

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Release of Australia - Korea Free Trade Agreement details

Report Categories:

Agriculture in the Economy

Agriculture in the News

Country/Regional FTA's

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Report Highlights:

Details of historic Australia-Korea Free Trade Agreement released. FTA likely to make Australian farmers more competitive with the United States in Korea.

Ref: [Australia and Korea Conclude FTA Negotiations_Canberra_Australia_12-13-2013](#)

The details of an FTA between Australia and the Republic of Korea (known as KAFTA) that was reached in December of last year were finally released on February 17th. Australian farmers are clear winners, and if the agreement is ratified it will likely help make Australian farm exports more competitive with the United States in the all-important Korean market.

Agriculture industry groups in Australia want the Government to move quickly to ratify a free trade agreement with South Korea, now that the details of the deal have been revealed.

These details were finalized in December and released on February 17th, and it appears that the agriculture sector in Australia will benefit greatly. Lower Korean import tariffs have been negotiated on a number of Australian farm exports, including beef, dairy, and horticultural products. The lower tariffs will greatly benefit Australian exports to South Korea and will make these products more competitive with the United States, who already have a trade agreement with South Korea.

The 1,800 page agreement would eliminate or phase out tariffs on 99.8 per cent of Australia's exports to South Korea, according to Australia trade officials. While the farm sector is expected to benefit greatly from the deal, it must be ratified by parliamentary processes in both countries.

Farm groups are gearing up to push for ratification as quickly as possible. The Australian beef industry is leading this effort, not only because the deal is beneficial to the beef industry but also because of the immense difficulties facing Australian cattlemen due to the ongoing drought.

Currently, South Korean tariffs put Australian beef at an 8 percent disadvantage compared with beef from the United States, which is Australia's biggest competitor in the Korean market. Under the FTA, Korean tariffs on Australian beef imports would be eliminated over a 15 year period.

The sugar industry is also keen to get the deal ratified. Under the agreement, the 3 per cent tariff on raw sugar would be immediately eliminated, helping Australia remain competitive with Thailand, which is no longer subject to tariffs on sugar into South Korea.

South Korea is a huge market for Australian cane growers, with about 1 million tonnes of raw sugar sent into that market from Australia each year. South Korea's existing 35 per cent tariff on white sugar will be phased out over 15 years, although the agreement would allow for a relatively small quota of Australian white sugar to be imported tariff-free into South Korea from day one. An existing 3 per cent tariff on molasses would also be cut over five years.

The dairy industry is also calling on the Australian government to approve the deal as quickly as possible. Cheese tariffs of 36 per cent and an 89 per cent butter tariff will be phased out between 13 and 20 years after the agreement is ratified, but tariff-free quotas for cheese, butter and infant formula will allow some product to be imported into South Korea duty-free, as soon as the deal is ratified. The Federal Government says the starting duty-free cheese quota represents 80 per cent of the volume of cheese exported to South Korea in 2013.

The Australian horticultural industry is another beneficiary of the FTA. Australian cherries, almonds and dried grapes will be able to enter the South Korean market duty free as soon as the FTA comes into force. Current tariffs on these products range between 8 and 24 percent. In addition, a 27 per cent tariff on asparagus will be phased out over three years, while tariffs of between 30 and 54 per cent on macadamia nuts, carrots and most fruit juices will be phased out over five years. Import tariffs on tomatoes and apricots, currently at 45 percent, will be eliminated over 10 years. Tariffs of between 30 and 63.9 per cent on mangoes, peaches, plums and peanuts will also be phased out over a 10 year period.

South Korea also agreed to seasonal tariff elimination on other horticultural exports during Australia's exporting months. For chipping potatoes, the existing 304 percent tariff will be eliminated on exports from December to April, and tariffs for the rest of the year will be phased out over a 15 year period.

Australian citrus will also benefit from the agreement. Orange exports will see tariffs immediately reduced from 50 to 30 per cent, with duties eliminated over seven years for exports between April and September. A tariff-free quota of 20 tonnes of oranges will also come into force when the agreement is ratified. For mandarins, the existing 144 per cent tariff will be eliminated over 18 years, for the months from April to September.

Not every agricultural product will benefit from the trade agreement. Products that will receive no tariff reductions include rice, unhulled barley, milk powders and condensed milk, abalone, ginger, apples, pears, watermelon, walnuts, onions, capsicums, garlic, and frozen pork belly.

The government said that these products account for less than 0.2 percent of total exports, but the rice industry has already expressed disappointment with being excluded from the agreement.

Australian honey is also excluded under the deal, and honey exports will continue to face tariffs of up to 250 per cent as a result.

The full text of the KAFTA can be found at: <http://dfat.gov.au/fta/kafta/>.