

Annex 1 referred to in Chapter 2
Schedules in relation to Article 18

Part 1
General Notes

1. For the purposes of Article 18, the following categories indicated in Column 3, the applicable terms and conditions set out in the notes indicated in Column 4 and the applicable rates of customs duty specified in Column 5 in each Party's Schedule, in Section 2 of Part 2 and Section 2 of Part 3, shall apply:

- (a) Customs duties on originating goods classified under the tariff items indicated with "A" shall be eliminated as from the date of entry into force of this Agreement;
- (b) Customs duties on originating goods classified under the tariff items indicated with "B" shall be eliminated in annual installments as provided for in Column 5 in each Party's Schedule;
- (c) Customs duties on originating goods classified under the tariff items indicated with "P" shall be as provided for, where applicable, in the note indicated in Column 4 in each Party's Schedule and in Column 5 in each Party's Schedule;
- (d) Customs duties on originating goods classified under the tariff items indicated with "Q" shall be as provided for in the note relating to tariff rate quota indicated in Column 4 in each Party's Schedule and, where applicable, in Column 5 in each Party's Schedule;
- (e) Customs duties on originating goods classified under the tariff items indicated with "R" shall be subject to negotiations provided for in the note indicated in Column 4 in each Party's Schedule; and
- (f) The originating goods classified under the tariff items indicated with "X" shall be excluded from any commitment of reduction or elimination of customs duties and commitment of negotiation referred to in subparagraph (e) above.

This paragraph shall not affect the rights and obligations of the Parties under Article 26.

2. For the purposes of the elimination or reduction of customs duties in accordance with this Part and Part 2, any fraction less than 0.1 of a percentage point shall be rounded off to one decimal place (in the case of 0.05 per cent, the fraction is rounded to 0.1 per cent) in the cases of ad valorem duties, and any fraction smaller than 1 sen (1 sen=one hundredth of 1 yen) shall be rounded off to the nearest sen (in the case of 0.5 sen, the fraction is rounded to 1 sen) in the cases of specific duties. This shall not apply to the case of customs duties on originating goods classified in HS 0703.10, derived from the difference between the value for customs duty and the value specified in Column 5 of the Schedule of Japan in Section 2 of Part 2.

3. For the purposes of the elimination or reduction of customs duties in accordance with this Part and Part 3, any fraction less than 0.01 of a percentage point shall be rounded off to two decimal places (in the case of 0.005 per cent, the fraction is rounded to 0.01 per cent) in the cases of ad valorem duties, and any fraction smaller than 1 satang (1 satang=one hundredth of 1 baht) shall be rounded off to the nearest satang (in the case of 0.5 satang, the fraction is rounded to 1 satang) in the cases of specific duties. This shall not apply to the case of customs duties on originating goods classified in tariff item number 2710.111, 2710.192 and 2710.193 in the Schedule of Thailand in Section 2 of Part 3.

4. This Annex is made based on the Harmonized System, as amended on 1 January 2002.

5. For the purposes of implementing annual installments for this Annex, 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 April of each following year.

6. (a) For the purposes of this Annex, the term "year" means, with respect to the first year, the period from the date of entry into force of this Agreement until the coming 31 March and, with respect to each subsequent year, the twelve-month period which starts on 1 April of that year.

(b) Notwithstanding subparagraph (a) above, for the purposes of implementing tariff rate quota set out in subparagraph (a) of notes 9, 10 and 11 in Section 1 of Part 3, the term "year" means, with respect to the first year, the period from the date of entry into force of this Agreement until the coming 31 December and, with respect to each subsequent year, the twelve-month period which starts on 1 January of that year.

7. For the purposes of implementing tariff rate quota, where a year is less than twelve months, the aggregate quota quantity for the year set out in Section 1 of Part 2 and Section 1 of Part 3 shall be reduced to a part of the aggregate quota quantity that is proportional to the number of complete months remaining in the year. With respect to such reduced aggregate quota quantity, any fraction less than 1.0 when expressed in a unit specified in relevant notes in Section 1 of Part 2 and Section 1 of Part 3 shall be rounded off to the nearest whole number (in the case of 0.5, the fraction is rounded to 1.0).