



REPUBLIC OF KOREA

What's happening in this economy

The Republic of Korea is a mature, industrialised economy that has grown rapidly in recent decades to become the world's 12th largest economy and fifth largest exporter.

The country's economic growth is reliant on exports, particularly in shipbuilding, automobile manufacturing, electronics, steel and chemicals.

Fourth Industrial Revolution

Under this banner, the Korean government aims to drive the next phase of economic growth and boost job creation by supporting innovations in science and technology, and in areas such as artificial intelligence, robotics, block chain, big data and the internet of things.

According to the OECD, Korea has the highest spending on research and development to GDP ratio in the world. Investment from government, business sector and universities will ensure that Korea will be at the forefront of developments in self-driving cars, smart cities, smart homes and smart factories. Korea was the first country to deploy commercial 5G mobile technology in April 2019, which will help create the enabling environment for it to lead in the digital economy.

The Korean Government is also fostering innovation by supporting start-ups and small to medium sized enterprises.

Energy policy

Initiatives are underway to gradually decrease Korea's dependency on traditional energy sources and transition to a cleaner energy mix by generating 30 to 35 per cent of energy from renewable sources by 2040 (currently six per cent) and increasing use of LNG.

The government's national hydrogen roadmap—launched in January 2019—sets out Korea's action plan to produce 6.2 million hydrogen vehicles and 1,200 refuelling stations, and to create a stable and economic supply network by 2040.

Demographic trends

Korea is an 'aged' society. More than 14 per cent of its total population is over 65. By 2026 Korea is projected to be 'super aged' with 20 per cent of its population aged over 65.

Korea's demographic challenge is driven by longer life expectancy and a fertility rate of 0.98 in 2018, which is the lowest in the OECD. Government policies aim to boost women's workforce participation by supporting their return to work after starting a family.

Key facts and figures

- Population: 51.7 million
- GDP growth: 2.7% (2018)
- GDP per capita: USD 31,937
- Political system: republic
- Two-way trade: AUD 40.9 billion (2018)
- Key exports to Korea: coal, LNG, iron ore and beef
- Key imports from Korea: refined petroleum, motor vehicles and electrical machinery
- Stock of Australian investment in Korea: AUD 21.6 billion (2018)
- Korean investment in Australia: AUD 27.4 billion (2018)



connecting Australian business to the world

Under its New Southern Policy, Korea is seeking new trade and economic cooperation opportunities with ASEAN and India.

Trade, investment, and commercial opportunities and activities

- Korea is Australia's third largest export market and fourth largest trading partner, largely in energy, resources and agriculture trade.
- Australia's trade relationship with Korea is underpinned by the Korea–Australia Free Trade Agreement (KAFTA) which entered into force in December 2014:
 - KAFTA resulted in improved goods market access to Korea for Australian exports including beef, sugar, wheat, malting barley, oil seed, cheese, corn, potatoes, wine, as well as dairy products such as butter and cheese, and
 - Australian services exporters received the best treatment Korea has agreed with any trading partner, including improved market access for legal, accounting, and telecommunications services providers.
- Korean investment in Australia is valued at AUD 27.4 billion (2018) making it Australia's 16th largest foreign investor.
- Korean engineering and construction firms have strong interest in Australian infrastructure projects:
 - major Korean investments include the AUD 6 billion iron ore project at Roy Hill in Western Australia in which POSCO—a Korean owned steel-making company—holds a 12.5 per cent share.
- Australian investment into Korea is valued at AUD 21.6 billion (2018) making it the 15th largest destination for Australian foreign investment.
- Australian financial services providers—including Macquarie, ANZ, Pepper Savings and IFM Investors—are active in Korea in areas such as funds management and infrastructure investment.
- Korea is Australia's seventh largest source of international students, with 30,037 enrolled in Australian educational institutions in 2018.

Opportunities for Australia

Major trade and investment opportunities exist in sectors where Australian is already present, as well as in emerging sectors. These include:

- Financial services: Korea's National Pension Service—the third largest pension fund in the world—and other Korean financial institutions are seeking higher yields offshore, creating opportunities for Australian fund managers. This will be further enhanced with changes in legislation to allow Korean pension funds to invest into long-term alternative investments, such as infrastructure, commercial real estate and renewables.
- Infrastructure, engineering and construction: Korean firms in these sectors are seeking overseas growth. This is creating opportunities for Australian legal services and project advisory services.
- Start-ups: Korea's push to develop start-ups and an environment for scaling-up is creating collaborative opportunities for Australian and Korean accelerators and incubators, as well as partnerships between Korean companies and Australian start-ups.



connecting Australian business to the world

- Resources, energy and renewables: Korea is a leader in the manufacture of lithium batteries, which is creating opportunities for Australian supplies of critical minerals such as lithium, cobalt and nickel. There is also Korean investment interest in renewable energy (solar, energy storage systems), LNG and hydrogen.
- Technology: Korean industry has a strong appetite for solutions that optimise processes or that can be applied to existing technology platforms. Areas such as virtual and augmented reality content, block chain, fintech, cybersecurity solutions and big data analysis for the energy and transport sectors are in demand.
- Science, health and medical sector: Korea's pharmaceutical industry, research units of Korean conglomerates ("*chaebols*") and universities are showing interest in developing new drugs and health-related technology. This is creating opportunities for Australian firms in biotech, digital health, regenerative medicine and clinical trials. There is also scope to further deepen Australia and Korea's collaborative approach to scientific research.
- Defence: Korea's defence budget increase of 7.1 per cent annually over the next five years seeks to address gaps and improve its defence capabilities by 2024. This presents opportunities for Australian providers of niche technologies and solutions that can help meet these goals. There is also Korean interest in bidding for Australian defence projects and scope for R&D partnerships.
- Agribusiness and food sector: Korea's dependence on external supplies of food and agricultural commodities is creating opportunities in premium food, wine and e-commerce. Food safety and security concerns in Korea are also leading to investment interest in agribusiness assets.

Major initiatives to capitalise on opportunities

In 2019 the Australian Embassy and Austrade showcased Australian capabilities through the following initiatives:

- Australian Open in Seoul – the biennial Australia Day event recreated the atmosphere and entertainment of centre court and feature Australian hospitality, food and drink, January 2019.
- Australian Food and Beverage product showcase, March 2019.
- Australian exhibition at the Bio Korea conference, April 2019.
- Australian R&D Commercialisation Mission to Korea, May 2019.
- Australian virtual reality/augmented reality exhibition, May 2019.
- Australian Future Unlimited Education Exhibition, June 2019.
- Australian start-up ecosystem event, September 2019.



connecting Australian business to the world

The following major initiatives are scheduled for 2019–20:

- the Department of Foreign Affairs and Trade and Austrade will support successful outcomes at the Australia–Korea Business Council/Korea–Australia Business Council Joint Meeting in Sydney
- an event is scheduled with Dr Alan Finkel, Australia’s Chief Scientist, on hydrogen cooperation
- Australia-Korea Science Day
- several tertiary education promotion events
- Invest in Australia seminars
- Australian exhibition at the Bio Korea conference in May 2020
- Australian virtual reality/augmented reality exhibition in May 2020
- Australian Future Unlimited Education Exhibition in May 2020, and
- Australian R&D Tech Bridge program in the third quarter of 2020.

Throughout 2019–20 a Team Australia public diplomacy and trade promotion campaign will raise awareness and enhance understanding of Australia, Australian products and services. The campaign is designed to showcase Australian innovation and creativity across a range of focus areas, including science, technology and research; food and beverage excellence; arts and culture; education; and sport.

Trade policy and negotiations

KAFTA entered into force on 12 December 2014 and enjoys high usage rates. More than 92 per cent (by value) of eligible merchandise trade benefits from KAFTA tariff preferences. KAFTA implementation has been smooth, driven by the two countries’ complementary economic structures.

The KAFTA joint committee met for the third time in February 2019. KAFTA’s built-in agenda ensures both Australia and Korea continue to get the maximum benefit out of the agreement. Committees and working groups have been established across trade in goods, energy and mineral resources cooperation, financial services, rules of origin and trade facilitation, and professional services.

Australia is pursuing its commercial interests through KAFTA’s built in agenda. For example, Australian beef exporters have used the KAFTA preferential tariff quota every year since entry into force. Australia has advocated that the safeguard not be activated automatically, as this disadvantages both Australian exporters and Korean consumers.

Korea is a member of the WTO, APEC, G20 and OECD. Korea is also a participant in the WTO e-commerce initiative and negotiations on services domestic regulation. It is undertaking informal consultations to consider whether or not it will seek membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Korea is a party to the Regional Comprehensive Economic Partnership (RCEP). RCEP is an ASEAN-centred regional free trade agreement that builds on Australia’s relationships with 15 Indo-Pacific countries. These account for almost a third of world population and GDP and more than half of Australia’s two-way trade. At the third RCEP Leaders Summit in Bangkok on 4 November 2019, Prime Minister Morrison and leaders from 14 other RCEP countries announced the conclusion of RCEP text negotiations, and the essential conclusion of market access negotiations.



Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee, and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.