

# Republic of Korea

The Republic of Korea (or South Korea) and Australia are strong economic, political and strategic partners with common values and interests. Bilateral relations have strengthened considerably over the past few years, assisted by direct links between the two countries, and reinforced by cooperation in international affairs such as in the G20. Economic relations are mutually beneficial and expanding.

These developments are reflected in the increase in the Australia–South Korea Engagement Index. Having fallen in the preceding two years, engagement rose by 18.3% in 2010, reflecting increases in trade, research, tourism and humanitarian engagement.

South Korea has become an important trading partner to Australia over the decades. This relationship developed rapidly during the 1960s as the country's industrialisation led to it becoming an important export market for Australian raw materials. In 2010 it was Australia's third biggest export market and fourth biggest trading partner overall, after China, Japan and the United States. Australia currently exports raw materials, elaborately transformed manufactures, food and beverages, and technology and services to South Korea. Recreational and education-related travel are the key service exports, with South Korea now the third biggest source of foreign enrolments in Australian education institutions, after China and India. Meanwhile Australia imports finished products such as cars, telecommunications equipment and computers from South Korea, as well as refined petroleum.

As with China and India, investment engagement with South Korea is less important than trade engagement, and in South Korea's case it is relatively small. Having said this, bilateral investment has increased and diversified over time. Some Australian banks are active investors in South Korea (ANZ and Macquarie). Meanwhile South Korea's investment in Australia is mostly in resource development (including coal in NSW and iron-ore in Western Australia) or in import and distribution (by companies such as Hyundai, LG and Samsung). As a result of a deal signed in January 2011 the Korea Gas Company (KOGAS) will take a 15% stake in Santos Ltd's Gladstone coal-seam gas project in Queensland.

Australia–South Korea high-level contact is substantial and expanding, with regular meetings and contact between leaders and senior ministers. Prime Minister Gillard visited Seoul in April 2011 and it was agreed that negotiations on an Australian–South Korea FTA were in their final stages (having been launched in 2009) and the leaders reaffirmed their joint goal to finalise negotiations by the end of 2011. They also agreed that the two countries would work towards establishing a regular '2+2' meeting of foreign and defence ministers.

Figure 20: South Korea Index

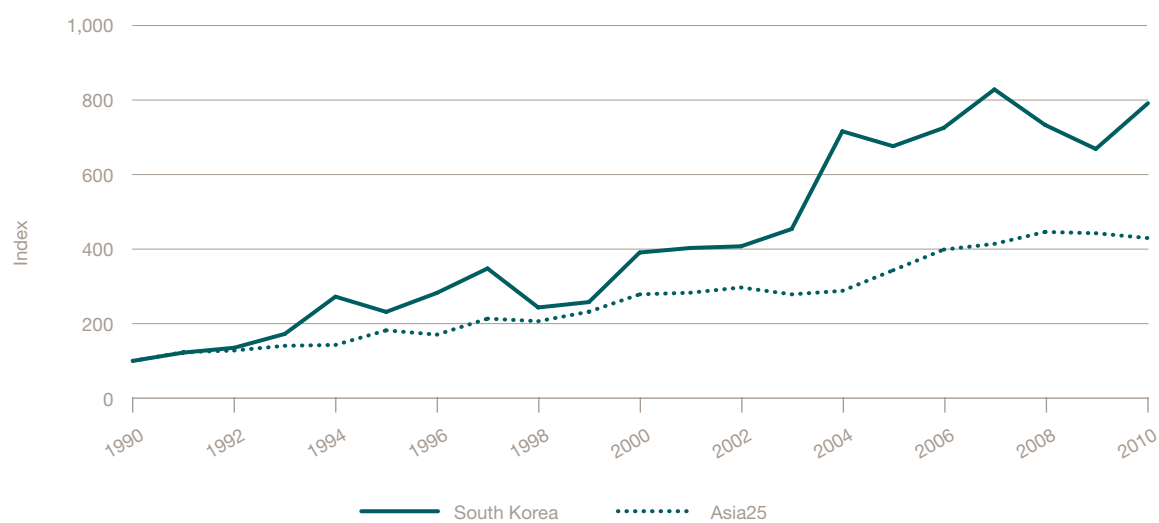


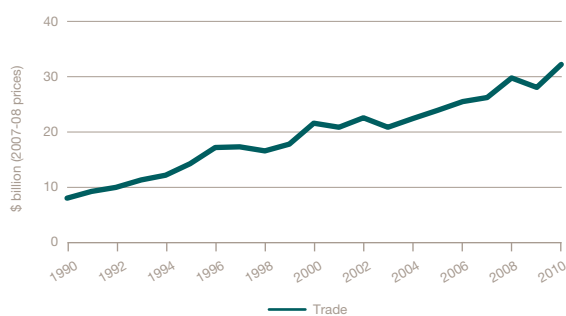
Table 16: Index trends for South Korea

	1990	1995	2000	2005	2009	2010	% change 2009–10
Korea	100.0	234.5	390.8	676.2	668.8	791.4	18.3
Asia25	100.0	182.0	278.6	343.1	442.6	429.6	-2.9

## Components of the South Korea Index

### Trade

South Korea is Australia's fourth biggest trading partner and trade engagement continued to rise strongly by 15% in 2010. This followed a small fall of 6% in 2009 in line with the slowdown in both economies. The 2010 result reflected an 18% rise in imports of goods and services from South Korea and a 14% rise in exports. As with Japan, Australia's trading relationship with Korea is long-standing, and consistent with its having attained 'developed-country' status well ahead of some of its neighbours.



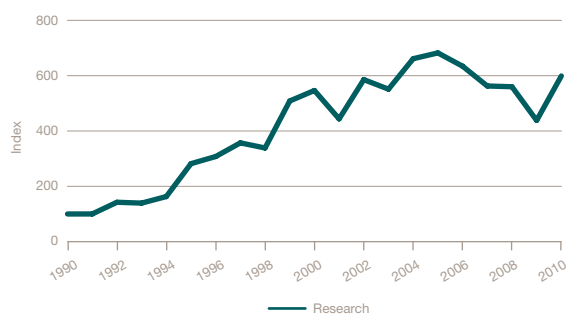
### Investment

The South Korea Investment component fell slightly in 2010, reflecting a rise in net inward investment which was more than offset by a fall in net outward investment. The level of investment flows between the two countries is relatively small, but has grown and diversified over the years. The stock of South Korean investment in Australia increased by more than 18 times during the past decade to around \$9 billion.<sup>35</sup>



### Research and business development

The South Korea R&BD component rose strongly in 2010. This reflected across-the-board increases in all subcomponents with the exception of the number of Australia-South Korea business associations. There were particularly big increases in the number of Koreans applying for patents in Australia and the number of research articles on Australia-South Korea relations – of 68% and 63% respectively.

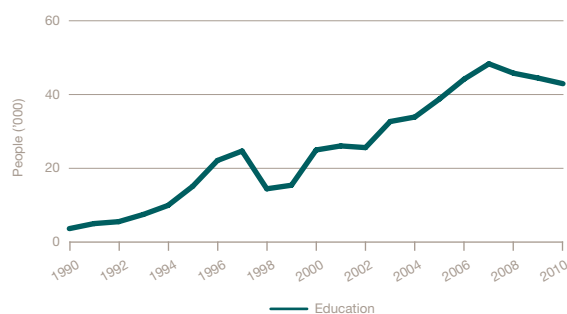


In the past decade South Korea has become one of the world's most prolific patenting countries.

<sup>35</sup> DFAT Republic of Korea Country Brief.

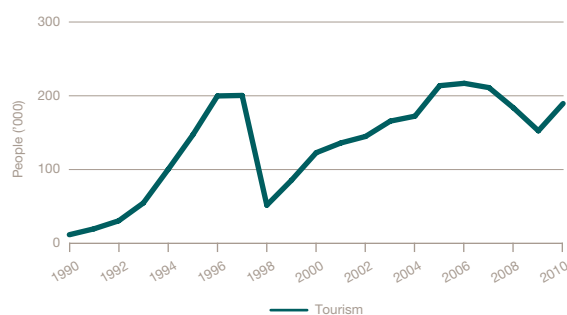
## Education

South Korea is the third largest source of overseas student enrolments in Australia, after China and India. In 2010 the education component of Australia–South Korea engagement fell for the second year in a row, reflecting a fall in incoming students. This offset a rise in the number of Australians going to study in South Korea. Still, the number of students coming to Australia from South Korea in 2010 was more than 10 times the flow of students in the other direction.



## Tourism

The Tourism component increased by around 24% in 2010, reflecting significant increases in incoming and outgoing tourists. All sub-categories of tourists increased except for: long-term visits by South Koreans to Australia (for both holidays and to visit friends); and the number of Koreans applying for working holiday visas in Australia. Around 162,000 South Korean tourists came to Australia in 2010, compared with 29,000 Australian tourists visiting South Korea last year.



## Migration

The Migration component fell by 13% in 2010, with a fall in South Korean immigrants coming to Australia and a rise in South Korean-born residents returning to live permanently in South Korea. In 2010 there were just over 100,000 South Korean-born residents of Australia.

