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Canadian Trade and Investment Activity: Canada–South Korea

**Publication No. 2010-43-E
22 July 2010**

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***Canadian Trade and Investment Activity:
Canada–South Korea***
(Trade and Investment Series)

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The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

Merchandise Trade

South Korea is one of Canada's largest trading partners in the world. It was Canada's seventh-largest export destination in 2009 as well as the seventh-largest source of imports. South Korea has long been Canada's third-largest trading partner in Asia, behind China and Japan.

In 2009, Canada's bilateral merchandise trade with South Korea totalled \$9.4 billion, consisting of \$3.5 billion in Canadian exports to, and \$5.9 billion in imports from, South Korea.

Canada's trade with South Korea was relatively unaffected by the 2008-2009 global financial and economic crisis. In 2009, while total Canadian exports were 26% below 2008 levels, exports to South Korea fell by 8%. Similarly, while Canada's imports from around the world fell by 16% in 2009 compared to 2008, imports from South Korea were 1% lower.

British Columbia is, by far, the largest provincial exporter to South Korea, accounting for about one-half of total Canadian exports to that country in 2009. Exports from BC were \$1.7 billion in that year, while exports from Ontario – the next-largest exporter to South Korea – were \$758 million.

BC and Ontario have also been Canada's fastest-growing provincial exporters to South Korea in recent years, while exports from the Atlantic provinces have fallen since 2004.

Figure 1

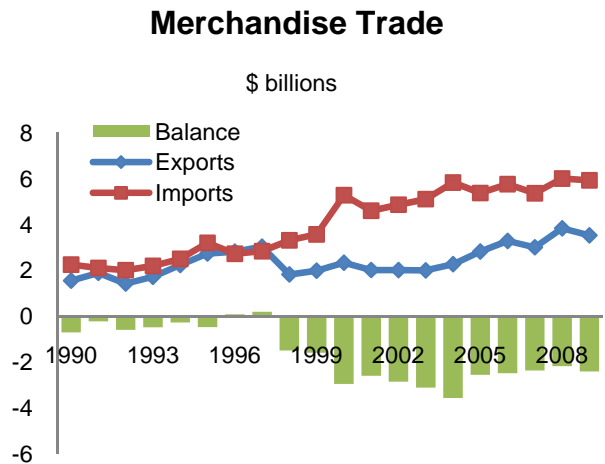


Figure 2

Importance to Canada

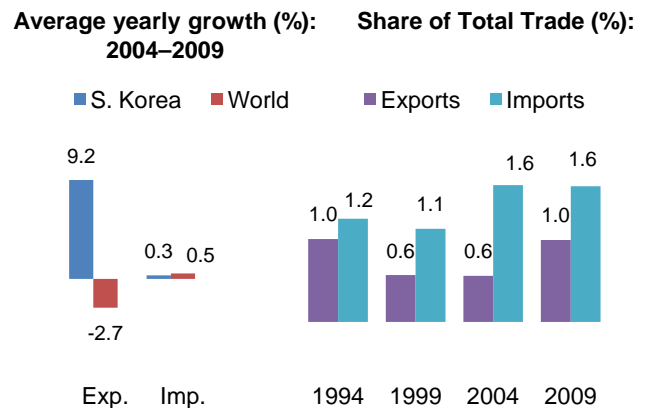
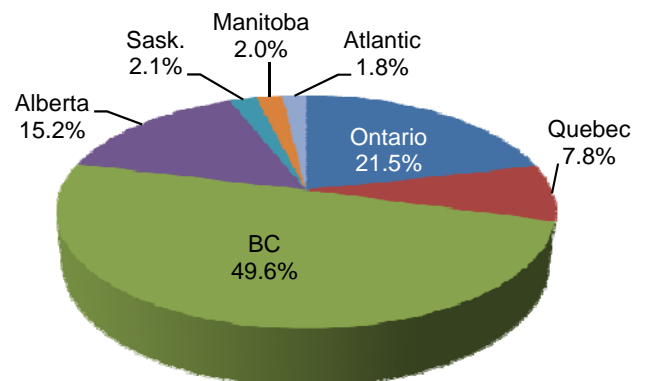


Figure 3

Exports by Province – 2009



All figures were prepared by the author using annual data from Statistics Canada.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Products

Canadian exports to South Korea are comprised mostly of resource-based goods, which made up 72% of total exports in 2009. Manufactured products accounted for the remaining 28% of exports.

Valued at \$1.1 billion, coal was, by far, Canada's largest export to South Korea in 2009, accounting for 30% of Canada's total exports to South Korea in that year. Other important export products include aluminum, wood pulp, copper, and equipment and supplies for nuclear reactors.

Manufactured goods dominate Canada's imports from South Korea, accounting for 86% of total imports in 2009. This total is down slightly from 91% in 2004, however, because of an increase in petroleum imports in recent years. Cars were Canada's single-largest import product from South Korea in 2009, with a value of \$1.5 billion. Other major imports include computer processors, mobile telephones, electronic circuitry and petroleum products.

Canada is a large net importer of motor vehicles as well as other machinery and equipment from South Korea. Aside from those product categories, Canada holds a small trade surplus with South Korea.

Figure 4

Major Export Products

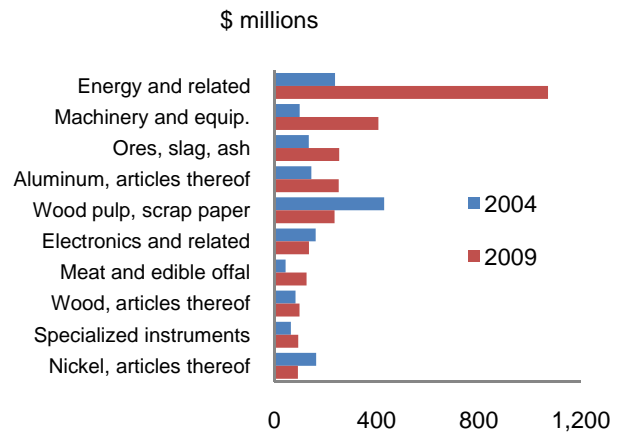


Figure 5

Major Import Products

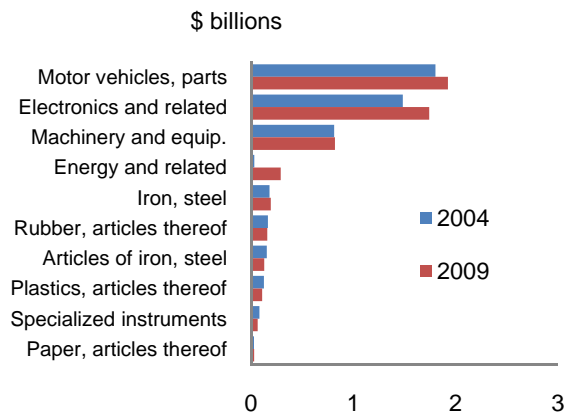
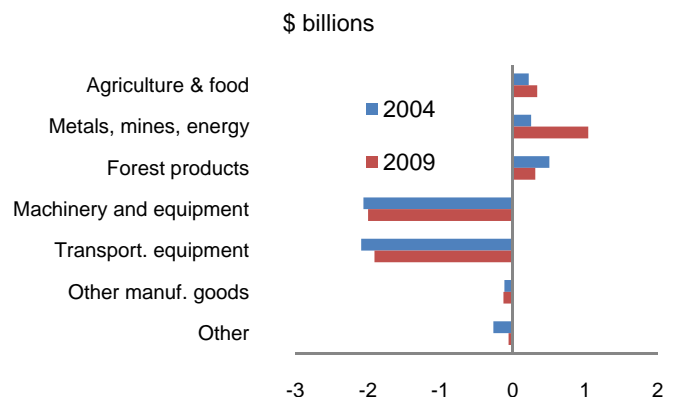


Figure 6

Balance by Category



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Services and Investment

Canada is a net exporter of services to South Korea, although services trade between the two countries is low relative to merchandise trade. In 2007, the most recent year for which data are available, Canadian services exports totalled \$783 million, while services imports were \$369 million. Canada has seen steady growth in services trade with South Korea since the mid-1990s, especially in respect of exports.

Transportation and government services, as well as travel services, accounted for most services trade between Canada and South Korea in 2007. Commercial services trade between the two countries is relatively modest. Canada has a positive trade balance with South Korea in all three major categories of services trade.

Foreign direct investment (FDI) is considered by many to generate bilateral trade flows between two countries. In the case of Canada and South Korea, however, the two countries are not major sources of mutual FDI considering the value of their trade relationship.

The total stock of Canadian investment in South Korea was \$921 million in 2009. Canada has a larger investment presence in New Zealand and Thailand than in South Korea, countries with which Canada's trade relationship is far less developed.

South Korean FDI in Canada was \$2.7 billion in 2009, more than double the value of investment in 2008. The surge is largely due to the purchase of a Canadian energy company by Korea National Oil Corporation.

Figure 7

Services Trade

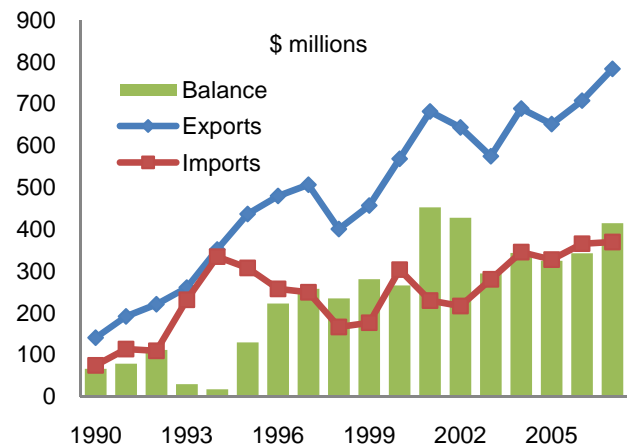


Figure 8

Services Trade by Type – 2007

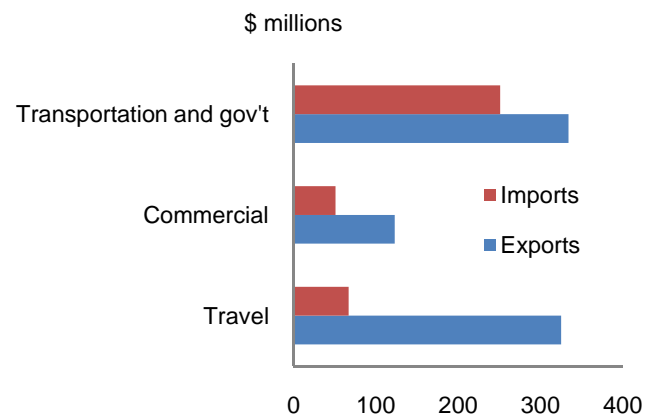
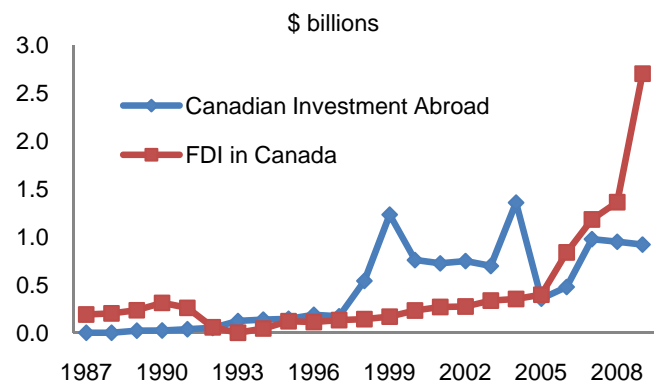


Figure 9

Foreign Direct Investment



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