



# Korea-Australia Free Trade Agreement

The Korea-Australia Free Trade Agreement (KAFTA) entered into force on 12 December 2014.

The Republic of Korea is the world's twelfth largest economy and fourth largest in Asia. It is Queensland's third largest merchandise trading partner with exports valued at \$4.7 billion or about 10% of Queensland's total merchandise exports.

Korean investment in Queensland dates back to the early 1980s and has helped build Queensland's economic capacity and create jobs in key industries including agribusiness, food manufacturing, mining, LNG, zinc refining and power generation.

## New opportunities for Queensland exporters

The Korea-Australia Free Trade Agreement creates significant opportunities for Queensland companies – from farmers to service providers and manufacturers.

*“KAFTA is a world-class, comprehensive agreement that substantially liberalises our trade and supports investment with a major market.”*

Australian Trade and Investment Minister, Andrew Robb

Korea's average tariff on imports is currently 16.8% with agricultural goods averaging 53.6%. Some tariffs peak at over 50%.

When the KAFTA took effect in December 2014, 84% of Australia's goods exports (by value) entered the country duty-free. By full implementation, tariffs on 99.8% of Australia's exports (by value) to Korea will be eliminated.

Services account for approximately 80% of Australia's economy yet make up only 7% of the total value of two-way trade with Korea. KAFTA provides new market access and opportunities for a broad range of services sector supplies.

KAFTA also provides new market access and opportunities for suppliers of legal, accounting, education and telecommunications services and guarantees open access across a broad range of other services sectors, including financial services and education.

## Key benefits

### Services

#### Education

KAFTA will provide new commercial opportunities for Australian education providers by allowing the establishment of certain types of adult education institutions in Korea.

#### Engineering services

Australian engineers will benefit from guaranteed market access and from closer collaboration between Engineers Australia and its counterpart body in Korea, the Korean Professional Engineers Association. A mutual recognition agreement between the organisations will enhance professional recognition of Australian engineers in Korea and facilitate international collaboration.

#### Legal services

KAFTA will put Australian lawyers on an equal footing with their US and European counterparts, including allowing the right to establish representative offices, and eventually, joint ventures with Korean law firms.

#### Film and television

KAFTA will allow Australian film and television producers to collaborate with Korean partners to access Korean Government incentives to develop content that will count as local content in both countries.

#### Accounting services

KAFTA will improve market access for Australian accountants including the right to work in Korean accounting firms and to supply consulting services related to home jurisdiction or international law.



### Financial services

KAFTA will allow Australian financial services providers to supply specified financial services on a 'cross-border' basis, enabling Australian suppliers to do business without the need to open a full commercial presence. Specified services include investment advice and portfolio management services for investment funds and a range of insurance and insurance-related services.

### Telecommunications

KAFTA will give Australian telecommunications companies more freedom to operate in Korea including the right, within two years, to control up to 100% of a facilities-based telecommunications service supplier in Korea.

## Agriculture

### Beef

Queensland beef producers – the largest supplier of Australian beef to Korea – will be big winners from KAFTA, which will eliminate the existing 15% tariff on beef and the 18% tariff on bovine offal over 15 years. By one industry<sup>1</sup> estimate, exports to Korea (\$703 million in 2012-13) could be boosted by an additional \$408 million over the next 15 years.

### Sugar

KAFTA will provide a significant boost for Queensland sugar exporters by removing the 3% tariff on raw sugar. KAFTA will also improve access for white sugar, with the existing 35% tariff eliminated over 18 years. Korea is Australia's biggest market for sugar, worth around \$336 million in 2013.

### Dairy

KAFTA will remove most dairy tariffs over 3-20 years with immediate duty-free increased quotas for cheese, butter and infant formula. The dairy industry estimates the first year benefit of tariff savings at around \$8 million, growing over time.

### Fruit and vegetables

KAFTA will open up Korea as a potentially significant new market for Queensland and Australian horticulture exporters. The removal of high tariffs, either immediately, over time or on a seasonal basis, will include a range of products, including potatoes, carrots, mandarins, oranges and table grapes.

### Nuts

Queensland macadamia nut exporters will benefit from the removal, over five years, of the existing 30% tariff on their product. The industry believes the Korean market, currently \$3 million annually, has the potential to rival the much larger Japanese macadamia market.

### Grains

Australia currently ships an average of more than \$600 million of grain to Korea annually, most of it wheat. The immediate removal of duties on wheat and the staged elimination of tariffs on other grains, such as sorghum, offer new opportunities for Australian grain producers.

### Processed & packaged foods

KAFTA will eliminate tariffs of up to 63% over different timeframes on a wide range of processed and packaged food products.

## Manufacturing

The elimination of tariffs of up to 13% on Australian industrial exports will provide new opportunities for local manufacturers, particularly in pharmaceuticals, machinery and equipment, chemical, rubber and plastic products and for automotive parts and accessories.

## Investment

KAFTA will enhance the opportunities for Queensland businesses to attract and partner with strategic investors from Japan through an increase in the FIRB scrutiny level for private investment from \$248million to \$1,078million (with some exceptions such as agriculture).

## For more information



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<sup>1</sup> Meat and Livestock Australia

\*All figures are in AUD unless otherwise indicated.