South Korea – Australia Free Trade Agreement (KAFTA)

Iryna Taliian[1]

Abstract: The world economy is a dynamic entity that is constantly changing. Part of these changes has been the process of internationalization, which reflects closer economic connections between individual countries. International ties are thus transforming from exclusively trade exchange to increasingly integrated components. This is a phenomenon that has a multidimensional level and is characterized by the growing complexity of trade exchange. Bilateral trade relations are one of the most widespread forms of cooperation, where integration leads to the harmonization of regulatory frameworks and the strengthening of strategic ties. The aim of the article is to describe the level of cooperation between Australia and South Korea. This research paper will attempt to examine the impact of the KAFTA trade agreement on selected sectors of the economy - meat and sugar, as strategic trade items.

Keywords: KAFTA, bilateral trade, export
JEL: F15

1 Introduction

Bilateral trade agreements are a key pillar of the countries' foreign policy, where the aim is to support economic growth and ensure sustainable progress. Australia and South Korea are allies who promote democratic values with common foreign policy interests. Their allocation in the Pacific has created momentum for mutual economic cooperation and trade liberalization. The Republic of Korea is Australia's fourth largest bilateral trading partner for 2023. Bilateral relations between Australia and South Korea have a long history but were strengthened by Australia's participation in the United Nations Commission on Korea in 1947. Diplomatic relations between the countries were established in 1961.

The South Korea-Australia Free Trade Agreement (hereinafter as the KAFTA) is a comprehensive bilateral trade agreement that aims to liberalize trade in goods and services between the countries. KAFTA entered into force on 12.12. 2014 and is one of three strategic free trade agreements signed by Australia with Asian partners as signatories, supporting and intensifying economic relations in the Asia-Pacific region. KAFTA has led to a significant increase in bilateral trade between the countries. Two-way trade between Australia and South Korea has more than doubled, from around $33 billion US in 2013 to over $71 billion US in 2023. The agricultural sector has played a significant role in this growth, with exports increasing from $2.4 billion US to $5.6 billion US over the same period.

KAFTA has established that more than 99% of Australian exports to South Korea are subject to preferential tariff treatment or are subject to duty-free treatment, which represents a significant step in trade liberalization. According to the Australian Government the Republic of Korea has committed to immediately eliminating tariffs on selected agricultural commodities, supporting the competitiveness of Australian producers in the Korean market and optimizing supply chains. The source further informs that a schedule for the gradual elimination of tariffs has been set for specific items that have previously been subject to higher tariffs.

2 Methods

The goal of this research paper is to describe the impact of the KAFTA free trade agreement on selected sectors of the South Korean economy. The research paper aims to identify and qualify selected sectoral changes between Australia and South Korea after the implementation of KAFTA, emphasizing exogenous and endogenous factors that influence cooperation in agriculture and energy resources, such as demographic changes in the country.

The methodology of the article is based on a combination of qualitative and quantitative approaches to analyze the impact of KAFTA. The quantitative part will include the analysis of statistical data on exports and imports from official

[1] Faculty of International Relations, Bratislava University of Economics and Business, Dolnozemská cesta 1/b 852 35, Bratislava 5, Slovak Republic, iryna.taliian@euba.sk

sources, such as government statistics and international databases (e.g. UN Comtrade, Australian Bureau of Statistics, Statistics Korea). Using time series, the dynamics of changes in the volume and structure of trade flows before and after the entry into force of KAFTA will be monitored.

The qualitative part of the research will include a content analysis of relevant documents, official reports, and economic studies that address the implementation of the agreement and its macroeconomic impact. The methodology will use a comparative approach that will allow comparing the volume of trade flows in selected sectors between Australia and South Korea, which was influenced by the reduction of trade barriers in the optimization of customs procedures after the introduction of KAFTA.

3 Research results

The Australia-South Korea Free Trade Agreement has become an important instrument of economic integration and trade liberalization, which has promoted the reduction of tariff barriers and streamlined regulatory mechanisms between the two countries. In the area of customs procedures, the KAFTA agreement has laid down an institutional and legal framework for the harmonization and transparency of customs clearance procedures for goods, which serves as an impetus for stimulating and strengthening trade relations.

The KAFTA agreement obliges the customs authorities of Australia and South Korea to issue written advance rulings at the request of importers, exporters or manufacturers. These rulings are binding with respect to the application of customs procedures, including the classification of goods, determination of customs value, and confirmation of preferential origin under the KAFTA rules. The advance rulings mechanism enhances legal certainty by enabling economic actors to ascertain how their goods will be treated by customs authorities prior to importation, thereby increasing legal predictability, reducing business risks and facilitating more efficient import and export processes.

In addition, KAFTA is notable for incorporating a risk management dimension into its customs provisions. The agreement includes provisions to allocate resources primarily to high-risk consignments, while consignments assessed as low-risk are processed through simplified procedures. By way of comparison, Article 4 of the Dominican Republic–Central America Free Trade Agreement (hereinafter the "CAFTA-DR Agreement") also provides for the implementation of a risk management system based on the principle of proportionality, whereby administrative and technical capacities are concentrated on goods presenting higher levels of risk, while low-risk goods benefit from streamlined clearance procedures. This approach reflects one of the core recommendations of the World Customs Organization (hereinafter referred to as the "WCO"), aimed at enhancing the effectiveness of customs controls while avoiding disproportionate administrative burdens.

3.1 Impact on Sheep and Goatmeat

The bilateral trade agreement (KAFTA) has significantly contributed to bilateral trade liberalization between Australia and the South Korea, reducing tariffs on agricultural imports into South Korean market. Certain products, such as wine and wheat (excluding seed wheat), are subject to immediate tariff elimination. Other commodities, including beef, malting barley and unroasted malt, remain covered by agricultural safeguard measures. These measures may be invoked by South Korea if the volume of Australian imports increases at a rate that threatens to cause serious injury to its domestic industry.

Given the limited scale of Korea's domestic lamb industry, constrained in part by geographical factors, domestic consumption is largely met through imports. This reliance on foreign supply has created opportunities for the expansion and deepening of economic relations with Australia. Beef represents Australia's largest agricultural export to South Korea, with trade valued at over 326 million USD in 2023. As shown in Table 1, exports have risen substantially since the entry into force of KAFTA, a trend closely aligned with the progressive removal of tariff barriers:

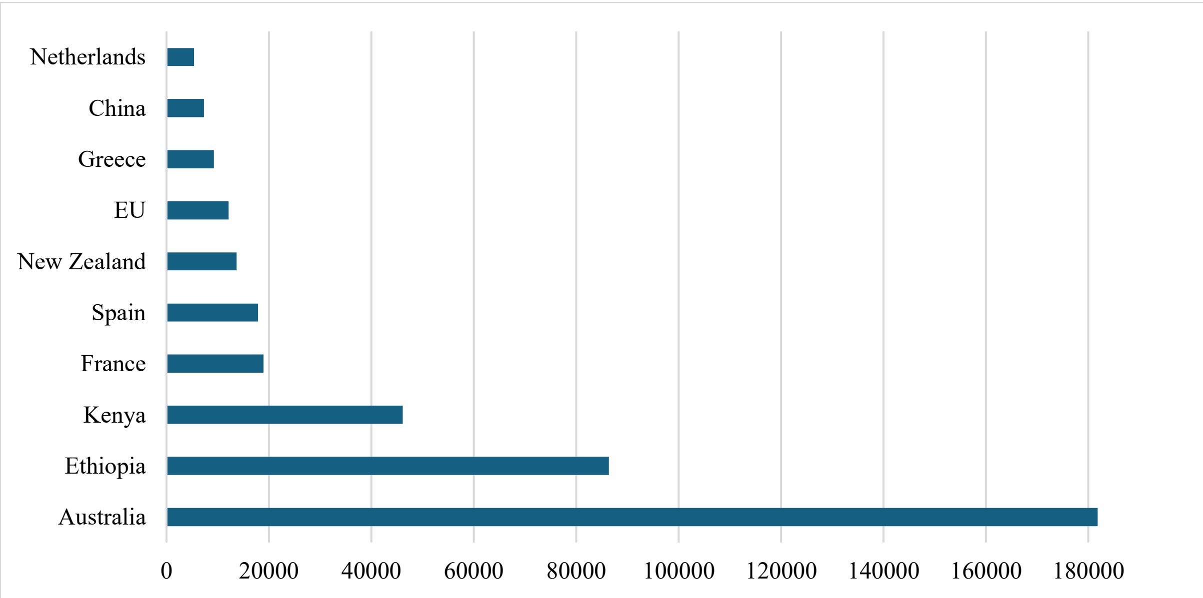
Table 1 Australia's meat exports to South Korea

YEARS	Sheep and goat meat exports to Korea	Import tariffs (beef)	Import tariffs (sheep meat)
2010	$20,317,700 USD	2024 – 10.6%	2024 – 0.0%
2011	$24,643,100 USD	2028 – 0% under KAFTA	
2012	$21,697,700 USD		
2013	$24,613,200 USD		
2014	$44,726,500 USD		
2015	$62,482,800 USD		
2016	$85,280,800 USD		
2017	$132,476,000 USD		
2018	$161,545,000 USD		
2019	$161,666,000 USD		
2020	$179,018,000 USD		
2021	$206,346,000 USD		
2022	$360,805,000 USD		
2023	$326,955,000 USD		

Source: Own processing

Although Australia is only a modest producer of goat meat (also called chevon), it remains the world's largest exporter, including to South of Korea. Production is predominantly based on semi-wild grazing systems, with limited output from commercial farms, although overall volumes have been expanding. The number of goats in semi-farmed farms is estimated to have increased by 82% between 2015–16 and 2020–21. Australian goat meat exports reached a peak value of 296.7 million Australian dollars in 2021–22. By value, the principal export destinations were the United States (69%), South Korea (13%), Canada (7%) and Taiwan (6%).

Chart 1 Major goat meat exporters by value in 2023, in USD (Fresh, chilled or frozen goat meat exports by country)



Source: Own processing

According to Global Goat Snapshot, the recent growth in goat meat imports into South Korea has been partly driven by the influx of Nepalese and Chinese migrant workers, for whom goat meat is a traditional dietary staple, as well as by rising prices for domestically raised black goats used in medicinal contexts. These factors have increased demand for more affordable imported products and encouraged new entrants into the import market. While goat meat is generally regarded as an important source of protein in South Korea, consumer preferences are often shaped by health-related considerations. Demand tends to peak during the Sambok (summer season), when goat meat is consumed as a substitute for other agri-food commodities.

South Korea provides a dynamic case study of how demographic transformations, urbanization and the evolving consumer behavior interact to reshape the food markets. The sharp increase in the number of one- or two-person households, an aging population and technological adaptation in the food service sector is generating new patterns of demand and transforming the market conditions. These developments have profound implications for bilateral trade relations, especially in the context of the KAFTA. As reported by Meat and Livestock Australia, shifts in the composition of the South Korean population are significantly influencing demand preferences. It is predicted that by 2027, up to 55% of households will consist of one or two people. This trend is driving demand for convenient, portion-controlled, and rapidly available products, such as Home Meal Replacement (hereinafter referred to as "HMR") items. Parallel to this, the uptake of online grocery shopping and delivery services is rising, with over 80% of the population already making use of such platforms. Australian goat meat has established a competitive advantage under KAFTA in online marketplaces such as Gmarket or Auction, demonstrating high market penetration. Some producers have further strengthened this position by tailoring product information to local tastes, highlighting flexibility, quality, and the capacity to adapt quickly to the cultural and gastronomic preferences of South Korean consumers.

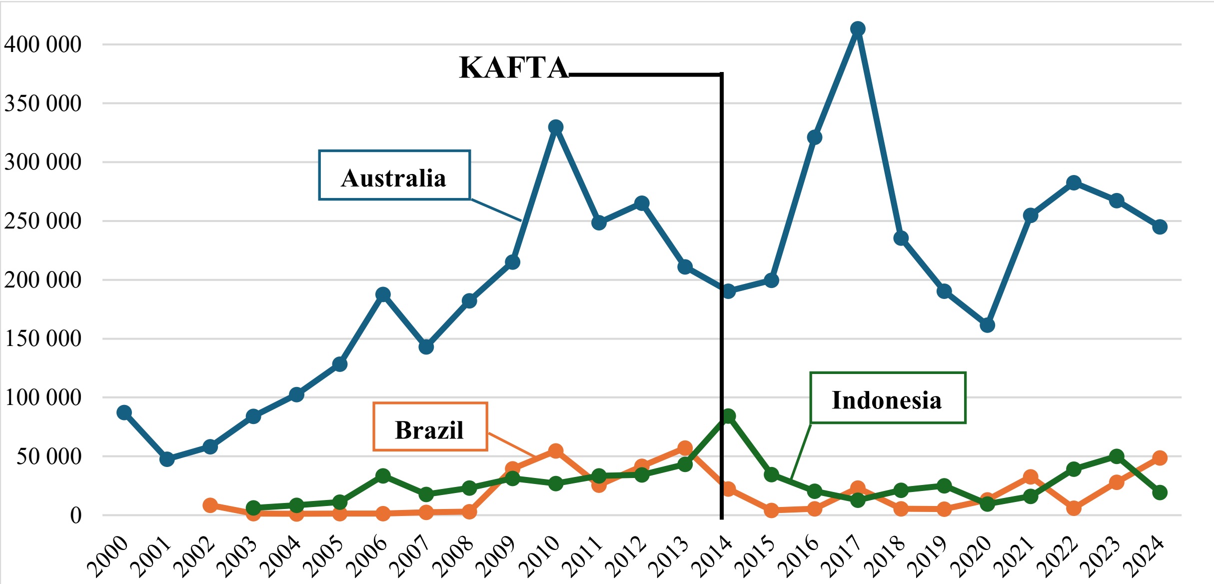
KAFTA represents a significant instrument for trade liberalization between the two countries, with Australian agricultural exports playing an integral role in the South Korean food system. Australia supplies up to 96% of imported sheepmeat and 99% of goatmeat in the South Korean market. This dominant position is underpinned by long-term consumer confidence in the quality, safety, and consistency of the supply of Australian products. Consumers declare that they perceive Australian meat as reliable and high-quality over several decades. Australia's presence in the Korean market is therefore both quantitative and qualitative. Its ability to meet a wide range of product requirements, from processed raw materials to luxury gastronomic specialties, confers an exceptional comparative advantage. Australian meat is successfully positioned across the spectrum, from cheaper minced meat to premium Wagyu.

3.2 Impact on agriculture. Sugar sector

Within the trade dynamics between Australia and South Korea, the sugar sector constitutes a central pillar of bilateral agri-food exports. According to 2020 data, South Korea has established itself as the dominant buyer of Australian sugar, absorbing more than 40% of the total export volume, worth an estimated $1.2 billion USD. This reflects a broader regional pattern in which approximately 85% of Australia's annual raw sugar production (approximately 4-4.5 million tones) is exported to Asian markets, primarily Korea, Japan and Indonesia, where it is subsequently refined into white table sugar.

Rising demand for sugar growing at a rate of 1,8% to 2% per year, places constant pressure on producers to optimize production chains, diversify markets and implement environmental standards. Within this competitive landscape Australia faces strong competition from exporters such as Brazil, Thailand, India, Indonesia, Guatemala and Mexico. Despite these challenges, the Australian sugar sector gains a strategic advantage through the KAFTA Free Trade Agreement, which provides preferential access to the South Korean market with increased legal certainty and tariff concessions. The high quality of raw materials, the reliability of supply and the transparency of regulatory procedures create a competitive framework that is in line with the growing demands of South Korean importers.

Chart 2 Sugar Exports to South Korea from 2000 to 2024



Source: Own processing
Note: Sector: SITC 2: Sugar, sugar preparations and honey. In thousands of USD

The decline in sugar imports from Brazil (yellow line) and Indonesia (green line) in 2014 can be explained by the entry into force of the KAFTA agreement, which helped to remove trade barriers to imports into the South Korean market. The aim of the KAFTA agreement was to eliminate the tariff on raw sugar (3%) from the start of the agreement, as indicated by the significant increase in values on the graph and the decrease in imports from other partner countries, such as Brazil or Indonesia. In addition, the 35% tariff on refined sugar is to be gradually reduced from the start of the agreement and must be completely eliminated by 1.1. 2031.

Sugar, as a raw material plays a key role in the production of a wide range of processed foods and beverages, which are integral to the convenience food segment. This trend supports the constant need for a stable supply of high-quality raw sugar from reliable markets, with Australia fulfilling this role not only as a producer, but also as a partner guaranteeing commercial responsibility.

4 Future of KAFTA

The future of the bilateral trade agreement KAFTA appears to be positive and promising, with the potential to further consolidate trade and economic relations between the two countries. Nevertheless, persistent concerns remain that Australian meat exports to South Korea may face significant competitive pressure from the KORUS (i.e. United States-South Korea) trade agreement, which would lead to a reduction in consumer prices within the South Korean market.

Looking ahead, bilateral ties are likely to deepen, with growing attention directed towards expansion of cooperation in emerging sectors of the economy such as green hydrogen and carbon storage, in line with global efforts to achieve net-zero emissions by 2050. International cooperation on renewable energy projects, including interconnected grids and shared technologies, facilitates the creation of new electricity sources and accelerates the energy transition. This process enhances the energy security and lowers barriers to the adoption of green technologies, supported by promising partnerships among countries including Australia, South Korea, Japan and others. As a result, digitalization and the rapid development of new technologies are on the rise in global trade and the economy, with technology, e-commerce and IT services assuming increasing importance. Consequently, international trade agreements are being revised to incorporate provisions with a focus on digital trade, intellectual property and sustainable development, thereby laying the groundwork for expanding cooperation in technologically demanding areas. Therefore, it can be assumed that this cooperation has a solid foundation that could extend beyond traditional commodity trade towards strategic and technology-intensive industries in the future.

5 Conclusions

The bilateral trade agreement KAFTA, which entered into force in 2014, constitutes an important milestone in the economic relationship between Australia and South Korea. As an institutional framework, KAFTA has played a significant role in advancing trade liberalization between the two countries. The research paper seeks to examine its impact on selected sectors, thereby fulfilling its primary objective.

Empirical evidence demonstrates that Australia holds a dominant position in the South Korean market for selected commodities, particularly sugar and beef. The elimination of tariffs on sheepmeat and the gradual reduction of tariffs on beef have created favorable conditions for the dynamic expansion of bilateral trade in agricultural goods. At the same time, shifts in consumer preferences in South Korea, such as the growth of single-person households, increasing demand for HMR products and the digitalization of distribution channels have significantly reinforced this trend. The long-term complete elimination of tariffs by 2031 underlines the strategic importance of KAFTA for the long-term sustainability of trade relations. A comprehensive analysis thus indicates that KAFTA functions not only as a means of trade liberalization, but also as a driver of economic integration, energy security and adaptation to emerging socio-demographic challenges in the region.

References

Australian Government. Department of Foreign Affairs and Trade (2025). *Republic of Korea (South Korea).* Retrieved from https://www.dfat.gov.au/geo/republic-of-korea/republic-of-korea-country-brief

Australian Government. Department of Foreign Affairs and Trade (2025). *Celebrating 10 years of KAFTA.* Retrieved from https://www.dfat.gov.au/trade/agreements/in-force/kafta/fact-sheets/Pages/celebrating-10-years-kafta#:~:text=The%20Korea%2DAustralia%20Free%20Trade,to%20%2471%20billion%20in%202023.

Australian Government. Department of Foreign Affairs and Trade (2025). *KAFTA outcomes at a glance.* Retrieved from https://www.dfat.gov.au/trade/agreements/in-force/kafta/fact-sheets/Pages/kafta-outcomes-at-a-glance

Australian Government. Department of Foreign Affairs and Trade (2025). *KAFTA and trade in goods*. Retrieved from https://www.dfat.gov.au/trade/agreements/in-force/kafta/fact-sheets/kafta-and-trade-in-goods?utm_source

Australian Government. Department of Foreign Affairs and Trade (2025). *Chapter 4: Customs Administration and Trade Facilitation.* Retrieved from https://www.dfat.gov.au/trade/agreements/in-force/kafta/official-documents/Pages/chapter-4-customs-administration-and-trade-facilitation?utm_sourcem

Australian Government. Department of Foreign Affairs and Trade (2022). *Korea-Australia Free Trade Agreement.* Retrieved from https://www.dfat.gov.au/sites/default/files/kafta-and-trade-in-goods.pdf?utm_source

Australian Government. Department of Foreign Affairs and Trade (2025). *The Quad*. Retrieved from https://www.dfat.gov.au/international-relations/regional-architecture/quad

Australian Government. Department of Foreign Affairs and Trade (2023). *Analysis – Australian goat meat makes an impact on the global market.* Retrieved from https://www.agriculture.gov.au/about/news/analysis-australian-goat-meat-makes-an-impact-on-the-global-market

Australian Sugar Manufacturers (2025). *Trade and Market Access*. Retrieved from https://sugarmanufacturers.org/trade-market-access/#:~:text=Around%2085%20per%20cent%20of,white%2C%20food%2Dgrade%20sugar.

Gedeth Network (2025). *South Korea Economic Overview*. Retrieved from https://gedeth.com/blog/2025/06/10/south-korea-economic-overview/

Meat and Livestock Australia (2022). *Global Snapshot: Goatmeat*. Retrieved from https://www.goatindustrycouncil.com.au/wp-content/uploads/2022/05/Global-Goat-snapshot-2022.pdf

Meat and Livestock Australia (2024). *Korea market snapshot. Beef and Sheepmeat*. Retrieved from https://www.mla.com.au/globalassets/mla-corporate/prices--markets/documents/os-markets/steiner-reports-and-other-insights/korea-market-snapshot-2024-revised-04092024.pdf

MIHÁLIK, Jaroslav (2017). Chapters from Comparative Politology. Trnava. ISBN 978-80-8105-872-1. Retrieved from https://fsvucm.sk/wp-content/uploads/2023/01/Mihalik_Kapitoly-z-porovnavacej-politologie.pdf

Minister for Foreign Affairs. Senator the Hon Penny Wong (2025). *Statement on Australia-UK Ministerial Consultations.* Retrieved from https://www.foreignminister.gov.au/minister/penny-wong/media-release/statement-australia-uk-ministerial-consultations-aukmin-july-2025

UNCTAD (2025). *Trade Matrix*. Retrieved from https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeMatrix

United States Studies Center (2024). *The South Korea-Australia partnership: State of play.* Retrieved from https://www.ussc.edu.au/the-south-korea-australia-partnership-state-of-play

World Bank (2025). *World Integrated Trade Solution*. Retrieved from https://wits.worldbank.org/CountryProfile/en/Country/AUS/Year/2018/TradeFlow/EXPIMP/Partner/KOR/Product/all-groups