

ANNEX 1

MODALITY FOR TARIFF REDUCTION AND ELIMINATION FOR TARIFF LINES PLACED IN THE NORMAL TRACK

1. Tariff lines placed by each Party in the Normal Track shall have their respective applied MFN tariff rates gradually reduced and eliminated according to the following Schedules. The first date of implementation shall be the date of entry into force of the Agreement. The tariff reduction will be in accordance with the rate provided for that year in the schedule.

(i) Korea and ASEAN 6

X = applied MFN tariff rate	Korea-ASEAN FTA Preferential Tariff Rate (not later than 1 January)				
	2006	2007	2008	2009	2010
$X \geq 20\%$	20	13	10	5	0
$15\% \leq X < 20\%$	15	10	8	5	0
$10\% \leq X < 15\%$	10	8	5	3	0
$5\% < X < 10\%$	5	5	3	0	0
$X \leq 5\%$	Standstill			0	0

(ii) Socialist Republic of Vietnam (“Vietnam”)

X = applied MFN tariff rate	Korea-ASEAN FTA Preferential Tariff Rate (not later than 1 January)							
	2006	2007	2008	2009	2011	2013	2015	2016
$X \geq 60\%$	60	50	40	30	20	15	10	0
$40\% \leq X < 60\%$	45	40	35	25	20	15	10	0
$35\% \leq X < 40\%$	35	30	30	20	15	10	0-5	0
$30\% \leq X < 35\%$	30	30	25	20	15	10	0-5	0
$25\% \leq X < 30\%$	25	25	20	20	10	7	0-5	0
$20\% \leq X < 25\%$	20	20	15	15	10	7	0-5	0
$15\% \leq X < 20\%$	15	15	15	10	7	5	0-5	0

$10\% \leq X < 15\%$	10	10	10	8	5	0-5	0-5	0
$7\% \leq X < 10\%$	7	7	7	7	5	0-5	0-5	0
$5\% \leq X < 7\%$	5	5	5	5	5	0-5	0	0
$X < 5\%$	Standstill						0	

(iii) Kingdom of Cambodia (“Cambodia”), Lao People’s Democratic Republic (“Lao PDR”), and Union of Myanmar (“Myanmar”)

X = Applied MFN Tariff Rate	Korea-ASEAN FTA Preferential Tariff Rate (Not later than 1 January)						
	2006	2007	2008	2009	2012	2015	2018
$X \geq 60\%$	60	50	40	30	20	10	0
$45\% \leq X < 60\%$	45	40	35	25	15	10	0
$35\% \leq X < 45\%$	35	30	30	20	15	5	0
$30\% \leq X < 35\%$	30	30	25	20	10	5	0
$25\% \leq X < 30\%$	25	25	20	20	10	5	0
$20\% \leq X < 25\%$	20	20	15	15	10	0-5	0
$15\% \leq X < 20\%$	15	15	15	10	5	0-5	0
$10\% \leq X < 15\%$	10	10	10	8	5	0-5	0
$7\% \leq X < 10\%$	7*	7*	7*	7*	5	0-5	0
$5\% \leq X < 7\%$	5	5	5	5	5	0-5	0
$X < 5\%$	Standstill						0

* Myanmar shall be allowed to maintain Korea-ASEAN FTA preferential tariff rates at no more than 7.5% until 2010.

2. The tariff rates specified in the relevant Schedules in paragraph 1 only set out the level of the applicable Korea-ASEAN FTA preferential tariff rates to be applied by each Party for the tariff lines concerned in the specified year of implementation and

shall not prevent any Party from unilaterally accelerating its tariff reduction or elimination at any time if it so wishes.

3. The tariff lines in the Normal Track, which are subject to specific tariff rates, shall have such specific tariff rates reduced to zero, in equal proportions in accordance with the timeframes provided in the Schedules set out in paragraph 1.

4. For all tariff lines placed in the Normal Track where the applied MFN tariff rates are at 0%, they shall remain at 0%. Where they have been reduced to 0%, they shall remain at 0%. No Party shall be permitted to increase the tariff rates for any tariff line, except as otherwise provided in this Agreement.

5. As an integral part of its commitments to reduce and/or eliminate the applied MFN tariff rates in accordance with the relevant Schedules in paragraph 1, each Party hereby commits to undertake further tariff reduction and/or elimination in accordance with the following thresholds:

(a) Korea

- (i) Korea shall eliminate its tariffs for at least 70 % of the tariff lines placed in the Normal Track upon the entry into force of this Agreement.
- (ii) Korea shall eliminate its tariffs for at least 95% of the tariff lines placed in the Normal Track not later than 1 January 2008.
- (iii) Korea shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2010.

(b) ASEAN 6

- (i) Each Party shall reduce its applied MFN tariff rates for at least 50 % of the tariff lines placed in the Normal Track to 0-5 % not later than 1 January 2007.
- (ii) Each Party shall eliminate its tariffs for at least 90 % of the tariff lines placed in the Normal Track not later than 1 January 2009.
- (iii) Each Party shall eliminate its tariffs for all tariff lines placed in the Normal Track not later than 1 January 2010, with flexibility to have tariff lines, not exceeding 5% of all the tariff lines or as

listed in an agreed Schedule, eliminated not later than 1 January 2012.

- (iv) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2012.

(c) Vietnam

- (i) Vietnam shall reduce its applied MFN tariff rates for at least 50% of the tariff lines placed in the Normal Track to 0-5% not later than 1 January 2013.
- (ii) Vietnam shall eliminate its tariffs for at least 90% of the tariff lines placed in the Normal Track not later than 1 January 2015.
- (iii) Vietnam shall eliminate its tariffs for all tariff lines placed in the Normal Track not later than 1 January 2016, with flexibility to have tariff lines, not exceeding 5% of all the tariff lines, eliminated not later than 1 January 2018.
- (iv) Vietnam shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2018.

(d) Cambodia, Lao PDR and Myanmar

- (i) Each Party shall reduce their respective applied MFN tariff rates for at least 50% of the tariff lines placed in the Normal Track to 0-5% not later than 1 January 2015.
- (ii) Each Party shall eliminate their respective tariffs for at least 90% of the tariff lines placed in the Normal Track not later than 1 January 2017.
- (iii) Each Party shall eliminate their respective tariffs for all tariff lines placed in the Normal Track not later than 1 January 2018, with flexibility to have tariff lines, not exceeding 5% of all the tariff lines, eliminated not later than 1 January 2020.
- (iv) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2020.

6. If an exporting Party places a tariff line in the Normal Track, that exporting Party shall enjoy the tariff concessions which an importing Party has made for that tariff line as specified in and applied pursuant to the relevant Schedules either in this Annex

or Annex 2 together with the undertakings and conditions set out therein. This right shall be enjoyed for so long as that exporting Party adheres to its own commitments for tariff reduction and elimination for that tariff line.

7. Each Party shall eliminate all its tariffs for the tariff lines given flexibility in paragraph 5, not later than 1January 2012.

8. Each Party shall notify the other Parties its tariff lines placed in the Normal Track along with the tariff elimination schedule for each tariff line in accordance with paragraph 5, not later than the date when the commitment of the Party commences with respect to the tariff lines.

December 1, 2005

Mr. Deddy Saleh
Director of Regional Cooperation
Ministry of Trade
Republic of Indonesia

Dear Director Deddy Saleh:

I have the honour to refer to the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea(hereinafter referred to as "the Agreement").

Resulting from the above Agreement, I have the honour to confirm the understanding of Korea that in relation to subparagraph 5(b)(iii) in Annex 1 of the Agreement, Indonesia may have flexibility of selecting more than 5% of all tariff lines the tariff rate of which shall be eliminated no later than January 1, 2012, subject to other provisions of the Annex. This understanding is reflected in the words "as listed in an agreed Schedule" in subparagraph 5(b)(iii).

I would be grateful if you would confirm that the understanding of my Government as stated above is shared by your Government and that this understanding shall be treated as an integral part of the Agreement.

Sincerely,

Mr. Kim Han-soo

Director General

Free Trade Agreement Bureau

Ministry of Foreign Affairs and Trade

Republic of Korea

December 1, 2005

Mr. Ramon Kabigting

Director of Bureau of International Trade Relations

Department of Trade and Industry

Republic of Philippines

Dear Mr. Kabigting:

I have the honour to refer to the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea(hereinafter referred to as "the Agreement").

Resulting from the above Agreement, I have the honour to confirm the understanding of Korea that in relation to subparagraph 5(b)(iii) in Annex 1 of the

Agreement, Philippines may have flexibility of selecting more than 5% of all tariff lines the tariff rate of which shall be eliminated no later than January 1, 2012, subject to other provisions of the Annex. This understanding is reflected in the words "as listed in an agreed Schedule" in subparagraph 5(b)(iii).

I would be grateful if you would confirm that the understanding of my Government as stated above is shared by your Government and that this understanding shall be treated as an integral part of the Agreement.

Sincerely,

Mr. Kim Han-soo

Director General

Free Trade Agreement Bureau

Ministry of Foreign Affairs and Trade

Republic of Korea

Jakarta, 5 December 2005

Mr. Kim Han-soo

Director General

Free Trade Agreement Bureau

Ministry of Foreign Affairs and Trade

Republic of Korea

Dear Mr. Kim,

I have the honor to acknowledge the receipt of your letter addressed to Mr. Deddy Saleh, Director of Regional Cooperation dated of December 1, 2005, which written and read as follows:

"I have the honour to refer to the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation among the Governments of the Member Countries of ASEAN and the Republic of Korea(hereinafter referred to as "the Agreement").

Resulting from the above Agreement, I have the honour to confirm the understanding of Korea that in relation to subparagraph 5(b)(iii) in Annex 1 of the Agreement, Indonesia may have flexibility of selecting more than 5% of all tariff lines the tariff rate of which shall be eliminated no later than January 1, 2012, subject to other provisions of the Annex. This understanding is reflected in the words "as listed in an agreed Schedule" in subparagraph 5(b)(iii).

I would be grateful if you would confirm that the understanding of my Government as stated above is shared by your Government and that this understanding shall be treated as an integral part of the Agreement".

I have the honor to confirm that this understanding is shared by my Government and that this understanding shall constitute an integral part of the Agreement.

Sincerely,

HERRY SOETANTO

Director General of International Trade Cooperation

Ministry of Trade Republic of Indonesia

CC:

1. ASEAN Secretary General
2. Mr. David Chin, ASEAN Co-Chair for ASEAN-Korea FTA Negotiations

2 December 2005

Mr. Kim Han-soo
Director General
Free Trade Agreement Bureau
Ministry of Foreign Affairs and Trade
Republic of Korea

Dear Mr. Kim:

I have the honour to acknowledge the receipt of your letter dated 1 December 2005, copy of which is attached.

I wish to confirm that the understanding as reflected in the said letter is shared by my Government and that said understanding shall constitute an integral part of the Agreement.

Very truly yours,

Ramon Vicente T. Kabigting
Director