



Agricultural Market Liberalization through Free Trade Agreement (FTA) in Korea

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Traditionally Korea had been pursuing the trade policy focusing on GATT/WTO multilateral system so the country was reluctant to stimulate FTA bilateral trade agreements until 1990s. In the early 2000, Korea has shifted its international economic policy towards bilateral trade agreement through FTAs with major trading partners. Korean government announced the mid- and long-term FTA road map on September 2003 for continuous economic development in the export-oriented economic structure. This meant a policy shift towards utilizing FTAs as a means to revitalize the national economy by exploiting new exports markets and expanding foreign capital inflows.

Following the FTA road map, Korea has simultaneously pursued FTAs with many countries in the 2000s. Since its first FTA with Chile in 2004, Korea has actively expanded the number of FTA partners. As a result, the country has now implemented 11 FTAs with 50 nations. Especially Korea has become the country that has signed FTA with the world's largest top three economies such as USA, EU and China.

As the first FTA in Korea, Korea-Chile FTA initiated the negotiation in December 1999 and entered into force on April 2004. Since then, 11 FTA negotiations (with 50 countries) were finalized and entered in force including Singapore (March 2006), EFTA (September 2006), ASEAN (June 2007), India (January 2010), EU (July 2011), Peru (August 2011), USA (March 2012), *et al.* (see Table 1).

In addition, the FTA negotiations with Colombia, New Zealand, Vietnam and China were also concluded and officially signed. These FTAs are waiting for implementation, so will be the entry into force if internal procedures are completed in each country respectively. At present, Korea is in the middle of negotiating the Korea-China-Japan FTA, the RCEP (Regional Comprehensive Economic Partnership) which is plurilateral FTA with ASEAN(10 countries), China, Japan, Australia, New Zealand and India. Through the Korea-China-Japan FTA and the RCEP FTA, Korea plans to lay the foundation for economic integration in East Asia.

Also Korea is underway to negotiate or is setting up the conditions to resume negotiation with Indonesia, Japan, Mexico, the Middle East, the Gulf Cooperation(GCC 6 countries) which has tentatively suspended after its initiation. Meanwhile Korea is making a proactive move to reach new foreign markets, as shown by its joint studies to prepare for FTA negotiations with the Southern American Common Market(MERCOSUR), Israel, Central

American Countries, Malaysia and Ecuador. FTAs with Southern and Central American Countries are expected to provide strategic points to increase trade with Latin American Market.

Table 1. Current FTA status of Korea

Entry into effect	Concluded	Under Negotiation	Under Consideration
Chile(April 2004) Singapore(March 2006) EFTA(September 2006, 4 countries) ASEAN(June 2007, 10 Countries) India(January 2010) EU(July 2011, 28 Countries) Peru(August 2011) U.S.(March 2012) Turkey(May 2013) Australia(December 2014) Canada(January 2015)	Columbia (February 2013) New Zealand (March 2015) Vietnam (May 2015) China (June 2015)	Korea-China-Japan RCEP (15 Countries) Indonesia Japan Mexico GCC(6 Countries)	MERCOSUR (5 Countries) Israel Central American Countries (6 countries) Malaysia Ecuador
11 FTAs (50 Countries)	4	6 (36 Countries)	5 (14 Countries)

Source: Ministry of Trade, Industry and Energy, <http://www.fta.go.kr>

Agricultural trade with FTA partners has increased quickly. For example, the value of agricultural trade with the countries that FTA signed is about 318 billion US dollars in 2014, which accounts for 82.7% of national total agricultural trade. Korea's agricultural export with FTA partners is about 39 billion US dollars, which accounts for 61.0% of the national total agricultural export. Korea's agricultural import with FTA partners is about 279 million US dollars, which accounts for 87.1% of the national total agricultural import. In other words, Korea's agricultural imports with FTA partners is seven times more than its exports from the FTA countries so that the trade deficit in agricultural sector amounts to approximately 240 billion US dollars (See Table 2).

Table 2. Korea's Agricultural Trade with FTA Partners (2014)

Countries	Trade value		Export value of Korean Agricultural Product		Import value of Korean Agricultural Product		Trade Balance
	million dollars	Share (%)	million dollars	Share (%)	million dollars	Share (%)	million dollars
Chile	812	2.1%	7	0.1%	805	2.5%	-798
Singapore	257	0.7%	112	1.7%	145	0.5%	-33
EFTA	75	0.2%	6	0.1%	69	0.2%	-63
ASEAN	5,701	14.8%	1,083	16.9%	4,618	14.4%	-3,535
India	825	2.1%	125	2.0%	700	2.2%	-575
EU	3,764	9.8%	327	5.1%	3,437	10.7%	-3,110
Peru	82	0.2%	3	0.0%	79	0.2%	-76
U.S.	8,389	21.8%	580	9.1%	7,809	24.4%	-7,229
Turkey	64	0.2%	13	0.2%	51	0.2%	-38
Australia	2,587	6.7%	106	1.7%	2,481	7.7%	-2,375
Canada	1,049	2.7%	90	1.4%	959	3.0%	-869
Columbia	104	0.3%	5	0.1%	99	0.3%	-94
New Zealand	970	2.5%	37	0.6%	933	2.9%	-896
China	5,884	15.3%	1,051	16.4%	4,833	15.1%	-3,782
Vietnam	1,234	3.2%	359	5.6%	875	2.7%	-516
Sum of FTA countries	31,797	82.7%	3,904	61.0%	27,893	87.1%	-23,989
Total	38,434	100.0%	6,402	100.0%	32,032	100.0%	-25,630

Source: Korea International Trade Association, Korea Customs Service

We need to note that Korean agricultural trade showed a trade deficit with all FTA partners in 2014. It might be an answer why the Korean agricultural sector is the most sensitive and difficult area to forge an agreement with regarding FTA with its major trading partners. It is basically because of the remarkable differences in agricultural competitiveness between Korea and other countries. A comprehensive and high standard free trade agreement will create severe negative impacts on the Korean agricultural sector. Therefore, it is necessary to make an effective external negotiating strategy in consideration of agricultural sensitiveness in order to facilitate bilateral FTA and minimize the resistance from the agricultural sector in Korea.

In particular, there was significant domestic opposition to FTA with Chile, the United States, Australia, New Zealand, Canada and China from farmers and farmer's groups. It is because these countries have strong competitiveness in the agricultural sector. At the initial stage of FTA negotiations, these countries expressed strongly their basic position for agricultural tariff elimination without exception and demanded the substantial agricultural market opening in order to enhance the opportunity of market access of their agricultural products in the Korean market. On the other hand, Korea argued gradual and flexible market opening to reduce the damage in agricultural sector while claiming the permission of diverse tariff reduction method. Korea's basic position in FTA negotiation is to consider the sensitivity of the Korean agricultural sector.

However the FTA negotiation is fundamentally difficult to fully maintain the basic stance of each country because there is always the counterpart issue. The concession types for agricultural market opening by commodity were different by FTA countries even on the same product. Actually the result of FTA negotiations until now is a product of compromise to reduce negative impacts by market opening of sensitive agricultural products in Korea and to enhance the market access opportunity and create trade interest by FTA partners (see Table 3).

As a result of compromise between Korea and FTA partners in the process of negotiation, Korean rice and products related to rice as a key staple food were excluded from tariff elimination in all FTAs signed so far are completely excluded from concession without any kind of additional rice market opening such as extra quota provision. In addition, Korea has tried as much as possible to exclude tariff abolition, remain current tariff with providing tariff rate quota, adopt seasonal tariff and categorize into long-term tariff abolition in case of sensitive products in domestic agriculture such as barley and soybeans, beef, pork, chicken, milk and dairy products coming from livestock, citrus, apple, pears, grapes (fruit products), pepper, garlic, and onion of vegetables, and ginseng which belong to specialty crops (see Table 3).

Table 3. Concessions of Korea's major agricultural products in the key FTAs

Commodity (Tariff level before FTA)		Korea-China FTA	Korea-US FTA	Korea-EU FTA	Korea-Australia FTA	Korea-Canada FTA
Rice	Rice and rice related products (16 different HS code, 513%)	Exclusion from concession	Exclusion from concession	Exclusion from concession	Exclusion from concession	Exclusion from concession
Barley	Barley(324%), rye(299.7%)	Exclusion from concession	15 years+ASG+TRQ	Exclusion from concession	Exclusion from concession	15 years+ASG+TRQ
Barley	Malt(269%), malting barley(513%)	TRQ/Exclusion from concession	15 years+ASG+TRQ	15 years+ASG+TRQ	15 years+ASG+TRQ	12 years+TRQ, 15years
Soy Bean	Edible soybean(487%)	Remain current tariff +TRQ	Remain current tariff+TRQ	Exclusion from concession	Remain current tariff+TRQ	Remain current Tariff+TRQ (immediate elimination for the use of soy sauce and soy bean meal)

Commodity (Tariff level before FTA)		Korea-China FTA	Korea-US FTA	Korea-EU FTA	Korea-Australia FTA	Korea-Canada FTA
Soy Bean	Others (487%)	Exclusion from concession (Oil seed, nonfat soy bean meal, forage)	immediate elimination(Oil seed, Nonfat soy bean meal, forage)	5years (Oil seed, Nonfat soy bean meal) Exclusion from concession(Forage)	50% reduction for 10years (Nonfat soy bean meal, Forage)	10 years(Oil seed, Nonfat soy bean meal), exclusion from concession (forage)
Beef	Fresh, chilled and frozen (40%)	Exclusion from concession	15 years+ASG	15 years+ASG	15 years+ASG	15 years+ASG, Exclusion from Concession
Beef	Meat of bovine animals, frozen (18%)	Exclusion from concession	15 years	15 years	15 years	11 years
Pork	Frozen belly (25%)	Exclusion from concession	2014.1.1(Frozen neck : 2016.1.1)	10 years	Exclusion from concession	13 years+ASG
Pork	Chilled pork belly, Others (22.5%)	Exclusion from concession	10 years+ASG	10 years+ASG	10years	13 years+ASG
Pork	Pig's feet (18%), sealed products (30%)	Exclusion from concession	2014.1.1	6 years	7 years/5 years	5 years/6years
Pork	Frozen other (25%)	Exclusion from concession	2016.1.1	5 years	5 years	5 years+ASG
Chicken	Frozen breast, Frozen wing (20%)	Exclusion from concession	12 years	13 years	18 years	Exclusion from Concession
Chicken	Non cut meat (18-20%)	Exclusion from concession	12 years	12 years	18 years	11 years
Chicken	Chilled (18%), processed30%)	Exclusion from concession	10 years	10 years	18 years/10 years	10 years/exclusion from concession
Duck meat	Chilled (18%), frozen (18%)	Exclusion from concession	10 years/12 years	11 years/14 years	15 years/18 years	10 years/exclusion from concession
Milk powder	Whole (176%)	Exclusion from concession	Remain Current Tariff+ TRQ	Remain Current Tariff+ TRQ	Exclusion from concession	Exclusion from concession
Milk powder	Nonfat (176%)	Exclusion from concession	Remain current Tariff + TRQ	Remain Current tariff + TRQ	Exclusion from concession	Exclusion from concession

Commodity (Tariff level before FTA)		Korea-China FTA	Korea-US FTA	Korea-EU FTA	Korea-Australia FTA	Korea-Canada FTA
Milk powder	Prepared (36%)	Exclusion from concession	10 years + TRQ	10 years + TRQ	15 years + TRQ	Exclusion from concession
Milk powder	Mixed (36%)	Exclusion from concession	10 years	10 years	15 years	Exclusion from concession
Citrus	Satsuma mandarin (144%)	Exclusion from concession	15 years	Exclusion from concession	Exclusion from concession	Exclusion from concession
Citrus	Mandarine, tangerine (144%)	Exclusion from concession	15 years	15 years	Seasonal tariff	11 years
Citrus	Orange (50%)	Exclusion from concession	Seasonal tariff +TRQ	Seasonal tariff +TRQ	Seasonal tariff +TRQ	Exclusion from concession
Apple, Pear, Grape	Apple (45%)	Exclusion from concession	Fuji: 20 years (Others: 10 years)+ASG	Fuji: 20 years (Others: 10 years)+ASG	Exclusion from concession	Fuji : Exclusion from concession (Others: 10 years)+ASG
Apple, Pear, Grape	Pear (45%)	Exclusion from concession	Chinese pear: 20 years(Others: 10 years)	Chinese pear: 20 years(Others: 10 years)	Exclusion from concession	Chinese pear: Exclusion from concession (Others: 10years)+ASG
Apple, Pear, Grape	Grape (45%)	Exclusion from concession	Seasonal tariff	Seasonal tariff	Seasonal tariff	Exclusion from concession
Red Pepper	Fresh, chilled, dried (270%)	Exclusion from concession	15 years+ASG	Exclusion from concession	Exclusion from concession	Exclusion from concession
Pepper	Frozen(27%)	Exclusion from concession	15 years	15 years	Exclusion from concession	11 years
Garlic	Fresh, chilled, temporally storage, dried (360%)	Exclusion from concession	15 years+ASG	Exclusion from concession	Exclusion from concession	Exclusion from concession
Garlic	Frozen (27%)	Exclusion from concession	15 years	15 years	18 years	11 years
Onion	Fresh, chilled, dried (135%)	Exclusion from concession	15 years+ASG	Exclusion from concession	Exclusion from concession	Exclusion from concession
Onion	Frozen(27%)	Exclusion from	12 years	12 years	15 years	11 years

Commodity (Tariff level before FTA)		Korea-China FTA	Korea-US FTA	Korea-EU FTA	Korea-Australia FTA	Korea-Canada FTA
		concession				
Ginseng	Major roots, fine roots etc. 7 different HS code (222.8 ~ 754.3%)	Exclusion from concession	18 years+ASG	Exclusion from concession	Exclusion from concession	Exclusion from concession
Ginseng	Others	Exclusion from concession	10 years-15 years+ASG	10 years-15 years+ASG	10-15 years(Tea), Exclusion from concession	10 years- Exclusion from concession

Note: Number in year by FTA represents the implementation period for tariff elimination. ASG means that agricultural safeguard mechanism could be applied to the product if the trigger level is satisfied. TRQ is tariff rate quota which applies duty-free.

Source: Document relevant to FTAs reported by the Ministry of Agriculture, Food and Rural Affairs, Ministry of Foreign Affairs, Ministry of Trade, Industry and Energy

In fact, it was not always easy to uphold the initial position which is willing to consider the vulnerability of Korean agriculture during the FTA negotiations. Particularly, FTA partners who exhibit high competitiveness in the agricultural sector and showing trade deficit with Korea has strongly demanded more reformative Korean agricultural market opening to secure its agricultural trade interest through FTA. The level of range and speed in Korean agricultural market opening is different by FTA partner as a result of the negotiation for seeking a balance of mutual interest between Korea and its FTA partners.

In this regard, comparison of the level of concession in agricultural market opening agreed on FTAs with various countries is as follows: Above all, with evaluating the level of concession based on a share of general tariff elimination in agricultural products, the order of high level of agricultural market opening in Korea might be US, EU, Australia, Canada, New Zealand, Chile, and China. For example, Korea-US FTA is evaluated as the highest level of concession in agricultural market liberalization. The items excluded from general tariff elimination in case of Korea-US FTA were only 2.1% of the total agricultural products. In contrast, Korea-China FTA is assessed as the lowest level of FTA in terms of the level of concession in agricultural market liberalization until now compared to Korea-US FTA, Korea-EU FTA and other FTAs. In Korea-China FTA, 581 items(36.1% of total agricultural goods) were excluded from general tariff elimination. So, most of the sensitive agricultural and livestock products will maintain current tariff even though Korea-China FTA takes into effect in the near future. The reason why Korea and China compromised at low level of FTA compared to other FTAs is that the effect of China to Korean agricultural sector is great as much even though the level of concession in agricultural market liberalization is very small.

Table 4. Type of Concession in agricultural market liberalization by Korea's FTA

(Unit : Number of product)

	Korea- Chile	Korea- EU	Korea- U.S.	Korea- Australia	Korea- Canada	Korea- New Zealand	Korea- China
General tariff elimination(with	1,007 (70.3%)	1,251 (85.3%)	1,342 (87.7%)	926 (61.5%)	1,218 (81.2%)	898 (59.9%)	589 (36.6%)

10 years)							
Long-term abolition(more than 10 years)	12 (0.8%)	159 (10.8%)	157 (10.3%)	385 (25.6%)	60 (4.0%)	371 (24.7%)	441 (27.4%)
Exclusion of General tariff elimination	413 (28.8%)	56 (3.8%)	32 (2.1%)	194 (12.9%)	222 (14.8%)	231 (15.4%)	581 (36.1%)
Total	1,432 (100%)	1,466 (100%)	1,531 (100%)	1,505 (100%)	1,500 (100%)	1,500 (100%)	1,611 (100%)

Note: the number is based on HS code 10 digit. Exclusion of general tariff elimination includes exclusion of concession, partial tariff reduction, re-negotiation after DDA negotiation, remain current tariff and seasonal tariff with providing tariff rate quota.

Source: Document relevant to FTAs reported by Ministry of Agriculture, Food and Rural Affair, Ministry of Foreign Affair, Ministry of Trade, Industry and Energy

However, it is inevitable that the range and speed of agricultural market opening in FTA is wider and faster than the market opening in the WTO system even with low concession level of agricultural trade liberalization in the FTA. Therefore most tariffs in agricultural products in Korea have been continuously lowered for FTA partners. The liberalization of Korea's agriculture market is expected to be further accelerated according to the implementation of FTAs that have been forged with its major trade partners.

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