

ANNEX I
Referred to in Chapter 2 (Trade in Goods)

**SCHEDULES IN RELATION TO ARTICLE 2.4 (ELIMINATION OF
CUSTOMS DUTIES)**

PART 1
GENERAL NOTES

1. This Annex is based on the Harmonized System 2017.
2. For the purposes of this Annex, the term “Base Rate”, as specified in Column 3 of each Party’s Schedule means the starting point of elimination of customs duties, which, in accordance with Article 2.4(3) of Chapter 2 (Trade in Goods), shall be the most-favoured nation (hereinafter referred to as “MFN”) customs duty rate applied on 1 January 2017.
3. For the purposes of implementing equal annual reductions, the following shall apply:
 - (a) the reduction for the first year shall take place on the date of entry into force of this Agreement; and
 - (b) the subsequent annual reductions shall take place on 1 January of each following year.
4. For the purposes of this Annex, the term “year” means:
 - (a) with respect to the first year, the period from the date of entry into force of this Agreement until 31 December of the year of entry into force of the Agreement; and
 - (b) with respect to each subsequent year after the first year, the twelve-month period which starts on 1 January of that year.
5. If, as a result of the elimination or reduction of its customs duty applied on a particular good on a most-favoured-nation basis, the most-favoured-nation applied rate becomes lower than the rate of customs duty to be applied in accordance with Article 2.4(1) of Chapter 2 (Trade in Goods) on the originating good which is classified under the same tariff line as that particular good, each Party shall apply the lower rate with respect to that originating good.