

*Security a Concern***Defence Restructuring Means Business**

Despite the continuing movement toward unification of North and South Korea, concerns over national security are expected to continue, giving rise to potential opportunities for Canadian exporters of defence and aerospace products and services.

Defence restructuring will lead to purchases of new command control communications equipment as well as a continued upgrading of

naval and air force capability. The possibility of a gradual down-scaling of the U.S. military presence also is expected to create new requirements as Korean forces take on increased responsibilities.

As part of the naval upgrading program, there is an opportunity for Canadian systems integration capability in the Republic of Korea destroyer acquisition program (value \$450 million).

(The Korean Army will be acquiring Mobile Subscriber Equipment. Canadian Marconi won a contract to provide similar equipment to the U.S. Army and is in an excellent position to win this contract.) The Koreans are familiar with Canadian Marconi as they use a CMC-designed and produced radio.

Spar Aerospace has sold Tigereye Night Vision systems to the Korean Army and there may be additional requirements. Spar may also sell equipment for use as sighting for an anti-tank weapon.

In Air Force procurement, the F-16 aircraft has been selected for the 120 aircraft Korean Fighter Program. Many Canadian companies produce components and should have opportunities through the FMS program. Moreover, Canadian direct sales of follow up maintenance, testing and ground support should be developed (although it will be difficult to overcome U.S.A. purchase guidelines). The F5 upgrade program may also provide opportunities for Canadian companies.

A good opportunity exists for Canadair and its Challenger aircraft. Purchases of the aircraft are expected from government and private corporations.

Coastal patrol, search and rescue, and forest firefighting are growing priorities for the Korean government and Bombardier continues to pursue prospects for its CL-215T. Dash 8 sales could see better prospects with possible commuter airlines developing after further deregulation.

The building of a new Seoul airport and upgrading of local airports will enhance sales of ground equipment, navigation and radio equipment.

Resource Sector Leads in Exports

Resource exports dominate total Canadian exports to Korea. While resources are declining as a percentage of total trade, they still account for 68 per cent and provide a multitude of opportunities for Canadian companies.

Canadian resource exports to Korea during 1991 amounted to \$1.4 billion, up 21 per cent from the previous year. Leading the growth in resource exports were coal shipments (a 23 per cent jump); steel products (a 99 per cent rise); and pulp (a 15 per cent increase). There was a 5 per cent drop in petroleum product exports.

Coal remained Canada's single largest export to Korea. During the first nine months of 1991 Canada exported almost 5 million tons of coal, sharing 22 per cent of the total Korean coal market. Canadian exports of coal are approximately \$380 million annually. Korea has been Canada's second largest export market for coal and it is a growing market for both metallurgical and thermal coal.

Exports of other Canadian resource-based products include potash, sulphur, iron ore, copper, zinc ore, uranium concentrates,

aluminum ingots, nickel oxide and non-ferrous metal scraps.

Korea's energy import bill amounted to \$13.1 billion in 1990, up 45 per cent from 1989. Korea's energy demand is projected to grow 6.8 per cent per year over 1992-1996.

Imports of crude oil were approximately 418 million barrels in 1991, with the Canadian share of the market being approximately 3 per cent. Canada exported more than \$110 million worth of heavy crude oil and gasoline during 1991.

Canada is a major supplier of uranium to Korea, providing one-third of Korean uranium imports. Currently, Canadian uranium exports amount to 450 tons, valued at \$50 million.

The industrialization of Korea and its demand for resources, processed materials and energy will ensure a continuing strong market for competitive Canadian suppliers. The major focus of attention, as tariffs decrease on value added resource-based products and as the Korean market opens to foreign suppliers, is to maximize Canadian exports of processed products.