FREE TRADE AGREEMENT BETWEEN MERCOSUR AND THE ARAB REPUBLIC OF EGYPT

PREAMBLE

The Arab Republic of Egypt (hereinafter referred to as "Egypt"), on the one part, and the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, and the Oriental Republic of Uruguay (hereinafter referred to as "Member States of MERCOSUR"), on the other part,

RECALLING the membership of Egypt and the MERCOSUR Member States in the World Trade Organization (hereinafter referred to as the "WTO") and their commitment to comply with the rights and obligations arising from the Marrakech Agreement establishing the WTO (hereinafter referred to as the "WTO Agreement"),

CONSIDERING the Framework Agreement signed by Egypt and MERCOSUR on July 7 2004, DESIRING to create more favorable conditions for the sustainable development, new employment opportunities and diversification of trade between them and for the promotion of commercial and economic co-operation in areas of common interest on the basis of equality, mutual benefit, non-discrimination and international law,

DESIRING to contribute to the strengthening of the multilateral trading system,

DECLARING their readiness to examine the possibility of developing and deepening their economic relations by extending the fields covered by this Agreement,

EXPRESSING their willingness:

a) to increase and enhance their economic co-operation to raise the living standards of their populations;

b) to eliminate difficulties and restrictions on trade in goods, including agricultural goods;

c) to promote, through the expansion of reciprocal trade, the harmonious development of their economic relations;

d) to provide fair conditions of trade competition;

e) to create conditions for further encouragement of investments particularly for the development of joint investments; and,

f) to promote trade and co-operation between them in third country markets;

AGREE TO:

Chapter I. GENERAL PROVISIONS

Section I. INITIAL PROVISIONS

Article 1. Contracting and Signatories Parties

For the purposes of this Agreement, the "Contracting Parties" (hereinafter referred to as "Parties") are MERCOSUR and Egypt. The "Signatory Parties" are the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, and the Oriental Republic of Uruguay, Member States of MERCOSUR, and Egypt.

Article 2. Definitions

1. "Customs duties" include duties and charges of any kind imposed in connection with the importation of a good, including any form of surtaxes or surcharges in connection with such importation, but do not include any:

a) charges equivalent to internal taxes imposed consistently with Article III: 2 of the General Agreement on Tariffs and Trade (hereinafter referred to as "GATT") 1994 and its interpretative notes in respect of like, directly competitive or substitutable goods of the Party or the Signatory Party, or in respect of goods from which imported goods have been manufactured or produced in whole or in part;

b) anti-dumping or countervailing duties imposed in accordance with Articles VI and XVI of GATT 1994, the WTO Agreement on Implementation of Article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures;

c) safeguard duties or levies imposed in accordance with Article XIX of GATT 1994, the WTO Agreement on Safeguards and Article 17 of this Chapter; and,

d) other fees or charges imposed consistently with Article VIII of GATT 1994.

2. "Charges having equivalent effect" are charges imposed on imported goods, and not imposed on domestic goods of the Party or the Signatory Party. They do not include internal taxes, fees or tariffs.

3. "Fee" means any payment for a service supplied by a government authority or in the exercise of governmental authority in connection with the importation of a good consistent with the provisions of Article VIII of GATT 1994 and its interpretative notes.

4. "Good" means a domestic good as this is understood in GATT 1994 or such a good as the Parties or the Signatory Parties may agree, and includes an originating good of these Signatory Parties. A good includes a good being manufactured even if it is intended for later use in another manufacturing production.

5. "Harmonized System" means the Harmonized Commodity Description and Coding System, and its General Rules of Interpretation, Section notes and Chapter notes, as adopted and implemented by the Parties.

6. "Measure" includes any law, regulation, procedure, requirement or practice.

7. "Originating good or material" means a good or material that qualifies as originating under the provisions of Chapter II.

8. "Territory" means for a Signatory Party the territory of that Signatory Party.

Article 3. Establishment of the Free Trade Area

The Parties and Signatory Parties to this Agreement, consistent with Article XXIV of the GATT 1994 and the Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries of 1979, hereby establish a free trade area.

Article 4. Relations to Multilateral Agreements

The Parties and Signatory Parties affirm their rights and obligations with respect to each other in accordance with the WTO Agreement.

Article 5. Trade Relations Governed by other Agreements

This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas or any other arrangements for cross-border trade of the Parties with third countries.

Article 6. Internal Taxation

1, The Parties and Signatory Parties shall apply any internal taxes and other charges and regulations in accordance with Article [Il of the GATT 1994 and other relevant WTO Agreements.

2. Nothing in this Agreement shall affect the rights and obligations of any Party or Signatory Party under any tax convention and/or agreement to which they are party to avoid double taxation. In the event of any inconsistency between this Agreement and that convention and/or agreement, that convention and/or agreement shall prevail to the extent of the inconsistency.

Section II. TRADE IN GOODS

Article 7. Trade Liberalization

The provisions of this Section shall apply to originating goods in the Signatory Parties except as otherwise provided in this Agreement.

Article 8. Scope

The provisions of this Section shall apply to the following goods:

a) Originating goods in Egypt imported into MERCOSUR Member States, as provided for in Annex I.1;

b) Originating goods in MERCOSUR Member States imported into Egypt, as provided for in Annex 1.2.

Article 9. Classification of Goods

1. For the purpose of this Agreement, the Parties shall apply their respective customs classification systems for imported goods, which shall be based on the Harmonized System in its 2007 version or any subsequent amendment thereto approved by the Parties.

2. A Party may introduce new tariff splits, provided that the preferential conditions applied in the new tariff splits are not less than those applied originally.

Article 10. Free Movement of Egyptian Goods Among the Signatory Parties

The double payment of customs duties will be eliminated for Egyptian goods under the same schedule negotiated for MERCOSUR Signatory Parties among themselves.

Article 11. Customs Duties on Imports and Charges Having Equivalent Effect

1. Customs duties and charges having equivalent effect imposed by each Party on imports of originating goods in the other Party listed in Annexes I. l and I.2 shall be gradually eliminated as follows:

a) category A - upon entry into force of this Agreement;

b) category B - in four (4) equal stages, the first one taking place on the date of entry into force of this Agreement and the three (3) following stages at 12-month intervals;

c) category C - in eight (8) equal stages, the first one taking place on the date of entry into force of this Agreement and the seven (7) following stages at 12-month intervals;

d) category D - in ten (10) equal stages, the first one taking place on the date of entry into force of this Agreement and the nine (9) following stages at 12-month intervals; and,

e) category E - custom duties and charges having equivalent effect shall be eliminated as will be determined by the Joint Committee.

2. The applicable customs duties and charges having equivalent effect for imports between the Parties or Signatory Parties, to which the successive reductions set out in paragraph 1 are to be applied are the most-favored-nation (hereinafter referred to as "MFN") tariffs in force in January 2010. After the entry into force of this Agreement, any tariff reductions applied by the Parties or Signatory Parties on a MEN basis will serve as the new base for the tariff reductions provided for in this Agreement.

3. Except as otherwise provided in this Agreement, no Party or Signatory Party shall adopt or increase any customs duties or charges having equivalent effect, on an originating good of the other party referred to in Article 8 of this Chapter.

4. Used goods, identified or not identified as such in the Harmonized System, shall not benefit from the trade liberalization scheduled in this Agreement.

Article 12. Quantitatiy Restrictions and Measures Having Equivalent Effect on Imports and Exports

Except as otherwise provided in this Agreement, no Party or Signatory Party may adopt or maintain any prohibition or restriction on the importation of any good of the other Party or Signatory Party or on the exportation or sale for export of any good destined for the territory of the other Signatory Parties, whether applied by quotas, licenses or other measures,

except in accordance with Article Xl of GATT 1994, including its interpretative notes. To this end, Article XI of GATT 1994 and its interpretative notes, or any equivalent provision of a successor agreement to which the Parties or Signatory Parties are party, are incorporated into and made a part of this Agreement.

Article 13. National Treatment

On matters relating to taxes, fees or any other domestic charges/duties, the goods originating from the territory of any of the Parties or Signatory Parties shall receive in the territory of the other Party or Signatory Parties the same treatment as applied to the domestic goods, in accordance with Article III of GATT 1994, including its interpretative notes.

Article 14. Rules of Origi

The goods listed in Annexes I.1 and I.2 shall meet the requirements of rules of origin, including the requirements and procedures for issuing a Certificate of Origin as provided in Chapter II in order to qualify for tariff preferences.

Article 15. Technical Barriers to Trade

1. The Parties or Signatory Parties shall apply technical regulations, standards and conformity assessment procedures in accordance with the provisions of the WTO Agreement on Technical Barriers to Trade.

2. The Parties or Signatory Parties shall cooperate in the fields of technical regulations, standardization and conformity assessment procedures, with the aim of facilitating trade.

Article 16. Sanitary and Phytosanitary Measures

1. The Parties or Signatory Parties shall apply sanitary and phytosanitary measures in accordance with the provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

2. The Parties or Signatory Parties shall cooperate in the fields of sanitary and phytosanitary measures, with the aim of facilitating trade.

Article 17. Safeguards

1. The Parties or Signatory Parties may apply preferential safeguards in accordance with Chapter III.

2. The Parties or Signatory Parties shall apply safeguard measures in accordance with the provisions of Article XIX of GATT 1994 and the WTO Agreement on Safeguards.

Article 18. Anti-dumping and Countervailing Measures

The rights and obligations of the Parties or Signatory Parties with respect to anti-dumping and countervailing measures shall be governed by their respective legislation, which shall be consistent with Article VI and XVI of GATT 1994, the Agreement on Implementation of Article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.

Article 19. Restrictions to S Ard the E of Payments

1. Nothing in this Section shall be construed to prevent a Signatory Party from taking any measure for balance-of-payments purposes. The Signatory Parties shall apply restrictions to safeguard the balance of payments in accordance with the provisions of Articles XII and XIV of GATT 1994 and the WTO Understanding on Balance-of-Payments Provisions of GATT 1994,

2. The Signatory Party concerned shall promptly notify the other party of the measures applied pursuant to paragraph 1.

3. In applying temporary trade measures as described in paragraph 1, the Signatory Party in question shall accord treatment no less favorable to imports originating in the other Signatory Parties than to imports originating in any third country.

Article 20. Customs Cooperation

The Parties or Signatory Parties shall cooperate in the field of customs matters, with the aim of facilitating trade. For this purpose they shall establish a dialogue and provide mutual assistance on customs matters.

Article 21. Customs Valuation

As regards customs valuation, the Parties or Signatory Parties shall be bound by Article VII of GATT 1994 and the WTO Agreement on the Implementation of Article VII of GATT 1994.

Article 22. General Exceptions

Nothing in this Agreement shall prevent any Party or Signatory Party from taking actions and adopting measures consistent with Articles XX and XXI of the GATT 1994.

Section III. INVESTMENT AND SERVICES

Article 23. Investment Promotion

1. The Parties recognize the importance of promoting cross-border investment flows and technology transfers as means for achieving economic growth and development. In order to increase investment flows, the Parties or Signatory Parties may cooperate through:

a) exchanging information, including potential sectors and investment opportunities, laws, regulations, and policies, so as to increase awareness on their investment environments;

b) encouraging and supporting investment promotion activities such as investment conferences, fairs, exhibitions and investment promotion missions;

c) discussing the possibility of negotiating bilateral investment promotion agreements with a view to furthering investment flows and technology transfer; and,

d) developing mechanisms for joint investments, in particular with small and medium enterprises,

2. The Parties recognize that the objective of investment promotion shall be in conformity with their domestic regulations.

Article 24. Trade In Services

1. The Parties and Signatory Parties shall aim at achieving gradual liberalization and the opening of their markets for trade in services in accordance with the provisions of the WTO General Agreement on Trade in Services (hereinafter referred to as "GATS").

2. In their efforts to gradually deepen and broaden their economic relations, the Parties will consider, in the Joint Committee, the possible modalities for opening negotiations on market access on trade in services, on the basis of the GATS framework.

Section IV. INSTITUTIONAL PROVISIONS

Article 25. Joint Committee

1. A Joint Committee is hereby established, in which each Party shall be represented.

2. The Joint Committee shall be responsible for:

a) administering this Agreement and ensuring its proper implementation;

b) reviewing and monitoring the implementation of this Agreement, its Annexes and additional Protocols; and,

c) determining means of deepening cooperation between the Parties.

Article 26. Procedures of the Joint Committee

1. The Joint Committee shall meet at an appropriate level whenever necessary and, in any case, at least once a year. Special meetings may also be convened at the request of cither Party.

2. The Joint Committee shall hold its first meeting within sixty (60) days of the entry into force of this Agreement. It shall then

establish its working procedures.

3. The Joint Committee shall be co-chaired by a representative appointed by Egypt and a representative appointed by MERCOSUR.

4. The Joint Committee shall take decisions. These decisions shall be taken by consensus. The Joint Committee may also make recommendations on matters related to this Agreement.

5. The decisions of the Joint Committee shall be binding.

6. In the case a decision taken by the Joint Committee is subject to the fulfillment of internal legal requirements by the Parties or Signatory Parties, it shall enter into force, if no later date is contained therein, on the date of the receipt of the last diplomatic note confirming that all internal procedures have been fulfilled.

7. The Joint Committee may decide to set up sub-committees and working groups as it considers necessary to assist it in accomplishing its responsibilities.

Article 27. Functions of the Joint Committee

The Joint Committee shall have the following functions, inter alia:

a) to ensure the proper functioning and implementation of this Agreement, its Annexes and additional Protocols, and continuation of the dialogue between the Parties;

b) to consider examine, and approve any modifications and amendments to this Agreement, its Annexes and additional Protocols;

c) to amend Annex IV.1 (Code of Conduct for Arbitrators of the Arbitration Tribunal) and Annex IV.2 (Rules of Procedure);

d) to examine the process of trade liberalization established under this Agreement, its Annexes and additional Protocols, including inter alia studying the development of trade between the Parties, reviewing the categorization of goods in Article 11 of this Chapter, assessing the need for changes in the rules of origin, and recommending further steps for cooperation in the fields of trade in services, investment promotion and other areas not covered by the Agreement;

e) to perform other functions that may arise from the implementation of the provisions of this Agreement, its Annexes and any additional Protocols;

f) to establish mechanisms to encourage the active participation of the private sectors in areas covered by this Agreement between the Parties; and,

g) to exchange opinions and make suggestions on any issue of mutual interest relating to areas covered by this Agreement, including future actions.

Article 28. Language for Chapters III and IV

1. In the case of any investigation in Egypt, all notifications, written and oral submissjons, shall be made in Arabic language, with their respective translations into English.

2. In the case of any investigation in MERCOSUR, all notifications, written and oral submissions, shall be made in Spanish (the Argentine Republic, the Republic of Paraguay and the Oriental Republic of Uruguay) or Portuguese (the Federative Republic of Brazil), with their respective translations into English.

3. Awards, decisions and notifications of the Arbitration Tribunal shall be in English.

Chapter II. DEFINITION OF THE CONCEPT OF "ORIGINATING GOODS"

Section I. GENERAL PROVISIONS

Article 1. Definitions (1)

(1) The present list of definitions is not exhaustive. New definitions will be included as and when the need arises.

For the purposes of this Chapter:

a) "chapters", "headings" and "subheadings" mean the chapters, the headings and the subheadings (two, four and six digit codes respectively) used in the nomenclature which makes up the Harmonized System or HS;

b) "CIF price" means the price paid to the exporter for the good when the goods pass the ship's rail at the port of importation. The exporter pays the costs of freight and insurance necessary to deliver the goods to the named port of destination;

c) "value of materials" means the customs value at the time of importation of the non- originating materials used, or, if this is not known and cannot be ascertained, the first ascertainable price paid for the materials in the Signatory Party;

d)"tariff classification" refers to the numeric code which corresponds to a good that is subject of international trade, in a nomenclature based on the Harmonized System;

e) "customs value" means the value as determined in accordance with the WTO Agreement on implementation of Article VII of GATT 1994;

f) "goods" means both materials and goods:

g) "manufacture" means any kind of working or processing including assembly or specific operations;

h) "material" means raw materials, intermediate materials, ingredients, parts, components, subassembly and/or goods that are physically incorporated into another good or are subject to a process in the production of another good;

i) the "territory of Egypt" means the territory of the Arab Republic of Egypt, including its territorial sea, the exclusive economic zone and the continental shelf, in accordance with its laws in force, the 1982 United Nations Convention on the Law of the Sea and international law;

the "territory of the Member States of MERCOSUR" means the respective territories of the Member States of MERCOSUR, including their respective territorial seas the exclusive economic zones and continental shelves, in accordance with their respective laws in force, the 1982 United Nations Convention on the Law of the Sea and international law;

j) "value of originating materials" means the value of such materials on the basis of ex- works value;

k) "ex-works price" means the price paid for the good ex-works to the manufacturer in Egypt or in a Member State of MERCOSUR in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the good obtained is exported;

l) "consignment" means goods which are either sent simultaneously from one exporter to one consignee or covered by a single transport document covering their shipment from the exporter to the consignee or, in the absence of such a document, by a single invoice; and,

m) "Competent Authority" refers to the government authorities listed below or their delegated entities for issuing Certificate of Origin under the legislation of each Signatory Party, responsible for the implementation of the provisions of this Chapter:

(i) in MERCOSUR:

- Ministerio de Industria - Secretaria de Industria y Comercio - Direccion Nacional de Politica Comercial Externa / Ministry of Industry - Secretariat of Industry and Trade - National Directorate of External Trade Policy Julio A. Roca N° 651- 6th Floor - Office 26 - Buenos Aires, Argentina Fax: (5411) 4349 3809

- Ministério do Desenvolvimiento, Industria e Comércio Exterior - Secretaria de Comércio Exterior (GECEX) - Departamento de Negociagdes Internacionais (DETNT) / Ministry of Development, Industry and Foreign Trade - Secretariat of Foreign Trade (SECEX) - Department of International Negotiations (DEINT) Esplanada dos Ministérios, Block J, 7th Floor - Brasilia, Brasil. Fax: (5561) 2027 7385

- Ministerio de Industria y Comercio - Direccion General de Comercio Exterior - Direccion de Operaciones de Comercio Exterior / Ministry of Industry and Trade - Directorate General of Foreign Trade - Directorate of Foreign Trade Operations Av. Mariscal Lopez N° 3333 â Asuncion, Paraguay. Fax: (59521) 616 3084

- Ministerio de Economfa y Finanzas - Asesoria de Politica Comercial / Ministry of Economy and Finance - Trade Policy Bureau Colonia 1206, 2nd. Floor - Montevideo, Uruguay.Fax: (5982) 902 03 54 int 15

(ii) in Egypt:

General Organization for Export And Import Control

Nearby Cargo Village at Cairo Airport - Cairo, Egypt

Tel. No. (00202) 5758195 / (00202) 5785877 / (00202) 5756933 http://www.goeic.gov.eg/en

or their successors.

Section II. CRITERIA FOR ORIGINATING GOODS

Article 2. General Requirements

1. For the purpose of implementing this Agreement, the following goods shall be considered as originating in a Signatory Party:

a) the goods wholly produced or obtained in the territory of the Signatory Party as defined in Article 4 of this Chapter; and,

b) the goods not wholly produced in the territory of the Signatory Party, provided that the said goods are eligible under Article 3 or Article 5 of this Chapter.

2. The provisions of paragraph 1 above exclude used or second hand goods.

Article 3. Cumulation of Origin

Goods originating in any of the Signatory Parties, when used as an input for a finished good in the other Signatory Parties, shall be considered as originating in the latter.

Article 4. Wholly Obtained Goods

1. The following shall be considered as wholly produced or obtained in the territory of any of the Signatory Parties:

a) mineral goods extracted from the soil or subsoil of any of the Signatory Parties;

b) plants (2) and plant goods grown, harvested, picked or gathered there;

(2) "Plant" refers to all plant life, including forestry goods, fruits, flowers, vegetables, trees, sea weeds and fungi.

c) live animals (3) born and raised there, including by aquaculture;

(3) "Animals" referred to in paragraph (c), (d) and (e) covers all animal life, including mammals, birds, fish, crustaceans, molluscs and reptiles.

d) goods from live animals as in (c) above;

e) animals and goods thereof obtained by hunting, trapping, collecting, fishing and capturing there;

f) waste and scrap resulting from utilizing, consuming or manufacturing operations conducted in the territory of any of the Signatory Parties, provided they are fit only for the recovery of raw materials;

g) goods obtained from the seabed and subsoil beyond the limits of national jurisdiction provided that the Signatory Party has the rights of exploitation;

h) goods of sea fishing obtained, only by their vessels according to paragraph 2, under a specific quota or other fishing rights allocated to a Signatory Party by international agreements;

j) goods made aboard their factory ships exclusively from goods referred to in g) and h) above; and,

k) goods produced in any of the Signatory Parties exclusively from the goods specified in subparagraphs a) to i) above.

2. The terms "their vessels" and "their factory ships" in subparagraphs 1,h) and 1.i) shall apply only to vessels and factory ships:

a) which are flagged and registered or recorded in a Signatory Party; and,

b) which are owned by a natural person with domicile in that Signatory Party or bya commercial company, established and registered in that Signatory Party in accordance with its laws and performing its activities in conformity with the laws and regulations of the said Signatory Party, and which have at least 75 % of the crew composed of nationals of that Signatory Party, provided that the master and officers are nationals of that Signatory Party.

Article 5. Sufficiently Worked of Processed Goods

1. The following goods shall be considered as originating in the territory of any Signatory Party:

a) Goods that are not subject to specific rules of origin, when:

(i) Classified in a different heading (four digits level) of the Harmonized System from those in which all non-originating materials used in its the manufacture are classified.

(ii) In the case that subparagraph (i) cannot be satisfied, the value of all non- originating materials used in its manufacture does not exceed 45% of the ex-works price of the final good. In the case of Paraguay, the referred value of non-originating materials should not exceed 55% of the ex-works price.

b) Goods that satisfy the specific rules of origin established in Annex II.4. The specific rules of origin shall prevail over the rule mentioned in subparagraph 1.a) above. The Signatory Parties could establish future specific rules of origin, in exceptional and justified situations, as well revise the specific rules of origin established in Annex II.4.

2. For the purposes of determining the CIF value of non-originating materials for countries without a coastline, the port of destination of the imported non-originating materials shall be the first seaport or inland waterway port located in any of the other Signatory Parties.

3. Pursuant to subparagraph 1.a), a good will be considered to have undergone a change in tariff classification as provided for in subparagraph 1.a)(i) if the value of all non-originating materials that are used in the production of the good and that do not undergo the applicable change in tariff classification does not exceed 10% of the ex-works value of the good.

This provision shall not be applicable to goods classified under Chapters 50 to 63 of the Harmonized System.

4. Paragraph 3 shall apply only to trade between:

a) Uruguay and Egypt; and

b) Paraguay and Egypt.

5. Paragraphs 1 to 4 are subject to the provisions of the Article 6 of this Chapter.

Article 6. Insufficient Working or Processing Operations

The following operations shall be considered as insufficient working or processing to confer the status of originating to a good, whether or not the requirements of Article 5 of this Chapter are satisfied:

a) preserving operations to ensure that the goods remain in good condition during transport and storage such as aeration. drying, refrigeration, immersion in salty or sul.phured water or in water added with other substances, extraction of damaged parts and similar operations;

b) dilution in water or in any other substance which does not substantially alter the good's characteristics;

c) simple operations such as removal of dust, sifting, screening, sorting, classifying, grading, matching, washing, painting, husking, stoning of seeds, slicing and cutting;

d) simple change of package and breaking-up and assembly of packages;

e) simple packing in bottles, cans, flasks, bags, cases, boxes, fixing on cards or boards and all other simple packaging operations;

f) affixing or printing marks, labels, logos and other like distinguishing signs on goods or their packaging;

g) simple cleaning, including removal of oxide, oil, paint or other coverings;

h) simple assembly of parts to constitute a complete article or disassembly of goods into parts, in accordance with General Rule 2a of the Hannonized System;

i) slaughter of animals;

j) simple mixing of goods, provided that the characteristics of the obtained good are not essentially different from those of the mixed goods;

k) oil application;

l) ironing or pressing of textiles;

m) simple polishing operations;

n) partial or total bleaching, polishing, and glazing of cereals and rice;

o) operations to color sugar or ta form sugar lumps;

p) a combination of two or more of the above operations.

Article 7. Accessories, Spare Parts and Tools

Accessories, spare parts and tools dispatched with a piece of equipment, machine, apparatus or vehicle, which are part of the normal equipment and which are included in the price thereof, or which are not separately invoiced, shall be considered as one with the piece of equipment, machine, apparatus or vehicle in question.

Article 8. Fungible Materials

1. For the purpose of establishing if a good is originating when in its manufacture are utilized originating and non-originating fungible materials, mixed or physically combined, the origin of such materials can be determined by any of the inventory management methods applicable in the Signatory Parties.

2. Where considerable cost or material difficulties arise in keeping separate stocks of originating and non-originating materials, which are identical and interchangeable, the Competent Authorities may, at the written request of those concerned, authorize the so-called "accounting segregation" method to be used for managing such stocks.

3. This method must be able to ensure that the number of goods obtained which could be considered as "originating" is the same as that which would have been obtained if there had been physical segregation of the stocks.

Article 9. Sets

1. Sets, as defined in General Rule 3 of the Harmonized System, shall be considered as originating when all component goods are originating.

2. Nevertheless, when a set is composed of both originating and non-originating goods, the set as a whole shall be considered as originating, provided that the CIF value of the non-originating goods utilized in the composition of the set does not exceed 15% per cent of the ex-works price of the set.

Article 10. Unit of Qualification

1. The unit of qualification for the application of the provisions of this Chapter shall be the particular good which is considered as the basic unit when determining classification using the nomenclature of the Harmonized System.

It follows that:

a) when a good composed of a group or assembly of articles is classified under the terms of the Harmonized System in a single heading, the whole constitutes the unit of qualification;

b) when a consignment consists of a number of identical goods classified under the same heading of the Harmonized System, each good must be taken individually when applying the provisions of this Protocol,

2. Where, under General Rule 5 of the Harmonized System, packaging is included with the good for classification purposes, it shall be included for the purposes of determining origin.

Article 11. Neutral Elements or Indirect Materials

1. "Neutral elements" or "indirect materials" means goods used in the production, testing or inspection of goods but not physically incorporated into the goods, or goods used in the maintenance of buildings or the operation of equipment associated with the production of goods, including:

a) energy and fuel;

b) plant and equipment;

c) tools, dies, machines and moulds;

d) parts and materials used in the maintenance of plant, equipment and buildings;

e) goods which do not enter into the final composition of the good;

f) gloves, glasses, footwear, clothing, safety equipment, and supplies;

g) equipment, devices, and supplies used for testing or inspecting the goods;

h) lubricants, greases, compounding materials and other materials used to operate equipment and buildings.

2. An indirect material shall be considered as originating without regards to where it is produced. Its value shall be the cost registered in the accounting records of the producer of the exported good.

Article 12. Containers and Packaging Materials for Shipment

The containers and packaging materials for shipment, used exclusively for transporting goods shall not be taken into account when determining the origin of the goods.

Article 13. Intermediate Materials

The producer of a good may consider as intermediate material any material produced in a Signatory Party used in the production of a good, provided that such intermediate material qualifies as originating in accordance with the provisions of this Chapter. The intermediate material will be considered as originating once incorporated into the final good if it meets the rules of this Chapter.

Article 14. Direct Transport, Transit and T Rans-Shipment

In order for the originating goods to benefit from the preferential treatment provided for under this Agreement, they shall be transported directly between the exporting Signatory Party and the importing Signatory Party. The goods are transported directly provided that:

a) they are transported through the territory of one or more Signatory Parties;

b) they are in transit through one or more territories of third countries, with or without trans-shipment or temporary warehousing in such territories, under the surveillance of the Customs Authorities therein, provided that:

(i) the transit entry is justified for geographical reasons or by considerations related exclusively to transport requirements;

(ii) they are not intended for trade, consumption, use or employment in the country of transit;

(iii) they do not undergo operations other than unloading, reloading or any operation designed to preserve them in good condition.

Article 15. Operations Involving Third Operators

Operations involving third operators shall be allowed provided that, in addition to the compliance with the provisions mentioned paragraphs a) and b) of Article 14 of this Chapter, the commercial invoice issued by the third operator and the Certificate of Origin issued by the Competent Authorities of the exporting Signatory Party are submitted. In these cases, the Customs Authorities shall require that in the Certificate of Origin is included the number and date of the commercial invoice issued by the third operator and his name, country and address. If this data is not available when the Certificate of Origin is issued, the commercial invoice attached to the importation clearance document shall contain a declaration attesting that the commercial invoice corresponds to the Certificate of Origin submitted. The Declaration shall contain the number and the date of issuance of the corresponding Certificate of Origin and be signed by the operator. In the event of non-compliance of

this requirement, the Customs Authorities shall not accept the Certificate of Origin and shall not grant the tariff preferences established in this Agreement.

Article 16. Goods Stored In Customs Warehouses

The originating goods that are stored under the control of a custom office in a customs warehouse of a Signatory Party with the corresponding Certificate of Origin, shall only undergo operations designed to ensure their trading, preservation in goad condition, breaking-up of packages, or other operations, provided that their tariff classification and their originating status are not changed. Such goods shall be sent totally or partially to any Signatory Party. Should the neccesary national legislation on the matter be enacted, the Competent Authorities may issue replacement Certificates of Origin for all or some of these goods, within the period of validity of the Certificate of Origin submitted when the goods enter the customs warehouse.

Article 17. Principle of Territoriality

1. Except as provided for in Articles 2 and 3 of this Chapter, the conditions for acquiring originating status set out in Section II of this Chapter must be fulfilled without interruption in a Signatory Party.

2. Except as provided for in Articles 2 and 3 of this Chapter, where originating goods exported from a Signatory Party to a third country return to the former, they must be considered as non- originating, unless it can be demonstrated to the satisfaction of the Customs Authorities that:

a) the returning goods are the same as those exported; and,

b) they have not undergone any operation beyond those necessary to preserve them in good condition while in that third country or while being exported.

Article 18. Exhibitions

1. Originating goods, sent for exhibition in third country and sold after the exhibition for importation in a Signatory Party shall benefit. on importation, from the provisions of this Agreement, provided it is shown to the satisfaction of the Customs Authorities that:

a) an exporter has consigned these goods from the Signatory Party to the third country in which the exhibition is beld and has exhibited them there;

b) the goods have been sold or otherwise disposed of by that exporter to a person in the Signatory Party;

c) the goods have been consigned during the exhibition or immediately thereafter in the state in which they were sent for exhibition; and,

d) the goods have not been used for any purpose other than demonstration at the exhibition.

2. A proof of origin must be issued or made out in accordance with the provisions of Section III and submitted to the Customs Authorities of the importing Signatory Party according to the normal procedure. The name and address of the exhibition must be indicated thereon. Where necessary, additional documentary evidence of the conditions under which they have been exhibited may be required.

3. The provisions of this Article shall apply to any trade, industrial, agricultural or crafts exhibition, fair or similar public show or display which is not organized for private purposes in shops or business premises with a view to the sale of foreign goods, and during which the goods remain under customs control.

Section III. PROOF OF ORIGIN

Article 19. Origin Certification

1, The Certificate of Origin is the document that certifies that the goods fulfill the origin requirements as set out in this Chapter, so that they can benefit from the preferential tariff treatment as foreseen in this Agreement. The said Certificate of Origin is valid for one single importing operation concerning one or more goods and its original version shall be included in the documentation to be submitted to the Customs Authorities of the importing Signatory Party.

2. The Certificate of Origin mentioned in the preceding paragraph shall be issued in the form agreed upon by the Parties in

Annex II.1 and upon a declaration by the exporter of the goods and the respective commercial invoice.

3. In all cases, the number of the commercial invoice shall be indicated in the box reserved for this purpose in the Certificate of Origin.

Article 20. Issuance of Certificates of Origin

1, For the issuance of a Certificate of Origin, the exporter of the good shall present the corresponding commercial invoice and a request containing a declaration by the exporter, certifying that the goods fulfill the origin criteria of this Chapter, as well as the necessary documents supporting such a declaration.

The said declaration form is attached in Annex II.2 of this Chapter.

2. The description of the good in the origin declaration, which certifies the fulfillment of the origin requirements set out in this Chapter, shall correspond to the respective tariff classification, as well as with the description of the goods in the commercial invoice and in the Certificate of Origin.

3. The Certificate of Origin shall be valid for a period of one hundred and eighty (180) days from its date of issuance.

4. The Certificate of Origin shall be signed and issued by the Competent Authorities. The Competent Authority will be responsible for all the information of the issued Certificates of Origin.

5, The issuing Competent Authorities and the certifying offices or institutions shall keep the documents supporting the Certificate of Origin for a period of at least three (3) years, from its date of issuance.

6. Certificates of Origin shall be issued in English.

7. Certificates of Origin shall be issued before the goods have been exported.

Article 21. Certificates of Origin Issued Retrospectively

1, Notwithstanding Article 20.7 of this Chapter, Certificates of Origin may exceptionally be issued after the exportation of the goods to which it relates if:

a) it was not issued at the time of exportation because of special circumstances; or,

b) it is demonstrated to the satisfaction of the Competent Authorities that a Certificate of Origin was issued but was not accepted at importation for technical reasons (4).

(4) See Explanatory Note in Annex II.3

2. For the implementation of paragraph 1, the exporter must indicate in his application the place and date of exportation of the goods to which the Certificate of Origin relates, and state the reasons for his request.

3. The Competent Authorities, as referred to Article 20.4 of this Chapter, may issue a Certificate of Origin retrospectively only after verifying that the information supplied in the exporter's application corresponds to that in the corresponding file.

4. Certificates of Origin issued retrospectively must be endorsed with the following phrase in English:

"ISSUED RETROSPECTIVELY"

5. The endorsement referred to in paragraph 4 shall be inserted in Box 11 of the Certificate of Origin.

Article 22. Issuance of a Duplicate Certificate of Origin

1. In the event of theft, loss or destruction of a Certificate of Origin, the exporter may apply to the issuing Competent Authorities for a duplicate made out on the basis of the export docwnents in their possession.

2. The duplicate issued in this way must be endorsed with the following word in English:

"DUPLICATE"

3. The endorsement referred to in paragraph 2 shall be inserted in Box 11 of the duplicate Certificate of Origin.

4. The duplicate, which must bear the date of issuance of the original Certificate of Origin, shall take effect as from that date.

Section IV. CONTROL AND VERIFICATION OF CERTIFICATES OF ORIGIN

Article 23.

1. Without prejudice to the presentation of a Certificate of Origin under the conditions laid down in the provisions of this Chapter, the Competent Authority of the importing Signatory Party may, in case of reasonable doubt, request, to the Competent Authority of the exporting Signatory Party, further information in order to verify the authenticity of the Certificate of Origin and the veracity of the information contained in it. This shall not preclude the application of the respective national legislation's regarding illicit customs matters.

2. Compliance with requests for further information, in accordance with this Article, should be limited to records and documents available in the Competent Authorities. Copies of the documentation required for the issuance of the Certificate of Origin may also be requested. This Article does not limit exchanges of information in accordance with the Customs Cooperation Agreements.

3. The reasons to doubt the authenticity of the Certificate of Origin or the veracity of their data must be expressed in a clear and concrete way. For this purpose, the consultations shall be carried out by the Competent Authority designated by each Signatory Party.

4. The Customs Authorities of the importing Signatory Party shall not suspend import operations. However, they may require a guarantee in any of its modalities to preserve fiscal interests, as a precondition to complete import operations.

5, The amount of the guarantee, whenever it is required, may not exceed the value of customs duties applicable to the import of goods from third countries, in accordance with the legislations and customs regulations of the importing Signatory Party.

Article 24.

The Competent Authorities of the exporting Signatory Party shall provide the information requested under Article 23 of this Chapter within sixty (60) days from the date of the receipt of the request for information

Article 25.

The information obtained under the provisions of this Section shall be treated as confidential and shall be used for the purpose of clarifying the matter investigated by the Competent Authority of the importing Signatory Party, as well as during the investigation and prosecution.

Article 26.

In cases where the information requested under Article 23 of this Chapter is not provided within the period specified in Article 24 of this Chapter or it is insufficient to clarify the doubts about the origin of the good, the Competent Authority of the importing Signatory Party may initiate an investigation on the matter within ninety (90) days from the date of the request for information. If the information is satisfactory, the Customs Authorities must release the importer from the guarantee referred to in Article 23 of this Chapter within thirty (30) days after the provision of the information.

Article 27.

1. Once the investigation is initiated, the Customs Authority of the importing Signatory Party shall not suspend import operations relating to identical goods from the same exporter or producer. However, the Customs Authority may require a guarantee in any of its modalities, to preserve fiscal interests, as a precondition to complete import operations.

2. The amount of the guarantee, whenever it is required, will be established under the terms of Article 23 of this Chapter.

Article 28.

The Competent Authority of the importing Signatory Party shall immediately notify the importer and the Competent

Authority of the exporting Signatory Party of the initiation of the investigation of origin, in accordance with the procedures laid down in Article 29 of this Chapter.

Article 29.

During the investigation process, the Competent Authority of the importing Signatory Party may:

a) request, through the Competent Authority of the exporting Signatory Party, new information and copies of documents in the possession of the entity issuing the Certificate of Origin under investigation according to Article 23 of this Chapter, necessary to verify the authenticity of the Certificate of Origin and the veracity of the information contained therein. The request shall indicate the number and date of issuance of the Certificate of Origin under investigation;

b) in the case of verification of the regional or local value content, the producer or exporter shall provide access to any information or documentation necessary to establish the import CIF value of the non-originating goods used in the production of the good under investigation;

c) in the case of verification of the characteristics of some production processes required as specific origin requirements, the producer or exporter shall provide access to any information and documentation to confirm such processes;

d) send to the Competent Authority of the exporting Signatory Party a written questionnaire for the exporter or producer, indicating the Certificate of Origin under investigation:

e) request that the Competent Authorities of the exporting Signatory Party facilitate visits to the premises of the producer, aimed at examining the production processes as well as the equipment and tools used in the manufacture of the good under investigation;

f) the Competent Authorities of the exporting Signatory Party will accompany the authorities of the importing Signatory Party during the visit, which may include the participation of experts who will act as observers. The experts must be identified in advance, must be neutral and must not have interests in the investigation. The exporting Signatory Party may deny the participation of such experts when they represent the interests of companies or institutions involved in the investigation;

g) after the visit is concluded, the participants must sign a minute stating that the visit was carried out in accordance to the requirements of this Chapter. The minute shall also contain the following information: date and local where the visit took place; identification of the Certificates of Origin which motivated the investigation; identification of the goods under investigation: identification of the participants with an indication of the body or entity to which they belong; and a report of the visit. The exporting Signatory Party may request the postponement of a verification visit by a period not exceeding thirty (30) days;

h) to carry out other procedures agreed upon by the Signatory Parties involved in the case under investigation.

Article 30.

The Competent Authorities of the exporting Signatory Party shall provide the requested information and documentation according to Article 29 a) to d) of this Chapter, within sixty (60) days from the date of tbe receipt of the request.

Article 31.

Regarding the proceedings referred to in Article 29 of this Chapter, the Competent Authority of the importing Signatory Party may request to the Competent Authority of the exporting Signatory Party the participation or advice of experts concerning the matter under investigation.

Article 32.

In the cases in which the information or documentation requested to the Competent Authority of the exporting Signatory Party is not submitted within the stipulated deadline, or if it is insufficient for determining the authenticity or veracity of the Certificate of Origin under investigation, or still, if the producers do not agree to the visit, the Competent Authorities of the importing Signatory Party may consider that the goods under investigation do not fulfill the origin requirements, and may, as a result, deny preferential tariff treatment to the goods mentioned in the Certificate of Origin under investigation according to Article 27 of this Chapter, and thus conclude such investigation.

Article 33.

1. The Competent Authorities of the importing Signatory Party shall make efforts to conclude the investigation within one hundred and twenty (120) days from the date of the receipt of the information requested in accordance with Article 29 of this Chapter.

2. If new investigative actions or the presentation of further information is considered necessary, the Competent Authorities of the importing Signatory Party shall communicate the fact to the Competent Authorities of the exporting Signatory Party. The deadline for the execution of these new actions or for the presentation of further information shall not exceed ninety (90) days, from the date of the receipt of the information referred to in Article 29 of this Chapter,

3. If the investigation is not concluded within ninety (90) days from its initiation, the importer shall be released from the payment of the guarantee, regardless of the continuation of the investigation.

Article 34.

1. The Competent Authorities of the importing Signatory Party shall inform the importers and the Competent Authorities of the exporting Signatory Party of the conclusion of the investigation process, as well as the reasons that led to its decision.

2. The Competent Authority of the importing Signatory Party shall grant the Competent Authority of the exporting Signatory Party access to the investigation files, in accordance with its legislation.

Article 35.

During the investigation process, occasional modifications in the manufacturing conditions made by the companies under investigation shall be taken into account.

Article 36.

Once the investigation is finished with the qualification of the origin of the goods and the validity of the origin criterion contained in the Certificate of Origin, the importer shall be released from the guarantees required in Articles 23 and 27 of this Chapter, within thirty (30) days.

Article 37.

1. Once the investigation establishes the non-qualification of the origin criterion of the goods contained in the Certificate of Origin, duties shall be charged as if the goods were imported from third countries and the sanctions established in this Agreement and/or the ones foreseen in the legislation in force in each Signatory Party shall be applied.

2. In such a case, the Competent Authorities of the importing Signatory Party may deny preferential tariff treatment to new imports relating to identical goods from the same producer, until it is clearly demonstrated that the manufacturing conditions were modified so as to fulfill the provisions of this Chapter.

3. Once the Competent Authorities of the exporting Signatory Party have sent the information demonstrating that the manufacturing conditions were modified, the Competent Authorities of the importing Signatory Party shall have forty five (45) days, from the date of the receipt of the said information to communicate its decision on the matter, or a maximum of ninety (90) days if a new verification visit to the producer's premises, according to paragraph e) of Article 29 of this Chapter, is deemed necessary.

4. If the Competent Authorities of the importing and the exporting Signatory Party fail to agree on the demonstration of the modification on the manufacturing conditions, they may make use of the procedure established as in Article 40 of this Chapter.

Article 38.

1. A Signatory Party may request another Signatory Party to investigate the origin of a good imported by the latter from another Signatory Party, whenever there are well-founded reasons for suspecting that the goods of the first Signatory Party undergo competition from imported goods with preferential tariff treatment, which do not fulfill the provisions of this Chapter.

2. For such purposes, the Competent Authorities of the Signatory Party requesting the investigation shall bring to the Competent Authorities of the importing Signatory Party the relevant information within forty-five (45) days, from the date of the request. Once this information is received, the importing Signatory Party may initiate the proceedings established in this Chapter, giving notice of this to the Signatory Party that requested the initiation of the investigation.

Article 39.

Procedures for control and verification of origin under this Chapter may be applied even to goods released for consumption.

Article 40.

Within sixty (60) days from the receipt of the communication, under Article 34 or in the third paragraph of Article 37 of this Chapter, if the measure is considered inconsistent, the exporting Signatory Party, may submit a query to the Joint Committee of the Agreement stating the technical and legal reasons which indicate that the measure taken by the Competent Authorities of the importing Signatory Party does not conform to this Chapter, and/or seek a formal statement to determine whether the good in question complies with the provisions of this Chapter.

Article 41.

The deadlines laid down in this Chapter shall be calculated based on consecutive days beginning on the day following the facts or events to which they relate.

Section V. REVIEW AND AMENDMENT

Article 42.

1. The Joint Committee will review the implementation of this Chapter and, if appropriate, shall propose to the Parties amendments to it.

2. Such review may be initiated jointly with the negotiation to deepen or extend tariff preferences of this Agreement, or at any time, at the request of a Party, to address specific difficulties faced by exporters with the existing origin criteria or any other item of tariff classification.

Chapter III. PREFERENTIAL SAFEGUARDS

Section I. DEFINITIONS

Article 1.

For the purposes of this Chapter:

1. "Competent Investigating Authority" Means:

a) in the case of Egypt, the Trade Agreements Sector of the Ministry of Trade and Industry or its successor in Egypt:

b) in the case of MERCOSUR, Ministerio de Industria y Turismo or its successor in Argentina; Secretaria de Comércio Exterior do Ministério do Desenvolvimento, Industria e Comércio Exterior or its successor in Brazil; Ministerio de Industria y Comercio or its successor in Paraguay; and Asesoria de Politica Comercial del Ministerio de Economia y Finanzas or its successor in Uruguay,

2. "Serious injury" shall be understood to mean the significant overall impairment in the position of a domestic industry.

3. "Threat of serious injury" shall be understood to mean the serious injury that is clearly imminent, based on facts and not merely on allegation, conjecture or remote possibility.

4. "Domestic industry" shall be understood to mean the producers as a whole of the like or directly competitive goods, operating in the territory of the Party or Signatory Parties concerned, or when it is not possible, those whose collective output of the like or directly competitive goods constitutes a major proportion of the total production of such goods.

Section II. CONDITIONS FOR APPLICATION OF PREFERENTIAL SAFEGUARD MEASURES

Article 2.

1. Preferential safeguard measures may be applied under the conditions established in this Chapter, when the imports of a good under preferential terms have increased in such quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to the domestic industry of the importing Party or Signatory Parties concerned.

2. Preferential safeguard measure shall be applied only to the extent necessary to prevent or remedy serious injury.

Article 3.

Preferential safeguard measures shall not be applied after four (4) years from the date of the finalization of the tariff elimination or reduction program applicable to the goods unless otherwise agreed by the Parties. After this period, the Joint Committee shall evaluate whether or not to continue the preferential safeguard measures mechanism referred to in this Chapter.

Article 4.

MERCOSUR may adopt preferential safeguard measures:

a) as a sole entity, as far as all requirements to determine the existence of serious injury or threat thereof, being caused by the imports of goods as a result of the reduction or elimination of a customs duty provided for in this Agreement, have been fulfilled on the basis of conditions applied to MERCOSUR as a whole; or

b) on behalf of one or more of its Member States, in which case the requirements for the determination of the existence of serious injury or threat thereof, being caused by the imports as a result of the reduction or elimination of a customs duty provided for in this Agreement, shall be based on the conditions prevailing in the affected Member State(s) and the measure shall be limited to that Member State(s).

2. Egypt may apply preferential safeguard measures to the imports from MERCOSUR or MERCOSUR Member States where such serious injury or threat thereof is being caused by the imports of a good as a result of the reduction or elimination of a customs duty provided for in this Agreement.

3. The Parties may apply preferential safeguard measures only to the imports from a Party or Signatory Party where such serious injury or threat thereof is being caused by the imports of a good under preferential terms from such Party or Signatory Party.

Article 5.

Preferential safeguard measures adopted under this Chapter shall consist of temporary suspension or reduction of the tariff preferences established in this Agreement for the good subject to the measure. Any increase in the rate of customs duty on the good subject to preferential safeguard measures shall not exceed the applied MFN customs duty or base duty, whichever being the lowest.

Article 6.

1. The Party that applies a preferential safeguard measure should establish an import quota within which the good concerned would benefit from the agreed preference established in this Agreement. This import quota shall not be lower than the average imports of the good concerned during the representative period over which serious injury was determined. A higher level of quota may be applied if it is duly justified,

2. In case a quota is not established, the preferential safeguard measure shall only consist of a reduction of the preference, which shall not be greater than 50% of the tariff preference established in this Agreement.

Article 7.

1. The total period of application of a preferential safeguard measure shall not exceed two (2) years.

2. In exceptional circumstances the Joint Committee will authorize the application of a preferential safeguard measure for a good that has already been subject to a preferential safeguard measure for an additional period of two (2) years or less.

3. Upon termination of the preferential safeguard measure, the preference shall be the one that would be applied to the good in the absence of the measure, according to the tariff elimination schedule.

Article 8.

The investigation to determine serious injury or threat thereof as a result of increased imports of a good under preferential terms shall take into consideration all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry affected, and in particular, the following:

a) the amount and rate of the increase in preferential imports of the good concerned in absolute and relative terms;

b) the share of the internal market taken by increased preferential imports;

c) the consequent impact on the domestic industry of the like or directly competitive goods, based on factors, including: changes in the level of sales, production, productivity, capacity utilisation, profits and losses and employment; and,

d) the existence of a causal link between the increased imports of the good under preferential terms and the serious injury or threat thereof to the domestic industry.

Section II. INVESTIGATION AND TRANSPARENCY PROCEDURES

Article 9.

1. Each Party or Signatory Party shall establish or maintain published procedures for the application of preferential safeguard measures, in compliance with the provisions established in this Chapter. Investigations shall include reasonable public notice to all interested parties and public hearings or other appropriate means in which importers, exporters and other interested parties could present evidence and their views, including the opportunity to respond to the presentations of other parties, The competent investigating authorities shall publish a report setting forth their findings and reasoned conclusions reached on all pertinent issues of fact and law.

2. Investigating authorities shall take due account of any difficulties experienced by interested parties in submitting information in compliance with Article 28 of Chapter I.

Article 10.

1. Any information which is by nature confidential or which is provided on a confidential basis shall, upon good cause being shown, be treated as such by the competent investigating authorities. Such information shall not be disclosed without permission of the party submitting it. Parties providing confidential information may be requested to furnish non-confidential summaries thereof or, if such parties indicate that such information may not be summarised, the reasons why a summary cannot be provided.

2. [f the competent investigating authorities find that a request for confidentiality is not warranted and if the party concerned is either unwilling to make the information public or to authorize its disclosure in generalized or summary form, the authorities may disregard such information unless it can be demonstrated to their satisfaction from appropriate sources that the information is correct.

Article 11.

The period between the date of publication of the decision to initiate the investigation and the publication of the final decision shall not exceed eight (8) months. No preferential safeguard measure will be applied in case the timelinc is not observed by the competent investigating authorities.

Section IV. NOTIFICATIONS AND CONSULTATIONS

Article 12.

1. The importing Party or Signatory Party shaU notify the exporting Party or Signatory Party of:

a) the decision to initiate the investigation under this Chapter;

b) the decision to apply or not a preferential safeguard measure.

Article 13.

A Party proposing to apply a preferential safeguard measure shall provide adequate opportunity for prior consultations to the exporting Party or Signatory Party concerned. With this objective, the Party shaJI notify the other Party or Signatory Party when finding evidence of serious injury or threat thereof caused by increased preferential imports that would lead to a decision to apply a preferential safeguard measure. The notification shalJ be provided no less than thirty (30) days before the measure comes into force. The notifications shall include

a) information concerning the existence of serious injury or threat of serious injury to the domestic industry caused by the increase in preferential imports;

b) complete description of the imported good subject to the measure;

c) description of the measure proposed; and,

d) the date of entry into force of the measure and its duration.

Article 14.

A Party may not apply a preferential safeguard measure under this Chapter without having afforded an opportunity for consultations, the objective of which shall be the exchange of opinions, aimed at reaching a mutually satisfactory solution. If no satisfactory solution is reached within 30 days of the notification under Article 13 of this Chapter. the Party may apply the preferential safeguard measure.

Section V. LEVEL OF CONCESSIONS

Article 15.

1. A Party or Signatory Party proposing to apply a preferential safeguard measure shall endeavour to maintain a substantially equivalent level of concessions to that existing under this Agreement between it and the Party or Signatory Party which would be affected by such a measure. To achieve this objective, the Parties or Signatory Parties concerned may agree on any adequate means of trade compensation for the adverse effects of the measure on trade.

2. If no agreement is reached within 30 days in the consultations set forth under Article 14 of this Chapter, the Parties or Signatory Parties concerned shall be free to, no later than ninety (90) days after the measure has been applied, suspend the application of substantially equivalent concessions or other obligations under the Agreement, to the trade of the Party or Signatory Party applying the measure.

Chapter IV. DISPUTE SETTLEMENT

Section I. APPLICATION OF THE CHAPTER

Article 1.

The provisions of this Chapter shall apply with respect to any disputes concerning the interpretation, application of and/or non-compliance with the provisions of the Free Trade Agreement between MERCOSUR and the Arab Republic of Egypt and the decisions of the Joint Committee taken pursuant to this Agreement.

Article 2.

1. Any dispute regarding matters arising under the provisions of this Agreement and the decisions of the Joint Committee taken pursuant to this Agreement, on issues regulated by the WTO Agreement, may be settled in accordance with this Chapter or with the Understanding on Rules and Procedures Governing the Settlement of Disputes of the WTO (hereinafter referred to as "the DSU") at the complaining party's election.

2. Where a dispute settlement proceeding has been initiated with regard to a particular measure, either under this Chapter or under the DSU, a dispute settlement proceeding regarding the same measure shall not be initiated in the other forum.

3. For the purposes of this Article, a dispute settlement proceeding shall be considered to have been initiated under this Chapter when the complaining party requests consultations under Article 4 of this Chapter.

4. For the purposes of this Article, a dispute settlement proceeding shall be considered to have been initiated under the DSU when the complaining party requests consultations under Article 4 of the DSU.

5. Notwithstanding the above, disputes that may arise in connection with anti-dumping, countervailing measures and global safeguards shall be settled exclusively in accordance with the DSU.

6. Notwithstanding the above, disputes regarding matters for which the Agreement only makes reference to the rights and obligations of the parties under the WTO Agreement, shall be settled exclusively in accordance with the DSU.

Article 3.

1. For the purpose of this Chapter, the "Contracting Parties" are MERCOSUR and Egypt. The "Signatory Parties" are the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Oriental Republic of Uruguay, Member States of MERCOSUR, and Egypt.

2. MERCOSUR or its Member States may initiate a dispute settlement proceeding against Egypt as:

a) MERCOSUR as a Contracting Party;

b) one MERCOSUR Member State as a Signatory Party; or

c) two or more Member States of MERCOSUR as Signatory Parties, in which event, they shall present jointly only one case on the same subject matter.

3. Egypt may initiate a dispute settlement proceeding either against MERCOSUR as a Contracting Party or one of its Member States as a Signatory Party.

4, For the purpose of this Chapter, both Contracting Parties as well as one or more Member States of MERCOSUR and Egypt may be parties to a dispute and shall hereinafter be referred to as "party", or "parties".

Section II. CONSULTATIONS

Article 4.

The parties shall endeavor to resolve any disputes regarding the interpretation, application of and/or non-compliance with the provisions referred to in Article 1 of this Chapter by entering into consultations in good faith with the aim of reaching a prompt, equitable and mutually agreed solution.

Article 5.

Any request for consultations shall be submitted in writing to the other party and shall specify the reasons for the request, including the identification of the measures at issue and the provisions concerned.

Article 6.

1. The party to which the request for consultations is made shall reply within fifteen (15) days of its receipt.

2. Consultations, and in particular all information disclosed and positions taken by the parties during these proceedings, shall be confidential, and without prejudice to the rights of either party in any further proceedings.

3. Consultations shall be held within forty five (45) days of the date of receipt of the request on the territory of the party complained against, unless the parties agree otherwise. Consultations shall be deemed concluded within seventy five (75) days of the date of receipt of the request, unless both parties agree to continue consultations.

4, In cases of urgency, including those regarding perishable goods, the periods set forth in paragraph 3 shall be reduced by half.

Section III. JOINT COMMITTEE INTERVENTION

Article 7.

1. In the event of both parties being unable to reach a mutually agreeable solution through consultations, each of the parties may refer any dispute to the Joint Committee established under Section IV of Chapter I.

2. Any request to the Joint Committee shall be submitted in writing and shall give the reasons for the request, including the identification of the measures at issue and the provisions concerned.

Article 8.

1. The Joint Committee shall meet within forty five (45) days after all the Panies have received the request referred to in the previous Article. Should it not be possible to hold the meeting of the Joint Committee within this period of time, the parties may extend this te.nn by consensus.

2. The Joint Committee shall meet, unless the Parties agree otherwise, on the territory of the party complained against.

3. The Joint Committee's intervention, in particular all information disclosed and positions taken by the parties during this procedure, shall be confidential, and without prejudice to the rights of either party in any further proceedings.

Article 9.

1. The Joint Committee may, after having heard the arguments of the parties, settle the dispute by means of recommendations.

2. The Joint Committee shall make any recommendations it deems fit within thirty (30) days as from the date of its first meeting. Should the Joint Committee fail to reach a mutually satisfactory solution within this term, unless the parties agree otherwise, the stage provided for in this Section shall immediately be considered ended,

3. The Joint Committee may seek the opinion of experts when necessary. In such cases, the Committee shall issue its recommendations within forty five (45) days as from the date of its first meeting.

Section IV. MEDIATION

Article 10.

1. If consultations fail to produce a mutually agreed solution and the Joint Committee is unable to issue recommendations, the parties may, by consensus, seek recourse to a mediator. Any request for mediation shall be made in writing and state any measure which has been the subject of consultations as well as the mutually agreed terms of reference for the mediation.

2. Unless the parties agree on a mediator within ten (10) days of the date of receipt of the request for mediation, the mediator shall be selected by lot from the list of non-national arbitrators referred to in Article 13.1 of this Chapter.

3. The mediator will convene a meeting with the parties no later than thirty (30) days after being selected. The mediator shall receive the submissions of each party no later than fifteen (15) days before the meeting and may request additional information from the parties. Any information obtained in this manner must be disclosed to each of the parties and submitted for their comments.

4. The mediator shall notify an opinion no later than sixty (60) days after having been selected. The mediator's opinion may include a recommendation on how to resolve the dispute consistent with the Agreement. The mediator's opinion is non-binding.

5. The proceedings involving mediation, in particular the mediator's opinion and all information disclosed and positions taken by the parties during these proceedings, shall be confidential, and without prejudice to the rights of either party in any further proceedings, unless the parties agree otherwise.

6. If the parties so agree, procedures for mediation may continue while the arbitration procedure proceeds.

7. The time limits referred to in paragraphs 3 and 4 may be amended, should circumstances so demand, with the agreement

of both parties. Any amendment shall be notified in writing to the mediator.

8, In the event that mediation produces a mutually acceptable solution to the dispute, both parties shall submit a notification in writing to the mediator.

Section V. SARBITRATION PROCEDURE

Article 11.

1. Where the parties have failed to resolve the dispute by recourse to consultations as provided for in Section II, or through the intervention of the Joint Committee as provided for in Section III, the complaining party may request the initiation of an arbitration procedure.

2. The request for arbitration shall be made in writing to the party complained against and the Joint Committee and shall specify the reasons for the request, including the identification of the measures at issue; the provisions concerned; and, whether the procedures provided for in Sections Il and III were followed.

Article 12.

The parties acknowledge as binding, ipso facto and with no need for a special agreement, the jurisdiction of the Arbitration Tribunal set up in each case to hear and solve the disputes referred to in this Chapter.

Article 13.

1. At the first meeting of the Joint Committee, the Parties shall propose a list of 10 individuals to serve as arbitrators, two of whom shall not be nationals of either Party.

The Joint Committee will ensure that the lists are always maintained at this level.

2. Arbitrators shall have specialized knowledge or experience of law and international trade. They shall be independent, serve in their individual capacities and not take instructions from any organization or government, or be affiliated with the government of any of the Signatory Parties.

3. Non-national arbitrators shall be jurists.

4. As from the time of the request of the complaining party for arbitration, the Parties will not be in a position to amend their list of proposed arbitrators.

5. After accepting their appointment and before beginning their work, the arbitrators shall sign the Statement of Agreement contained in Annex IV.1 (Code of Conduct for Arbitrators of the Arbitration Tribunal).

Article 14.

1. The Arbitration Tribunal shall be composed of three (3) arbitrators appointed as follows:

a) within fifteen (15) days of the request for arbitration referred to in Article 11 of this Chapter, each party shall appoint an arbitrator and an alternate selected amongst the individuals that party proposed in the list referred to in Article 13.1 of this Chapter. If any of the parties fails to appoint an arbitrator and an alternate within the prescribed period, at the request of the other party, the representatives of the parties shall draw by lot an arbitrator and an alternate amongst the individuals proposed under Article 13.1 of this Chapter by the party having failed to appoint an arbitrator and an alternate;

b) within fifteen (15) days of the request for arbitration referred to in Article 11 of this Chapter, the parties shall jointly appoint the third arbitrator and an alternate selected amongst the non-national individuals proposed in the lists referred to in Article 13.1 of this Chapter to chair the Arbitration Tribunal. If the parties fail to appoint an arbitrator and an alternate within the prescribed period, at the request of any of the parties, the representatives of the parties shall draw by lot an arbitrator and an alternate amongst the non-national individuals proposed under Article 13.1 of this Chapter.

2. The appointments provided for in this Article shall be notified to the parties and to the Joint Committee.

3. An alternate arbitrator shall replace the titular arbitrator in case of the arbitratorâs inability to be part of the Arbitration Tribunal, whether at the time of its establishment or in the course of the procedure,

4. The date of establishment of the Arbitration Tribunal shall be the date as of when the Statements of Agreement have been signed by the three arbitrators.

Article 15.

1. The venue for the arbitration proceedings shall be decided by mutual agreement between the parties. If the parties fail to reach an agreement within ten (10) days of the establishment of the Arbitration Tribunal, the latter shall meet on the territory of the party complained against.

2. The Arbitration Tribunal shall apply the Rules of Procedure, which include the rights to hearings and the exchange of written submissions as well as deadlines and timetables for ensuring expediency, as set out in Annex IV.2. The Rules of Procedure shall be modified or amended subject to the agreement of the parties thereto.

Article 16.

The Arbitration Tribunal shall issue its award in the light of the information provided and the statements made by the parties.

Article 17.

The Arbitration Tribunal shall decide on the dispute based on the provisions of the Agreement, Joint Committee decisions taken pursuant to the Agreement and the applicable principles and provisions of international law.

Article 18.

1. The Arbitration Tribunal shal! render its written award, normally, within ninety (90) days as from the date of its establishment and in no case more than one hundred and twenty (120) days as from that date.

2. The Arbitration Tribunal shall make every effort to take any decision by consensus. Where, nevertheless, a decision cannot be arrived at by consensus, the matter at issue shall be decided by majority vote. The vote of the Arbitration Tribunal shall be confidential and no dissenting opinion shall be expressed.

Article 19.

Arbitration awards are unappealable and binding on the parties as from receipt of the respective notification and will be final in respect of them.

Section VI. COMPLIANCE

Article 20.

1. Awards shall be enforced within the period of time established by the Arbitration Tribunal for compliance with the award. That period of time shall be final unless one of the parties justifies in writing the need for a different period of time. The Arbitration Tribunal shall render its decision within a period of 15 days from the date of the written request. The Arbitration Tribunal shall decide on the basis of the written submissions of the parties and shall convene a meeting for this purpose only under special circumstances.

Where the Arbitration Tribunal has not established in the award a period of time for compliance, the award shall be enforced within one hundred and eighty (180) days, unless the parties agree otherwise.

2. Before the end of the period of time established in accordance with the preceding paragraph, the party complained against shall notify the other party of the implementing measures that it has adopted or intends to adopt in order to comply with the award of the Arbitration Tribunal.

3. In the event that there is disagreement between the parties concerning the consistency of the measure adopted to comply with the award, the complaining party may seek recourse to the original Arbitration Tribunal to rule on the matter, by submitting a written request to the other party and the Joint Committee explaining why the measure is inconsistent with the award. The Arbitration Tribunal will issue its decision within forty five (45) days of the date of its re- establishment.

4. The complaining party shall be entitled, upon notification to the party complained against, to suspend the application of

benefits granted under this Agreement at a level equivalent to the adverse economic impact caused by the measure found to violate this Agreement if:

a) the Arbitration Tribunal decides under paragraph 3 that the implementing measures adopted are not in compliance with the Arbitration award; or,

b) the party complained against fails to notify in due time the measures referred to in paragraph 2,

5. The suspension of benefits shall be temporary and shall be applied only until the measure found to be in violation of the Agreement is withdrawn or amended so as to bring it into conformity with this Agreement or until the parties have agreed to settle the dispute.

6. If the party complained against considers that the level of suspension is not equivalent to the adverse economic impact caused by the measure found to violate the Agreement, it may make a written request within thirty (30) days from the date of suspension for the reconvening of the original Arbitration Tribunal. The Joint Committee and the parties shall be informed of the Arbitration Tribunal's decision on the level of the suspension of benefits within thirty (30) days of the date of the request for its establishment.

7. The party complained against shall submit to the complaining party a notification of the implementing measures it has adopted to comply with the award of the Arbitration Tribunal and of its request to end the suspension of benefits applied by the complaining party.

The party complained against shall reply to any request from the complaining party for consultations on the implementing measures notified within ten (10) days of receipt of the request.

If the parties do not reach an agreement on the compatibility of the notified implementing measures with this Agreement within thirty (30) days of receipt of the request for consultations, either of the parties may request that the original Arbitration Tribunal decide on the matter within sixty (60) days of the notification of the implementing measures. The decision shall be issued within forty five (45) days of the written request for its re-establishment. If the Arbitration Tribunal decides that the implementing measure is not in conformity with this Agreement, it will determine whether the complaining party can resume the suspension of benefits at the same or a different level.

Article 21.

ln the event of the original Arbitration Tribunal. or some of its arbitrators, being unable to reconvene under Article 20 of this Chapter. the procedures set out in Article 14 of this Chapter shall apply. In such case, the Arbitration Tribunal may decide to extend the time limits set forth under Article 20 of this Chapter by no longer dian fifteen (15) days.

Section VII. GENERAL PROVISIONS

Article 22.

1. The expenses of the Arbitration Tribunal shall be borne in equal parts by the parties. The Joint Committee shall agree on an understanding on reference costs at its first meeting.

2. Each party shall bear its own expenses and legal costs.

Article 23.

All the time limits laid down in this Chapter shall be counted in calendar days from the day following the act or fact to which they refer. If the last day for delivery of a document falls on a Friday, Saturday, or Sunday, the document may be delivered on the following Monday.

Article 24.

All docwnentation, recommendations and proceedings linked to the procedure established in this Chapter, as well as the sessions of the Arbitration Tribwial, shall be confidential, except for the awards of the Arbitration Tribunal. Nevertheless, the award will not include any information submitted by the parties to the Arbitration Tribunal which any of them deem confidential.

Article 25.

At any time during the proceeding the complaining party may abandon its claims or the parties may reach an agreement. In either case, the dispute shall be terminated and the Arbitration Tribunal notified.

Article 26.

No later than five (5) years after the entry into force of this Agreement, the Joint Committee should review its implementation.

Chapter V. FINAL PROVISIONS

Article 1. Evolutionary Clause

Where a Party considers that it would be useful in the interests of the economies of the Parties to develop and deepen the relations established by the Agreement by extending them to fields not covered thereby, it shall submit a reasoned request to the Joint Committee. The Joint Committee shall examine such a request and, where appropriate, make recommendations by consensus, particularly with a view to opening negotiations.

Article 2. Annexes

Annexes to this Agreement are an integral part of it.

Article 3. Amendments

1. Amendments to this Agreement, which are decided upon by the Joint Committee, shall be submitted to the Signatory Parties for ratification and shall enter into force after confirmation that all internal legal procedures required by each Signatory Party for their entry into force have been completed.

2. Amendments or modifications to the present Agreement shall be adopted by means of additional Protocols thereto.

Article 4.

From the perspective of the importing Signatory Party, nothing in this Agreement shall require that the Signatory Party apply this Agreement to territories not covered by its customs law.

Article 5. Entry Into Force

This Agreement shall enter into force thirty (30) days after the date of the notification to the Depositary of each of the instruments of mtification of the last Signatory Party.

Article 6. Depositary

The Government of the Republic of Paraguay shall act as Depositary of this Agreement and shall notify all Signatory Parties that have signed or acceded to this Agreement of the deposit of any instrument of ratification, acceptance or accession, the entry into force of this Agreement, of its expiry or of any withdrawal there from.

Article 7. Accession

1. If MERCOSUR incorporates one or more new Member States, it shall notify the other Party and afford adequate opportunity for negotiations concerning the participation of the Member State(s) concerned in this Agreement.

2. The incorporation into this Agreement of new Member States to MERCOSUR, as Signatory Parties, shall be formalized through an Accession Protocol reflecting the results of the negotiations held pursuant to paragraph 1.

Article 8. Withdrawal

1. This Agreement shall be valid indefinitely.

2. Each Party may withdraw from this Agreement by means of a written notification to the Depositary. The withdrawal shall take effect six (6) months after the date on which the notification is received through diplomatic channels by the Depositary

unless a different period is agreed by the Parties.

3. If Egypt withdraws from the Agreement, it shall expire at the end of the notice period. If all Member States of MERCOSUR withdraw from the Agreement, it shall expire at the end of the latest notice period.

4. In case any of the Member States of MERCOSUR withdraws from MERCOSUR, it shall notify the Depositary through diplomatic channels. The Depositary shall notify all Parties of the deposit. The present Agreement will no longer be valid for that Member State of MERCOSUR. The withdrawal shall take effect six (6) months after the date on which the notification of its withdrawal from MERCOSUR is received by the Depositary unless the Parties agree on a different period.

Done in the city of San Juan, Argentina, on this second day of August 2010, in two originals in English. The texts translated into the Arabic, Spanish, and Portuguese languages shall be exchanged through diplomatic channels within ninety (90) days. In case of doubt or divergence of interpretation, however, the English text shall prevail.

IN WITNESS WHEREOF the undersigned being duly authorized thereto by their respective Governments have signed this Agreement,

For the Argentine Republic

Héctor Timerman

For the Arab Republic of Egypt

Rachid Mohamed Rachid

For the Federative Republic of Brazil

Celso Amorim

For the Republic of Paraguay

Héctor Lacognata

For the Oriental Republic of Uruguay

Luis Leonardo Almagro Lemes