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Canada-Korea Economic Relations

In July 1999, the Korean President visited Canada to promote and stimulate the trade and economic relationship between both countries and encourage Canadian companies to consider investing in Korea. During his stay, the Korean President met with Prime Minister Chrétien and several announcements were made.

The second meeting of the Canada-Korea Industrial and Technological Cooperation Committee took place at the same time. Created in 1995 to promote partnerships between Canadian and Korean firms, institutions and organizations, the Committee reviewed opportunities for cooperation in several areas including biotechnology, environment, energy, telecommunications, manufacturing technology, chemicals and new materials.

Korean recovery

The Korean President's visit coincided with the news that the Korean economy was on the road to recovery after suffering a major recession because of the Asian crisis. The Korean government signaled that:

- Korea's current recession began because of the Asian financial crisis. The recession is now over.
- Korea's balance of payment is improving.
- Korea has refunded US\$13.4 billion of the US\$19.5 billion IMF loan.
- Economic growth which dropped by 5.8% last year, is now back to the before crisis level. Expected growth for 1999, 2%.
- Unemployment is currently at 7.5% (compared to 2.5% before the crisis).
- To deal with unemployment and kick start the economy, the government will increase its deficit to 5% of the GDP.
- The Korean government is now focusing its attention on corporate restructuring. The Chaebols were asked to reduce their debt to equity ratio to 200% through partnerships, foreign investments or disinvestment. Times are good for foreign investments in Korea as several businesses are up for sale.

Gross domestic product grew higher-than-expected 9.8% in the second quarter of 1999 from the year-earlier quarter, when the economy shrank 7.2%, the Bank of Korea said. In the first half, the economy grew 7.3% compared with a 5.5% contraction in the first half of 1998. The economy is recovering sharply from the worst recession in Korea's modern history. In late 1997, Korea, with its currency plunging and reserves dwindling, received a \$58 billion International Monetary Fund-led bailout, and last year the economy shrank 5.8%. But so swift is the revival that GDP in the first half of 1999, measured in won, was actually greater than in the same period in 1997, before the economic crisis.

The recovery also appears to be gaining depth. At its heart is the Korean consumer. Private consumption surged 9% in the second quarter. Investment in facilities also returned to strong growth, up 37% in the second quarter. Earlier this year, policy makers had said that higher investment was needed to sustain economic growth. The economy was also helped by 16% export growth.

Asian Wall Street Journal; Korea's GDP Surged 9.8% in 2nd Quarter; Michael Schuman, 08, 20, 1999

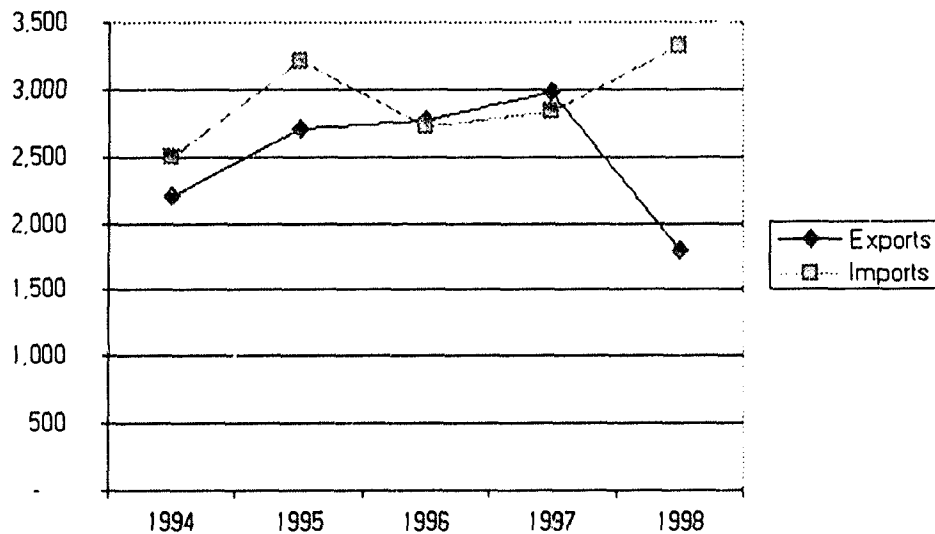
Despite these positive signs, there is still some doubts whether the recovery is complete. There is some concern with the corporate and financial restructuring.

Canada-Korea Trade

The following tables and charts illustrate the level of trade between Canada and Korea. There has been a drastic drop in Canada's exports to Korea in 1998, as a result of the economic recession. Korea's exports to Canada, during the same period, have continued to grow.

Canada-Korea Trade (million C\$)					
	1994	1995	1996	1997	1998
Exports	2,216	2,703	2,776	2,985	1,787
Imports	2,504	3,204	2,729	2,838	3,315
Balance	-288.6	-500.5	46.6	147.8	-1,527

Canada-Korea Trade (million C\$)



A year to date comparison between 1998 and 1999 shows a slight recovery of Canadian exports to Korea.

Canada-Korea Trade (million C\$)		
	Jan-July 98	Jan-July 99
Exports	992	1,085
Imports	1,800	1,967
Balance	-808	-882

Top 25 Products Exported to Korea (Million C\$)	
Products (HS-2)	Exports 1998
Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	442.0
Pulp of Wood and the like, Waste and Scrap of Paper or Paperboard	255.0
Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	124.1
Inorganic Chemicals and Compounds of Precious Metals and Radioactive Elements	119.2
Nickel and Articles Thereof	99.6
Aluminum and Articles Thereof	93.7
Ores, Slag and Ash	87.7
Electric Motors, Generators, Converters, Transformers, Primary Cells and Batteries	63.4
Cereals	52.7
Fats, Oils, Their Cleavage Products and Waxes	45.6
Fertilizers	44.6
Reactors, Boilers, Turbines, Engines and Motors	44.4

Pearls, Precious Stones or Metals, Coins and Jewellery	41.7
Aircrafts and Spacecrafts	29.3
Meat and Edible Meat Offal	24.2
Special Transactions	21.9
Optical, Medical, Photographic, Scientific and Technical Instrumentation	21.2
Paper, Paperboard and Articles Made from These Materials	20.6
Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	18.3
Oil Seeds, Oleaginous Fruits, Industrial or Medicinal Plants, Straw and Fodder	14.1
Wood and Articles of Wood (Incl. Wood Charcoal)	10.6
Residues and Waste from the Food Industries, and Prepared Animal Fodder	10.0
Products of the Milling Industry, Malt, Straches, Inulin and Wheat Gluten	8.7
ManMade Staple Fibers, Staple Fiber Yarns and Fabrics	7.4
Coated, Impregnated, Covered or Laminated Fabrics and Industrial Textiles	7.2

Top 25 Products Imported from Korea (Million CS)	
Products (HS-2)	Imports 1998
Electric Motors, Generators, Converters, Transformers, Primary Cells and Batteries	963.5
Reactors, Boilers, Turbines, Engines and Motors	564.7
Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	286.2
Ships, Boats and Floating Structures	219.2
Iron and Steel	154.6
Woven Clothing and Articles of Apparel	146.5
Articles of Iron or Steel	114.4
Rubber and Articles Thereof	103.2
Knitted or Crocheted Clothing and Articles of Apparel	86.2
ManMade Filaments, Filament Yarns and Fabrics	62.9
Optical, Medical, Photographic, Scientific and Technical Instrumentation	46.0
Plastics and Articles Thereof	45.4
ManMade Staple Fibers, Staple Fiber Yarns and Fabrics	40.8
Pearls, Precious Stones or Metals, Coins and Jewellery	39.2
Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	37.2
Knitted or Crocheted Fabrics	24.6
Toys, Games, Sporting Goods and Other Goods for Amusement	24.0
Tools, Implements, Cutlery, Spoons and Forks of Base Metals	23.0
Footwear	21.7
Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	21.0
Wool, Wool Yarns and Wool Fabrics	19.2
Aircrafts and Spacecrafts	19.0
Special Transactions	18.0
Articles of Leather, Saddlery, Travel Goods, Handbags and Similar Containers	16.1
Aluminum and Articles Thereof	15.4

For additional information on Korea's market potential, you are invited to consult:

- Industry Canada's business site [Strategis](#), and
- The Department of [Foreign Affairs and International Trade](#).

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