

INDIA KOREA CEPA

Signed: 7th Aug, 2009

Ratified: 6th Nov, 2009

Effective: 1st Jan, 2010

Under the CEPA Agreement, tariffs will be reduced or eliminated on 93% of Korea's tariff lines and 85% of India's tariff lines. The pact will boost bilateral trade by as much as US\$3.3 billion annually.

Product Specific Rules of Origin for Textile

A change to heading 50.01 through 60.06 from any other heading, provided that there is a regional value content of not less than 40 per cent

Product Specific Rules of Origin for Apparel

61.01-63.10

Manufacture from non-originating yarn

Tariff Reduction or Elimination

The following staging categories apply to the reduction or elimination of custom duties by each Party:

- (a) **E-0:** duties on originating goods shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force
- (b) **E-5:** duties on originating goods shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year four;
- (c) **E-8:** duties on originating goods shall be removed in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year seven;
- (d) **RED:** duties on originating goods shall be reduced to one to five percent from the base rate in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at one to five percent, effective January 1 of year seven;
- (e) **SEN:** duties on originating goods shall be reduced:
 - a. - for India, by fifty percent of the base rate in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at fifty percent of the base rate, effective January 1 of year nine; and
 - b. for Korea, by fifty percent of the base rate in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at fifty percent of the base rate, effective January 1 of year seven;
- (f) **EXC:** originating goods are exempt from the obligation of tariff reduction or elimination.

Percentages of annual tariff reduction for Korea

Category	Entry into force	Jan. 1 Year 1	Jan. 1 Year 2	Jan. 1 Year 3	Jan. 1 Year 4	Jan. 1 Year 5	Jan. 1 Year 6	Jan. 1 Year 7
E-0	100%							
E-5	20%	40%	60%	80%	100%			
E-8	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%
RED ⁵	12.5% of [Base Rate (in %s) minus 1~5%]	25% of [Base Rate (in %s) minus 1~5%]	37.5% of [Base Rate (in %s) minus 1~5%]	50% of [Base Rate (in %s) minus 1~5%]	62.5% of [Base Rate (in %s) minus 1~5%]	75% of [Base Rate (in %s) minus 1~5%]	87.5% of [Base Rate (in %s) minus 1~5%]	100% of [Base Rate (in %s) minus 1~5%]
SEN.	6.3%	12.5%	18.8%	25%	31.3%	37.5%	43.8%	50%

Percentages of annual tariff reduction for India

Category	Entry into force	Jan. 1 Year 1	Jan. 1 Year 2	Jan. 1 Year 3	Jan. 1 Year 4	Jan. 1 Year 5	Jan. 1 Year 6	Jan. 1 Year 7	Jan. 1 Year 8	Jan. 1 Year 9
E-0	100%									
E-5	20%	40%	60%	80%	100%					
E-8	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%		
RED	12.5% of [Base Rate (in %s) minus 1~5%]	25% of [Base Rate (in %s) minus 1~5%]	37.5% of [Base Rate (in %s) minus 1~5%]	50% of [Base Rate (in %s) minus 1~5%]	62.5% of [Base Rate (in %s) minus 1~5%]	75% of [Base Rate (in %s) minus 1~5%]	87.5% of [Base Rate (in %s) minus 1~5%]	100% of [Base Rate (in %s) minus 1~5%]		
SEN.	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%

India's schedule of Tariff Concessions for Apparel:

- 82 per cent categories mentioned have been covered under the staging category E 8

Korea's schedule of Tariff Concessions for Apparel:

- 89 per cent categories mentioned have been covered under the staging category E 5

India's Apparel Export and Import with Korea RP:

India's export of Apparel to Korea RP						
Category	Value in MN US\$					% change
	2005-06	2006-07	2007-08	2008-09	2009-10 (Apr-Jun)	2008-09/ 2007-08
Knit	1.04	3.4	4.61	5.21	0.85	13.05
woven	4.98	4.83	4.92	8.16	2.82	65.87
Total	6.02	8.23	9.53	13.37	3.67	40.29
Source: DGCI&S						
India's import of Apparel from Korea RP						
Category	Value in MN US\$					% change
	2005-06	2006-07	2007-08	2008-09	2009-10 (Apr-Jun)	2008-09/ 2007-08
Knit	0.25	0.1	0.04	1.7	0.13	3987.05
woven	0.5	0.22	0.1	0.16	0.04	62.00
Total	0.75	0.32	0.14	1.86	0.17	1228.57
Source: DGCI&S						

- India's total exports to Korea during 2008-09 were US\$ 3952.29 mn.
- India's total textile exports to Korea in 2008-09 were US\$ 180.57 mn. Of this, US\$ 13.37 mn was apparel exports.
- In the total exports of India to Korea RP, 4.6 per cent of exports account for textile and apparel exports.
- Of the total textile exported to Korea RP from India in the year 2008-09, only 7.4 per cent was for apparel items
- Of the total RMG exported to Korea RP from India in the year 2008-09, 38.97 per cent was knit and 61.03 per cent was woven apparel.
- Of the total RMG imported by India from South Korea in the year 2008-09, 91.4 per cent was knit and 8.6 per cent was woven apparel.

AEPC's Views on the Korea CEPA

South Korea has a growing market for apparel with a consumption of USD 3.16 bn. Presently India has a negligible share of 0.85 per cent. China is the top-most apparel supplier of South Korea, with a share of 69.64 per cent; followed by Vietnam with a share of 6.82 per cent.

India with a better access to South Korean market, through CEPA, can increase its share to atleast 10 per cent within the next five years.

In the existing CEPA agreement, only four apparel items have been given zero duty access under the staging category E 0. These four items (611610 -knitted apparel impregnated, coated or covered with plastic or rubber: 611691-knitted apparel of wool: 611692 -knitted apparel of cotton: 611699 -knitted of other textile materials) account for only USD 0.01 mn of apparel exports from India to Korea RP.

However, the below mentioned top 10 apparel items exported from India to Korea RP, presently covered under the staging categories E 5 and E 8, have better potential in Korean market. In 2008 they accounted for US\$ 9 mn worth of exports Korea RP, i.e 67% of India's exports to Korea. AEPC recommends fast tracking of these items to E 0 staging category.

S.No.	HSCode	Commodity	2006-07	2007-08	2008-09	2009-10 (Apr-Jun)	% Change (2008-09/2007-08)	Staging Category
1	610910	T-SHIRTS ETC OF COTTON	2.69	3.68	2.4	0.51	-34.78	E8 and E5
2	620332	JACKETS & BLAZERS OF COTTON	0.04	0.07	2.2	0.02	3042.86	E5
3	621490	SHWLS,SCRVS ETC OF OTHER TXTL MATERIALS	0.34	0.43	0.94	0.09	118.60	E8
4	620520	MEN'S OR BOYS' SHIRTS OF COTTON	0.55	0.54	0.87	0.19	61.11	E8
5	611020	JERSEYS ETC OF COTTON	0.04	0.03	0.53	0.01	1666.67	E8
6	610610	BLOUSE ETC OF COTTON	0.11	0.06	0.49	0.04	716.67	E5
7	620342	TROUSERS BIB & BRACE OVERALLS BREECHES & SHORTS OF COTTON FOR MEN'S & BOYS'	0.06	0.24	0.48	0.03	100.00	E5
8	620452	SKIRTS AND DIVIDED SKIRTS OF COTTON	0.23	0.37	0.37	0.03	-0.19	E8
9	620630	BLOUSES,SHIRTS & SHIRTS- BLOUSES OF COTTON	0.6	0.42	0.35	0.1	-16.67	E8
10	621410	SHWLS,SCRVS,MUFFLERS ETC OF SLK/SLK WSTE	0.26	0.3	0.35	0.05	16.67	E8

Source: DGCI&S

Industry views are invited on this CEPA at administrator@aepcindia.com