

**Call for Public Submissions on the potential for a
New Zealand – Republic of Korea Free Trade Agreement**

January 2009

The Ministry of Foreign Affairs and Trade is inviting submissions on a possible Free Trade Agreement (FTA) between New Zealand and the Republic of Korea (Korea).

The closing date for submissions is 27 February 2009.

Information on how to make a submission is provided at the end of the paper.

Background

The New Zealand and Korean governments are considering the possibility of launching bilateral FTA negotiations.

A joint study conducted in 2007 into the potential benefits of a bilateral FTA between the two countries indicated that a comprehensive FTA would offer net economic benefits to both parties, across the full range of bilateral economic activities.

It is expected that the FTA negotiations would seek to include provisions on market access and related rules (including customs procedures, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, and trade remedies) for goods trade; trade in services; investment; intellectual property; government procurement; competition policy; trade and labour and trade and environment; and dispute settlement.

New Zealand - Korea Trade Relations

New Zealand and Korea have a strong, longstanding, and rapidly evolving trade and economic partnership.

Korea is New Zealand's sixth largest export destination, with exports worth nearly NZ\$1.4 billion in the year to June 2008. Over the same period New Zealand imported NZ\$1.0 billion worth of merchandise from Korea. New Zealand's exports are dominated by primary products (food and wood products in particular), while New Zealand's main imports from Korea are automobiles and electrical goods.

Korea is New Zealand's sixth largest source of overseas visitors. In the year to June 2008, 88,905 Koreans visited New Zealand. These visitors spent NZ\$256 million in New Zealand, making Korea the seventh largest source of tourist expenditure. Korea is also New Zealand's second largest source of overseas students.

The economic relationship is diversifying. There is a growing focus on energy resources and knowledge based industries, with Korean investment in some New Zealand energy exploration activity. Potential exists for commercial cooperation in the area of renewable energy and green technology. Film is one of the most dynamic aspects of the relationship with a recently signed Film Co-Production Agreement offering significant value to both countries' screen industries through greater collaboration and investment. Several Korean films have already been partially made or post-produced in New Zealand.

Efforts are being made to develop the investment relationship. There are significant investment opportunities due to the complementary nature of the two economies. Koreans have invested approximately US\$157million in New Zealand (December 2007, Korea Eximbank estimate). New Zealand has invested in joint venture activities in Korea focused on agriculture and horticulture. In December 2006 the Korea Trade and Investment Promotion Agency (KOTRA) and New Zealand Trade and Enterprise (NZTE) signed a Memorandum of Understanding to increase cooperation in the investment area.

For further information on the New Zealand – Korea relationship, see the Country Information Paper for Korea:

<http://www.mfat.govt.nz/Countries/Asia-North/South-Korea.php>

Joint FTA Feasibility Study

A joint private-level study into the possible benefits of a bilateral FTA was completed in December 2007. The study was conducted jointly by the New Zealand Institute of Economic Research (NZIER) and the Korean Institute for International Economic Policy (KIEP). A copy of the study is available on the Ministry of Foreign Affairs and Trade's website www.mfat.govt.nz.

The outcomes of this study were endorsed by the New Zealand Prime Minister and Korean President. Both leaders instructed officials to complete an FTA Preparatory Process to further explore the potential scope and ambition of a bilateral FTA (see below).

Key Findings of the Study

The study revealed that a bilateral FTA would offer net economic benefits to both New Zealand and Korea. Other findings included:

- the New Zealand and Korean economies are two of the most complementary in the Asia-Pacific region;
- an FTA would help to avoid trade-diversion costs for New Zealand and Korea in each other's market, given the number of other FTAs each has negotiated;
- an FTA would deliver dynamic productivity gains for both countries; and
- an FTA would support the growth of services trade and bilateral investment.

New Zealand – Korea FTA Preparatory Process

The bilateral FTA preparatory process was agreed by the Korean President and New Zealand Prime Minister when they met in May 2008. Two meetings were held as part of the preparatory process, in September (Seoul) and November (Wellington) 2008.

The preparatory process:

- reinforced the findings of the joint study, with both sides noting the desirability of a New Zealand – Korea FTA.
- provided both sides with a detailed understanding of our respective approaches to FTAs as well as the sensitivities involved, and considered the potential scope and ambition of a New Zealand - Korea FTA.
- confirmed that a New Zealand - Korea FTA would offer benefits to both sides, in areas such as enhanced access for goods, services and investment.

Both sides agreed that the next step would be to report the outcomes of the preparatory process to Trade Ministers, with a view to each side continuing its domestic processes towards the launch of FTA negotiations between New Zealand and Korea.

Areas of negotiation

FTA negotiations with Korea are expected to cover a wide range of trade related issues, similar to other FTAs New Zealand has negotiated. We would expect areas of negotiation to include the following areas:

- Trade in Goods:
 - Market Access
 - Rules of Origin
 - Customs Procedures
 - Trade Remedies
 - Sanitary and Phytosanitary Measures
 - Technical Barriers to Trade
- Trade in Services:
 - Market Access
 - Movement of Natural Persons
 - Telecommunications
 - Financial Services
- Investment
- Other Trade Rules:
 - Intellectual Property
 - Government Procurement
 - Electronic Commerce
 - Competition Policy
 - Trade and Labour
 - Trade and Environment
 - Dispute Settlement

How to make a submission

Why your submission is important

As New Zealand prepares for the launch of FTA negotiations with Korea it is important that negotiators know and understand the views and interests of New Zealanders. Investors, exporters and importers of goods and services, non-government organisations and individuals are invited to make submissions.

How your submissions will be used

The submissions will help shape New Zealand's negotiating mandate for the negotiations. Negotiators will follow-up submissions with direct contact, if necessary. The public consultation process is an ongoing one that will provide further opportunities for input and comment on the negotiation.

What you may wish to cover in your submission

In a submission, you may wish to highlight:

- Specific issues you would like to see addressed;
- potential benefits and risks to New Zealand of an FTA with Korea;
- any specific information you can provide that would help to develop New Zealand's negotiating position; and
- outcomes that you would like to see from the negotiations.

Deadline for submissions

Please send your submission to us by 27 February 2009 to allow sufficient time for analysis ahead of a final decision to launch negotiations.

How you can make your submission

Submissions can be sent in three ways:

By email to: ftk@mfat.govt.nz

By post to: Korea FTA Submissions
FTU
Ministry of Foreign Affairs and Trade
Private Bag 18901
Wellington

Online: using the online submission form available at www.mfat.govt.nz

Further questions?

Please direct any questions you have about potential FTA negotiations with Korea, or the submissions process to:

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Ministry of Foreign Affairs and Trade
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