



Government of **Western Australia**
Department of **Agriculture and Food**



*SUBMISSION ON ISSUES RELEVANT TO THE POSSSIBILITY OF AN AUSTRALIA-
REPUBLIC OF KOREA
FREE TRADE AGREEMENT
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*ORGANISATION: DEPARTMENT OF AGRICULTURE AND FOOD,
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The Western Australian Department of Agriculture & Food (the Department), is keen to see negotiations commence on a Free Trade Agreement with the Republic of Korea. Any chance that can be taken to reduce the tough protectionist measures that the ROK have historically applied to their agricultural sector must be taken advantage of. Moreover there is a clear impetus from other major agricultural exporting countries to conclude their own FTA's with Korea, which would result in Australia losing market share due to a discriminatory tariff regime, one that we can ill afford.

The Department regards Korea as a valued customer. Western Australian agricultural exports to South Korea in 2007/2008 totalled \$362,171,920.00, which is equivalent to about 25% of Australia's total agricultural exports to that country. The vast majority of this was wheat \$281,821,839 which also represented 100% of the wheat exported from Australia.

In total Western Australia exported \$293,066,122.00 of grain (including malted barley), and \$14,240,161 of hay and chaff. WA grain exports to Korea are largely centred on the use of soft wheat varieties in the production of noodles, a market which is estimated to be worth about \$150,000,000 a year.

Other major primary industry exports from WA in 2007/2008 include beef \$31,118,503 and cattle/offal \$2,640,141, lamb \$2,176,694 and mutton \$1,130,005, cream \$965,718, goat meat \$440,188, and wine \$211,732.

The Department regards a free trade agreement as key to reducing Korea's average agricultural tariff rate of 52 percent – with tariffs on some products ranging well over 100 percent. Nearly \$1.5 billion in current Australian agricultural exports to Korea, will have those barriers significantly reduced upon entry if an agreement similar to the one that was struck with the US is achieved, with most of the tariffs and tariff-rate quotas on remaining trade phased out over the first 10 years of the agreement. An Australia - Korea FTA along the lines of the KORUS FTA, coupled with Korea's economic growth, will help Australian producers maintain their share of the market and/or capture a larger share of the market.

Of course if the US or any other of our major agricultural exporting competitors is able to bring an FTA into force in the meantime, Australia will suffer accordingly.

Take the beef market for example. Exports of Australian beef to Korea have already declined since Korea resumed imports of US beef last year, MLA stated that beef exports to all markets were down 15% for the 2008 calendar year, largely due to the increased competition in Korea. So given the highly discriminatory tariffs which will exist following ratification of the United States-Korea FTA and its subsequent granting of preferential access to US beef in particular but also livestock, offal, sheepmeat and goat meat products, the Department expects the local beef market to be significantly marginalised. It is also highly likely this will be reflected in other markets.

The KORUS FTA also establishes a Committee on Agriculture, a Committee on Sanitary and Phytosanitary Matters and a bilateral dispute settlement process which will give U.S. officials vital new forums for negotiation with Korea on standards-related barriers to U.S. exports, and the Department would expect a similar structure to be built in to an Australia - Korea FTA.

In light of a possible renegotiation of the KORUS FTA given the reported opposition from the Democrats, the Department urges negotiators to keep a close eye on any change to the KORUS FTA in relation to agriculture, so there is less likelihood of discriminatory tariffs between Australia and the US.

For most sectors of agriculture, an Australia-Korea FTA presents a big opportunity to help strengthen the businesses of Western Australian farmers and Agrifood businesses. Failure to approve the Korean FTA in light of other potential Korea FTA partners would be a substantial missed opportunity.

The Department is currently compiling more detailed technical information with a view to supplying an appendix to this submission in the short term.