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Legal Overview of *South Korea, Colombia, and Panama FTAs*

Nicole A. Kehoskie, Esq.

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Talking Points

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- I. Passage of the FTAs
- II. Implementation Timelines
- III. General Benefits of Agreement
- IV. Legal Text



Voting Facts (*October 12, 2011*)

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- 29 R votes against KORUS; 66 D votes for Panama
- Colombia:
 - H 262-167 / S 66-33
- Panama:
 - H 300-129 / S 77-22
- Korea:
 - H 278-151 / S 83-15
- Inclusion of TAA funding with GSP renewal



Implementation Timelines

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Korea



95% of U.S. industrial and consumer exports within 3 years of entering into force

Most remaining tariffs eliminated over **10** years

2/3 of U.S. agricultural exports enter duty free

Non-tariff barriers to trade are progressively eliminated as FTA enters into force

Colombia



80% of consumer/industrial products will immediately be duty free

Most remaining tariffs eliminated over **10** years

1/2 of all U.S. agricultural exports enter duty free

Non-tariff barriers to trade are progressively eliminated as FTA enters into force

Panama



Increase duty free exports to over **87%** of U.S. industrial/consumer goods entering Panama

Most remaining tariffs eliminated over **10** years

Immediate duty free access for U.S. agricultural and service sector goods

Non-tariff barriers to trade are progressively eliminated as FTA enters into force



Implementation Timelines

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Korea 	Colombia 	Panama 
<i>80%</i> of Korean tariff lines will be duty free.	<i>99%</i> of qualifying industrial and textile goods will become duty free	<i>99%</i> of qualifying industrial and textile goods will become duty free
<i>98%</i> of Korean tariff lines will be duty free within 10 years.	Most remaining tariffs will be phased out 15 years.	Remaining tariffs on industrial and textile goods will be phased out over a period of 10 years.
US imports from Korea are estimated to be \$6.4-6.9 billion higher .	<i>89%</i> of Agricultural goods will become duty free	<i>89%</i> of Agricultural goods will become duty free * the remaining being phased out over a period of 5 to 15 years



Labor Considerations

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Korea



Follows conditions outlined by May 10, 2007 agreement

Under FTA, Korea and U.S. are to form a Labor Council made up of labor officials from both countries

Establishment of a Labor Cooperation Mechanism allowing development and work in areas of labor

Colombia



Follows conditions outlined by May 10, 2007 agreement

Guarantee access to tribunals and increase public involvement

Must improve labor standards and cooperation

Creation of Labor Action Plan

Panama



May 10, 2007 agreement led to substantive changes in the labor chapter

Shall adopt and maintain in its statutes, regulations and practices as rights the five core ILO labor principles

Shall not fail to effectively enforce its labor laws in accordance with above commitment

Will be required to use the dispute settlement process defined for the entire agreement



KOREA-FTA

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- Signed on June 30, 2007 by Bush Administration (after 8 formal rounds over 10 months)
- Largest agreement since NAFTA (1994)
- Exports increase of \$10 - \$11 billion
- 70,000 jobs generated
- Goods trade balance will improve by \$3.3 to \$4 billion



Partner country	Imports for Consumption	Domestic Exports	Merchandise Trade Balance
	----billion dollars----		
Korea	\$48	\$37	(\$11)



Colombia-FTA

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Partner country	Imports for Consumption	Domestic Exports	Merchandise Trade Balance
	----billion dollars----		
Colombia	\$16	\$11	(\$5)

- Third largest economy south of the U.S. border
- U.S. goods exports will increase by \$1.1 billion
- U.S. GDP increase of \$2.5 billion
- Largely complementary economy (grains vs. tropical fruits; textiles vs. apparel)
- Many goods already entered duty free through ATPA



Partner country	Imports for Consumption	Domestic Exports	Merchandise Trade Balance
	----million dollars----		
Panama	\$376	\$5,708	\$5,332

- Nov 18, 2003: USTR notifies Congress of intent to enter into negotiations
- One of the fastest growing Latin American economies
- Enhanced access to major shipping route
- Significant infrastructure opportunities
- Focus on intellectual property protection



Entry Into Force?

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- Worker protections/labor regulations enforcement
- Political concerns
- Implementation timeline challenges

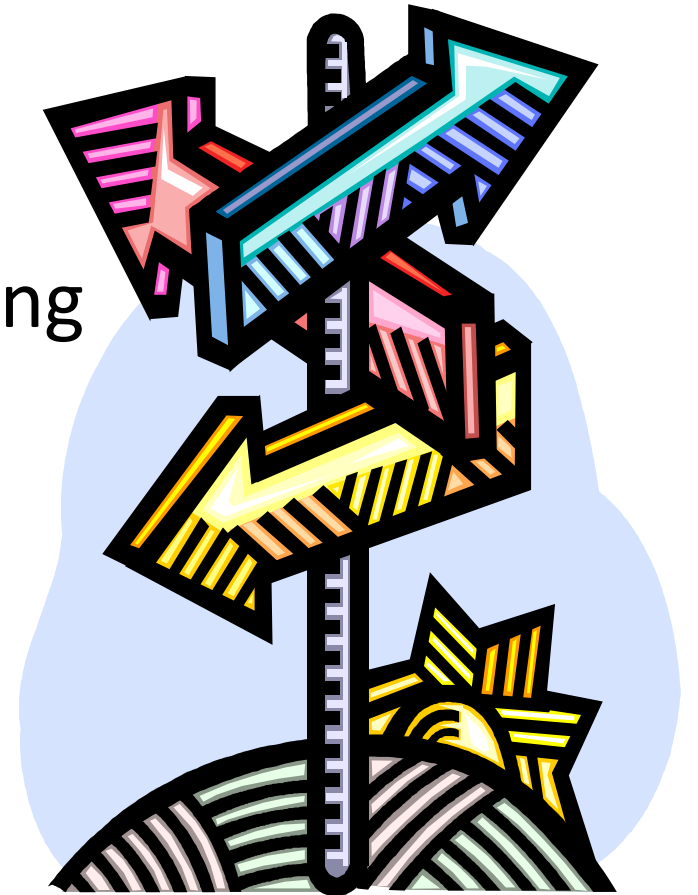


How Do I Qualify My Goods?

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- The Rules of Origin dictate whether or not a good qualifies.
- Processing outside of the FTA parties could disqualify a good; thus, such consideration needs to be assessed carefully.
- Ability to verify origin is essential.

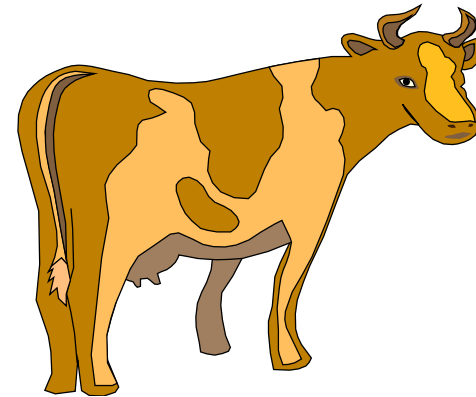
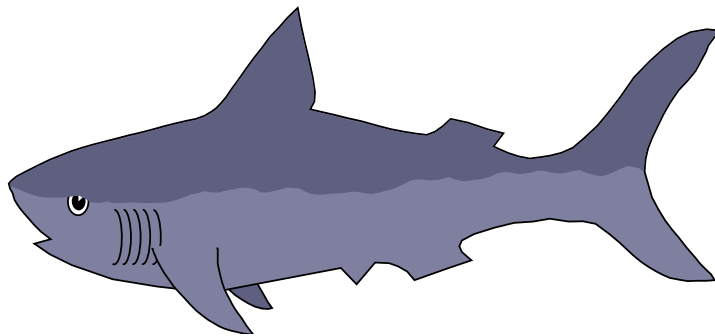
1. Wholly obtained or produced;
or
2. Tariff shift / RVC; or
3. Produced entirely of originating
materials
4. 10% De minimis





Wholly Obtained or Produced

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Each non-originating material used in producing the good undergoes either:

- A change in tariff classification;
- A change in tariff classification plus regional value content (RVC); or
- RVC.

As the rules require of that particular good, identified by tariff classification.



Example Tariff Shift

S A N D L E R , T R A V I S & R O S E N B E R G , P . A .

1. Tomato ketchup made in Korea from imported fresh tomatoes.
2. Tomato ketchup made in Korea from imported tomato paste.

Classifications

Tomato Ketchup.....	2103.20.20
Fresh tomatoes	0702.00
Tomato paste.....	2002.90

2103.20 A change to subheading 2103.20 from any other chapter, except from subheading 2002.90 or from Chapter 7.

- A change ...from any other **chapter**
- A change ...from any other **heading**
- A change ...from any **heading outside that group**
- A change ...from any **heading outside that group except from ******





Example Tariff Shift + RVC

S A N D L E R , T R A V I S & R O S E N B E R G , P . A .

Lead Acid Storage Batteries

8507.10 (A) A change to subheading 8507.10 from any other heading; or

(B) A change to subheading 8507.10 from any other subheading, provided there is an RVC of not less than:



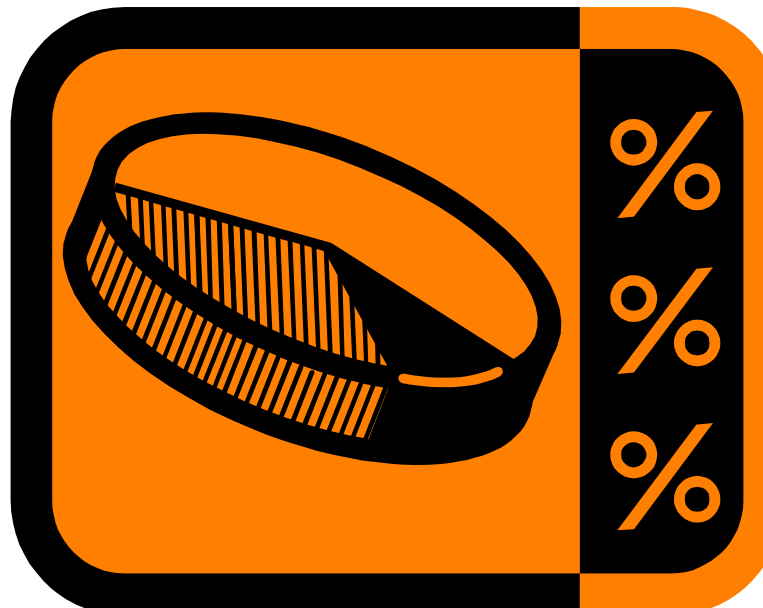
- (1) 35% based on the build up method, or
- (2) 45% based on the build down method.



Regional Value Content

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Value of materials and processes in the relevant region must be a certain percent of total value of finished good.



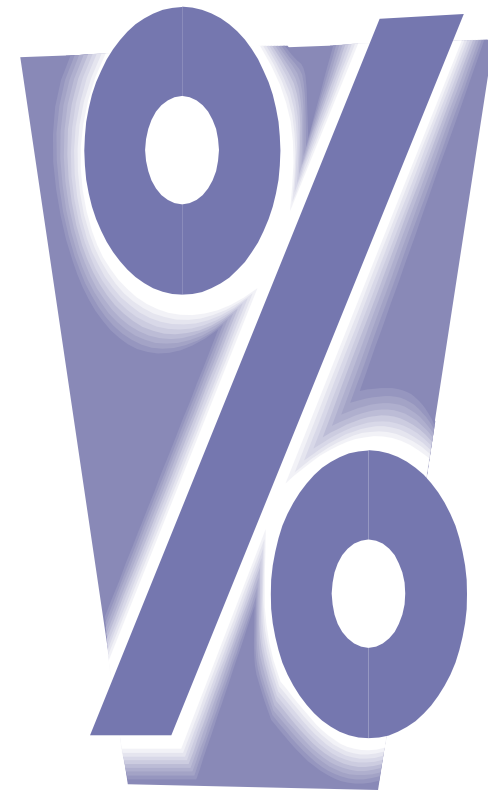


BUILD UP METHOD

Add cost/value of originating materials and processing in the good.

BUILD DOWN METHOD

Subtract cost/value of non-originating materials and processing in the good.





Significant Takeaways

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- Levels playing field for U.S. into Panama & Colombia
- Gives permanency to goods entering duty-free from Panama/Colombia into the U.S.
- Grants goods from Korea duty-free status for the first time





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Nicole A. Kehoskie
Sandler, Travis & Rosenberg,
P.A

225 W. Washington Street,
Suite 1640

Chicago, Illinois 60516

Tele: (312) 641-0000

nkehoskie@strtrade.com