

# Table of Contents

---

PART 1: Guide to Understanding the ASEAN-Korea FTA	2
PART 2: Guide to Doing Business under the ASEAN-Korea FTA	4
PART 3: Actual Benefits of ASEAN-Korea FTA Utilization	11
PART 4: Dispute Settlement Mechanism	12
PART 5: Guide to Rules of Origin	15
PART 6: Frequently Asked Questions	32
PART 7: Glossary of Terms	34



## PART 1: Guide to Understanding the ASEAN-Korea FTA



### Background on the ASEAN-Korea FTA

ASEAN Member States and the Republic of Korea signed the Framework Agreement on Comprehensive Economic Cooperation on 13 December 2005 in Kuala Lumpur, Malaysia to strengthen and enhance economic, trade and investment cooperation among ASEAN Member States and Korea.

The ASEAN-Korea Trade in Goods Agreement, the main objective of which is to eliminate tariffs on almost all products being traded, was signed on 24 August 2006 and took into effect in June 2007.

Following the Trade in Goods Agreement, the ASEAN-Korea Trade in Services Agreement, a legal framework to liberalize trade in services among ASEAN Member States and Korea in various services sectors, was signed on 21 November 2007.

The ASEAN-Korea Investment Agreement, a legal framework to expand investment and afford better protection for both Korean and ASEAN investors was signed on 2 June 2009.

### *Seven Important Facts About ASEAN-Korea Economic Relations*

*ASEAN and Korea first initiated sectoral dialogue relations in 1989 and Korea became a full Dialogue Partner of ASEAN in 1991*

*ASEAN and Korea have been maintaining close political cooperation on bilateral, regional and international issues through existing mechanisms such as the ASEAN Regional Forum (ARF), ASEAN Plus Three (APT), East-Asia Summit (EAS), ASEAN-Korea Summit, and Ministerial Meetings*

*ASEAN and Korea are also members of organizations such as the Asia-Pacific Economic Cooperation (APEC), East Asia-Latin America Cooperation (EALAF) and the Asia-Europe Meeting (AEM)*

*Bilateral trade volume between Korea and ASEAN nearly tripled from 2001-2011 from US\$32 billion to US\$125 billion*

*In the first year of ASEAN-Korea Trade in Goods implementation, trade volume increased over 23%*

*In 2010, Korea remained as ASEAN's fifth largest trading partner, while ASEAN was the second largest trading partner of Korea*

*Korean visitors to ASEAN Member States increased several folds from 1.1 million in 1995 to 3.285 million in 2010*

## Coverage of the ASEAN-Korea FTA

**Trade in Goods** allows 90% of the products being traded between ASEAN and Korea to enjoy duty-free treatment.

**Trade in Services** allows further liberalization of services that would lead to an increase in trade among the Parties.

**Investment Agreement** sets the foundation for the expansion of investments among the Parties through measures such as improved protection for investors and most-favored-nation (MFN) that will guarantee protection from discriminatory measures by Governments.

## Objectives of the ASEAN-Korea FTA

- To serve as a catalyst in strengthening the trade and economic relationship among ASEAN Member States and the Republic of Korea.
- To further push economic growth and development, as well as increase the standard of living of the people in both ASEAN and Korea through the progressive liberalization and promotion of trade in goods and services and the creation of a transparent, liberal, and facilitative investment regime.
- To facilitate the more effective economic integration of the less developed ASEAN Member States and to help in bridging the development gap between the two regions.

## Benefits of the ASEAN-Korea FTA

- The ASEAN-Korea FTA is expected to vitalize trade and multiply exchanges in goods, services and investments by significantly cutting tariff barriers among the Parties.
- As the two Parties adopt a more advanced free market system through the elimination of tariffs and non-tariff barriers, businesses will be able to expand inter-regional exports and enjoy economies of scale.
- The creation of a huge free market covering 11 countries will bring dynamic benefits to the region since it will attract more foreign direct investments, which will subsequently create more jobs and facilitate the transfer of advanced technology.
- Common standards for production technology, product regulations, distribution, and after-sales service could spread across countries in the region.
- By lowering trade barriers, ASEAN and Korea predict that intra-trade and investment between them will rise to an equivalent of \$150 billion by 2015.

## PART 2: Guide to Doing Business under the ASEAN-Korea FTA

*What are the key elements of the Agreement on Trade in Goods?*



### Overview of the Agreement on Trade in Goods

The Agreement on Trade in Goods provides for the substantial reduction or elimination of tariffs and other barriers to establish the ASEAN-Korea Free Trade Area.

All tariff lines under the Agreement are categorized as Normal Track and Sensitive Track.

Korea will progressively eliminate tariffs in the Normal Track by 2010, ASEAN-6 by 2012, Viet Nam by 2018, and Cambodia, Lao PDR and Myanmar by 2020.

#### Normal Track

The Normal Track covers approximately 90% of all goods under the Agreement. Tariff lines that are placed by the Parties in the Normal Track shall have their respective applied MFN rates gradually reduced or eliminated based on the following schedules:

#### I. ASEAN-6 and Korea

X= applied MFN tariff rate	ASEAN-Korea FTA Preferential Tariff Rate (not later than 1 January)				
	2006	2007	2008	2009	2010
$X \geq 20\%$	20	13	10	5	0
$15\% \leq x < 20\%$	15	10	8	5	0
$10\% \leq x < 15\%$	10	8	5	3	0
$5\% < x < 10\%$	5	5	3	0	0
$X \leq 5\%$	Standstill			0	0

II. Viet Nam								
X= applied MFN tariff rate	ASEAN-Korea FTA Preferential Tariff Rate (not later than 1 January)							
	2006	2007	2008	2009	2011	2013	2015	2016
$X \geq 60\%$	60	50	40	30	20	15	10	0
$40\% \leq x < 60\%$	45	40	35	25	20	15	10	0
$35\% \leq x < 40\%$	35	30	30	20	15	10	0-5	0
$30\% \leq x < 35\%$	30	30	25	20	15	10	0-5	0
$25\% \leq x < 30\%$	25	25	20	20	10	7	0-5	0
$20\% \leq x < 25\%$	20	20	15	15	10	7	0-5	0
$15\% \leq x < 20\%$	15	15	15	10	7	5	0-5	0
$10\% \leq x < 15\%$	10	10	10	8	5	0-5	0-5	0
$7\% \leq x < 10\%$	7	7	7	7	5	0-5	0-5	0
$5\% \leq x < 10\%$	5	5	5	5	5	0-5	0	0
$X < 5\%$	Standstill					0		0

III. Cambodia, Lao PDR, Myanmar							
X= applied MFN tariff rate	ASEAN-Korea FTA Preferential Tariff Rate (not later than 1 January)						
	2006	2007	2008	2009	2012	2015	2018
$X \geq 60\%$	60	50	40	30	20	10	0
$45\% \leq x < 60\%$	45	40	35	25	15	10	0
$35\% \leq x < 45\%$	35	30	30	20	15	5	0
$30\% \leq x < 35\%$	30	30	25	20	10	5	0
$25\% \leq x < 30\%$	25	25	20	20	10	5	0
$20\% \leq x < 25\%$	20	20	15	15	10	0-5	0
$15\% \leq x < 20\%$	15	15	15	10	5	0-5	0
$10\% \leq x < 15\%$	10	10	10	8	5	0-5	0
$7\% \leq x < 10\%$	7*	7*	7*	7*	5	0-5	0
$5\% \leq x < 7\%$	5	5	5	5	5	0-5	0
$X < 5\%$	Standstill						0

\* Myanmar shall be allowed to maintain ASEAN-Korea FTA preferential rates at no more than 7.5% until 2010.

## ANNEX 1 - ARTICLE 5

*Substantial elements of the exception clause under the modality for tariff reduction and elimination for tariff lines placed in the normal track.*

As an integral part of its commitments to reduce and/or eliminate the applied MFN tariff rates in accordance with the above-mentioned Normal Track Schedules, each Party hereby commits to undertake further tariff reduction and/or elimination in accordance with the following thresholds:

**(a) Korea**

- (i) Korea shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2010.

**(b) ASEAN 6**

- (i) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2012.

\* Normal Track 2 of Thailand has different schedules.

**(c) Viet Nam**

- (i) Viet Nam shall reduce its applied MFN tariff rates for at least 50% of the tariff lines placed in the Normal Track to 0-5% not later than 1 January 2013.
- (ii) Viet Nam shall eliminate its tariffs for at least 90% of the tariff lines placed in the Normal Track not later than 1 January 2015.
- (iii) Viet Nam shall eliminate its tariffs for all tariff lines placed in the Normal Track not later than 1 January 2016, with flexibility to have tariff lines, not exceeding 5% of all the tariff lines, eliminated not later than 1 January 2018.
- (iv) Viet Nam shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2018.

**(d) Cambodia, Lao PDR and Myanmar**

- (i) Each Party shall reduce their respective applied MFN tariff rates for at least 50% of the tariff lines placed in the Normal Track to 0-5% not later than 1 January 2015.
- (ii) Each Party shall eliminate their respective tariffs for at least 90% of the tariff lines placed in the Normal Track not later than 1 January 2017.
- (iii) Each Party shall eliminate their respective tariffs for all tariff lines placed in the Normal Track not later than 1 January 2018, with flexibility to have tariff lines, not exceeding 5% of all the tariff lines, eliminated not later than 1 January 2020.
- (iv) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2020.

## Sensitive Track

*Tariff lines that are placed by each Party in the Sensitive Track shall be divided into the Sensitive List and the Highly Sensitive List. Parties have a ceiling for the number of tariff lines or the volume of imports, which each Party can place in the Sensitive List.*

*Tariff lines placed in the Sensitive List shall reduce and, where applicable, eliminate the applied MFN tariff rates based on schedules.*

	ASEAN-6	VIET NAM	CLM	KOREA
<b>Sensitive Track Ceiling</b>	10% of all the tariff lines and 10% of the total value of imports from Korea or from the ASEAN Member States as a whole, based on 2004 trade statistics	10% of all the tariff lines and 25% of the total value of imports from Korea based on 2004 trade statistics	10% of all the tariff lines.	10% of all the tariff lines and 10% of the total value of imports or from the ASEAN Member States as a whole, based on 2004 trade statistics
<b>Sensitive List Schedule</b>	Reduce the applied MFN tariff rates of tariff lines placed in the Sensitive List to 20% not later than 1 January 2012. The tariff rates shall be reduced to 0-5% not later than 1 January 2016	20% not later than 1 January 2017  0-5% not later than 1 January 2021	20%, not later than 1 January 2020  0-5%, not later than 1 January 2024	20% not later than 1 January 2012  0-5% not later than 1 January 2016

## Highly Sensitive List

### Tariff Lines Schedules

Group	ASEAN-6 and Korea	Viet Nam	Cambodia, Lao PDR and Myanmar
Group A (Tariff lines subject to 50% tariff rate capping)	not later than 1 January 2016	not later than 1 January 2021	not later than 1 January 2024
Group B (Tariff lines subject to tariff reduction by 20%)	not later than 1 January 2016	not later than 1 January 2021	not later than 1 January 2024
Group C (Tariff lines subject to tariff reduction by 50%)	not later than 1 January 2016	by 1 January 2021	not later than 1 January 2024
Group D (Tariff lines subject to tariff rate quotas (TRQ))	upon the entry into force of the Agreement	upon the entry into force of the Agreement	upon the entry into force of the Agreement
Group E (Tariff lines exempted from tariff concession)	subject to a maximum ceiling of 40 tariff lines at the HS 6-digit level	subject to a maximum ceiling of 40 tariff lines at the HS 6-digit level	subject to a maximum ceiling of 40 tariff lines at the HS 6-digit level.

#### ASEAN-6

#### VIET NAM

#### CLM

#### KOREA

#### Highly Sensitive List Ceiling

200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice and 3% of the total value of imports from Korea or from the ASEAN Member States as a whole, based on 2004 trade statistics

200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice

200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice

200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice and 3% of the total value of imports from Korea or from the ASEAN Member States as a whole, based on 2004 trade statistics

*A complete list of products placed by individual countries on the Sensitive and Highly Sensitive Lists can be found at <http://akfta.asean.org/>*



## ASEAN-Korea Trade in Services Agreement

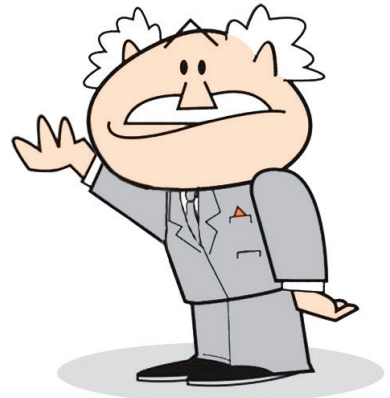
The Agreement provides for the progressive liberalization of the services sector through substantial sectoral coverage, which includes all modes of supply. Services and service suppliers/providers in the region will enjoy improved market access and national treatment in sectors/subsectors where commitments have been made.

Korea's package of commitments covers 112 sectors/subsectors in the following broad categories.

- Business services (professional services, computer and related services, research and development services, real estate services, rental/leasing services without operators, other business services);
- Communication services (courier, telecommunications, audio-visual);
- Construction, distribution services (commission agents, wholesale trade, retailing, franchising);
- Education services, (higher education, adult education);
- Environmental services (sewage, refuse disposal, other );
- Financial services (insurance and insurance related, banking and other financial services);
- Tourism and travel related services (hotels and restaurants, travel agencies and tour operators, tourist guides);
- Recreational, cultural and sporting services (entertainment services);
- Transport services (maritime transport, maritime auxiliary, rail transport, road transport, pipeline transport, services auxiliary to all modes of transport, other transport); and
- Other services not included elsewhere (hairdressing and other beauty services).

The Agreement is expected to bring in more investments into the services sectors.

*What are the key elements of the ASEAN-Korea FTA Agreement in Services?*



*What are the benefits  
of the ASEAN-Korea  
Investment  
Agreement to ASEAN  
businessmen?*



## **ASEAN-Korea Investment Agreement**

The ASEAN-Korea Investment Agreement aims to promote investment flows and create a liberal, facilitative, transparent and competitive investment regime in ASEAN and Korea through:

- Creating conducive environment for ASEAN and Korean investors and their investments;
- Promoting cooperation on a mutually beneficial basis;
- Encouraging and promoting the flow of investments and cooperation between ASEAN and Korea;
- Improving transparency of investment rules; and,
- Providing for the protection of investments.

The Agreement incorporates a review mechanism to improve the transparency of investment rules and to discuss progressive liberalization of the investment regimes of ASEAN and Korea.

## PART 3: Actual Benefits of AKFTA Utilization

**Illustration 1**

A Korean oil company imports its tubes from Malaysia and its custom-designed pipes from Viet Nam. The currently applied rate of duty for tubes, pipes and hollow cast of iron into Korea is 8%. This means that for every import of \$100,000 of pipes and tubes, the importer pays an extra \$8,000 in import duties. Under the ASEAN-Korea FTA, Korea has committed to reducing customs duties on certain articles of tubes, pipes and hollow cast of iron from all ASEAN Member States from 8% down to 0%.

Items (\$100,000 value)	Manufacturer Location	Importer Location	Customs Duty Bill if no AKFTA Compliance	Customs Duty Bill with AKFTA Compliance	AKFTA Compliance Savings
Tubes	Malaysia	Korea	\$8,000	\$0	\$8,000
Pipes	Viet Nam	Korea	\$8,000	\$0	\$8,000
Total Savings: \$16,000					

**Illustration 2**

A confectionary and chocolate manufacturer imports chocolate from Thailand, cocoa from the Philippines and other food preparations containing cocoa from Indonesia. The current applied (MFN) rate of Korea for chocolate and other food preparations containing cocoa weighing more than 2kg is at 8%. However, under the ASEAN-Korea FTA, Korea committed that ASEAN Member States will enjoy 0% tariff rate.

Items (\$100,000 value)	Manufacturer Location	Importer Location	Customs Duty Bill if no AKFTA Compliance	Customs Duty Bill with AKFTA Compliance	AKFTA Compliance Savings
Chocolate	Thailand	Korea	\$8,000	0	\$8,000
Cocoa	Philippines	Korea	\$8,000	0	\$8,000
Other food prepa- rations containing cocoa weighing more than 2kg	Indonesia	Korea	\$8,000	0	\$8,000
Total Savings: \$24,000					

## PART 4: Dispute Settlement Mechanism

### Dispute Settlement Mechanism

ASEAN and Korea signed the Agreement on Dispute Settlement Mechanism (AK-DSM) on 13 December 2005 to provide a mechanism for any disputes that may arise between Parties from the interpretation, implementation or application of all the stand-alone Agreements of the ASEAN-Korea FTA.

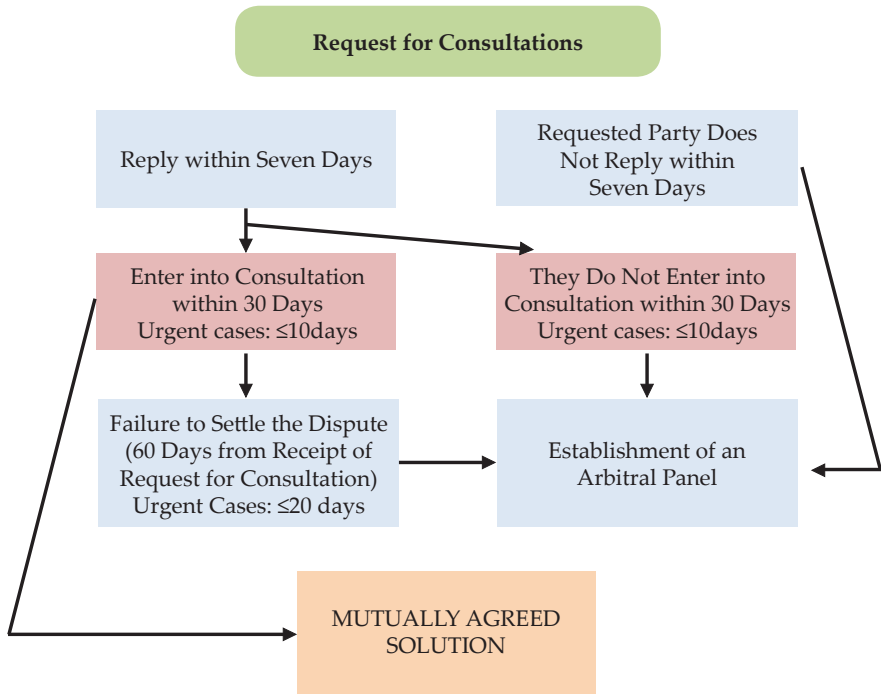


*How does the ASEAN-Korea Dispute Settlement Mechanism work?*

1. A Party complained against shall accord due consideration to and afford adequate opportunity for consultations made by a complaining Party.
2. Any request for consultations should be done in writing and must be sent to the Party complained against and the rest of the Parties.
3. The Party complained against shall reply to the request within seven (7) days after the date of its receipt and shall enter into consultations in good faith within a period of not more than 30 days after the date of the receipt of the request, with a view to reaching a mutually satisfactory solution.
4. If the Party complained against does not respond within seven (7) days, or does not enter into consultations within thirty (30) days, then the complaining Party may proceed directly to request for the establishment of an arbitral panel.

5. In cases of urgency, including those which concern perishable goods, the Parties to the dispute shall enter into consultations within a period of no more than ten (10) days after the date of receipt by the Party complained against. If the consultations failed to settle the dispute within twenty (20) days, then the complaining Party may proceed directly to request for the establishment of an arbitral panel.

### Illustration

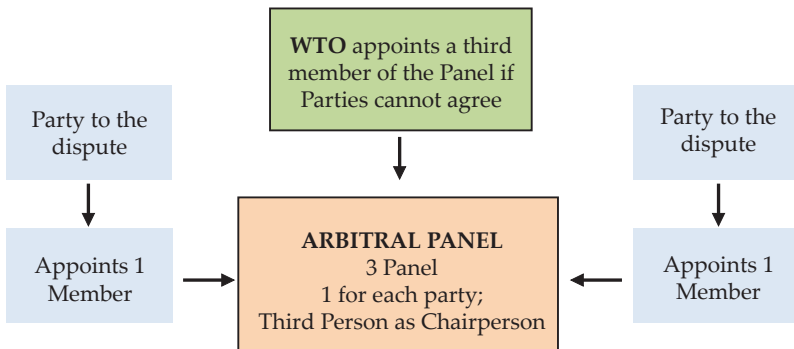


6. If the consultations fail to settle a dispute within sixty days (60), or twenty (20) days in case of urgent cases, after the receipt of request for consultations, the complaining Party may make a written request to the Party complained against to establish an arbitral panel.

7. Upon delivery of the request, an arbitral panel shall be established consisting of three (3) members.

8. Each Party to the dispute shall appoint one (1) member to the Panel within 30 days from the receipt of the request. If any of the Party failed to appoint in the prescribed period, then the member appointed by the other Party will act as the sole member of the Panel.
9. The Parties shall agree to appoint a third member of the Panel, who will serve as the Chair, within 30 days of the appointment of the second member.
10. If the Parties cannot agree on the appointment of a third member, then the members can request the Director-General of the WTO, or in case of citizenship conflicts, the Deputy Director General or the official next in seniority and not a citizen of both Parties.

### Illustration



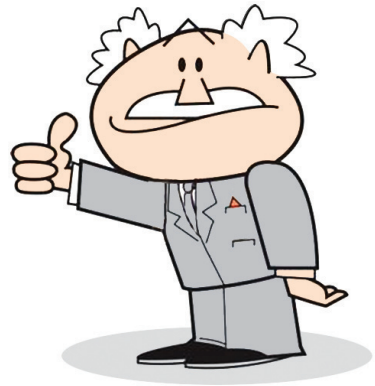
11. The Arbitral Panel shall present to the Parties of the dispute a final report within 120 days after its establishment (90 days for urgent cases and perishable goods) and will be made publicly available ten (10) days after its presentation to the Parties.

## ASEAN-Korea FTA Rules of Origin

The Rules of Origin (ROO) of Annex 3 established the standards or criteria that will determine whether goods will be given preferential tariff treatment under the ASEAN-KOREA FTA. Specifically, the ROO will determine whether a good originates from any ASEAN Member States and Korea and thus be qualified for preferential tariffs. More importantly, the ROO will help prevent goods from outside the ASEAN-Korea region from having access to the benefits that the FTA accord to the Parties.

Compliance to ROO is important in exporting products under the preferential trading arrangement.

*What are the rules and procedures set for compliance under the ASEAN-KOREA FTA ROO?*



### Rule 2: Origin Criteria

1. A good is considered to be originating if it meets any of the following criteria:
  - (a) A good is wholly obtained or produced entirely in the territory of the exporting Party as set out and defined in Rule 3; or
  - (b) A good not wholly obtained or produced in the territory of the exporting Party, provided that the said good is eligible under Rules 4, 5, 6 or 7.

### Rule 3: Wholly Obtained or Produced Goods

*Within the meaning of paragraph 1(a) of Rule 2, the following shall be considered to be wholly obtained or produced in the territory of a Party:*

- (a) plants and plant products harvested, picked or gathered after being grown there;
- (b) live animals born and raised there;
- (c) goods obtained from live animals referred to in sub-paragraph (b);
- (d) goods obtained from hunting, trapping, fishing, aquaculture, gathering or capturing conducted there;
- (e) minerals and other naturally occurring substances, not included in subparagraphs (a) through (d), extracted or taken from its soil, waters, seabed or beneath its seabed;
- (f) products of sea-fishing taken by vessels registered with the Party and entitled to fly its flag, and other products taken by the Party or a person of that Party, from the waters, seabed or beneath the seabed outside the territorial waters of the Party, provided that the Party has the rights to exploit the natural resources of such waters, seabed and beneath the seabed under international law;
- (g) products of sea-fishing and other marine products taken from the high seas by vessels registered with the Party and entitled to fly its flag;
- (h) goods produced and/or made on board factory ships registered with a Party and entitled to fly its flag, exclusively from products referred to in subparagraph (g);
- (i) goods taken from outer space provided that they are obtained by the Party or a person of that Party;
- (j) articles collected from there which can no longer perform their original purpose nor are capable of being restored or repaired and are fit only for the disposal or recovery of parts of raw materials, or for recycling purposes;
- (k) waste and scrap derived from:
  - (i) production there; or
  - (ii) used goods collected there, provided that such goods are fit only for the recovery of raw materials; and
- (l) goods obtained or produced in the territory of the Party solely from goods referred to in sub-paragraphs (a) through (k).

#### *Examples for wholly obtained goods*

Thai authorities caught a Thai factory ship that processes, packages, and stores tuna in the Indian Ocean. Is the tuna considered to be originating good?

Tuna is a fish taken from the sea by ships registered in Thailand and flying the Thai flag. After being caught by the Thai ship, the fish is transferred to a factory ship which is also registered or recorded in Thailand and flying the flag of Thailand. Tuna is then produced exclusively from the fish on board this factory ship. Therefore tuna is an originating good.

An American company sets up an oil exploration and development company in Brunei. Is the crude oil produced by this company wholly obtained?

Crude oil is a mineral extracted in Brunei. Therefore crude oil is an originating good. Origin does not examine the nationality of the company that performs the operation to create the good. That is, the origin of oil exploration company is not taken into account, what is taken into account is the country from which the crude oil was extracted.



## Rule 4: Not Wholly Obtained or Produced Goods

*A good, except those covered under Product Specific Rules (PSRs), shall be deemed to be originating if the regional value content (RVC) is not less than 40% of the free-on-board (FOB) value or if a good has undergone a change in tariff classification at the four digit-level (change of tariff heading) of the Harmonized System.*

### Calculation of Regional Value Content (RVC)

There are two formulas used in calculating the RVC namely, the build-up method and the build-down method. Under the ASEAN-Korea FTA, a Party is given the flexibility to choose either build-up or build-down method of calculation but it shall adhere to one method.

#### Build-Up Method

$$\text{RVC} = \frac{\text{Originating Material Cost} + \text{Direct Labour Cost} + \text{Direct Overhead Cost} + \text{Transportation} + \text{Profit}}{\text{FOB}} \times 100\%$$

#### The Indirect/Build-Down Method

$$\text{RVC} = \frac{\text{FOB} - \text{Value of Non-Originating Materials (VNM)}}{\text{FOB}} \times 100\%$$

### Example of calculation of the Regional Value Content (RVC)

**Company Y manufactures washing machines in Korea and plans to export them to Indonesia under the Agreement**

To prove that the washing machine qualifies as an originating good of Korea, Company Y has to prove that the washing machine satisfies either the CTC rule at the 4 digit-level (or CTH) or RVC 40% (build-down method). Korea only uses the build-down method.

(a) When company Y uses the method based on value of non-originating materials (Build-down method)

Company Y's manufacturing costs of the washing machine

Materials/parts	Sources	Originating Status	Value US\$
Parts A	Korea	Originating good of Korea	370
Parts B	Korea	Originating good of Korea	100
Parts C	China	Non-originating	130
Parts D	Unknown	Undetermined	150
Parts E	Unknown	Undetermined	100
Other costs	N/A	N/A	150
Transaction Value	-	-	1,000

The formula for calculating the qualifying value content (Build-down method) is :

$$RVC = \frac{FOB - VNM}{FOB} \times 100\%$$

**RVC** - refers to the total value of raw materials, component parts, labor costs and product development costs exclusively incurred in one side being greater than or equal to an agreed percentage of the FOB value of the exporting goods, and that the final manufacturing or processing operations should be completed in the area of that side.

**VNM** - means value of non-originating materials which (i) the CIF value at the time of importation of the materials, parts of goods (ii) the earliest ascertained price paid for the materials, parts of the goods of undetermined origin in the territory of the Party where the working or processing has taken place.

**CIF** - means the value of the good imported and includes the cost of freight and insurance up to the port or place of entry into the country of importation.

**FOB** - free on board value of a good means the price for goods including the cost of transport from the producer to the port or site of final shipment abroad.

Since the origin of Parts D and E are not determined, in applying the formula, value of those Parts should be considered as part of the value of non-originating materials (VNM).

Thus, the calculating of the RVC of the washing machine is:

$$RVC = \frac{\$1,000 - \$380 \text{ (Parts C, D and E)}}{\$1,000} \times 100\% = 62\%$$

This calculation shows that the washing machine qualifies as an originating material of Korea.

**(b) Company X uses the build-up method**

**Company X's manufacturing costs of washing machines**

Materials/Parts	Sources	Originating Status	Value US\$
Parts A	Singapore	Originating good of Singapore	370
Parts B	Singapore	Originating good of Singapore	100
Parts C	China	Non-originating	130
Parts D	Unknown	Undetermined	150
Parts E	Unknown	Undetermined	100
Other costs	N/A	N/A	150
Transaction Value	--	--	1,000

The formula for calculating the qualifying content (Build-up method) is:

$$RVC = \frac{\text{Materials + labour cost + other costs}}{\text{FOB}} \times 100\%$$

Since it is known that Parts A is originating good of Singapore, Company X found that it would be easier to use the build-up method because it is clear that RVC of the washing machine will be more than 40%, taking into account the value of Parts A and other costs. In this case, Company X does not need to check the originating status of other parts, including Parts B.

Thus, the calculation of the RVC of the washing machine is:

$$RVC = \frac{\$370(\text{Parts A}) + \$150(\text{other costs})}{\$1,000} \times 100\% = 52\%$$

This calculation shows that the washing machine qualifies as an originating good of Singapore.

## Rule 5: Product Specific Rules

For the purposes of Rule 2, goods which satisfy the Product Specific Rules shall be considered to be originating in the territory of the Party where working or processing of the goods has taken place.

This rule specifies that materials should have undergone a change in tariff classification (CTC) or a specific manufacturing or processing operation, or it satisfies a regional value content or a combination of any of these criteria.

### *Examples for Product Specific Rules*

There are more than 400 products covered under product specific rules of ASEAN-KOREA FTA where combinations of the different methods (RVC, CTC) are applied. For some products, the RVC is much higher than the “general rule” of RVC 40%, which ranges from 45%-60%.

#### **Product specific rules for tarpaulins:**

“Change to heading 63.06 from any other Chapter, provided that the fabrics of 50.07, 51.11 through 51.13, 52.08 through 52.12, 53.09 through 53.11, 54.07 through 54.08, 55.12 through 55.16, 58.01 through 58.02, 60.01 through 60.06 are originating in the territory of any Party and the good is both cut and sewn in the territory of any Party; or a regional value content of not less than 40 percent of FOB value of the good.”

#### **Product specific rules for extracts, essences, and concentrates of coffee, and preparations with a basis of these extracts, essences and concentrates or with a basis of tea or mate:**

“Change to Subheading 2101.20 from any other heading, provided that the materials of heading 09.02 are wholly-obtained or Produced in the territory of any Party; or a regional value content of not less than 40 percent of the FOB value of the good, provided that the materials of the heading 09.02 are wholly-obtained or produced in the territory of any Party.”

## Rule 6: Treatment for Certain Goods

Notwithstanding Rules 2, 4 and 5, certain goods shall be considered to be originating even if the production process or operation has been undertaken in an area outside the territories of Korea and ASEAN Member States (i.e. industrial zone) on materials exported from a Party and subsequently re-imported to that Party.

## Rule 7: Accumulation

A good originating in the territory of a Party, which is used in the territory of another Party as material for a finished good eligible for preferential tariff treatment, shall be considered to be originating in the territory of the latter Party where working or processing of the finished good has taken place. Such material is required to have an appropriate CO certifying its origin.

### Example of the calculation of RVC, when applying the Accumulation provision

Company A manufactures color TVs (HS8528.12) in Korea and plans to export them to Thailand under the Agreement. Tuners (HS8529.90) which are used in the manufacturing process of the color TV are imported from Thailand.

The product specific rules for color TV (HS8528.12) under the Agreement are:

*Change to Subheading 8528.12 from any other Subheading; or A regional value content of not less than 40 percent of the FOB value of the good.*

To prove that the color TV qualifies as an originating good of Korea, Company A has to prove that the color TV satisfies the above PSR.

#### Illustration using the build-down method:

#### Company A's manufacturing costs of color TV

Materials/Parts	Sources	Originating Status	Value US \$
Parts A	Korea	Originating good of Korea	100
Parts B	Korea	Originating good of Korea	200
Parts C (tuner)	Thailand	Originating good of Thailand (considered as originating material of Korea)	400
Parts D	India	Non-originating	200
Parts E	US	Non-originating	500
Parts F	China	Non-originating	300
Other Costs	N/A	N/A	300

If Parts C (tuner) is an originating good of Thailand, the color TV will qualify as an originating good of Korea by considering Parts C as an originating material of Korea.

The calculation of RVC of the color TV is using the build-down method:

$$RVC = \frac{\$2,000 - [\text{Parts D}(200) + \text{E}(500) + \text{F}(300)]}{\$2,000} \times 100\% = 50\%$$

Under this rule, the color TV is an originating good of Korea since its RVC is more than the required 40 percent.

## Rule 8: Non Qualifying Operations

*A good shall not be considered to be originating in the territory of a Party if the following operations are undertaken exclusively by itself or in combination in the territory of that Party*

- Preserving operations to ensure that the good remains in good condition during transport and storage;
- Changes of packaging, breaking-up, and assembly of packages;
- Simple washing, cleaning, removal of dust, oxide, oil, paint, or other coverings;
- Simple painting and polishing operations;
- Husking, partial or total bleaching, polishing and glazing of cereals and rice;
- Operations to color sugar or form sugar lumps;
- Simple peeling, stoning, or un-shelling;
- Sharpening, simple grinding or simple cutting;
- Sifting, screening, sorting, classifying, grading, matching;
- Simple placing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;
- Affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging;
- Simple mixing of products, whether or not of different kinds;
- Simple assembly of parts of articles to constitute a complete article or disassembly of products into parts;
- Simple testing or calibrations; or
- Slaughtering of animals

A good originating in the territory of a Party shall retain its initial originating status, when exported from another Party, where operations undertaken have not gone beyond those referred above.

### Example of Non-Qualifying Operations

*Korea imported some fabrics from Bangladesh and plans to import it to Singapore through the ASEAN-Korea FTA. While in Korea, the importer did some dry cleaning, ironing and put some labels on the fabrics. Will the dry cleaning, ironing and labeling done by the Korean manufacturer confer him the origin to the fabrics?*

**No. It is clearly stated that under Rule 8 of the ASEAN-Korea FTA rules of origin, a good (fabrics in this example) shall not be considered to be originating in the territory of a Party (Korea, in the example) if certain operations (in the example are dry cleaning, ironing and labeling) are undertaken exclusively by itself or in combination in the territory of that Party.**

## Rule 9: Direct Consignment

1. Preferential tariff treatment shall be applied to an originating good if it is transported directly between the territories of the exporting Party and the importing Party.
2. Notwithstanding paragraph 1, a good of which movement involves transport through one or more intermediate third countries other than the territories of the exporting Party and the importing Party, shall be considered to be consigned directly, provided that:
  - The transit is justified for geographical reason or by consideration related exclusively to transport requirement;
  - The good has not entered into trade or consumption in a Party; and
  - The good has not undergone any operation other than unloading and reloading or any operation required to keep it in good condition.

### Examples of Direct Consignment

#### Example 1:

*Steel bars were produced in Thailand and shipped to Korea by container ship. The goods are routed through Hong Kong because it is the cheapest shipping route. In Hong Kong, the containers are unloaded from one ship, briefly stored and then reloaded onto another ship. Does this confer origin of the steel bars to Hong Kong?*

**NO. The steel bars never entered the commerce of Hong Kong. Such an operation does not change the origin status of the steel bars (origin is still conferred to Thailand).**

#### Example 2:

*Surgical scissors are exported from the Philippines to Korea in bulk and not-sterilized for end users application. The shipment passed through Hong Kong and the surgical scissors were sterilized and then re-packed for end-user sales. Are the scissors still conferred Philippine-origin?*

**NO. The ASEAN-Korea FTA Rule on Direct Consignment clearly states that a good will not be considered to be consigned directly if it has undergone any operation other than unloading and reloading or any operation required to keep it in good condition.**

## Rule 10: *De Minimis*

The de minimis rule provides for non-originating raw materials that do not meet the required change in tariff classification. For goods under Chapter 50 to 63 of the Harmonized System, non-originating materials will be exempted from required change in tariff classification if it does not exceed 10% of the total weight of the produce. For other goods, non-originating materials will be exempted from required change if it does not exceed 10% of the FOB value of the final product.

### Example of the application of De Minimis for goods other than textile good

**Company A manufactures baby carriages (HS8715.00) in Korea and plans to export them to Indonesia under the Agreement.**

To prove that the baby carriage qualifies as an originating good of Korea, Company A decided to choose the CTC rule.

Baby carriage is made from Indian aluminum bar (HS 7604.10) and Chinese handle grip (HS8715.00). Since handle grip does not undergo “change in tariff classification from any other heading,” baby carriage does not meet the CTC rule. But if the value of handle grip (HS8715.00) is equivalent to 10% of transaction value of baby carriage or less, Company A is allowed to disregard the portion of handle grip for the purposes of the CTC rule pursuant to de minimis provision of Article 32.

### Example of application of De Minimis for textile

**Company A produces silk yarn (HS5006.00) in Korea and plans to export them to Indonesia under the Agreement.**

The product specific rule for silk yarn under the Agreement is:

*Change to Heading 50.06 from any other Heading, except from Heading 50.04 through 50.05; or A regional value content of not less than 40 percent of the FOB value of the good.*

Silk yarn (HS5006.00) is made from Indian raw silk (HS5002.00) and Chinese silk thread (HS5006.00). Since silk thread does not undergo change in tariff classification, silk yarn does not meet the CTC rule. But if the weight of silk thread is equivalent to 7% of silk yarn or less. Company A is allowed to disregard the portion of silk thread for the purposes of CTC rule pursuant to De Minimis provision of Article 32.



*What are the steps to determine if an exporter can avail of tariff concessions under ASEAN-KOREA FTA?*



**STEP 1**

Check with the importer in a country you are interested in and HS code of your product.

**STEP 2**

After obtaining the HS product code, verify the MFN rate for the duty. A product with 0% duty will not benefit from the ASEAN-KOREA FTA.

**STEP 3**

If there is an MFN duty rate, then refer to this link:  
<http://www.akfta.asean.org> to check and verify the following:

Annex 1 : Modality for Tariff Reduction and Elimination for Tariff Lines Placed in the Normal Track

Annex 2 : Modality for Tariff Reduction/Elimination for Tariff Lines Placed in the Sensitive and Highly Sensitive Lists

**STEP 4**

The applied preferential tariff rate depends on the MFN rate and the year of exportation. To qualify for the FTA preferential rate, make sure that the product satisfies and complies with origin criteria provided for in the Rules of Origin (ROO).

**STEP 5**

Comply with the documentation procedures for all products of origin

## What is back-to-back Certificate of Origin?



The purpose of a back-to-back certificate of origin is to ensure that when goods arrive in the importing party they still meet the rules of origin criteria documented on the certificate of origin issued by the issuing authority/body in the original exporting party.

The system also assists in ensuring that the goods have not been tampered with on the way to their destination in a way that would alter their entitlement to originating status under the ASEAN-Korea FTA Agreement. For example, if goods that qualify as originating under the ASEAN-Korea Agreement pass through Korea on their journey to another party to the ASEAN-Korea Agreement, a Korean certification body can issue a back-to-back certificate of origin (if an application is made by the exporter while the goods pass through Korea provide that:

- a valid original certificate of origin is presented; and
- the goods do not undergo any further processing in Korea, except for repacking or logistics activities such as unloading, reloading, storing, or any other operations necessary to preserve them in good condition or to transport them to the importing party.

### Notes:

- *Validity period of back-to-back ASEAN-Korea form will be 6 months from the date of issuance.*
- *Originating status of the goods can be retained for as long as 12 months under this specific arrangement. Original ASEAN-Korea Form (6 months) plus back-to-back ASEAN-Korea Form (6 months).*

### **Back-to-Back Certificate of Origin Example**

#### Illustration:

A company in Korea ships one consignment containing 2,000 sets of LCD TVs to the Philippines using the ASEAN-Korea FTA. 1,000 sets are sold to the local Philippine market while the remaining 1,000 are re-exported to Viet Nam. A back-to-back CO is issued by the Philippines for the export of the 1,000 sets to Vietnam to ensure that the origin status (i.e. from the Korea) is retained so that the LCD TV qualifies for preferential tariff treatment under the ASEAN-Korea FTA when clearing the Viet Nam Customs checkpoint.



***What are the operational certification procedures (OCP) for ASEAN-Korea FTA?***

The Agreement provides a process where exporters may apply for and obtain a CO that officially attests to the eligibility for preferential treatment of a product for export to another Party's market.

Below is the step-by-step guide in applying for ASEAN-Korea FTA CO:

**Step 1**

**PRE-EXPORT EXAMINATION**

Make an application to the Issuing Authority/Body requesting a pre-export examination of the origin of the good to be exported. The result of examination becomes part of the supporting evidence that the exporter will later use in the application for CO.

**Step 2**

**APPLICATION FOR A CO**

Make an application to the Issuing Authority/Body for a CO. The application needs to include supporting evidence proving that the good qualifies as originating. The requirements include information on the exporter; shipment details; a full description of the goods; and, an exporter's declaration.

**Step 3**

**ISSUANCE OF THE CO**

The ASEAN-KOREA FTA specifies that a CO should be issued as near possible to, but not later than three working days after the date of acceptance of exportation. If there are valid causes, Certificates of Origin may also be issued retroactively – but no longer than 12 months from the date of shipment. A CO must comply with the data requirements specified in the ASEAN-Korea FTA. A CO is valid for a period of 12 months and must be submitted to Customs authorities in an importing country within that period.

**Step 4**

**SEND THE CO TO THE IMPORTER**

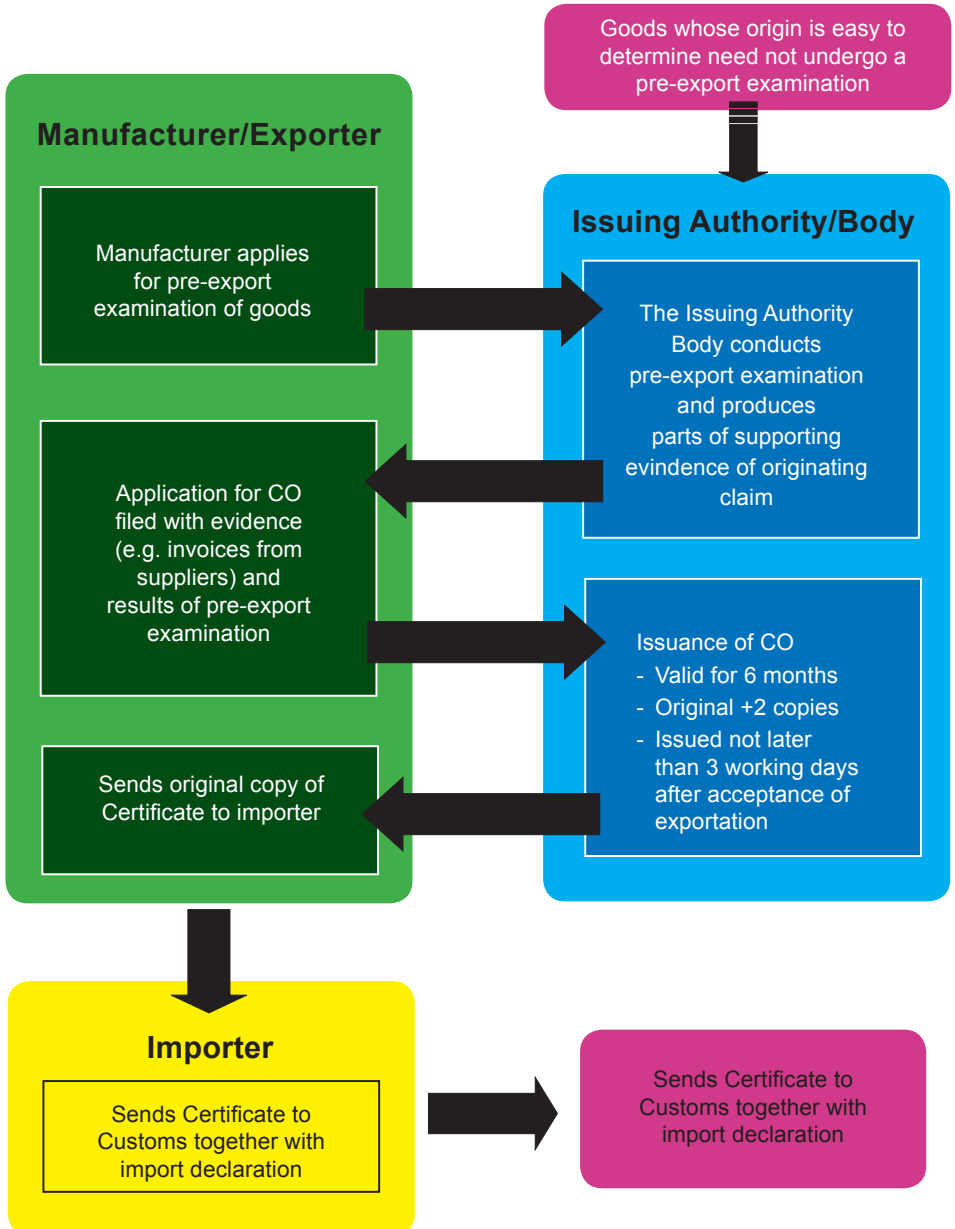
The exporter has to send the original copy of the CO to the importer for submission to the Customs authorities in the importing country. Both the exporter and the Issuing Authority/Body should keep copies of the CO. It is permissible to declare goods on the same CO provided that each good is originating on its own right.

**Step 5**

**IMPORTER SUBMITS CO WITH IMPORT DECLARATION**

At the time of import declaration, the importer submits the CO to the Customs authorities of the importing country and claims preferential tariff treatment for the good under ASEAN-KOREA FTA.

## Certificate of Origin Illustration



<p>1. Good consigned from (Exporter's business name, address, country)</p>			<p>Reference No. _____</p> <p style="text-align: center;"><b>CERTIFICATE OF ORIGIN</b></p> <p style="text-align: center;">(Combined Declaration and Certificate)</p> <p style="text-align: center;"><b>FORM AK</b></p> <p>Issued in: _____ (Country)</p> <p style="text-align: right;">* See notes overleaf.</p>			
<p>2. Goods consigned to (Consignee's name, address, country)</p>			<p>4. For official use</p> <p><input type="checkbox"/> Preferential Treatment Given Under ASEAN-Korea Free Trade Area Preferential Tariff</p> <p><input type="checkbox"/> Preferential Treatment Not Given (Please state reason/s)</p> <p>.....</p> <p>Signature of Authorized Signatory of the Importing Country</p>			
<p>3. Means of transport and route (as far as known)</p> <p>Departure date:</p> <p>Vessel's name/Aircraft etc.:</p> <p>Port of Discharge:</p>			<p>5. Item number</p> <p>6. Marks and numbers on packages</p> <p>7. Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing country)</p> <p>8. Origin criterion (see notes overleaf)</p> <p>9. Gross weight on the quantity and value</p> <p>10. Number and date of invoices</p>			
<p>11. Declaration by the exporter</p> <p>The undersigned hereby declares that the above details and statements are correct: that all the goods were produced in</p> <p>..... (country)</p> <p>and that they comply with the origin requirements specified for those goods in the ASEAN-KOREA Free Trade Area Preferential Tariff for goods exported to</p> <p>..... (importing country)</p> <p>.....</p> <p>Place and date, signature of authorized signatory</p>			<p>12. Certificate</p> <p>It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.</p> <p>.....</p> <p>Place and date, signature and stamp of certifying authority</p>			
<p>13. <input type="checkbox"/> Third Country Invoicing    <input type="checkbox"/> Exhibition    <input type="checkbox"/> Back-to-Back C/O</p>						



*What are the required information needed in filling out a CO application for ASEAN-KOREA FTA?*

**Box 1. Goods Consigned From: Exporter information**

→ Please state the business name and the address

**Box 2. Goods Consigned To: Consignee Information**

→ Please state the business name and the address (including the country name) of the consignee.

**Box 3. Means of Transport and Route**

→ Please state the departure date of the transport vessel (aircraft), name of the vessel (flight number) and port of discharge. Please state the means of transport and route to the best of your knowledge.

**Box 4. For Official Use**

→ This box is reserved for the customs official of the import country. After review, the official will check with a "v" mark and sign here if your product is eligible for a preferential tariff treatment.

**Box 5. Item Number**

→ Please group items with different HS codes by the same category, with a serial number.

**Box 6. Marks and numbers on packages**

→ Please mark the goods and give a serial number.

**Box 7. Number and Type of Packages, Description of Goods**

→ Please state the number and type of packages, description of goods, quantity (where appropriate) and HS code of the importing country. Description of the goods should be detailed enough for the customs official to review and to check the goods against. The name of the manufacturer and the trademark should also be stated. For HS code, please provide the item number as required by the importer nation, based on "The International Convention on the Harmonized Commodity Description and Coding System and Amending Protocol." the same category, with a serial number.

**Box 8. Origin criterion (see notes overleaf)**

**Box 9. Gross Weight or Other Quantity and Value (FOB)**

→ Please state the gross weight and the FOB value of the goods.

**Box 10. Please state the number and date of Invoice.**

**Box 11. Declaration by the Exporter**

→ Exporter (including manufacturer/producer) needs to declare the names of export & import country and date & location of application, and sign the C/O.

**Box 12. Certification**

→ The C/O Issuer has to state the date & location of issuance, sign the document and stamp it with the seal of the issuance organization.

**Box 13. Check with a "v" Mark, Where Appropriate**

→ For details: [http://cert.korcham.net/english/co/03\\_03.jsp](http://cert.korcham.net/english/co/03_03.jsp)



## ISSUING AUTHORITIES

Brunei Darussalam	Ministry of Foreign Affairs and Trade	<a href="http://www.mofat.gov.bn">http://www.mofat.gov.bn</a>
Cambodia	Ministry of Commerce	<a href="http://www.moc.gov.kh">http://www.moc.gov.kh</a>
Indonesia	Ministry of Trade	<a href="http://www.depdag.go.id">http://www.depdag.go.id</a> <a href="http://www.tarif.depkeu.go.id">http://www.tarif.depkeu.go.id</a>
Korea	customs offices and chambers of commerce and industry	<a href="http://english.customs.go.kr">http://english.customs.go.kr</a> <a href="http://www.korcham.net">http://www.korcham.net</a>
Laos	Ministry of Industry and Commerce	<a href="http://www.moc.gov.la">http://www.moc.gov.la</a>
Malaysia	Ministry of International Trade and Industry	<a href="http://www.miti.gov.my/cms/index.jsp">http://www.miti.gov.my/cms/index.jsp</a>
Myanmar	Ministry of Commerce	c/o <a href="http://www.aseansec.org">http://www.aseansec.org</a>
Singapore	Singapore Customs	<a href="http://www.customs.gov.sg/topNav/hom/">http://www.customs.gov.sg/topNav/hom/</a>
Thailand	Department of Foreign Trade	<a href="http://www.dft.moc.go.th">http://www.dft.moc.go.th</a> <a href="http://www.thaiffta.com">http://www.thaiffta.com</a>
The Philippines	Bureau of Customs	<a href="http://www.customs.gov.ph">http://www.customs.gov.ph</a>
Viet Nam	Ministry of Industry and Trade	<a href="http://www.moit.gov.vn">http://www.moit.gov.vn</a>

### NOTICE

- CO becomes invalid if the name and address, authorized signature and seal of CO users differ from previously documented information;
- HS Code of products written in CO complies with HS code of importing country (based on CTSH Rule);
- Price of FOB in CO is based on US Dollars.

## PART 6: Frequently Asked Questions

1.



When ASEAN-Korea FTA takes effect, does it mean tariff on all goods immediately become extinct?

The implementation of the FTA would not lead to the whole abolition of all tariffs. Even if the tariff in the Normal Track is completely lifted starting 2012 in ASEAN-6, the product exemptions under the Sensitive Track will be carried out gradually until 2024 for CLM.



Can an exporter use a downloadable ASEAN-Korea FTA CO form?



2.



For both ASEAN and Korea-made products for exports, a downloadable CO form may be used.



3.



How can an importer apply for refund on preferential tariff ASEAN-Korea FTA?

When you go through customs declaration for import, make sure to say you will claim a refund as stipulated in ASEAN-KOREA FTA and submit the CO within a year.



What are the products excluded from tariff reduction and elimination by Korea?



4.

The products excluded by Korea are fish and aquatic invertebrates, prepared foodstuffs, meat and edible offal, edible vegetables and certain roots, and so on.

For a more detailed listing, check:  
<http://www.akfta.asean.org>



## PART 7: Glossary of Terms

## A

**-- Accumulation --**

Provision that allows, when determining the origin of a good, for the consideration of imported inputs as originating provided that they come from another country that participates in the free trade zone.

**-- Ad Valorem Tariff --**

A tariff rate charged as percentage of the price.

**-- Applied Tariff/Applied Rates --**

Duties that are actually charged on imports. These can be below the bound rates.

**-- ASEAN --**

Association of Southeast Asian Nations, which comprises of 10 Member States. Nine ASEAN members are members of the WTO — Brunei, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam. Lao PDR is applying WTO membership.

## B

**-- Back-to-Back Certificate of Origin --**

A document that can be issued when a shipment passes through the “intermediate ASEAN-Korea FTA Party” before it reaches to its final destination or the importing country. The purpose of back-to-back CO is to ensure that when goods arrive in the importing country they still meet the origin criteria documented on the CO issued by the Issuing Body/Authority in the original exporting party.

**C****-- Change in Tariff Classification (CTC) --**

Criteria used in the determination of origin that stipulates the change in the tariff nomenclature that an imported input must undergo when incorporated into a final good so that the final good may acquire originating status. The change in tariff classification can be at Chapter level (first two digits of the tariff nomenclature), Heading level (first four digits of the tariff nomenclature), or Sub-heading level (first six digits of the tariff nomenclature).

**-- Change in Tariff Heading (CTH) --**

Refers to the processing and manufacturing operations of non-originating materials carried out in the area of one side and resulting in a product of a different four-digit tariff heading under the 'Product Description and Harmonized System Codes'.

**-- Cost, Insurance and Freight (CIF) --**

Refers to the value of the good imported and include the cost of freight and insurance up to the port or place of entry into the country of importation.

**-- Circumvention --**

Getting around commitments such as: avoiding quotas and other restrictions by altering the country of origin of a product; measures taken by exporters to evade anti-dumping or countervailing duties.

**D****-- De minimis --**

Minimal amounts of domestic support that are allowed even though they distort trade — up to 5% of the value of production for developed countries, 10% for developing.

**-- DSB --**

Dispute Settlement Body — a body formed by parties to the free trade agreement to settle trade disputes.

## F

### -- FOB --

Free on board value of a good means the price for goods including the cost of transport from the producer to the port or site of final shipment abroad.

### -- Free Trade Area --

Free trade area is a type of trade bloc where a designated group of countries have agreed to eliminate tariffs, quotas and preferences.

## G

### -- GATS --

The General Agreement on Trade in Services, contained in Annex 1B to the WTO Agreement.

### -- GATT --

The General Agreement on Tariffs and Trade, which has been superseded as an international organization by the WTO.

## H

### -- Harmonized System --

An international nomenclature developed by the World Customs Organization, which is arranged in six-digit codes allowing all participating countries to classify traded goods on a common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.

### -- HS 6-digit --

The World Customs Organization's Harmonized System (HS) uses code numbers to define products. A code with a low number of digits defines broad categories of products; additional digits indicate sub-divisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard. Countries can add more digits for their own coding to subdivide the definitions further according to their own needs. Products defined at the most detailed level are "tariff lines".

**I****-- Intellectual Property Rights (IPR) --**

Ownership of ideas, including literary and artistic works (protected by copyright), inventions (protected by patents), signs for distinguishing goods of an enterprise (protected by trademarks) and other elements of industrial property.

**M****-- MFN --**

Most-favored-nation treatment.

**-- MFN Tariff --**

Normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).

**N****-- NTBs --**

Non-tariff barriers, such as quotas, import licensing systems, sanitary regulations, prohibitions, etc.

**-- National Treatment --**

The principle of giving others the same treatment as one's own nationals.

**-- Non-Originating Good --**

A good or material that does not qualify as originating according to the established Origin Regime.

## O

### -- Offer --

In a negotiation, a country's proposal for its own further liberalization, usually an offer to improve access to its markets.

### -- Originating Good --

A good that, by virtue of fulfilling the requirements of the Origin Regime is considered originating in the country in which its production process has been carried out, regardless of whether imported inputs were used in its production.

## P

### -- Panel --

An independent body is established by the Dispute Settlement Body, consisting of three experts, to examine and issue recommendations on a particular dispute in the light of provisions.

### -- Preferential Tariff --

A tariff rate extended to partner countries who have signed Free Trade Agreements (FTA) with each other. This means that customs duties for selected imported goods that originate from the FTA partner countries are lower or totally eliminated.

### -- Price Undertaking --

Undertaking by an exporter to raise the export price of the product to avoid the possibility of an anti-dumping duty.

## R

### -- Regional Value Content (RVC) --

Refers to the total value of raw materials, component parts, labor costs and product development costs exclusively incurred in one side being greater than or equal to an agreed percentage of the FOB value of the exporting goods, and that the final manufacturing or processing operations should be completed in the area of that side.

**-- Rules of Origin --**

Laws, regulations and administrative procedures, which determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty.

**T****-- Tariffs --**

Customs duties on merchandise imports. Levied either on an ad valorem basis (percentage of value) or on a specific basis (e.g. \$7 per 100 kgs.). Tariffs give price advantage to similar locally-produced goods and raise revenues for the government.

**-- Tariff Line --**

A product as defined in lists of tariff rates. Products can be sub-divided, the level of detail reflected in the number of digits in the Harmonized System (HS) code used to identify the product.

**-- Tariff Rate Quota --**

A trade policy tool used to protect a domestically produced commodity or product from competitive imports. A tariff rate quota (TRQ) combines two policy instruments that nations historically have used to restrict such imports: quotas and tariffs.

**-- Trade Facilitation --**

Processes that eliminate obstacles to the movement of goods across borders (e.g. simplification of customs procedures).

**-- Transaction Value --**

Customs value of an imported good computed on the basis of the price actually paid or payable for it at the time it was exported.

**V****-- VNM --**

The value of non-originating materials that are acquired and used by the producer in the production of the good; VNM does not include the value of a material that is self-produced.

**W****-- Wholly Obtained --**

A good that contains no imported inputs and that has been wholly produced or obtained within a country participating in a free trade area.