

Economic Analysis and
Evaluation of Bilateral Trade in
Minerals/Metals

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The Dual Legacy of KAFTA

Korea-Australia Free Trade Agreement

Introduction to KAFTA

Free Trade Agreements reduce trade barriers (tariffs, quotas, embargos) to strengthen trade ties, create jobs, and help businesses expand



Implementation

Bilateral FTA implemented December 2014, one of Australia's 18 FTAs with 30 economies worldwide



Strategic Importance

Korea is Australia's fourth-largest trading partner; KAFTA aims to increase bilateral trade and promote investment



Tariff Elimination

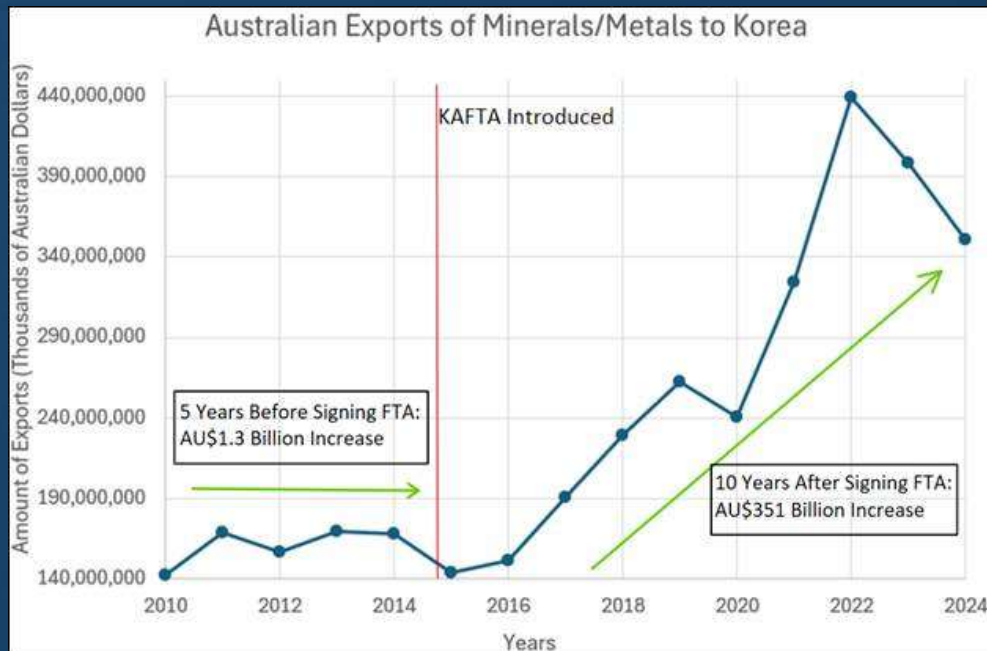
Eliminated up to 8% tariffs on minerals/metals, with Korea granting duty-free access to 83% of Australia's mineral exports



Trade Patterns & Trends (2010-2024)

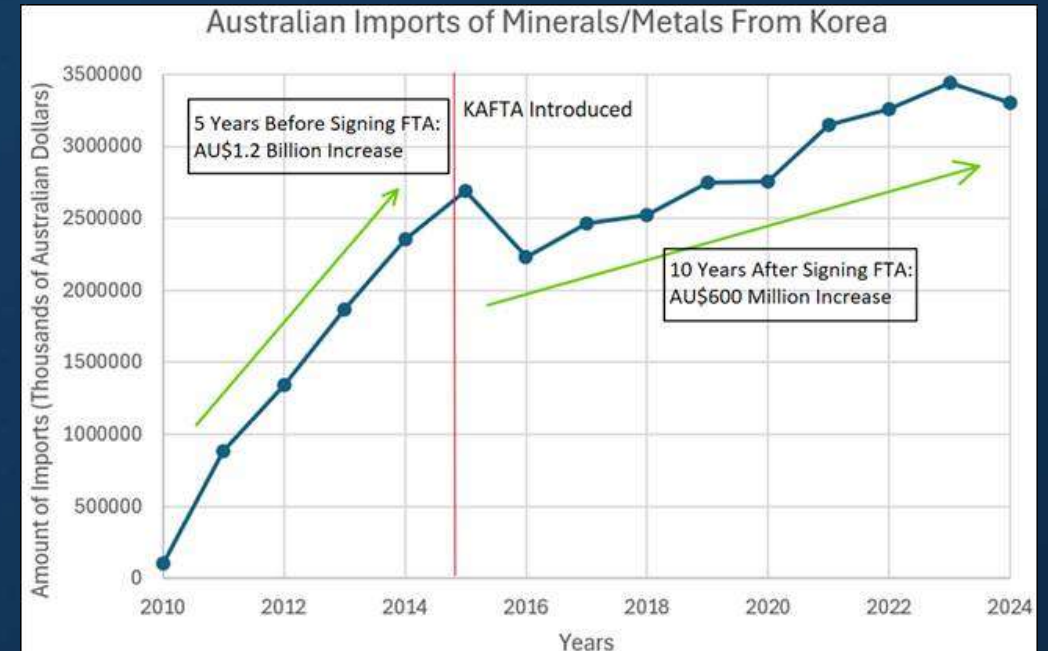
↑ Australian Exports to Korea

- 📈 Surged from **\$142.5B** (2015) to **\$439.6B** (2022 peak), representing a dramatic increase in trade volume
- 📈 Almost **150% increase** since KAFTA implementation, compared to relatively stable pre-KAFTA fluctuations



↓ Australian Imports from Korea

- 📈 Started at **\$2.7B** (2015), briefly dipped to **\$2.3B** (2016)
- 📈 Rose linearly to **\$3.3B** (2024), showing consistent but significantly smaller scale growth



🏆 Trade surplus in minerals/metals with Korea increased by **\$182.1B** since KAFTA implementation, dramatically improving Australia's trade position

Analysis: Cause 1 - Removal of Tariffs

- ⊖ Significant trade increase directly attributed to **KAFTA's tariff removal**, creating immediate price advantages
- \$ Lowered cost of traded minerals/metals by eliminating taxes of up to 8%, **incentivizing increased purchasing**
- ↔ Lowering tariffs increases trade efficiency and helps **bridge supply gaps** with cost-effective imports

Example: Cold-Rolled Steel Coils

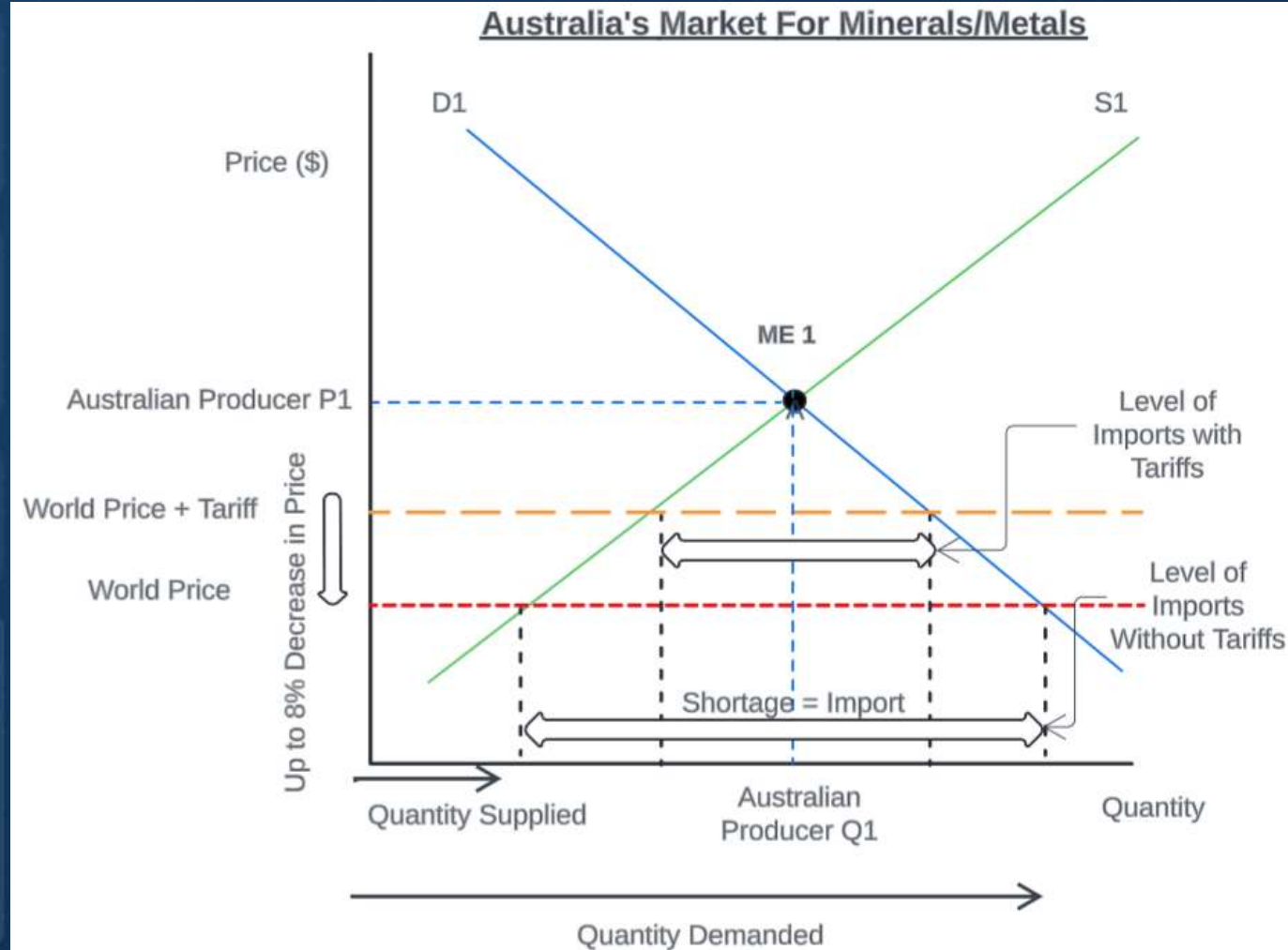
Price reduced by 8% after tariff elimination (from **US\$1013** to **US\$938** per tonne)

8%

Tariff Eliminated

5.8M

Tonnes Imported



Analysis: Cause 2 - Increase in Demand

📈 Growing demand for each other's products **boosted bilateral trade** beyond what tariff elimination alone would achieve

🏭 Korea's expanding steel and battery industries **rely heavily on Australian minerals** as essential raw materials

44%
Korean imports are refined mineral fuels

⚡ Australia's **rising energy consumption** (3650 to ~4000 petajoules) and limited domestic refineries increased dependence on Korean imports

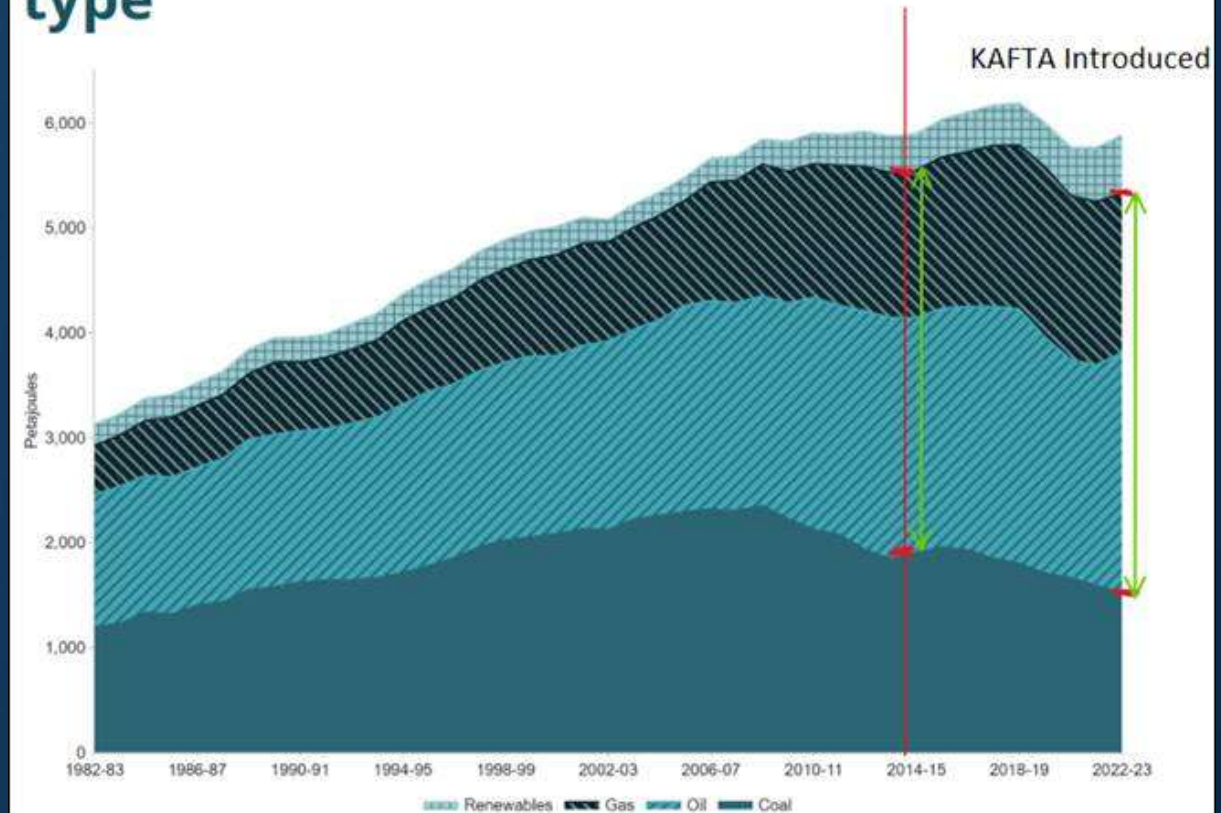
🇦🇺 Australia

Abundant natural resources and mineral deposits

🇰🇷 Korea

Advanced refining infrastructure and economies of scale

Australian energy consumption - fuel type



Evaluation: Impact on Australia's Economic Growth

+ Increased trade surplus (+\$165.6B to +\$347.7B) directly stimulated economic growth through improved net exports (X-M)

+\$182.1B
Trade
Surplus
Increase

Strong minerals/metals exports added 0.2 percentage-points to quarterly GDP growth in 2024

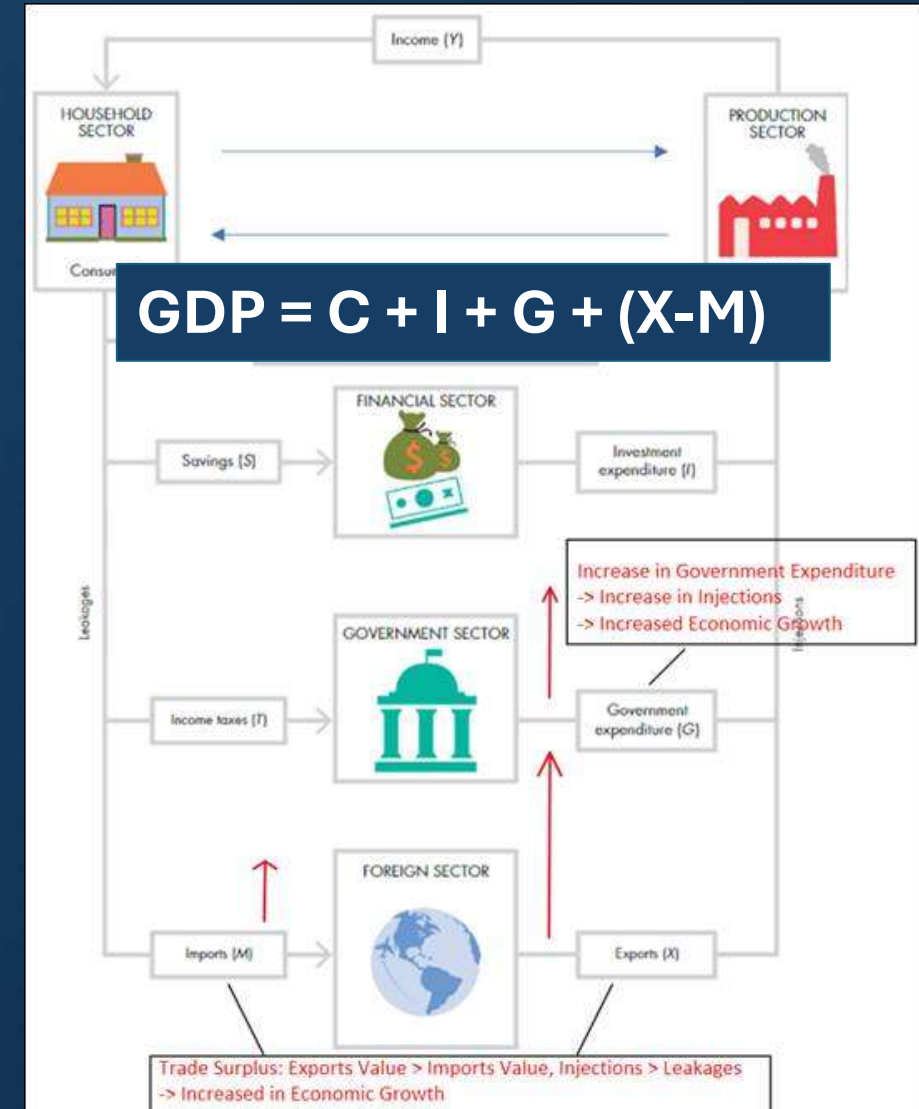
Amplified government expenditure through increased tax revenue: \$143B in company taxes, \$112B in royalties

✓ Economic Benefits

Widening trade surplus creates more economic injection than leakages in the circular flow of income

⚠ Long-Term Risks

Increased reliance on narrow markets (Korea 15% of exports) - Korea's Green New Deal threatens future demand



Despite increased risks of export concentration, Australia's trade growth with Korea has positively impacted economic growth

Evaluation: Impact on the Household Sector



43%

Increase in mining employment
(2015-2024)



1,062

Annual jobs added from
Korea-linked trade



3.8%

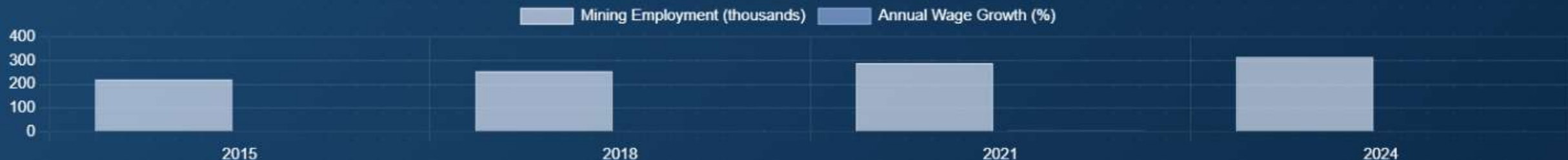
Annual wage growth in
mining sector (2024)



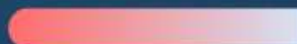
15%

Miners reporting
high distress levels

Mining Employment and Wage Growth Since KAFTA



Mining worker job satisfaction:



22% very satisfied

Despite worker dissatisfaction, KAFTA has **positively impacted Australia's household sector** through significant job creation and wage growth