

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 7/7/2011

GAIN Report Number: KS1127

Korea - Republic of

Post: Seoul

KOREA - EU FTA

Report Categories:

Trade Policy Monitoring

Approved By:

M. Kathryn Ting

Prepared By:

M. Kathryn Ting / Michael Francom / Yong Keun Ban / Kwon Joung

Report Highlights:

Korea-EU Free Trade Agreement (ROK-EU FTA) went into effect on July 1, 2011. This report provides a brief overview of the provisions of the agreement that impact agriculture trade.

General Information:

On July 1, 2011, the Korea-EU Free Trade Agreement (ROK-EU FTA) went into effect. This agreement has been hailed as Korea's largest FTA to date. Under the agreement, nearly 98 percent of duties in terms of value will be phased-out over the next five years, based on a July-June year. The tariffs on most agricultural products will fall to zero when the agreement is fully implemented. In light of domestic sensitivities, rice and rice products were excluded from the agreement, while the base rate duties remain fixed for several items like onions, peppers, garlic, tangerines, naked and un-hulled barley, and food grade soybeans.

In addition to the standard duty reductions, the ROK-EU FTA contains [tariff-rate quotas](#) (TRQ) on a range of products, including: flatfish, milk, food whey, butter, cheese, honey, oranges, malt, prepared milk, feed ingredients and dextrins (Table 1). These duty free quotas are administered by industry organizations or the Korea Agro Fisheries Corporation (aT), the government's state trading body.

The trade pact also contains [safeguards](#) for sensitive Korean agricultural products, including: beef, pork, apples, malt and malting barley, potato starch, ginseng, sugar, alcohol, and dextrins. Safeguards provide for duty increases when specified annual import volumes are exceeded; the annual import volumes and applicable tariff rates are described in [Annex 3](#) to the Agreement. Of note, EU beef and apples currently do not have access to the Korean market due to sanitary and phytosanitary restrictions.

The European Union was the fourth largest supplier of Korea's agricultural, fish and forestry imports in 2010 with imports totaling \$1.7 billion or about 7 percent of the total. By comparison, imports from the United States - the largest supplier - during the same period reached \$6.1 billion or 26 percent of total imports. Meanwhile, China, and Australia respectively supplied 14 and 9 percent of total agricultural, fish and forestry imports.

The EU was a stronger player in certain categories. For example, even excluding \$240 million in imports of spirits, the EU accounted for 44 percent of the remainder of Korean beverage (Chapter 22) imports. Accounting for \$276 million or 41 percent of 2010 Korean pork imports, the EU is the third largest supplier of red meat and poultry (Chapter 2), after the United States and Australia. It is also the leading supplier of cocoa and products (Chapter 18), Dairy, Eggs and Honey (Chapter 4), and Lac, gums and resins (Chapter 13.) The EU trails China and Australia in Milling products, malts and starch (Chapter 11) and is a major supplier of baking related and prepared meat (Chapter 19) and fish (Chapter 16), which together account for \$100 million worth of Korean imports from the EU annually.

The two most talked about EU commodities that will benefit from the agreement are pork and wine. The 15 percent duty on wine fell to zero. We understand that much EU wine had been being held in bonded warehouse pending the tariff elimination on July 1. The duty on frozen pork bellies – Europe's top pork cut to Korea – dropped 2.3 percent to 22.7 percent with the implementation of the agreement. However, this reduction will not be that significant this year since the government opened an additional 130,000 metric ton duty free quota for certain pork cuts from July 1-December 31, as noted in KS 1126. MIFAFF reports that they have allocated 57,000 metric tons under this duty-free quota as of July 5.

Other agricultural goods whose duties dropped immediately to zero also included items such as

breeding animals, tilapia, rock fish, cherries and strawberries. However, Korea imports very little, if any, of these duty free products from the European Union.

The ROK-EU FTA negotiations began in April 2007 and the deal finished nearly a year-and-a-half later on October 2009. The deal was signed on Oct 2010 and ratified by the EU parliament in February 2011 and the Korean National Assembly on May 4, 2011. The [ROK-EU FTA chronology](#) is available on Korea's Ministry of Foreign Affairs & Trade (MOFAT) website. The full [text](#) of the agreement is available on the European Commission website.

Table 1 below provides details on the TRQ's for agricultural products in the ROK-EU FTA. Table 2 shows the tariff treatment for the specific tariff lines constituting the bulk of ROK agricultural imports from the EU.

Table 1

Ref No.	HS Number	Product	TRQ			
			Year	Duty-free	2010	Out-quota

				Quota (MT)	Imports from EU (MT)	duty
1	0303.39.0000	Flatfish	1	800	1,090	<p>customs duties on originating goods provided for in the items in staging category “12-A” in a Party’s Schedule shall remain at base rates during years one through nine. Beginning on the first day of year 10, customs duties shall be removed in four equal annual stages, and such goods shall thereafter be free of any customs duty</p>
			2	800		
			3	864		
			4	933		
			5	1,008		
			6	1,088		
			7	1,175		
			8	1,269		
			9	1,371		
			10	1,481		
			11	1,599		
			12	1,727		
			13	Unlimited		
2	0402.10.1010 0402.10.1090 0402.10.9000 0402.21.1000 0402.21.9000 0402.29.0000 0402.91.1000 0402.91.9000 0402.99.1000 0402.99.9000 0403.90.1000	Milk or cream powder less than 1.5 percent fat and buttermilk, Milk and cream powder sweetened and unsweetened over 1.5 percent fat (whole milk powder), Milk and cream (evaporated) sweetened or unsweetened and/or not concentrated.	1	1,000	2,063	<p>customs duties on originating goods provided for in the items in staging category “E” shall remain at base rates</p>
			2	1,000		
			3	1,030		
			4	1,060		
			5	1,092		
			6	1,125		
			7	1,159		
			8	1,194		
			9	1,229		
			10	1,266		
			11	1,304		
			12	1,343		
			13	1,384		
			14	1,425		
			15	1,468		
			16	1,512		
			17	After year 16, the in-quota quantity		

				shall remain the same as the quantity of year 16.		
3	0404.10.1010 0404.10.1090 0404.10.2110 0404.10.2120 0404.10.2130 0404.10.2190 0404.10.2900	Food whey	1	3,350	0	customs duties on originating goods provided for in the items in staging category “10-B” in a Party’s Schedule shall be reduced to 20 percent ad valorem on the date this Agreement enters into force and remain at 20 percent ad valorem through year two. Beginning on the first day of year three, customs duties shall be removed in nine equal annual stages, and such goods shall thereafter be free of any customs duty
			2	3,350		
			3	3,450		
			4	3,554		
			5	3,660		
			6	3,770		
			7	3,883		
			8	4,000		
			9	4,120		
			10	4,243		
4	0405.10.0000 0405.90.0000	Butter and other fats and oils derived from milk	11	Unlimited	900	customs duties on originating goods provided for in the items in staging category “10” in a Party’s Schedule shall be removed in 11 equal annual stages beginning on the date this
			1	350		
			2	350		
			3	360		
			4	371		
			5	382		
			6	393		
			7	405		
			8	417		
			9	430		
			10	443		
			11	Unlimited		

						Agreement enters into force, and such goods shall thereafter be free of any customs duty
5	0406.10.1000 0406.20.0000 0406.30.0000 0406.900000	Fresh, curd grated or powdered, processed, and all other cheeses	1	4,560	2,563	customs duties on originating goods provided for in the items in staging category “15” in a Party’s Schedule shall be removed in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty
			2	4,560		
			3	4,696		
			4	4,837		
			5	4,982		
			6	5,132		
			7	5,286		
			8	5,444		
			9	5,608		
			10	5,776		
			11	5,949		
			12	6,128		
			13	6,312		
			14	6,501		
			15	6,696		
			16	Unlimited		
6	0409.00.0000	Honey, natural	1	50	15	customs duties on originating goods provided for in the items in staging category “E” shall remain at base rates
			2	50		
			3	51		
			4	53		
			5	54		
			6	56		
			7	57		
			8	59		
			9	61		
			10	63		
			11	65		
			12	67		
			13	69		
			14	71		
			15	73		
			16	75		
			17	After year 16, the in-quota quantity shall remain the same as the quantity		

				of year 16.		
7	0805.10.0000	Oranges	1	20	260	<p>customs duties on originating goods provided for in the items in staging category “S-B” shall be subject to the following provisions:</p> <p>(i) for goods entered into Korea from 1 September through the end of February, customs duties shall remain at base rates; and</p> <p>(ii) for goods entered into Korea from 1 March through 31 August, customs duties shall be reduced to 30 percent ad valorem on the date this Agreement enters into force and remain at 30 percent ad valorem through year two.</p> <p>Beginning on the first day of year three, customs duties shall be removed in six equal annual stages, and such goods shall</p>
			2	20		
			3	20		
			4	20		
			5	20		
			6	20		
			7	40		
			8	40		
			9	40		
			10	40		
			11	40		
			12	60		
			13	After year 12, the in-quota quantity shall remain the same as the quantity of year 12.		

						thereafter be free of any customs duty
8	1003.00.1000 1107.10.0000	Malt and malting barley	1	10,000	2,637	customs duties on originating goods provided for in the items in staging category “15” in a Party’s Schedule shall be removed in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty
			2	10,000		
			3	10,800		
			4	11,600		
			5	12,400		
			6	12,772		
			7	13,155		
			8	13,549		
			9	13,956		
			10	14,375		
			11	14,806		
			12	15,250		
			13	15,707		
			14	16,179		
			15	16,664		
			16	Unlimited		
9	1901.10.1010 1901.10.1090	Prepared dry milk and other	1	450	206	customs duties on originating goods provided for in the items in staging category “10” in a Party’s Schedule shall be removed in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty
			2	450		
			3	463		
			4	477		
			5	491		
			6	506		
			7	521		
			8	537		
			9	553		
			10	570		
			11	Unlimited		
10	2309.90.2010 2309.90.2020 2309.90.2099 2309.90.9000	Supplementary feeds, animal	1	5,500	9,049	customs duties on originating goods provided for in the items in
			2	5,500		
			3	5,665		
			4	5,834		
			5	6,009		
			6	6,190		

			7	6,376		staging category “12” in a Party’s Schedule shall be removed in 13 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty
			8	6,567		
			9	6,764		
			10	6,967		
			11	7,176		
			12	7,391		
			13	Unlimited		
11	3505.10.40103505.10.4090 3505.10.50103505.10.5090	Dextrinsl	1	28,000	23,330	customs duties on originating goods provided for in the items in staging category “12” in a Party’s Schedule shall be removed in 13 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty
			2	28,000		
			3	30,500		
			4	33,000		
			5	35,000		
			6	36,050		
			7	37,131		
			8	38,245		
			9	39,392		
			10	40,574		
			11	41,791		
			12	43,045		
			13	Unlimited		

Table 2

Product	HS Code	2010 Korean Imports from EU (\$ million)	Base Duty	Tariff Rate effective July 1, 2011 (Ad valorem)	Tariff Elimination July 1 of -	Percent Annual Tariff Reduction
Horses, live	0101901010, 0101901090	4.601	8	6.67	2016	1.33
Chickens, live, for breeding	0105111000	2.567	9	0	2011	
Ducks, geese, for breeding	0105191010	3.631	0	0		
Pork, Streaky	0203291000	200.813	25	22.727	2021	2.27 SAFEGUARD
Pork, Other	0203299000	75.905	25	20.833	2016	4.17 SAFEGUARD
Edible offal	0206499000	11.599	18	15	2016	3
Poultry parts, wing	0207141030	5.007	20	18.57	2024	1.43
Poultry parts, other	0207142090	1.350	27	24.55	2021	2.45
Flat fish	0303390000	2.076	10	10	2023	TRQ Table 1 Ref 1
Frozen Blue fin tuna, not fillet	030345	7.839	10	0	2011	
Toothfish	0303620000	1.465	10	7.5	2014	2.5
Mackerel, exc fillet	030374	2.074	10	10	2023	2.5 (last 4 years only)
Frozen Rock Fish, not fillet	0303799070	2.830	10	9.5	2021	variable
Skate	0303799093	1.339	10	9.09	2021	0.91
Ray	0303799096	1.315	10	9.09	2021	0.91
Blue fin tuna, fillet	0304295000	11.203	10	7.5	2014	2.5
Milk & cream, not concentrated or sweetened, fat content > 6%, not frozen	0401309000	5.878	36	33.43	2024	2.57
Skim milk powder	0402101010	6.336	176	176	NA	TRQ Table 1 Ref 2
Whey, Modified for food	0404102129, 0404102139, 0404101019, 0404102199	14.532	49.5	20	2021	2.2 beginning 2013TRQ, Table Ref 3
Products of natural milk constituents	040490	57.458	36	32.73	2021	3.27
Butter	0405100000	4.596	89	80.91	2021	9.09, TRQ, Table 1 Ref 4

Dairy spreads	04052000	0.978	8	0	2011	
Cheese, unprocessed (fresh) mozzarella	0406101010	10.409	36	33.75	2026	2.25 TRQ, Table 1 Ref 5
Cheese, unprocessed, other	0406101090	7.032	36	33.75	2026	2.25 TRQ, Table 1 Ref 5
Grated or powdered cheese	040620	2.623	36	33.75	2026	5
Cheese, Not elsewhere specified, gouda	0406902000	2.838	36	33.75	2026	2.25 TRQ, Table 1 Ref 5
Cheese, Not elsewhere specified, other	0406909000	3.253	36	33.75	2026	2.25 TRQ, Table 1 Ref 5
Guts, bladders	0504001090	3.632	27	25.07	2024	1.93
Down	050510	2.287	3		2016	0.50
Bulbs, tulip	0601101000	1.348	8	0		
Bulbs, lily	0601102000	5.485	4	0		
Live plants, other	0602901090	1.318	8	0		
Dried Veg	0712902099	0.375	30	26.25	2018	3.75
Oranges	0805100000	0.272	50	30 (excl Sep 1-Feb 28)	2018	5.0 beginning 2013 TRQ Table 1 Ref 7
Raspberry, blackberry, mulberry lignons, froz	0811200000	0.540	30	25	2016	5
Coffee, not roasted, not decaf	090112	2.925	2	0	2011	
Coffee, roasted, not decaf	090121	12.354	8	6.67	2016	1.33
Wheat, other than durum	100190	91.645	3	0	2011	Applied
Corn, for processing	1005909000	70.576	328	304.57	2024	23.42
Potato Starch	1108130000	31.508	455	425.56	2026	SAFEGUARD
Wheat gluten	1109000000	4.049	8	0	2011	
Forage seeds	120929	2.322	0	0	2011	
Veg seeds for sowing	120991	8.461	0	0	2011	
Vegetable saps and extracts, other	1302199099	23.450	8	0	2011	
Pectin	1302200000	5.961	8	0	2011	
Olive oil, virgin	150910	30.698	8	6.66	2016	1.33
Sun/safflower seed oil, refined	1512191010	7.413	10	8.33	2016	1.66
Veg. Fat and Oil, NES	1515909090	45.923	8	6.66	2016	1.33
Edible oil, NES	1517909000	5.428	8	6.66	2016	1.33
Sausage	1601001000	1.350	18	15	2016	3
Swine meal and offal, excl liver, in airtight container	1602491000	7.931	30	25.71	2017	4.28
BAI Top shells, prep and preserved	1605909030	26.842	20	16.66	2016	3.33

Other	1605909090	4.423	20	16.66	2016	3.33
Pure lactose, lactose	1702119000	3.541	20	18.18	2021	1.82
Pure lactose, other	1702909000	16.307	8	6.66	2016	1.33
Confectionary	1704902090	6.245	8	6.66	2016	1.33
Confectionary	1704909000	2.636	8	6.66	2016	1.33
Cocoa powder, unsweetened	1803100000	7.492	5	0	2011	
Chocolate confectionary	1806201000	13.743	8	6.66	2016	1.33
Cocoa, > 2 kg blocks, >50 % cocoa	1806209010	18.823	8	6.66	2016	1.33
Infant formula	1901101010	1.482	36	32.73	2021	3.27 TRQ, Table 1 Ref 9
Extract, Mix	1901209000	2.791	X			No change
Extract, fat > 30%	1901902020	7.079	36	34.29	2031	1.71
Spaghetti, (pasta cont egg)	1902111000	11.399	8	6.66	2016	1.33
Pasta, (cont no egg)	1902199000	6.150	8	0	2011	
Corn flakes	1904101000	1.179	5.4	0	2011	
Prepared food, Swelled and roasted grain, other	1904109000	1.619	5.4	0	2011	
Grape juice	2009690000	1.914	45	0	2011	
Juice, other	2009801090	1.923	50	43.75	2018	6.25
Vegetable juice	2009802000	2.454	30	25	2016	5
Juice Mixtures	200990	1.394	50		2011-2023	
Coffee Extracts	210111	2.148	8	6.66	2016	1.33
Essences/concentrates	210112	3.405	8	6.66	2016	1.33
Yeast, Baking	21021030	4.378	8	6.66	2016	1.33
Yeast, Other	2102109000	5.264	8	6.66	2016	1.33
Ice cream	2105001010	5.357	8	7	2018	1
Ice cream	2105001090	3.457	8	7	2018	1
Food preparations, cola	2106901010	13.900	8	0	2011	
Food preparations, other	2106908099	25.816	8	6	2012	2
Food preparations, >70%butter	2106909023	12.900	8	7	2018	1
Waters, unsweetened	220110	6.996	8	6.67	2016	1.33
Waters sweetened	220210	4.674	8	0	2011	
Non-alch bev, of fruit juice	2202902000	0.930	9	0	2011	
Beer	2203	16.466	30	26.25	2018	3.75
Wine	220410,220420	65.418	15	0	2011	
Spirits	2208	239.201	20			
Cognac	2208201000	7.276	15	12.5	2016	2.5
Grape brandy, other	2208209000	1.673	15	12.5	2016	2.5
Scotch whiskey	2208301000	223.551	20	15	2014	5
Vodka	2208600000	2.581	20	16.67	2016	3.33
Liquers & Cordials	2208709000	2.738	20	16.67	2016	3.33
Vinegar	2209	2.071	8	6.67	2016	1.33
Fish meal	2301201000	10.024	5	4.166	2016	0.83
Residue starch	2303100000	1.213	0	0	2011	

Beet Pulp	2303200000	4.794	5	0	2011	
Animal feed, for pigs, retail pack	2309901010	4.650	4.2	0	2011	
Animal feed, for fish, retail pack	2309901030	3.387	5	0	2011	
Animal feed, flavorings	2309902020	3.370	50.6	46.708	2023	3.89 TRQ, Table 1 Ref 10
Animal feed, other	2309902099	7.738	50.6	46.708	2023	3.89 TRQ, Table 1 Ref 10
Animal feed, antibiotics	2309903010	2.528	5	0	2011	
Animal feed, vitamins	2309903020	1.435	5	0	2011	
Animal feed, other	2309903090	1.373	5	0	2011	
Other	2309909000	6.360	50.6	46.708	2023	3.89 TRQ Table 1 Ref 10
Tobacco, partially stemmed, oriental	2401203000	10.351	20	18.18	2021	1.82
Tobacco, partially stemmed, other	2401209000	20.519	20	18.18	2021	1.82
Tobacco sheets	2403911000	2.735	32.8	29.82	2021	2.98
	3301299000	2.643	5	0	2011	
	3301904800	3.413	8	0	2011	
Casein, for coffee creamer	3501901110	10.858	8	6.67	2016	1.33
Casein, other	3501901190	6.015	20	16.67	2016	3.33
Dextrin	3505101000	1.559	8	0	2011	
Dextrin and modified starch. Other	3505105010	19.474	385.7	356.03	2023	29.67 TRQ, Table 1 Ref 11 SAFEGUARD
Dextrin and modified starch for food	3505105090	4.716	385.7	356.03	2023	29.67 TRQ, Table 1 Ref 11 SAFEGUARD
Bovine, equine hides and skins, whole, fresh or wet salted	410150+B38	4.181	1	0	2011	
Bovine, equine hides and skins, w/o hair, wet nes	4104190000	1.460	5	0	2011	
Hides and skins, tanning reversible	4107190000	9.500	5	0	2011	
Grain splits	4107920000	7.400	5	0	2011	
Bovine leather, other	4107990000	13.743	5	0	2011	
Raw furskins	4301	42.748	3	0	2011	
Hides and skins, lamb	4302199020	1.524	5	0	2011	
Hides and skins, tanned ot dressed, whole	4302300000	6.391	5	0	2011	
Rough wood, spruce	4403207000	3.267	0			
Coniferous wood, Sawn,	4407107000	10.384	5	4	2016	1.00

spruce wood						
Veneer, <6 mm, nonconiferous, patterned	4408909992	1.576	3	2.5	2016	0.50
Board, continuously shaped	4409	22.076	8	6.67	2016	1.33
Particle Board	4410111000	17.652	8	6.86	2018	1.14
Fiberboard	441192	1.873	8	6.86	2018	1.14
Plywood, veneer & laminate, non coniferous, floorboard	4412324000	7.607	11	8.8	2016	2.20
Plywood, veneer & laminate, non coniferous, other	4412325000	1.553	11	8.8	2016	2.20
Plywood, veneer & laminate, non coniferous, floorboard	4412326000	2.839	11	8.8	2016	2.20
Plywood, veneer & laminate, non coniferous, other	4412327000	2.542	11	8.8	2016	2.20
Plywood, veneer & laminate, NES, other	4412991031	2.412	11	8.8	2016	2.20
Plywood, veneer & laminate, NES, floorboard	4412991041	2.807	11	8.8	2016	2.20
Densified wood blocks	441300	5.868	8	6.67	2016	1.33
Cotton	5201009050	2.705	0			

Notes:

Safeguards, which provide for duty increases when specified annual import volumes are exceeded, are described in [Annex 3](#) to the Agreement.

A number of products are included in tariff-rate quotas Korea has implemented to meet its WTO market access commitments or are subject to temporary tariff reductions as anti-inflationary measures.

Rules of origin also apply.