



United States
Department of
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Foreign
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Service

FACT SHEET

U.S.-Korea Free Trade Agreement

What's At Stake for Beef?

August 2007

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved, this would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future trade partners.

Beef and Beef Offal

With the Agreement...

Korean tariffs on imports of beef muscle meats will decline to zero from the current 40 percent in 15 equal annual reductions. A trade level similar to Korea's average annual imports from 2001 to 2003 of 176,121 metric tons of U.S. muscle meats valued at \$575 million translates into tariff savings of \$15 million in year 1 of the agreement. (In 2003 Korea imported a record 224,037 tons of these products from the United States.) This results in an estimated tariff savings of about \$87 per ton of U.S. muscle meat imported by Korea in just year 1 of the agreement. Once tariffs are completely phased out, the annual tariff savings will be an estimated \$1,300 per ton.

The agreement includes a quantity safeguard of 270,000 tons for beef muscle meats, growing at a compound 2-percent annual rate to a final safeguard level of 354,000 tons in 15 years. In year 16 and beyond, safeguards will no longer apply.

Korean tariffs on beef offal also decline in 15 equal annual reductions from their current 18- or 27-percent levels. Offal trade faces no safeguards.

The Trade Situation...

Korea's full liberalization of its beef market in 2001, as a result of a WTO Beef Dispute Panel Report, opened the way for significantly increased imports, even with tariffs of 40 percent for beef muscle meats. Not only did Korea's total beef and beef offal imports increase, but U.S. market share did as well.

Korea was the third largest market for chilled and frozen U.S. beef muscle meats from 2001 to 2003, and accounted for 21 percent of worldwide U.S. beef muscle meat exports. (In 2002 and 2003 Korea was the second largest market for these products.) During this period, U.S. suppliers shipped an average 182,800 tons of product annually to Korea valued at \$569 million. The U.S. share of the import market was 72 percent.

Korea was the fourth largest market for U.S. beef offal from 2001 to 2003, and accounted for 6 percent of U.S. beef offal exports. During this period, U.S. suppliers shipped to Korea an average 18,493 tons of product annually valued at \$33 million. The United States held a 66-percent market share.

Korea banned U.S. beef and beef offal imports in December 2003, following the detection of the first bovine spongiform encephalopathy (BSE) case in the United States. Initially, Korean beef imports from all countries declined sharply. They have only partially recovered, as a portion of the market that the United States supplied was captured by our key competitor, Australia. In 2006, Australia has more than doubled shipments to Korea in the absence of U.S. beef. In addition, Korea's domestic livestock industry has reversed years of decline to take advantage of the absence of U.S. beef and has seen production grow by about 10 percent since the BSE ban.

The Current Market Access Situation...

U.S. beef muscle meat faces a global WTO tariff of 40 percent, and beef offal faces 18- or 27-percent rates depending on the product. Bilateral U.S.-Korea technical consultations and site visits following U.S. BSE detections resulted in Korea resuming beef imports from the United States in September 2006. The resumption was limited to deboned muscle meat from cattle under 30 months of age. Several early shipments in 2007 were rejected, but additional shipments continue to enter Korea. Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines. Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

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