



# **CANADA-KOREA FREE TRADE AGREEMENT**

Creating Jobs and Opportunities  
for Canadians



Final Agreement Summary

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# INTRODUCTION

The Government of Canada is focused on creating jobs and opportunities for Canadians in every region of the country.

The government has therefore launched the most ambitious trade plan in Canadian history. In less than seven years, Canada has concluded free trade agreements with nine countries and is negotiating with 30 more. In addition, Canada has announced an historic agreement-in-principle with the 28-nation European Union that will open markets in the EU and give Canadian businesses access to half a billion affluent customers, creating thousands of jobs for Canadians.

Our long-term prosperity depends on our ability to take advantage of economic opportunities in emerging markets. The most recent Speech from the Throne committed to expanding trade in Asia to benefit Canadian workers, businesses and industries across the country. The Canada-Korea Free Trade Agreement delivers on that commitment.

On March 11, 2014, in Seoul, Prime Minister Stephen Harper and President Park Geun-hye of South Korea announced that Canada and South Korea had concluded negotiations on a new free trade agreement. This landmark achievement constitutes Canada's first free trade agreement in Asia and will provide new access for Canadian businesses and workers to South Korea, the fourth-largest economy in Asia, with an annual GDP of \$1.1 trillion and a population of 50 million people.

The Canada-Korea Free Trade Agreement will create thousands of jobs for hardworking Canadians by increasing Canadian exports to South Korea by 32 percent and boosting Canada's economy by \$1.7 billion. It will level the playing field for Canadian businesses competing with South Korea's other trading partners, including the United States and the European Union, who already have free trade agreements in place with South Korea. The Agreement will benefit workers in every region of the

country by increasing sales and exports and will give consumers more choice and lower prices.

South Korea is not only a major economic player in its own right and a key market for Canada: it also serves as a gateway for Canadian businesses and workers to the dynamic Asia-Pacific region as a whole. As a result, Canadian companies will be able to take better advantage of South Korea as a strategic base for expanding their presence in all of Asia and across its supply chains.

Being well-positioned in this region against our competitors is critical to Canada's own long-term economic prosperity. The Canada-Korea Free Trade Agreement will tap into unrealized potential and create jobs and opportunities for our businesses and workers.

With more than 50 years of diplomatic relations between Canada and South Korea, a free trade agreement is the natural next step in a dynamic relationship between two nations committed to economic growth and development through free trade.

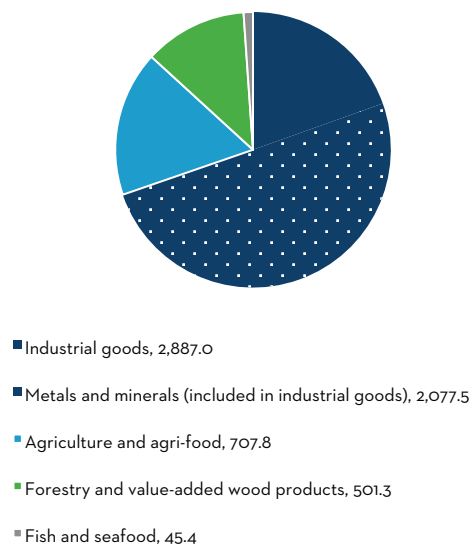
## Canada-South Korea trade and investment relationship

Canada and South Korea enjoy a significant trade and investment relationship with tremendous potential for growth. South Korea is Canada's seventh-largest merchandise trading partner and its third-largest in Asia, after China and Japan.

Trade and investment (2012)  
(value in millions of Canadian dollars)



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



### Fast facts: South Korea

Capital: Seoul	<i>Economic facts (2012)</i>
Population: 50 million	GDP: \$1.1 trillion
Total area: 120,410 km <sup>2</sup>	GDP per capita: \$22,570
Currency: Won	GDP growth: 2 percent
Language(s): Korean	Inflation: 2.2 percent
	Unemployment: 3.2 percent

Canada has long enjoyed positive relations with South Korea. The bilateral relationship continues to develop as South Korea becomes an increasingly important economic partner and a like-minded ally in multilateral forums.

As trading nations, Canada and South Korea support trade liberalization and share membership in many multilateral economic organizations, including the G-20, the Asia-Pacific Economic Cooperation (APEC) forum, the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO). Both countries also share similar views on many multilateral and global issues, including strengthening the multilateral trading system, UN Security Council reform, human rights, and nuclear non-proliferation and disarmament.

South Korea's economic growth in the last 30 years has been remarkable: since 1980, South Korea's GDP has grown more than sixfold and experienced an average annual growth rate of 6.5 percent.

## What are the benefits of a free trade agreement with South Korea?

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1. The Canada-Korea Free Trade Agreement provides new opportunities for Canadian exporters and workers across the country, which allows Canada's economy to grow and create jobs

The Agreement will create thousands of jobs and opportunities for Canadians by opening new markets to Canadian exporters and generate jobs and opportunities for Canadians in every province and territory. More than 2.78 million Canadians working in the industrial goods sector (such as chemicals and plastics, information and communications technology, aerospace, metals and minerals, medical devices, and textiles and apparel), agricultural and agri-food products, wines and spirits, fish and seafood, and forestry and value-added wood products, will benefit from more trading opportunities and duty-free access to South Korea.

Canada's world-class service sectors, including professional services, environmental services and business services, will also benefit from improved market access. The Agreement will also strengthen opportunities and protection for two-way investment, as well as increase prospects for joint ventures between Canadian and South Korean firms, by lowering barriers to trade and facilitating the movement of business persons between the two countries. Bilateral investment plays a crucial role in facilitating job creation, spurring on creativity and technology, and linking Canada to global and regional value chains in Asia.

2. The Canada-Korea Free Trade Agreement provides preferential access to an important market in Asia

The Agreement is Canada's first free trade agreement in the dynamic and fast-growing Asia-Pacific region. As part of the most ambitious plan in Canadian history to open new markets, the Government of Canada is working to create deeper economic ties through trade and investment agreements in the Asia-Pacific region. Being well-positioned in this region is critical to Canada's prosperity, and this agreement is the first step in realizing the untapped potential in Asia.

The Canada-Korea Free Trade Agreement's most visible benefit is the ambitious obligation undertaken by Canada and South Korea to eliminate tariffs. When the Agreement is fully implemented, South Korea will remove duties on 98.2 percent of tariff lines and Canada will remove duties on 97.8 percent of tariff lines. As average South Korean tariffs are three times higher than Canada's (13.3 percent vs. 4.3 percent), tariff elimination will be particularly advantageous for Canadian businesses exporting to the South Korean market.

For Canadian consumers, the elimination of tariffs under the Agreement will reduce the cost of imported products and result in lower prices and more choice.

3. South Korea is a gateway to emerging and fast-growing markets in Asia

South Korea is a gateway to the wider Asia-Pacific region. With this agreement, Canadian companies will become increasingly competitive in the region, as South Korea offers strategic access to regional and global value chains. As a result of improved market access for goods, services and investment under the Canada-Korea



Free Trade Agreement, Canadian companies can use South Korea as a strategic base for growing their business throughout the Asia-Pacific region, further increasing their global competitiveness.

4. The Canada-Korea Free Trade Agreement will level the playing field for Canadian exporters and investors

The Canada-Korea Free Trade Agreement will secure Canada's position in the South Korean market, where competitors like the United States and the European Union are already enjoying preferential access due to the U.S.-Korea FTA (KORUS) and the EU-Korea FTA. Without the Agreement, Canadian businesses would continue to face a disadvantage in areas ranging from industrial goods to agriculture and agri-food products, fish and seafood products, forestry and value-added wood products, services and investment.

5. The Canada-Korea Free Trade Agreement looks to the future to provide opportunities for Canadian workers, businesses and investors

The Canada-Korea Free Trade Agreement ensures that if South Korea reduces or eliminates restrictions on other foreign-based service providers or investors, Canadian companies and investors will automatically receive the same preferential treatment. It also ensures that if South Korea provides additional flexibility to goods from other countries on many regulatory matters, including, notably, standards and taxes pertaining to vehicles and parts, Canadian goods would automatically be granted the same flexibility.

## Canada-Korea Free Trade Agreement is a gateway to Asia

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*"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

## What does the Canada-Korea Free Trade Agreement cover?

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The Canada-Korea Free Trade Agreement will cover virtually all aspects of Canada-South Korean trade, including trade in goods and services, investment, government procurement, non-tariff barriers, environment and labour cooperation, and other areas of economic activity.

Canada has successfully negotiated an agreement that puts Canadian companies on a level playing field against key competitors who already enjoy preferential access to the South Korean market. The Agreement also opens market access for Canadian exporters and investors by removing non-tariff barriers that hinder trade. The Agreement will offer Canadians greater temporary-entry commitments

than those enjoyed by South Korea's other free trade agreement partners, helping to facilitate the movement of business persons between the two countries.

*"The Canada-Korea FTA is a pivotal agreement for Canada. South Korea is one of the world's fastest-growing advanced economies, and this agreement is a watershed in Canada's efforts to forge closer economic ties with the Asia-Pacific region. This deal, and others like it, is essential if Canada is to sustain a high quality of life for its citizens by seizing new sources of export growth and opportunities for international trade and investment."*

The Honourable John Manley, President and CEO, Canadian Council of Chief Executives

*"During my visit to South Korea last fall, I saw first-hand how Canadian companies were losing their footing in the market to competitors from other countries. Some were even making the difficult choice to shut down their marketing offices. A free trade agreement between Canada and South Korea will help our businesses and increase growth opportunities across many industries: agri-food, aerospace, infrastructure, energy, chemicals, forestry, financial services—the list goes on. Reducing and eliminating trade and investment barriers to this market will boost exports and create new jobs for Canadians."*

The Honourable Perrin Beatty, President and CEO, Canadian Chamber of Commerce

*"Asia's rich markets are the next frontier for Canada in our quest to eliminate tariffs and non-tariff barriers to trade and investment. Canada's free trade agreement with South Korea will be the first step in gaining much more open access for Canadian exports. This agreement should make Canada an even more attractive destination for investors and*

*manufacturers, create jobs and opportunities for Canadians and level the playing field for Canadian businesses, making them more competitive on the global stage."*

Jayson Myers, President and CEO, Canadian Manufacturers & Exporters

*"I.E. Canada believes strongly that the liberalization of trade benefits the Canadian economy. An FTA with South Korea will create new opportunities and secure market access for our members. Establishing free trade with South Korea puts Canadian businesses on an equal footing with some of their global competitors, particularly the United States and the European Union, with whom the country has already established FTAs. Formalizing our relationship with South Korea ultimately provides Canada with another opportunity to expand our commercial presence and create critical growth in new markets."*

Joy Nott, President, Canadian Association of Importers and Exporters (I.E. Canada)

*"Canada's small and medium-sized businesses [SMEs] have always supported freer trading arrangements with other countries, provided the right conditions are in place. CFIB surveys show that high tariffs and navigating through the rules of different countries are two of the most difficult trade barriers faced by small businesses. By addressing these challenges, the Canada-Korea Free Trade Agreement will give Canadian entrepreneurs better access to the South Korean market, which can serve as a launching pad for getting into the giant Asian market. This agreement is great news for Canada's SMEs."*

Dan Kelly, President and CEO, Canadian Federation of Independent Business (CFIB)

PART ONE  
TRADE IN GOODS

For over half a century, Canada and South Korea have enjoyed a stable trading relationship. Today, South Korea is Canada's seventh-largest merchandise trading partner and its third-largest in Asia, after China and Japan. The Canada-Korea Free Trade Agreement will take this relationship to the next level, opening new markets to Canadian exporters and generating jobs and opportunities in every province and territory, benefiting Canadians from coast to coast to coast.

The chapters covering trade in goods make up the longest and most extensive section of the Agreement. These chapters address measures that have a direct impact on merchandise trade and are felt at the border, such as tariffs and customs procedures, as well as those that are felt "behind the border"—such as product certification and technical standards—that can distort or restrict trade or otherwise add costs or uncertainty for businesses looking to increase sales.

## Market access for goods

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The Canada-Korea Free Trade Agreement's most visible benefit is the ambitious obligation undertaken by Canada and South Korea to eliminate tariffs. Tariffs are taxes levied at the border that have the effect of increasing the costs to consumers of imported goods. These tariffs are applied to "tariff lines," where each line corresponds to a specific product. Tariffs can be very high, making imported goods uncompetitive in the market.

On the first day the Agreement comes into force, South Korea will remove duties on 81.9 percent of tariff lines and Canada will remove duties on 76.4 percent of tariff lines. Once the Agreement is fully implemented, South Korea will remove duties on 98.2 percent of tariff lines and Canada will remove duties on 97.8 percent of tariff lines. As average South Korean tariffs are three times higher than Canada's (13.3 percent vs. 4.3 percent), tariff

elimination will be particularly advantageous for Canadian businesses exporting to the South Korean market. For Canadian consumers, the elimination of tariffs under the Agreement stands to reduce the cost of imported products and expand choices for them that are increasingly cost-competitive.

The Canada-Korea Free Trade Agreement will protect against other kinds of restrictive trade measures that could reduce or nullify the market access gained through the elimination of tariffs. For example, the Agreement contains strong provisions on non-tariff measures, backed by fast and effective dispute settlement, to ensure that market access gains are not undermined by unjustified trade barriers.

## Non-agricultural goods

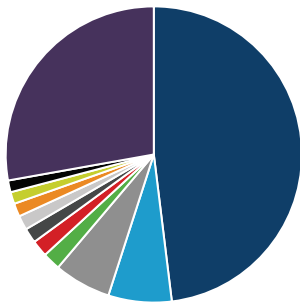
### Canada-Korea Free Trade Agreement highlights

- Once the Agreement is fully implemented, duties on all non-agricultural goods will be eliminated, including on industrial goods, fish and seafood products, and forestry and value-added wood products.
- Upon entry into force, 90.2 percent of non-agricultural tariff lines on Canadian products will be duty-free; 100 percent of non-agricultural tariff lines will be duty-free within 12 years, covering 10,307 tariff lines.

### Opening markets for industrial goods

Canada is a nation endowed with a wealth of natural resources and people with the creativity and skill to turn them into a wide range of industrial goods. Canada's industrial goods capacity comprises a wide range of sectors, including aerospace, automobiles, medical-testing equipment, industrial machinery and chemicals and plastics. If something can be manufactured, chances are a Canadian is producing it or working on ways to improve it. In 2012, roughly 1.8 million Canadians were employed in this sector.

Top industrial goods exports from Canada to South Korea  
(2010-2012 annual average)  
(value in millions of Canadian dollars)



- Bituminous coal, 1,386.4
- Copper ores, 199.4
- Aluminum (alloyed and non-alloyed), 179.7
- Nickel oxide sinters, 56.2
- Fertilizer, 52.2
- Uranium, 47.1
- Zinc ores, 45.3
- Airplanes, 41.8
- Unwrought nickel, 37.5
- Pulley tackle and hoist parts, 37.1
- Other, 802.4

### Trade snapshot

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada's industrial sector by eliminating tariffs on all Canadian exports of industrial goods. In 2012, Canada's exports of industrial goods to South Korea were worth \$2.6 billion, representing 70 percent of Canada's total exports to South Korea. In 2012, South Korea imported approximately \$491.4 billion worth of industrial goods.

The Canadian market is already largely open to global imports, including those from South Korea. Mutual tariff elimination will help make Canadian exports more price competitive with South Korean domestic production. The Canada-Korea Free Trade Agreement will also help Canadian exporters maintain a competitive footing with major competitors who have already implemented a free trade agreement with South Korea, such as the United States and the European Union.

### Canada-Korea Free Trade Agreement highlights

- Upon the Agreement's entry into force, more than 95 percent of South Korea's tariff lines for industrial goods will be duty-free.
- A further 4.2 percent of tariff lines will become duty-free within five years, while the remaining 0.1 percent will be duty-free within 10 years.

For more details on tariffs, please consult the Appendix.

### Metals and minerals

Canada, one of the most resource-rich countries in the world, is a global giant in mineral exploration and mining, producing more than 60 minerals and metals in Canada and operating in 100 countries around the world. The metals and minerals industry is a significant driver of economic growth, contributing close to \$144.1 billion to Canada's GDP in 2012. This sector employs more than 387,000 Canadians, creating employment opportunities from coast to coast to coast.

### Trade snapshot

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada's metals and minerals sector by eliminating tariffs on all Canadian exports, including aluminum, iron, steel, nickel, non-ferrous metals, precious gems and metals, and other mineral products. In 2012, Canada's exports to South Korea were worth \$1.8 billion, representing 49 percent of Canada's total exports to South Korea.

### Canada-Korea Free Trade Agreement highlights

- Upon the Agreement's entry into force, 98.7 percent of tariff lines on metals and minerals will be duty-free and all remaining tariffs will be eliminated within five years (current duties of up to 8 percent).

- Products of export interest include unwrought and unalloyed aluminum, aluminum alloys, unwrought nickel, nickel powders, certain ferro-alloys, and cobalt powder.

*“The Canadian mining industry welcomes the new free trade agreement with South Korea, which is a key market for Canada’s mineral and metal exports. The industry’s ability to compete globally relies on having access to emerging markets and on the free flow of goods and capital. We strongly support this most recent milestone of the Canadian government’s active trade agenda.”*

Pierre Gratton, President and CEO, Mining Association of Canada

## Aerospace

Aerospace is critical to Canada’s economy, consistently ranking as one of the country’s top manufacturing sectors. Over 80 percent of the sector’s output is exported, and in 2012, aerospace revenues in Canada exceeded \$22 billion. Directly and indirectly, aerospace employs 170,000 Canadians. Aerospace is also Canada’s largest exporter of leading-edge technology—ranked third worldwide in civil aircraft production.

### Trade snapshot

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada’s aerospace sector by eliminating tariffs on all Canadian exports upon entry into force. Canada’s aerospace exports to South Korea were worth an average of \$74.5 million annually between 2010 and 2012. Over the same period, South Korean aerospace imports were worth an average of approximately \$3.9 billion annually.

## Canada-Korea Free Trade Agreement highlights

- Upon the Agreement’s entry into force, 100 percent of tariff lines will be duty-free (current duties of up to 8 percent).
- Products of export interest include turbo propellers, turbo jet and propeller parts, and ground-flying training equipment.

*“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

## Chemicals and plastics

Canada has a thriving, multi-billion-dollar chemicals and plastics industry. The sector employed close to 110,000 Canadians in 2012 and contributed \$12.4 billion to the Canadian economy. The industry produces inorganic and organic chemicals and resins and plastic packaging, with some 55 percent of production exported abroad.

### Trade snapshot

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada’s chemicals and plastics industry by eliminating tariffs on all Canadian exports. Canada's exports of plastics to South Korea were worth an average of \$17.7 million annually between 2010 and 2012 while South Korean imports were worth an average of approximately \$10.6 billion annually. Over



the same period, Canadian exports of chemical products were worth an average of \$91.5 million annually while South Korean imports of chemical products were worth an average of approximately \$27.8 billion annually. There is great potential for the expansion of exports.

### **Canada-Korea Free Trade Agreement highlights**

- 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 (current duties of up to 8 percent).
  - Products of export interest include ethylene glycol, germanium oxides and carbides and catalysts.
- 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 (current duties of up to 8 percent).
  - Products of export interest include ethylene polymers, polyamides and self-adhesive flat plastics.

*"The Chemistry Industry Association of Canada [CIAC] congratulates the federal government for completing the Canada-South Korea trade deal. CIAC members depend on international markets to thrive and grow, and the recent improvements in market access for Canadian products will make a difference. This deal with South Korea, along with the government's ongoing Asia-Pacific focus, is improving the competitiveness of Canada's chemistry industry within global value chains."*

Richard Paton, President and CEO, Chemistry Industry Association of Canada

### **Life sciences**

The Canadian life sciences sector is an important contributor to Canada's innovation economy, and is engaged in creating the medical innovations that will improve health-care delivery and patient care in Canada and abroad. The Canadian industry spans the research-development-manufacturing continuum. Industry players include small and medium-sized companies developing diagnostics, biopharmaceuticals, pharmaceuticals and medical devices, as well as global companies with research, development and manufacturing operations in Canada, serving both domestic and international markets. In 2013, the manufacturing portion of the pharmaceutical sector alone employed 27,000 people.

### **Trade snapshot**

Canadian exports of medical devices to South Korea were worth an average of \$24.5 million annually during 2010 to 2012, while South Korean medical devices imports were worth an average of approximately \$3.8 billion. During the same period, Canada's exports of pharmaceuticals to South Korea were worth an average of \$17 million annually, while South Korean pharmaceuticals imports were worth an average of approximately \$4 billion annually. The Agreement will create new opportunities for enhancing the market presence of Canadian exporters in the life sciences sector by eliminating tariffs on all Canadian exports.

### **Canada-Korea Free Trade Agreement highlights**

- 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 (current duties of up to 8 percent).
  - Products of export interest include antibiotics, certain other medicines and anti-tuberculosis medications.

- Medical devices
  - Upon the Agreement’s entry into force, 88 percent of tariff lines will be duty-free.
  - Tariffs on diagnostic/laboratory reagents, medical apparatus parts, thermometers—current duties of up to 50 percent—will be eliminated within 10 years.

*“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

## Information and communications technology

Canada’s information and communications technology (ICT) industry includes leaders in every sector, from the manufacturing of telecommunications equipment, to software development and services, to digital media and microelectronics. The sector, consisting mainly of small enterprises, contributed \$8.3 billion to Canada’s GDP in 2012. ICT companies in Canada employ some 86,500 Canadians in a knowledge-intensive industry that boasts world-class high-tech manufacturing capabilities.

### Trade snapshot

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada’s information and communications technology sector by eliminating tariffs on all Canadian exports upon entry into force. In 2012, Canada’s ICT exports to South Korea were worth \$95.5 million, representing 2.6 percent of Canada’s total exports to South Korea.

## Canada-Korea Free Trade Agreement highlights

- Upon the Agreement’s entry into force, certain cameras, transmission apparatus parts, electrical conductors—with current duties of up to 13 percent—will be duty-free.

## Textiles and apparel

The textiles and apparel industries have long been an important part of Canada’s economy. In 2011, 36.6 percent of manufacturing shipments in the textiles and apparel sector was exported, and in 2012, gross domestic product from textiles, apparel and leathers totalled \$2.7 billion. In 2012, textiles employed 17,833 Canadians while clothing employed 22,200.

### Trade snapshot

Upon entry into force, the Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada’s textiles and apparel sector by eliminating tariffs on almost all of Canada’s exports. In 2012, Canada’s textiles and apparel exports to South Korea were worth \$18.2 million. Between 2010 and 2012, South Korean imports of textiles and apparel goods from around the world were worth an average of \$10.7 billion annually. The Agreement will provide additional export opportunities for Canadian textiles and apparel producers.

## Canada-Korea Free Trade Agreement highlights

- Upon the Agreement’s entry into force, 99.8 percent of tariff lines will be duty-free (current duties up to 13 percent); these lines include high-tenacity yarn (current tariff of 8 percent), cotton wadding (current tariff of 8 percent) and textiles for technical uses (current tariff of 8 percent).



*“The Canadian Apparel Federation applauds the Government of Canada’s achievement of a free trade agreement with South Korea featuring very progressive rules of origin. As a fast-growing economy and market of increasingly affluent consumers, South Korea has real potential for Canadian apparel exporters. In addition, we look forward to the government moving forward to conclude trade agreements with other priority markets in Asia, such as Japan.”*

Elliot Lifson, President, Canadian Apparel Federation

## Fertilizer

The Canada-Korea Free Trade Agreement will improve market access opportunities for Canada’s fertilizer sector by eliminating tariffs on all Canadian exports. Canadian fertilizer exports to South Korea were worth an average of \$53 million annually between 2010 and 2012. Over the same period, South Korean fertilizer imports were worth an average of \$1.4 billion annually.

### Canada-Korea Free Trade Agreement highlights

- While the majority of Canada’s existing exports are already duty-free, Canada will gain improved access through the Agreement. Of the tariff lines with duties, 93.6 percent will become duty-free immediately, and the remainder will become duty-free within five years for certain nitrogenous, potassic and phosphatic fertilizers as well as fertilizers containing two or more of these elements.

## Natural gas

While Canada does not currently export liquefied natural gas to South Korea, the Canada-Korea Free Trade Agreement will provide Canadian exporters with duty-free access on their products, which will become increasingly important as Canada’s energy trade matures.

### Canada-Korea Free Trade Agreement highlights

- Upon the Agreement’s entry into force, liquefied natural gas—with current duties of 3 percent—will be duty-free.

### Industrial goods: 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 Canada-Korea Free Trade Agreement will also include a mechanism that will allow a party to the Agreement to raise concerns with the standards-related measures of the other party, with the goal of minimizing or eliminating their impact on trade. Both 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 Canada’s exports.

### Reaping the benefits

Canadian businesses stand to gain considerably when all tariffs on industrial goods are eliminated within 10 years. The Canada-Korea Free Trade Agreement will help secure Canada’s competitive position and will level the playing field in this major Asian market, where our competitors—such as the United States and the European Union—are already enjoying preferential access.

## Opening markets for forestry and value-added wood products

Canada's forestry industry contributes substantially to the Canadian economy. By value, Canada is the world's leading exporter of newsprint and wood pulp and the fifth-largest exporter of wood panels. In 2012, the sector contributed \$20.2 billion to Canada's GDP and employed some 235,000 Canadians, most of them in jobs that tend to be highly skilled.

Most of Canada's wood is turned into value-added products that sell around the world. The Canada-Korea Free Trade Agreement will provide enhanced market access for value-added products such as lumber, plywood and oriented strand board. As a result of increased demand for these products, and given the multiple value-added steps throughout the production process, benefits will be felt throughout the entire sector.

### *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.

### **Trade snapshot**

The forestry products sector encompasses wood products, including such products as cork and

basketwork, and pulp and paper. The Canada-Korea Free Trade Agreement will provide a significant advantage for Canadian wood and forestry producers and exporters looking to expand market opportunities in South Korea. While all South Korean pulp and paper tariff lines and the majority of other forestry product tariff lines are duty-free on a most-favoured-nation (MFN) basis, South Korean wood tariff lines have significant tariffs, as high as 10 percent, which present a competitive disadvantage for Canadian exporters.

Canada exported \$503.8-million worth of wood and forestry products to South Korea in 2012, representing 13.8 percent of Canada's total exports to that country. Canadian wood exports to South Korea were worth an average \$171.1 million annually between 2010 and 2012. In 2012, South Korea ranked fourth as an export destination for Canadian wood products, and in the same year the country's overall imports of wood products were worth \$2.5 billion.

Wood and forestry products of key export interest to Canada, including spruce, pine and fir lumber, oriented strand board, Western hemlock lumber, wood beams and arches, and red cedar lumber, currently face tariffs ranging from 5 percent to 8 percent.

### **Canada-Korea Free Trade Agreement highlights**

- Under the Canada-Korea Free Trade Agreement, all South Korean tariffs on forestry and value-added wood products will be eliminated. Current duties average 2.9 percent, with tariff peaks of up to 10 percent.
- Upon the Agreement's entry into force, over 57 percent of tariff lines for wood and forest products will be duty-free, while a further 13.1 percent will become duty-free within three years.
- Duties on the remaining tariff lines of Canada's exports will be eliminated within 10 years.

For more details on tariffs, please consult the Appendix.

This outcome on wood and forestry products will provide Canada with market access commensurate with that obtained by the United States under KORUS.

With Canada's current capacity to export to Asian markets, and the removal of South Korea's tariffs on these products, the Canada-Korea Free Trade Agreement will provide the Canadian forestry sector with new market access, offering diversification and export opportunities to Canadian industry.

### **Beyond tariffs**

The Canada-Korea Free Trade 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. This 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 Canada-Korea Free Trade Agreement also establishes various institutional mechanisms of relevance for this sector. For instance, the Agreement creates a subcommittee on trade in forest products that will facilitate addressing any issues related to trade in forest products. The Agreement also provides for 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 products and is one of the top exporters of these products worldwide. Canadian producers and exporters of forestry products already have the capacity to export to Asian markets. The Canada-Korea Free Trade Agreement will create new opportunities to further develop existing and new markets in South Korea.

*“South Korea is now the fourth-largest market for the Canadian forest products industry and an important target country as we push to export more into the Asia-Pacific region. This free trade deal targets existing tariff and non-tariff barriers on our forest products sales to South Korea, and as such will help us reach our sector's ambitious Vision2020 goal of an additional \$20 billion in economic activity from new products and markets by the end of the decade.”*

David Lindsay, President and CEO, Forest Products Association of Canada

## Opening markets for fish and seafood products

Canada is surrounded by the Arctic, Atlantic and Pacific oceans and is home to the Great Lakes. Canada has one of the world's most valuable commercial fishing industries, which contributed more than \$2.2 billion to Canada's GDP in 2012 and provided some 41,000 jobs to Canadians in everything from fishing to aquaculture. The industry is the economic mainstay of approximately 1,500 communities in rural and coastal Canada. The sector makes Canada the world's seventh-largest exporter of fish and seafood products, exporting an estimated 73 percent, by value, of its fish and seafood production.

With a significant share of its global exports of fish products going to China, Japan and Hong Kong (ranked second, third and fourth by market share, respectively), Canada has a demonstrated capacity to export to Asian markets. These markets accounted for 20.3 percent of Canada's global fish exports in 2012.

### Trade snapshot

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.

In 2012, South Korea ranked ninth as an export destination for Canadian fish and seafood products. While Canada's fish and seafood exports to South Korea were worth only \$44.8 million in 2012, Canada has significant export capacity in this sector, with global exports worth \$4.2 billion in 2012. In 2012, South Korea imported approximately \$1.5-billion worth of fish and seafood.

## 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 were worth an average of \$16.9 million annually between 2010 and 2012 and accounted for nearly 37 percent of Canada's total seafood exports to South Korea 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 for Canadians with South Korea's current FTA partners.

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*"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 thousands of people it employs in Atlantic Canada."*

Geoff Irvine, Executive Director, Lobster Council of Canada

## Canada-Korea Free Trade Agreement highlights

- Under the Canada-Korea Free Trade Agreement, all South Korean tariffs on fish and seafood products will be eliminated. Products that will benefit from immediate tariff elimination include lobster (frozen) and Pacific and Atlantic salmon (fresh, chilled and smoked), which currently have duties of up to 20 percent.
- Nearly 70 percent of fish and seafood tariff lines will be duty-free within five years of the Agreement's entry into force and all remaining duties will be eliminated within 12 years.
- The Agreement will eliminate South Korea's average tariff of 16.5 percent in this sector, which includes tariff peaks as high as 47 percent.
- This outcome on fish and seafood products will provide Canada with market access commensurate with (and for key products such as lobster, better than) that obtained by the United States under KORUS.

For more details on tariffs, please consult the Appendix.

### Beyond tariffs

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

Under the Canada-Korea Free Trade 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

Market access obtained under the Canada-Korea Free Trade Agreement will help level the playing field with Canada's key competitors from countries that

already have free trade agreements with South Korea, such as the United States, the European Union, Norway and Chile, and facilitate the expansion of Canadian exports to South Korea's growing market.

### ***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 average 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



## Opening markets for 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 Canada-Korea Free Trade 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 composed of vehicle manufacturers and the various automotive parts suppliers that make up the value chain.

In 2012, South Korea imported \$48.5-million worth of motor vehicles with engine sizes over 1.0 L (2,023 vehicles) and \$35.9-million worth of automotive parts from Canada.

### Canada-Korea Free Trade Agreement highlights

- 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 faster than that provided to our 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); and
  - all automotive parts (tariffs ranging from 3 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 the Canadian industry.

For more details on tariffs, please consult the Appendix.

### Beyond tariffs

Under the Canada-Korea Free Trade Agreement, Canada has ensured that Canadian vehicle manufacturers can continue to export vehicles to South Korea built to key U.S. safety standards. South Korea had accepted the practice under a regulation that could be repealed at any time, but the Agreement means that the flexibility will be locked in for Canadian manufacturers.

The equivalency provisions in the Agreement will give Canadian automakers preferential access to the South Korean market for cars built to key U.S. safety standards (as most Canadian manufacturers currently do) or EU safety standards (as is necessary to export vehicles to the European Union and to many other markets) and will not be subject to any numerical limits. This will ensure that vehicles manufactured in Canada for export to the EU market can be shipped to South Korea on the same basis as vehicles manufactured in the European Union. Combined, these outcomes will provide Canadian vehicle manufacturers with additional flexibility to build for the global marketplace.

## Overview of auto provisions in the Canada-South Korea FTA

The Canada-Korea Free Trade Agreement's automotive provisions feature robust outcomes across many areas, including tariffs, non-tariff issues, standards-related measures, specialized dispute settlement procedures and safeguard provisions to protect against import surges.

The Agreement secures Canada's position in the South Korean automotive products market, where competitors such as the United States and the European Union already benefit from preferential access as a result of their respective free trade agreements.

The Agreement's outcome on automotive products will re-establish a level playing field in the South Korean market by providing comparable and in some cases stronger outcomes than those found in South Korea's other free trade agreements. The Agreement's key automotive-sector features include:

- **Tariffs:** South Korea's 8-percent auto tariff will be eliminated immediately upon the Agreement's implementation while Canada's lower, 6.1-percent tariff on imports of South Korean passenger vehicles will be phased out in three annual cuts.
- **Rules of origin:** The Agreement includes rules of origin for vehicles that provide Canadian vehicle manufacturers with the ability to source inputs from the United States and still benefit from the Agreement when exporting their vehicles to South Korea. Neither KORUS nor the EU-Korea FTA provides such "cumulation". The thresholds and methodologies for origin content will ensure that the rules of origin under the Canada-Korean Free Trade Agreement can be met by all Canadian manufacturers without volume limits.
- **Accelerated dispute settlement:** The specialized dispute settlement provisions in the Agreement will ensure that any dispute related to motor vehicles will be dealt with as quickly as in KORUS and on a faster timeline than in the EU-Korea FTA. Furthermore, the Canada-Korea Free Trade Agreement's accelerated dispute settlement procedures are permanent, whereas the equivalent KORUS provisions can expire after 10 years.
- **Transitional safeguards:** The Agreement includes safeguard provisions equivalent to those found in KORUS for motor vehicles, and extends these provisions to all products, as in the case of EU-Korea FTA. An unprecedented element of the provisions is the ability to introduce a safeguard measure and not pay any compensation to the other Party for the first two years.
- **Internal taxes:** The Agreement's MFN provision ensures that Canada benefits not only from existing KORUS provisions but also from any future improvements to the South Korean internal taxation regime for motor vehicles and automotive parts made for any third party. This represents a KORUS-plus outcome for Canada.
- **Emissions and fuel economy standards:** The Agreement's outcome ensures that Canada will benefit, now and in the future, from the best treatment that South Korea provides to any other trading partner. This will ensure full protection for Canadian automakers in the future, and represents a KORUS-plus outcome for Canada.
- **Safety standards:** The equivalency provisions in the Agreement will give Canadian automakers preferential access to the South Korean market for cars built to key U.S. safety standards (as most Canadian manufacturers currently do) or EU safety standards (as is necessary to export vehicles to the European Union and to many other markets) and will not be subject to any numerical limits, as is the case under KORUS. Provisions on new vehicle technologies and compliance testing procedures will also help to facilitate access to the South Korean market.

Canada-Korea Free Trade Agreement also includes most-favoured-nation obligations that cover vehicle emissions and fuel economy regulations, as automotive parts. The MFN obligations will ensure that any additional benefits on these issues granted by South Korea to any other trading partner will automatically be extended to Canada.

In addition, the Agreement includes rules of origin that reflect Canada's place within the integrated North American automotive industry. This will allow Canadian-manufactured automobiles to benefit from the preferential tariff treatment with South Korea while preserving the ability of manufacturers to source automotive parts from the United States.

The Canada-Korea Free Trade Agreement also provides Canada with accelerated dispute settlement procedures in the event that South Korea fails to comply with its Agreement obligations. This means that any disputes related to motor vehicles, should they arise, would be dealt with more quickly than disputes concerning other products and ensure that Canadian vehicles continue to benefit from preferential access in the South Korean market.

### Reaping the benefits

Canadian producers and exporters of automotive products already have the capacity to export to Asian markets. The Canada-Korea Free Trade Agreement will create new opportunities to further develop existing and new markets in South Korea and the Asia-Pacific region.

Market access obtained under the Agreement will help level the playing field for Canadian manufacturers competing with key manufacturers from the United States or the European Union that already have free trade agreements with South Korea.

## Agricultural products

Canada's agricultural (crops and animals) and agri-food (food and beverages) sector is one of the most dynamic in the world and is renowned as a reliable

supplier of safe, high-quality products. The Canada-Korea Free Trade Agreement will result in significant benefits to Canadian exporters through the elimination of South Korean tariffs on a wide range of agricultural products.

## Opening markets for agricultural and agri-food products

The agricultural and agri-food sector employed more than 585,000 people in 2012, accounting for close to 3 percent of Canada's GDP. In the same year, Canada was the world's fifth-largest exporter of agricultural and agri-food products. More than one third of Canadians employed in the sector work in the processing segment of the industry, turning raw ingredients into processed foods, ready-to eat meals, beverages, nutritional supplements and a wide range of other products.

*"The benefits from an FTA with South Korea are real and substantive for our country's national and provincial economies. In the agri-food industry, we directly employ more than half a million Canadians and represent 80 percent of Canada's agriculture and agri-food exports. The food processing sector is the largest manufacturing employer in Canada, and a Canada-Korea FTA creates tremendous opportunities for our members and the Canadians they employ."*

Lisa Skierka, President, Canadian Agri-food Trade Alliance

### Trade snapshot

Canada's annual agricultural exports to South Korea were worth an average of \$708 million from 2010 to 2012, led by wheat, pork and pork offal, hides, skins and furs, refined and crude canola oil, malt and prepared foods.

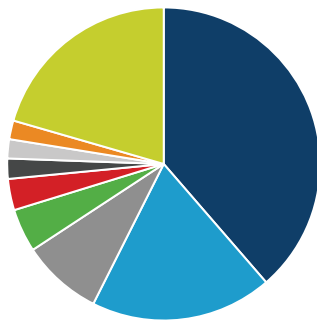
Canada will benefit from expanding exports of these and a wide variety of other products, including meats, grains, oilseeds and pulses.



Canadian agricultural exports to South Korea currently face high tariff rates, which averaged 52.7 percent in 2012.

Canada’s access to South Korea’s beef market was restored in January 2012 when South Korea lifted a ban on Canadian beef that had been imposed over concerns of bovine spongiform encephalopathy (BSE). While beef exports to South Korea remain relatively low, the Canada-Korea Free Trade Agreement will enable Canada to rebuild its presence in this important export market.

Top agricultural exports from Canada to South Korea  
(2010-2012 annual average)  
(value in millions of Canadian dollars)



- Wheat, 273.6
- Frozen, fresh and chilled pork, 133.0
- Canola oil, 59.0
- Raw mink fur skins, 31.7
- Food preparations, 22.9
- Unroasted malt, 14.8
- Hides and skins (bovine), 14.0
- Animal and vegetable fats and oils, 13.7
- Other, 145.3

## New access for world-class Canadian potatoes

Prince Edward Island’s diverse agricultural and agri-food sector is central to the rural way of life for many Islanders. P.E.I. is the largest potato-producing province in Canada, growing one-quarter of the potatoes in the country.

Prince Edward Island’s exports of potato products to South Korea reached almost \$1.7 million in 2012. Current South Korean duties range from 18 percent to 304 percent for potato products.

The Canada-Korea Free Trade Agreement will provide for tariff elimination on most potato products, helping to level the playing field with South Korea's current FTA partners.

*“As a leading processor of frozen potato products, we believe a free trade agreement between Canada and South Korea presents a golden opportunity for us to grow our presence in the South Korean market, and in the Asia-Pacific region as a whole. Free trade helps to support our industry, the workers we employ and the sale of the high-quality products that we’ve been producing for more than 30 years.”*

Vince Taddeo, VP International, Cavendish Farms

## Canada-Korea Free Trade Agreement highlights

- The Agreement will provide increased market access for Canada’s key agricultural export interests, ensuring that Canadian producers are on a level playing field with major competitors in the South Korean market. The Agreement will result in the elimination of tariffs on 86.8 percent of agricultural tariff lines.

- This duty-free access will give Canadian agricultural products, including beef, pork, canola and grains, preferential access to the South Korean market and will put Canada on a level playing field with South Korea's current free trade agreement partners.

For more details on tariffs, please consult the Appendix.

*“The Canada-Korea FTA will be critical to future growth of the Canadian pork industry, 70 percent of which is dependent on export markets.”*

Jean Guy Vincent, Chair, Canadian Pork Council

*For the past few years, Canada's key beef competitor, the United States., has enjoyed an increasing tariff advantage flowing from its FTA with South Korea, and Australia is poised to do likewise through its recent agreement with Korea. Their gain has been our loss. This announcement means Canadian beef will be able to compete for meaningful access in the South Korean market.”*

Martin Unrau, Past President, Canadian Cattlemen's Association

## ***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 exporters of 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 KORUS and Korea-EU FTA.

Canada's share of South Korean fresh, chilled and frozen pork imports dropped from 14.2 percent in 2010 (i.e., before the implementation of the KORUS and Korea-EU free trade agreement) 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 vis-à-vis 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.

## Processed food

### Trade snapshot

Transforming agricultural commodities into food and beverages is an important part of Canada's agricultural and agri-food industry, and a key manufacturing sub-sector. In 2012, the food processing industry contributed \$26.5 billion to Canada's GDP. Canadian processors across the country transform primary agricultural goods into value-added products that are consumed, sold and enjoyed around the world. In 2012, annual Canadian exports of manufactured food and beverages to South Korea averaged \$45.5 million.

### Canada-Korea Free Trade Agreement highlights

- Currently, Canadian exports of processed food products and beverages face high South Korean tariffs. For example, South Korean tariffs for frozen french fries are at 18 percent. The Agreement will eliminate many of the existing South Korean tariffs on processed foods and beverages—including maple syrup, baked goods, sugar confectionery, and chocolate and food preparations containing cocoa—making these world-class items more competitive and creating the conditions for increased sales into South Korea. Tariff elimination will directly benefit Canada's processed food and beverages sector across the country by generating more jobs, higher wages and greater long-term prosperity.

For more details on tariffs, please consult the Appendix.

*"This agreement is a major win for Canada's agri-food industry. It restores a level playing field and unlocks strong growth opportunities in an affluent South Korean market for high-quality Canadian pork and other agri-food exports. We strongly encourage the government to implement it promptly."*

Michael McCain, President and CEO, Maple Leaf Foods

### New opportunities for Canadian pork producers

Conestoga Meat Packers, through a co-operative of 150 southern Ontario family farmers, has been supplying the Canadian market with premium-quality fresh pork for more than 30 years. However, the company's endeavours to expand its business have been hindered by a lack of a free trade agreement between Canada and South Korea as this Asian country has been one of its most important markets, coveted by all major meat-exporting nations. South Korea has an import demand that exceeds \$2 billion for beef and pork products annually. When the free trade agreement is signed, the present tariff rates of 22.5 percent for fresh/chilled pork and 25 percent for frozen pork will be eliminated, giving Conestoga the opportunity of again being on an equal footing with its competitors. This agreement will allow for the company's continued growth—an integral component

## Wines and spirits

### Trade snapshot

The distilled spirits industry has a long history in Canada, and has traditionally made a significant contribution to the nation's economy. Canada's primary reputation, domestically and internationally, continues to be associated with the production of Canadian whisky, a distinctive rye-flavoured, high-quality beverage.

In terms of wines, Canada is recognized as a world-leader in the production of icewine. Forty-five percent of the country's wine export revenue is from icewine.

The Canada-Korea Free Trade Agreement will significantly improve market access opportunities for Canada's wines and spirits sector by eliminating tariffs of up to 30 percent. In 2012, Canadian exports of wines and spirits to South Korea were worth \$2 million, represented mostly by exports of icewine.

### **Canada-Korea Free Trade Agreement highlights**

- Upon the Canada-Korea Free Trade Agreement's entry into force, duties on rye whisky (current duties of 20 percent) and icewine (current duties of 15 percent) will be eliminated. The Agreement will also commit South Korea to protecting the terms "Canadian whisky" and "Canadian rye whisky" as geographical indications, ensuring that they remain exclusive to Canadian producers.

For more details on tariffs, please consult the Appendix.

*"International exports of Canadian spirits are critical to the financial health of our spirits industry, and it is essential that Canada continues as a leader in trade liberalization in beverage alcohol. Each bottle of spirits exported carries in it premium local cereal grains, whether barley, corn, rye or wheat, and is magically transformed into the highest quality vodka, liqueur or Canadian whisky. A Canada-South Korea free trade agreement is welcome news and provides significant new export opportunities for our industry."*

Jan Wescott, President and CEO, Spirits Canada

*"The Canadian wine industry is pleased to support the Government of Canada in its work to finalize negotiations for the Canada-Korea Free Trade Agreement. South Korea is an*

*important market for Canadian wine producers, as evidenced by the significant growth in the value of Canadian icewine exports, which increased nearly 25 percent between 2012 and 2013. With a successful FTA, the Canadian wine industry anticipates even stronger export growth in the coming years."*

Dan Paszkowski, President, Canadian Vintners Association

## **Furskins**

### **Trade snapshot**

Canadian raw furskin exports currently supply a significant share of the South Korean market. Between 2010 and 2012, Canadian exports of furskins were worth an average of \$32.5 million annually while, in the same period, South Korean imports were worth an average of \$145.1 million annually.

### **Canada-Korea Free Trade Agreement highlights**

- Upon implementation, the Canada-Korea Free Trade Agreement will immediately eliminate the 3-percent tariff on raw furskin exports to South Korea. This will provide Canadian furskin exporters with an opportunity to expand existing South Korean market share and allow Canadian companies to compete on a level playing field with their major competitors, such as those from the United States and the European Union.

For more details on tariffs, please consult the Appendix.

### **Beyond tariffs**

Sanitary and phytosanitary (SPS) measures are applied by governments to protect human, animal or plant life or health. These measures can have an impact on trade in agricultural and agri-food products. The Canada-Korea Free Trade Agreement includes a chapter that addresses SPS issues, in which Canada and South Korea agree to build on their shared commitments regarding the application of

WTO SPS measures. Under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (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 established a new bilateral SPS committee, through which experts can collaborate and consult on SPS measures to enhance cooperation and facilitate trade by discussing and resolving issues at an early stage. This will benefit Canadian agricultural 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 major 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. The Canada-Korea Free Trade Agreement will further develop this trade relationship.

The Canada-South Korea Free Trade Agreement will allow Canadian products to compete on a level playing field with other agricultural exporting countries that have concluded or implemented a free trade agreement with South Korea, including the United States, Australia and the EU member states.

Whether they produce soybeans in Ontario, wheat in the Prairies or pork in Quebec, farmers and processors across Canada will benefit from this agreement as it opens new markets in South Korea.

*"The Pet Food Association of Canada welcomes the Canada-Korea FTA and the improved market access it and other free trade agreements provide for Canadian pet food manufacturers looking to export Canada's high-quality pet food products abroad."*

Marty Wilder, Executive Director, Pet Food Association of Canada

### **Canadian canola products stand to benefit from the Canada-Korea Free Trade Agreement**

Colin is a third-generation farmer on the Prairies who produces cold-pressed canola oil for gourmet and specialty-food stores. He now exports his canola oil duty-free to the United States under the North American Free Trade Agreement. However, Colin's exports to Asia are hampered by tariffs imposed by key countries, including South Korea. Under the Canada-Korea Free Trade Agreement, current duties of 5 percent on crude and refined canola oils and of 10 percent on canola will be eliminated in South Korea, a growing market for canola oil producers.

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*"South Korea is an important market for canola, with annual sales ranging from \$60 million to \$90 million in recent years. Under the Canada-Korea Free Trade Agreement, we could significantly increase—even double—our exports to this market."*

Patti Miller, President, Canola Council of Canada

## National treatment and market access

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The national treatment and market access chapter of the Canada-Korea Free Trade Agreement protects against restrictive trade measures that could be applied and that could thus reduce or nullify the market access gained through the elimination of tariffs. An important feature of the chapter is that it will ensure that Canada and South Korea provide each other's goods with "national treatment" once they are in each other's markets—that is to say, in South Korea's market Canadian goods must be treated the same way as goods from South Korea. Aside from customs duties and other fees allowed by the WTO, no discriminatory taxes or charges may be levied against imported Canadian goods. This means, for example, that South Korea may impose a value-added tax—a form of consumption tax—on Canadian goods only if it imposes the same tax on South Korean goods.

### Canada-Korea Free Trade Agreement highlights

- National treatment
  - Under the Agreement, there is an obligation to ensure that goods are not subject to discriminatory treatment by the other party.
- Tariff elimination
  - Customs duties will be eliminated in accordance with each party's tariff phase-out schedule on originating goods traded between the parties. The parties have also agreed to a mechanism to permit mutually agreed acceleration of the tariff elimination schedule after the Agreement is implemented.

- Import/export restrictions
  - The Canada-Korea Free Trade Agreement will prohibit import and export restrictions, and export taxes and charges, except in accordance with the parties' obligations under the WTO Agreement and a list of exceptions provided for in the Canada-Korea Free Trade Agreement.
  - The Agreement includes a most-favoured nation clause on internal taxes and emissions regulations for motor vehicles and automotive parts. This MFN provision ensures that Canada will benefit from existing provisions in South Korea's other free trade agreements as well as from any future improvements to South Korean internal taxation and emissions regulations regimes for motor vehicles and automotive parts made for any third party.
- Institutional provisions
  - A committee will be created to address any issues related to trade in goods that may arise under the Canada-Korea Free Trade Agreement and to contribute to the effective operation of the Agreement, once implemented.
- Agriculture
  - Tariff rate quotas and administration: For certain products, Canada will benefit from preferential tariff treatment up to a predetermined limit (i.e. until the import access quantity has been reached).

For more details, please consult the Appendix.

### Rules of origin

Under a free trade agreement, only goods that "originate" in the parties' territories may benefit from preferential tariffs. It is therefore essential to have a method to determine a product's origin. For this reason, the Canada-Korea Free Trade Agreement, like other free trade agreements, includes product content rules, or "rules of origin." These rules specify how much production must occur in Canada and/or



South Korea for a product to be considered from (or “originating in”) one of the jurisdictions and therefore eligible for preferential Canada-Korea Free Trade Agreement tariff rates.

The Canada-Korea Free Trade Agreement, like all of Canada’s free trade agreements, includes specific rules of origin for all products. Rules of origin prevent Agreement benefits from accruing to countries other than Canada and South Korea (e.g. products that are simply transported through Canada to South Korea or vice-versa). The rules of origin allow Canadian companies to take advantage of the preferential access gained as a result of the Canada-Korea Free Trade Agreement.

### Canada-Korea Free Trade Agreement highlights

- The Agreement will provide for clear and simple rules of origin that reflect Canadian production realities and methods and minimize administrative burdens by:
  - allowing Canadian products to qualify for tariff elimination in South Korea;
  - recognizing the presence of global value chains; and
  - encouraging the use of Canadian inputs.
- Rules of origin for vehicles will enable Canadian vehicle manufacturers to benefit from unlimited preferential access in South Korea’s market and allow them to source key inputs from the United States—and still benefit from the Agreement when exporting their vehicles to South Korea.

For more details, please consult the Appendix.

### Origin procedures and trade facilitation

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*The process through which Canadian exporters get their products to South Korean buyers will be easier, faster and less costly.*

Customs officials play an integral role in ensuring that Canadians enjoy the benefits of free trade agreements. They have the responsibility of ensuring that only those goods that comply with rules of origin enter Canada at preferential duty rates and that Canadian goods entering South Korea receive the preferential treatment for which they qualify. Canada and South Korea share a desire to keep origin procedures simple, effective, clear and predictable, to facilitate trade and enable customs officials to do their jobs efficiently, without creating unnecessary barriers to trade.

### Canada-Korea Free Trade Agreement highlights

- Transparent and effective origin procedures to administer the rules of origin that promote compliance with the rules of origin, without creating unnecessary obstacles to trade.
- Access to advance rulings on the origin or tariff classification of products.
- Promotion of automated border procedures through the use of information technology in order to expedite procedures for the release of goods.
- An impartial and transparent system for addressing any complaints about customs rulings and decisions.

### Sanitary and phytosanitary measures

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*Ensuring early cooperation on food safety, animal and plant life and health strengthens the protection of Canadians while preventing misunderstandings that might restrict the free movement of goods.*

Sanitary measures help ensure that food is safe for consumers and aim to prevent the introduction or spread of animal diseases. Phytosanitary measures help prevent the introduction or spread of plant pests that could infest crops and trees. Sanitary and

phytosanitary measures are a critical subset of regulations that affect all Canadians. WTO rights and obligations help ensure that SPS measures, which governments use to regulate the protection of human, animal and plant life and health, are not used as a cover to unnecessarily restrict trade.

### Canada-Korea Free Trade Agreement highlights

- Affirmation of rights and obligations under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (WTO SPS Agreement);
- Establishment of a committee on SPS measures (SPS Committee), where SPS-related issues and concerns can be discussed by experts to facilitate trade, enhance bilateral cooperation and resolve issues at an early stage.
- Recognition of the importance of resolving SPS issues on the basis of science.
- Establishment of an effective SPS chapter, important for Canadian agricultural and agri-food, fish and seafood, and forestry exporters, to help ensure that market access gains are not undermined by unjustified SPS-related trade restrictions.

### Standards-related measures

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Tariffs affect the free flow of goods, as do other types of “non tariff” barriers. Standards-related measures, or technical barriers to trade—which can include technical regulations and various testing and certification requirements—can act as non-tariff barriers. While regulatory measures are important and often establish necessary safety measures, they can be problematic if they are discriminatory or overly burdensome.

### Canada-Korea Free Trade Agreement highlights

- Builds on the WTO Agreement on Technical Barriers to Trade and incorporates its substantive provisions to encourage greater transparency and cooperation between Canada and South Korea on standards-related measures, including on conformity assessment.
- Promotes the use of internationally accepted standards and quality management system guidelines in regulating medical devices and pharmaceutical products to facilitate safe bilateral trade in those products.
- Permits the establishment of a working group on building products, an important sector for Canada, to facilitate trade through cooperation and information sharing.
- Improves transparency on standards and regulatory development.
- Ensures that Canadian vehicle makers will be able to continue to export to South Korea vehicles built to key U.S. safety standards and that South Korea will accept Canadian-made vehicles built to various European safety standards.
- Includes a most-favoured nation provision for emissions regulations, which will ensure that Canada benefits from all current and any additional benefits granted by South Korea to any other trading partner.
- Establishes a committee at which standards-related concerns can be addressed and dealt with as quickly as possible.

### Trade remedies

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*Clear rules will support a transparent and fair trading environment between Canada and South Korea.*

Trade remedies are measures taken by governments to protect their domestic industries against unfair



pricing by foreign exporters and unfair subsidies provided by foreign governments. WTO rules and obligations govern the use of trade remedy measures and require a country to undertake a fair and transparent investigation before imposing a trade remedy, i.e. special duties to offset injury caused to the domestic industry. Canada and South Korea share a desire for strong provisions regarding notifications and the transmission of information on the relevant laws and procedures concerning domestic trade remedy investigations.

### **Canada-Korea Free Trade Agreement highlights**

- Reaffirms WTO rights and obligations for trade remedies.
- Recognizes certain practices in anti-dumping and countervail investigations, consistent with existing Canadian law and practice.
- Provides for additional consultation mechanisms to enable parties to exchange information and to discuss respective trade remedies laws, policies and practices that may be adversely affecting their interests.

## **Bilateral safeguards**

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In order to safeguard against serious injury to a domestic industry resulting from a surge in imports following a reduction in tariffs under the Canada-Korea Free Trade Agreement, the Agreement contains a trade remedies chapter that includes provisions allowing, in exceptional circumstances, for temporary tariff increases.

### **Canada-Korea Free Trade Agreement highlights**

- The bilateral safeguard provisions in the Agreement allow the parties to temporarily increase tariffs (up to the applied MFN rate) on a product when increased imports as a result of the

Agreement are causing, or threatening to cause, serious injury to a domestic industry.

- Recourse to a bilateral safeguard is governed by a number of substantive and procedural requirements that are intended to ensure that bilateral safeguards are not used as a barrier to trade, but rather are limited to use in legitimate situations of injury or threat thereof.
- A bilateral safeguard may be taken only during the transition period defined in the trade remedies chapter. The transition period for a given product is tied to the tariff phase-out period for that good (i.e. tariff elimination period plus 10 years, to a maximum of 15 years).
- The maximum duration of a bilateral safeguard action is four years.
- After the first 24 months of a safeguard measure, the party taking the measure must provide tariff-based compensation to the party against whose product the action is taken, or face retaliatory tariff measures.
- Measures may be applied on a provisional basis only in critical circumstances and in accordance with established procedural obligations.
- The Canada-Korea Free Trade Agreement includes safeguard provisions equivalent to those found in KORUS for motor vehicles, and extends these provisions to all products.

PART TWO  
SERVICES, INVESTMENT  
AND RELATED MATTERS

Trade is more than just the importation and exportation of goods. Ideas and expertise are also traded in the form of services and investment flows from one country to another, creating jobs and growth in both the originating and destination countries. Because of the importance of the investment and service industries to the Canadian and South Korean economies, the Canada-Korea Free Trade Agreement includes chapters that deal with these and a host of other related issues.

## Cross-border trade in services

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*Canadian service providers will have more business opportunities in South Korea.*

Service industries are vital to Canada's economy, accounting for more than 70 percent of Canada's GDP and employing three out of four working Canadians—more than 13.6 million people. Services differ from goods in that they involve economic activities based on the exchange of advice or expertise rather than tangible products. For example, a graphic designer uses his skills to design a logo for a new software company. The act of designing the logo for a software company is a service while the software itself is a good.

Canadians excel at providing knowledge-intensive, advanced services in such areas as engineering, architecture, information management, environmental protection and monitoring, mining and energy development. The Canada-Korea Free Trade Agreement will establish greater transparency and disciplines in the South Korean services market, resulting in better, more secure and predictable market access in areas of interest to Canada.

Today, Canada's service exports to South Korea—which include transportation, financial and travel services, and commercial services such as financial, management, engineering and other professional services—are worth more than \$750 million a year, and there is much potential for growth.

## Canada-Korea Free Trade Agreement highlights

- 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 provide 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 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 obligations 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 designed 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 result in improved 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 Canada-Korea Free Trade Agreement.

For more details, please consult the Appendix.

## Financial services

*Canadian financial services providers will enjoy new and better access to the South Korean market, while governments will be able to maintain protections to ensure the stability and integrity of the financial system.*

In Canada, the financial sector is a source of high-quality jobs, employing nearly three-quarters of a million Canadians. In 2012, exports of financial services were worth \$84 billion, accounting for one quarter of the financial sector's overall sales of \$327 billion.

Canada is a large and growing net exporter of financial services capital. Financial services companies are a major driver of Canada's international investment activity. In fact, in 2012, the sector accounted for 52.8 percent of Canada's total foreign direct investment stock abroad.

### Canada-Korea Free Trade Agreement highlights

- The Agreement's financial services provisions will help protect existing investments and encourage further competition in the financial services sector.
- Canadian financial service providers with investments in South Korea will benefit from enhanced investment protection and access in the South Korean market on par with the best treatment provided to any foreign companies.

### ***New opportunities for Canada's globally recognized financial services sector***

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

On the international stage, financial services comprise 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 that 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 for in the Agreement is on par with the best treatment provided to any foreign company, 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 the right of governments to regulate financial services to protect the stability and integrity of the financial system and of consumer interests, which is integral to safeguarding our economic health.

- The Agreement recognizes the critical role that banks, insurance companies and other financial institutions play in the economy by including special provisions on financial services.
  - The Agreement includes special dispute settlement rules for financial services and a prudential carve-out that safeguards the right of governments to take prudential measures to protect the stability and integrity of the financial system.
  - The Agreement also encourages financial sector officials in Canada and South Korea to communicate with one another in order to prevent unnecessary barriers to entry into the financial services sector or to resolve issues arising from such barriers.

For more details, please consult the Appendix.

*“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

## Telecommunications

*Improved competition ensures greater choice for consumers.*

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

### **Protecting the telecommunications sector**

Canada has reserved the right in all its international trade agreements to maintain its foreign investment regime with respect to telecommunications.

In June 2012, the government amended the *Telecommunications Act* to no longer restrict foreign investment in Canadian telecommunications service providers with less than a 10 percent market share of total Canadian telecommunications revenues.

### **Canada-Korea Free Trade Agreement highlights**

- The Canada-Korea Free Trade Agreement will ensure that all players in the telecommunications market have fair access to networks and services, and ensure 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.

For more details, please consult the Appendix.

## E-commerce

*Businesses engaged in electronic commerce will benefit from greater certainty, confidence and protection.*

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 Canada-Korea Free Trade Agreement includes a commitment whereby both parties will refrain from applying customs duties, fees or other charges on digital products that are transmitted electronically. As well, there are provisions in the Agreement aimed at building trust and confidence in the digital environment, such as the online protection of e-commerce users’ personal information.

### ***Protecting services and policies that matter to Canadians***

Nothing in the Canada-Korea Free Trade Agreement prevents governments from regulating in the public interest, including in areas related to the delivery of public services, the provision of preferences to 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 have been excluded from Canada-Korea Free Trade Agreement obligations, ensuring that governments remain free to enact the policies and programs they choose in these areas.

## Temporary entry for business persons

*Certain skilled professionals will more easily be able to work temporarily in South Korea.*

When it comes to investing and providing services, there is no substitute for being on-site, where clients are located. Investors want to witness their investments, talk to their partners and get a feel for the local environment. Professionals, including architects, management consultants and engineers, need to contact clients on-site in order to fulfil contracts in the South Korean market.

Temporary-entry provisions in the Canada-Korea Free Trade Agreement address barriers that business persons face at the border, particularly by eliminating the need to obtain a labour market opinion and/or economic needs test. The Agreement will establish new preferential access to our respective markets and facilitate greater transparency and predictability for the movement of business persons between Canada and South Korea. The Agreement’s temporary-entry provisions complement commitments taken in the area of services, investment, goods and government procurement.

*“The Canadian Services Coalition welcomes the announcement of a Canada-Korea free trade agreement. This historic agreement, the first between Canada and an Asian country, will provide Canadian services companies with increased access to the \$1.1 trillion South Korean market. Trade agreements are an important priority for Canada’s services industries, which include financial services, engineering and environmental services, professional and consulting services and information technology services. Canadian services companies welcome this agreement as it will be of significant benefit to Canada.”*

Shirley-Ann George, Vice Chair, Canadian Services Coalition

## Canada-Korea Free Trade Agreement highlights

- South Korea's temporary-entry commitments in the Canada-Korea Free Trade Agreement are more ambitious than they are in 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 as well as increased transparency and predictability, facilitating movement between Canada and South Korea for business visitors, traders and investors, intra-company transferees, professionals (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 the 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.

For more details, please consult the Appendix.

### Reaping the benefits

The Canada-Korea Free Trade 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 Agreement will enable Canadian companies to compete on a level playing field with their major competitors—such as the United States and the European Union—in the South Korean market and give 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.

## Investment

*More investment means new jobs, new sources of prosperity, new technologies and greater competitiveness for Canadians.*

Investment is a key driving force for economic growth and competitiveness in Canada. It plays a crucial role in facilitating the creation of jobs, spurring on creativity and technology and linking Canada to global value chains. The Canada-Korea Free Trade Agreement includes rules covering direct investments that Canadian and South Korean companies make in each other's territories.

While Canada and South Korea enjoy a well-established investment relationship, ample scope remains for further expanding bilateral cross-border investment. As of 2012, South Koreans had invested more than \$327 billion abroad. The same year, the stock of foreign direct investment by South Korean companies in Canada reached \$5.8 billion while Canadian direct investment in South Korea reached \$569 million.

Foreign direct investment, such as a South Korean company opening a plant in Canada, creates new jobs and introduces the receiving country to new technologies, different management techniques and opportunities to participate in new global value chains, thus expanding market possibilities. Foreign direct investment has historically made a significant contribution to the Canadian economy and it remains an important contributor to growth and jobs. Furthermore, investments by Canadian companies in other countries, such as a Canadian firm buying a company in South Korea, also bring significant benefits to Canada: Canadian companies' investments abroad have generally increased our exports to those countries, generating jobs at home, enriching our stock of technology and deepening our people-to-people ties.

The Canada-Korea Free Trade Agreement's investment chapter sets out transparent and



predictable rules contributing to a more secure and stable investment environment, leading to increased bilateral investment flows into Canada and South Korea.

### **Canada-Korea Free Trade Agreement highlights**

- The Agreement will ensure that Canadian investors can compete on an equal footing with other investors in South Korea.
- The Agreement's investment provisions will provide Canadian and South Korean investors with greater certainty, transparency and protection of their investments while preserving the full rights of governments to legislate and regulate in the public interest.
- The Agreement's predictable investment rules, including a requirement that Canadian businesses be treated no less favourably in South Korea than South Korean businesses, will further reduce the risks associated with investing abroad.
- Among other things, the investment chapter provides protection against discriminatory treatment, protection from expropriation without prompt and adequate compensation, and access to independent international investor-state dispute settlement.
- These provisions will stimulate greater two-way investment, which will help create jobs and long-term prosperity for Canadians.

For more details, please consult the Appendix.

### ***Greater certainty for investors like Nadia***

Nadia owns a small company in the city of Québec that produces a line of ski gloves and toques. The products sell very well in Canadian stores and online to American consumers. Nadia would like to expand into Asia, and thinks the best way to do this is to invest in a small manufacturing facility in South Korea.

This is a big step for a small-business owner. Fortunately, the Canada-Korea Free Trade Agreement's investment rules provide greater certainty, transparency and protection to Canadians who want to invest in South Korea. The Agreement will ensure that the South Korean government treats Nadia's company no less favourably than it treats South Korean businesses. Investing abroad can be a risky undertaking, but the Agreement reduces the risk for Canadians investing in South Korea and opens up countless new opportunities for Nadia and business owners like her.

### **Reaping the benefits**

Canada benefits from greater foreign direct investment, regardless of whether investment is outward or inward. Canadian foreign direct investment in South Korea will improve our access to South Korean markets, technology and expertise and enhance the competitiveness of Canadian firms in Asia. Greater South Korean investment in Canada will stimulate economic growth and job creation here at home, provide new technologies and increase competition in the Canadian marketplace, ultimately benefiting Canadian consumers. Key sectors that stand to benefit from the Agreement include automotive parts, transportation, telecommunications and financial services.



## Attracting investment in Canada

Investment creates jobs and opportunities. Canada has always been open to investment, welcoming and encouraging foreign companies to invest in Canada. Canada's foreign-investment policy framework provides a welcoming environment that maximizes the benefits of foreign direct investment for Canadians while preserving other public policy interests. Part of this framework includes the *Investment Canada Act (ICA)*, which provides for the review of significant investments in Canada by non-Canadians in a fast-changing global investment landscape. The Canada-Korea Free Trade Agreement recognizes the importance of the ICA and, similar to all our other FTAs, Canada maintains the ability to review certain foreign investments.

The Canada-Korea Free Trade Agreement also includes rules for the protection of investors. Investor-protection rules ensure that foreign investors will not be treated worse than domestic investors or other foreign investors operating in similar situations (i.e. in the same sector, the same province, etc.) and ensure that their investments will not be expropriated without prompt and adequate compensation. These rules include investor-to-state dispute settlement procedures, which provide for independent access to an impartial and timely process for the resolution of conflicts. These rules have been a standard feature of Canada's comprehensive free trade agreements since NAFTA and give assurance to investors that their investments will be protected from discriminatory or arbitrary government actions.

## Competition policy

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*The Canada-Korea Free Trade Agreement will provide a fair and predictable trading environment for Canadian firms.*

Competition is good for both consumers and businesses. For consumers, competition leads to lower prices, better quality and greater choice of goods and services. A competitive domestic environment allows businesses to adapt to economic conditions and strengthens their ability to succeed in global markets. When Canadian businesses are able to compete and succeed, they create more jobs and prosperity for Canadians.

The purpose of the Canada-Korea Free Trade Agreement's competition policy chapter is to ensure that the benefits of trade liberalization are not offset by anti-competitive business conduct. While both Canada and South Korea have existing domestic competition laws, the Agreement sets out a framework for effective enforcement action against anti-competitive business conduct, making the trading environment fairer and more predictable for Canadian firms, and ultimately benefiting consumers.

### Canada-Korea Free Trade Agreement highlights

- Provisions to ensure ongoing cooperation on the barring of anti-competitive business conducts.
- Emphasis on transparency and non-discrimination, leading to improved procedural fairness in the application of Canadian and South Korean competition laws.
- Agreement that provisions included in the competition chapter will not be subject to dispute settlement under the Agreement.

For more details, please consult the Appendix.

## Monopolies and state enterprises

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*The Canada-Korea Free Trade Agreement provisions will encourage fair market competition to protect Canadian businesses and their investors.*

The key provisions of the Canada-Korea Free Trade Agreement's monopolies and state enterprises chapter ensure that Canadian and South Korean monopolies and state enterprises do not operate in a manner inconsistent with the Agreement when exercising delegated governmental authority and ensure that these entities give non-discriminatory treatment to each party's goods and services.

The chapter's obligations are also important as they prevent monopolies and state enterprises from operating in a way that undermines the market access obligations undertaken in the Agreement. To ensure accountability related to obligations in the chapter, the actions of monopolies and state enterprises are subject to state-state dispute settlement. The actions of these entities are also subject to investor-state dispute settlement with respect to the obligations of the investment chapter but only when the entities exercise delegated governmental authority.

## Canada-Korea Free Trade Agreement highlights

- Parties agree to promote fair competition and prevent market distortion by state entities.
- Monopolies and state enterprises with public service obligations will continue to have flexibility to serve public interests.
- Parties maintain their ability to designate or maintain an entity as a monopoly or state enterprise.

For more details, please consult the Appendix.

PART THREE  
GOVERNMENT PROCUREMENT

People and companies are not the only players active in the marketplace. Governments are also important participants, whether through the purchase of office material or the construction of roads and bridges. When it comes to purchasing products and services, governments try to ensure at least two things: that taxpayers' money is spent wisely; and that there is a transparent, fair procurement process in which companies can compete.

Government procurement rules, including those in trade agreements, set out how the public sector should make purchasing decisions for goods and services for its own use. These rules ensure that government entities get the supplies they need while also meeting other public-policy objectives through their purchases, such as promoting environmental sustainability or ensuring safety. These rules also foster innovation and contribute to economic growth.

Government procurement is a major source of economic activity in South Korea. In 2012, South Korea's overall government procurement market was estimated to be worth approximately \$105 billion, with the infrastructure/construction procurement market estimated to be worth \$47 billion alone.

The Canada-Korea Free Trade Agreement will provide Canadian suppliers of products and services preferential access to the procurement activities of South Korean central government entities. The Agreement will place Canadian firms on an equal or better footing relative to their competitors in terms of access to South Korea's central government procurement market. Opening procurement processes also increases competition: the Agreement will ensure that procurement processes covered by the Agreement are conducted with transparency and openness in order to realize the market access benefits.

## Canada-Korea Free Trade Agreement highlights

- The Canada-Korea Free Trade Agreement's government procurement chapter builds on existing Canadian and South Korean commitments included in the WTO's Agreement on Government Procurement (GPA). Canada and South Korea are among the 15 parties to the GPA. Canada and South Korea recently expanded their respective commitments in a revised GPA. The revised GPA is expected to enter into force in April 2014 for all parties that have ratified it, including Canada. Once South Korea ratifies the revised GPA, it will apply between Canada and South Korea.
- Through the Agreement, Canadian suppliers will benefit from additional access to procurement by South Korean central government agencies, for contracts valued above 100 million South Korean Won (\$100,000). This will put Canadian suppliers on equal footing with U.S. competitors and in a more advantageous position than competitors from other WTO GPA parties, such as Japan and the European Union.
- Access to government procurement opportunities complements gains that Canada will obtain in other areas of the Agreement, including tariff reduction and investor protection. Where tariffs have been reduced, Canadian products will be more competitive in the local South Korean market and can be more competitively priced for sale to South Korean government agencies.
- In addition to non-discriminatory treatment, Canadian suppliers will have access to all the information necessary to submit a bid as well as a right to challenge procurement decisions if the rules have not been followed.
- In terms of the Canadian market, South Korea will have access to Canadian central government procurement opportunities for contracts valued above \$100,000. Under the Agreement, South Korea will have access to the same Canadian

central government entities as those listed in the WTO GPA.

- Although the Agreement does not cover provincial, territorial or municipal government procurement, Canada and South Korea will have commitments in relation to sub-national procurement once the revised WTO GPA comes into force.

For more details, please consult the Appendix.

### **Reaping the benefits**

The Canada-Korea Free Trade Agreement will create opportunities that could benefit workers and their families in sectors that are vital to the Canadian economy. Government procurement plays a key role in providing economic opportunities and attracting new investment. The Agreement will help secure such opportunities, while providing a more stable and predictable international commercial environment.

PART FOUR  
INTELLECTUAL PROPERTY

Canadians produce brilliant and innovative ideas that become products and technologies that change the way we live. For example, Canadians have played key roles in the development of medical breakthroughs, radar, television, smartphones and nanotechnology—technology on which people everywhere now rely daily. Canadian innovations, artistic works and brands need protection so that their creators can enjoy the fruits of their labour and be encouraged to keep on innovating. An effective regime to support intellectual property (IP) rights is important for Canada’s growing knowledge-based economy and helps to foster competitiveness, innovation and creativity, attract investment and stimulate jobs and growth.

At the same time, in developing IP policy and legislation, the government seeks to ensure that there is an appropriate balance between the interests of IP rights-holders and the interests of users. This is to ensure not only that innovation and creativity continue but that consumers have ongoing access to the products of that innovative and creative activity. Putting in place a strong IP chapter in the Canada-Korea Free Trade Agreement is important as it contributes to a framework of regulatory certainty that is so vital for individuals and businesses seeking foreign markets and investors in future-oriented technologies and innovation. Clear and transparent IP rules help create that certainty.

The Agreement’s commitments to strong intellectual property rights and rules for their enforcement will complement access to the South Korean market for Canadians who develop and market innovative and creative products, thus bringing benefits for investors, innovators and consumers alike.

### **Canada-Korea Free Trade Agreement highlights**

- Through the Canada-Korea Free Trade Agreement’s IP provisions, Canadian copyright, patent and trademark owners have assurance that their rights will be respected fully in the South

Korean marketplace. The Agreement’s robust enforcement provisions will ensure that Canadian IP rights-holders can do business with confidence in the South Korean market.

- Copyright
  - Reflects Canada’s regime as updated by the 2012 *Copyright Modernization Act*, which brought Canada into compliance with the World Intellectual Property Organization’s two Internet treaties.
  - Reiterates existing aspects of Canada’s regime, including the protection of technological protection measures (technology designed to protect copyrighted material), protection of rights management information, and special measures against copyright infringers on the Internet (no change to Canada’s “notice and notice” regime).
- Trademarks
  - Reflects existing aspects of Canada’s trademarks regime, including those pertaining to trademark registration, application and cancellation as well as to well-known trademarks.
- Enforcement
  - Includes provisions on civil and criminal remedies and border measures in line with Canada’s existing regime and Bill C-8, the *Combating Counterfeit Products Act*.
- Patents
  - In line with Canada’s current regime, including criteria regarding patentability and exclusions from patentability.
  - No new commitments in the area of pharmaceutical patents.
- Public health concerns
  - Recognizes the importance of the WTO Declaration on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and public health.



- Geographic indications
  - Includes provisions on the protection of geographical indications; more specifically, commits South Korea to protect the terms “Canadian whisky” and “Canadian rye whisky” as geographical indications.
  - Obliges Canada to protect the terms *Goryeo Hongsam*, *Goryeo Baeksam*, *Goryeo Susam* and *Icheon Ssal*, including their translations, respectively, “Korean red ginseng,” “Korean white ginseng,” “Korean fresh ginseng” and “Icheon rice” as geographical indications.
- Other
  - Increases opportunities for cooperation in the field of intellectual property and establishes a committee to oversee such cooperation as well as to provide a forum for discussion and consultations.

For more details, please consult the Appendix.

PART FIVE  
DISPUTE SETTLEMENT  
AND INSTITUTIONAL PROVISIONS

## Dispute settlement

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*Improved, speedier and less costly dispute settlement processes.*

When individuals have disagreements, they have various ways to resolve them. They can try to negotiate among themselves or, if that doesn't work, they can seek the help of an impartial third party such as a mediator, an arbitrator or a court. Trade disputes between countries work much the same way. Trade agreements include various dispute resolution mechanisms so that governments can resolve their disagreements. For instance, when consultations fail to resolve a problem, trade agreements provide governments with the option of using impartial third parties to help resolve the dispute. In some cases, these third parties act like courts, in the sense that they hear evidence from both sides and ultimately render binding decisions.

When a party loses a challenge brought against one of its measures in a trade dispute, it may choose to comply with the mediator or arbitrator's decision by amending or withdrawing the measure, but is not obligated to do. If a party fails to bring into compliance a measure that has been found inconsistent with its obligations, however, the winning party can impose retaliatory measures or negotiate compensation. In the case of investor-state disputes, damages may be awarded if it is found that a measure has violated a trade obligation.

Trade disputes often harm both parties' interests as they prevent the efficient flow of goods and services and can cost millions of dollars in lost opportunities. Resolving trade disputes quickly and effectively is therefore important.

## Canada-Korea Free Trade Agreement highlights

- The dispute settlement chapter builds on lessons learned from past experience by establishing a dispute settlement process that is faster and more efficient than the dispute resolution process in the WTO and many other trade agreements.
- Provides for efficient, three-person dispute settlement panels, with panellists appointed through an ad-hoc appointment process rather than a process based on a standing roster of candidate panellists.
  - An ad-hoc appointment approach is preferable because it broadens the range of potential adjudicators, prevents situations where a dispute cannot go forward expeditiously because the roster has expired and a new one has not yet been appointed, and, for the parties in dispute, reduces administrative burdens related to the need to maintain the roster.
- Provides for even more accelerated timelines for disputes involving perishable goods and motor vehicles.
- Dispute settlement provisions allow for hearings that are accessible to the public and permits panels to consider submissions by non-governmental persons.

For more details, please consult the Appendix.

## Institutional provisions

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*The Canada-Korea Free Trade Agreement includes clear and transparent rules so Canadians will understand how the Agreement works.*

Institutional provisions set out the ground rules for how the Canada-Korea Free Trade Agreement will be interpreted, implemented and managed. They outline the parties' joint commitments and aspirations and affirm the right of governments to regulate in the public interest. These provisions also

deal with important issues such as how the parties may amend the Agreement in the future, what is excluded from it, and even how it might be terminated.

### **Canada-Korea Free Trade Agreement highlights**

- The preamble sets out a number of aspirational (non-binding) statements for the Agreement, including those related to environmental protection and conservation, workers' rights and cultural diversity.
- An "Extent of Obligations" provision recognizes that each party is responsible for ensuring the observance of obligations and commitments in the Agreement at all levels of government.
- Includes provisions on cultural cooperation to promote cultural exchanges and joint initiatives, such as audiovisual coproduction.
- Transparency provisions ensure that each party has access to information, such as laws or regulations that can affect the operation of the Agreement.
- Provides for a joint commission to oversee and facilitate the implementation and application of the Agreement and supervise the work of the Agreement's various committees, working groups and other bodies.
- Committees, working groups and other bodies under the joint commission pertain to:
  - goods (committee on trade in goods, subcommittee on trade in motor vehicles and automotive parts, subcommittee on trade in forest products, rules of origin and customs committee, committee on sanitary and phytosanitary measures);
  - standards-related measures (committee on standards-related measures, ad-hoc working group on standards-related measures related to building products);
  - trade remedies (committee on trade remedies);
  - financial services (financial services committee);

- temporary entry for business persons (contact points are identified);
- government procurement (committee on government procurement);
- intellectual property (committee on intellectual property);
- outward processing zones (committee on outward processing zones on the Korean peninsula);
- environment (contact point[s] are identified, environmental affairs council); and
- labour (national points of contact, ministerial council).

- Scope of committee and working group mandates is generally limited to issues falling within the scope of the applicable chapter.
- Includes amendment provisions that allow parties to agree to revise and update the Agreement.
- Termination and withdrawal provisions allow either party to terminate or withdraw from the Agreement with six months' notice.

For more details, please consult the Appendix.

### **Exceptions**

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As with all of Canada's free trade agreements, the Canada-Korea Free Trade Agreement includes an exceptions section to preserve autonomy and flexibility in key areas of public policy, including culture, taxation, environmental protection and national security.

### **Canada-Korea Free Trade Agreement highlights**

- Includes a broad, general exception for measures related to cultural industries to maintain Canada's flexibility to protect and promote cultural industries through its policies and programs.
- Includes a taxation article to ensure protection for existing taxation measures, as well as broad exceptions to ensure the ability of governments

to implement efficient tax policies that are consistent with their overall social and economic objectives.

- Includes a general exception in line with those included in Canada's previous free trade agreements for certain measures, including those

necessary to protect human, animal or plant life or health, or relating to the conservation of exhaustible natural resources.

- Includes an exception for measures taken to protect national security.

PART SIX  
ENVIRONMENT AND LABOUR

The protection of the environment and labour rights are fundamental values shared by Canada and South Korea. The Canada-Korea Free Trade Agreement recognizes this with provisions in these areas.

## Environment

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*Commitments to strengthen linkages between trade, investment and the environment.*

Canada is committed to pursuing policies that promote sustainable development and sound environmental management. The Canada-Korea Free Trade Agreement reinforces the mutual supportiveness of trade and environment policies by including commitments to foster good environmental governance.

### Canada-Korea Free Trade Agreement highlights

- Ambitious environmental obligations consistent with Canada's other agreements, including commitments to:
  - maintain high levels of environmental protection, the effective enforcement of environmental laws, and not waiving or derogating from such laws to promote trade or investment;
  - ensure transparency and public participation in the making of such laws; and
  - reaffirm commitments to multilateral environmental agreements Canada and South Korea have ratified.
- A framework for cooperation in areas of mutual interest.
- A dispute resolution process to address any questions regarding compliance, including review by an independent panel of experts whose recommendations will be made publicly available.

For more details, please consult the Appendix.

## Labour

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*The rights of workers will be respected.*

Ensuring that trade and labour are mutually supportive is a priority for Canada. Canada is committed to fundamental labour rights, and supporting high labour standards through the Canada-Korea Free Trade Agreement is a key component of that commitment.

### Canada-Korea Free Trade Agreement highlights

- Labour chapter provisions that are similar to those found in Canada's recent labour cooperation agreements, such as those with Colombia, Honduras, Jordan, Panama and Peru.
- An ambitious level of obligations ensuring that national labour laws and policies in Canada and South Korea respect international labour standards, including in regard to the International Labour Organization's 1998 Declaration on Fundamental Principles and Rights at Work.
- A non-derogation clause preventing either party from derogating from its labour laws in order to encourage trade or investment.
- Setting up of institutional structures to implement and monitor compliance with Agreement commitments in the area of labour:
  - either party can request labour consultations with the other party regarding any obligation found in the chapter; and
  - a mechanism through which members of the public can raise concerns about labour issues related to the chapter.
- An enforceable dispute settlement mechanism, which may result in financial penalties in cases of non-compliance, to help ensure that all labour obligations are respected.

For more details, please consult the Appendix.