

AUSTRALIAN PORK LIMITED

Submission to

**The Department of Foreign Affairs and
Trade: Australia-Korea Free Trade
Agreement (FTA)**



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Executive summary

Australian Pork Limited (APL) welcomes the opportunity to comment on the proposed Australia-Korea Free Trade Agreement (FTA).

Pork is Korea's most consumed protein, with up to 17.9kg pork consumed per capita annually. Pork constitutes 44 percent of Korea's daily protein consumption.¹ Korean consumers are wary about the safety and quality of imported beef and avian influenza in poultry, encouraging increased demand for pork protein. In turn there is an acute short supply of pork from domestic production, pushing up prices. Korean pork production is geared towards supplying the domestic market, but is facing new regulatory conditions and a shift towards more efficient, large-scale and commercially-oriented enterprises.

Korea is the 7th largest export market for Australian pork and with Australia's high herd health status Korea can become an even larger export market. In 2005, Korea was the 6th largest importer of pork worldwide. However Korea has trade prohibitive tariff barriers in place and has trade distorting domestic support available to domestic producers, valued at up to 63 percent of the value of domestic production in 2005.

Agriculture is a sensitive topic for Korea in its FTA's. In its recent free trade agreement (FTA) negotiations with other economic unions such as the European Free Trade Association (EFTA), Korea has signalled financial aid to Korean pork producers affected by trade liberalisation. Korea pursues a policy of agricultural self-sufficiency; nevertheless it remains a net importer of pork products. Given Australia's small production scale and interest in securing niche markets it should be seen as non-threatening to Korea's pork production capabilities.

There are only a few chilled pork suppliers to Korea.² Australia's great strength is its capacity to export chilled, high-quality and disease-free pork to high value markets. Australia already dominates the high value, chilled pig meat export market in Singapore and is looking to develop its expertise for commercial benefit in the Korean chilled market. However Australia cannot realise this market potential without an FTA. The Korea-U.S. FTA, when ratified, will reduce the level of tariffs applied to U.S. pork exports to Korea. Similarly, the Korea-Chile FTA is already in force and stipulates a commitment by Korea to liberalise all pork tariffs in the tenth year following FTA enforcement, in 2014. Both the Korea-U.S. FTA and the Korea-Chile FTA will put Australian pork exporters at a significant disadvantage.

The priority for the Australian government in relation to pork is to reduce any tariff and non-tariff barriers which indirectly raise the cost of production. A clear market opportunity will be missed if favourable FTA outcomes are not achieved.

Though tariff and non-tariff barrier liberalisation is critical in ensuring long term growth and profitability for Australian pig producers throughout the business cycle, the Australian pork industry alone does not compete on cost but as a niche product i.e. not as a commodity product which is price sensitive.

¹ http://www.cattlenetwork.com/swine_Content.asp?ContentID=132682

² [http://www.usmef.org/TradeLibrary/files/KOREA percent20PORK percent20SMP percent20FY09.pdf](http://www.usmef.org/TradeLibrary/files/KOREA_percent20PORK_percent20SMP_percent20FY09.pdf)

Compared to its international counterparts, the Australian pork industry is technically proficient and has advantages over its international competitors largely in terms of animal health and disease. It is a strategic competitive advantage when seeking improved access to high value markets such as Korea.

Currently, a joint Australian industry/ government research project is assessing the potential of physiological forensic technologies to validate the pork supply chain system and enable rapid traceback in the event of a food safety or other integrity related issue associated with Australian pork. This ongoing work from the industry may help Australia gain better access to the Korean pork market.

The APL strategic plan addresses the challenges of export development. In consultation with the industry's Market Development Committee (MDC), which comprises commercial companies operating in our target export markets or interested in growing new markets. Such partnerships will ensure that the Australian pork industry can continue to supply these valuable markets.

Korea will be a key commercial market for Australian pork producers. APL believes that opening and developing the Korean market will be in the Australian pork industry's long term interests. The Australian pork industry's focus on growing key niche export markets will ensure long-term growth and profitability, in spite of exchange-rate movements, competition within the Australian pigmeat market and seasonal events including drought effects and grain prices.

Introduction: Australian Pork Limited (APL)

APL is the national representative body for Australian pork producers and works with the broader pork industry. It is a producer-owned, not-for-profit company combining marketing, export development, research & innovation and policy development to assist in securing a profitable and sustainable future for the Australian pork industry. APL's members currently represent approximately 92 percent of Australian pork production.

APL's Market Development Committee assists APL in securing viable commercial high value markets. It is APL's role to drive an integrated approach to market, product development, quality and program funding with exporters and other key stakeholders in target markets. Korea has been prioritised by the Committee as an ideal market for APL's export development programs.

Structure and regional distribution of the Australian pork industry

Australia's pigmeat production is built around an estimated 1,500 pork producers and approximately 2.6 million pigs according to ABS data as of 30 June 2007; the largest state herds are located in New South Wales and Queensland.³ ABS data indicates that the national breeding herd in 2005/06 consisted of 302,000 sows (excluding gilts), declining by 8.6 percent to 278,000 sows in 2006/07. Latest forecasts based on APL's Pigmeat Production Surveys indicate that in August 2008 the national breeding herd consists of approximately 265,000 sows. The average herd size in 2006/07 was 159 sows.⁴ It is estimated that the top 50 producers in Australia account for some 45 percent of production⁵.

The estimated Gross Value of Production (GVP) for Australian pork production was \$944 million for the period 2006-07 decreasing to \$881 million for the period 2007-08.⁶ Pork currently represents approximately 2.19 percent of total Australian farm production.⁷ This figure has remained relatively consistent since 2005.

The Australian pork industry provides a significant positive impact to local, regional, state and national economies through substantial income generation and employment. In 2004, the pork production sector generated \$3.2 billion in output and \$967 million in value added product, compared to an estimated \$2.9 billion in generated output, \$840 million in value added product⁸ and 7,928 full time jobs when flow on effects are taken into account in 2006-07.⁹

APL believes that with the Australia's herd health status that Australia can provide the safest and highest quality product to Korean consumers. The Australian pork industry is technically proficient and has advantages over its international competitors largely in terms of animal health and disease. For example, whilst Australia has the more common pig

³ Australian Bureau of Statistics (ABS): Principal Agricultural Commodities 7111.0

⁴ Australian Bureau of Statistics (ABS): Principal Agricultural Commodities 7111.0

⁵ As at 2006/2007, the national pig herd stood at 2.6 million pigs, a decline of 5.8 percent from 2.76 million pigs in 2002/2003.

⁶ ABS Principal Agricultural Commodities 7111.0

⁷ ABARE 2008, Australian Commodities June Quarter 08.2

⁸ Western Research Institute 2005, Socio-Economic Impacts of the Australian Pork Industry

⁹ Western Research Institute 2008, Socio-Economic Impacts of the Australian Pork Industry - preliminary report

diseases such as *Mycoplasma pneumonia*, swine dysentery, pleuro pneumonia and ileitis, it is free of the more devastating diseases such as Post-weaning Multi-systemic Wasting Syndrome (PMWS), Porcine Reproductive and Respiratory Syndrome (PRRS), Swine Influenza Virus and Circo Virus related diseases. All these diseases have had marked adverse effects on animal mortality and the efficiency and costs of production in virtually all other countries over the last five to ten years. Australia is also free of exotic diseases such as Foot and Mouth and Classical Swine Fever, both of which affect global export opportunities.¹⁰

Protein consumption in Republic of Korea¹¹

Pork constitutes 44 percent of Korea's daily protein consumption.¹² Pork is Korea's most consumed protein, with up to 17.9kg pork consumed per capita annually. Between 1975 and 2005, meat consumption increased fivefold from around 6.4 kilograms to 31.9 kilograms per person. Consumption of pork, chicken and other processed meats increased more than fivefold to 25.3 kilograms per person.

Despite the increase in meat consumption, Korean consumers are wary about the safety and quality of imported meat. Poor confidence continues in U.S. beef, following the discovery of bovine spongiform encephalopathy (BSE) in 2003 and consumer anger at the announcement of lifting of an embargo on U.S. beef imports in Korea. Concerns about avian influenza related to poultry production are encouraging increased demand for pork protein. This has caused a consumer shift towards pork consumption, an acute short supply, pushing up pork prices.

Food safety is an ongoing concern for Koreans. Imported meat products from the United States, Chile, Belgium and the Netherlands have been deemed at various times by the Korean government to be unsafe. A ban on Belgian and the Netherlands pork due to dioxin contamination occurred in 2006^{13,14}. In 2008, Chilean pork was banned in Korea also due to dioxin contamination. There was also public anger over the Korean government's decision to lift the embargo on imported U.S. beef. U.S. beef had been banned in Korea since December 2003 due to a bovine spongiform encephalopathy (B.S.E.) scare.

The shift to pork underscores the significance and integrity of the Australian pork industry's traceability system. The Australian industry's traceability system is a guarantee of quality which has been used to certify the herd health status and the final pork product in both domestic and export markets.

A joint Australian industry/ government research project is assessing the potential of physiological forensic technologies to validate the pork supply chain system and enable rapid traceback in the event of a food safety or other integrity related issue associated with Australian pork. This ongoing work from the industry may help Australia gain better access to the Korean pork market. Korean consumers are wary about the safety and quality of imported meat. The Australian pork supply chain integrity system, incorporating

¹⁰ APL Submission #3, Safeguards Inquiry into the Import of Pigmeat, p.74

¹¹ ABARE Korean Agriculture 2007 report.

¹² http://www.cattlenetwork.com/swine_Content.asp?ContentID=132682

¹³ <http://www.ap-foodtechnology.com/Industry-drivers/South-Korea-bans-Belgian-pork-in-dioxin-crisis>

¹⁴ <http://english.chosun.com/w21data/html/news/200807/200807110009.html>

traceability, system is a guarantee of quality and food safety which certifies the herd health status and the final pork product in both domestic and export markets.

Pork prices remain high in Korea with the significant shift away from poultry and beef. The increased demand for pork is reflected in recent price rises. Over 2008, the price of pork strips, the favourite cut among Koreans, increased by 15 percent to 1,950 won per 100 grams. Pork accounted for 35.7 percent of total meat sales, exceeding beef, which stood at 34.3 percent. In May 2007, pork sales stood at 27.9 percent. In the same year-to-year comparison, poultry sales nose-dived from 9.2 percent to 4.3 percent, obviously affected by the spreading bird flu that had reached the capital city.¹⁵ It is important to capitalise on the growing and possibly lucrative market in Australian pork sales in Korea that market liberalisation occur.

The price rises impact significantly on the demand for the single ribbed belly and collar butt, which have traditionally been used for Korean barbecue. These two items are subject to seasonal changes in production volumes and pricing. Koreans prefer to barbeque their pork, paving the way for increased chilled and frozen pork exports to Korea. Less than 13 percent of all pork consumed in Korea was processed in 2006.

There is significant demand for pork when dining out. According to a survey conducted in 2004 by the Korea Meat Import and Export Association (KMIEA), 64 percent of consumers order pork when dining out. This is higher than beef (25 percent), poultry (9 percent) and fish (7 percent).¹⁶

Pork is also the protein of choice when dining at home. The proportion of pork consumption falls to 43 percent, followed by beef (26 percent), fish (22 percent) and poultry (9 percent). Also according to the survey the favourite pork cuts were pork bellies (55 percent), bulgogi (seasoned and marinated pork, 24 percent), collar butt (14 percent) and short ribs (6 percent).¹⁷

Korean pork imports

Key suppliers to the Korean pork market include the US (26 percent), Canada (19 percent), Chile (9.5 percent) and Denmark (7.8 percent). Over 2007, more than 50 percent of all Korean pork imports originated from the United States, Chile and Canada.¹⁸ Major import products include single-ribbed bellies, collars and neck sides. Pork ribs are also imported in small amounts.¹⁹ Twenty countries in total supply pork to Korea, making price competitiveness essential. However, Australia does not compete on price i.e. as a commodity product, but as a niche product. After frozen pork products, it is the Australian pork industry's other export market.

¹⁵ http://www.koreatimes.co.kr/www/news/biz/2008/05/123_24052.html

¹⁶ <http://classic.thepigsite.com/FeaturedArticle/Default.asp?Display=1186>

¹⁷ <http://classic.thepigsite.com/FeaturedArticle/Default.asp?Display=1186>

¹⁸

<http://www.gsnj.re.kr/community/board.php?no=102&page=9&code=media&kind=&stext=&stitle=&PHPSESSID=97a1efb6692406de76c667768dbfa01c>

¹⁹ Buranakanonda, A. (2005). 'Koreans embrace high-quality segment'. Pig Progress Volume 21, No. 8 2005. Pp6-7.

Chilled American pork imports have dominated 70 percent of total chilled pork imports last year, even though they are priced 25 percent higher than Canadian pork.²⁰

Despite public outcry over U.S beef imports, U.S pork imports already have a 26.5 percent market share of the total pork market. American pork is sold primarily in the food service sector (65 percent), retail (25 percent) and processing (10 percent). Consumers in South Korea are looking to find a substitute for high-priced domestic beef and pork and the U.S. Meat Export Federation (USMEF) has already aggressively marketed U.S. pork as high-quality, with taste and texture comparable to domestically produced Korean pork and costing up to 25 percent less.²¹

In the five years to 2008, total American pork export volumes to Korea have increased three fold. Danish pork exports to Korea have collapsed to 6 percent in 2007, down from 50 percent in 2000.

In 2008 and in comparison, Chile exported 45,060 tonnes of pork to Korea; second in volume only to the U.S.²² The ban imposed by Korea on Chilean pork exports in August 2008 devastated the market for 40 percent of Chilean production. This was due to a dioxin contamination. The ban remained in place until the source of the contamination from dioxins was determined.²³

There is still increasing demand for pork, even beyond 19.7kg per capita that is consumed annually in Korea. The steady decline in tariff rates for Chilean pork under the Korea-Chile FTA and the Korea-US FTA awaiting ratification will make imported pork more price competitive in the years to come.

Australian exports to Korea

Australia has historically been a strong exporter to Korea across all pork product categories. In the twelve months to October 2008, frozen pork were the most popular products exported to Korea, followed by chilled pork.

Australian pig meat trade with Republic of Korea

(Moving Annual Total (MAT) November 2007 to October 2008)

Product type	Volume (kg)	Value AUD \$
Chilled Carcasses	18,000.00	30,000.00
Chilled hams, shoulder, cuts bone in	6,952.87	33,385.00
Chilled Offal	15,000.00	48,162.00

²⁰

<http://www.gsnj.re.kr/community/board.php?no=102&page=9&code=media&kind=&text=&style=&PHPSESSID=97a1efb6692406de76c667768dbfa01c>

²¹ <http://www.hpj.com/archives/2005/jun05/jun6/SouthKoreanconsumersfindUSC.CFM>

²² <http://www.farminguk.com/news/Chile-Pork-exports-to-South-Korea.9319.asp>

²³ <http://www.farminguk.com/news/Chile-Pork-exports-to-South-Korea.9319.asp>

Chilled Swine Meat	21,844.00	23,864.00
Dried Hams, shoulders, cuts, bone in	2,404.00	26,426.00
Dried Swine Meat	973.45	16,615.00
Frozen Carcass	1,084.78	23,890.00
Frozen hams, shoulders, cuts, bone in	14,637.14	42,302.00
Frozen hams, shoulders, cuts, bone in	125,022.55	148,757.00
Frozen Offal	98,582.90	139,638.00
Frozen Swine Meat	327,830.09	724,809.00
Preserved meat and offal	1,478.79	19,500.00
GRAND TOTAL	633,810.57	1,277,348.00

Tariff barriers are high for chilled pork and are an obstacle to growing this export market for Australian pork. It is imperative that Australian pork has better access to the Korean market.

Currently, tariffs on tariff line 0203 'Meat of swine, fresh, chilled or frozen' and 0206 'Edible offal of swine, fresh or chilled' are as follows:

- 22.5 percent on items 020311, 020312, 0203191, 0203199 to 0 percent;
- 25 percent on items 020321, 020322, 0203291, 0203299 to 0 percent; and
- 18 percent on items under HS code 02063, 02064, 02068 and 02069.

Tariff barriers in the Republic of Korea²⁴

Tariff Line	Product Description	Applicable Duty
0203	Meat of swine, fresh, chilled or frozen	Duty rate (percent)
02031	Fresh or chilled:	
0203110000	Carcasses and half-carcasses	22.5
0203120000	Hams, shoulders and cuts thereof, with bone in	22.5
020319	Other	
0203191000	Belly	22.5
0203199000	Other	22.5
02032	Frozen	
0203210000	Carcasses and half-carcasses	25
0203220000	Hams, shoulders and cuts thereof, with bone in	25
020329	Other	
0203291000	Belly	25
0203299000	Other	25
0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or	

²⁴ <http://www.apectariff.org/tdb.cgi/ff3131/apecfind.cgi?KR+0203>

	hinnies, fresh, chilled or frozen.	
0206300000	Of swine, fresh or chilled	18
02064	Of swine, frozen	18
0206410000	Livers	18
020649	Other	
0206491000	Feet	18
0206499000	Other	18
0206800000	Other, fresh or chilled	18
0206900000	Other, frozen	18

Korean pork production and trade

Korean pork production is geared towards supplying the domestic market. The source of Korea's pork production has been changing from traditional family farms to larger scale commercial operations.²⁵ Though agricultural sector consolidation has contributed to increased productivity and an increase in livestock numbers there has been a decline in the number of livestock farms. Despite these improvements in productivity, it is shrinking in its Gross Domestic Product contribution to the Korean economy and is facing strong competition from imports.

Furthermore, pork production in Korea is facing a changing regulatory environment with recent requirements to pollution control facilities and minimum space requirements for pigs. For example, Hazard Analysis and Control Critical Points (HACCP) accreditation is now required throughout the industry. Industry consolidation into farming cooperatives or vertically integrated enterprises continues for better economies of scale.

Pork production continues to suffer from livestock diseases. Classical swine fever was prevalent in the Korean pig herd prior to vaccination commencing in July 2004.²⁶ Porcine Epidemic Diarrhoea (PED) and Post-weaning Multi-systemic Wasting Syndrome (PMWS) are prevalent in Korea and limit production capacity.

Disease outbreaks negatively impact the opportunity for export. In 2004, Korea exported 7,300 tonnes of pork to the Philippines, Russia, Japan and Mongolia.

Korean market protection

Since the mid-1990s, Korea has implemented agricultural trade reforms. There has been a gradual reduction in tariffs for agricultural imports and import quotas have been replaced by tariffs or tariff quotas to improve market access.

However there are still high tariffs and significant market price support mechanisms available to Korean pork producers. The Producer Support Estimate (PSE), the Organisation

²⁵

<http://www.gsnj.re.kr/community/board.php?no=102&page=9&code=media&kind=&stext=&stitle=&PHPSESSID=97a1efb6692406de76c667768dbfa01c>

²⁶ <http://classic.thepigsite.com/FeaturedArticle/Default.asp?Display=1186>

for Economic Co-operation and Development (OECD's) official measure of government support to agriculture, is considered a better measure of producer support, as it is the only available source of internationally comparable information on support levels in agriculture.

The level of the percentage PSE of Korea is double the OECD average, despite the level having declined from 70 percent in 1986-88 to 63 percent in 2004-06. Most of this support is in the form of Market Price Support (MPS).²⁷

According to the OECD, in 2007, production based, total Market Price Support to Korean pork producers totalled 1.3 trillion Korean Won in comparison to value of production at the farm gate at 2.7 billion Korean Won. Total farm receipts for pork producers were 51 percent higher than they would have been on the world market in 2007.²⁸ Comparatively, Australia's equivalent Market Price Support percentage was measured at 0 percent in 2007.²⁹ Australia will benefit from tariff FTA liberalisation commitments. It underscores the significance of further liberalisation at the WTO Doha Round.

According to the OECD³⁰, though there have been Korean government programs to modernise and encourage modernisation of the pork production sector, it is still limited in its market orientation. The level of producer support remains very high.

Schemes to compensate the agricultural sector as FTAs become part of the trading environment of Korea have not prevented agriculture's falling contribution to GDP. Furthermore, the sector's agricultural workforce is ageing, shrinking and the sector's labour productivity is approximately half the national average. While the scale of pork production is small, nevertheless it will complicate trade negotiations. Like the Japanese, the Koreans also have self-sufficiency policies in relation to production.

Korean Free Trade Agreements (FTA's)³¹

Korea has an ambitious FTA agenda to bolster its export-oriented economy. Korea already has FTA's in force with Chile, Singapore and the European Free Trade Association (Switzerland, Norway, Iceland and Liechtenstein), and a partial pact with the Association of South-East Asian Nations (ASEAN). Korea wishes to finalise FTA's with Canada, Turkey, Colombia, the Gulf Cooperation Council (GCC), India and the European Union (EU).

For tariff negotiations, APL prefers that the Australia-Korea FTA tariffs on pork are eliminated immediately upon enforcement of the FTA. At a minimum, the agreement should match the commitments made by Korea in the Korea-Chile FTA. The Korea-Chile FTA stipulates a commitment to liberalise all pork tariffs in the tenth year following FTA enforcement, in 2014.

²⁷ OECD (2008). Evaluation of Agricultural Policy Reforms in Korea. [Online]. Last Accessed 14 April: <http://www.oecd.org/dataoecd/47/45/40383978.pdf>

²⁸ <http://www.oecd.org/dataoecd/58/48/40958620.xls>

²⁹ <http://www.oecd.org/dataoecd/59/31/40958355.xls>

³⁰ OECD (2008). Evaluation of Agricultural Policy Reforms in Korea. [Online]. Last Accessed 14 April: <http://www.oecd.org/dataoecd/47/45/40383978.pdf>

³¹ <http://www.oecd.org/dataoecd/13/60/39579582.pdf>

Similarly, the Korea-US FTA liberalises all pork tariffs in ten years, with the exception of products classified 0203191000 (Belly) or 0203199000 (Other). These two products will have a safeguard (tariff rate quota) applied in the ten years to full tariff liberalisation.

FTA's enforced					Australia-Korea FTA Goal
FTA	Detail				
Korea-Chile FTA ^{32,33}	Entered into force in April 2004. ³⁴ Tariffs on all pork products are to be phased out by 2014. ³⁵				Aim to eliminate tariffs on all Australian pork exports immediately upon enforcement of the FTA, i.e. "Year 0." Failing this, in order of preference, a liberalisation category of "Year 5", "Year 7" or "Year 9."
	HS Code	Description	Liberalisation category		
	0203	Meat of swine, fresh, chilled or frozen			
	02031	Fresh or chilled:			
	0203110000	Carcasses and half-carcasses	Year 10		
	0203120000	Hams, shoulders and cuts thereof, with bone in	Year 10		
	020319	Other			
	0203191000	Belly	Year 10		
	0203199000	Other	Year 10		
	02032	Frozen:			
	0203210000	Carcasses and half-carcasses	D.D.A. ³⁶		
	0203220000	Hams, shoulders and cuts thereof, with bone in	Year 10		
	020329	Other			
	0203291000	Belly	Year 10		
	0203199000	Other	Year 10		
0206	Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen.				

³² http://www.sice.oas.org/Trade/Chi-SKorea_e/ChiKoreaInd_e.asp

³³ http://www.ieas.or.kr/vol15_1/15_1_5.pdf

³⁴ <http://www.dfat.gov.au/geo/rok/fta/rok-au-study-report.pdf>

³⁵ <http://www.efeedlink.com/ShowDetail/6f5f8a32-057c-4eec-8a1a-1dcd6647c284.html>

³⁶ Tariff elimination here is postponed until after the end of the Doha Development Agenda negotiations of the WTO.

	<table> <tr> <td>0206300000</td><td>Of swine, fresh or chilled</td><td>Year 10</td></tr> <tr> <td>02064</td><td>Of swine, frozen</td><td></td></tr> <tr> <td>0206410000</td><td>Livers</td><td>Year 10</td></tr> <tr> <td>020649</td><td>Other</td><td></td></tr> <tr> <td>0206491000</td><td>Feet</td><td>Year 10</td></tr> <tr> <td>0206499000</td><td>Other</td><td>Year 10</td></tr> </table>	0206300000	Of swine, fresh or chilled	Year 10	02064	Of swine, frozen		0206410000	Livers	Year 10	020649	Other		0206491000	Feet	Year 10	0206499000	Other	Year 10	
0206300000	Of swine, fresh or chilled	Year 10																		
02064	Of swine, frozen																			
0206410000	Livers	Year 10																		
020649	Other																			
0206491000	Feet	Year 10																		
0206499000	Other	Year 10																		
Korea-ASEAN FTA	Entered into force in June 2007. ³⁷ 71 sensitive agricultural products were exempt from tariff liberalisation. Pork was instead excluded from any tariff liberalisation. ^{38,39} Pork products were not even listed in the 'sensitive' and the 'high sensitive' list for tariff reduction/elimination. ⁴⁰	The negotiating team must aim for terms that include tariff liberalisation for pork products at a minimum accorded to Chile in the Korea-Chile FTA.																		
Korea-United States FTA	<p>FTA awaiting ratification. Tariffs will be eliminated on most frozen and processed pork products by 2014.⁴¹ However</p> <p>Korea-US FTA: The import duty for chilled single ribbed belly, chilled rib and chilled collar butt are to be phased to 0 in 10 years, safeguard applied in 10 years; 5 years for frozen belly without safeguard application⁴².</p> <p>For duties in the 'Q' category for liberalisation, tariff duties will be removed in equal annual stages and reach zero by 1 January 2014.</p>	<p>Australia should be afforded tariff treatment similar to that of Korea-Chile FTA, and no safeguard treatment for products 0203191000 (Belly) or 0203199000 (Other) as is in the Korea-US FTA.</p>																		

³⁷ <http://www.dfat.gov.au/geo/rok/fta/rok-au-study-report.pdf>

³⁸ <http://www.jef.or.jp/PDF/S1-3kimppt1107.pdf>

³⁹ http://www.korea.net/news/issues/issueDetailView.asp?board_no=16695

⁴⁰ <http://www.aseansec.org/akfta.htm>

⁴¹ http://www.cattlenetwork.com/swine_Content.asp?ContentID=132682

⁴² http://www.usmef.org/TradeLibrary/files/07_10_SMP_SKorea_Pork.pdf

HS Code ⁴³		Description	Base rate	Staging category	Safeguard
02031		FRESH OR CHILLED			
0203110000		Carcasses and half-carcasses	22.5	Q	-
0203120000		Hams, shoulders and cuts thereof, with bone in	22.5	Q	
0203191000		Belly	22.5	G	Annex 3-A
0203199000		Other	22.5	G	Annex 3-A
02032		FROZEN			
0203210000		Carcasses and half-carcasses	25	Q	
0203220000		Hams, shoulders and cuts thereof, with bone in	25	Q	
0203291000		Belly	25	Q	
0203299000		Other	25	Q	
0206300000		Of swine, fresh or chilled	18	Q	
0206410000		Livers	18	Q	
0206491000		Feet	18	Q	
0206499000		Other	18	Q	
Korea will maintain safeguard measures and a tariff rate quota (TRQ) on products 0203191000 (Belly) and 0203199000 (Other). ⁴⁴ For duties in the 'G' category a tariff					

⁴³ http://wwwustr.gov/assets/Trade_Agreements/Bilateral/Republic_of_Korea_FTA/Final_Text/asset_upload_file786_12756.pdf

⁴⁴ <http://www.dfat.gov.au/geo/rok/fta/rok-au-study-report.pdf>

	rate quota (TRQ) will apply. The quota is lifted and the tariff rate reduced progressively. For products HS 0203.19.1000 and 0203.19.9000 the conditions are ⁴⁵ :	<table><tr><th>Year</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th></tr><tr><td>Trigger level (MT)</td><td>8,250</td><td>8,745</td><td>9,270</td><td>9,826</td><td>10,415</td><td>11,040</td></tr><tr><td>Safeguard duty (%)</td><td>22.5</td><td>22.5</td><td>22.5</td><td>22.5</td><td>22.5</td><td>15.8</td></tr></table>	Year	1	2	3	4	5	6	Trigger level (MT)	8,250	8,745	9,270	9,826	10,415	11,040	Safeguard duty (%)	22.5	22.5	22.5	22.5	22.5	15.8	
Year	1	2	3	4	5	6																		
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		<table><tr><th>Year</th><th>7</th><th>8</th><th>9</th><th>10</th><th>11</th></tr><tr><td>Trigger level (MT)</td><td>11,703</td><td>12,405</td><td>13,149</td><td>13,938</td><td>N/A</td></tr><tr><td>Safeguard duty (%)</td><td>14.6</td><td>13.5</td><td>12.4</td><td>11.3</td><td>0</td></tr></table>	Year	7	8	9	10	11	Trigger level (MT)	11,703	12,405	13,149	13,938	N/A	Safeguard duty (%)	14.6	13.5	12.4	11.3	0				
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Korea-Singapore FTA ⁴⁶	Entered into force on 2 March 2006. ⁴⁷ No pork products of HS Code 0203 or 0206 are listed in the Tariff Elimination Schedule set out in Annex 3A of the FTA text. ⁴⁸					Singapore is neither a significant producer nor exporter of pork products.																		
Korea-EFTA (Switzerland, Norway, Iceland, Liechtenstein) FTA	Entered into force in September 2006. ⁴⁹ Agricultural products were treated separately between each EFTA country and Korea. ⁵⁰ Below are the outcomes for pork (specifically of tariff lines HS 0203 and HS 0206) in each separate FTA:					At an absolute minimum, the agreement for the Australia-Korea FTA must include pork as an item for tariff liberalisation.																		
	<table><tr><th>Country</th><th>Outcome</th></tr><tr><td>Iceland</td><td>Pork excluded from any tariff liberalisation.⁵¹</td></tr></table>		Country	Outcome	Iceland	Pork excluded from any tariff liberalisation. ⁵¹																		
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⁴⁵ http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Republic_of_Korea_FTA/Final_Text/asset_upload_file288_12699.pdf

⁴⁶ <http://www.bilaterals.org/IMG/pdf/KSFTA-2005.pdf>

⁴⁷ http://www.korea.net/News/Issues/issueDetailView.asp?board_no=16809

⁴⁸ <http://www.fta.gov.sg/ksfta/annex%20-%20tariff%20elimination%20schedule.pdf>

⁴⁹ <http://www.dfat.gov.au/geo/rok/fta/rok-au-study-report.pdf>

⁵⁰ http://www.korea.net/news/issueDetailView.asp?board_no=16808

	Norway	Pork excluded from any tariff liberalisation. ⁵²	
	Switzerland	Pork excluded from any tariff liberalisation. ⁵³	
	Liechtenstein	No agricultural agreement available. ⁵⁴	

FTA's under negotiation

FTA	Detail	
Australia-Korea FTA	Preparatory talks have begun. The Korean ministry has stated that it would strive to finalise an FTA in 2009. ⁵⁵	
Korea-Canada FTA	Korean negotiators have proposed that tariffs on sensitive produce items be dismantled over a fifteen year period, and a tariff-rate quota (TRQ) system introduced for produce to be excluded from the FTA. ⁵⁶ Korea wishes to finalise the Korea-Canada FTA by the end of 2009. ⁵⁷	
Korea-European Union FTA	Negotiations are ongoing. Korean negotiators have noted the need for protection for pork producers where the EU is competitive. ^{58,59}	
Korea-Mexico FTA	Korean negotiators have emphasised the need for safeguard mechanisms for sensitive agricultural products. ⁶⁰	

⁵¹ <http://www.efta.int/content/legal-texts/third-country-relations/republic-of-korea/agricultural-agreements/KR-IS.pdf>

⁵² <http://www.efta.int/content/legal-texts/third-country-relations/republic-of-korea/agricultural-agreements/KR-NO.pdf>

⁵³ <http://www.efta.int/content/legal-texts/third-country-relations/republic-of-korea/agricultural-agreements/KR-CH%20EN.pdf>

⁵⁴ <http://www.efta.int/content/free-trade/fta-countries/the-republic-of-korea>

⁵⁵ http://www.koreatimes.co.kr/www/news/nation/2009/01/116_37109.html

⁵⁶ http://www.bilaterals.org/article.php3?id_article=7072

⁵⁷ http://www.koreatimes.co.kr/www/news/nation/2009/01/116_37109.html

⁵⁸ http://www.bilaterals.org/article.php3?id_article=10347

⁵⁹ http://english.hani.co.kr/arti/english_edition/e_business/207772.html

Korea-Japan FTA	<p>The Joint Study Group report published in 2003 stated that the Korean side reaffirmed that no particular sector should be excluded from the liberalization process under the JKFTA and, therefore substantial improvement of market access for agricultural products should be an essential part of the negotiations. The Japanese side responded that it had no intention to exclude the whole agriculture sector.⁶¹</p>
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⁶⁰ http://www.bilaterals.org/article.php3?id_article=10649

⁶¹ <http://www.mofa.go.jp/region/asia-paci/korea/fta/report0310-6.pdf>

Conclusion

Pork exports are an integral part of the Australian industry's future growth and improved access to the Korean market is seen as being critical for growth in export value and volumes. A clear market opportunity will be missed if favourable trade outcomes are not achieved. Korean consumers are wary about the safety and quality of imported meat. The Australian pork supply chain integrity system, incorporating traceability, system is a guarantee of quality and food safety which certifies the herd health status and the final pork product in both domestic and export markets. A joint Australian industry/ government research project is assessing the potential of physiological forensic technologies to validate the pork supply chain system and enable rapid traceback in the event of a food safety or other integrity related issue associated with Australian pork.

APL believes that Australia can be a key provider of high quality Australian pork to the market and that this may be a key commercial market for Australian pork exporters for decades to come.

However to fully exploit the opportunities from the Australia-Korea FTA, the agreement at the minimum must:

- Include pork as an item for tariff liberalisation in the Australia-Korea FTA;
- Reduce the Korean tariff rates (from a base level as high as 25 percent) ⁶² on all Australian imported pork products immediately upon enforcement of an Korea-Australia FTA on a faster or at least on a comparable schedule as outlined in the Korea-US FTA or the Korea-Chile FTA; Australia will incur this base rate until such a time that the Korea-US FTA is concluded.
- Removal of all tariff rate quotas (TRQ's) and a guarantee against any future TRQ's;
- Record as a priority for liberalisation, frozen pork items of tariff lines 0203.2110, 0203.2190, 0203.2200 and 0203.2900;
- Record as a priority for liberalisation, chilled pork offal products of tariff lines 0206.3000, 0206.4100 and 0206.4900;
- Recognise Australia's pig herd health status and suitable for Korean consumers;
- Remind Korea of the miniscule competitive challenge to Korean local production from the acceptance of all Australian pork exports and the unnecessary need for special safeguard mechanisms for pork as specified in the Korea-US FTA;
- Remind Korea of its significant Market Price Support mechanisms which provide sufficient protection to Korean pork producers and that any agreement with Korea should reinforce efforts to complete the WTO Doha round.

⁶² APEC Tariff Database: Korea. (2008). [Online]. Last Accessed 14 April: <http://www.apectariff.org/tdb.cgi/ff3131/apecfind.cgi?KR+0203>