



Submission No 18

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

Organisation: Embassy of the Republic of Korea

Contact Person: Mr Suh Hyung-won

Address: 113 Empire Circuit
Yarralumla
Canberra ACT 2600



*Ambassador
of
The Republic of Korea
Canberra*

*113 Empire Circuit
Yarralumla
Canberra ACT 2600*

The Secretary
Foreign Affairs Sub-Committee
Joint Standing Committee on
Foreign Affairs, Defence and Trade
Parliament House
Canberra ACT 2600

27 May 2005

Dear Secretary,

On behalf of the Government of the Republic of Korea, I welcome the Joint Standing Committee on Foreign, Defence and Trade's inquiry into Australia's relationship with the Republic of Korea and developments on the Korean peninsula, and am very much pleased to accept the invitation to submit our overall views on the current situation and future opportunities of the bilateral relationship.

I enclose a copy of this Embassy's Submission with an electronic version on disk, hoping that it will be able to contribute to the Committee's conducting of the inquiry. And in order to facilitate the posting of the document on the Committee's website, an electronic version of the Submission will be also transmitted by email.

Please contact Mr. Suh Hyung-won, Counselor at the Embassy on (02) 6270 4113 if there is any need for explanatory details or clarification.

Yours sincerely

Cho Sang-hoon

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<Submission>

**‘Australia’s relationship with the Republic of Korea;
and developments on the Korean peninsula’**

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

1. General Feature

The Republic of Korea-Australia relationship, originating in the midst of Cold War conflict, has evolved into a wide-ranging and diverse partnership based on fundamental values and interests that the two nations share.

This strong bond between the ROK and Australia goes back more than half a century when some 17,000 Australian soldiers fought to defeat the communist attack during the Korean War (1950-53). Thanks to the valour and sacrifice of the troops from Australia and other peace-loving countries, an incipient Korean democracy, which has since grown in strength and prosperity, was defended. Korean people will never forget the assistance and friendship that Australia extended to them.

A shared commitment to democracy and the market economy, as well as a strong sense of affinity shared by both nations, have been the cornerstone that makes our partnership strong and have enhanced our commitment for collaboration.

The rapid growth of the Korean economy from the 1970s saw the development of strong bilateral economic and trade links. Australia has become one of the most important and reliable suppliers of key raw materials for Korea (refers to the ROK hereafter). Now the ROK is Australia’s fourth largest trading partner, and Australia is the ROK’s eighth largest trading partner. The two economies have been deeply interwoven due to the complementarities of their industrial structure.

Since the Cold War ended, cooperative relations have significantly broadened reflecting a convergence of both countries’ interests as industrialised democratic middle-powers in the Asia Pacific region. The two countries have increasingly identified one another as valued partners that can work together effectively on a range of regional and global issues.

The increase in shared strategic interests and areas of cooperation has led to the initiation of a broad spectrum of inter-government contacts and arrangements. People-to-people and cultural exchanges have also been increasing and these have contributed to further understanding of each other's society and people.

However, the increasing importance of the ROK-Australia partnership is still less than fully appreciated by the general public in both countries. In this regard various efforts are needed to enhance mutual awareness.

In the following sections, we aim to evaluate the cooperation between the ROK and Australia in security, economic, people-to-people and cultural relations. We also present our observations regarding what needs to be done in the future to strengthen the ROK-Australia ties.

2. Political and Security Relations

2.1. Shared Strategic Interests in Regional Security

Since the end of the Cold War the strategic balance in the Asia-Pacific region, in the absence of a multilateral security regime, became more fluid and complex. Strategic competition and cooperation evolving among major powers such as China, Japan and the United States manifested themselves as a major determinant of the security environment in the region. In the meantime, non-traditional security issues such as terrorism, proliferation of WMD and drug trafficking have become great threats to peace and security in this region.

The ROK and Australia both have a vital interest in the region's peace and stability as each has crucial economic links with each other and other Asia Pacific countries. In particular, three of Australia's four largest trade partners are in North Asia (the ROK, China and Japan), constituting about a third of Australia's total trade. These important economic interests could be seriously damaged by any security breakup in North Asia and on the Korean peninsula in particular.

The ROK and Australia have shared essential strategic interests and approaches for securing the peace and stability in the Asia Pacific region. Both countries have been allies of the United States for over 50 years, and strongly support US engagement as the key element of stable and sustainable security architecture in the Asia- Pacific region. Having a close relationship with China and Japan, both countries also strongly support cooperation and stable relations among the major powers in the region. As democratic middle powers with strong economies, both countries can further act as facilitators for regional cooperation as they have been doing for APEC.

The ROK-US Alliance

The ROK-US alliance has evolved from a security-focused relationship to a more comprehensive one based on common values of democracy, human rights and a market economy. In this regard, the Presidents of the ROK and the US agreed to build a comprehensive and dynamic alliance relationship for continued peace and prosperity on the Korean peninsula and in Northeast Asia in their joint statement released on the occasion of the summit in May 2003. Based on this, both governments have been closely cooperating on current issues, such as the North Korean nuclear issue and the realignment of US forces in Korea.

Through close consultations at various levels, the two sides produced agreements on important alliance issues such as the relocation of US Forces' bases in Korea, the reduction of US troops in Korea, the dispatch of Korean troops to Iraq, defence burden-sharing, etc. Consultations are presently under way on the long-term vision for the future ROK-US alliance.

The recent eruption of anti-American sentiment in Korea can be understood as an indirect outcome of the growing self-esteem and confidence of Korean society, which has increasingly desired more equal and reciprocal relations with the US. Most Koreans, however, fully recognise the importance of the ROK-US alliance. It should be pointed out that in most cases anti-American sentiment has not erupted due to ideological beliefs, but rather in the course of asserting certain positions in issue-specific cases such as USFK shooting range incidents etc. Anti-American sentiment is decreasing as the two countries work on resolving many pending issues including the improvement of the operation of the SOFA.

2.2. Cooperation for Stability on the Korean Peninsula

Since the division of the Korean peninsula, maintaining peace and stability on the peninsula has been a top policy priority for the ROK government. To this end, much effort has been made to build mutual trust between South and North Korea by increasing exchange and cooperation in various fields. Within this context 'the Sunshine Policy' of engagement with the DPRK was pursued by the government of former President Kim Dae-jung (1998-2002) and was reinforced by the 'Policy of Peace and Prosperity' under the current government of President Roh Moo-hyun.

The Policy of Peace and Prosperity

‘We should carry out the Policy of Peace and Prosperity to achieve national reconciliation and cooperation and overcome the barriers of national division one by one. On this basis, we should usher in an era of peace and prosperity in Northeast Asia.’ (From President Roh Moo-hyun’s Liberation Day Address, 15 August 2003)

The Policy of Peace and Prosperity seeks to lay the foundation for the peaceful unification of Korea and the groundwork for common prosperity in Northeast Asia through the promotion of peace on the Korean peninsula and the pursuit of common prosperity between South and North Korea. Under this policy initiative, we will seek to peacefully resolve the North Korean nuclear issue, build a peace regime on the Korean peninsula and bring about common prosperity in Northeast Asia.

The priority goal of the Policy of Peace and Prosperity is to achieve stable inter-Korean relations based on peaceful coexistence, reconciliation and cooperation in accordance with the spirit of the South-North Basic Agreement of 1992 and the South-North Joint Declaration of 15 June 2000. Furthermore, the Policy seeks to achieve common prosperity and form an economic community through the promotion and expansion of inter-Korean cooperation.

Australia has been a strong supporter of the ROK government’s engagement policy toward North Korea. Australia resumed full diplomatic relations with North Korea in May 2000 and provided training in market economics for North Koreans. The Australian Centre for International Agricultural Research trained North Korean senior administrators and research scientists in soil and pest management, crop production and biotechnology related to rice production.

The most serious challenge now facing the Korean peninsula is the North Korean nuclear issue. Australia’s proactive role played with regard to the North Korean nuclear issue is proof of Australia’s strong commitment to working together for security on the Korean peninsula.

After the first North Korean nuclear crisis of 1992-94, Australia was an active participant in the Korean Peninsula Energy Development Organisation (KEDO) which was established as per the ‘Agreed Framework’ of 1994 between the US and North Korea. Australia was the largest financial contributor after the Executive Board members of KEDO.

The Australian government has also engaged in assisting in the peaceful resolution of the recent North Korean nuclear issue that resurfaced late in 2002. Australia, though not a

member of the six-party talks to end the North Korean nuclear weapons program, has been as dedicated as the member countries to find a peaceful solution.

We believe that Australia's consistent efforts to encourage North Korean leaders to reform and open up will serve as an impetus for change. In particular Australia's proactive and constructive role in this regard has been proved by Foreign Minister Alexander Downer's visit to Pyongyang in August 2004.

North Korea refused to attend the six-party talks after the third round in June 2004 and claimed in February 2005 that it already possessed nuclear weapons, so it is considered urgent to get North Korea back to the table of the six-party talks. On this issue, the ROK and Australia continue to cooperate closely in persuading North Korea to act responsibly.

The Position of the ROK on the North Korean Nuclear Issue

Our commitment to a denuclearized Korean peninsula is unquestionable, as is our position that a North Korean nuclear capability can by no means be tolerated. This issue must be resolved peacefully through the six-party talks. The success of the six-party talks hinges on a firm strategic decision on the part of North Korea to renounce its nuclear ambitions. At the same time, there is likewise a need on our part to resolve and adjust a few areas in order to induce North Korea to make that strategic decision.(From President Roh Moo-hyun in his speech before the Los Angeles World Affairs Council on 12 November 2004) ☛ **Attachment 1**

2.3. Regional Cooperation

Based on shared values and strategic interests, the ROK and Australia cooperate closely on most regional and global issues.

■ APEC

APEC was a good example of our two governments' joint efforts for regional cooperation. The foundation of APEC, first publicly proposed by the then Australian Prime Minister Bob Hawke in a speech in Seoul in January 1989, led to productive collaboration between the two countries in launching, shaping and guiding APEC. We expect that the APEC Leaders'

meetings in Korea later this year, and in Australia in 2007, will provide good momentum for the enhancement of the APEC process and opportunities to increase bilateral cooperation.

■ ASEAN Regional Forum (ARF)

Recognizing the ARF as a means to increase regional understanding on diverse security issues, both the ROK and Australia have committed to and actively participated in the ARF process. Both will work together for the development of the ARF as a productive regional security structure dealing with traditional and non-traditional security threats in this region.

■ The East Asian Summit (EAS) process

Korea is a proactive member of the ASEAN+3 (China, Japan, Korea) process. The ROK government took the initiative of the East Asia Study Group whose recommendations for building the East Asia Community, including the establishment of EAS, were submitted to the ASEAN+3 summit in 2002. The first EAS meeting will be held in Malaysia later in 2005 and is expected to facilitate the East Asia Community building process.

Australia has increasingly engaged in the East Asian process as a dialogue partner of ASEAN and expects to join the EAS as a founding member. Concerning EAS membership, the ROK government has consistently supported the principle of 'inclusiveness' which provides an opportunity for Australia's participation and in this regard welcomes that 'inclusiveness' was decided as one of the principles in the ASEAN Foreign Ministers Retreat at Cebu, the Philippines in April 2005.

2.4. Global Cooperation

The two countries have been proactive participants in regional and international peacekeeping operations. Notably both countries contributed significantly to international efforts to restore and maintain security in East Timor. The shared experience of working closely together on peacekeeping in East Timor has provided a new dimension to the ROK-Australia relationship in the defence area, such as interoperability between the ROK Forces and the Australian Defence Forces.

Since 9/11, the ROK and Australia have been major participants in the global coalition against terrorism. Based on firm beliefs that defeating terrorism is a struggle to preserve democratic values and ensure global security, both countries have contributed substantial troop numbers to the war on terror in Afghanistan and Iraq. It is significant that both governments have demonstrated their unswerving resolve and commitment to fighting terrorism. When a Korean national was kidnapped and killed by a terrorist group in Iraq in June 2004, the Korean government did not bow to the terrorists' threats. Australia has also refused to bow to such demands when an Australian was kidnapped in May 2005.

Both the ROK and Australia are committed to arms control and especially to limitations on the proliferation of WMD. The Australian government has led the 'Australia Group,' greatly contributing to preventing the proliferation of biological and chemical weapons. The ROK has actively participated in Australia Group activities and closely cooperates with Australia. The ROK has played a proactive role in the Missile Technology Control Regime (MTCR) and as the MTCR chair in 2005 took the initiative, with Australia's active participation, of MTCR outreach activities towards India and Pakistan.

Regarding the PSI (Proliferation Security Initiative), the ROK government wishes to make it clear that it fully understands and accepts its purpose and intention. As a country bordering North Korea, however, the ROK takes the view that it should give prudent consideration to the decision to officially participate in the initiative. If cooperation is requested of it in PSI activities, therefore the ROK government will examine ways to possible assistance on a case-by-case basis.

2.5. Official Visits and Consultations

■ Official Visits and Exchanges

Since the 1960s our leaders have made frequent exchanges and visits, which have further enhanced and cemented bilateral relations. The creation of APEC is only one example of achievements delivered by such close exchanges.

In 1967 Prime Minister Harold Holt made the first official visit as an Australian Prime Minister and since 1982 every Prime Minister has officially visited Korea during his term of office. Prime Minister John Howard visited Korea twice, in May 2000 and July 2003. Likewise, since President Park Chung-hee's first visit in 1967, successive Presidents of the ROK, except President Chun Doo-hwan whose planned visit was cancelled because of the 1983 Rangoon incident, visited Australia during their term of office.

Foreign Ministers and other Ministers have maintained contacts with their counterparts through visits, or meetings in multilateral forums. In 2004 the Foreign Minister, Ban Ki-moon, made an official visit to Canberra and signed the Agreement on Cooperation in the Field of Energy and Mineral Resources between the ROK and Australia. Other Korean Ministers who visited Australia in 2003 included the Minister of Information and Communications, and Minister of Trade.

Political exchanges between the parliaments of the two democracies are extremely significant in promoting favorable foreign policy environments for each country. Since the 1970s most Speakers of the Korean National Assembly have visited Australia during their term of office, and many Australian parliamentary leaders (7 Speakers and 3 Presidents of the Senate) have also visited Korea.

■ Consultations and Forums

Political-military consultations at senior official level have been devoted specifically to defence and strategic issues in regular meetings since 1996. The Pol-Mil talks have strengthened defence links, including high level exchanges, naval vessel visits and cooperation on intelligence and defence industry.

The Korea-Australia Forum, established in 1989 according to an agreement between the two governments, held its fourth conference in Hobart in 2002. This Forum has played a significant role by advising both governments of creative ideas and proposals for the future of ROK-Australia relations. The 5th conference is expected to be held in Korea in 2006.

These regular and frequent meetings function as opportunities for comprehensive consultations on bilateral, regional and global cooperation between the two countries.

3. Developments in Economic Relations

The ROK and Australia have maintained a close economic relationship on the basis of a complementary industrial structure. The close cooperation has now expanded into a very innovative stage, where new opportunities are explored and significant benefits are reaped.

3.1. Bilateral Trade

It is evident that bilateral trade activities between Korea and Australia continue to flourish and expand. Over the last decade, two-way trade volume has doubled. In 2004, the booming bilateral trade marked a record high, reaching over US\$10 billion, accounting for 5.3% of Australia's total trade. Korea has become Australia's fourth-largest export market and trading partner.

Australia's exports to Korea continue to be dynamic. It increased significantly last year by 27% to US\$6.7 billion, mainly due to high demand for Australian resources. Raw materials - coking coal, petroleum, iron ore - which contribute to Korea's sustained economic development over the past decades, continued to dominate Australia's exports to Korea.

Korea, the third largest market for Australian energy and resource exports, signed a mid-term contract to purchase Australian LNG for the first time in 2003. The contract is expected to pave the way for Australia to become a stable and reliable supplier of energy to Korea, as further opportunities to export LNG to the Korean market are being actively sought after by Australian companies.

While energy and mineral exports make up much of its trade with Korea, Australian companies' role in the Korean market is rapidly expanding, with inventive market creation in meat, automotive components, pharmaceuticals and financial services.

With the outbreak of mad cow disease in the US and the recent approval of the export of kangaroo meat into Korea, Australian meat exports to Korea are expected to significantly increase. Last year Australian beef increased its market share to around 90 per cent of Korea's total beef import.

The Korean companies' inroads into the Australian market are also remarkable. Last year, thanks to the good performance of ICT products, motor vehicles and digital electronic products including LCD TV, Korea's exports to Australia recorded US\$4.0 billion, increasing by around 16%.

3.2. Bilateral Investment

Compared with the vibrant trade relationship between the two economies, bilateral investments have not been historically strong, but this is beginning to change, reflecting a maturity and sophistication in our economic ties.

Thanks to the Korean government's dramatic liberalization of its foreign investment system, Australia's direct investment in Korea has shown a positive growth and increased to around US\$600 million. A range of investment types has developed in the financial sector as well as the automotive industry.

Macquarie Bank, for example, is just one of the outstanding success stories among foreign investors in Korea, and the bank employs about 250 people in Korea and enjoys a position of market leadership in the expanding private infrastructure finance sector.

Holden Motors has established a strategic base in Korea, through its acquisition of GM Daewoo Motors. Holden-made Statesman has been exported for the first time to Korea in May 2005 and in return Holden will begin importing vehicles from GM Daewoo in the second half of year 2005.

TI Automotive, a leading Australian auto parts manufacturer, chose Korea as its operations base in the region, and now supplies products from its Korean investment to neighbouring countries including Japan.

Korea's direct investment in Australia has also continued to grow, especially in the area of resource development to secure reliable supplies of Australian mineral and energy resources. Korea's investment in Australia reached about US\$700 million.

With the unpredictable world commodity market, due to China's huge demand for energy and mineral resources, Korean investors have strengthened their partnership with Australia to secure reliable suppliers of natural resources.

POSCO, a joint venture partner with Australian giant BHP Billiton, seeks to develop iron ore mining, and invest in several projects for coal mining development, as other Korean companies like LG, Samsung, and SK have done. Korea Zinc, the largest Korean investor in Australia, has been operating its refinery in Queensland since 1996.

And with successful investment in forestry since 1993 in Western Australia, Hansol PI now operates a wood chip plant to process its harvest from its plantation.

3.3. Mechanisms for the Enhancement of Korea-Australia Economic Links

Korea and Australia have fostered their economic relations on the basis of various mechanisms including bilateral agreements, mutual consultations and joint committees.

Since 1965 Korea and Australia have signed six agreements in order to enhance economic relations between the two countries.

In 1965, the Korean and Australian governments signed 'The Trade Agreement', which was revised into 'The Agreement on the Development of Trade and Economic Relations' in 1975. In 1982, 'The Convention for the Avoidance of Double Taxation' was agreed to facilitate investment between the two countries. In 1983, both governments signed 'The Agreement on Fisheries' to increase cooperation in the field of fishing. In 1992, 'The Agreement Relating to Air Services' was signed to lay the foundation for increased flows of people and goods between the two countries. In 1999, 'The Agreement on Scientific and Technological Cooperation' was signed to enhance cooperation in the field of science and technology. In 2004, 'The Agreement in the Fields of Energy and Mineral Resources' was signed to put in place regular official consultations on energy and resource issues.

Trade and economic cooperation have been considerably consolidated through these agreements, and, indeed, they have helped pave the way for the flourishing economic relations between Korea and Australia today.

To share views and discuss ways to further bilateral economic relations, both countries have been maintaining active consultation channels.

At the government level, the annual Ministerial Joint Trade and Economic Commission meeting, which began in 2000, constitutes an excellent opportunity to review existing relations and to explore new fields of cooperation between Korea and Australia. The Australia-Korea Broadband Summit, which was first held in 2003, explores industry experiences and technical/commercial cooperation in the field of broadband technology. In addition, other important channels include Nuclear Policy Consultations, the Forestry Cooperative Committee, the Joint Committee for Energy and Mineral Resources Consultations and Cooperation, Heads Meetings between Korean Intellectual Property Office and IP Australia, Customs to Customs Talks and the Joint Committee on Science and Technology.

In the private sector, the Joint Conference of the Korea-Australia Business Council has annually been convening, and businessmen of both countries have discussed ways and means to increase business cooperation since 1979.

The government and private sectors have developed effective channels of contacts that have strongly linked our two economies ensuring a strong foundation for a productive and rewarding relationship in the 21st Century.

3.4. Trade Barriers and Investment Predictability

The relevant system for trade and investment should be administered in a way that does not affect the smooth trade flow and ensure predictability and certainty for Korean investors in Australia.

(Anti-dumping)

The largest number of anti-dumping(AD) measures has been imposed by the Australian government against Korean products, which include washing machines, steel and petrochemicals. These are among Korea's major exports to Australia and, as such, a number of Korean exporters face considerable difficulty conducting business in Australia.

The anti-dumping investigation itself, regardless of whether its final outcome is a finding of dumping or not, causes considerable adverse impact not only on the concerned companies' exports but also on market stability in Australia. This is in addition to the considerable burden, in terms of management time, consulting fees, etc., exporting companies face when going through the investigation process.

While the Australian AD system is well established under the WTO regime, one of the concerns is that there is no time limit for the Minister to make a final decision, and this causes uncertainty and delay, as seen in the AD investigation on washing machines imported from Korea. The AD investigation on the washing machine case has been conducted for almost three years.

Also of concern is inconsistency in the decision-making. The Australian authorities at one stage of the washing machine case overturned its original decision by reinvestigating the case based on the same original data. Greater efforts are therefore called for to secure fairness and transparency of AD investigations.

(ACIS: Automotive Competitiveness and Investment Scheme)

The ACIS extends import duty credits to specific industries, i.e. the Australian vehicle and auto-part industries, and may be inconsistent with WTO guidelines. The Australian government's subsidies weaken price competitiveness of automobiles imported from Korea, which are one of Korea's major export items to Australia, as Korea does not have production plants in Australia. ACIS places unfair restrictions on Korea's market access mainly to Australia's medium and large car market.

(Hansol PI's investment in Western Australia)

Hansol PI, a major Korean-Australian joint venture faces an urgent problem in its investment in Western Australia because the WA State government (Bunbury Port Authority) recently

conceded rights for a coal mining company to load and export coal at the same port berth now used by Hansol PI. Inevitably this will mean contamination of Hansol PI's woodchip product, with eventual loss of export market, possibly ending Hansol PI's WA operations.

With assistance from the State government over the last ten years, Hansol has successfully invested over AU\$50 million in Western Australia, to establish plantation resources and export of woodchips. Hansol's investment has been one of Korea's most successful business models in Australia.

The Korean government and private investors believe explicitly in Australia's open and transparent foreign investment policy to provide predictability and certainty for overseas investors, and hope this problem will be resolved soon.

3.5. FTA

The Korean government believes the FTA will complement the multilateral trading system. Korea has in the past opposed an increase in regionalism, but, given the changing world trade dynamics, the government has accepted regionalism as a trend.

The Korean government developed its future FTA roadmap in 2003, and planned to set up multi-track FTA strategies. FTAs are one of the government's priority policy goals as trade expansion is critical for the future growth of the nation as trade occupies 70 percent of its GDP.

In selecting prospective FTA partners, the Korean government carefully takes into account all key factors such as economic benefits and domestic constraints including the vulnerability of the agricultural sector.

On the basis of such considerations, Korea is promoting the FTA negotiations with various trading partners. The Korea-Chile FTA entered into force in April of 2004. In November 2004, Korea concluded FTA negotiations with Singapore. It is now engaged in formal FTA talks with other trading partners, including Japan, Canada, the ASEAN and the four-member European Free Trade Association (EFTA).

It will take some time however until Korea will be able to begin negotiation on an FTA with Australia due to the sensitivities of the agricultural sector. To counterbalance the effect of an FTA, on the other hand, the Korean government is making efforts to enhance competitiveness of the agricultural sector. The restructuring of the agricultural sector is, however, a matter of extreme economic and political sensitivity, which requires a long-haul, steadfast approach.

3.6. Investment Opportunities / Collaboration on Science & Technology

There exists a great potential to expand the scope of partnership by enhancing bilateral investment activities and science & technology cooperation on the basis of a complementary industrial structure.

While Australian investment abroad reached around AU\$590 billion with its major destinations to the USA, UK, Japan and Singapore, its investment into Korea is still relatively small.

Thanks to the Korean government's dramatic liberalisation of its foreign investment system, foreign direct investment (FDI) in Korea has greatly increased to over US\$100 billion, mainly from Korea's major trading partners like the USA, Japan and the European Union. Australia's share of total FDI in Korea is however minimal even though Australia is Korea's eighth largest trading partner.

The Korean government expects to see more Australian companies expanding investment into the Korean market and using Korea as its business hub in Northeast Asia. New opportunities are opened up through Korea's proactive FDI policies to reinvent itself as a logistics, finance and R&D hub in Northeast Asia.

Some Australian investments in Korea are already doing good business in the areas of financial services, IT, automotive industry and the leisure business. Through the operation of the Korea-Australia Technology Cooperation Pilot Fund, two companies from Korea and Australia in 2003 succeeded in accomplishing a nano-powder technology joint project.

With the success of the first Australia-Korea Broadband Summit in 2003 at the Gold Coast both sides committed to exploring further opportunities for cooperation between the Australian digital content and software sectors and the Korean IT industry which has the highest per

capita penetration rate of broadband service in the world. The Second Broadband Summit will be held in Seoul on 9-10 June and the Federal Minister for Communications and IT together with Australian IT companies will participate in the summit.

We believe that both Korean and Australian industries will benefit from a synergy effect created by competitive ventures involving cutting-edge technologies.

Korea's Competitiveness on Science & Technology

During the decade 1992 to 2002, Korea's output growth averaged 5.6% a year, well above the 3 per cent rate OECD record. Korea is now the 11th largest global economy. Such rapid growth reflected Korea's underlying dynamism and its success in wide-ranging reforms in the corporate and financial sectors and the labor. Korea is committed to cultivating a market-driven and transparent economy while boldly advancing the country as a leader in cutting-edge technologies.

- Korea boasts a highly educated population, with 40% of those aged 25-34 having tertiary education. The Korean adult literacy rate of 98% is one of the world's highest. Korea's private spending on educational institutions as a share of GDP is the highest in the OECD.
- Korea developed one of the world's greatest IT infrastructures, with the world's highest broadband penetration rate, while broadband access costs are second lowest. Korea was first to commercialise CDMA (Code Division Multiple Access) technology and plays a leading role in CDMA application worldwide, successfully pioneering the WiBro (wireless broadband) system and DMB (digital multimedia broadcasting) transmission and reception system
- Korea ranks second among OECD countries in terms of knowledge intensive manufactures, claiming 7th place for high-tech exports. Currently, Korea ranks 1st in shipbuilding, 3rd in semiconductors, 4th in digital electronics, 5th in petrochemicals and steel, and 6th in automobiles in the world.
- Korea is a science and technology forerunner by occupying 2nd place in technological infrastructure and also ranking 2nd in R&D patent productivity. Recent breakthrough in the stem cell research achieved by a Korean specialist has been highly recognised by the leading authorities of the world. ➡ **Attachment2**

3.7. Resources Cooperation

Given the volatile situation in the global commodities market, it is important to enhance and broaden bilateral resources cooperation between the two countries. Australia has contributed to Korea's sustained economic development over the past decades by steadily supplying

energy and mineral resources. Such opportunities will continue as long as an active Korean economy exists.

As mentioned earlier, Korean importers of natural resources have made substantial investment in Australia. And they are also seeking more opportunities for partnership with Australian companies to secure their reliable supply.

It is believed that the Agreement in the Fields of Energy and Mineral Resources, signed in 2004, will provide both countries with a momentum for a leap forward in resource ties. The agreement will promote more diverse partnership in the resources sector by not only increasing trade but also facilitating joint ventures, technology cooperation and manpower exchanges, etc.

Follow-up programs of the agreement will be discussed during the meeting of the Joint Committee for Energy and Mineral Resources Consultations and Cooperation, to be held in Canberra in July.

3.8. Awareness Gap

One of the major barriers to facilitating a bilateral partnership is a lack of awareness of each other's economic competitiveness.

The Australian public does not have extensive knowledge on the dynamic economy of Korea, which has developed a highly diversified and competitive world-class industrial base - a dominant global player in the field of information technology and communications as well as a world leader in major manufacturing industries.

At the same time, Australia is well known to Korea as one of the best destinations for tourism and education but it is not very well known that Australia is very strong at basic research and development in many areas including soft-ware and bio-tech.

To realise the full potential of the two economies, both Korea and Australia should foster greater awareness of each other's industrial & technological competitiveness among their respective business communities.

In order to pursue more effective technology cooperation a system needs to be developed which locates and matches prospective companies, allowing companies to pursue promising technology and other potential areas of cooperation. Bilateral technology and investment forums and fairs should be encouraged jointly by the government and private sectors.

It is necessary for the two economies to engage in greater communication to achieve a closer collaboration of relative strengths, ideas and technologies. To this purpose, the mutual exchange programs for researchers, engineers and graduate students in science & technology studies need to be expanded.

4. Culture, Education, Tourism

Since the year 2000, there have been more than 20 government-sponsored performances by the visiting Korean cultural teams in various genres such as traditional dance, fashion, film etc. Apart from these official visits, there have been a number of performances carried out on private initiative. Through these performances, the Australian public has been able to see Korea as a country with a flourishing cultural tradition in place of the old image of the Korean War and poverty in the past.

In particular, the year of 2004, from late September to early October, saw a variety of cultural, academic and trade activities including a National Dance performance, Korean Film Festival, Korea Tourism Show, Korea Conference and Korean Trade Mission, which took place by the initiative of the Embassy in Canberra and the Consulate General in Sydney of the Republic of Korea. Korea-Australia Media Forum on media and film held in Seoul in 2004 hosted by the Australia-Korea Foundation and Korean Press Foundation was also highly successful.

As an effort to promote Korean studies in Australia, the Korean government continues to support a number of universities that have Korean studies programs such as The Australian National University, The University of New South Wales, Griffith University, and Curtin University of Technology.

To enhance the awareness of Korea, especially among high school students, the Korean Embassy entrusted the Asia Education Foundation to develop website contents on Korea. The website is expected to be launched late in 2005, thereby contributing to the enhancement of awareness on Korea's history, economy and culture. In 2004 and 2005, the Embassy also introduced information on Korea by way of educational magazines, which were distributed to secondary schools throughout Australia. We applaud the Australia-Korea Foundation for developing the 'Investigating Australia Studies Kit' that was distributed to many middle schools in Korea, thereby increasing the awareness about Australia among Korean youngsters.

Government support is essential in a variety of programs. The 'Endeavor Language Teacher Fellowship' gives foreign language teachers an opportunity to have intensive short-term overseas in-country study to improve their language proficiency. Over 230 teachers of Chinese, French, German, Indonesian, Italian and Japanese benefited from the program in 2004/2005. However, Korean has yet to be included in the program. It is believed that the inclusion of Korean will provide more opportunities for Australians to understand and learn Korean language and culture.

Korean language education in NSW on the other hand is at risk of being undermined by the recent announcement of the NSW Board of Studies to remove the High School Certificate (HSC) Beginners Course in Korean. This decision, which is causing concern among the Korean community in Australia concentrated in NSW, hopefully will be reversed.

Australia is the fourth largest destination for Korean overseas students. The official figure shows that 23,810 students studied in Australia in 2004. The following Table shows the increasing trend of students from Korea studying in Australia.

Korean Overseas Students in Australia

Year	1995	1997	1998	1999	2000	2001	2002	2003	2004
Number	13,889	18,312	11,184	9,633	11,485	18,051	18,645	22,159	23,810

(Source : Australian Education International, 2005)

Australia provides 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. However, the

perception of Australian degrees in Korea has room for improvement as there exists a tendency to prefer degrees from the US or Europe.

In view of the future changes in the Asian educational market in general, it is important to raise the awareness of the quality of Australian education in Korea and the diversity of Australian education systems, including technical training and continuing education.

Attracting students with higher academic abilities will significantly contribute to the building of a better relationship between the two countries in the future.

International exchange programs and international research collaboration among the tertiary educational institutions in the two countries will continue to be instrumental in building important bridges among academics and young leaders of the two countries.

With regard to tourism, the following Table shows visitors from Korea to Australia and vice versa.

Visitors between Korea and Australia

(Unit: persons, %)

Year	1998	1999	2000	2001	2002	2003	2004
From Korea to Australia (% of total travelers)	62,742 (2.0%)	97,436 (2.2%)	132,387 (2.4%)	148,402 (2.4%)	160,867 (2.3%)	172,552 (2.4%)	172,265 (2.0%)
From Australia to Korea (% of total travelers)	31,028 (0.7%)	33,378 (0.7%)	39,614 (0.7%)	44,295 (0.9%)	49,759 (0.9%)	48,611 (1.0%)	57,839 (1.0%)

(Source: Korean National Tourism Organisation, 2005)

The number of visitors in both directions continued to increase significantly. The number of visitors from Korea to Australia showed a drastic decline after the 1997 economic crisis, but since 2000 it has shown a stable average growth of 10 percent per annum. There has been more than 10 percent increase every year except 2003 in the number of Australians traveling to Korea. During school holiday seasons it is extremely difficult to obtain airline seats.

Most Korean tourists visit Australia on a package group tour for a limited period of time. Hence, they leave Australia without having a chance to experience and appreciate cultural diversity and understanding. Individual tourists and backpackers tend to stay for a longer period to be exposed to diverse cultural experiences. Recently, there has been a rapid increase in the number of young visitors on working holidays as well. The cultural exchanges among the younger generations are very encouraging and will become an important input to a long-term relationship between the two countries.

Many Koreans travel to Australia for short-term visits or business, enjoying the benefits of the Australia's Electronic Travel Authority (ETA) like other peoples from 32 countries. However, there have been some complaints among many Koreans that the immigration procedure at arrival in Australia is troublesome and often too strict. In order to promote the people-to-people exchanges between the two countries, efforts to improve this kind of perception among Korean visitors would be important.

Recently it was officially announced that the Skill Stream of the Australian 2005-06 Migration Program would increase by up to 20,000 places to help meet Australia's short and long-term labour force needs, mainly targeting skilled workers. As part of providing industry and service areas with high quality Korean skilled workers to help address skill shortage in Australia, the Embassy of the ROK, in cooperation with the Australian departments concerned, is driving a pilot project to introduce Korean medical doctors, nurses and welders into Australia. It is hoped that this pilot project will lead to a wider cooperation between the two countries in the field.

5. Korean Community

Migration from Korea to Australia commenced in the 1970s. The following table shows the growth of Australians of Korean ethnic origin from 1970. Until 1985, most Korean immigrants came under family migration or skilled migration categories. However, during the second half of the 1980s, the number of new arrivals increased substantially under the scheme of business migration. In the second half of the 1980s, the size of the Korean community increased nearly four-fold, from 8644 in 1985 to 35,158 in 1992. Since then, the growth rate

tapered off, showing only a modest increase in the 1990s. Yet, since 2002, the growth rate regained its momentum.

The Growth of the Korean Community in Australia

Year	1970	1975	1980	1985	1992	1996	2001	2002	2004
Population	60	1,200	5,645	8,644	35,158	43,400	47,227	59,940	72,963

(Source :Survey done by the Embassy of the ROK, 2005)

The Korean community in Australia is important to both Korea and Australia. It is the sixth largest Korean community outside Korea, after the US, China, Japan, Russia and Canada. In Australia, it accounts for 0.3% of the total population. As most Korean-Australians live in the New South Wales area, Korean-Australians represent more than 1 percent of the population in that State. The following Table shows the distribution of Korean residents in Australia among various States.

Distribution of Korean Residents in Australia

State	ACT	Victoria	WA	SA	Tasmania	NSW	Queensland	NT
Number	1,200	8,490	4,190	1,670	280	46,178	10,900	55

(Source: Survey done by the Embassy of the ROK as of 2004)

Compared with most other ethnic communities in Australia, and most other major Korean communities outside Korea, the Korean community in Australia has a relatively short history of migration. Since the second generation began to graduate from schools and universities only recently, it might be premature to make a meaningful assessment on the success of the settlement of the Korean community in Australia.

However, there have been a considerable number of professionals from the Korean community such as lawyers, medical doctors, academics, accountants etc. Especially successful young figures have grown up with outstanding achievements in a variety of fields in Australian society. To name a few: Mr. Sejong Park, animation writer and director, Mr. Peter Bell, popular football captain in Fremantle Football Club, Mr. Jaewoo Kim, internationally acclaimed opera singer and Ms. Sunjoo Moon, renowned fashion designer.

As is the case with every migrant community, the most pressing issue is for the Korean community to keep pace and momentum for development with the Australian mainstream society. Currently, there are many active channels that help to link Korean communities with the wider Australian community, including the Korean Society, the Korea Welfare Association and the Korea-Australia Veterans Association. Several community newspapers and magazines have also made important contributions in linking the Korean communities with the rest of the Australian society.

As in Korea, educational aspirations are extremely important among Korean families, hence resulting in a high proportion of school leavers entering tertiary educational institutions. The Korean-Australians of younger or second generation exhibit no visible difficulties in feeling that they are valued members of Australian society. But the most important issue for the younger generation is the perception of identity. Many young Korean-Australians struggle to find and accept their identity, i.e. whether they are Australians, Koreans, Korean-Australians or Australian-Koreans.

6. Looking Ahead

Unlike Australia's relations with other East Asian countries, a typical strategic perspective in pursuit of lasting peace and security is very much in evidence in the mindset of both peoples of the ROK and Australia. The ROK has always stood with Australia since the Korean War in major conflicts in the region that have involved Vietnam, The Gulf, East Timor, Afghanistan and Iraq. The two countries also share basic policies on and approach to maintaining peace and security in the region. The consultations on strategy and intelligence with regard to the issues such as the war on terror and the situation on the Korean peninsula continue to be deepened and diversified. This shared strategic outlook is expected to present the two countries with a firm ground for a more dynamic collaboration and strong partnership on a variety of areas encompassing security cooperation, regional dialogue and political exchanges.

The complementary structure of both economies on the other hand will accelerate diverse and imaginative business ventures. Australia's active participation in the industrialization of Korea began when its rich mineral resources were arriving in the Korean ports in the early 1970s.

The consistent and stable supply of coking coal, iron ore and other minerals for the past three decades was one of the most important contributors to Korea's rise, Korea often being the second or third largest importer of Australian resources. Following the dynamic partnership in resource trade with considerable Korean investment in the sector, the intertwining of the two economies is now taking place in a variety of areas such as information technology, bio- and nano-technology, financial services, the automotive industry and leisure business, on the basis of a complementary industrial structure. Australia's strengths in basic science and technology and Korea's strengths in industrialisation and commercialisation will step up such intertwining.

One of the most intriguing aspects in the interactions between the two peoples is that they are likely to be at ease with each other's culture and lifestyle. The characteristically egalitarian social mode and strenuous explorer spirit in Australia appear to touch a chord with many Korean people. Cultural and sports events involving two peoples are always popular. Some Australian entrepreneurs with their exceptional knack for adapting to the Korean culture are highly successful in the Korean market. This mutually intimate perception the two peoples enjoy needs to be more proactively tapped in promoting more people-to-people contacts such as cultural exchanges, tourism, educational opportunities, sports events, cooperation between specialists and civic groups, etc.

With the foregoing general outlook on the future ties and partnerships between the two countries and peoples, the following observation is made on the desirable development in the most important aspects of the ROK and Australia relations.

A. Towards increased political exchanges

- The visit to Australia by President Roh Moo-hyun of the Republic of Korea has not been decided yet, but is hoped to be realised at a future date. Prime Minister John Howard is scheduled to visit Korea in November 2005 on the occasion of the Busan APEC Leaders' Meeting.
- Bilateral ministerial meetings on national defence, trade, communications and IT, and foreign affairs are to take place in several months, discussing effective mechanisms to enhance collaboration in each area.
- Parliamentary contacts need to be further increased and the newly elected Speakers of the parliaments have yet to visit each other. The recent initiative by the Australian Political Exchange Council for the exchanges of young political leaders is expected to

contribute to strengthening of understanding and friendship between the future leaders of both countries.

- Political exchange is the foundation of the partnership both countries enjoy so that it is very important to explore more opportunities for contacts and interactions, thus presenting the vision and environment for stepped-up bilateral ties.

B. Invigorating security consultations and enhancing strategic cooperation

- Working together to evaluate the security situation in the region and work out cooperation plans, based on our shared values and perspectives.
- Broadening high-level talks including Ministers between both countries' security-related authorities such as foreign and defense ministries, and intelligence agencies in addition to strengthening the Pol-Mil consultation.
- Given the high competitiveness of some Korean defence industries, it is highly advisable to promote closer cooperation on defence items as exemplified by the recent contract to supply some ammunition to the Australian Armed Forces.

C. Enhancing bilateral dialogue for closer cooperation in resolving the North Korean nuclear issue and in aiding North Korea's reform

- Australia's diplomatic relations with North Korea and its close alliance relationship with the US would allow it to be better positioned to persuade North Korea to return to the six-party talks and to offer advice to the US and other member countries as to rational, flexible and objective approaches.
- It is highly recommended that Australia's constructive role in promoting the peace and security on the Korean peninsula continue consistently and resolutely, without being discouraged by the difficulties of the day.
- Considering that North Korea's nuclear ambitions resulted from North Korea's system failure, an imaginative and flexible approach, which will help reform and open up North Korea, needs to be pursued.

D. Holding active consultation and cooperation on approaches to the regional integration process.

- The ROK welcomes Australia's proactive engagement in a range of East Asian regional cooperation processes and hopes that Australia will be able to find out an appropriate formula for its participation in the EAS. Within the East Asian integration

process the ROK and Australia will be able to greatly expand their cooperative horizon, based on shared commitment and perspectives.

- Long-standing collaboration between the two governments regarding the creation and development of APEC will continue to pave the way to more effective joint efforts spearheading and facilitating such a process.

E. Organizing a closer economic partnership

- Mutual efforts should be doubled to achieve a more balanced economic relationship by rationally administering the system for anti-dumping measures and auto industry subsidies and by ensuring predictability and certainty for Korean investments in Australia. Anti-dumping investigations should be conducted fairly and transparently, so that they should not be used as an arbitrary form of protectionism.
- The Korean government appreciates Australia's efforts in promoting FTA-related studies to upgrade bilateral economic relations. The Korean government will continue a dialogue with Australia to find appropriate ways in this regard. Given the extreme sensitivity involving the agricultural sector, a considered and imaginative approach might be required to allow complex adjustment processes in the Korean agricultural sector to take hold.
- Both economies should endeavour to exploit the existing great potential to expand the scope of the strategic partnership by enhancing investment activities and science & technology cooperation including IT and BT on the basis of a complementary industrial structure.
- Under the global commodities market situation, it is vital to enhance and broaden bilateral resources cooperation. Many Korean importers of Australian resources are very concerned about the long-term security of supply as well as enormous increases of prices. While the need to adjust to market trends is unavoidable, consultations between the stakeholders including the governments of both countries might clear the way, which otherwise could adversely affect the smooth and orderly conduct of the resource trade. Australia's interest in supplying more LNG into the Korean market is most welcome as long as the commercial conditions are met.
- To realise the full potential of both economies, Korea and Australia should enhance awareness of each other's industrial competitiveness to their business communities by creating a system that locates and matches prospective firms and by facilitating communication to achieve a more effective linkage of their relative strengths, ideas and technologies.

F. Increasing education exchanges and upgrading cultural links

- In the education area, it would be important to improve the awareness of the Australian education system in Korea to further the university exchange programs and collaborative research projects. The current student visa status for Korean students should be upgraded to help facilitate an increase of Korean students in Australia.
- The Korean government places great importance on the promotion of Korean studies in Australia as it plays a critical role to connect both peoples and both economies. The interest and support of the Australian government, academic organisations and private sectors are urgently requested.
- Cultural events or exchanges involving the dynamic young generation of both countries are highly desirable. Music, songs, films and multimedia performances are likely to be promising areas for such activities.

G. Support for the Korean community and tourism promotion

- As one of the multicultural communities in Australian society, the Korean community in Australia offers huge potential to make greater contributions to the relationship between the two countries. It is important to support and assist the activities of Korean-Australians who have already settled or are at the out-set of immigration trying to settle in Australian society, and the voluntary institutions to take care of them.
- Australians' tour to Korea should be encouraged and promoted with accelerated efforts. Since Australia is regarded as one of the best destinations for Korean tourists, it appears there is great potential to increase numbers of Korean tourists to Australia. Given the benefits of competition rapidly reaped by the Australian tourism industry and domestic airlines in particular, more proactive and imaginatively organised tour programs will have a very positive impact on attracting more Korean tourists. However, efforts to appropriately address some issues regarding immigration procedures on arrival in Australia need to be made.
- Recent consultative arrangement between the Embassy of the ROK and the Australian Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) seeking ways to overcome various difficulties is expected to give rise to a very positive improvement.

The End

North Korean Nuclear Issue

The Current State of Affairs

The ongoing North Korean nuclear issue resurfaced when the United States revealed the existence of a North Korean highly enriched uranium (HEU) program in October 2002. Since then North Korea, denying the HEU program and criticizing the US hostility toward North Korea, conducted a series of tension-increasing actions, such as the expulsion of the IAEA inspectors, withdrawal from the NPT, restarting of the nuclear reactor closed down by the 1994 Agreed Framework, and reprocessing of the spent fuel and extraction of plutonium. Now, North Korea may have enough weapons-grade plutonium to make one, two or three nuclear weapons.

With the aim of ending the North Korean nuclear program, the six-party talks process, comprising the ROK, the United States, North Korea, China, Japan and Russia, was launched in August 2003, holding three rounds of meetings until June 2004. Through the three rounds of the six-party talks, the participating countries affirmed their commitment to the goal of the denuclearisation of the Korean peninsula in a peaceful manner through dialogue. The first round of talks held in August of 2003 resulted in a general consensus on the need for a comprehensive and step-by-step solution. The second round held in February 2004 provided the setting for discussions on substantive issues and resulted in the first written agreement among participants, in the form of a Chairman's statement. At the third round held in June of 2004, the participating countries reaffirmed their commitment to the goal of the denuclearization of the Korean peninsula and stressed the need to take the first steps toward that goal as soon as possible. In particular, detailed proposals were put forth by the ROK, the US and North Korea. On the basis of these proposals, substantive discussions were carried out, signaling the beginning of serious negotiations to come.

However, the six-party talks process stalled due to North Korea's reluctance to return to the talks. At first, North Korea apparently held out to see the results of the U.S. presidential elections and the subsequent policy review and personnel line-up of the second Bush

administration. Then, on 10 February 2005, North Korea issued a Foreign Ministry Statement claiming that it is in possession of nuclear weapons and that it would indefinitely postpone its participation in the six-party talks citing the so-called 'hostile policy' of the U.S. as its main reason.

In response, the ROK and other concerned countries made it clear that North Korea should return to the talks without further delay and address its concerns at the table.

The Basic Position of the Republic of Korea

The North Korean nuclear issue is one of the most pressing challenges not only for the Korean peninsula and the Asia Pacific region but also for the global non-proliferation regime of the NPT. To resolve this serious issue, the government of the Republic of Korea has stood firmly by the principles of: (1) no tolerance for the weapons-related nuclear programs of North Korea, (2) peaceful resolution of the nuclear issue through dialogue, and (3) active participation and contribution by the ROK government throughout the process of resolving the nuclear issue.

As a party to the six-party talks, the ROK strongly hopes that steady progress will be made through this process. In an effort to help lay down a framework for resolution and to facilitate the process, the ROK has proposed a three-stage roadmap approach based on coordinated steps. In essence, this approach calls for (1) a commitment to dismantle its nuclear programs by North Korea and a commitment to provide corresponding measures by the other parties; (2) actual implementation of the dismantlement and corresponding measures; and (3) comprehensive improvement and normalization of relations among the relevant parties as issues of concern are being resolved.

The ROK believes that a peaceful resolution satisfactory to all the parties could be achieved through this approach. But most importantly, North Korea needs to make the fundamental strategic decision to dismantle its nuclear programs, including uranium enrichment programs, in a thorough and transparent manner, subject to international verification, so that this issue does not arise again in the future. The other parties of the six-party talks and the international community as a whole should encourage North Korea to speedily make such a decision in a swift manner. North Korea needs to understand that it would indeed receive security assurances and economic assistance once its nuclear weapons-related programs are dismantled.

We are currently focusing our efforts on resuming the talks process. However, the resumption of the six-party talks is not an objective in itself. It is more important to achieve substantial progress, if not a breakthrough, when the talks resume. To this end, the ROK will continue to play an active role so that we may realise the expeditious resolution of the North Korean nuclear issue in the near future.

The resolution of the North Korean nuclear issue will lay a solid foundation for peace and common prosperity on the Korean peninsula and beyond and at the same time will contribute to the consolidation of the global nuclear non-proliferation regime.

Korea's Competitive Edge: Science and Technology

During the decade 1992 to 2002, Korea's output growth averaged 5.6% a year, well above the 3 per cent rate recorded in the OECD area. Such rapid growth, which has lifted per capita income to two-thirds of the OECD average, reflected Korea's underlying dynamism and its success in implementing wide-ranging reforms in the corporate and financial sectors and in the labor market to create a more market-oriented economy in the wake of Asian financial crisis in 1997. Korea is now the 11th largest economy in the world.

Korea, strategically located at the center of Northeast Asia is committed to grow a market-driven, transparent economy while boldly advancing the country as a leader in cutting-edge technologies. A well-educated and increasingly affluent population of almost 48 million is brand savvy and quick to respond to the latest consumer trends.

Highly Skilled Human Resources

Korea boasts a highly educated population. 40% of the population aged 25-34 has tertiary education and this was ranked 3rd globally as of 2001. The Korean adult literacy rate of 98% is one of the world's highest. In addition, Korea's highly educated female workforce offers tremendous potential for human resources.

Korea's private spending on educational institutions as a share of GDP is the highest in the OECD area and the education system emphasises science and engineering, which account for 40 per cent of new university degrees, the highest proportion in the OECD.

World Class IT Infrastructure

Korea is a wired society and a global IT powerhouse, boasting of one of the world's greatest IT infrastructures. It has the world's highest broadband penetration rate while the price of broadband access is second lowest, and ranks second in the world in terms of Internet users.

Korea was the first country to commercialise the CDMA (Code Division Multiple Access) technology and plays a leading role in CDMA application worldwide.

Korea successfully pioneered the WiBro (wireless broadband) system and the DMB (digital multimedia broadcasting) transmission and reception system. As well, Korea was first to develop key IT components, including next-generation FTTH (fiber to the home) Internet, home networks and next-generation PCs.

With Korean consumers' passion with new products, Korea also serves as an ideal test-bed for new IT applications and marketing strategies.

Strong Industrial Competitiveness

Korea is a global leader in industries such as IT home appliances, mobile phones, semiconductors etc. It ranks 2nd among OECD countries in terms of knowledge-intensive manufactures. Korea is placed 7th globally in its high-tech exports as a share of total manufactured exports.

Korea, with a highly diversified, knowledge-intensive and competitive world-class industrial base, is a dominant global player in the field of information technology and communications as well as a world leader in major manufacturing industries. Korea ranks 1st in shipbuilding, 3rd in semiconductors; 4th in digital electronics, 5th in petrochemicals and steel, and 6th in automobile in the world.

A Science and Technology Forerunner

According to the 2005 World Competitiveness Yearbook published by the IMD, Korea is positioned in 2nd place in technological infrastructure moving up 6 ranks, from 8th last year and also in 2nd in patent productivity in terms of patents granted to R&D personnel in business.

In addition, Korea devotes a large share of GDP to R&D investment. Its R&D expenditure as a share of GDP is the 8th highest in the world and the 5th highest among the OECD countries. The R&D in ICT accounts for more than half of total R&D in the manufacturing sector.

Recent breakthrough in the stem cell research achieved by a Korean specialist is highly recognised by the leading authorities of the world.