

X. The rate in the Schedule on a good provided for in a tariff item with staging category X1 will be reduced to Free on condition that such good has been removed from the list of products eligible for "simplified duty drawback". The Free rate shall come into effect no later than 120 days after the Government of Chile confirms to the Government of Canada that the good will no longer be on the list of products eligible for "simplified duty drawback" and no later than January 1, 2003.

XI. The rate in the Schedule on a good provided for in a tariff item with staging category X2 will be phased-out in six equal stages except that the reduced rate provided for by such phasing shall come into effect only in the year the product ceases to be eligible for "simplified duty drawback". If the product remains eligible for "simplified duty drawback" until 2003, then no tariff phase-out will occur and the tariff will be eliminated on January 1, 2003. The first stage of reduction shall start no later than 120 days after the Government of Chile confirms to the Government of Canada that the product is removed from the list of products eligible for "simplified duty drawback" and, in annual stages, on January 1 of each subsequent year. The item shall be free no later than January 1, 2002 unless the product has not been removed from "simplified duty drawback" by January 1, 2002.

Therefore the phasing referred to above, starting from the rate shown in the Schedule, would be the following:

|      |                        |      |          |
|------|------------------------|------|----------|
| i)   | Date of Implementation | 16.7 | per cent |
| ii)  | January 1, 1998        | 33.3 | per cent |
| iii) | January 1, 1999        | 50   | per cent |
| iv)  | January 1, 2000        | 66.7 | per cent |
| v)   | January 1, 2001        | 83.3 | per cent |
| vi)  | January 1, 2002        | 100  | per cent |

XII. The rate in the Schedule on a good provided for in a tariff item with staging category X3 will be phased-out in equal annual stages on the basis that the rate shall be divided by the number of years between (and including) the year that the product ceases to be eligible for "simplified duty drawback" and 2003 and shall be duty-free on January 1, 2003. The first stage of reduction shall start no later than 120 days after the Government of Chile confirms to the Government of Canada that the product is removed from the list of products eligible for "simplified duty drawback" and, in annual stages, on January 1 of each subsequent year.