

## **CHAPTER TWO**

### **TRADE IN GOODS**

#### **Section A: Common Provisions**

##### **Article 2.1: Definitions**

For purposes of this Chapter:

**duty-free** means free of customs duty; and

**import licensing** means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs clearance purposes) to the relevant administrative body as a prior condition for importation into the territory of the importing Party.

##### **Article 2.2: Scope and Coverage**

Except as otherwise provided in this Agreement, this Chapter shall apply to trade in goods between the Parties.

#### **Section B: National Treatment**

##### **Article 2.3: National Treatment**

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994 including its interpretative notes. To this end, Article III of GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement, *mutatis mutandis*.

#### **Section C: Reduction or Elimination of Customs Duties**

##### **Article 2.4: Reduction or Elimination of Customs Duties**

1. Except as otherwise provided in this Agreement, neither Party shall increase any existing customs duty, or adopt any new customs duty, on an originating good.

2. Except as otherwise provided in this Agreement, each Party shall reduce or eliminate its customs duties on originating goods in accordance with its Schedule to Annex 2-A.

3. On the request of either Party, the Parties shall consult to consider accelerating the reduction or elimination of customs duties set out in their Schedules to Annex 2-A. An agreement by the Parties to accelerate the reduction or elimination of a customs duty on a good shall supersede any duty rate or staging category determined pursuant to their Schedules to Annex 2-A for that good when approved by each Party in accordance with its applicable legal procedures.

4. If at any moment a Party reduces its most-favored-nation (hereinafter referred to as “MFN”) applied rate of customs duty after the entry into force of this Agreement, that duty rate shall apply as regards trade covered by this Agreement if and for as long as it is lower than the customs duty rate calculated in accordance with its Schedule to Annex 2-A.

5. For greater certainty, a Party may:

- (a) raise a customs duty to the level established in its Schedule to Annex 2-A following a unilateral reduction or elimination; or
- (b) maintain or increase a customs duty as authorized by the Dispute Settlement Body of the WTO.

## **Section D: Special Regimes**

### **Article 2.5: Temporary Admission of Goods**

1. Each Party shall facilitate temporary admission of goods and allow, as provided for in its laws and regulations, goods to be brought into a customs territory conditionally relieved, totally or partially, from payment of customs duties and taxes if such goods are brought into a customs territory for a specific purpose, are intended for re-exportation within a specific period, and have not undergone any change except normal depreciation and wastage due to the use made of them.

2. Each Party shall, at the request of the person concerned and for reasons its customs administration considers valid, extend the time limit for temporary admission beyond the period initially fixed.

3. Neither Party shall condition the temporary admission of a good other than require that the good:

- (a) be used solely by or under the personal supervision of a national or resident of the Party in the exercise of the business activity, profession, or sport of that person;
- (b) not be sold or leased while in its territory;
- (c) be accompanied by a security or guarantee in an amount no greater than the customs duties, taxes, fees, and charges that would otherwise be owed on entry or final importation, releasable on exportation of the good;
- (d) be capable of identification when imported and exported;
- (e) be exported on the departure of the person referred to in subparagraph (a), or within such other period related to the purpose of the temporary admission as the Party may establish, unless extended;
- (f) be admitted in no greater quantity than is reasonable for its intended use; and
- (g) be otherwise admissible into the Party's territory under its laws and regulations.

4. If any condition that a Party imposes under paragraph 3 has not been fulfilled, the Party may apply the customs duty and any other charge that would normally be owed on the good in addition to any other charges or penalties provided for under its laws and regulations.

5. Each Party shall adopt and maintain procedures providing for the expeditious release of goods admitted under this Article. To the extent possible, such procedures shall provide that when such a good accompanies a national or resident of the other Party who is seeking temporary entry, the good shall be released simultaneously with the entry of that national or resident.

6. Each Party shall permit a good temporarily admitted under this Article to be exported through a customs port other than that through which it was admitted.

7. Neither Party shall:

- (a) prevent a vehicle or container used in international traffic that enters its territory from the territory of the other Party from exiting its territory on any route that is reasonably related to the economic and prompt departure of such vehicle or container;
- (b) require any security or impose any penalty or charge solely by reason of any difference between the port of entry and the port of departure of a container;
- (c) condition the release of any obligation, including any security, that it imposes in respect of the entry of a container into its territory on its exit through any particular port of departure; and
- (d) require that the carrier bringing a container from the territory of the other Party into its territory be the same carrier that takes the container to the territory of the other Party.

8. Each Party shall provide that the importer of a good admitted under this Article shall not be liable for failure to export the good on presentation of satisfactory proof to the importing Party that the good has been destroyed within the original period fixed for temporary admission or any lawful extension.

#### **Article 2.6: Duty-free Entry of Commercial Samples of Negligible Value and Printed Advertising Materials**

Each Party shall grant duty-free entry to commercial samples of negligible value, and to printed advertising materials, imported from the territory of the other Party, regardless of their origin, but may require that the samples be imported solely for the solicitation of orders for goods, or services provided from the territory, subject to its laws and regulations, of the other Party or a non-Party.

### **Section E: Non-Tariff Measures**

#### **Article 2.7: Import and Export Restrictions**

1. Except as otherwise provided in this Agreement, neither Party shall adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined

for the territory of the other Party, except in accordance with Article XI of GATT 1994 and its interpretative notes, and to this end Article XI of GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement, *mutatis mutandis*.

2. Where a Party proposes to adopt an import or export prohibition or restriction in accordance with paragraph 2(a) of Article XI of GATT 1994, the Party shall:

- (a) seek to limit such proposed prohibition or restriction to the extent necessary, giving due consideration to its possible effects on the other Party;
- (b) provide notice in writing, as far in advance as practicable, to the other Party of such proposed prohibition or restriction, and its reasons together with its nature and expected duration; and
- (c) on request, provide the other Party with a reasonable opportunity for consultation with respect to any matter related to the proposed prohibition or restriction.

#### **Article 2.8: Import Licensing**

1. Each Party shall ensure that all automatic and non-automatic import licensing procedures are implemented in a transparent and predictable manner, and applied in accordance with the Import Licensing Agreement. Neither Party shall adopt or maintain a measure that is inconsistent with the Import Licensing Agreement.

2. Promptly after this Agreement enters into force, each Party shall notify the other Party of its existing import licensing procedures, if any. The notification shall:

- (a) include the information specified in Article 5 of the Import Licensing Agreement; and
- (b) be without prejudice as to whether the import licensing procedure is consistent with this Agreement.

3. Before applying any new or modified import licensing procedure, a Party shall publish the new procedure or modification on an official government Internet site. To the extent possible, the Party shall do so at least 20 days before the new procedure or modification takes effect.

4. Neither Party shall apply an import licensing procedure to a good of the other Party unless the Party has complied with the requirements of paragraphs 2 and 3 with respect to that procedure.

#### **Article 2.9: Customs Valuation**

For purposes of determining the customs value of goods traded between the Parties, the provisions of Article VII of GATT 1994, and the provisions of Part I and the Interpretative Notes of Annex I of the Customs Valuation Agreement shall apply, *mutatis mutandis*.

#### **Article 2.10: Restrictions to Safeguard the Balance of Payments**

1. The Parties shall endeavor to avoid the imposition of restrictive measures for balance of payments purposes.

2. Any measures taken for trade in goods shall be in accordance with Article XII of GATT 1994 and the *Understanding on the Balance-of-Payments Provisions of GATT 1994*, which are incorporated into and made part of this Agreement, *mutatis mutandis*.

#### **Article 2.11: State Trading Enterprises**

The rights and obligations of the Parties with respect to state trading enterprises shall be governed by Article XVII of GATT 1994, its interpretive notes, and the *Understanding on the Interpretation of Article XVII of GATT 1994*, which are incorporated into and made part of this Agreement, *mutatis mutandis*.

### **Section F: Institutional Provisions**

#### **Article 2.12: Committee on Trade in Goods**

1. The Parties hereby establish a Committee on Trade in Goods (hereinafter referred to as “Committee”) consisting of representatives of the Parties.

2. The Committee shall meet on the request of a Party or the Joint Committee, at a mutually agreed time, venue, and means, to consider any matter arising under this Chapter and Chapter Three (Trade Remedies).

3. The functions of the Committee shall include:
- (a) reviewing and monitoring the implementation and operation of this Chapter and Chapter Three (Trade Remedies), and making a report and recommendation to the Joint Committee, if appropriate;
  - (b) promoting trade in goods between the Parties, including through consultations on accelerating elimination of customs duties under this Agreement and other issues as appropriate;
  - (c) addressing barriers to trade in goods between the Parties, especially those related to the application of non-tariff measures, and, if appropriate, referring such matters to the Joint Committee for its consideration;
  - (d) addressing any issues related to updating each Party's Schedule to reflect amendments of the Harmonized System, including adoption and review of transposition guidelines, the transposition of the Parties' Schedules of tariff commitments and exchanging transposed Schedules of tariff commitments and correlation tables in a timely manner; and
  - (e) discussing and endeavoring to resolve any difference that may arise between the Parties on matters related to the classification of goods under the Harmonized System.

## **ANNEX 2-A-1**

### **REDUCTION OR ELIMINATION OF CUSTOM DUTIES OF KOREA**

1. Except as otherwise provided in the Schedule to this Annex, the following staging categories apply to the reduction or elimination of customs duties by Korea pursuant to Article 2.4:

- (a) customs duties on originating goods provided for in the items in staging category “0” in the Schedule shall be eliminated entirely and such goods shall be free of customs duty on the date this Agreement enters into force;
- (b) customs duties on originating goods provided for in the items in staging category “5” in the Schedule shall be removed in six equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year five;
- (c) customs duties on originating goods provided for in the items in staging category “10” in the Schedule shall be removed in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 10;
- (d) customs duties on originating goods provided for in the items in staging category “15” in the Schedule shall be removed in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 15;
- (e) customs duties on originating goods provided for in the items in staging category “20” in the Schedule shall be removed in 21 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 20;
- (f) customs duties on originating goods provided for in the items in staging category “TR” in the Schedule shall be immediately reduced

by 50 percent of the base rate on the date this Agreement enters into force, and such goods shall remain at 50 percent of the base rate; and

- (g) customs duties on originating goods provided for in the items in staging category “E” in the Schedule shall remain at base rates.

2. For purposes of this Annex and the Schedule contained therein, year one means the twelve-month period starting on January 1 of the subsequent year after entry into force of this Agreement, if the date of entry into force of this Agreement falls before the last quarter of a year. If the date of entry into force of this Agreement is in the last quarter of a year, year one means the twelve-month period starting on January 1 of the second year after the entry into force of this Agreement.

3. For purposes of this Annex and the Schedule contained therein, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

4. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in the Schedule.

5. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point, or if the rate of duty is expressed in monetary units, at least to the nearest Korean won in the case of Korea.

6. The base rates of duty set out in this Schedule reflect the Korean Customs Duty Most-Favored-Nation rates of duty in effect on January 1, 2021.

7. This Annex is made based on the Harmonized System of Korea(hereinafter referred to as “HSK”), as amended on January 1, 2021. The interpretation of the provisions of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the HSK. To the extent that provisions of this Schedule are identical to the corresponding provisions of the HSK, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the HSK.

## **ANNEX 2-A-2**

### **REDUCTION OR ELIMINATION OF CUSTOM DUTIES OF GCC**

1. Except as otherwise provided in the Schedule to this Annex, the following staging categories apply to the reduction or elimination of customs duties by GCC pursuant to Article 2.4:

- (a) customs duties on originating goods provided for in the items in staging category "0" in the Schedule shall be eliminated entirely and such goods shall be free of customs duty on the date this Agreement enters into force;
- (b) customs duties on originating goods provided for in the items in staging category "5" in the Schedule shall be removed in six equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year five;
- (c) customs duties on originating goods provided for in the items in staging category "10" in the Schedule shall be removed in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 10;
- (d) customs duties on originating goods provided for in the items in staging category "15" in the Schedule shall be removed in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 15;
- (e) customs duties on originating goods provided for in the items in staging category "20" in the Schedule shall be removed in 21 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty in year 20;
- (f) customs duties on originating goods provided for in the items in staging category "TR" in the Schedule shall be reduced by 50 percent

of the base rate in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at 50 percent of the base rate in year 10;

- (g) customs duties on originating goods provided for in the items in staging category “E” in the Schedule shall remain at base rates;
- (h) no obligations regarding customs duties in this Agreement shall apply with respect to items in staging category “PROH (Prohibited Goods)”; and
- (i) no obligations regarding customs duties in this Agreement shall apply with respect to items in staging category “SpGo (Special Goods)”.

2. For purposes of this Annex and the Schedule contained therein, year one means the twelve-month period starting on January 1 of the subsequent year after entry into force of this Agreement, if the date of entry into force of this Agreement falls before the last quarter of a year. If the date of entry into force of this Agreement is in the last quarter of a year, year one means the twelve-month period starting on January 1 of the second year after the entry into force of this Agreement.

3. For purposes of this Annex and the Schedule contained therein, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

4. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in the Schedule.

5. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point, or if the rate of duty is expressed in monetary units, at least to the nearest UAE Dirham in the case of UAE, Bahraini dinar in the case of Bahrain, Saudi riyal in the case of KSA, Omani riyal in the case of Oman, Qatari riyal in the case of Qatar, Kuwaiti dinar in the case of Kuwait.

6. The base rates of duty set out in this Schedule reflect the GCC Customs Duty Most-Favored-Nation rates of duty in effect on January 1, 2022.

7. This Annex is made based on the Harmonized System of GCC Unified Customs Tariff (hereinafter referred to as "GCC HS") as amended on January 1, 2022. The interpretation of the provisions of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the GCC HS. To the extent that provisions of this Schedule are identical to the corresponding provisions of the GCC HS, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the GCC HS.