



Submission No 41

Inquiry into Australia's Relations with the Republic of Korea; and Developments on the Korean Peninsula

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Forestry

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Response by the Department of Agriculture, Fisheries and Forestry to questions on notice arising from the Inquiry into Australia's relations with the Republic of Korea and developments on the Korean peninsula by the Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub Committee.

1. What tariffs did the US face (pre-ban) on beef entering Korea?

The tariff on beef exports to Korea is 40%. This applied to the US before the trade was interrupted by the discovery of a case of Bovine Spongiform Encephalitis (BSE) (mad cow disease) in the US.

There is no quota on beef exports to Korea.

2. What will be the impact of a Canada-Korea FTA on Australian exports? Will that undermine our exports to Korea?

A Canada-Korea FTA could have negative implications for Australian pork and wheat exports to Korea as Canada is a major exporter of pork and wheat. In 2003 Australia exported 87 kilotonnes (kt) of pork to Korea, compared to Canada's 974kt. In 2003-04 Australia exported 18 metric tonnes (mt) of wheat, while Canada exported 15mt. The applied tariffs on these products however are 22.5% on pork and 9% on wheat. We consider therefore that while a reduced tariff rate for Canadian products could result in loss of Australian market share for these products in Korea, it might be a less significant loss than if the products involved faced higher tariff barriers.

The Australian dairy industry seems unlikely to suffer significant negative impacts from a Canada-Korea FTA. While the tariff rates are high (36% on cheese, 89% on butter and 36% on milk), Canada exports little by the way of dairy products, indeed it is a net importer of cheese, Australia's main dairy export to Korea.

By virtue of comparison, Canadian agricultural exports to Korea exceeded \$240 million in 2004 with the top five products being wheat and meslin, frozen swine cuts, bovine, sheep & goat fats, and frozen, boneless, bovine cuts. Australian agricultural exports to Korea exceeded \$1 billion in 2004 of which, the top five products were bovine meat, cotton, animal feed, other meat and wool.

3. What is the 'weighting' of agriculture in Korean elections?

The Korean National Election Commission has divided the 243 districts (electorates) into two categories, big cities (of which there are seven) and provinces (of which there are nine). The seven big cities account for 47.8% of voting population with 109 districts while the nine provinces account for 52.2% of population with 134 districts. There are however, cities within the nine provinces so this is not a definitive rural/urban split, rather it provides an indication that the rural vote is important, but not disproportionately so.

Korea has a strong agricultural lobby, which has in the past threatened to vote for whoever opposes further market opening in the sector¹. In addition to the strong agricultural lobby, public sentiment in South Korea strongly supports the rural sector as a matter of national pride. There exists a sense of connectedness to rural life that saturates Korean society even among those who have lived in a major city for more than a generation².

4. How does Australia's quarantine regime impact on tourism?

There is no obvious impact on tourism due to Australia's quarantine regulations. Through its 'Quarantine Matters!' awareness campaign AQIS, as far as practical, provides information to explain Australia's quarantine regulations to tourists. This includes a brochure in Korean, which is available to group-travel agents in hard-copy and is also on the AQIS web site. Anecdotal evidence suggests that tourists understand and appreciate that Australia's unique flora and fauna, usually a reason for their visit to Australia, is protected by our quarantine regulations.

5. What is the tariff on wool to Korea?

The Korean tariff on greasy wool (which makes up more than 90 per cent of Australia's wool exports to Korea) is 1%.

There is no quota on wool exports to Korea.

6. What is the tariff on kangaroo meat?

The Korean tariff on 'other game meat', which includes kangaroo, is 18%.

There is no quota on kangaroo meat exports to Korea.

7. Please explain the following statistics in the Table (page 4 in Submission) - tobacco (why has it increased so dramatically?); animal fats and oils; oilseeds and nuts.

The increase in manufactured tobacco exports between 2002 and 2004 is due to both a new re-export trade which has risen from nil to A\$21.3 million in the period in question and a large rise in domestic exports from approximately A\$7000 to A\$16.3 million. British American Tobacco stated earlier this year that the East Asian market for BAT products is growing rapidly³.

There has been an increase in total exports of animal oils and fats by 15% over the period 2002-2004, so the increase in exports of these products to Korea can be seen to form part of that general trend.

The fall in exports of oilseeds and fruit and nuts between 2002 and 2003 and subsequent increase in exports in 2004 could be explained by the effects of the

¹ Source: Weisbart, M. (9/12/2004). "Too Many Old Korean Farmers". *The Korea Times*.

² Source: Robertson, J., (8/12/2004). "Agriculture reforms go against Korea's grain". *Asia Times*.

³ <http://www.guardian.co.uk/smoking/Story/0,2763,1498278,00.html>

drought. Average exports of agricultural products to Korea fell significantly from 2002 to 2003 and have recovered somewhat in 2004. Oilseeds and fruits and nuts have followed this broader trend.

8. Do Korean immigrants pose a quarantine threat to Australia?

Quarantine regulations apply equally to all passengers travelling to Australia, and similar requirements apply to all mail and cargo into Australia, regardless of nationality. There is no reason to presume that immigrants from Korea pose a greater quarantine risk than those from any other country.

Supplementary question:

The Republic of Korea stipulates that on the labelling of organic produce from Australia, the word organic must be written in English and not Korean. Is DAFF doing anything to rectify this marketing problem?

The Korea Food and Drug Administration (KFDA) accepts Australian organic certification of foods under its jurisdiction. However Korea's Ministry of Agriculture and Forestry (MAF) does not currently recognise Australian organic certification of meat, grain, horticultural and other produce. The Australian Embassy in Seoul raised this matter with MAF in May 2004 and Korea agreed at the 2005 Ministerial Joint Trade and Economic Commission meeting to continue discussions on the recognition of Australian organic agricultural produce. There are no barriers to the import of organic produce into Korea, provided it meets the usual sanitary and phytosanitary requirements. The barrier is on the selling of produce as 'organic'. A judgement by Korea's Office of Government Policy Coordination in October 2004 opened a loophole for the sale of imported agricultural produce with organic labelling in a language other than Korean. Korea released a Technical Barriers to Trade notification on 7 July 2005 indicating its intention to close this loophole from 1 July 2006. MAF appears to be seeking to protect consumers' interests in the purchase of 'premium' produce and also its developing domestic organic agricultural industries. The Australian Embassy in Seoul and DAFF are continuing to pursue this matter with MAF.

International Trade Branch
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