14 Customs noted that the current policy did not involve a competition regulator but advised the Committee that it was aware that a number of people, including the AKBC, had been calling for change, be it a competition regulator or a revised system. To that end, Customs told the Committee that it was presently 'having consultations with a broad range of industry players about a revised ministerial guidance on material injury' in an effort to address the issue.¹⁶

Speed of anti-dumping investigations

The concerns

- 4.15 The AKBC discussed the speed of the inquiry process in its submission. It stated that:

The periods for investigations ... place severe strain on investigators and can compromise the adequacy and integrity of decision-making ... The relatively short time limits can [also] prevent a proper engagement between interested parties and investigators on critical issues.¹⁷

12 AKBC, *Submission No. 17, Vol. 1*, p. 208.

13 Mr William Shields, *Transcript 20 September 2005*, p. 23.

14 Mr Andrew Rice, *Transcript 20 September 2005*, p. 30.

15 Committee, *Transcript 20 September 2005*, p. 31.

16 Mr Andrew Rice, *Transcript 20 September 2005*, p. 31.

17 AKBC, *Submission No. 17, Vol. 1*, p. 209.

- 4.16 The AKBC acknowledged that Customs grants time extensions in some cases but believed that the fact that extensions are granted proved that 'statutory time limits are rushed,' and as a result, 'decisions may not be as well considered as they should be.'¹⁸

The response

- 4.17 Responding to the issues raised, Customs observed that the existing time limit within which it works (155 days) was tight, and advised the Committee that the cases were often complex, involved a lot of information and, in some cases, involved overseas travel to work with businesses and financial systems abroad. Customs did point out that there was a 'provision in the legislation to seek extension, if that is required, and we do [seek extension] in a number of cases.'¹⁹
- 4.18 The Committee notes that Customs' response corroborates complaints raised by the AKBC involving the rushed nature of the inquiry process.

Perception of bias

The concerns

- 4.19 Another issue raised by the AKBC and the RoK Embassy related to a perceived bias on the part of Customs. The AKBC believed that:

An area of ongoing concern for foreign exporters and local importers is the willingness of Customs to assist domestic industry. Despite Customs' role as an investigator and decision maker, Customs' assistance to domestic industry has, in certain instances, flowed into the area of advocacy.²⁰

- 4.20 The AKBC cited excerpts from the Customs 2003 Manifest publication, noting that 'Customs highlighted its administrative efforts to assist Australian producers in initiating trade remedy procedures,' but the AKBC was careful to note that bias is really an issue of perception:

The fact that Customs in effect assists in the preparation of cases on which the Minister is to make a decision, based on

18 AKBC, *Submission No. 17, Vol. 1*, p. 209.

19 Mr Andrew Rice, *Transcript 20 September 2005*, p. 32.

20 AKBC, *Submission No. 17, Vol. 1*, p. 208.

Customs' recommendations, allows perceptions of bias to be held, and may lead to actual bias.²¹

4.21 The RoK Embassy had a slightly different point of view. It took issue with the 'arbitrary delay' of investigations procedures, specifically the fact that there was no time limit for the Minister to make a final decision. For the RoK Embassy, the perceived bias in the system becomes evident when it 'compares the lapse of time after which the Minister decides not to impose dumping duties with the lapse of time after which the Minister decides to impose dumping duties.'²²

4.22 In a supplementary submission, the RoK Embassy cited the specific example of a Korean washing machine case in 2003:

The Minister received the report and recommendations from ACS [Customs] on 31 January 2003 not to impose anti-dumping measures ... it took over eight months before the Minister published his decision on 17 September 2003 not to impose anti-dumping duties. This is almost three months longer than the ACS's normal investigation period of 155 days. However, when the ACS's recommendation following its re-investigation was to impose anti-dumping measures on the Korean exporter, it took the Minister only eight days to impose measures. Again, when the ACS reported to the Minister that its review found that [no dumping was occurring] it took the Minister another five months to reduce the anti-dumping duties to zero. The total investigation period on Korean washing machines took almost three years.²³

4.23 The RoK Embassy believed that these types of delays caused a 'trade chilling effect' which has an adverse impact on Korean exporters. It was also concerned that Korean importers were being affected by the length of time that the duties were imposed and suggested in its submission that 'some anti-dumping measures are possibly being used as a protectionist device.'²⁴

The response

4.24 The Committee chose not to directly address the issue of perceived bias on the part of Customs. The Committee recognised the

21 AKBC, *Submission No. 17, Vol. 1*, p. 208.

22 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 541.

23 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 541.

24 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 542.

interpretive nature of the claims and noted evidence given to the Committee by the AKBC, which suggested that although perception was important, nowhere was 'actual bias mentioned in [its] submission.'²⁵

- 4.25 The Committee does, however, recognise the AKBC's point that from the Korean perspective, a perceived bias on the part of Customs is an important issue ²⁶ and notes that during a public hearing, Customs told the Committee that 'it provides limited advice on draft applications if requested to do so by Australian industry ... and assesses (on behalf of Australian industry) whether there appears to be a case for initiating an anti-dumping investigation.'²⁷
- 4.26 The Committee is aware of circumstances such as this, which can lead to the perception that Customs is biased towards Australian industry.
- 4.27 The Committee has considered the example of the Korean washing machine case and the time frames involving Ministerial decision making. Customs drew attention to the timing of Ministerial decisions in its submission. It noted that 'final decisions were made in an average of 36 days after the final report was provided to the Minister.'²⁸
- 4.28 The Committee notes that in relation to possible 'trade chilling effects' Customs has stated in its submission that 'there is anecdotal evidence to suggest that the initiation of a case can have a trade effect.'²⁹

Consideration of the national interest

The concerns

- 4.29 The final point raised by the AKBC and the RoK Embassy was for a change in the very nature of the anti-dumping process. In submissions and evidence given to the Committee, representatives from the Council and the Embassy requested the Commonwealth Government consider the 'national interest' as part of the anti-dumping review process.³⁰ Essentially, it argued that the process only considered the costs of dumping to Australian companies and not the

25 Mr Daniel Moulis, *Transcript 20 September 2005*, p. 22.

26 Mr William Shields, *Transcript 20 September 2005*, p. 22.

27 Mr Andrew Rice, *Transcript 20 September 2005*, p. 30.

28 Customs, *Submission No.19, Vol. 1*, p. 257.

29 Customs, *Submission No.19, Vol. 1*, p. 257.

30 AKBC, *Submission No. 17, Vol. 1*, p. 212; Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 542.

benefits to Australian consumers and the Australian economy in general.

- 4.30 It should be noted in relation to the above, that a vibrant mixed economy, including a manufacturing sector and the jobs that accompany it, fall under the purview of 'national interest.'

The response

- 4.31 Customs advised the Committee that:

Under the current policy and regime for dumping investigations, our national interest and competition test is that we do assess all applications on fact, not on assertions. It is a rigorous process involving a number of steps. We [Customs] would argue that that in itself is a test of national interest and competition issues.³¹

- 4.32 Customs conceded that this response 'will not satisfy everybody.'³²
- 4.33 The Committee asked Customs whether its definition of national interest included broad economic impact.³³ Customs responded that it did not.³⁴

Committee comment

- 4.34 The Committee recognises the need for a careful investigation process. This process may, at times, be rushed by strict time limits. The Committee is satisfied, however, that the legislative provision to seek extension allows for careful scrutiny of anti-dumping cases, while maintaining the need to expedite the process on behalf of exporters who are effected by anti-dumping investigations.
- 4.35 The Committee encourages the Australian Customs Service, whenever possible, to maintain consistent time-frames for determining anti-dumping decisions.**
- 4.36 The Committee is aware that discussions involving national interest are very much related to the desire to enhance Australia's trading relationship with countries such as the RoK.
- 4.37 National interest is a subjective area of debate. The benefit of cheaper products for the consumer must be weighed against the need to

31 Mr Andrew Rice, *Transcript 20 September 2005*, p. 31.

32 Mr Andrew Rice, *Transcript 20 September 2005*, p. 31.

33 Committee, *Transcript 20 September 2005*, p. 31.

34 Mr Andrew Rice, *Transcript 20 September 2005*, p. 31.

support Australian manufacturing and jobs. In addition, anti-dumping measures that support one Australian business might not support another.

- 4.38 Due to the highly subjective nature of the term, 'national interest,' the Committee believes that introducing any debate over 'national interest' would be creating fertile ground for opinion, legal arguments and appeals, which may effectively slow the anti-dumping review process.

Trade barriers

- 4.39 Witnesses have drawn the Committee's attention to a number of existing trade barrier issues facing Australia and the RoK. As in any trading relationship, each country has specific concerns relating to their areas of trade.

Australian concerns

- 4.40 Australian government departments and industry representatives have voiced some concerns regarding tariff and technical and non-tariff barrier issues when exporting to the RoK. Issues in the following export areas were brought to the attention of the Committee:

- agriculture;
- wine;
- meat and livestock;
- services; and
- organic labelling.

Agriculture

- 4.41 The Korean agricultural sector is heavily subsidised; therefore, Australia faces significant import barriers on agricultural products. DAFF noted that Korean agricultural tariffs averaged 52 per cent in 2004 and commented that the 'multiplicity of tariff bands [in the RoK] not only distorts competition but unnecessarily adds to the tariff complexity.'³⁵

35 DAFF, *Submission No. 35, Vol. 2*, p. 473.

- 4.42 Complexity within the RoK tariff system has been linked to issues of transparency. DAFF's submission provided the following analysis:

Almost all [RoK] tariffs are ad valorem [in proportion to the value], contributing to tariff transparency. On the other hand, alternate specific rates tend to conceal relatively high ad valorem equivalents, which vary between the same commodities ... These non-ad valorem tariffs undermine economic efficiency, transparency and tariff predicability.³⁶

- 4.43 Despite the barriers Australian agriculture faces, DAFF did point out that under the Uruguay Round Agreement on Agriculture, the RoK committed to policy reforms which included tariff reductions, quota growth and the elimination of import bans as well as the phasing out of non-tariff barriers.³⁷

- 4.44 In addition to tariffs, the Committee was told by DAFF that:

[Australian] agricultural products imported into Korea generally receive clearance from several organisations and may encounter port delays and lengthy clearance times. Technical and administrative regulations and procedures may also pose problems, particularly for perishable products.³⁸

- 4.45 DAFF advised the Committee that it was working 'in consultation with industry and other government agencies to ensure that Australia is well placed to meet Korea's demands.'³⁹

Wine

- 4.46 The Australian wine industry faces tariffs on their products entering the RoK. The Australian Wine and Brandy Corporation (AWBC) noted that due to a lack of local production, tariffs and taxes on wine in the RoK are higher than on other alcoholic products. The RoK applies a 15 per cent tariff on imported wine and a number of taxes.⁴⁰ In addition, the mark-up on wine in the RoK is higher than in Australia. When combined, these factors raised the price of Australian wine considerably.

36 DAFF, *Submission No. 35, Vol. 2*, p. 473.

37 DAFF, *Submission No. 35, Vol. 2*, p. 473.

38 Ms Nicola Gordon-Smith, *Transcript 31 August 2005*, p. 54.

39 Ms Nicola Gordon-Smith, *Transcript 31 August 2005*, p. 54.

40 AWBC, *Submission No. 30, Vol. 2*, p. 432.

- 4.47 The AWBC advised the Committee that it believed the ‘most discouraging obstacles to trade are not ... tariff barriers but the behind the border issues and the technical and non-tariff barriers.’⁴¹
- 4.48 The AWBC cited the following example to the Committee:
- Any shipment of a new product into Korea faces a fairly detailed inspection, including an array of chemical analyses conducted by the Korea Food and Drug Administration. It is a lengthy process and at times it appears arbitrary. If a product is rejected, there seems to be no provision for appeal and retesting. Penalties can be draconian. Admittedly the penalties are applied to the importer rather than the exporter.⁴²
- 4.49 The Korean system of differential wine labelling based on market channels has also caused frustration for the AWBC. The system requires that a different label must appear on a wine depending on where the wine is to be sold – either in a retail outlet or a restaurant or bar. The Committee was advised that this system caused problems for Australian wine makers who must ‘know in advance what proportion of their product that is being sold to Korea is going to go into either of those two channels.’⁴³
- 4.50 The Committee inquired further into the differential labelling issue and was told that the system was an ‘internal taxation issue’ and applied to domestic producers as well. Nevertheless, the AWBC believed that it impacts more on imported product ‘because of the need to keep different stock-keeping units and the need to keep different inventory for the different marketing channels.’ This means that Australian wine producers did not have the flexibility to move wine from one market channel to another.⁴⁴
- 4.51 When questioned by the Committee as to possible solutions, the AWBC told the Committee that in order to navigate different market access issues, it had appointed an executive officer with responsibility for the Korean market. The AWBC was keen to engage with Korean authorities whenever possible to discuss these issues and noted that,

41 Mr Steve Guy, *Transcript 21 September 2005*, p. 29.

42 Mr Steve Guy, *Transcript 21 September 2005*, p. 29.

43 Mr Steve Guy, *Transcript 21 September 2005*, p. 29.

44 Mr Steve Guy, *Transcript 21 September 2005*, pp. 32–3.

when necessary, it worked cooperatively with Austrade to achieve desired results.⁴⁵

4.52 The AWBC hoped to eventually reach an agreement with the RoK over inspection issues. The AWBC envisaged a system whereby the AWBC could issue certificates, based on analysis by Australian laboratories, on behalf of Australian wine producers which would satisfy the Korean inspection process. This was an arrangement that the AWBC had with other countries.⁴⁶

4.53 Notwithstanding these issues, the AWBC was optimistic about Australian wine sales in the RoK and was hopeful that any Free Trade Agreement (FTA) with the RoK would result in the removal of wine tariffs for trade.⁴⁷

4.54 The AWBC did advise the Committee, however, that:

... there is apparently not a lot of sympathy in Seoul at the moment for negotiating a FTA with any other strong agricultural country, so [the AWBC] is not optimistic that [Australia] will be looking at an advantageous FTA in the near future.⁴⁸

Meat & livestock

4.55 MLA voiced similar concerns to that of the Australian wine and agriculture industries.

4.56 In relation to the Australian beef trade, the Committee was advised that 'considerable progress has been made in liberalising the beef trade to Korea over the last decade.' Australian beef used to face quotas in the Korean market, but those quotas had been removed and only tariffs remain.⁴⁹

4.57 MLA did note that the tariffs on their products remained at 'considerable levels.'⁵⁰ So much so, that in the case of value added products, the tariff (up to 72 percent in some cases) had 'effectively blocked Australia from exporting value added beef to Korea.'⁵¹

45 Mr Steve Guy, *Transcript 21 September 2005*, p. 32.

46 Mr Steve Guy, *Transcript 21 September 2005*, p. 32.

47 AWBC, *Submission No. 30, Vol. 2*, p. 433.

48 Mr Steve Guy, *Transcript 21 September 2005*, p. 31.

49 Dr Peter Barnard, *Transcript 20 September 2005*, p. 67.

50 Dr Peter Barnard, *Transcript 20 September 2005*, p. 67.

51 DAFF, *Submission No. 35, Vol. 2*, p. 475.

- 4.58 The organisation added that it would 'like further progress in lowering tariff barriers,' and subsequently was 'fully supportive of exploring the potential for a comprehensive free trade agreement with [the RoK].'⁵²

Services

- 4.59 Like MLA, DFAT noted the advances the RoK had made in liberalising areas such as their services sector. However, in its submission to the Committee, DFAT outlined the key issues relating to services sector barriers:
- there were limits on lending by foreign banks to Korean customers;
 - RoK banking regulations only allowed a banking license for banks which had retail banking arms;
 - regulations covering financial products lacked transparency;
 - foreign lawyers and accountants were not allowed to practice in the RoK; and
 - foreign law and accounting firms were prevented from opening offices in the RoK.⁵³

Organic labelling

- 4.60 Organic labelling as an issue was raised by the Queensland and Commonwealth Governments during the course of the inquiry.
- 4.61 The rise of health and 'well being' consciousness in the RoK has led to an increase in demand there for organic products – the annual growth rate of the Korean organic market is between 40 and 60 per cent.⁵⁴ Australia is well placed to respond to this demand but has encountered a significant challenge.
- 4.62 DAFF advised the Committee that the Korean Ministry of Agriculture and Forestry:
- ... does not currently recognise Australian organic certification of meat, grain, horticultural and other produce. There are no barriers to the import of organic produce into

52 Dr Peter Barnard, *Transcript 20 September 2005*, p. 67.

53 DFAT, *Submission No. 21, Vol. 1*, p. 289.

54 Queensland Government, Department of Primary Industries and Fisheries, *Submission No. 48, Vol. 2*, p. 560.

the RoK ... the barrier is on the selling of produce as organic.⁵⁵

- 4.63 Australian organic produce can be sold in the RoK provided that any reference to the term 'organic' appearing on the label is in English and not in Korean.
- 4.64 The Committee recognises the problem inherent in this rule and notes that it is a situation which DAFF and the Queensland Government are continuing to raise with the RoK Government.

Republic of Korea concerns

- 4.65 The RoK Embassy raised the following concerns in its submission to the Committee:
- the Automotive Competitiveness and Investment Scheme (ACIS); and
 - Hansol PI's investment in Western Australia.

ACIS

- 4.66 The RoK Embassy described the ACIS, which extends import duty credits to Australian vehicle and auto-part industries, as potentially 'inconsistent with WTO guidelines.' It had the effect of weakening the 'price competitiveness of automobiles imported from Korea' because the RoK did not have production plants in Australia.⁵⁶

Hansol PI

- 4.67 Hansol PI is a Korean-Australian joint venture in plantation resources and woodchip exports. The RoK Embassy submission noted that the Western Australian Government had 'conceded rights for a coal mining company to load and export coal at the same port berth used by Hansol PI.' Hansol PI was concerned that this may lead to the contamination of their product; a possibility that the RoK Embassy conceded could lead to the ending of Hansol PI's operations in Western Australia.⁵⁷

55 DAFF, *Submission No. 41, Vol. 2*, p. 518.

56 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 234.

57 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 234.

Committee comment

- 4.68 Governments are legally able to impose certain trade barriers to protect their national interest. Nevertheless, countries should carefully evaluate their particular barriers and assess their importance in the interest of fostering a more open trading system.
- 4.69 The Committee acknowledges the positive steps the RoK Government has taken to liberalise its business environment and encourages the RoK Government to continue in these endeavours.
- 4.70 The best possible response to trade barriers is continued, positive engagement between governments, coupled with active participation and engagement in world trade forums such as the WTO.
- 4.71 The Committee has noted the activities of organisations such as the AWBC, which have chosen to employ staff for the express purpose of engaging the RoK over trade issues and is pleased that such positive activity is occurring between Australia and the RoK. The Committee hopes that the RoK will recognise Australian wine inspection certification.
- 4.72 The Committee has noted the service sector issues highlighted by DFAT, but believes that the success of business such as Macquarie Bank and Oceanis Holdings Ltd reveals that these challenges can be overcome.
- 4.73 The Queensland and Commonwealth Governments should continue to lobby for the ability to label organic Australian produce as 'organic' in Korean.
- 4.74 The Committee sought, but did not receive a submission from Hansol PI. Consequently, without such information, the Committee is reluctant to comment on the issue of Hansol's port loading facilities.

Challenges in the tourism sector

- 4.75 Two tourism issues were brought to the attention of the Committee during the course of the inquiry:
- problems with the immigration procedure upon arrival in Australia; and
 - unethical practices by inbound tourism operators serving the RoK market.

Arrival procedures in Australia

- 4.76 The RoK Embassy submission noted that ‘immigration procedures at arrival in Australia [are] troublesome and often too strict.’⁵⁸
- 4.77 The Committee sought further information.
- 4.78 The Tourism Division told the Committee that it believed the comment was about processing passengers on arrival in Australia and noted that there were sometimes difficulties when a large number of passengers arrived at once.⁵⁹
- 4.79 The Committee highlighted that the complaints also mentioned *strict* procedures upon arrival and asked if Australia’s immigration procedures were stricter than those of other countries.⁶⁰
- 4.80 The Tourism Division responded, noting that Australia’s quarantine and customs procedures are strict. Australia screens all incoming baggage and people. It told the Committee that perhaps the perception of a troublesome and strict arrival procedure is based on ‘the whole customs, immigration and quarantine issue,’ but pointed out that there had been no complaints during the development of the Korean Action Plan (mentioned previously).⁶¹
- 4.81 When the Committee queried the RoK Embassy further on this point, it was advised that complaints and misunderstandings arose ‘partly as the result of the language barrier or cultural differences between Korean nationals and the immigration officers.’ The RoK Embassy added:

58 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 242.

59 Ms Patricia Kelly, *Transcript 31 August 2005*, p. 32.

60 Committee, *Transcript 31 August 2005*, p. 32.

61 Ms Patricia Kelly, *Transcript 31 August 2005*, pp. 32–3.

In most Australian airports, only telephone translation services are currently available. If any officer, who has a high proficiency in the Korean language and has in-depth understanding of the Korean people and Korean culture as well, would be involved in these inspections, then such complaints and misunderstandings could be reduced.⁶²

Unethical practices by inbound tourism operators

4.82 DITR's Korean Action Plan refers to the issue of unethical practices by inbound tour operators servicing the RoK market. When questioned further by the Committee, DITR provided a supplementary submission noting the following practices by inbound tour operators:

- taking tour groups to 'tax free' shops with highly inflated prices;
- downgrading of accommodation and restaurants;
- charging visitors entry for free facilities such as beaches; and
- the requirement to pay additional amounts for tips and services that had not been requested.

4.83 In addition to these specific practices by inbound tour operators, DITR advised the Committee of several other issues that had been identified through research:

- untrained tour guides;
- unlicensed inbound tour operators;
- inadequate transport services;
- the employment of untrained illegal foreign workers; and
- the sale of counterfeit goods.

4.84 DITR advised the Committee of actions taken to address these problems:

- the establishment of an Inbound Tourism Compliance Task Force comprising government agencies including immigration, employment, police, taxation and fair trading, which disseminated intelligence on illegal practices and coordinated prosecution;
- DITR, the Australian Competition and Consumer Commission and the NSW Department of Fair Trading would be publishing

62 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 540.

‘material in the Korean language on misleading and deceptive labelling of goods and consumer rights for Korean inbound tourists to Australia;’

- the signing of an MoU between DITR and the Korean Ministry of Culture and Tourism to ‘facilitate consumer education and assist in addressing unethical and/or illegal practices;’ and
- the Australian Tourism Ministers’ Council had agreed to consider proposed ‘national inbound tourism legislation and possible enforcement activity.’⁶³

Committee comment

- 4.85 Arrival procedures in Australia are strict and, therefore, may be time consuming. On the other hand, the Committee believes that these processes are vital to Australia and should not be reduced. The Committee suggests that in response to these complaints, information should be provided to Korean tour operators and travel agents to better inform Koreans intending to travel to Australia about the nature of arrival procedures and the reasons for them.
- 4.86 The Committee does recognise, however, that confusion can arise due to language and cultural barriers. Provided that the number of Korean tourists visiting Australia continues to rise, the Committee believes that it would be appropriate to provide better Korean language support resources at Australia’s main airports.
- 4.87 The Committee commends DITR for its response to unethical practices by inbound tour operators. Such operators can cause serious damage to one of Australia’s major export earnings.

Challenges in the LNG trade

- 4.88 The first long-term contract NWSLNG ever signed was with the RoK. This contract marked the beginning of a substantial LNG trade with the RoK. However, as noted in the last chapter, in 2004, NWSLNG bid on a contract to supply additional LNG to the RoK and was unsuccessful.
- 4.89 The RoK Embassy and the OKTA suggested to the Committee that this unsuccessful bid represented some challenges that NWSLNG

63 DITR, Submission No. 51, Vol. 2, p. 574-5.

needed to overcome to continue the successful LNG trading relationship that has been established between Australia and the RoK.

- 4.90 The OKTA believed that the loss of the 2004 LNG contract with the RoK highlighted the need to conduct greater analysis of the Korean market.⁶⁴ The RoK Embassy, in its submission and in evidence given to the Committee, noted that:

... with regard to the approach taken by Australia LNG is the rigidity of the decision-making process. Sometimes in this kind of international bidding process you have a very sensitive period in which you have to act very quickly. Given the fact that Australia LNG is a consortium composed of six companies, we have sometimes found that they have some difficulty in making quick decisions.⁶⁵

- 4.91 The Committee sought NWSLNG's response to the claim that greater market analysis was required. NWSLNG told the Committee that it used 'a number of sources for market research within Korea [as well as] external agencies,' and was confident that it did 'an adequate amount of market research in advance.'⁶⁶

- 4.92 In relation to the need for greater flexibility in their decision-making process, NWSLNG pointed out that pricing issues are:

... always worked out with the six owners ... We normally get everyone into a room and put up our justification for certain prices and basically get everyone to agree to a price level ... It has worked successfully for 16 years, so I would not say that it is not working.⁶⁷

The cultural divide

- 4.93 Cultural issues are a component to all facets of the Australia-RoK relationship including business. Cultural relations will be fully addressed later in the report; however, the Committee was advised that cultural barriers can play a part in the Australia-RoK business relationship.

64 OKTA, *Submission No. 13, Vol. 1*, p. 181.

65 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 24.

66 Mr John Banner, *Transcript 21 September 2005*, p. 12.

67 Mr John Banner, *Transcript 21 September 2005*, p. 16.

Challenges in the Republic of Korea

4.94 In a submission to the Committee, Oceanis Holdings Ltd noted that:

Culturally, Koreans due to their unfortunate history, tend to be somewhat xenophobic. This does manifest itself in all sorts of ways and quite regularly ... Australian companies do need to carefully address the cultural divide if they are to be successful.⁶⁸

4.95 When questioned further on this issue, Mr Peter O'Brien, Managing Director of Oceanis Holdings Ltd, told the Committee that the challenges Oceanis faced in the RoK were based in large part on its inability to refinance projects with Korean banks rather than foreign banks.⁶⁹

4.96 Mr O'Brien noted that RoK government officials were 'highly cooperative,' but 'once you get below the top echelon ... there is definitely a challenge for all foreigners in Korea.'⁷⁰ The challenge, he believed, was based on the fact that RoK society was not as 'open and outward-looking' as one might think.⁷¹

4.97 He did point out, however, that Australians were as well placed as any community to do business with Koreans and that the RoK was the only overseas country that his company had chosen to invest in twice.⁷²

4.98 Similar concerns were raised by the Australian Film Commission (AFC), which stated in its submission that in relation to Australian participation in the Pusan International Film Festival, festival organisers 'did not perceive Australia 'as an obvious participant' in the [Asian film market] which prides itself on 'Asian sensibilities.'⁷³

4.99 Mr Kim Dalton, Chief Executive of the AFC, told the Committee that this problem was not unique to the RoK. Australian film makers had also struggled in Hong Kong to convince people that their films should be considered as part of the Asian film market. The AFC's solution was persistence, and the AFC was confident that, in time,

68 Oceanis Holding Ltd, *Submission No. 27, Vol. 1*, p. 386.

69 Mr Peter O'Brien, *Transcript 7 November 2005*, p. 2.

70 Mr Peter O'Brien, *Transcript 7 November 2005*, p. 2.

71 Mr Peter O'Brien, *Transcript 7 November 2005*, p. 2.

72 Mr Peter O'Brien, *Transcript 7 November 2005*, p. 2.

73 AFC, *Submission No. 29, Vol. 2*, p. 409.

through conversation and presence at Asian events such as the Pusan festival, this perception would change.⁷⁴

Challenges in Australia

4.100 The Committee is aware that the challenge of a 'cultural divide' between Australia and the RoK cuts both ways. The AEEMA told the Committee that Australian companies were sometimes reluctant to engage with Korean companies:

Australian small companies tend to find themselves very comfortable engaging with the Americans and the Europeans, but in their engagement with North Asia ... there is that cultural divide.⁷⁵

4.101 Further exploration by the Committee of the cultural challenge facing Australian small and medium enterprises (SMEs) revealed that the problem rests with Australian companies. The AEEMA told the Committee:

Korean companies are very Western focused; they have a strong relationship with American companies ... the problem is not that Koreans lack the ability to deal with the West ... the problem is that not enough Australian companies are visiting Korea and finding out for themselves about these wonderful opportunities.⁷⁶

4.102 The AEEMA was addressing this problem by creating opportunities for meetings and activities between Australian and Korean companies as well as limiting the scope of the engagement that takes places:

We believe that having a focused approach is much preferable to trying to get this very broad-scale engagement, where you will get a lot of companies come over, they will have a lot of different interest and there will be a lot of different interests from the Australian side, and it will be very hard to find [matches].⁷⁷

4.103 The Committee asked the AEEMA how effective was this approach for Australian SMEs. The AEEMA responded that it was effective and suggested that by providing a commercial reason for engagement, in

74 Mr Kim Dalton, *Transcript 20 September 2005*, p. 62.

75 Mr Angus Robinson, *Transcript 1 September 2005*, p. 18.

76 Mr Angus Robinson, *Transcript 1 September 2005*, p. 19.

77 Mr Angus Robinson, *Transcript 1 September 2005*, pp. 18-19.

conjunction with a focused approach, success would be forthcoming.⁷⁸

- 4.104 Former Australian Ambassador to the RoK, Mr Mack Williams, also advised the Committee that ‘for small and medium companies it [cultural barriers] is more difficult because they have to expend more effort to understand and be sensitive.’⁷⁹

Response from the Republic of Korea

- 4.105 In response to comments about a ‘cultural divide’ between Australia and the RoK, the RoK Embassy advised the Committee that:

It is natural that every country has its own history and unique cultural background and it is generally accepted that there are cultural differences rather than cultural divides between nations.⁸⁰

- 4.106 The RoK Embassy endorsed a ‘globalisation strategy’ which combined globalisation and localisation to achieve results. It cited Macquarie Bank as a company that had successfully utilised this strategy in the RoK through the localisation of human resources and business partnerships.⁸¹
- 4.107 Ambassador Cho observed that some Australian entrepreneurs have an ‘exceptional knack for adapting to the Korean way of thinking and behaviour,’ and ‘are highly successful in the Korean market.’⁸²

Committee comment

- 4.108 The Committee considers Oceanis’ comments on a ‘cultural divide’ as a cautionary warning that cultural issues must be recognized when doing business in the RoK. The Committee notes that in spite of a ‘cultural divide’ Australians have managed to trade successfully with the RoK for many years.⁸³
- 4.109 The Committee also agrees with the AFC that cultural perceptions take time to change, and supports Australia’s continued engagement inclusion in the Asian film community.

78 Mr Angus Robinson, *Transcript 1 September 2005*, p. 19.

79 Mr Mac Williams, *Transcript 7 November 2005*, p. 10.

80 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 539.

81 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 539.

82 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 20.

83 Committee, *Transcript 7 November 2005*, p. 3.

- 4.110 Like the RoK Embassy, the Committee believes that local engagement is an important way to overcome cultural barriers and encourages Australian and RoK businesses to adopt this strategy regardless of cultural differences.

Considering a free trade agreement

Introduction

- 4.111 In recent years, Australia and the RoK have begun to broaden their trading relationships through free trade agreements (FTAs) with various countries. Australia has signed FTAs with the United States, Singapore and Thailand; the RoK with Chile, Singapore and the European Free Trade Association. Both countries are pursuing further FTAs but have yet to enter into any serious discussions about the feasibility of an FTA between each other.
- 4.112 The potential for an Australia-RoK FTA was discussed at various times during the course of the inquiry. This section will address the issues that were raised and note some of the challenges to the successful conclusion of an Australia-RoK FTA.

The Australian perspective

- 4.113 In August 1999, Australia and New Zealand issued a Joint Prime Ministerial Statement outlining their policy on regional agreements. It stated that Australia and New Zealand were:
- ... willing to consider free trade agreements with significant individual economies or regional groupings, where they would deliver faster and deeper liberalisation than the multilateral process, with the objective of gaining better market access for our exporters, faster economic growth and stronger employment growth.⁸⁴
- 4.114 Since that time, Australia has signed three FTAs and has entered into negotiations or consideration over five more.

⁸⁴ <http://www.dfat.gov.au/trade/negotiations/australias_approach.html>, 24 November 2005.

- 4.115 DFAT has advised the RoK that it is 'willing to conduct a bilateral study' into an FTA but the RoK has said that it views an FTA with Australia as a 'long-term prospect.'⁸⁵
- 4.116 The Commonwealth Government has a policy of negotiating comprehensive FTAs, and therefore any FTA negotiation with the RoK would have to take into account agricultural issues – something about which the Korean agricultural sector is reticent.
- 4.117 DFAT is aware of this reluctance and told the Committee that 'one of our major tasks is to convince the Korean agricultural sector that [Australia] is not the threat that ... they think we are.'⁸⁶

Points raised

- 4.118 The Committee canvassed the desirability of an FTA with the RoK with various witnesses during the inquiry. Two specific points were highlighted by witnesses. These were:
- the need for a positive listing style of FTA; and
 - the need for a reduction in trade barriers.

A positive listing free trade agreement

- 4.119 A positive listing free trade agreement is one whereby negotiating countries make voluntary commitments on specific items or services, thereby ensuring that the entire range of possible goods or services is not covered. A negative listing free trade agreement covers all aspects of trade between negotiating countries except those that are not included through explicitly stated provisions.
- 4.120 The AFC and the MEAA both support a positive listing FTA with the RoK.
- 4.121 The AFC submission advised that the RoK Government had 'put in place a range of measures that are designed to stimulate and preserve [the RoK's] cultural industries.' This effectively allowed the Korean film industry, in particular, to grow and become very successful. Both the AFC and the MEAA highlighted the success of the Korean film industry in their submissions.⁸⁷

85 Mr Peter Baxter, *Transcript 31 August 2005*, p. 11.

86 Mr Peter Baxter, *Transcript 31 August 2005*, p. 11.

87 AFC, *Submission No. 29, Vol. 2*, p. 410; MEAA, *Submission No. 24, Vol. 1*, pp. 347–7.

4.122 The AFC noted that Australia is of like mind on the matter of cultural protection:

... in every trade negotiation in which it has participated Australia has supported the right of nations to introduce measures to support and preserve their domestic expression.⁸⁸

4.123 A positive listing agreement would allow the RoK and Australia to preserve their cultural policies by making no commitment to culture and audio visual.

4.124 The AFC and the MEAA told the Committee that should a positive listing approach not be possible, both would support a negative listing commensurate with the Singapore-Australia FTA.⁸⁹

Reduction of trade barriers

4.125 In evidence provided to the Committee, Australian business representatives were supportive of the prospect of an Australia-RoK FTA. In each case, support was predicated on their industry benefiting from reductions in trade barriers.

4.126 The MLA stated that it:

... would be supportive, providing any such arrangement was comprehensive and delivered meaningful reductions in barriers and thus real trade flows for the industry.⁹⁰

4.127 Similarly, the AWBC noted in its submission that it would wish to 'seek the removal of all wine tariffs for trade between Australia and the RoK.'⁹¹

4.128 NWSLNG also advised the Committee that an Australia-RoK FTA 'could only have a positive impact' on its ability to negotiate LNG contracts with the RoK.⁹²

88 AFC, *Submission No. 29, Vol. 2, p. 410.*

89 AFC, *Submission No. 29, Vol. 2, p. 411; Miss Lynn Gailey, Transcript 20 September 2005, p. 54.*

90 MLA, *Submission No. 1, Vol. 1, p. 7.*

91 AWBC, *Submission No. 30, Vol. 2, p. 433.*

92 Mr John Banner, *Transcript 21 September 2005, p. 17.*

The Republic of Korea perspective

- 4.129 The RoK Government developed an FTA roadmap in 2003 in recognition of the rise in regionalism and its importance to global trade.⁹³ That roadmap was revised in May 2004 and, in accordance with the roadmap, the RoK has been actively pursuing FTAs with a number of countries.
- 4.130 The roadmap is based on a multi-track strategy of overtaking other players in the global arena and mitigating political opposition through the introduction of multiple FTA agreements.⁹⁴
- 4.131 To date, the RoK has signed FTAs with Chile, Singapore and the European Free Trade Association (EFTA) and is negotiating FTAs with Japan, ASEAN and Canada. In addition, the RoK is conducting joint FTA research with Mexico, India and MERCOSUR⁹⁵ and is exploring the possibilities of FTAs with the U.S. and China.⁹⁶

Points raised

- 4.132 The Committee raised the issue of an Australia-RoK FTA with the Korean Ambassador.
- 4.133 The Ambassador noted that the RoK was 'succeeding in having FTAs with only those countries which do not present very difficult problems to [the RoK] agricultural sector.'⁹⁷
- 4.134 The need to not raise problems for the RoK agricultural sector is paramount in RoK politics. As the RoK Ambassador noted, the RoK agricultural sector is 'very sensitive in terms of politics and [the] economy,' and 'the consensus-building process [in the RoK] domestic scene is very painful.'⁹⁸
- 4.135 The Ambassador advised the Committee that as a result of pressure from the RoK agricultural sector, the RoK would need 'some time until we will be able to expand our negotiations' to include Australia in its FTA roadmap. He did note, however, that Australia is not

93 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 235.

94 AKBC, Exhibit No. 16, Power Point Presentation, *Korea's FTA Policy and A RoK-Australia FTA*, 20 October 2005.

95 MERCOSUR is a Latin American common market consisting of Argentina, Brazil, Paraguay and Uruguay.

96 AKBC, Exhibit No. 16, Power Point Presentation, *Korea's FTA Policy and A RoK-Australia FTA*, 20 October 2005.

97 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 25.

98 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 25.

excluded from this process, rather the RoK has some 'later timing in mind' for an Australia-RoK FTA.⁹⁹

Committee comment

- 4.136 Having discussed the issue of a possible Australia-RoK FTA with the RoK Ambassador, the Committee agrees with DFAT's comment that it needs to try and convince the RoK agricultural sector that Australian agriculture does not pose a real threat.
- 4.137 In this regard, the Committee notes that the RoK, being a northern hemisphere country, enjoys opposite seasons to Australia. Consequently, there is likely to be opportunities for Australia to provide counter-seasonal agriculture produce to the RoK.
- 4.138 The Committee, therefore, encourages the Government to continue raising the advantages of an Australia-RoK FTA with the RoK Government and the RoK agricultural industry.

Recommendation 4

- 4.139 **In the event of the Commonwealth Government commencing free trade agreement negotiations with the Republic of Korea, Australian cultural industries (as well as Korean cultural industries) be protected, and issues relating to agriculture be determined at an early stage of negotiations.**

⁹⁹ Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 25.

Cultural relations

Introduction

- 5.1 In initiating this inquiry, the Committee wished to examine all aspects of the Australia-RoK relationship to better understand the nature of the relationship and the ways in which it might be improved. While it is clear that Australia and the RoK have a strong trading partnership, it is also clear that there is potential to strengthen our cultural relations.
- 5.2 This chapter will highlight existing cultural interaction between Australia and the RoK and explore the potential for further cross-cultural understanding. It will focus on:
- cultural understanding in the Australia-RoK business relationship;
 - the role of sport and the arts in building cross-cultural understanding; and
 - the activities of Koreans living in Australia.
- 5.3 Due to the integral role education plays in the advancement of cultural understanding, it will be dealt with separately in the next chapter.

Cultural understanding in the business relationship

Local representation in the Republic of Korea

- 5.4 The need for local representation in the RoK to cultivate good working relationships is a theme raised by governmental and private business representatives on several occasions. As one witness observed:

We say that you have to do business differently in Asia. You do not. To conduct business in Australia, you have to be just as much aware of the person you are dealing with. You have to have trust; you have to have an understanding of the person you are trying to sell your product to. It is quantified in Asia.¹

- 5.5 The AEEMA's submission advised the Committee that in a 'Korean cultural context ... good relationships can play a key role in facilitating successful business transactions.'² A representative of the Queensland Government told the Committee that 'having someone in the market is a huge advantage.'³
- 5.6 The Australian Broadcasting Corporation (ABC) has a locally engaged staff member who believed that without his ability to speak Korean and therefore reach out to potential customers, the ABC would have had a 'very difficult time distributing [its] services in Korea.'⁴
- 5.7 The Committee was pleased to note that the Commonwealth Government has sought to maintain a high level of local representation. The work of Australian embassy staff in Seoul, and their ability to cultivate and maintain good personal relationships with their RoK counterparts, was noted by representatives from MLA, Oceanis Holdings Ltd and the NWSLNG.
- 5.8 The NWSLNG stated in its submission that:

Australia's Government and diplomatic representatives have excellent personal relationships with their South Korean counterparts, and this level of support and access is important to Australian energy and resource companies,

1 Mr Stephen Doszpot, *Transcript 1 September 2005*, p. 31.

2 AEEMA, *Submission No. 4, Vol. 1*, p. 32.

3 Mr Malcolm Letts, *Transcript 31 August 2005*, p. 72.

4 Mr Eliot Lee, *Transcript 20 September 2005*, p. 49.

given that South Korea's energy sector is dominated by State-owned enterprises.⁵

- 5.9 In addition to utilising the services of the Commonwealth Government in the RoK, some Australian companies and state governments have chosen to maintain their own local representation. They include:
- the Government of Queensland;
 - the NWSLNG; and
 - Hamersley Iron.
- 5.10 Hamersley Iron believed that it needed to be close to its customers to better understand their needs. Its successful trading relationship with POSCO (the RoK's principle steel manufacturer) was based, in part, on this philosophy. Since 1998, Hamersley Iron has maintained a representative office in Seoul which manages their supply relationship with POSCO.⁶

Committee comment

- 5.11 The Commonwealth Government, through its embassy and Austrade officials in the RoK, has successfully established local connections which have facilitated business connections on behalf of Australian companies and governments.
- 5.12 This, in addition to the success of Australian enterprises which have established local representation in the RoK, suggests that personal relationships are an important cultural component to conducting business in the RoK.
- 5.13 The Committee encourages Australian entrepreneurs to either utilise the services of Commonwealth Government representatives in the RoK or, if feasible, establish their own local representation.

5 NWSLNG, *Submission No. 14, Vol. 1*, p. 188.

6 Rio Tinto, *Submission No. 31, Vol. 2*, p. 437.

Building cultural relations through sport and the arts

5.14 Both the Commonwealth and RoK governments noted their support for cultural exchange during this inquiry. Information received by the Committee has shown that a variety of exchanges have occurred between Australia and the RoK in the sporting and arts fields. While it is expected that these will continue, judging by the irregularity of various cultural visits and exchanges, it is clear to the Committee that there is room for more cultural exchange to occur between the two countries.

Sport

Australia–Korea Foundation activities

5.15 As noted in chapter two, the AKF funds programs intended to increase interaction between Australia and the RoK. In the past, the AKF has supported sporting exchanges between Australia and the RoK because ‘exchanges through sport ... contribute to a better understanding of the others culture and customs.’⁷

5.16 For example, in 2001 the AKF sponsored an Australia–Korea volleyball coaches exchange program between the RoK and North Queensland. The program successfully initiated contact between schools, coaches and teams, which the AKF expects will continue.⁸

5.17 The AKF also financially supported Australian teams visiting the RoK and visits by Korean sports scientists to Australia.⁹

5.18 Sports exchanges and visits have occurred in the areas of:

- baseball;
- basketball;
- taekwondo;
- archery;

7 <http://www.dfat.gov.au/akf/program_activities/ci_volleyball_coaches.html>, 12 January 2006.

8 <http://www.dfat.gov.au/akf/program_activities/ci_volleyball_coaches.html>, 12 January 2006.

9 Australian Sports Commission, Exhibit No. 17, *Summary of Australian Sports Commission Relations with Korea*, 13 September 2005.

- volleyball; and
- sports science.¹⁰

Australian Sports Commission

- 5.19 While the Australian Sports Commission (ASC) did not provide the Committee with a submission, the Committee understands that the ASC has had contact with RoK sports teams, coaches and officials in the past.
- 5.20 Contact between the ASC and the Korean Ministry of Culture and Sport began in 1993 when the AKF brought the two bodies together. An MoU was signed and a number of exchanges were initiated, predominantly in the mid to late 1990s. That MoU was terminated by the ASC in 2005 due to a lack of activity.¹¹

Cultural engagement through sport

- 5.21 The Committee heard from Mr Stephen Doszpot, who advocated sport as a method of relationship building in Asia. Mr Doszpot believed that soccer, in particular, had the ability to bring Australian and Koreans together in a manner which would facilitate closer political, trade and cultural relationships.
- 5.22 Mr Doszpot shared several anecdotes with the Committee which suggested that soccer had the ability to bring the two countries closer together:
- We have a very good opportunity to establish closer links within football [soccer], in particular, with Korea. The former ambassador to Australia, Ambassador Song, is now tied up with the football association in Korea ... these contacts are very valuable to gain a better understanding of each other's cultures.¹²
- 5.23 Mr Doszpot did note, however, that soccer was not the only sport that Australia and the RoK share an interest in. Basketball, volleyball, archery and taekwondo were also mentioned.

10 DCITA, *Submission No. 22, Vol. 1*, p. 325.

11 Australian Sports Commission, Exhibit No. 17, *Summary of Australian Sports Commission Relations with Korea*, 13 September 2005.

12 Mr Stephen Doszpot, *Transcript 1 September 2005*, p. 29.

Committee comment

- 5.24 The Committee encourages the AKF to continue funding sporting exchange between Australians and Koreans and the ASC to review the potential for a renewed MoU with the RoK.
- 5.25 During the inquiry, the Committee noted that most of Australia's close relationships with other countries are based, to some extent, on sport. Australia plays rugby and cricket with countries such as New Zealand, South Africa, Britain, and India. The link between closer relationships and sport is clear; therefore, closer sporting links between Australia and the RoK will only help strengthen our understanding of each others' countries.
- 5.26 The Committee looks forward to Australia playing regularly in the Asian soccer competition. This will raise the profile of Australia in various Asian countries and the profile of Asian countries in Australia.
- 5.27 In addition to soccer, the exchanges which have occurred between the ASC and the RoK in the sports of basketball, volleyball, archery and taekwondo in the past suggest that there are opportunities for cultural exchange in a number of sporting areas.
- 5.28 The need to raise the profile of the RoK in Australia is particularly important. It is clear to the Committee that few Australians have had exposure to the RoK and its culture. The Committee agrees with Mr Doszpot that sport has the ability to attract local attention onto a country. For example, the 2002 World Cup drew world attention to the RoK.¹³

The arts

Australia–Korea Foundation activities

- 5.29 The AKF supports artistic exchange between Australia and the RoK in a variety of ways. Recent initiatives include:
- an art exchange between the National Art School in Sydney and the Hong IK University, College of Fine Art in Seoul;
 - funding for three Koreans from the LATT Children's Theatre of Korea to attend the Queensland Performing Arts Centre's *Out of the Box* Festival;

13 Mr Stephen Doszpot, *Transcript 1 September 2005*, p. 31.

- an Australian children's literature touring program in the RoK;
- funding for RoK film makers to attend the 51st Sydney Film Festival and the 52nd Melbourne International Film Festival; and
- the book production and exhibition of Australian George Rose's 1904 photographs of Korea.

Department of Communications, Information Technology and the Arts

- 5.30 The Department of Communications, Information Technology and the Arts (DCITA) website states that one of its key activities is the promotion of Australia through international and regional cultural agencies and organisations.¹⁴
- 5.31 The Committee expected that DCITA would have been more actively involved in promoting cultural understanding between Australia and the RoK, but was advised that:
- ... the general approach of the department is to support and facilitate ... cultural opportunities between the cultural agencies and Korea but very much within the need for those agencies to pursue their own strategic directions and priorities without interference from the government.¹⁵
- 5.32 The Committee was told by DCITA representatives that it had no particular initiatives for the promotion of cultural understanding between Australia and the RoK. DCITA added, however, that portfolio agencies such as the Australia Council and the National Library of Australia had programs which encouraged cross-cultural understanding between the two countries.¹⁶
- 5.33 In its submission, DCITA referred to a 1972 cultural agreement between the Commonwealth and RoK Governments which it believed represented the strong cultural ties between Australia and the RoK.¹⁷
- 5.34 The Committee expressed its view that, based on submissions received during this inquiry, 'Australia could be doing more and getting more in terms of Australian citizens learning from cultural exchange' between Australia and the RoK.¹⁸

14 For a list of DCITA's key activities see, <http://www.dcita.gov.au/home/department/what_we_do>, 13 January 2006.

15 Mr Colin Lyons, *Transcript 31 August 2005*, p. 47.

16 Mr Colin Lyons, *Transcript 31 August 2005*, p. 47.

17 DCITA, *Submission No. 22, Vol. 1*, p. 322.

18 Committee, *Transcript 31 August 2005*, p. 47.

- 5.35 The Committee asked DCITA if there were any plans to re-evaluate the 1972 agreement. DCITA responded that there was currently no work being done on reviving the agreement.¹⁹

The National Library of Australia

- 5.36 The National Library of Australia (NLA) has maintained a Korean collection since the 1950s, and since that time, the collection has grown to become the largest Korean collection in Australia.²⁰
- 5.37 The NLA actively purchases material and receives donations from institutions such as:
- the Korea Foundation;
 - the Korea History Compilation Committee; and
 - the Academy of Korean Studies.²¹
- 5.38 The NLA has exchange programs with the National Assembly Library and the Central National Library in Seoul. It also actively promotes its collection through participation in events such as the biennial Korean Studies Association of Australasia conference.²²
- 5.39 The Committee was interested to learn that in addition to the NLA's connection to institutions in the RoK, the NLA receives material from the Korea Publications Export & Import Corporation in Pyongyang and has an exchange program with the Grand People's Study House in the DPRK.²³

The Australian Broadcasting Corporation

- 5.40 The ABC Asia Pacific channel gives television viewers in the RoK the opportunity to access Australian cultural, entertainment, children's and language programming. In Seoul, the ABC Asia Pacific channel is available to almost 100 000 homes with an audience of 16 000 per month.²⁴

19 Mr Colin Lyons, *Transcript 31 August 2005*, p. 47.

20 NLA, *Submission No. 9, Vol. 1*, p. 64.

21 NLA, *Submission No. 9, Vol. 1*, p. 64.

22 NLA, *Submission No. 9, Vol. 1*, p. 64.

23 NLA, *Submission No. 9, Vol. 1*, p. 65.

24 ABC, *Submission No. 7, Vol. 1*, p. 51.

- 5.41 Programs such as *Bananas in Pyjamas* have proven to be popular, as well as Australian documentaries, news and English language learning programs.²⁵
- 5.42 The Committee was advised by ABC Asia Pacific representatives that the Korean cultural drive to learn English makes the RoK a very important international market for the ABC. It also provided the basis for a strong focus on English language training programs on the channel.²⁶

The English Village

- 5.43 The establishment of an ABC Asia Pacific room in the English Village in Seoul is an extension of this focus on English language training by the ABC.
- 5.44 The English Village is a Seoul city government initiative designed for Korean students to learn a higher standard of English through immersion. Three hundred randomly picked elementary school students a week visit the village where Australian, Canadian, British and American teachers conduct programs in English.
- 5.45 The ABC Asia Pacific is the only foreign organisation to sponsor a room in the Village. It is a digital room with computer and televisions, where children write emails, watch Australian education programs or study an interactive Australian map.²⁷
- 5.46 Feedback on the Village and the Australian room has been very positive and the Committee was pleased to note that Korean school children have the opportunity to learn about Australia and its culture through this initiative.²⁸

The Australian Film Commission

- 5.47 Information provided to the Committee by the AFC highlighted the strength of the Korean film industry and a relatively substantial cultural trade which occurs between the RoK and Australia.
- 5.48 Korean films have been enjoying growing success domestically and internationally since the 1990s. As a result, eight Korean films have been distributed in Australia since 2002 – the most well known being

25 ABC, *Submission No. 7, Vol. 1*, p. 53.

26 Mr Jim Styles, *Transcript 20 September 2005*, p. 43.

27 Mr Eliot Lee, *Transcript 20 September 2005*, p. 50.

28 Mr Eliot Lee, *Transcript 20 September 2005*, p. 50.

Old Boy, a Cannes Film Festival entry. A much larger number of Australian productions have also been sold to the RoK.²⁹

- 5.49 Australia has proven to be a popular destination for Korean film makers to shoot or more commonly post-produce their films. Seven Korean films have been shot or post-produced in Australia since 1996, as well as a number of Korean television commercials.³⁰
- 5.50 In addition to cultural trade, the Committee was advised that the RoK and Australia actively participate in local film festivals. Australian films screened at the 2004 Pusan International Film Festival and Korean films screened in Sydney, Brisbane, Canberra and Melbourne as part of the 2004 Sydney Asia Pacific Film festival's Korean Film Festival.³¹
- 5.51 The Embassy Roadshow, an AFC sponsored event, has travelled to the RoK twice to screen Australian films and has been well received on both occasions.³²

Committee comment

- 5.52 The Committee would have liked to receive more submissions from Australian cultural agencies involved in promoting cross-cultural understanding between Australia and the RoK. It is unclear to the Committee whether or not this lack of submissions reflects a lack of actual activity that is occurring in this area. If that is the case, then Australian cultural institutions need to do more to encourage cultural interaction between Australia and the RoK.
- 5.53 While the Committee recognises DCITA's role as a coordinating agency, it encourages DCITA to actively promote the RoK to the agencies they have contact with in an effort to raise the cultural profile of the RoK in Australia.
- 5.54 The Committee commends agencies such as the AKF, ABC and AFC for actively promoting Australian culture in the RoK and hopes that Australia's cultural profile will continue to rise in the RoK.

29 For complete lists of Korean films distributed in Australia and Australian films distributed in the RoK see, AFC, *Appendix C and D, Submission No. 29, Vol. 2*, pp. 415-20.

30 Miss Lynn Gailey, *Transcript 20 September 2005*, p. 54-55.

31 AFC, *Submission No. 29, Vol. 2*, p. 408.

32 AFC, *Submission No. 29, Vol. 2*, p. 408.

Republic of Korea Government cultural activities in Australia

5.55 Throughout the course of this inquiry, it has been suggested that in order for the Australia-RoK relationship to deepen, a greater understanding of each other's cultures was necessary. It has been noted that Australians have only a limited interest in the RoK, while Koreans tend to be much more aware of Australia. This may be due to their desire to learn English and their view of Australia as a preferred travel destination. The RoK Embassy advised the Committee that:

... a great many Koreans have a basic knowledge and a good image of Australia through their school education ... In a recent poll commissioned by one Korean daily, Australia ranked second as the most favoured country following the US.³³

5.56 In contrast, the RoK Embassy believes that Korea is:

... fairly alien to Australians or often carries a negative image originating from past eras ... Australians seem to feel modest interest in travelling to Korea, much less in learning the Korean language.³⁴

5.57 The Committee endeavoured throughout this inquiry to understand how Australians might become more interested in the RoK and how Australian institutions might assist in raising that interest level. As part of this process, the Committee queried the RoK Embassy on what activities it has undertaken to promote Korean culture in Australia.

5.58 The RoK Embassy has promoted the RoK in Australia through the following activities:

- Korean cultural performances during Korea week 2004;
- Chamber music, Korean opera and traditional Korean music performances;
- distribution of books on Korean culture, history and economic development to Australian primary and secondary schools;
- development of an educational website in conjunction with the Asia Education Foundation of Melbourne; and
- financial contributions to the study of Korean language in Australia.

33 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 536.

34 Embassy of the RoK, *Submission No. 44, Vol. 2*, p. 536-7.

Committee comment

- 5.59 This chapter has shown that there continues to be cultural engagement between Australia and the RoK on many levels and notes areas where further cross-cultural engagement can develop.
- 5.60 The Committee recognises the benefits of cross-cultural understanding between Australia and the RoK and supports all attempts to deepen cultural relations between the two countries so that that an already strong relationship can be further strengthened.

Education and research

Introduction

- 6.1 Witnesses have pointed to cross-cultural understanding as a requirement for a successful and expanding relationship between Australia and the RoK. Underpinning such understanding is education and, in an era of life-long learning, research. This chapter discusses educational and research issues.
- 6.2 There is a direct benefit to the Australian economy in the provision of educational services to Koreans wishing to study in Australia. Broader long-term benefit comes, however, from a greater understanding by Australians of Korean culture. This can arise through contact and collaboration at all stages of the Australian education system – from secondary to postgraduate studies and beyond. Benefits will include increased trade, and international collaboration at both government and business levels.

Providing educational services for Republic of Korea nationals

The education market

- 6.3 Education is high on the list of Korean priorities. The submission from the RoK Embassy noted that Koreans enjoyed a 98 per cent literacy rate, that 40 per cent of 25–34 year-olds were tertiary educated, and ‘private spending on educational institutions as a share of GDP is the highest in the OECD.’¹ A witness from the Research School of Pacific and Asia Studies (RSPAS) told the committee:

I think Korean families are probably the only families that will sell the last little plot of land to send their children to university. I have not seen any other country like this. ... The will of Korean people to go to university and do well is high.²

- 6.4 Figures provided by the Department of Education, Science and Training (DEST) indicated that almost 180 000 Korean students studied abroad in 2004.³ The Korea-Australasia Research Centre (KARC) told the Committee that traditionally, the destination of Korean students studying overseas has been, in order, USA, China, then Canada, Australia, Europe and New Zealand.⁴ Australia has captured a substantial proportion of this market amounting to almost 19 percent.⁵
- 6.5 DEST told the Committee that viewed from the Australian perspective, the RoK represented the second most important source country after China.⁶ Figures provided by the RoK Embassy confirmed the importance of the numbers of Koreans studying in Australia and showed that the trend was rising – following a low after the 1997 Asian financial crisis, the numbers of Korean students had doubled from 2000 to 2004, rising to almost 24 000.⁷

1 RoK Embassy, *Submission No. 18, Vol. 1*, p. 237.

2 Dr Hyung-a Kim, *Transcript 1 September 2005*, p. 59.

3 DEST, *Submission No. 12, Vol. 1*, p. 176.

4 Dr Chung-Sok Suh, *Transcript 20 September 2005*, p. 41.

5 DFAT, *Submission No. 21, Vol. 1*, p. 287.

6 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 35.

7 RoK Embassy, *Submission No. 18, Vol. 1*, p. 240.

- 6.6 Korean students studying in Australia enrol in four sectors of the education market:
- English Language Intensive Courses for Overseas Students (ELICOS), (43%);
 - higher education (21%);
 - schools (19%); and
 - Vocational Education and Training (VET), (15%).⁸
- 6.7 DEST noted that ELICOS was often 'the taster, or the feeder' into the other education sectors.⁹

Promoting Australia's educational services

- 6.8 There are good reasons to promote Australia's educational services to RoK nationals wishing to study overseas. Besides the quality of those services, significant income can be generated for Australian educators. Indeed, OKTA commented that, 'selling one Holden Commodore to Korea is not as easy or as profitable as bringing one overseas Korean student to Australia.'¹⁰
- 6.9 The submission from the Department of Immigration and Multicultural Affairs (DIMA) (previously DIMIA) indicated that education was Australia's 'third largest service export after tourism and transportation,' with overseas students contributing more than \$7.5 billion in export earnings annually.¹¹
- 6.10 As well, the education market provides non-financial benefits. DEST told the committee:

One of the things that we find with the students who come here is that they often go back and work in government in the host countries and then can play a major part in the bilateral relationships between countries. We think an education relationship is very important to a national relationship between any two countries.¹²

8 DEST, *Submission No. 12, Vol. 1*, p. 174.

9 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 41.

10 Mr Sihyun Paik, *Transcript 20 September 2005*, p. 13.

11 DIMIA, *Submission No. 33, Vol. 2*, p. 451.

12 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 43.

- 6.11 DFAT told the Committee that it was raising Australia's profile in RoK schools through the provision of a CD-ROM study kit which had been distributed to about 3000 Korean lower secondary schools. The kit focused on 'Australia's clean and green environmental strengths,' and some of its elements had been incorporated into the Korean schools curriculum.¹³
- 6.12 DEST's activities were more focused on promoting Australia's education market in overseas countries. Its Australian Education International (AEI) program supported the commercial activities of Australia's education community by liaising 'with all sectors of the education and training industry and all levels of government.' The range of strategies it adopted included, 'brand positioning, promotional events, marketing materials, the multilingual Study in Australia web site and in-country communications campaigns.' AEI also administers:
- ... national legislation for financial and tuition assurance mechanisms and codes of practice such as the Education Services for Overseas Students Act (ESOS) and the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).¹⁴
- 6.13 DEST told the Committee that it was about to upgrade its locally engaged officer to an Australian based counsellor. This, it commented, would allow it to promote government to government relations and also indicate to the Koreans that Australia was interested in furthering the relationship.¹⁵
- 6.14 The RoK Government and Korean businesses are also engaged in promoting educational opportunities in Australia for Korean students. The RoK Ambassador told the Committee that there were many foundations that offered scholarships to Korean students wishing to study in foreign countries.¹⁶

13 Dr Leslie O'Brien, *Transcript 31 August 2005*, pp. 3, 4.

14 DEST, *Submission No. 12, Vol. 1*, p. 174.

15 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 35.

16 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 26.

Impediments to expanding the education market

- 6.15 Various impediments to expanding the education market were identified during the inquiry. These can be grouped under:
- the perceptions of Korean students; and
 - the issuing of visas to Korean students.

Perceptions of students from the Republic of Korea

- 6.16 The RoK Embassy noted in its submission that Australia provided:
- ... a high-quality education in a safe and friendly environment at a reasonable cost and hence is one of the most popular destinations for Korean students.¹⁷
- 6.17 An element of caution was, however, introduced by OKTA when it said:
- ... one of the major concerns of overseas students these days is safety related. ... before they choose their final destination for overseas study they seriously discuss how safe a place it is. There have been a few instances of robberies and attacks on overseas students ... which have had a big impact. A number of Korean students decided to shift to other parts of Australia. Sometimes they just pack up and leave this country. That is currently happening not just in Australia but in other parts of the world, such as the United States.¹⁸
- 6.18 OKTA also highlighted the speed at which adverse information can spread on the Internet to and throughout the RoK:
- A couple of months ago a Korean student had an accident in the middle of Liverpool Street and she was dying. That was on the internet – on the broadband – in Korea. Even in primary school the students there saw the day's news information on this.¹⁹
- 6.19 There are also web sites in the RoK for students returning from overseas. KARC told the Committee that these carried comments from former students who had studied in Australia. Some of these comments had been 'quite negative'. The witness added that

17 RoK Embassy, *Submission No. 18, Vol. 1*, p. 240.

18 Mr Sihyua Paik, *Transcript 20 September 2005*, pp. 15–16.

19 Mr Williams Bae, *Transcript 20 September 2005*, p. 17.

comments from students who had returned from other countries had been 'slightly more favourable.'²⁰

- 6.20 The perception of status of qualifications gained through study in Australia may also be an important factor in the competition for overseas students. OKTA told the committee that Canada, a major competitor, was regarded as 'less business orientated and more educationally' orientated than Australia.²¹
- 6.21 The submission from the RoK Embassy added that 'the perception of Australian degrees in Korea has room for improvement as there exists a tendency to prefer degrees from the US or Europe.'²²
- 6.22 DEST suggested that developing an MoU was a way to overcome these perceptions. While there were 'several MoUs for cooperation between State Government Education Departments and Metropolitan Offices of Education in Korea,'²³ there was no MoU at national government level:

The idea of the MoU is that there would be an agreement between the Republic of Korea and Australia in terms of recognition of each other's qualifications. That does not exist at the present time. That would be something that we could develop.²⁴

- 6.23 The Committee notes advice from DFAT, that recently the Korean Ministry of Education had approached the AEI office in Seoul with an informal proposal for an MoU with Australia.²⁵

The issuing of visas to students from the Republic of Korea

- 6.24 Koreans wishing to study in Australia are issued with a student visa by DIMA. In addition, since January 2004 DIMA was able to issue a student guardian visa to a parent, legal custodian or relative who was accompanying a student visa holder who was under 18 years of age, or who had a physical or cultural need for an adult companion. The submission from DIMA noted that interest from Korean applicants

20 Dr Chung-sok Suh, *Transcript 20 September 2005*, p. 41.

21 Dr Chung-sok Suh, *Transcript 20 September 2005*, p. 41.

22 RoK Embassy, *Submission No. 18, Vol. 1*, p. 241.

23 DEST, *Submission No. 12, Vol. 1*, p. 174.

24 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 41.

25 Mr Peter Baxter, *Transcript 31 August 2005*, p. 8.

had been high, with over 40 per cent of all student guardian visa grants going to parents of Korean students as of 30 June 2005.²⁶

6.25 A supplementary submission from the RoK Embassy was critical of the assessment process which DIMIA used in assessing applications for student visas. The submission complained that the risk assessment levels for processing Korean student visa applications was too high, especially when compared to applications from Japan, Malaysia, Singapore, Poland, and Portugal. The submission added that downgrading the assessment risk levels would encourage more Korean students to apply for student visas thereby leading to a substantive increase in numbers.²⁷

6.26 DIMA responded that its assessments levels were:

- a statistical analysis of risk indicators in each education sector by citizenship, with risk weighting assigned according to the degree of concern each risk indicator poses to the overall integrity of the student visa program; and
- analysis of specific country issues and broader regional concerns, allowing relevant environmental, political, economic or other influences to be objectively assessed and incorporated into the statistical analysis.²⁸

6.27 The submission identified the risk indicators used in the statistical analysis:

- the percentage of student visas cancelled where the student was at fault;
- the percentage of fraudulent documents detected by the Australian overseas mission;
- the percentage of former student visa holders who became unlawful and did not obtain a visa to regularise their status;
- the percentage of applications by student visa holders for permanent residence visas;

26 DIMIA, *Submission No. 33, Vol. 2*, p. 452.

27 RoK Embassy, *Submission No. 44, Vol. 2*, p. 544.

28 DIMA, *Submission No. 58, Vol. 2*, p. 609.

- the percentage of student visa applications which were refused by the Australian overseas mission; and
- the absolute number of international students applying for a protection visa for each country and education sector.

DIMA added that the assessment levels for international student visa applications were reviewed on an annual basis.²⁹

Committee comment

- 6.28 The provision of educational services to Koreans is a substantial export earner. The Committee considers it is important to maintain and, if possible, increase Australia's market share. The Committee believes it is important for Australian educators to be aware of any adverse comments made by returning Korean students and to seek to address those concerns.
- 6.29 Citizens of the RoK are highly internet-aware and the Committee considers that a task for AEI in Seoul should be to create an internet-based forum where Korean students returning from overseas are able to provide feedback on their Australian experiences. AEI should regularly review comments posted to this internet forum and advise Australian educators so they are able to tailor their services to meet the needs of their Korean students.

Recommendation 5

- 6.30 **Australian Education International create an Internet-based forum for Korean students returning from Australia. Comments on this forum should be regularly reviewed and followed up if necessary with Australian educators.**
- 6.31 The Committee believes that DEST should take steps to address Korean misconceptions of the value of Australia's education qualifications through the negotiation of an MoU with the Korean Government. Given there already has been an informal approach from the Korean Government, and an MoU has received support from DEST witnesses, the Committee considers this should be a matter of priority and be completed within 12 months.
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²⁹ DIMA, *Submission No. 58, Vol. 2*, pp. 609-10.

Recommendation 6

- 6.32 **The Department of Education, Science and Training develop a memorandum of understanding with its Republic of Korea counterpart with a view to the mutual recognition of educational qualifications.**
- 6.33 The Committee is satisfied that DIMA has adopted objective risk assessment indicators when it assesses the risks presented by students from the RoK studying in Australia.
- 6.34 The Committee notes, however, that DIMA's risk assessment includes an analysis of 'specific country issues.' DIMA's evidence suggests that a substantial percentage of student guardian visas are for adults accompanying students from the RoK. The Committee considers, therefore, that the issuing of a student guardian visa constitutes a 'specific country' factor and this factor should be incorporated into DIMA's risk assessment for students from the RoK.

Recommendation 7

- 6.35 **The Department of Immigration and Multicultural Affairs review the risk presented by students from the Republic of Korea who are accompanied by a guardian when they study in Australia. The result should be incorporated into the overall risk assessment for such students.**
- 6.36 Finally, the Committee notes the comment from Mr Mack Williams that Australia was not 'getting the best students from Korea,'³⁰ and from OKTA that the graduate business management course sector presents a potential growth sector for Australia's overseas student education market.³¹ The Committee believes AEI should look to promote this aspect of the market.

30 Mr Mack Williams, *Transcript 7 November 2005*, p. 9.

31 Mr William Shields, *Transcript 20 September 2005*, p. 25.

Interaction at secondary school level

The study of the Korean language in Australia

- 6.37 The teaching of the Korean language is regarded by KARC as the 'backbone of all Korean studies.'³² ABC Asia Pacific went further, noting that the RoK was such an important market that it should receive more emphasis at all levels including education and government.³³ The ABC's representative in the RoK added that 'Koreans always welcome any foreigners who are eager to learn Korean.'³⁴ DEST too agreed, noting Korean was one of the languages 'that the Commonwealth does seek to promote.'³⁵
- 6.38 The largest population of Korea-born Australians resides in NSW, predominantly in Sydney, and it is for this reason that the support for the teaching of Korean is focused on that State.³⁶ Currently, the NSW education syllabus allows for Korean to be taught in kindergarten, for the NSW School Certificate, and for the Higher School Certificate (HSC). In 2005, three HSC courses were available: Beginners, Continuers, and Background Speakers.³⁷
- 6.39 In 2005, there were 18 schools in NSW with a Korean program (in Melbourne there were six schools).³⁸ In addition, Korean was available at the NSW Government's Open High School, and Saturday School of Community Languages.³⁹
- 6.40 In 2004, The RoK Ministry of Education and Human Resource Development signed an MoU with the NSW Department of Education to jointly support a Korean language consultant position based at the Korean Education Centre (KEC).⁴⁰
- 6.41 The Committee received a submission from the KEC which raised several criticisms of the support for teaching of Korean in NSW. These criticisms included:
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32 Dr Chung-sok Suh, *Transcript 20 September 2005*, p. 38.

33 Mr Jim Styles, *Transcript 20 September 2005*, p. 49.

34 Mr Elliott Lee, *Transcript 20 September 2005*, p. 49.

35 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 42.

36 Mrs In-soon Park, *Transcript 20 September 2005*, p. 7.

37 Office of the Board of Studies NSW, *Submission No. 32, Vol. 2*, p. 442.

38 Mrs In-soon Park, *Transcript 20 September 2005*, p. 7. a list of NSW schools can be found at: Korean Education Centre, *Submission No. 3, Vol. 1*, p. 26.

39 Mrs Sook hee McRoberts, *Transcript 20 September 2005*, p. 2.

40 Mrs In-soon Park, *Transcript 20 September 2005*, p. 3.

- the level of resourcing of Korean language teaching;
- the lack of fellowships open to teachers of Korean; and
- the deletion of the HSC Korean Beginners course.

Resourcing of Korean language teaching

6.42 The KEC stated that Commonwealth funding for Asian languages under the National Asian Languages Studies in Australian Schools program (NALSAS) had not been equitably distributed. The program ran from 1996 to 2002 and had identified four priority languages: Chinese, Indonesian, Japanese, and Korean. Korean language programmes, however, which were introduced in 1994:

... did not benefit from any start-up funding or nurturing. It [was] clearly the case that a relatively insignificant portion of the available NALSAS funding was allocated to the Korean program. This severely limited the development of an appropriate level of resources.⁴¹

6.43 A witness from the KEC explained that when she had sought funding under the NALSAS she 'was denied, because of [low] student numbers.' She added that teachers of the other priority languages were provided with lots of resources, but that teachers of Korean had to produce their own.⁴² Consequently, teachers facing a lack of proper resources compared to those of other well-established languages were 'withdrawing from the Korean language program.'⁴³

6.44 Since the 2004 MoU, however, and the establishment of the Korean language consultant position, the KEC had 'supported Year 9 material and HSC online material for the Korean language.'⁴⁴ The RoK Embassy also noted that it provided information on Korea in the form of educational magazines which it distributed to secondary schools.⁴⁵

41 KEC, *Submission No. 3, Vol. 1*, p. 18.

42 Mrs Sook Hee McRoberts, *Transcript 20 September 2005*, pp. 6-7.

43 Mrs Sook Hee McRoberts, *Transcript 20 September 2005*, p. 3.

44 Mrs In-Soon Park, *Transcript 20 September 2005*, p. 3.

45 RoK Embassy, *Submission No. 18, Vol. 1*, p. 240.

Teacher fellowships for the teachers of Korean

6.45 A similar neglect existed, suggested the KEC, with the training of Korean language teachers. The KEC explained that a teacher exchange program existed between the Seoul Metropolitan Office of Education and the NSW Department of Education and Training. The exchange programme was currently inactive due to a funding deficiency or lack of interest of the NSW Department, the KEC suggested. This was despite the keenness of the Korean Department to reactivate the program.⁴⁶

6.46 The program was jointly funded by the NSW and RoK governments,⁴⁷ and commenced in 1995. The KEC provided further details:

We had seven teachers on each side, so that each teacher had a counterpart. The Korean teachers visited Australia and our Australian background Korean language teachers hosted them and then, the following year, the Australian Korean language teachers visited their counterparts in Seoul. That was continued until 1998, when funding was completely stopped. Funding was restarted in 2001 and lasted a couple of years. In those days, the Korean government wanted to have 10 teachers exchanged, but the New South Wales department said it had to be limited to four teachers. Four teachers were exchanged for a couple of years.⁴⁸

6.47 There are two other potential sources of support for Korean language teachers:

- the Endeavour Language Teacher Fellowships (ELTF); and
- the Australia-Korea Teacher Exchange (AKTE) program.

6.48 The ELTF enables 'Australian language teachers to participate in a three-week in-country cultural and language program in the language that they teach.' Eligible languages for the program are the top 10 languages studied at Year 12.⁴⁹ Unfortunately, Korean is not one of those top 10 languages.⁵⁰

46 Mrs Sook Hee McRoberts, *Transcript 20 September 2005*, pp. 2-3.

47 Mrs Sook Hee McRoberts, *Transcript 20 September 2005*, p. 6.

48 Mrs Sook Hee McRoberts, *Transcript 20 September 2005*, p. 5.

49 These languages are, alphabetically, Arabic, Chinese, French, German, Greek, Indonesian, Italian, Japanese, Spanish, and Vietnamese.

50 DEST, *Submission No. of the 40, Vol. 2*, p. 509.

- 6.49 DFAT told the Committee that the AKF, together with the Asia Education Foundation, provided support for teacher exchanges under the AKTE program. When teachers visited the foreign country they were given classroom exposure, cultural visits and home stays.⁵¹
- 6.50 The AKF 2003–04 annual report noted that in August and October 2003, 12 Korean teachers travelled to Australia, and nine Australian teachers travelled to the RoK. As well, 10 principals and deputy principals from South Australian schools travelled to the Chongju District in the RoK.⁵²

Deletion of the Higher School Certificate Korean Beginners course

- 6.51 The submission from the KEC advised that from 2006 the NSW Board of Studies would 'delete the HSC Korean Beginners course from the Korean language program in NSW.' The reason provided was due to low candidature. The submission emphasised that the Korean Beginners course was also not available on the NSW education department's distance learning vehicle, the Open High School.⁵³
- 6.52 A witness from the KEC provided further comment:
- the reason for low candidature for the Korean Beginners course had not been addressed – 'low access to the course, no protocol for expressions of interest, no logging or recording of inquiries ... and, critically, no access to the Open High School distance education mode;'
 - teachers in remote areas, responding to the needs of parents with adopted Korean children, could not form a Korean language class (a school needed at least 10 students to form a class);
 - some adoptive parents were purchasing private lessons at \$5 000 per year; and
 - while the NSW Government's Saturday School of Community Languages made Korean available, many students were unable to attend Saturday classes.⁵⁴

51 Dr Lesley O'Brien, *Transcript 31 August 2005*, p. 4.

52 AKF, *Annual Report 2003–2004*, pp. 19–20.

53 KEC, *Submission No. 3, Vol. 1*, pp. 19, 25.

54 Mrs Sook-Hee McRoberts, *Transcript 20 September 2005*, pp. 2–5.

- 6.53 The thrust of the KEC evidence was that there was a demand for the Korean Beginners course and that the NSW Board of Studies' reason for suspending the course could not be justified.
- 6.54 The Committee sought a response from the NSW Board of Studies. The Board responded that the eligibility rules for the Korean Beginners course were designed to provide 'opportunities for genuine second language learners with no background in Korean to study a course commensurate with their experience in and knowledge of Korean'.⁵⁵
- 6.55 Unfortunately, the candidature for Korean Beginners had averaged less than one per year (in four of the previous six years there had been no candidates). The Board followed the policy proposal by the Australasian Curriculum Assessment Certification Authorities, and had a policy of suspending courses when the candidature fell below '15 on a national basis in each of three consecutive years'. Because the course had been suspended, not deleted, there was opportunity for schools to offer Korean Beginners as a Board Endorsed Course.^{56,57}
- 6.56 The submission added:
- If the numbers increase and there is clear evidence of ongoing demand for and sustainability of the course, the Board of Studies would consider reactivating Korean Beginners as a NSW HSC course.⁵⁸
- 6.57 The Committee sought further comment from the Board on how it would measure whether demand was sufficient to reactivate a course, and whether it could provide examples of suspended courses which had subsequently been reactivated.
- 6.58 The Board responded:
- In reviewing suspended courses the Board of Studies would consider such issues as:
- enrolment trends up to the time that the course was suspended. In the case of Korean Beginners there has never been a viable candidature since the course's inception. ...

55 NSW Board of Studies, *Submission No. 32, Vol. 2*, p. 443.

56 NSW Board of Studies, *Submission No. 32, Vol. 2*, pp. 443–4.

57 Board Endorsed Courses, unlike Board Developed Courses, cannot be used in the calculation of the University Admission Index.

58 NSW Board of Studies, *Submission No. 32, Vol. 2*, p. 444.

- inquiries relating to the course. There have been very few inquiries from schools or individuals concerning Korean Beginners. There seems to have been little interest in the change.
 - monitoring of demographic and immigration trends. Frequently the interest in studying a language comes from first generation immigrants. By the time a second generation comes to HSC study there is often a significant decline in the candidature.⁵⁹
- 6.59 Regarding reactivating courses, the Board of Studies noted that ‘the process of suspending languages has been in operation for only two years.’ The Vocational Education and Training Curriculum Framework Courses, however, provided examples of the Board of Studies’ responsiveness to changing circumstances:
- There has been a substantial decline in the number of Board Endorsed Course applications as content areas have been absorbed into the Board Developed curriculum areas.⁶⁰

Student exchanges and visits

- 6.60 Earlier in this chapter the Committee noted the support provided by the AKF for various teacher exchanges and teacher visits to the RoK. An outcome of such teacher exchanges, DFAT stated, was that the interest engendered often led to applications for student exchanges.⁶¹
- 6.61 For example, following the visit of Australian teachers to the Cheongju District in 2003–04, there was an exchange visit of students from the Cheongju Elementary School and Barmera Primary School in South Australia.⁶² Also in 2003–04, 14 school students and two teachers from the McKinnon Secondary College visited the RoK; subsequently students from the Dong Rae High School were invited to visit Australia.⁶³
- 6.62 The support for secondary school exchanges, however, remains limited. DEST told the Committee that the Commonwealth Government did not fund student exchanges. The department added

59 NSW Board of Studies, *Submission No. 53, Vol. 2*, p. 582.

60 NSW Board of Studies, *Submission No. 53, Vol. 2*, p. 583.

61 Dr Lesley O’Brien, *Transcript 31 August 2005*, p. 4.

62 AKF, *Annual Report 2003–2004*, pp. 21–2.

63 AKF, *Annual Report 2003–2004*, pp. 20–1.

that it was 'giving further thought to how we might encourage more Australians to go offshore.'⁶⁴

Committee comment

- 6.63 The Committee agrees with witnesses that the teaching of the Korean language in Australian schools enhances cultural links and, in the long term, can benefit Australia's trade performance with the RoK. The Committee considers that at the heart of the decline in the teaching of Korean is a decline in student interest. If more students were attracted to Korean language courses, the subject could compete more successfully for resources, cater for a diverse range of abilities at secondary school, and justify a HSC Korean Beginners course.
- 6.64 The Committee believes there are two main reasons for low student interest in Korean language studies:
- Despite rising imports to Australia, the RoK has a low profile which leads to student perception that the study of Korean does not provide them with long-term benefit – in particular, prospects for employment or further study.
 - Korean born adoptees, who are a significant potential source of language students at the beginners level,⁶⁵ are distributed widely across Australia. This prevents the creation of the critical mass needed for forming a Korean language class.
- 6.65 The low demand from students and the inability to form viable classes dampens the demand for Korean language teachers. This further exacerbates the situation because schools without a qualified Korean language teacher are unable to offer a Korean language course.
- 6.66 The Committee understands the reasons for the NSW Board of Studies cancelling the Korean Beginners course. Offering courses at HSC level entails a cost which cannot be justified if there are very few candidates. The alternative of Board Endorsed Courses is not a satisfactory alternative to many senior secondary school students because such courses are not able to be used in the calculation of the University Administration Index. Consequently, Board Endorsed

64 Ms Shelagh Whittleston, *Transcript 31 August 2005*, p. 39.

65 Korea is the source of the second-highest number of adopted children per year, after China. In 2003–04 there were 98 adoptions. Australian Institute of Health and Welfare, *Adoptions Australia 2003–04*, p. 14.

Courses are not seen by senior students as being as worthy of study when compared to Board Developed Courses.

- 6.67 The Committee is not convinced that the Board of Studies has an effective method of recording the potential demand for discontinued Board Developed Courses. Creating and maintaining a database, however, to record evidence of demand for a discontinued course entails significant costs. As well, due to equity issues, any system would need to be able to record demand for other discontinued courses and this would increase costs.
- 6.68 The Committee believes that any strategy to progress the teaching of Korean in Australian schools should focus on the following:
- creating demand through:
 - ⇒ initially focusing on the K-10 syllabus;
 - ⇒ providing teaching materials for junior and junior secondary classes;
 - ⇒ facilitating school exchange visits at junior and junior secondary level;
 - demonstrating demand through:
 - ⇒ more effective recording of interest for discontinued courses at the education department level;
 - ⇒ coordination of demand at the parent level (the Committee encourages the KEC to play an active role in this aspect);
 - fostering existing and generated demand through:
 - ⇒ providing better access to Korean language courses through distance learning via the Internet (the Committee considers that Korean born adoptees represent a potential market for Internet-based learning of beginners level Korean);
 - meeting the additional costs, in particular of Internet-based Korean language teaching, through:
 - ⇒ additional government funding; and
 - ⇒ seeking financial support from non-government bodies.

- 6.69 In 2004 the Committee reviewed Australia's relationship with Indonesia and discussed the then discontinued NALSAS program. The Committee recommended that a NALSAS program or an equivalent be reintroduced.⁶⁶
- 6.70 The Commonwealth Government responded in November 2005 advising that it did not support the recommendation. It noted that in 1999 funding for NALSAS was extended for three years on the basis that the program would become self-sustaining by 2002. The response also detailed the support being provided to Asian language teaching and concluded that:
- While the Government takes a leadership role ... it is the responsibility of State and Territory governments to ensure languages and studies of Asia programs ... are adequately funded.⁶⁷
- 6.71 Notwithstanding the Commonwealth Government response, the Committee reconfirms its view there is merit in reintroducing a NALSAS program or an equivalent.**
- 6.72 In the Commonwealth jurisdiction the Committee notes DEST's comment that it 'was giving thought to' how it could encourage more school exchanges. The Committee considers that this would make a valuable contribution to generating demand for Korean language courses.

Recommendation 8

- 6.73 The Department of Education, Science and Training promote school exchange visits between Australia and the RoK through direct funding, or by facilitating sponsorship from non-Commonwealth Government bodies.**

⁶⁶ JSCFADT, *Near Neighbours – Good Neighbours, An Inquiry into Australia's Relationship with Indonesia*, Canberra, May 2004, pp. 158–61.

⁶⁷ <<http://www.aph.gov.au/house/committee/jfadt/indonesia/indonesia.pdf>> November 2005, pp. 11–12.

Interaction at tertiary and post-tertiary level

Student exchanges

- 6.74 As with secondary school students visiting the RoK, there are relatively few Australian tertiary students studying in that country. A DEST supplementary submission advised of two scholarship programs available to Australian students wishing to study in the RoK. The scholarships were based on an institution-to-institution exchange, with support to the value of between \$4000 and \$5000 being provided for one to two semesters. The scholarship programs were:
- the Australian Cheung Kong Student Exchange Programme; and
 - the Australian University Mobility in Asia and the Pacific Programme.
- 6.75 In 2005, the two programs provided support for a total of 420 student exchanges to various countries in the Asia-Pacific region. Nine Australian students studied in the RoK under the programs.⁶⁸
- 6.76 The Australian Academy of Science (AAS) explained that the low number of Australian students studying in the RoK was due in part to the difficulty of the language. While many scientific institutions taught their higher degree courses in English, students studying in the RoK would still have the problem of conversing in Korean when living in the community.⁶⁹
- 6.77 DEST suggested that a further factor was the lack of recognition and accreditation of Korean courses. It advised the Committee that it was upgrading its representation in Seoul and through enhanced government-to-government links, it hoped that the two countries would have a better understanding and recognition of each other's qualification and accreditation frameworks.⁷⁰
- 6.78 A third factor, suggested by witnesses from the RSPAS, was a lack of career opportunities arising from Korean studies:
- Korea has to have a profile where Australian students think that, when they study Korean subjects, they can better their

68 DEST, *Submission No. 40, Vol. 2*, pp. 509–10.

69 Professor Bruce McKellar, *Transcript 1 September 2005*, p. 13.

70 Ms Shelagh Whittleston, *Transcript 31 August 2005*, pp. 35, 38.

careers, so they can be inspired by it, and vice versa. ... Students say, 'There are hardly any Korean researchers who are lecturers, so how do we study?' Then the university would say, 'Because there are hardly any students, we do not need any lecturers.' ... Why do you think Koreans all go to America? It has to be Berkeley or Harvard. They are the ones who make the decisions and who do all the politics.⁷¹

- 6.79 A consequence of this decline in popularity of Korean courses at the tertiary level was the contraction in Korean study programs in Australian universities.⁷²

A Korean studies research centre

- 6.80 The RoK Ambassador told the Committee that his government needed to be 'more energetic in promoting the Korean study program' in Australia and was considering providing funding support for 'a Korean research centre in an appropriate university in Australia'.⁷³
- 6.81 Responding to this idea, the RSPAS commented that the proposal was at an early stage of development, but it would ideally involve the granting of full student scholarships.⁷⁴
- 6.82 KARC noted that in the 1990s a Commonwealth-funded Korean studies centre was established in Melbourne, but it 'disappeared' as soon as the funding ceased.⁷⁵ KARC also commented that funding might be more broadly spread:
- Considering the small number of scholars and considering that there are already three research centres, instead of establishing a new centre I think strengthening one or two of the existing centres might be a more effective way of directing funding.⁷⁶
- 6.83 Strengthening the collaboration between widely dispersed scholars would also be an effective strategy, KARC added.⁷⁷

71 Dr Hyung-a Kim, *Transcript 1 September 2005*, p. 51.

72 Professor James Fox, *Transcript 1 September 2005*, p. 54.

73 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 21.

74 Professor James Fox, *Transcript 1 September 2005*, p. 60.

75 Dr Gi-Hyun Shin, *Transcript 20 September 2005*, p. 39.

76 Dr Chung-Sok Suh, *Transcript 20 September 2005*, p. 39.

77 Dr Chung-Sok Suh, *Transcript 20 September 2005*, p. 39.

Committee comment

6.84 The Committee notes that the RoK Government supports a number of Australian universities that have Korean study programs,⁷⁸ and welcomes the possible further support of a Korean research centre. The Committee cautions, however, that the creation of a research centre per se will not necessarily create sufficient demand to ensure its long term viability. As noted previously in this chapter, there needs to be sustained support for Korean studies at the junior and secondary school level to create grassroots demand for Korean studies. As KARC said:

... I think that setting up a research centre would be a very good idea but, at this point in time, we need some sort of structure from which we can draw out younger Australians' interest in Korea. I do not just mean for research work; we also need a structure from which we can increase the number of younger people interested in undertaking Korean language studies, at school level as well as university level.⁷⁹

Research collaboration

Benefits of collaboration

- 6.85 The RoK ranks fifth in the OECD in spending on science and technology. DEST told the Committee that in 2002 spending amounted to US\$ 23.5 billion as compared to US\$ 9 billion for Australia.⁸⁰
- 6.86 Research collaboration between Australia and the RoK provides significant opportunities for both countries. Not only can Australians take advantage of the RoK's interest in research and development, but also both countries can benefit from the synergies arising from complementary areas of expertise. Several examples were provided to the Committee.
- 6.87 The submission from DEST drew attention to Australia's strong university-based basic science and the RoK science and technology

78 The institutions are: the Australian National University, the University of New South Wales, Griffith University, and Curtin University of Technology.
RoK Embassy, *Submission No. 18, Vol. 1*, p. 239.

79 Dr Gi-Hyun Shin, *Transcript 20 September 2005*, p. 39.

80 Ms Sarah Cowan, *Transcript 31 August 2005*, p. 36.

sector's strength in market-orientated research and development and patenting.⁸¹

- 6.88 DCITA told the Committee that it was keen to work with the RoK in the broadband technology area:

We see that Korea's main strengths really lie in the deployment and manufacturing of the technology but that Australia has quite complementary skills in the application side of it. ... We can use the example of the internet fridge as something that is very clever but perhaps not the most useful thing in the world. Australia's strengths lie in finding slightly more useful applications for that type of technology ...⁸²

- 6.89 Another example was provided by CSIRO. In collaborating on water resources management, Australia could benefit from the application of RoK water engineering and ICT expertise, whereas the RoK could benefit from the application of 'Australian catchment modelling expertise, ecosystem understanding and water-related public policy expertise.'⁸³

Impediments to collaboration

- 6.90 Witnesses advised the Committee that there were several factors which impeded more extensive research collaboration.
- 6.91 In 2001, the AKF-sponsored report, *Australia-Korea: strengthened economic partnership*, recommended that the two governments adopt common systems for standards and regulations. DFAT told the Committee that while little pressure had been exerted by Australian industry to implement such a system, there had been discussions between CSIRO's Division of Industrial Physics and Korean agencies on harmonisation of scientific standards.⁸⁴
- 6.92 A second impediment identified by witnesses was that, compared to other countries such as China, there are few Korean-born researchers in Australia. Such researchers would naturally initially focus on their country of birth when considering international collaboration.⁸⁵

81 DEST, *Submission No. 12, Vol. 1*, p. 178.

82 Ms Andrea Grosvenor, *Transcript 31 August 2005*, p. 46.

83 CSIRO, *Submission No. 6, Vol. 1*, p. 47.

84 Mr Peter Baxter, *Transcript 31 August 2005*, p. 7.

85 Dr Mandy Thomas, *Transcript 1 September 2005*, p. 15.

6.93 A third and highly significant impediment identified by both DEST and the AAS was the lack of knowledge of potential opportunities for collaboration. As DEST noted in its submission:

... collaboration is currently hampered, however, by an inadequate knowledge (amongst both Australian and Korean researchers) of the work being undertaken in the other country, its strengths and weaknesses, and possible avenues of collaboration.⁸⁶

6.94 The AAS provided the specific example of the use of synchrotrons in the Asian region. While Australian researchers had excellent connections with the synchrotron operators in Japan and Taiwan, little use was being made of the synchrotron in the RoK.⁸⁷

Models for collaboration

6.95 The Committee has received evidence of various models of collaboration, ranging from the strategic government-to-government level, to models based on collaboration between individual organisations.

Government-initiated models

6.96 CSIRO told the Committee that, at the treaty level, a science and technology agreement with the RoK came into force on April 2000.⁸⁸ The agreement was designed to provide broad coverage for corporate and research efforts and emphasised the importance of cooperation. Its activities included:

- joint workshops and research projects;
- visits and exchanges of scientists, engineers and other personnel; and
- exchange of information on activities, policies, practices, laws and regulations concerning research and development.⁸⁹

6.97 CSIRO noted that eleven different fields were covered by the treaty, ten of which were relevant to the CSIRO's own collaborative arrangements with Korean institutions.⁹⁰

86 DEST, *Submission No. 12, Vol. 1*, p. 178.

87 Professor Bruce McKellar, *Transcript 1 September 2005*, p. 3.

88 Dr Bob Vertessey, *Transcript 1 September 2005*, p. 2.

89 Joint Standing Committee on Treaties, *Report 30, Treaties Tabled on 8 and 9 December 1999 and 15 February 2000*, Canberra, April 2000, pp. 21--2.

- 6.98 More recently has been the Asia-Pacific Partnership on Clean Development and Climate agreement in January 2006. The partnership involves six countries: Australia, China, India, Japan, the RoK, and USA. The objectives of the partnership include:
- building the research and development base, and the market and institutional foundations of partnership countries through technology supporting initiatives, such as education, training and skills transfer.⁹¹
- 6.99 Australia and the RoK jointly chair the Renewable Energy and Distributed Generation Task Force. The objectives of the group include:
- promoting collaboration between partnership members on research, development and implementation of renewable energy technologies;
 - supporting cooperative projects to deploy renewable and energy distribution technologies; and
 - identifying potential projects that enable the assessment of the applicability of renewable energy and energy distribution.⁹²
- 6.100 There are also Commonwealth Government initiated activities and programs.
- 6.101 A Broadband Summit, involving Australia, New Zealand, and the RoK was held in 2003, June 2005 in Seoul, and is scheduled for 2006 in Adelaide. The event was designed to enable industries from the three countries to showcase their skills and projects, initiate contacts, and create links with overseas counterparts. The outcome of the 2005 Summit was cooperation in the fields of 'photonics, digital content for film and screen, digital multimedia broadcasting, online and mobile content and e-health.⁹³

90 Dr Bob Vertessey, *Transcript 1 September 2005*, p. 2.

91 DFAT, *Asia-Pacific Partnership on Clean Development and Climate, Inaugural Ministerial Meeting – Sydney, January 2006*, <http://www.dfat.gov.au/environment/climate/ap6/work_plan.html>, February 2006, p. 3.

92 DFAT, *Asia-Pacific Partnership on Clean Development and Climate, Inaugural Ministerial Meeting – Sydney, January 2006*, <http://www.dfat.gov.au/environment/climate/ap6/work_plan.html>, February 2006, p. 4.

93 Senator the Hon. Helen Coonan, List of Communications, Information Technology and the Arts, *Media Release, Seoul broadband summit leads to new joint activity*, 15 June 2005.

- 6.102 DCITA told the Committee that a tangible outcome of the summit was the signing of an MoU between the Australian Photonic Cooperative Research Centre and RoK's Electronics and Telecommunications Research Institute with a view to collaborative research on photonics.⁹⁴
- 6.103 In May 2004, the Commonwealth Government announced the Backing Australia's Ability package. Under this package funds were provided for the Science Linkages Program which became fully effective in January 2005.⁹⁵
- 6.104 The AAS told the Committee that Australia's science and technology academies administer the program. Support was provided for the international exchange of scientists, and international workshops. The AAS noted that the exchange program focused on researchers who were establishing their careers. Unfortunately, regarding exchanges with the RoK, interest was less than desired.⁹⁶
- 6.105 On the other hand, CSIRO commented that scientists in the Land and Water Division had found the scheme 'very beneficial', and the program had recently enabled several water resource specialists to conduct a joint meeting in the RoK with their Korean counterparts.⁹⁷

Organisation-initiated models

- 6.106 One aim of government-sponsored activities and programs is the promotion of collaboration by individual organisations. Examples provided to the Committee included:
- biennial conferences conducted jointly by the AAS and the Korean Science and Engineering Foundation (KOSEF), which were held alternately in Australia and the RoK;⁹⁸
 - a reciprocal research fellowship agreement between the Australian Research Council and KOSEF which facilitates exchange visits of scientists;⁹⁹
 - collaborative research projects funded by the Australian Research Council;¹⁰⁰ and

94 Ms Andrea Grosvenor, *Transcript 31 August 2005*, p. 45.

95 DEST, *International Science Linkages*, <<https://sciencegrants.dest.gov.au/ISL/Pages/Home.aspx>> 2 March 2006.

96 Professor Bruce McKellar, *Transcript 1 September 2005*, p. 5.

97 Dr Rob Vertessy, *Transcript 1 September 2005*, p. 5.

98 Professor Roger Tanner, *Transcript 1 September 2005*, p. 4.

99 Australian Research Council, *Submission No. 16, Vol. 1*, p. 196.

- MoUs between CSIRO and four research organisations in the RoK.¹⁰¹

6.107 CSIRO advised that its MoUs were designed to provide a framework to:

- identify areas of mutual cooperation;
- undertake collaborative research, lectures, symposia or conferences;
- undertake scientific exchanges;
- undertake joint research projects of mutual interest; and
- manage the relationship between the parties.¹⁰²

6.108 Witnesses emphasised the importance of MoUs, but cautioned that they should not be an end in themselves:

CSIRO: I think [MoUs] are actually a very important cultural gesture to make an entrée into the country. ... I think they are valued by many of our Asian partners and I think we need to be sensitive and positive about our approach to them. I have found it has improved my access to institutions and researchers by starting the relationship with a high-level gesture with an institution.¹⁰³

AAS: ... but it comes back to the problem that the bedevils MoUs to some extent, which is: is there money to back it up?¹⁰⁴

6.109 The AAS proceeded to provide an example of an MoU which had not been supported by subsequent funding. The University of Melbourne had an MoU with the Pohang Institute of Science and Technology which enabled students to visit the Pohang Institute. The Institute had complained that Melbourne University was not taking advantage of the opportunity provided by the MoU.¹⁰⁵

6.110 The Committee notes advice from the Australian Research Council that it was about to review all its international MoUs. The review would assess the achievements of the agreements, whether objectives

100 Dr Mandy Thomas, *Transcript 1 September 2005*, p. 14.

101 CSIRO, *Submission No. 46, Vol. 2*, p. 552.

102 CSIRO, *Submission No. 46, Vol. 2*, p. 552.

103 Dr Rob Vertessy, *Transcript 1 September 2005*, p. 11.

104 Professor Bruce McKellar, *Transcript 1 September 2005*, p. 11.

105 Professor Bruce McKellar, *Transcript 1 September 2005*, p. 11.

were appropriate, and whether there were areas which needed to be focused on.¹⁰⁶

- 6.111 A broad multifaceted engagement strategy with the RoK has been advocated by AEEMA. The Association identified the similarities between the Australia–RoK relationship and that between Australia and Taiwan—both are based on low value raw materials/high-value manufacturers exchange—and suggested a similar strategy be used for developing the Australia–RoK relationship.¹⁰⁷
- 6.112 AEEMA told the Committee that its relationship with its Taiwanese counterpart was currently into its fourth year. It had arisen from an electronics industry action agenda and was built around five interlinked areas: research and development, ICT manufacture, strategic alliances, trade facilitation and investment attraction. AEEMA’s model involved Invest Australia, Austrade, five state governments, CSIRO and the National ICT Industry Alliance.¹⁰⁸

Committee comment

- 6.113 It is clear to the Committee that significant benefit can arise from Australian–RoK collaboration in science and technology. The Committee also believes that there is a high level of collaborative activity occurring between Australia and the RoK and that many positive outcomes have resulted.
- 6.114 There is a risk, however, of that collaboration being piecemeal and uncoordinated. The Committee considers that the Commonwealth needs to take the lead in providing a strategic direction. The Committee agrees with the witness from the Australian Research Council who, referring to comments of his CEO, said:

He was pointing particularly to the need to look at whether there is enough coordination across those different programs. There is a sense in which perhaps each is working in its own patch and doing very good things, but that we might be able to build on those through some complementarities and people sitting down and talking about ways in which to work in the same direction and reinforce what different agencies

106 Mr Simon Sedgley, *Transcript 1 September 2005*, p. 14.

107 AEEMA, *Submission No. 4, Vol. 1*, p. 34.

108 Mr Angus Robinson, *Transcript 1 September 2005*, pp. 20–1.

are doing. That would be the ARC, DEST, the academy, CSIRO and even the industry portfolio.¹⁰⁹

Recommendation 9

- 6.115 **The Department of Education, Science and Training coordinate a review of the breadth and depth of science and technology research collaboration between Australia and the Republic of Korea with the purpose of providing strategic leadership through the development of an action agenda.**

109 Mr Simon Sedgley, *Transcript 1 September 2005*, p. 5.

Developments on the Korean peninsula

Introduction

- 7.1 The focus of this inquiry was not limited to Australia's relations with the RoK. The Committee also examined developments on the Korean peninsula as they related to the DPRK.
- 7.2 Investigating issues which involve the DPRK can be problematic. Events unfold regularly and information can be scarce. As a result, this chapter will endeavour to give a general overview of the following issues:
- the DPRK in world affairs;
 - RoK-DPRK links;
 - humanitarian aid in the DPRK; and
 - the Australia-DPRK relationship;
- 7.3 Unfortunately, the DPRK chose not to accept the Committee's invitation to a public hearing. As a result, the Committee has been unable to include the DPRK's perspective on issues covered in this chapter which were not covered by their submission.

The Democratic People's Republic of Korea in world affairs

- 7.4 Since 1945, the DPRK has been a communist country run by two leaders, firstly Kim Il-Sung and, following his death, his son Kim Jong-Il. Both men have isolated the country from the world while focusing on a massive armed forces build-up designed to protect their regime and defend the North from its perceived threat of Southern invasion. The consequences of sustaining such a large military has been the near total failure of the DPRK economy to the point where systemic poverty amongst the population is the norm and the danger of famine is ever-present.
- 7.5 The DPRK traditionally depended on its allies, the Soviet Union and China for support. The collapse of the Soviet Union and a more distant stance taken by China in relation to the DPRK has meant that, in recent years, the DPRK has allegedly turned to activities such as drug smuggling, counterfeiting and the exportation of ballistic missiles to supplement its income.¹
- 7.6 It is questionable whether the regime of Kim Jong-Il will collapse in the near future. The Committee was advised by US Ambassador Wendy Sherman that Kim Jong-Il has 'cemented' his tie with the DPRK military and that he is 'fundamentally in control.'² However, journalist and author Mr Jasper Becker believes that the regime is not 'particularly stable' due to a number of alleged assassination attempts and reports of family infighting over succession.³
- 7.7 Of more concern to the international community is the DPRK's development of a nuclear weapons capability. In 1989, the DPRK shut down its nuclear reactor but it was never known what it did with its irradiated fuel rods. Some believed that the shut down was a clear signal that the DPRK was attempting to extract plutonium from the rods and build nuclear weapons. Since that time, intelligence agencies have been striving to ascertain first the existence and then the extent of the DPRK's nuclear weapons program.
- 7.8 There has also been speculation that the DPRK has a highly enriched uranium program (nuclear weapons can be made from plutonium or highly enriched uranium). Speculation has been fuelled by testaments

1 <<http://www.atimes.com/atimes/korea/HA18Dg01.html>>, 14 March 2006.

2 Exhibit 18, *Transcript of Teleconference 13 February 2006*, p. 1.

3 Exhibit 18, *Transcript of Teleconference 13 February 2006*, p. 14.

made by defectors, US intelligence assessments and DPRK officials who, in 2002, declared to a US delegation that the country had an enrichment program; an acknowledgement that was later rescinded.⁴

7.9 Concerns over the DPRK's nuclear weapons capability has resulted in three separate rounds of engagement between the international community and the DPRK:

- 1991 – the US agreed to remove its nuclear weapons from the RoK and as a result, both Koreas agreed to neither possess nor host nuclear weapons, construct enrichment or reprocessing capacity and to conduct reciprocal inspections;
- 1993/94 – the DPRK withdrew from the Nuclear Non-Proliferation Treaty sparking a chain of events which culminated in the Agreed Framework whereby the DPRK agreed to freeze its known nuclear facilities in exchange for US assurances and international energy aid; and
- 2002 – during meetings with US officials DPRK officials announced that the DPRK was developing a highly enriched uranium program. This announcement led to the instigation of the six-party talks between the DPRK, US, the RoK, China, Japan and Russia, which are currently ongoing.

Refugee issues

7.10 The United Nations High Commissioner for Refugees (UNHCR) estimated that in 2003 there were approximately 100,000 DPRK citizens in China. This is half the number that was estimated to be in China at the peak of the DPRK famine in the late 1990's.⁵ The fluctuating number of border crossers is an interesting aspect of this situation. It is reflective of the fact that there is regular movement in both directions across the Chinese/DPRK border.⁶

7.11 A significant number of DPRK citizens attempt to leave the country either in search of food or to flee political persecution.⁷ China is

4 Dr Ron Huiskens, Research School of Pacific and Asian Studies, *Submission No. 11, Vol. 1*, p. 115.

5 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 16.

6 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 15.

7 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 10.

generally their preferred destination as the border crossing is by land and therefore easier than trying to reach the RoK by sea. A few choose to cross into Russia.⁸

- 7.12 China does not consider DPRK border crossers to be refugees, rather illegal immigrants.⁹ This distinction has allowed China to handle the situation as it sees fit thereby avoiding adherence to the UN treaty on refugees, to which it is a signatory.¹⁰
- 7.13 Although regular border crossings have rarely led to intervention in the past – approximately 10 percent are forcibly repatriated¹¹ – a report commissioned by the UNHCR indicates that China ‘now appears to see the number of immigrants as more than can be absorbed.’¹²
- 7.14 China responded by strengthening border security in the autumn of 2004. The same report suggests that this was in order to ‘prevent North Korean troops from escaping into China.’¹³
- 7.15 This leads to real concerns about the fate of DPRK border crossers repatriated by China. The Committee was particularly concerned about the consequences of being sent back to the DPRK.¹⁴ US Ambassador Sherman advised the Committee that ‘there is plenty of evidence that there are labour camps and prison camps and that people are dealt with very harshly.’¹⁵
- 7.16 The UNHCR commissioned report does note, however, that the official line in Pyongyang is that people who go to China in search of food are not to be considered criminals and therefore subject to relatively minor punishment. Those who are deemed to have left for political reasons face much harsher consequences.¹⁶
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8 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, pp. 14-24.

9 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 12.

10 Mr Jasper Becker, *Transcript 13 February 2006*, p. 16.

11 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 26.

12 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 9.

13 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 9.

14 The Committee, *Transcript 13 February 2006*, p. 4.

15 Ambassador Wendy Sherman, *Transcript 13 February 2006*, p. 4.

16 James D. Seymour, *China: Background Paper on the Situation of North Koreans in China*, UNHCR, January 2005, p. 27.

Committee comment

- 7.17 The Committee has serious concerns about the fate of DPRK border crossers into China who are repatriated by the Chinese authorities. The Committee urges the Commonwealth Government to encourage China to recognise DPRK border crossers as refugees, thereby ensuring that they are subject to the UN treaty on refugees.

Inter-Korean links

The Sunshine Policy and the Policy of Peace and Prosperity

- 7.18 The RoK Government inter-Korean policy is focused on the need to maintain peace and stability on the peninsula, while promoting the expansion of inter-Korean co-operation.¹⁷ This policy, first named the 'Sunshine Policy' by President Kim Dae-jung, is now firmly entrenched under President Roh Moo-hyun's 'Policy of Peace and Prosperity'.
- 7.19 In its submission to the Committee, the RoK Government clearly laid out the basis of the Policy of Peace and Prosperity, stating that:
- The priority goal of the Policy of Peace and Prosperity is to achieve stable inter-Korean relations based on peaceful co-existence, reconciliation and cooperation ...¹⁸
- 7.20 The RoK's Ambassador told the Committee that the RoK Government believed that the pursuit of the Policy of Peace and Prosperity 'was having some positive impact on the security situation on the peninsula.' The RoK was confident that its policy may have an impact on the resolution of the nuclear issue as well.¹⁹
- 7.21 Reconciliation between the RoK and the DPRK is progressing through a program of briefly reuniting families divided between north and south at Mt Kumgang, in the DPRK.
- 7.22 Economic cooperation has been moving forward on three fronts:
- development of the Kaesong Industrial Zone;

17 Embassy of the RoK, *Submission No. 18, Vol. 1*, pp. 224–5.

18 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 225.

19 Ambassador Sang-hoon Cho, *Transcript 31 August 2005*, p. 23.

- the Mt Kumgang tourism project; and
- the re-connection of inter-Korean railways and roads.²⁰

Kaesong Industrial Zone

- 7.23 The Kaesong Industrial Zone was designed to provide an influx of RoK investment money into DPRK manufacturing expertises while utilising the DPRK's low cost labour pool.²¹
- 7.24 The RoK Government advised the Committee that there were currently fifteen companies operating in the zone but the project was moving at a slow pace.²² The DPRK submission corroborated RoK comments in this regard, noting that both governments had agreed to 'to actively cooperate in accelerating the Kaesong Industrial Zone.'²³

Mt Kumgang Tourism Project

- 7.25 Mt Kumgang is a sacred location for Koreans and is reputed to be of great beauty. Hyundai Asan organises tourist trips to the mountain and maintains a tourism complex there. Visitors to Mt Kumgang have been steadily increasing, so much so, that Hyundai has secured the business rights to the project for the next fifty years and has committed to investing millions of dollars into the area.²⁴

Re-connection of inter-Korean railways and roads

- 7.26 The opening of roads and railways between north and south signifies the gradually changing nature of the RoK-DPRK relationship. As the RoK Government noted in its submission to the Committee, 'inter-Korean transport connections have brought a fundamental change to the character of the Demilitarized Zone.'²⁵ Border crossings, once a rarity, now occur on a regular basis.

20 Embassy of the DPRK, *Submission No. 34, Vol. 2*, p. 467-8.

21 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 299.

22 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 299.

23 Embassy of the DPRK, *Submission No. 34, Vol. 2*, p. 467.

24 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 299.

25 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 299.

Committee comment

- 7.27 The Committee notes that negotiators of the ASEAN–RoK free trade agreement have recently agreed in principle to the inclusion of products from the Kaesong Industrial Zone.²⁶ This decision highlights the potential of the zone to increase RoK–DPRK cooperation, which is an important aspect of peaceful co-existence.
- 7.28 The RoK Embassy submission noted that the west coast railway link between the RoK and the DPRK remains dormant following a breakdown in inter-Korean dialogue.²⁷ This is reflective of the challenges inherent in inter-Korean cooperation and the fact that although cooperation is taking place, it is happening at a very gradual pace.

Humanitarian aid

- 7.29 The need for humanitarian aid in the DPRK is substantial. Food shortages in particular have led to past famines and continued malnutrition amongst the population. Humanitarian assistance provided to the DPRK by Australia is distributed by the Australian Agency for International Development (AusAid) to non-government organisations (NGOs) operating in the DPRK.
- 7.30 In 2005, the DPRK government announced an end to its food crisis and consequently closed the UN World Food Program in the DPRK. International NGOs were also required to withdraw their staff from the DPRK by the end of 2005. During the period in which this report was drafted, NGOs were negotiating with DPRK Government agencies to ascertain the scope of this announcement in hope that their programs would continue in some way.
- 7.31 The following organisations provided information to the Committee of their humanitarian work in the DPRK:
- AusAid;
 - Australian Red Cross; and
 - Caritas Australia.

26 *Korea Policy Review*, January 2006, p. 29.

27 Embassy of the RoK, *Submission No. 18, Vol. 1*, p. 299.

AusAid

- 7.32 Australia does not provide aid directly to the DPRK Government. It does, however, provide assistance via AusAid through multilateral channels including:
- World Food Program;
 - UNICEF;
 - World Health Organisation; and
 - Federation of the Red Cross.
- 7.33 Since 1994, the monetary value of humanitarian aid supplied to organisations such as these by the Commonwealth Government has totalled almost \$74 million.²⁸ This money has been focused primarily on alleviating food shortages in the DPRK.²⁹
- 7.34 When queried about the level of assistance AusAid provides NGOs, the Australian Red Cross (ARC) noted that 'at the moment there is not a significant amount of funding for Australian agencies for the DPRK.'³⁰
- 7.35 The ARC did qualify that statement by noting that whenever humanitarian disasters arose, such as the Ryongchon train disaster in 2004, AusAid assistance was forthcoming and that dialogue between the ARC and AusAid was 'extremely positive.'³¹

The Australian Red Cross

- 7.36 In its submission to the Committee, the ARC outlined the humanitarian situation in the DPRK, noting a series of problems facing the country including an energy crisis, ongoing food shortages, and a lack of health and social service resources. The ARC concluded by stating that the 'humanitarian situation in the DPRK remains serious' and is being compounded by the absence of an acceptable resolution of the nuclear issue.³²
- 7.37 The ARC works in conjunction with its counterpart the DPRK Red Cross and the International Federation of the Red Cross. Information

28 DFAT, *Submission No. 21, Vol. 1*, p. 294.

29 Mr Robin Taylor, *Transcript 31 August 2005*, p. 5.

30 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 9.

31 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 9.

32 ARC, *Submission No. 10, Vol. 1*, pp. 68-9.

provided to the Committee by the ARC focused primarily on the work of the DPRK Red Cross in addressing humanitarian concerns in the DPRK.

DPRK Red Cross

7.38 With support from the International Federation of the Red Cross, the DPRK Red Cross provides a range of services to the DPRK community including:

- emergency relief;
- long-term health programs;
- diaster preparedness programs; and
- response and capacity building programs.³³

7.39 The Committee was interested to note that the DPRK Red Cross is a well-accepted and active participant in DPRK society. The Committee assumed that local participation in organisations such as the Red Cross would not have been encouraged by the DPRK government, given the restrictive nature of the DPRK regime. However, the Committee was advised that:

There is a long tradition of Koreans participating in the DPRK Red Cross; it is considered to be almost a sign of social belonging ... It is a mainstream organisation [in the DPRK] ... with branches throughout all the provinces ...³⁴

7.40 The Committee was further informed that the Red Cross youth program in the DPRK has about 300 000 members.³⁵

7.41 The ARC believed that community acceptance and a wide membership base gives the DPRK Red Cross a unique status in the country and was the organisation best able to get access to vulnerable people.³⁶ For example, after the 2004 Ryongchon train diaster, the DPRK Red Cross was allowed to operate very close to the Chinese border in areas aid workers had previously been unable to access.³⁷

33 ARC, *Submission No. 10, Vol. 1*, p. 69.

34 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 4.

35 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 5.

36 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 4.

37 Mr Nathan Rabe, *Transcript 21 September 2005*, p. 6.

The Australian Red Cross' recommendations

- 7.42 As noted, the Commonwealth Government only provides aid to the DPRK through multi-lateral humanitarian agencies. This decision has been made in response to ongoing concerns regarding the DPRK's nuclear weapons capability.
- 7.43 The ARC voiced its concern to the Committee about the Commonwealth Government's decision to provide aid in this manner. The ARC believed that the declared end of the food crisis effectively closed the only avenue through which government aid could be channelled.
- 7.44 The ARC recommended that the Commonwealth Government reassess its decision to only supply aid through multilateral humanitarian agencies. Such a decision, the ARC believed, would ensure continued support for the people of the DPRK regardless of political circumstances.³⁸
- 7.45 The ARC also recommended that the Commonwealth Government:
- commit to multi-year funding for the DPRK Red Cross humanitarian program; and
 - fund Australian technical personnel supporting Red Cross activities.³⁹

Caritas Australia

- 7.46 Caritas Australia (The Catholic Agency for Overseas Aid and Development) is linked to the Caritas International Network. Caritas provides humanitarian assistance to countries around the world and has provided over 30 million to humanitarian programs in the DPRK. Caritas Australia's contribution accounts for one million dollars of that total.⁴⁰
- 7.47 Like the ARC, Caritas noted current humanitarian issues facing the DPRK. Chronic food insecurity, poor nutrition (especially amongst children) and a lack of social services and community infrastructure were cited as serious problems. Caritas also highlighted the need to expand assistance beyond immediate food concerns to encompass

38 ARC, *Submission No. 10, Vol. 1*, pp. 72-3.

39 ARC, *Submission No. 10, Vol. 1*, p. 73.

40 Ms Margaret McCafferty, *Transcript 20 September 2005*, p. 73.

long-term development programs and the provision of technical assistance.⁴¹

- 7.48 The challenge of expanding the scope for assistance lies in the current political environment surrounding the DPRK. As Caritas pointed out to the Committee, Australian humanitarian assistance is presently linked to the six-party talks and the stipulation that assistance will only be provided through multi-lateral humanitarian agencies.
- 7.49 Caritas echoed the ARC's call for the Commonwealth Government to sever the link between aid and the nuclear issue. This, Caritas believed, would counter the DPRK's closure of the World Food Program and allow aid to flow through other channels. For example, Caritas suggested that as a signatory to the Millennium Development Goals, it may be possible to engage the DPRK through the UN Development Program as a means of implementing a national development strategy for the DPRK.⁴²

Committee comment

- 7.50 The Committee recognises that the issue is complex, but believes there is a need to send a clear signal to the DPRK regime that its pursuit of a nuclear weapons capability is unacceptable. The Committee is, however, aware that there exists the potential for Commonwealth Government humanitarian aid to the DPRK to be compromised.
- 7.51 The Committee believes that the Commonwealth Government should continue to distribute funds through AusAid and also other appropriate channels.

Australia's relations with the Democratic People's Republic of Korea

Commonwealth Government engagement

- 7.52 In 1973, the Commonwealth Government recognised the DPRK. A year later the two countries established formal diplomatic relations. In 1975, relations were severed at the behest of the DPRK and were not officially renewed until May 2000. In 2002, the DPRK opened an

41 Ms Margaret McCafferty, *Transcript 20 September 2005*, p. 74.

42 Ms Margaret McCafferty, *Transcript 20 September 2005*, p. 75.

embassy in Canberra. Australia has chosen, however, to defer the opening of an Australian embassy in Pyongyang until negotiations over the DPRK's nuclear program are resolved.⁴³

- 7.53 The DPRK's nuclear weapons capability is the focus of the ongoing six-party talks. Although Australia is not a participant in the negotiation process, the Commonwealth Government has actively encouraged the DPRK to 'make substantive progress toward a peaceful resolution of the nuclear issue' through the six-party process.⁴⁴
- 7.54 Australia's Foreign Minister, Mr Alexander Downer MP, carried this message to Pyongyang in 2004 and reiterated the international community's concern over the DPRK's nuclear weapons program. In the same year, Mr Downer sent a senior officials delegation to the DPRK and Dr Alan Thomas, Australia's Ambassador-designate. Dr Thomas was instructed to withhold presenting his credentials for one year in response to the nuclear issue.⁴⁵
- 7.55 The Commonwealth Government has also actively engaged other governments that have an interest in the North Korean nuclear issue. DFAT advised the Committee that when visiting countries such as China, the Prime Minister, Mr John Howard MP, and other Commonwealth Government ministers always make a point of discussing North Korea. In the case of the Chinese, the Commonwealth Government continues to encourage China to maintain its role in the six-party talks.⁴⁶
- 7.56 Australia's efforts in this regard have been well received by the RoK, which stated in a submission that 'Australia's consistent effort to encourage North Korean leaders to reform and open up will serve as an impetus for change.'⁴⁷

43 DFAT, *Submission No. 21, Vol. 1*, pp. 292-3.

44 DFAT, *Submission No. 21, Vol. 1*, p. 293.

45 DFAT, *Submission No. 21, Vol. 1*, p. 293.

46 Mr Peter Baxter, *Transcript 31 August 2005*, p. 14.

47 Embassy of the Republic of Korea, *Submission No. 18, Vol. 1*, p. 226.

Scientific collaboration

7.57 There has been a limited amount of scientific exchange between Australia and the DPRK over the years. The following activities were brought to the attention of the Committee:

- exchange between the Australian Academy of Technological Sciences and Engineering (ATSE) and a group of four researchers from the DPRK in 2001;
- research training by two DPRK scientists at La Trobe University in 2003; and
- training provided to North Korean senior administrators and research scientists by the Australian Centre for International Agricultural Research.

7.58 The ATSE informed the Committee that its exchange program provided an opportunity for the DPRK delegation to:

- see Australia's capabilities in the fields of science, engineering and technology;
- meet and develop links with senior Australians working in these fields; and
- explore the opportunity for collaboration.

The ATSE believes that the exchange was successful and that opportunities for future collaboration exist.⁴⁸

7.59 The DPRK Embassy, in a submission provided to the Committee, agreed. It noted the DPRK's appreciation for providing opportunities in scientific exchange and stated that:

The DPRK sees the potential for greater scientific collaboration in terms of industrial and agricultural scientific research. The DPRK sincerely wishes the continuation of such scientific collaboration and exchanges in this field.⁴⁹

48 Australian Academy of Technological Sciences and Engineering, *Submission No. 8, Vol. 1*, p. 60.

49 Embassy of The Democratic People's Republic of Korea, *Submission No. 34, Vol. 2*, p. 467.

Committee comment

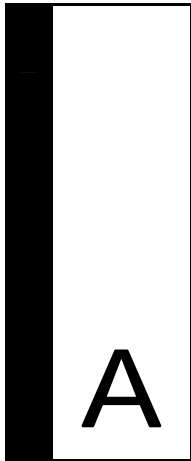
- 7.60 The Committee supports Commonwealth Government efforts to engage the DPRK over its nuclear weapons program and supports the efforts of the countries involved in the six-party talks.
- 7.61 The Committee believes there is merit in a suggestion made by the International Crisis Group (ICG) which calls on the Commonwealth Government to provide training programs for North Koreans at Australian academic institutions and promote trade and investment in the DPRK. Such activities, ICG suggests, would do little to support the regime, but may strengthen the DPRK's economy thereby creating internal pressure for political change.⁵⁰

Senator Alan Ferguson

Chair

June 2006

50 ICG, *Submission No. 2, Vol. 1*, p. 14.



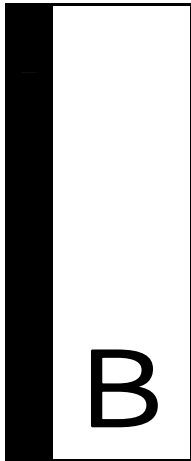
Appendix A: List of Submissions

Submissions

1. Meat & Livestock Australia
2. International Crisis Group
3. Korean Education Centre
4. Australian Electrical and Electronic Manufacturers' Association Limited
5. Department of Defence
6. Commonwealth Scientific and Industrial Research Organisation
7. Australian Broadcasting Corporation
8. Australian Academy of Science
9. National Library of Australia
10. Australian Red Cross
11. Research School of Pacific and Asian Studies
12. Department of Education, Science and Training
13. Overseas Korean Traders Association
14. North West Shelf Australia LNG

15. Department of Family and Community Services
16. Australian Research Council
17. Australia–Korea Business Council
18. Embassy of the Republic of Korea
19. Australian Customs Service
20. Caritas Australia
21. Department of Foreign Affairs and Trade
22. Department of Communications, IT and the Arts
23. Korea–Australia Research Centre, University of NSW
24. Media Entertainment & Arts Alliance
25. Canberra Strategic Marketing (International)
26. Queensland Government
27. Oceanis Holdings Limited
28. IP Australia
29. Australian Film Commission
30. Australian Wine and Brandy Corporation
31. Rio Tinto – Australia
32. NSW Board of Studies
33. Department of Immigration and Multicultural and Indigenous Affairs
34. Embassy of the Democratic People’s Republic of Korea
35. Department of Agriculture, Fisheries and Forestry
36. CARITAS Australia
37. The Korean Society of Victoria Australia
38. Department of Foreign Affairs and Trade
39. Department of Industry, Tourism and Resources
40. Department of Education, Science and Training
41. Department of Agriculture, Fisheries and Forestry
42. NSW Council for Civil Liberties

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43. Department of Education, Science and Training
 44. Embassy of the Republic of Korea
 45. Department of Industry, Tourism and Resources
 46. CSIRO
 47. Department of Defence
 48. Department of Primary Industries and Fisheries
 49. Department of Industry, Tourism and Resources
 50. Department of Foreign Affairs and Trade
 51. Department of Industry, Tourism and Resources
 52. Korean Education Centre
 53. NSW Board of Studies
 54. Australian Customs Service
 55. Austrade
 56. Department of Immigration and Multicultural and Indigenous Affairs
 57. Queensland Government
 58. Department of Immigration and Multicultural and Indigenous Affairs

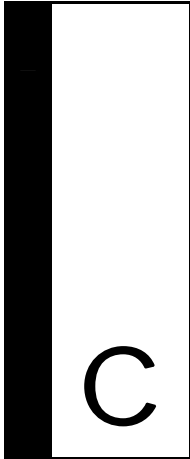


Appendix B: List of Exhibits

Exhibits

1. International Crisis Group, *Korea Backgrounder: How the South Views its Brother from Another Planet*
2. International Crisis Group, *North Korea: can the Iron Fist Accept the Invisible Hand?*
3. International Crisis Group, *North Korea: Where next for the Nuclear Talks?*
4. Dr Peter Van Ness, published papers
5. Dr Hwa-Seon Lee, *Australia–Korea relations since the 1960s*, Doctoral thesis
6. Department of Industry, Tourism and Resources, *Media release: Korea Action Plan launch*
7. Department of Industry, Tourism and Resources, *Korea Action Plan*
8. Department of Education Science and Training, *Table: Korean Students by Country of birth, State and Institution, 2004*
9. Contemporary China Centre, RSPAS, *Why the Six Party Talks Should Succeed*, Dr Peter Van Ness
10. Department of Education, Science and Training, *Australian Universities Linkages with Korean Universities*

11. Department of Industry, Tourism and Resources, *Prospect for Primary Energy Demand by Source*
12. Department of Foreign Affairs and Trade, *Energy Options for the DPRK*, Nautilus Institute
13. Korean Education Centre, *National Statement for Languages Education in Australian Schools*
14. Meat & Livestock Australia, *Australian Beef Clean and Safe – Stickers and recipes*
15. House of Representatives Parliamentary Relations Office, *Table of Outgoing Delegations to the Republic of Korea*
16. Power point presentations, AKBC Roundtable Conference, 25 October 2005
17. Australian Sports Commission, *Summary of Australian Sports Commission Relations with Korea*
18. Official Hansard: *Transcript of telephone conference with Ambassador Wendy Sherman and Mr Jasper Becker, 13 February 2006*



Appendix C: Witnesses appearing at public hearings

Canberra, Wednesday 31 August 2005

AusAID

Mr Robin Taylor, Acting Assistant Director, General Asia Bilateral Branch

Austrade

Mr Hamish McCormick, Executive Director, Government and Corporate Services

Department of Foreign Affairs and Trade

Mr Peter Baxter, First Assistant Secretary, North Asia Division

Mr William Brummitt, Director, Korea Section

Dr Leslie O'Brien, Director, Australia-Korea Foundation Secretariat

Mr Paul Robilliard, Acting First Assistant Secretary, North East Asia Branch

Embassy of the Republic of Korea

Ambassador Sang-hoon Cho, Ambassador

Mr Chung-Won Park, Commercial Councillor

Mr Hyung-won Suh, Counsellor

Department of Industry, Tourism and Resources

Ms Patricia Kelly, Deputy Secretary

Ms Janet Murphy, Head of Division, Tourism

Department of Education, Science and Training

Dr Alexander Aitkin, Desk Officer, Korea, Science Group

Ms Sara Cowan, Manager, International Science Branch, Science Group

Mr Jimmy Jamil, Assistant Director, North Asia, Trade Agreements and APEC Unit

Ms Kristie van Omme, Acting Director, North Asia, Trade Agreements and APEC Unit

Ms Shelagh Whittleston, Branch Manager, International Co-Operation Branch, Australian - Education International

Department of Communications, IT and the Arts

Ms Andrea Grosvenor, A/g General Manager, Regional Communications Initiatives Branch, Information and Communications Technology Division

Mr Brian Kelleher, Acting Manager, Internet Broadband and Convergence Section, Telecommunications Competition and Consumer Branch

Mr Colin Lyons, A/g Chief General Manager, Arts and Sport

Mr Colin Oliver, A/g General Manager, International Branch

Department of Agriculture, Fisheries and Forestry

Ms Nicola Gordon-Smith, General Manager, International Trade Branch

Dr Paul Vitolovich, Acting General Manager, International Technical Branch, International Division

Department of Immigration and Multicultural and Indigenous Affairs

Ms Yole Daniels, Assistant Secretary, Compliance and Analysis

Ms Barbara Edgar, Director, Community Liaison

Mr Glenn Elson, Assistant Director, Asia Bilateral

Mr Vince McMahon, Executive Coordinator, Border Control and Compliance

Dr Thu Nguyen-Hoan, Assistant Secretary, Multicultural Affairs

Mrs Louise Smith, Acting Assistant Secretary, Temporary Entry

Department of Primary Industries and Fisheries, Queensland

Mr Malcolm Letts, General Manager, Trade Markets and Investment, Industry and Investment

Department of Industry, Tourism and Resources

Ms Carolyn Barton, Manager, Uranium Industry Section, Resources Division

Ms Cathy Dillon, Manager, Minerals Development Section, Resources Division

Dr Peter Ferber, Assistant Manager, LNF and Petroleum Development Section, Offshore Resources Branch, Resources Division

Mr John Karas, Manager, Coal Industry Section, Resources Division

Canberra, Thursday 1 September 2005

Australian Academy of Science

Professor Bruce McKellar, Foreign Secretary

Professor Roger Tanner, Fellow of the Academies

Australian Research Council

Mr Simon Sedgley, Director, Executive and External Relations

Dr Mandy Thomas, Executive Director, Humanities and Creative Arts

Commonwealth Scientific and Industrial Research Organisation

Dr Rob Vertessy, Chief, CSIRO Land and Water

Australian Electrical and Electronic Manufacturers' Association Limited

Mr Angus Robinson, Chief Executive

Maxwell and Druce

Mr Ron Maxwell

Canberra Strategic Marketing International

Mr Steve Doszpot, Managing Director

Department of Defence

Mr Chris Birrer, Director, North and South Asia, International Policy Division

Mr Ben Coleman, Assistant Secretary Asia, International Policy Division

Mrs Michele Miller, Director, International Materiel Cooperation (Europe/Asia)

Australian National University

Professor James Fox, Director, Research School of Pacific & Asian Studies

Dr Hyung-A Kim, Fellow, Department of Political and Social Change, Research School of Pacific & Asian Studies

Dr Robert Ayson, Director of Studies and Fellow, Graduate Studies in Strategy and Defence, Strategic and Defence Studies Centre

Dr Ronald Huisken, Senior Fellow, Strategic and Defence Studies Centre

Dr Peter Van Ness, Visiting fellow, Contemporary China Centre, Research School of Pacific & Asian Studies

Sydney, Tuesday 20 September 2005

NSW Korean Language and Studies Association

Mr Qeefaa An, President

Korean Education Centre

Ms Sook Hee McRoberts, Korean Language Consultant, Languages Unit, Curriculum K-12 Directorate

Mrs In-Soon Park, Education Director

Overseas Korean Trade Association

Mr Young Kim

Mr Sihyun Paik, Committee Member

Mr William Bae, private capacity

Australia-Korea Business Council

Mr Daniel Moulis, Lawyer Assisting

Mr William Shields, Chairman

Mr John Wotton, Executive Director

Australian Customs Service

Mr Geoffery Gleeson, Director Operations 4, Trade Measures Branch

Mr Andrew Rice, National Manager, Trade Measures Branch

The University of New South Wales

Dr Gi-Hyun Shin, Department of Japanese and Korean Studies, Faculty of Arts and Social Sciences

Dr Chung-Sok Suh, Director, Korea-Australasia Research Centre

Australian Broadcasting Corporation Asia Pacific

Mr Ian Carroll, Chief Executive

Mr Jim Styles, Marketing and Sales Manager

Mr Eliot Lee, ABC Asia Pacific Representative in Korea

Media Entertainment & Arts Alliance

Miss Lynn Gailey, Federal Policy Officer

Australian Film Commission

Mr Kim Dalton, Chief Executive

Meat & Livestock Australia Limited

Dr Peter Barnard, General Manager

Ms Wendy Voss, Market Analysis and Support, Korea

Mr Andrew McCallum, Manager, Trade Policy

Caritas Australia

Mr Jack de Groot, Chief Executive Officer

Ms Margaret McCafferty, Program Coordinator, East Asia

Melbourne, Wednesday 21 September 2005

Australian Red Cross

Mr Vedran Drakulic, Communications Manager

Mr Nathan Rabe, Manager, International Operations

Mr Robert Tickner, Chief Executive Officer

North West Shelf Australia LNG

Mr John Banner, President

Woodside Energy Ltd / North West Shelf Venture

Dr Jack Hamilton, Director, North West Shelf Ventures

Mr Graeme Harman, Manager, Corporate Affairs, NSWV Corporate Affairs/HSE

The Korean Society of Victoria Australia

Mr. John Bae, President

Dr Gi Young Nahm, Chairperson, Advisory Committee to the Korean Society of Victoria

Australian Wine and Brandy Corporation

Mr Stephen Guy, Compliance Manager

Canberra, Monday 7 November 2005

Oceanis Holdings Limited

Mr Peter O'Brien, Managing Director

Individuals

Mr Mack Williams