

How the Canada-Korea Free Trade Agreement Will Benefit Nova Scotia

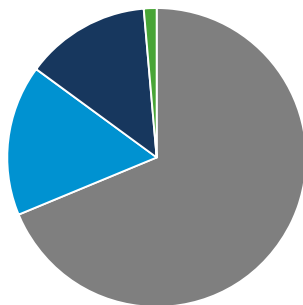


Creating jobs and opportunities for Nova Scotians

Nova Scotia stands to benefit significantly from preferred access to the South Korean market. South Korea is already Nova Scotia's 12th-largest export destination with exports from 2010 to 2012 worth an annual average of \$30.1 million.

Upon entry into force, the Canada-Korea Free Trade Agreement will eliminate tariffs on almost all of Nova Scotia's key exports and provide access to new opportunities in the South Korean market. Exporters in these sectors will also benefit from other Agreement provisions that will improve conditions for exports—provisions, for example, that ease regulatory barriers, reinforce intellectual property rights and ensure more transparent rules for market access. Overall, Nova Scotia has a lot to gain from the Canada-Korea Free Trade Agreement.

Merchandise exports from Nova Scotia to South Korea (2010-2012 annual average)
(value in millions of Canadian dollars)



- Fish and seafood, 19.8
- Agriculture and agri-food, 4.7
- Industrial goods, 3.9
- Forestry and value-added wood products, 0.4

Top benefits for Nova Scotia:

- duty-free access for fish and seafood products, including lobster, crab, eels and molluscs;
- duty-free access for many agricultural and agri-food products, including fresh and frozen blueberries, wine (including icewine), fur skins and frozen french fries;
- duty-free access for industrial products, including scientific and precision instruments, construction machinery and equipment and textile products;
- improved access for professional services;
- predictable, non-discriminatory rules for Canadian investors;
- improved access to South Korea's government procurement market;
- strong provisions on non-tariff measures, backed up by fast and effective dispute settlement provisions.

Opening new markets in South Korea for Nova Scotia's world-class products

Fish and seafood products



The fish and seafood products sector provides jobs to more than 9,200 Nova Scotians and makes a significant contribution to the provincial economy.

Trade snapshot

Nova Scotia's fish and seafood exports to South Korea were worth an annual average of \$19.8 million between 2010 and 2012. Canadian fish and seafood exports to South Korea face tariffs of up to 47 percent.

The Canada-Korea Free Trade Agreement will create significant market access opportunities for Canada's fish and seafood sector by eliminating South Korea's high tariffs on all fish and seafood products.

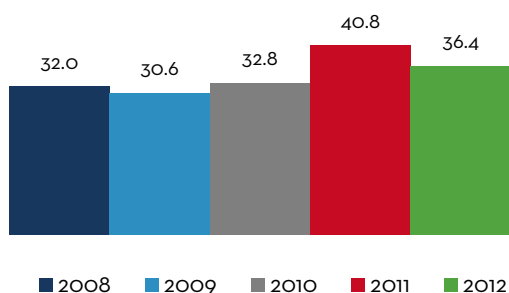
Tariff elimination

Under the Agreement, all South Korean tariffs on fish and seafood products will be eliminated. Nearly 70 percent of fish and seafood product tariff lines will be duty-free within five years and all remaining duties will be eliminated within 12 years. The Agreement will eliminate South Korea's 16.5-percent average tariff in this sector—tariffs which may reach as high as 47 percent.

For example, South Korean tariffs will be eliminated on:

- live and frozen eels, from a current rate of up to 27 percent;
- live and frozen lobster, from a current rate of 20 percent;
- frozen crab, from a current rate of up to 20 percent;
- fish fats and oils, from a current rate of up to 3 percent; and
- scallops, from a current rate of 20 percent.

Fish and seafood exports from Atlantic Canada to South Korea (2008-2012)
(value in millions of Canadian dollars)



Beyond Tariffs

Canada and South Korea recognize the importance of ensuring that improved market access in the fisheries and seafood sector are supported by robust sanitary and phytosanitary (SPS) provisions.

Atlantic Canada exports of fish and seafood to South Korea

Lobster is Canada's most valuable seafood export and an iconic Canadian crustacean exported around the world. In 2013, Atlantic Canada's exports of lobster were worth \$904.6 million and accounted for 95 percent of all Canadian lobster exports.

Canada's exports of lobster to South Korea averaged \$16.9 million annually between 2010 and 2012, and accounted for nearly 37 percent of Canada's total fish and seafood exports during that period.

Under the Canada-Korea Free Trade Agreement, current duties of up to 20 percent on lobster products faced by Canadian exporters will be eliminated. This duty-free access will give Canadian products preferential access to the South Korean market, and will create a level playing field with South Korea's current free trade agreement partners.

"The Lobster Council of Canada supports a Canada-South Korea free trade agreement, as it will greatly enhance our industry's competitiveness in South Korea. Tariff elimination and improved market access for lobster exports helps to ensure the long-term prosperity of our industry and the..."

Under the Agreement, an SPS committee will allow experts to collaborate and consult on SPS measures to enhance cooperation and facilitate trade by discussing issues before they become problems. This will benefit

Canadian fish and seafood exporters by helping to ensure that market access gains are not undermined by unjustified SPS trade barriers.

Reaping the benefits

Eliminating South Korea's high tariffs in this sector will generate a price advantage for Canada's fish and seafood exports that will facilitate the expansion of Nova Scotian exports to South Korea's growing market.

By obtaining market access under the Agreement, Canadian companies will benefit from a more level playing field when competing against companies from key countries that already have free trade agreements with South Korea, such as the United States, EU members, Norway and Chile.

Agricultural and agri-food products



Nova Scotia's agricultural and agri-food products sector employed over 10,200 people in 2012, and is a significant driver of economic activity in the province.

Trade snapshot

Nova Scotia's agricultural exports to South Korea were worth an annual average of \$4.7 million from 2010 to 2012, led by fresh and frozen blueberries, wine (including icewine), fur skins and frozen french fries. Nova Scotia will benefit from expanding exports of these and a wide variety of other products, including meats and prepared foods. Canadian agricultural exports to South Korea currently face high tariff rates, which averaged 52.7 percent in 2012.

Tariff elimination

The Canada-Korea Free Trade Agreement will eliminate tariffs on 86.8 percent of agricultural tariff lines. This duty-free access will give Canadian

agricultural products, including fruits, wine and potatoes, preferential access to the South Korean market, and will create a level playing field on which Canadian producers can compete with South Korea's current free trade agreement partners.

For example, South Korean tariffs will be eliminated on:

- fresh blueberries, from a current rate of 45 percent;
- frozen blueberries, from a current rate of 30 percent;
- wine (including icewine), from a current rate of 15 percent;
- frozen potato products (including frozen french fries), from a current rate of 18 percent;
- fur skins (including mink), from a current rate of 3 percent.

Beyond tariffs

Sanitary and phytosanitary (SPS) measures are applied by governments to protect human, animal or plant life or health. These measures can from time to time impact trade in agricultural and agri-food products. The Agreement includes a chapter on SPS issues in which Canada and South Korea agree to build on their shared commitments under the WTO on the application of SPS measures. Under the WTO SPS Agreement, parties recognize the rights of WTO members to take necessary measures for the protection of human, animal or plant life or health while ensuring these measures are based on science and do not unfairly restrict trade.

Under the Agreement, Canada and South Korea will establish a new bilateral SPS committee through which experts can collaborate and consult on SPS measures to enhance cooperation and facilitate trade by discussing issues before they become problems. This will benefit Canadian agriculture and agri-food exporters by helping to ensure that market access gains are not undermined by unjustified SPS trade barriers.

Reaping the benefits

South Korea is a net importer of agricultural and agri-food products, importing \$20-billion worth of such products in 2012. Canada, a significant global supplier of high-quality agricultural products, is South Korea's fifth-largest supplier of such products. The Agreement will further develop this relationship.

New access for world-class Canadian beef and pork

The Canada-Korea Free Trade Agreement will provide new market access opportunities for Canadian exports of beef and pork. The Agreement also recognizes the integrated nature of this industry in the North American economy, providing for rules of origin that will allow these world-class products to benefit from preferential treatment in South Korea. This is important to allow Canada to continue to compete with other countries exporting beef and pork to South Korea, including the United States and the European Union, competitors that have benefited from lower tariffs since the implementation of the Korea-U.S. and Korea-EU free trade agreements.

Canada's share of Korean fresh/chilled and frozen pork imports dropped from 14.2 percent in 2010 (i.e. before the implementation of the Korea-U.S. and Korea-EU free trade agreements) to 8.9 percent in 2013, representing a loss in export value of \$22 million. During the same period, U.S. and EU market share increased by 10.2 percent to reach 76.3 percent.

In 2012, following the resumption of Canada's access to South Korea's beef market, Canadian fresh/chilled and frozen beef exports to South Korea were valued at \$9.6 million. However, in 2013, Canadian beef exports declined to \$6.7 million as a result of the growing tariff differential with U.S. and EU competitors. Between 2010 and 2012, South Korean beef imports were worth an average of approximately \$1.3 billion annually while pork imports were worth an average of approximately \$1.1 billion annually.

Under the Canada-Korea Free Trade Agreement:

- duties of up to 25 percent for fresh/chilled and frozen pork will be eliminated in 5 to 13 years; and
- duties that range from 40 percent to 72 percent for fresh/chilled and frozen beef cuts, and some processed beef, will be eliminated in 15 years.

The Agreement will allow Nova Scotian products to compete on a level playing field with other agricultural exporting countries that have signed or implemented a free trade agreement with South Korea, including the United States and EU members.

Industrial Goods



Some 13,400 hard-working Nova Scotians and their families depend on the industrial goods sector for their livelihood, with the sector making a significant contribution to the provincial economy.

Trade snapshot

From 2010 to 2012, Nova Scotian exports of industrial goods exports to South Korea were worth an annual average of \$3.9 million. The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Nova Scotia's industrial goods sector by eliminating tariffs on all Canadian exports of industrial goods.

The Canadian market is already largely open to global imports, including those from South Korea. Mutual tariff elimination will help make Nova Scotia exports of industrial goods more price competitive with South Korean domestic production. The free trade agreement with South Korea will also help Nova Scotia exporters maintain a competitive footing with competitors who already benefit from a free trade agreement with South Korea.

Tariff elimination

When the Agreement enters into force, over 95 percent of South Korean tariff lines for industrial products will be subject to immediate duty-free access. Nova Scotia businesses stand to gain considerably when all South Korean tariffs on industrial goods are eliminated within 10 years. Without a free trade agreement, Canadian businesses would be at a disadvantage in the South Korean market against major competitors. The Agreement will create market access opportunities for Nova Scotia exporters across a number of industries.

For example, South Korean tariffs will be eliminated on:

- scientific and precision instruments, from a current rate of up to 8 percent;
- construction machinery and equipment, from a current rate of up to 8 percent;
- textile products, including carpets, from a current rate of up to 13 percent.

Beyond tariffs

Canada and South Korea recognize the importance of fostering cooperation and transparency in standards-related measures and have committed to encourage the use of internationally recognized standards and membership in multilateral arrangements to minimize duplicative certification and testing of products, including those related to medical devices.

The Agreement will also include a mechanism that will allow either party to raise concerns with the other party's standards-related measures, with the goal of minimizing or eliminating the measures' impact on trade. Canada and South Korea have negotiated provisions that will allow citizens of the other party to participate in the development of technical regulations and conformity assessment procedures on terms no less favourable than those that apply for their own citizens. This will help minimize or eliminate barriers before they come into place.

Minimizing the impact of technical barriers will help maximize market access for Nova Scotia's exports.

Reaping the benefits

Canada has obtained a tariff outcome—the elimination of all tariffs on industrial goods—that will level the playing field with key competitors such as the United States and the European Union, and provide enhanced market access opportunities in some specific areas of interest to Nova Scotia. As a result, Nova Scotia businesses stand to gain considerably from the Canada-Korea Free Trade Agreement.

Opening new markets in South Korea for Nova Scotia's world-class services



The service sector is a key driver of Nova Scotia's economy, accounting for 79.9 percent of the province's total annual GDP and employing some 370,500 Nova Scotians in 2012.

Trade Snapshot

Canada's services exports to South Korea are worth more than \$750 million a year. Nova Scotia's key interests in this vibrant sector include tourism, environment, energy and other business services. Jobs in this sector are traditionally highly skilled and well-paying, creating important opportunities for Canadian expertise.

Improved access to markets

The Canada-Korea Free Trade Agreement will provide Canadian service suppliers with greater and more predictable access to the dynamic South Korean market. Once in force, the agreement will create a level playing field for Canadian service suppliers against key competitors from the United States and the European Union, both of whom have implemented their own respective free trade agreements with South Korea.

- The Agreement includes significant improvements and new sectoral market access, which go well beyond South Korea's obligations under the WTO's General Agreement on Trade in Services (GATS) in many sectors of export interest to Canada. The Agreement will establish enhanced market access in areas such as professional services (e.g. foreign legal consultancy services, commercial education and training, research and development),

environmental services and business services. This outcome is commensurate with South Korea's free trade agreement commitments with the United States and the EU.

- The Agreement uses a “negative list” approach for listing reservations to the obligation of the cross-border trade in services chapter, which means that everything is open unless otherwise listed in a reservation.
- The Agreement also ensures that any future changes that aim to make it easier for Canada's service providers to access the South Korean market (or for Canadian investors to obtain better treatment) will be locked in every time they bring improvements in access. This is referred to as the “ratchet mechanism.” This mechanism means that if South Korea liberalizes a law, policy or regulation that makes it easier for Canadians to conduct their service or investment activities in South Korea, the liberalization becomes South Korea's new obligation under the Agreement.

Temporary entry for business persons

South Korea's temporary entry commitments under the Agreement are more ambitious than any of South Korea's other free trade agreements. The Agreement's temporary-entry provisions will provide new, preferential access to the South Korean market, facilitating movement between Canada and South Korea for business visitors, traders and investors, intra-company transferees, professionals (i.e. contract service suppliers and independent professionals) and their spouses.

Under the Agreement, Canadian firms can send their employees to South Korea to fulfill service contracts, for instance, in science, engineering and IT fields. Canadian independent professionals (i.e. self-employed professionals contracted directly by a South Korean or South Korean company) such as architects, engineers, management consultants and veterinarians may enter the South Korean market with a pre-arranged contract.

In addition, the Agreement will benefit the e-commerce and telecommunications sectors.

Telecommunications

The telecommunications sector is important for the economies of Canada and South Korea. Not only is telecommunications a constantly growing service sector, it is one of the most important enablers in the modern economy, providing the means of delivering other services that Canadians depend on.

The Agreement will ensure that all players in the telecommunications market have fair access to networks and services in each other's market and that regulators act impartially, objectively and in a transparent manner. Service providers and investors will benefit from increased transparency and predictability of the regulatory environment and secure, competitive marketplaces.

E-commerce

Electronic commerce was in its infancy 20 years ago. Today, e-commerce is a part of our daily lives. Canadians shop and plan holidays online, and buy and download software and entertainment content, including movies, television programs and music. Advertisers are making increased use of “smart advertising” on the Web to track our shopping habits and promote specific deals likely to interest us.

Canada and South Korea recognize the growing economic importance and changing nature of this technologically advanced sector. To facilitate trade in the digital economy, the Agreement includes a commitment whereby both parties will not levy customs duties, fees or other charges on digital products that are transmitted electronically. As well, Canada has agreed to important measures under the Agreement aimed at building trust and confidence in the digital environment, such as those having to do with the online protection of e-commerce users' personal information.

Protecting services and policies that matter to Canadians

Nothing in the Agreement prevents governments from regulating in the public interest, including in areas related to the delivery of public services, the provision of preferential treatment for Aboriginal peoples, or the adoption of measures to protect or promote Canadian culture. For example, public services such as health, public education and other social services will be excluded the obligations of the Agreement, ensuring that governments remain free to enact the policies and programs they choose in these areas.

Reaping the benefits

The Agreement provides Canadian service providers with improved protection, predictability and transparency for conducting business, as well as greater access to South Korea's sophisticated services market.

Canadian gains under the Canada-Korea Free Trade Agreement will enable Canadian companies to compete on a level playing field with their major competitors in the South Korean market, giving them an advantage over competitors from other countries. Ultimately, this advantage will benefit the entire Canadian economy and lead to new jobs, growth and prosperity in a sector that exemplifies Canadian expertise.