



News Release

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CANADA AND THE REPUBLIC OF KOREA LAUNCH FREE TRADE NEGOTIATIONS

International Trade Minister Jim Peterson today announced the launch of free trade negotiations with South Korea. The first negotiating session will be held later this month in Seoul, South Korea.

“A free trade agreement with South Korea has the potential to deliver significant commercial benefits to Canadian companies—from agriculture to building products to state-of-the-art services like environmental services,” said Minister Peterson. “Canada places great importance on emerging economies, and sees Korea as a strategic gateway to the dynamic northeast Asian region.”

Minister Peterson added that the government had undertaken extensive consultations with Canadians—including representatives of provinces and territories, businesses and non-governmental organizations—prior to launching these negotiations. Further consultations are also planned, including with representatives of the shipbuilding and automotive industries.

“We will continue to work closely with stakeholders to ensure that these negotiations best reflect the interests and concerns of Canadians across the country,” said Minister Peterson. “We are working to help Canadian companies compete and win in the global market.”

Canada will seek tariff elimination for substantially all trade in goods and will work to address non-tariff barriers. Canada will also seek an agreement on services that provides enhanced access and treatment, and will work toward a state-of-the-art chapter on investment. A free trade agreement could create significant opportunities for Canadian business in such areas as agriculture, fisheries, other natural resources, machinery and equipment, and financial and professional services.

Canada will preserve its ability to maintain or establish measures in sectors including health, public education, social services and culture. Canada will pursue its practice of establishing environmental and labour cooperation agreements in parallel with the free trade agreement. In addition, an environmental assessment will be conducted to assist Canadian trade negotiators in identifying and evaluating any environmental impact that a free trade agreement may have.

In addition, Canada and South Korea have begun a process of technical engagement and will begin

technical discussions this summer on restoring access for Canadian beef to the South Korean market.

The negotiations for a Canada-Korea free trade agreement represent an important element of the government's commitment to increasing domestic prosperity through enhanced international engagement with key markets, as outlined in *Canada's International Policy Statement*.

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A backgrounder is attached.

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Backgrounder

CANADA-SOUTH KOREA COMMERCIAL RELATIONS

Canada is committed to deepening its ties with South Korea, an important regional trading partner that offers strategic access to northeast Asia.

With a population exceeding 48 million and a GDP approaching \$900 billion, South Korea is the largest of the four Asian tigers (the others are Hong Kong, Singapore and Taiwan). The country has emerged from the 1997 Asian financial crisis to become the 12th-largest merchandise trading nation in the world, with total merchandise trade in 2004 reaching US\$478.3 billion (approximately C\$622.5 billion).

Commercial relations between Canada and South Korea are strong. In 2004, South Korea was Canada's seventh-largest merchandise trading partner, with Canadian exports totalling \$2.3 billion, and imports from South Korea nearing \$5.8 billion. The stock of Canadian direct investment in South Korea was \$686 million in 2004, while the stock of South Korean direct investment in Canada was \$342 million. In 2002, Canada exported \$653 million in services to South Korea and imported \$218 million in services.

While the commercial relationship is solid, both countries recognize that there is considerable room for growth. For instance, despite the rapid growth of the South Korean economy, Canada's principal exports—which include wood pulp, agricultural products, computers and telecommunications parts—are largely the same as a decade ago.

Free Trade Agreement

In 2004, the Republic of Korea raised the possibility of pursuing an ambitious free trade agreement with Canada. At their November 19, 2004, meeting in Santiago, Chile, Prime Minister Paul Martin and South

Korean President Roh Moo-hyun announced that the two countries would explore the feasibility of negotiating a free trade agreement.

As part of this exercise, the Government of Canada initiated broad and comprehensive consultations with the provinces and territories, the Canadian public, the business community and non-governmental organizations. To date, the vast majority of responses have been favourable. The government will continue to consult Canadians on the free trade agreement with South Korea to ensure that its negotiating positions best reflect their interests and concerns. The negotiations are expected to last one to two years.

In January and March 2005, Canadian and South Korean officials held productive rounds of exploratory talks in which both sides agreed to pursue a state-of-the-art and comprehensive agreement.

Canada believes that a successful free trade agreement will:

- improve market access for Canadian exporters through the elimination of tariffs, reduction of non-tariff barriers and better management of sanitary and phytosanitary issues;
- enhance trade and investment opportunities across a broad spectrum of sectors, including a range of agricultural and agri-food products, fish and seafood, electrical and non-electrical machinery, building products and certain chemical products;
- reduce red tape and transaction costs for businesses through trade facilitation measures;
- create greater transparency, certainty, predictability and enhanced market access for Canadian service providers in areas such as financial, high-tech and professional services;
- strengthen opportunities and protection for two-way investment, as well as increase prospects for joint ventures between Canadian and South Korean firms, through the negotiation of a state-of-the-art chapter on investment;
- provide a level playing field with competitors that already have, or will have, free trade agreements with South Korea;
- support broader multilateral trade liberalization through the negotiation of a free trade agreement that is consistent with World Trade Organization rules;
- support Canada's broader political and economic objectives in the Asia-Pacific region and its foreign and economic policy goals, such as mutually supportive trade, environment and labour policies; and
- facilitate Canadian participation in the rapidly advancing and dynamic South Korean market, which is of strategic importance to global value chains.