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Australia and Korea Conclude FTA Negotiations

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Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Lindy Crothers, Agricultural Marketing Specialist

Report Highlights:

The Australian and Korean Trade Ministers concluded negotiations for the Korea-Australia Free Trade Agreement (KAFTA) in early December 2013. Korea is Australia's third-largest goods export market and fourth-largest trading partner. The Agreement will be signed and come into operation following domestic approval processes in Australia and Korea.

The Australian Trade Minister, Andrew Robb and his Korean counterpart, Trade Minister Yoon, concluded negotiations for the Korea-Australia Free Trade Agreement (KAFTA) in early December 2013. Korea is Australia's third-largest goods export market and fourth-largest trading partner. The Agreement will be signed and come into operation following domestic approval processes in Australia and Korea. The KAFTA is seen as securing Australia's position in a major market where its competitors (such as the United States, European Union and ASEAN countries) are already benefitting from preferential access.

Building stronger trading relationships in Asia was a key election commitment and part of the new Australian Government's plan to build a strong, prosperous economy. As a result of the Agreement, tariffs will be eliminated on Australia's major exports to Korea and there will be new market openings in services and investment. Independent modeling has shown the Agreement could be worth A\$5 billion between 2015 and 2030 and boost the Australian economy by around A\$650 million annually after 15 years. Agricultural exports to Korea are expected to be 73% higher in 15 years as a result of the FTA.

On the agriculture front, Korean tariffs of up to 300% will be eliminated on key Australian agricultural exports such as beef, wheat, sugar, dairy, wine, horticulture, seafood and beer.

- On commencement of KAFTA the 304% tariff on Australian chipping-potatoes will be eliminated.
- The Australian wine industry will benefit from the immediate removal of tariffs of 15%.
- Australia's beef exporters will also be winners from the FTA. The 40% tariff on beef will be eliminated over 15 years (the same deal as the U.S. has under the US/Korea FTA). Australia is the largest supplier of beef to Korea but the U.S., currently has a 5.4% advantage.
- The 22.5% tariff on lamb and sheep meat will be removed.
- Tariffs on dairy products, ranging from 36% to 176% will be eliminated.
- Australian sugar exporters will also enjoy immediate elimination of tariffs. Korea is Australia's largest export market for sugar.

Other beneficiaries of the FTA include Australian wheat growers and cherry, table grape and mango producers. In fact, the conclusion of negotiations has been warmly welcomed by a broad cross section of the Australian agriculture industry, including the National Farmers' Federation, Queensland Cattle Producers, the Cattle Council of Australia, Grain Growers, the Australian Food and Grocery Council, the Winemakers Federation of Australia, Queensland Sugar, Canegrowers and AusVeg.