

ANNEX 2-A

ELIMINATION OF CUSTOMS DUTIES

1. Except as otherwise provided in a Party's Schedule included in this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.5.1:

- (a) customs duties on originating goods provided for in the items in staging category "0" in a Party's Schedule shall be eliminated entirely and such goods shall be free of any customs duty on the date this Agreement enters into force;
- (b) customs duties on originating goods provided for in the items in staging category "2" in a Party's Schedule shall be removed in three equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (c) customs duties on originating goods provided for in the items in staging category "3" in a Party's Schedule shall be removed in four equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty¹;
- (d) customs duties on originating goods provided for in the items in staging category "5" in a Party's Schedule shall be removed in six equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (e) customs duties on originating goods provided for in the items in staging category "6" in a Party's Schedule shall be removed in seven equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (f) customs duties on originating goods provided for in the items in staging category "7" in a Party's Schedule shall be removed in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (g) customs duties on originating goods provided for in the items in staging category "10" in a Party's Schedule shall be removed in 11 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;

¹ Notwithstanding paragraph 1(c), customs duties on originating goods provided for in the items classified under HS chapter 87 in staging category "3" in a Party's Schedule shall be reduced by 30 percent of the base rates on the date this Agreement enters into force, by an additional 30 percent of the base rates on the first day of year two, by an additional 20 percent of the base rates on the first day of year three, and by an additional 20 percent of the base rates on the first day of year four, and such goods shall thereafter be free of any customs duty.

- (h) customs duties on originating goods provided for in the items in staging category “12” in a Party’s Schedule shall be removed in 13 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (i) customs duties on originating goods provided for in the items in staging category “13” in a Party’s Schedule shall be removed in 14 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (j) customs duties on originating goods provided for in the items in staging category “15” in a Party’s Schedule shall be removed in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (k) customs duties on originating goods provided for in the items in staging category “18” in a Party’s Schedule shall be removed in 19 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (l) customs duties on originating goods provided for in the items in staging category “20” in a Party’s Schedule shall be removed in 21 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty;
- (m) customs duties on originating goods provided for in the items in staging category “10-A” in a Party’s Schedule shall be reduced by five percent of the base rate on the date this Agreement enters into force. Customs duties shall be reduced by an additional five percent of the base rate on the first day of year three, by an additional seven percent of the base rate on the first day of year four, and by an additional seven percent of the base rate each year thereafter through year six. Customs duties shall be reduced by an additional 10 percent of the base rate on the first day of year seven and by an additional 10 percent of the base rate on the first day of year eight. Customs duties shall be reduced by an additional 12 percent on the first day of year nine, by an additional 17 percent of the base rate on the first day of year 10, and by an additional 20 percent of the base rate on the first day of year 11, and such goods shall thereafter be free of any customs duty;
- (n) customs duties on originating goods provided for in the items in staging category “10-B” in a Party’s Schedule shall be reduced to 20 percent ad valorem on the date this Agreement enters into force and remain at 20 percent ad valorem through year two. Beginning on the first day of year three, customs duties shall be removed in nine equal annual stages, and such goods shall thereafter be free of any customs duty;
- (o) customs duties on originating goods provided for in the items in staging category “12-A” in a Party’s Schedule shall remain at base rates during years one through nine. Beginning on the first day of year 10, customs duties shall be

removed in four equal annual stages, and such goods shall thereafter be free of any customs duty;

- (p) customs duties on originating goods provided for in the items in staging category “16-A” in a Party’s Schedule shall be reduced to 30 percent ad valorem in 16 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of any customs duty, effective on the first day of year 17 and thereafter;
- (q) customs duties on originating goods provided for in the items in staging category “S-A” shall be subject to the following provisions:
 - (i) for goods entered into Korea from 1 May through 15 October, customs duties shall be removed in 18 equal annual stages beginning on the date this Agreement enters into force, and such goods shall thereafter be free of any customs duty; and
 - (ii) for goods entered into Korea from 16 October through 30 April, customs duties shall be reduced to 24 percent ad valorem on the date this Agreement enters into force and remain at 24 percent ad valorem through year two. Beginning on the first day of year three, customs duties shall be removed in four equal annual stages, and such goods shall thereafter be free of any customs duty;
- (r) customs duties on originating goods provided for in the items in staging category “S-B” shall be subject to the following provisions:
 - (i) for goods entered into Korea from 1 September through the end of February, customs duties shall remain at base rates; and
 - (ii) for goods entered into Korea from 1 March through 31 August, customs duties shall be reduced to 30 percent ad valorem on the date this Agreement enters into force and remain at 30 percent ad valorem through year two. Beginning on the first day of year three, customs duties shall be removed in six equal annual stages, and such goods shall thereafter be free of any customs duty;
- (s) customs duties on originating goods provided for in the items in staging category “E” shall remain at base rates;
- (t) no obligations regarding customs duties in this Agreement shall apply with respect to items in staging category “X”. Nothing in this Agreement shall affect Korea’s rights and obligations with respect to its implementation of the commitments set out in the WTO document WT/Let/492 (Certification of Modifications and Rectifications to Schedule LX-Republic of Korea) dated 13 April 2005 and any amendments thereto.

2. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are indicated for the item in each Party’s Schedule.

3. Rates of customs duties in the interim stages shall be rounded down, at least to the nearest 10th of a percentage point, or, if the rate of customs duty is expressed in monetary units, at least to the nearest 10th of one euro cent in the case of the EU Party and the nearest Korean won in the case of Korea.

4. For the purposes of this Annex and a Party's Schedule, each annual reduction shall take effect on the first day of the relevant year, as defined in paragraph 5.

5. For the purposes of this Annex and Appendix 2-A-1:

- (a) **year one** means the 12 month period beginning on the date this Agreement enters into force;
- (b) **year two** means the 12 month period beginning on the first anniversary of the entry into force of this Agreement;
- (c) **year three** means the 12 month period beginning on the second anniversary of the entry into force of this Agreement;
- (d) **year four** means the 12 month period beginning on the third anniversary of the entry into force of this Agreement;
- (e) **year five** means the 12 month period beginning on the fourth anniversary of the entry into force of this Agreement;
- (f) **year six** means the 12 month period beginning on the fifth anniversary of the entry into force of this Agreement;
- (g) **year seven** means the 12 month period beginning on the sixth anniversary of the entry into force of this Agreement;
- (h) **year eight** means the 12 month period beginning on the seventh anniversary of the entry into force of this Agreement;
- (i) **year nine** means the 12 month period beginning on the eighth anniversary of the entry into force of this Agreement;
- (j) **year 10** means the 12 month period beginning on the ninth anniversary of the entry into force of this Agreement;
- (k) **year 11** means the 12 month period beginning on the 10th anniversary of the entry into force of this Agreement;
- (l) **year 12** means the 12 month period beginning on the 11th anniversary of the entry into force of this Agreement;
- (m) **year 13** means the 12 month period beginning on the 12th anniversary of the entry into force of this Agreement;

- (n) **year 14** means the 12 month period beginning on the 13th anniversary of the entry into force of this Agreement;
- (o) **year 15** means the 12 month period beginning on the 14th anniversary of the entry into force of this Agreement;
- (p) **year 16** means the 12 month period beginning on the 15th anniversary of the entry into force of this Agreement;
- (q) **year 17** means the 12 month period beginning on the 16th anniversary of the entry into force of this Agreement;
- (r) **year 18** means the 12 month period beginning on the 17th anniversary of the entry into force of this Agreement;
- (s) **year 19** means the 12 month period beginning on the 18th anniversary of the entry into force of this Agreement;
- (t) **year 20** means the 12 month period beginning on the 19th anniversary of the entry into force of this Agreement; and
- (u) **year 21** means the 12 month period beginning on the 20th anniversary of the entry into force of this Agreement.

TARIFF SCHEDULE OF KOREA

GENERAL NOTES

1. Relation to the Harmonized Tariff Schedule of Korea (HSK). The provisions of this Schedule are generally expressed in terms of the HSK, and the interpretation of the provisions of this Schedule, including the product coverage of subheadings of this Schedule, shall be governed by the General Notes, Section Notes and Chapter Notes of the HSK. To the extent that provisions of this Schedule are identical to the corresponding provisions of the HSK, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the HSK.
2. Base Rates of Customs Duty. The base rates of customs duty set out in this Schedule reflect the Korean Customs Duty Most-Favoured-Nation rates of duty in effect on 6 May 2007.

TARIFF SCHEDULE OF THE EU PARTY

GENERAL NOTES

1. Relation to the Combined Nomenclature (CN) of the European Union. The provisions of this Schedule are generally expressed in terms of the CN, and the interpretation of the provisions of this Schedule, including the product coverage of subheadings of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the CN. To the extent that provisions of this Schedule are identical to the corresponding provisions of the CN, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the CN.
2. Base Rates of Customs Duty. The base rates of customs duty set forth in this Schedule reflect the European Community's Common Customs Tariff rates of duty in effect on 6 May 2007.