

April 18, 2008

FACT SHEET ON KOREA BEEF PROTOCOL

The United States and Korea concluded an agreement on April 18, 2008 to fully reopen South Korea's market to all U.S. beef and beef products consistent with international standards and the World Organization for Animal Health (OIE) guidelines.

Before the Korean market was closed to U.S. beef and beef products in December 2003, following the detection of a case of BSE in Washington State, Korea was the third largest – and growing – export market for U.S. beef and beef products with annual sales of \$815 million in 2003.

Once the United States-Korea Free Trade Agreement (KORUS FTA) is ratified and implemented and the current 40 percent tariff on U.S. beef is fully lifted, the FTA is expected to generate annual tariff savings of approximately \$500 million a year for U.S. beef exporters based on 2003 trade volumes alone. In addition, KORUS will put U.S. beef in a preferential competitive position relative to third country beef exports to South Korea.

► Benefits to American Ranchers

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

► Benefits for Korean Consumers

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

► Major Obstacle to KORUS FTA Removed

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

► Main Provisions of the Protocol

- OIE-consistent: The protocol establishes clearly-defined, predictable conditions based upon science and international standards.
 - The protocol should open trade in all U.S. beef and beef products from animals of all ages, including deboned beef, bone-in beef, offals and variety meats, and processed beef products.

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- The list of Specified Risk Material (SRM) to be removed is OIE-consistent, and includes tonsils and distal ileum from cattle of all ages and also the brain, eyes, spinal cord, skull, dorsal root ganglia (DRG), and vertebral column from cattle 30 months of age and over. This list excludes vertebrae of the tail, transverse processes, and spinous processes of the cervical, thoracic and lumbar vertebrae, median crest, and wings of the sacrum.
- Under the protocol, Korea will reopen its market to U.S. beef from cattle 30 months and under, and will reopen its market to U.S. beef from cattle over 30 months upon U.S. publication of the enhanced feed ban rule, which has been under consideration in the United States for some time.
- The protocol is designed to ensure both human health and commercial viability. The protocol establishes proportional responses to instances of non-compliance with the terms of the protocol.
 - Non-food safety hazards do not result in plant closure or suspension.
 - No market closures as a result of individual plant violations – only the plant responsible for violations will be impacted.
 - No "one strike and you're out" for individual plants.
 - Appropriate penalties for instances of food safety hazards ranging from rejection of a product lot to blocking the exports from a particular plant depending on the severity of the problem and the plant's previous track record.
- Equivalence: Korea becomes the 63rd country to recognize the equivalence of the U.S. meat inspection system, which will simplify the regulatory burden on our meat-packing industry, with smoother and more streamlined import procedures.
- Under the protocol, certain transitional confidence building measures are included.
 - During the first 90 days that the protocol is in effect, Korea has the option to audit and/or reject U.S. decisions regarding the listing of new plants or re-listing of previously de-listed plants.
 - During the first 180 days that the protocol is in effect, exports of T-bone and Porterhouse steaks need to include a notation on the box indicating that these cuts of beef come from cows under 30 months.

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- Consultative Mechanism: The protocol also establishes a consultative mechanism that will ensure that both countries will meet promptly to address and resolve differences that may arise in the implementation of the protocol.
- Beef and beef products from all Mexican cattle, both direct slaughter and feeder cattle, is allowed under the protocol (Korea already imports beef from Mexico directly).
- Beef and beef products from Canadian feeder cattle are allowed under the protocol if they are fed in the United States for 100 days.
- Product that has been in the shipment pipeline will enter under the new protocol. Specifically, U.S. deboned beef produced for the Korean market under the previous and more limited protocol and slaughtered before October 5, 2007 that remains at Korea's port of entry or in storage in the United States will be eligible for inspection by Korean inspectors.
- With this protocol Korea joins a growing group of countries, such as the Philippines, Indonesia, Canada, Peru, Colombia, Panama, Guatemala, Honduras, Jamaica, Barbados, Jordan, Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates that have implemented OIE-consistent import requirements for U.S. beef and beef products with regard to Bovine Spongiform Encephalopathy (BSE).