

# How the Canada-Korea Free Trade Agreement Benefits British Columbia



## Creating jobs and opportunities for British Columbians

British Columbia stands to benefit significantly from preferred access to the South Korean market. South Korea is already British Columbia's fourth-largest trading partner and export destination—with exports from 2010 to 2012 worth an annual average of \$2.18 billion.

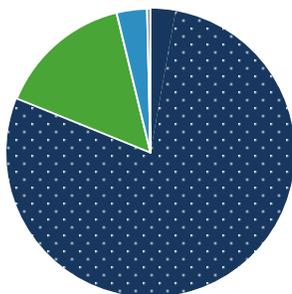
Upon entry into force, the Canada-Korea Free Trade Agreement will eliminate tariffs on almost all of British Columbia's key exports and provide access to new opportunities in the South Korean market. Exporters in these sectors will also benefit from other Agreement provisions that will improve conditions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

- duty-free access for forestry and value-added wood products, including lumber, plywood, particle board and oriented strand board;
- duty-free access for fish and seafood, including salmon and Dungeness crab and other shellfish;
- duty-free market access for most agricultural and agri-food products, including icewine, cherries and berries;
- 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.

*“Port Metro Vancouver is very pleased with the conclusion of a free trade agreement between Canada and South Korea. This is an important step forward in the growing trade relationship between our two countries. South Korea is the port of Vancouver's third-largest trading partner in Asia, with trade involving more than 200,000 containers per year and including commodities such as grain from the Prairies and natural resources from British Columbia. This trade liberalization agreement will further increase the \$10 billion in annual two-way trade between Canada and South Korea, creating jobs and driving economic growth across Canada.”*

Robin Silvester, President and CEO of Port Metro Vancouver

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



- Industrial goods, 1,762.5
- Metals and minerals (included in industrial goods), 1,701.9
- Forestry and value-added wood products, 327.9
- Agriculture and agri-food, 74.0
- Fish and seafood, 8.1

Top benefits for British Columbia:

## Opening new markets in South Korea for British Columbia's world-class products

### Industrial goods



Some 94,000 hard-working British Columbians and their families depend on the industrial goods sector for their livelihood, with the sector accounting for approximately 9 percent of British Columbia's GDP in 2012.

### Trade snapshot

From 2010 to 2012, British Columbia's exports of industrial goods to South Korea were worth an annual average of \$1.76 billion. The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for British Columbia'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 British Columbia's exports of industrial goods more price competitive with South Korean domestic production. The Agreement will also help British Columbia's exporters maintain a competitive footing relative to major competitors who already benefit from an FTA 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. British Columbian 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 an increasing disadvantage in the South Korean market against major competitors. The Canada-Korea Free Trade Agreement will create market access opportunities for British Columbia exporters across a number of industries.

For example, South Korean tariffs will be eliminated on:

- chemicals, from a current rate of up to 8 percent;
- scientific instruments, from a current rate of up to 8 percent; and
- industrial machinery, from a current rate of up to 13 percent.

### Metals and minerals

B.C.'s mineral-exploration and mining industry is an integral part of the provincial economy, representing 5.8 percent of total GDP in 2012. The province is Canada's single-largest exporter of coal, the largest producer of copper and the only producer of molybdenum. British Columbia also produces significant amounts of gold, silver, lead, zinc, aluminum and more than 30 industrial minerals. The sector employs more than 33,000 British Columbians, creating employment opportunities that provide some of the highest earnings in the economy.

**Metals:** South Korea will eliminate its tariffs on 98.4 percent of aluminum lines, from a current rate of up to 8 percent, immediately upon the Agreement's entry into force, with the remainder eliminated within five years. This outcome is commensurate with KORUS.

**Minerals:** Tariffs on 94.2 percent of minerals that Canada sold to South Korea between 2010 and 2012 will be eliminated immediately upon the Agreement's entry into force, and all South Korean duties on mineral products will be eliminated within five years. South Korean duties on these products currently reach as high as 8 percent.

The Agreement's investment chapter will benefit Canadian investors in the metals and minerals sector as South Korea has committed to providing non-discriminatory access to its mining sector. Canadian investors will also have access to an impartial investor-

state dispute settlement mechanism to resolve disputes arising from the chapter on investment. This outcome is commensurate with KORUS.

## **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 British Columbia'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 British Columbia. As a result, B.C. businesses stand to gain considerably from the Canada-Korea Free Trade Agreement.

*“The Business Council of British Columbia has strongly supported the development of a bilateral trade agreement with South Korea. We believe an agreement will enable more B.C. companies to sell into and do business with South Korea, which is both a large market and one of the most prosperous countries in Asia. Among the sectors expected to benefit from a Canada-Korea FTA are wood products, agri-*

*food, advanced technology, mining and post-secondary education.”*

Jock Finlayson, Executive Vice President and Chief Policy Officer, Business Council of BC

*“A Canada-South Korea free trade agreement is a coup for almost every industry and region in British Columbia. Whether it's northeastern B.C.'s natural gas industry, the interior and coastal forest industries, the coast and islands' fish and seafood exporters, the Okanagan and Fraser valleys' agriculture and agri-food operations or the Lower Mainland's IT and professional services providers, a multitude of B.C. businesses stand to gain from this agreement. Reducing tariff and non-tariff barriers with South Korea will give our businesses a critical competitive edge in accessing this strong emerging market. A South Korean trade deal also secures Canada a much-needed foothold in the fast-growing Asia-Pacific market. The BC Chamber of Commerce applauds the federal government for getting this deal done.”*

John Winter, President & CEO, BC Chamber of Commerce

## **Forestry and value-added wood products**



The forestry products sector is made up of value-added wood products, other forestry products (such as cork and basketwork) and pulp and paper. British Columbia's forestry products sector employed over

56,000 people in 2012 and is a significant component of the British Columbian economy.

### **Trade snapshot**

British Columbia accounts for the largest share of Canada's exports of forestry and value-added wood products to South Korea, with exports averaging \$327.9 million annually between 2010 and 2012. The Canada-Korea Free Trade Agreement will provide a significant advantage for Canada's wood and forestry producers and exporters in further expanding market opportunities in South Korea. While all South Korean pulp and paper tariff lines and the majority of other forestry product tariff lines are already duty-free, South Korea imposes significant tariffs—as high as 10 percent—which present a competitive disadvantage for Canadian exporters.

### **Tariff elimination**

Under the Canada-Korea Free Trade Agreement, all South Korean tariffs on forestry and value-added wood products will be eliminated. Over 57 percent of tariff lines for forestry and value-added wood products will be duty-free upon the Agreement's implementation. A further 13.1 percent will become duty-free within three years. Duties on the remainder of Canada's exports will be eliminated within 10 years. Current duties average 2.9 percent, with tariff peaks up to 10 percent.

With Canada's current capacity to export to Asian markets, and the removal of South Korea's tariffs on these products, the Agreement will provide the Canadian forestry sector with new market access, offering diversification and export opportunities to Canadian industry. This outcome on forestry and value-added wood products will provide Canada with market access commensurate with that obtained by the United States under KORUS.

For example, South Korean tariffs will be eliminated on:

- spruce, pine, and fir lumber, from a current rate of 5 percent;
- oriented strand board, from a current rate of 8 percent;
- Western hemlock lumber, from a current rate of 5 percent;

- wood beams and arches, from a current rate of 8 percent;
- particle board, from a current rate of 8 percent; and
- plywood, from a current rate of up to 10 percent.

### ***New markets for custom home packages***

Viceroy Homes has designed, engineered and manufactured custom home packages for more than half a century. The company is one of Canada's largest manufacturers of panelized wood-frame housing, kitchen cabinets and hardwood flooring. With facilities in Ontario and British Columbia, Viceroy proudly employs more than 400 workers, most of them involved in production for export markets. In the past three decades, the company has exported products worth more than \$865 million to the United States and to offshore markets. Some of the Viceroy products exported to South Korea currently face an 8-percent tariff. With the trade agreement, Viceroy can be on an even footing with its competitors and is looking forward to expanding into the fast-growing and dynamic Asian market.

### **Beyond tariffs**

The Agreement contains strong provisions on non-tariff measures that will ensure that market access gains in the forestry and wood building products sectors are not undermined by unjustified trade barriers. For example, the Agreement requires the use of internationally accepted standards (in the absence of a compelling reason not to) and contains strong transparency-related commitments that go beyond existing WTO obligations, which will make it easier for Canadians and South Koreans to work together on the development of technical regulations and standards, and help to prevent the introduction of new technical barriers to trade, including in the areas of forestry and wood building products.

The Agreement also establishes various institutional mechanisms of relevance for this sector. For instance, the Agreement creates a sub-committee on trade in forest products that will make it easier to address issues related to trade in forest products, as well as a working group specifically related to wood building products designed to facilitate trade through cooperation and information sharing, including in the areas of standards

and regulatory issues. The Agreement also establishes a sanitary and phytosanitary (SPS) committee that will enable experts to collaborate and consult on forestry-related SPS issues.

### Reaping the benefits

Canada has a competitive advantage in the production of forestry and value-added wood products and is one of the top exporters worldwide. Canadian producers and exporters of forestry and value-added wood products already have the capacity to export to Asian markets. The Agreement will create new opportunities to further develop existing and new markets in South Korea and the Asia-Pacific region.

### Fish and seafood products



The fish and seafood products sector provides jobs for close to 7,200 British Columbians and makes a significant contribution to the provincial economy.

### Trade snapshot

British Columbia's average fish and seafood exports to South Korea were worth some \$8.1 million annually between 2010 and 2012. 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. Canadian fish and seafood exports to South Korea face tariffs of up to 47 percent.

### 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 average South Korean tariffs of 16.5-percent

in this sector—tariffs which may reach as high as 47 percent.

For example, South Korean tariffs will be eliminated on:

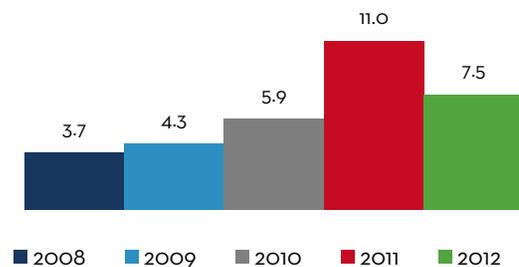
- frozen rays and skates, from a current rate of 10 percent;
- frozen sole, from a current rate of 10 percent;
- salmon, from a current rate of up to 20 percent; and
- frozen crab, from a current rate of up to 20 percent.

### 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 SPS provisions.

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.

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



### Reaping the benefits

Eliminating South Korea's high tariffs in this sector will generate a price advantage for British Columbia's fish and seafood exports that will facilitate the expansion of Canadian 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, the European Union, Norway and Chile.

### *B.C.'s exports of fish and seafood to South Korea*

British Columbia's fish and seafood sector makes a significant contribution to the provincial economy and the social fabric of numerous coastal communities.

British Columbia's fish and seafood exports to South Korea were worth an average of \$8.1 million annually between 2010 and 2012, and included salmon and salmon products, and Dungeness crab.

Under the Canada-Korea Free Trade Agreement, current duties of up to 47 percent on fish and seafood 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 FTA partners.

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*"A Canada-Korea free trade agreement will be good for Canada's Pacific wild seafood industry. The U.S.-Korea free trade arrangement, which came into effect in 2012, is eagerly being seized on by our Alaskan competitors and we cannot afford to be left behind. We know there are benefits to a free trade agreement with Korea because our Alaskan competitors are already enjoying them. Reducing tariffs on seafood will open up the Korean market to high-quality Canadian Pacific seafood, and this will translate into jobs and prosperity for British Columbians."*

Christopher Sporer, Executive Director, Seafood Producers Association of British Columbia

"Seafood is B.C.'s most valuable agri-food export commodity, worth about \$1 billion annually. Tariffs on exports of seafood to South Korea are 20 percent or more for salmon, halibut, sablefish, prawns, herring roe, sea urchins, geoduck, shrimp and prawns and 10-20 percent for groundfish. Clearly, a free trade agreement with South Korea is good for our industry and great for the West Coast. Trade means jobs and a higher standard of living for Canadians."

Christina Burrige, Executive Director, BC Seafood Alliance

## **Agricultural and agri-food products**



British Columbia's agricultural and agri-food products sector employed over 52,000 people in 2012 and is a significant driver of economic activity in the province.

### **Trade snapshot**

British Columbia's agricultural exports to South Korea were worth an annual average of \$74 million from 2010 to 2012, led by food preparations, animal and vegetable fats, tallow, wheat flour and pork. British Columbia will benefit from expanding exports of these and a wide variety of other products, including meats and fruits.

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 all tariffs on 86.8 percent of agricultural tariff lines. This duty-free access will give Canadian agricultural products, including pork, wine and fruit, 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:

- wine (including icewine), from a current rate of 15 percent;
- beef fats/tallow, from a current rate of up to 8 percent;
- wheat flour, from a current rate of 4.2 percent;
- most food preparations, from a current rate of up to 30 percent;
- dried and fresh/chilled cranberries, from a current rate of 45 percent;
- blueberries and other berries, from a current rate of 30 to 45 percent; and
- mixed vegetable/animal fats and oils, from a current rate of 8 percent.

### *New access to South Korea for B.C.'s cherries and blueberries*



B.C.'s exports of fresh and frozen cherries and blueberries were worth \$210.8 million in 2012.

Under the Canada-Korea Free Trade Agreement, current duties faced by Canadian producers will be eliminated, including duties of up to 45 percent on cherries and blueberries.

The Canada-Korea Free Trade Agreement will provide new market access opportunities for B.C. exports of these fruits.

### **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 that addresses 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.

*"The British Columbia wine industry is excited about the potential for expansion in the key*

*South Korean market. With the growth of B.C. grape acreage and our harvest levels back to normal, we will be looking to new markets to promote our quality B.C. VQA wines around the world. A successful FTA with South Korea would certainly create new opportunities for the 'Wines of British Columbia'."*

Miles Prodan, President and CEO, British Columbia Wine Institute

### **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.

The Agreement will allow British Columbian products to compete on a level playing field with other agricultural exporting countries that have signed or implemented free trade agreements with South Korea, including the United States and the European Union.

### ***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 FTAs.

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 to 72 percent for fresh, chilled and frozen beef cuts, and some processed beef, will be eliminated in 15 years.

*"South Korea has been an important and lucrative market for Canadian beef, and we*

*anticipate that this free trade agreement will restore our place in the South Korean market. It will not only increase our exports but, more importantly, it will add value to every animal we raise and process in Canada.”*

Kevin Boon, General Manager, British Columbia Cattlemen's Association

## Opening new markets in South Korea for British Columbia's world-class services

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The services sector is a key driver of British Columbia's economy, accounting for 75.6 percent of the province's total GDP and employing close to 1.9 million British Columbians in 2012.

### **Trade snapshot**

Canada's services exports to South Korea are worth more than \$750 million a year. B.C.'s key export interests in this vibrant sector include professional services, environmental services, information and technology services, oil and gas, mining, clean energy, transportation and tourism. 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, which have implemented 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 European Union.
- 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 services 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 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 from 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.