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The Canada-Korea Free Trade Agreement (CKFTA)

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Approved By:

Jeff Zimmerman – Agricultural Attaché

Prepared By:

AgOttawa Staff

Report Highlights:

The Canada-Korea Free Trade Agreement (CKFTA), which entered into force on January 1, 2015, will create new opportunities for Canadian farmers and ranchers in the Korean market, as well as greater competition for other agricultural exporters, including the United States. Korea is expected to be Canada's sixth largest export market for agricultural, fish, and forest products in 2014, with exports likely to top \$700 million.

Overview

Korea, Canada's third largest market in Asia, is considered a priority market under the government's [Global Markets Action Plan](#). The Canada-Korea Free Trade Agreement (CKFTA), which entered into force on January 1, 2015, is Canada's first free trade agreement with an Asian country. The Agreement was signed on September 22, 2014, during Korean President Park Geun-hye's state visit, and received royal assent, the final step in the Canadian legislative process, on November 26, 2014 – thus moving from signature to implementation in just three months.

According to the Canadian government, Canada's total bilateral merchandise trade with Korea was \$10.8 billion in 2013 with average agricultural exports to Korea from 2011-2013 worth some \$644 million. The government projects the CKFTA will increase total exports to Korea by 32 percent and provide a \$1.7 billion boost to the Canadian economy.

South Korea was Canada's eighth largest market for agricultural, fish and forestry exports in 2013; agricultural, fish and forestry exports to Korea totaled some \$588 million¹. Softwood lumber, wheat, pork and canola oil were the top exports. Significant gains in Canada's wheat, canola oil, beef and pork will likely move Korea up to sixth place in 2014.

Provisions of the Canada-Korea FTA

The [text of the agreement](#) is available on the Ministry of Foreign Affairs, Trade and Development website. A summary of key provisions relating to agricultural, fishery and forestry products follows.

Agricultural Products

According to the Canadian government, the CKFTA will eliminate tariffs on over 97 percent of Canadian agricultural exports to Korea and on 86.8 percent of agricultural tariff lines.

Canadian exports which will receive immediate duty-free access include: wheat, including durum wheat, rye, oats, canary seed, canola, soybeans for food use, mustard seed, beef fats and tallow, pig fats and lard oils, bovine and swine genetics, pure bred swine, furskins, pet food, forage products, including hay and alfalfa, frozen french fries, prepared mustard, maple syrup and sugar, rye whisky, and ice wine.

Tariffs will be phased out over three to five years for: refined canola oil, chick peas, lentils and broad beans, wheat flour, confectionary products, cranberry and blueberry juice.

More gradual phase-out periods cover beef, pork, dried peas, kidney beans, mung beans, adzuki beans, crude canola oil, and frozen and dried blueberries and cranberries.

The phase-out period for Korean tariffs on fresh, chilled and frozen pork and beef varies by product. Currently Canada's largest pork export category to Korea is the frozen pork excluding carcasses, half

¹ Global Trade Atlas

carcasses, hams and shoulders. The 22.5 percent duty on this tariff line (HSK 020329) will be phased out over 13 years. The tariff phase out for frozen beef excluding carcasses, half carcasses and boneless will be over 15 years, similar to the provisions for this tariff line item under Korea's FTA's with the United States and Australia. However, the earlier implementation dates for the free trade agreements with the U.S. and Australia will continue to provide U.S. and Australian beef some advantage over Canadian beef in the Korea market.

Market access is provided through tariff-rate quotas or TRQ's for identity-preserved soybeans for human consumption, fodder, supplementary animal feeds, un-roasted malt, un-hulled and naked barley, and honey.

Korea excluded from coverage under the FTA most dairy products, poultry and poultry products, ginseng and its products, rice and rice products, refined sugar and most tobacco products. Canada excluded access for its supply-managed products (i.e. dairy, poultry and eggs.)

Fish and Seafood

All South Korean tariffs on fish and seafood products will be eliminated within 12 years, with immediate tariff elimination for frozen lobster and Pacific and Atlantic salmon (fresh, chilled and smoked.) Nearly 70 percent of fish and seafood tariff lines will be duty-free within five years (i.e. by January 1, 2019.)

Forest Products

According to the Canadian government, Canada exported \$503.8-million worth of wood and forestry products to South Korea in 2012, including an average of about \$171 million annually in wood alone, making Korea Canada's 4th largest export destination for wood products.

The CKFTA also creates a subcommittee on trade in forest Products, reporting to the Committee on Trade in Goods, that will facilitate addressing any issues related to trade in forest products. The Agreement also provides for a working group—specifically related to wood building products—designed to facilitate trade through cooperation and information sharing, including in the areas of standards and regulatory issues. The duties of the sub-Committee include: “(a) monitor the implementation of obligations of this Agreement that may affect trade in forest products; (b) at the request of a Party, discuss a matter related to trade in forest products between the Parties; (c) endeavour to promote cooperation relating to trade in forest products in such international fora as the WTO and other relevant international organizations; and (d) take any other action, as the Parties may agree, to achieve the objectives of this Agreement, as they apply to trade in forest products.”

In addition, the two countries created a technical ad hoc working group on standards-related measures related to building products.

Geographic Indications

The CKFTA includes provisions to protect use of the terms “Canadian whisky” and “Canadian rye whisky” in Korea. In turn, Canada agreed to protect the Korean names and English translations for Goryeo Hongsam (Korean red ginseng), Goryeo Baeksam (Korean white ginseng), Goryeo Susam (Korean fresh ginseng) and Icheon Ssal (Icheon rice).

Further Import Restrictions

The agreement provides that neither party will adopt or maintain import restrictions or prohibitions except in accordance with Article XI of the GATT and its interpretative notes.

Agricultural Safeguards

Annex 2-F to the agreement provides for Korea to apply safeguards for fresh, chilled and frozen beef (HS 0201, 0202) and processed beef (HS 160250), pork (HS 0203), apples (HS 0808), pears (HS 08082010), unhulled and naked barley (HSK 10030090), potato flakes, flour, etc. (HSK 110510, 110520) and adzuki beans (HSK 0713329.) Agricultural safeguards enable the importing country to temporarily raise tariffs if import levels reach a pre-determined target level.

Tariff-rate Quotas (TRQ's)

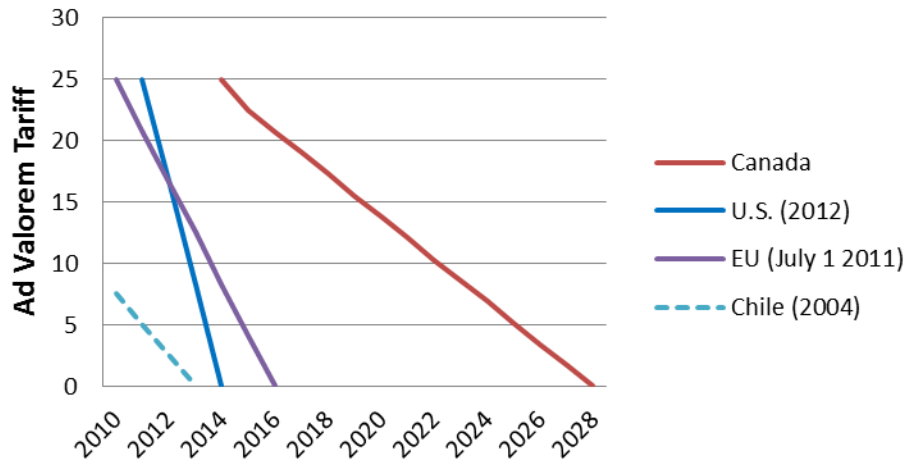
Annex 2-G to the agreement lays out TRQ's for certain agricultural products:

Product ²	Initial (MT)	Final (MT)
Honey (HSK 040900)	100	200 in year 21
Unhulled and naked barley HSK 10030090	2,500	Unlimited in year 15
potato flakes, flour, etc. (HSK 110510, HSK 110520)	500	Unlimited in year 10
Malt (HSK 110710)	13,000	Unlimited in year 15
Soybeans for human consumption (HSK 1201009010, HSK 1201009090)	5,000	17,000 in year 10
Fodder(HSK 1214909090)	20,000	Unlimited in year 10
Supplementary Feeds (HSK 2309902099, HSK 2309909000)	500	Unlimited in year 10

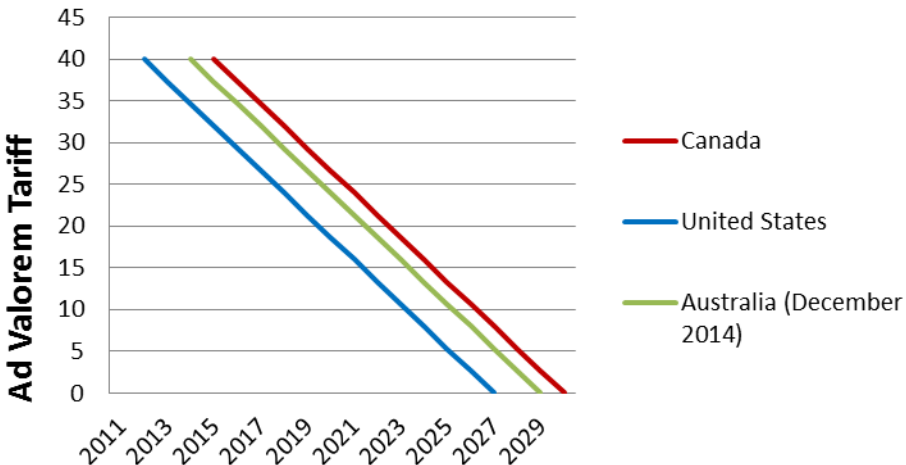
² HSK refers to Harmonized System of Korea.

Comparative Tariff Levels for Some U.S. and Canadian Products

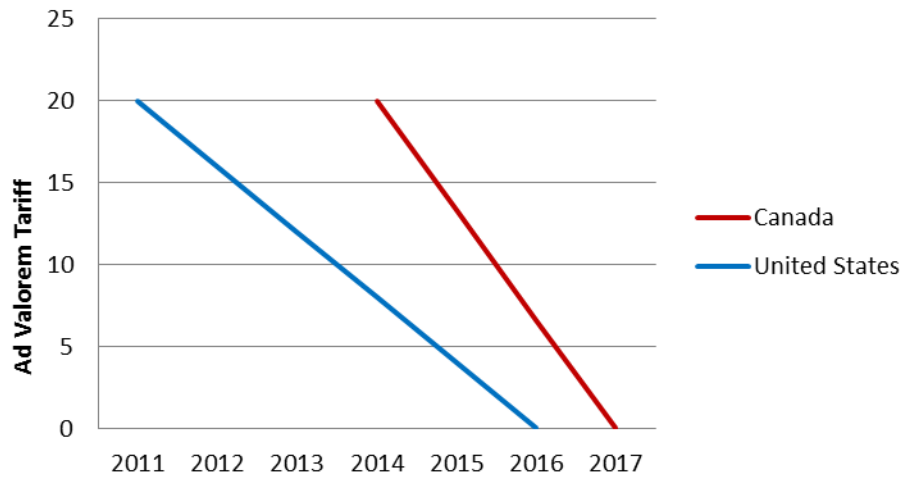
Pork, Frozen (HSK 020329)



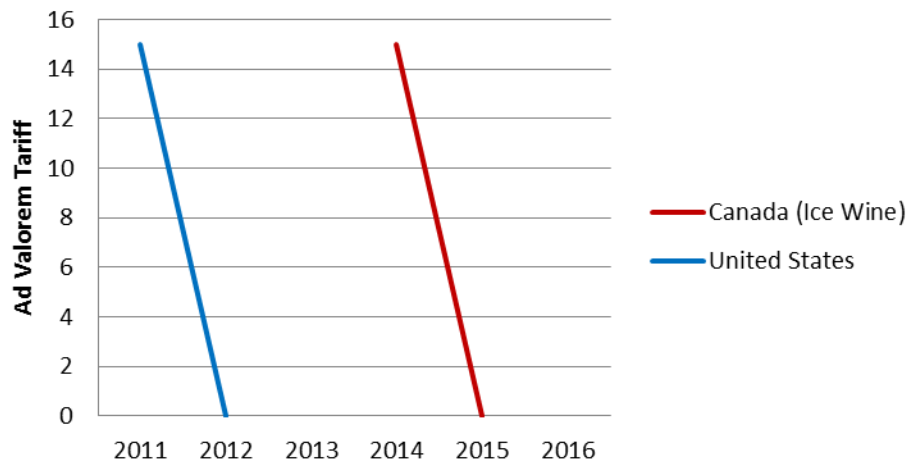
Beef, Frozen (HSK020220)

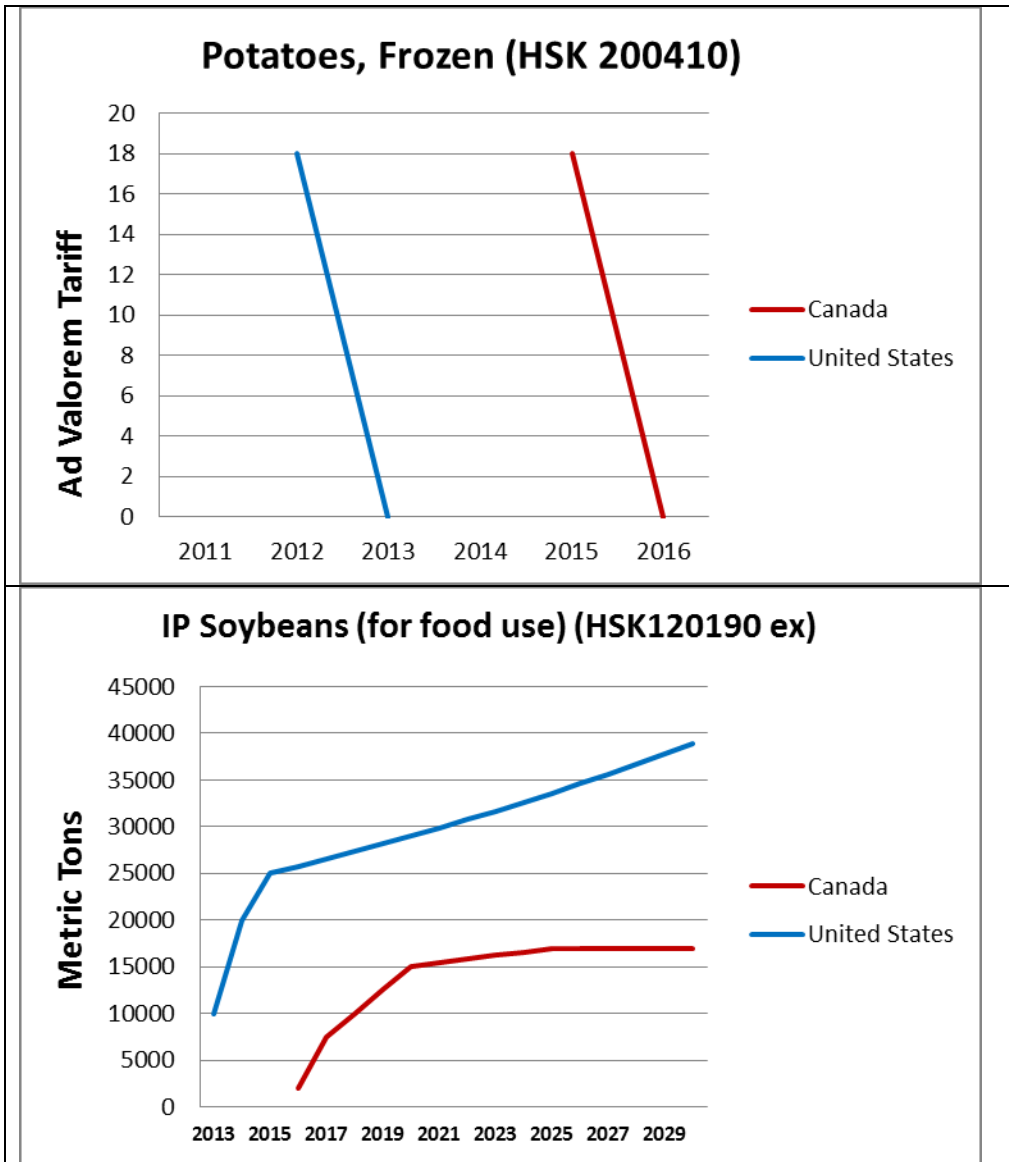


Fresh Lobster (HSK 030622)



Wine (HSK220429)





For further information on the Korea-Australia FTA, please refer to [KS 1419 Korea –Australia Free Trade Agreement](#) and [KS 1448 Implementation of Korea-Australian Free Trade Agreement](#).