

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Korea - Republic of**

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## **Korea - Canada Free Trade Agreement**

**Report Categories:**

Country/Regional FTA's

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**Report Highlights:**

The Korea-Canada Free Trade Agreement entered into effect on January 1, 2015. Korea's total trade volume with Canada amounted to 10 billion U.S. dollars in 2014. The Korea-Canada FTA is Canada's first free trade agreement with an Asian country. As Canada is an exporter of wheat, vegetable oils, and lobsters, this FTA represents a new challenge for U.S. exporters.

**General Information:**

The Korea-Canada Free Trade Agreement was officially signed by both governments on September 23, 2014, approximately 9 years after negotiations officially began on July 28, 2005. It formally entered into effect on January 1, 2015, after ratification by the legislative bodies of both countries. Korea’s total bilateral trade with Canada was about 10.4 billion U.S. dollars in 2014. [1] The Korea-Canada FTA is Canada’s first FTA with an Asian country.

Approximately 97.5% of all products traded between Canada and Korea will become duty free within 10 years. As for the value of imported products, 98.7% of Canada’s imports from Korea and 98.4% of Korea’s imports from Canada will become duty free within 10 years.

**Table 1: Brief Summary of Korea-Canada FTA Duty Concession on Agricultural Products**

(Unit: Amount in thousand U.S. Dollars)

Tariff Removal Schedule	Korea				Canada							
	Number of products	Ratio	Amount in value	Ratio	Number of products	Ratio	Amount in value	Ratio				
Immediately	406	27.1	350,050	53.7	686	50.1	29,553	60.1				
3 years	186	12.4	9,052	1.4	339	24.9	12,814	26.1				
5 years	199	13.3	34,983	5.4	157	11.8	6,714	13.7				
5 years + ASG	1	0.1	99,009	15.2								
6 years	2	0.1	0	0.0								
7 years	10	0.7	72,653	11.2								
10 years	406	27.1	4,385	0.7								
10 years + TRQ	3	0.2	4,843	0.7								
10 years TRQ + ASG	2	0.1	0	0.0								
Separate HS number	3	0.2	764	0.1								
(Within 10 years)	1,218	81.2	575,738	88.4					1,182	86.7	49,081	99.9
11 years	42	2.8	2,019	0.3								
15 years	4	0.3	0	0.0								
18 years	1	0.1	0	0.0								
TRQ	12 years	1	0.1	12,126	1.9							
	Excluded	2	0.1	351	0.1							
	Separate HS number	1	0.1	3,622	0.6							
ASG	13 years	3	0.2	35,017	5.4							
	15 years	10	0.7	27	0.0							
	15 years	2	0.1	0	0.0							

	+ TRQ								
	Separate HS number	2	0.1	38	0.0				
	Separate HS number	2	0.1	234	0.0				
	Seasonal tariff + Separate HS number	1	0.1	0	0.0				
	Excluded	211	14.1	22,094	3.4	181	13.3	44	0.1
	Total	1,500	100	651,266	100	1,363	100	49,125	100

Canadian agricultural product exports are expected to greatly benefit from the Korea–Canada FTA. Among Canadian agricultural exports to Korea, 406 items, which accounts for 27.1% of the total number of products and 53.7% on a value basis, will become duty free immediately.

As for agricultural product exports to Canada from Korea, 86.7% of the number of products and 99.9% of the value of agricultural products exported to Canada, will become duty free within 5 years. Canada has excluded 181 products from duty concession which accounts for 13.3% of the total number of imported items but a mere 0.1% on a value basis. Butter, cheese, and poultry products are some of the products that are excluded from duty concessions. The Korean government also secured protection for its agricultural industry by excluding 211 products from duty concessions in addition to applying Agricultural Safe Guard (ASG), Tariff Rate Quota (TRQ), seasonal tariff, and assigning separate HS code numbers.

Canada was the 10<sup>th</sup> largest agricultural product exporting country to Korea in calendar year 2014, recording a total of 538 million U.S. dollars with a market share of 2.07% [2].

**Table2: Top 10 Agricultural Export products from Canada to South Korea (2013-2014) [3]**

(Unit: thousand U.S. Dollars and Percent)

Rank	Products	Value (average)	Ratio
1	Wheat And Meslin, Other	122,485	24.29
2	Meat of Swine, Other, Frozen	62,169	12.33
3	Rapeseed/Colza Oil & Fractions, Low Erucic Acid, Crude	44,477	8.82
4	Mink Fur skins, Raw, Whole	28,954	5.74
5	Food Preparations Other	27,448	5.44
6	Malt, Not Roasted	23,040	4.57
7	Whole Hides & Skins, of more than 16 kg., Bovine/Equine	20,459	4.06
8	Soybeans, Other	13,035	2.59
9	Meat of Swine, Other, Fresh or Chilled	12,788	2.54
10	Products of Natural Milk Constituents, Other	11,498	2.28
	Top 10 Products Total	366,353	72.66

	Others Total	137,904	27.34
	Grand Total	504,257	100.00

Out of the total value of goods that Korea imported from Canada, wheat takes up the majority, accounting for about a quarter of total agricultural import value. The second largest imported item was pork, followed by vegetable oils. The top ten imported products represent about 73% of total agricultural imports from Canada.

Korea was Canada's 13<sup>th</sup> largest market for agricultural exports, amounting to about 470 million U.S. dollars in 2013. [4] The export of agricultural products to Korea from Canada has since increased to about 538 million U.S. dollars and became the 10<sup>th</sup> largest agricultural exporter to Korea in 2014. [5] Canada is expected to increase its exports of agricultural products to Korea after the implementation of the Korea-Canada FTA.

**Table3: Comparison of Agricultural Exports to Korea between Canada and the United States [6]**  
(Unit: thousand U.S. Dollars and Percent)

	2013					2014				
	Canada		U.S		Grand Total	Canada		U.S.		Grand Total
	Value	Market share	Value	Market share		Value	Market share	Value	Market share	
Wheat [7]	82,944	5.1	428,373	26.5	1,615,625	162,027	13.4	430,044	35.5	1,210,254
Pork [8]	72,839	8.9	271,913	33.1	822,113	77,075	6.7	348,226	30.1	1,157,901
Rapeseed oil [9]	40,920	49.5	109	0.1	82,684	55,792	55.6	378	0.4	100,291
Beef [10]	9,746	0.7	528,965	37.9	1,395,684	13,140	0.8	706,371	42.2	1,673,315
Soy Beans [11]	18,390	2.5	370,374	50.2	738,154	7,680	1.0	377,342	47.1	801,774
Lobsters [12]	36,194	63	21,200	36.9	57,469	32,973	44.5	40,987	55.3	74,063

As can be seen in Table 3, wheat recorded the highest value among agricultural products imported from Canada to Korea. The import value of Canadian wheat nearly doubled in 2014 over the 2013 level and as a result increased its market share. The Korea-Canada FTA is expected to enhance the competitiveness of Canadian milling wheat in Korea as the import duty immediately goes down from 1.8 percent to zero. The FTA will not have any impact on feed wheat as it has already been coming in under zero duty.

About 9% of the pork, on a volume basis that Korea imported in 2014 came from Canada. Canada is expected to increase its pork exports to Korea as the Korea-Canada FTA will lower the import duty for

Canadian pork by 2 ~ 5 %. However, the United States still remains relatively competitive in this market with market share of about 30%. Although the amount of Canadian pork import is smaller than U.S. pork, they are known to provide specific cuts that the Korean market prefers. It still remains to be seen whether they can increase their market share by utilizing this strength and the duty cut coming from the FTA in the future.

The Korean rapeseed (canola) oil market is dominated by Canada. It now takes up about half of the total market share. Canadian rapeseed oil is expected to maintain their dominance as the duty is reduced from 10 percent to zero.

Despite the drop in import duty for Canadian beef from 40 percent to 37.3 percent in 2015, the United States will still maintain its tariff advantage over Canada when they export their beef to Korea, which will be subject to a duty of 29.3 percent. The Korea-Canada FTA will allow the import duty for Canadian beef to gradually drop over a 15 year period. However, the finding of another case of BSE positive cattle in Canada has suspended Canadian beef imports since February 13, 2015. It remains to be seen when Korea will lift its import suspension placed on Canadian beef before Canada can enjoy the duty reduction that FTA has provided.

The impact of Korea-Canada FTA on soybean imports from Canada will be insignificant as it has already been coming in duty free under an autonomous TRQ.

The United States and Canada compete in the Korean lobster market. Canada originally took over half of the market share in 2013 even though the Korea-Canada FTA was not implemented. However, the United States has since taken over half of the market share in 2014 as it came in under an 8 percent duty while Canada was subject to a duty of 20 percent. The United States maintains a duty advantage over Canadian lobsters in 2015, with 4 percent import duty in 2015 that will go down to zero in 2016. Canadian lobsters are coming in at 13.3 percent duty in 2015. This will go down to 6.6 percent in 2016 and eventually become duty free in 2017.

**Table 4: Comparison of Import Tariffs between Korea-Canada FTA and Korea-USA FTA in 2015**

HSK 10	Description	Base Rate	KOR-CAN FTA Rate	KOR-USFTA Rate
<b>Wheat</b>				
1001110000	Durum Wheat, Seed	3.0%	0.0%	0.0%
1001190000	Durum Wheat, Other	3.0%	0.0%	0.0%
1001911000	Other, Seed, Meslin	3.0%	0.0%	0.0%
1001919000	Other, Seed, Other	1.8%	0.0%	0.0%
1001991010	Other for Feeding Meslin	3.0%	0.0%	0.0%
1001991090	Other	0.0%	0.0%	0.0%
1001992010	For Milling, Meslin	3.0%	0.0%	0.0%
1001992090	For Milling, Other	1.8%	0.0%	0.0%
1001999010	Other, Meslin	3.0%	0.0%	0.0%
1001999090	Other, Other	1.8%	0.0%	0.0%
<b>Pork</b>				

0203110000	Fresh/chilled, Carcasses and half-carcasses	22.5%	18.0%	0.0%
0203120000	Fresh/chilled, Hams, shoulders and cuts thereof, with bone in	22.5%	18.0%	0.0%
0203191000	Fresh/chilled, Belly	22.5%	20.7%	13.5%
0203199000	Fresh/chilled, Other	22.5%	20.7%	13.5%
0203210000	Frozen, Carcasses and half-carcasses	25.0%	20.0%	0.0%
0203220000	Frozen, Hams, shoulders and cuts thereof, with bone in	25.0%	20.0%	0.0%
0203291000	Frozen, Belly	25.0%	23.0%	0.0%
0203299000	Frozen, Other	25.0%	20.0%	4.0%
<b>Rapeseed oil</b>				
1514110000	Crude Oil	5.0%	4.2%	6.0%
1514191000	Other, Refined Oil	5.0%	3.3%	6.0%
1514199000	Other, Other	5.0%	3.3%	6.0%
1514911000	Other, Crude Oil, Rape Oil or colza oil	5.0%	4.2%	6.0%
1514912000	Other, Crude Oil, Mustard Oil	5.0%	27.0%	0.0%
1514991010	Other, Refined Oil, Rape Oil or colza oil	5.0%	3.3%	6.0%
1514991020	Other, Refined oil, Mustard oil	5.0%	27.0%	0.0%
1514999000	Other, Other	5.0%	10.0%	6.0%
<b>Beef</b>				
0201100000	Fresh/chilled, carcasses and half carcasses	40.0%	37.3%	29.3%
0201201000	Fresh/chilled, other cuts with bone in, short ribs	40.0%	37.3%	29.3%
0201209000	Fresh/chilled, other cuts with bone in, other	40.0%	37.3%	29.3%
0201300000	Fresh/chilled, boneless	40.0%	37.3%	29.3%
0202100000	Frozen, carcasses and half-carcasses	40.0%	40.0%	29.3%
0202201000	Frozen, other cuts with bone in, short ribs	40.0%	37.3%	29.3%
0202209000	Frozen, other cuts with bone in, other	40.0%	37.3%	29.3%
0202300000	Frozen, boneless	40.0%	37.3%	29.3%
<b>Soybeans</b>				
1201101000	For bean sprouts	3.0%	0%(TRQ 5,000MT)	0%(TRQ 25,750MT)
1201109000	Other	For soy-cake	3.0%	0.0%
		Other	3.0%	0%(TRQ 5,000MT)
				0%(TRQ 25,750MT)

1201901000	Other, For soya beans oil and oil cake		3.0%	438.3%	0.0%
1201902000	For feeding		3.0%	487.0%	0%(TRQ 25,750MT)
1201903000	For bean sprouts		3.0%	0%(TRQ 5,000MT)	0%(TRQ 25,750MT)
1201909000	Other	For soy-cake	3.0%	0.0%	0.0%
		Other		0%(TRQ 5,000MT)	0%(TRQ 25,750MT)
<b>Lobsters</b>					
0306121010	Smoked, In airtight containers		20.0%	13.3%	0.0%
0606121020	Smoked, Not In airtight containers		20.0%	13.3%	0.0%
0306129000	Other		20.0%	0%	4.0%
0306221010	Smoked, In airtight containers		20.0%	13.3%	0.0%
0306221020	Smoked, Not in airtight containers		20.0%	13.3%	0.0%
0306229000	Other		20.0%	13.3%	4%

**Table 5: Korea's Concession of Agricultural Products**

Level	Major products	Number of products
Immediately	Live animals, live plants, cashewnut, coffee(not roasted), wheat(for milling), meslin powder, syrup, noodles(pasta, ramen)	406
3 years	Live plants(apple, peach, pear, tangerine tree) medicinal herbs, cocoa preparations, food preparations(oatmeal, grains), breads, wines, mayonnaise	186
5 years	Pork(chilled, frozen) sheep, trees, bracken, coffee(roasted), whisky, orange juice(frozen), tomato juice, medicinal herb plants	199
5 years + ASG	Pork (frozen/other)	1
6 years	Bone meal, other pork cuts (in airtight container)	2
7 years	Pressured flakes (oats), grapes (preserved), apple (preserved), beer, royal jelly (food preparation, other)	10
10 years	Muttons (goat), chicken, turkey, duck meat, chrysanthemums, lily, cabbage, radish, asparagus, potatoes, sweet potatoes, almonds, ginseng, fruit juices (apple, peach, strawberry lime, lemon, others)	406
10 years + TRQ	Feeds (root vegetable feeds, supplementary feeds, prepared feed products)	3

10 years + TRQ + ASG		Grain others (potato meal, millet grain powders, potato flakes, pellets)	2
(Within 10 years) Separate HS number		Seeds other than peanut and nut (preserved), other fruit juice, white wines (under 2 liter bottle)	3
11 years		Edible beef offal (fresh/chilled, tongues/frozen, feet/frozen, others), onions(frozen), garlic(frozen), tangerine(other/fresh/dried), mandarin(other/fresh/dried), prepared powder milk(for kids)	42
15 years		Edible offal (other/frozen), antlers, buckwheat, barley(beer barley)	4
18 years		Processed offal (in airtight container)	1
TRQ	12years	Malt (not roasted)	1
	Excluded	Natural honey, soybean (for bean sprouts)	2
	Separate HS number	Soybean (other)	1
ASG	13 years	Pork(chilled/belly, chilled/other, frozen/belly)	3
	15 years	Beef (chilled/boneless, cuts with bone in /short ribs, frozen/boneless other), beef (in airtight container, preserved, other), adzuki beans(other)	10
	15 years + TRQ	Unhulled barley, naked barley	2
	Separate HS number	Apples(fresh), pears(fresh)	2
(10 years exceed) Separate HS number		Mixed seasonings, mixed seasonings prepared products other	2
Seasonal tariff + Separate HS number		Potatoes (other) : for chips (seasonal tariff)	1
Excluded		Rice, beef (frozen/carcass and half carcass), chicken(frozen), duck(frozen), skim whole milk powder, cheese, pine mushroom, shiitake, chestnut, tangerine, ginseng, red pepper paste, leaf tobacco	211

[1] Global Trade Atlas

[2] Global Trade Atlas, South Korea Import Statistics, Agricultural Total, Group 2

[3] Global Trade Atlas, South Korea Import Statistics, Agricultural Total, Group 2

[4] Global Trade Atlas, South Korea Import Statistics, Agricultural Total, Group 2

[5] Global Trade Atlas, South Korea Import Statistics, Agricultural Total, Group 2

[6] Global Trade Atlas, South Korea Import Statistics

[7] Wheat and Meslin

[8] Meat of Swine, fresh, chilled, or frozen

[9] Rape, colza, or mustard oil and fraction thereof, whether or not refined, but not chemically modified

[10] Meat of bovine animals, fresh or chilled / frozen

[11] Soybeans, whether or not broken

[12] Lobsters (Homarus spp.)

