What is FTA?

Free Trade Agreement is an agreement between two or more countries where the countries agree on certain behaviors that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics.

FTA Main Issues

<table>
<thead>
<tr>
<th>Tariff</th>
<th>Eventual Elimination of Tariffs charged on all Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules of Origin</td>
<td>Applied on products Originating from one or more parties to the Treaty</td>
</tr>
<tr>
<td>Service</td>
<td>Elimination of various barrier of Finance, Mobile, Education &amp; Medical</td>
</tr>
<tr>
<td>Investment</td>
<td>Activation of Investment with alleviation of Investment barrier</td>
</tr>
<tr>
<td>Import Restriction</td>
<td>Try to Exempt the Safeguard and Anti-dumping</td>
</tr>
<tr>
<td>Non-Tariff Barrier</td>
<td>Procedure of Inspection of Customs Process, Currency, Agriculture etc.</td>
</tr>
</tbody>
</table>
Progress

06.05.2006 : Initiation of USA-KOREA FTA negotiations
06.30.2007 : Signing of USA-KOREA FTA
12.03.2010 : Completion of additional negotiations

Status Of Each Assembly

06.03.2011 : Re-submit Legal Text in Korea assembly
1.22.2011 : Approved FTA in Korea assembly
10.21.2011 : Signed by US President

Final decision made that the USA-KOREA FTA is effective 03/15/2012
Steps To Apply Preferential Tariff

1. Confirm HTS No.
2. Check FTA Tariff Benefits
3. Check Rules Of Origin
4. Certificate Of Origin
5. Record Keeping
What Is Harmonized Scheduled No.?

- Internationally standardized system of numbers for classifying traded products developed and maintained by WCO.
- 6 digit : International standard
- Following 2 to 4 digits : Determined by each nation

* Rules of Origin & FTA preferential tariff rate will be decided based on HTS No.

Organization of HTS No.

- 3923. 50-0000  Plastics and other
- 2 digit : Chapter
- 4 digit : Heading
- 6 digit : Sub-Heading
FTA Tariff Benefits

- Confirm Preferential Tariff Rate of Applied Products
- Check the difference of MFN Rate and Conventional Rate
  - MFN Rate: General duty rate regardless of FTA rate
  - Conventional Rate: Preferential tariff rate with FTA

Tariff Benefit = (MFN Rate - Conventional Rate) * Customs Value

- Check Preferential Duty Rate through Final Text of USA-KOREA FTA
**Example Of Concession Schedule**

<table>
<thead>
<tr>
<th>HTS No.</th>
<th>Description</th>
<th>Base Rate</th>
<th>Staging Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>55011000</td>
<td>Synthetic filament tow of nylon or other polyamides</td>
<td>7.5%</td>
<td>A</td>
</tr>
<tr>
<td>61012000</td>
<td>Men’s or boy's overcoats, capes, cloaks, anoraks, knitted or crocheted, of cotton</td>
<td>15.9%</td>
<td>A</td>
</tr>
<tr>
<td>64019290</td>
<td>Waterproof footwear, not mechanically assembled</td>
<td>37.5%</td>
<td>J</td>
</tr>
<tr>
<td>64021950</td>
<td>Sports footwear w/outer soles and uppers of rubber</td>
<td>76 cents/pr. + 32%</td>
<td>A</td>
</tr>
<tr>
<td>84182100</td>
<td>Refrigerators, household compression-type</td>
<td>Free</td>
<td>K</td>
</tr>
<tr>
<td>84859000</td>
<td>Machinery parts, not containing electrical connectors</td>
<td>3.9%</td>
<td>C</td>
</tr>
<tr>
<td>85011020</td>
<td>Electric motors</td>
<td>6.7%</td>
<td>A</td>
</tr>
</tbody>
</table>

**Staging Categories**

- A : Immediate Elimination
- B : Removal in 2 years
- C : Removal in 3 years
- D : Removal in 5 years
- E : Removal in 6 years
- F : Removal in 7 years
- G : Removal in 10 years
- K : Continued duty-free
**Preferential Rules of Origin**

- Rules of Origin set out in the FTA are used to determine whether a good is originating from one or more parties to the Treaty.

**Origin Criteria**
- **General Criterion**: General provisions which will be applied all products
- **Product-Specific Criterion**: Sub-regulations

<table>
<thead>
<tr>
<th>Classification</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Criterion</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Basic Principles</strong></td>
<td>- Wholly obtained product: Wholly obtained criterion</td>
</tr>
<tr>
<td></td>
<td>- Incompletely obtained product: Regional + Sufficient process</td>
</tr>
<tr>
<td></td>
<td>- Wholly and incompletely obtained products</td>
</tr>
<tr>
<td><strong>Special Cases</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Accumulation</td>
</tr>
<tr>
<td></td>
<td>- Fungible products</td>
</tr>
<tr>
<td></td>
<td>- Indirect materials</td>
</tr>
<tr>
<td><strong>Product-Specific Criterion</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Change of Tariff Classification</td>
</tr>
<tr>
<td></td>
<td>- Processing Operation Criterion</td>
</tr>
<tr>
<td></td>
<td>- Combination and Choice Criterion</td>
</tr>
<tr>
<td></td>
<td>- De Minimis</td>
</tr>
<tr>
<td></td>
<td>- Intermediate materials</td>
</tr>
<tr>
<td></td>
<td>- Accessories, Spare parts &amp; Tool</td>
</tr>
<tr>
<td></td>
<td>- Packing materials &amp; Containers</td>
</tr>
<tr>
<td></td>
<td>- Value Added Rule</td>
</tr>
</tbody>
</table>
**Preferential Rules of Origin**

**General Rules of Origin and Procedures**

- **Originating Goods**
  A. Good wholly obtained or produced entirely in the territory of one or both of the Parties
  B. Produced entirely in the territory of one or both of the Parties and
     - Each of non-originating materials used in the production of the good undergoes an applicable change in tariff classification specified in Annex 4-A
     - The good otherwise satisfies any applicable Regional Value Content or other requirements specified in Annex 4-A or Annex 6-A
  C. Produced entirely in the territory of one or both of the Parties exclusively from originating materials

**Transit & Transshipment**

: Each Party shall provide that a good shall not be considered to be an originating good if the good

A. Undergoes subsequent production or any other operation outside the territories of the Parties, other than unloading, reloading, or any other operation necessary to preserve the good in good condition or to transport the good to the territory of a Party: or

B. Does not remain under the control of customs authorities in the territory of a non-Party
Preferential Rules of Origin

General Rules of Origin and Procedures

- **De Minimis**: With some exceptions, a good that does not undergo a change in Tariff classification pursuant to the Rules of Origin is nonetheless originating if the value of all non-originating materials that have been used in the production of the good and do not undergo the applicable change in tariff classification does not exceed 10% of the adjusted value of the good.

- **Fungible Goods and Materials**: Importer, exporter, or producer has physically segregated each fungible good or material or used any inventory management method.

- **Accessories, Spare Parts and Tools**: shall be considered originating goods if the good is an originating good and shall be disregarded in determining whether all the non-originating materials used in the production of the good undergo the applicable change in tariff classification.

- **Sets of Goods**: If goods are classified as a set as a result of the application of Rule 3 of GRI of HS, the set is originating only if each good in the set is originating. Notwithstanding the above, a set of goods is originating if the value of all the non-originating goods in the set does not exceed 15% of the adjusted value of the set.
Preferential Rules of Origin

Product Specific Criterion
- Applied only applicable products

- **C.T.C (Change in Tariff Classification) Criterion**
  - CC : Change of Chapter (2 digit change)
  - CTH : Change of Tariff Heading (4 digit change)
  - CTSH : Change of Tariff Sub-Heading (6 digit change)

- **Value Contents Criterion** : Regional Value Content (RVC)
  - Build-up Method : Method based on Value of Non-Originating Materials
  - Build-down Method : Method based on Value of Originating materials
  - Net cost Method : Only applied to Automobile & parts of Automobile
## Certificate Of Origin

<table>
<thead>
<tr>
<th>Issuing Authority</th>
<th>Exporter, Producer &amp; Importer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>* In case Importer issue, need to keep the origin information and certificate as a proof</td>
</tr>
<tr>
<td>Issuing Format</td>
<td>Written or Electronic</td>
</tr>
<tr>
<td>Procedure</td>
<td>Self-Issuance</td>
</tr>
<tr>
<td>Valid Period</td>
<td>4 Years</td>
</tr>
<tr>
<td>Blanket Certification</td>
<td>Multiple shipments of Identical goods</td>
</tr>
<tr>
<td></td>
<td>* Not exceeding 12 months from the date of the certification</td>
</tr>
</tbody>
</table>
Exemption of C/O

- The Customs Value of the importation does not exceed $1,000 or the equivalent amount in the currency of the importing Party, or such higher amount as may be established by the importing Party

- Unless the importing Party considers the importation to be part of a series of importations carried out or planned for the purpose of evading compliance with the Party’s laws governing claims for Preferential Tariff Treatment under this Agreement

Post Issuance of Certificate of Origin

- Allow to issue C/O after loading
  - For example, On-board date : Jan. 10, 12, C/O issued on Jan.24, 12
  - Post apply C/O: Duty Refund when submit Certificate of Origin (Copy is ok) to CBP within one year after clearance
Contents for Certificate of Origin

1. Name of the certifying person, including as necessary contact or other identifying information
2. Importer of the good (if known)
3. Producer of the good (if known)
4. Tariff classification under the Harmonized System and a description of the good
5. Information demonstrating that the good is originating
6. Date of the certification
7. For Blanket certification issued as set out in paragraph 4(b), the period that the certification covers.
What is Verification of ROO?

To determine whether a good imported into its territory from the territory of the other Party is an originating good, the importing Party may conduct a Verification by means of few ways.

Means of Verification

- Written requests for information from the Importer, Exporter, or Producer
- Written Questionnaires to the Importer, Exporter, or Producer
- Visits to the Premises of an exporter or producer in the territory of the other Party, to review the records referred to in Article 6.17.1 or observe the facilities used in the production of the good
- For a Textiles or Apparel good, the procedures set out in Article 4.3
- Such other procedures to which the importing and exporting Parties may agree
**Result After Verification**

**Denial of Preferential Tariff Treatment**

- Importer, exporter or producer fails to provide information that the Party requested to demonstrate that the good is an originating good.

- After receiving a written notification for a visit, the exporter or producer declines to provide access to the records or its facilities.

- The Party finds a pattern of conduct indicating that an importer, exporter, or producer has provided false or unsupported declarations or certifications that a good imported into its territory is an originating good.

**Suspension of Preferential Tariff Treatment**

- The Party may suspend Preferential Tariff Treatment to Identical goods covered by Subsequent statements, declarations, or certifications by that importer, exporter, or producer until the Party determines that they are in compliance with the requirements of this Chapter.
Obligations Relating To Importations

- Exceptions to issue Penalty for making an Invalid Claim - Importer
  - Not engage in negligence, gross negligence, or fraud in making the claim and pays any customs duty owing; or
  - On becoming aware that such a claim is not valid, promptly and voluntarily corrects the claim and pays any customs duty owing

- Exceptions to issue Penalty for making an Invalid Claim - Exporter
  - Neither Party may impose penalties on an exporter or a producer for providing an incorrect certification if the exporter or producer voluntarily notifies in writing all persons to whom it has provided the certification that it was incorrect
**Reasons For Record Keeping**

- Importer needs to keep any documents including Certificate of Origin received by exporter or producer to provide them when verification process is needed.
- Maintain records: in any medium including Digital, Electronic, Optical, Magnetic, or Written form.

**Record Keeping Requirements**

- Period to Keep: 5 years from the date of issuance.
- Documents to Keep:
  a. The Purchase of, cost of, value of, and payment for, the exported good;
  b. The Purchase of, cost of, value of, and payment for all materials, including indirect materials, used in the production of the exported good;
  c. The Production of the good in the form in which it was exported; and
  d. Such other documentation as the Parties may agree to require.