OILSEEDS - CANOLA

ISSUE

Until recently, Canada was at a serious competitive disadvantage in the Korean market for canola and canola products, mainly as a result of the Korean tariffs which discriminated in favour of soybeans and soybean products.

BACKGROUND

Korea is a major importer of oilseeds. In 1989, Korea imported 1.12 million tonnes of oilseeds valued at U.S. $354 million. The U.S.A. is Korea's dominant supplier, providing 880,000 tonnes of oilseeds in 1989, 78.6 percent of Korea's total oilseeds imports, for a value of U.S. $280.1 million. Canada's oilseed exports to Korea, on the other hand, totalled 8,889 tonnes of flaxseed and 1,025 tonnes of mustard seed. Canada has sold no rapeseed (canola) to Korea since a small (11,000 tonnes) quantity was shipped on a trial basis in 1986.

At the present time, canola seed is subject to an applied tariff rate of 10 percent and oil is subject to an applied rate of 25 percent. Soybeans enjoy a seven percent tariff advantage over canola seed, but the rate on soybean oil was raised to 25 percent effective July 1, 1991. Both canola oil and soybean oil are limited to an import quota of 10,000 tonnes each.

KOREAN POSITION

Despite strong and vocal opposition by the farming lobby, the Korean government has introduced a significant number of liberalization measures affecting the agricultural sector. The liberalization of canola and reduced tariff on canola oil should lead to Canadian sales to Korea.

CANADIAN POSITION

For twenty years, Canada has been seeking access for canola and canola products on the same basis as that accorded to soybeans and soybean products. Recent announcements to liberalize canola and equalize the tariffs on oils from 1991 are welcome. However, Canada would still like to see the temporary tariff on canola reduced from 10 percent to three percent, in line with that applied to soybeans. Canada is seeking to have these tariffs bound in the GATT at the reduced level.