CHAPTER TWO
TRADE IN GOODS

ARTICLE 2.1: DEFINITIONS

For the purposes of this Chapter:

Anti-Dumping Agreement means the *Agreement on Implementation of Article VI of GATT 1994*;

A.T.A. Carnet Convention means the *Customs Convention on the A.T.A. Carnet for the Temporary Admission of Goods, done on 6 December 1961*;

A.T.A. carnet has the same meaning as defined in the A.T.A. Carnet Convention;

customs duties[1] includes any duty or charge of any kind imposed in connection with the importation of a good, but does not include any:

(a) charge equivalent to an internal tax imposed consistently with Article III:2 of GATT 1994;

(b) duty applied consistently with Articles 2.13 through 2.27;

(c) fee or other charge that is limited in amount to the approximate cost of services rendered, and does not represent a direct or indirect protection for domestic goods or a taxation of imports for fiscal purposes;

(d) premium offered or collected on an imported good arising out of any tendering system in respect of the administration of quantitative import restrictions or tariff rate quotas; or

(e) duty imposed pursuant to Article 5 of the *Agreement on Agriculture*, contained in Annex 1A to the WTO Agreement; and

MFN means "most favoured nation" treatment in accordance with Article I of GATT 1994.

ARTICLE 2.2: SCOPE AND COVERAGE

This Chapter applies to trade in goods between the Parties.

Section A: National Treatment and Market Access for Goods

[1] Customs duties for India refer to basic customs duties as specified in the First Schedule to the *Customs Tariff Act*, 1975 of India. This is without prejudice to Korea's position either on the definition of customs duties or on the consistency of India's internal tax or charge equivalent to an internal tax with Article 2.3 of this Chapter or Article III of GATT 1994.

ARTICLE 2.3: NATIONAL TREATMENT

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its interpretative notes, which is hereby incorporated into and made a part of this Agreement, *mutatis mutandis*.

ARTICLE 2.4: REDUCTION OR ELIMINATION OF CUSTOMS DUTIES

1. Except as otherwise provided for in this Agreement, each Party shall reduce or eliminate its customs duties on originating goods of the other Party in accordance with its Schedule to Annex 2-A.

2. Upon the request of either Party, the Parties shall consult each other to consider the possibility of accelerating the reduction or elimination of customs duties as set out in their Schedules to Annex 2-A including the goods that are excluded from tariff concession in the Annex. An agreement by the Parties to accelerate the reduction or elimination of customs duties on any goods shall supersede any duty rate or staging category established for those goods in this Article and the Annex 2-A in accordance with Article 15.5 (Amendment) of this Agreement.

3. The reduced customs duty rates calculated in accordance with a Party's Schedule to Annex 2-A shall be applied rounded to the first decimal place.

ARTICLE 2.5: RULES OF ORIGIN

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

ARTICLE 2.6: NON-TARIFF MEASURES

1. Neither Party shall adopt or maintain any non-tariff measures on the importation of any goods of the other Party or on the exportation of any goods destined for the territory of the other Party except in accordance with its rights and obligations under the WTO Agreement or in accordance with other provisions of this Agreement.

2. Each Party shall ensure that such measures are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to trade in goods between the Parties.

ARTICLE 2.7: CUSTOMS VALUE

Each Party shall determine the customs value of goods traded between the Parties in accordance with the provisions of Article VII of GATT 1994 and the Customs Valuation Agreement.

ARTICLE 2.8: RESTRICTIONS TO SAFEGUARD BALANCE OF PAYMENTS

Article XII of GATT 1994 and the *Understanding on Balance-of-Payments Provisions of GATT 1994* shall be incorporated into and made a part of this Agreement, for measures taken for balance of payments purposes for trade in goods.

ARTICLE 2.9: GENERAL AND SECURITY EXCEPTIONS

1. For the purposes of this Chapter, Articles XX and XXI of GATT 1994 and its interpretative notes are incorporated into and made a part of this Agreement, *mutatis mutandis*.

2. Nothing in this Chapter shall be construed to require a Party to accord the benefits of this Chapter to the other Party, or the goods of the other Party where a Party adopts or maintains measures in any laws and regulations which it considers necessary for the protection of its essential security interests with respect to a non-Party, or goods of a non-Party that would be violated or circumvented if the benefits of this Chapter were accorded to such Party or goods.

ARTICLE 2.10: STATE TRADING ENTERPRISES

Nothing in this Agreement shall be construed to prevent a Party from maintaining or establishing a state trading enterprise in accordance with Article XVII of GATT 1994.

ARTICLE 2.11: TARIFF CLASSIFICATION

For the purposes of this Chapter and Chapter Three (Rules of Origin), the basis for tariff classification would be the HS.

ARTICLE 2.12: TEMPORARY ADMISSION

1. Each Party shall accept in lieu of its national customs documents, and as due security for the sums referred to in Article 6 of the A.T.A. Carnet Convention, A.T.A. carnets valid for its territory, issued and used in accordance with the conditions laid down in the A.T.A. Carnet Convention, for temporary admission of:

(a) professional equipment necessary for representatives of the press or of broadcasting or television organisations for purposes of reporting or in order to transmit or record material for specified programmes, cinematographic equipment necessary in order to make a specified film or films or other professional equipment[2] necessary for the exercise of the calling, trade or profession of a person to perform a specified task;

(b) goods intended for display or demonstration at an event; and

[2] It would not include equipment which is to be used for internal transport or for the industrial manufacture or packaging of goods or (except in the case of hand-tools) for the exploitation of natural resources, for the construction, repair or maintenance of buildings or for earth moving and like projects.

(c) goods intended for use in connection with the display of foreign products at an event, including:

(i) goods necessary for the purposes of demonstrating foreign machinery or apparatus to be displayed;

(ii) construction and decoration material, including electrical fittings, for the temporary stands of foreign exhibitors;

(iii) advertising and demonstration material which is demonstrably publicity material for the foreign goods displayed, for example, sound recordings, films and lantern slides, as well as apparatus for use therewith; and

(iv) equipment including interpretation apparatus, sound recording apparatus and films of an educational, scientific or cultural character intended for use at international meetings, conferences or congresses.

2. The facilities referred to in paragraph 1 shall be granted provided that:

(a) the goods in all respects conform to the description, quantity, quality, value and other specifications given in the A.T.A. carnet duly certified by the customs authorities of the exporting Party;

(b) the goods are capable of identification on re-exporting;

(c) the number or quantity of identical articles is reasonable having regard to the purposes of importation; and

(d) the goods shall be re-exported within three months from the date of importation or such other longer period in accordance with the laws and practices of the Parties.

Section B: Trade Remedies

Section B-1: Anti-Dumping and Countervailing Duties

ARTICLE 2.13: GENERAL PROVISION

1. Except as otherwise provided for in this Agreement, the Parties retain their rights and obligations under Article VI of GATT 1994 and the Anti-Dumping Agreement.

2. (a) Notwithstanding paragraph 1, in the event of inconsistency between the articles set out in the following subparagraphs (2)(a)(i) through (iv) and any agreement, to which both Parties are party, that results from negotiations aimed at clarifying and improving disciplines under Article VI of GATT 1994 and the Anti-Dumping Agreement, such agreement shall prevail to the extent of the inconsistency:

(i) Article 2.14 (Notification of Petition for Investigation and Exchange of Information);

(ii) Article 2.17 (Lesser Duty Rule);

(iii) Article 2.18 (Prohibition of Zeroing); and

(iv) Article 2.19 (Exemption from Investigation after Termination on Review);

(b) A Party may withdraw its commitments under articles listed in subparagraph (a), provided that no agreement is reached in the WTO under Article VI of GATT 1994 and the Anti-Dumping Agreement on them within a reasonable period of time, but not less than two years from the date of entry into force of this Agreement;

(c) Notwithstanding subparagraph (b), neither Party may withdraw its commitments under articles listed in subparagraph (a) with respect to anti-dumping cases where the imports from the other Party are the only subject of anti-dumping investigation;

(d) A Party that intends to withdraw its commitments in accordance with subparagraph (b) shall notify the other Party of its intention at least three months before its withdrawal; and

(e) After the date of entry into force of this Agreement, any articles relating to anti-dumping disciplines may be added to the list of articles in subparagraph (a), if both Parties so agree.

ARTICLE 2.14: NOTIFICATION OF PETITION FOR INVESTIGATION AND EXCHANGE OF INFORMATION

The investigating authority of a Party shall, upon accepting a properly documented application for the initiation of an anti-dumping investigation in respect of goods from the other Party, and before proceeding to initiate such an anti-dumping investigation, notify the other Party at least ten working days in advance of the date of initiation of the investigation.

ARTICLE 2.15: USE OF INFORMATION

1. Where originating goods are subject to an anti-dumping investigation, the export price of such goods before adjustment for fair comparison in accordance with Article 2.4 of the Anti-Dumping Agreement shall, subject to paragraph 2, be based on the value which appears in relevant documents.

2. In cases where the investigating authority of a Party determines that the value referred to in paragraph 1 is unreliable because of association or a compensatory arrangement between the exporter and the importer or a third party, the export price may be constructed in accordance with Article 2.3 of the Anti-Dumping Agreement.

ARTICLE 2.16: RECOMMENDATIONS OF THE WTO COMMITTEE ON ANTI-DUMPING PRACTICES

Each Party may, in all investigations conducted against goods from the other Party, take into account the recommendations of the WTO Committee on Anti-Dumping Practices.

ARTICLE 2.17: LESSER DUTY RULE

If a Party takes a decision to impose an anti-dumping duty pursuant to Article 9.1 of the Anti-Dumping Agreement, it shall apply a duty less than the margin of dumping where such lesser duty would be adequate to remove the injury to the domestic industry.

ARTICLE 2.18: PROHIBITION OF ZEROING

When anti-dumping margins are established, assessed or reviewed under Articles 2, 9.3, 9.5, and 11 of the Anti-Dumping Agreement regardless of the comparison bases under Article 2.4.2 of the Anti-Dumping Agreement, all individual margins, whether positive or negative, should be counted toward the average.

ARTICLE 2.19: EXEMPTION FROM INVESTIGATION AFTER TERMINATION

1. In case where the investigating authority of the importing Party determines that the anti-dumping measures against imports from the other Party be terminated as a result of the review under Articles 11.2 and 11.3 of the Anti-Dumping Agreement, no investigation shall be initiated on the same goods during one year after the termination of the anti-dumping duties.

2. Notwithstanding the paragraph 1, the investigating authority of the importing Party may initiate an investigation in an exceptional case, provided that the authority is satisfied, on the basis of evidence available with it, that dumping or injury has recurred as a result of withdrawal of the duties and that initiation of such an investigation is necessary to prevent material injury or threat thereof to the domestic industry as a consequence of such dumped imports from the exporting Party.

ARTICLE 2.20: SUBSIDIES

The Parties reaffirm their commitments to abide by Articles VI and XVI of GATT 1994 and the *Agreement on Subsidies and Countervailing Measures* contained in Annex 1A to the WTO Agreement.

Section B-2: Safeguard Measures

ARTICLE 2.21: DEFINITIONS

For the purposes of Section B-2:

domestic industry means the producers as a whole of the like or directly competitive goods operating in the territory of a Party, or those whose collective output of the like or directly competitive goods constitutes a major proportion of the total domestic production of those goods;

serious injury means a significant overall impairment in the position of a domestic industry;

threat of serious injury means serious injury that, on the basis of facts and not merely on allegation, conjecture or remote possibility, is clearly imminent; and

transition period means a period for a good from the date of entry into force of this Agreement until ten years from the date of completion of tariff elimination or completion of tariff reduction, as the case may be for each good.

ARTICLE 2.22: BILATERAL SAFEGUARD MEASURES

During the transition period only, if as a result of the reduction or elimination of a customs duty[3] under this Agreement, an originating good of the other Party is being imported into the territory of a Party in such increased quantities, in absolute terms or relative to domestic production, and under such conditions that the imports of such good from the other Party alone[4] constitute a substantial cause of serious injury or threat thereof to domestic industry producing a like or directly competitive good, the Party may:

(a) suspend further reduction of any rate of customs duty on the good provided for under this Agreement; or

(b) increase the rate of customs duty on the good to a level not to exceed the lesser of:

  (i) the MFN applied rate of customs duty on the good in effect at the time the measure is taken; and

---

[3] A determination that an originating good is being imported as a result of the reduction or elimination of a customs duty provided for under this Agreement shall be made only if such reduction or elimination is a cause which contributes significantly to the increase in imports, but need not be equal to or greater than any other cause. The passage of a period of time between the commencement or termination of such reduction or elimination and the increase in imports shall not by itself preclude the determination referred to in this footnote. If the increase in imports is demonstrably unrelated to such reduction or elimination, the determination referred to in this footnote shall not be made.

[4] For the purposes of certainty, the Parties understand that a Party is not prevented from initiating a bilateral safeguard investigation in the event of a surge of imports from the territory of non-Parties. For further certainty, the Parties understand that bilateral safeguard measures can only be imposed on the good of the other Party when the increase in the import of such goods from that other Party alone constitute a substantial cause of serious injury or threat of serious injury, to domestic industry producing a like or directly competitive good.

(ii) the MFN applied rate of customs duty on the good in effect on the day immediately preceding the date of entry into force of this Agreement.

ARTICLE 2.23: CONDITIONS AND LIMITATIONS ON IMPOSITION OF A BILATERAL SAFEGUARD MEASURE

The following conditions and limitations shall apply to an investigation or a measure described in Article 2.22:

(a) a Party shall immediately deliver written notice to the other Party upon:

(i) initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;

(ii) making a finding of serious injury or threat thereof caused by increased imports; and

(iii) taking a decision to apply a safeguard measure;

(b) in making the notification referred to in subparagraph (a), the Party proposing to apply a safeguard measure shall provide the other Party with all pertinent information, which shall include evidence of serious injury or threat thereof caused by the increased imports, precise description of the good involved and the proposed measure, proposed date of introduction and expected duration;

(c) a Party proposing to apply a safeguard measure shall provide adequate opportunity for prior consultations with the other Party as far in advance of taking any such measure as practicable, with a view to reviewing the information arising from the investigation, exchanging views on the measure and reaching an agreement on the compensation set out in Article 2.25. The Parties shall in such consultations, review, *inter alia*, the information provided under subparagraph (b), to determine:

(i) compliance with Section B-2;

(ii) whether any proposed measure should be taken; and

(iii) the appropriateness of the proposed measure, including consideration of alternative measures;

(d) a Party shall apply a measure only following an investigation by its competent authorities in accordance with Articles 3 and 4.2(c) of the Safeguards Agreement, and to this end, Articles 3 and 4.2(c) of the Safeguards Agreement are incorporated into and made a part of this Agreement, *mutatis mutandis*;

(e) in undertaking the investigation described in subparagraph (d), a Party shall comply with the requirements of Articles 4.2(a) and (b) of the Safeguards Agreement, and to this end, Articles 4.2(a) and (b) are incorporated into and made a part of this Agreement, *mutatis mutandis*;

(f) the investigation shall in all cases be completed within one year following its date of initiation;

(g) no measure shall be maintained:

(i) except to the extent and for such time as may be necessary to remedy serious injury and to facilitate adjustment; or

(ii) for a period exceeding two years, except that in exceptional circumstances, the period may be extended by up to additional two years, to a total of four years from the date of first imposition of the measure if the investigating authorities determine in conformity with procedures set out in subparagraphs (a) through (f), that the safeguard measure continues to be necessary to prevent or remedy serious injury and to facilitate adjustment and that there is evidence that the industry is adjusting;

(h) no bilateral safeguard measure shall be taken against a particular good while a global safeguard measure in respect of that good is in place; in the event that a global safeguard measure is taken in respect of a particular good, any existing bilateral safeguard measure which is taken against that good shall be terminated;

(i) upon the termination of the safeguard measure, the rate of customs duty shall be the rate which would have been in effect but for the measure; and

(j) no measures shall be applied again to the import of a good which has previously been subject to such a measure for a period of time equal to that during which such measure had been previously applied, provided that the period of non-application is at least two years.

ARTICLE 2.24: PROVISIONAL MEASURES

In critical circumstances, where delay would cause damage which would be difficult to repair, a Party may take a measure described in Article 2.22 on a provisional basis pursuant to a preliminary determination that there is clear evidence that imports from the other Party have increased as the result of the reduction or elimination of a customs duty under this Agreement, and such imports constitute a substantial cause of serious injury, or threat thereof, to the domestic industry. The duration of such provisional measure shall not exceed 200 days, during which time the requirements of Articles 2.23(d) and (e) shall be met. Any tariff increases shall be promptly refunded if the investigation provided for in Article 2.23(d) does not result in a finding that the requirements of Article 2.22 are met. The duration of any provisional measure shall be counted as part of the period described in Article 2.23(g)(ii).

ARTICLE 2.25: COMPENSATION

1. The Party proposing to apply a measure described in Article 2.22 shall provide to the other Party mutually agreed adequate means of trade liberalising compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the measure. If the Parties are unable to agree on compensation within 30 days in the consultations under Article 2.23(c), the Party against whose originating goods the measure is applied may take action having trade effects substantially equivalent to the measure applied under this Article. This action shall be applied only for the minimum period necessary to achieve the substantially equivalent effects.

2. The right to take action referred to in the second sentence of paragraph 1 shall not be exercised for:

(a) the first two years that the measure is in effect; and

(b) the first three years that the measure is in effect where it has been extended beyond two years in accordance with Article 2.23(g)(ii);

provided that the measure described in Article 2.22 has been taken as a result of an absolute increase in imports and that such a measure conforms to the provisions of this Section.

ARTICLE 2.26: ADMINISTRATION OF EMERGENCY ACTION PROCEEDINGS

1. Each Party shall ensure the consistent, impartial and reasonable administration of its laws, regulations, decisions and rulings governing all safeguard investigation proceedings.

2. Each Party shall entrust determinations of serious injury or threat thereof in safeguard investigation proceedings to a competent investigating authority, subject to review by judicial or administrative tribunals, to the extent provided for in its laws. Negative injury determinations shall not be subject to modification, except by such review.

3. Each Party shall adopt or maintain equitable, timely, transparent and effective procedures for safeguard investigation proceedings.

ARTICLE 2.27: GLOBAL SAFEGUARD MEASURES

Each Party retains its rights and obligations under Article XIX of GATT 1994 and the Safeguards Agreement. This Agreement does not confer any additional rights or impose any additional obligations on the Parties with regard to measures taken pursuant to Article XIX of GATT 1994 and the Safeguards Agreement, except that a Party taking a safeguard measure under Article XIX of GATT 1994 and the Safeguards Agreement may, to the extent consistent with the obligations under the WTO Agreement, exclude imports of an originating good of the other Party if such imports are not a substantial cause of serious injury or threat thereof.

Section C: Technical Regulations and SPS Measures

ARTICLE 2.28: TECHNICAL REGULATIONS AND SPS MEASURES

1. Each Party reaffirms its rights and obligations under the TBT Agreement and the SPS Agreement.

2. For exchange of information, bilateral consultation, and mutual cooperation to facilitate bilateral trade, while respecting each other's legitimate rights to adopt measures to protect human, animal and plant life or health, both Parties shall:

(a) in respect of TBT matters:

(i) exchange information on technical regulations, standards and conformity assessment procedures in the Parties;

(ii) address any TBT issues to identify a practical solution with a view to facilitating bilateral trade;

(iii) explore developing possible mutual recognition agreements or arrangements on technical regulations, standards and conformity assessment procedures between the Parties for mutual benefit and facilitating access to each other's market;

(iv) undertake consultation no later than one year from the date of entry into force of this Agreement with a view to arriving at mutual recognition agreements or arrangements for conformity assessment of the sectors listed in Annex 2-B within three years after the start of the consultation. The aforementioned period of consultation may be extended, as necessary. Any legitimate delay or failure to reach and conclude agreements or arrangements, including on the basis of science and risk-based assessment, shall not be regarded as a breach of a Party's obligations under this subparagraph. The Parties may undertake a joint study through their technical bodies, as necessary, before starting aforementioned consultation. In this case, the time-frame of the consultation may be modified accordingly. The Parties may, after mutual consultation, agree to include more sectors in Annex 2-B;

(v) strengthen cooperation between the Parties at relevant international and regional fora on standards and conformity assessment and promote the use of international standards and conformity assessment guidelines, as appropriate, as a basis for the development of national technical regulations; and

(vi) work towards framing guidelines for the recognition of suppliers' declaration on conformity assessment and standards in a manner consistent with international norms;

(b) in respect of SPS matters:

(i) exchange information on such matters as occurrences of specific SPS incidents in the Parties and change or introduction of their SPS-related regulations or standards, which may, directly or indirectly, affect trade in goods between the Parties;

(ii) identify and consult, based on the SPS Agreement and relevant international standards, guidelines and recommendations, on specific issues that may arise from the application of SPS measures, including acceptance of equivalence of the other Party's SPS measures and recognition of pest or disease free areas and areas of low-pest or disease prevalence as per the relevant provisions of the SPS Agreement. These shall be done in terms of the exporting Party objectively demonstrating to the importing Party that its measures achieve the importing Party's appropriate level of sanitary or phytosanitary protection and that the concerned areas are, and are likely to remain, pest- or disease-free areas or areas of low pest or disease prevalence, respectively. Reasonable access shall be given, upon request, to the importing Party for inspection, testing and other relevant procedures;

(iii) explore areas and forms of technical cooperation including personnel training and joint research in respect of mutually agreed SPS issues; and

(iv) identify other functions as mutually agreed upon by the Parties.

3. The Parties shall establish a Joint Working Group to address specific TBT or SPS issues, including works enumerated in paragraph 2. The Joint Working Group shall endeavour to resolve the issues raised before it within a reasonable period of time based on science and risk-based assessment.

4. Notwithstanding Article 14.3.1 (Choice of Forum), any dispute regarding TBT or SPS matters arising under this Article shall not be brought to dispute settlement under this Agreement unless the Parties otherwise agree.

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

[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.

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.

ANNEX 2-B
ANNEX UNDER ARTICLE 2.28.2(a)(iv)

1. Telecommunication equipment

2. Electrical and Electronic equipment