



## **A FREE TRADE AGREEMENT WITH KOREA: INDUSTRIAL SECTOR OPPORTUNITIES**

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A free trade agreement (FTA) with Korea would improve market access opportunities for Canadian industry by eliminating relatively high Korean tariffs on industrial exports. Lowering trade barriers would allow Canadian manufacturers to increase their export potential and expand their markets.

### **Korea is an important market for Canada**

- Korea is the seventh-largest export destination for Canadian merchandise, totalling \$2.8 billion in 2005, and the third largest export destination in Asia after China and Japan.
- Since the 1998 Asian financial crisis, Canadian industrial exports to Korea have increased steadily (54%) from \$1.8 billion in 1998, and are approaching the 1997 pre-crisis peak.

### **How an FTA can Benefit Canada**

#### **Increased Exports**

- Korea applies a tariff of 5% or greater on almost 80% of all industrial products. Most Korean tariffs are between 5 and 15%, with an average applied rate of 6.3%.
- An FTA would gradually phase out all industrial tariffs, providing greater price competitiveness for Canadian exports to Korea across a range of products.
- Eliminating Korean tariffs makes Canadian goods more competitive on price in Korea, leading to increased demand from Korean consumers.
- Specific tariff rates in 2005 for some of Canada's key areas of interests include:



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<b>Product</b>	<b>Tariff</b>
Auto parts (e.g. gearboxes, shock absorbers, etc.)	8%
Electrical and Industrial machinery	8%
Chemicals	5 to 6.5%
Ethylene glycol	5.5%
Fertilizer (Urea)	6.5%
Cosmetics	6.5 to 8%
Pharmaceuticals	6.5 to 8%
Aerospace equipment	3 to 8%
Crude petroleum oil and other oils	5 to 8%
Medical Devices	8%
Steel Structures	8%
Aluminium Doors and Windows	8%
Moulds	8%
Copper, Nickel and other base metals	5 to 8%
Textiles	8 to 13%
Environmental Goods	6.5 to 8%

- In addition to reducing tariff barriers, an FTA could benefit Canadian exporters by addressing non-tariff barriers.
- Korean expertise will be of value to Canadian businesses that want to expand their exports to China and Japan.

**Technology/Innovation Transfers**

- Canadian industry will be better able to form partnerships with Korean businesses, sharing skills and expertise.
- Korean businesses are dynamic and sophisticated, and their technological prowess can increase Canadian competitiveness in a variety of sectors, including consumer electronics, tool and mould making, ceramics and telecommunications.

**What is Canada seeking to achieve?**

- Canada will seek to ensure that no industrial goods are excluded from tariff elimination.
- Canada will place an emphasis on faster tariff elimination for those products that are of highest importance to Canadian industry, including machinery and equipment, chemicals including ethylene glycol, fertilizers, auto parts, cosmetics, pharmaceuticals, aerospace equipment, medical devices, aluminium, plastic injection moulding and environmental goods.