

New Zealand – Republic of Korea Free Trade Agreement

Frequently Asked Questions

Why does New Zealand want an FTA with Korea?

Korea is a very important market for New Zealand businesses, although there are many barriers in place that can make it difficult to do business with Korea. New Zealand is seeking a high quality, comprehensive FTA with Korea that should help to overcome many of these barriers.

Korea is an economically advanced country with the thirteenth largest economy in the world, and is a member of the OECD and APEC.

Why does Korea want an FTA with New Zealand?

New Zealand imported over NZ\$1.3 billion of goods from Korea in 2008, including motor vehicles and electronic goods. Many major Korean brands are household names in New Zealand, but Korea sees an FTA as providing a means to expand our business relationships further.

Korea is a net-importer of energy and other important natural resources. It views an FTA with New Zealand as a means of securing access to these sectors in the future.

What is the value of New Zealand's economic relationship with Korea?

Total trade in goods between New Zealand and Korea was worth almost NZ\$2.7 billion in 2008, making Korea our ninth largest trade partner.

Korea is New Zealand's sixth largest export destination, taking goods worth nearly NZ\$1.4 billion in 2008. New Zealand's exports to Korea are mainly from the primary sector, including logs, kiwifruit and beef.

Korea is New Zealand's sixth largest source of overseas visitors, with almost 80,000 Koreans visiting New Zealand in 2008. Korea is also New Zealand's second largest source of overseas students (over 17,000 students in 2007).

Koreans have invested approximately US\$157 million in New Zealand (December 2007, Korea Eximbank estimate). New Zealand businesses have invested in joint venture activities in Korea focused on agriculture and horticulture.

What sort of barriers do businesses currently face?

Many of our major exports face high tariff barriers, with some tariffs so high as to prevent any trade taking place at all. Examples of high tariffs include:

- 45% on kiwifruit
- 89% on butter
- 40% on beef
- 176% on skim milk powder (outside of the tariff rate quota)

Many businesses also face a range of non-tariff barriers, and difficult regulatory conditions when providing goods, services or investment in the Korean market. We will aim in the FTA to minimise these regulatory barriers to make it easier and more competitive to do business with Korea.

What areas will be covered in an FTA with Korea?

New Zealand and Korea both seek comprehensive FTAs, covering areas such as goods and services trade, trade facilitation, investment, competition, customs cooperation, government procurement, intellectual property, labour and environment, transparency and dispute settlement.

Does Korea have FTAs with other countries?

Korea has concluded a number of trade agreements in the past, including with Chile, the United States, and ASEAN. It is in ongoing negotiations with a number of other countries, including India, Canada, and the European Union and is about to commence negotiations with Australia and Peru.

What is the potential value of an FTA with Korea?

Analysis has shown that a New Zealand – Korea FTA will provide significant benefits to business.

The most immediate value will be in tariff savings, as Korea's tariffs on New Zealand's primary exports are currently very high. For example New Zealand's horticulture exporters alone paid NZ\$34.1 million dollars in tariffs to Korea in 2008.

The cost of doing business with Korea should also fall through the easing of regulatory barriers that can restrict business activity.

The FTA will also deliver benefits through making it easier to do business with Korea, and opening up new business opportunities.

Independent research completed in 2007 by the New Zealand Institute for Economic Research and the Korean Institute for International Economic Policy found that an FTA would deliver economic benefits to both countries. The

analysis suggested that trade between New Zealand and Korea would grow, and that the FTA would provide gains to real GDP of US\$4.5 billion for New Zealand and US\$5.9 billion for Korea between 2007 and 2030.

What is the timeframe for an agreement?

The first round of negotiations should be held in June 2009. Given the high level of convergence between our approaches to FTA negotiations, we expect that a negotiation should be relatively straightforward. It is too soon to say, however, when the negotiation will be completed.

What consultation has taken place around an FTA with Korea?

Preliminary discussions were held with a range of business organisations during preparatory discussions during 2008. A public submissions process was held over the period January – February 2009, with submissions received from a wide range of interested parties.

We continue to want to hear from interested businesses or individuals on barriers or concerns they face in the Korean market. As the negotiations progress, it will be important for us to understand the issues faced by businesses operating in the Korean market.

How will labour and environment be dealt with in the FTA?

Korea has indicated that it sees value in including trade and labour and trade and environment provisions in its FTAs. New Zealand has worked with Korea in the past to progress these issues in forums such as APEC. We expect to include separate chapters in the FTA covering trade and labour and trade and environment.

Who to contact with any questions?

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