



INVESTMENT

Significant two way investment flows between Hong Kong and Canada total \$5 billion. Negotiations are continuing with the Hong Kong Government for a Foreign Investment Protection Agreement.

REPUBLIC OF KOREA

Overview

In 1997, Canada's goods exports to the Republic of Korea totalled \$2.881 billion, and imports were \$2.821 billion. Korea is Canada's third-largest market for merchandise exports in the Asia Pacific region (after Japan and China), and the sixth-largest worldwide (after Germany).

In November 1997, South Korea asked the International Monetary Fund (IMF) for financial assistance, after a crisis broke out due to doubts about its ability to repay high levels of private short-term foreign debt. Further uncertainty arose because of the presidential election on December 18, which was won by the main opposition candidate, Mr. Kim Dae-jung. The agreement reached with the IMF calls on Korea to reform its financial sector and corporate structure, and to open its economy wider to foreign goods and investors.

In January 1998, Korea and its international financial creditors agreed to roll over US\$24 billion in short-term debt. While the agreement stabilizes Korea's foreign-exchange problems, it still faces a major restructuring of its domestic economy. Growth will slow substantially while this process is under way, and Korea is expected to sharply reduce its imports in the near term. Nevertheless, Korea remains an important market for Canada, and it should emerge from the present crisis with a stronger economy.

The Canada-Korea Special Partnership Working Group (SPWG) was launched in April 1994 to identify ways to increase and strengthen economic ties between Canada and Korea. The Working Group's goal is to increase co-operation in areas such as trade, investment, industrial co-operation and technology transfer. A subcommittee of the SPWG addresses market access issues. A Committee

on Industrial and Technological Co-operation has also been created to further increase co-operation between the private sectors of both countries, initially focussing on manufacturing technology, new materials, biotechnology, environment, energy and telecommunications.

Canada and Korea concluded an MRA on telecommunications equipment during the Team Canada trade mission to Korea in January 1997. Canada and Korea are involved in market access negotiations on telecommunications equipment, focussing on government procurement issues. A positive result in this area will give further impetus to trade in telecommunications equipment between Canada and Korea, and will place Canada on an equal footing with its competitors (the United States and the European Union).

Canada's Market Access Priorities for 1998

The Republic of Korea's economic policies are designed to promote its domestic industry and exports while discouraging imports of some value-added goods. Generally, tariffs, import licences and import procedures all favour the importation of raw materials and industrial equipment rather than finished goods. While there has been some liberalization of import procedures, significant obstacles and rigidities remain.

IMPROVING ACCESS FOR TRADE IN GOODS

Telecommunications Equipment

Canada seeks to improve access to private-sector and government procurement in Korea in the telecommunications equipment market. While Korea has implemented the WTO Agreement on Government Procurement, it has excluded purchases by Korea Telecom of telecommunications products and network equipment. Other barriers to access, such as localization policies, are of concern to Canada.

In 1997, Canada and Korea held discussions with respect to procurement. Canada continues to object to the preferential treatment provided by Korea to U.S. and European equipment manufacturers and is seeking the same guaranteed access that is provided to U.S. and EU firms, for both private-sector and government procurement in Korea.