

APPENDIX 2-A-1

KOREA

1. This Appendix applies to TRQs provided for in this Agreement and sets out modifications to the Harmonized Tariff Schedule of Korea (hereinafter referred to as the “HSK”) which reflect the TRQs that Korea shall apply to certain originating goods under this Agreement. In particular, originating goods of the European Union included under this Appendix shall be subject to the rates of duty set out in this Appendix in lieu of the rates of duty specified in Chapters 1 through 97 of the HSK. Notwithstanding any other provision of the HSK, originating goods of the European Union in the quantities described in this Appendix shall be imported into the territory of Korea as provided for in this Appendix. Furthermore, any quantity of originating goods imported from the European Union under a TRQ provided for in this Appendix shall not be counted toward the in-quota amount of any TRQs provided for such goods elsewhere in the HSK.

AUCTION SYSTEM FOR CERTAIN TRQs PROVIDED FOR IN THIS AGREEMENT

2. Korea may use an auction system, the terms of which the Parties shall establish by mutual agreement by decision of the Committee on Trade in Goods, to administer and implement the TRQs provided for in paragraphs 6, 8, 10 and 11, provided that the conditions in subparagraph (a) are met:¹

- (a) (i) If less than 95 percent of the in-quota quantity of an auctioned TRQ is utilised in two of three consecutive years, on the written request of the European Union, the Parties shall consult in the Committee on Trade in Goods regarding the operation of the auction system with a view to identifying and addressing the causes for the incomplete utilisation. In the consultations, the Parties shall consider prevailing market conditions;
- (ii) The Parties shall hold consultations within 30 days of the date of the request;
- (iii) Korea shall implement any decision in the Committee on Trade in Goods that the Parties reach on the means to facilitate full utilisation of the auctioned TRQ within 60 days of the decision, or by such other date as the Parties may agree on; and
- (iv) Korea shall permit originating goods of the European Union to enter under the relevant TRQ on a first-come, first-served basis if either of the following occurs:

¹ The terms of the auction system shall include provisions for the timely surrender and reallocation of unused licenses, as well as penalties, including forfeiture of import performance bonds, for failing to utilise or return unused licenses.

- (A) Korea does not implement a decision in accordance with subparagraph (a)(iii); or
 - (B) the consultations referred to in subparagraph (a)(i) do not result in a decision within 90 days of the date of the request for consultations or by such other date as the Parties may agree on.
- (b) On the written request of either Party, the Parties shall consult on any matter related to the application or operation of this paragraph. The consultations shall begin within 15 business days of the date the Party receives the request for consultations, or on such other date as the Parties may agree.

LICENSING SYSTEM FOR CERTAIN TRQS PROVIDED FOR IN THIS AGREEMENT

3. Korea may use a licensing system to administer and implement the TRQs provided for in paragraphs 7, 9, 11, 12, 13, 14 and 15, provided that the conditions set forth in subparagraph (a) are met. The Parties shall agree in the Committee on Trade in Goods on the policies and procedures for the licensing system, including eligibility to receive TRQ quantities, and any changes or amendments to them:

- (a)
 - (i) If less than 95 percent of the in-quota quantity of a TRQ is utilised in two of three consecutive years, on the written request of the European Union, the Parties shall consult in the Committee on Trade in Goods regarding the operation of the allocation system with a view to identifying and addressing the causes for the incomplete utilisation of the in-quota quantity. In the consultations, the Parties shall consider prevailing market conditions;
 - (ii) The Parties shall hold consultations within 30 days of the date of the request;
 - (iii) Korea shall implement any decision in the Committee on Trade in Goods that the Parties reach in the consultations on the means to facilitate full utilisation of the TRQ within 60 days of the decision, or by such other date as the Parties may agree on; and
 - (iv) Korea shall permit originating goods of the European Union to enter under the relevant TRQ on a first-come, first-served basis if either of the following occurs:
 - (A) Korea does not implement a decision in accordance with subparagraph (a)(iii); or
 - (B) the consultations referred to under subparagraph (a)(i) do not result in a decision within 90 days of the date of the request for consultations or by such other date as the Parties may agree on.
- (b) On the written request of either Party, the Parties shall consult on any matter related to the application or operation of this paragraph. The consultations shall

begin within 15 business days of the date the Party receives the request for consultations, or on such other date as the Parties may agree.

STATE TRADING ENTERPRISES

4. Korea may require an originating good of the European Union to be imported, purchased or distributed in its territory by a state trading enterprise only if, and on such terms and conditions as, the Parties may agree.

Flatfish

5. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	800
2	800
3	864
4	933
5	1,008
6	1,088
7	1,175
8	1,269
9	1,371
10	1,481
11	1,599
12	1,727
13	Unlimited

The quantities shall enter on a first-come, first-served basis.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “12-A” as described in paragraph 1(o) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 0303.39.0000.

Milk or cream powder less than 1.5 percent fat and buttermilk,
 Milk and cream powder sweetened and unsweetened over 1.5 percent fat (whole milk powder)
 Milk and cream (evaporated) sweetened or unsweetened and/or not concentrated

6. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	1,000
2	1,000
3	1,030
4	1,060
5	1,092
6	1,125
7	1,159
8	1,194
9	1,229
10	1,266
11	1,304
12	1,343
13	1,384
14	1,425
15	1,468
16	1,512

After year 16, the in-quota quantity shall remain the same as the quantity of year 16.

The Korea Agro-Fisheries Trade Corporation shall administer these TRQs and allocate the in-quota quantity through quarterly auctions (December, March, June and September).

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be treated in accordance with staging category “E” as described in paragraph 1(s) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 0402.10.1010, 0402.10.1090, 0402.10.9000, 0402.21.1000, 0402.21.9000, 0402.29.0000, 0402.91.1000, 0402.91.9000, 0402.99.1000, 0402.99.9000 and 0403.90.1000.

Food whey

7. (a) The aggregate quantity of originating goods of European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	3,350
2	3,350
3	3,450
4	3,554
5	3,660
6	3,770
7	3,883
8	4,000
9	4,120
10	4,243
11	Unlimited

The Korea Dairy Industries Association shall administer these TRQs and allocate the in-quota quantity to historical and new importers using a licensing system.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “10-B” as described in paragraph 1(n) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 0404.10.1010, 0404.10.1090, 0404.10.2110, 0404.10.2120, 0404.10.2130, 0404.10.2190 and 0404.10.2900.

Butter and other fats and oils derived from milk

8. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	350
2	350
3	360
4	371
5	382
6	393
7	405
8	417
9	430
10	443
11	Unlimited

The Korea Agro-Fisheries Trade Corporation shall administer these TRQs and allocate the in-quota quantity by auction, with the entire in-quota quantity of originating goods made available during the first auction in the year, to be held in the first month of each year. Any quantity not allocated in the first auction shall be made available at a subsequent auction on or before the 15th day of the third month, and at subsequent auctions thereafter, within 45 days of the date of the previous auction.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “10” as described in paragraph 1(g) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 0405.10.0000 and 0405.90.0000.

Fresh, curd grated or powdered, processed, and all other cheeses

9. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	4,560
2	4,560
3	4,696
4	4,837
5	4,982
6	5,132
7	5,286
8	5,444
9	5,608
10	5,776
11	5,949
12	6,128
13	6,312
14	6,501
15	6,696
16	Unlimited

The Korea Dairy Industries Association shall administer these TRQs and allocate the in-quota quantity to historical and new importers through a licensing system.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “15” as described in paragraph 1(j) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 0406.10.1000, 0406.20.0000, 0406.30.0000 and 0406.90.0000 (0406.90.0000 includes cheddar cheese). Beginning in year 11, cheddar cheese will be free of customs duty and no longer be subject to TRQs.

Honey, natural

10. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	50
2	50
3	51
4	53
5	54
6	56
7	57
8	59
9	61
10	63
11	65
12	67
13	69
14	71
15	73
16	75

After year 16, the in-quota quantity shall remain the same as the quantity of year 16.

The Korea Agro-Fisheries Trade Corporation shall administer these TRQs and allocate the in-quota quantity through quarterly auctions (December, March, June and September).

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be treated in accordance with staging category “E” as described in paragraph 1(s) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 0409.00.0000.

Oranges

11. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	20
2	20
3	20
4	20
5	20
6	20
7	40
8	40
9	40
10	40
11	40
12	60

After year 12, the in-quota quantity shall remain the same as the quantity of year 12.

The Korea Agro-Fisheries Trade Corporation shall administer these TRQs and allocate the in-quota quantity through an annual auction in years 1 through 11 and, beginning in year 12, through a licensing system based on historical shipments over the most recent three-year period. The Corporation shall conduct auctions and allocate import licenses in August of each year, and importers shall be permitted to import the duty-free quantities from September 1 through the last day of February. Any person or entity, including a producer group, registered as an importer under the *Foreign Trade Act* of Korea shall be eligible to apply and to be considered for the allocation of the duty-free quantities.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be treated in accordance with staging category “S-B” as described in paragraph 1(r) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 0805.10.0000.

Malt and malting barley

12. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	10,000
2	10,000
3	10,800
4	11,600
5	12,400
6	12,772
7	13,155
8	13,549
9	13,956
10	14,375
11	14,806
12	15,250
13	15,707
14	16,179
15	16,664
16	Unlimited

The Korea Agro-Fisheries Trade Corporation shall administer the licenses for these TRQs starting on the first business day of the first month of each year on a first-come, first-served basis, in response to written applications that it receives. Between the first business day and the last day of the first month, if the aggregate TRQ quantity requested by the applicants exceeds the total TRQ quantity for that year, the Corporation shall allocate the TRQ quantities among applicants on a *pro rata* basis.

If the aggregate TRQ quantity requested during the first month is less than the aggregate TRQ quantity for the year, the Corporation shall continue to allocate the TRQ on a first-come, first-served basis through the end of the year. Each license the Corporation issues to an applicant shall be valid for 90 days from the date of issuance, unused licenses shall be surrendered to the Corporation when the 90 day period expires, and the Corporation shall reallocate unused quantities to applicants on a first-come, first-served basis within 45 days of the date the licenses are surrendered.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “15” as described in paragraph 1(j) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 1003.00.1000 and 1107.10.0000.

Prepared dry milk and other

13. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	450
2	450
3	463
4	477
5	491
6	506
7	521
8	537
9	553
10	570
11	Unlimited

The Korea Dairy Industries Association shall administer these TRQs and allocate the in-quota quantity to historical and new importers through a licensing system.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “10” as described in paragraph 1(g) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provisions: 1901.10.1010 and 1901.10.1090.

Supplementary feeds, animal

14. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	5,500
2	5,500
3	5,665
4	5,834
5	6,009
6	6,190
7	6,376
8	6,567
9	6,764
10	6,967
11	7,176
12	7,391
13	Unlimited

The Korea Feed Ingredients Association and the Korea Feed Milk Replacer Association shall administer these TRQs and allocate the in-quota quantity through licensing systems. These TRQs shall be allocated based on the amount of originating goods described in subparagraph (c) imported by applicants during the 24 month period immediately preceding the year for which the license is issued and the quantity of originating goods requested by applicants for the year.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “12” as described in paragraph 1(h) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 2309.90.2010, 2309.90.2020, 2309.90.2099 and 2309.90.9000.

Dextrins

15. (a) The aggregate quantity of originating goods of the European Union described in subparagraph (c) that shall be permitted to enter free of customs duty in a particular year is specified below:

Year	Quantity (Metric Tons)
1	28,000
2	28,000
3	30,500
4	33,000
5	35,000
6	36,050
7	37,131
8	38,245
9	39,392
10	40,574
11	41,791
12	43,045
13	Unlimited

The Korea Agro-Fisheries Trade Corporation shall administer the licenses for these TRQs starting on the first business day of the first month of each year on a first-come, first-served basis, in response to written applications that it receives. Between the first business day and the last day of the first month of each year, if the aggregate TRQ quantity requested by the applicants exceeds the total TRQ quantity for that year, the Corporation shall allocate the TRQ quantities among applicants on a *pro rata* basis.

If the aggregate TRQ quantity requested during the first month is less than the aggregate TRQ quantity for the year, the Corporation shall continue to allocate the TRQ on a first-come, first-served basis through the end of the year. Each license the Corporation issues to an applicant shall be valid for 90 days from the date of issuance, unused licenses shall be surrendered to the Corporation when the 90 day period expires, and the Corporation shall reallocate unused quantities to applicants on a first-come, first-served basis within 45 days of the date the licenses are surrendered.

- (b) Customs duties on goods entered in excess of the quantities listed in subparagraph (a) shall be removed in accordance with staging category “12” as described in paragraph 1(h) of Annex 2-A.
- (c) Subparagraphs (a) and (b) apply to the following HSK provision: 3505.10.4010, 3505.10.4090, 3505.10.5010 and 3505.10.5090.