

CHAPTER 1 INITIAL PROVISIONS AND DEFINITIONS

Section A: Initial Provisions

Article 1.1: Establishment of a Free Trade Area

Consistent with Article XXIV of GATT 1994 and Article V of GATS, the Parties hereby establish a free trade area.

Article 1.2: Objectives

The Parties conclude this Agreement, among others, for the purposes of:

- (a) encouraging expansion and diversification of trade between the Parties;
- (b) eliminating the barriers to trade in, and facilitating the cross-border movement of, goods and services between the Parties;
- (c) promoting fair competition in the Parties' markets;
- (d) creating new employment opportunities; and
- (e) creating a framework for furthering bilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.

Article 1.3: Relation to Other Agreements

The Parties affirm their existing rights and obligations with respect to each other under the WTO Agreement and other existing agreements to which both Parties are party.

Article 1.4: Extent of Obligations

The Parties shall ensure that all necessary measures are taken in order to give effect to the provisions of this Agreement in their respective territories, including ensuring that their respective local governments observe all obligations and commitments under this Agreement.

Article 1.5: Territorial Application

1. With regard to China, this Agreement shall apply to the entire customs territory of China, including land, internal waters, territorial sea and air space, and any area beyond its

territorial sea within which it may exercise sovereign rights or jurisdiction in accordance with international law and its domestic law; and

2. With regard to Korea, this Agreement shall apply to the land, maritime, and air space over which Korea exercises sovereignty, and those maritime areas, including the seabed and subsoil adjacent to and beyond the outer limit of the territorial seas over which it may exercise sovereign rights or jurisdiction in accordance with international law and its domestic law.

Section B: Definitions

Article 1.6: Definitions

For the purposes of this Agreement, unless otherwise specified:

Anti-Dumping Agreement means the *Agreement on Implementation of Article VI of the General Agreement on Tariff and Trade 1994*, which is part of the WTO Agreement;

customs authorities means:

- (a) for China, the General Administration of Customs of the People's Republic of China or its successor; and
- (b) for Korea, the Ministry of Strategy and Finance and the Korea Customs Service, or their respective successors;

customs duties includes any customs or import duty and a charge of any kind imposed in connection with the importation of a good, including any form of surtax or surcharge in connection with such importation¹, but does not include any:

- (a) charge equivalent to an internal tax imposed consistently with Article III:2 of GATT 1994, in respect of like, directly competitive, or substitutable goods of the Party, or in respect of goods from which the imported good has been manufactured or produced in whole or in part;
- (b) duty imposed pursuant to a Party's law consistently with Chapter 7 (Trade Remedies);
- (c) fee or other charge in connection with importation commensurate with the cost of services rendered;

¹ For greater certainty, **customs duty** includes an adjustment tariff imposed pursuant to Article 69 of Korea's *Customs Act*.

- (d) premiums offered or collected on an imported good arising out of any tendering system in respect of the administration of quantitative import restrictions or tariff rate quotas; and
- (e) duty imposed pursuant to any agricultural safeguard measure² taken under the *Agreement on Agriculture*, which is part of the WTO Agreement;

Customs Valuation Agreement means the *Agreement on Implementation of Article VII of the GATT 1994*, which is part of the WTO Agreement;

days means calendar days;

existing means in effect on the date of entry into force of this Agreement;

GATS means the *General Agreement on Trade in Services*, which is part of the WTO Agreement;

GATT 1994 means the *General Agreement on Tariffs and Trade 1994*, which is part of the WTO Agreement;

goods of a Party means domestic products as these are understood in GATT 1994 or such goods as the Parties may agree and includes originating goods of that Party;

Import Licensing Agreement means the *Agreement on Import Licensing Procedures*, which is part of the WTO Agreement;

Joint Commission means the Joint Commission established under Article 19.1 (Joint Commission);

measure includes any law, regulation, procedure, requirement or practice;

originating means qualifying under the rules of origin set out in Chapter 3 (Rules of Origin and Origin Implementation Procedures);

person means a natural person or a juridical person, or any other entity established in accordance with domestic law;

Safeguard Agreement means the *Agreement on Safeguards*, which is part of the WTO Agreement;

SCM Agreement means the *Agreement on Subsidies and Countervailing Measures*, which is part of the WTO Agreement;

² Korea shall not apply such measure to the liberalized products under this Agreement. For greater certainty, **the liberalized products** means the tariff lines of which base rates are zero or those that are duty-free after phase-out period according to its Schedule to Annex 2-A (Reduction or Elimination of Customs Duties).

SPS Agreement means the *Agreement on the Application of Sanitary and Phytosanitary Measures*, which is part of the WTO Agreement;

TBT Agreement means the *Agreement on Technical Barriers to Trade*, which is part of the WTO Agreement;

TRIPS Agreement means the *Agreement on Trade-Related Aspects of Intellectual Property Rights*, which is part of the WTO Agreement;

WTO means the World Trade Organization; and

WTO Agreement means the *Marrakesh Agreement Establishing the World Trade Organization*, done on April 15, 1994.