

# Korea UPDATE

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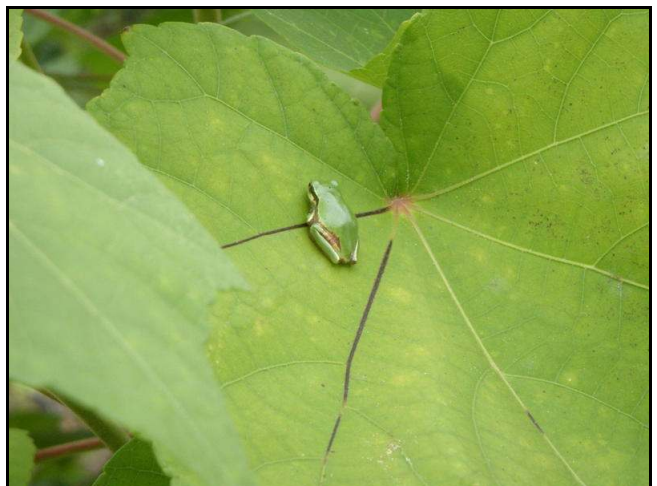
BILATERAL  
POLITICAL  
AND  
ECONOMIC  
UPDATES



Christmas celebration in Seoul (Photo: Sophie Kang)



Still morning at meeting point of North and South Han Rivers  
(Photo: Abi Vink)



The one centimetre frog (Photo: Michelle Mann)



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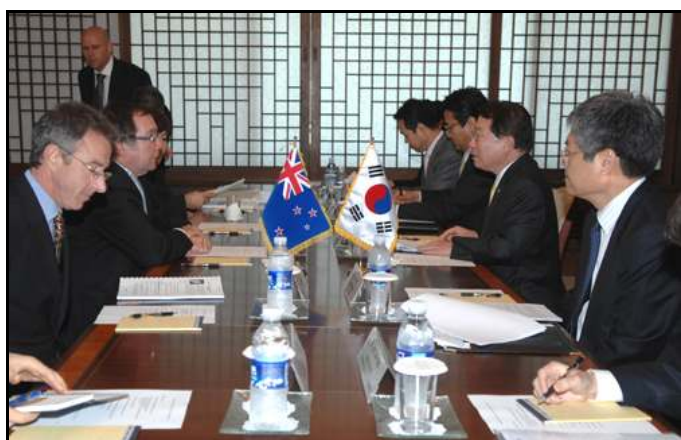
## BILATERAL

### VISIT BY HON MURRAY McCULLY, NEW ZEALAND MINISTER OF FOREIGN AFFAIRS, TO SEOUL



Hon Murray McCully and Korea's Foreign Affairs Minister Yu Myung-hwan

New Zealand Minister of Foreign Affairs, Hon Murray McCully, accompanied by Melissa Lee MP, visited Seoul from 26-27 October in response to an invitation from the Korean Minister of Foreign Affairs, Yu Myung-hwan. This was Minister McCully's first visit to Korea as Foreign Minister. During his visit, Minister McCully met with Prime Minister Chung Un-chan, Foreign Minister Yu and Minister of Unification Hyun In-taek. These meetings offered important opportunities to engage with the Korean Government on issues of mutual concern including the bilateral relationship, regional architecture, inter-Korean relations, climate change and the bilateral FTA under negotiation.



At the meeting with the Minister and officials of Korean Foreign Affairs and Trade Ministry.

Mr McCully also took the opportunity to visit the Demilitarised Zone dividing the two Koreas, where he met New Zealand soldiers actively serving in the

field and was provided with briefings on the status of the Armistice Agreement. The Ambassador hosted a reception in honour of Mr McCully for friends of New Zealand and high level contacts including parliamentarians, trade and business representatives, defence and rugby contacts and other VIPs. The Minister also met with Representative Park Jin, Chairman of the National Assembly's Unification, Foreign Affairs and Trade Committee.



The Minister and party with Seoul-based representatives at Panmunjom, in front of the demarcation line.

Mr McCully was impressed with Korea's infrastructure and rapid development as well as the warm welcome and hospitality shown to him by his Korean counterparts.

### THIRD ROUND OF KOREA-NEW ZEALAND FTA NEGOTIATIONS

The third round of FTA negotiations with Korea was held in Seoul from 14-18 December. The negotiations covered 11 different areas, including the core issues of market access for goods, trade rules, services, investment and intellectual property. Further progress was made across the agenda but the two sides remain far apart on market access for goods. A fourth round is likely to take place in New Zealand in April 2010.

### KOREA - AUSTRALIA - NEW ZEALAND (KANZ) BROADBAND SUMMIT: DIGITAL FUTURES

New Zealand hosted the 5th Korea-Australia-New Zealand (KANZ) Broadband Summit on 4-5 November in Auckland. This year's summit title was KANZ Broadband Summit: Digital Futures. The KANZ Summit is a regular forum for business and government officials from the three countries to come together to discuss the latest research and commercial developments in digital applications and content and broadband infrastructure. The 2009 event had a strong commercial appeal, and

was focused on the economic outcomes that result from robust high-speed broadband infrastructure.



Hon Stephen Joyce, New Zealand Minister for Communications and Information Technology gave the opening address.

New Zealand's Minister for Communications and Information Technology, Hon Stephen Joyce, hosted the Summit with high-level official and business delegations from both Korea and Australia. Korea Communications Commission Standing Commissioner Hyung Tae-Gun led the Korean delegation, while Senator Stephen Conroy, the Minister for Broadband, Communications and Digital Economy, led the Australian delegation.



From left, Australian Minister for Broadband, Communications and the Digital Economy, Stephen Conroy, New Zealand Minister Steven Joyce and Commissioner Hyung Tae-Gun from the Korean Communications Commission

Dr Jung-Uck Seo, New Zealand Honorary Science Ambassador and former Korean Science Minister attended the KANZ Summit. Dr Seo's trip to the summit was arranged by New Zealand's Ministry of Foreign Affairs and Trade and NZTE. His visit provided an outstanding opportunity to

demonstrate the New Zealand Government's intent to attract investment in the ICT sector from Korea, and to develop engagement with the Korean technology sector - both at a RS&T level and with respect to commercialisation of technologies.

### **MAJOR KOREAN BUSINESS NEWSPAPER INTERVIEWS PRIME MINISTER JOHN KEY**

The largest business daily in Korea, Maeil Business Newspaper, and its cable TV network MBN interviewed Prime Minister John Key in Auckland on 10 November as a part of a "One Asia" series in which they interviewed leaders of Asia-Pacific countries. Prime Minister Key talked about issues of Asian integration and the bilateral relationship, with a focus of the Korea-New Zealand FTA. The interview was carried on the front page and two other pages of the newspaper the following day. A recorded interview was also aired on 29 November on MBN. According to the newspaper, the interview drew very good feedback from government policy-makers, business people, academics and the general public.

### **CALLS ON 18<sup>TH</sup> NATIONAL ASSEMBLY MEMBERS**

Over the last few months, Ambassador Richard Mann has stepped up efforts to meet representatives at the National Assembly in Korea. With the goal of strengthening political links between New Zealand and Korea, building relationships with up-and-coming parliamentarians and broadening support for the FTA and other bilateral projects, the Ambassador has made regular visits to Yeoido where the National Assembly is located.



GNP Floor Leader Ahn Sang-soo and Ambassador Richard Mann

Among those representatives Ambassador Mann has met in the last few months are ruling Grand National Party Floor Leader, Ahn Sang-soo; Deputy Floor Leader, Kim Jong-hoon; Democratic Party Floor Leader, Lee Kang-rae; Unification, Foreign Affairs and Trade Standing Committee members Lee Sang-deuk, Hong Jung-wook, Chung Ok-nim, Nam Kyung-pil, Kim Choong-whan, and Song Young-sun; Chairman of the Knowledge Based Economy Committee, Jung Jang-seon; Chairman of the Food, Agriculture, Forestry and Fisheries Committee Lee Nak-yon and others.

The meetings offer us an opportunity to hear about the work going on at the National Assembly and discuss a wide range of issues of mutual importance. The Embassy views these meetings as an important part of the work we do in increasing bilateral understanding and broadening the Korea-New Zealand network of contacts. We are heartened by the interest shown in New Zealand by parliamentarians from across the political spectrum.



Ambassador Richard Mann and Rep. Hong Jung-wook

### **MIFAFF/KFRI ORGANICS DELEGATION TO NEW ZEALAND**

A working-level delegation from Korea's Ministry for Food, Agriculture, Forestry and Fisheries (MiFAFF) and Korea Food Research Institute (KFRI) visited Auckland and Wellington on 17-21 November to investigate New Zealand's organic certification and management system. Trade Research Officer Hye-min Hwang, from the Embassy, accompanied the delegation. The delegation met with and heard the perspectives of a wide range of players involved in the New Zealand organic industry including farmers, producers, retailers, certifiers, industry representatives, and officials from the New Zealand

Food Safety Authority (NZFSA), Ministry of Consumer Affairs and Ministry of Foreign Affairs and Trade (MFAT).

### **COMMISSION ON THE CONSERVATION OF SOUTH BLUEFIN TUNA MEETING – JEJU**

Korea hosted the 16th Annual Meeting of the Commission for the Conservation of Southern Bluefin Tuna (CCSBT), in Jeju Island from 18-23 October. The CCSBT is a regional fisheries management organisation responsible for managing the use and conservation of Southern Bluefin Tuna. New Zealand is a founding member of CCSBT.

Key outcomes of the meeting included a 20% reduction in the global total allowable catch of Southern Bluefin Tuna, and subsequent agreement on country allocations. A package of measures was also agreed at the meeting to better ensure members' compliance with their reduced catch allocations, including action plans to improve monitoring and verification of catches.

The New Zealand delegation was led by Arthur Hore from the New Zealand Ministry of Fisheries (MFish) and comprised officials from MFish, MFAT and fishing industry representatives. Second Secretary Vink was in attendance from the Embassy. Delegates were particularly impressed by the beautiful setting for the meeting.

### **EMBASSY TEAM VISITS KIWIFRUIT FARMS IN JEJU**



Ambassador Richard Mann and a Jeju kiwifruit farmer

The Ambassador and the Embassy's trade and economic team, together with Trade Commissioner Graeme Solloway and staff from NZTE's Seoul office, travelled to Jeju Island to visit parts of

Zespri's Korean operations. The group was hosted by staff from Zespri's Seoul and Seogwipo offices, including Peter Thomas (Financial Controller, Asia), Min Dle-le (Operations Manager) and Jason Kim, Zespri's Jeju-based Korea supply manager.

As well as gaining a greater appreciation of the level of cooperation between Zespri's New Zealand and Korean operations, the group visited a number of local growers, and packhouse and coolstore facilities owned and operated by the local growers' cooperative all of whom are affiliated with Zespri. As with the New Zealand industry, the Korean growers take an innovative approach to orchard management, working hard to try new ideas to increase yields and returns. A notable difference is that all kiwifruit in Jeju is grown in shadehouses to protect vines and fruit from typhoons. Post-harvest fruit management and packhouse operations are benefitting from New Zealand technology and experience, and the flow of ideas in both directions is helped by regular grower exchanges.



The Embassy team visited Zespri's operation in Jeju.

The Korean industry is small by New Zealand standards but it is lucrative, with some Jeju returns among the highest among all Zespri's contracted growers. Jeju-grown Zespri Gold accounts for around 10% of Zespri's annual turnover in Korea in a KRW 10 billion operation.

#### **VISIT BY UNDP ADMINISTRATOR HELEN CLARK**

Former New Zealand Prime Minister and current Administrator of the United Nations Development Programme (UNDP), Helen Clark visited Seoul in November to sign agreements opening the Seoul Policy Centre for Global Development in early 2010, and launching a Millennium Development Goals Trust Fund to facilitate joint Korea-UNDP effort to achieving those goals. The UNDP office in Seoul

will close in December marking Korea's transition from aid recipient to aid donor country.

During her visit Helen Clark met with President Lee Myung-bak, Foreign Minister Yu Myung-hwan and members of the National Assembly. She also announced that the UNDP was in the final stages of considering a US\$2.5 million assistance programme for DPRK, starting from 2010 and covering six projects including sustainable energy production.



UNDP Administrator Helen Clark and Korean Foreign Affairs Minister Yu Myung-hwan

The Ambassador hosted a small dinner for Helen Clark on her arrival in Seoul. Invitees included senior Korean diplomats, parliamentarians and business representatives close to New Zealand. Discussion at dinner covered a range of issues including overseas development assistance, climate change, Korean investment in developing countries and prospects for engagement with North Korea.



Ambassador Richard Mann hosted a small dinner for Helen Clark with Korean foreign policy leaders.

## **KOREAN EDUCATION RESEARCHERS STUDY NEW ZEALAND'S COMPETENCY-BASED LEARNING**

Two researchers from Korea's National Youth Policy Institute (NYPI) and the Korea Educational Development Institute (KEDI) visited New Zealand in October to research competency-based learning. Dr. Chang Geun-young and Dr Kim Tae-jun, respectively, spent one week in Wellington and Auckland visiting the Ministry of Education, schools, and education specialists.

The research is part of a larger project commissioned by the Korean Ministry for Health, Welfare and Family Affairs to investigate the ways in which young people are prepared to undertake their roles as citizens in the 21<sup>st</sup> century. New Zealand's strengths in competency-based teaching and learning were the focus of the visit, and the delegation was able to meet and discuss specific areas of interest with the New Zealand Council for Educational Research and the Ministry of Education as well as observe some of these in practice in New Zealand classrooms.

Dr Kim noted that New Zealand has demonstrated its own competencies by successfully implementing the competency-based curriculum, and, most impressively, how well the research, administrative, and implementation agencies worked together.

## **ASIA NEW ZEALAND FOUNDATION PROJECT OFFICER VISITS KOREA**

Culture project officer Monica Turner from the Asia New Zealand Foundation (Asia:NZ) visited Korea from late October to early November and attended the conference, "The 21<sup>st</sup> century art residency and new institutional collaborations", hosted by the Gyeonggi Creation Centre to mark its opening. Following the conference she met with officials from major public sector art agencies in Korea including Arts Council Korea (an equivalent to Creative New Zealand), the Seoul Foundation for Arts and Culture and the Korea Foundation. Together with the Korea Foundation, Asia:NZ has been running an artist residency exchange programme sending New Zealand artists to Korea and vice versa. Under the programme, New Zealand artists are based at Changdong Art Studio of the National Museum of Contemporary Art. Ms Turner visited the Changdong Art Studio and Art Space Geumcheon, newly opened by the Seoul City Government, which offers residencies for local and overseas artists. She also met with well-known Korean curator Kim Sun-jung who has been

appointed Director of the 6<sup>th</sup> Seoul International Media Art Biennale to be held in 2010. Her visit to Korea provided an opportunity to explore the Korean art sector and to raise understanding of Korean art agencies and bilateral arts exchange opportunities between New Zealand and Korea.

## **NEW ZEALAND SHOWCASES FILMMAKING CAPABILITY IN KOREA**

NZTE Seoul participated in the Busan International Film Commission and Industry Showcase 2009 (BIFCOM) held on 11~14 October, with delegates from the New Zealand Embassy, Film New Zealand, Film Auckland, and HIT Lab NZ Ltd. BIFCOM is a strategic event for New Zealand and its film industry. Since its inception, NZ has used it to develop strong relationships within the Korean film industry.



New Zealand delegation at the New Zealand reception held in Busan on 13 October.

At the event a number of enquiries were received, with strong interest in filming and post production work in New Zealand. Media interest was positive, including interviews for New Zealand delegates with top tier broadcasting companies, and press coverage by key newspapers.



Some 220 guests attended the New Zealand reception at BIFCOM.

As a part of the showcase, NZTE hosted a reception on 13 October with New Zealand Ambassador Richard Mann delivering a welcome speech. 220 guests, including dignitaries from the New Zealand and Korean film industries, joined the reception to celebrate the strong partnership between the two countries.

### **NEW ZEALAND WINE FAIR AND THE NEW ZEALAND WINE EXPERIENCE**

On 9 November two major events were hosted at the Seoul Plaza Hotel to promote New Zealand wine in Korea. New Zealand Wine Growers brought a delegation of eleven wine companies from all regions of New Zealand, to introduce their wines to the market. NZTE supported the event by coordinating with in-market distributors representing another 14 wine companies to enable a major showcase for New Zealand wine. In all 115 wine labels were shown and poured over the course of the afternoon and evening events. As well as wine, New Zealand Meat and Wool provided beef for tasting, Aotearoa Seafoods provided greenshell mussels and Fonterra, through its customer Sangha, provided cheese to accompany the wine.



Korean guests tasted fine New Zealand wine at the New Zealand Wine Fair held in Seoul on 9 November.

Over 350 invited guests from trade and media attended the 4<sup>th</sup> New Zealand Wine Fair in the afternoon. Many valuable business contacts were made by exhibiting wine makers, and for those with distributors already in the market it was an opportunity to support the marketing of New Zealand wine to restaurant and retail representatives. A special seminar was held on New Zealand's "Amazing Aromatics", with wine legend Nick Nobile taking participants through a tasting of a selection of Pinot Gris, Gewürztraminer

and Riesling varieties from different regions of New Zealand.



Presentations on New Zealand wine were given to Korean wine industry people.

That evening, for the first time in Korea, a public show of New Zealand wine was held. Run by the Kiwi Chamber and supported by New Zealand Wine Growers, participants at the fair extended their pouring into an evening event that attracted over 200 paying guests. While the afternoon was for serious discussions about wine deals and contracts for distribution, the evening was all about displaying the variety of New Zealand wine to an audience of wine enthusiasts. The response to the event has been fantastic from exhibitors – who saw it as a great way to reach out to wine drinkers in Seoul – and from guests who universally praised the event. For the Kiwi Chamber, just one year old, the first New Zealand Wine Experience was a great opportunity to promote the Chamber and, with luck, establish an event that will become part of Seoul's social calendar.

### **NEW ZEALAND EDUCATION FAIR**

The first stand alone New Zealand Education Fair was held at the Seoul Plaza Hotel on the weekend of 31 October and 1 November and attracted over 1,400 visitors across the two days. 32 educational institutions participated in the fair and there was strong representation from all New Zealand education sectors.

The Fair provided an opportunity to raise New Zealand's profile as an education destination, as well as being a forum for institutions to recruit students and establish or develop relationships with education agents. In the past New Zealand has been part of a collective Australia/New Zealand event. This year's event allowed New Zealand to more clearly differentiate its in-market brand and provide better value to education agents through a more focused event.



At the New Zealand Education Fair held in Seoul from 31 October - 1 November.

Education New Zealand was very happy with the numbers of visitors and feedback from participants. The location worked well, being close to – but separate from – a British Council education event. Promotion for the Fair included online and offline advertising, such as posters on subway trains and slots on the large City Vision TV screens that dot the Seoul landscape. Visitor numbers compared well to competing country events in the October-November recruitment season, such as for Australia, UK and Canada.

A reception hosted by the Ambassador for visiting institutions and their agents was very well received, and planning is underway for the next education events in 2010.

### 1<sup>ST</sup> ANNIVERSARY OF KIWICAMBER



On 20 November members and supporters of the Kiwi Chamber ([www.kiwichamber.com](http://www.kiwichamber.com)) gathered at a “hui” at the Coex Intercontinental Hotel in Gangnam to celebrate the Chamber’s 1<sup>st</sup> birthday. It doesn’t seem that long since the launch event on 19 November last year, but the Chamber has packed a lot into its first twelve months. The Board meets regularly, and it has been pleasing to see members’ enthusiasm to promote the Chamber and New Zealand interests in Korea.

It has also been good to discover more and more New Zealand connections in Korea.

The Chamber has hosted three successful lunches – with Ambassador Richard Mann, Trade Minister Hon Tim Groser and Korean-born New Zealand MP Melissa Lee as keynote speakers. Earlier this month they held a very successful New Zealand wine evening (see separate report on page 7).

As patron, Ambassador Mann expressed his appreciation for the Embassy’s association with the Chamber and wished its members a very successful second year.

### SIWA BAZAAR



New Zealand’s presence at the 2009 SIWA and Diplomatic Spouses’ Charity Bazaar



Along with Michelle Mann (fourth from right), Embassy staff, spouses and other members of the New Zealand community assisted with running the New Zealand stand at the bazaar.

Michelle Mann coordinated New Zealand’s participation in the annual SIWA (Seoul International Women’s Association) and Diplomatic Spouses’ Charity Bazaar held at the Grand Seoul Hilton on 17 November, ably assisted by Embassy staff and spouses. Sales of New Zealand wine, sweets, merino/possum scarves and Christmas decorations (fabulous lambswool sheep made by

Michelle) were brisk. The team was able to hand over 3,800,000 won (over NZ\$4,000) to the bazaar organisers. Planning has already begun to make next year's effort even better!

## **POLITICAL**

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### **KOREA-US SUMMIT HELD IN SEOUL, 19 NOVEMBER**



President Barack Obama and President Lee Myung-bak at the joint press conference held at the Blue House following the summit.

On the last leg of his first four-nation Asia tour, US President Barack Obama arrived in Seoul on 18 November for his two-day visit to the country, following visits to Japan, Singapore – where he attended the APEC meeting – and China. At the summit held at Cheong Wa Dae (Blue House) the following day – the third meeting between the two – Presidents Barack Obama and Lee Myung-bak focused on the issues of North Korea's denuclearisation, Korea-US FTA (KORUS FTA) and G-20 summit to be hosted by Korea next year and other global issues including climate change, green growth, and the broader issues of nuclear non-proliferation and counter-terrorism.

At the joint press conference held following the summit, the two leaders announced that they agreed on a common approach to North Korea, called a "comprehensive package" by the US President and a "grand bargain" by his Korean counterpart, seeking a comprehensive one-shot deal with the North on nuclear disarmament of the communist state. President Obama announced that his special envoy, Stephen Bosworth, would travel to Pyongyang on 8 December in a bid to persuade

the North to return to stalled six-party talks that were last held in Beijing nearly one year ago.

Another major agenda item at the summit meeting was the bilateral trade agreement – KORUS FTA. Emphasising its economic and strategic importance, the two leaders promised efforts to seek ratification of the agreement that was signed in 2007. At the media conference President Lee hinted his government was willing to talk again to address US automakers' concerns about an imbalance in car trade, the main obstacle to the ratification of the deal by the US Congress, which has drawn a strong backlash especially from the major opposition party in Korea. However, Trade Minister Kim Jong-hoon and the Blue House clarified that the President's remark should not be interpreted as referring to the reopening of the negotiations.

Through the summit, the two leaders reaffirmed the solid Korea-US alliance, upgrading it to a strategic alliance for the 21<sup>st</sup> century. President Obama reaffirmed the US commitment to defend the South, based on provision of a nuclear umbrella and extended deterrence. As part of a programme marking the 60<sup>th</sup> anniversary of the Korean War (1950-53), the two leaders agreed to hold talks at Foreign and Defence Minister-level next year.

Korea has been appointed host country of the G-20 summit to be held in November next year, and the two leaders agreed to make joint efforts to make the summit a success.

### **KOREA TO SEND TROOPS AND MORE ENGINEERS TO AFGHANISTAN EARLY 2010**

The Korean Government is planning to dispatch more members to the Provincial Reconstruction Team (PRT) in Afghanistan and a security contingent of police and troops to guard the PRT and its work. A Korean medical and vocational team of 30 members is currently working for reconstruction in the Bagram US airbase in Afghanistan. According to the statement released by the Ministry of Foreign Affairs and Trade on 30 October, the security forces will not be engaged in combat operations but are tasked with exercising self-defence to protect the PRT.

An inter-agency team led by Deputy Foreign Minister Lee Yong-joon undertook a six-day inspection of sites in Afghanistan in mid-November and met with Afghan officials and the US commander of the NATO-led International Security

Assistance Force (ISAF). Specifics of the dispatch including the size, place and date will be decided based on the outcomes of the on-site inspection. However, it is expected that around 100 civilians and 350 security forces will be dispatched to the war-torn country in March or April 2010. According to Foreign Minister Yu Myung-hwan, it is likely to take at least four to five months before the procedures required to deploy troops, including getting National Assembly approval, are completed. The Defence Ministry submitted a motion for the deployment to the National Assembly in mid-December.

In 2007 Korea pulled about 200 military engineers and medics from Afghanistan after 23 visiting Korean church workers were kidnapped and two killed by the Taliban forces there.

### **OPPOSITION TAKES LEAD IN BY-ELECTIONS, 28 OCTOBER**

The main opposition Democratic Party (DP) claimed victory in the parliamentary by-elections nationwide held on 28 October by winning three out of the five seats contested. Three DP candidates, Kim Young-hwan, Lee Chan-ryul and Chung Beom-gu defeated contenders from the governing Grand National Party (GNP) in the fiercely-contested constituencies in Gyeonggi (Seoul metropolitan area) and North Chungcheong provinces. Two GNP candidates, Kwon Seon-dong and Park Hee-tae, a former party chairman maintained leads in the party's stronghold – Gangneung in Gangwon Province and Yangsan in South Gyeongsang Province, respectively. The DP's victory in the Suwon and Ansan districts of Gyeonggi Province, south of Seoul are viewed as especially meaningful as they are often regarded as a barometer of public sentiment because of their relatively neutral political affiliation. With the two additional seats from the by-elections, the GNP will control 169 seats in the 299-seat unicameral parliament while the DP now has 86 seats.

### **KOREA-AFRICA FORUM HELD IN SEOUL, 24 NOVEMBER**

With the main agenda of how to achieve economic development while protecting nature, Korea and the 53 member nations of the African Union (AU) adopted the Seoul Declaration at the second Korea-Africa Forum, which was held in Seoul on 24 November. The two sides acknowledged the need to complement each other, with Korea aiming to access the African region's natural resources while

Africa seeks to gain from Korea's industrial expertise. Through the declaration, the Korean Government announced it would be increasing official development assistance (ODA) to African nations to over US\$200 million by 2010 (doubling its current ODA) when the forum next meets. Korea will also invite up to 5,000 African trainees to Korea and dispatch more than 1,000 Korean volunteers to the region by 2012.



Representatives of Korea and the 53 member nations of AU at the second Korea-Africa Forum held in Seoul on 24 November.

The two sides also adopted the Korea-Africa Green Initiative, an annex to the Seoul Declaration. The accord said, "We agreed to expand bilateral and multilateral channels for dialogue between Korea and Africa to build a consensus on green growth and hold policy forums to strengthen partnership for low-carbon green growth." Through the initiative, Korea and Africa will implement environmental cooperative projects such as establishing a master plan and conducting feasibility studies on environmental projects. The two sides also agreed on transfer of green technologies and cooperation that could help resolve global environmental issues and contribute to the creation of green markets.

The Korea-Africa Forum was created based on "Korea's Initiative for Africa's Development" signed in 2006, which is regarded to have paved the way for improving bilateral relations.

### **TWO KOREAS' NAVAL SHIPS EXCHANGE FIRE, 10 NOVEMBER**

The navies of the two Koreas clashed off the west coast of the Korean Peninsula on 10 November, the first such incident in seven years. According to South Korean officials, a North Korean boat crossed the Northern Limit Line (NLL) – a de facto western sea border drawn by United Nations forces at the end of the Korean War, which the North does not recognise – and the South Korean navy fired warning shots. The North vessel ignored them and fired at a South Korean navy vessel, prompting the South to shoot at the North ship. The shooting

lasted about two minutes with the South Korean boat taking about 15 shots from the North Koreans, who fired about 50 rounds. According to South Korean officials, there were no casualties on the South side while the North Korean boat was wrapped in flames and returned across the border. The North's official news agency KCNA reported that its patrol boat had been on a mission to confirm an unidentified object on its side of the border.

The clash happened eight days before US President Barack Obama's visit to Korea as part of the Asia tour reported above, and came amid an accelerating thaw between the two Koreas. After months of hostility marked by missile test-launches and a nuclear test, the North has put out peace antennae both to the South and the US since August. The communist country freed five South Korean detainees, eased curbs on the operations of Kaesong Industrial Complex, a joint industrial estate between the Koreas and allowed a family reunion programme to resume.

Some South Korean experts consider that the North was aiming to pressure both the US and the South to engage in dialogue with the North more seriously through this action.

#### **NORTH KOREA CARRIES OUT CURRENCY REVALUATION**

North Korea has carried out its first currency revaluation in 17 years. According to media reports in South Korea, the communist Government informed citizens on 30 November that it would revalue its national currency, the won. The North announced on state radio that the exchange rate would be set at 100 old won to 1 new won. The currency overhaul came just days before President Barack Obama's envoy on North Korea was due to travel to Pyongyang to try persuading the regime to return to six-party talks. Analysts said that the overhaul of the North Korean won appeared aimed at curbing inflation and clamping down on private earnings from the street markets that have sprung up in the tightly controlled nation. By limiting the amount of old money that individuals could exchange for new money, the regime effectively wiped out the savings of those who had accumulated funds by whatever means.

## **ECONOMIC**

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#### **KOREAN ECONOMY GROWS 2.9% IN THIRD QUARTER**

Korea was the only OECD country which achieved a positive economic growth year-on-year in the third quarter, on the back of strong exports and rebounding private consumption supported by expansionary fiscal policy, raising hopes for a positive growth this year. The central bank announced that the nation's GDP grew 0.6% in the July-September period from the same period in the previous year. The average on-year third-quarter rate of growth for OECD members was -3.3%. On a quarter-on-quarter basis, the Korean economy expanded 2.9% in the third quarter (Q3), marking the largest growth in the OECD along with Mexico. The average on-quarter growth for the OECD economies was 0.8%. The Bank of Korea said that the better-than-expected GDP growth in Q3 was largely attributed to robust output of the manufacturing and services sectors, fuelled by surging overseas demand and rising domestic consumption in the wake of the global economic rebound. Manufacturing output jumped 8.7% on strong production of automobiles, electronics and semiconductors in the period from Q2 while the services sector grew 0.6%. Exports, which account for about 50% of the nation's GDP, rose 5.1% from the previous quarter while private spending inched up 1.4%. Due to the continuing rise in its trade surplus, the country returned to being a net creditor country in September, with its net external position (NEP) standing at US\$2.98 billion since it became a net debtor country in September 2008 for the first time in eight years. Until November, the country posted US\$328.3 billion in exports and US\$37.8 billion in its accumulated trade surplus. Facility investment also increased 8.9% in the Q3 after rising 10.1% in the previous quarter.

With the positive signs of the recovery, in its revised world economic outlook released in late-November, the OECD predicted that Korea will be among the three developed countries with positive economic growth this year along with Australia and Poland, and will become the one with the highest growth rate in 2009-2010, achieving annual growth rates of 0.1% and 4.4%, respectively. In June, the OECD had predicted a 2.2% contraction this year and a 3.5% growth next year for the country. The International Monetary Fund (IMF) has also revised Korea's 2009 and 2010 growth projections upward,

0.25% growth from a 1% decline this year and 4.5% growth from 3.6% next year.

On the Korean Government side, the Ministry of Strategy and Finance forecast in late November that the economy would grow 0.2%-0.3% this year and 5.5% next year. The state-run think tank Korea Development Institute (KDI) also predicted the above figures and forecast a US\$41.5 billion trade surplus this year, contracting to US\$16.2 billion next year because materials prices will go up and imports will increase significantly due to the economic recovery. The KDI forecast that consumer price inflation will decline to 2.7% next year from this year's 2.8%, and unemployment will be stabilised to 3.4% from 3.7%.

Some critics, however, have warned against hasty optimism, saying the Korean economy is still fragile because of concerns such as renewed concern over the US financial market, rising oil prices, an end to the dollar carry trade<sup>1</sup>, the Korean currency won's appreciation, jobless growth, an asset market bubble, worsening fiscal soundness, household insolvency, the spread of the influenza A virus and a delay in corporate restructuring.

### **KOREA JOINS OECD DONOR CLUB, 25 NOVEMBER**

Korea joined the OECD Development Assistance Committee (DAC), a club of donor nations, as its 24<sup>th</sup> member on 25 November, becoming the second Asian member country after Japan. The main significance, according to the Foreign Ministry, is that Korea is the first country in the world which has become a donor after being an aid recipient since the establishment of the OECD. The country received US\$12.7-billion of assistance from the late 1940s to the late 1990s. Foreign Affairs and Trade Minister Yu Myung-hwan said, "It only took about half a century for Korea, once one of the poorest nations in the world, to become the world's 15<sup>th</sup> largest economy. In the process, we had a lot of help from the UN. Now it is time to repay what we owe to the world."

Since entering the new millennium Korea has become a donor. The country offered aid worth US\$800 million last year, about 0.09% of gross national income (GNI), and this year's amount is estimated to reach US\$900 million. The

<sup>1</sup> "Carry trade" refers to the investment strategy of borrowing money in countries with low interest rates and investing in high-yield currencies and assets elsewhere.

Government plans to triple it to 0.25% of GNI by 2015.

The DAC is a forum for member states to discuss issues regarding development and poverty reduction in underdeveloped or developing countries. The membership of the committee is considered a standard acknowledging a nation as an advanced country. To be a member of the DAC, a country's annual development assistance should exceed US\$100 million or 0.2% of its GNI.

### **KOREA TO HOST G-20 SUMMIT IN NOVEMBER 2010**

At the G-20 Summit held in Pittsburgh in September, President Lee Myung-bak and Canadian Prime Minister Stephen Harper announced in a joint statement that the leaders of the world's 20 largest economies would meet in Canada in June and Korea in November for economic policy coordination next year. Korea's hosting of the G-20 Summit in November next year is seen as a breakthrough in the country's diplomatic history.



Korea was chosen to host G-20 Summit in November next year at the Pittsburgh Summit held in September.

Soon after the announcement, the Korean Government formed the Presidential Committee for the G-20 Summit headed by Dr Sakong Il, a former special adviser for economic affairs to President Lee Myung-bak. Presidential Policy Chief Yoon Jin-sik was appointed as the Committee's Vice Chair and Financial Services Commission Vice Chairman Rhee Chang-yong was named as the Head of Planning Section. Chairman Sakong Il said that the Summit will attract about 35 heads of state, government and international organisations, as well as more than 10,000 other participants. At its first meeting held on 9 November, the Committee chose Seoul as the host city of the Summit, the largest international forum ever to be held in the country. As the host nation, Korea has the rights to invite

some non-G-20 member nations to the Seoul Summit. The G-20 economies comprise 85% of the gross world product, 80% of world trade and two-thirds of the world population.

## **KOREA-INDIA FTA TO TAKE EFFECT ON 1 JANUARY 2010**



The Korea-India Comprehensive Economic Partnership (CEPA), which is equivalent to an FTA, is set to come into force on 1 January 2010 following ratification by the Korean National Assembly on 6 November. The win-win Korea-India trade accord easily got the nod from Korean lawmakers – the motion was passed 192-0 with five abstentions. On the Indian side, with the signing of the trade pact on 7 August 2009 the country completed all necessary procedures for it to go into effect.

Industry experts say that global Korean brands, such as Hyundai cars and LG and Samsung television sets, will benefit most from the deal because of tariff cuts. Korea, Asia's fourth-largest economy, and India, the third largest, agreed to lower tariffs on auto parts by 5%, and on refrigerators and television sets by 50% over the next eight years. On the other hand, Korean consumers will be able to purchase cheaper Indian mangoes, and the Indian textile industry expects to see growth in its exports to Korea.

In recent years, Korea has signed FTAs with Chile, Singapore, the European Free Trade Association (EFTA) – Iceland, Liechtenstein, Norway and Switzerland – and the Association of Southeast Asian Nations (ASEAN). The country also signed a free trade deal with the US in 2007 which it has yet to be ratified by legislatures in both countries. More recently, Korea has concluded FTA negotiations with the EU which are expected to take effect next year.

According to the Korea Institute for Industrial Economics and Trade (KIET), the overall impact of the CEPA on the Korean market will be relatively minor, compared with that anticipated for the Korea-US FTA and the Korea-EU deal. The think tank projected that Korea is expected to enjoy an

additional US\$140 million annual trade surplus over the next ten years from the Indian trade pact, with a 1.18% increase in the country's GDP.

## **KOREA SETS TARGET TO REDUCE CARBON EMISSIONS**



President Lee Myung-bak delivered a keynote speech at the UN Climate Change Conference in Copenhagen on 17 December.

On 17 November the Cabinet approved a plan to cut the country's greenhouse emissions by 4% from 2005 levels by 2020, making Korea the first emerging nation to set up a carbon reduction goal. The figure represents a 30% fall from the level predicted for 2020 if carbon emissions grew at their current pace. The Government chose the highest target among three possible scenarios proposed by the Presidential Committee on Green Growth on 4 August.

President Lee Myung-bak said at the Cabinet meeting, "Today's decision will help improve Korea's reputation globally as well as make Korean products more popular." As the host country of the G-20 Summit in November next year, Korea wants to play an active role in reducing global dependence on fossil fuels. It urged other developing countries to set emissions targets at the recent UN Climate Change Conference in Copenhagen, Denmark. Korea has set up a five-year roadmap to develop energy-saving and environmentally-friendly technologies. The Administration plans to invest 2% of GDP in promoting green industries.

## **KOREA'S FIRST ICEBREAKER CHRISTENED, 6 NOVEMBER**

Korea's first icebreaker, the Araon was unveiled at the Incheon Port, south of Seoul on 6 November. Araon, which cost about US\$92 million, is capable

of moving 37,000km for 70 days without an additional injection of fuel or other supplies, and is designed for operation in one-metre-thick ice conditions at the speed of 3 knots per hour. Korean shipbuilders, Samsung Heavy Industries and Hanjin Heavy Industries, collaborated in designing and building the vessel.

Araon will be commissioned for scientific research and logistics purposes in both the Antarctic and Arctic regions. The icebreaker left Incheon on 19 December and headed to Antarctica via Christchurch, for a three-month expedition.

The name Araon, which combines “ara,” meaning “sea” in the old Korean language, and “on,” meaning “all,” was a suggestion by Kim Myeong-ja, the mother of Jeon Jae-kyu, who was killed during a research operation in Antarctica in 2003. His death inspired Government efforts to build the ship.

Korea has shown particular interest in improving its understanding of the polar environment, opening the King Sejong Base in Antarctica in 1988 and also opening an Arctic research base in 2002.

## **UPCOMING EVENTS**

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*9 March*

New Zealand Food Connection in Busan

*27-28 March*

Korea Student Fair

*1 April*

New Zealand Agent Seminar

*12-15 May*

Seoul Food and Hotel