

# **Progress, Issues and Prospect of Agricultural Trade Liberalization in Korea**

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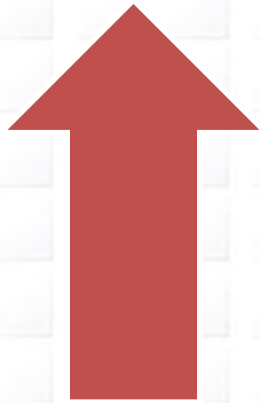
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# Introduction

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# Trade Liberalization and Agriculture



**Rapid Growth of  
Korean Economy  
under the GATT**

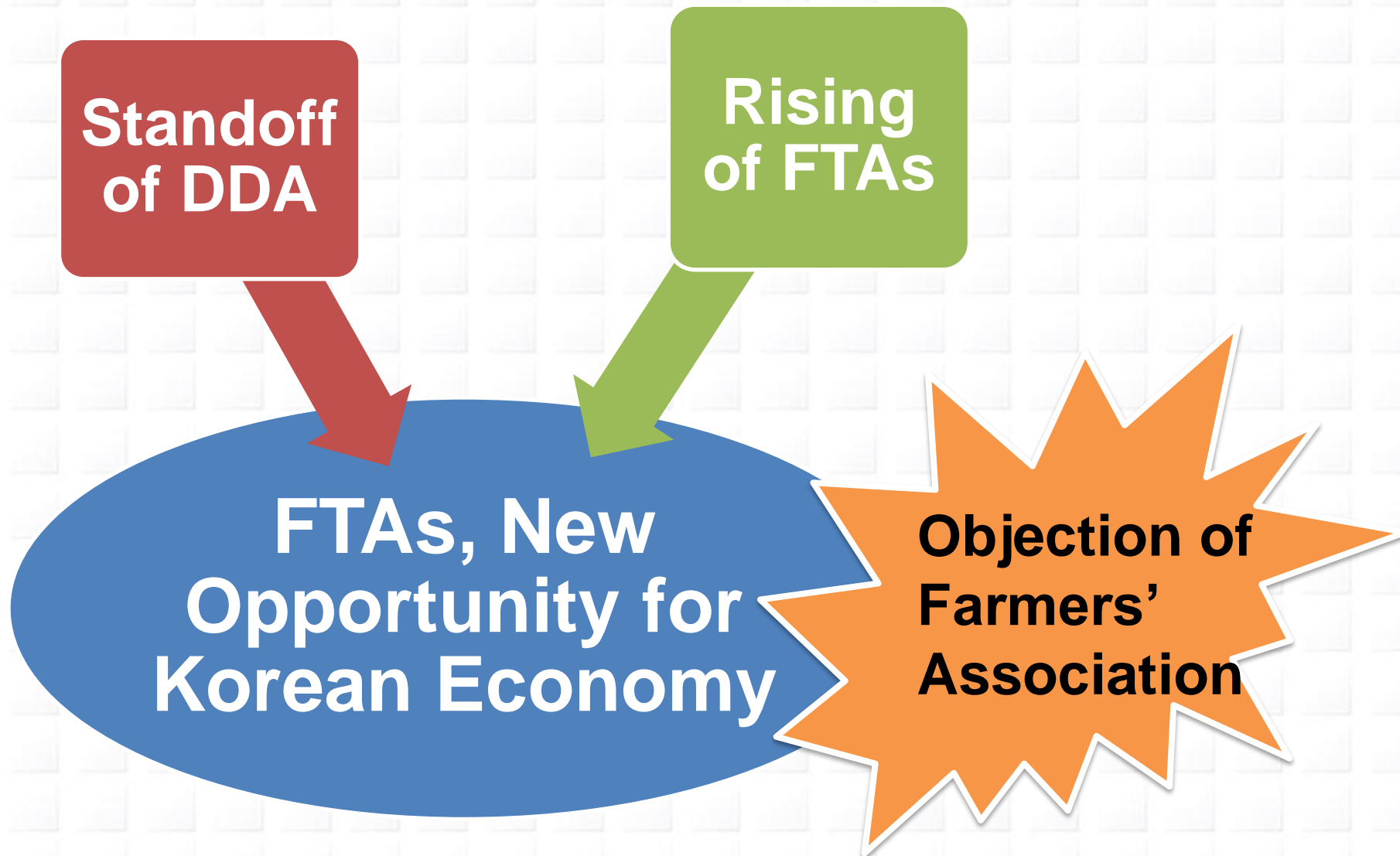


**Agriculture's  
Decline after the  
UR Agreements**

- **Objectives of this study**
  - 1) to analyze the progress of agricultural trade liberalization focusing on FTAs**
  - 2) to review related issues of agri. market opening in Korea.**

- **Why did Korea actively participate in FTAs with over 50 countries?**

# FTA, the New opportunity



- **What do you expect how the Korea government handled farmers' objections?**

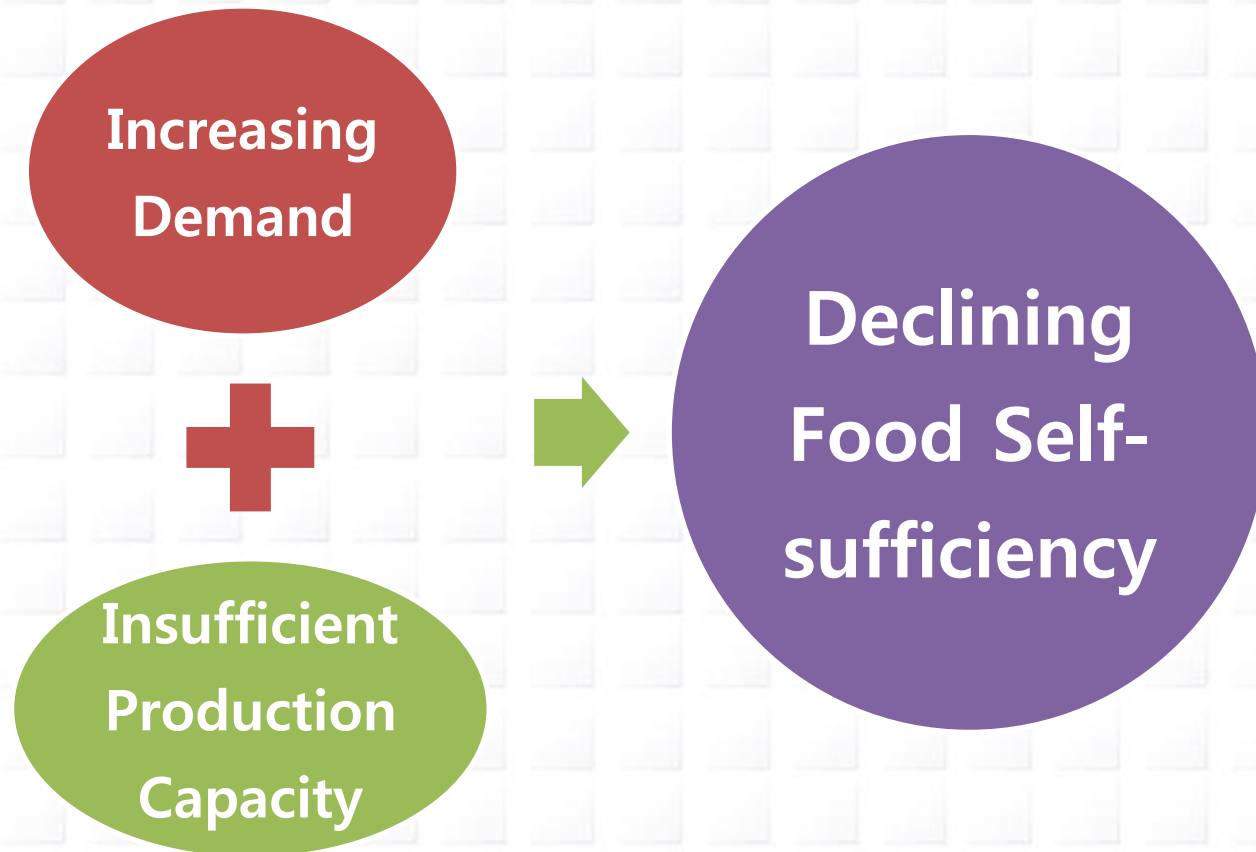
# **Situation of Korean Agriculture and Food Security**

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# Current Food Situation in Korea

- Low grain self-sufficiency: 27%
- Fall of rice consumption and production
- Agricultural liberalization
- Rising food commodity price

# Low Grain Self-Sufficiency



# Grain Supply-Demand Situation

Units: million metric tons

Year	Production	Imports	Exports	Consumption	Food	Feed
1970	7,097	2,115	-	8,825	6,863	584
1980	7,048	5,051	-	12,596	6,860	2,472
1990	7,013	10,022	1	16,282	6,302	6,301
1995	5,816	14,258	-	19,974	6,127	9,373
2000	5,931	14,624	-	19,961	6,164	9,285
2005	5,718	13,851	-	19,847	5,329	8,783
2008	5,044	13,798	-	18,160	5,695	8,405
2009(P)	5,489	15,003	-	20,585	5,667	9,895

Source: Ministry for Food, Agriculture, Forestry and Fisheries, 『Statistical Yearbook of Food, Agriculture, Forestry and Fisheries 2010』

# Grain Self-Sufficiency Ratios

**Poor self-sufficiency!**

Units: percent

Year	Total Grain	Rice	Barley	Wheat	Corn	Soybeans
1970	80.5	93.1	106.3	15.4	18.9	86.1
1980	56	95.1	57.6	4.8	5.9	35.1
1990	43.1	108.3	97.4	0.05	1.9	20.1
1995	29.1	91.4	67	0.3	1.1	9.9
2000	29.7	102.9	46.9	0.1	0.9	6.4
2005	29.4	102	60	0.2	0.9	9.7
2008	27.8	94.4	40.6	0.4	1	8.6
2009(P)	26.7	98	41.1	0.5	1	8.4

Source: Ministry for Food, Agriculture, Forestry and Fisheries, 『Statistical Yearbook of Food, Agriculture, Forestry and Fisheries 2010』

# Rice Situation in Korea



**The biggest part  
in the agriculture**



**Rice as the staple  
food in Korea**

# Rice situation in Korea

Year	Planted Area (hectares)	Yield (metric ton/ha)	Production (thousand ton)	per capita consumption (kg)
1970	1,203	3.30	3,939	136.4
1975	1,218	3.86	4,669	123.6
1980	1,233	2.89	3,550	132.4
1985	1,237	4.56	5,626	128.1
1990	1,244	4.51	5,606	119.6
1995	1,056	4.45	4,695	106.5
2000	1,072	4.97	5,291	93.6
2005	980	4.90	4,768	80.7
2008	936	5.20	4,844	75.8
2009	924	5.34	4,916	74



Source: Ministry for Food, Agriculture, Forestry and Fisheries, 『Statistical Yearbook of Food, Agriculture, Forestry and Fisheries 2010』

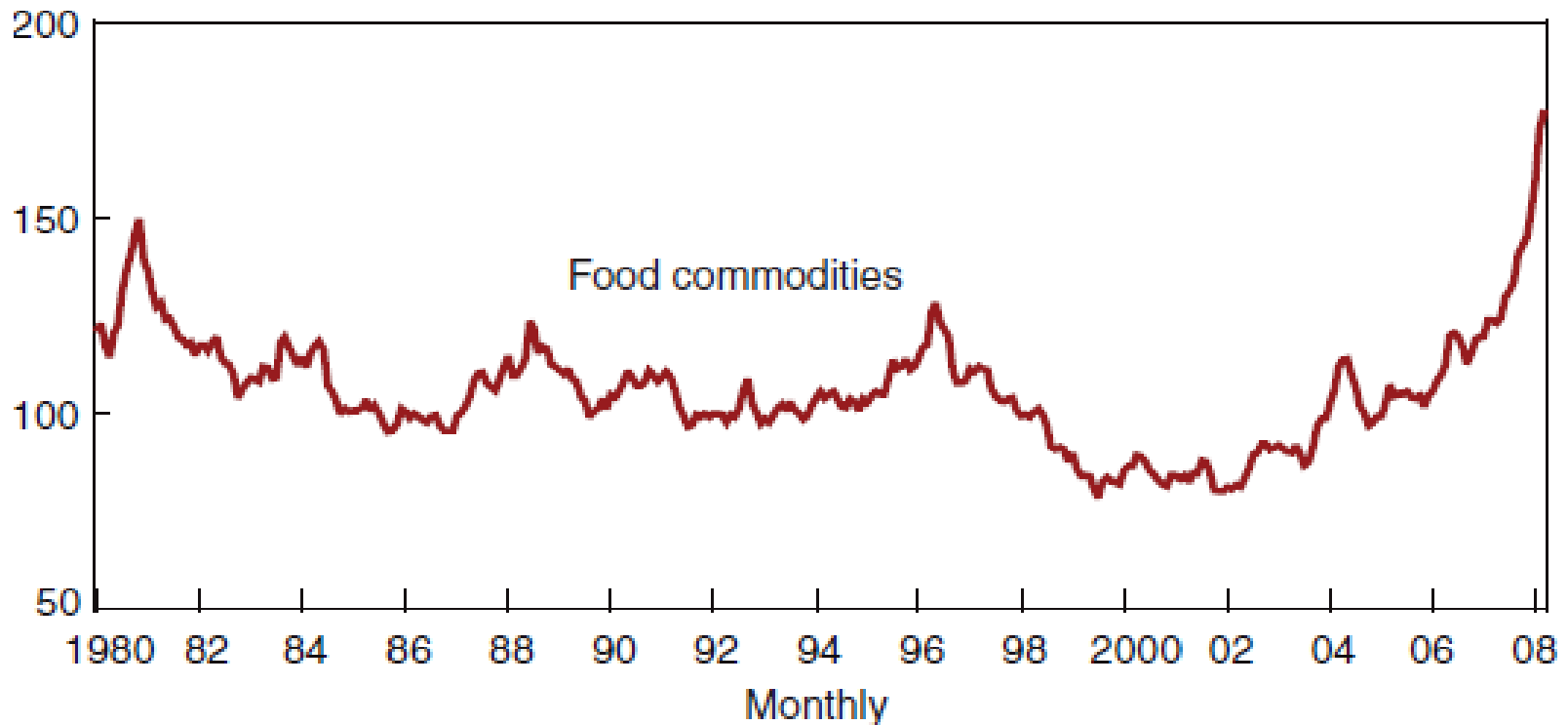
# Liberalization of Agricultural Sector

- **Active FTAs over 50 countries**
  - Big countries & Simultaneous negotiations
- **The Uruguay Round(UR)**
  - Reduce subsidies for price support
  - Opened Korean rice market through the minimum market access(MMA).
- **The 2004 Rice Negotiation with the WTO**
  - Increased rice's MMA imports double instead of tariffication

# Recent Spikes of Global Food Prices

Food commodity prices rose more than 60% in the last 2 years

Index: January 1992 = 100

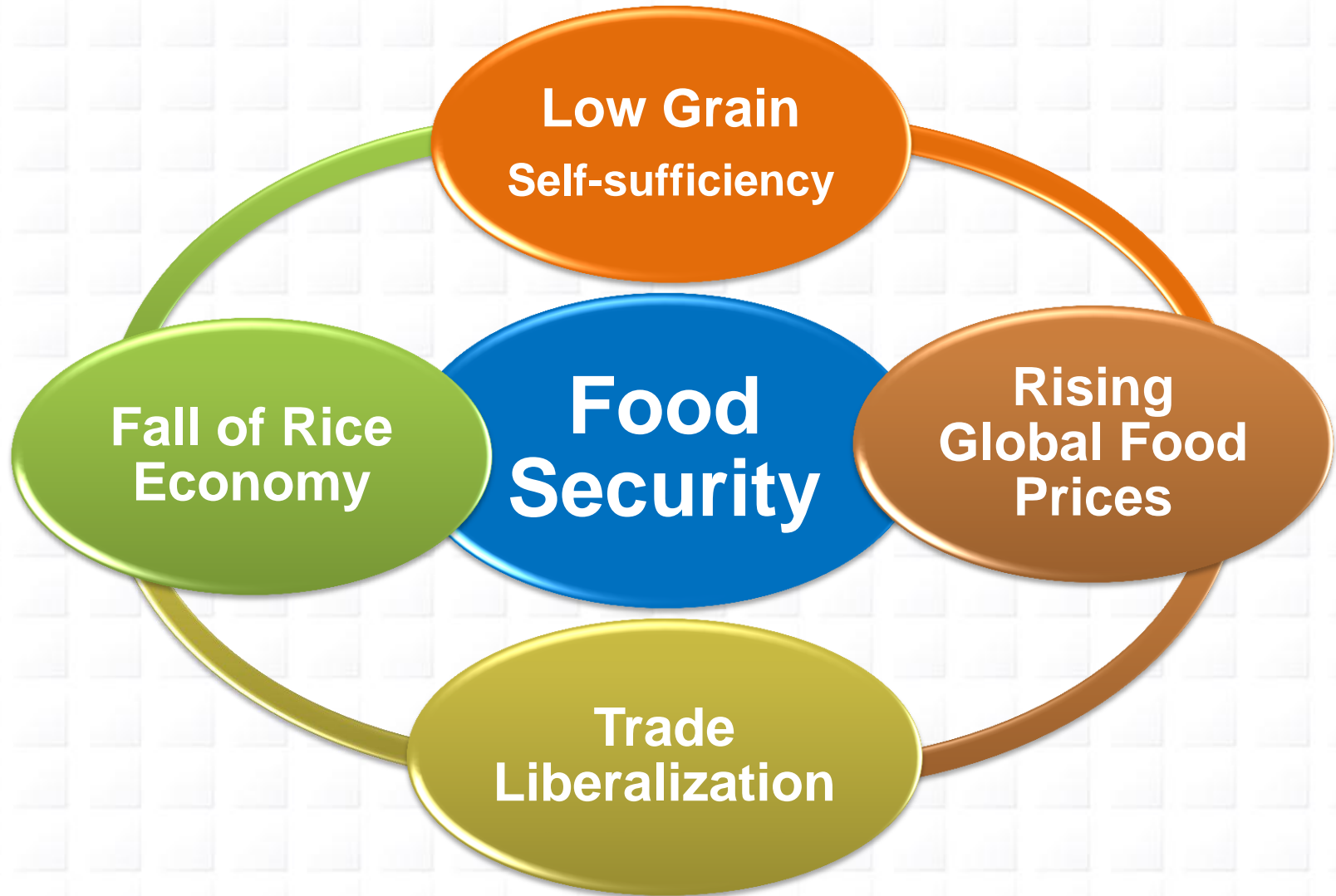


Source: International Monetary Fund: International Financial Statistics.

# North Korea's Food Situation

- **Low Productivity in Agriculture**
  - Decline in soil fertility
  - Shortage of critical input (fuel, fertilizer)
- **Macroeconomic Stagnation**
- **Highly Dependency on Food Aid**
  - Decrease in ODA by global economic depression

# Recent Food Security Concerns



# **Progress and Prospect of Agricultural Trade Liberalization**

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# Trade Liberalization under Multilateralism

**GATT**

- Trade Liberalization and Tariff Reduction in Manufactured products

**UR**

- Extent of Trade Liberalization to Agricultural and Service Sectors

**DDA**

- More Wide Range of Trade Negotiations in 10 Areas

# Promotion of Regionalism: RTAs



- Korea has also been actively pursuing FTAs.

# Strategies of promoting FTAs



# Progress of FTAs in Korea

## (December 2010)

Classification	Countries	Progress
FTAs in effect (5)	Chile	April 1 <sup>st</sup> , 2004
	Singapore	March 2 <sup>nd</sup> , 2006
	EFTA	September 1 <sup>st</sup> , 2006
	ASEAN	July 1 <sup>st</sup> , 2007
	India(CEPA)	January 1 <sup>st</sup> , 2010

# Progress of FTAs in Korea(continued)

Classification	Countries	Progress
Concluded FTAs (3)	USA	<ul style="list-style-type: none"> <li>•Concluded on April 2<sup>nd</sup>, 2007.</li> <li>•Re-negotiation agreed on December 3<sup>rd</sup>, 2010.</li> </ul>
	EU	<ul style="list-style-type: none"> <li>•Concluded on July 13<sup>th</sup>, 2009.</li> <li>•Signed on October 6<sup>th</sup>, 2010</li> </ul>
	Peru	<ul style="list-style-type: none"> <li>•Concluded on August 30<sup>th</sup>, 2010.</li> <li>•Signed on November 15<sup>th</sup>, 2010.</li> </ul>

# Progress of FTAs in Korea(continued)

Classification	Countries	Progress
FTAs under negotiation (5)	GCC	·The 3 <sup>rd</sup> negotiation on July 2009
	Australia	·The 5 <sup>th</sup> negotiation on May 2010
	New Zealand	·The 4 <sup>th</sup> negotiation on May 2010
	Colombia	·The 3 <sup>rd</sup> negotiation on June 2010
	Turkey	·The 1 <sup>st</sup> negotiation on April 2010

# Progress of FTAs in Korea(continued)

Classification	Countries	Progress
Stop in negotiation (3)	Canada	·Stopped after the 13 <sup>th</sup> negotiation during March 25 <sup>th</sup> -28 <sup>th</sup> , 2008.
	Mexico	·2 <sup>nd</sup> negotiation in June 2008. ·Stopped tentatively, in favor of Mexico.
	Japan	·Stopped after the 6 <sup>th</sup> round in Nov. 2004. ·4 times of working-level talks after June 2008 to restart

# Progress of FTAs in Korea(continued)

Classification	Countries	Progress
FTAs under consideration (7)	China	<ul style="list-style-type: none"> <li>•The joint research completed on May 28<sup>th</sup>, 2010.</li> <li>•The 1<sup>st</sup> prior consultation on September 28<sup>th</sup>, 2010.</li> </ul>
	MERCOSUR	<ul style="list-style-type: none"> <li>•The joint study completed on November 2006.</li> </ul>
	China-Japan	<ul style="list-style-type: none"> <li>•The 1<sup>st</sup> meeting of joint study on May 6<sup>th</sup>-7<sup>th</sup>, 2010.</li> </ul>
	Russia	<ul style="list-style-type: none"> <li>•The 2<sup>nd</sup> meeting for a joint research on July 2008.</li> </ul>
	Israel	<ul style="list-style-type: none"> <li>•A joint research on August 17<sup>th</sup>, 2009.</li> </ul>
	SACU	<ul style="list-style-type: none"> <li>•opening a joint research on December 9<sup>th</sup>, 2008</li> </ul>
	Vietnam	<ul style="list-style-type: none"> <li>•opening a joint research on March 23<sup>rd</sup>, 2010</li> </ul>

Source: Ministry of Foreign Affairs and Trade

# Current status of TPP

## Countries in TPP

- Brunei, Chile, New Zealand and Singapore (P4)

## Countries in negotiating

- U.S., Australia, Malaysia, Peru and Vietnam

## Countries expressing interest

- Canada, Japan, the Philippines, South Korea and Taiwan

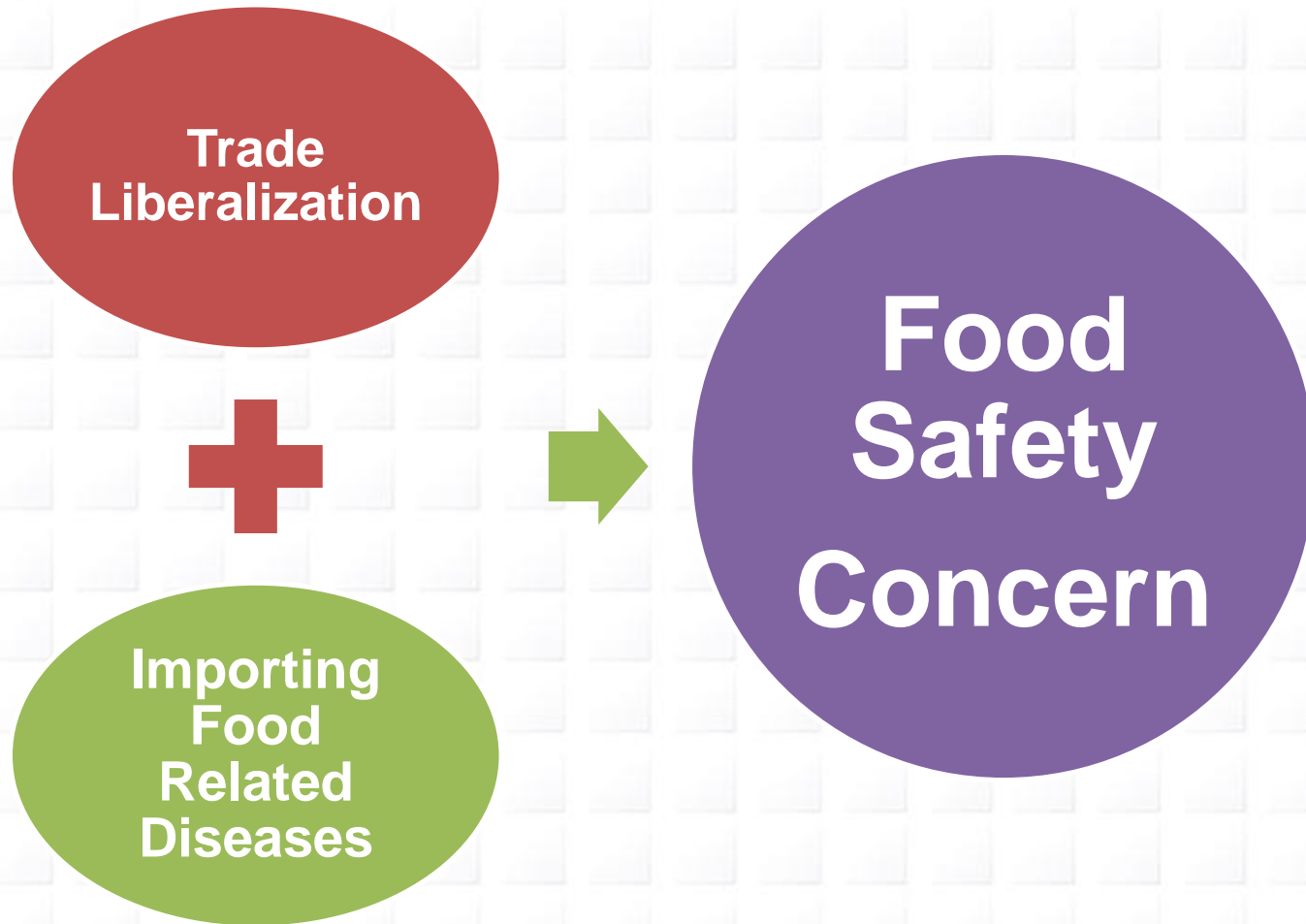
# Current Situation of Joining TPP in Korea

- The President Lee mentioned interests in joining TPP (Interviews with Asahi, Nov. 13<sup>th</sup> 2010 )



- The government just started studies on impacts of joining TPP.
  - MFAFF has started researches and **made a declaration against TPP.**

# Food Safety Issues with Trade Liberalization



# Food Safety Concerns on BSE

Reimporting the US Beef in 2007



Consumer's Severe  
Protest



# Related Study

by Lee, Han, Nayga and Lim (2011)

- **Estimating Korean food shoppers' willingness to pay (WTP) for the traceability system of imported beef by an experimental auction.**
  - **Result: Consumers are generally willing to pay a 39 percent premium for the traceable imported beef over similar beef without traceability.**

# **Review of Agricultural Agreements in Major FTAs**

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# Korea-Chile FTA



# **The Concession of Korea**

- **Introduce flexibilities on fruits and livestock on the concession such as exception, seasonal tariff, discussion after the DDA, TRQ & tariff, 0-16 years for tariff elimination**
- **Short-term tariff elimination under 5 years: 44%**

# The Concession of Korea

Concessions Type/ Tariff Removal Periods	Numbers of Items in HS 10 digit (%) [Commodities]
Exception	21(2%) [rice, apple(fresh), pear(fresh)]
Seasonal Tariff	1[grape(fresh)]
Discussion after the DDA Negotiation	373(26%)[tangerine, barley, bean]
TQR and the Discussion after the DDA Negotiation	18(1%)[beef(400ton), chicken meat(2,000ton; frozen, processed), mandarin(100ton)]
16 years	12(0.8%)[prepared milk powder, other fruits(dried), etc.]

Concessions Type/ Tariff Removal Periods	Numbers of Items in HS 10 digit (%) [Commodities]
10 years	197(13.8%) [pork, mutton, lemon]
9 years	1 [other fruit wines]
7 years	40(2.8%) with 6 items with TQR [peach can, jam, corn for seed]
5 years	545(38%) [lamp, tulip, etc.]
0	224(15.6%) [wheat, rye, etc.]
<b>Total</b>	<b>1,432(100%)</b>

Source: Ministry of Food, Agriculture, Forestry and Fisheries.

# Assessment on Korea-Chile FTA

- **Compensation policies for closing grape, kiwi and peach orchards**
  - Supporting price effect of 3-4% in greenhouse grape, 1.5% in peach
  - Improving productivity by compensation plan on old trees and old farmers

Source: Korea Rural Economy Institute

# Assessment on Korea-Chile FTA

- **No Serious Impacts on Agriculture**

- Major importing commodities from Chile, such as pork, grape, red wine, kiwi and others are growing after the FTA

# Korea-US FTA



# The concession of Korea

Concessions Type/ Tariff Removal Periods	Numbers of Items (%) [Commodities]
Exception	16(1.0%) [rice]
Current Level & TRQ	15(1.0%) [orange, honey]
17 years, Seasonal Tariff	1(0.1%) [grape]
15 years, Seasonal Tariff	0(0.1%) [potato for chips]
18 years & TRQ	4(0.3%) [ginseng]
15 years & TRQ	10(0.6%) [cheese, wheat, etc.]
12 years & TRQ	6(0.4%) [sub-feed, modified starch]
10 years & TRQ	11(0.8%) [butter, modified milk powder, etc.]
20 years	0(0.1%) [apple(Fuji), pear(Asian)]
18 years	3(0.2%) [red ginseng]

Concessions Type/ Tariff Removal Periods	Numbers of Items (%) [Commodities]
16 years	2(0.1%) [sugar]
15 years	98(6.5%) [beef, eggs, etc.]
12 years	34(2.2%) [milk cow, frozen onion, etc.]
10 years	332(24.1%) [peach, frozen drumstick, etc.]
9 years	1(0.1%) [fresh strawberry]
7 years	41(2.6%) [beer, ice-cream, etc.]
Until January 1 <sup>st</sup> , 2014	21(1.4%) [pork]
6 years	2(0.1%) [corn oil]
5 years	317(20.6%) [orange juice, tomato juice, etc.]
3 years	33(2.1%) [seaweeds]
2 years	6(0.4%) [avocado, lemon, etc.]
0 years	578(37.9%) [grape juice, coffee, etc.]
Total	1,531(100%)

Source: Ministry of Food, Agriculture, Forestry and Fisheries.

# Assessment on Korea-U.S. FTA

- Agreement on the highest level of concession & Renegotiation on car and pork
  - Not a good precedent negotiation for the future
- Expecting severe damage on farm sector
  - Reduce \$ 626 million annual production value
  - Damage's 70% on livestock and 23% on fruit

# Korea-EU FTA



# The concession of Korea

Concessions Type / Tariff Removal Periods	Numbers of Items (%) [Commodities]
Exception	16(1.09%) [rice, rice related goods]
Current Tariffs	26(1.77%) [soybean, wheat, etc.]
Current Tariff & TRQ	12(0.82%) [honey, powder milk, etc.]
Seasonal Tariff & TRQ	1(0.07%) [orange]
Seasonal Tariff	1(0.07%) [grape]
15 years & TRQ	6(0.41%) [cheese, malt, etc.]
12 years & TRQ	8(0.55%) [sub-feed, modified starch, etc.]
10 years & TRQ	11(0.75%) [butter, modified milk powder, etc.]
20 years	2(0.14%) [apple, pear]
18 years	7(0.48%) [green tea, ginger, etc.]
16 years	1(0.07%) [white sugar]
15 years	92(6.28%) [mandarin, jujube, etc.]

Concessions Type / Tariff Removal Periods	Numbers of Items (%) [Commodities]
13 years	27(1.84%) [chicken meat(frozen breast, drumstick), etc.]
12 years	16(1.09%) [chicken meat(cold-storage), etc.]
10 years	274(18.69%) [pork(belly, cold-storage neck), etc.]
7 years	47(3.21%) [pork(cold-storage edible innards), etc.]
6 years	3(0.20%) [pork(frozen trotter, sealed one), etc.]
5 years	287(19.58%) [pork(others), olive oil, etc.]
3 years	13(0.88%) [orange juice, margarine, etc.]
2 years	0(0.20%) [avocado(fresh), lemon, prune(dried)]
0 years	613(41.81%) [black tea, flower, feed, etc.]
Total	1,466(100%)

Source: Ministry of Food, Agriculture, Forestry and Fisheries.

# Assessment on Korea-EU FTA

- **Asymmetric concession with flexibility**
- **Considerable Impacts on Agriculture**
  - Reducing \$159 million in annual farm production value ( 1/3 Korea-US FTA)
  - 93% of the damage on livestock sector.
- **Supplementary policy for improving livestock sector's competitiveness**

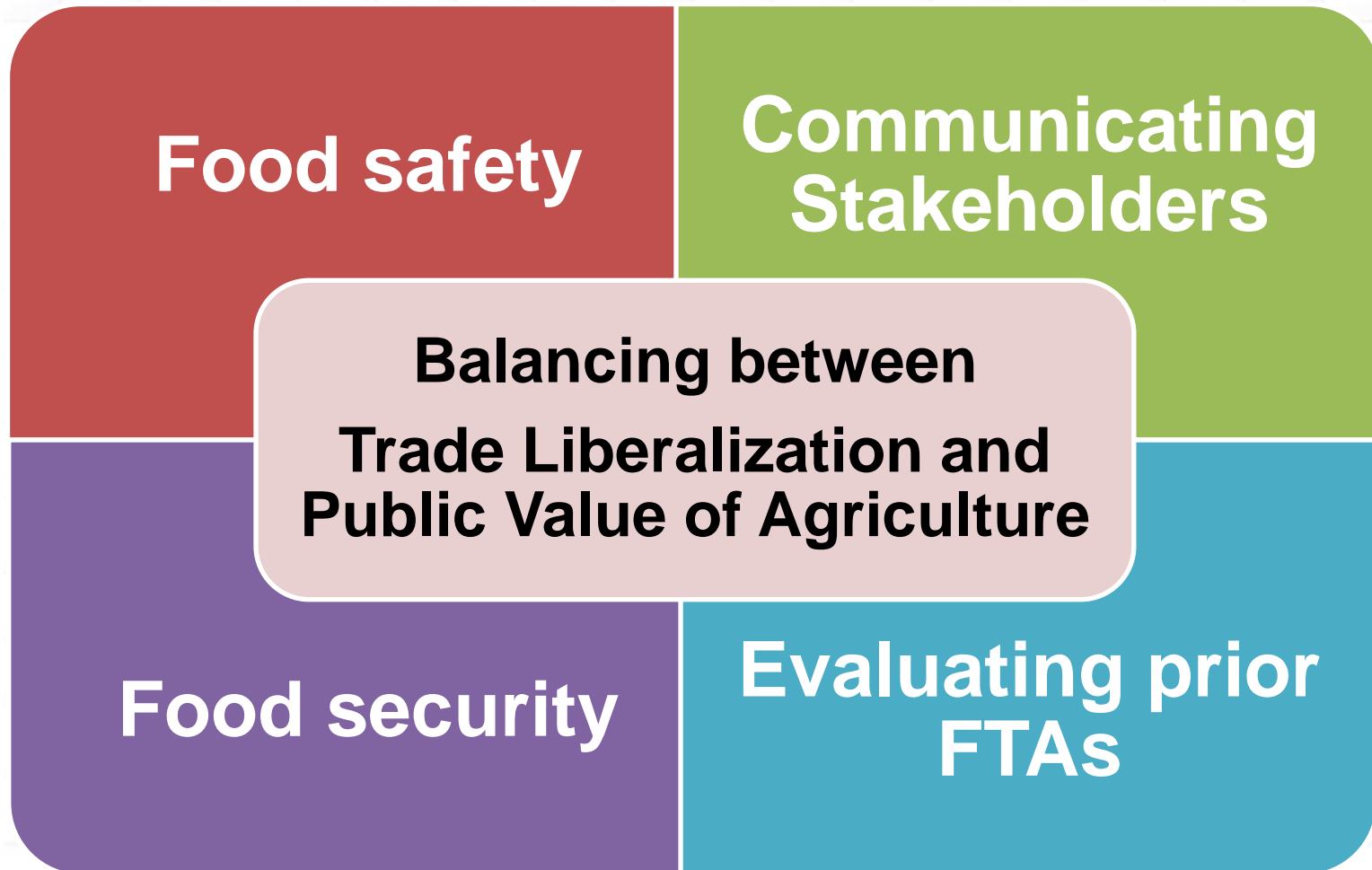
# **Implications and Suggestions**

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# Implications of Agricultural Trade Liberalization

- **FTA negotiations should be evaluated positively**
  - No serious damages
  - Inducing structural changes
  - Fiscal support on agriculture

# Suggestions



# Thank you!

