



Trade Facts

Office of the United States Trade Representative
June 2008

www.ustr.gov

FACT SHEET ON SOUTH KOREA BEEF PROTOCOL

The United States and South Korea concluded an agreement on April 18, 2008 to fully reopen South Korea's market to all U.S. beef and beef products consistent with international standards and the World Organization for Animal Health (OIE) guidelines. This protocol entered into force on June 26 with the publication of Korea's Import Health Requirements for U.S. Beef and Beef Products.

In response to significant public discussion in Korea regarding the resumption of U.S. beef imports, on June 20, Korean importers and U.S. exporters reached a commercial understanding that only U.S. beef from cattle under 30 months of age will be shipped to Korea, as a transitional measure, until Korean consumer confidence in U.S. beef improves. To facilitate this arrangement, the U.S. Department of Agriculture on June 26 announced the establishment of a Quality System Assessment (QSA) Program to verify that all beef shipped to Korea under the program is from cattle less than 30 months of age. We understand that if Korean inspection officials find any beef shipped to Korea during the transition period that is from cattle 30 months of age or over, they will return the beef to its owner.

The Korean market was closed to U.S. beef and beef products in December 2003 following the detection of a case of BSE in Washington State. Prior to that, Korea was the third-largest export market for U.S. beef and beef products with annual sales of \$815 million in 2003, and sales had been expected to grow further.

Once the United States-Korea Free Trade Agreement (KORUS FTA) is ratified and implemented and the current 40 percent tariff on U.S. beef is fully lifted, the FTA is expected to generate annual tariff savings of approximately \$325 million a year for U.S. beef exporters based on 2003 trade volumes alone. In addition, KORUS will put U.S. beef in a preferential competitive position relative to third country beef exports to South Korea.

Beef Trade Expected to Expand

As a result of the arrangements described above, trade in beef and beef products between the United States and South Korea is expected to grow:

► Benefits to American Ranchers and Producers

- U.S. ranchers and beef producers, who have been eager to provide high quality U.S. beef to Korean consumers, will again have access to the Korean beef market.

► Benefits for Korean Consumers

- Korean consumers will again have the opportunity to purchase safe, affordable, high-quality U.S. beef at a time when global commodity prices are increasing.

► **Major Obstacle to KORUS FTA Removed**

- With this resumption of U.S. beef exports to South Korea, the major obstacle to Congressional consideration of the KORUS FTA has been removed.
- The resolution of this long-standing trade issue will lay the groundwork for benefits to the U.S. beef industry due to the tariff cuts and increased market access provided for under the KORUS FTA. The U.S. International Trade Commission estimates that under the KORUS FTA, U.S. beef exports to Korea could increase by \$0.6-1.8 billion (or by 58-165 percent) once the FTA is fully implemented.

► **Main Provisions of the Protocol**

- OIE-consistent: The protocol establishes clearly-defined, predictable conditions based upon science and international standards.
 - Once fully implemented, the protocol should open trade in all U.S. beef and beef products from animals of all ages, including deboned beef, bone-in beef, offals and variety meats, and processed beef products.
 - The list of Specified Risk Material (SRM) to be removed is OIE-consistent.
- The protocol is designed to ensure both human health and commercial viability. The protocol establishes proportional responses to instances of non-compliance with the terms of the protocol.
 - Non-food safety hazards do not result in plant closure or suspension.
 - No market closures as a result of individual plant violations – only the plant responsible for violations will be impacted.
 - No "one strike and you're out" for individual plants.
 - Appropriate penalties for instances of food safety hazards ranging from rejection of a product lot to blocking the exports from a particular plant depending on the severity of the problem and the plant's previous track record.
 - The two governments have also clarified that Korea can take certain actions under the protocol if it finds serious non-compliance during its audits of U.S. beef processing plants, as well as actions it could take at the border upon detection of food safety hazards. All of these actions will be limited to the product or plant in question.
- Equivalence: Korea becomes the 63rd country to recognize the equivalence of the U.S. meat inspection system, which will simplify the regulatory burden on our meat-packing industry, with smoother and more streamlined import procedures.
- Consultative Mechanism: The protocol also establishes a consultative mechanism that will ensure that both countries will meet promptly to address and resolve differences that may arise in the implementation of the protocol.
- Beef and beef products from all Mexican cattle, both direct slaughter and feeder cattle, are allowed under the protocol (South Korea already imports beef from Mexico directly).

- Beef and beef products from Canadian feeder cattle are allowed under the protocol if they are fed in the United States for 100 days.
- Product that has been in the shipment pipeline will enter under the new protocol. Specifically, U.S. deboned beef produced for the Korean market under the previous and more limited protocol and slaughtered before October 5, 2007 that remains at Korea's port of entry or in storage in the United States will be eligible for inspection by Korean inspectors.
- Under the protocol, certain transitional confidence building measures are included.
 - During the first 90 days that the protocol is in effect, South Korea has the option to audit and/or reject U.S. decisions regarding the listing of new plants or re-listing of previously de-listed plants.
 - To facilitate the June 20 commercial understanding between importers and exporters, for a transitional period until Korean consumer confidence improves, USDA will implement a voluntary Quality Systems Assessment (QSA) to verify that meat from participating plants is from cattle less than 30-months of age. QSA programs are U.S. Government-administered programs authorized under the Agricultural Marketing Act of 1946 and are administered by USDA's Agricultural Marketing Service (AMS) in response to requests from purchasers and suppliers. AMS provides objective verification that product produced under a program meets the conditions of the program. We understand that if Korean inspection officials find any beef shipped to Korea during the transition period that is from cattle 30 months of age or over, they will return the beef to its owner.
 - In addition, South Korea and the United States have agreed that certain tissues (brains, skulls, eyes and spinal cords), which are not specified risk materials nor food safety hazards in cattle less than 30 months of age, have not been traded between the two countries in the past, and confirmed their expectation that until there is market demand in Korea for such tissues, such commercial practice would continue.

► **Increased Market Access for U.S. Beef**

- In the past several years, the Administration has worked to ensure that a growing group of countries, including the Philippines, Indonesia, Malaysia, Peru, Colombia, Panama, Guatemala, Honduras, Jamaica, Barbados, Canada, Jordan, Bahrain, Kuwait, Oman, Iraq, Saudi Arabia, and the United Arab Emirates have implemented OIE-consistent import requirements for U.S. beef and beef products with regard to Bovine Spongiform Encephalopathy (BSE). These market openings have resulted in regained and increased market access for U.S. exports of beef and beef products which increased to \$2.6 billion in 2007, up from \$2.0 billion in 2006.