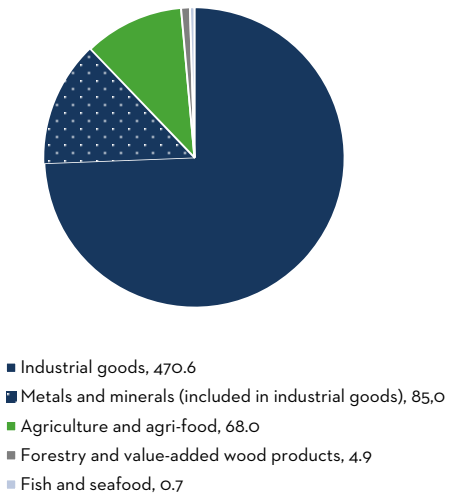
How the Canada-Korea Free Trade Agreement Will Benefit Ontario

Creating jobs and opportunities for Ontarians

Ontario stands to benefit significantly from preferred access to the South Korean market. South Korea is Ontario's 16th-largest export destination, with exports from 2010 to 2012 worth an annual average of $548.5 million.

Upon entry into force, the Canada-Korea Free Trade Agreement will eliminate tariffs on almost all of Ontario's key exports—tariffs that have prevented workers and businesses from benefiting from the full potential of the goods they produce—and provide 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, Ontario has a lot to gain from the Canada-Korea Free Trade Agreement.

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



Top benefits for Ontario:

- increased market access for key sectors of interest to Ontario, including aerospace, medical devices, clean technology, food manufacturing, information and communications technologies (ICT), life sciences, metals and minerals; this includes:
  - duty-free access for industrial and manufactured goods, including nickel, chemicals, rubber, textiles (including high-tenacity yarn), apparel, scientific instruments, power generating machinery and rail;
  - duty-free access for almost all agricultural and agri-food products, including beef, fuskins, pork, food preparations, soybeans, backed goods, wine and spirits, navy beans, adzuki beans and white pea beans.
- improved access for professional services such as foreign legal consultancy services, commercial education and training and research and development;
- 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 Ontario's world-class products

Industrial goods



Some 525,000 hard-working Ontarians and their families depend on the industrial goods sector for their livelihood, with the sector accounting for approximately 12 percent of Ontario's GDP.

Trade snapshot

From 2010 to 2012, Ontario's exports of industrial goods to South Korea were worth an annual average of $470.6 million. The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Ontario'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 Ontario exports of industrial goods more price competitive with South Korean domestic production. The Agreement will also help Ontario exporters maintain a competitive footing against major competitors who already benefit from an 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. Ontario 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. Several of Ontario's key industrial goods sectors are expected to benefit from the elimination of tariffs under the Agreement, including aerospace, rail, clean technology, information and communications technologies, life sciences, metals and minerals, chemicals, plastics and mining. The Agreement will create market access opportunities for Ontario exporters across a number of industries.

Aerospace



All South Korean tariffs (as high as 8 percent) on the types of products that were exported from Ontario to South Korea between 2010 to 2012 will be eliminated immediately upon the Agreement's entry into force.

"Our industry depends on exports and access to international markets to remain competitive and continue creating jobs and revenues here at home. This agreement is imperative to restoring a level playing field for Canadian firms in the South Korean market, which is especially important given the considerable growth the aerospace industry will see in the Asia-Pacific region in coming years. We congratulate the Government of Canada on this achievement, and thank its representatives for their ongoing commitment to boosting Canadian competitiveness in international markets."

Jim Quick, President and CEO, Aerospace Industries Association of Canada

Clean technology

All duties on Canadian exports of clean technology products to South Korea will be eliminated under the

Agreement. Ontario's key exports in this sector include products such as pumps, mixers and water filtration devices. South Korea's 8 percent tariffs on these products will be eliminated within three years, which is an outcome commensurate with the U.S.-Korea Trade Free Agreement (KORUS).

Information and communications technologies (ICT)

While many of Canada's and Ontario's ICT exports to South Korea are duty free under the WTO Information Technology Agreement (ITA), duties remain on a number of ICT products that fall outside the scope of the current ITA (e.g. electric sound amplifier sets, certain video projectors). All South Korean tariffs on these products (which are as high as 13 percent) will be eliminated immediately upon the Agreement's entry into force.

The Agreement will also facilitate the movement of skilled professionals such as engineers in the aerospace, clean energy and technology sectors by providing greater certainty and predictability for Canadian business undertaking contracts in the South Korean market. These sectors will also benefit from secure and preferential access to South Korean government procurement opportunities worth approximately $100,000 or more.

Life sciences



Medical devices: Some of Ontario's top exports in this sector (e.g. diagnostic or laboratory reagents, surgical instruments and appliances, x-ray apparatus for medical, surgical or veterinary uses) face South Korean tariffs of 8 percent. Upon the Agreement's entry into force, 88 percent of tariff lines will be duty-free. Under the Agreement, all South Korean tariffs in this sector will be eliminated within 10 years. South Korean duties on these goods currently reach as high as 50 percent.

Pharmaceuticals: Upon the Agreement's entry into force, 63 percent of tariff lines will be duty-free and all remaining tariffs will be eliminated within five years. South Korean duties on these goods reach up to 8 percent.

The life sciences sector will also benefit from secure and preferential access to South Korean government procurement opportunities worth approximately $100,000 or more.

"Our member companies are providing innovative, life-saving products to Canadian patients every day, but they also rely on the export of these products in order to thrive. We are confident that this free trade agreement will support and enhance the Canadian medical technology industry, which will benefit Canadian patients and contribute to increased economic growth and job creation."

Brian Lewis, President and CEO, MEDEC–Canada's Medical Technology Companies

Metals and minerals

Metals: South Korea will eliminate its tariffs on nickel products, which average 4.6 percent but are as high as 8 percent, immediately upon the Agreement's entry into force. This outcome is commensurate with KORUS.

Minerals: Tariffs on 94.2 percent of minerals 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. This outcome is commensurate with KORUS.

Chemicals and plastics

Chemicals: Upon the Agreement's entry into force, 94 percent of tariff lines will be duty-free and all remaining tariffs eliminated within five years South Korean duties on these goods reach up to 8 percent. This outcome is better than what the United States obtained under KORUS.

Plastics: Upon the Agreement's entry into force, 91.5 percent of tariffs will be duty-free and all

remaining tariffs will be phased out within five years. South Korean duties on these goods range from 4 percent to 8 percent. This outcome is better than what the United States obtained under KORUS, under which all tariff lines were duty-free within 10 years.

The materials sector will also benefit from secure and preferential access to South Korean government procurement opportunities worth approximately $100,000 or more.

Textiles and apparel

Textiles: Upon implementation of the Agreement, South Korea will eliminate duties on 99.9 percent of tariff lines (all tariffs eliminated within three years). These products currently face duties of up to 13 percent. This is a speedier phasing-out of tariffs than occurred under KORUS.

Apparel: South Korea will eliminate duties on 99.4 percent of tariff lines immediately and all tariffs will be eliminated within three years. Goods in this sector face tariffs of up to 13 percent. 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 country'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 country 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 Ontario'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 Ontario. As a result, Ontario businesses stand to gain considerably from the Canada-Korea Free Trade Agreement.

Automotive products

The automotive sector is a key driver of Canada's economy and employs more than 115,000 highly skilled Canadians across the country.

Highly dependent on trade, the Canadian automotive industry exports some 85 percent of its production every year, with a majority of exports going to the United States. However, Canadian vehicle manufacturers are increasingly looking beyond their traditional North American market for new customers. In this respect, the Canada-Korea Free Trade Agreement provides Canadian manufacturers with a level playing field relative to key competitors in the United States and the European Union, who already benefit from preferential access to the South Korean market through their own free trade agreements.

Trade snapshot

The Agreement will provide a significant advantage for Canadian automotive industry stakeholders looking to further expand market opportunities in South Korea. The automotive products sector is comprised of vehicle manufacturers and the various parts suppliers that make up the automotive value chain.

Tariff elimination

Exports of Canadian vehicles and automotive parts will be duty-free immediately upon the entry into force of the Canada-Korea Free Trade Agreement, compared to a longer phase-out of five years under KORUS and three to five years under the EU-Korea FTA. Therefore, Canadian automotive exporters will benefit from tariff-free market access in South Korea more quickly than did their U.S. and EU competitors.

Upon the Agreement's entry into force, South Korean tariffs will be eliminated on:

- all light vehicles (8 percent tariff);
- all automotive parts (tariffs ranging from 3 percent to 8 percent).

The removal of South Korea's tariffs on automotive products will provide the Canadian automotive sector with improved market access, offering diversification and export opportunities to Canadian industry.

Reaping the benefits

Canadian producers and exporters of automotive 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.

The market access obtained from the Agreement will help level the playing field for Canadian manufacturers competing with key manufacturers from countries such as the United States and the European Union that already have free trade agreements with South Korea.

Agricultural and agri-food products



Ontario's agricultural, agri-food and beverage sector is a significant driver of economic activity in the province. The sector employed over 212,000 people and contributed $15 billion to the province's GDP in 2012.

Trade snapshot

Ontario's annual agricultural exports to South Korea were worth an average of $68 million from 2010 to 2012, led by mink furskins, pork, food preparations, soybeans, baked goods and icewine. Ontario will benefit from expanding exports of these and a wide variety of other products, including pet food, food-grade soybeans, navy/white peas, adzuki and kidney beans. 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 beef, pork, icewine and food preparations, 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.

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

Food manufacturing



Wines: Icewine makes up almost all of Canada and Ontario's wine exports to South Korea. South Korea will eliminate duties on icewine immediately upon the Agreement's entry into force. For all other Canadian wine products currently sold to South Korea, duties will be eliminated within three years. South Korean duties on these goods range from 15 percent to 30 percent.

Spirits: South Korean duties of 20 percent on rye whisky will be eliminated immediately upon the Agreement's entry into force. For other types of whisky currently sold to South Korea, duties will be eliminated within five years or 10 years. South Korean duties on these goods range from 20 percent to 30 percent.

The Agreement will also commit South Korea to protect the terms "Canadian whisky" and "Canadian rye whisky" as geographical indications, ensuring these terms remain exclusive to Canadian producers.

"The Winery & Grower Alliance of Ontario is supportive of a Canada-Korea free trade agreement. South Korea is the second most important Asian market for Ontario wines, particularly our premium product, icewine. Such an agreement should increase the competitiveness of Ontario wines in Korea and ultimately lead to increased exports."

Patrick Gedge, President and CEO, Winery & Grower Alliance of Ontario

Processed foods: Virtually all duties on South Korean imports of processed food products from Canada will be eliminated under the Agreement. South Korean duties on "miscellaneous prepared foods," Ontario's largest export interest in this sector, will be eliminated

within seven years. South Korean duties on Ontario's remaining export interests in this sector, such as bakery products and certain chocolate confectionery products, will be eliminated within five years.

Pet food: Duties of 5 percent on dog and cat food will be eliminated immediately upon the Agreement's entry into force.

Other agricultural products

South Korean tariffs will also be eliminated on a range of agricultural commodities of interest to Ontario, including:

- food-grade soybeans for soy sauce and soy cake, from a current rate of up to 487 percent;
- pulses (including adzuki beans), from a current rate of up to 607.5 percent; and
- pork and most processed pork products, from a current rate of up to 30 percent.

In addition, Canada will receive duty-free access within a permanent tariff rate quota (TRQ) for food-grade identity-preserved soybeans: from an initial volume of 5,000 tonnes, increasing to 17,000 tonnes by year 10 of the Agreement. Current duties on these soybeans can reach as high as 487 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.

Canada has obtained a tariff outcome 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 areas of interest to Ontario, including pork, beef, food preparations, baked goods, icewine, pulses, pet food, furskins, soybeans, maple sugar, canola oil and malt. Without a free trade agreement, Canadian businesses would be at a disadvantage in the South Korean market against many competitors.

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



The services sector is a key driver of Ontario's economy, accounting for 77 percent of Ontario's overall economy, or $442 billion, and employing some 5.4 million Ontarians in 2012.

Trade snapshot

Canada's services exports to South Korea are worth more than $750 million a year. Ontario's key export interests in this sector include environmental services, research and development, and financial 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 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 services markets are 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 information technology 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.

New opportunities for Canada's globally recognized financial services sector

For six consecutive years, Canada's financial institutions have been ranked the world's soundest by the World Economic Forum. Canadian financial institutions continue to successfully contribute to the development of a competitive financial services marketplace globally.

On the international stage, financial services is Canada's single-largest source of outward services trade and investment, and roughly half of the Canadian stock of outward foreign direct investment originates in the financial services sector. While the South Korean and Canadian financial services markets are mature, there is potential for greater participation from each country's respective financial institutions in these markets.

The Canada-Korea Free Trade Agreement will support this greater participation by ensuring the South Korean market remains open to Canadian financial service providers into the future and that their investments will be protected. The access and regulatory commitments provided in the Agreement is on par with the best treatment provided to any foreign companies, including those from the United States and the European Union.

At the same time, the Agreement recognizes the critical role that banks, insurance companies and other financial institutions play in the economy. The Agreement safeguards governments' right to regulate financial services to protect the stability and integrity of the financial system as well as consumer interests, which is integral to safeguarding our economic health.

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 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 refrain from applying 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.

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.

"Scotiabank congratulates the governments of Canada and Korea on successfully concluding the Canada-Korea Free Trade Agreement

negotiations. Scotiabank has been operating in the Asia-Pacific region for 50 years, and we welcome this first free trade agreement between Canada and an Asia-Pacific country. This is a positive step toward deeper ties in the Asia-Pacific market, and it recognizes the importance of Canada's trade with South Korea—the 15th-largest economy in the world. The free trade agreement will provide access to the South Korean financial sector that is on par with the Korea-U.S. FTA and will result in increased investor protection for Canadian financial institutions."

Brian Porter, President and CEO, Scotiabank

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.