

ANNEX 2
MODALITY FOR TARIFF REDUCTION/ELIMINATION
FOR TARIFF LINES PLACED IN THE SENSITIVE TRACK

1. The number of tariff lines which each Party can place in the Sensitive Track shall be subject to a maximum ceiling of:

- (i) ASEAN 6 and Korea:
10% of all the tariff lines and 10% of the total value of imports from Korea or from the ASEAN Member Countries as a whole, as appropriate, based on 2004 trade statistics;
- (ii) Vietnam:
10% of all the tariff lines and 25% of the total value of imports from Korea based on 2004 trade statistics; and
- (iii) Cambodia, Lao PDR and Myanmar:
10% of all the tariff lines.

2. Tariff lines placed by each Party in the Sensitive Track shall be further classified into the Sensitive List and the Highly Sensitive List. The number of tariff lines which each Party can place in the Highly Sensitive List shall be subject to a maximum ceiling of:

- (i) ASEAN 6 and Korea:
200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice and 3% of the total value of imports from Korea or from the ASEAN Member Countries as a whole, as appropriate, based on 2004 trade statistics.
- (ii) Cambodia, Lao PDR, Myanmar and Vietnam:
200 tariff lines at the HS 6-digit level or 3% of all the tariff lines at the HS digit level of each Party's own choice.

3. The Parties shall reduce and, where applicable, eliminate the applied MFN tariff rates of tariff lines placed in the Sensitive List according to the following Schedules:

- (i) ASEAN 6 and Korea shall reduce the applied MFN tariff rates of tariff lines placed in their respective Sensitive Lists to 20% not later than 1 January 2012. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2016.
- (ii) Vietnam shall reduce the applied MFN tariff rates of tariff lines placed in their respective Sensitive Lists to 20% not later than 1 January 2017. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2021.
- (iii) Cambodia, Lao PDR and Myanmar shall reduce the applied MFN tariff rates of tariff lines placed in their respective Sensitive Lists to 20% not later than 1 January 2020. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2024.

4. The tariff lines placed in a Party's Highly Sensitive List shall be categorised into five groups. For each group of their respective tariff lines in the Highly Sensitive List, the Parties undertake the following commitments:

- (i) Group A (Tariff lines subject to 50% tariff rate capping):
ASEAN 6 and Korea shall reduce the applied MFN tariff rates of tariff lines placed in Group A to not more than 50 % not later than 1 January 2016. Vietnam shall reduce the applied MFN tariff rates of tariff lines placed in Group A to not more than 50% not later than 1 January 2021. Cambodia, Lao PDR and Myanmar shall reduce the applied MFN tariff rates of tariff lines placed in Group A to not more than 50 % not later than 1 January 2024.

- (ii) Group B (Tariff lines subject to tariff reduction by 20%):

ASEAN 6 and Korea shall reduce the applied MFN tariff rates of tariff lines placed in Group B by not less than 20% not later than 1 January 2016. Vietnam shall reduce the applied MFN tariff rates of tariff lines placed in Group B by not less than 20% not later than 1 January 2021. Cambodia, Lao PDR and Myanmar shall reduce the applied MFN tariff rates of tariff lines placed in Group B by not less than 20% not later than 1 January 2024.
- (iii) Group C (Tariff lines subject to tariff reduction by 50%):

ASEAN 6 and Korea shall reduce the applied MFN tariff rates of tariff lines placed in Group C by not less than 50% not later than 1 January 2016. Vietnam shall reduce the applied MFN tariff rates of tariff lines placed in Group C by not less than 50% not later than 1 January 2021. Cambodia, Lao PDR and Myanmar shall reduce the applied MFN tariff rates of tariff lines placed in Group C by not less than 50% not later than 1 January 2024.
- (iv) Group D (Tariff lines subject to TRQs):

The parties shall apply the tariff rate quotas on imports of the goods of tariff lines placed in Group D from the entry into force of this Agreement, in accordance with the conditions set out in their respective Schedule.
- (v) Group E (Tariff lines exempted from tariff concession):

Each Party reserves the rights to maintain the applied MFN tariff rates of tariff lines placed in Group E. The number of tariff lines which each Party can place in Group E shall be subject to a maximum ceiling of 40 tariff lines at the HS 6-digit level.

5. Tariff lines in the Sensitive Track, which are subject to specific tariff rates, shall have such tariffs reduced in accordance with the timeframes provided for in paragraphs 3 and 4. The proportion of tariff reduction for

these tariff lines shall be equal to the average margin of tariff reduction of the tariff lines with ad-valorem tariff rates under the Sensitive Track, which are subject to tariff reduction in the same year.

6. Notwithstanding the Schedules in paragraphs 3 and 4, any Party may unilaterally accelerate the tariff reduction and/or elimination for its tariff lines placed in the Sensitive Track at any time if it so wishes. Nothing in this Agreement shall prevent any Party from unilaterally transferring any tariff line from the Sensitive Track into the Normal Track at any time if it so wishes.

7. The reciprocal tariff rate treatment of tariff lines placed by an exporting Party in the Sensitive Track, excluding Group E, while the same tariff lines are placed by the importing Party in the Normal Track, shall be governed by the following conditions:

- (i) the tariff rate for a tariff line placed by an exporting Party in the Sensitive Track, excluding Group E, must be at 10% or below and the exporting Party has given notification to that effect to the other Parties in order for that exporting Party to enjoy reciprocity;
- (ii) the reciprocal tariff rate to be applied to a tariff line placed by an exporting Party in the Sensitive Track shall be either the tariff rate of that exporting Party's tariff line, or the Normal Track tariff rate of the same tariff line of an importing Party from whom reciprocity is sought, whichever is higher;
- (iii) notwithstanding sub-paragraph (ii), the importing Party can, on its discretion, apply its Normal Track tariff rate even if such rate is lower than the tariff rate of the exporting Party; and
- (iv) the reciprocal tariff rate to be applied to a tariff line placed by an exporting Party in the Sensitive Track shall in no case exceed the applied MFN rate of the same tariff line of an importing Party from whom reciprocity is sought.

8. The tariff lines placed by each Party in the Sensitive List and the Highly Sensitive List under the Sensitive Track based on the modality set out in this Annex are respectively listed in Appendices 1 and 2.