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ANNEX 2

ANNEX

to the

Proposal for a Council Decision

**on the signing, on behalf of the European Union, of the Free Trade Agreement between
the European Union and the Socialist Republic of Viet Nam**

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Reduction or Elimination of Customs Duties

SECTION A

GENERAL PROVISIONS

1. Except as otherwise provided for in a Party's Schedule to this Annex, the following staging categories apply pursuant to Article 2.7 (Reduction or Elimination of Customs Duties) to the reduction or elimination of customs duties on originating goods from the other Party included in Appendices 2-A-1 (Tariff Schedule of the Union) and 2-A-2 (Tariff Schedule of Viet Nam):
 - (a) customs 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 free of any customs duty from the date of entry into force of this Agreement;

- (b) customs duties on originating goods provided for in the items in staging category "B3" in a Party's Schedule shall be removed in four equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (c) customs duties on originating goods provided for in the items in staging category "B5" in a Party's Schedule shall be removed in six equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (d) customs duties on originating goods provided for in the items in staging category "B7" in a Party's Schedule shall be removed in eight equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (f) customs duties on originating goods provided for in the items in staging category "B9" in Viet Nam's Schedule shall be removed in 10 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;

- (g) customs duties on originating goods provided for in the items in staging category "B10" in a Party's Schedule shall be removed in 11 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;
- (h) customs duties on originating goods provided for in the items in staging category "B10*" in Viet Nam's Schedule shall be removed in 11 annual stages beginning on the date of entry into force of this Agreement, pursuant to the table below, and such goods shall thereafter be free of any customs duty;

Tariff code	Year										
	1	2	3	4	5	6	7	8	9	10	11
2203.00.10 2203.00.90	34 %	33 %	32 %	30 %	29 %	25 %	22 %	18 %	15 %	11 %	0 %

- (i) customs duties on originating goods provided for in the items in staging category "B10**" in Viet Nam's Schedule shall be removed in 11 annual stages beginning on the date of entry into force of this Agreement pursuant to the table below, and such goods shall thereafter be free of any customs duty;

Tariff code	Base rate	Year										
		1	2	3	4	5	6	7	8	9	10	11
2710.12.11	20 %	20 %	20 %	20 %	20 %	8 %	8 %	7 %	7 %	7 %	7 %	0 %
2710.12.12												
2710.12.13												
2710.12.14												
2710.12.15												
2710.12.16												
2710.12.20	10 %	10 %	10 %	10 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	0 %
2710.12.30	20 %	20 %	20 %	20 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	0 %
2710.12.40	20 %	17 %	16 %	14 %	13 %	11 %	10 %	8 %	7 %	7 %	7 %	0 %
2710.12.50												
2710.12.60												
2710.12.70	20 %	20 %	20 %	20 %	20 %	8 %	8 %	7 %	7 %	7 %	7 %	0 %
2710.12.80	20 %	20 %	20 %	20 %	20 %	15 %	10 %	7 %	7 %	7 %	7 %	0 %
2710.12.90												
2710.19.71	8 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	0 %
2710.19.72												
2710.19.79	10 %	9 %	8 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	0 %
2710.19.81												
2710.19.82												
2710.19.83												
2710.20.00	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	0 %
2710.91.00	40 %	40 %	20 %	20 %	20 %	11 %	9 %	7 %	7 %	7 %	7 %	0 %
2710.99.00												

- (j) customs duties on originating goods provided for in the items in staging category "B15" in Viet Nam's Schedule shall be removed in 16 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any customs duty;

- (k) the ad valorem component of the customs duties on originating goods provided for in the items in staging category A+EP in the Union's Schedule shall be eliminated upon the date of entry into force of this Agreement; the tariff elimination applies to the ad valorem duty only; the specific duty resulting from the entry price system that the Union applies to certain fruits and vegetables in accordance with the Common Customs Tariff provided for in Commission Implementing Regulation (EU) No 543/2011 of 7 June 2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors¹ shall be maintained;

¹ Official Journal of the European Union L 157, 15.6.2011, p. 1.

- (l) customs duties on originating goods provided for in the items in staging category "R75" in the Union's Schedule shall be applied pursuant to the table below:

Year	Customs duty (EUR / tonnes)
2016	120
2017	115
2018	110
2019	105
2020	100
2021	95
2022	90
2023	85
2024	80
From 2025 onwards	75

the preferential customs duties indicated in the table above shall apply from the date of entry into force of this Agreement in the relevant year and onwards and the duties shall not be retroactively reduced;

- (m) tariff lines with "CKD" indicated in the "Base rate" and "Category" columns in Viet Nam's Schedule are not applicable.

2. The base rate of customs duty and staging category for determining the interim rate of customs duty at each stage of reduction for an item are specified for that item in each Party's Schedule.
3. Without prejudice to Article 2.7 (Reduction or Elimination of Customs Duties), the Union preferential customs duty under this Agreement shall under no circumstances be higher than the Union customs duties applied to goods originating in Viet Nam on the day before the date of entry into force of this Agreement. This obligation applies from that date until the seventh year after entry into force.
4. Rates of customs duties in the interim stages shall be rounded down at least to the nearest 10th of a percentage point or, if the rate of customs duty is expressed in monetary units, at least to the nearest 10th of one euro cent in the case of the Union.
5. For the purposes of this Annex, including the tariff schedules of the Parties in Appendices 2-A-1 (Tariff Schedule of the Union) and 2-A-2 (Tariff Schedule of Viet Nam), the first reduction shall take effect on the date of entry into force of this Agreement. Any subsequent annual reduction shall take effect on 1 January of the relevant year following the year of entry into force as provided for in Article 17.16 (Entry into Force).

6. Appendices 2-A-1 (Tariff Schedule of the Union) and 2-A-2 (Tariff Schedule of Viet Nam) are an integral part of this Annex.
7. The definitions of terms provided for in Chapter 2 (National Treatment and Market Access for Goods) apply to this Annex.

SECTION B

TARIFF RATE QUOTAS

1. For the administration in Year 1 of each tariff rate quota established under this Agreement, the Parties shall calculate the volume of that tariff rate quota by discounting the volume corresponding to the period running between the 1st of January and the date of entry into force of this Agreement.

SUB-SECTION 1

UNION TARIFF RATE QUOTAS

1. The Union shall administer its tariff rate quotas in accordance with its internal regulations that facilitate trade between the Parties with a view to maximising utilisation of tariff rate quota quantities.

Birds' egg and egg yolks tariff rate quota

2. Originating goods classified in the tariff lines 0408.11.80, 0408.19.81, 0408.19.89, 0408.91.80 and 0408.99.80 in the Union Schedule shall be duty-free within an aggregated annual quantity of 500 metric tonnes.

Garlic

3. Originating goods classified in the tariff line 0703.20.00 in the Union Schedule shall be duty-free within an aggregated annual quantity of 400 metric tonnes.

Sweetcorn

4. Originating goods classified in the tariff lines 0710.40.00A, 2001.90.30A and 2005.80.00A in the Union's Schedule shall be duty-free within an aggregated annual quantity of 5 000 metric tonnes.

The aggregated quantity of originating goods classified in the tariff lines 0710.40.00B, 2001.90.30B and 2005.80.00B in the Union's Schedule shall not be counted in the tariff rate quota quantity.

Rice

5. Originating goods classified in the following tariff lines in the Union's Schedule shall be duty-free within an aggregated annual quantity of 20 000 metric tonnes expressed in husked rice equivalent:

1006.10.21	1006.10.92	1006.20.11	1006.20.92
1006.10.23	1006.10.94	1006.20.13	1006.20.94
1006.10.25	1006.10.96	1006.20.15	1006.20.96
1006.10.27	1006.10.98	1006.20.17	1006.20.98

6. Originating goods classified in the following tariff lines in the Union's Schedule shall be duty-free within an aggregated annual quantity of 30 000 metric tonnes expressed in milled rice equivalent:

1006.30.21	1006.30.42	1006.30.61	1006.30.67
1006.30.23	1006.30.44	1006.30.63	1006.30.92
1006.30.25	1006.30.46	1006.30.65	1006.30.94
1006.30.27	1006.30.48	1006.30.98	1006.30.96

7. Originating goods classified in the following tariff lines in the Union's Schedule shall be duty-free within an aggregated annual quantity of 30 000 metric tonnes expressed in milled rice equivalent:

1006.10.21	1006.20.11	1006.30.21	1006.30.61
1006.10.23	1006.20.13	1006.30.23	1006.30.63
1006.10.25	1006.20.15	1006.30.25	1006.30.65
1006.10.27	1006.20.17	1006.30.27	1006.30.67
1006.10.92	1006.20.92	1006.30.42	1006.30.92
1006.10.94	1006.20.94	1006.30.44	1006.30.94
1006.10.96	1006.20.96	1006.30.46	1006.30.96
1006.10.98	1006.20.98	1006.30.48	1006.30.98

8. To be eligible for duty-free import under the quota provided for in paragraph 7, the rice shall belong to one of the following varieties of fragrant rice:
- (a) Jasmine 85,
 - (b) ST 5, ST 20,
 - (c) Nang Hoa 9 (NàngHoa 9),
 - (d) VD 20,
 - (e) RVT,
 - (f) OM 4900,
 - (g) OM 5451, and
 - (h) Tai nguyen Cho Dao (Tàinguyên Chợ Đào).
9. The list of rice varieties in paragraph 8 may be amended by a decision of the Trade Committee in accordance with paragraph 2 of Article 17.5 (Amendments).

10. The consignment of rice eligible for the tariff rate quota pursuant to paragraph 7 should be accompanied by an authenticity certificate issued by the relevant competent authorities of Viet Nam stating that the rice belongs to one of the varieties mentioned in paragraph 8.

Manioc (cassava) starch

11. Originating goods classified in the tariff line 1108.14.00 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 30 000 metric tonnes.

Tuna

12. Originating goods classified in the tariff lines 1604.14.11, 1604.14.18, 1604.14.90, 1604.19.39 and 1604.20.70 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 11 500 metric tonnes.

Surimi

13. Originating goods classified in the tariff line 1604.20.05 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 500 metric tonnes.

Sugar and other products containing high levels of sugar

14. Originating goods classified in the following tariff lines in the Union's Schedule shall be duty-free within an aggregated annual quantity of 20 000 metric tonnes expressed in raw sugar equivalent:

1701.13.10	1701.99.10	1702.90.71	1806.10.30
1701.13.90	1701.99.90	1702.90.75	1806.10.90
1701.14.10	1702.30.50	1702.90.79	
1701.91.00	1702.90.50	1702.90.95	

Speciality sugar

15. Originating goods classified in the tariff line 1701.14.90 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 400 metric tonnes.

Mushrooms

16. Originating goods classified in the tariff lines 0711.51.00, 2001.90.50, 2003.10.20 and 2003.10.30 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 350 metric tonnes:

Ethanol

17. Originating goods classified in tariff lines 2207.10.00 and 2207.20.00 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 1 000 metric tonnes.

Mannitol, Sorbitol, Dextrins and other modified starches

18. Originating goods classified in the tariff lines 2905.43.00, 2905.44.11, 2905.44.19, 2905.44.91, 3505.10.10, 3505.10.90 and 3824.60.19 in the Union's Schedule shall be duty-free within an aggregated annual quantity of 2 000 metric tonnes.

SUB-SECTION 2

VIET NAM TARIFF RATE QUOTA

1. The implementation period, volume of quotas, administration methods and other terms and conditions relating to the allocation of Viet Nam tariff rate quotas shall be consistent with Viet Nam's commitments in the WTO.
2. The in-quota customs duties on originating goods provided for in the items in staging category "B10-in-quota" in Viet Nam's Schedule shall be removed in 11 equal annual stages beginning on the date of entry into force of this Agreement, and such goods shall thereafter be free of any in-quota customs duty.
3. The out-of-quota customs duties on originating goods provided for in the items in staging category "B10-in-quota" in Viet Nam's Schedule are unbound.

Tariff Schedule of the Union

General Notes

Relation to the Combined Nomenclature (CN) of the Union

1. The provisions of this Schedule are generally expressed in terms of the CN, and the interpretation of the provisions of this Schedule, including the product coverage of subheadings of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the CN. To the extent that the provisions of this Schedule are identical to the corresponding provisions of the CN, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the CN.

Base Rates of Customs Duty

2. The base rates of customs duty provided for in this Schedule reflect the Union's Common Customs Tariff rates of duty in effect on 26 June 2012.

Athletic/Sports Footwear

3. Footwear covered by the ex-out description for CN codes 6403.91.11B, 6403.91.13B, 6403.91.16B, 6403.91.18B, 6403.99.91B, 6403.99.93B, 6403.99.96B and 6403.99.98B in the Union's Schedule must have a non-slip outer sole manufactured from synthetic materials such as low-density polymers or have technical features such as hermetic pads containing gas or fluid, mechanical components specially designed to absorb impacts, or special materials such as low-density polymers. In addition, such shoes must have a fastening device or lacing system with a minimum of five eyelet holes on each side of the upper of the shoe, which gives the foot stability in the shoe. The inner sole of such shoes must be moulded.

Tariff Schedule of the Union

[Insert Tariff Schedule of document 02]
