



Summary of the U.S. - Korea Free Trade Agreement

The information presented on this website is meant to serve as a guide. Only the agreement text and the customs regulations issued to implement the agreement are definitive.

If you have any questions about this Agreement, please contact Maria D'Andrea-Yothers, Office of Textiles and Apparel, (202) 482-1550.

Status: The Agreement was signed on June 30, 2007, ratified by the U.S. Congress on October 12, 2011, and signed by the President on October 21, 2011. The Agreement entered into force on March 15, 2012.

Background

On April 1, 2007, the United States and the Republic of Korea announced the successful completion of United States-Korea Free Trade Agreement (KORUS FTA). The Agreement entered into force on March 15, 2012, paving the way for the elimination of tariff and non-tariff barriers to trade in goods and services, to promoting economic growth, and to enhancing trade between the United States and Korea. The Agreement provides standards for protection and enforcement of a broad range of intellectual property rights, including trademarks, copyrights and patents. The Agreement establishes a stable legal framework for U.S. investors operating in Korea. All forms of investment are protected under the agreement. U.S. investors will enjoy in almost all circumstances the right to establish, acquire, and operate investments in Korea on an equal footing with local investors.

Tariff Elimination

Textiles and Apparel

Duties on the majority of qualifying textile and apparel products will be eliminated upon entry into force of the agreement. The remainder will be eliminated in three, five, or 10-year stages. Each line item of the FTA tariff schedules is assigned a letter code that indicates the staging by which the duty for each product is eliminated or reduced and ultimately eliminated.

Travel Goods and Footwear

For qualifying footwear and travel goods, duties will be eliminated immediately for both the United States and Korea. However, for the United States, the following 17 rubber/fabric and plastic/protective 8-digit HTS lines have a twelve-year, non-linear tariff phase-out: 6401.10.00, 6401.91.00, 6401.92.90, 6401.99.30, 6401.99.60, 6401.99.90, 6402.30.50, 6402.30.70, 6402.30.80, 6402.91.50, 6402.91.80, 6402.91.90, 6402.99.20, 6402.99.80, 6402.99.90, 6404.11.90, 6404.19.20. These tariff lines are in Category "J": tariffs remain at the current MFN rates of duties for years one through eight of the Agreement, i.e., from March 15, 2012 through January 1, 2019. Beginning on January 1, 2019, tariffs will be reduced in four equal annual stages until tariffs are eliminated on January 1, 2023.

See Annex II to the USITC Publication 4308, [“Modifications to the Harmonized Tariff Schedule of the United States to Implement the United States-Korea Free Trade Agreement”](#) for the U.S.

tariff phase-out schedule for all commodities, including textiles, apparel, travel goods, and footwear.

Also see the International Trade Administration [FTA Tariff Tool](#) for the duty-free status or reduced duties that apply to products eligible under U.S. free trade agreements.

Rules of Origin

Textiles and Apparel

The rule of origin for textiles and apparel is generally referred to as "**yarn forward**," which requires that the yarn production and all operation forward occur in either Korea or the United States, but the fiber may be from anywhere. However, there are some exceptions in the rules requiring "fiber forward," and some requiring "fabric forward".

If a good does not meet the rule of origin requirements as indicated above, a textile or apparel product might be considered originating if all non-originating fibers and yarns make up less than a "de minimis" seven percent of the total weight of the product. Special provisions also apply to textile and apparel goods put up in sets for retail sale.

Travel Goods

The rule of origin for travel goods is either 1) tariff shift at the chapter level; or 2) cut and sew.

- 4202.12: A change to goods of subheading 4202.12 with an outer surface of textile materials from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or both of the Parties.
- 4202.19 – 4202.21: A change to subheading 4202.19 through 4202.21 from any other chapter.
- 4202.22: A change to goods of subheading 4202.22 with an outer surface of textile materials from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or both of the Parties.
- 4202.29 - 4202.31: A change to subheading 4202.29 through 4202.31 from any other chapter.
- 4202.32: A change to goods of subheading 4202.32 with an outer surface of textile materials from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or both of the Parties.
- 4202.39 – 4202.91: A change to subheading 4202.39 through 4202.91 from any other chapter.
- 4202.92: A change to goods of subheading 4202.92 with an outer surface of textile materials from any other chapter, provided that the good is cut or knit to shape, or both, and sewn or otherwise assembled in the territory of one or both of the Parties.
- 4202.99: A change to subheading 4202.99 from any other chapter.

Footwear

There are two rules of origin for footwear:

1) A change to HTS headings 6401 through 6405 from any heading outside that group (i.e., there are no restrictions on the use of imported uppers). This rule applies to all footwear, except the following 17 8-digit HTS numbers: 6401.10.00, 6401.91.00, 6401.92.aa, 6401.99.aa, 6401.99.bb, 6401.99.cc, 6402.30.aa, 6402.30.bb, 6402.30.cc, 6402.91.aa, 6402.91.bb, 6402.91.cc, 6402.99.aa, 6402.99.bb, 6402.99.cc, 6404.11.aa, 6404.19.aa.

2) Footwear covered in the exception above (i.e., the 17 HTS lines) follow a regional value

content rule of not less than 55 percent of the adjusted value of the product. Under this rule of origin, to qualify for the duty benefits, uppers can only be made in the United States and/or Korea. This is essentially the same rule of origin used in NAFTA and CAFTA-DR.

NOTE: The regional value content is determined by the “Build-up method”:

$$\text{RVC} = \frac{\text{VOM}}{\text{AV}} \times 100$$

Where RVC is the regional value content, expressed as a percentage; AV is the adjusted value (value without Cost, Insurance, Freight); and VOM is the value of originating materials used by the producer for the production of the good.

Commercial Availability

Article 4.2.3 of the Agreement provides for a consultation mechanism to consider whether the rules of origin applicable to a particular textile or apparel good should be revised to address issues of availability of supply of fibers, yarns, or fabrics in the territories of the Parties.

For information on commercial availability requests and modifications to the rules of origin, see the [U.S.-Korea Commercial Availability](#) webpage.

Measures to Prevent Circumvention of the Agreement’s Rule of Origin

The Agreement contains additional measures to ensure that textile and apparel goods are not subject to fraud, such as illegal transshipment. The parties agree that the exporting Party, at the request of the importer Party, shall conduct verification procedures to determine that a claim for origin of a textile and apparel good is accurate, allows the exchange of information between parties when suspicion occurs, and permits the importing party to suspend preferential tariff treatment to the textile and apparel good under suspicion or any textile and apparel good produced or exported by a specific company.

Measures to Prevent Serious Damage, or Actual Threat Thereof, to the Domestic Industry

Article 4.1 of the Agreement provides for bilateral emergency action, or a textile safeguard mechanism. This mechanism applies when, as a result of the reduction or elimination of a customs duty under the Agreement, a Korean textile or apparel article is being imported into the United States in such increased quantities, in absolute terms or relative to the domestic market for that article, and under such conditions as to cause serious damage or actual threat thereof to a U.S. industry producing a like or directly competitive article. In these circumstances, Article 4.1.1(b) permits the United States to (a) suspend any further reduction in the rate of duty provided for under Annex 2-B of the Agreement in the duty imposed on the article; or (b) increase duties on the imported article from Korea to a level that does not exceed the lesser of the prevailing U.S. normal trade relations (“NTR”)/most-favored-nation (“MFN”) duty rate for the article or the U.S. NTR/MFN duty rate in effect on the day before the Agreement enters into force. On March 19, 2012, the Committee for the Implementation of Textile Agreements (CITA), to which authority for this provision was delegated by the President, published [interim procedures for considering requests from the public for textile and apparel safeguard actions on imports from Korea and estimate of burden for collection of information](#).

Documentation Requirements

Qualifying goods for which FTA duty benefits are requested, the importer must make a claim of

preference. The Agreement does not require that the importer provide a certificate of origin in support of the claim of preference. However, both the importer and the exporter have obligations to generate supporting documentation to back-up any claims of preferential treatment under the KORUS FTA.

To make a claim for preferential tariff treatment for a good, the importer must submit to the customs authority of the importing Party, on request, a signed declaration setting forth all pertinent information concerning the growth, production, or manufacture of the good. A requested declaration may require the following details:

- a description of the good, quantity, numbers, and invoice numbers and bills of lading
- a description of the operations performed in the growth, production, or manufacture of the good in the territory of one or both of the Parties and, where applicable, identification of the direct costs of processing operations
- a description of any materials used in the growth, production, or manufacture of the good that are wholly the growth, product, or manufacture of one or both of the Parties, and a statement as to the value of such materials
- a description of the operations performed on, and a statement as to the origin and value of, any materials used in the good that are claimed to have been sufficiently processed in the territory of one or both of the Parties so as to be materials produced in the territory of one or both of the Parties, or are claimed to have undergone an applicable change in tariff classification specified in Annex 4-A
- a description of the origin and value of any foreign materials used in the good that are not claimed to have been substantially transformed in the territory of one or both of the Parties, or are not claimed to have undergone an applicable change in tariff classification specified in Annex 4-A

For guidance on importing into the United States under this Agreement, see U.S. Customs and Border Protection “[KORUS Implementation Instructions](#).”

Korean customs officials may verify a claim of preferential treatment up to five years after the date of importation. Therefore, it is recommended that importers and exporters maintain documents relating to the importation of the good and all supporting documents for at least five years.

Exporters should be aware that commercial invoices for all shipments from the United States must bear a notarized affidavit: I, (name, title, and name of company), hereby swear that the prices stated in this invoice are the current export market prices for the merchandise described, that the products being shipped are of US origin, and that they have been manufactured in the United States. I accept full responsibility for any inaccuracies therein. (Signature)

If the products being shipped contain any foreign components, the country of origin and percentage of foreign content in the goods must be indicated on the invoice. No certificate of origin is required.

Government Procurement

Under the FTA, U.S. suppliers have rights to bid on the procurements of more than 50 Korean central government entities, nine more than are covered under the WTO Agreement on Government Procurement (GPA). The Agreement also expands procurements to which U.S. suppliers will have access by reducing by nearly one-half the threshold applied under the GPA, from \$203,000 to \$100,000. The government procurement rules under the Agreement ensure that

certain American business sectors – such as small businesses or textile companies bidding on Department of Defense procurement – do not face foreign competition for key government contracts here at home. The Agreement’s procurement obligations also maintain American environmental and labor safeguards.

Supporting Documentation

[Full Text of Agreement](#)

[Textiles and Apparel Chapter](#)

[Textile and Apparel Product-Specific Rules of Origin \(Annex 4-A\)](#)

[U.S. Tariff Elimination Schedule](#)

[Korea Tariff Elimination Schedule](#)

[U.S.-Korea Free Trade Agreement Implementation Act \(Public Law 112-41\)](#)

[ITAC 13 Advisory Committee Report on the KORUS FTA](#)