

ANNEX 3-1
REDUCTION OR ELIMINATION OF CUSTOMS DUTIES

1. The Tariff Schedules in this Annex contain the following five columns:
 - (a) **HS Code**: the code used in the nomenclature of the Harmonised System (HS) 2007;
 - (b) **Description**: description of the product;
 - (c) **Base Rate**: the MFN applied customs duty in respect of the other Party on 1 January 2010 from which the tariff reduction or elimination starts;
 - (d) **Treatment**: the category under which the product concerned falls for the purposes of tariff reduction or elimination; and
 - (e) **Explanation**: the explanation regarding the Treatment where necessary.
2. Except as otherwise provided in a Party's Tariff Schedule, the following **treatments** shall apply to the reduction or elimination of customs duties by each Party:
 - (a) customs duties on originating goods under "**Fast Track**" (**FT**) shall be eliminated on the date of entry into force of this Agreement;
 - (b) customs duties on originating goods under "**Normal Track**" (**NT**) shall be reduced and ultimately eliminated in four equal annual stages beginning on the date of entry into force of this Agreement;
 - (c) customs duties on originating goods under "**Sensitive Track**" (**ST**) shall be reduced and ultimately eliminated in six equal annual stages beginning on the date of entry into force of this Agreement;
 - (d) customs duties on originating goods under "**Highly Sensitive Track**" (**HST**) shall be reduced and ultimately eliminated in nine equal annual stages beginning on the date of entry into force of this Agreement;-
 - (e) customs duties on originating goods under "**Standstill**" (**SS**) shall remain at the Base Rates;
 - (f) no obligations relating to customs duties shall apply in respect of goods under "**Exclusion List**" (**EL**);
 - (g) customs duties on originating goods under "**Reduced Duty**" (**RD**) shall be reduced from the Base Rate to the mutually agreed reduced duty on the date of entry into force of this Agreement as indicated in the "Explanation" column; and
 - (h) customs duties on originating goods under the category of "**Tariff Quota**" (**TQ**) shall be subject to tariff-rate quotas as set out in Appendix 3-B-2.

3. For the purposes of this Annex and the Parties' Tariff Schedules, **year one** means the year of entry into force of this Agreement as provided in Article 14.9 (Entry into Force).

4. Reductions or eliminations shall start upon entry into force of this Agreement and thereafter, shall be made on 1 January of each year, in accordance with the treatment provided for in the Parties' Tariff Schedules set out in Section 3-A and Section 3-B, respectively.