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The Australian Chamber of Commerce in Korea (AusCham Korea) appreciates the opportunity to provide a submission into the Australian Government's Foreign Policy White Paper.

AustCham Korea is the peak body representing Australian and Korean business interests and has over 220 members. Our mission is to promote Australian business, the Australia-Korea business partnership and AustCham member interests in Korea by being an effective source of information, connections and representation.

The attached AusCham submission has sought to provide a 'Korean lens' by gaining the perceptions of Australia from a Korean perspective. The submission has endeavored to capture the learning opportunities that can be gained from Korea.

The AusCham submission is the outcome of a broader stakeholder engagement process that included face-to-face interviews, a facilitated small group session and an online survey to obtain stakeholder inputs. Over 25 individuals and organisations provided direct input into the submission process.

If you require further information from AusCham to support the development of the Foreign Affairs White Paper we would be happy to assist.

Yours Sincerely,

Graham Dodds
Chair

INTRODUCTION

Australia and Korea share similar values, regional influence, open economies and challenges with balancing key strategic relationships. Both Korea and Australia have similar sized economies and benefit from the trade of products and services that complement the needs of both countries. The strength of economic ties is illustrated by the Korea-Australia Free Trade Agreement, which has contributed to achieving bi-lateral trade of US\$23 billion in 2016. As 'middle powers' in the Asia Pacific region both countries are aligned in ensuring that a stable regional security framework is maintained and that shared trade routes are secure and able to contribute to the prosperity of Korea and Australia.

Korea is important to Australia historically, culturally, politically, strategically and economically. Future prosperity will be enhanced by the continued relationship between Australia and Korea as trusted regional partners.

Australian Values

There is a perception of Australia as a trusted, reliable partner with an open economy and core values of democracy, human rights and globalisation. Korea is a natural partner for Australia in the region as both countries share these common set of values. There is a further opportunity for Australia to build its values leadership through:

- An ongoing commitment to the core values with consistent and independent thinking. Some of Australia's traditional allies are challenged with changing positions on immigration, free trade and global partnerships. However, Australia has more to gain by remaining a champion of the rules based global order and in turn this will enhance our reputation as a reliable regional partner.
- Participation in Asia-focused investment and development initiatives. Australia's participation in the Asia Infrastructure Investment Bank (AIIB) highlighted our independence and increasing engagement with Asia. This can be reinforced with ongoing efforts to gain an outcome from the countries that remain aligned with the Trans Pacific Partnership and Regional Comprehensive Economic Partnership.
- Gender equity and provision of opportunities. Korea, like several other Asian economies has an opportunity to benefit from increased female participation in the economy. Australia can demonstrate leadership in the area of female participation and representation in leadership roles.
- Corporate and financial governance. Australia has a highly respected finance/banking sector and corporate governance framework and is well positioned to be a regional leader. Being recognised as the regional leader can support the promotion of Fin Tech, Cyber Security and other Australian financial innovations.

Australia's regional reputation as a reliable partner will be enhanced through its ongoing commitment to core values and using these values to guide decision-making when dealing with the global challenges of the future.

Australian Identity in Korea

It is common for Koreans to express gratitude to Australia for the contribution during the Korean War, the outcome of which helped Korea to be the prosperous country it is today. This provides a positive historical connection between the countries, however there is an absence of a contemporary Australian identity.

Australia's partnership with Korea would be further enhanced with a contemporary Australian identity that:

- Highlights Australia as independent, diverse, innovative, educated and worldly.
- Reinforces Australia's strong connection and engagement with Asia.

- Showcases our considerable achievement in research and development.
- Promotes the education system and independent thinking that has generated 16 Nobel Prize winners.
- Complements the view of Australia as a destination to visit and is environmentally clean and green.
- Provides a brand that can be articulated in a sound bite sized description of Australia.

Australia needs a contemporary identity. By highlighting our strengths with independent thinking, innovation and technology it will promote Australia as a partner of choice for collaborative research, product development and joint investments. An identity that further connects Australia to Asia will continue to build on the strong economic, security and cultural ties.

Australian Representation in Korea

Australia has several organisations based in Seoul that promote opportunities for trade, investment, tourism, education and the individual states. The Australian Embassy and AusTrade are located at a separately branded office in a busy building amongst several other enterprises. Tourism Australia, the Australian Business Chamber and the state government offices of Western Australia, Queensland and Victoria each have their own separate office locations. The current approach risks confusion for Korean stakeholders and dilutes the impact of the resources and assets dedicated to the Korean market.

Thought must be given on how to achieve the common goals of the multiple Australian representative organisations in the most efficient and effective manner. Suggested considerations include:

- A prominent standalone Australian Embassy that creates the perception of 'One Australia' and is commensurate with the importance of the Australia-Korea relationship. The location should also be able to facilitate the coexistence of various Australian entities that promote economic partnerships and the Korea-Australia relationship.
- Heightened cooperation and collaboration between Federal and State Government organisations and where possible cost-sharing initiatives to reduce cost from duplication.
- Where possible, a coordinated approach to visits of senior federal and state government representatives to Korea.
- Strengthened support to the voluntary organisations that assist the Australian enterprises in Korea.

All Australian Government office locations must symbolise the importance of the Korea-Australia relationship. An approach designed to achieve maximum exposure of Australia in Korea and reduce duplication of services will optimise the use of assets and resources.

ECONOMIC DEVELOPMENT AND DIPLOMACY

Context

The Australia Korea Free Trade Agreement (KAFTA) has provided additional competitiveness and opportunities for Australian enterprises in the Korean market. The KAFTA also provides the Australian consumer with increased choice and competitive pricing of Korean products and services. The KAFTA is symbolic of the strong relationship between Korea and Australia. In addition to the KAFTA, the recent extension of the bilateral local currency swap agreement between Australia and Korea further promotes bilateral trade and again demonstrates the strength of economic relationships between the two countries.

Demographics

Korea has an ageing population and it is estimated that more than 25% of Koreans will be aged 65 or older by 2026, 35% by 2050 and will increase to 45% by 2060. Furthermore, the fertility rate in Korea is also low with an average birthrate of 1.24; a birthrate of 2.1 is required to prevent a decline in population. The combination of an ageing population with low fertility rates will provide Korea with economic challenges into the future.

The changing demographics in Korea provide potential opportunities for Australian enterprises. Future opportunities that relate to demographics include:

- Medical technology and healthy product commercialisation
 - Robotics
 - Internet of things
 - Incubators in the health technology area
 - Bio medical technology
 - Vitamins and other health products
- Aged Care Service
 - Aged Care service provider opportunities (aged care accommodation)
 - Aged care Insurance
 - Promotion of the Australian superannuation system
- The mutual recognition of qualifications in medicine, nursing, aged care, allied health and child care could also provide ease-of-entry into the Korean market for Australian enterprises and professionals.
- While the Korean population will decline in future years the Australian population will experience steady growth, making Australia an even more attractive country for future Korean investments.

Air Quality and Climate Change

The quality of air in Korea has an impact on the everyday lives of most Koreans. By way of example, South Korea ranked 173rd of 180 countries on the Yale University's 2016 Environmental Performance Index. By contrast, Australia is recognized as environmentally clean and green. This perception helps to make Australia a desired place to travel and supports the sale of our food products into the Korean market.

Australia is highly regarded in the area of renewable technology and there is an opportunity for Australia to demonstrate global leadership in climate change policy. Australia could then utilise this position to leverage its capabilities in renewables technology and generate economic benefits. Australia has the additional benefit of being a large Liquefied Natural Gas (LNG) exporter with a majority of the LNG volumes entering the Asian market. LNG naturally complements renewable energy for electricity generation and the joint promotion of these capabilities can help create further economic and environmental benefits.

There is an opportunity for increased Korean investment into the Australian domestic renewable market. Certainty on Australia's position on climate change and renewable targets will enhance the confidence for Korean investment in this area.

The joint promotion of Australia's renewable technology and LNG supply will position Australia as the premium provider of clean energy solutions for the Asia region.

Changing Korean Economy

The traditional Korean economy grew strongly from a strategy of embracing labour- intensive manufacturing for exports. The strategy has contributed to Korea having some of the largest steel making, car manufacturing, ship building, petrochemicals, electronic and semi-conductor industries in the world. However, the future of the Korean economy will be different. Korea's next wave of development 'Industry 4.0' will focus on growing new sectors that include:

- 3D printing
- Artificial intelligence
- Battery technology
- Drones
- Big Data
- Electronic cars
- Robotics
- Biotechnology
- Energy storage systems
- Renewable energy
- Fin Tech
- Cyber security

Korea is well placed to succeed in the development of these new sectors as they are one of the largest investors globally for research and development. Korea has also developed a "creative economy policy" that provides a supportive environment for small R&D start-ups.

Australia is highly regarded across several of the emerging technology areas and in particular with research and development. Korea has complementary strength in the commercialisation of products and has an extensive global market reach. More collaboration on new and emerging technologies between the two countries can provide significant opportunities in the future Korean economy.

Korea will remain a large customer for Australia's natural resources for many decades to support their heavy industries. There is an emerging opportunity for Australian enterprises to be part of the next wave of industries with partnerships and collaboration across each of the new technology areas.

Research and Education

Australia's education system has created 16 Nobel Prize winners and the development of major innovations across several fields. There are increasing opportunities for collaboration in research and education with Korean counterparts in areas that include:

- An emphasis to increase the number of mutual recognised qualifications between the countries. There should be consideration for the joint conduct of qualification mapping.
- The addition of post graduate studies to the Government's New Colombo Plan initiative.
- An Australian University course conducted within Korea and targeting Korean students.
- An Australia Centre established with a Korean partner university to promote Australian education and more broadly the knowledge of Australia.
- A Massive Open Online Course from an Australian University that targets the Korean market and is taught using Korean language.
- Promoting the advantage that Australian universities have from being heavily engaged with Asia.
- A holistic promotion of Australian universities and Vocational Education Training to increase the profile within the Korean market. Some universities are active as individual universities but there is opportunity for a wider promotion.
- University Alumni is important in Korean culture. Improving Australia's approach to recognising and connecting Korean Alumni from Australian universities and the New Colombo Plan can be part of promoting the high capability of Australian universities.
- Increasing the links in science and technology by building networks and exchanges can assist

both countries. Korea performs particularly well in science, technology, engineering and mathematics and Australia is facing challenges across these areas (particularly with female participation and attainment).

- Identifying potential employment opportunities in Korea for Australians that have completed studies or internships in Korea.

The credibility of Australian universities can be further emphasized with a contemporary Australian identity that reinforces our attributes of individual thinking, innovation and diversity.

Agriculture

Australia is recognised as being environmentally clean and green. The agricultural products of Australia and Korea are complementary as they are produced in alternative seasons and this contributes to having food products available all year round in both countries. Korea is a large and stable market for the beef sector and trust in Australian beef has been established over many years. The strong reputation and natural advantage for Australian agricultural products can be further improved by:

- Leveraging the reputation of the Australian beef industry (reliable partner, trusted systems, provider of food security) to promote other agricultural products in the Korean market.
- Continuing to promote Australia's advanced technology in farming and agriculture to the Korean market.
- Seeking to secure increased investments in land and agriculture projects from Korean investors.
- Continued promotion of Australia as a destination for working holidays and prioritising the opportunities in the agriculture sector.

Doing business in Korea

The KAFTA has removed many barriers and contributed to the competitiveness of Australian enterprises in the Korean market. Ongoing focus to ensure effective implementation and to remove any hidden impediments is required. Furthermore, there is a lack of knowledge in Australia about contemporary Korea. An increased knowledge of the Korean culture can assist with doing business in Korea. Some considerations include:

- Providing 'cultural literacy' services to Australian businesses entering the Korean market.
- The New Colombo Plan is recognized as an ideal vehicle for exposing young Australians to Korean business culture. Consider changing the name to make it obvious the program is Australian and that it provides opportunities for joint cultural learning in Asia.
- The numbers of non-Korean background students studying Korean language in Australian schools is very low. Additional promotion of Korean language in Australian schools will help build the number of future professionals with Korean language proficiency.

Korean Investment into Australia

Australia is considered by some Korean enterprises to be a challenging place to do business. Key challenges faced by Korean enterprises include:

- Perception of sovereign risk- there have been high profile instances of the cancellation of government tenders, lengthy greenfield project approval delays and potential post investment taxation changes.
- The current system for the Foreign Investment Review Board can result in a public decision-making process that is late in the tender process. For societies where 'loss of face' is a factor the late decision-making can exacerbate the problem.
- Some Korean companies are finding it challenging to understand the Australian legal framework, process transparency and broader considerations for investing in Australia. Ongoing assistance to Korean companies in this area will be helpful.

CONCLUSION

The Australian Chamber of Commerce in Korea appreciates the opportunity to provide this submission into the Foreign Policy White Paper. Key points in the submission include:

- Korea is important to Australia historically, culturally, politically, strategically and economically. Future prosperity will be enhanced by the continued relationship between Australia and Korea as trusted regional partners.
- Australia's regional reputation as a reliable partner will be enhanced through its ongoing commitment to core values and using these values to guide decision-making when dealing with the global challenges of the future.
- Australia needs a contemporary identity. By highlighting our strengths with independent thinking, innovation and technology it will promote Australia as a partner of choice for collaborative research, product development and joint investments. An identity that further connects Australia to Asia will continue to build on the strong economic, security and cultural ties.
- All Australian Government office locations must symbolise the importance of the Korea-Australia relationship. An approach designed to achieve maximum exposure of Australia in Korea and reduce duplication of services will optimise the use of assets and resources.
- The joint promotion of Australia's renewable technology and LNG supply will position Australia as the premium provider of clean energy solutions for the Asia region.
- Korea will remain a large customer for Australia's natural resources for many decades to support their heavy industries.
- There is an emerging opportunity for Australian enterprises to be part of the next wave of Korean industries with partnerships and collaboration across each of the new technology areas.
- The Australian agriculture industry enjoys a strong reputation in Korea and has natural advantages that are supported by the tariff removal/reductions of the KAFTA.
- The KAFTA has removed many barriers and contributed to the competitiveness of Australian enterprises in the Korean market. Ongoing focus to ensure effective implementation and to remove any hidden impediments is required.
- While the Korean population will decline in future years the Australian population will experience steady growth, making Australia an even more attractive country for future Korean investments.
- Korean companies have or are facing challenges to succeed with some projects in Australia. Efforts to manage these challenges will help to ensure that Australia is an attractive investment destination for Korean companies and investment funds.