

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6697

9 July 1990

Limited Distribution

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KOREA - RESTRICTIONS ON IMPORTS OF BEEF

Follow-up on the Panel reports²

The following communication, dated 4 July 1990, has been received from the delegation of Korea, with the request that it be circulated to contracting parties.

¹Reproduced, in extenso, as communicated.

²Complaint by Australia - L/6504.
Complaint by New Zealand - L/6505.
Complaint by the United States - L/6503.

IMPLEMENTATION OF PANEL REPORTS ON
KOREAN BEEF IMPORT RESTRICTIONS

1. In accordance with the recommendations in the Panel Reports (L/6503, L/6504 and L/6505) adopted on 7 November 1989, Korea held consultations with three contracting parties to the dispute and, as a result, reached agreements with those countries. The agreements with the United States and Australia were signed on 27 April and on 31 May 1990 respectively. The agreement with New Zealand was initialled on an ad referendum basis on 27 June 1990 and will be soon formally signed.

2. The three agreements are almost identical and will be implemented on a Most-Favoured-Nation (MFN) basis. The main points of the agreements are as follows:

(1) General Terms

- (a) 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.
- (b) A joint study team will be established in order to examine the structural weakness of the Korean livestock industry and to review the effects of the industry structure on the appropriate timing of market liberalisation. The study will be completed by 1 May 1991.

(2) Market Access Measures

General Consumption

- (a) The base (minimum) quota levels of general consumption importation on a customs clearance basis for each of the three years in the period beginning 1 January 1990 and ending 31 December 1992 will be as follows:

1990	1991	1992
58,000 MT	62,000 MT	66,000 MT

- (b) Bilateral consultations will be initiated no later than 1 July 1992 to reach agreements on an import regime designed to increase imports following the year 1992.

Simultaneous Buy/Sell (SBS)

- (c) A simultaneous buy/sell system will be implemented for seven percent of the base quota level for the import of beef. This mechanism will be used initially by tourist hotels, tourist restaurants, the National Livestock Co-operative Federation, and the Korean Cold Storage Company Limited. Implementation of the SBS system will be effective no later than 1 October 1990.

Attachments:

- 1) Records of Understanding with the United States
- 2) Records of Understanding with Australia
- 3) Records 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 BEEF

The Government of the Republic of Korea and the Government of the United States of America, recognizing the recommendations of the 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, have agreed as follows:

I. GENERAL TERMS

- A. With regard to beef, the Government of the Republic of Korea (hereinafter referred to as the Korean government) reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as included in the conclusion of the report of the GATT/BOP committee on consultations with the Republic of Korea adopted by the GATT Council on November 7, 1989.
- B. Both sides agree that this Record of Understanding will be implemented on a Most-Favoured-Nation (MFN) basis.
- C. Conditions and levels of importation and sale of imported beef provided for in this Record of Understanding and its attachments shall not be impaired or modified by either government without prior consultation.
- D. A joint study team will be established in order to:
- (1) examine the structural weakness of the Korean livestock industry and review the effects of the industry structure on the appropriate timing of market liberalization;
 - (2) review the functions of the LPMO and make recommendations for improvements in marketing and pricing practices in the future.
- The study will be completed by May 1, 1991. Other details concerning the joint study team will be decided upon by May 1, 1990.
- The US Meat Export Federation (MEF), the Livestock Products Marketing Organization (LPMO) and the National Livestock Cooperatives Federation (NLCF) will select the members of the study team. Both governments will participate as observers and recommend that third country government and industry representatives be included on the study team. The results of the study team will be taken into consideration by both governments during future consultations.
- E. Terms used in this Record of Understanding are defined in Attachment 1.

II. MARKET ACCESS MEASURES

General Consumption

- A. The base quota levels of general consumption importation on a customs clearance basis for the three year period beginning January 1, 1990 and ending December 31, 1992 shall be as follows:

1990	1991	1992
58,000 MT	62,000 MT	66,000 MT

- B. Bilateral consultations concerning an import regime designed to increase imports following the year 1992 shall be initiated no later than 1 July 1992.

Simultaneous Buy/Sell (SBS)

- C. A simultaneous buy/sell system will be implemented for seven percent of the base quota level for the import of beef. This mechanism will be used initially by tourist hotels, tourist restaurants, the NLCF and the Korean Cold Storage Company Ltd. Principles of the operation of this buyer access system are contained in Attachment 2. Details concerning the operation of this system will be determined by both governments no later than October 1, 1990 based upon recommendations from the industry-to-industry dialogue established in section III below. Implementation of the SBS system will be effective no later than October 1, 1990. Both governments will consult concerning the future expansion of the SBS system.

III. INDUSTRY-TO-INDUSTRY DIALOGUE

- A. By May 1, 1990, US industry and LPMO representatives will meet to work out short-term technical problems related to the operations of the LPMO. Topics listed in Attachment 3 have been discussed between U.S. and Korean industries.
- B. The results of the industry-to-industry dialogue will be submitted to the Korean and U.S. governments for review and consultations, as appropriate.

IV. CONSULTATIONS

Both sides agree to consult promptly at the request of either party on any matter relating to this Record of Understanding and its attachments.

V. GATT RIGHTS

Notwithstanding the above, both governments reserve their rights under the GATT.

VI. CONCLUSION

Based on the commitments contained in this Record of Understanding and its attachments, which are an integral part of this Understanding, and in anticipation that successful implementation of these commitments will proceed as scheduled, the United States Government shall suspend further action in the investigation into Korea's policies and practices relating to market access for beef conducted under section 301 of the U.S. Trade Act of 1974, as amended. Upon exchange of letters with attachment of this Record of Understanding, the section 301 investigation will be terminated.

Signed on April 27th day of 1990 by
the Representatives of the Governments
of the Republic of Korea and the United
States of America

ATTACHMENT I

DEFINITIONS

For purposes of this Record of Understanding and its attachments:

1. "Beef" means meat of bovine animals, fresh, chilled or frozen. All tonnage specified in the agreement is given in retail weight equivalent.
2. "Tourist hotels" and "tourist restaurants" mean tourist hotels and tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

ATTACHMENT 2

SIMULTANEOUS BUY/SELL SYSTEM

1. Buyers and sellers will have sole responsibility for product specification, delivery and other terms of sale.
2. Buyers and sellers will simultaneously submit buy and sell prices to the LPMO to participate in the LPMO tender.

ATTACHMENT 3

Results of Industry to Industry Dialogue
April 18, 1990

Part 1. Issues of Agreement:

The following issues have been resolved per discussions between MEF and LPMO on 18 April 1990:

- A. MEF withdrew its request for a registered supplier brand list. It was agreed that future tender bids submitted by supplier/agents list packer/brand and that agents may specify multiple packer/brands/price. MEF will supply to LPMO a list of all Federally inspected plants.
- B. LPMO reaffirmed its acceptance of the U.S. request to allow multiple puts or a single tender bid position.
- C. LPMO agreed that packaging specifications will not be a part of the conditions of its tenders. The MEF agreed to work with the U.S. industry to improve the packaging of its export product.
- D. LPMO and MEF agreed that further Industry to Industry dialogue would occur.
- E. In regard to the Joint Study Team, it was agreed that: 1) by May 1, 1990 proposals would be exchanged on the team composition and study topics; 2) MEF President Phil Seng and NLCF Chairman Myoung would co-chair the Teams; and 3) the Joint Study Team would meet during the week of June 11 or 18 with an agenda including details concerning study topics, meeting agenda, study methodology, and study timetable.

Part 2. Unresolved Issues to be addressed:

In addition, the industries agreed to continue consultations on the following subjects, based upon discussions held on April 18, 1990 and an exchange of letters reflecting that dialogue:

- A. Bid Bonds;
- B. Performance Bonds;
- C. SBS, (U.S. and Korean industries agreed to meet at the latest by July to discuss the draft SBS Plan.);
- D. Joint Study Team (see E above; additional details to be determined).

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

The Government of the Republic of Korea and the Government of Australia, recognizing the recommendations of the 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, have agreed as follows:

I. GENERAL TERMS

- A. With regard to beef, the Government of the Republic of Korea (hereinafter referred to as the Korean Government) reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as included in the conclusion of the report of the GATT/BOP committee on consultations with the Republic of Korea adopted by the GATT Council on November 7, 1989.
- B. Both sides agree that the provisions of this Understanding relating to the import of beef will be implemented on a Most-Favoured-Nation (MFN) basis.
- C. Conditions and levels of importation and sale of imported beef provided for in this Record of Understanding and its Attachments will not be impaired or modified by either government without prior consultation.
- D. A joint study team will be established in order to:
- (1) examine the structural weakness of the Korean livestock industry and review the effects of the industry structure on the appropriate timing of market liberalization;
 - (2) review the functions of the Livestock Products Marketing Organization (LPMO) and make recommendations for improvements in marketing and pricing practices in the future.

The study will be completed by May 1, 1991. Other details concerning the joint study are set out in Attachment 1.

Representatives of the National Livestock Cooperatives Federation (NLCF) and the LPMO and the Australian Meat and Livestock Industry will respectively select the Korean and Australian members of the study team. Both governments will participate as observers. Third country and industry representatives will be included on the study team. The results of the study team will be taken into consideration by both governments during future consultation.

- E. Terms used in this Record of Understanding are defined in Attachment 2.

II. MARKET ACCESS MEASURES

General Consumption

- A. The base quota levels of general consumption importation on a customs clearance basis for each of the three years in the period beginning January 1, 1990 and ending December 31, 1992 will be as follows:

1990	1991	1992
58,000 MT	62,000 MT	66,000 MT

- B. Bilateral consultations concerning an import régime designed to increase imports following the year 1992 will be initiated no later than July 1, 1992.

Simultaneous Buy/Sell (SBS)

- C. A simultaneous buy/sell system will be implemented for seven percent of the base quota level for the import of beef. This mechanism will be used initially by tourist hotels, tourist restaurants, the NLCF and the Korean Cold Storage Company Ltd. Principles of the operation of this buyer access system are contained in Attachment 3. Details concerning the operation of this system will be determined by both governments no later than October 1, 1990 based upon recommendations from the industry-to-industry dialogue established in section III below. Implementation of the SBS system will be effective no later than October 1, 1990. Both governments will consult concerning the future expansion of the SBS system.

III. INDUSTRY-TO-INDUSTRY DIALOGUE

- A. Representatives of the Korean and Australian meat and livestock industries met on 23 April to discuss a range of technical issues. The outcome of these discussions is reflected in Attachment 1.
- B. The two industries will meet at the request of either industry to discuss issues associated with the beef trade.
- C. The results of industry-to-industry dialogue will be submitted to the Korean and Australian governments for review and consultations, as appropriate.

IV. CONSULTATIONS

Both sides will consult promptly at the request of either party on any matter relating to this Record of Understanding and its Attachments.

V. GATT RIGHTS

Nothing in this Record of Understanding will be interpreted to affect the rights and obligations of either country as contracting parties to the GATT.

VI. STATUS OF ATTACHMENTS

The Attachments to this Understanding form an integral part of it.

Signed on May 31st day of 1990 by the
Representatives of the Governments
of the Republic of Korea and Australia

ATTACHMENT 1

INDUSTRY-TO-INDUSTRY DIALOGUE

The following issues were discussed between LPMO, NLCF and the Australian industry (AMLC, AMEFC, CCA).

1. Bid & performance bonds

LPMO could not agree to the elimination of bid & performance bonds because of the difficulties LPMO may face without the bonds. It was agreed that future discussions on the issue would take into account the views of the Australian industry representatives.

2. Bid quantities

The Australian side noted that the minimum bid quantity had been reduced to 18 tonnes for boneless beef and remained at 200 tonnes for bone-in beef.

3. SBS system

The Australian side noted that the SBS system would be implemented no later than October 1, 1990 for 7% of the base quota. Details for the SBS system are not fixed and LPMO invited Australia's participation to assist in the developments of the new system.

The Australian side expressed its desire to meet in the near future to have detailed discussions on the SBS based on the principle of non-discrimination by source and by product type.

4. Technical issues

- (a) The LPMO agreed that AMLC technical representatives would be consulted in case problems arose with respect to product quality.
- (b) For quality specification, it was agreed that Korea and Australia would jointly develop the specification system. In the first place, the "Ausmeat K1" which codifies the specification of grain-fed beef that LPMO established shall be used. And the "Ausmeat P1" which codifies the specification of grass-fed beef that LPMO established shall be used. These codes would apply from the next tender issued.
- (c) Other issues which are set out in an exchange of letters between the LPMO and AMLC will be subject to further discussion.

5. Joint Study Team (JST)

- (a) LPMO and NLCF encouraged the Australian industry to participate actively in the study.
- (b) The Australian meat and livestock industry will notify the NLCF Chairman of the Australian co-chair for the joint study team in the near future, but no later than May 21, 1990. Composition of the joint study team and the topics for consideration by the team will be agreed as soon as possible.
- (c) The first meeting of participants in the study team will take place in Seoul either in the week beginning June 11 or 18 June, 1990. The agenda for this meeting will include details concerning study topics, study methodology and study timetable.

ATTACHMENT 2

DEFINITIONS

For the purpose of this Record of Understanding and its Attachments:

1. "Beef" means meat of bovine animals, fresh, chilled or frozen. All tonnage specified in the agreement is given in boneless weight equivalent.
2. "Tourist hotels" and "tourist restaurants" mean tourist hotels and tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

ATTACHMENT 3

SIMULTANEOUS BUY/SELL SYSTEM

1. All imports of beef under the simultaneous buy/sell system will receive equal, non-discriminatory treatment without regard to country of origin and without regard to whether it is grass-fed or grain-fed; fresh, chilled or frozen; bone-in or bone-out.
2. Buyers and sellers will have sole responsibility for product specification, delivery and other terms of sales.
3. Buyers and sellers will simultaneously submit buy and sell prices to the LPMO to participate in the LPMO tender.
4. Details of successful bids including product type, quantity, price, and origin will be made public, promptly, once awarded.
5. The operation of the SBS system will be reviewed at the request of either party.

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

The Government of the Republic of Korea and the Government of New Zealand, recognizing the recommendations of the 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, have agreed as follows:

I General Terms

- A. With regard to beef, the Government of the Republic of Korea (hereinafter referred to as the Korean Government) reaffirms its undertaking to eliminate its remaining import restrictions or otherwise bring them into conformity with GATT provisions as included in the conclusion of the report of the GATT/BOP Committee on consultations with the Republic of Korea adopted by the GATT Council on 7 November 1989.
- B. Both sides accept that the provisions of this Record of Understanding relating to the import of beef will be implemented on a Most-Favoured-Nation (MFN) basis.
- C. Conditions and levels of importation and sale of imported beef provided for in this Record of Understanding and its Attachments will not be impaired or modified by either government without prior consultation.
- D. A joint study team will be established in order to:
 - (1) examine the structural weakness of the Korean livestock industry and review the effects of the industry structure on the appropriate timing of market liberalisation;
 - (2) review the functions of the LPMO and make recommendations for improvements in marketing and pricing practices in the future.

The study will be completed by 1 May 1991. Other details concerning the joint study are set out in Attachment 1.

Representatives of the Livestock Products Marketing Organisation (LPMO) and the National Livestock Cooperatives Federation (NLCF) and the New Zealand meat and livestock industry will respectively select the Korean and New Zealand members of the study team. Both governments will participate as observers. Third country government and industry representatives will be included on the study team. The results of the study team will be taken into consideration by both governments during future consultations.

- E. Terms used in this Record of Understanding are defined in Attachment 2.

II Market Access Measures

General Consumption

- A. The base (minimum) quota levels of general consumption importation on a customs clearance basis for each of the three years in the period beginning 1 January 1990 and ending 31 December 1992 will be as follows:

1990	1991	1992
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- B. Bilateral consultations will be initiated no later than 1 July 1992 to reach agreement on an import regime designed to increase imports following the year 1992.

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- C. A simultaneous buy/sell system will be implemented for seven percent of the base quota level for the import of beef. This mechanism will be used initially by tourist hotels, tourist restaurants, the NLCF and the Korean Cold Storage Company Ltd. Principles of the operation of this buyer access system are contained in Attachment 3. Details concerning the operation of this system will be determined by both governments no later than 1 October 1990 based upon recommendations from the industry-to-industry dialogue established in section III below. Implementation of the SBS system will be effective no later than 1 October 1990. Both governments will consult concerning the future expansion of the SBS system.

III Industry-to-Industry Dialogue

- A. Representatives of the Korean and New Zealand meat and livestock industries met on 13 June 1990 to discuss a range of technical issues. The outcome of these discussions is reflected in Attachment 1.
- B. The two industries will meet at the request of either industry to discuss issues associated with the beef trade.
- C. The results of industry-to-industry dialogue will be submitted to the Korean and New Zealand Governments for review and consultations as appropriate.

IV Consultations

Both sides will consult promptly at the request of either party on any matter relating to this Record of Understanding and its Attachments.

V GATT Rights

Nothing in this Record of Understanding will be interpreted to affect the rights and obligations of either country as contracting parties to the GATT.

VI Status of Attachments

The Attachments to this Record of Understanding form an integral part of it.

Initialed on June 27th day of 1990 by the
Representatives of the Governments of the
Republic of Korea and New Zealand

ATTACHMENT 1

INDUSTRY-TO-INDUSTRY DIALOGUE

The following issues were discussed between the LPMO, the NLCF and the New Zealand industry (the New Zealand Meat Producers Board and the New Zealand Meat Industry Association (Inc)).

1. Bid and Performance Bonds

The LPMO could not agree to the elimination of bid and performance bonds. It was agreed that future discussions on this issue would take into account the views of New Zealand industry representatives.

2. Bid Quantities

The New Zealand side noted that it had a system of 20 foot containers and asked for the minimum bid quantity in relation to boneless beef to be expressed in terms of one container minimum or, alternatively, 12 tonnes of chilled boneless beef and 15 tonnes of frozen boneless beef. The LPMO agreed that it would consider the New Zealand request to reduce the minimum bid quantity.

3. SBS System

The New Zealand side noted that the SBS system would be implemented no later than 1 October 1990 for 7% of the base quota. The LPMO noted that the draft proposal will be discussed with the New Zealand industry.

The LPMO confirmed that the SBS would operate on a principle of non-discrimination by source and by product type.

4. Technical Issues

Other matters discussed between the LPMO and the New Zealand industry included; product quality and product type; advance notification of tenders; notification of change to the tendering system; shipping periods; registration of suppliers and packers; and the grading and ticketing of quarter and carcass beef. These matters are set out in an exchange of letters between the LPMO and the New Zealand industry.

5. Joint Study Mission

- a) LPMO and NLCF (represented at the meeting) encouraged the New Zealand industry to participate.
- b) The New Zealand Meat Producers Board and the New Zealand Meat Industry Association (Inc) will consider their respective representation and will notify the NLCF of the New Zealand representatives for the joint study team in the near future.
- c) The first meeting of participants in the study team will take place in Seoul on 11 July 1990. The agenda for this meeting will include details concerning study topics, study methodology and study timetable.

6. Industry-to-industry Dialogue

The LPMO encouraged regular meetings between the Korean and New Zealand meat industries to discuss matters of mutual concern.

ATTACHMENT 2

DEFINITIONS

For the purpose of this Record of Understanding and its Attachments:

1. "Beef" means meat of bovine animals, fresh, chilled or frozen. All tonnage specified on the agreement is given in boneless weight equivalent.
2. "Tourist hotels" and "tourist restaurants" mean tourist hotels and tourist restaurants as defined by the Korean Foreign Trade Act and related and referenced regulations.

ATTACHMENT 3

SIMULTANEOUS BUY/SELL SYSTEM

1. All imports of beef under the simultaneous buy/sell system will receive equal, non-discriminatory treatment without regard to country of origin and without regard to whether it is grass-fed or grain-fed; fresh, chilled or frozen; bone-in or bone-out.
2. Buyers and sellers will have sole responsibility for product specification, delivery and other terms of sales.
3. Buyers and sellers will simultaneously submit buy and sell prices to the LPMO to participate in the LPMO tender.
4. Details of successful bids including product type, quantity, price, and origin will be made public, promptly, once awarded.
5. The operation of the SBS system will be reviewed at the request of either party.