

KOREA- AUSTRALIA

FREE TRADE AGREEMENT



Outcomes at a Glance

Korea is Australia's fourth largest trading partner, and a growing source of foreign investment. The Korea-Australia Free Trade Agreement (KAFTA), which entered into force on 12 December 2014, is a world-class, comprehensive Agreement that is substantially liberalising trade between our two countries. KAFTA is providing Australian businesses with significantly improved access to this important market.

For Australian goods exporters

Thanks to KAFTA, more than 99 per cent of Australia's goods exports to Korea are eligible to enter duty-free or with preferential access.

For agriculture, Korea eliminated tariffs on entry into force for raw sugar, wheat, bottled wine, and some horticulture. Tariffs of up to 550 per cent on most other agricultural products will be eliminated within short time frames. Other key outcomes on agriculture include:

- Beef: Korea is progressively eliminating its 40 per cent tariff on beef by 1 January 2028, which will help to level the playing field for Australian beef exporters.
- Dairy: Australia has received duty-free quotas for cheese, butter and infant formula; high tariffs will be eliminated on many other dairy products by 1 January 2033.

88 per cent of Australia's manufactures, resources and energy exports entered Korea duty free from entry into force, with all remaining tariffs being phased out by 1 January 2023.

- Tariffs on priority products, including liquefied natural gas, titanium dioxide, unwrought aluminium, automotive parts, and sea salt, have been eliminated.
- Tariffs on all Australian pharmaceutical products (including vitamins) have been eliminated.

For Australian services suppliers

KAFTA provides Australian services exporters with treatment equivalent to the best Korea has agreed with any trading partner, such as its agreements with the United States and Europe. Liberalised access has been achieved for a variety of services sector, including legal, finance, accountancy and telecommunications. Key outcomes include:

- Australian law firms are now able to establish representative offices in Korea and advise on Australian and public international law. Since 12 December 2016, they have been able to enter into cooperative agreements with local law firms and, by 12 December 2019, they will be able to establish joint ventures and hire local lawyers.
- Australian accountants are able to establish offices in Korea to provide consultancy services on international and Australian accounting laws. By 12 December 2019, they will be able to work and invest in Korean accounting firms.



- Education, engineering and other professional services will benefit from commitments to guarantee existing market access for Australian providers and work towards improving mutual recognition of qualifications. For example, in May 2015 Engineers Australia signed a Mutual Recognition Agreement with the Korean Government, enhancing professional recognition of Australian engineers in Korea.

For investors

KAFTA improves opportunities for Australian investors and investments in Korea, and will help promote direct investment from Korea into Australia.

- Korea will further open its economy to Australian investors through the progressive reduction of market access barriers in key sectors.
- Australia has liberalised the screening threshold for private Korean investors in non-sensitive sectors from \$252 million to \$1.134 billion. Australia retains the ability to screen investments in sensitive sectors, and agricultural land and agribusiness, at lower levels. Korean state-owned direct investors will also continue to be screened, in keeping with Australia's existing framework.
- The Agreement provides enhanced protections and certainty for Australian investors with provisions to ensure non-discrimination, and protection and security for investments.

Helping Australian consumers and businesses

Consistent with Australia's other bilateral trade agreements, remaining Australian tariffs on Korean imports are being eliminated progressively.

This includes removing the five per cent tariff on Korean passenger and goods motor vehicles, electronics and white goods, with consumers and businesses to benefit from downward pressure on import prices and / or greater availability of Korean products.