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KOREA BUSINESS FORUM TO STRENGTHEN BUSINESS TIES

By Stephen Jacobi¹

At the impressive Korean War Museum in Seoul there is a moving testament to the courage and sacrifice of the 45 New Zealanders who lost their lives in the Korean War. Some 56 years after the end of hostilities peace remains an elusive goal in the peninsula with North Korea's latest provocations in the form of repeated nuclear and ballistic missile tests casting a long shadow over the entire region. During this time we have seen the emergence of two distinct Koreas – one in the North - totalitarian, secretive and impoverished – and another in the South – democratic, open and, despite the troubles of the times, increasingly affluent.

This is the context into which 33 New Zealanders will venture next week for the first Korea-New Zealand Business Roundtable. Organised by the NZ International Business Forum (NZIBF) and the Korea International Trade Association (KITA), the Roundtable will bring together around 70 senior leaders from business, government and the wider community. The Chairs or CEOs of major exporters to Korea will participate including Anzco Foods, Fonterra, Meat and Wool NZ and Zespri along with a range of other companies doing business in Korea and government agencies including the Asia NZ Foundation, MFAT and NZTE. On the Korean side some of the larger Korean enterprises include such well known names as Hyundai and Samsung.

This model has been used before but not with Korea. Similar structures exist for Australia, Japan and the United States and have shown their worth in providing leadership for developing greater economic engagement. Including Korea in this way signals the New Zealand business community's interest in ensuring Korea takes its place alongside New Zealand's other key economic partners.

The move is timely because Korea and New Zealand are negotiating a free trade agreement. A study last year prepared for the two governments confirmed that the two economies were highly complementary and that an FTA could produce accumulated gains to real GDP over 2007-2030 of US\$5.9 billion and US\$4.5 billion for Korea and New Zealand respectively. In this time of economic contraction, the FTA will also send a powerful signal to others around the region that both countries remain committed to openness.

Korea is already New Zealand's ninth largest trading partner. New Zealand's exports to Korea include wood products, aluminium, petroleum, fruit, dairy products, and other agricultural products. New Zealand's imports from Korea have risen by almost 90 percent since 1990 and are dominated by cars and petroleum products, with cell phones taking an

¹ Stephen Jacobi is Executive Director of the NZ International Business Forum (www.nzibf.co.nz)

increasingly large share. Korea is our second largest source of overseas students and our sixth largest source of overseas visitors.

Discussions at the Roundtable will focus on the big picture of the economic relationship and the potential of the FTA. It is a frequent criticism that business is sometimes slow to go through doors that are newly opened by FTAs: in the case of Korea, even before the FTA is completed, business is already starting to think how the enhanced market access and improved rules and business conditions can be turned into new value.

Precisely because of the complementary nature of the two economies the Roundtable will look beyond the opportunities in each other's markets at how increased co-operation can lead to new opportunities in the Asia Pacific region as well as globally.

The Roundtable's agenda will encompass an exploration of how Korea's vision for "green growth", powerfully articulated by President Lee, can lead to the development of new business in energy and infrastructure as well as sustainable agriculture and forestry.

A further session will be devoted to looking at existing and potential collaboration in the field of information and communications technology. This is an area in which Korea is already an economic powerhouse but where New Zealand has developed niche capabilities in health care and agriculture among others, most of which have global application.

The Roundtable takes place also against the background of a global economic crisis that is being felt both in New Zealand and Korea. Korea's economy shrunk by 3.4% in 2008, although the IMF expects Korea to rebound more quickly than most. As the world's 13th largest economy, Korea has a particular role to play in the G20 process in maintaining global openness.

New Zealand's relationship with Korea was forged in the dark days of conflict in the Korean peninsula. The modern nation in the South is a testament to the courage and vitality of the Korean people. Their cousins in the North continue to labour under harsh oppression. The differences in outcome from two competing political visions could hardly be more acute.

With an FTA in prospect New Zealand has a significant new opportunity to take the economic relationship with Korea to a new level. The Korea-NZ Business Roundtable which opens in Seoul on 9 June has an important role to play in that process.