

## **KOREA-SINGAPORE FREE TRADE AGREEMENT (KSFTA)**

KSFTA was signed on August 4, 2005 and entered into force on March 2, 2006.

### **A. Tariff Reduction and Elimination Modality**

Under KSFTA, Singapore eliminated all customs duties on all originating goods from Korea as of the date of entry into force of the Agreement. Korea eliminated customs duties on approximately 75% of Singapore's imports upon entry into force of the FTA, while other goods will have their customs duties reduced over a five to ten year period in accordance with the Tariff Elimination Schedule set forth in Annex 3A. The Agreement adopted the use of HS 2007 codes on January 1, 2008.

### **B. Rules of Origin**

#### *General Rules*

KSFTA adopts product-specific rules of origin. For products from Korea or Singapore to be eligible for duty-free access into the other market, they must (i) be wholly obtained or produced, or, (ii) meet a CTC requirement and/or meet a 45% or 55% value add (VA) content based on the FOB price as detailed in Annex 4a. In addition, goods listed in Annex 4b are considered originating goods if they are imported into Singapore from Korea. A summary of the rules of origin under KSFTA is as follows:

<b>Method of Determining Origin</b>	<b>Unique Origin Criteria</b>
1. Wholly obtained or produced	1. Outward processing
2. Product-specific rule based on CTC and/or VA rules on FOB price.	Applicable for certain plastics; machinery and equipment; electronics; optical, medical and precision instruments; and ships as listed in Annex 4c, including HS Chapters 84 and 85. The total value of non-originating materials is not more than 40% of the good's custom value; and the total value of originating materials is at least 45% of the good's custom value.
3. Product-specific rule as listed in Annex 4b for certain good imported into Singapore from Korea.	

The calculation of regional value content (RVC) under Article 4.5 is as follows:

$$\text{RVC (\%)} = \frac{\text{FOB Customs Value of Goods} - \text{Value of Non-originating Materials}}{\text{FOB Customs Value of Goods}} \times 100$$

#### *Outward Processing Costs*

KSFTA rules of origin factor in outward processing accumulation with respect to certain plastics; machinery and equipment; electronics; optical, medical and precision instruments; and ships as listed in Annex 4c of KSFTA.

When calculating the RVC, the rules permit all production costs incurred in Korea or Singapore at all stages of the manufacturing process to be taken into account when calculating RVC, even where the manufacturing process is interrupted by offshore processing, provided that the control or ownership of the material in question does not change before and/or after offshore processing. The last location of production must occur in Korea or Singapore. A good qualifies for outward processing only if it has no more than 40% of non-originating material and no less than 45% of originating material.

### *Rules on Accumulation of Inputs*

Originating material is a good qualified as an originating good in accordance with the rules of origin of this FTA. When the material is qualified as an originating material, its total value may be included for the purpose of the RVC calculation.

### *De Minimis*

The agreement establishes a 10% *de minimis* threshold for the value of non-originating materials used in a good's production that do not undergo the required change in tariff classification. The *de minimis* rule does not apply to animal, vegetable and food products (HS Chapters 1 through 14). For HS Chapters 50 through 63, 8% *de minimis* rule based on the weight applies.

## **C. Certification Rules**

### *General Description*

KSFTA adopts a government-certification system only. The provisions for the certificate of origin (CO) under KSFTA are detailed in Articles 5.2 to 5.15 of Chapter 5 on Customs Procedures. The importer must present an original CO at the time of importation to qualify for preferential treatment under the KSFTA. The CO is valid for a single shipment and is valid for one year. The exporter must apply for a CO from the issuing agency prior to export. A sample CO is in Annexes 5B and 5C of KSFTA. An importer does not need a CO for shipments equivalent to USD 1,000 or less or if the importing party has waved the certification requirement.

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

Not applicable to KSFTA.

### *Third-party Invoicing*

Not applicable to KSFTA.

### *Advance Rulings*

Prior to the importation of a good into its territory, each Party, through its customs administration, must provide for the issuance of written advance rulings to an importer, exporter or producer of the good in the other Party's territory concerning tariff classification, questions arising from the application of the Customs Valuation Agreement and country of origin so as to determine whether the good qualifies as an originating good. The advance ruling must be issued at least within 90 days of obtaining all necessary information. The importing Party must apply the advance ruling for three years from the date of issuance of the ruling.

### *Authorized Bodies*

The CO issuing authorities are (i) the Korea Customs Service, Korea Chambers of Commerce, and any other entity authorized by the Korean government, and (ii) Singapore Customs.

### *Post-Exportation Examination*

For the purposes of determining whether a good imported into its territory from the territory

of the other Party is eligible for preferential tariff treatment, Article 5.7 provides that the importing Party may, through its customs administration, conduct a verification, which may be in sequence, by means of: (i) request for Cost and Production Statement and information from an exporter or a producer in the territory of the other Party through the other Party's customs administration; (ii) visit to the premises of an exporter or a producer in the territory of the other Party to review the records and observe the facilities used in the production of the good, or to that effect any facilities used in the production of the materials, upon obtaining the written consent of the exporter or producer; or (iii) such other procedures as the Parties may agree to. The importer, exporter or producer that receives a written request must answer it within 30 days from the date the request was received. During this period, the importer, exporter or producer will have one opportunity to make a written request to the Party conducting the verification for an extension of the answering period by no more than 30 days.

#### *Document Retention Requirements*

Under KSFTA, exporters and producers must keep a copy of the origin declaration and supporting documentation for at least five years from the issuing date of the certificate of origin. Importers are required to maintain import documentation for at least five years.

#### **D. Relevant FTA Provisions**

- Legal Text:  
[http://www.fta.gov.sg/ftas\\_ksfta\\_legal.asp](http://www.fta.gov.sg/ftas_ksfta_legal.asp)
- Tariff Schedule, Annex 3A (updated and effective January 1, 2008):  
<http://www.fta.gov.sg/ksfta/annex%203a%20-%20tariff%20elimination%20schedule.pdf>
- Rules of Origin, Chapter 4:  
[http://www.fta.gov.sg/ksfta/korea-singapore%20free%20trade%20agreement%20\(ksfta\)\\_chap4.pdf](http://www.fta.gov.sg/ksfta/korea-singapore%20free%20trade%20agreement%20(ksfta)_chap4.pdf)
- Product Specific Rules of Origin, Annex 4A:  
<http://www.fta.gov.sg/ksfta/annex%204a%20-%20specific%20rules%20of%20origin.pdf>
- Originating Goods, Annex 4B:  
<http://www.fta.gov.sg/ksfta/annex%204b%20-%20originating%20goods%20referred%20to%20in%20article%204.3.pdf>
- Outward Processing, Annex 4C:  
<http://www.fta.gov.sg/ksfta/annex%204c%20-%20the%20goods%20referred%20to%20in%20article%204.4.pdf>
- Customs Procedures, including certification of origin and verification, Chapter 5:  
[http://www.fta.gov.sg/ksfta/korea-singapore%20free%20trade%20agreement%20\(ksfta\)\\_chap5.pdf](http://www.fta.gov.sg/ksfta/korea-singapore%20free%20trade%20agreement%20(ksfta)_chap5.pdf)