

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/7270

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COUNCIL

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KOREA - RESTRICTIONS ON IMPORTS OF BEEF

Follow-up on the Panel reports¹

Communication from Korea

The following communication, dated 16 July 1993, has been received from the Permanent Mission of Korea, with the request that it be circulated to contracting parties.

IMPLEMENTATION OF PANEL REPORTS ON KOREAN BEEF IMPORT RESTRICTIONS

1. In accordance with the recommendations in Panel Reports (L/6503, L/6504 and L/6505) adopted on 7 November 1989, and as a follow-up to the agreements contained in L/6697, dated 9 July 1990, Korea held consultations with three contracting parties in the dispute from 11 June 1992 to 15 July 1993 and, as a result, reached agreements with those parties.
2. The agreement with the United States was signed on 15 July 1993. The agreements with Australia and New Zealand were initialled on an ad referendum basis on 12 and 15 July 1993 respectively, and will soon be formally signed.
3. The three agreements are almost identical. The main points of the agreements are as follows:
 - (1) General provisions
 - (a) The agreements will be implemented on a most-favoured-nation (m.f.n.) basis.
 - (b) Bilateral consultations will be held no later than 1 June 1995 regarding the implementation of the GATT dispute settlement panel recommendations and Balance-of-Payments Committee decision.

¹ Complaint by Australia - BISD 36S/202.
Complaint by New Zealand - BISD 36S/234.
Complaint by the United States - BISD 36S/268.

(2) Market access

Base amounts

- (a) The base (minimum) amounts to be imported on a customs clearance basis for the three-year period beginning 1 January 1993 and ending 31 December 1995 will be as follows:

<u>1993</u>	<u>1994</u>	<u>1995</u>
99,000 MT	106,000 MT	113,000 MT

- (b) The base amount will be divided between SBS shares and the general tender system.

Simultaneous buy/sell (SBS)

- (c) The SBS annual shares for the three-year period beginning 1 January 1993 and ending 31 December 1995 will be as follows:

<u>1993</u>	<u>1994</u>	<u>1995</u>
9,900 MT	21,200 MT	33,900 MT

(3) Relationship to the GATT

Korea reaffirms its undertaking to eliminate its remaining import restrictions on beef or otherwise bring them into conformity with GATT provisions as included in the report of the BOP Committee on Consultations with Korea adopted by the GATT Council on 7 November 1989.

Attachments:

1. Record of Understanding with the United States
2. Record of Understanding with Australia
3. Record of Understanding with New Zealand

RECORD OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
ON MARKET ACCESS FOR BEEF

The Government of the Republic of Korea and the Government of the United States of America, recognizing the recommendations of the General Agreement on Tariffs and Trade (GATT) dispute settlement panel report on Korean import restrictions on beef (L/6503) as well as the report of the GATT Balance of Payments Committee (BOP/R/183/Add.1) concerning Korea, and the April 1990 bilateral Record of Understanding Between the Government of the Republic of Korea and the Government of the United States of America on Beef, have agreed as follows:

I. GENERAL PROVISIONS

- A. The Governments of the Republic of Korea (ROKG) and the United States of America (USG) confirm that this Record of Understanding and its attachments (hereinafter referred to as "Understanding") will be implemented on a Most-Favored-Nation (MFN) basis.
- B. Conditions and levels of importation and sale of imported beef and all other provisions provided for in this Understanding shall not be impaired or modified by either government without prior consultation and mutual agreement.
- C. This Understanding is the second Understanding between the ROKG and USG concerning market access for beef. This Understanding reflects the desire of the Parties to implement the GATT dispute settlement panel recommendations and Balance of Payments Committee determinations. Consultations between the Parties regarding such measures will be held no later than June 1, 1995.
- D. Unless otherwise specified in this Understanding, all provisions of this Understanding shall become effective upon the date of the exchange of letters confirming this Understanding between the ROKG and USG.

II. DEFINITIONS

For the purposes of this Understanding:

"Base amount" means the minimum annual amount, on a customs cleared basis, expressed in metric tons, of beef to be imported into the Republic of Korea.

"Beef" means all meat of bovine animals, fresh chilled or frozen, as classified under HS 0201 and HS 0202. All tonnage

specified in this Understanding is given in retail weight equivalent.

"Customer" means any individual private enterprise, firm, business or grouping thereof that under the terms of this Understanding has the right to import beef through NLCF and KCSC.

"End-user" means any individual private enterprise, firm, business, or grouping thereof, and/or their buying agents that has the right to import beef through any super-group except NLCF or KCSC.

"Large-scale outlet" means a store with a total sales space of 3,000 square meters or more and with more than 30 percent of the total sales space operated by the owner.

"Mark-up" means the charge collected by the ROKG expressed as a percentage of the duty-paid c.i.f. price.

"Parties" means the Government of the Republic of Korea and the Government of the United States of America.

"SBS share" means the minimum portion of the base amount that must be allocated through the SBS system.

"SBS sub-share" means the portion of the SBS share that must be allocated to a super-group.

"SBS system" means the system through which suppliers of beef imported into the Republic of Korea conduct business directly with super-groups, end-users, or customers.

"Super-group" means an organization or association of end-users that has the right to import beef under the SBS system and, as appropriate, allocate SBS sub-shares among its affiliated end-users, and shall include the following entities, subject to the conditions and terms specified in this Understanding: the National Livestock Cooperatives Federation and its subsidiary companies (NLCF); Korca Cold Storage Company, Ltd. (KCSC); Korea Tourist Hotel Supply Center (KTHSC); Korca Meat Industries Association (KMIA); Korea Super Chain Association (KOSCA); and a non-tourist restaurant organization (NTR0) to be formed for the purpose of importing and allocating imported beef.

"Supermarket" means a retail store whose principal business is the sale of food and beverages.

"Tourist hotels" means tourist hotels as defined by the Korean Foreign Trade Act and related and referenced regulations.

"Tourist restaurants" means tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

III. MARKET ACCESS MEASURES -- BASE AMOUNTS

- A. The base amounts are the minimum to be imported on a customs cleared basis for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	99,000 metric tons
1994	106,000 metric tons
1995	113,000 metric tons

- B. These base amounts shall be divided between SBS shares in the SBS system, as specified in this Understanding, and the general tender system. The general tenders shall be published in domestic Korean newspapers, and the results of those tenders, when the results become known, shall be made available to any interested party upon request.

IV. MARKET ACCESS MEASURES -- SIMULTANEOUS BUY/SELL (SBS) SYSTEM

A. GENERAL

1. NLCF, KCSC, and KTHSC, which participated under the 1990 Understanding, shall participate in the SBS system as super-groups under this Understanding. New super-groups, end-users, and customers will be added to the SBS system over the term of this Understanding as specified in this Understanding.
2. The SBS system, as specified in this Understanding, will be implemented not later than August 1, 1993. However, 1993 SBS shares and sub-shares will be allocated to super-groups not later than the date of the exchange of letters confirming this Understanding between the USG and ROKG.
3. The ROKG shall take no action to increase the price of beef entering under the SBS system above the price of similar beef imported under general tender.

B. FRAMEWORK FOR SBS SYSTEM

1. ANNUAL MINIMUM SBS SHARE AND SUB-SHARE ALLOCATIONS

- (a) The SBS annual shares are the minimum to be allocated under the SBS system for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	9,900 metric tons
1994	21,200 metric tons
1995	33,900 metric tons

- (b) Annual sub-shares to be allocated to SBS super-groups shall be as follows (expressed in metric tons, retail weight equivalent):

	1993	1994	1995
NLCF	2,970	3,330	5,254
KCSC	2,970	3,330	5,254
KTHSC	3,960	4,664	5,424
NTRO		2,000	2,712
KMIA		4,676	7,118
KOSCA		3,200	8,138

2. SCHEDULE FOR ADDITION OF NEW ENTRANTS

- (a) In 1993 the SBS sub-shares will be allocated by the ROKG among the three super-groups (KTHSC, NLCF, KCSC), according to the schedule set out in section IV.B.1.b of this Understanding. These super-groups shall import beef on behalf of affiliated end-users (except in the case of NLCF and KCSC) without the participation, direction, or other involvement of the LPMO or ROKG.
- (b) Beginning January 1, 1994 NTRO and KMIA will have the right to participate as super-groups, and will each be allocated an SBS sub-share by the ROKG, according to the schedule set out in section IV.B.1.b of this Understanding. KMIA and NTRO will allocate SBS sub-shares to their affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or ROKG.
- (c) Beginning October 1, 1994, KOSCA will have the right to participate as a super-group and will be allocated an SBS sub-share by the ROKG, according to the schedule set out in section IV.B.1.b of this Understanding. The KOSCA super-group will allocate SBS sub-shares to its affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or ROKG.

Criteria for determining eligibility for SBS participation of current and future KOSCA members are set out in section IV.C.1 of this Understanding.

- (d) Beginning January 1, 1995, any member of KOSCA not eligible to import through the KOSCA super-group, as outlined in section IV.C.1 of this Understanding, shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual KOSCA members shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (e) Also beginning January 1, 1995, any butcher shops that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual butcher shops shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (f) Beginning August 1, 1993, and in 1994 and 1995, KTHSC, as a super-group, will administer the portion of the SBS system under which individual tourist hotels and restaurants, as end-users, have the option to purchase beef through KTHSC or directly from foreign suppliers.

C. ADDITIONAL PROVISIONS FOR SBS SYSTEM

1. KOSCA MEMBER PARTICIPATION IN THE SBS SYSTEM

- (a) Direct outlets of KOSCA member companies shall have the right to participate in the SBS system as end-users affiliated with the KOSCA super-group. Franchise outlets of KOSCA member companies that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers of NLCF and KCSC.
- (b) Any outlet of a KOSCA member company that is a large-scale outlet shall be excluded from SBS participation, except as provided for in sub-paragraph (c).
- (c) Notwithstanding sub-paragraph (b), and notwithstanding whether a KOSCA member company outlet is affiliated with a large-scale outlet that is not a supermarket, such KOSCA member company outlets that are operated as super-markets shall have the right to participate in the SBS system in the manner specified in section IV.C.1.a.

2. NOTIFICATION

The SBS sub-shares for a calendar year shall be divided by the super-groups into quarterly allocations in such a way as to reflect seasonal consumption patterns. These quarterly allocations shall be announced prior to the beginning of each calendar year. The allocations shall be expressed in metric tons, retail weight equivalent. SBS sub-share notifications shall be made available to any interested party on request.

3. PURCHASING AUTHORITY

- (a) End-users shall have the right to sign contracts and negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc. Customers shall have the right to negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc.
- (b) End-users or their designated agents, and customers, shall have the right to apply to the appropriate super-group for import authorization amounts under the SBS sub-share. Such authorization shall be granted by the super-groups upon request. End-users and customers shall be granted such access to sub-shares through super-groups, as established in this Understanding, until the sub-share is exhausted. Once an end-user or customer receives authorization to import, there shall be no further involvement by the super-group in the commercial transaction, with the exception that NLCF and KCSC will purchase and import beef on behalf of their customers.
- (c) Direct or indirect charges imposed by super-groups for importing beef on behalf of their customers shall not exceed reasonable administrative costs and expenses associated with such importation. Direct or indirect charges imposed by super-groups for administering the allocation of SBS sub-shares to end-users shall not exceed reasonable administrative costs and expenses associated with such allocation. Super-groups shall make details of all such administrative costs and expenses available to any interested party upon request and shall not extract profits beyond the extent of such costs and expenses.

4. ALLOCATION OF SBS SUB-SHARES BY SUPER-GROUPS TO END-USERS

- (a) The allocation of sub-shares to end-users shall be the sole responsibility of super-groups. The procedures and criteria for allocation of these sub-shares shall be fair, equitable, transparent, and implemented in good faith. These criteria must be announced and published. To facilitate orderly marketing and development of normal commercial relationships between end-users and foreign suppliers, super-groups shall implement an allocation system that encourages stable, long-term commercial relationships between end-users and foreign suppliers while making provision for the entry of new end-users. Anticipating the addition of new end-users, the super-groups must have agreed procedures and criteria for distributing SBS sub-shares among their affiliated end-users.
- (b) Unused end-user sub-shares must be reallocated, prior to October 1 of the calendar year, by the super-group.

5. NLCF AND KCSC SUPER-GROUPS AND IMPORTATION OF BEEF ON BEHALF OF THEIR CUSTOMERS

Notwithstanding sections IV.C.3 and IV.C.4, not later than October 1, 1994, NLCF and KCSC will set and announce the standard by which they will purchase beef on behalf of their customers. This standard will be equitable, established in a transparent manner, and based on the following principles: NLCF and KCSC, taking into account their SBS shares and the number of their customers, will determine an appropriate ceiling for each customer and import on behalf of the customer amounts requested under the ceiling, and in doing so shall not discriminate unfairly against any customers. As long as a customer's request meets the standard thus established, NLCF and KCSC will carry out the importation on behalf of their customers without imposing further conditions.

6. IMPORTATION, UTILIZATION, AND DISTRIBUTION OF SBS PRODUCT

- (a) Except as otherwise specified in this Understanding, there shall be no restrictions placed by the ROKG or any super-group on beef (regardless of country of origin, product type, or specification, whether grass-fed or grain-fed or whether fresh chilled or frozen) imported under the SBS system, including processing requirements, labeling, pricing, marking or packaging requirements or other barriers to legitimate importation, distribution, and sale, that

create unnecessary obstacles to trade or otherwise undermine the objectives of this Understanding. Beef imported under the SBS system must be distributed and sold through legal channels in conformance with Korean regulations.

- (b) Any SBS sub-share that is not fully used by a super-group in any of its quarterly allocations shall be transferred to that super-group's allocation for the subsequent quarter, except that any SBS sub-share that is not fully utilized by a super-group by the end of the third calendar year quarter shall be reallocated to all other super-groups on a pro rata basis, in proportion to their respective entitlements under the SBS system, for their use in the final calendar year quarter. Such reallocation shall be made no later than October 15. With regard to any such pro rata share that is reallocated to KTHSC, any part of that reallocation used by KTHSC end-users shall be subject to the percentage mark-up specified in section IV.C.7.a of this Understanding.
- (c) Neither the ROKG nor LPMO shall take any action to discourage super-groups and their end-users or customers from importing or using their SBS shares or sub-shares, as appropriate, as allocated under the terms of this Understanding.

7. SBS MARK-UP

- (a) A single, uniform percentage mark-up shall be applied to all types of beef purchased under the SBS system and shall be equal to the difference between the duty-paid price, c.i.f. Korea, and the price for all boneless cuts of imported grain-fed high quality beef, based on the purchases of the Livestock Products Marketing Organization (LPMO) sold in the general tender system. Such prices shall be determined by calculating the average prices over the immediately preceding three-month period. The mark-up shall be recalculated monthly. This mark-up shall be publicly announced and published prior to becoming effective. However, in the event that the mark-up in any month is in excess of the current percentage mark-up in the general tender market, the mark-up in the SBS system shall be recalculated weekly on a uniform basis using the latest available c.i.f. and general tender price data for the immediately preceding month.

- (b) The mark-up applied to beef subject to a contract shall be the mark-up in effect on the date of the contract.
- (c) Notwithstanding subparagraph (a), in further implementation of the findings of the GATT dispute settlement panel on beef, during 1993 the mark-up on beef shall not exceed 100 percent of the weighted average percentage mark-up applied to imported boneless grain-fed high quality beef during calendar year 1992, as derived from data in Attachment I. During 1994, the mark-up on beef shall not exceed 95 percent of the weighted average percentage mark-up applied during calendar year 1992. During 1995, the mark-up on beef shall not exceed 90 percent of the weighted average percentage mark-up applied during calendar year 1992. There shall be no minimum mark-up.
- (d) Notwithstanding subparagraph (a), the mark-up for beef imported by KTHSC for tourist hotels and restaurants shall be no more than 2 percent of the duty-paid c.i.f. price, except for cuts of beef specified in Attachment II.
- (e) The ROKG, LPMO, and super-groups shall neither directly nor indirectly exert any influence on pricing decisions of end-users aside from the mark-ups agreed upon in this Understanding.

8. SAMPLES

The importation of samples will be allowed under the SBS system, and the sample quantities shall be counted as part of the SBS share. Samples shall not be subject to the mark-up. All super-groups shall be responsible for establishing their sample import systems.

9. BID AND PERFORMANCE BONDS AND LETTERS OF CREDIT

The utilization of bid and performance bonds and/or letters of credit shall be at the option of SBS participants.

10. SHORT WEIGHT CLAIMS

Short weight claims shall be resolved between buyers and sellers.

11. MINIMUM PURCHASE UNIT

There shall be no governmental restrictions on the minimum purchase unit of beef imports.

12. PRODUCT COVERAGE

Product coverage for the SBS system shall be the same as for the overall Understanding, as defined in section II for the term "beef" and shall include all product classified under HS 0201 and HS 0202.

13. PURCHASING FREQUENCY

There shall be no governmental restrictions on the timing of purchases by customers, end-users, or their designated agents.

14. RECORD-KEEPING

Approved super-groups shall administer record-keeping of purchases to ensure compliance with the annual and quarterly SBS shares.

15. DELIVERY PERIODS

Delivery shall be determined between the end-user or customer and seller. Delivery of products purchased under quarterly SBS shares may be shipped in subsequent quarters as long as deliveries are completed within 60 days following the end of the calendar year in which the product was purchased.

V. RELATIONSHIP TO THE GATT

- A. With regard to beef, the ROKG reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as provided in the conclusion of the report on the GATT Balance of Payments Committee on consultations with the Republic of Korea adopted by the GATT Council on November 7, 1989.
- B. Notwithstanding the above, both Parties reserve their rights under the GATT.

VI. CONSULTATION PROVISION

- A. The Parties agree to consult promptly at the request of either Party on any matter relating to this Understanding.
- B. The Parties shall consult quarterly to ensure full implementation of this Understanding. The first such consultations shall take place not later than October 1, 1993. The agenda for these consultations may include, inter alia, problems caused by employing the mark-up specified in section IV.C.7.a of this Understanding and problems in access for end-users and super-groups under the SBS system in accordance with requirements of this Understanding.

ATTACHMENT I

LPMO DATA FOR CALCULATION OF 1992 AVERAGE MARK-UP

* Wholesale Price, Duty-paid price, c.i.f. for Imported Beef

		92.1	92.2	92.3	92.4	92.5	92.6	92.7	92.8	92.9	92.10	92.11	92.12	AVG.
Chuck Roll	Wholesale price(A)	6,038	6,407	6,510	7,581	7,419	6,811	7,021	7,182	6,802	7,624	9,730	9,757	7,235
	CIF+tariff (B)	3,904	3,756	3,886	3,916	3,997	3,764	3,514	3,537	3,521	3,695	3,829	3,829	3,726
	(A)-(B)	2,234	2,651	2,624	3,665	3,522	3,047	3,507	3,645	3,281	3,929	5,901	5,928	3,509
	Volume	3,885	1,335	1,945	1,681	2,414	2,211	2,281	3,362	3,029	1,895	1,397	1,916	2,279
Shoulder Clod	Wholesale price(A)	5,936	5,759	5,285	6,029	5,979	5,606	5,008	5,793	5,451	6,094	7,525	7,312	6,132
	CIF+tariff (B)	2,682	2,677	2,750	2,749	2,732	2,586	2,946	2,926	2,912	2,912	2,902	2,900	2,812
	(A)-(B)	3,254	3,082	2,535	3,290	3,247	2,720	3,060	2,867	2,539	3,182	4,624	4,412	3,320
	Volume	77	129	238	185	179	19	43	44	93	196	272	27	125
Knockle	Wholesale price(A)	6,349	6,087	6,520	6,983	6,500	5,731	6,002	6,100	5,661	7,527	8,332	8,858	6,600
	CIF+tariff (B)	3,507	3,587	3,643	3,567	3,740	3,766	3,654	3,628	3,605	3,509	3,675	3,674	3,646
	(A)-(B)	2,842	2,500	2,877	3,316	2,760	1,965	2,348	2,472	2,056	4,018	4,657	5,184	2,954
	Volume	832	287	303	518	702	727	866	1,135	893	306	473	688	628
Top Round	Wholesale price(A)	6,133	5,941	5,664	6,395	6,349	5,650	5,559	6,136	5,725	6,833	7,263	7,279	6,211
	CIF+tariff (B)	3,385	3,419	3,522	3,576	3,649	3,696	3,797	3,754	3,799	3,682	3,729	3,731	3,643
	(A)-(B)	2,748	2,522	2,142	2,819	2,700	1,954	1,762	2,382	1,926	3,151	3,534	3,548	2,569
	Volume	332	137	227	108	158	186	127	223	353	220	309	56	203
Short Ribs	Wholesale price(A)	10,072	10,095	9,881	10,340	10,120	10,291	10,900	11,741	11,671	13,629	12,709	11,422	11,041
	CIF+tariff (B)	4,903	4,855	4,788	4,724	4,689	4,557	4,708	4,707	4,669	4,670	4,796	4,797	4,739
	(A)-(B)	5,269	5,240	5,093	5,616	5,431	5,624	6,192	7,034	7,002	8,951	7,913	6,625	6,302
	Volume	1,071	484	587	535	738	748	654	1,171	788	453	751	692	731
Average	Wholesale price(A)	6,781	7,059	7,050	7,830	7,539	7,217	7,453	7,825	7,250	8,356	9,797	9,854	7,749
	CIF+tariff (B)	3,900	3,881	3,943	3,933	3,951	3,930	3,749	3,789	3,719	3,781	3,944	3,986	3,867
	(A)-(B)	2,881	3,178	3,107	3,897	3,688	3,287	3,704	4,036	3,531	4,575	5,853	5,868	3,882
	Volume	6,197	2,372	3,400	3,027	4,191	3,891	3,771	5,935	5,156	3,070	3,202	3,379	3,966

Note: Prices are for Won/Kilogram. 1US\$=798.3 (as of May 7, 1993)
Volume is in Metric tons.
Average is weighted average and may slightly differ, due to rounding.

Markup = (A)-(B)
Markup expressed as a percentage of duty paid import price

$$\frac{(A)-(B)}{B} = \frac{3882}{3867} = 100.38\%$$

Source: MAFF/ROK6

ATTACHMENT II.
CUTS OF BEEF IMPORTED BY KTHSC

The following five cuts of beef, as defined in the National Association of Meat Purveyors Meat Buyers Guide, imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.a of this Understanding:

CUT	MEAT BUYERS GUIDE REFERENCE
Shoulder Clod	114, 114A, 114B
Chuck Roll	116A
Short Rib	123, 123A, 123B, 123C
Knuckle	167, 167A, 167B
Top Round	168, 169

All other beef imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.d of this Understanding.

RECORD OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND
THE GOVERNMENT OF AUSTRALIA
ON MARKET ACCESS FOR BEEF

The Government of the Republic of Korea and the Government of Australia, recognizing the recommendations of the General Agreement on Tariffs and Trade (GATT) dispute settlement panel report on Korean import restrictions on beef (L/6504) as well as the report of the GATT Balance of Payments Committee (BOP/R/183/Add.1) concerning Korea, and the May 1990 bilateral Record of Understanding between the Government of the Republic of Korea and the Government of Australia on beef, have agreed as follows:

I. GENERAL PROVISIONS

- A. The Governments of the Republic of Korea and Australia confirm that this Record of Understanding and its attachments (hereinafter referred to as "Understanding" will be implemented on a Most-Favored-Nation (MFN) basis.
- B. Conditions and levels of importation and sale of imported beef and all other provisions provided for in this Understanding shall not be impaired or modified by either Government without prior consultation and mutual agreement.
- C. This Understanding is the second Understanding between the Government of the Republic of Korea and the Government of Australia on market access for beef. This Understanding reflects the desire of the Parties to implement the GATT dispute settlement panel recommendations and Balance of Payments Committee determinations. Consultations between the Parties regarding such measures will be held no later than June 1, 1995.
- D. Unless otherwise specified in this Understanding, all provisions of this Understanding shall become effective upon the date of the exchange of letters confirming this Understanding between the Government of the Republic of Korea and the Government of Australia.

II. DEFINITIONS

For the purposes of this Understanding :

"Base amount" means the minimum annual amount, on a customs cleared basis, expressed in metric tons, of beef to be imported into the Republic of Korea.

"Beef" means all meat of bovine animals, fresh, chilled or frozen, as classified under HS 0201 and HS 0202. All tonnage

specified in this Understanding is given in retail weight equivalent.

"Customer" means any individual private enterprise, firm, business or grouping thereof that under the terms of this Understanding has the right to import beef through NLCF and KCSC.

"End-user" means any individual private enterprise, firm, business, or grouping thereof, and/or their buying agents that has the right to import beef through any super-group except NLCF or KCSC.

"General tender system" is the import and distribution system for beef imported into the Republic of Korea, excluding that which is supplied through the SBS system.

"Large-scale outlet" means a store with a total sales space of 3,000 square meters or more and with more than 30 percent of the total sales space operated by the owner.

"Mark-up" means the charge collected by the ROKG expressed as a percentage of the duty-paid c.i.f. price.

"Parties" means the Government of the Republic of Korea and the Government of Australia.

"SBS share" means the portion of the base amount that must be allocated through the SBS system.

"SBS sub-share" means the portion of the SBS share that must be allocated to a super-group.

"SBS system" means the system through which suppliers of beef imported into the Republic of Korea conduct business directly with super-groups, end-users, or customers.

"Super-group" means an organization or association of end-users that has the right to import beef under the SBS system and, as appropriate, allocate SBS sub-shares among its affiliated end-users, and shall include the following entities, subject to the conditions and terms specified in this Understanding : the National Livestock Cooperatives Federation and its subsidiary companies (NLCF) ; Korea Cold Storage Company, Ltd. (KCSC); Korea Tourist Hotel Supply Center (KTHSC); Korea Meat Industries Association (KMIA); Korea Super Chain Association (KOSCA); and a non-tourist restaurant organization (NTRO) to be formed for the purpose of importing and allocating imported beef.

"Supermarket" means a retail store whose principal business is the sale of food and beverages.

"Tourist hotels" means tourist hotels as defined by the Korean Foreign Trade Act and related and referenced regulations.

"Tourist restaurants" means tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

"Wholesale market" is the market for auction and distribution of beef imported under General Tenders, other than that which is directed to NLCF and KCSC for further processing.

III. MARKET ACCESS -- BASE AMOUNTS

- A. The base amounts are the minimum to be imported on a customs cleared basis for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	99,000 metric tons
1994	106,000 metric tons
1995	113,000 metric tons

- B. These base amounts shall be divided between SBS shares in the SBS system, as specified in this Understanding, and the general tender system. The general tenders shall be published in domestic Korean newspapers, and the results of those tenders, when the results become known, shall be made available to any interested party upon request.

IV. MARKET ACCESS MEASURES -- SIMULTANEOUS BUY/SELL (SBS) SYSTEM

A. GENERAL

1. NLCF, KCSC, and KTHSC, which participated under the 1990 Understanding, shall participate in the SBS system as super-groups under this Understanding. New super-groups, end-users, and customers will be added to the SBS system over the term of this Understanding as specified in this Understanding.
2. The SBS system, as specified in this Understanding, will be implemented not later than August 1, 1993. However, 1993 SBS shares and sub-shares will be allocated to super-groups not later than the date of the exchange of letters confirming this Understanding between the Government of the Republic of Korea and the Government of Australia.
3. The ROKG shall take no action to increase the price of beef entering under the SBS system above the price of similar beef imported under general tender.

B. FRAMEWORK FOR SBS SYSTEM

1. ANNUAL SBS SHARE AND SUB-SHARE ALLOCATIONS

- (a) The SBS annual shares are the amount to be allocated under the SBS system for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	9,900 metric tons
1994	21,200 metric tons
1995	33,900 metric tons

(b) Annual sub-shares to be allocated to SBS super-groups shall be as follows (expressed in metric tons, retail weight equivalent) :

	1993	1994	1995
NLCF	2,970	3,330	5,254
KCSC	2,970	3,330	5,254
KTHSC	3,960	4,664	5,424
NTRO		2,000	2,712
KMIA		4,676	7,118
KOSCA		3,200	8,138

2. SCHEDULE FOR ADDITION OF NEW ENTRANTS

- (a) In 1993 the SBS sub-shares will be allocated by the ROKG among the three super-groups (KTHSC, NLCF, KCSC), according to the schedule set out in section IV.B.1.b of this Understanding. These super-groups shall import beef on behalf of affiliated end-users (except in the case of NLCF and KCSC) without the participation, direction, or other involvement of the LPMO or ROKG.
- (b) Beginning January 1, 1994 NTRO and KMIA will have the right to participate as super-groups, and will each be allocated an SBS sub-share by the ROKG, according to the schedule set out in section IV.B.1.b of this Understanding. KMIA and NTRO will allocate SBS sub-shares to their affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or ROKG.
- (c) Beginning October 1, 1994, KOSCA will have the right to participate as a super-group and will be allocated an SBS sub-share by the ROKG, according to the schedule set out in section IV.B.1.b of this Understanding. The KOSCA super-group will allocate SBS sub-shares to its affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or ROKG.

Criteria for determining eligibility for SBS participation of current and future KOSCA members are set out in section IV.C.1 of this Understanding.

- (d) Beginning January 1, 1995, any member of KOSCA not eligible to import through the KOSCA super-group, as outlined in section IV.C.1 of this Understanding, shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual KOSCA members shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (e) Also beginning January 1, 1995, any butcher shops that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual butcher shops shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (f) Beginning August 1, 1993, and in 1994 and 1995, KTHSC, as a super-group, will administer the portion of the SBS system under which individual tourist hotels and restaurants, as end-users, have the option to purchase beef through KTHSC or directly from foreign suppliers.

C. ADDITIONAL PROVISIONS FOR SBS SYSTEM

1. KOSCA MEMBER PARTICIPATION IN THE SBS SYSTEM

- (a) Direct outlets of KOSCA member companies shall have the right to participate in the SBS system as end-users affiliated with the KOSCA super-group. Franchise outlets of KOSCA member companies that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers of NLCF and KCSC.
- (b) Any outlet of a KOSCA member company that is a large-scale outlet shall be excluded from SBS participation, except as provided for in sub-paragraph (c).
- (c) Notwithstanding sub-paragraph (b), and notwithstanding whether a KOSCA member company outlet is affiliated with a large-scale outlet that is not a supermarket, such KOSCA member company outlets that are operated as super-markets shall have the right to participate in the SBS system in the manner specified in section IV.C.1.a.

2. NOTIFICATION

The SBS sub-shares for a calendar year shall be divided by the super-groups into quarterly allocations in such a way as to reflect seasonal consumption patterns. These quarterly allocations shall be announced prior to the beginning of each calendar year. The allocations shall be expressed in metric tons, retail weight equivalent. SBS sub-share notifications shall be made available to any interested party on request.

3. PURCHASING AUTHORITY

- (a) End-users shall have the right to sign contracts and negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc. Customers shall have the right to negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc.
- (b) End-users or their designated agents, and customers, shall have the right to apply to the appropriate super-group for import authorization amounts under the SBS sub-share. Such authorization shall be granted by the super-groups upon request. End-users and customers shall be granted such access to sub-shares through super-groups, as established in this Understanding, until the sub-share is exhausted. Once an end-user or customer receives authorization to import, there shall be no further involvement by the super-group in the commercial transaction with the exception that NLCF and KCSC will purchase and import beef on behalf of their customers.
- (c) Direct or indirect charges imposed by super-groups for importing beef on behalf of their customers shall not exceed reasonable administrative costs and expenses associated with such importation. Direct or indirect charges imposed by super-groups for administering the allocation of SBS sub-shares to end-users shall not exceed reasonable administrative costs and expenses associated with such allocation. Super-groups shall make details of all such administrative costs and expenses available to any interested party upon request and shall not extract profits beyond the extent of such costs and expenses.

4. ALLOCATION OF SBS SUB-SHARES BY SUPER-GROUPS TO END-USERS

- (a) The allocation of sub-shares to end-users shall be the sole responsibility of super-groups. The procedures and criteria for allocation of these sub-shares shall be fair, equitable, transparent, and implemented in good faith. These criteria must be announced and published. To facilitate orderly marketing and development of normal commercial relationships between end-users and foreign suppliers, super-groups shall implement an allocation system that encourages stable, long-term commercial relationships between end-users and foreign suppliers while making provision for the entry of new end-users. Anticipating the addition of new end-users, the super-groups must have agreed procedures and criteria for distributing SBS sub-shares among their affiliated end-users.
- (b) Unused end-user sub-shares must be reallocated, prior to October 1 of the calendar year, by the super-group.

5. NLCF AND KCSC SUPER-GROUPS AND IMPORTATION OF BEEF ON BEHALF OF THEIR CUSTOMERS

Notwithstanding sections IV.C.3 and IV.C.4, not later than October 1, 1994, NLCF and KCSC will set and announce the standard by which they will purchase beef on behalf of their customers. This standard will be equitable, established in a transparent manner, and based on the following principles: NLCF and KCSC, taking into account their SBS shares and the number of their customers, will determine an appropriate ceiling for each customer and import on behalf of the customer amounts requested under the ceiling, and in doing so shall not discriminate unfairly against any customers. As long as a customer's request meets the standard thus established, NLCF and KCSC will carry out the importation on behalf of their customers without imposing further conditions.

6. IMPORTATION, UTILIZATION, AND DISTRIBUTION OF SBS PRODUCT

- (a) Except as otherwise specified in this Understanding, there shall be no restrictions placed by the ROKG or any super-group on beef (regardless of country of origin, product type, or specification, whether grass-fed or grain-fed or whether fresh, chilled or frozen) imported under the SBS system, including processing requirements, labeling, pricing, marking or packaging requirements or other barriers to legitimate importation, distribution, and sale, that

create unnecessary obstacles to trade or otherwise undermine the objectives of this Understanding. Beef imported under the SBS system must be distributed and sold through legal channels in conformance with Korean regulations.

- (b) Any SBS sub-share that is not fully used by a super-group in any of its quarterly allocations shall be transferred to that super-group's allocation for the subsequent quarter, except that any SBS sub-share that is not fully utilized by a super-group by the end of the third calendar year quarter shall be reallocated to all other super-groups on a pro rata basis, in proportion to their respective entitlements under the SBS system, for their use in the final calendar year quarter. Such reallocation shall be made no later than October 15. With regard to any such pro rata share that is reallocated to KTHSC, any part of that reallocation used by KTHSC end-users shall be subject to the percentage mark-up specified in section IV.C.7.a of this Understanding.
- (c) Neither the ROKG nor LPMO shall take any action to discourage super-groups and their end-users or customers from importing or using their SBS shares or sub-shares, as appropriate, as allocated under the terms of this Understanding.

7. SBS MARK-UP

- (a) A single, uniform percentage mark-up shall be applied to all types of beef purchased under the SBS system and shall be equal to the difference between the duty-paid price, c.i.f. Korea, and the price for all boneless cuts of imported grain-fed high quality beef, based on the purchases of the Livestock Products Marketing Organization (LPMO) sold in the general tender system. Such prices shall be determined by calculating the average prices over the immediately preceding three-month period. The mark-up shall be recalculated monthly. This mark-up shall be publicly announced and published prior to becoming effective. However, in the event that the mark-up in any month is in excess of the current percentage mark-up in the general tender market, the mark-up in the SBS system shall be recalculated weekly on a uniform basis using the latest available c.i.f. and general tender price data for the immediately preceding month.

- (b) The mark-up applied to beef subject to a contract shall be the mark-up in effect on the date of the contract.
- (c) Notwithstanding sub-paragraph (a), in further implementation of the findings of the GATT dispute settlement panel on beef, during 1993 the mark-up on beef shall not exceed 100 percent of the weighted average percentage mark-up applied to imported bone-less grain-fed high quality beef during calendar year 1992, as derived from data in Attachment I. During 1994, the mark-up on beef shall not exceed 95 percent of the weighted average percentage mark-up applied during calendar year 1992. During 1995, the mark-up on beef shall not exceed 90 percent of the weighted average percentage mark-up applied during calendar year 1992. There shall be no minimum mark-up.
- (d) Notwithstanding subparagraph (a), the mark-up for beef imported by KTHSC for tourist hotels and restaurants shall be no more than 2 percent of the duty-paid c.i.f. price, except for cuts of beef specified in Attachment II.
- (e) In the event that there are significant difficulties arising from discrepancies between the mark-up for bone-in beef in the wholesale market and the SBS mark-up in accordance with section IV.C.7 of this Understanding, the Parties will consult with each other with a view to addressing and resolving such difficulties.
- (f) The Republic of Korea, LPMO, and super-groups shall neither directly nor indirectly exert any influence on pricing decisions of end-users aside from the mark-up agreed upon in this Understanding.

8. SAMPLES

The importation of samples will be allowed under the SBS system, and the sample quantities shall be counted as part of the SBS share. Samples shall not be subject to the mark-up. All super-groups shall be responsible for establishing their sample import systems.

9. BID AND PERFORMANCE BONDS AND LETTERS OF CREDIT

The utilization of bid and performance bonds and/or letters of credit shall be at the option of SBS participants.

10. SHORT WEIGHT CLAIMS

Short weight claims shall be resolved between buyers and sellers.

11. MINIMUM PURCHASE UNIT

There shall be no governmental restrictions on the minimum purchase unit of beef imports.

12. PRODUCT COVERAGE

Product coverage for the SBS system shall be the same as for the overall Understanding, as defined in section II for the term "beef" and shall include all product classified under HS 0201 and HS 0202.

13. PURCHASING FREQUENCY

There shall be no governmental restrictions on the timing of purchases by customers, end-users, or their designated agents.

14. RECORD-KEEPING

Approved super-groups shall administer record-keeping of purchases to ensure compliance with the annual and quarterly SBS shares.

15. DELIVERY PERIODS

Delivery shall be determined between the end-user or customer and seller. Delivery of products purchased under quarterly SBS shares may be shipped in subsequent quarters as long as deliveries are completed within 60 days following the end of the calendar year in which the product was purchased.

V. GRASS-FED BEEF MARKETING

- A. The ROKG will evaluate in a transparent manner the impact on beef marketing and consumer preferences of the 1993 trial imports of grass-fed beef into the wholesale market from July to September 1993.
- B. Giving due consideration to the results of the trial marketing of grass-fed beef in the Korean wholesale market, the ROKG will allow gradually increasing tonnages of grass-fed beef to be distributed in the wholesale market upon the completion of the trial run. In the event that any difficulty arises in the market either during the process of the trial or after its completion, the Parties will have due recourse to the consultation provision in section VII of this Understanding for taking appropriate measures to address and resolve such difficulties.

VI. RELATIONSHIP TO THE GATT

- A. With regard to beef, the ROKG reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as provided in the conclusion of the report on the GATT Balance of Payments Committee on consultations with the Republic of Korea adopted by the GATT Council on November 7, 1989.
- B. Notwithstanding the above, both Parties reserve their rights under the GATT.

VII. CONSULTATION PROVISION

- A. The Parties agree to consult promptly at the request of either Party on any matter relating to this Understanding.
- B. The Parties shall consult quarterly to ensure full implementation of this Understanding. The first such consultations shall take place not later than October 1, 1993. The agenda for these consultations may include, inter alia, problems caused by employing the mark-up specified in section IV.C.7.a of this Understanding and problems in access for end-users and super-groups under the SBS system in accordance with requirements of this Understanding.

SIGNED at
English language.

on this

day of July 1993, in the

For the Government of the
Republic of Korea

For the Government of
Australia

ATTACHMENT I

LPHO DATA FOR CALCULATION OF 1992 AVERAGE MARK-UP

* Wholesale Price, Duty-paid price, c.i.f. for Imported Beef

		92.1	92.2	92.3	92.4	92.5	92.6	92.7	92.8	92.9	92.10	92.11	92.12	AVG.
Chuck Roast	Wholesale price(A)	6,038	6,407	6,510	7,581	7,419	6,811	7,021	7,182	6,802	7,624	9,730	9,757	7,235
	CIF+tariff (B)	3,904	3,756	3,885	3,916	3,997	3,764	3,514	3,537	3,521	3,695	3,929	3,829	3,726
	(A)-(B)	2,234	2,651	2,624	3,665	3,522	3,047	3,507	3,645	3,281	3,929	5,901	5,928	3,509
	Volume	3,885	1,335	1,945	1,681	2,414	2,211	2,281	3,362	3,029	1,895	1,397	1,916	2,279
Shoulder Clod	Wholesale price(A)	5,936	5,759	5,285	6,039	5,979	5,506	5,008	5,793	5,451	6,094	7,525	7,312	6,132
	CIF+tariff (B)	2,662	2,677	2,750	2,749	2,732	2,556	2,946	2,926	2,912	2,912	2,902	2,900	2,812
	(A)-(B)	3,254	3,082	2,535	3,290	3,247	2,720	3,060	2,867	2,539	3,182	4,624	4,412	3,320
	Volume	77	129	238	185	179	19	43	44	93	196	272	27	125
Knockle	Wholesale price(A)	6,349	6,087	6,520	6,983	6,500	5,731	6,002	6,100	5,661	7,527	8,332	8,858	6,600
	CIF+tariff (B)	3,507	3,587	3,643	3,567	3,740	3,766	3,654	3,629	3,605	3,509	3,675	3,674	3,646
	(A)-(B)	2,842	2,500	2,877	3,316	2,760	1,965	2,348	2,472	2,055	4,018	4,657	5,184	2,954
	Volume	932	287	303	518	702	727	666	1,135	893	306	473	688	628
Top Round	Wholesale price(A)	6,133	5,941	5,664	6,395	6,349	5,550	5,559	6,136	5,725	6,833	7,263	7,279	6,211
	CIF+tariff (B)	3,365	3,419	3,522	3,576	3,649	3,696	3,797	3,754	3,799	3,582	3,729	3,731	3,543
	(A)-(B)	2,748	2,522	2,142	2,819	2,700	1,954	1,762	2,382	1,926	3,151	3,534	3,548	2,569
	Volume	332	137	227	108	158	186	127	223	353	220	309	56	203
Short Ribs	Wholesale price(A)	10,072	10,095	9,881	10,340	10,120	10,291	10,900	11,741	11,671	13,629	12,709	11,422	11,041
	CIF+tariff (B)	4,903	4,955	4,788	4,724	4,669	4,557	4,708	4,707	4,669	4,678	4,796	4,797	4,739
	(A)-(B)	5,269	5,240	5,093	5,616	5,431	5,624	6,192	7,034	7,002	8,951	7,913	6,625	6,302
	Volume	1,071	484	587	535	738	748	654	1,171	788	453	751	692	731
Average	Wholesale price(A)	6,781	7,059	7,050	7,830	7,639	7,217	7,455	7,825	7,250	8,356	9,797	9,854	7,749
	CIF+tariff (B)	3,900	3,881	3,943	3,933	3,951	3,930	3,749	3,789	3,719	3,781	3,944	3,986	3,867
	(A)-(B)	2,881	3,178	3,107	3,897	3,688	3,287	3,704	4,036	3,531	4,575	5,853	5,868	3,882
	Volume	6,197	2,372	3,400	3,027	4,191	3,891	3,771	5,935	5,156	3,070	3,202	3,379	3,966

Note: Prices are for Won/Kilogram. 1US\$=798.3 (as of May 7, 1993)
Volume is in Metric tons.
Average is weighted average and may slightly differ, due to rounding.

Markup = (A)-(B)
Markup expressed as a percentage of duty paid import price

$$\frac{(A)-(B)}{B} = \frac{3882}{3867} = 100.38\%$$

Source: MAFF/ROKKG

ATTACHMENT II.
CUTS OF BEEF IMPORTED BY KTHSC

The following five cuts of beef, as defined in the National Association of Meat Purveyors Meat Buyers Guide and the Handbook of Australian Meat, imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.a of this Understanding.

	Meat Buyers Guide Reference	Handbook of Australian Meat Reference
Shoulder Clod	114, 114A, 114B	2300(Blade, Clod)
Chuck Roll	116A	2275(Chuck Roll) 2270(Chuck-Square Cut)
Short Rib	123, 123A, 123B, 123C	1690-1694: Bone-in 2235-2238 (Rib ends): Boneless
Knuckle	167, 167A, 167B	2060 (Thick Flank) 2070 (Knuckle)
Top Round	168, 169	2000 (Top Side) 2010 (Inside)

All other beef imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.d of this Understanding.

RECORD OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND
THE GOVERNMENT OF NEW ZEALAND
ON MARKET ACCESS FOR BEEF

The Government of the Republic of Korea and the Government of New Zealand, recognizing the recommendations of the General Agreement on Tariffs and Trade (GATT) dispute settlement panel report on Korean import restrictions on beef (L/6505) as well as the report of the GATT Balance of Payments Committee (BOP/R/183/Add.1) concerning Korea, and the May 1990 bilateral Record of Understanding between the Government of the Republic of Korea and the Government of New Zealand on beef, have agreed as follows:

I . GENERAL PROVISIONS

- A. The Governments of the Republic of Korea and New Zealand confirm that this Record of Understanding and its attachments (hereinafter referred to as "Understanding") will be implemented on a Most-Favored-Nation (MFN) basis.
- B. Conditions and levels of importation and sale of imported beef and all other provisions provided for in this Understanding shall not be impaired or modified by either Government without prior consultation and mutual agreement.
- C. This Understanding is the second Understanding between the Government of the Republic of Korea and the Government of New Zealand concerning market access for beef. This Understanding reflects the desire of the Parties to implement the GATT dispute settlement panel recommendations and Balance of Payments Committee determinations. Consultations between the Parties regarding such measures will be held no later than June 1, 1995.
- D. Unless otherwise specified in this Understanding, all provisions of this Understanding shall become effective upon the date of the signature of this Understanding by the Government of the Republic of Korea and the Government of New Zealand.

II . DEFINITIONS

For the purposes of this Understanding :

"Base amount" means the minimum annual amount, on a customs cleared basis, expressed in metric tons, of beef to be imported into the Republic of Korea.

"Beef" means all meat of bovine animals, fresh, chilled or frozen, as classified under HS 0201 and HS 0202. All tonnage

specified in this Understanding is given in retail weight equivalent.

"Customer" means any individual private enterprise, firm, business or grouping thereof that under the terms of this Understanding has the right to import beef through NLCF and KCSC.

"End-user" means any individual private enterprise, firm, business, or grouping thereof, and/or their buying agents that has the right to import beef through any super-group except NLCF or KCSC.

"General tender system" is the import and distribution system for beef imported into the Republic of Korea, excluding that which is supplied through the SBS system.

"Large-scale outlet" means a store with a total sales space of 3,000 square meters or more and with more than 30 percent of the total sales space operated by the owner.

"Mark-up" means the charge collected by the Government of the Republic of Korea expressed as a percentage of the duty-paid c.i.f. price.

"Parties" means the Government of the Republic of Korea and the Government of New Zealand.

"SBS share" means the portion of the base amount that must be allocated through the SBS system.

"SBS sub-share" means the portion of the SBS share that must be allocated to a super-group.

"SBS system" means the system through which suppliers of beef imported into the Republic of Korea conduct business directly with super-groups, end-users, or customers.

"Super-group" means an organization or association of end-users that has the right to import beef under the SBS system and, as appropriate, allocate SBS sub-shares among its affiliated end-users, and shall include the following entities, subject to the conditions and terms specified in this Understanding : the National Livestock Cooperatives Federation and its subsidiary companies (NLCF) ; Korea Cold Storage Company, Ltd. (KCSC); Korea Tourist Hotel Supply Center (KTHSC); Korea Meat Industries Association (KMIA); Korea Super Chain Association (KOSCA); and a non-tourist restaurant organization (NTRO) to be formed for the purpose of importing and allocating imported beef.

"Supermarket" means a retail store whose principal business is the sale of food and beverages.

"Tourist hotels" means tourist hotels as defined by the Korean Foreign Trade Act and related and referenced regulations.

"Tourist restaurants" means tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

"Wholesale Market" is the market for the auction and distribution of beef imported under General Tenders, other than that which is directed to NLCF and KCSC for further processing.

III. MARKET ACCESS -- BASE AMOUNTS

- A. The base amounts are the minimum to be imported on a customs cleared basis for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	99,000 metric tons
1994	106,000 metric tons
1995	113,000 metric tons

- B. These base amounts shall be divided between SBS shares in the SBS system, as specified in this Understanding, and the general tender system. The general tenders shall be published in domestic Korean newspapers, and the results of those tenders, when the results become known, shall be made available to any interested party upon request.

IV. MARKET ACCESS MEASURES -- SIMULTANEOUS BUY/SELL (SBS) SYSTEM

A. GENERAL

1. NLCF, KCSC, and KTHSC, which participated under the 1990 Understanding, shall participate in the SBS system as super-groups under this Understanding. New super-groups, end-users, and customers will be added to the SBS system over the term of this Understanding as specified in this Understanding.
2. The SBS system, as specified in this Understanding, will be implemented not later than August 1, 1993. However, 1993 SBS shares and sub-shares will be allocated to super-groups not later than the date of the signature of this Understanding by the Government of the Republic of Korea and the Government of New Zealand.
3. The Government of the Republic of Korea shall take no action to increase the price of beef entering under the SBS system above the price of similar beef imported under general tender.

B. FRAMEWORK FOR SBS SYSTEM

1. ANNUAL SBS SHARE AND SUB-SHARE ALLOCATIONS

- (a) The SBS annual shares are the amount to be allocated under the SBS system for the three-year period beginning January 1, 1993 and ending December 31, 1995 and shall be as follows:

1993	9,900 metric tons
1994	21,200 metric tons
1995	33,900 metric tons

(b) Annual sub-shares to be allocated to SBS super-groups shall be as follows (expressed in metric tons, retail weight equivalent) :

	1993	1994	1995
NLCF	2,970	3,330	5,254
KCSC	2,970	3,330	5,254
KTHSC	3,960	4,664	5,424
NTRO		2,000	2,712
KMIA		4,676	7,118
KOSCA		3,200	8,138

2. SCHEDULE FOR ADDITION OF NEW ENTRANTS

- (a) In 1993 the SBS sub-shares will be allocated by the Government of the Republic of Korea among the three super-groups (KTHSC, NLCF, KCSC), according to the schedule set out in section IV.B.1.b of this Understanding. These super-groups shall import beef on behalf of affiliated end-users (except in the case of NLCF and KCSC) without the participation, direction, or other involvement of the LPMO or the Government of the Republic of Korea.
- (b) Beginning January 1, 1994 NTRO and KMIA will have the right to participate as super-groups, and will each be allocated a SBS sub-share by the Government of the Republic of Korea, according to the schedule set out in section IV.B.1.b of this Understanding. KMIA and NTRO will allocate SBS sub-shares to their affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or the Government of the Republic of Korea.
- (c) Beginning October 1, 1994, KOSCA will have the right to participate as a super-group and will be allocated an SBS sub-share by the Government of the Republic of Korea, according to the schedule set out in section IV.B.1.b of this Understanding. The KOSCA super-group will allocate SBS sub-shares to its affiliated end-users and conduct transactions without the participation, direction, or other involvement of the LPMO or the Government of the Republic of Korea.

Criteria for determining eligibility for SBS participation of current and future KOSCA members are set out in section IV.C.1 of this Understanding.

- (d) Beginning January 1, 1995, any member of KOSCA not eligible to import through the KOSCA super-group, as outlined in section IV.C.1 of this Understanding, shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual KOSCA members shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (e) Also beginning January 1, 1995, any butcher shops that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers under NLCF and KCSC. For the sake of commercial convenience, such individual butcher shops shall have the right to negotiate and place collective orders through NLCF and KCSC.
- (f) Beginning August 1, 1993, and in 1994 and 1995, KTHSC, as a super-group, will administer the portion of the SBS system under which individual tourist hotels and restaurants, as end-users, have the option to purchase beef through KTHSC or directly from foreign suppliers.

C. ADDITIONAL PROVISIONS FOR SBS SYSTEM

1. KOSCA MEMBER PARTICIPATION IN THE SBS SYSTEM

- (a) Direct outlets of KOSCA member companies shall have the right to participate in the SBS system as end-users affiliated with the KOSCA super-group. Franchise outlets of KOSCA member companies that are or become registered dealers of imported beef shall have the right to participate in the SBS system as customers of NLCF and KCSC.
- (b) Any outlet of a KOSCA member company that is a large-scale outlet shall be excluded from SBS participation, except as provided for in sub-paragraph (c).
- (c) Notwithstanding sub-paragraph (b), and notwithstanding whether a KOSCA member company outlet is affiliated with a large-scale outlet that is not a supermarket, such KOSCA member company outlets that are operated as super-markets shall have the right to participate in the SBS system in the manner specified in section IV.C.1.a.

2. NOTIFICATION

The SBS sub-shares for a calendar year shall be divided by the super-groups into quarterly allocations in such a way as to reflect seasonal consumption patterns. These quarterly allocations shall be announced prior to the beginning of each calendar year. The allocations shall be expressed in metric tons, retail weight equivalent. SBS sub-share notifications shall be made available to any interested party on request.

3. PURCHASING AUTHORITY

- (a) End-users shall have the right to sign contracts and negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc. Customers shall have the right to negotiate all terms of sale, including price, quantities, specifications, terms of delivery, etc.
- (b) End-users or their designated agents, and customers, shall have the right to apply to the appropriate super-group for import authorization amounts under the SBS sub-share. Such authorization shall be granted by the super-groups upon request. End-users and customers shall be granted such access to sub-shares through super-groups, as established in this Understanding, until the sub-share is exhausted. Once an end-user or customer receives authorization to import, there shall be no further involvement by the super-group in the commercial transaction with the exception that NLCF and KCSC will purchase and import beef on behalf of their customers.
- (c) Direct or indirect charges imposed by super-groups for importing beef on behalf of their customers shall not exceed reasonable administrative costs and expenses associated with such importation. Direct or indirect charges imposed by super-groups for administering the allocation of SBS sub-shares to end-users shall not exceed reasonable administrative costs and expenses associated with such allocation. Super-groups shall make details of all such administrative costs and expenses available to any interested party upon request and shall not extract profits beyond the extent of such costs and expenses.

4. ALLOCATION OF SBS SUB-SHARES BY SUPER-GROUPS TO END-USERS

- (a) The allocation of sub-shares to end-users shall be the sole responsibility of super-groups. The procedures and criteria for allocation of these sub-shares shall be fair, equitable, transparent, and implemented in good faith. These criteria must be announced and published. To facilitate orderly marketing and development of normal commercial relationships between end-users and foreign suppliers, super-groups shall implement an allocation system that encourages stable, long-term commercial relationships between end-users and foreign suppliers while making provision for the entry of new end-users. Anticipating the addition of new end-users, the super-groups must have agreed procedures and criteria for distributing SBS sub-shares among their affiliated end-users.
- (b) Unused end-user sub-shares must be reallocated, prior to October 1 of the calendar year, by the super-group.

5. NLCF AND KCSC SUPER-GROUPS AND IMPORTATION OF BEEF ON BEHALF OF THEIR CUSTOMERS

Notwithstanding sections IV.C.3 and IV.C.4, not later than October 1, 1994, NLCF and KCSC will set and announce the standard by which they will purchase beef on behalf of their customers. This standard will be equitable, established in a transparent manner, and based on the following principles: NLCF and KCSC, taking into account their SBS shares and the number of their customers, will determine an appropriate ceiling for each customer and import on behalf of the customer amounts requested under the ceiling, and in doing so shall not discriminate unfairly against any customers. As long as a customer's request meets the standard thus established, NLCF and KCSC will carry out the importation on behalf of their customers without imposing further conditions.

6. IMPORTATION, UTILIZATION, AND DISTRIBUTION OF SBS PRODUCT

- (a) Except as otherwise specified in this Understanding, there shall be no restrictions placed by the Government of the Republic of Korea or any super-group on beef (regardless of country of origin, product type, or specification, whether grass-fed or grain-fed or whether fresh, chilled or frozen) imported under the SBS system, including processing requirements, labeling, pricing, marking or packaging requirements or other barriers to legitimate importation, distribution, and sale, that

create unnecessary obstacles to trade or otherwise undermine the objectives of this Understanding. Beef imported under the SBS system must be distributed and sold through legal channels in conformance with Korean regulations.

- (b) Any SBS sub-share that is not fully used by a super-group in any of its quarterly allocations shall be transferred to that super-group's allocation for the subsequent quarter, except that any SBS sub-share that is not fully utilized by a super-group by the end of the third calendar year quarter shall be reallocated to all other super-groups on a pro rata basis, in proportion to their respective entitlements under the SBS system, for their use in the final calendar year quarter. Such reallocation shall be made no later than October 15. With regard to any such pro rata share that is reallocated to KTHSC, any part of that reallocation used by KTHSC end-users shall be subject to the percentage mark-up specified in section IV.C.7.a of this Understanding.
- (c) Neither the Government of the Republic of Korea nor LPMO shall take any action to discourage super-groups and their end-users or customers from importing or using their SBS shares or sub-shares, as appropriate, as allocated under the terms of this Understanding.

7. SBS MARK-UP

- (a) A single, uniform percentage mark-up shall be applied to all types of beef purchased under the SBS system and shall be equal to the difference between the duty-paid price, c.i.f. Korea, and the price for all boneless cuts of imported grain-fed high quality beef, based on the purchases of the Livestock Products Marketing Organization (LPMO) sold in the general tender system. Such prices shall be determined by calculating the average prices over the immediately preceding three-month period. The mark-up shall be recalculated monthly. This mark-up shall be publicly announced and published prior to becoming effective. However, in the event that the mark-up in any month is in excess of the current percentage mark-up in the general tender market, the mark-up in the SBS system shall be recalculated weekly on a uniform basis using the latest available c.i.f. and general tender price data for the immediately preceding month.

- (b) The mark-up applied to beef subject to a contract shall be the mark-up in effect on the date of the contract.
- (c) Notwithstanding sub-paragraph (a), in further implementation of the findings of the GATT dispute settlement panel on beef, during 1993 the mark-up on beef shall not exceed 100 percent of the weighted average percentage mark-up applied to imported bone-less grain-fed high quality beef during calendar year 1992, as derived from data in Attachment I. During 1994, the mark-up on beef shall not exceed 95 percent of the weighted average percentage mark-up applied during calendar year 1992. During 1995, the mark-up on beef shall not exceed 90 percent of the weighted average percentage mark-up applied during calendar year 1992. There shall be no minimum mark-up.
- (d) Notwithstanding subparagraph (a), the mark-up for beef imported by KTHSC for tourist hotels and restaurants shall be no more than 2 percent of the duty-paid c.i.f. price, except for cuts of beef specified in Attachment II.
- (e) In the event that there are significant difficulties arising from discrepancies between the mark-up for bone-in beef in the wholesale market and the SBS mark-up in accordance with section IV.C.7 of this Understanding, the Parties will consult with a view to addressing and resolving such difficulties.
- (f) The Government of the Republic of Korea, LPMO, and super-groups shall neither directly nor indirectly exert any influence on pricing decisions of end-users aside from the mark-up agreed upon in this Understanding.

8. SAMPLES

The importation of samples will be allowed under the SBS system, and the sample quantities shall be counted as part of the SBS share. Samples shall not be subject to the mark-up. All super-groups shall be responsible for establishing their sample import systems.

9. BID AND PERFORMANCE BONDS AND LETTERS OF CREDIT

The utilization of bid and performance bonds and/or letters of credit shall be at the option of SBS participants.

10. SHORT WEIGHT CLAIMS

Short weight claims shall be resolved between buyers and sellers.

11. MINIMUM PURCHASE UNIT

There shall be no governmental restrictions on the minimum purchase unit of beef imports.

12. PRODUCT COVERAGE

Product coverage for the SBS system shall be the same as for the overall Understanding, as defined in section II for the term "beef" and shall include all product classified under HS 0201 and HS 0202.

13. PURCHASING FREQUENCY

There shall be no governmental restrictions on the timing of purchases by customers, end-users, or their designated agents.

14. RECORD-KEEPING

Approved super-groups shall administer record-keeping of purchases to ensure compliance with the annual and quarterly SBS shares.

15. DELIVERY PERIODS

Delivery shall be determined between the end-user or customer and seller. Delivery of products purchased under quarterly SBS shares may be shipped in subsequent quarters as long as deliveries are completed within 60 days following the end of the calendar year in which the product was purchased.

V. GRASS-FED BEEF MARKETING

- A. The Government of the Republic of Korea will evaluate in a transparent manner the impact on beef marketing and consumer preferences of the 1993 trial imports of grass-fed beef into the wholesale market from July to September 1993.
- B. Giving due consideration to the results of the trial marketing of grass-fed beef in the Korean wholesale market, the Government of the Republic of Korea will allow gradually increasing tonnages of grass-fed beef to be distributed in the wholesale market upon the completion of the trial run. In the event that any difficulty arises in the market either during the process of the trial or after its completion, the Parties will have due recourse to the consultation provision in section VII of this Understanding for taking appropriate measures to address and resolve such difficulties.

VI. RELATIONSHIP TO THE GATT

- A. With regard to beef, the Government of the Republic of Korea reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as provided in the conclusion of the report on the GATT Balance of Payments Committee on consultations with the Republic of Korea adopted by the GATT Council on November 7, 1989.
- B. Notwithstanding the above, both Parties reserve their rights under the GATT.

VII. CONSULTATION PROVISION

- A. The Parties agree to consult promptly at the request of either Party on any matter relating to this Understanding.
- B. The Parties shall consult quarterly to ensure full implementation of this Understanding. The first such consultations shall take place not later than October 1, 1993. The agenda for these consultations may include, inter alia, problems caused by employing the mark-up specified in section IV.C.7.a of this Understanding and problems in access for end-users and super-groups under the SBS system in accordance with requirements of this Understanding.

Signed at _____ on this _____ day of _____ 1993.

FOR THE GOVERNMENT OF
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF
NEW ZEALAND

ATTACHMENT I

LPMO DATA FOR CALCULATION OF 1992 AVERAGE MARK-UP

Wholesale Price, Duty-paid price, c.i.f. for Imported Beef		92.1	92.2	92.3	92.4	92.5	92.6	92.7	92.8	92.9	92.10	92.11	92.12	AVG.
Chuck Roll	Wholesale price(A)	6.038	6.407	6.510	7.561	7.419	6.811	7.021	7.182	6.802	7.624	9.730	9.757	7.235
	CIF+tariff(B)	3.804	3.756	3.886	3.916	3.897	3.764	3.514	3.537	3.521	3.695	3.829	3.829	3.726
	(A)-(B)	2.234	2.651	2.624	3.665	3.522	3.047	3.507	3.645	3.281	3.929	5.901	5.928	3.509
	Volume	3.885	1.335	1.945	1.681	2.414	2.211	2.281	3.362	3.029	1.895	1.397	1.916	2.279
Shoulder Clod	Wholesale price(A)	5.536	5.759	5.285	6.039	5.979	5.606	6.008	5.793	5.451	6.094	7.526	7.312	6.132
	CIF+tariff(B)	2.682	2.677	2.750	2.749	2.732	2.886	2.948	2.926	2.912	2.912	2.902	2.900	2.812
	(A)-(B)	3.254	3.082	2.535	3.290	3.247	2.720	3.060	2.867	2.539	3.182	4.624	4.412	3.320
	Volume	77	129	238	185	179	19	43	44	93	196	272	27	125
Knuckle	Wholesale price(A)	6.349	6.087	6.520	6.983	6.500	5.731	6.002	6.100	5.661	7.627	8.332	8.858	6.600
	CIF+tariff(B)	3.507	3.587	3.643	3.667	3.740	3.766	3.654	3.628	3.605	3.609	3.675	3.674	3.646
	(A)-(B)	2.842	2.500	2.877	3.316	2.760	1.965	2.348	2.472	2.056	4.018	4.657	5.184	2.954
	Volume	832	287	303	518	702	727	686	1,135	893	306	473	688	628
op Round	Wholesale price(A)	6.133	5.941	5.664	6.395	6.349	5.650	5.559	6.136	5.725	6.833	7.263	7.279	6.211
	CIF+tariff(B)	3.385	3.419	3.522	3.576	3.649	3.696	3.797	3.754	3.799	3.682	3.729	3.731	3.643
	(A)-(B)	2.748	2.522	2.142	2.819	2.700	1.954	1.762	2.382	1.926	3.151	3.534	3.548	2.569
	Volume	332	137	227	108	158	186	127	223	353	220	309	56	203
Port Ribs	Wholesale price(A)	10.077	10.095	9.881	10.340	10.120	10.291	10.900	11.741	11.671	13.629	12.709	11.422	11.041
	CIF+tariff(B)	4.803	4.855	4.788	4.724	4.689	4.867	4.708	4.707	4.669	4.678	4.796	4.797	4.739
	(A)-(B)	5.269	5.240	5.093	5.616	5.431	5.424	6.192	7.034	7.002	8.951	7.913	6.625	6.302
	Volume	1.071	484	687	535	738	748	654	1,171	788	453	751	692	731
Average	Wholesale price(A)	6.781	7.059	7.050	7.830	7.639	7.217	7.453	7.825	7.250	8.356	9.797	9.854	7.749
	CIF+tariff(B)	3.900	3.881	3.943	3.933	3.951	3.930	3.749	3.789	3.719	3.781	3.944	3.986	3.867
	(A)-(B)	2.881	3.178	3.107	3.897	3.688	3.287	3.704	4.036	3.531	4.575	5.853	5.868	3.882
	Volume	6.197	2,372	3,400	3,027	4,191	3,891	3,771	5,935	5,156	3,070	3,202	3,379	3,966

Note: Prices are for Won/Kilogram. 1US\$=798.3 (as of May 7, 1993)
Volume is in Metric tons.
Average is weighted average and may slightly differ, due to rounding.

Markup = (A)-(B)
Markup expressed as a percentage of duty paid import price

$$\frac{(A)-(B)}{B} = \frac{3882}{3867} = 100.38\%$$

Source: MAFF/ROK

ATTACHMENT II.
CUTS OF BEEF IMPORTED BY KTHSC

The following five cuts of beef, as defined in the National Association of Meat Purveyors Meat Buyers Guide, and the New Zealand Meat Trade Guide, imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.a of this Understanding.

	Meat Buyers Guide Reference	New Zealand Meat Trade Guide Reference
Shoulder Clod	114, 114A, 114B	25510-25513 (Shoulder Clod)
Chuck Roll	116A	25416
Short Rib	123, 123A, 123B, 123C	25921-25924 25928
Knuckle	167, 167A, 167B	22314 22310 (Knuckle)
Top Round	168, 169	22140 (Top Side) 22110 (Inside Round)

All other beef imported by KTHSC for tourist hotels and restaurants shall be subject to the mark-up level specified in section IV.C.7.d of this Understanding.