

ANNEX 2-A
TARIFF REDUCTION OR ELIMINATION

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the reduction or elimination of customs duties by each Party pursuant to Article 2.4.1:

- (a) duties on originating goods provided for in the items in staging category E-0 in a Party's Schedule shall be eliminated entirely and such goods shall be duty-free on the date this Agreement enters into force;
- (b) duties on originating goods provided for in the items in staging category E-5 in a Party's Schedule 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) duties on originating goods provided for in the items in staging category E-8 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 be duty-free, effective January 1 of year seven;
- (d) duties on originating goods provided for in the items in staging category RED in a Party's Schedule 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) duties on originating goods provided for in the items in staging category SEN in a Party's Schedule shall be reduced:
 - 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;
 - 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
- (f) duties on originating goods provided for in the items in staging category EXC in a Party's Schedule are exempt from the obligation of tariff reduction or elimination.

2. Tariff reduction or elimination pursuant to paragraph 1 shall be carried out in accordance with the following timetable:

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 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	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%

3. The base rate of customs duty for determining the interim rate of customs duty for an item shall be the MFN customs duty rate applied on 1 April 2006.

4. For the purposes of this Annex and a Party's Schedule, **year one** means the subsequent year after this Agreement enters into force as provided in Article 15.7 (Entry into Force).

5. For the purposes of this Annex and a Party's Schedule, beginning in year one, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

⁵ For greater certainty, 1~5% referred to in category RED shall be decided at the discretion of each Party by the date this Agreement enters into force.