

ANNEX 2

TARIFF ELIMINATION

1. Except as otherwise provided in a Party's Schedule to this Annex, the following staging categories apply to the elimination of customs duties by each Party pursuant to paragraph 2 of Article 3 (Tariff Elimination) of Chapter 2 (National Treatment and Market Access for Goods):

- (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 on the date this 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 equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year five;
- (c) duties on originating goods provided for in the items in staging category C in a Party's Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year ten;
- (d) duties on originating goods provided for in the items in staging category D in a Party's schedule are exempt from tariff elimination;
- (e) duties on originating goods provided for in the items in staging category E in a Party's Schedule shall be removed as follows:

Year	Margin of Preference
1	3.00%
2	3.00%
3	5.00%
4	7.00%
5	7.00%
6	5.00%
7	7.00%
8	7.00%
9	7.00%
10	7.00%

Year	Margin of Preference
11	7.00%
12	7.00%
13	7.00%
14	7.00%
15	7.00%
16	7.00%

- (f) duties on originating goods provided for in the items in staging category F in the Schedule of China shall be removed in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year eight;
- (g) duties on originating goods provided for in the items in staging category G in a Party's Schedule shall be removed in twelve equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year twelve;
- (h) duties on originating goods provided for in the items in staging category H in a Party's Schedule shall be removed in fifteen equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year fifteen;
- (i) duties on originating goods provided for in the items in staging category I the Schedule of China shall be removed in seventeen equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st of year seventeen;
- (j) duties on originating goods provided for in the items in staging category J1 the Schedule of Peru shall remain at base rates during years one through four. Beginning on January 1st of year five, duties shall be reduced in thirteen equal annual stages, and such goods shall be duty-free, effective January 1st of year seventeen;
- (k) duties on originating goods provided for in the items in staging category J2 the Schedule of Peru shall remain at base rates during years one through eight. Beginning on January 1st of year nine, duties shall be reduced in nine equal annual stages, and such goods shall be duty-free, effective January 1st of year seventeen;
- (l) duties on originating goods provided for in the items in staging category J3 the Schedule of Peru shall remain at base rates during years one through ten. Beginning

on January 1st of year eleven, duties shall be reduced in seven equal annual stages, and such goods shall be duty-free, effective January 1st of year seventeen;

(m) duties on originating goods provided for in the items in staging category K in the Schedule of China shall be removed as follows on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st, 2015:

Applied Tariff	Jan 1st 2009	Jan 1st 2010	Jan 1st 2011	Jan 1st 2012	Jan 1st 2013	Jan 1st 2014	Jan 1st 2015
	7.80%	6.50%	5.20%	3.90%	2.60%	1.30%	0.00%

(n) duties on originating goods provided for in the items in staging category L in the Schedule of China shall be removed as follows on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1st, 2015:

Applied Tariff	Jan 1st 2009	Jan 1st 2010	Jan 1st 2011	Jan 1st 2012	Jan 1st 2013	Jan 1st 2014	Jan 1st 2015
	1.20%	1.00%	0.80%	0.60%	0.40%	0.20%	0.00%

2. For purposes of this Annex and a Party's Schedule, year one means the year this Agreement enters into force as provided in Article 200 (Entry into Force and Termination) of Chapter 17 (Final Provisions).
3. 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 1st of the relevant year.