

# **Growing Trade and Business Ties between New Zealand and Korea**

**Speech by His Excellency, Patrick Rata  
New Zealand Ambassador to the Republic of Korea**

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### **Opening Courtesies**

I am honoured to address the KOIMA CEO Academy. I pay tribute to KOIMA as an Association dedicated to trade advocacy and business promotion. Many of your members do business with New Zealand companies.

I extend warm greetings to Chairman Shin.

I am pleased to introduce our Trade Commissioner, Ryan Freer, and the Chairman of the Kiwi Chamber, Lewis Patterson. New Zealand Government and businesses are committed to our ties with Korea. Our collective presence today affirms that commitment.

Today's presentation covers 4 aspects. I will briefly introduce you to New Zealand. I will then introduce you to the New Zealand-Korea bilateral relationship. I will then talk about trade relations. Finally, I will make a case for closer trade ties, including through an FTA.

My key messages are: New Zealand is a great place to do business and Kiwis are great people to do business with; New Zealand and Korea enjoy a close relationship but there is scope to increase the trade ties; an FTA will be win-win for both countries – for Korea, it can support businesspeople and help the country's overall economic growth ambitions.

### **I. Introduction to New Zealand**

#### New Zealand's image in Korea

I am always encouraged by the positive impression Koreans hold of New Zealand. First and foremost, they never forget that 6,000 New Zealanders came to support this country in its darkest hour. Korean people remember our fallen. They honour our veterans.

Among Koreans, New Zealand is famous for our natural environment - our clean and green image, stunning landscapes, beautiful beaches, and spectacular scenery. Korean people know New Zealand as a great place to visit.

New Zealand enjoys a strong reputation for the things we produce. Koreans enjoy our high quality, safe and affordable foods and beverages produced in pure and pristine conditions. Our farm products, kiwifruit, honey and wines are well-known here.

Koreans also know and respect New Zealand's commitment to excellence and innovation. Like Korea, New Zealand is at the cutting edge in areas like film production and technology, and ICT.

Koreans and New Zealanders enjoy each other's company. From what they tell me, Koreans regard Kiwis as friendly, relaxed, welcoming and fun people.

New Zealand is also famous for producing famous Koreans! The first woman of Korean descent to be elected to a parliament outside Korea is a New Zealander, Melissa Lee. Lydia Ko is a 15 year-old golfing phenomenon.

#### New Zealand's Business Image globally

To this audience of businesspeople, I should also like to highlight another aspect of New Zealand's image – our well-deserved, international reputation as a safe, stable and supportive place for business.

New Zealand is the world's second most peaceful country (behind Iceland), according to the 2012 Global Peace Index. We have the world's least corrupt public service, according to Transparency International.

And we are one of the more open economies in the world, according to the World Trade Organization.

New Zealand is acclaimed by Forbes Magazine as the best country in the world for doing business. This is thanks our transparent and stable business climate that encourages entrepreneurship.

Indeed, out of 11 measurements used by Forbes magazine, New Zealand topped four of them relating to personal freedom, investor protection, lack of red tape, and lack of corruption.

So, New Zealand is a great place to visit, Kiwis are a great bunch of people to meet, we produce wonderful products, and we offer first class services.

As well, our business environment is stable, transparent, honest and highly supportive of entrepreneurship. And we have a strong system of laws giving certainty to investors and business people and ensuring the quality and safety of New Zealand products.

Of course, a good business environment is only important if there are also genuine business opportunities. That's what businesspeople want – the chance for good returns from your enterprise. To this, I can tell you New Zealand is definitely open for business.

Whether your interest is to source goods overseas for importing to the Korean market, or to source goods overseas as inputs into your own products, or to identify new export markets for the things you make, I invite all businesspeople here today to turn your gaze to New Zealand and New Zealand companies.

## **II . Trade Relations**

It will not surprise this audience to learn that an important trade relationship also exists between New Zealand and Korea.

Korea is New Zealand's 5<sup>th</sup> largest trading partner and we rank about 50<sup>th</sup> on Korea's list of trading partners. Moreover, KOTRA has recently pointed to New Zealand's increasing importance as a market for Korea.

Two-way merchandise trade totalled NZ\$3.36 billion in the year ending December 2012.

The trade relationship is evenly balanced and highly complementary. We import from Korea capital and consumer items such as cars, electronic equipment and machinery. We export to Korea logs, aluminium, beef, kiwifruit, dairy and seafood.

And when I talk about New Zealand exports to Korea, what I am really talking about are products which our companies send to your companies – to you – through commercial relationships. These are products which you then present to the Korean market or use as inputs into the things you make. For example:

- NZ fruit concentrates are imported and made into juices by Korean companies
- NZ buttercup squash powder is made into porridge and tea in Korea
- NZ beef and deer bone extract is made into world famous Korean ramyeon, which Korean companies then export around the world
- NZ touch screen technology is used by Korean companies in their electronic classroom and office solutions
- NZ mobile communication equipment is a component in Korean base stations
- NZ wood is used by Korean companies to produce packaging.

Trade between New Zealand and Korea has grown four-fold since 1990. This is gratifying, but there is significant scope to expand the ties. This is why New Zealand and Korea agreed to launch FTA negotiations in 2009.

The FTA negotiations have proceeded over a number of rounds so far. With the new Korean administration now in place, and new ministries now created, New Zealand looks forward to the early resumption of FTA work.

## **III. Growing the Trade and Business Ties**

Growing the trade and business ties is a fundamental goal for New Zealand. The FTA will bring benefits to both countries. It will provide the foundation for advancing the overall relationship for the next 50 years - enabling closer trade and economic ties but also closer connections in all the exciting new areas of the relationship.

I should like to highlight some of the benefits and opportunities that may accrue to Korea – and you - through the conclusion of an FTA with New Zealand. In essence, the

FTA can be an important contributor to Korea's efforts to achieve economic growth and prosperity.

The Korean Government has emphasised its goal to achieve strong economic growth. A bilateral FTA with New Zealand can help. Prior to the launch of the negotiations, an independent joint study showed clearly that an FTA will be mutually beneficial to both countries and of limited detriment to either due to the complementarity of our trade.

The study estimated gains between 2007 and 2030 of US\$4.5 billion for New Zealand and US\$5.9 billion for Korea. The figures probably needed updating, but the overall point is clear.

The Administration has announced its commitment to help boost the prosperity of SMEs. Many of your companies fall into this category and some hold business relations with New Zealand companies. For SMEs to thrive, the right conditions are crucial. The removal of tariffs and other barriers through an FTA will improve margins and spark new levels of trade and business.

It is noteworthy that despite higher tariffs on some of our imports to Korea, Korean businesses still choose to source New Zealand products. This reflects the great reputation New Zealand's products have in the market. A future reduction in tariffs will improve the trading relationship and the bottom lines for your businesses.

If you are importing New Zealand blackcurrent juice concentrate into Korea your margins will improve without the 50% tariff; if you want to use our beef extract in your ramyeon, your profits will improve after the 30% tariff is removed; if you want to make tea using our buttercup squash, removal of the 30% tariff will help you to do that more cheaply.

Let's talk about some iconic New Zealand items that Korean consumers love, such as our award winning wines, beer, kiwifruit, and manuka honey. Consumers will love these even more when an FTA makes them cheaper to buy.

If tariffs facing New Zealand products are removed or reduced, the commercial benefits accrue to Korean importers, manufacturers, SMEs and consumers.

Korea's Institute for Economic Policy has recently reminded us of Korea's ongoing requirement for raw materials. New Zealand's export profile includes wood, aluminium, coal and other raw materials and primary products.

A policy task the new Korean administration has set itself is to establish a system whereby a stable food supply can be obtained from overseas countries. Korea imports a majority of its food. Becoming an FTA partner of New Zealand can help Korea secure supplies of products for domestic consumption and for further processing.

Also, Korean consumers place high priority on food quality and food safety. New Zealand offers premium, safe and traceable food and our companies are reliable partners. New Zealand goods are competitive price-wise, so Korean consumers will also share in the benefits.

While I mention food, let me tackle head-on the issue of sensitivities which Korea often references in agriculture. The point I would like to make is that New Zealand's agricultural strengths are not a threat to Korea. We do not export rice. We do not export fresh milk to Korea. Our horticultural products are counter-seasonal. And our beef is very different to Korean beef; ours is grass-fed.

Moreover, New Zealand accounts for less than 4 per cent of Korea's overall total agricultural imports and production constraints mean we could not flood the market if tariffs are removed.

The counter-seasonal nature of horticultural production actually means that New Zealand and Korean agricultural producers have the opportunity to work together to provide world-leading agricultural products all year round.

There are many other benefits to be captured through an FTA. It will help to boost investment flows between our two countries. It can help encourage greater trade and connections between our IT sectors. New Zealand has some great firms producing digital contents, healthcare products for the elderly and customer relationship management systems. It can encourage cooperation on research and development and it can underpin our two countries' efforts in wider regional initiatives.

Also, New Zealand companies are increasingly involved in renewable energy and cleantech environmental solutions. This has obvious synergies for Korea's own movement towards green growth and an FTA could facilitate cooperation at the commercial level.

### **Concluding comments**

I hope I have made you enthusiastic about the possibilities of growing the trade and business ties between New Zealand and Korea.

If you are interested in engaging in the New Zealand market, The Trade Commissioner and his operation, NZTE, can assist you to match up with the right New Zealand exporters and provide information on sector capabilities.

They can also assist you with investment options. I know KOIMA has previously held business meetings between NZTE and member importers, and if there is sufficient interest hopefully that can be arranged again.

NZTE will have a New Zealand country pavilion at the Seoul Food and Hotel which will be held in mid-May and will also participate at BIFCOM in Busan in October. If you want to taste some of the delicious agricultural produce New Zealand has to offer, NZTE also runs a private food and beverage event called the New Zealand Food Connection, in Seoul in November. If you introduce yourself to our Trade Commissioner this morning, you may be lucky enough to receive an invitation!

Thank you for taking the time to hear me speak today. I hope that the information I have been able to provide proves useful for you.

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