

Agricultural Trade Between Korea, China and Japan: Disputes and Countermeasures

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INTRODUCTION

The prospect of a further increase of agricultural trade between Korea, China and Japan with China's membership into the World Trade Organization (WTO) raises the potential for more trade disputes between the three countries. In particular, concerns are mounting over the possibility of increased vegetable imports from China, as a result of a shift from grain to vegetable and fruit production (after joining the WTO), and tougher competition against Chinese farm products in Japan, Korea's major export market.

With Japan adopting various curbs on imports to protect its local farmers from rising imports of farm products from China and Korea, Korea will have to deal with those import restrictions. Meanwhile, the growing influx of Chinese produce in the Korean market has already triggered domestic difficulties.

The purpose of this article is to assess the trade volume of farm products and the trade frictions that will occur between Korea, China and Japan, to forecast future trade of agricultural products and to identify a strategy to prevent trade disputes.

Table 1. Agricultural Trade Between Korea and China

(Unit: million dollars)

Year	Exports to China			Imports from China		
	Total	Agricultural Products	Livestock Products	Total	Agricultural Products	Livestock Products
1991	1,003	2.8	0.1	3,441	897.3	83.7
1992	2,654	5.8	0.8	3,725	1,057.6	93.7
1993	5,151	10.6	4.2	3,929	1,009.3	111.9
1994	6,203	20.7	4.0	5,463	1,042.2	105.8
1995	9,144	54.8	11.1	7,401	502.6	88.9
1996	11,377	39.0	18.7	8,539	641.2	117.3
1997	13,572	62.5	11.8	10,117	1,037.7	103.4
1998	11,944	44.0	8.4	6,484	672.7	45.2
1999	13,685	52.1	8.1	8,867	712.3	52.8
2000	18,455	66.5	10.9	12,799	1,323.7	69.5
2001	18,190	72.6	11.7	13,303	941.2	69.7

Source: Korea Trade Information Service (KOTIS)

AGRICULTURAL TRADE BETWEEN KOREA AND CHINA

Volume of trade between Korea and China was only US \$4.4 billion in 1991, before diplomatic ties were established between the two countries, but rose seven-fold to US \$31.5 billion by 2001. Of this total, agricultural trade was approximately US \$1 billion in 1991, US \$1.5 billion in 2000 and US \$1.1 billion in 2001. Since 1993, Korea has consistently enjoyed a trade surplus with China, but on farm products it has recorded a deficit balance. Specifically, in 2001 total trade with China recorded a surplus of approximately US \$4.9 billion, while the balance for farm products stood at a deficit of about US \$900 million.

The export volume of farm products was US \$3 million in 1991, before the establishment of diplomatic ties, and it grew to US \$84

Table 2. Key Korean Products Exported to China

(Unit: thousand dollars)

	1996	1997	1998	1999	2000	2001
Flour	1,042	1,109	983	1,816	2,518	2,310
Corn starch	40	32	136	306	130	239
Soybeans	78	16	39	65	148	67
Chili peppers	168	0	13	0	55	132
Garlic	0	-	-	6	32	121
Persimmons	0	0	1	0	117	261
Pears	1	0	0	0	4	141
Soybean oil	10	2	2,567	428	550	233
Chestnuts	3,567	1,767	544	1,299	1,865	3,090
Sugar	7,458	16,843	10,253	9,159	12,041	19,667
Whiskey	255	643	4,483	1,014	1,891	2,025
Biscuits	204	246	145	1,126	1,185	1,651
Noodles	744	1,593	2,281	1,621	3,559	4,308
Nuts	3,808	1,814	792	1,563	1,865	3,122
Ginseng	1,453	262	282	1,305	2,555	3,079
Chicken	51	136	216	264	281	245

Source: KOTIS

million in 2001 while the volume of imports increased only slightly, from US \$980 million to US \$1.01 billion during the same period. After the foreign currency crisis in 1998 and 1999, import of farm products from China dropped significantly to US \$700-800 million, but since 2000 has recovered to pre-crisis levels.

In terms of agricultural products exported from Korea to China as of 2001, most are processed farm products such as sugar, noodles, liquor, and candies, while grains, beans and fruits are proportionately low. However, export of nuts and ginseng has grown steadily since 1998 with the volume of ginseng export in 2001 increasing eleven-fold from 1998. Export of fruits such as

Table 3. Key Chinese Farm Products Exported to Korea

(Unit: thousand dollars)

	1996	1997	1998	1999	2000	2001
Rice	31,591	10,139	16,049	49,097	37,014	18,337
Corn (Corn for seed and feed excluded)	1,578	39	3,108	2,157	53,510	24,999
Corn for feed	9,712	479,072	334,097	133,457	606,306	273,773
Soybeans	986	724	3,017	8,461	9,701	12,484
Welsh onions	3,917	5,891	5,065	4,501	4,840	6,133
Chili peppers	19,449	8,551	13,767	10,511	10,367	13,960
Garlic	8,845	11,618	15,435	15,294	9,106	15,514
Crimini mushrooms	4,546	3,383	1,637	4,827	5,003	3,616
Fern	21,893	19,489	9,458	16,839	15,889	14,799
Sesame seeds	59,830	10,950	5,750	36,528	25,970	16,088
Peanuts	14,026	22,940	14,886	21,281	20,980	18,886
Adzuki beans	10,299	7,910	6,229	8,266	12,481	12,669
Persimmons	1,139	1,358	101	981	1,467	1,484
Pork	157	167	131	313	354	384
Chicken	4,024	16,288	1,853	16	3,090	5,635

Source: KOTIS

persimmons and pears is increasing gradually but still remains low.

In 2001, farm products imported from China included feed grain corn, peanuts, sesame seeds, garlic, ferns and chili peppers. In particular, import of chili peppers and garlic grew year-on-year 34.7 percent and 70.4 percent respectively. Noteworthy is the 2001 proportion of vegetables, which exceeds grain, excluding feed grain. This change appears to have been prompted by China's recent policy to raise vegetable production and expand their exports.¹⁾ The policy

1) China's export of vegetables grew about 2.7-fold from KR ₩600 million in 1990 to

Table 4. Agricultural Trade Between Korea and Japan

(Unit: million dollars)

Year	Export to Japan			Import from Japan		
	Total	Agricultural Products	Livestock Products	Total	Agricultural Products	Livestock Products
1991	12,356	370.7	55.5	21,120	97.6	11.8
1992	11,599	426.4	78.3	19,458	115.8	12.2
1993	11,564	361.5	86.5	20,016	125.7	12.8
1994	13,523	447.8	87.8	25,390	177.7	13.0
1995	17,049	529.1	109.5	32,606	247.5	16.4
1996	15,767	428.6	246.5	31,449	171.4	20.4
1997	14,771	400.8	284.4	27,907	171.8	23.3
1998	12,238	404.8	352.2	16,840	76.2	14.9
1999	15,862	537.3	373.1	24,142	124.6	20.9
2000	20,466	576.1	101.2	31,828	165.4	34.9
2001	16,506	573.1	29.3	26,633	158.1	38.5

Source: KOTIS

may lead to more trade frictions with Japan and even become the main cause behind trade disputes between Korea, China and Japan.

In addition, the growing import of Chinese farm products can be attributed to geographical conditions and food preferences similar to those of Korea as well as to competitive prices.

AGRICULTURAL TRADE BETWEEN KOREA AND JAPAN

In contrast to trade with China, Korea is suffering from a chronic overall trade deficit with Japan, while recording a surplus in farm products. Trade with Japan in 2001 recorded an overall deficit of US

KR ₩1.6 billion in 2000. Included in that figure, fresh vegetables increased significantly from KR ₩200 million to KR ₩500 million.

Table 5. Key Korean Farm Products Exported to Japan

(Unit: thousand dollars)

	1996	1997	1998	1999	2000	2001
Shiitake mushrooms	1,607	3,236	3,345	4,246	2,279	1,294
Pine mushrooms	27,211	30,086	33,926	44,672	30,993	27,529
Eggplants	698	611	2,304	3,457	4,306	3,541
Chili peppers	3,041	3,962	6,475	14,232	28,247	36,967
Cucumbers	4,949	3,072	5,469	9,271	9,881	11,409
Tomatoes	1,161	1,338	6,759	16,682	22,227	14,348
Mandarin oranges	113	346	2,098	2,723	3,970	3,528
Strawberries	4,524	2,693	3,447	7,802	9,284	10,874
Candies	13,363	19,420	14,709	23,421	32,203	37,622
Soju	47,787	52,623	53,293	68,070	82,937	87,261
Pork	192,845	239,182	309,557	330,896	65,257	602
Chicken	503	730	855	1,219	1,354	1,619

Source: KOTIS

\$10 billion, but a US \$400 million surplus in farm products trade. However, the surplus in the trade of farm products has fallen from approximately US \$800 million in 1999 to about US \$500 million in 2000. This drop reflects the sharp fall of livestock exports after the outbreak of foot-and-mouth disease in 2000, as well as growing imports.

The bulk of farm products exported to Japan in 2001 included liquor, vegetables, nuts, candies, mushrooms, and fruits. In particular, exports of vegetables and fruits are growing rapidly with the trade volume of both chili peppers and tomatoes rising more than 12-fold, from US \$ 3 million and US \$1.2 million respectively in 1996 to US \$37 million and US \$14.3 million respectively in 2001. Also, exports of mandarin oranges and strawberries increased 31-fold and 2-fold respectively against 1996 levels. However, export of pork, the number-one farm product export to Japan until the

Table 6. Key Japanese Farm Products Exported to Korea

(Unit: thousand dollars)

	1996	1997	1998	1999	2000	2001
Potatoes	642	1,993	3	593	345	165
Flour	21	55	98	81	106	
Soybeans	134	101	22	91	28	35
Chili peppers	121	138	99	229	192	119
Ginger	4	6	14	38	49	43
Cucumbers	-	12	10	20	67	14
Adzuki beans	1	0	-	15	40	180
Soybean oil	44	0	64	198	142	233
Apples	-	-	-	12	8	135
Honey and royal jelly	6,177	10,787	7,420	10,720	19,211	26,264

Source: KOTIS

breakout of the foot-and-mouth disease in 2000, plummeted from US \$330 million in 1999 to US \$600 thousand in 2001.

As evidenced by these figures, export of vegetables and fruits to Japan is rapidly growing. Such a trend is also seen in the export of Chinese goods to Japan, raising the future possibility of intense competition against Chinese farm products in the Japanese market.

On the other hand, key imports of Japanese farm products in 2001 (feed, vegetables, candies, honey and royal jelly) dropped year-on-year by US \$7 million to US \$158 million.

AGRICULTURAL TRADE DISPUTES BETWEEN KOREA, CHINA AND JAPAN

China's growing export of farm products is leading to more frequent trade friction between Korea, China and Japan. Korea and China are at odds over Chinese garlic on the Korean market, while

China and Japan are involved in disputes over safeguard measures against farm products. Meanwhile, an uneasy atmosphere looms between Korea and Japan over possible safeguard measures and strengthened quarantine rules by Japan. Also, it is predicted that China's farm product exports to Korea and Japan will expand further now that it is a member of the WTO, and it will potentially be a source of future trade disputes.

Trade Friction Between Korea and China over Agricultural Products

As a result of low 30-percent tariff imposed on frozen garlic and vinegar-processed garlic, imports to Korea grew rapidly. When garlic prices dived with the surge in Chinese imports and increasing domestic production and the damage among local garlic growers spread, the National Agricultural Cooperative Federation of Korea (NACF) requested through the Trade Commission under the Ministry of Commerce, Industry and Energy the introduction of a safeguard²⁾ against Chinese garlic.

The Ministry of Finance and Economy in March 2000, decided to impose, a tariff rate totaling 315 percent on frozen garlic and vinegar-processed garlic, an emergency tariff of 285 percent on top of the basic 30 percent tariff and a tariff totaling 436 percent (an emergency tariff of 376 percent on top of the basic 60 percent) on peeled garlic cloves. In response, China requested bilateral discussions. Two rounds of talks were held, one in Seoul (April 2000) and one in Beijing (May 2000). The two parties failed to reach an agreement,

2) A safeguard, based on Article 19 of the GATT (1947) agreement, allows an emergency import restriction to be invoked as necessary for a period of time to prevent damage or to enable recovery from damage resulting from the rapid increase in imports of a certain product. According to WTO regulations, a safeguard is a legitimate measure that can be adopted if import of a particular product grows absolutely or relatively to domestic production, causing serious damage to the local industry.

Table 7. Tariff Quota Set at the Garlic Talks Between Korea and China

(Unit: ton)					
	Form of garlic	2000	2001	2002	Tariff
Minimum market access volume	Fresh, chilled, dried garlic	11,895	12,538	13,181	50%
Tariff quota volume	Frozen garlic, vinegar-processed garlic	20,105	21,190	22,267	30%
Total volume		32,000	33,728	35,448	

Source: Korea Rural Economic Institute (KREI), *Agricultural Outlook 2001*.

however, with China maintaining that the fall of garlic prices in Korea and the resulting damage to Korean garlic farmers were due to increased domestic production and that, therefore, imposing an emergency tariff was unfair.

In the end, when Korea formally invoked emergency tariffs on June 1, 2000, China argued that those safeguard measures and the emergency tariffs on Chinese garlic were discriminatory and protective trade practices. It retaliated by banning the import of Korean mobile phones and polyethylene (PE) as of June 7, 2000. To resolve the “garlic dispute” the two countries met in Beijing on June 29, 2000 and on July 15, 2000, a temporary agreement was reached.

As a result of the talks between Korea and China in July 2000, the import of Chinese frozen garlic and vinegar-processed garlic was allowed based on a three-year tariff quota. The amounts allowed for import were 20,105 tons in 2000, 21,190 tons in 2001 and 22,267 tons in 2002 and a specific duty of 30 percent was to be imposed for these amounts. See Table 7.

Also, for the amount exceeding the minimum market access volume a high tariff was set. In 2002, peeled garlic cloves were subject to a specific duty of 423 percent with an *ad valorem* duty of KR ₩2,116 per kilogram. Whole garlic was subject to a specific duty of 368 percent with an *ad valorem* duty of KR ₩1,840 per kilogram, and frozen garlic and vinegar-processed garlic was subject to a basic

tariff of 30 percent, and an emergency tariff of 263 percent, resulting in a specific duty of 293 percent, with an *ad valorem* duty of KR ₩ 1,573 per kilogram.

However, in early 2001, China demanded that Korea import the remaining quota of 10,300 tons from the 32,000 tons of garlic it had agreed to import in 2000, threatening to reduce by half the import of mobile phones and polyethylene (PE) from Korea. This brought about a second round of talks over garlic. At the trade ministers meeting between Korea and China in April 2001 in Beijing, Korea agreed to import the remaining garlic from 2000 at FOB US \$550 per ton by August 2001.³⁾

Meanwhile, it was recently revealed that during the dispute in June 2000, an agreement was reached not to extend the safeguard measures beyond January 2003.⁴⁾ A clause in the import control agreement states that private Korean companies may freely import frozen garlic and vinegar-processed garlic from China as of January 1, 2003, which will make it difficult to extend the safeguard on Chinese garlic imports. Then, last June 28, the National Agricultural Cooperative Federation requested that the government extend the safeguard measure on Chinese garlic imports for four years until the end of 2006. After the economy ministers' meeting and the deputy ministers' meetings held early July, it appeared that the government had decided not to go ahead with the safeguards and instead, would develop plans to support local garlic growers.

Agricultural Trade Dispute Between Korea and Japan

The recent growth in vegetable exports to Japan is leading to trade friction between Korea and Japan. In 2001, Japan considered invoking safeguard measures on Korean farm products, tomatoes

3) Lim Jeong-bin, *Progress and Recent Trends in Discussions on Garlic Between Korea and China* (Korea Rural Economic Institute, May 2001).

4) *Chosun Ilbo*, July 16, 2002.

Table 8. Trend of Korea's Export of Vegetables to Japan

(Unit: ton, vessel)

	1996	2000	2000/1996 (vessel)
Fresh vegetables	4,887	30,414	6.2
Tomatoes	320	11,262	35.2
(Cherry tomatoes)	(291)	(10,253)	(35.2)
Paprika	234	6,725	28.7
Processed vegetables (frozen, dried)	13,294	25,515	1.9
Total	18,181	55,930	3.1

Source: The Ministry of Agriculture, Forestry and Fisheries of Japan, requoted from KREI, *Agricultural Outlook 2002*.

and paprika. As the impact on local farmers spread, the Japanese government initiated an investigation in December 2000 as a preliminary step to imposing safeguard measures. The investigation targeted imported Welsh onions, onions, tomatoes, paprika, fresh shiitake mushrooms and rushes used for tatami mats, but tomatoes, paprika and onions, imported from Korea, were excluded.

In addition, when vegetable prices and farming households' income dropped amid increasing imports of Korean cherry tomatoes, paprika and cucumbers⁵⁾--vegetables produced in controlled environments--Japan as of April 1, 2001, restricted the number of inspections per import channel while strengthening those inspections. The measure to restrict the number of inspections was targeted at Korean imports but was introduced without any advance notice.⁶⁾ Stricter inspection of imported vegetables has an adverse effect on Korean exports as it reduces the export volume, and

5) In 2000, Japan imported from Korea 11,262 tons of cherry tomatoes, a 35-fold increase from 320 tons in 1996, and 6,725 tons of paprika, a 29-fold rise from 234 tons in 1996.

6) Kim Byung-yul, *Japan's Import Restriction and Trade Issues Between Korea, China and Japan* (2001).

Table 9. Market Access Volume and Tariff Equivalent

	Market access volume (low tariff)		Exceeding volume (high tariff)	
	Quota (ton)	Tariff rate (%)	Tariff equivalent	Ad Valoren Equivalent (%)
Fresh shiitake mushrooms	8,003	4.3	¥635/kg	266
Rushes	7,949	6.0	¥306/kg	106
Welsh onions	5,383	3.0	¥225/kg	256

Source: KREI, *Agricultural Outlook 2002*.

prolongs the inspection process, causing deterioration in quality and higher logistics costs.

Agricultural Trade Dispute Between China and Japan

Japan invoked a 200-day safeguard from April 23 to November 8, 2001 on fresh shiitake mushrooms, rushes for tatami mats and Welsh onions imported from China.⁷⁾ The method used was a tariff quota system in which a low tariff of 4.3 percent on fresh shiitake mushrooms, 6 percent on rushes for tatami mats and 3 percent on Welsh onions are imposed on products within the quota. On amounts exceeding the quota a higher tariff was to be applied. See Table 9.

As of June 22, 2001, China retaliated by levying a 100-percent special tariff on Japanese automobiles, mobile phones and air conditioners. After several bilateral talks, in a ministers' meeting on December 21, 2001, the two countries resolved the dispute over import restrictions by agreeing to maintain the production volume of fresh

7) In addition to fresh shiitake mushrooms and rushes for tatami mats, Japan requested a government investigation of impact of tomatoes, peppers and onions, but these three products related to Korea were excluded. The amounts of fresh shiitake mushrooms, rushes and Welsh onions from China in Japan's import market are 99.9%, 99.9%, 98.5% respectively.

shiitake mushrooms, rushes and Welsh onions at optimal levels, and to establish a trade committee that would prevent excessive exports. Following the meeting, Japan lifted the safeguard on the three commodities while China withdrew the import restriction on Japanese automobiles and mobile phones as of December 27, 2001.

TRADE OUTLOOK AND COUNTERMEASURES

Outlook for Agricultural Trade Between Korea, China and Japan

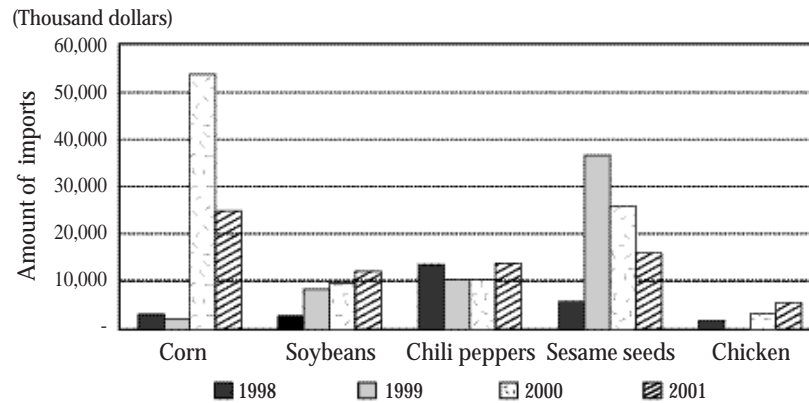
Amid changes in trade following China's entry into the WTO, trade of farm products between Korea, China and Japan is expected to rise further, heating up competition between the three countries. Korea is positioned as an importer of farm products from China and exporter to Japan, as the three countries become more dependent on each other for trade.

Now that China is a member of the WTO, imports of grain such as wheat are expected to increase as China is less able to produce grain than countries like the U.S., and thus, is likely to move from grain production to that of vegetables, which produce higher yields and can be exported.⁸⁾ Meanwhile, Japan, the world's largest importer of farm products is likely to import even more from Korea and Japan as local production decreases, production capabilities weaken, the farming population shrinks and the general population ages.⁹⁾

Currently China's export of field-grown vegetables such as onions, carrots and radishes are mostly destined for Japan, but export to Korea is also steadily rising. Korea is increasingly importing more condiment vegetables from China while the export of greenhouse vegetables such as tomatoes, cucumbers and eggplants is mostly concentrated on

8) *Agricultural Outlook* (Korea Rural Economic Institute, 2002).

9) To deal with the glut resulting from growing production of vegetables and fruits, China's policy is to promote exports.

Figure 1. Key Chinese Farm Products Exported to Korea

Japan, and is expected to further rise with lower production, yet higher demand in Japan. While exporting vegetable seeds to Korea and China, Japan is increasingly importing more farm products, especially fresh vegetables, from these countries.

Figure 1 illustrates major farm products imported from China recently. Imports of corn, soybeans and chicken are gradually rising, while the pace of growth has slowed down large volumes of chili peppers and sesame seeds. Growing imports of these products urgently calls for restructuring of Korean production.

China, by transforming its agricultural production, will become more competitive in the export of vegetables, fruits and meat to Japan and Korea. On the other hand, these two countries are expected to restrict imports from China in response to the accelerating influx of Chinese farm products, raising the possibility of increased trade disputes on farm products.

Furthermore, concern is increasing that Korea will have to face competition against Chinese farm products in its largest export market, Japan. As Chinese farm products are still lacking in terms of quality and food safety, it must make efforts to offer higher-quality products that satisfy the tastes of Japanese consumers through

stricter control of its products.

Korea mostly exports processed farm products to China, but the recent export of nuts and ginseng are noteworthy. And the export of ginseng is expected to rise further once an agreement on ginseng imports is reached between Korea and China. Export to Japan is mostly focused on fresh vegetables such as cherry tomatoes and paprika, but recently exports of fruit, especially mandarin oranges and strawberries, are on the rise, signaling a need to develop and diversify the range of exportable farm products.

Countermeasures for Korea

Trade disputes between Korea, China and Japan, expected to further intensify once China strengthens its policy to promote export of vegetables and fruits, should be countered by fully utilizing the official dispute settlement procedures set forth in WTO regulations.

Multilateral agreements could be considered first. Among the conditions for China's entry into the WTO, member countries can introduce a special safeguard measure on Chinese products for 12 years since its entry. The purpose of the safeguard against China is to allow member countries to restrict Chinese imports if prices plummet or if damage is suffered by local industries as a result of increasing Chinese imports. In fact, the safeguards can now be invoked more easily than regular WTO safeguard measures for "material injury to the local industry," rather than only in the case of "serious injury" as before.

Another multilateral resolution is the special safeguard (SSG). The special safeguard, developed during the Uruguay Round, allows countries to raise the tariff if the import of a tariff-regulated farm product rises rapidly or import prices drop sharply, dealing a major

10) While the safeguard in Article 19 of GATT can only be invoked when specific damage to the local industry is shown, the special safeguard (SSG) is imposed automatically once conditions are satisfied, regardless of damage to the local industry.

blow to domestic production and the market.¹⁰ Essentially, a special safeguard can be invoked on general-tariff farm products that fall under a special safeguard in the agreement. Under these conditions, Korea can invoke special safeguard measures on barley, corn, potatoes and sweet potatoes which are subject to restrictions according to the Uruguay Round agreement.

However, in practice it is not easy to satisfy the conditions for invoking safeguard measures—rapid increase in export—and there is always the risk of having to offer compensation, or of another country taking retaliatory measures. Also, since China views the clause on allowing other countries to invoke special safeguard measures for 12 years as unfair, it will likely respond very sensitively to the measure, which could lead to disputes. Therefore, invoking special safeguard measures should be an option approached objectively and rationally.

Meanwhile, Japan is setting up a market surveillance system to strengthen restrictions against the import of farm products, with Korea's main export items, tomatoes, peppers and onions included in the list of products subject to emergency surveillance. Although safeguard investigations against these products have been suspended, the possibility remains that Japan could restrict imports through various means such as tougher quarantine regulations on Korean farm products, so a more thorough strategy on food safety and health is called for. An ongoing monitoring system, similar to what Japan is currently establishing, should also be established to prepare for the growing inflow of Chinese products.

After the safeguard dispute between China and Japan in January 2002, the two countries established a trade committee to promote the exchange of information on demand, the quality of farm products, production volume and prices, as well as the constructive development of bilateral trade of farm products. As Korea, China and Japan have similar agricultural environments and all share a relatively weak competitive edge on farm products in the global market, the three countries desperately need to establish strong ties

for exchange and cooperation. Under these circumstances, a trade committee on farm products between the three neighboring countries must be established. Such a committee, (one has already been established between China and Japan) will promote exchange and cooperation on farm products and prevent trade disputes.

A subject of growing importance in WTO trade disputes on farm products is the quarantine and inspection of animals and plants. As predicted, the quarantine of animals and plants will also emerge as the most debated issue in trade disputes between Korea, China and Japan. The three countries need to work together to narrow their differences in quarantine regulations, to improve regulations on trade of farm products and to stimulate trade.

Reckless import of cheap Chinese farm products is making it difficult to control food safety and quarantine. Recently, the import of a farm product was restricted after high concentrations of pesticides were found. In other instances, if import is restricted on the grounds that food safety cannot be guaranteed due to poor transport or distribution conditions, or if foot-and-mouth disease has broken out, China will probably argue that the restriction is a non-tariff barrier, and this could lead to a bilateral trade dispute. In particular, recognizing the importance of controlling the safety and quality of vegetables and fruits, and the fact that China is keen to expand exports, quarantine regulations need to be strengthened.¹¹⁾

Moreover, merchants take advantage of the similarities, mixing Chinese farm products with home-grown Korean products, negatively impacting both local growers and consumers. In 2000, the Ministry of Agriculture and Forestry of Korea identified more than 10,000 instances in which imports were falsely labeled as domestic products, and it is assumed that the majority of these products really

11) Currently in Europe the import of some vegetables from China is prohibited for health and quarantine reasons.

12) Lim Jeong-bin, *et. al.*, *Internal and External Impact and Countermeasures to China's Entry into WTO* (Seoul: Korea Rural Economic Institute, Fall 2001).

originated in China.¹²⁾ The dramatic influx of cheap, poor-quality Chinese farm products greatly impacts the incomes of local farmers. Farm products imported from China disrupt local markets not only because of the low prices and poor quality, but because they are imported in large volumes, bringing down local market prices and causing enormous damage to Korean farmers. A solution to this problem is reinforcing the current requirement for a “country of origin” stamp. Once such proper market practices are in place and the country of origin is clearly stamped on the product, local farmers will be able to secure a strong, yet fair competitive edge over Chinese imports by offering local products with various advantages.

Meanwhile, since China has joined the WTO, efforts will be made to resolve disputes through the organization’s dispute settlement body, making it impossible for China to adopt measures that go against international trade practices simply to protect the country’s interest as it did during the dispute over garlic. In response, Korea needs to identify and review cases of other trade disputes over farm products to protect its interests against China while seeking to better utilize the WTO’s dispute settlement body.

The fundamental reason behind serious trade disputes in the agricultural sector is delayed restructuring of the industry itself. In order to prevent future trade disputes on farm products and to make China an attractive export market to us, Korea needs to invest more in the industry while promoting continuous restructuring that focuses on enhancing quality, raising safety standards and diversifying export products.

In addition, faced with a trade dispute, countermeasures should be developed between relevant ministries. To this end, an ongoing program to effectively respond to and deal with trade disputes must be established.