

Part 3

Section 1
Notes for Schedule of Malaysia

The terms and conditions in the following notes indicated with a serial number from 1 through 13 shall apply to originating goods of Japan imported from Japan specified with that number in Column 5 of the Schedule of Malaysia, in Section 2 of this Part.

1. A tariff rate quota shall be applied in accordance with the following:

- (a) From the first year and after, the aggregate quota quantity shall be 100 metric tons for each year.
- (b) The in-quota rate of customs duty shall be free.
- (c) For the purposes of subparagraphs (a) and (b), the tariff rate quota shall be implemented through an import license for tariff rate quota issued by the importing Country. The tariff rate quota shall be administered by the importing Country and the aggregate quota quantity shall be allocated by the importing Country.

2. The rate of customs duty shall be reduced in 11 equal annual installments from the Base Rate to 20.0 percent, as from the date of entry into force of this Agreement.

3. The rate of customs duty shall be reduced in 11 equal annual installments from the Base Rate to 5.0 percent, as from the date of entry into force of this Agreement.

4. The rate of customs duty shall be 10.0 percent.

5. The rate of customs duty shall be reduced in accordance with the following:

- (i) 50.0 percent, as from the date of entry into force of this Agreement;
- (ii) 30.0 percent, as from the first day of the sixth year;
- (iii) 20.0 percent, as from the first day of the eleventh year; and
- (iv) not more than 10.0 percent, as from the first day of the sixteenth year.

In accordance with paragraph 3 of Article 19, the Countries shall negotiate on the rate of customs duty.

6. The customs duty shall be eliminated in accordance with the following:

- (i) 20.0 percent, as from the date of entry into force of this Agreement;
- (ii) 10.0 percent, as from the first day of the fourth year; and
- (iii) free, as from the first day of the sixth year.

7. The customs duty shall be eliminated in accordance with the following:

- (i) 20.0 percent, as from the date of entry into force of this Agreement;
- (ii) 10.0 percent, as from the first day of the sixth year; and
- (iii) free, as from the first day of the eleventh year.

8. The customs duty shall be eliminated in accordance with the following:

- (i) 15.0 percent, as from the date of entry into force of this Agreement;
- (ii) 10.0 percent, as from the first day of the sixth year;
- (iii) 5.0 percent, as from the first day of the eighth year; and
- (iv) free, as from the first day of the tenth year.

9. The customs duty shall be eliminated in accordance with the following:

- (i) 10.0 percent, as from the date of entry into force of this Agreement;
- (ii) 5.0 percent, as from the first day of the sixth year; and
- (iii) free, as from the first day of the tenth year.

10. The customs duty shall be eliminated in accordance with the following:

- (i) 15.0 percent, as from the date of entry into force of this Agreement;
- (ii) 10.0 percent, as from the first day of the fourth year; and
- (iii) free, as from the first day of the seventh year.

11. The customs duty shall be eliminated in accordance with the following:

- (i) 35.0 percent, as from the date of entry into force of this Agreement;
- (ii) 20.0 percent, as from the first day of 2007;
- (iii) the CEPT rate applicable on the first day of 2008 or not more than 5.0 percent, whichever is the less, as from the first day of 2008;
- (iv) the CEPT rate applicable on the first day of 2009 or not more than 5.0 percent, whichever is the less, as from the first day of 2009; and
- (v) free, as from the first day of 2010.

For the purposes of subparagraphs (iii) and (iv), the term "the CEPT rate" means the rate of customs duty applied by Malaysia, under the Agreement of the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area, and all related Agreements and Protocols.

12. The customs duty shall be eliminated in accordance with the following:

- (i) the Base Rate, as from the date of entry into force of this Agreement;
- (ii) the CEPT rate applicable on the first day of 2008 or not more than 5.0 percent, whichever is the less, as from the first day of 2008;
- (iii) the CEPT rate applicable on the first day of 2009 or not more than 5.0 percent, whichever is the less, as from the first day of 2009; and

(iv) free, as from the first day of 2010.

For the purposes of subparagraphs (ii) and (iii), the term "the CEPT rate" means the rate of customs duty applied by Malaysia, under the Agreement of the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area, and all related Agreements and Protocols.

13. (a) As from the date of entry into force of this Agreement, customs duty shall not be applied, provided that:

(i) the originating goods are imported by manufacturers and used directly in the manufacturing activities in such sectors as automotive and automotive components, electrical and electronics, shipbuilding and ship-repair, petroleum and gas, steel furniture, canning, re-rolling, and construction and home appliances using galvanized iron, under the circumstances where goods which satisfy the requirements of a user of such originating goods in respect of specification, grade and quantity are not produced in the territory of Malaysia; or

Note 1: The originating goods used in the petroleum and gas include pressure vessel and LP-gas cylinder.

Note 2: For the purposes of this note, the term "manufacturer" means an entity which is defined as a manufacturer under the Industrial Co-ordination Act 1975 of Malaysia, as may be amended.

(ii) the originating goods are imported for users which are:

(AA) designated as Licensed Manufacturing Warehouses; or

(BB) in Free Zones.

(b) On the request of either Country, the Countries shall consult on any matters related to this note. Either Country may invite to the consultations representatives from users, steel producers and other related entities.