

#### **ANNEX 3.04 TARIFF REDUCTION SCHEDULE**

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the reduction of customs duties by each Party:
  - a) duties on originating 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 as the Agreement enters into force;
  - b) duties on originating goods provided for in the items in staging category B in a Party's Schedule shall be removed in five (5) equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year five (5);
  - c) duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in ten (10) equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year ten (10);
  - d) duties on originating goods provided for in the items in staging category D in a Party's Schedule shall be removed in fifteen (15) equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year fifteen (15);
  - e) duties on originating goods provided for in the items in staging category E in a Party's Schedule shall be deemed as sensitive and free from any reduction commitment;
  - f) duties on originating goods provided for in the items in staging category F in a Party's Schedule shall be reduced by 20% from the base rate beginning on the date this Agreement enters into force and afterward the said reduced duties will remain at that level and without any further reduction;
  - g) duties on originating goods provided for in the items in staging category G1 shall remain at base rates for years one (1) through four (4). On the 1st of January of year five (5), such tariffs shall be eliminated and said goods shall be duty-free;
  - h) duties on originating goods provided for in the items in staging category G2 shall remain at base rates for years one (1) through nine (9). On the 1st of January of year ten (10), such tariffs shall be eliminated and said goods shall be duty-free;
  - i) duties on originating goods provided for in the items in staging category G3 shall remain at base rates for years one (1) through fourteen (14). On the 1st of January of year fifteen (15), such tariffs shall be eliminated and said goods shall be duty-free.
2. The goods included in the tariff lines marked "Q" in the staging column are described below:
  - a) the Republic of China (Taiwan) shall implement and administer a duty-free (0%) quota for raw sugar and refined sugar originating in the Republic of Guatemala. For the sugar

included in the duty-free (0%) quota, the Republic of China (Taiwan) will require the certificate of origin issued by the Republic of Guatemala;

- b) for the first year, the quota level will be set at 60,000 metric tons. The quota will be subdivided into two categories for raw sugar and refined sugar respectively. The quota quantity for refined sugar shall not exceed 35% of the total quota. However, the Republic of Guatemala may choose to export raw sugar instead of refined sugar, up to 100% of the total quota. The total quota will be granted through Tariff Quota Certificates (TQCs);
- c) the relevant tariff codes for raw sugar and refined sugar are set out below:

Goods	Tariff Classification of the Republic of China (Taiwan)	Tariff Classification of the Republic of Guatemala
Raw sugar	1701.11.00 1701.91.10	1701.11.00
Refined sugar	1701.91.20 1701.99.10 1701.99.20 1701.99.90	1701.91.00 1701.99.00

In case the Parties include a new tariff code for raw or refined sugar, this tariff code will be automatically included in this list;

- d) for the second year and onwards, the annual quota will be the total quota of the previous year plus or minus the average growth of total sugar imports in the Republic of China (Taiwan) over the past four (4) consecutive calendar years. The minimum annual quota will be 60,000 metric tons;
- e) in October of each year, the Republic of China (Taiwan) will simultaneously notify the Ministry of Economy of Guatemala and the Guatemalan Sugar Association the quota granted for the following year. Subsequently, within thirty (30) days of receipt of said notification, the Republic of Guatemala will in turn notify the Republic of China (Taiwan) the specific quantity to be allocated among the different tariff lines, provided that the quota for refined sugar shall not exceed 35% of the total quota;
- f) no later than the 30<sup>th</sup> of April of each year, the Republic of China (Taiwan) shall send the TQC forms to the Republic of Guatemala. These TQCs shall be used by Guatemala to legitimize the entry of duty-free (0%) sugar into the customs territory of the Republic of China (Taiwan). The Republic of China (Taiwan) agrees to apply the system described in detail in Appendix (Procedure for Sugar Quota Taiwan-Guatemala) of this Annex;
- g) the growth rate of the entire quota will be calculated on the basis of official Customs statistics of the Republic of China (Taiwan);
- h) if the Republic of Guatemala disagrees with the quota granted by the Republic of China (Taiwan) for the following year, the Parties agree to hold consultations with an aim at

arriving at an amicable solution. If the disagreement persists, the dispute settlement mechanism of this Agreement shall be applied.

3. The base rate, which shall be the Most-Favored-Nation(MFN) rate in effect January 1, 2005 of the Imported Tariff Schedule of the respective party, 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.
4. For the purpose of the elimination of customs duties, 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.
5. For purposes of this Annex and a Party's Schedule, year one means the year the Agreement enters into force as provided in Article 21.03 (Entry into Force).
6. For purposes of this Annex and a Party's Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.