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The Parliament of the Commonwealth of Australia  
Joint Standing Committee on Treaties

# Report 142

**Treaty tabled on 13 May 2014**

Free Trade Agreement between the Government of Australia and the  
Government of the Republic of Korea (Seoul, 8 April 2014)

September 2014  
Canberra

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## Foreword

Following a lengthy negotiation period, the *Free Trade Agreement between the Government of Australia and the Government of the Republic of Korea* (KAFTA) was tabled in Parliament on Tuesday 13 May 2014. Free trade agreements are becoming increasingly popular as a means of encouraging trade liberalisation, opening up market access and strengthening bilateral relationships. This is the eighth free trade agreement that Australia has signed.

Korea is one of Australia's most important trading partners: our third-largest export market, our fourth-largest trading partner and a growing investment partner. Currently Australia faces various tariff and non-tariff barriers and restrictions in Korea. Korea's average tariff on imports is 16.8 per cent, with an average tariff on agricultural goods of 53.6 per cent, with tariff peaks of over 500 per cent.

The Agreement will eliminate these very high tariffs on a wide range of Australian goods exports, including beef, wheat, sugar, dairy, wine, horticulture and seafood. It will also create new market openings in key areas of commercial interest to Australian services providers, including legal, accounting, financial, education and other professional services.

KAFTA is expected to be worth \$5 billion in additional income to Australia between 2015 and 2030 and to provide an annual boost to the Australian economy of approximately \$650 million after 15 years of operation. In its first year of operation, it is expected to create 1 700 jobs. Eighty-four per cent of Australia's current exports (by value) will enter Korea duty free. Agricultural exports are expected to increase by 73 per cent and manufacturing by 53 per cent by 2030 as a result of the Agreement.

The Committee found that a range of benefits are likely to flow from the implementation of KAFTA for Australian businesses, industry and exporters. Apart from the direct value of tariff reductions, increased competitive advantage and potential future opportunities were identified as tangible positive results. Witnesses emphasised the importance of the Agreement in protecting our competitive edge in the Korean market as Korea signs free trade agreements with

our major competitors, including the United States, European Union, Chile and ASEAN countries.

The Committee identified and examined a number of issues that are causing concern amongst the wider community. In particular, the perceived dangers associated with the inclusion of an investor-state dispute settlement mechanism in the agreement and mooted changes to intellectual property rights. More generally, the Committee acknowledges ongoing dissatisfaction with the treaty making process but recognises the constitutional constraints on the process in Australia and highlights the progress that has been made in improving that process over the last two decades.

Overall, the Committee is satisfied that KAFTA will provide substantial economic benefit, not only to Australian business and industry, but also to the broader community.

Mr Wyatt Roy MP  
Chair



## Membership of the Committee

Chair Mr Wyatt Roy MP

Deputy Chair The Hon Kelvin Thomson MP

Members Mr Andrew Broad MP

Dr Dennis Jensen MP

Mr Ken O'Dowd MP

The Hon Melissa Parke MP

The Hon Dr Sharman Stone MP

Mr Tim Watts MP

Mr Brett Whiteley MP

Senator Chris Back

Senator David Fawcett

Senator Sue Lines

Senator Scott Ludlam (*until 7/7/14*)

Senator the Hon Joe Ludwig

Senator James McGrath (*from 1/7/14*)

Senator Dean Smith (*until 30/6/14*)

Senator Glenn Sterle (*from 1/7/14*)

Senator the Hon Lin Thorp (*until 30/6/14*)

Senator Peter Whish-Wilson (*from 8/7/14*)

## Committee Secretariat

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|                         | Jhie Gough                              |



## Resolution of Appointment

The Resolution of Appointment of the Joint Standing Committee on Treaties allows it to inquire into and report on:

- a) matters arising from treaties and related National Interest Analyses and proposed treaty actions and related Explanatory Statements presented or deemed to be presented to the Parliament;
- b) any question relating to a treaty or other international instrument, whether or not negotiated to completion, referred to the committee by:
  - (i) either House of the Parliament, or
  - (ii) a Minister; and
- c) such other matters as may be referred to the committee by the Minister for Foreign Affairs and on such conditions as the Minister may prescribe.



## List of abbreviations

|         |   |
|---------|---|
| ACCI    | Australian Chamber of Commerce and Industry     |
| AFTINET | Australian Fair Trade and Investment Network    |
| AGD     | Attorney-General's Department                   |
| AIG     | Australian Industry Group                       |
| AMWU    | Australian Manufacturing Workers' Union         |
| ASEAN   | Association of South-East Asian Nations         |
| AUSFTA  | Australia-United States Free Trade Agreement    |
| BRTAs   | Bilateral and Regional Trade Agreements         |
| CFMEU   | Construction, Forestry, Mining and Energy Union |
| CIE     | Centre for International Economics              |
| DFAT    | Department of Foreign Affairs and Trade         |
| FIRB    | Foreign Investment Review Board                 |
| FTAs    | Free Trade Agreements                           |
| GATS    | General Agreement on Trade in Services          |
| GATT    | General Agreement on Tariffs and Trade          |
| ILO     | International Labour Organization               |
| IP      | Intellectual Property                           |

|        |   |
|--------|---|
| ISDS   | Investor-State Dispute Settlement   |
| ITO    | International Trading Organisation  |
| JSCOT  | Joint Standing Committee on Treaties  |
| KAFTA  | <i>Free Trade Agreement between the Government of Australia and the Government of the Republic of Korea</i> |
| KOREU  | Korea-European Union Free Trade Agreement,  |
| KORUS  | Korea-United States Free Trade Agreement  |
| LMT    | Labour market testing   |
| MFN    | Most-favoured-nation  |
| NAFTA  | North American Free Trade Agreement   |
| NFF    | National Farmers' Federation  |
| NGO    | Non-Government Organisation   |
| NIA    | National Interest Analysis  |
| OHMA   | Office of Horticultural Market Access   |
| RCEP   | Regional Comprehensive Economic Partnership   |
| RIS    | Regulation Impact Statement   |
| ROK    | Republic of Korea   |
| ROO    | Rules of Origin   |
| SPS    | Sanitary and phytosanitary  |
| TPP    | Trans-Pacific Partnership Agreement   |
| TRIPS  | Trade Related Aspects of Intellectual Property Rights   |
| TRQ    | Tariff Rate Quota   |
| UNCTAD | United Nations Committee on Trade and Development   |
| USTR   | United States Trade Representative  |

WTO      World Trade Organisation



## List of recommendations

### 5 Conclusion

#### Recommendation 1

The Committee supports the *Free Trade Agreement between the Government of Australia and the Government of the Republic of Korea* and recommends that binding treaty action be taken.