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CHAPTER TWO TRADE IN GOODS

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 applies to trade in goods between the Parties.

Article 2.3: National Treatment on Internal Taxation and Regulation

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 form part of this Agreement, *mutatis mutandis*.

Article 2.4: Reduction or Elimination of Customs Duties

1. Except as otherwise provided in this Agreement, including as explicitly set out in each Party's Schedule included in Annex 2-A, neither Party shall increase any existing customs duty, or adopt any new customs duty, on an originating good of the other Party.

2. Upon the entry into force of this Agreement, Korea shall reduce or eliminate its customs duties applied on goods originating from the UAE in

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accordance with Annex 2-A-1 and the UAE shall reduce or eliminate its customs duties on goods originating from Korea in accordance with Annex 2-A-2.

3. Where a Party reduces its most-favored-nation (hereinafter referred to as “MFN”) applied rate of customs duty, that duty rate shall apply to an originating good of the other Party if, and for as long as, it is lower than the customs duty rate for such good as set out in each Party’s Schedule included in Annex 2-A.

Article 2.5: Acceleration or Broadening of Tariff Commitments

1. Upon request of a Party, the Parties shall consult to consider accelerating or broadening the scope of tariff commitments as set out in each Party’s Schedule included in Annex 2-A.

2. Further commitments between the Parties pursuant to paragraph 1 shall supersede any duty rate or staging category determined pursuant to their respective Schedules included in Annex 2-A when approved by each Party in accordance with its applicable legal procedures.

3. Nothing in this Agreement shall prohibit a Party from unilaterally accelerating or broadening the scope of tariff commitments set out in its Schedule included in Annex 2-A on originating goods. Any such unilateral acceleration or broadening of the scope of tariff commitments will not:

- (a) permanently supersede any duty rate or staging category determined pursuant to its respective Schedule to Annex 2-A; or
- (b) serve to waive that Party’s right to raise the customs duty back to the level established in its respective Schedule included in Annex 2-A following a unilateral reduction.

Article 2.6: Classification of Goods and Transposition of Schedules

1. The classification of goods in trade between the Parties shall be in conformity with the HS and its amendments.

2. The Parties shall consult whether it is necessary to update each Party’s Schedule included in Annex 2-A to reflect periodic amendments of the HS.

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3. Each Party shall ensure that any transposition of its Schedule included in Annex 2-A is carried out without impairing the tariff commitments as set out in its Schedule included in Annex 2-A, which includes not affording less favorable treatment to an originating good of the other Party than set out in its Schedule included in Annex 2-A, and is in accordance with the agreed transposition guidelines, which are to be adopted by the Committee on Trade in Goods.

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 a part of this Agreement, *mutatis mutandis*.

2. In the event that a Party introduces a measure that imposes a prohibition or restriction otherwise justified under the relevant provisions of the WTO Agreement with respect to the exportation of goods to the other Party, the Party imposing the measure shall publish the measure in a timely manner. Upon the request of the other Party, the Parties shall enter into consultations with the aim of resolving any problem that may arise due to that measure.

Article 2.8: Import Licensing

1. Neither Party shall adopt or maintain a measure that is inconsistent with the Import Licensing Agreement¹, which is hereby incorporated into and made a part of this Agreement, *mutatis mutandis*.

2. Before applying any new or modified import licensing procedure, a Party shall publish it in such a manner as to enable governments and traders to become acquainted with it, including through publication on an official government Internet site.

¹ For purposes of paragraph 1 and for greater certainty, in determining whether a measure is inconsistent with the Import Licensing Agreement, the Parties shall apply the definition of “import licensing” contained in that Agreement.

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Article 2.9: Customs Valuation

Each Party shall determine the customs value of goods traded between the Parties in accordance with the provisions of Article VII of GATT 1994 and the Customs Valuation Agreement, *mutatis mutandis*.

Article 2.10: Export Subsidies

1. Neither Party shall adopt or maintain any export subsidy on any good destined for the territory of the other Party, in accordance with the SCM Agreement and the Agreement on Agriculture.

2. Notwithstanding paragraph 1, the Parties reaffirm that a Party may maintain an export subsidy on an agricultural good only in accordance with its commitments made in the *WTO Ministerial Conference Decision on Export Competition (WT/MIN (15)/45, WT/L/980)* adopted in Nairobi on 19 December 2015, including the elimination of scheduled export subsidy entitlements for agricultural goods.

Article 2.11: Measures 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 balance-of-payments purposes 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 a part of this Agreement, *mutatis mutandis*.

Article 2.12: Administrative Fees and Formalities

1. Each Party shall ensure that all fees and charges imposed in connection with importation and exportation shall be consistent with its obligations under Article VIII:1 of GATT 1994 and its interpretive notes.

2. Each Party shall make available and maintain, through the Internet, a current list of the fees and charges it imposes in connection with importation or exportation.

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Article 2.13: Non-Tariff Measures

1. Neither Party shall adopt or maintain any non-tariff measure on the importation of any good of the other Party or on the exportation of any good destined for the territory of the other Party, except in accordance with its rights and obligations under the WTO Agreement or this Agreement.
2. Each Party shall ensure that its laws, regulations, procedures and administrative rulings related to non-tariff measures are not prepared, adopted or applied with the view to, or with the effect of, creating unnecessary obstacles to trade with the other Party.
3. If a Party considers that a non-tariff measure of the other Party is creating an unnecessary obstacle to trade, that Party may nominate such a non-tariff measure for review by the Committee on Trade in Goods through a written letter of request, which shall be submitted at least 30 days before the date of the next scheduled meeting of the Committee on Trade in Goods. A nomination of a non-tariff measure for review shall include reasons for its nomination, how the measure adversely affects trade between the Parties, and if possible, suggested solutions. The Committee on Trade in Goods shall immediately review the measure with a view to securing a mutually agreed solution to the matter within 90 days from the date of receipt of the request. Review by the Committee on Trade in Goods is without prejudice to the Parties' rights under Chapter Fifteen (Dispute Settlement).

Article 2.14: State Trading Enterprises

Nothing in this Agreement shall be construed to prevent a Party from maintaining or establishing a state trading enterprise in accordance with Article XVII of GATT 1994, its interpretative notes and the Understanding on the Interpretation of Article XVII of GATT 1994.

Article 2.15: Temporary Admission of Goods²

² For purposes of this Article, the terms “goods intended for display or demonstration”, “advertising films and recordings”, “goods admitted for sports purposes”, “container” and “pallet” are applied in accordance with each Party’s laws and regulations.

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1. Each Party shall grant duty-free temporary admission for the following goods imported from the other Party, regardless of their origin:

- (a) professional equipment, including equipment for the press or television, software, and broadcasting and cinematographic equipment, that are necessary for carrying out the business activity, trade, or profession of a person who qualifies for temporary entry pursuant to the laws of the importing Party;
- (b) goods intended for display or demonstration;
- (c) commercial samples and advertising films and recordings;
- (d) goods admitted for sports purposes; and
- (e) containers and pallets that are used for the transportation of equipment.

2. Each Party shall, at the request of the importer or person concerned and for reasons deemed valid by its customs authority, extend the time limit for temporary admission beyond the period initially fixed.

3. Neither Party shall condition the duty-free temporary admission of a good referred to in paragraph 1 into its territory, other than to require that the good:

- (a) not be sold or leased while in its territory;
- (b) be accompanied by a security in an amount no greater than the custom duties and any other tax or charge imposed on imports that would otherwise be owed on entry or final importation, releasable on exportation of the good;
- (c) be capable of identification when exported;
- (d) be exported within the time period granted for temporary admission in accordance with its domestic law related to the purpose of the temporary admission;
- (e) not be admitted in a quantity greater than is reasonable for its intended use;
- (f) be used solely by or under the personal supervision of a national or

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resident of the other Party in the exercise of the business activity, trade, profession, or sport of that person; or

- (g) be otherwise admissible into the importing Party's territory under its law.

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

5. Each Party, through its customs authority, 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. Each Party shall provide that the importer or person concerned, who is responsible for 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 extension³.

Article 2.16: Goods Re-Entered After Repair or Alteration

1. Neither Party shall apply a customs duty to a good, regardless of its origin, that re-enters its territory after that good has been temporarily exported from its territory to the territory of the other Party for repair or alteration, regardless of whether such repair or alteration could be performed in the territory of the Party from which the good was exported for repair or alteration, except that a customs duty or other taxes may be applied in accordance with each Party's laws and procedures to the addition resulting from the repair or alteration that was performed in the territory of the other Party.

³ In certain cases, a Party may condition relief of liability under this paragraph by requiring the importer or person concerned to receive prior approval from the customs authority of the importing Party before the good can be so destroyed.

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2. Neither Party shall apply a customs duty to a good, regardless of its origin, imported temporarily from the territory of the other Party for repair or alteration.
3. For purposes of this Article, “repair” or “alteration” does not include an operation or process that:
 - (a) destroys a good’s essential characteristics or creates a new or commercially different good; or
 - (b) transforms an unfinished good into a finished good.

Article 2.17: Duty-Free Entry of Commercial Samples of Negligible Value and Printed Advertising Materials⁴

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:

- (a) such samples be imported solely for the solicitation of orders for goods or services provided from the territory of the other Party or a non-Party; or
- (b) such advertising materials be imported in packets, that each contain no more than one copy of each such material, and that neither the materials nor the packets form part of a larger consignment.

Article 2.18: Committee on Trade in Goods

1. The Parties hereby establish a Committee on Trade in Goods (hereinafter referred to as the “Committee”) under the Joint Committee comprising representatives of each Party.
2. The Committee shall meet once a year or on the request of the other Party at a mutually agreed time, venue and means, to consider any matter arising under this Chapter. The Committee may carry out its work through whatever means that

⁴ For the purpose of this Article, the terms “**commercial samples of negligible value**” and “**printed advertising materials**” are applied in accordance with each Party’s laws and regulations.

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are appropriate, which may include electronic mail, videoconferencing, or other means.

3. The functions of the Committee shall include:
 - (a) monitoring and reviewing the implementation and administration of this Chapter, and making reports and recommendations to the Joint Committee, if appropriate;
 - (b) promoting trade in goods between the Parties, including through consultations on accelerating or improving the scope of preferential treatment or tariff elimination under this Agreement and other issues as appropriate;
 - (c) addressing barriers to trade in goods between the Parties including those related to the application of non-tariff measures which may restrict trade in goods between the Parties and, if appropriate, referring such matters to the Joint Committee for its consideration;
 - (d) reviewing the amendments to the HS to ensure that each Party's obligations under this Agreement are not altered, and consulting to resolve any conflicts between such amendments to the HS and Annex 2-A, or Annex 2-A and national nomenclatures;
 - (e) consulting and endeavoring to resolve any difference that may arise among the Parties on matters related to the classification of goods under the HS, including adoption and review of transposition methodologies and guidelines;
 - (f) reviewing data on trade in goods in relation to the implementation of this Chapter; and
 - (g) carrying out other functions as may be assigned by the Joint Committee or agreed by the Parties.

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Annex 2-A-1
Reduction or Elimination of Customs 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 “A” 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 “B” shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year five;
- (c) customs duties on originating goods provided for in the items in staging category “C” shall be removed in 10 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year 10;
- (d) customs duties on originating goods provided for in the items in staging category “TR” shall be reduced by 50 percent of the base rate in 5 equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at 50 percent of the base rate, effective January 1 of year five; and
- (e) customs duties on originating goods provided for in the items in staging category “X” shall remain at base rates.

2. 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.

3. 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.

4. For purposes of this Annex and the Schedule contained therein, year one

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means the year the Agreement enters into force as provided in Article 18.5 (Entry into Force).

5. 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.

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Annex 2-A-2
Reduction or Elimination of Customs Duties of UAE

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 the UAE pursuant to Article 2.4:

- (a) customs duties on originating goods provided for in the items in staging category “A” 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 “B” shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year five;
- (c) customs duties on originating goods provided for in the items in staging category “C” shall be removed in 10 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year 10;
- (d) customs duties on originating goods provided for in the items in staging category “TR” shall be reduced by 50 percent of the base rate in 5 equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at 50 percent of the base rate, effective January 1 of year five;
- (e) customs duties on originating goods provided for in the items in staging category “X” shall remain at base rates;
- (f) no obligations regarding customs duties in this Agreement shall apply with respect to items in staging category “PH (Prohibited Goods)”; and
- (g) no obligations regarding customs duties in this Agreement shall apply with respect to items in staging category “SG (Special Goods)”.

2. The base rate of customs duty and staging category for determining the

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interim rate of customs duty at each stage of reduction for an item are indicated for the item in the Schedule.

3. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point. If the rate of duty is expressed in monetary units, the interim staged rates shall be rounded down at least to the nearest United Arab Emirates Dirham in the case of UAE.

4. For purposes of this Annex and the Schedule contained therein, year one means the year the Agreement enters into force as provided in Article 18.5 (Entry into Force).

5. 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.