

## **CHAPTER 2 TRADE IN GOODS**

### **Article 2.1: Definitions**

For the purposes of this Chapter:

**Agreement on Agriculture** means the WTO Agreement on Agriculture contained in Annex 1 of the WTO Agreement;

**agricultural goods** means those goods referred to in Article 2 of the Agreement on Agriculture;

**agricultural export subsidies** shall have the meaning assigned to that term in Article 1(e) of the Agreement on Agriculture, including any amendment of that Article;

**consular transactions** means requirements that goods of a Party intended for export to the territory of the other Party must first be submitted to the supervision of the Consul of the importing Party in the territory of the exporting Party for the purpose of obtaining consular invoices or consular visas for commercial invoices, certificates of origin, manifests, shippers' export declarations, or any other customs documentation required on or in connection with importation;

**import licensing** means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs clearance purposes) to the relevant administrative body as a prior condition for importation into the territory of the importing Party;

### **Article 2.2: Scope and Coverage**

Except as otherwise provided, this Chapter applies to trade in goods between the Parties.

### **Article 2.3: National Treatment**

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its interpretative notes, and to this end, Article III of GATT 1994 and its interpretative notes, are incorporated into and made part of this Agreement, *mutatis mutandis*.

2. Paragraph 1 shall not apply to the measures set out in Annex 2A (Exceptions to Articles 2.3 (National Treatment) and 2.5 (Import and Export Restrictions)).

## **Article 2.4: Reduction or Elimination of Customs Duties**

1. Except as otherwise provided in this Agreement, neither Party may increase any existing customs duty, or adopt any new customs duty or charges having equivalent effect, on an originating good.
2. For greater certainty, a Party may:
  - (a) modify a tariff on a good for which no tariff preference is claimed under this Agreement;
  - (b) raise a customs duty to the level established in its Schedule following a unilateral reduction for the respective year; or
  - (c) maintain or increase a customs duty as authorised by the Dispute Settlement Body established by Annex 2 of the WTO Agreement or as authorised by an Agreement under the WTO Agreement.
3. Except as otherwise provided in this Agreement, each Party shall progressively reduce or eliminate its customs duties on originating goods in accordance with its Schedule of tariff commitments in Annex 2B (Reduction or Elimination of Customs Duties).
4. On the request of either Party, the Parties shall consult about considering accelerating the reduction and/or elimination of customs duties set out in their Schedules in Annex 2B (Reduction or Elimination of Customs Duties). An agreement between the Parties to accelerate the reduction and/or elimination of a customs duty on an originating good shall be carried out in accordance with Chapter 13 (Administration) of this Agreement.
5. A Party may at any time unilaterally accelerate the reduction and/or elimination of customs duties on originating goods of the other Party set out in its Schedule in Annex 2B (Reduction or Elimination of Customs Duties). A Party shall inform the other Party as early as practicable before the new rate of customs duty takes effect.

## **Article 2.5: Import and Export Restrictions**

1. Except as otherwise provided in this Agreement, neither Party shall adopt or maintain any prohibition or restriction on the importation of any good of the other Party or on the exportation or sale for export of any good destined for the territory of the other Party, except in accordance with Article XI of the GATT 1994 and its interpretative notes; and to this end, Article XI of the GATT 1994 and its Interpretative Notes are incorporated into and made a part of this Agreement, *mutatis mutandis*.
2. The Parties understand that the GATT 1994 rights and obligations incorporated by paragraph 1 prohibit, in any circumstances in which any other form of restriction is prohibited, a Party from adopting or maintaining:
  - (a) export and import price requirements, except as permitted in enforcement of countervailing and anti-dumping duty orders and undertakings; or

(b) import licensing conditioned on the fulfillment of a performance requirement.

3. Paragraph 1 and 2 shall not apply to the measures set out in Annex 2A (Exceptions to Articles 2.3 (National Treatment) and 2.5 (Import and Export Restrictions)).

4. For the purposes of this Article, performance requirement means a requirement that:

(a) a given level or percentage of goods or services be exported;

(b) domestic goods or services of the Party granting a waiver of customs duties or an import license be substituted for imported goods;

(c) a person benefiting from a waiver of customs duties or an import license purchase other goods or services in the territory of the Party granting the waiver of customs duties or the import license, or accord a preference to domestically produced goods;

(d) a person benefiting from a waiver of customs duties or an import license produce goods or supply services, in the territory of the Party granting the waiver of customs duties or the import license, with a given level or percentage of domestic content; or

(e) relates in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows;

but does not include a requirement that an imported good be:

(f) subsequently exported;

(g) used as a material in the production of another good that is subsequently exported;

(h) substituted by an identical or similar good used as a material in the production of another good that is subsequently exported; or

(i) substituted by an identical or similar good that is subsequently exported.

5. In the event that a Party introduces a measure imposing a prohibition or restriction with respect to the exportation of goods to the other Party, the Party imposing the measures, shall ensure transparency of such measures and full compliance with the obligations under this Agreement and the WTO Agreement with a view to minimizing possible distortions to trade. Upon request of a Party, the Parties shall enter into consultations regarding the measure introduced under this paragraph.

#### **Article 2.6: Trade Related Non-Tariff Measures**

1. Further to Chapter 12 (Transparency), the Parties recognise the importance of ensuring the transparency of non-tariff measures affecting trade between the Parties and recognise that any such measures should not create an unnecessary obstacle to trade between the Parties.

2. To this end, the Sub-Committee on Trade in Goods established in Article 2.12 (Sub-Committee on Trade in Goods) shall, when a Party identifies a specific non-tariff measure, review the measure and consider approaches that may better facilitate trade between the Parties and present to the Parties the results of its consideration, including any recommendation. If necessary, the results of the consideration and recommendations of the Sub-Committee on Trade in Goods shall be submitted at the next meeting of the Joint Committee for consideration or action.

### **Article 2.7: Import Licensing**

1. Each Party shall ensure that all automatic and non-automatic import licensing measures are implemented in a transparent and predictable manner, and applied in accordance with the Agreement on Import Licensing Procedures in Annex 1A to the WTO Agreement.

2. Each Party shall notify the other Party of its existing import licensing procedures within 30 days of the entry into force of this Agreement unless they were already notified or provided under Article 5 or paragraph 3 of Article 7 of the Import Licensing Agreement. The notification shall contain the same information as referred to in Article 5 or paragraph 3 of Article 7 of the Import Licensing Agreement.

3. To the extent required by its law, before applying any new or modified import licensing procedure, a Party shall publish the new procedure or modification on an official government website at least 21 days before the new procedure or modification takes effect.

4. Upon request of the other Party, a Party shall respond within 60 days to an enquiry regarding any import licensing procedure which it intends to adopt or has adopted or maintained.

### **Article 2.8: Administrative Fees and Formalities**

1. The Parties agree that fees, charges, formalities and requirements imposed in connection with the importation and exportation of goods shall be consistent with their obligations under GATT 1994.

2. No Party shall require consular transactions, including related fees and charges, in connection with any good imported from the other Party.

3. No Party shall levy fees and charges on or in connection with importation or exportation on an *ad valorem* basis.

4. Each Party shall make available through the internet a current list of the fees and charges it imposes in connection with importation or exportation.

### **Article 2.9: Agricultural Export Subsidies**

No Party shall adopt or maintain any export subsidy or other measures with equivalent

effects, as defined in the WTO Agreement on Agriculture, on trade in originating agricultural goods, in accordance with this Agreement.

#### **Article 2.10: Administration of Trade Regulations**

In accordance with Article X of GATT 1994, each Party shall administer in a uniform, impartial and reasonable manner, all its laws, regulations, judicial decisions and administrative rulings pertaining to:

- (a) the classification or the valuation of goods for customs purposes;
- (b) rates of duty, taxes or other charges;
- (c) requirements, restrictions or prohibitions on imports or exports;
- (d) the transfer of payments; and
- (e) issues affecting sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use of goods for customs purposes.

#### **Article 2.11: Contact Points and Consultations**

1. Each Party shall designate a contact point to facilitate communication among the Parties on any matter relating to this Chapter.
2. Where a Party considers that any proposed measure or an amendment to an existing measure of the other Party may affect trade in goods between the Parties, that Party may, through the contact point, request detailed information relating to that measure and, if necessary, request consultations with a view to resolving any concerns about the measure. The other Party shall respond within a reasonable period of time to such requests for information and consultations.

#### **Article 2.12: Sub-Committee on Trade in Goods**

1. The Parties hereby establish a Sub-Committee on Trade in Goods, comprising representatives of each Party.
2. The Sub-Committee shall meet upon the request of either Party or the Joint Committee to consider any matter arising under this Chapter and Chapter 5 (Trade Remedies).
3. The Sub-Committee shall meet at such venues and times as may be agreed by the Parties. Meetings may be held by any means as mutually determined by the Parties.
4. The Sub-Committee's functions shall include:

- (a) reviewing and monitoring the implementation and operation of the Chapters referred to in paragraph 2;
- (b) identifying and recommending measures to resolve any difference that may arise, and to promote and facilitate improved market access, including any acceleration of tariff commitments under Article 2.4 (Reduction or Elimination of Customs Duties);
- (c) recommending to the Joint Committee to establish any working groups, as it deems necessary; and
- (d) undertaking any additional work that the Joint Committee may assign.

**Annex 2A**  
**Exceptions to Articles 2.3 (National Treatment) and 2.5 (Import and Export Restrictions)**

**Measures by Viet Nam:**

Article 2.5 (1) and (2) on Import and Export Restrictions shall not apply to measures listed by Viet Nam in its Protocol of Accession to the WTO.

**Measures by Israel:**

1. Articles 2.3 (National Treatment), and 2.5 (Import and Export Restrictions) do not apply to:

- (a) a measure, including that measure's continuation, prompt renewal or amendment, in respect of the following:
  - (i) controls and charges maintained by Israel on the export of metal waste and scrap; or
  - (ii) subject to Israeli law, imports of non-kosher meat; and
- (b) an action authorized by the Dispute Settlement Body of the WTO in a dispute between the Parties under the WTO Agreement.

**Annex 2B**  
**Reduction or Elimination of Customs Duties**

**Section A: General Notes**

1. For the purposes of this Annex, the base rates of customs duty set out in each Party's Schedule reflect the Most-Favoured-Nation (MFN) applied rates of customs duty of each Party in effect on 1 January 2015.
2. For the purposes of this Annex, the date of entry into force of this Agreement means the date of entry into force of this Agreement pursuant to Article 15.3 (Entry into Force).
3. The base rate of customs duty and 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.
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 Israeli Shekel in the case of Israel.

**Section B: Notes for Schedule of Israel**

1. The provisions of this Schedule are generally expressed in terms of the Customs Tariff and Exemptions and Purchase Tax on Goods Order (hereinafter referred to as "Israeli Customs Tariff" in this Schedule), 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 Israeli Customs Tariff. To the extent that provisions of this Schedule are identical to the corresponding provisions of the Israeli Customs Tariff, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the Israeli Customs Tariff.
2. Explanatory note of tariff schedule:
  - (a) Definition
    - (i) **Rate (%)** means a rate of tax calculated as a percentage of the value of goods (ad valorem duties);
    - (ii) **Per Unit Rate (NIS)** means an amount of tax per each Measurement Unit (specific duties);
    - (iii) **NIS** means New Israel Shekel;
    - (iv) **Alternative Duties** means a type of Customs Duties under which either ad valorem or specific duties is levied upon goods;
    - (v) **Compound Duties** means a type of Customs Duties under which both ad valorem and specific duties are levied upon goods.



(b) Application of different types of Customs Duties based on Israeli Base Rate

HSI 2015	Base Rate					
	Rate(%)	Per Unit Rate(NIS)	No More than(%)	No Less than(NIS)	Measurement Unit	Quota
02031100	30	0	0	0	KG	No
03019190	0	2.5	0	0	KG	No
07112000	12	0	0	1.02	KG	No
01041090	0	6.22	170	0	KG	No
02109390	16	417	85	0	TONS	No
15091010	12	4.68	0	5.73	KG	No

(i) Ad valorem Duties

02031100: 30%

(ii) Specific Duties

03019190: 2.5 NIS per Kg

(iii) Alternative Duties

07112000: 12% or 1.02 NIS per Kg whichever is the greater

01041090: 6.22 NIS per Kg or 170% whichever is the lower

(iv) Compound Duties

02109390: [16%+417 NIS per Ton] or [85%] whichever is the lower

15091010: [12%+4.68 NIS per Kg] or [5.73 NIS per Kg] whichever is the greater

3. For the purposes of Article 2.4 (Reduction or Elimination of Customs Duties), the following categories apply to the reduction or elimination of customs duties by Israel:

- (a) **Category 0** - customs duties on originating goods provided for in the items in category "0" in Israel's Schedule shall be eliminated entirely and such goods shall be duty-free on the date of entry into force of this Agreement;
- (b) **Category 3** - customs duties on originating goods provided for in the items in category "3" in Israel's Schedule shall be eliminated in three equal stages, the first one taking place on the date of entry into force of this Agreement and the other two on 1 January of each successive year, and such goods shall be duty-free, effective 1 January of year three;
- (c) **Category 5** - customs duties on originating goods provided for in the items in category "5" in Israel's Schedule shall be eliminated in five equal stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of each successive year. Such goods shall be duty-free, effective 1 January of year five;
- (d) **Category 7** - customs duties on originating goods provided for in the items in category "7" in Israel's Schedule shall be eliminated in seven equal stages, the first one taking place on the date of entry into force of this Agreement and the other six on 1 January of each successive year. Such goods shall be duty-free,

effective 1 January of year seven;

- (e) **Category 10** - customs duties on originating goods provided for in the items in category "10" in Israel's Schedule shall be eliminated in ten equal stages, the first one taking place on the date of entry into force of this Agreement and the other nine on 1 January of each successive year. Such goods shall be duty-free, effective 1 January of year 10;
- (f) **Category MFN-5%** - customs duties on originating goods provided for in the items in category "MFN-5%" in Israel's Schedule shall be reduced by five percent and such goods shall remain at 95 percent of the base rate from the date of entry into force of this Agreement;
- (g) **Category MFN-10%** - customs duties on originating goods provided for in the items in category "MFN-10%" in Israel's Schedule shall be reduced by 10 percent and such goods shall remain at 90 percent of the base rate from the date of entry into force of this Agreement;
- (h) **Category MFN-20%** - customs duties on originating goods provided for in the items in category "MFN-20%" in Israel's Schedule shall be reduced by 20 percent and such goods shall remain at 80 percent of the base rate from the date of entry into force of this Agreement;
- (i) **Category MFN-25%** - customs duties on originating goods provided for in the items in category "MFN-25%" in Israel's Schedule shall be reduced by 25 percent and such goods shall remain at 75 percent of the base rate from the date of entry into force of this Agreement;
- (j) **Category MFN-35%** - customs duties on originating goods provided for in the items in category "MFN-35%" in Israel's Schedule shall be reduced by 35 percent and such goods shall remain at 65 percent of the base rate from the date of entry into force of this Agreement;
- (k) **Category MFN-5% in 5 years** - customs duties on originating goods provided for in the items in category "MFN-5% in 5 years" in Israel's Schedule shall be reduced by five percent in five equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of the successive year;
- (l) **Category MFN-25% in 5 years** – customs duties on originating goods provided for in the items in category "MFN-25% in 5 years" in Israel's Schedule shall be reduced by 25 percent in five equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of the successive year;
- (m) **Category Sabbatical year** – tariff lines marked as "Sabbatical Year" are related to the Jewish year of Shmita and are not being used as tariff lines;
- (n) **Category MFN Stand-Still** - customs duties on originating goods provided for in the items in category "MFN Stand-Still" in Israel's Schedule shall be bound

to the base rates indicated in its schedule;

- (o) **Category TRQ and Joint TRQ** - customs duties on originating goods provided for in the items in categories “TRQ” and “Joint TRQ” in Israel’s Schedule shall be eliminated entirely and such goods shall be duty-free within the in-quota volumes, as specified for each tariff item in Israel’s Schedule, upon entry into force of this Agreement;
- (p) **Category X** - customs duties on originating goods provided for in the items in category “X” in Israel’s Schedule shall be excluded from any commitment.

**Section C: Tariff Schedule of Israel**

## Section D: Notes for Schedule of Viet Nam

1. The provisions of this Schedule are generally expressed in terms of the Viet Nam's Export and Import Classification Nomenclature (hereinafter referred to as "EICN" in this Schedule), 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 EICN. To the extent that provisions of this Schedule are identical to the corresponding provisions of the EICN, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the EICN.

2. Explanatory note of tariff schedule:

### Definition

- (a) **Column "Code"**: the code used in the nomenclature of the Harmonized System (HS) 2012;
- (b) **Column "Description"**: description of the product falling under the heading;
- (c) **Column "Base Rate"**: the basic customs duty from which the tariff reduction and/or elimination program starts; and
- (d) **Column "Category"**: the category under which the product concerned falls for the purposes of tariff reduction and/or elimination.

3. For the purposes of Article 2.4 (Reduction or Elimination of Customs Duties), the following categories apply to the reduction or elimination of customs duties by Viet Nam:

- (a) **Category 0** - customs duties on originating goods provided for in the items in category "0" in Viet Nam's Schedule shall be eliminated entirely, and such goods shall be duty-free on the date of entry into force of this Agreement;
- (b) **Category 3** - customs duties on originating goods provided for in the items in category "3" in Viet Nam's Schedule shall be eliminated in three equal stages, the first one taking place on the date of entry into force of this Agreement and the other two on 1 January of each successive year, and such goods shall be duty-free, effective 1 January of year three;
- (c) **Category 5** - customs duties on originating goods provided for in the items in category "5" in Viet Nam's Schedule shall be eliminated in five equal stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of each successive year, and such goods shall be duty-free, effective 1 January of year five;
- (d) **Category 7** - customs duties on originating goods provided for in the items in category "7" in Viet Nam's Schedule shall be eliminated in seven equal stages, the first one taking place on the date of entry into force of this Agreement and the other six on 1 January of each successive year, and such goods shall be duty-free, effective 1 January of year seven;

- (e) **Category 10** - customs duties on originating goods provided for in the items in category "10" in Viet Nam's Schedule shall be eliminated in 10 equal stages, the first one taking place on the date of entry into force of this Agreement and the other nine on 1 January of each successive year, and such goods shall be duty-free, effective 1 January of year ten;
- (f) **Category 50% end rate in three years** - customs duties on originating goods provided for in the items in this category in Viet Nam's Schedule shall be reduced from the base rate to 50% in three equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other two on 1 January of the successive year, and customs duties on such goods shall be 50%, effective 1 January of year three;
- (g) **Category 16% end rate in five years** - customs duties on originating goods provided for in the items in this category in Viet Nam's Schedule shall be reduced from the base rate to 16% in five equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of the successive year, and customs duties on such goods shall be 16%, effective 1 January of year five;
- (h) **Category 32% end rate in five years** - customs duties on originating goods provided for in the items in this category in Viet Nam's Schedule shall be reduced from the base rate to 32% in five equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of the successive year, and customs duties on such goods shall be 32%, effective 1 January of year five;
- (i) **Category 40% end rate in five years** - customs duties on originating goods provided for in the items in this category in Viet Nam's Schedule shall be reduced from the base rate to 40% in five equal annual stages, the first one taking place on the date of entry into force of this Agreement and the other four on 1 January of the successive year, and customs duties on such goods shall be 40%, effective 1 January of year five;
- (j) **Category MFN stand-still** - customs duties on originating goods provided for in the items in category "MFN stand-still" in Viet Nam's Schedule shall be bound to the base rates indicated in its schedule;
- (k) **Category X** - customs duties on originating goods provided for in the items in category "X" in Viet Nam's Schedule shall be excluded from any commitment.
- (l) **CKD** - Tariff lines indicated with "CKD" in this Schedule are no longer valid.

4. With regard to imported products subject to tariff-rate-quota regulations (some products of subgroups 04.07; 17.01; 24.01; 25.01), the special preferential tariffs only apply to the in-quota volumes under WTO commitments.

**Section E: Tariff Schedule of Viet Nam**