

## TARIFF ELIMINATION

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.3.2:

- (a) duties on originating goods provided for in the items in staging category A 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 B in a Party's Schedule shall be removed in two equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year two;
- (c) duties on originating goods provided for in the items in staging category C 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 be duty-free, effective January 1 of year three;
- (d) duties on originating goods provided for in the items in staging category D 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 five;
- (e) duties on originating goods provided for in the items in staging category E 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 be duty-free, effective January 1 of year six;
- (f) duties on originating goods provided for in the items in staging category F 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 be duty-free, effective January 1 of year seven;
- (g) duties on originating goods provided for in the items in staging category G in a Party's Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year ten;
- (h) duties on originating goods provided for in the items in staging category H in a Party's Schedule shall be removed in 15 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year 15;

- (i) duties on originating goods provided for in the items in staging category I in a Party's Schedule shall be reduced by five percent of the base rate beginning on the date this Agreement enters into force. Duties shall be reduced by an additional five percent of the base rate on January 1 of year two, by an additional seven percent of the base rate on January 1 of year three, and by an additional seven percent of the base rate each year thereafter through year five. Duties shall be reduced by an additional ten percent of the base rate on January 1 of year six and by an additional ten percent of the base rate on January 1 of year seven. Duties shall be reduced by an additional 12 percent of the base rate on January 1 of year eight, by an additional 17 percent of the base rate on January 1 of year nine, and by an additional 20 percent of the base rate on January 1 of year ten, and such goods shall be duty-free, effective January 1 of year ten;
- (j) duties on originating goods provided for in the items in staging category J in a Party's Schedule shall remain at base rates during years one through eight. Beginning on January 1 of year nine, duties shall be reduced in four equal annual stages, and such goods shall be duty-free, effective January 1 of year 12; and
- (k) originating goods provided for in the items in staging category K in a Party's Schedule shall continue to receive duty-free treatment.

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. Interim staged rates shall be rounded down, at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest tenth of one U.S. cent in the case of the United States and the nearest Korean won in the case of Korea.
4. For purposes of this Annex and a Party's Schedule, **year one** means the year this Agreement enters into force as provided in Article 24.5 (Entry into Force and Termination).
5. For purposes of this Annex and a Party's Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.