

ELIMINATION OF CUSTOMS DUTIES

SECTION A

1. For the EU Party, the elimination of customs duties described in the staging categories set out in subparagraphs (a), (b), (c), (e), (f), (l), (m), (n), (o), (p), (q) and (r) of paragraph 3 *infra*, shall be applied to the base rate indicated in its Schedule to this Annex.
2. For each Republic of the CA Party, the elimination of customs duties described in the staging categories set out in subparagraphs (a), (b), (c), (d), (e), (f), (g), (h), (j), (k) and (q) of paragraph 3 *infra*, shall apply for each year of the tariff elimination period as follows:
 - (a) if by applying the staging categories to the CA base rate, a tariff higher than the base rate of one of the Republics of the CA Party is obtained, the applicable tariff for that Republic shall be its base rate;
 - (b) if by applying the staging categories to the CA base rate, a tariff lower or equal to the base rate of one of the Republics of the CA Party is obtained, the applicable tariff for that Republic shall be the result of applying the staging category to the CA base rate.

3. Unless otherwise provided in the General Notes to the Schedule of each Party, the following categories apply to the elimination of customs duties by each Party pursuant to Article 83 (Elimination of Customs Duties) of Chapter 1 of Title II (Trade in Goods) of Part IV of this Agreement:
- (a) duties on 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 of entry into force of this Agreement;
 - (b) duties on goods provided for in the items in staging category B in a Party's Schedule shall be removed in three equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year three;
 - (c) duties on goods provided for in the items in staging category C in a Party's Schedule shall be removed in five equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year five;

- (d) duties on goods provided for in the items in staging category C1 in a Party's Schedule shall be removed in six equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year six;
- (e) duties on goods provided for in the items in staging category D in a Party's Schedule shall be removed in seven equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year seven;
- (f) duties on goods provided for in the items in staging category E in a Party's Schedule shall be removed in ten equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year ten;
- (g) duties on goods provided for in the items in staging category E1 in a Party's Schedule shall remain at its base rate from years one to five. Duties on these goods shall be removed in five equal annual stages beginning January 1 of year six, and such goods shall be duty-free effective January 1 of year ten;

- (h) duties on goods provided for in the items in staging category E2 in a Party's Schedule shall be removed in ten annual stages. Upon the date of entry into force of this Agreement, duties shall be reduced by two percent of the base rate and on January 1 of year two an additional two percent. As of January 1 of year three, duties shall be reduced by an additional eight percent of the base rate; and thereafter, an additional eight percent of the base rate each year until year six. As of January 1 of year seven, duties shall be reduced by an additional sixteen percent of the base rate, and by an additional sixteen percent each year thereafter until year nine, and such goods shall be duty-free effective January 1 of year ten. The duty reduction process for this category is detailed in the following table:

Annual Cut (Percentage)	Year	Cumulative Cut	Duty reductions under category E2			
			5 %	10 %	15 %	20 %
2 %	1	2 %	4,9 %	9,8 %	14,7 %	19,6 %
	2	4 %	4,8 %	9,6 %	14,4 %	19,2 %
8 %	3	12 %	4,4 %	8,8 %	13,2 %	17,6 %
	4	20 %	4,0 %	8,0 %	12,0 %	16,0 %
	5	28 %	3,6 %	7,2 %	10,8 %	14,4 %
	6	36 %	3,2 %	6,4 %	9,6 %	12,8 %
16 %	7	52 %	2,4 %	4,8 %	7,2 %	9,6 %
	8	68 %	1,6 %	3,2 %	4,8 %	6,4 %
	9	84 %	0,8 %	1,6 %	2,4 %	3,2 %
	10	100 %	0,0 %	0,0 %	0,0 %	0,0 %

- (i) duties on goods provided for in the items in staging category F in a Party's Schedule shall remain at base rate⁵⁵, except as provided in subparagraph (c) of Article 84 (Standstill) of Chapter 1 of Title II (Trade in Goods) of Part IV of this Agreement. These goods are excluded from duty elimination or reduction;
- (j) duties on goods provided for in the items in staging category G in a Party's Schedule shall be removed in thirteen equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year thirteen;
- (k) duties on goods provided for in the items in staging category H in a Party's Schedule shall be removed in fifteen equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall be duty-free, effective January 1 of year fifteen;
- (l) *ad valorem* duties on goods provided for in the items in staging category I in a Party's Schedule shall be removed and these goods shall be *ad valorem* duty-free beginning on the date of entry into force of this Agreement. Specific duties on these goods, applicable under the mechanism of "entry prices", shall remain at base rate as indicated in paragraph 4, Section A of this Annex;

⁵⁵ For the Republics of the CA Party this refers to the base rate of each Republic, as indicated in the relevant Schedule.

- (m) *ad valorem* duties on goods provided for in the items in staging category J in a Party's Schedule shall be removed and these goods shall be *ad valorem* duty-free beginning on the date of entry into force of this Agreement. Specific duties on these goods shall remain at base rate;
- (n) *ad valorem* duties on goods provided for in the items in staging category K in a Party's Schedule shall be removed and these goods shall be *ad valorem* duty-free beginning on the date of entry into force of this Agreement. Specific duties on these goods shall be eliminated in three annual stages beginning on the date of entry into force of this Agreement and such goods shall be duty-free, effective January 1 of year three;
- (o) *ad valorem* duties on goods provided for in the items in staging category L in a Party's Schedule shall be removed in three equal annual stages beginning on the date of entry into force of this Agreement and such goods shall be *ad valorem* duty-free effective January 1 of year three. Specific duties on these goods, applicable under the mechanism of "entry prices", shall remain at base rate as indicated in paragraph 4, Section A of this Annex;

- (p) *ad valorem* duties on goods provided for in the items in staging category M in a Party's Schedule shall be removed and these goods shall be *ad valorem* duty-free beginning on the date of entry into force of this Agreement. Specific duties on these goods shall be eliminated in ten annual stages beginning on the date of entry into force of this Agreement and such goods shall be duty-free, effective January 1 of year ten;
 - (q) duties on goods provided for in the items in staging category Q in a Party's Schedule shall be applied as indicated in Appendix 1 (Import Tariff Quotas of the Republics of the CA Party) and Appendix 2 (Import Tariff Quotas of the EU Party) to this Annex;
 - (r) duties on goods provided for in the items in staging category ST in a Party's Schedule shall be applied as indicated in Appendix 3 (Special Treatment on Bananas) to this Annex.
- 4. Unless otherwise provided for in this Agreement, the European Union may apply the Entry Price System's customs duties laid down in Annex 2 of Commission Regulation (EC) No 1549/2006 of 17 October 2006.
 - 5. Unless otherwise provided for in this Agreement, the terms "EA", "AD S/Z" and "AD F/M" included in the base rates of the Schedule of the EU Party refer to the customs duties laid down in Annex 1 of Commission Regulation (EC) No 1549/2006 of 17 October 2006.

6. For the purpose of the elimination of customs duties in accordance with Article 83 (Elimination of Customs Duties) of Chapter 1 of Title II (Trade in Goods) of Part IV of this Agreement, 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 0,1 of the official monetary unit of the Party.
7. For the purposes of this Annex and a Party's Schedule, year one means the year in which this Agreement enters into force as provided in paragraph 4 of Article 353 (Entry into Force) of Part V of this Agreement.
8. For the purposes of this Annex and a Party's Schedule, beginning in year two, each annual stage of duty reduction shall take effect on January 1 of the relevant year.
9. For the purposes of paragraph 3(q) of this Annex, if the entry into force of this Agreement corresponds to a date after 1st January and before 31st December of the same calendar year, the in quota quantity will be pro-rated on a proportional basis for the remainder of that calendar year.

SECTION B

GENERAL NOTES TO THE SCHEDULE OF THE REPUBLICS OF THE CA PARTY

1. In compliance with the *Decreto No. 902* of January 9th, 2006, El Salvador applies a tariff of 15 % to all imports of iron and steel rods with a cross section area smaller or equal to 16 mm, with a carbon content inferior to 0,4 % of its weight, classified under tariff line 7214.99.90 of SAC 2007. These products are currently classified under tariff line 7214.99.30, created by El Salvador on a national level, by the Decree previously mentioned.
2. For the goods classified under tariff line 0808.10.00 of SAC 2007, Guatemala will continue to apply the provisions contained in the *Ley del Fondo de Cooperación a la Fruticultura Decidua Nacional, Decreto No. 15-2007* of the *Congreso de la República de Guatemala* and its amendments, relating to the import duties and apple production.
3. In case of a fiscal emergency, Guatemala may increase temporarily and automatically the customs duties applied for the goods classified under tariff lines 2709.00.10, 2709.00.90, 2710.11.20, 2710.11.30, 2710.19.11, 2710.19.21, 2710.19.22 of SAC 2007. In such case, the custom duty shall not be greater than the one applied to all countries during the emergency period that justifies the adoption of the tariff increase.

4. For the goods classified under tariff lines 1005.90.20, 1005.90.30, 1007.00.90, 1102.20.00, 1103.13.10, 1103.13.90 and 1104.23.00 of SAC 2007, Honduras will maintain the application of the *Decreto No. 31-92* of March 5th, 1992 and its regulations in the *Acuerdo No. 105-93* and its amendments.
5. For the goods classified under tariff lines 0402.91.10, 0402.99.10, 2002.90.10 of SAC 2007, Panama will apply Category F, in accordance to paragraph 3(i) of Section A of this Annex.
6. For the goods classified under tariff lines 2208.30.10, 2208.30.90 of SAC 2007, Panama will apply Category A, in accordance with paragraph 3(a) of Section A of this Annex.
7. For the goods classified under tariff line 2106.90.99 of SAC 2007, Panama will apply Category F, in accordance to paragraph 3(i) of Section A of this Annex.
8. Imitations of cheese are products of the physical appearance of cheese, which are reasonably deemed to be used as a cheese and do not meet simultaneously the three criteria set out in Note 3 to Chapter 4 of the Harmonized System. Usually, these products comply with at least one of the mentioned criteria.