

**Draft**  
**Subject to Legal Review for Accuracy, Clarity, and Consistency**  
**June 18, 2004**

**ANNEX 2.3**  
**TARIFF ELIMINATION**

1. Except as otherwise provided in a Party's Schedule attached to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to Article 2.3 (Tariff Elimination):

- (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 this Agreement enters into force;
- (b) duties on goods provided for in the items in staging category **B** in a Party's Schedule shall be removed in ten equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year ten;
- (c) goods provided for in the items in staging category **C** in a Party's Schedule shall continue to receive duty-free treatment; and

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 attached to this Annex.

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 0.001 of the official monetary unit of the Party.

4. For purposes of this Annex, **year one** means:

- (a) the year the Agreement enters into force, if the date of entry into force is in the first six-month period of a year;
- (b) the year following entry into force, if the date of entry into force is in the second six-month period of a year; or

If this Agreement enters into force for a Party after year one, the Party shall apply the rates of duty set out in its Schedule as if the Agreement had entered into force for that Party on the date the Agreement entered into force for the United States.