

# **Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip, of the other part**

The EUROPEAN COMMUNITY,

hereinafter referred to as 'the Community',

of the one part,

and the PALESTINE LIBERATION ORGANIZATION (PLO) FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY OF THE WEST BANK AND THE GAZA STRIP, hereinafter referred to as 'the Palestinian Authority',

of the other part,

CONSIDERING the importance of the existing links between the Community and the Palestinian people of the West Bank and the Gaza Strip, and the common values that they share,

CONSIDERING that the Community and the PLO wish to strengthen those links and to establish lasting relations based on partnership and reciprocity,

CONSIDERING the importance which the Parties attach to the principles of the United Nations Charter, particularly the observance of human rights, democratic principles and political and economic freedoms which form the very basis of their relations,

DESIROUS of strengthening the framework of relations between the European Community and the Middle East, and of regional economic integration of the Middle Eastern countries as an objective to be achieved as soon as conditions permit,

CONSIDERING the difference in economic and social development existing between the Parties and the need to intensify existing efforts to promote economic and social development in the West Bank and the Gaza Strip,

DESIROUS of establishing a cooperation, supported by a regular dialogue, on economic, cultural, scientific and educational matters with a view to improving mutual knowledge and understanding,

CONSIDERING the commitment of the Parties to free trade, and in particular to compliance with the provisions of the General Agreement on Tariffs and Trade of 1994,

DESIROUS of building on the existing autonomous trade arrangements between the Parties and placing them on a contractual and reciprocal basis,

CONVINCED of the need to promote the creation of a new climate for their economic relations in order to improve the environment for investment flows,

CONSIDERING the rights and obligations of the parties under the international agreements which they have signed,

CONVINCED that the full participation of the Palestinian Authority in the Euro-Mediterranean Partnership launched at the Barcelona Conference is an important step in the normalization of relations between the Parties, which should be reflected in an Agreement on an interim basis at the present stage,

AWARE of the major political significance of the holding of Palestinian elections on 20 January 1996 for the process leading to a permanent settlement based on United Nations Security Council Resolutions 242 and 338,

RECOGNIZING that this Agreement should be replaced by a Euro-Mediterranean Association Agreement as soon as conditions permit,

HAVE AGREED AS FOLLOWS:

## **Article 1.**

1. An Interim Association on Trade and Cooperation is hereby established between the Community and the Palestinian Authority.

2. The objectives of this Agreement are:

- to provide an appropriate framework for a comprehensive dialogue, allowing the development of close relations between the Parties,
- to establish the conditions for the progressive liberalization of trade, - to foster the development of balanced economic and social relations between the Parties through dialogue and cooperation,
- to contribute to the social and economic development of the West Bank and Gaza Strip,
- to encourage regional cooperation with a view to the consolidation of peaceful coexistence and economic and political stability,
- to promote cooperation in other areas which are of reciprocal interest.

## **Article 2.**

Relations between the Parties, as well as all the provisions of the Agreement itself, shall be based on respect of democratic principles and fundamental human rights as set out in the universal declaration on human rights, which guides their internal and international policy and constitutes an essential element of this Agreement.

## **Title I. FREE MOVEMENT OF GOODS**

BASIC PRINCIPLES

## **Article 3.**

The Community and the Palestinian Authority shall establish progressively a free trade area over a transitional period, not extending beyond 31 December 2001, according to the modalities set out in this Title and in conformity with the provisions of the General Agreement on Tariffs and Trade of 1994 and of the other multilateral agreements on trade in goods annexed to the agreement establishing the World Trade Organization (WTO), hereinafter referred to as the GATT.

## **Chapter 1. Industrial Products**

### **Article 4.**

The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip other than those listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT. However, this Chapter shall continue to apply to chemically pure lactose of CN code 1702 11 00 and glucose and glucose syrup, containing in the dry state 99 % or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90.

### **Article 5.**

No new customs duty on imports, or any other charge having equivalent effect, shall be introduced on trade between the Community and the West Bank and Gaza Strip.

### **Article 6.**

Imports into the Community of products originating in the West Bank and the Gaza Strip shall be allowed free of customs duties and of any other charge having equivalent effect and free of quantitative restrictions and of any other measure

having equivalent effect.

## **Article 7.**

1. The provisions of this Chapter do not preclude the retention by the Community of an agricultural component in respect of goods originating in the West Bank and the Gaza Strip and listed in Annex 1. The provisions of Chapter 2 applicable to agricultural products shall apply *mutatis mutandis* to the agricultural component.
2. For the products listed in Annex 2 originating in the Community, the Palestinian Authority may retain for the duration of the Agreement customs duties on import and charges having equivalent effect not higher than those in force on 1 July 1996.
3. The Joint Committee established under Article 63 may decide on further concessions which the parties grant each other on a mutual basis.

## **Article 8.**

1. Customs duties and charges having equivalent effect applicable on import into the West Bank and the Gaza Strip of products originating in the Community, other than those listed in Annexes 2 and 3, shall be abolished when the Agreement enters into force.
2. From the entry into force of the Agreement, for the products originating in the Community listed in Annex 3 imported into the West Bank and the Gaza Strip, the Palestinian Authority may levy fiscal charges not exceeding 25 % by value. These charges shall be gradually abolished in accordance with the following schedule:  
  
one year after the date of entry into force of this Agreement, each charge shall be reduced to 90 % of the basic charge;  
  
two years after the date of entry into force of this Agreement, each charge shall be reduced to 80 % of the basic charge;  
  
three years after the date of entry into force of this Agreement, each charge shall be reduced to 70 % of the basic charge;  
  
four years after the date of entry into force of this Agreement, each charge shall be reduced to 60 % of the basic charge;  
  
five years after the date of entry into force of this Agreement, each remaining charge shall be abolished.
3. In the event of serious difficulties for a given product, the schedule referred to in paragraph 2 may be reviewed by the Joint Committee by common accord, on the understanding that it may not be suspended beyond the maximum transitional period of five years. If the Joint Committee has not taken a decision within 30 days of its application to review the schedule, the Palestinian Authority may suspend the schedule provisionally for a period which may not exceed one year.
4. If the charge is reduced *erga omnes*, the reduced charge shall replace the basic charge described in paragraph 2 from the date on which the reduction is applied.
5. The Palestinian Authority shall notify the Community of its basic duties and charges.

## **Article 9.**

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

## **Article 10.**

1. By way of derogation from Articles 5 and 8, the Palestinian Authority may take exceptional measures of limited duration to introduce, increase or re-introduce customs duties.
2. Such measures may only apply to infant industries and to sectors undergoing restructuring or experiencing serious difficulties, particularly where those difficulties entail severe social problems.
3. Customs duties on imports into the West Bank and the Gaza Strip of products originating in the Community that are introduced by such exceptional measures may not exceed 25 % by value, and must retain a preferential margin for products originating in the Community. The total value of imports of the products subjected to such measures may not exceed 15 % of total imports of industrial products originating in the Community during the last year for which statistics are available.
4. Such measures shall be applied for no longer than five years, except where a longer duration is authorized by the Joint Committee.

5. The Palestinian Authority shall inform the Joint Committee of any exceptional measures it intends to adopt and, at the Community's request, consultations shall be held on the measures and sectors concerned before they are implemented. When adopting such measures, the Palestinian Authority shall provide the Committee with a schedule for the abolition of the customs duties introduced pursuant to this Article. Such schedules shall provide for the phasing out of the duties concerned by equal annual instalments, starting no later than the end of the second year following their introduction. The Joint Committee may decide on a different schedule.

## **Chapter 2. Agricultural Products, Processed Agricultural Products and Fish and Fishery Products**

### **Article 11.**

The provisions of this Chapter shall apply to products originating in the European Union and in the West Bank and the Gaza Strip listed in chapters 1 to 24 of the Combined Nomenclature (CN) and of the customs tariff of the Palestinian Authority, and those listed in Annex 1(1)(ii) of the Agreement on Agriculture of the GATT, with exception of chemically pure lactose of CN code 1702 11 00 and of glucose and glucose syrup, containing in the dry state, 99 % or more by weight of glucose of CN codes ex 1702 30 50 and ex 1702 30 90, for which duty free market access was already granted within Chapter 1.

### **Article 12.**

The European Union and the Palestinian Authority shall progressively establish greater liberalisation of their trade in agricultural products, processed agricultural products and fish and fishery products of interest to both Parties.

### **Article 13.**

1. Agricultural products, processed agricultural products and fish and fishery products originating in the West Bank and the Gaza Strip listed in Protocol 1, on importation into the European Union shall be subject to the arrangements set out in that Protocol.

2. Agricultural products, processed agricultural products and fish and fishery products originating in the European Union listed in Protocol 2, on importation into the West Bank and the Gaza Strip shall be subject to the arrangements set out in that Protocol.

### **Article 14.**

1. From 1 January 1999, the Community and the Palestinian Authority shall examine the situation in order to determine the measures to be applied by the Community and the Palestinian Authority from 1 January 2000, in accordance with the objective set out in Article 12.

2. Without prejudice to paragraph 1 and taking account of the volume of trade in agricultural products between the Parties and of the particular sensitivity of such products, the Community and the Palestinian Authority shall examine in the Joint Committee, product by product and on an orderly and reciprocal basis, the possibility of granting each other further concessions.

## **Chapter 3. Common Provisions**

### **Article 15.**

1. No new quantitative restriction on imports or measures having equivalent effect shall be introduced in trade between the Community and the West Bank and Gaza Strip.

2. Quantitative restrictions on imports and measures having equivalent effect in trade between the Community and the West Bank and Gaza Strip shall be abolished from the entry into force of this Agreement.

3. The Community and the Palestinian Authority shall not apply to exports between themselves either customs duties or charges having equivalent effect, or quantitative restrictions or measures having equivalent effect.

### **Article 16.**

1. Products originating in the West Bank and the Gaza Strip shall not, on importation into the Community, be accorded a treatment more favourable than that which the Member States apply among themselves.

2. Application of the provisions of this Agreement shall be without prejudice to Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provision of Community law to the Canary Islands.

### **Article 17.**

1. In the event of specific rules being introduced as a result of the implementation of its agricultural policy or of any alteration of the current rules or in the event of any alteration or extension of the provisions relating to the implementation of its agricultural policy, the Party concerned may amend the arrangements resulting from the Agreement in respect of the products concerned.

2. In such cases the Party concerned shall inform the Joint Committee. At the request of the other Party, the Joint Committee shall meet to take due account of the interests of the other Party.

3. If the Community or the Palestinian Authority, in applying paragraph 1, modifies the arrangements made by this Agreement for agricultural products, they shall accord imports originating in the other Party an advantage comparable to that provided for in this Agreement.

4. The application of this Article may be the subject of consultations in the Joint Committee.

### **Article 18.**

1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.

2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation in excess of the amount of indirect taxation imposed on them either directly or indirectly.

### **Article 19.**

1. The Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade, except insofar as they alter the trade arrangements provided for in this Agreement.

2. Consultation between the Parties shall take place within the Joint Committee concerning agreements establishing customs unions or free trade areas and, where requested, on other major issues related to their respective trade policy with third countries. In particular, in the event of a third country acceding to the European Union, such consultation shall take place so as to ensure that account can be taken of the mutual interests of this Parties.

### **Article 20.**

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of GATT, it may take appropriate measures against this practice in accordance with the Agreement on implementation of Article VI of the GATT and with its relevant internal legislation, under the conditions and in accordance with the procedures laid down in Article 23 of this Agreement.

### **Article 21.**

Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Parties, or
- serious disturbances in any sector of the economy, or
- difficulties which could bring about serious deterioration in the economic situation of a region,

the Party concerned may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23.

### **Article 22.**

Where compliance with the provisions of Article 15 (3) leads to:

(i) re-export towards a third country against which the exporting Party maintains, for the product concerned, quantitative export restrictions, export duties, or measures having equivalent effect, or

(ii) a serious shortage, or threat thereof, of a product essential to the exporting Party;

and where the situations referred to above give rise, or are likely to give rise to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 23.

The measures shall be non-discriminatory and be eliminated when conditions no longer justify their maintenance.

## **Article 23.**

1. In the event of the Community or the Palestinian Authority subjecting imports of products liable to give rise to the difficulties referred to in Article 21 to an administrative procedure, the purpose of which is to provide rapid information on the trend of trade flows, it shall inform the other Party.

2. In the cases specified in Articles 20, 21 and 22, before taking the measures provided for therein, or, as soon as possible in cases to which paragraph 3 (d) of this Article applies, the Party in question shall supply the Joint Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In the selection of appropriate measures, priority must be given to those which least disturb the functioning of the Agreement.

The safeguard measures shall be notified immediately to the Joint Committee and shall be the subject of periodic consultations within that Committee, particularly with a view to their abolition as soon as circumstances permit.

3. For the implementation of paragraph 2, the following provisions shall apply:

(a) As regards Article 20, the exporting Party shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. When no end has been put to the dumping within the meaning of Article VI of GATT or no other satisfactory solution has been reached within 30 days of the notification being made, the importing Party may adopt the appropriate measures.

(b) As regards Article 21, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Joint Committee, which may take any decision needed to put an end to such difficulties.

If the Joint Committee or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures to remedy the problem. These measures shall not exceed the scope of what is necessary to remedy the difficulties which have arisen.

(c) As regards Article 22, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Joint Committee.

The Committee may take any decision needed to put an end to the difficulties. If it has not taken such a decision within 30 days of the matter being referred to it, the exporting Party may apply appropriate measures on the exportation of the product concerned.

(d) Where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Party concerned may, in the situations specified in Articles 20, 21 and 22 apply forthwith such precautionary measures as are strictly necessary to remedy the situation, and shall inform the other Party immediately.

## **Article 23bis. Temporary Withdrawal of Preferences**

1. The Parties agree that administrative cooperation and assistance are essential for the implementation and the control of the preferential treatment granted under this Agreement and underline their commitment to combat irregularities and fraud in customs and related matters.

2. Where a Party has made a finding, on the basis of objective information, of a failure to provide administrative cooperation/assistance and/or of irregularities or fraud under this Agreement, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned in accordance with this Article.

3. For the purpose of this Article a failure to provide administrative cooperation/assistance shall mean, inter alia:

(a) a repeated failure to respect the obligations to verify the originating status of the product(s) concerned;

(b) a repeated refusal or undue delay in carrying out and/or communicating the results of subsequent verification of the proof of origin;

(c) a repeated refusal or undue delay in obtaining authorisation to conduct enquiry visits to determine the authenticity of documents or accuracy of information relevant to the granting of the preferential treatment in question.

4. For the purpose of this Article a finding of irregularities or fraud may be made, inter alia, where there is a rapid increase, without satisfactory explanation, in imports of goods exceeding the usual level of production and export capacity of the other Party that is linked to objective information concerning irregularities or fraud.

5. The application of a temporary suspension shall be subject to the following conditions:

(a) The Party which has made a finding, on the basis of objective information, of a failure to provide administrative cooperation/assistance and/or of irregularities or fraud shall without undue delay notify the Joint Committee of its finding together with the objective information and enter into consultations within the Joint Committee, on the basis of all relevant information and objective findings, with a view to reaching a solution acceptable to both Parties.

(b) Where the Parties have entered into consultations within the Joint Committee and have failed to agree on an acceptable solution within 3 months following the notification, the Party concerned may temporarily suspend the relevant preferential treatment of the product(s) concerned. A temporary suspension shall be notified to the Joint Committee without undue delay.

(c) Temporary suspensions under this Article shall be limited to that necessary to protect the financial interests of the Party concerned. They shall not exceed a period of 6 months, which may be renewed if at the date of expiry nothing has changed with respect to the conditions that gave rise to the initial suspension. They shall be subject to periodic consultations within the Joint Committee, in particular with a view to their termination as soon as the conditions for their application no longer apply.

Each Party shall publish according to its internal procedures, in the case of the European Union in the Official Journal of the European Union, notices to importers concerning any: notification referred to in paragraph 5 (a); decision referred to in paragraph 5 (b); and extension or termination referred to in paragraph 5 (c).

## **Article 24.**

Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, of the protection of health and life of humans, animals or plants, of the protection of national treasures possessing artistic, historic or archaeological value, of the protection of intellectual, industrial and commercial property or of regulations concerning gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

## **Article 25.**

The concept of 'originating products' for the application of the provisions of the present Title and the methods of administrative cooperation relating to them are set out in Protocol 3. The Joint Committee may decide to make the necessary adaptations to this Protocol with a view to the implementation of cumulation of origin as agreed in the Declaration adopted at the Barcelona Conference.

## **Article 26.**

The combined nomenclature shall be used for the classification of goods in the trade between the Parties.

# **Title II. PAYMENTS, CAPITAL, COMPETITION, INTELLECTUAL PROPERTY AND PUBLIC PROCUREMENT**

## **Chapter 1. Current Payments and Movement of Capital**

### **Article 27.**

Subject to the provisions of Article 29, the Parties undertake to impose no restrictions on any current payments for current transactions.

## **Article 28.**

1. With regard to transactions on the capital account of balance of payments, the Parties undertake to impose no restrictions on the movement of capital relating to direct investments in the West Bank and Gaza Strip in companies formed in accordance with current laws, nor on the liquidation and repatriation of the yield from such investments, or any profit stemming therefrom.

2. The Parties shall consult each other with a view to facilitating the movement of capital between the Community and the West Bank and Gaza Strip.

## **Article 29.**

Where one or more Member States of the Community, or the Palestinian Authority, is in serious balance of payments difficulties, or under threat thereof, the Community or the Palestinian Authority, as the case may be, may, in accordance with the conditions established under the GATT and Articles VIII and XIV of the Articles of Agreement of the International Monetary Fund, adopt restrictions on current transactions which shall be of limited duration and may not go beyond what is necessary to remedy the balance of payments situation. The Community or the Palestinian Authority, as the case may be, shall inform the other Party forthwith and shall submit to it as soon as possible a timetable for the elimination of the measures concerned.

## **Chapter 2. Competition, Intellectual Property and Public Procurement**

### **Article 30.**

1. The following are incompatible with the proper functioning of the Agreement, insofar as they may affect trade between the Community and the Palestinian Authority:

(i) all agreements between undertakings, decisions by associations of undertakings and concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition;

(ii) abuse by one or more undertakings of a dominant position in the territories of the Community or the West Bank and the Gaza Strip as a whole or in a substantial part thereof;

(iii) any public aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods.

2. The Parties shall, as appropriate, assess any practice contrary to this Article on the basis of the criteria resulting from the application of Community competition rules.

3. The Joint Committee shall, before 31 December 2001, adopt by decision the necessary rules for the implementation of paragraphs 1 and 2. Until these rules are adopted, the provisions of the Agreement on Subsidies and Countervailing Measures shall be applied as the rules for the implementation of paragraph 1 (iii) and the relevant parts of paragraph 2.

4. As regards the implementation of paragraph 1 (iii), the Parties recognize that the Palestinian Authority may wish to use, during the period until 31 December 2001, public aid to undertakings as an instrument to tackle its specific development problems.

5. Each Party shall ensure transparency in the area of public aid, inter alia by reporting annually to the other Party on the total amount and the distribution of the aid given and by providing, upon request, information on aid schemes. Upon request by one Party, the other Party shall provide information on particular individual cases of public aid.

6. With regard to products referred to in Title I, Chapter 2:

- paragraph 1 (iii) does not apply,

- any practices contrary to paragraph 1 (i) shall be assessed according to the criteria established by the Community on the basis of Articles 42 and 43 of the Treaty establishing the European Community and in particular those established in Council Regulation No 26/62.



7. If the Community or the Palestinian Authority considers that a particular practice is incompatible with the terms of paragraph 1 of this Article, and:

- is not adequately dealt with under the implementing rules referred to in paragraph 3, or

- in the absence of such rules, and if such practice causes or threatens to cause serious prejudice to the interest of the other Party or material injury to its domestic industry, including its services industry,

it may take appropriate measures after consultation within the Joint Committee or after 30 working days following referral for such consultation.

With reference to practices incompatible with paragraph 1 (iii) of this Article, such appropriate measures, when the GATT is applicable to them, may only be adopted in accordance with the procedures and under the conditions laid down by GATT or by any other relevant instrument negotiated under its auspices and applicable between the Parties.

8. Notwithstanding any provisions to the contrary adopted in accordance with paragraph 3, the Parties shall exchange information taking into account the limitations imposed by the requirements of professional and business secrecy.

### **Article 31.**

The Member States and the Palestinian Authority shall progressively adjust, without prejudice to their commitments to the GATT where appropriate, any State monopolies of a commercial character, so as to ensure that, by 31 December 2001, no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of the Member States and the Palestinian people of the West Bank and Gaza Strip. The Joint Committee will be informed about the measures adopted to implement this objective.

### **Article 32.**

With regard to public enterprises and enterprises to which special or exclusive rights have been granted, the Joint Committee shall ensure that by 31 December 2001 there is neither enacted nor maintained any measure distorting trade between the Community and the Palestinian Authority contrary to the Parties' interests. This provision should not obstruct the performance in law or in fact of the particular tasks assigned to those undertakings.

### **Article 33.**

1. The Parties shall grant and ensure adequate and effective protection of intellectual, industrial and commercial property rights in accordance with the highest international standards, including effective means of enforcing such rights.

2. The implementation of this Article shall be regularly reviewed by the Parties. If problems in the area of intellectual, industrial and commercial property affecting trading conditions occur, urgent consultations shall be undertaken within the framework of the Joint Committee, at the request of either Party, with a view to reaching mutually satisfactory solutions.

### **Article 34.**

1. The Parties agree on the objective of reciprocal and gradual liberalization of public procurement contracts.

2. The Joint Committee shall take the necessary measures to implement paragraph 1.

## **Title III. ECONOMIC COOPERATION AND SOCIAL DEVELOPMENT**

### **Article 35. Objectives**

1. The Parties undertake to intensify economic cooperation in their mutual interest and in accordance with the overall objectives of this Agreement.

2. The aim of cooperation shall be to support the Palestinian Authority's own efforts to achieve sustainable economic and social development.

### **Article 36. Scope**

1. Cooperation shall focus primarily on sectors suffering from internal difficulties or affected by the overall process of

liberalization of the economy of the West Bank and the Gaza Strip, and in particular by the liberalization of trade between the West Bank and the Gaza Strip and the Community.

2. Similarly, cooperation shall focus on areas likely to bring the economies of the Community and the West Bank and Gaza Strip closer together, particularly those which will generate sustainable growth and employment.
3. Cooperation shall encourage the implementation of measures designed to develop intra-regional cooperation.
4. Conservation of the environment and ecological balance shall be taken into account in the implementation of the various sectors of economic cooperation to which it is relevant.
5. The Parties may agree to extend economic cooperation to other sectors not covered by the provisions of this Title.

## **Article 37. Methods and Modalities**

Economic cooperation shall be implemented in particular by:

- (a) a regular economic dialogue between the Parties, which covers all areas of macro-economic policy and in particular budgetary policy, the balance of payments and monetary policy;
- (b) regular exchange of information and ideas in every sector of cooperation including meetings of officials and experts;
- (c) transfer of advice, expertise and training;
- (d) implementation of joint actions such as seminars and workshops;
- (e) technical, administrative and regulatory assistance;
- (f) encouragement of joint ventures;
- (g) dissemination of information on cooperation.

## **Article 38. Industrial Cooperation**

The main aim will be to:

- support the Palestinian Authority, in its efforts to modernize and diversify industry and, in particular, to create an environment favourable to private sector and industrial development,
- foster cooperation between the two Parties' economic operators,
- foster cooperation regarding industrial policy, competitiveness in an open economy and the modernization and development of industry,
- support policies to diversify production and exports and external outlets,
- promote research and development, innovation and technology transfer as far as they benefit industry,
- develop and enhance the human resources required by industry,
- facilitate access to venture and risk financing facilities for the benefit of Palestinian industry.

## **Article 39. Investment Promotion and Investment**

The objective of cooperation will be the creation of a favourable and stable environment for investment in the West Bank and Gaza Strip. Cooperation will take the form of promotion of investment. This will entail the development of:

- harmonized and simplified administrative procedures,
- co-investment machinery, especially for small and medium-sized enterprises (SMEs) of both Parties,
- information channels and means of identifying investment opportunities,
- an environment conducive to investment in the West Bank and the Gaza Strip. Cooperation may also extend to the conception and implementation of projects demonstrating the effective acquisition and use of basic technologies, the use of standards, the development of human resources (e.g. in technologies and management) and the creation of jobs.

## **Article 40. Standardization and Conformity Assessment**

The objective of cooperation will be to narrow the gap in standards and certification. In practical terms cooperation will take the form of:

- the promotion of the use of Community technical regulations and European standards and conformity assessment procedures,
- raising the level of conformity assessment by Palestinian certification and accreditation bodies,
- discussing mutual recognition arrangements, where appropriate,
- cooperating in the field of quality management,
- developing structures for the protection of intellectual, individual and commercial property, for standardization and for setting quality standards.

## **Article 41. Approximation of Laws**

The objective of cooperation will be to approximate Palestinian Council legislation to that of the Community, in the areas covered by the Agreement.

## **Article 42. Small and Medium-sized Enterprises**

The objective of cooperation will be the creation of an environment propitious to the development of SMEs on local and export markets through, inter alia:

- promotion of contacts between enterprises, in particular through recourse to the Community's networks and instruments for the promotion of industrial cooperation and partnership,
- easier access to investment finance,
- information and support services,
- enhancement of human resources with the aim of stimulating innovation and the setting-up of projects and business ventures.

## **Article 43. Financial Services**

The objective of cooperation will be the improvement and development of financial services. It will take the form of:

- encouraging the strengthening and restructuring of the Palestinian financial sector,
- improving Palestinian accounting, supervisory and regulatory systems of banking, insurance and other parts of the financial sector.

## **Article 44. Agriculture and Fisheries**

The objective of cooperation under this heading will mainly be the modernization and restructuring, where necessary, of agriculture and fisheries. This includes modernization of infrastructures and of equipment; the development of packaging, storage and marketing techniques; and the improvement of distribution channels. It will be geared more especially to:

- the development of stable markets,
- support for policies to diversify production and exports and external outlets,
- reduction of food dependency,
- promotion of environment-friendly agriculture and fisheries, taking particular account of the need for conservation and rational management of fisheries,
- closer relations on a voluntary basis between business groups and organizations representing trades and professions,

- technical assistance and training,
- harmonization of phytosanitary and veterinary standards,
- integrated rural development including improvement of basic services and the development of associated economic activities, and
- cooperation among rural regions and exchange of experience and know-how concerning rural development.

## **Article 45. Social Development**

The Parties acknowledge the importance of social development which should go hand-in-hand with any economic development. They give particular priority to respect for basic social rights. The Parties will give priority to measures aimed at:

- the promotion of the equality of women and a balanced participation in the decision-making process in the economic and social sphere, notably through education and the media,
- the development of family planning and the protection of mothers and children,
- improving the social protection system,
- improving the response to health requirements,
- improving the living conditions in densely populated areas in less-favoured regions,
- promoting respect for human rights and democracy, inter alia through socio-professional dialogue.

## **Article 46. Transport**

The objectives of cooperation will be:

- aid for restructuring and modernizing roads, ports and airports,
- improved passenger and freight services both at bilateral and regional level, and
- the establishment and enforcement of operating standards comparable to those prevailing in the Community. The priority areas of cooperation will be:
  - road transport including a gradual easing of transit requirements,
  - management of railways, ports and airports including navigation systems and cooperation between the relevant national bodies,
  - modernization of road, rail, port and airport infrastructure on major routes of common interest,
  - trans-European links and routes of regional interest, and
  - upgrading of technical equipment to bring it up to Community standards for road/rail transport, container traffic and transshipment.

## **Article 47. Information Infrastructure and Telecommunications**

Cooperation shall aim at stimulating economic and social development as well as developing an information society. The priority areas of cooperation will be:

- to facilitate collaboration in the field of telecommunications policy, network development and infrastructures for an information society,
- to develop a dialogue on issues related to the information society and to promote the exchange of information and the organization of seminars and conferences in this area,
- to promote and implement joint projects aimed at the introduction of new telecommunications services and applications related to the information society,

- to allow for information exchange on standardization, conformance testing, and certification in information and communications technologies, - interconnection and interoperability of networks and telematics services.

## **Article 48. Energy**

The objective of cooperation on energy will be to help the West Bank and Gaza Strip acquire the technologies and infrastructures essential to its development, particularly with a view to facilitating links between its economy and that of the Community. The priority areas of cooperation will be:

- the promotion of renewable energies,
- the promotion of energy-saving and energy efficiency,
- support to operations designed to facilitate the transit of gas, oil and electricity, and applied research into data bank networks in the economic and social sectors linking Community and Palestinian operators in particular, and
- support for the modernization and development of energy networks and for their link-up to Community networks.

## **Article 49. Scientific and Technological Cooperation**

The Parties will endeavour to promote cooperation on scientific and technological development. The aim of cooperation shall be to:

(a) encourage the establishment of permanent links between the Parties' scientific communities, notably by means of:

- providing Palestinian institutions with access to Community research and technological development programmes in accordance with Community rules governing non-Community countries' involvement in such programmes,
- Palestinian participation in networks of decentralized cooperation,
- promoting synergy in training and research;

(b) improve Palestinian research capabilities;

(c) stimulate technological innovation and the transfer of new technology and know-how;

(d) encourage all activities aimed at establishing synergy at regional level.

## **Article 50. Environment**

The objectives of cooperation will be to prevent deterioration of the environment, to control pollution, to protect human health and to ensure the rational use of natural resources with a view to promoting sustainable development.

It will place priority on matters relating to: desertification, water resource management, salinization, the impact of agriculture on soil and water quality, the appropriate use of energy, the impact of industrial development in general and the safety of industrial plant in particular, waste management, the integrated management of sensitive areas, the quality of sea water and the control and prevention of marine pollution, and environmental education and awareness. Cooperation shall be fostered by the use of advanced tools of environmental management, environmental monitoring methods, and surveillance, including the use of environmental information systems (EIS) and environmental impact assessment (EIA).

## **Article 51. Tourism**

Priorities for cooperation shall be:

- promoting investments in tourism,
- improving the knowledge of the tourist industry and ensuring greater consistency of policies affecting tourism,
- promoting a good seasonal spread of tourism,
- promoting cooperation between regions and cities of neighbouring countries,
- highlighting the importance of the cultural heritage for tourism,

- making tourism more competitive through support for increased professionalism ensuring the balanced and sustainable development of tourism.

## **Article 52. Customs Cooperation**

Customs cooperation is intended to ensure that the provisions on trade are observed and to guarantee fair trading. It could give rise to the following types of cooperation:

- various forms of exchange of information and training schemes,
- simplification of controls and procedures concerning the customs clearance of goods,
- introduction of the single administrative document and a system to link up the Community's and the Palestinian Authority's transit arrangements, and
- technical assistance provided by experts from the Community.

Without prejudice to other forms of cooperation provided for in this Agreement, the administrative authorities of the Parties will provide each other with mutual assistance on customs matters.

## **Article 53. Cooperation on Statistics**

The main objective of cooperation in this domain should aim to ensure the comparability and usefulness of statistics on foreign trade, finance and balance of payments, population, migration, transport and communications, and generally all the fields which are covered by this Agreement and lend themselves to the establishment of statistics.

## **Article 54. Cooperation on Economic Policy**

Cooperation is aimed at:

- the exchange of information on the macro-economic situation and prospects and development strategies,
- joint analysis of economic issues of mutual interest, and
- the encouragement of cooperation between economists and policy makers in the West Bank and the Gaza Strip and in the Community.

## **Article 55. Regional Cooperation**

As part of the implementation of economic cooperation in the various spheres, the Parties will encourage operations designed to develop cooperation between the Palestinian Authority and other Mediterranean partners, through technical support.

This cooperation will be an important element of the Community's support for the development of the region as a whole.

Priority will be given to operations aimed at:

- promoting intra-regional trade,
- developing regional cooperation on the environment,
- encouraging the development of the communications infrastructure required for the economic development of the region,
- strengthening the development of youth cooperation with neighbouring countries.

In addition the Parties will strengthen cooperation between them on regional development and land-use planning.

To this end the following measures may be taken:

- joint action by regional and local authorities in the area of economic development, and
- the establishment of mechanisms for the exchange of information and experience.

## **Title IV. COOPERATION ON AUDIOVISUAL AND CULTURAL MATTERS, INFORMATION**

## **AND COMMUNICATION**

### **Article 56.**

The Parties shall promote cooperation in the audio-visual sector to their mutual benefit. The Parties shall seek ways of associating the Palestinian Authority with Community initiatives in this sector, thus enabling cooperation in areas such as co-production, training, development and distribution.

### **Article 57.**

The Parties shall promote cultural cooperation. The area of cooperation may include Community activities concerning, in particular, translation, exchange of works of art and artists, conservation and restoration of historic and cultural monuments and sites, training of persons working in the cultural field, the organization of European-oriented cultural events, raising mutual awareness and contributing to the dissemination of information on outstanding cultural events.

### **Article 58.**

The Parties will undertake to determine how to improve significantly the education and vocational training situation. To this end, the access of women to education, including technical courses, higher education and vocational training, will receive special attention.

In order to develop the level of expertise of senior staff in the public and private sectors, the Parties will step up their cooperation on education and vocational training and cooperation between universities and firms.

Preparing young people to become active citizens in democratic civil society should be actively promoted. Youth cooperation, including training of youth workers and youth leaders, youth exchanges and voluntary service activities, could therefore be supported and developed.

Special attention will be paid to operations and programmes which will enable permanent links (MED-CAMPUS, for instance) to be established between specialized bodies in the Community and in the West Bank and Gaza Strip, such as will encourage the pooling and exchange of experience and technical resources.

### **Article 59.**

The Parties shall promote activities of mutual interest in the field of information and communication.

### **Article 60.**

Cooperation shall be implemented in particular through:

- (a) a regular dialogue between the Parties;
- (b) regular exchange of information and ideas in every sector of cooperation including meetings of officials and experts;
- (c) transfer of advice and experience and training of young Palestinian graduates;
- (d) implementation of joint actions such as seminars and workshops;
- (e) technical, administrative and regulatory assistance;
- (f) the dissemination of information on cooperation activities.

## **Title V. FINANCIAL COOPERATION**

### **Article 61.**

In order to achieve the objectives of this Agreement, a financial cooperation package shall be made available to the Palestinian Authority in accordance with the appropriate procedures and the financial resources required.

These procedures shall be agreed by both Parties using the most appropriate instruments after this Agreement has entered into force.

Financial cooperation shall focus on:

- responding to the economic repercussions for the West Bank and the Gaza Strip of the gradual introduction of a free trade area, notably by upgrading and restructuring industry,
- trade institutions which promote trading links with foreign markets,
- accompanying measures for policies implemented in the social sector,
- upgrading economic and social infrastructure,
- promoting private investment and job-creating activities in the productive sectors,
- promoting reforms designed to modernize the economy,
- services,
- urban and rural development,
- the environment,
- the setting-up and improvement of institutions necessary for the proper working of the Palestinian public administration and the advancement of democracy and human rights.

### **Article 62.**

In order to ensure that a coordinated approach is adopted to any exceptional macro-economic and financial problems that might arise as a result of the implementation of this Agreement, the Parties shall use the regular economic dialogue provided for in Title III to give particular attention to monitoring trade and financial flows in relations between them.

## **Title VI. INSTITUTIONAL, GENERAL AND FINAL PROVISIONS**

### **Article 63.**

1. A Joint Committee for European Community-Palestinian Authority trade and cooperation, referred to in this Agreement as 'the Joint Committee', is hereby established. It shall have the power to take decisions in the cases provided for in the Agreement as well as in other cases necessary for the purpose of attaining the objectives set out in the Agreement. The decisions taken shall be binding on the Parties, which shall take such measures as are required to implement them.
2. The Joint Committee may also formulate any resolutions, recommendations or opinions which it considers desirable for the attainment of the common objectives and the smooth functioning of the Agreement.
3. The Joint Committee shall adopt its own rules of procedure.

### **Article 64.**

1. The Joint Committee shall be composed of representatives of the Community and of the Palestinian Authority.
2. The Joint Committee shall act by mutual agreement between the Community and the Palestinian Authority.

### **Article 65.**

1. The office of Chairman of the Joint Committee shall be held alternately by the Community and the Palestinian Authority in accordance with the conditions laid down in the rules of procedure.
2. The Joint Committee shall meet once a year and when circumstances require, on the initiative of its Chairman.

### **Article 66.**

1. The Joint Committee may decide to set up any other committee that can assist it in carrying out its duties.
2. The Joint Committee shall determine the composition and duties of such committees and how they shall function.

### **Article 67.**



1. Either Party may refer to the Joint Committee any dispute relating to the application or interpretation of this Agreement.
2. The Joint Committee may settle the dispute by means of a decision.
3. Each Party shall be bound to take measures involved in carrying out the decision referred to in paragraph 2.
4. In the event of it not being possible to settle the dispute in accordance with paragraph 2, either Party may notify the other of the appointment of an arbitrator; the other Party must then appoint a second arbitrator within two months.

The Joint Committee shall appoint a third arbitrator.

The arbitrators' decisions shall be taken by majority vote.

Each Party to the dispute must take the steps required to implement the decision of the arbitrator.

## **Article 68.**

Nothing in the Agreement shall prevent a Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) which relate to the production of, or trade in, arms, munitions or war materials or to research, development or production indispensable for defence purposes, provided that such measures do not impair the conditions of competition in respect of products not intended for specifically military purposes;
- (c) which it considers essential to its own security in the event of serious internal disturbances affecting the maintenance of law and order, in time of war or serious international tension constituting threat of war, or in order to carry out obligations it has accepted for the purpose of maintaining peace and international security.

## **Article 69.**

In the fields covered by this Agreement and without prejudice to any special provisions contained therein:

- the arrangements applied by the Palestinian Authority in respect of the Community shall not give rise to any discrimination between the Member States, their nationals or their companies or firms,
- the arrangements applied by the Community in respect of the Palestinian Authority shall not give rise to discrimination between members of the Palestinian population, companies or firms of the West Bank and Gaza Strip.

## **Article 70.**

1. The Parties shall take any general or specific measures required to fulfil their obligations under the Agreement. They shall see to it that the objectives set out in the Agreement are attained.
2. If either Party considers that the other Party has failed to fulfil an obligation under the Agreement, it may take appropriate measures. Before so doing, except in cases of special urgency, it shall supply the Joint Committee with all relevant information required for a thorough examination of the situation with a view to seeking a solution acceptable to the Parties.

In the selection of measures, priority must be given to those which least disturb the functioning of the Agreement. These measures shall be notified immediately to the Joint Committee and shall be the subject of consultations within the Joint Committee if the other Party so requests.

## **Article 71.**

Annexes 1 to 3 and Protocols 1 to 3 shall form an integral part of this Agreement. Declarations shall appear in the Final Act, which shall form an integral part of this Agreement.

## **Article 72.**

For the purpose of this Agreement the term 'Parties' shall mean the PLO for the benefit of the Palestinian Authority and the Community, which shall each act in accordance with their respective powers.

### **Article 73.**

This Agreement shall apply, on the one hand, to the territories in which the Treaty establishing the European Community is applied and under the conditions laid down in that Treaty and, on the other hand, to the territory of the West Bank and the Gaza Strip.

### **Article 74.**

This Agreement, drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish, and Arabic languages, each of these texts being equally authentic, shall be deposited with the General Secretariat of the Council of the European Union.

### **Article 75.**

1. This Agreement will be approved by the Parties in accordance with their own procedures. This Agreement shall enter into force on the first day of the month following the date on which the Parties notify each other that the procedures referred to in the first paragraph have been completed.
2. No later than 4 May 1999 negotiations shall commence with a view to concluding a Euro-Mediterranean Association Agreement. Until such an Agreement is concluded, this Agreement shall remain in force, subject to any amendments agreed between the Parties.
3. Each of the Parties may denounce this Agreement by notifying the other Party. The Agreement shall cease to apply six months after the date of such notification.

Done at Brussels on the twenty-fourth day of February in the year one thousand nine hundred and ninety-seven.

FOR THE EUROPEAN COMMUNITY

FOR THE PALESTINE LIBERATION ORGANIZATION (PLO)