SEAFOOD TRADE ADVISORY GROUP
Improving China trade and market access for Australia's premium seafood exporters

4 April 2014

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Dear Mr Roberts,

RE: Submission (commercial-in-confidence) on Expressions of Interest from Republic of Korea in Trans Pacific Partnership (TPP) Negotiations

The Australian Seafood Trade Advisory Group appreciates the opportunity to make a submission on negotiations for Trans-Pacific Partnership (TPP) with Republic of Korea (hereinafter referred to as Korea).

The Australian Seafood Trade Advisory Group comprises Abalone and Rocklobster (*Panulirus Cygnus*; *Jasus edwardsii*) exporters through their Peak Bodies (Abalone Association of Australasia, Abalone Council of Australia and Southern Rock Lobster Ltd.)

While the activities of the group are principally focussed on trade with China its members are export companies involved in trade to other markets including, but not limited to, markets in Asia. The STAG is supported by a collaboration of FRDC, the Australian Seafood CRC, and SafeFish.

We welcome the conclusion of negotiations on Australia- Korea Free Trade Agreement (FTA) announced by the Australian Government. Korea has formally expressed interest in joining the TPP. DFAT has invited comment on this. Our comments are provided below.

Yours sincerely,

Nathan Maxwell-McGinn,
Acting Chair, Seafood Trade Advisory Group

Submission (commercial-in-confidence) on Expressions of Interest from Republic of Korea in Trans Pacific Partnership (TPP) Negotiations

1. Key outcomes for Australian seafood from Australia-Korea FTA

After conclusions of the negotiations on Australia-Korea FTA were announced in early December 2013, the agreed version of the Korea-Australia Free Trade Agreement text was initialled by Chief Negotiators on 10 February 2014. The Australia-Korea FTA shall enter into force 30 days after the date the Parties exchange written notifications certifying that they have completed their respective procedures or on such other date as the Parties may agree. Before the FTA enters into force, there are high tariffs against Australian seafood products. While most of these will be removed under the Australia Korea FTA, Australian Abalone is set to remain at a prohibitive 20% for import tariffs (including live, fresh, or chilled). According to Korean taxation system, there is plus 10% VAT in general in Korea for import of products (See Appendix 4 for more information about VAT in Korea).

Progress has been made that some Korea's import duties for Australian seafood shall be eliminated entirely on the date of entry into force of this Agreement, including fresh or chilled Southern Bluefin Tuna, Salmon, and fish livers and roes, as well as frozen fish livers.

The numbers in dot-points below show in how many equal annual stages the Korea's import duties shall be removed for some Australian seafood products, and which year such goods shall be free of import duties.

- Three equal annual stages/Year 3- Bigeye Tunas (*Thunnus obesus*) (fresh or chilled) and Southern Bluefin Tuna (frozen), and Rocklobster (frozen, and not frozen)

- Five equal annual stages/Year 5- frozen and peeled Prawns, and fresh or chilled Yellowfin Tunas (*Thunnus albacares*)

- Seven equal annual stages/Year 7- Prawns (live, fresh or chilled)

- Ten equal annual stages/Year 10- frozen Eels (Anguilla spp.), and Scallops (frozen, live, fresh or chilled).

Abalone (live, fresh or chilled), live Eels "*Anguilla* spp." (other) and frozen oysters shall remain at base rates. For more information See *Appendix 1- Schedule of tariff commitments by Korea in Australia-Korea FTA*.

We understand and are supportive that the tariff rates will be either entirely eliminated or reduced for most types of Australian seafood in Australia-Korea FTA. While the South Korea market is currently relatively small, these outcomes make Australian trade more price competitive which frees up exporters to look for new markets with more choices and protect this important trade. These outcomes are good for local producers and fishers. After the Australia-Korea FTA, our key priorities will be to conclude FTAs with Japan and China, which are major markets for seafood.

However, we understand that Abalone is specifically excluded from the finalised Australia-Korea FTA. It is our wish to reduce and eventually entirely eliminate the customs duties of Korea for all Australian seafood products, including Abalone. As the negotiations on Australia-Korea FTA have been concluded, we hope that the TPP negotiations will ensure that further liberalisation occurs.

2. Australia seafood exports

Australian fisheries products export earnings (edible and non-edible) amounted to A$1.2 billion (ABARES, 2013). Table 1a demonstrates Australia's top five export products to the world, and Table 1b shows Australian seafood products to top five destinations.

Table 1a: Exports of top five Australia seafood products (edible and non-edible) to the world, by value in 2011–12 (ABARES, 2013)

Product	Value (A$)
Rocklobster	$387 million
Pearls **a**	$207 million
Abalone	$197 million
Tuna	$163 million
Prawns	$67 million
a Includes items temporarily exported and re-imported.	

Table 1b: Australian seafood products (edible and non-edible) to top five export destinations in 2011–12 (ABARES, 2013)

Destination	Value (A$)
Hong Kong	$576 million
Japan	$299 million

Vietnam	$62 million
China	$61 million
United States	$45 million

Australia seafood products export (edible and non-edible) to Korea in 2011-12 was A$ 3 million (Australian Seafood Trade and Market Access Database 2013). The main seafood types exported to Korea in the period were below:

- Frozen Southern Bluefin Tuna and other frozen fish
- Fats & oils & their fractions of fish
- Live Eels
- Frozen Shrimps and Prawns
- Frozen Scallops
- Frozen Abalone
- Frozen Crabs
- Unfrozen Rocklobster
- Extracts and juices of meat, fish, crustaceans, molluscs or other aquatic invertebrates and fish juices
- Prepared or preserved Mackerel

3. Bilateral trade agreements between Korea and other countries (Australian competitors)

The total Abalone exports by Australia to the world currently generate more than A$ 192.48 million in the export revenue, while the exports to Korea amounted to A$ 4 thousand in calendar year 2013. However, import tariffs imposed by Korea make it difficult export Australian Abalone to the market.

Significant global economic powers such as Peru (Korea-Peru FTA, 2010), USA (Korea-USA FTA, 2007) and Chile (Korea-Chile FTA, 2003) continue to aggressively pursue FTAs with Korea, and are able to reduce and eliminate Korea's import tariffs on Abalone in FTAs with Korea (See Table 2).

Table 2: Differences in Korea's tariff schedules for Abalone in bilateral FTAs between Korea and relevant countries

FTAs	Base rate			Tariff elimination schedule		
	Heading HS -Description			Heading HS -Description		
	0307911200 -Abalone, live, fresh or chilled	0307991190- Frozen abalone (Other including flours, meals, and pellets of aquatic invertebrates	1605901091- Abalone, prepared or preserved	0307911200 -Abalone, live, fresh or chilled	0307991190- Frozen abalone (Other including flours, meals, and pellets of aquatic invertebrates	1605901091- Abalone, prepared or preserved

		other than crustaceans, for human consumption - other – frozen – other)			other than crustaceans, for human consumption - other – frozen – other)	
Korea-Australia FTA (concluded in early December 2013)	20%	20%	20%	Abalone under this HS is specifically excluded from the finalised Australia-Korea FTA	To be removed in 10 equal annual stages, & duty free from Year 10	To be removed in 7 equal annual stages, & duty free from Year 7
Korea-Peru FTA (effective from 1st August 2011)	20%	20%	20%	Liberalisation over a transitional period of 10 years	Liberalisation over a transitional period of 7 years	Liberalisation over a transitional period of 5 years
Korea-USA FTA (effective from 15th March 2012)	20%	20%	20%	To be removed in 3 equal annual stages, & duty-free from year 10	To be removed in 10 equal annual stages, & duty-free from Year 10	To be removed in 3 equal annual stages, & duty-free from Year 3
Korea-Chile FTA (effective from 1st April 2004)	20%	20%	20%	Duty free from Year 1	Liberalisation over a transitional period of 10 years	Duty free from Year 1

From Table 2, we can see that Australian Abalone (HS 0307911200-Abalone, live, fresh or chilled) is missing out on inclusion in the Australia-Korea FTA. Abalone (HS 1605901091-, prepared or preserved) is included in Australia-Korea FTA but its deal is not as good as those in FTAs between Korea and most other countries. For frozen Abalone (HS 0307991190), the deal in Australia-Korea FTA is not as good as Korea-Peru FTA. We hope that Korea will make tariff commitments for the same good deals on Australian Abalone in the future negotiations on TPP.

Korea has FTAs in effect with Chile, Singapore, EFTA (European Free Trade Association: Iceland, Lichtenstein, Norway and Switzerland), ASEAN, EU, US, Peru, and India.

Korea has concluded FTAs with Australia, Columbia, and Turkey.

Korea is also negotiating on FTAs with Canada, Mexico, GCC, New Zealand, Colombia, China and Japan, and Regional Comprehensive Economic Partnership (ASEAN, Australia, China, India, Japan, and New Zealand), and has expressed interest in joining the TPP.

4. Existing regional agreement of the TPP

The ministers of Brunei, Chile, New Zealand and Singapore announced the conclusion of the Trans-Pacific Strategic Economic Partnership Agreement ('Trans-Pacific SEP') on 3 June 2005. The Agreement was implemented on 28 May 2006.

a. Tariff elimination schedule of Chile

Abalone under Heading HS items of 03079130, 03079980, and 16059040 has tariff base rate at 6%. Duties on originating goods provided for in the items in a Chile's Schedule should be free in Year 1.

b. Tariff elimination schedules of Brunei, Singapore and New Zealand

According to the Schedules of Brunei, Singapore and New Zealand, the Abalone tariff base rates are zero, and continue to be free from the first year of entry into force.

5. Australian seafood export is not a threat to Korean seafood industry

Australian seafood export will not become a potential threat to Korean seafood industry because Australian seafood production is small in terms of volume.

Korean seafood industry is already exposed to competition via free trade agreements from Chile, India, Indonesia, Norway, Peru, Thailand, USA and Viet Nam. Table 3 indicates that seafood industries of those countries are much larger than Australian seafood industry in terms of production volume of fish and fishery products.

Table 3: Seafood production volume of some countries in 2012 (FAO Year book, 2013)

Countries	Production (tons)
India	8.4 million
Indonesia	7.1 million
Peru	6.3 million
USA	4.8 million
Viet Nam	4.8 million
Chile	4.0 million
Norway under FTA with EFTA and EU	3.5 million
Thailand under FTA with ASEAN	3.3 million
Korea	2.4 million
Australia	239 thousand

6. Australian seafood export is complementary in Korean market

The trend of Korean seafood production is the decrease in the wild-catch sector and increase in aquaculture. Most of Australian seafood exports are characterized by unique wild-catch products.

The species of Australian seafood are unique and different from Korean species. These include Australian Rocklobsters, Abalone and Southern Blue Fin Tuna.

For example, Korea Abalone production is mainly by aquaculture while Australian Abalone is mainly wild-caught. Table 4 and Table 5 demonstrate top Abalone aquaculture production and wild-catch by country in 2010.

Table 4: Abalone Aquaculture Production Country by Country 2010 (Fishtech 2012)

Country	Metric Tons
China	56,000
Korea	6,228
Chile	794
Australia	456
USA	250
Japan (seeds)	200
Taiwan	171
New Zealand	80
Misc. Countries (Mexico, Europe, Thailand, Philippines, others)	150

Table 5: World Fisheries Legal Landings of Abalone by Country Remain Relatively Constant in 2010 (Fishtech 2012)

Country	2008 Metric Tons	2010 Metric Tons
Australia	4,822	4,525
Japan	1,200	600
New Zealand	932	1,115
Mexico	715	756
South Africa	0	128
Misc. Countries	200	300

Haliotis discus hannai is an important species in Korea in terms of geographical distribution. They are distributed in the East and West coasts and are also found along the Liaodong and Shandong peninsula in China. The world's commercial species include *Haliotis rubra* in Australia (FAO 1990).

The commonly cultivated species of Australian Abalone are: *Haliotis laevigata* and *Holiotis rubra*, while those of Korean Abalone are: *Haliotis discus*, *Haliotis discus hannai*, *Haliostis diversicolor*, *Haliotis diversicolor supertexta* (Fotedar & Phillips 2011). It is evident from Table 6 that Korean cultivated species of Abalone is not confronted with competition from Australia, but from China, Taiwan, Japan, and Chile.

Australian Abalone is complementary to Korean seafood market, and provides opportunities for wide food choices by Korean consumers.

Table 6: Abalone species cultivated around the world (Fotedar & Phillips 2011)

Country	Commonly cultivated species	Production 2008 (tons)
Australia	*Haliotis laevigata* and *Holiotis rubra*	504
NZ	*Haliotis iris* and *Haliotis australis*	8
China and Taiwan	*Haliotis discus hannai*	33,010
Taiwan	*Haliotis diversicolor*	348
Korea	*Haliotis discus, Haliotis discus hannai, Haliostis diversicolor,* and *Haliotis diversicolor supertexta*	5,146
Japan	*Haliotis discus*	*NA*
Thailand	*Haliotis asinine*	*30*
South Africa and Namibia	*Haliotis midae*	*1,040*
Chile	*Haliotis discus hannai,*and *Haliotis refescens*	*515*
Mexico	*Haliotis rufescens, Haliotis fulgens,* and *Haliotis corrugate*	*60*
USA	*Haliotis rufescens, Haliotis fulgens,* and *Haliotis corrugate*	*175*
Canada	*Haliotis kamischatkana*	*NA*
Ireland	*Haliotis tuberculata*	*NA*

- Note: NA = No data available
- Production data obtained from FAO Fisheries and Aquaculture Information and Statistics Service website

7. High quality and comprehensive outcomes of TPP

In considering Korea as a new party to TPP negotiations, it will be essential for Australia to ensure that Korea is committed upfront to high-quality and comprehensive outcomes of trade agreements in the TPP, so that the entry by Korea into the TPP negotiations will not add potential difficulties to the TPP process. In comparison with Australia-Korea FTA, prior commitments from Korea for the TPP should include further elimination and reduction of Korean tariff rates for all Australian seafood products, without the exclusion of Australian Abalone.

Appendix 1- Schedule of tariff commitments by Korea in Australia-Korea FTA

Table 7: Abstract of schedule of tariff commitments by Korea in Australia-Korea Free Trade Agreement for some key Australian seafood products (DFAT 2014)

HS Korea 2010	Description	Export destination	Base Rate %	Staging category	
0301921000	Live Eels "*Anguilla* spp." , Glass Eel (for aquaculture)	Australia exported live Eels "*Anguilla* spp." to Korea in 2013	0	0	Shall be free of customs duty on the date of entry into force of this Agreement.
0301929000	Live Eels "*Anguilla* spp." , other		27% or 1,879 won/kg, whichever is the greater	E	Shall remain at base rates.
0302120000	Fresh or chilled, Pacific Salmon (*Oncorhynchus nerka, Oncorhynchus gorbuscha, Oncorhynchus keta, Oncorhynchus tschawytscha, Oncorhynchus kisutch, Oncorhynchus masou* and *Oncorhynchus rhodurus*), Atlantic Salmon (*Salmo salar*) and Danube Salmon	One of Australia top seafood exports to the world.	20	0	Shall be free of customs duty on the date of entry into force of this Agreement.

	(*Hucho hucho*)				
0302320000	Yellowfin Tunas (*Thunnus albacares*), fresh or chilled	Australia exported Yellowfin Tunas (Thunnus albacares), fresh or chilled, to Korea in 2013.	20	5	Shall be removed in 5 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 5.
0302340000	Bigeye Tunas (*Thunnus obesus*), fresh or chilled	Australia exported Bigeye Tunas (Thunnus obesus), fresh or chilled, to Korea in 2013.	20	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 3
0302360000	Southern Bluefin Tunas (*Thunnus maccoyii*), fresh or chilled	Australia exported Southern Bluefin Tunas (Thunnus maccoyii), fresh or chilled, to Korea in 2013.	20	0	Shall be free of customs duty on the date of entry into force of this Agreement.
0302701000	Livers, fresh or chilled	Australia exported livers/roes, fresh or chilled, to Korea in 2013.	20	0	Shall be free of customs duty on the date of entry into force of this Agreement.
0302702000	Roes, fresh or chilled		20	0	
0303220000	Atlantic Salmon (Salmo salar) and Danube Salmon (*Hucho hucho*), frozen	One of Australia top seafood exports to the world.	10	0	Shall be free of customs duty on the date of entry into force of this Agreement.

0303460000	Southern Bluefin Tunas (*Thunnus maccoyii*), frozen	Australia exported Southern Bluefin Tunas (Thunnus maccoyii), frozen, to Korea in 2013.	10	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 3.
0303760000	Eels (*Anguilla* spp.), frozen	Australia exported Eels (Anguilla spp.), frozen, to Korea in 2013.	10	10	Shall be removed in 10 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 10.
0303799099	Fish, frozen, other, excluding fish fillets and other fish meat of 0304, excluding livers and roes	Australia exported fish, frozen, other, excluding fish fillets and other fish meat of 0304, excluding livers and roes, to Korea in 2013.	10	12	Shall be removed in 12 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 12.
0303801000	Livers	Australia exported frozen livers and roes to Korea in 2013.	10	0	Shall be free of customs duty on the date of entry into force of this Agreement.
0303802010	Of Alaskan Pollock (*Theragra chalcogramma*)		10	10	Shall be removed in 10 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 10.
0303802090	Others		10	10	
0306110000	Frozen Rocklobster and other Sea Crawfish (*Palinurus* spp., *Panulirus* spp., *Jasus*	One of Australia top seafood exports to the world.	20	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of

	spp.)				customs duty, effective 1 January of year 3.
0306131000	Frozen Shrimps and Prawns, peeled	Australia exported frozen shrimps and prawns to Korea in 2013.	20	5	Shall be removed in 5 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 5.
0306139000	Other frozen Shrimps and Prawns		20	10	Shall be removed in 10 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 10.
0306210000	Rocklobster and other Sea Crawfish (*Palinurus* spp., *Panulirus* spp., *Jasus* spp.), live, dried, salted or in brine, incl. in shell, cooked by steaming or by boiling in water	One of Australia top seafood exports to the world.	20	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 3.
0306231000	Shrimps and Prawns, live, fresh or chilled		20	7	Shall be removed in 7 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 7.
0306232000	Shrimps and Prawns, dried		20	7	
0306233000	Shrimps and Prawns , salted or in brine		42% or 283 won/kg, whichever is the greater	7	

0307102000	Oysters, frozen		20	E	Shall remain at base rates.
0307210000	Scallops, Live, fresh or chilled		20	10	Shall be removed in 10 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 10.
0307291000	Scallops, frozen	Australia exported Scallops, frozen, dried, salted or in brine, to Korea in 2013.	20	10	
0307292000	Scallops, dried		20	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 3
0307293000	Scallops, salted or in brine		20	3	
0307911200	Abalone, live, fresh or chilled	One of Australia top seafood exports to the world.	20	E	Shall remain at base rates.
1605201000	Shrimps and Prawns, in airtight containers		20	5	Shall be removed in 5 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 5
1605209010	Shrimps and Prawns, smoked		20	3	Shall be removed in 3 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 3
1605209020	Shrimps and Prawns, breaded		20	5	Shall be removed in 5 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 5
1605209090	Prepared and preserved		20	7	Shall be removed in 7 equal annual stages

	Shrimps and Prawns, other				beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 7
1605901091	Abalone, prepared or preserved	One of Australia top seafood exports to the world.	20	7	Shall be removed in 7 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be free of customs duty, effective 1 January of year 7

Appendix 2- Australian seafood industry

The Australian fisheries habitat provides diverse 4,500 finfish species and thousands of invertebrate species. Some typical species produced by Australia are a small number of low volume high value species, such as Lobster, Abalone, and Southern Bluefin Tuna (Yearsley et al. 2001). Australian seafood has high reputation in quality and enjoys popularity both locally and overseas.

In 2010-2011, in volume terms, Australian fisheries production decreased by 4 per cent (9079 tonnes) to 234 164 tonnes. The gross value of Australian fisheries production increased by 2 per cent to $2.23 billion (ABARES 2012). Table 7 shows top five fisheries products by volume and value.

Table 8: Top five fisheries products by volume and value (ABARES 2012)

Top five, by volume in 2011-12 (wild–catch and aquaculture)		**Top five, by value in 2010-11** (wild–catch and aquaculture)	
Australian Sardine	38 176 tonnes	Salmonids	$408.8 million
Salmonids	35 377 tonnes	Rocklobster	$389.9 million
Prawns	26 866 tonnes	Prawns	$304.8 million
Oyster	13 951 tonnes	Abalone **a**	$178.3 million
Tuna	9 133 tonnes	Tuna	$149.7 million
a Does not include the value of Victorian aquaculture abalone production.			

In most sectors of seafood industry, production is labour intensive. The Labour Force Survey (ABS 2013) shows that in 2011–12 the fishing, hunting and trapping industry employed 10,633 people. Employment in the aquaculture sector reached 3,642 people in 2011–12 (ABARES, 2013).

A recent study undertaken by Selwyn Heilbron in late 2013, commissioned by the STAG, found that Abalone and Rocklobster industries alone employ approximately 8,000 people. Most of these are in rural and regional Australia.

Appendix 3 - Importance of Korea's seafood market & Imports

Korea's seafood market

In 2011, seafood production in South Korea increased to 3.26 million metric tons, up 4.7 percent from 3.11 million metric tons in 2010 (USDA 2013). However, Korean domestic fish production is predicted to not increase much in the future due to the following reasons: reductions in fish resources, enforcement of the EEZ by China and Japan, and decreasing of fishing vessels (Agriculture and Agri-Food Canada, 2011). Constraints built into bilateral and multilateral fishing accords will further impact total harvest. The harvest from adjacent waters fisheries consists primarily of squid, mackerel, corvina, hairtail and anchovy. Government efforts to boost aquaculture production in the shallow sea areas clearly indicate the importance of this sector as a future seafood resource. Shallow sea aquaculture is expected to continue to increase in the future due to the government's plan to have the country's annual seafood export reach $10 billion by the year 2020 (USDA 2013).

Korea has the world's largest per capita seafood consumption at 59 kg/year (2008-2010). In comparison the world average per capita consumption was 18.5 kg/year, and Australia was 26 kg/year (2008-2010) (FAO Yearbook, 2013). The Korea Rural Economic Institute reported in its 2011 Food Balance Sheet that annual per capita seafood consumption in Korea was 53.5 Kg (fishery products and shellfish = 37.8 kg and seaweed = 15.7 kg) in 2011.

The major seafood species that Koreans consumed are anchovy, shrimp, squid, tuna, Alaska Pollock, mackerels, yellow corvina, saury, hair tail, flat fish, monk fish, eel, rock fish and cod, etc (USDA 2013). Oyster, clams, cockle, mussels, arkshell and various types of seaweed are widely consumed in Korea. The opportunities for seaweed producers are limited, due to abundant local supply of seaweed. Some shellfish species are also abundant in Korea, due to local aquaculture production. Frozen lobsters are used mainly in buffet restaurants and upscale Japanese restaurants, particularly Tepanyaki seafood restaurants. In addition to live lobster, demand for whole cooked lobster and frozen lobster tail is increasing (Agriculture and Agri-Food Canada, 2011).

Koreans prefer live fish to fresh fish, and fresh fish to frozen fish. Korean consumers believe that fresh fish tastes better than frozen fish after being cooked. Therefore, the price for fresh fish is higher than for frozen fish. However, now that more and more women are in the work force there has been an increasing demand at supermarkets for food that has been precooked, prepared and preserved (Maine 2007). Some fish are consumed raw ("Hoi", or "Sashimi"), and commands a price premium. Korean consumers assume fresh fish tastes better than frozen fish after cooking. Accordingly, fresh or chilled fish tend to be substantially more expensive than frozen fish (USDA 2013). Alaskan Pollock, Pacific cod, squid, Japanese pilchard (herring), mackerel, chub mackerel, Spanish mackerel, largehead hairtail, monkfish, globe fish, skate, pomfret, tuna and smoked salmon are the leading species of frozen fish consumed in Korea. Frozen fish and crustacean species - particularly monkfish, skate (including ray), black cod, snow crab (cooked and sectioned), capelin, and peeled cold-water shrimp - offer good market potential (Agriculture and Agri-Food Canada, 2011).

Korea is a large market with great potential to become an important seafood export destination for Australia's seafood industry. -. The Abalone and Rocklobster industries are investing in market research to better understand how best to achieve maximum return for their products. This activity has identified Korea as a market with significant potential for Abalone and Rocklobster to diversify from the current China focus.

Korea's seafood import

Korea is a net importer of seafood. In 2012, Korea imported 1.431 million tons, and exported 0.721 million tons of seafood.

South Korea's main fish and seafood imports in 2010 included frozen fish with bones, frozen shrimp and prawns, frozen dried and salted octopus, frozen fish meat, live fish and molluscs (Agriculture and Agri-Food Canada, 2011). Table 8 analyses Korean seafood imports from major countries (USDA, 2013).

Table 9: Korean Seafood Imports from Major Countries (US $million) (USDA, 2013)

Reporting Country: Korea, Republic of Top 15 Ranking	Import			Percent change (2011~2012)
	2010	2011	2012	
China	1,038	1,174	1,033	-12.0%
Russia	494	661	653	-1.2%
Vietnam	371	477	497	4.2%
United States	113	142	169	19.0%
Thailand	98	130	139	6.9%
Taiwan	96	128	132	3.1%
Norway	96	138	113	-18.1%
Japan	223	163	111	-31.9%
Chile	36	105	72	-31.4%
Peru	34	68	70	2.9%
Indonesia	58	60	62	3.3%
Canada	47	63	58	-7.9%

Appendix 4 – Korea VAT

In general, VAT rate in Korea is 10%.

The following goods and services are VAT zero-rated and the input tax incurred is refundable. There are exemptions (Korea Ministry of Strategy and Finance, 2012).

(1) The supply of the following goods or services is subject to exemption and the input tax incurred thereon is not refundable. However, traders may elect not to be exempted.

(a) Basic life necessities and services

i) Unprocessed foodstuffs (including but not limited to agricultural products, livestock products, marine products, and forest products that are used for food) and agricultural products, livestock products, marine products, and forest products prescribed by the Presidential Decree that are produced in Korea but are not used for food.

Of ten taxes, the three taxes below make up the bulk of Korean tax revenue: Income Tax, Corporation Tax, and Value Added Tax.

There are Tax incentives for supporting production activities by farmers and fishermen. For example, the expiration date of the period during which equipment for agriculture or fisheries is VAT zero-rated has been pushed back by 3 years to the end of 2008.

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