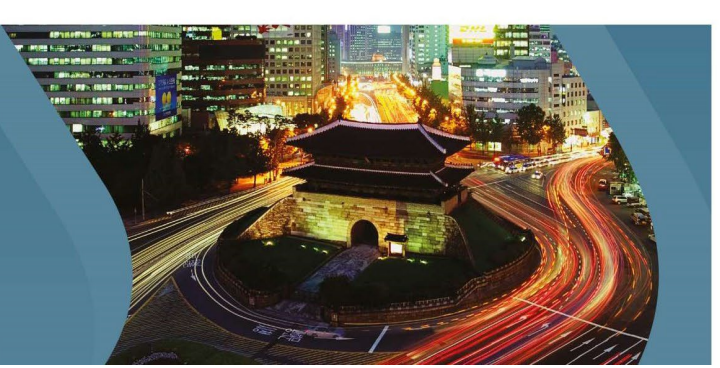


KOREA-AUSTRALIA

FREE TRADE AGREEMENT



Factsheet: Trade in Goods

The Korea-Australia Free Trade Agreement (KAFTA) is a comprehensive agreement that, since its entry into force on 12 December 2014, is substantially liberalising trade with Korea and creating significant new commercial opportunities for Australian businesses.

The FTA Portal website (ftaportal.dfat.gov.au) is available to help Australian importers and exporters take advantage of preferential tariff treatment under all our Free Trade Agreements, including KAFTA.

KAFTA achieves high levels of tariff elimination

- On entry into force, Korea provided duty-free access on 83 per cent of Australia's exports (by value in 2015) to Korea.
 - This will increase to 99.7 per cent of exports duty-free (or covered by preferential quotas) on full implementation (1 January 2033) of the agreement.
- A small number of products are subject to other phasing arrangements (including seasonal tariff elimination).
- Korea insisted that some of its most sensitive products, such as rice, be excluded from any tariff concessions under KAFTA.
- On entry into force of the Agreement, Australia provided duty-free access on 86 per cent of imports from Korea.
 - This increased to 100 per cent on 1 January 2021.

KAFTA helps to address non-tariff barriers

- KAFTA created a review mechanism to address non-tariff measures on a case-by-case basis, providing scope to address existing and future non-tariff measures.

KAFTA seeks to minimise red tape

- A claim for preferential tariff treatment for Australian goods exported to Korea can be made on the basis of either: a certificate of origin completed by the exporter or the producer, or a certificate of origin issued by an authorised body. This approach provides flexibility for traders, particularly small and medium-sized enterprises.
- A retrospective claim for preferential tariff treatment can be made after a good has been imported provided certain conditions are met.
- To provide increased transparency and legal certainty, KAFTA provides for:
 - advance rulings from customs authorities on the importation of products;
 - procedures to appeal the decisions of customs authorities;
 - the publication on the Internet of customs and trade related legislation; and
 - designation of enquiry points so members of the public can access further information on the customs issues covered by the Agreement.



- To simplify and streamline border procedures, KAFTA includes provisions on:
 - risk management, with resources focused on high-risk shipments and facilitating the release of low-risk goods;
 - advance electronic submission and processing of documentation to enable prompt release of goods on arrival;
 - simplified customs procedures; and
 - harmonising customs documentation and data requirements to minimise the administrative burden on importers and exporters.
- The Agreement also establishes mechanisms to facilitate future cooperation between Australia and Korea in the area of geographical indications and common names.

KAFTA Market Access Outcomes – Agriculture

Beef

Beef is Australia's biggest agricultural export to Korea, worth \$1.4 billion in 2020. Korea is Australia's third- biggest export market for beef. Key KAFTA outcomes include:

- Elimination of Korea's 40 per cent tariff on beef by 1 January 2028.
- Korea has the right to apply an agricultural safeguard on some beef products until 31 December 2028.
 - This discretionary safeguard can apply only on volumes above the safeguard trigger level, set at 181,120 tonnes in 2022. This trigger level increases by a further two per cent (compound) on 1 January every year.
 - Volumes above the trigger level attract tariffs which decrease in three stages (every five years)- from 40 per cent in 2014, to 30 per cent in 2019, to 24 per cent from 1 January 2024.
- Korea will eliminate its 18 per cent tariff on bovine offal and its 72 per cent tariff on processed beef products by 1 January 2028 (with no safeguards).
 - Australia's exports of bovine offal to Korea were worth \$162.9 million in 2020.

Sugar

Korea is Australia's largest export market for sugar, purchasing over 40 per cent of our sugar exports, worth an estimated \$1.2 billion in 2020. Key KAFTA outcomes include:

- Elimination of Korea's three per cent tariff on Australian raw sugar immediately.
- Elimination of Korea's 35 per cent tariff on refined sugar by 1 January 2031. Before the tariff is fully eliminated, Korea can apply a discretionary safeguard.
 - The trigger for the safeguard is set at 1,108 tonnes in 2022. The trigger will grow by a further two percent (compound) on 1 January every year until 2031.

Wheat

Australia's exports of wheat to Korea were worth \$412 million in 2020.

- Under KAFTA, Korea eliminated its 3 per cent tariff on wheat from Australia on entry into force.
- Tariffs of 8 per cent on wheat gluten were also eliminated on entry into force.

Dairy

Australian dairy exports to Korea were worth \$69.4 million in 2020. The industry benefits from immediate Australia-only duty-free quotas for key exports and the elimination of tariffs up to 89 per cent on most other dairy products. Key KAFTA outcomes are:

- Cheese, one of Australia's main dairy exports to Korea, enjoys liberalised trade including:
 - A duty-free quota set at 5,865 tonnes in 2022, growing by a further three per cent (compound) on 1 January every year. This quota covers most of our cheese exports to Korea.
 - Progressive elimination of the 36 per cent tariff by 1 January 2026 for cheddar cheese and by 1 January 2031 for cream and processed cheese, with all cheese tariffs eliminated by 1 January 2033.
- Butter, dairy spreads and preparations comprising more than 70 per cent butter, benefit from a range of measures.
 - A duty-free quota for butter, set at 132 tonnes in 2022, growing by two per cent on 1 January every year, with tariffs of up to 89 per cent eliminated by 1 January 2028.
 - Progressive elimination of the eight per cent tariff on key preparations of butter between 1 January 2023 and 1 January 2025.
 - KAFTA eliminated the eight per cent tariff on dairy spreads on 1 January 2016.
- Infant formula received a duty-free quota set at 595 tonnes in 2022, growing by a further three per cent (compound) on 1 January every year.
 - Tariffs of 36 per cent and 40 per cent will be eliminated by 1 January 2026 and 2028, respectively.
- Tariffs on a range of other dairy products, such as milk, cream, ice-cream, yoghurt and whey are being progressively eliminated by 1 January 2033.

Malt and Malting Barley

- Korea provides Australia with an Australian-only duty-free quota on malt and malting barley, set at 11,717 tonnes in 2022, growing by a further two per cent (compound) every 1 January until 2028. (This is in addition to Korea's WTO tariff rate quota on malt and malting barley of 40,000 tonnes and 30,000 tonnes, respectively, with an in-quota tariff of 30 per cent on both products.)
 - Korea will also eliminate its out-of-quota tariffs of 269 per cent for malt and 513 per cent for malting barley by 1 January 2028. Korea can apply a safeguard before that date. After 1 January 2029, trade will be completely liberalised.
- Tariffs on Australian corn exports to Korea of up to 328 per cent entered duty free from 1 January 2020.
 - Australian corn exporters also continue to have access to Korea's WTO tariff rate quota of 6,102,100 tonnes at a three per cent tariff.

Oilseeds

- Tariffs of between 8 and 36 per cent on rapeseed (canola) oil will be eliminated progressively by 1 January 2031. Exports from Australia were worth \$1.9 million in 2020.

Lamb/goat/pork

- Korea will progressively eliminate its 22.5 per cent tariff on all sheep and goat meat by 1 January 2023. Tariffs on key pork exports of 22.5 to 25 per cent will be progressively eliminated between 1 January 2018 and 2028.

Seafood

- Key products, such as frozen southern bluefin tuna (previous tariff 10 per cent) and rock lobsters (20 per cent) entered duty free from 1 January 2016.

Bottled Wine

Australia's wine trade with Korea is significant, with \$24.8 million worth of bottled wine exported to Korea in 2020. Wine exports previously faced a 15 per cent tariff.

- As of entry into force, Australian wine – including sparkling wine, red wine and white wine – can now enter Korea duty free.

Horticulture

KAFTA provides quick tariff elimination on most of our horticulture exports to Korea. Key KAFTA outcomes include:

- Tariffs on cherries (24 per cent), shelled almonds (eight per cent) and dried grapes (21 per cent) were eliminated on entry into force.
- Tariffs on asparagus (27 per cent) were eliminated on 1 January 2016.
- Tariffs on macadamia nuts (30 per cent), carrots (30 per cent) and most fruit juices (orange, lemon, lime, pineapple, grape and tomato – which face tariffs of 45-54 per cent) were eliminated on 1 January 2018.
- Tariffs on tomatoes (45 per cent) and apricots (45 per cent) were eliminated on 1 January 2020.
- Tariffs on mangoes (30 per cent), peaches (45 per cent), plums (45 per cent) and peanuts (63.9 per cent) will be progressively eliminated by 1 January 2023.

For some of Korea's more sensitive horticulture products, there will be seasonal tariff elimination during Australia's exporting months.

- Potatoes – applied tariffs of up to 30 per cent on potatoes (for chipping) were eliminated on entry into force for the period of December to April each year. For other months, the 304 per cent tariff will be progressively eliminated by 1 January 2028. Australia is Korea's major supplier of potatoes for chipping, with exports worth \$7.7 million in 2020. Table grapes – the tariff of 45 per cent was eliminated on 1 January 2018 for the Australian growing months December to April each year.
- Oranges – the tariff of 50 per cent fell to 30 per cent on entry into force and was eliminated on 1 January 2020 for the period April to September each year. Oranges also have an immediate 20 tonne duty free quota.
- Mandarins – the high tariff of 144 per cent will be progressively eliminated by 1 January 2031 for the Australian growing months April to September each year.
- Kiwi fruit – the tariff of 45 per cent will be progressively eliminated by 1 January 2028 for the Australian growing months May to October each year.

KAFTA Market Access Outcomes – Resources, Energy and Manufacturing

Resource commodities (energy and mineral products) and simply-transformed manufactures (comprising mainly unwrought metals such as aluminium and copper) accounted for over 80 per cent of the value of Australia's exports to Korea in 2017. While many Australian mineral and energy exports to Korea already entered duty free, Korea applies tariffs of up to 8 per cent on a range of resource products, and tariffs of up to 13 per cent on manufactured products. Under KAFTA, Korea will progressively eliminate tariffs on Australian manufactures, resources and energy products by 1 January 2023.

Crude petroleum

- Australian exports of crude petroleum to Korea were worth over \$107 million in 2020.
- Korea's 3 per cent tariff on crude petroleum imports from Australia was eliminated on 1 January 2018.

Natural gas

- Korea is Australia's third largest market for liquefied natural gas after Japan and China, with exports worth an estimated \$3.3 billion in 2020.
- Korea's 3 per cent tariff on natural gas imports from Australia was eliminated immediately on entry into force of the Agreement.

Titanium dioxide

- Australia's titanium dioxide exports to Korea were worth \$84 million in 2020.
- Korea's 6.5 per cent tariff on titanium dioxide imports from Australia was eliminated immediately on entry into force of the agreement.

Unwrought aluminium

- Korea is Australia's second-largest market for unwrought aluminium with exports worth \$1.3 billion in 2020.
- Korea's 1-3 per cent tariffs on unwrought aluminium imports from Australia were eliminated immediately on entry into force of the agreement.

Pharmaceuticals (including vitamins)

- Australia exported \$62 million worth of pharmaceutical products to Korea in 2020.
- Korea's tariffs on pharmaceutical products range from 0-8 per cent
 - Under KAFTA, tariffs on Australian pharmaceutical products have been eliminated.