

Date:

The Hon Simon Crean MP  
Minister for Trade  
Parliament House  
CANBERRA ACT 2600

Dear Minister

As agreed by Prime Minister Rudd and Korean President Lee during Mr Rudd's visit to Seoul in August 2008, Australia and the Republic of Korea recently commenced preparatory talks on a possible bilateral Free Trade Agreement (FTA). These preparatory talks follow the April 2008 release of a joint non-government feasibility study into a possible FTA, which found that Australia's and Korea's GDP would increase by over \$50 billion over a 13 year period to 2020.

As part of the feasibility study process, your department sought views from interested parties on the potential implications of an Australia-Korea FTA and to that end a South Australian Government submission has been prepared (attached). In preparing this submission, my department, the Department of Trade and Economic Development consulted with State industry associations, South Australian businesses and South Australian Government agencies with an interest in the Korean market.

As evidenced by South Australia's ambitious target to double the value of exports to \$25 billion by 2014, international trade is a key priority for South Australia. As part of an overall trade strategy, South Australia is committed to increasing the value of commodity and service exports, increasing the number of exporters, and diversifying the State's export base. Through enhanced market opening an FTA with Korea should help the State achieve its export target.

Korea is an important trading partner for South Australia, with two-way merchandise trade valued at about \$600 million in 2007/08, reflecting an increase of 13 per cent over the previous year. Looking to the future, this trade is expected to grow with increasing opportunities for South Australian businesses. At present, the bilateral trading relationship between South Australia and Korea is largely complementary. The bulk of South Australian exports to Korea comprise mineral and agricultural commodities used for further processing while Korean exports to the State mainly comprise inputs used for further value creation, such as motor vehicle components and confidential items used for the production of defence products.

In assessing the impact of negotiating an FTA with Korea, consideration should be given to the impact this will have on other FTAs Australia already has in place or is negotiating. For example, the inclusion of Most Favoured Nation Clauses in FTAs means that the impact of a future Australia-Korea FTA is potentially much broader than just the bilateral trading relationship between Australia and Korea. More generally, an Australia-Korea FTA could

pave the way for an acceleration of free trade in the fast-growing Asia-Pacific region, which in turn would boost Australia's and South Australia's trade.

I welcome ongoing consultation with the Commonwealth Government as the FTA negotiation process continues. As with other FTAs that Australia has entered into, I believe a cooperative effort will do much to ensure a successful outcome, nationally and for South Australia.

Yours sincerely

Kevin Foley MP  
**DEPUTY PREMIER**  
**MINISTER FOR INDUSTRY AND TRADE**