

NOTIFICATION PURSUANT TO ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS

The following communication, dated 21 January 1997, has been received from the Permanent Mission of Korea.

On behalf of the Government of the Republic of Korea, and pursuant to Article 12.1(c) of the Agreement on Safeguards, I hereby forward a notification concerning Korea's decision to apply a safeguard measure on certain dairy products. Given the time constraints involved in the translation of other material and information related to this matter, my Government reserves the right to provide further relevant information as necessary.

Pursuant to Article 12.1(c) of the WTO Agreement on Safeguards, and in light of the format for notifications adopted by the Committee on Safeguards (G/SG/W/1 of 23 February 1995), the Republic of Korea hereby notifies that it proposes to apply a safeguard measure on imports of certain dairy products. This notification refers to document G/SG/N/8/KOR/1 of 6 December 1996 in which the Republic of Korea notified a finding of serious injury to its domestic raw milk and milk powder industry caused by increased imports of certain dairy products.

1. Evidence of serious injury caused by increased imports

Increase of imports, share of the domestic industry in consumption, and stock

As imports of the products subject to investigation have grown, the share of domestic raw milk and milk powder industry in apparent consumption has been reduced from 91.1% in 1993 to 85.4% during the first half of 1996. Domestic stock has increased from 4,509 tons to 14,994 tons between the end of 1993 and 30 June 1996.

Imports increase, apparent consumption increase, and increase of domestic goods consumption

Year	Imports increase	Apparent consumption increase	Increase of domestic goods consumption
1994	+ 383.7%	+ 9.6%	+ 5.6%
1995	+ 80	+ 3.8	+ 0.0
1996 (first half)	+ 16.9	-2.3	-2.0

Sale price of imported goods and domestic goods, and manufacturing costs of domestic goods

Because the sale price of imported goods has been continuously lower, the sale price of domestic goods has decreased from KRW 5,304 per kg. in 1993 to KRW 4,994 per kg. in the first four months of 1996. In addition, the sale price of the domestic goods has been lower than the manufacturing cost of the domestic goods since 1994.

Reduction of the number of dairy farming households and loss incurred by Livestock Cooperatives

The number of dairy farming households in Korea:

1993	28,219
1994	25,667
1995	23,519
as of June 1996	22,725

Korean dairy farming households organize Livestock Cooperatives in order to process or sell their products. The net income before taxes of the relevant Livestock Cooperatives which suffered injury from imports of the relevant products subject to investigation decreased from KRW 6.7 billion in 1993 to KRW 4.7 billion in 1994, and KRW 0.2 billion in 1995. The Livestock Cooperatives recorded a loss of KRW 17 billion during the first half of 1996. Seven livestock cooperatives had a debt ratio of more than 1,000%, while 14 cooperatives registered losses and six cooperatives had depleted their paid-in capital.

2. Information on whether there is an absolute increase in imports or an increase in imports relative to domestic production

Imports of the products subject to the investigation:

Year	Imports (tons)	Imports increase	Domestic production increase
1993	3,217	-	-
1994	15,561	+ 384%	+ 3.2%
1995	28,007	+ 80%	+ 4.2%
1996 (first half)	16,320	+ 16.9%	+ 4.4%

3. Description of the products involved

The imported goods in question fall under the subheadings 0404.90.0000¹ (products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, except whey) and 1901.90.2000 (food preparations of goods of headings 0401 to 0404, not containing cocoa powder of more than 10%) of the Harmonized Tariff Schedule of Korea. Among the products which come under the above subheadings, the following articles will be exempted from the safeguard measures: milk mineral (calcium) concentrated product (limited to the use as an additive for the production of mineral fortified food), whey protein concentrated product and milk protein concentrated product (limited to the use as an additive for production of protein fortified food), Chilean special products and raw material for production of Cerelac of Nestlé which is not a "mixture mainly consisting of milk powder".

It has been verified that the imported goods concerned compete directly with domestic raw milk and milk powder in that they are used as substitutes for such products. The examination of actual commercial usage by industry and test analysis demonstrated that the imported goods concerned can be used as substitutes in the manufacture of processed milk, yoghurt, ice-cream, and other dairy products.

4. Proposed measure and expected timetable for progressive liberalization

The relief provided to the domestic industry experiencing serious injury, or the threat thereof, will be the imposition of quantitative restrictions of imports for a period of four years as of 1 March 1997. The quantitative restriction imposed on imports in the first year will be based on the average of the quantity imported from 1993 to 1995. The quantity of imports in subsequent years will be increased by 888.9 tons. The quantity to be imported shall be distributed to actual users on a *pro rata* basis.

Year 1	Year 2	Year 3	Year 4
15,595 tons	16,483.9 tons	17,372.8 tons	18,261.7 tons

5. Proposed date of the introduction of the measure

The quantitative restrictions described in this notification will go into effect as of 1 March 1997.

6. Expected duration of the measure

These measures will remain in force until 28 February 2001.

¹Heading number 0404.90.0000 had been classified into one item by the Korean HS code when the decision on whether there was a serious injury in the domestic industry was taken. Since 1 January 1997, however, as the items containing modified whey like the heading number 0404.90.0000 have been given separate HS codes, the heading number 0404.90.0000 was subdivided into the following codes:

- (a) 0404.10.2109 Modified whey/whey from which all or part of the lactose, proteins or minerals have been removed/other than lactose removed, demineralized and whey protein concentrates.
- (b) 0404.10.2900 Modified whey/other than whey from which all or part of the lactose, proteins or minerals have been removed.
- (c) 0404.90.0000 Other than whey and modified whey.

7. Proposed date of review

A mid-term review of the safeguard measure will be conducted within 120 days prior to 29 February 1999.

Pursuant to Article 12.3 of the Agreement on Safeguards, the Republic of Korea will consult with Members having substantial interest in the products covered by the safeguard measure, for the purpose of providing further information. A delegation from Korea will stay in Geneva during the week beginning 3 February 1997 to meet with those Members, before it makes a final decision on the measure by the week beginning 24 February 1997.