



Submission No 13

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

Organisation: Overseas Korean Traders Association (OKTA)

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Introduction

This submission is for the development of Australia-Korea economic relationship and is made by **Overseas Korean Traders Association (OKTA)**, Sydney.

OKTA Sydney is a member of World Federation of Overseas Korean Traders Associations (World-OKTA) which consists of Overseas Korean Traders in the world.

Status of Trade between two countries

Australia's trading relationship with South Korea has developed rapidly. The two countries now share a vibrant and complementary trading relationship, with Australia providing raw materials, foodstuffs and services to South Korea and importing finished products (such as cars, telecommunications equipment and computers) from South Korea.

Bilateral trade in 2004 was worth \$14.1 billion, making Korea Australia's fourth largest trading partner. South Korea was also Australia's fourth largest export market in that year, ahead of the United Kingdom, Singapore and New Zealand. Australia was South Korea's seventh largest trading partner and sixth largest import source, accounting for 3.3 per cent of total imports to Korea. Australian exports to South Korea in 2004 totalled \$9.2 billion. The top five export items from Australia in 2004 were coal, crude petroleum, iron ore, non-monetary gold and aluminium. Wheat, beef and sugar are the top agricultural exports. Australian beef sales to Korea have increased dramatically over recent years, especially for chilled beef.

In the services sector, education has been particularly successful, with Korea ranked second behind China in 2004 as a source for overseas student enrolments.

Total Australian investment in South Korea totalled \$2.6 billion (as at 31 December 2003), with Korean investment in Australia totalling \$617 million, of which \$495 million was foreign direct investment.

South Korea's agricultural sector is particularly sensitive, and as a result, tariffs on agricultural imports tend to be very high. South Korea is engaged in the Doha Development Agenda Round of WTO negotiations, which will aim to reduce tariffs on imports, including the agricultural sector. South Korea's agricultural sector is currently undergoing gradual structural reform to increase its efficiency and allow it to compete with imported produce.

Despite the dominance of primary resources amongst Australian exports to Korea, other opportunities exist in a diverse range of sectors, including automotive, biotechnology, building and construction, dairy, defence, fruit and vegetables, information and communications technology, seafood, textiles and clothing and wine.

So far below joint cooperations has developed between two countries for trade and economic purposes:

- Agreement on Cooperation in the Fields of Energy and Mineral Resources

- Ministerial Joint Trade and Economic Commission
- Australia-Korea Broadband Summit.

Trade Success Areas for Australia

- Energy and Utilities: LNG
- Wine
- Motor Vehicle Engines and Components
- Investment
- Business and Financial Services
- Automotive equipment and pharmaceuticals
- Tourism and education
- LNG supply

Recommendation

For the improvement of the relationships between two countries, OKTA recommends these points:

- Identifying other areas for trade (currently limited to a few areas such as above)
- Cultural marketing
- Market analysis regularly (LNG failure is an example. Australia put too high quote.)
- FTA with Korea
- Combining Australia's R&D with Korea's power of commercialisation
- Supporting Korean Traders in Australia
- Feasibility Study for Aus-Korea joint research centre for Trade
- Including North Korea for manufacturing areas (using labour there)
- Mobilising ethnic Koreans in Australia for pioneering Korean market.

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