CHAPTER 2
TRADE IN GOODS

Article 2.1
Scope

This Chapter shall apply to trade in goods between the Parties.

Article 2.2
Classification of Goods

1. The classification of goods in trade between the Parties shall be as set out in each Party's respective tariff nomenclature in conformity with the *International Convention on the Harmonized Commodity Description and Coding System* and its Section Notes, Chapter Notes, Subheading Notes and General Rules for the Interpretation of the Harmonized System (hereinafter referred to as "HS"), as regularly amended in the framework of the World Customs Organization.

2. Each Party shall ensure that the transposition of its schedule of tariff commitments, undertaken in order to implement Annexes 2.C (Schedule of Tariff Commitments on Goods), 2.D (Schedule of Tariff Commitments on Goods), 2.E (Schedule of Tariff Commitments on Goods) or 2.F (Schedule of Tariff Commitments on Goods) in the nomenclature of the revised HS Code following periodic amendments to the HS Code, is carried out without impairing or diminishing the tariff commitments.

3. Following periodic amendments to the HS Code, the Parties shall ensure that the transposition of the Product Specific Rules set out in Appendix 2.A.1 to Annex 2.A (hereinafter referred to as "PSR") is undertaken without impairing, including rendering more stringent, the PSRs applicable upon entry into force of this Agreement.

Article 2.3
Rules of Origin and Methods of Administrative Cooperation

Goods covered by this Chapter shall be eligible for preferential tariff treatment provided that they satisfy the rules of origin as set out in Annex 2.A (Rules of Origin).

Article 2.4
Customs Duties

1. Customs duties include any duty or charge of any kind imposed in connection with the importation of a good, including any form of cess, surtax or surcharge in connection with such importation, but do not include:

(a) charges equivalent to internal taxes imposed consistently with Article III:2 of the GATT 1994;

(b) measures applied consistently with the provisions of Articles VI or XIX of GATT 1994, the *Agreement on Implementation of Article VI of GATT 1994,* as set out in Annex 1A to the WTO Agreement (hereinafter referred to as the "WTO Anti-dumping Agreement"), the *Agreement on Subsidies and Countervailing Measures,* as set out in Annex 1A to the WTO Agreement (hereinafter referred to as the "WTO SCM Agreement) or the *Agreement on Safeguards,* as set out in Annex 1A to the WTO Agreement (hereinafter referred to as the "WTO Safeguards Agreement"), or measures imposed in accordance with Article 22 of the *Dispute Settlement Understanding by the WTO Dispute Settlement Body*;

(c) fees or other charges imposed in conformity with Article VIII of the GATT 1994.

2. The Parties shall apply import duties on goods originating in another Party in accordance with Annexes 2.C (Schedule of Tariff Commitments on Goods), 2.D (Schedule of Tariff Commitments on Goods), 2.E (Schedule of Tariff Commitments on Goods) or 2.F (Schedule of Tariff Commitments on Goods).

3. Where a Party's most-favoured-nation applied rate of customs duty on a particular good is lower than the rate of customs duty to be applied in accordance with paragraph 2 on an originating good which is classified under the same tariff line as the particular good, the good originating in the other Parties shall be eligible for that lower duty rate.

Article 2.5
Customs Valuation[1]

The determination of the customs value of goods traded between the Parties shall be governed by Article VII of the GATT 1994 and Part I of the Agreement on Implementation of Article VII of the GATT 1994, set out in Annex 1A to the WTO Agreement (hereinafter referred to as "Customs Valuation Agreement").

Article 2.6
Import and Export Restrictions

Prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be prohibited in trade between the Parties, except in accordance with Article XI of the GATT 1994, which is hereby incorporated into and made part of this Agreement, *mutatis mutandis*.

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[1] Switzerland applies customs duties based on weight and quantity rather than *ad valorem* duties.

Article 2.7
National Treatment

The Parties shall accord each other national treatment in accordance with Article III of the GATT 1994, which is hereby incorporated and made part of this Agreement, *mutatis mutandis*.

Article 2.8
State Trading Enterprises

The rights and obligations of the Parties concerning state trading enterprises shall be governed by Article XVII of the GATT 1994 and the Understanding on the Interpretation of Article XVII of the GATT 1994.

Article 2.9
General and Security Exceptions

For the purposes of this Chapter, Articles XX and XXI of the GATT 1994 are hereby incorporated into and made part of this Agreement, *mutatis mutandis*.

Article 2.10
Balance of Payments

1. The Parties shall endeavour to avoid the imposition of restrictions to safeguard the balance of payments.

2. The rights and obligations of the Parties with regard to restrictions to safeguard the balance of payments shall be governed by Article XII of the GATT 1994.

Article 2.11
Trade Facilitation

With the objective of facilitating trade between India and the EFTA States, the Parties shall, in accordance with Annex 2.B (Trade Facilitation):

(a) simplify, to the greatest extent possible, customs procedures for trade in goods;

(b) promote multilateral cooperation between the Parties in order to enhance their participation in the development and implementation of international conventions and recommendations on trade facilitation, in accordance with domestic laws, regulation or procedural requirements; and

(c) cooperate on trade facilitation in the framework of the Sub-Committee on Trade Facilitation.

Article 2.12
Sub-Committee on Trade in Goods

1. A Sub-Committee on Trade in Goods is hereby established, consisting of government representatives of the Parties.

2. The Sub-Committee on Trade in Goods shall consider any matter arising under this Chapter, including:

   (a) monitoring and review of measures taken and implementation of commitments under this Chapter including its Annexes, except for Annexes 2.A (Rules of Origin) and 2.B (Trade Facilitation);

   (b) exchange of information and review of developments;

   (c) preparation of technical amendments, including HS updating, and assisting the Joint Committee;

   (d) preparation of recommendations and reports to the Joint Committee as necessary;

   (e) to the extent possible, promptly seeking to address tariff and non-tariff barriers, if not covered by any other Sub-Committee under this Agreement;

   (f) addressing issues relating to the administration and operation of bilateral tariff rate quotas;

   (g) exchanging import statistics annually which shall cover data pertaining to the most recent year available, including value and, where applicable, volume, at the tariff line level for imports of goods of another Party benefitting from preferential duty treatment under this Agreement, as well as those that received non-preferential treatment; and

   (h) any other matter referred to it by the Joint Committee.

3. The Sub-Committee on Trade in Goods shall act by consensus.

4. The Sub-Committee on Trade in Goods shall meet at least every two years or more frequently if so agreed by the Parties. The meetings of the Sub-Committee on Trade in Goods shall be chaired jointly by an EFTA State and India.

5. The Parties shall examine any difficulties that might arise in trade in goods between them and shall endeavour to seek appropriate solutions through dialogue and consultations.