

# FREE TRADE AGREEMENT BETWEEN THE REPUBLIC OF CHINA (TAIWAN), THE REPUBLIC OF EL SALVADOR AND THE REPUBLIC OF HONDURAS

The Government of the Republic of China (Taiwan), the Government of the Republic of El Salvador and the Government of the Republic of Honduras determined to:

**STRENGTHEN** the traditional bonds of friendship and the spirit of cooperation among their countries;

**RECOGNIZE** the strategic and geographic position of each nation within its respective regional market;

**REACH** a better balance in their trade relations;

**CREATE** an expanded and secure market for goods and services produced in their territories;

**RECOGNIZE** the differences in the levels of development and the size of their economies and the need to create opportunities for economic development;

**AVOID** distortions in their reciprocal trade;

**ESTABLISH** clear rules of mutual benefit governing trade of their goods and services, and for the promotion and protection of the investments in their territories;

**RESPECT** the rights and obligations derived from the Marrakech Agreement Establishing the World Trade Organization (WTO), as well as other bilateral and multilateral cooperation instruments;

**STRENGTHEN** the competitiveness of their enterprises in global markets;

**CREATE** employment opportunities and improve living standards in their territories;

**PROMOTE** economic development in accordance with the protection and conservation of the environment, as well as sustainable development;

**PRESERVE** their capacity to safeguard the public welfare; and

**PROMOTE** the dynamic participation of different economic agents, in particular the private sector, in deepening the trade relations among their nations;

**HAVE AGREED** as follows:

## Part ONE. General Aspects

### Section CHAPTER 1. Initial Provisions

#### Article 1.01. Establishment of a Free Trade Area

1. The Parties to this Agreement, consistent with Article XXIV of the General Agreement on Tariffs and Trade 1994 and Article V of the General Agreement on Trade in Services, hereby establish a free trade area.

2. Except as otherwise provided, the Republic of El Salvador and the Republic of Honduras, considered individually, will apply this Agreement on a bilateral basis with the Republic of China (Taiwan). This Agreement does not apply to the trade relations between the Republic of El Salvador and the Republic of Honduras.

#### Article 1.02. Objectives

1. The objectives of this Agreement are to:

- (a) promote the expansion and diversification of trade of goods and services between the Parties;
  - (b) eliminate barriers to trade in, and facilitate the cross-border movement of goods and services between the territories of the Parties;
  - (c) promote fair competition between the Parties;
  - (d) promote, protect and substantially increase investments in each Party;
  - (e) create effective procedures for the implementation and application of this Agreement, and for its joint administration and dispute settlement; and
  - (f) establish a framework for further bilateral cooperation based on mutually agreed terms and conditions in order to expand and enhance the benefits of this Agreement.
2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law.

### **Article 1.03. Relation to other International Agreements**

1. The Parties reaffirm their rights and obligations with respect to each other under the WTO Agreement and other agreements to which the Parties are party.

2. In case of any inconsistency between the provisions of this Agreement and the provisions of the agreements mentioned in paragraph 1, the provisions of this Agreement shall prevail, unless otherwise agreed.

3. In the event of any inconsistency between this Agreement and the specific trade obligations set forth in:

- (a) the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), done at Washington, March 3, 1973, as amended June 22, 1979;
- (b) the Montreal Protocol on Substances that Deplete the Ozone Layer, done at Montreal, September 16, 1987, as amended June 29, 1990 and September 27, 1997; or
- (c) the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, done at Basel, March 22, 1989;

such obligations shall prevail to the extent of the inconsistency, provided that where a Party has a choice among equally effective and reasonably available means of complying with such obligations, the Party chooses the alternative that is the least inconsistent with the other provisions of this Agreement.

### **Article 1.04. Extent of Obligations**

Each Party shall ensure, in conformity with its Constitutional rules, the adoption of all necessary measures to comply with the provisions of this Agreement in its territory and at all levels of government.

### **Article 1.05. Succession of Agreements**

Any reference in this Agreement to any other treaty or international agreement shall be made in the same terms to its successor treaty or international agreement to which the Parties are party.

## **Section CHAPTER 2. General Definitions**

### **Article 2.01. Definitions of General Application**

For purposes of this Agreement, unless otherwise agreed, the following terms shall be understood as:

**chapter:** the first two digits of the Harmonized System;

**Commission:** the Administrative Commission of the Agreement established in accordance with Article 14.01 (Administrative Commission of the Agreement);

**customs duty:** any tax, tariff or duty on imports or any charge of any type collected in relation to the import of goods, including any type of surtax or surcharge on imports, except:

- (a) any charge equivalent to an established internal tax in accordance with Article III.2 of the GATT 1994;
- (b) any fee or other charge related to the import, proportional to the cost of services rendered;
- (c) premium offered or collected on an imported good arising out of any tendering system in respect to the administration of quantitative import restrictions, tariff rate quota or tariff preference quota; and
- (d) antidumping or countervailing duty that is applied pursuant to a Party's domestic law and applied consistently with Chapter 7 (Unfair Trade Practices);

**Customs Valuation Agreement:** the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994;

**days:** calendar days, including Saturdays, Sundays, and holidays;

**enterprise:** any legal entity constituted or organized under applicable law, whether or not for profit, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, sole proprietorship, joint venture, or other association;

**enterprise of a Party:** an enterprise constituted or organized under the law of a Party;

**existing:** in effect on the date of entry into force of this Agreement;

**GATS:** the WTO General Agreement on Trade in Services;

**GATT 1994:** the WTO General Agreement on Tariffs and Trade 1994;

**goods:** any matter, material, product or part;

**goods of a Party:** domestic products as these are understood in the GATT 1994, or such goods as the Parties may agree, and includes originating goods of that Party;

**Harmonized System (HS):** the Harmonized Commodity Description and Coding System, including its General Rules of Interpretation, Section Notes, and Chapter Notes, chapters, headings, subheadings, as adopted and implemented by the Parties in their respective tariff laws;

**heading:** the first four digits in the tariff classification number under the Harmonized System;

**measure:** any law, regulation, procedure, requirement, provision or practice, among others;

**national:** a natural person of a Party according to Annex 2.01;

**originating goods:** goods that qualify as originating according to the rules established in Chapter 4 (Rules of Origin); **Party:** the Republic of China (Taiwan), the Republic of El Salvador or the Republic of Honduras, for which this Agreement is in force;

**person:** a natural person, or an enterprise;

**person of a Party:** a national or an enterprise of a Party;

**producer:** a person who manufactures, produces, processes or assembles a good, or who cultivates, grows, develops, raises, exploits a mine, extracts, harvests, fishes, hunts, collects, gathers, or captures a good;

**Secretariat:** "Secretariat" as established in accordance with Article 14.03 (Secretariat);

**state enterprise:** an enterprise that is owned or controlled by a Party through ownership interests;

**subheading:** the first six digits in the tariff classification number under the Harmonized System;

**tariff reduction schedule:** "tariff reduction schedule", as established in Annex 3.04 (Tariff Reduction Schedule); **territory:** the land, maritime and air space of each Party, including the exclusive economic zone and the continental shelf, within which each exercises sovereign rights and jurisdiction in accordance with international and domestic law; **TRIPS:** the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights;

**Uniform Regulations:** "Uniform Regulations", as established in Article 5.11 (Uniform Regulations); and

**WTO Agreement:** the Marrakesh Agreement Establishing the World Trade Organization, done on April 15, 1994.

## **Part TWO. Trade In Goods**

### **Section CHAPTER 3. National Treatment and Market Access for Goods**

#### **Section A. Definitions and Scope of Application**

##### **Article 3.01. Definitions**

For purposes of this Chapter, unless otherwise agreed in this Agreement, the following terms shall be understood as:

**agricultural products or agricultural goods:** the products listed in Annex I of the WTO Agreement on Agriculture, and including any future amendments agreed at the WTO;

**commercial samples of negligible value:**

(a) raw materials and goods of which dimensions, quantities, weight, volume or presentation are such that indicate without a doubt that they are not for any other use than demonstrations or proof;

(b) objects of common materials fixed over cards, supports or clearly presented as samples, according to trade uses; (c) raw materials and goods, as well as the surplus of those raw materials and goods that have been disabled for other use rather than demonstration, by laceration, perforation, marked permanently, or any other way that effectively prevent their commercialization; and

(d) goods that cannot be subject to the conditions established in subparagraphs (a) through (c), consisting in:

(i) non consumer good, with no more than one (1) US dollar unit value, composed by unique specimens in each series or quality; and

(ii) consumer goods with no more than one (1) US dollar unit value, including those composed totally or partially of specimens of the same type or quality, as long as the quantity and form of presentation exclude all possibility of commercialization; and

**printed advertising materials:** products classified in chapter 49 of the Harmonized System, including brochures,

pamphlets, leaflets, trade catalogues, yearbooks published by trade associations, and tourist promotional materials and posters that are used to promote, publish, or advertise an originating good or service, and are supplied free of charges.

## **Article 3.02. Scope of Application**

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

## **Section B. National Treatment**

### **Article 3.03. National Treatment**

1. Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its interpretative notes, and for that matter, the Article III of GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement.
2. The provisions on paragraph 1 regarding the national treatment shall mean, with respect to a Party, including its departments, counties, or provinces, a treatment not less favourable than the most favourable treatment that this Party accords to any like, directly competitive, or substitutable goods of its national origin.
3. Paragraphs 1 and 2 shall not apply to the measures set out in Annex 3.03.

## **Section C. Tariffs**

### **Article 3.04. Tariff Reduction Schedule**

1. Unless otherwise provided in this Agreement, no Party may increase any existing tariff rate nor adopt any new customs tariff on originating goods.
2. The Parties agree to establish the tariff reduction schedule in Annex 3.04 for the originating goods.
3. Except as otherwise provided in this Agreement each Party shall progressively eliminate its customs duties on goods in accordance with its schedules to Annex 3.04 and Annex 3.14.
4. Paragraphs 1 and 3 do not intend to impede a Party to create a new subheading duty, if the customs tariff applied for is not higher than the tariff applied to the fraction.
5. Paragraphs 1 and 3 of this Article are not intended to prevent a Party from maintaining or increasing a customs duty as may be authorized by any dispute settlement provision of the Dispute Settlement Agreement of the WTO.
6. Upon request by either Party, the Parties shall hold consultations to examine the possibility to improve the tariff treatment of each Party established in Annex 3.04. An agreement between the Parties of improving the tariff treatment of a good, shall prevail over any customs tariff or preference established in their schedules for that specific good, once approved by each Party in accordance with its applicable legal procedures.
7. Paragraph 1 of this Article does not prevent a Party from increasing a customs tariff to a level not higher than that established in Annex 3.04 if previously this customs tariff had been unilaterally reduced to a level lower than that established in Annex 3.04.
8. During the tariff reduction process, the Parties commit themselves to apply in their reciprocal trade of originating goods, the lowest customs tariff, obtained by comparing the level established in accordance with its respective Tariff Reduction Schedule and the level in force according to Article I of GATT 1994.

### **Article 3.05. Temporary Admission of Goods**

1. Each Party shall grant duty-free temporary admission for the following goods, regardless of their origin:
  - (a) professional equipment, including equipment for the press and television, broadcasting and cinematographic equipment, necessary for carrying out the business activities, trade, or profession of a business person who qualifies for temporary entry pursuant to the laws of the importing Party activities;
  - (b) goods intended for display or demonstration;
  - (c) commercial samples and advertising films and recordings; and (d) goods imported for sports purposes.
2. Each Party, shall, at the request of an interested person, and for reasons deemed valid by its customs authority, extend the time limit for temporary admission beyond the period initially fixed, pursuant to its domestic law.
3. No Party shall condition the duty-free temporary admission of goods referred to in paragraph 1, other than to require that such goods:
  - (a) not be sold or leased in its territory;
  - (b) be accompanied by a bond in an amount no greater than the duties and charges that would otherwise be owed on entry or final importation, reimbursable or releasable on exportation of the good;

- (c) be capable of identification when exported;
  - (d) be exported within such other period related to the purpose of the temporary admission as the Party may establish, or within one year, unless extended;
  - (e) be admitted in quantities no greater than is reasonable for their intended use; and
  - (f) be otherwise admissible into the territory of the Party under its domestic laws.
4. If any condition that a Party imposes under paragraph 3 has not been fulfilled, the Party may apply the customs duty and any other charge that would normally be owed on the goods plus penalties provided for under its domestic law.
5. Each Party, through its customs authority, shall adopt procedures providing for the expeditious release of goods admitted under this Article.
6. Each Party shall permit goods temporarily admitted under this Article to be exported through a customs port other than that through which they were admitted.
7. Each Party, through its customs authority, according to its domestic law, shall relieve the importer or other person responsible for the goods admitted under this Article from any liability for failing to export the goods, provided that satisfactory proof has been presented to customs authorities showing that the goods have been destroyed in accordance with the domestic laws of each Party within the given period or any lawful extension.
8. Subject to Chapters 10 (Investment) and 11 (Cross-Border Trade in Services):
- (a) each Party shall allow a container used in international transportation that enters its territory from the territory of the other Party to exit its territory on any route that is reasonably related to the cost effective and prompt departure of such container;
  - (b) neither Party shall require any bond or impose any penalty or charge solely by reason of any difference between the port of entry and the port of departure of a container;
  - (c) neither Party shall condition the release of any obligation, including any bond, that it imposes in respect of the entry of a container into its territory on its exit through any particular port of departure; and
  - (d) neither Party shall require that a carrier bringing a container from the territory of the other Party into its territory be the same carrier that takes such container to the territory of the other Party.

### **Article 3.06. Duty-free Entries of Commercial Samples of Negligible Value and Printed Advertising Materials**

Each Party shall grant duty-free entrance to commercial samples of negligible value and to printed advertising materials imported from the territory of the other Party, but may require that: (a) such samples be imported solely for the solicitation of orders for goods, or services provided from the territory, of another Party or a non-Party; or (b) such advertising materials be imported in packets that each contain no more than one copy of each such material and that neither such materials nor packets form part of a larger consignment.

### **Article 3.07. Customs Valuation**

Upon the entry into force of this Agreement, the principles of customs valuation applied to trade between the Parties shall be that established in the Customs Valuation Agreement, including its annexes. Besides, the Parties shall not determine the customs value of the goods based on the officially established minimum value.

## **Section D. Non-Tariff Measures**

### **Article 3.08. Domestic Support**

1. The Parties recognize that domestic support measures may be important to their agricultural sectors, but they may also distort trade and affect production. In this sense, the Parties shall apply domestic support in accordance with the Agreement on Agriculture of the WTO, or its successors, and when a Party decides to support its agriculture producers it shall ensure, in accordance with the relevant legal instruments, that the benefits arising from those programs do not distort domestic trade of the other Party, nor diminish the opportunity of the goods of the other Party to access the market of the Party.
2. In order to ensure transparency, the Parties agree that the Committee on Trade in Goods established pursuant to Article 3.16 shall carry out ongoing and permanent analysis of the status of all domestic support measures, seeking to evaluate the accomplishment of the provisions under paragraph 1. Also, the Parties shall exchange information in a timely manner or, at the request of a Party may engage in consultations over this issue at any time.

### **Article 3.09. Agricultural Export Subsidies**

The Parties agree not to adopt or maintain agricultural export subsidies on goods in their reciprocal trade since the entry

into force of this Agreement.

### **Article 3.10. Import and Export Restrictions**

1. The Parties agree to immediately eliminate non-tariff barriers, with the exception of rights of the Parties under Articles XX and XXI of GATT 1994, and those regulated in Chapter 8 (Sanitary and Phytosanitary Measures) and Chapter 9 (Measures on Standards, Metrology and Authorization Procedures).
2. Except as otherwise provided in this Agreement, neither Party may adopt or maintain any prohibition or restriction on the importation of any goods of the other Party or on the exportation or sale for export of any goods destined to the territory of the other Party, except in accordance with Article XI of GATT 1994, including its interpretative notes. To this end, Article XI of GATT 1994 and its interpretative notes, are incorporated into and form part of this Agreement.
3. The Parties reaffirm their rights and obligations under GATT 1994, that prohibit, under any circumstances any form of restrictions, export price requirements and, except as permitted in the enforcement of countervailing and antidumping duty orders and undertakings, import price requirements, including minimum prices and reference prices.
4. In the event that a Party adopts or maintains a prohibition or restriction on the importation or exportation of originating goods from the other Party, if required, the former Party shall establish that the measure is in accordance with this Agreement and the WTO Agreements.
5. Paragraphs 1 through 3 shall not apply to the measures set out in Annex 3.03.
6. If a Party has state trading enterprises, said Party shall guarantee that their activities be carried out based solely on considerations of a commercial nature, such as prices, quality, availability, marketability, transportation and other conditions of purchase or sale. The Party shall accord to the trade of the other Party fair and equitable treatment, to avoid these activities becoming barriers to trade, in accordance with Article XVII of GATT 1994 including its interpretative notes, and to this end, this Article and its interpretative notes, are incorporated into and form part of this Agreement.

### **Article 3.11. Administrative Fees and Formalities**

1. Each Party shall ensure, in accordance with Article VIII.1 of the GATT 1994 and its interpretative notes, that all fees and charges of whatever character (other than customs duties, charges equivalent to an internal tax or other internal charge applied consistently with Article III.2 of the GATT 1994, and antidumping and countervailing duties) imposed on or in connection with importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes.
2. No Party may require consular transactions, including related fees and charges, in connection with the importation of any good of another Party.
3. Each Party shall make available and maintain through the Internet a current list of the fees and charges it imposes in connection with importation or exportation.

### **Article 3.12. Country of Origin Marking**

1. The Parties confirm their rights and obligations under Article IX of GATT 1994 and any successor agreement.
2. Each Party shall ensure that the establishment and implementation of their laws on country of origin marking does not have the purpose or effect of creating unnecessary barriers to trade between the Parties.

### **Article 3.13. Export Taxes**

Except as provided in Annex 3.03, at the time of entry into force of this Agreement, neither Party shall adopt nor maintain any tax, duty or charge on the export of a good to the territory of the other Party.

### **Article 3.14. Special Safeguard Measures**

1. The Parties may apply a Special Safeguard Measure (SSM) at any given time in a calendar year, for those goods included in Annex 3.14, whenever the percentage of the average imports of a good have exceeded the trigger levels established in Annex 3.14. The percentage shall be the average imports from the other Party to the average imports from the globe during the last three (3) years with importation, within the previous five (5) years.
2. The SSM application shall consist of a tariff increase to the level of the MFN customs tariff established either at the time of importation or the one referred on the base rate, whichever is lower.
3. The SSM application is not subject to any kind of compensation.
4. The SSM duration period shall be maintained until the end of the year.
5. The adopted SSM shall be effective on the day that said measure is published in the media designated by each Party's

legislation, taking into account all relevant information that justifies its entry into force. The Party imposing the measure shall notify it to the other 3-9 Party at least thirty (30) days before its application.

6. Notwithstanding the application of the SSM, the Parties shall be able to hold consultations at any time in order to exchange information and try to reach mutually beneficial agreements.

7. Whenever new goods are incorporated into the Tariff Reduction Schedule included in Annex 3.04, the Parties shall be able to include them in Annex 3.14 in accordance to the national legislation.

8. The SSM shall not apply to the goods listed under the exclusion category or subject to a tariff quota system.

### **Article 3.15. Distinctive Products**

The Parties shall conduct consultations in the Committee on Trade in Goods, about the recognition of distinctive products.

### **Article 3.16. Committee on Trade In Goods**

1. The Parties hereby establish the Committee on Trade in Goods, which shall be composed as set out in Annex 3.16. 2. The Committee on Trade in Goods shall meet periodically, and by request of a Party or the Commission, to ensure the effective implementation and administration of this Chapter.

3. Without prejudice to the provisions of Article 14.05 (2) (Committees), the Committee shall have the following functions:

- (a) supervise the implementation and administration of this Chapter referred in paragraph 2 of this Article by the Parties;
- (b) at the request of either Party, review any proposed modification or addition;
- (c) make recommendation on modifications or additions to the Commission;
- (d) consider any other matter related to the implementation and administration of the Chapter referred in paragraph 2 of this Article;
- (e) recommend to the Commission the establishment of Sub-Committees or technical groups whenever it is appropriate; and
- (f) analyze, the status of all domestic support measures of the Parties, in an ongoing and permanent manner, as well as any other modifications of this measures, seeking to assess compliance with paragraph 1 of Article 3.08.

## **Section CHAPTER 4. Rules of Origin**

### **Article 4.01. Definitions**

For purposes of this Chapter, the following terms shall be understood as:

CIF: the value of an imported good that includes the costs of insurance and freight to the port or place of entry in the importing Party;

FOB: free on board; regardless of the mode of transportation, at the point of direct shipment by the seller to the buyer;

fungible goods or materials: goods or materials which are interchangeable for commercial purposes and whose properties are essentially identical and it is not possible to differentiate one from another by a simple eye examination;

generally accepted accounting principles: recognized consensus or substantial authorized support given in the territory of one of the Parties with respect to the recording of revenues, expenses, costs, assets and liabilities, the disclosure of information and the preparation of financial statements. Generally accepted accounting principles may encompass broad guidelines for general application, as well as detailed standards, practices and procedures;

goods wholly obtained or produced entirely in the territory of one or more Parties:

- (a) minerals extracted or obtained in the territory of one or more Parties;
- (b) vegetables and vegetable products harvested, gathered or collected in the territory of one or more Parties;
- (c) live animals born and raised in the territory of one or more Parties;
- (d) goods obtained by hunting, trapping, fishing, aquaculture, gathering or capture in the territory of one or more Parties;
- (e) goods obtained from live animals in the territory of one or more Parties;
- (f) fish, shellfish, and other marine species obtained outside the territorial sea of a Party, by fishing vessels registered or recorded in a Party and fly its flag, or by fishing vessels rented by enterprises established in the territory of a Party;
- (g) goods obtained or produced on board factory vessels from the goods referred to in subparagraph (f) provided that such vessels are registered or recorded in a Party and fly its flag, or are rented by enterprises established in the territory of a Party;
- (h) goods obtained by a Party or a person of a Party from the seabed or subsoil beneath the sea bed outside the territorial sea provided that the Party has rights to exploit such seabed or subsoil;
- (i) scrap and waste derived from manufacturing or processing operations in the territory of one or more Parties, provided those goods are only fit for the recovery of raw materials; or
- (j) goods produced in the territory of one or more Parties, exclusively from goods mentioned in subparagraph (a) through (i) above;

indirect material: a good used in the production, testing or inspection of another good, but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment related to the production of

another good, including:

- (a) fuel, energy, solvents and catalysts;
- (b) equipment, devices and supplies used in the testing or inspection of goods;
- (c) gloves, glasses, footwear, clothing, and safety equipment and supplies;
- (d) tools, dies and molds;
- (e) spare parts and materials used in the maintenance of equipment and buildings;
- (f) lubricants, greases, compounding materials, and other materials used in production, or used to operate equipment and maintenance of buildings; and
- (g) any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be a part of that production;

material: a good used in the production of another good including ingredients, parts, components and goods that have been physically incorporated into another good or were subject to the production process of another good; production:

methods of obtaining goods including manufacturing, producing, growing, assembling, processing, harvesting, raising, breeding, mining, extracting, hunting, collecting, gathering, fishing, trapping and capturing; and value: the value of a good or material for purposes of calculating customs duties or for purposes of applying this Chapter according to the rules established in the Customs Valuation Agreement.

## **Article 4.02. Application and Interpretation Instruments**

1. For purposes of this Chapter:

- (a) the tariff classification of goods shall be based on the Harmonized System; and
- (b) the rules of the Customs Valuation Agreement shall be used to determine the value of a good or material.

2. For purposes of this Chapter, the Customs Valuation Agreement shall be applied to determine the origin of a good as follows:

- (a) the rules of the Customs Valuation Agreement shall be applied to domestic transactions, with the modifications required by the circumstances, as they should apply to international transactions; and
- (b) the provisions of this Chapter shall prevail over those of the Customs Valuation Agreement, where there are inconsistencies.

## **Article 4.03. Originating Goods**

Except as otherwise provided in this Chapter, a good shall be considered as originating in the territory of a Party, when:

- (a) it is wholly obtained or produced entirely in the territory of one or more Parties;
- (b) it is produced entirely in the territory of one or more Parties exclusively from materials that qualify as originating according to this Chapter; or
- (c) it is produced in the territory of one or more Parties from non-originating materials that meet with a change in tariff classification, satisfies a regional value content or other requirements, as specified in Annex 4.03 and the good complies with all other applicable requirements of this Chapter.

## **Article 4.04. Minimal Processes or Operations**

Except otherwise provided in this Chapter, the minimal processes or operations that by themselves or in combination do not confer origin to a good are the following:

- (a) the necessary operations for the preservation of a good during transportation or storage, including airing, ventilation, drying, refrigeration, freezing, elimination of damaged parts, application of oil, antirust painting or protective coatings, or the placing in salt, sulfur dioxide or some other aqueous solution;
- (b) simple operations consisting of cleaning, washing, sifting, straining, shaking, selection, classification or grading, culling, peeling, shelling or striping, grain removal, pitting, pressing or crushing, soaking, elimination of dust or of spoiled or damaged parts, sorting, division of consignments in bulk, grouping in packages, placing of marks, labels or distinctive signs on products and their packages, packing, unpacking or repackaging;
- (c) combination or mixing operations of goods that have not result in any important difference in the characteristics of the goods before and after the combination or mixing;
- (d) simple jointing or assembling of parts to produce a complete good, or to form sets or assortments of goods; and (e) simple water dilution operations or ionization and salting, which have not changed the nature of the good.

## **Article 4.05. Indirect Materials**

Indirect materials shall be considered as originating, regardless where they are produced or manufactured, and the value of those materials shall be included in the costs as indicated in the accounting records of the producer of the good.

## **Article 4.06. Accumulation**

1. Each Party shall provide that originating goods or materials of one or more of the Parties, incorporated into a good in the territory of another Party, shall be considered to originate in the territory of that other Party.
2. Each Party shall provide that a good is originating when the good is produced in the territory of one or more of the Parties by one or more producers, provided that the good satisfies the requirements established in Article 4.03 and all other applicable requirements in this Chapter.

## **Article 4.07. Regional Value Content**

1. The regional value content of the goods shall be calculated according to the following formula:  $RVC = [(TV - VNM) / TV] * 100$  where: RVC is the regional value content, expressed as a percentage; TV is the transaction value of the good adjusted to a FOB basis, except as otherwise provided in paragraph 2, determined according to Articles 1 through 8 and 15 of the Customs Valuation Agreement; and VNM is the transaction value of the non-originating materials adjusted to a CIF basis, except as otherwise provided in paragraph 5, according to Articles 1 through 8 and 15 of the Customs Valuation Agreement.
2. When the good is not exported directly by its producer, the value shall be adjusted to the point at which the buyer receives the good in the territory in which the producer is located.
3. All the records of the costs considered for the calculation of the regional value content shall be recorded and maintained according to the generally accepted accounting principles applicable in the territory of the Party where the good is produced.
4. When the producer of a good acquires a non-originating material in the territory of a Party in which the producer is located, the value of the non-originating material shall not include freight, insurance, packing costs and any other cost incurred in the transportation of the material from the supplier's warehouse to the location of the producer.
5. For purposes of calculating the regional value content, the value of the non-originating materials used in the production of the good shall not include the value of the non-originating materials used by:
  - (a) another producer in the production of an originating material that is acquired and used by the producer of the good in the production of that good; or
  - (b) the producer of a good in the production of a material that is self produced.

## **Article 4.08. De Minimis**

1. A good shall be considered originating if the value of all non-originating materials used in the production of that good that does not satisfy the requirement of change in tariff classification set out in Annex 4.03 does not exceed ten percent (10%) of the transaction value of the good, as determined according to Article 4.07.
2. When it refers to goods classified into chapters 50 through 63 of the Harmonized System, the percentage indicated in paragraph 1 shall refer to the weight of fibers or yarns with respect to the weight of the good being produced.
3. Paragraph 1 shall not apply to a non-originating material used in the production of goods classified into chapter 1 through 24 of the Harmonized System, unless the non originating material is classified in a different subheading than the good for which the origin is being determined according to this Article.

## **Article 4.09. Fungible Goods and Materials**

1. When in the production of a good originating or non-originating fungible goods or materials are used, the origin of those fungible goods or materials shall be determined through the application of one of the following inventory management methods:
  - (a) first in first out (FIFO) method;
  - (b) last in first out (LIFO) method; or
  - (c) averaging method.
2. Once the inventory management method listed out in the preceding paragraph is selected by a producer, it shall be used during the entire period of a fiscal year of that producer.

## **Article 4.10. Sets or Assortments of Goods**

1. A set or assortment of goods that is classified according to rule 3 of the General Rules of the Interpretation of the Harmonized System, as well as the goods whose description according to the nomenclature of the Harmonized System is specifically that of a set or assortment, shall qualify as originating, whenever each one of the goods contained in that set or assortment complies with the rules of origin set out in this Chapter and in Annex 4.03.
2. Notwithstanding paragraph 1, a set or assortment of goods shall be considered originating, if the value of all non-

originating goods used in making the set or assortment does not exceed the percentage set out in paragraph 1 of Article 4.08 with respect to the value of the set or assortment, as determined according to Article 4.07. 3. The provisions of this Article shall prevail over the specific rules of origin set out in Annex 4.03.

#### **Article 4.11. Accessories, Spare Parts and Tools**

1. The accessories, spare parts or tools delivered with the good that usually form part of the good shall not be taken into account for determining whether all non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in Annex 4.03, provided that:
  - (a) the accessories, spare parts or tools are not invoiced separately from the good; and
  - (b) the amount and the value of these accessories, spare parts or tools are customary for the good.
2. When the good is subject to a requirement of regional value content, the value of the accessories, spare parts or tools shall be considered as originating or non-originating materials, as the case may be, for calculating the regional value content of the good.
3. For those accessories, spare parts or tools that do not fulfill the conditions mentioned above, the corresponding specific rules of origin shall apply to each of them respectively and separately, according to this Chapter.

#### **Article 4.12. Packaging Materials and Containers for Retail Sale**

1. When packaging materials and containers in which a good is packaged for retail sales are classified in the Harmonized System with the good, they shall not be taken into account in determining whether all non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in Annex 4.03.
2. When the good is subject to a requirement of regional value content, the value of these packaging materials and containers shall be taken into account as originating or non-originating materials, as the case may be, in calculating the regional value content of the good.

#### **Article 4.13. Packing Materials and Containers for Shipment**

- Containers and packing materials in which the good is packed for shipment shall not be taken into account in determining whether:
- (a) the non-originating materials used in the production of the good undergo the applicable change in tariff classification set out in Annex 4.03; or
  - (b) the good satisfies the requirement of regional value content.

#### **Article 4.14. Transit and Transshipment**

An originating good shall not lose such status when it is exported from a Party to another Party and during its transportation it passes by the territory of one Party or by the territories of one or more non-Parties, as long as it fulfills the following requirements:

- (a) the transit is justifiable by geographical reasons or by considerations relative to requirements of international transportation;
- (b) the good has not been destined for trade, consumption, and use in the countries of transit;
- (c) during its transportation and temporary storage the good has not undergone operations other than unloading, reloading or any other operation necessary to preserve them in good condition; and
- (d) the good remains under the control of the customs authority in the territory of a Party or non-Party.

#### **Article 4.15. Committee on Rules of Origin and Customs Procedures**

1. For the purposes of the effective implementation and operation of this Chapter and Chapter 5 (Custom Procedures Related to the Origin of Goods), the Parties shall establish a Committee on Rules of Origin and Customs Procedures (hereinafter referred to in this Article as "the Committee") pursuant to Article 14.05 (Committees).
2. The Committee shall meet when the Commission requires it or as the Parties may agree.
3. The Committee shall have, along with the function established in Article 14.05 (Committees), the following functions:
  - (a) review and make appropriate recommendations to the Commission on the implementation and operation of this Chapter and Chapter 5 (Custom Procedures Related to the Origin of Goods);
  - (b) review and make appropriate recommendations to the Commission on:
    - (i) matters relating to determinations of origin;
    - (ii) certificate of origin established in Article 5.02 (Origin Certification) and its filling instructions referred to in the Uniform

Regulations;

(iii) the certifying procedures established in Article 5.02 (Origin Certification) with a view to confirm whether it would be more beneficial to the Parties to let exporters or producers certify certificates of origin by themselves;

(iv) the advance rulings established in Article 5.07 (Advanced Rulings); and (v) uniform regulations established in Article 5.11 (Uniform Regulations);

(c) modify the specific rules of origin contained in Annex 4.03;

(d) consider any other matter as the Parties may agree related to this Chapter and Chapter 5 (Custom Procedures Related to the Origin of Goods); and

(e) consider any other matter that the Commission may consider necessary.

4. The Parties shall consult and cooperate to ensure that this Chapter and Chapter 5 (Custom Procedures Related to the Origin of Goods) are applied in an effective and uniform manner, consistently with the spirit and the objectives of this Agreement.

5. A Party that considers that one or more of the provisions of this Chapter and its Annex or Chapter 5 (Custom Procedures Related to the Origin of Goods) requires modification in order to take into account developments in production processes, lack of supply of originating materials, or other relevant matters may submit a proposal of modification along with supporting rationale and any studies to the Commission for consideration.

6. Upon submission by a Party of a proposal of modification under paragraph 5 of this Article, the Commission shall refer the matter to Committee. The Committee shall meet to consider the proposal of modification within sixty (60) days of the date of referral or on such other date as the Commission may decide.

7. Within the period referred in paragraph 6, the Committee shall provide a report to the Commission, setting out its conclusions and recommendations, if any. Upon reception of the report, the Commission may take appropriate action under Article 14.01 (Administrative Commission of the Agreement).

## **Section CHAPTER 5. Customs Procedures Related to the Origin of Goods**

### **Article 5.01. Definitions**

1. For purposes of this Chapter, the following terms shall be understood as:

certificate of origin: a certificate of origin issued in the format established in paragraph 1 of Article 5.02, completed, signed and dated by the exporter or producer of a good in the territory of a Party, and certified by a certifying authority of that Party, according to the provisions of this Chapter and to the instructions for filling the certificate. certifying authority: in the case of the Republic of China (Taiwan), the Bureau of Foreign Trade (BOFT), Ministry of Economic Affairs, or its successor, or other agencies as authorized by BOFT or its successor;

in the case of the Republic of El Salvador, the Centro de Trámites de Exportación (CENTREX) of the Banco Central de Reserva and/or other offices, public or private, that are authorized by the Ministerio de Economía; and

in the case of the Republic of Honduras, the Dirección General de Integración Económica y Política Comercial of the Secretaría de Estado en los Despachos de Industria y Comercio, or its successor; commercial importation: the importation of a good into the territory of a Party for sale, or for commercial, industrial or similar purposes; competent authority: in the case of the Republic of China (Taiwan), the customs authority under the Ministry of Finance, or its successor;

in the case of Republic of El Salvador, the Ministerio de Economía is responsible of aspects relative to its administration in what proceeds, or its successor and the Dirección General de Aduanas of the Ministerio de Hacienda is responsible of the origin verification procedures and issuing advanced rulings, or its successor; and in the case of the Republic of Honduras, the Secretaría de Estado en los Despachos de Industria y Comercio, or its successor;

customs authority: the authority, according to the respective laws of each Party, responsible for administering and implementing customs laws and regulations; days: "days" as defined in Chapter 2 (General Definitions);

determination of origin: the written legal document issued by the competent authority as a result of a procedure for verifying whether a good qualifies as originating according to Chapter 4 (Rules of Origin);

exporter: a person located in the territory of a Party from which the good is exported by that person and that is obligated to keep the records referred to in paragraph 1 (a) of Article 5.05 in the territory of that Party;

identical goods: goods that are equal in all aspects, including physical characteristics, quality and commercial prestige, irrespective of minor differences in appearance that are not relevant to the determination of origin of these goods according to Chapter 4 (Rules of Origin);

importer: a person located in the territory of a Party from which the good is imported by that person and that is obligated to keep the records referred to in paragraph 1 (b) of Article 5.05 in the territory of that Party;

preferential tariff treatment: the application of the tariff rate corresponding to an originating good according to the tariff reduction schedule, pursuant to Article 3.04 (Tariff Reduction Schedule) of this Agreement; and

producer: a person located in the territory of a Party, as defined in Chapter 2 (General Definitions), who is obligated, according to this Chapter, to maintain records in the territory of that Party according to paragraph (a) of Article 5.05. 2. The

definitions established in Chapter 4 (Rules of Origin) shall be incorporated into this Chapter.

## **Article 5.02. Origin Certification**

1. For the purposes of this Chapter, the Parties shall establish a single format of certificate of origin, which shall enter into force on the same day as this Agreement and may be modified by mutual consent.
2. The certificate of origin established in paragraph 1 shall be used to certify that a good being exported from the territory of a Party into the territory of the other Party qualifies as originating.
3. The certifying authority of each Party shall require its exporters or producers to complete, sign and date a certificate of origin for each export of goods for which an importer of the other Party may claim preferential tariff treatment.
4. The exporter or producer completing, signing, and dating a certificate of origin will do so through an affidavit, committing to assume administrative, civil or criminal liability whenever the exporter includes false or incorrect information in the certificate of origin.
5. The certifying authority of each Party shall certify that the certificate of origin completed, signed and dated by the exporter or producer of the good is correct based on the information provided by such exporter or producer, who shall be responsible for the accuracy and validity of the information, and shall verify that the exporter or producer is indeed located in that Party.
6. Each Party shall require the certificate of origin to be sealed, signed and dated by the certifying authority of the exporting Party with respect to the exportation of a good for which the importer may claim preferential tariff treatment. The certificate of origin shall contain a serial number allowing its identification, which will be managed by the certifying authority.
7. The certifying authority of the exporting Party shall:
  - (a) elaborate and implement the administrative procedures for certifying the certificates of origin that its producer or exporter completes, signs and dates;
  - (b) provide, if requested by the competent authority of the importing Party, information about the origin of the imported goods claiming preferential tariff treatment; and
  - (c) notify in writing, before this Agreement enters into force, the list of the names of the authorized persons and, where applicable, the list of bodies authorized to certify the certificate of origin, with the corresponding signatures and seals. Modifications to this list shall be notified immediately in writing to the other Parties and shall enter into force thirty (30) days after the date on which those Parties receive notification of the modification. Until the modifications enter into force, the certification will be done by the current certifying authority.
8. Each Party shall provide that a certificate of origin shall only be applicable to a single importation of one or more goods into the territory of that Party.
9. Each Party shall provide that a certification of origin be accepted by the customs authority of the importing Party for a period of one year from the date on which the certificate was signed and sealed by the certifying authority.
10. Each Party shall provide that when an exporter is not the producer of the good, complete, sign and date the certificate of origin with basis on:
  - (a) the exporter's knowledge that the good qualifies as originating; and
  - (b) the certificate of origin completed, signed and dated by the producer of the good and willingly provided to the exporter.
11. Each Party shall provide that the preferential tariff treatment shall not be denied only because the good covered by a certificate of origin is invoiced by an enterprise located in the territory of a non-Party.

## **Article 5.03. Obligations Regarding Importations**

1. Each Party shall require the importer claiming preferential tariff treatment for a good imported into its territory from the territory of the other Party to:
  - (a) declare in writing in the importation document required by its legislation, based on a certificate of origin that a good qualifies as originating;
  - (b) have the certificate of origin in his possession at the time the declaration is made;
  - (c) provide, if requested by its customs authority, the certificate of origin or copies of it; and
  - (d) promptly make a corrected declaration and pay any duties owed when the importer has reasons to believe that the certificate of origin on which a customs declaration was based contains incorrect information. When the importer presents a corrected declaration, the importer may not be sanctioned, as long as the customs authorities have not initiated their faculties of verification and control.
2. Each Party shall provide that, if an importer in its territory fails to comply with any requirement established in this Chapter, it may deny the preferential tariff treatment under this Agreement to a good imported from the territory of the other Party.
3. Each Party shall provide that, when the importer does not request for a preferential tariff treatment for goods imported into its territory that would have qualified as originating, the importer may, according to the legislation of each Party, request the return of the customs duties paid in excess for not having requested the preferential tariff treatment for that

good, as long as the request is accompanied by:

- (a) a written declaration, indicating that the good qualifies as originating at the time of importation;
- (b) the certificate of origin or its copy; and
- (c) any other documentation related to the import of the good, as the customs authority of that Party may require.

## **Article 5.04. Obligations Regarding Exportations**

1. Each Party shall require its exporter or producer that has completed, signed and dated a certificate of origin to submit a copy of such certificate to its competent authority upon request.
2. Each Party shall require its exporter or producer who has completed, signed and dated a certificate of origin or provided information for his/her certifying authority, and has reasons to believe such certificate contains incorrect information, to notify promptly in writing all persons to whom that certificate was given and its certifying authority, of any change that may affect the accuracy or validity of that certificate, in which case, the exporter or producer may not be penalized for having provided an incorrect certificate or information, according to the legislation of each Party.
3. Each Party shall require a that false certificate of origin completed, signed and dated by an exporter or a producer in its territory that a good to be exported to the territory of another Party is originating shall be subject to penalties equivalent to those that would apply to an importer in its territory that makes a false statement or representation in connection with an importation, with appropriate modifications.
4. The certifying authority of the exporting Party shall provide the competent authority of the importing Party the notification referred to in paragraph 2.

## **Article 5.05. Records**

Each Party shall provide that:

- (a) its exporter or producer who obtains a certificate of origin and provides information to its certifying authority shall maintain, for at least five (5) years from the date on which the certificate is signed, all records and documents related to the origin of the goods, including those concerning:
  - (i) the purchase, costs, value, and payment of the good exported from its territory;
  - (ii) the purchase, costs, value and payment of all materials, including indirect ones, used in the production of the good exported from its territory; and
  - (iii) the production of the good in the form in which it is exported from its territory;
- (b) an importer who claims preferential tariff treatment for a good imported into that Party's territory shall maintain a copy of the certificate of origin and other documentation relating to the importation for at least five (5) years from the date of importation of the good; and
- (c) the certifying authority of the exporting Party that has issued a certificate of origin shall maintain all documentation relating to the issuance of the certificate for a minimum period of five (5) years from the issuing date of the certificate.

## **Article 5.06. Origin Verification Procedures**

1. The importing Party, through its competent authority, may: (a) request information about the origin of a good from the certifying authority of the exporting Party; and, (b) request its Embassy in the territory of the other Party for assistance in those matters.
2. For purposes of determining whether a good imported into its territory from the territory of the other Party under preferential tariff treatment according to this agreement qualifies as originating, a Party may verify the origin of the good through its competent authority by means of:
  - (a) written questionnaires or requests for information sent directly to the importer in its territory or the exporter or producer in the territory of the other Party;
  - (b) verification visits to the exporter or producer in the territory of the other Party to review the records and documents referred to in Article 5.05 (a), and to inspect the materials and facilities used in the production of the good in question;
  - (c) delegating its Embassy in the territory of the other Party to conduct the verification visit; or
  - (d) other procedures as the Parties may agree to.
3. For the purposes of this Article, the questionnaires, requests, official letters, determinations of origin, notifications or any other written communications sent by the competent authority to the importer, exporter or the producer for origin verification, shall be considered valid, provided that they are done by the following means:
  - (a) certified mails with receipts of acknowledgement or other ways that confirm that the importer, exporter or producer has received the documents;
  - (b) official communications through the Embassies of the Parties whenever the competent authority requires; or
  - (c) any other way as the Parties may agree.
4. In a written questionnaire or request for information referred to in paragraph 2 (a) it shall:

(a) indicate the time period, which shall be no more than thirty (30) days from the date of receipt, that the importer, exporter or producer has to duly complete and return the questionnaire or provide the information requested; and (b) include the notification of intention to deny preferential tariff treatment, in case the importer, exporter or producer does not duly complete and return the questionnaire or does not provide the information requested within such time period.

5. The importer, exporter or producer who receives a questionnaire or request for information according to paragraph 2 (a) shall duly complete and return the questionnaire or respond to the request for information within the time period established in paragraph 4 (a) from the date of receipt. During that time period, the importer, exporter or producer may make a written request to the competent authority of the importing Party for an extension of no more than thirty (30) days. A Party shall not deny the preferential tariff treatment based solely on the request of an extension for completing and returning the questionnaire or responding to the information request.

6. Each Party shall provide that, even if the answered questionnaire or information requested referred to in paragraph 5 has been received within the specified time period, it may still request, through its competent authority, additional information from the importer, exporter or producer, by means of a subsequent questionnaire or request. In such cases the importer, exporter or producer shall answer the questionnaire or respond to the request within thirty (30) days from the date of receipt.

7. If the importer, exporter or producer does not duly complete a questionnaire, or does not return the questionnaire or provide the information requested within the time period established in paragraphs 4 (a), 5 and 6 above, the importing Party may deny preferential tariff treatment to the goods subject to verification, by issuing a written determination of origin, including facts and the legal basis for that determination, to the importer, exporter or producer.

8. Prior to conducting a verification visit according to paragraph 2 (b), the importing Party shall, through its competent authority, provide a written notification of its intention to conduct the visit. The notification shall be sent to the exporter or producer to be visited, the importer, to the certifying authority and the competent authority of the Party in whose territory the visit will be conducted, and, if necessary, to the embassy of the other Party in the territory of the importing Party. The competent authority of the importing Party shall request the written consent from the exporter or producer to be visited, to make a verification visit.

9. The notification referred to in paragraph 8 shall include:

- (a) the name of the competent authority that sends the notification;
- (b) the name of the exporter or producer to be visited;
- (c) the date and place of the proposed verification visit;
- (d) the objective and scope of the verification visit, including the specific reference to the good subject to verification; (e) the names and positions of the officers conducting the verification visit; and
- (f) the legal basis for carrying out the verification visit. Any modification of the information referred to in this paragraph shall also be notified according to paragraph 8.

10. If the exporter or producer has not given his written consent for the making of the proposed verification visit within the thirty (30) days of the written notification as provided in paragraphs 8 and 9, the importing Party may deny preferential tariff treatment to the good by notifying in writing to the importer, exporter or producer the determination of origin, including facts and the legal basis for such denial.

11. When the exporter or producer receives a notification according to paragraphs 8 and 9, within the fifteen (15) days from the date on which the notification was received may, one time only, request in writing the postponement of the visit with the corresponding justifications, for a period no longer than thirty (30) days from the date on which the notification was received, or for a longer term the competent authority of the importing Party and the exporter or producer may agree. For these purposes, the competent authority of the importing Party shall notify the postponement of the visit to the importer, exporter or producer of the good, the competent authority and the certifying authority of the exporting Party.

12. A Party shall not deny the preferential tariff treatment based solely on the request to postpone the verification visit, according to paragraph 11.

13. Each Party shall permit an exporter or producer who is subject to a verification visit to designate two observers to be present during the visit, provided that the observers only participate in that manner. Nevertheless, the failure to designate the observers shall not be a cause for postponing the visit.

14. Each Party shall require that an exporter or a producer provides the records and documents referred to in Article 5.05(a) to the competent authority of the importing Party conducting a verification visit. If the records and documents are not in possession of the exporter or producer, the exporter may request to the producer of the good or the producer may request the supplier of the materials, to deliver these to the competent authority of the importing Party.

15. A Party may deny the preferential tariff treatment to an imported good subject to an origin verification, if the exporter or producer:

- (a) fails to provide the records or documents for determining the origin of the good, in accordance with the provisions of this Chapter and of Chapter 4 (Rules of Origin); or
- (b) denies access to the records or documents.

16. Each Party, through its competent authority, shall verify the compliance of the requirements of regional value content, De Minimis, or any other provision contained in Chapter 4 (Rules of Origin) in compliance with the generally accepted

accounting principles that apply in the territory of the Party from which the good was exported.

17. Once the verification visit has been concluded, the competent authority of the importing Party shall prepare a minute of the visit, which shall include the facts confirmed by it. The exporter or producer, subject to the verification visit, may sign this minute.

18. Within a period of one hundred and twenty (120) days from the conclusion of the verification of origin, the competent authority of the importing Party shall issue a determination of origin, in writing, in which it is determined if the good qualifies or not as originating, which shall include the factual findings and legal basis for the determination of origin and notify the importer, exporter or producer, as well as the competent authority and certifying authority of the exporting Party the determination of origin.

19. When the period established in paragraph 18 concludes and the competent authority of the importing Party does not issue a determination of origin, the good subject to the verification of origin shall receive the same preferential tariff treatment as if it were an originating good.

20. Where through a verification the importing Party determines that an importer, exporter or a producer has provided more than once, a false or unfounded certificate of origin or stating that a good qualifies as originating, the importing Party may suspend preferential tariff treatment to the identical goods imported, exported or produced by that person, until it is proved that such person is in compliance with all the requirements under Chapter 4 (Rules of Origin) and this Chapter.

21. When the competent authority of the importing Party determines that a good imported into its territory does not qualify as originating, the importer must pay any custom duties owed and other applicable charges according to the legislation of each Party.

22. In case the preferential tariff treatment is resumed, the competent authority of the importing Party shall issue a written determination of origin in which the competent authority of the importing Party establishes the resumption of the preferential tariff treatment for the good, shall be notified to the importer, exporter or producer and the competent authority and certifying authority of the exporting Party; which shall include the factual findings and the legal basis of its determination.

23. A Party shall not apply a determination of origin issued under paragraph 18 to an importation made before the date of entry into force of the determination origin where:

- (a) the customs authority of the exporting Party issued an advance ruling regarding the tariff classification or valuation of one or more materials used in the good under Article 5.07;
- (b) the importing Party's determination is based on a tariff classification or valuation for such materials that is different than that provided for in the advance ruling referred to in subparagraph (a); and
- (c) the customs authority issued the advance ruling before the importing Party's determination.

## **Article 5.07. Advance Rulings**

1. Each Party shall, through its competent authority, expeditiously provide a written advance ruling, prior to the importation of a good into its territory. The advance ruling shall be issued in response to a written application made by an importer in its territory or an exporter or producer in the territory of the other Party, based on the facts and circumstances stated by such importer, exporter or producer of the good, with respect to:

- (a) whether the good qualifies as originating according to Chapter 4 (Rules of Origin);
- (b) whether the non-originating materials used in the production of the good have undergone applicable changes on tariff classification established in Annex 4.03 (Specific Rules of Origin);
- (c) whether the good fulfills the requirement of regional value content established in Chapter 4 (Rules of Origin) and in Annex 4.03 (Specific Rules of Origin);
- (d) whether the method applied by an exporter or producer in the territory of the other Party, according to the norms and principles of the Customs Valuation Agreement, to calculate the transaction value of a good or of the materials used in the production of the good, with respect to which an advance ruling is being requested, is adequate for demonstrating whether the good satisfies a regional value content requirement according to Chapter 4 (Rules of Origin) and in Annex 4.03 (Specific Rules of Origin); or
- (e) such other matters as the Parties may agree.

2. Each Party shall establish directives for the issuance of advance rulings, including:

- (a) the obligation of the importer to provide information reasonably required to process an application for such ruling;
- (b) the power of the competent authority to ask at any time for additional information from the person who applies for an advance ruling, while evaluating such application;
- (c) the obligation of the competent authority to issue an advance ruling within a maximum period of one hundred twenty (120) days, once all the necessary information has been collected from the applicant; and
- (d) the obligation of the competent authority to issue an advance ruling in a complete, well-founded, and reasoned manner.

3. Each Party shall apply an advance ruling to the imports concerned, from the date on which the ruling is issued or a later date indicated in the ruling, unless such ruling has been modified or revoked according to paragraph 5.

4. Each Party shall provide any person who applies for an advance ruling the same treatment, including the same

interpretation and application of the provisions of Chapter 4 (Rules of Origin), regarding the determination of origin as provided for any other person, to whom an advance ruling has been issued, whenever the facts and circumstances are identical in all substantial aspects.

5. An advance ruling may be modified or revoked by the issuing competent authority:

(a) when it is based on an error:

(i) in fact;

(ii) in the tariff classification of the good or materials which are the subject of the ruling; or

(iii) in the application of the regional value content requirement according to Chapter 4 (Rules of Origin);

(b) when the ruling is not in accordance with the interpretation agreed by the Parties with respect to Chapter 4 (Rules of Origin);

(c) when there is a change in the facts or circumstances on which the ruling is based;

(d) for the purpose being in accordance with a modification of Chapter 4 (Rules of Origin) or this Chapter; or

(e) for the purpose of complying with an administrative decision independent from the issuing authority, a judicial decision or to adjust to a change in the national legislation of the Party that issued the advance ruling.

6. Each Party shall provide that any modification or revocation of an advance ruling shall enter into force from the date on which the modification or revocation is issued, or on such later date as may be specified therein, and shall not be applied to the importation of a good having occurred prior to that date, unless the person to whom the advance ruling was issued has not acted according to its terms and conditions.

7. Each Party shall provide that, when its competent authority verifies the origin of a good with respect to which an advance ruling has been issued, that authority shall evaluate whether:

(a) the exporter or producer has complied with the terms and conditions of the advance ruling;

(b) the operations of the exporter or producer are consistent with the facts and circumstances on which the advance ruling is based; and

(c) the data and calculations used in the application of criteria or methods to calculate the regional value content are correct in all substantial aspects.

8. Each Party shall provide that, when its competent authority determines that any of the requirements established in paragraph 7 has not been fulfilled, that authority may modify or revoke the advance ruling as the circumstances warrant.

9. Each Party shall provide that, when a person to whom an advance ruling has been issued demonstrates that he has acted with reasonable care and in good faith while stating the facts and circumstances on which the ruling was based, that person shall not be penalized whenever the issuing authority determines that the ruling was based on incorrect information.

10. Each Party shall provide that, when an advance ruling has been issued to a person who had falsely stated or omitted substantial facts or circumstances on which the ruling was based, or has not acted in accordance with the terms and conditions of the ruling, the competent authority may apply measures against that person according to the legislation of each Party.

11. The Parties shall provide that the holder of an advance ruling may use it solely while the facts or circumstances on which the ruling was based are maintained. In case those facts or circumstances have changed, the holder of the ruling shall be allowed to present the necessary information for the issuing authority to modify or revoke it according to paragraph 5.

12. Any good subject to an origin verification or a request for review or appeal in the territory of one of the Parties, shall not be subject to advance ruling.

## **Article 5.08. Confidentiality**

1. Each Party shall maintain, according to its legislation, the confidentiality of information, provided as confidential, collected according to this Chapter and shall protect such information from disclosure.

2. The confidential information collected in accordance with this Chapter may only be disclosed to the authorities in charge of the administration and enforcement of determinations of origin, and of customs and taxation matters according to the legislation of each Party.

## **Article 5.09. Penalties**

Each Party shall establish or maintain measures that impose criminal, civil or administrative penalties for violations of its laws and regulations related to the provisions of this Chapter.

## **Article 5.10. Review and Appeal**

1. Each Party shall grant the same rights of review and appeal with respect to determinations of origin and advance rulings to its importers, or to the exporters or producers of the other Party to whom those determinations of origin and rulings have been issued according to Article 5.06 and Article 5.07.

2. When a Party denied preferential tariff treatment to a good by a determination of origin based on non-compliance with

time periods established in this Chapter, with respect to the presentation of records or other information to the competent authority of that Party, the decision made in the review or appeal shall only deal with the noncompliance of the time period to which this paragraph refers.

3. Each Party shall provide that the rights of review and appeal referred to in paragraphs 1 and 2 shall include, in accordance with the laws of each Party, access to:

- (a) at least one level of administrative review independent of the official or office responsible for the determination of origin or advance ruling under review; and
- (b) judicial review.

## **Article 5.11. Uniform Regulations**

1. The Parties shall establish and implement, through their respective laws or regulations, by the date on which this Agreement enters into force, or at any later date as agreed by the Parties, the uniform regulations regarding the interpretation, application and administration of Chapter 4 (Rules of Origin), this Chapter and other matters as may be agreed by the Parties.

2. Any modification or addition to the uniform regulation shall be done as the Parties agree.

## **Article 5.12. Cooperation**

1. Each Party shall notify the other Party of the following determinations, measures and rulings, including, to the extent possible, the ones to be applied:

- (a) a determination of origin issued as a result of a verification of origin conducted according to Article 5.06, once the review and appeal referred to in Article 5.10 are exhausted;
- (b) a determination of origin that the Party considers contrary to a ruling issued by the competent authority of the other Party on the tariff classification or the value of a good, or of the materials used in the manufacturing of a good; (c) a measure that establishes or significantly modifies an administrative policy that may in the future affect the determinations of origin; and
- (d) an advance ruling, and its revocation or modification, issued according to Article 5.07.

2. The Parties shall cooperate:

- (a) in the enforcement of their respective customs laws or regulations, for the implementation of this Agreement, and, if applicable, under mutual customs assistance agreements, or in any another customs related agreement which they are parties to;
- (b) to the extent possible and for the purpose of facilitating the flow of trade between their territories, in customs issues such as the collection and exchange of statistics regarding the importation and exportation of goods, and the exchange of information;
- (c) to the extent possible, in the collection and exchange of documentation on customs procedures; and (d) in searching for a mechanism with the purpose of discovering and preventing the illegal transshipment of goods from a Party or non-Party.

## **Section CHAPTER 6. Safeguard Measures**

### **Article 6.01. Definitions**

For the purposes of this Chapter, the following terms shall be understood as:

**Agreement on Safeguards:** the Agreement on Safeguards which forms part of the WTO Agreement, its modifications or any successor agreement;

**causal link:** as defined in Agreement on Safeguards;

**critical circumstances:** those circumstances where delay of the application of the safeguard measure would cause damage that would be difficult to repair;

**domestic industry:** the producers as a whole of the like or directly competitive goods operating within the territory of a Party, or those whose collective output of the like or directly competitive goods constitutes a major proportion of the total domestic production of those goods;

**investigating authority:** the investigating authority shall be:

- (a) in the case of the Republic of China (Taiwan), the International Trade Commission of the Ministry of Economic Affairs, or its successor;
- (b) in the case of the Republic of El Salvador, the Dirección de Administración de Tratados Comerciales del Ministerio de Economía, or its successor; and
- (c) in the case of the Republic of Honduras, the Dirección General de Integración Económica y Política Comercial de la Secretaría de Estado en los Despachos de Industria y Comercio, or its successor;

**safeguard measure:** all kinds of tariff measures as applied in accordance with the provisions of this Chapter, with the

exception of any derived safeguard measure of an initiated procedure before the entering into force of this Agreement; (1) **serious injury**: as defined in the Agreement on Safeguards; threat of serious injury: as defined in the Agreement on Safeguards; and

**transition period**: a period of ten (10) years as of the date this Agreement enters into force; except when it refers to a good where tariffs should be eliminated in a period of more than ten (10) years, according to the Schedule on Annex 3.04 (Tariff Reduction Schedule) of the Party that applies the measure, in which case transition period means the one set out in the aforementioned Schedule.

(1) The Parties understand that neither tariff rate quotas nor quantitative restrictions would be a permissible form of safeguard measure.

## Article 6.02. Bilateral Safeguard Measures

1. All the substantive aspects, procedures and in general the application of the safeguard measures shall be governed by this Chapter, and Article XIX of GATT 1994, the Agreement on Safeguards and the applicable legislation for each Party as supplementary.
2. During the transition period, each Party may apply a safeguard measure according to the procedure established in this Chapter if, as a result of the reduction or elimination of a customs tariff in accordance with this Agreement, an originating good from the territory of a Party is being imported into the territory of the other Party, in such increased quantities, in absolute terms or relative to domestic production and under such conditions as to constitute a substantial cause of serious injury, or a threat thereof, to the domestic industry of the like or directly competitive good.
3. The importing Party may to the extent necessary to prevent or remedy serious injury, or the threat thereof:
  - (a) suspend the further reduction of any customs tariff provided for under this Agreement on the good; or
  - (b) increase the customs tariff on the good to a level not to exceed the lesser of:
    - (i) the Most Favored Nation (MFN) applied customs tariff in effect at the time the measure is taken; or
    - (ii) the MFN applied customs tariff in effect on the day immediately preceding the date of entry into force of this Agreement.
4. The Republic of El Salvador and the Republic of Honduras shall have the right to extend the period of application of a safeguard measure for up to an additional two (2) years beyond the maximum period provided for in Article 6.02, paragraph 5.
5. The following conditions shall be observed in the proceeding that may result in the application of a safeguard measure according to paragraph 2:
  - (a) a Party shall, without delay and in writing, notify the other Party of the initiation of the proceeding which could have as a consequence the application of a safeguard measure against a good originating in the territory of the other Party;
  - (b) any safeguard measure shall be initiated no later than one (1) year from the date of the initiation of the procedure; except for what is established by the Article 6.04 paragraph 15;
  - (c) no safeguard measure may be maintained: (i) for more than four (4) years, extendable for a period of four (4) additional consecutive years, as provided in Article 6.04 paragraphs 27 through 29; or
  - (ii) after the termination of the transition period, unless with the consent of the Party against whose good the measure is applied;
  - (d) a safeguard measure may be applied as many times as necessary, provided that at least a period has elapsed, equivalent to half of the time during which the safeguard measure was applied for the first time;
  - (e) the period in which a provisional safeguard measure has been applied shall be calculated for the purpose of determining the period of duration of the definitive safeguard measure established in subparagraph (c) of this paragraph;
  - (f) provisional measures that do not become definitive shall be excluded from the limitation provided for in subparagraph (d) of this paragraph; and
  - (g) on the termination of the safeguard measure, the applied customs tariff shall be the rate as that in the Tariff Reduction Schedule.
6. In critical circumstances a Party may apply provisional bilateral safeguard measures pursuant to a preliminary determination that there is clear evidence that increased imports have been given on originating goods of the other Party, as a result of the reduction or elimination of duty pursuant to this Agreement and under such conditions as to constitute a serious injury or threat thereof. The duration of provisional measures shall not exceed two hundred (200) days.

## Article 6.03. Global Safeguard Measures

1. Each Party shall reserve its rights and obligations in accordance with Article XIX of GATT 1994, and the Agreement on Safeguards, its modifications or successor provisions, except those relating to compensation or retaliation and exclusion of a safeguard measure which are inconsistent with the provisions of this Article.
2. Any Party applying a safeguard measure in accordance with paragraph 1 shall exclude from this measure, goods imported from the other Party, unless:

- (a) imports from the other Party account for a substantial share of total imports. Those imports normally shall not be considered to be substantial if that Party is not among the top three suppliers of the good subject to the proceeding, measured in terms of its import share during the most recent three (3) year period; and
- (b) imports from the other Party contribute importantly to the serious injury, or threat thereof, caused by total imports. To determine this, the investigating authority shall consider factors such as the change in the import share of the other Party in the total imports, as well as the import volume of the other Party and the changes in that volume. Normally, the imports from a Party shall not be considered to contribute importantly to serious injury, or threat thereof, if its growth rate of imports from a Party, during the period in which the injurious surge in imports occurred, is appreciably lower than the growth rate of total imports from all sources during the same period.
3. A Party shall notify in writing within a fifteen (15) day term to the other Party of the initiation of a proceeding that may result in the application of a safeguard measure, in accordance with paragraph 1 of this Article.
4. No Party may apply a measure under paragraph 1 of this Article, that imposes restrictions on a good, without previous notification in writing to the other Party, and without giving appropriate opportunity to carry out consultations in advance with the other Party, with as much anticipation as feasible before applying it.
5. When a Party determines, in accordance with this Article, that it needs to apply a safeguard measure to those goods originating from the other Party, the measure applied to those goods shall consist, only and exclusively, of tariff measures.
6. The Party applying a safeguard measure under this Article shall provide to the other Party mutually agreed trade liberalization compensation, in the form of concessions, having substantially equivalent trade effects or equivalent to the additional customs tariff expected to result from the safeguard measure.
7. If the Parties are unable to agree on the compensation, the Party against whose good the safeguard measure is applied may impose measures which have trade effects substantially equivalent to the effects of the safeguard measure applied pursuant to paragraph 1 of this Article.

## **Article 6.04. Administration of the Safeguard Measure Proceedings**

1. Each Party shall ensure the consistent, impartial and reasonable application of the applicable legislation of each Party, regulations, decisions and rulings governing the application of safeguard measure proceedings, which shall be consistent with the provisions set forth in Article XIX of GATT 1994, Agreement on Safeguards, its modifications or successors.
2. Safeguard proceedings and the determination of the existence of serious injury or threat thereof shall be entrusted to the investigating authority of each Party. The investigating authority empowered under the domestic law of each Party to conduct these proceedings should be provided with all the necessary resources to fulfill its duties.
3. Each Party shall comply in an equitable, timely, transparent and effective manner with the safeguard proceedings under this Chapter.

### *Proceeding*

4. The investigating authority may initiate a proceeding ex officio or by a petition of a domestic industry. When the investigating authority acts ex officio it shall notify the domestic industry to corroborate with its consent to continue the investigation.
5. When the procedure is initiated ex officio, or is a result of a petition by the domestic industry, support by at least twenty five percent (25%) of said domestic industry shall be required.

### *Content of the Petition*

6. The domestic industry that files a petition to initiate an investigation shall provide the following information in the petition, to the extent that such information is publicly available from governmental or other sources, or its best estimates and the basis therefore if such information is not thus available:
- (a) designation of the investigating authority to whom the petition is presented;
  - (b) data of identification of the petitioner or petitioners, as well as the location of the establishments in which they produce the like or directly competitive good. A proxy shall document the capacity with which they act;
  - (c) documentation to certify petitioner's share of domestic production of the like or directly competitive goods they represent and reasons for claiming that they represent said domestic industry;
  - (d) description of the imported good concerned at the level of tariff subheading under which that good is classified, or when necessary at a more detailed level, the effective tariff treatment as well as the specifications and elements that allow to compare them with domestic goods;
  - (e) description of the affected like or directly competitive domestic goods and its tariff subheading;
  - (f) volume and value of the imports;
  - (g) import data for each of the three (3) full years immediately prior to the initiation of the safeguard proceedings that form the basis of the claim that the good is being imported into the territory of the other Party, in increased quantities, either in absolute terms or relative to domestic production;
  - (h) cause of injury: the listing and description of the alleged causes of injury or threat thereof, and a summary of the basis for the assertion that imports of the good concerned increased relative to domestic production. The quantitative and

objective indicators that denote the nature and cause of injury or threat thereof to the domestic industry, such as changes in the level of sales, prices, production, productivity, utilization of installed capacity, market share, profits or losses, and employment;

(i) volume and value of the domestic production of the like or directly competitive goods for each of the three (3) full years immediately prior to the initiation of the safeguard measure proceedings;

(j) petition to initiate the investigation and for the imposition of a safeguard measure;

(k) lists of known importers and exporters with addresses or place to serve them notice;

(l) petitioner's addresses or place to serve them notice;

(m) place and date of petition; and

(n) signature of the petitioner or legal representative.

#### *Acceptance or Rejection of the Petition*

7. After receiving a petition, the investigating authority shall review it and determine within thirty (30) days whether to accept the petition:

a) If the petition fulfills the requirements, the investigating authority shall initiate the investigation;

b) If the petition does not fulfill the requirements, the investigating authority shall notify the petitioner of the requirement to fulfill them within a period of fifteen (15) days and this term shall be extended for the same period at the request of the interested parties; or

c) the investigating authority may reject the petition, through a justified resolution, if there are not enough elements to justify the investigation or if the petitioner fails to fulfill the standing requirements of the domestic industry support. If the petitioner fulfills the requirements pursuant to part b) of this paragraph, the investigating authority shall, within thirty (30) days after the petitioner fulfills the requirements, accept the petition and initiate the investigation or reject it. If the petitioner does not fulfill the requirements, the investigating authority shall reject it, without prejudice of submittal of a new petition by the interested parties at a later date.

#### *Resolution to Initiate an Investigation*

8. The resolution to initiate an investigation shall contain as minimum:

(a) identification of the investigating authority, as well as the place and date on which the resolution is issued;

(b) indication that the petition is accepted along with the attached documents;

(c) name of the individual or legal person of domestic producers of the like or directly competitive goods that support the petition and their addresses to be served notice;

(d) description of the imported good concerned at the level of the tariff subheading under which that good is classified, or when necessary at a more detailed level, the effective tariff treatment, as well as a description of the like or directly competitive goods;

(e) the basis that sustains the resolution;

(f) previous representative period;

(g) time period for interested parties to submit written allegations and related documents; and (h) other relevant data.

#### *Notifications in General*

9. The notifications in the proceedings shall be made in writing within fifteen (15) days after the date the resolutions are issued, with attached copies of public versions of the petition and documents.

#### *Publication Requirements*

10. When initiating an investigation, the investigating authority shall publish a notice of initiation in an official journal of the Party or nation-wide newspaper, within a period of ten (10) days starting from the acceptance of the petition. The notification of the investigation initiation shall be sent through the investigating authority to the other Party by certified mail, courier, fax or any other means that will ensure its reception.

#### *Opposition*

11. The investigating authority shall grant forty-five (45) days to the interested parties, starting from the day after the notification that the investigation has initiated, to allow them to submit their position and introduce evidence. The investigating authority may, at the request of the interested parties, extend the period by no more than thirty (30) days.

12. The previous representative period, shall be the basis for the determination of the existence of serious injury or threat thereof to the domestic industry and shall be determined by the investigating authority upon initiating the investigation and can be modified when necessary.

#### *Previous Representative Period Consultations*

13. Once a petition is accepted, the Party that intends to initiate the case shall notify the other Party, and the Parties may hold consultations at any time during the proceeding, without interrupting them.

14. During these consultations the Parties may address, among others, any issue relating to the investigation, the elimination of the measure, and in general, any related issues.

#### *Period of Investigation*

15. An investigation shall normally be concluded within one hundred eighty (180) days, and in exceptional circumstances qualified by the investigating authority, shall conclude three hundred and sixty five (365) days from the initiation of the

investigation.

#### *Information Required*

16. The investigating authority may request all kinds of information from the interested parties. When the interested parties deny access to the necessary information, or they do not cooperate within the period set by the investigating authority, it can make a determination based on the evidence available.

#### *Provisional Safeguard Measures*

17. If the justified elements are gathered for the petition of a provisional measure, and the investigating authority has made an affirmative injury determination or threat thereof, it may recommend that the competent authority imposes a provisional measure.

18. Provisional measures shall take the form of customs tariff increases to be promptly refunded, pursuant to this Chapter, if the subsequent investigation does not determine that increased imports have caused or threatened to cause serious injury to a domestic industry.

#### *Evidence of Serious Injury or Threat Thereof*

19. In conducting its proceedings the investigating authority shall gather, to the best of its ability, all relevant information appropriate to make the determination. It shall evaluate all relevant factors of an objective and quantifiable nature having a bearing on the situation of the domestic industry, including the rate and amount of the increased import quantities, absolute or relative to domestic production of the good concerned, the share of the domestic market taken by the increased imports, changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment. In making its determination, the investigating authority may also consider other economic factors, such as changes in prices and inventories, and the ability of the domestic industry to raise capital or investments.

#### *Public Hearing*

20. During the course of each proceeding, the investigating authority shall: (a) notify the date and the place of the public hearing to the interested parties, including the importers and exporters, fifteen (15) days before it is held, to allow them to appear in person or through a representative to submit evidence, allegations and be heard on issues of serious injury or threat thereof and the appropriate remedy; and (b) provide an opportunity to all interested parties appearing at the hearing to express their arguments and to ask questions.

21. After the public hearing, the interested parties should have fifteen (15) days to submit their supplementary evidence and conclusions on the investigation, in writing, to the investigating authority.

#### *Confidential Information*

22. The investigating authority shall establish or maintain procedures for the treatment of confidential information protected by the national legislation that is provided in the course of the proceeding, and shall request that the interested parties furnish non-confidential written summaries thereof. If the interested parties indicate that the information cannot be summarized, they shall explain the reasons why a summary cannot be provided. Unless it is demonstrated that the information is accurate, in a convincing way and from an accurate source, the authority may disregard that information.

23. The investigating authority shall not disclose any confidential information provided in accordance with any obligation related to the confidential information obtained in the course of the proceedings.

#### *Deliberation and Determination*

24. The competent authority, before making definitive determination in a proceeding for the application of safeguard measures, shall allow sufficient time to gather and check relevant information, shall hold a public hearing and provide opportunity for all interested parties to prepare and submit their views.

25. The investigating authority shall promptly publish a final determination notice in an official journal or nation-wide newspaper publicizing the results of the investigation and the reasoned conclusions on all pertinent issues of law and fact. The determination notice shall include a description of the imported good, its tariff subheading, the methodology applied and the findings made in the proceedings. The statement of reasons shall set out the basis for the determination, including a description of:

- (a) the domestic industry seriously injured or threatened with serious injury;
- (b) information supporting a finding that imports are increasing, the domestic industry is seriously injured or threatened with serious injury, and increasing imports are causing or threatening to cause serious injury; and
- (c) if provided for by domestic law, any finding or recommendation regarding the appropriate remedy, as well as the basis thereof.

26. Each Party shall ensure that the determinations in safeguard measure proceedings may be subject to review by judicial or administrative proceedings of the Party, as provided in its domestic laws. Negative determinations of the existence of serious injury or threat thereof shall not be subject to modification by the competent authority, unless the modification is required by such judicial or administrative review.

#### *Extension of Measures*

27. If the importing Party determines that reasons justify the extension of a bilateral safeguard measure, the Party shall notify the competent authority of the other Party of its intention to extend the measure at least ninety (90) days before the measure is expected to expire, and shall prove that the reasons leading to its application persist, for the purpose of holding respective consultations, which shall be done according to the provisions of this Article.

28. The domestic industry that submitted the request for an extension of measures shall present a readjustment plan, including variables controllable by the domestic industry or production involved to eliminate injury or threat thereof.

29. The notifications of extension and compensation shall be presented pursuant to this Article prior to the expiration of the applied measures.

#### *Compensation*

30. The Party that applies a safeguard measure according to this Article shall provide to the other Party mutually agreed compensation in the form of concessions that have commercial effects substantially equivalent to the value of the additional customs duties that are expected from the safeguard measure. However, no compensation shall be provided for the first three (3) years that the safeguard measure is in effect, as well as the right of suspension of the concession or other obligations substantially equivalent shall not be exercised by the Party against which the safeguard measure is applied during these three (3) years.

31. Following the expiration of the three (3) years mentioned in the previous paragraph, the Party that applies the measure shall give opportunity to hold consultations within ninety (90) days following the expiration. If the Parties cannot reach an agreement on compensation, the Party to whose good the safeguard measure is applied shall be able to suspend concessions or other obligations that have commercial effects substantially equivalent to those of the applied safeguard measure according to this Article, after having notified the other Party in writing at least thirty (30) days before imposing these measures. The Party shall apply the tariff measure during the necessary minimum period to reach the effects substantially equivalent and in any event it shall cease when the other Party finishes the application of the safeguard measure.

### **Article 6.05. Dispute Settlement with Regards to Safeguard Measures**

No Party shall request the establishment of an arbitral panel, under Article 15.07 (Establishment of an Arbitral Panel), before the application of a safeguard measure by the other Party.

## **Chapter 7. Unfair Trade Practices**

### **Article 7.01. Anti-dumping and Countervailing Measures**

The Parties confirm their rights and obligations for the application of antidumping or countervailing duties imposed by a Party on the goods imported from the territory of the other Party, such measures shall be subject to Article VI and XVI of GATT 1994, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 and the Agreement on Subsidies and Countervailing Measures.

### **Article 7.02. Scope of Application**

Except as provided in this Chapter, the antidumping and countervailing duties shall be applied by the Parties in accordance with the provisions of the agreements set forth in Article 7.01 and the legislation of each Party as suppletory.

### **Article 7.03. Investigating Authority**

For the investigation and application of the provisions of this Chapter the investigating authority in the case of the Republic of China (Taiwan), is the Ministry of Economic Affairs and the Ministry of Finance, or their successors; in the case of the Republic of El Salvador is the Dirección de Administración de Tratados Comerciales del Ministerio de Economía, or its successor; and in the case of the Republic of Honduras is the Dirección General de Integración Económica y Política Comercial de la Secretaría de Estado en los Despachos de Industria y Comercio, or its successor.

### **Article 7.04. Consultations**

Prior to initiating an antidumping or countervailing investigation under this Chapter, the Parties may hold consultations in order to clarify the facts of the situations and to arrive at a mutually agreed solution.

### **Article 7.05. Support of Domestic Industry**

An antidumping or countervailing investigation shall not be initiated between the Parties unless the authority has determined that the application has been made by on behalf of the domestic industry whose collective output constitutes more than fifty per cent (50 %) of the total production of the like products produced by that portion of the domestic industry expressing either support for or opposition to the application, however no investigation shall be initiated when the domestic

producers expressly supporting the application account for less than twenty five per cent (25 %) of the total production of the like products produced by the domestic industry.

## **Article 7.06. Maximum Period for Completing an Investigation**

An investigation on dumping or subsidy practices initiated by a Party against the goods imported from the territory of the other Party shall be concluded within one (1) year after its initiation and, in special circumstances, this period may be extended to no more than eighteen (18) months, after its initiation.

## **Article 7.07. Duration of Measures**

Notwithstanding the right to review in accordance with the WTO Agreements included in Article 7.01, any definitive antidumping or countervailing duty imposed by a Party on a good imported from the territory of the other Party shall be terminated on a date no later than five (5) years from its imposition.

# **Part THREE. TRADE BARRIERS**

## **Section CHAPTER 8. Sanitary and Phytosanitary Measures**

### **Article 8.01. Definitions**

For purposes of this Chapter, the Parties shall apply the definitions and terms set out in:

- (a) the Agreement on the Application of Sanitary and Phytosanitary Measures, that forms a part of the WTO Agreement, hereinafter referred to as ASPS;
- (b) the World Organisation for Animal Health, hereinafter referred to as OIE;
- (c) the International Plant Protection Convention, hereinafter referred to as IPPC; and
- (d) the Codex Alimentarius Commission, hereinafter referred to as Codex.

### **Article 8.02. General Provisions**

1. The Parties reaffirm their existing rights and obligations with respect to each other under the ASPS.
2. The Parties, on the basis of the ASPS, establish this framework of rules and disciplines that shall guide the adoption and implementation of sanitary and phytosanitary measures.
3. The authorities legally responsible for ensuring the compliance with the sanitary and phytosanitary obligations provided in this Chapter shall be deemed as the competent authorities.
4. The Parties shall facilitate trade through mutual cooperation to prevent the introduction or spreading of pests or diseases and to improve plant health, animal health, and food safety.
5. The Parties shall use the relevant dispute settlement provisions of the WTO Agreement, instead of Chapter 15 (Dispute Settlement) of this Agreement, for any formal disputes related to their rights and obligations under the ASPS.

### **Article 8.03. Rights of the Parties**

The Parties, according to the ASPS, may:

- (a) establish, adopt, maintain or implement any sanitary or phytosanitary measures in their territories, only to the extent necessary to protect human life and health (food safety) and animal life or to preserve plant health, even if they are stricter than international standards, guidelines or recommendations, provided that there is a scientific basis to justify them;
- (b) implement the sanitary and phytosanitary measures only to the extent necessary to reach an appropriate level of protection; and
- (c) ensure that plants, animals, products and by-products bound for export are subject to sanitary and phytosanitary monitoring to ensure conformity with the requirements of the sanitary and phytosanitary measures established by the importing Party.

### **Article 8.04. Obligations of the Parties**

1. Sanitary and phytosanitary measures shall not constitute a disguised restriction to trade and shall not have the purpose or effect of creating an unnecessary obstacle to trade between the Parties.
2. Sanitary and phytosanitary measures shall be based on scientific principles, shall only be maintained if there are reasons to sustain them and shall be based on risk assessment.

3. Sanitary and phytosanitary measures shall be based on international standards, guidelines or recommendations.
4. Where conditions are identical or similar, sanitary and phytosanitary measures shall not discriminate arbitrarily or unjustifiably.

## **Article 8.05. International Standards and Harmonization**

With the aim to harmonize sanitary and phytosanitary measures, the procedures of control, inspection and the approval of sanitary and phytosanitary measures of the Parties, shall be based on the following principles:

- (a) each Party shall use international standards, guidelines or recommendations as reference guideline for its sanitary and phytosanitary measures;
- (b) each Party may adopt, implement, establish or maintain a sanitary or phytosanitary measure with a level of protection different from or stricter than that of international standards, guidelines or recommendations, provided that there is scientific justification for the measure;
- (c) with the aim of reaching a higher degree of harmonization, each Party shall follow the guidelines of the ASPP, the IPPC for plant health, the OIE for animal health and the Codex for food safety and tolerance limits; and
- (d) the Parties shall establish harmonized systems for the procedures of control, inspection and approval of the sanitary and phytosanitary measures for animals, plants, their products and by-products as well as food safety.

## **Article 8.06. Equivalence**

With the purpose of implementing sanitary and phytosanitary measures in the territory of the Parties, the Parties shall implement control, inspection and approval procedures according to the following principles:

- (a) each Party shall accept the sanitary or phytosanitary measures of the other Party as equivalent, even if these measures differ from its own in the same product, if the other Party objectively demonstrates to the Party that, based on scientific information and risk assessment, its measures achieve the Party's appropriate level of sanitary or phytosanitary protection. Upon request by a Party, the other Party shall give reasonable access to information related to its inspection, testing and other relevant procedures; and
- (b) the Parties shall facilitate access to their territories for the purpose of inspection, testing and other relevant procedures in order to establish equivalence of sanitary and phytosanitary measures.

## **Article 8.07. Assessment Risk and Determination of the Appropriate Level of Sanitary and Phytosanitary Protection**

According to the guidelines developed by relevant international organizations:

- (a) the Parties shall ensure that their sanitary and phytosanitary measures are based on an assessment, as appropriate to the circumstances, of the existing risk for the protection of human life and health (food safety) and animal health, or to protect plant health taking into account the guidelines and risk assessment techniques developed by relevant international organizations;
- (b) the Parties shall provide necessary access for assessing sanitary and phytosanitary services through the procedures in force for verification of control, inspections, approval procedures, measure implementation and programs on sanitary and phytosanitary matters, on the basis of the guidelines and recommendations of the international organizations recognized by the WTO;
- (c) in assessing the risk of a good and in establishing the appropriate level of protection, the Parties shall take into account the following factors among others:
  - (i) available scientific and technical information;
  - (ii) existence of pests or diseases;
  - (iii) epidemiology of pests and diseases of quarantine importance;
  - (iv) analysis of critical control points in sanitary (food safety) and phytosanitary aspects;
  - (v) physical, chemical and biological hazards in foods;
  - (vi) relevant ecological and environmental conditions;
  - (vii) production processes and methods, and inspection, sampling and testing methods;
  - (viii) structure and organization of sanitary or phytosanitary services;
  - (ix) procedures for protection, epidemiological surveillance, diagnostic and treatment to ensure food safety;
  - (x) loss of production or sales in the event of the entry, establishment, spread or dissemination of a pest or disease; (xi) applicable quarantine measures and treatments that shall satisfy the importing Party on risk mitigation; and
  - (xii) costs of controlling or eradication of pests or diseases in the territory of the importing Party and relative cost-effectiveness of other possible methods to reduce the risk;
- (d) for the purpose of establishing and harmonizing the appropriate level of protection, the Parties shall avoid arbitrary or unjustifiable distinctions that may result in discrimination or disguised restriction to trade;

(e) where relevant scientific evidence is insufficient for carrying out risk assessment, the Party may provisionally adopt sanitary and phytosanitary measures on the basis of available pertinent information, including that from the relevant international organization described in this Chapter. In such circumstances, the Parties shall seek to obtain the additional information necessary for a more objective assessment of risk and review the sanitary or phytosanitary measures accordingly within a reasonable time frame, and with this aim, the following procedures shall be applied:

(i) the importing Party that applies the provisional measure, shall request from the other Party, within thirty (30) days of adoption of the provisional measure, the necessary technical information to complete the risk assessment, and the other Party shall provide the information. If the information is not provided, the provisional measure shall be sustained, and if on expiration of this period the information has not been requested, the provisional measure shall be withdrawn;

(ii) if the importing Party has requested information, it shall have sixty (60) days from the date of provision of this information to review, withdraw or keep as final the provisional measure. If necessary, the Party may extend this time period

(iii) the importing Party may request clarification about the information provided by the exporting Party after its receipt;

(iv) the importing Party shall allow the exporting Party to make its comments and shall take them into account for its conclusion of the risk assessment; and (v) the adoption or revision of the provisional sanitary or phytosanitary measure shall be immediately notified to the other Party through the notification authorities established under the ASPS;

(f) if the result of risk assessment involves non-acceptance of the importation, the scientific basis for the decision shall be notified in writing; and

(g) when a Party has reasons to believe that a sanitary or phytosanitary measure established or maintained by the other Party restricts or may restrict its exports and that the measure is not based on relevant international standards, guidelines or recommendations, or such standards, guidelines or recommendations do not exist, the Party may demand an explanation for the reasons of the sanitary and phytosanitary measures and the Party maintaining these measures shall provide the explanation within sixty (60) days from the date of receipt of the inquiry by the competent authority.

## **Article 8.08. Recognition of Pest- or Disease-free Areas and Areas of Low Pest or Disease Prevalence**

1. The Parties shall recognize the pest- or disease-free areas and the areas of low pest or disease prevalence according to international standards, guidelines or recommendations, taking into account geographical situation, ecosystems, epidemiological surveillance and the effectiveness of sanitary and phytosanitary controls in the area.

2. The Party claiming that an area within its territory is free from a specific pest or disease, shall demonstrate objectively to the importing Party this condition and ensure that it will be maintained as such, on the basis of the protection measures adopted and implemented by those in charge of the sanitary and phytosanitary services.

3. The Party interested in obtaining recognition that an area is free from a specific pest or disease shall send the request to the other Party and provide relevant scientific and technical information.

4. The Party that receives the request for recognition may carry out inspections, testing and other verification procedures. If the Party does not accept the request, it shall indicate in writing the technical basis for its decision.

5. The Parties may initiate consultation in order to reach agreement on specific requirements for recognition of pest- or disease-free areas or areas of low pest or disease prevalence. Due to the lack of international standards for the recognition of areas of low pest or disease prevalence, it is agreed by both Parties that the recognition of such areas shall be pending until the establishment of the international standards.

## **Article 8.09. Control, Inspection and Approval Procedures**

1. The Parties, according to this Chapter, shall observe the provisions of Annex C to the ASPS on control, inspection and approval procedures, including approval of the use of additives or establishment of tolerances for contaminants in food, beverages and feedstuffs.

2. When the competent authority of the exporting Party requests for the first time to the competent authority of the importing Party to inspect a production unit or production process in its territory, the competent authority of the importing Party shall, upon completion of review and evaluation of necessary documents and information and risk assessment required by the importing Party, carry out the inspection within a period of one hundred (100) days. This period may be extended by mutual agreement between the Parties in those cases where it can be justified. When the inspection is completed, the competent authority of the importing Party shall issue a decision based on the results on the inspection and shall notify the exporting Party within ninety (90) days after the inspection.

## **Article 8.10. Transparency**

1. Each Party, when proposing adoption or modification of a sanitary or phytosanitary measure of general application, shall

notify the following:

- (a) adoptions and modifications of these measures, it shall also provide information on measures according to the provisions of Annex B to the ASPS, and shall implement the relevant adjustment;
- (b) changes or revisions in sanitary or phytosanitary measures that have a significant effect on trade between the Parties, within sixty (60) days prior to the entry into force of the new provisions, to allow the other Party to comment; such requirement shall be exempted for emergencies, according to the provisions of Annex B to the ASPS;
- (c) changes in the status of animal health, as the occurrence of exotic diseases and listed diseases in List A of the OIE, within twenty-four (24) hours after confirming the disease;
- (d) changes in the phytosanitary status, as the occurrence of quarantine pests and diseases or spread of quarantine pests and diseases under official control, within seventy-two (72) hours of their verification; and
- (e) disease outbreaks which are scientifically shown to be caused by the consumption of imported food and food products, natural or processed.

2. The Parties shall use the notification authorities and enquiry points established under the ASPS as communication channels. When emergency measures are needed, the Party shall immediately notify the other Party in 8-6 writing, indicating briefly the purposes and basis of the measure, and the nature of the problem.

3. According to the provisions of Article 13.02 (Information Center), each Party shall answer any reasonable request for information from the other Party and shall provide relevant documentation according to the principles of paragraph 3 of Annex B to the ASPS.

## **Article 8.11. Technical Consultations**

1. A Party, when necessary, may request consultations with the other Party regarding the application or interpretation of the content in this Chapter.

2. The Party that considers that the sanitary and phytosanitary measures of the other Party are interpreted or implemented inconsistently with this Chapter, shall have the burden to establish the inconsistency.

3. If the Party requests consultations, it shall notify the Committee. The Committee shall facilitate the consultations, and if necessary, forward to an ad-hoc working group for technical recommendations.

## **Article 8.12. Committee on Sanitary and Phytosanitary Measures**

1. The Parties hereby establish the Committee on Sanitary and Phytosanitary Measures ("the Committee"), as set out in Annex 8.12.

2. The Committee shall hear matters regarding this Chapter and, without prejudice to Article 14.05(2) (Committees), shall carry out the following functions:

- (a) monitoring the fulfilment and correct application of the provisions in this Chapter;
- (b) promoting the means necessary for the training and specialization of technical staff;
- (c) promoting the active participation of the Parties in international bodies;
- (d) creating and updating a database of specialists qualified in the fields of food safety, plant and animal health, for the purpose of the provisions of Article 14.06 (Groups of Experts);
- (e) enhancing mutual understanding of each Party's sanitary and phytosanitary measures and the regulatory processes that relate to those measures;
- (f) consulting on matters related to the development or application of sanitary and phytosanitary measures that affect, or may affect, trade between the Parties; and 8-7 (g) addressing sanitary and phytosanitary matters with a view to facilitating trade between the Parties.

3. The Parties shall establish the Committee through an exchange of letters identifying the primary representative of each Party to the Committee.

4. The Committee shall seek to promote communication and enhance present or future relationships between the Parties' ministries with responsibility for sanitary and phytosanitary matters.

5. The Committee shall seek to facilitate a Party's response, in reasonable time, to a written request for information from another Party. The Committee shall endeavor to ensure that the responding Party communicates to the requesting Party the steps involved in responding to the request.

6. The Committee shall meet if necessary as requested by the Parties.

7. All decisions of the Committee shall be taken by consensus, unless the Committee otherwise decides.

# **Chapter 9. Measures on Standards, Metrology, and Authorization Procedures**

## **Article 9.01. Definitions**

1. For purposes of this Chapter, the following terms shall be understood as:

administrative refusal: action taken in the exercise of its authorities by a public body of the importing Party to prevent the entry in its territory of a consignment that does not comply with its technical regulations, conformity assessment procedures or metrological requirements;

assessment of risk: evaluation of potential adverse effects on legitimate objectives that could impede trade; authorization

procedure: any mandatory administrative procedure for granting registration, license or any other approval for a good to be produced, marketed or used for a stated purpose or under stated conditions;

comparable situation: situation that offers the same level of safety or protection for reaching a legitimate objective;

conformity assessment procedure: any procedure used, directly or indirectly, to determine that a technical regulation or standard is fulfilled, including sampling, testing, inspection, evaluation, verification, assurance of conformity, registration, accreditation, and approval as well as their combinations;

international standard: a standard, guide or recommendation, adopted by an international standardizing body and made available to the public; international standardizing or metrological body: a standardizing or metrological body whose membership is open to at least all the Members of the WTO, including the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Codex Alimentarius Commission (CAC), the International Organization of Legal Metrology (OIML), the International Commission on Radiation Units and Measurements, Inc. (ICRU), or any other body that the Parties designate;

legitimate objectives: national security requirements, prevention of deceptive practices, protection of human health or safety, animal or plant life or health, or the environment;

make compatible: to bring different standards-related measures of the same scope approved by different standardizing bodies to a level such that they are either identical, equivalent or have the effect of permitting goods to be used in place of one another or for fulfilling the same purpose; standard: document approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for goods or related processes and production methods, with which compliance is not mandatory. It may also include, or deal exclusively with, terminology, symbols, packaging, marking or labeling requirements as they apply to a good, process or production method;

standardization measures: the rules, technical regulations, requirements of metrology or procedures for conformity assessment;

TBT Agreement: the WTO Agreement on Technical Barriers to Trade; and

technical regulation: document which lays down characteristics of goods or their related processes and production methods, including the applicable administrative provisions with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a good, process, or production method.

2. Except as defined in paragraph 1, the Parties shall use the terms of the current ISO/IEC Guide 2: 1996 "Standardization and Related Activities-General Vocabulary".

## **Article 9.02. General Provisions**

1. In addition to the provisions of the WTO Agreement, the Parties shall apply the provisions of this Chapter.

2. The Parties shall use the relevant dispute settlement provisions of the WTO Agreement, instead of Chapter 15 (Dispute Settlement) of this Agreement for any formal disputes, related to their rights and obligations under the TBT Agreement.

## **Article 9.03. Scope of Application**

1. This Chapter shall apply to the measures adopted by the Parties on standards, authorization procedures, and metrology, as well as on related measures that may directly or indirectly affect the trade in goods between the Parties.

2. This Chapter shall not apply to sanitary and phytosanitary measures.

## **Article 9.04. Basic Rights and Obligations**

### *Right to Adopt Standardization Measures*

1. Each Party may develop, adopt, apply, and maintain:

(a) measures on standards, authorization procedures, and metrology, according to the provisions of this Chapter; and (b) technical regulations and conformity assessment procedures that allow the Party to reach its legitimate objectives.

### *Unnecessary Barriers*

2. No Party shall develop, adopt, maintain or apply measures on standards, authorization procedures or metrology that have the purpose or effect of creating unnecessary trade barriers to the other Party.

### *Non-Discriminatory Treatment*

3. Each Party shall, in relation to measures on standardization, authorization procedures, and metrology, accord to the goods of the other Party national treatment and treatment no less favorable than that it accords to like goods of any other

country.

#### *Use of International Standards*

4. In the development or implementation of its measures on standardization, authorization procedures or metrology, each Party shall use international standards where they exist or their completion is imminent, or use the relevant parts of them, except where such international standards would not be an effective or appropriate means for fulfilling the legitimate objectives because of fundamental climatic, geographical, technological or infrastructural factors, or scientifically verified reasons.

### **Article 9.05. Assessment of Risk**

1. In pursuing its legitimate objectives, each Party conducting risk assessments shall take into account:

- (a) risk assessments carried out by international standardizing or metrological bodies;
- (b) available scientific evidence or technical information;
- (c) related processing technology; or
- (d) intended end uses of goods.

2. Where a Party establishes a level of protection that it considers appropriate and conducts an assessment of risk, it shall avoid arbitrary or unjustifiable distinctions between similar goods in the level of protection it considers appropriate, where the distinctions:

- (a) result in arbitrary or unjustifiable discrimination against goods of the other Party;
- (b) constitute a disguised restriction on trade between the Parties; or
- (c) discriminate between similar goods for the same use under the same conditions that pose the same level of risk and provide similar benefits.

3. A Party shall provide to the other Party, upon request, relevant documentation on its risk assessment processes and on the factors taken into account when conducting the assessment and definition of protection levels, according to Article 9.04.

### **Article 9.06. Compatibility and Equivalence**

1. Without prejudice to the rights conferred by this Chapter and taking into account the international activities on standards and metrology, the Parties shall, to the greatest extent, make compatible their respective standards and metrology measures, without reducing the level of safety or protection to human, animal or plant life or health, the environment and consumers.

2. A Party shall accept as equivalent to its own any technical regulations of the other Party, when in cooperation with the other Party, the importing Party determines that the technical regulations of the exporting Party adequately fulfill the legitimate objectives of the importing Party.

3. The importing Party shall provide to the exporting Party, on request, its reasons in writing for not treating a technical regulation as equivalent under paragraph 2.

### **Article 9.07. Conformity Assessment**

1. Each Party shall develop, adopt, and apply conformity assessment procedures to accord access to like goods from the territory of the other Party under conditions no less favorable than those accorded to its like goods or to those of any other country, in a comparable situation.

2. With regard to its conformity assessment procedures, each Party shall:

- (a) initiate and complete these procedures as expeditiously as possible and on a non-discriminatory basis;
- (b) publish the procedure and the normal period of each procedure or, upon request, to convey this information to the applicant;
- (c) have the competent body or authority review without delay upon receipt of an application if the documentation is complete and communicate to the applicant as soon as possible and with accuracy and thoroughness the findings of the assessment, so that the applicant may take corrective measures as needed and even when the application shows deficiencies, proceed with the conformity assessment as far as possible if requested by the applicant and, upon request, inform the applicant of the stage of the procedure and explain any possible delay;
- (d) request only the information necessary to assess the conformity and calculate the fees;
- (e) respect the confidentiality of the information about a good of the other Party obtained by such procedures or provided in connection with them, in the same manner as in the case of goods from the Party, so as to protect the legitimate trade interests;
- (f) make equitable the fees imposed for assessing the conformity of a good of the other Party, compared with the fees that would be collected for assessing the conformity of a like good of this Party, taking into account communication, transportation, and other costs due to differences in location of the applicant's premises and of the conformity assessment body;

- (g) ensure that the location of premises used in conformity assessment procedures and sampling procedures do not cause unnecessary inconvenience to applicants or their agents;
  - (h) if the specifications of a good are modified after the determination of its conformity with technical regulations or applicable standards, limit the conformity assessment procedure for the modified good to the extent necessary to determine with due assurance that the good shall continue to conform to the technical regulations or applicable standards; and
  - (i) establish a procedure for reviewing the claims related to the application of a conformity assessment procedure and adopt corrective measures if the claim is justified.
3. With the aim of advancing the facilitation of trade, a Party shall consider favorable a request from the other Party to initiate negotiations designed to conclude agreements for the mutual recognition of the results of their respective conformity assessment procedures.
4. To the extent practicable, each Party shall accept the results of conformity assessment procedures carried out in the territory of the other Party, provided that those procedures offer enough confidence, equivalent to the confidence of its own procedures and that the good meets the technical regulations or applicable standards adopted or maintained in the territory of this Party.
5. Before accepting the results of a conformity assessment procedure under paragraph 4 and with the aim of strengthening the sustained reliability of the results of conformity assessment of each Party, the Parties may consult about matters such as the technical capacity of conformity assessment bodies, including the verified compliance with relevant international standards through means such as accreditation.
6. Each Party, recognizing that the outcome shall be to the mutual advantage of both Parties, shall accredit, approve or recognize conformity assessment bodies in the territory of the other Party, in conditions no less favorable than those accorded to conformity assessment bodies in its territory.
7. The Parties may use the capacity and technical infrastructure of the accredited bodies established in the territory of the Parties in the conformity assessment procedures.

## **Article 9.08. Authorization Procedures**

1. Each Party shall develop, adopt and apply authorization procedures to accord access to like goods from the territory of the other Party under conditions no less favorable than that accorded to its goods or to the goods of any other country, in a comparable situation.
2. In relation to its authorization procedures, each Party shall:
- (a) initiate and complete these procedures as expeditiously as possible and in a non-discriminatory manner;
  - (b) publish the procedure and the normal period of each procedure or upon request to convey this information to the applicant;
  - (c) have the competent authority review without delay upon receipt of an application if the documentation is complete and communicate to the applicant as soon as possible and with accuracy and thoroughness the results of the authorization, so that the applicant may take corrective measures as needed, and even when the application shows deficiencies, proceed with the authorization procedure as far as possible if requested by the applicant and, upon request, inform the applicant of the stage of the procedure and explain any possible delay;
  - (d) request only the information necessary to authorize and calculate the fees;
  - (e) respect the confidentiality of the information about a good of the other Party obtained by such procedures or provided in connection with them, in the same manner as in the case of goods from the Party, in order to protect the legitimate trade interests;
  - (f) make equitable the fees imposed for authorization procedure with respect to a good of the other Party, compared with the fees that would be collected for an authorization procedure of a like good of this Party, taking into account communication, transportation, and other costs due to differences in location of the applicant's premises and of the authorizing body; and
  - (g) establish a procedure for reviewing the claims related to the application of an authorization procedure and adopt corrective measures if the claim is justified.

## **Article 9.09. Metrology**

Each Party shall ensure, to the extent practicable, the documented traceability of its standards and the calibration of its measuring instruments, according to the recommendations of the Bureau International des Poids et Mesures (BIPM) and the International Organization of Legal Metrology (OIML), and comply with the requirements set out in this Chapter.

## **Article 9.10. Notification**

1. In cases where there is no relevant international standard, or the technical content of a proposed technical regulation or

of a conformity assessment procedure does not conform with the technical content of the relevant international standards, and if these technical regulations may have a significant impact on trade between the Parties, each Party shall notify, in writing, the other Party of the proposed measure, at least sixty (60) days before its adoption, allowing the interested parties to make comments, discuss these comments upon request, and take these comments and the results of these discussion into account.

2. If a Party faces serious problems or the threat of serious problems related to safety, health, environment protection, and national security, this Party may not present the communication prior to the project, but once adopted shall notify the other Party.

3. The notifications under paragraphs 1 and 2 shall be done following the models established in the TBT Agreement. 4. Within thirty (30) days of entry into force of this Agreement, each Party shall notify the other Party of the institution designated to carry out the notifications under this Article.

5. Each Party shall notify in writing the other Party of its standardization plans and programs.

6. When a Party rejects a shipment by an administrative decision, the Party shall notify the person in charge of the shipment of the technical reasons for the rejection, without delay and in writing via fax, courier, e-mail or other media.

7. Once the information required under paragraph 5 is completed, the Party shall immediately transmit it to the Information Center of the other Party.

## **Article 9.11. Information Centers**

1. Each Party shall ensure the existence of an information center in its territory that may answer all reasonable questions and requests from the other Party and from interested persons and supply the relevant updated documentation relating to any measure on standards, metrology, conformity assessment procedures or authorization procedures adopted or proposed in its territory by governmental or non-governmental bodies.

2. Each Party designates the center set out in Annex 9.11(2) as Information Center.

3. If an information center requests copies of the documents referred to in paragraph 1 they shall be delivered without cost. The interested persons from the other Party shall receive copies of the documents at the same price as the nationals from this Party, plus the actual cost of shipment.

## **Article 9.12. Technical Consultations**

1. When a Party considers that a measure on standards, technical regulations, metrology or authorization procedures of the other Party is interpreted or applied in an inconsistent way with the provisions of this Chapter, the Party will have the obligation to prove the inconsistency.

2. When a Party requests consultations and notifies the Committee specified in Article 9.13, the Committee shall facilitate the consultations and send them to an ad-hoc working group or to another forum for consultations.

## **Article 9.13. Committee on Standards, Metrology, and Authorization Procedures**

1. The Parties hereby establish the Committee on Standards, Metrology, and Authorization Procedures, as set out in Annex 9.13.

2. The Committee will hear matters relating to this Chapter, without prejudice to the provisions of Article 14.05 (Committees), and shall have the following functions:

(a) analyzing and proposing ways to resolve measures on standards, authorization procedures, and metrology that a Party considers a technical barrier to trade;

(b) promptly addressing any issue that a party raises related to the development, adoption, application, or enforcement of standards, technical regulations, metrology requirements or conformity assessment procedures;

(c) facilitating the process by which the Parties shall make compatible their measures on standards and metrology, giving priority, *inter alia*, to labelling and packaging;

(d) promoting technical cooperation activities between the Parties;

(e) providing assistance to the risk assessment activities carried out by the Parties;

(f) working together to develop and strengthen the standards and metrology measures of the Parties; and

(g) facilitating the process by which the Parties shall establish mutual recognition agreements.

3. The Committee shall meet if necessary as requested by the Parties.

4. All decisions of the Committee shall be taken by consensus unless, the Committee otherwise decides.

# **Chapter 10. Investment**

## **Article 10.01. Definitions**

For purposes of this Chapter, the following terms shall be understood as:

Additional Facility Rules of ICSID: Additional Facility Rules of ICSID established in 1978;

claim: the claim made by the disputing investor against a Party under Section C of this Chapter;

disputing investor: an investor that makes a claim under Section C of this Chapter;

disputing parties: the disputing investor and the disputing Party;

disputing Party: a Party against which a claim is made under Section C of this Chapter;

disputing party: the disputing investor or the disputing Party;

enterprise: an "enterprise" as defined in Chapter 2 (General Definitions), and a branch of an enterprise;

enterprise of a Party: an enterprise constituted or organized under the law of a Party, and a branch located in the territory of a Party and carrying out business activities there;

ICC: the International Chamber of Commerce;

ICC Arbitration Rules: the Rules of Arbitration of the International Chamber of Commerce that came into effect on January 1, 1998;

ICSID: the International Centre for Settlement of Investment Disputes; |

ICSID Convention: the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965;

investment: any kind of goods or rights of any nature acquired or used with the purpose of obtaining an economic profit or other business objective, acquired with resources transferred or reinvested by an investor, and including:

(a) an enterprise, shares in an enterprise, shares in the capital of an enterprise that allow the owner to participate in its income or profits. Debt instruments of an enterprise and loans to an enterprise where:

(i) the enterprise is a branch of the investor; or

(ii) the date of maturity of the debt instrument or loan is at least three (3) years;

(b) a share in an enterprise that grants to the owner the right to participate in the assets of this enterprise in a liquidation, provided that they do not arise from a debt instrument or a loan excluded under subparagraph (a);

(c) real estate or other properties, tangible or intangible, including rights in the intellectual property field, as well as any other proprietary right (such as mortgages, liens, usufruct, and similar rights), acquired with the expectation of or used with the purpose of obtaining an economic benefit or other business objectives;

(d) share or benefits arising from the allocation of capital or other resources to the developing of an economic activity in the territory of a Party according, *inter alia* to:

(i) contracts that involve the presence of the property of an investor in the territory of a Party, including concessions and construction and turnkey contracts; or

(ii) contracts where remuneration substantially depends on the production, income, or profits of an enterprise; but investment does not include:

(a) a payment obligation or a credit granted to the State or a state enterprise;

(b) monetary claims exclusively derived from:

(i) commercial contracts for the sale of goods or services by a national or an enterprise in the territory of a Party to an enterprise in the territory of the other Party; or

(ii) a credit granted in relation to a commercial transaction, of which date of maturity is less than three (3) years, such as trade financing, except a loan covered by the provisions of subparagraph (a); or

(c) any other monetary claim that does not refer to aspects set out in subparagraphs (a) through (d);

investor of a non-Party: with respect to a Party, an investor that attempts to make, is making, or has made an investment in the territory of that Party, that is not an investor of a Party;

investor of a Party: a Party or a state enterprise of a Party or a national or an enterprise of a Party that makes, or has made an investment in the territory of the other Party; provided, however, that a natural person who is a dual national shall be deemed to be exclusively a national of the State of his or her dominant and effective nationality; investment of an investor of a Party: the investment property or under direct or indirect control of an investor of this Party.

In the case of an enterprise, an investment is property of an investor of a Party if that investor has the property of more than fifty percent (50%) of the equity. An investment is under the control of an investor of a Party if that investor has the power to:

(a) designate most of its directors; or

(b) direct otherwise its operations legally;

New York Convention: the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958;

transfers: remittance and international payments; Tribunal: an arbitration tribunal established under Article 10.22 and Article 10.28; and

UNCITRAL Arbitration Rules: the arbitration rules of the United Nations Commission on International Trade Law, approved by the United Nations General Assembly on December 15, 1976.

## **Article 10.02. Scope and Coverage**

1. This Chapter applies to measures adopted or maintained by a Party relating to:
  - (a) investors of the other Party with respect to all aspects of its investments;
  - (b) investments of investors of the other Party in the territory of the Party; and
  - (c) all investments of the investors of a Party in the territory of the other Party with regard to Article 10.07.
2. This Chapter does not apply to the measures adopted or maintained by a Party related to:
  - (a) financial services;
  - (b) limiting the participation of an investment of investors of the other Party in its territory for reasons of public order or national security;
  - (c) government services or functions such as law enforcement, correctional services, income security or unemployment insurance, social security services, social welfare, water supply, public education, public training, health, and child care; and
  - (d) disputes or claims arising before the entry into force of this Agreement or relating to facts that occurred before it entered into force, even if their effects persist thereafter.
3. This Chapter applies to the entire territory of the Parties and to any level of government, regardless of any inconsistent measures that may exist in the law of these government levels.
4. Notwithstanding the provisions of paragraph 2 (c), if a duly authorized investor from a Party provides services or carries out functions such as correctional services, income security or unemployment insurance, social security services, social welfare, water supply, public education, public training, health, and child care, the investment of this investor shall be protected by the provisions of this Chapter.
5. Except for the provisions of Annex 10 D, this Chapter shall apply to both investments made prior to and after the entry into force of this Agreement, by investors of a Party in the territory of the other Party.

### **Article 10.03. National Treatment**

1. Each Party shall accord to investors of the other Party treatment no less favorable than that it accords, in like circumstances, to its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments in its territory.
2. Each Party shall accord to investments of investors of the other Party treatment no less favorable than that it accords, in like circumstances, to investments of its own investors with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments.

### **Article 10.04. Most-favored-nation Treatment**

1. Each Party shall accord to investors of the other Party treatment no less favorable than that it accords, in like circumstances, to investors of a non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments in its territory.
2. Each Party shall accord to investments of investors of the other Party treatment no less favorable than that it accords, in like circumstances, to investments of investors of a non-Party with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments.
3. For greater certainty, the treatment granted by this Article does not extend to the treatment accorded in other dispute settlement mechanisms, such as those provided for in Section C Settlement of Disputes Between a Party and an Investor of the Other Party of this Chapter, that are contained in international treaties or agreements.

### **Article 10.05. Fair and Equitable Treatment**

1. Each Party shall accord to investors of the other Party and their investments treatment in accordance with customary international law, including fair and equitable treatment as well as full protection and security.
2. For greater certainty, paragraph 1 prescribes the customary international law minimum standard of treatment of aliens as the minimum standard of treatment to be afforded to the investors of the other Party and their investments. The concepts of "fair and equitable treatment" and "full protection and security" do not require treatment in addition to or beyond that which is required by that standard, and do not create additional substantive rights. The obligation in paragraph 1 to provide:
  - (a) "fair and equitable treatment" includes the obligation not to deny justice in criminal, civil, or administrative adjudicatory proceedings in accordance with the principle of due process embodied in the principal legal systems of the world; and
  - (b) "full protection and security" requires each Party to provide the level of police protection required under customary international law.
3. A determination that there has been a breach of another provision of this Agreement, or of a separate international treaty or agreement, does not establish that there has been a breach of this Article.

### **Article 10.06. Compensation for Losses**

Each Party shall accord to the investors of the other Party whose investments have been adversely affected in its territory

due to armed conflict, war, revolution, insurrection, or civil strife, non-discriminatory treatment on any measure adopted or maintained in relation to such losses.

## **Article 10.07. Performance Requirements**

1. No Party may, in connection with the establishment, acquisition, expansion, management, conduct, operation, or sale or other disposition of an investment of an investor of a Party or of a non-Party in its territory, impose or enforce any of the following requirements, or enforce any commitment or undertaking:

- (a) to export a given level or percentage of goods or services;
  - (b) to achieve a given level or percentage of domestic content;
  - (c) to purchase, use, or accord a preference to goods produced or services provided in its territory, or to purchase goods or services from persons in its territory;
  - (d) to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment;
  - (e) to restrict sales of goods or services in its territory that such investment produces or provides by relating such sales in any way to the volume or value of its exports or foreign exchange earnings;
  - (f) to transfer technology, production process, or other proprietary knowledge to a person in its territory, except when the requirement is imposed by a competent judicial court or administrative authority, to remedy an alleged violation of competition laws or to act in a manner not inconsistent with other provisions of this Agreement or when a Party authorizes use of an intellectual property right in accordance with Article 31 of the TRIPS, or to measures requiring the disclosure of proprietary information that falls within the scope of, and are consistent with Article 39 of the TRIPS; (1) or
  - (g) to act as the exclusive supplier of the goods it produces or services it provides to a specific region or world market.
2. No Party may condition the receipt or continued receipt of an advantage, in connection with an investment in its territory of an investor of the other Party, on compliance with any of the following requirements:

- (a) to achieve a given level or percentage of domestic content;
- (b) to purchase, use, or accord a preference to goods produced in its territory, or to purchase goods from producers in its territory; or
- (c) to relate in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows associated with such investment. All the provisions established in paragraph 2 do not apply to any requirements other than indicated herein.

3. The provisions included in: (a) paragraph 1 (a), (b), and (c) and paragraph 2 (a) and (b) do not apply to requirements relating to the qualification of goods and services for programs of export promotion and foreign aid programs; (b) paragraph 1 (b), (c), (f), and (g) and paragraph 2 (a) and (b) do not apply to procurement by a Party or by a state enterprise; and (c) paragraph 2 (a) and (b) does not apply to requirements imposed by an importing Party related to the contents of a good necessary to qualify it for preferential tariffs or quotas.

4. Nothing in paragraph 2 shall be construed to prevent a Party from conditioning the receipt or continued receipt of an advantage, in connection with an investment in its territory of an investor of the other Party, on compliance with a requirement to locate production, provide a service, train or employ workers, construct or expand particular facilities, or carry out research and development, in its territory.

5. Provided that such measures are not applied in an arbitrary or unjustified manner or do not constitute a disguised restriction to international trade or investment, nothing in paragraph 1 (b), (c), or (f) or paragraph 2 (a) or (b) shall be construed to prevent a Party from adopting or maintaining measures, including environment measures, necessary to: (a) ensure compliance with laws and regulations that are not inconsistent with the provisions of this Agreement; (b) protect human, animal, or plant life, or health; or (c) conserve living or non-living exhaustible natural resources.

6. A measure that requires an investment to use a technology to meet generally applicable health, safety, or environmental requirements shall not be construed to be inconsistent with paragraph 1 (f). For greater certainty, Articles 10.03 and 10.04 apply to the measure.

7. This Article does not preclude enforcement of any commitment, undertaking, or requirement between private parties, where a Party did not impose or require the commitment, undertaking, or requirement.

(1) 1 For greater certainty, the references to "the TRIPS" in this paragraph include any waiver in force between the Parties of any provision of that Agreement granted by WTO Members in accordance with the WTO Agreement. All the provisions established in paragraph 1 do not apply to any requirement other than indicated herein.

## **Article 10.08. Senior Management and Boards of Directors**

1. No Party may require that an enterprise of that Party that is an investment of an investor of the other Party appoint to senior management positions individuals of any particular nationality.

2. A Party may require that a majority of the board of directors or equivalent organs of administration, of an enterprise of that Party that is an investment of an investor of the other Party, be of a particular nationality, or resident in the territory of the Party, provided that the requirement does not materially impair the ability of the investor to exercise control over its investment.

## **Article 10.09. Non-conforming Measures**

1. Articles 10.03, 10.04, 10.07, and 10.08 do not apply to: (a) any existing non-conforming measure that is maintained by:
  - (i) a Party at the national level, as set out in its Schedule to Annex I; or
  - (ii) a local or municipal government;(b) the continuation or prompt renewal of any non-conforming measure referred to in subparagraph (a); or
- (c) the amendment of any non-conforming measure referred to in subparagraph (a), provided that this amendment does not decrease the conformity of the measure as it existed before its amendment by Articles 10.03, 10.04, 10.07, and 10.08.
2. Articles 10.03, 10.04, 10.07, and 10.08 shall not apply to any measure adopted or maintained by a Party in relation to sectors, sub-sectors, or activities, as are indicated in their Schedule to Annex II.
3. No Party may under any measure adopted after the date of entry into force of this Agreement and covered by its Schedule to Annex II, require an investor of the other Party, by reason of its nationality, to sell or otherwise dispose of an investment existing at the time the measure becomes effective.
4. Article 10.04 does not apply to treatment accorded by a Party in accordance with any International Treaty or Agreement, or with regards to the sectors, sub-sectors, and activities as set out in its Schedule to Annex III.
5. Articles 10.03, 10.04, and 10.08 do not apply to:
  - (a) procurement by a Party or a state enterprise; and
  - (b) subsidies or grants provided by a Party or a state enterprise, including government supported loans, guarantees, and insurance.

## **Article 10.10. Transfers**

1. Provided they comply with the corresponding legislation, each Party shall permit all transfers relating to an investment of an investor of the other Party in the territory of the Party to be made freely and without delay. Such transfers include:
  - (a) profits, dividends, interest, capital gains, royalty payments, management fees, technical assistance and other fees, returns in kind, and other amounts derived from the investment;
  - (b) proceeds from the sale of all or any part of the investment or from the partial or complete liquidation of the investment;
  - (c) payments made under a contract entered into by the investor, or its investment, including payments made pursuant to a loan agreement;
  - (d) payments made pursuant to Article 10.11; and
  - (e) payments arising from the dispute settlement mechanism under Section C of this Chapter.
2. Each Party shall permit transfers to be made without delay in a freely convertible currency at the market rate of exchange prevailing on the date of transfer.
3. No Party shall require its investors to transfer, or penalize its investors that fail to transfer the income, earnings, profits, or other amounts derived from or attributable to, investments in the territory of the other Party.
4. Notwithstanding paragraphs 1 and 2, a Party may prevent a transfer through the equitable, non-discriminatory, and good faith application of its laws relating to:
  - (a) bankruptcy, insolvency, or the protection of the rights of creditors;
  - (b) administrative or judicial definitive resolutions or criminal offences;
  - (c) financial reporting or record keeping of transfers when necessary to assist law enforcement or financial regulatory authorities;
  - (d) ensuring the satisfaction of judgments and arbitral awards in adjudicatory proceedings; or
  - (e) issuing, trading, or dealing in securities, futures, options, or derivatives.
5. Paragraph 3 shall not be construed to prevent a Party from imposing any measure through the equitable, non-discriminatory, and good faith application of its laws relating to the matters set out in subparagraphs (a) through (e) of paragraph 4.

## **Article 10.11. Expropriation and Compensation**

1. No Party may directly or indirectly nationalize or expropriate an investment of an investor of the other Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment ("expropriation"), except:
  - (a) for a public interest; (2)
  - (b) on a non-discriminatory basis;
  - (c) in accordance with due process of law; and

(d) on payment of compensation in accordance with this Article.

2. Compensation shall be equivalent to the fair market value of the expropriated investment immediately before the expropriation took place ("date of expropriation"), and shall not reflect any change in value occurring because the intended expropriation had become known earlier. Valuation criteria shall include going concern value, asset value including declared tax value of tangible property, and other criteria, as appropriate, to determine fair market value.

3. Compensation shall be paid without delay and be fully realizable.

4. The amount paid as compensation shall be no less than the equivalent amount that would have been paid on that date to the expropriated investor in a currency of free convertibility in the international financial market according to the exchange rate in force on the date in which the fair market price was determined. The compensation shall include the payment of interests computed from the day of dispossession of the expropriated investment until the day of payment, and shall be computed on the basis of a commercially applicable rate for this currency set by the national bank system of the Party where the expropriation occurred.

5. Upon payment, the compensation shall be freely transferable according to Article 10.10.

6. This Article does not apply to the issuance of compulsory licenses granted in relation to intellectual property rights, or to the revocation, limitation, or creation of intellectual property rights, to the extent that such issuance, revocation, limitation, or creation is consistent with the TRIPS.

7. For purposes of this Article and for greater certainty, a non-discriminatory measure of general application shall not be considered a measure tantamount to an expropriation of a debt security or loan covered by this Chapter solely on the ground that the measure imposes costs on the debtor that cause it to default on the debt.

(2) For greater certainty, this term refers to a concept of customary international law.

## **Article 10.12. Special Formalities and Information Requirements**

1. Nothing in Article 10.03 shall be construed to prevent a Party from adopting or maintaining a measure that prescribes special formalities in connection with the establishment of investments by investors of the other Party, such as a requirement that investors be residents of the Party or that investments be legally constituted under the laws or regulations of the Party, provided that such formalities do not materially impair the protections afforded by a Party to investors of the other Party and investments of investors of the other Party pursuant to this Chapter.

2. Notwithstanding Articles 10.03 and 10.04, a Party may require an investor of the other Party, or its investment in its territory, to provide routine information concerning that investment solely for informational or statistical purposes. The Party shall protect any confidential information from any disclosure that would prejudice the competitive position of the investor or the investment. Nothing in this paragraph shall be construed to prevent a Party from otherwise obtaining or disclosing information in connection with the equitable and good faith application of its law.

## **Article 10.13. Relation to other Chapters**

1. In the event of any inconsistency between this Chapter and another Chapter, the latter shall prevail to the extent of the inconsistency.

2. A requirement by a Party that a service provider of the other Party post a bond or other form of financial security as a condition for providing a cross-border service into its territory does not of itself make this Chapter applicable to the rendering of that cross-border service. This Chapter applies to that Party's treatment of the posted bond or financial security.

## **Article 10.14. Denial of Benefits**

Subject to previous notification and consultation done according to Articles 13.04 (Provision of Information) and 15.05 (Consultations), a Party may deny the benefits under this Chapter to an investor of the other Party that is an enterprise of such other Party and to the investment of this investor, if the investors of a non-Party own or control, (directly or indirectly) the enterprise and the enterprise has no substantial business activities in the territory of the Party under whose law it is constituted or organized.

## **Article 10.15. Subrogation**

1. When one Party, or any agency, institution, statutory body or corporation designated by it, has furnished an insurance contract or any other financial guarantee against non-commercial risks, relating to any investment of one of the investors of the other Party, the latter shall recognize the rights of the first Party to subrogate in the rights of the investor, whenever a

payment has been made by virtue of such contract or guarantee.

2. When one Party, or any agency, institution, statutory body or corporation designated by it, has paid its investors and by that virtue has acquired his rights and benefits, such investors may not claim such rights and benefits to the other Party, except by express authorization of the first Party. For greater certainty, the same claim can only be submitted either by the investor or the Party.

## **Article 10.16. Environmental Measures**

1. Nothing in this Chapter shall be construed to prevent a Party from adopting, maintaining, or enforcing any measure otherwise consistent with this Chapter that it considers appropriate to ensure that the investment activity in its territory is undertaken in compliance with its ecological or environmental laws and regulations.

2. The Parties recognize that it is inappropriate to encourage investment by relaxing domestic health, safety or environmental measures. Accordingly, a Party shall not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such measures as an encouragement for the establishment, acquisition, expansion or retention in its territory of an investment of an investor. If a Party considers that the other Party has offered such an encouragement, it may request consultations with the other Party, within the Committee of Investment and Cross-border Trade in Services 3.

## **Section C. Settlement of Disputes between a Party and an Investor of the other Party**

### **Article 10.17. Purpose**

Notwithstanding the rights and obligations of the Parties under Chapter 15 (Dispute Settlement), this Section establishes a mechanism for the settlement of investment disputes arising from the violation of obligations established under Section B of this Chapter that assures both equal treatment among investors of the Parties in accordance with the principle of reciprocity and due process before an impartial tribunal.

### **Article 10.18. Claim by an Investor of a Party on Its Own Behalf**

1. An investor of a Party may submit to arbitration under this Section a claim on the grounds that the other Party or an enterprise controlled directly or indirectly by the other Party, has breached an obligation under this Chapter if the investor has suffered losses or damages from the violation of this Chapter.

2. An investor may not make a claim if more than three (3) years have elapsed from the date on which the investor first acquired, or should have first acquired, knowledge of the alleged breach and knowledge that the investor has suffered losses or damages.

### **Article 10.19. Claim by an Investor of a Party on Behalf of an Enterprise**

1. An investor of a Party, on behalf of an enterprise of the other Party, that the investor owns or controls directly or indirectly, may submit to arbitration under this Section a claim that the other Party or an enterprise controlled directly or indirectly by that Party has breached an obligation under this Chapter, whenever the enterprise has suffered losses or damages due to that violation.

2. An investor may not make a claim on behalf of an enterprise described in paragraph 1 if more than three (3) years have elapsed from the date on which the enterprise first acquired, or should have first acquired, knowledge of the alleged breach and knowledge that the enterprise has suffered losses or damages.

3. Where an investor makes a claim under this Article and the investor or a non-controlling investor in the enterprise makes a claim under Article 10.18 arising out of the same events that gave rise to the claim under this Article, and two or more of the claims are submitted to arbitration under Article 10.22, the claims should be heard together by a Tribunal established under Article 10.28, unless the Tribunal finds that the interests of a disputing party would be prejudiced thereby.

(3) For greater certainty, no Party may have recourse to dispute settlement under this Agreement for any matter arising under this Article. heard together by a Tribunal established under Article 10.28, unless the Tribunal finds that the interests of a disputing party would be prejudiced thereby.

### **Article 10.20. Settlement of a Dispute Through Consultation and Negotiation**

The disputing Parties must first attempt to settle a dispute through consultation or negotiation. The period for consultation

and negotiation cannot exceed one hundred and eighty (180) days from the date the disputing investor delivered written notice of its intention to initiate consultation and negotiation.

### **Article 10.21. Notice of Intent to Submit a Claim to Arbitration**

The disputing investor shall deliver to the disputing Party written notice of its intention to submit a claim to arbitration at least ninety (90) days before the claim is submitted, said notice shall specify:

- (a) the name and address of the disputing investor and, where a claim is made under Article 10.19, the name, address, and the type of business of the enterprise;
- (b) the provisions of this Chapter alleged to have been breached and any other relevant provisions;
- (c) the issues and the factual basis for the claim; and
- (d) the relief sought and the approximate amount of damages claimed.

### **Article 10.22. Submission of a Claim to Arbitration**

1. Provided that one hundred and eighty (180) days have elapsed since the events giving rise to a claim, a disputing investor may submit the claim to arbitration under:

- (a) the ICSID Convention, provided that both the disputing Party and the Party of the investor are Contracting Parties to the Convention;
- (b) the Additional Facility Rules of ICSID, provided that either the disputing Party or the Party of the investor, but not both, is a Contracting Party to the ICSID Convention;
- (c) the UNCITRAL Arbitration Rules; or
- (d) the ICC Arbitration Rules.

2. The applicable arbitration rules shall govern the arbitration established in this Chapter except to the extent modified by this Section.

### **Article 10.23. Conditions Prior to the Submission of a Claim to Arbitration**

1. Consent of the disputing parties in the arbitration procedure according to this Chapter shall be considered as consent to this arbitration that excludes any other procedure.

2. The disputing investor shall exhaust its local administrative remedies as a condition for consenting to the arbitration under this Chapter. Nevertheless, if one hundred and eighty days (180) days have elapsed from the date on which the administrative remedies were lodged and the administrative authorities have not issued a final resolution, the investor may directly appeal to arbitration, according to the provisions of this Section.

3. In order to submit to Arbitration under this Chapter a claim that is based on the fact that a Party has failed to comply with its obligation not to deny justice and therefore has not granted a "fair and equitable treatment" in accordance with customary international law, the disputing investor must previously exhaust all internal judicial remedies.

4. A disputing investor may submit a claim under Article 10.18 to arbitration only if:

- (a) the investor consents to arbitration in accordance with the procedures set out in this Section; and
- (b) the investor and, where the claim is for losses or damages to an interest in an enterprise of the other Party that the investor owns or controls directly or indirectly, the enterprise, waive their right to initiate or continue before any competent judicial court or administrative authority, under the law of the Parties, or other dispute settlement procedures, any proceedings with respect to the measure of the disputing Party that is alleged to be a breach referred to in Article 10.18, except for proceedings, not involving the payment of monetary damages, before a competent judicial court or administrative authority under the law of the disputing Party.

5. A disputing investor may present a claim to the arbitration procedure according to Article 10.19 only if both investor and enterprise:

- (a) consent to submit the claim to arbitration in accordance with the procedures set out in this Section; and
- (b) waive their right to initiate or continue before any competent judicial court or administrative authority under the law of the Parties, or other dispute settlement procedures, any proceedings with respect to the measure of the disputing Party that is alleged to be a breach referred to in Article 10.19, except for proceedings, not involving the payment of monetary damages, before a competent judicial court or administrative authority under the law of the disputing Party.

6. The consent and the waiver required by this Article shall be stated in writing, delivered to the disputing Party and included in the submission of the claim to arbitration.

7. The waiver by the enterprise, under paragraphs 4 (b) and 5 (b), shall not be required if, and only if, the disputing Party has deprived the disputing investor of the control of an enterprise.

### **Article 10.24. Consent to Arbitration**

1. Each Party consents to the submission of a claim to arbitration in accordance with the procedures and requirements set out in this Section.
2. The consent given by paragraph 1 and the submission by a disputing investor of a claim to arbitration shall be deemed as having satisfied the requirement of:
  - (a) Chapter II of the ICSID Convention (Jurisdiction of the Centre) and the Additional Facility Rules for written consent of the parties; and
  - (b) Article II of the New York Convention for an agreement in writing.

## **Article 10.25. Number of Arbitrators and Method of Appointment**

Except with regards to a Tribunal established under Article 10.28, and unless the disputing parties agree otherwise, the Tribunal shall be comprised of three arbitrators; one arbitrator appointed by each of the disputing parties and the third, who shall be the presiding arbitrator of the Tribunal, appointed by agreement of the disputing parties.

## **Article 10.26. Constitution of a Tribunal When a Party Fails to Appoint an Arbitrator or the Disputing Parties Are Unable to Agree on a Presiding Arbitrator**

1. In the event a disputing party does not appoint an arbitrator or an agreement is not reached with regards to the appointment of the presiding arbitrator of the Tribunal, the arbitrator or the presiding arbitrator of the Tribunal in the arbitration proceeding shall be designated, according to this Section.
2. When a Tribunal, except with regards to a Tribunal established under Article 10.28, is not constituted within a period of ninety (90) days from the date on which the claim is submitted to arbitration, the Secretary-General of the ICSID, or an appropriate official (hereinafter the Secretary-General) at an international organization agreed upon by the disputing parties with previous consultation of the same ones, shall appoint the pending arbitrator or arbitrators, except for the presiding arbitrator of the Tribunal who shall be appointed according to paragraph 3. In any case, the majority of arbitrators shall not be nationals of either disputing Party or the Party of the disputing investor.
3. The Secretary-General shall appoint the presiding arbitrator of the Tribunal from the roster of arbitrators referred to in paragraph 4, ensuring that the presiding arbitrator of the Tribunal is not a national of the disputing Party or a national of the Party of the disputing investor. In case an available arbitrator cannot be found within the roster to head the Tribunal, the Secretary-General shall appoint the presiding arbitrators of the tribunal from the roster of arbitrators of the ICSID, provided that he or she is of a nationality different from the disputing Party or from the Party of the disputing investor.
4. On the date of entry into force of this Agreement, the Parties shall establish and maintain a roster of six (6) arbitrators as possible presiding arbitrators of the Tribunal, none of which may be national of a Party, who comply with the rules contemplated in Article 10.22 and have experience in international law and in investment matters. The members of the roster shall be appointed by mutual agreement, regardless of nationality, for a period of two (2) years that may be extended if the Parties so decide. In case of death or resignation of one member of the roster, the Parties shall appoint by mutual agreement a substitute for the remaining period to which the former member was appointed.

## **Article 10.27. Agreement to Appointment of Arbitrators**

For purposes of Article 39 of the ICSID Convention and Article 7 of Schedule C to the ICSID Additional Facility Rules, and without prejudice to an objection to an arbitrator based on Article 10.26 (3) or on a ground other than nationality: (a) the disputing Party agrees to the appointment of each individual member of a Tribunal established under the ICSID Convention or the ICSID Additional Facility Rules;

(b) a disputing investor referred to in Article 10.18 may submit a claim to arbitration, or continue a claim, under the ICSID Convention or the ICSID Additional Facility Rules, only on condition that the disputing investor agrees in writing to the appointment of each individual member of the Tribunal; and

(c) a disputing investor referred to in Article 10.19 (1) may submit a claim to arbitration, or continue a claim, under the ICSID Convention or the ICSID Additional Facility Rules, only on condition that the disputing investor and the enterprise agree in writing to the appointment of each individual member of the Tribunal.

## **Article 10.28. Consolidation**

1. A Tribunal under this Article shall be established according to the UNCITRAL Arbitration Rules and shall conduct its proceedings in accordance with those Rules, except as modified by this Section.
2. Where a Tribunal established under this Article determines that claims have been submitted to arbitration under Article 10.22 raise a question of law or fact in common, the Tribunal may, in the interests of fair and efficient resolution of the claims, and after hearing the disputing parties, order:
  - (a) to assume jurisdiction over, and hear and determine together, all or part of the claims; or

(b) to assume jurisdiction over, and hear and determine one or more of the claims, the determination of which it believes would assist in the resolution of the others.

3. A disputing party that seeks an order under paragraph 2 shall request the Secretary-General to establish a Tribunal and shall specify in the request:

- (a) the name of the disputing Party or disputing investors against which the order is sought;
- (b) the nature of the order sought; and
- (c) the grounds on which the order is sought.

4. The disputing party shall deliver a copy of the request to the disputing Party or disputing investors against which the order is sought.

5. Within sixty (60) days of receipt of the request, the Secretary-General shall establish a Tribunal comprising three arbitrators. The Secretary-General shall appoint the presiding arbitrator from the roster referred to in Article 10.26 (4). In the event that no such presiding arbitrator is available to serve, the Secretary-General shall appoint, from the ICSID Panel of Arbitrators, a presiding arbitrator who is not a national of any of the Parties. The Secretary-General shall appoint the two other members from the roster referred to in Article 10.26 (4), and to the extent not available from that roster, from the ICSID Panel of Arbitrators, and to the extent not available from that Panel, under the discretion of the Secretary-General. One member shall be a national of the disputing Party and one member shall be a national of the Party of the disputing investors.

6. Where a Tribunal has been established under this Article, a disputing investor that has submitted a claim to arbitration under Article 10.18 or 10.19 and that has not been named in a request made under paragraph 3 may make a written request to the Tribunal that it be included in an order made under paragraph 2, and shall specify in the request: (a) the name, address, and the type of business of the enterprise of the disputing investor; (b) the nature of the order sought; and (c) the grounds on which the order is sought.

7. A disputing investor referred to in paragraph 6 shall deliver a copy of its request to the disputing parties named in a request made under paragraph 3.

8. A Tribunal established under Article 10.22 shall not have jurisdiction to decide a claim, or a part of a claim, over which a Tribunal established under this Article has assumed jurisdiction.

9. On application of a disputing party, a Tribunal established under this Article, pending its decision under paragraph 2, may order that the proceedings of a Tribunal established under Article 10.22 be stayed, unless the latter Tribunal has already adjourned its proceedings, until there is a decision about the propriety of consolidation.

10. A disputing party shall deliver to the Secretariat, within fifteen (15) days of receipt by the disputing Party, a copy of:

- (a) a request for arbitration made under paragraph (1) of Article 36 of the ICSID Convention;
- (b) a notice of arbitration made under Article 2 of Schedule C of the ICSID Additional Facility Rules;
- (c) a notice of arbitration given under the UNCITRAL Arbitration Rules; or
- (d) a request for arbitration made under ICC Arbitration Rules.

11. A disputing Party shall deliver to the Secretariat a copy of a request made under paragraph 3:

- (a) within fifteen (15) days of receipt of the request, in the case of a request made by a disputing investor; or
- (b) within fifteen (15) days of making the request, in the case of a request made by the disputing Party.

12. A disputing Party shall deliver to the Secretariat a copy of a request made under paragraph 6 within fifteen (15) days of receipt of the request. 13. The Secretariat shall maintain a public register of the documents referred to in paragraphs 10, 11, and 12 of this Article.

## **Article 10.29. Notice**

A disputing Party shall deliver to the other Party:

- (a) written notice of a claim that has been submitted to arbitration no later than thirty (30) days after the date that the claim is submitted; and
- (b) copies of all pleadings filed in the arbitration.

## **Article 10.30. Participation by a Party**

On written notice to the disputing parties, a Party may make submissions to a Tribunal on a question of interpretation of this Agreement.

## **Article 10.31. Documents**

1. A Party shall be entitled, at its own cost, to receive from the disputing Party a copy of:

- (a) the evidence that has been tendered to the Tribunal according to this Section; and
- (b) the written argument of the disputing parties.

2. A Party receiving information pursuant to paragraph 1 shall treat the confidential information as if it were a disputing

Party.

## **Article 10.32. Venue of Arbitration**

Unless the disputing parties agree otherwise, a Tribunal established under this Section shall hold an arbitration in the territory of a Contracting Party to the New York Convention, selected in accordance with:

- (a) the ICSID Additional Facility Rules if the arbitration is under those Rules, or the ICSID Convention;
- (b) the UNCITRAL Arbitration Rules if the arbitration is under those Rules; or
- (c) the ICC Arbitration Rules if the arbitration is under those Rules.

## **Article 10.33. Governing Law**

1. A Tribunal established under this Section shall decide the issues in dispute in accordance with this Agreement, and applicable rules of international law.
2. When appropriate, the Tribunal may apply general principles of law, and the law of the disputing Party, including its rules on the conflict of laws.
3. A decision of the Commission declaring its interpretation of a provision of this Agreement shall be binding on a tribunal established under this Section, and any decision or award issued by the tribunal must be consistent with that decision.

## **Article 10.34. Interpretation of Annexes**

1. Where a disputing Party asserts as a defense that the measure alleged to be a breach is within the scope of a reservation or exception set out in those Annexes, on request of the disputing Party, the Tribunal shall request the interpretation of the Commission on the issue. The Commission, within sixty (60) days of delivery of the request, shall submit in writing its interpretation to the Tribunal.
2. Further to Article 10.33 (2), a Commission interpretation submitted under paragraph 1 shall be binding on the Tribunal established under this Section. If the Commission fails to submit an interpretation within sixty (60) days, the Tribunal shall decide the issue.

## **Article 10.35. Expert Reports**

Without prejudice to the appointment of other kinds of experts where authorized by the applicable arbitration rules, a Tribunal, at the request of a disputing party or, on its own initiative, may appoint one or more experts to report to it in writing on any issue concerning the controversy.

## **Article 10.36. Interim Measures of Protection**

A Tribunal established under this Section may request, or the disputing parties may petition to, in accordance with domestic legislation, national courts for imposing an interim measure of protection to preserve the rights of a disputing party, or to ensure that the Tribunal's jurisdiction is made fully effective. A Tribunal established under this Section may not order attachment or enjoin the application of the measure alleged to constitute a breach referred to in Article 10.18 or 10.19.

## **Article 10.37. Final Award**

1. Where a Tribunal established under this Section makes a final award against a disputing Party, the Tribunal may award only:
  - (a) monetary damages and any applicable interest; or
  - (b) restitution of property, in which case the award shall provide that the disputing Party may pay monetary damages and any applicable interest in lieu of restitution. A Tribunal may also award costs in accordance with the applicable arbitration rules.
2. Subject to paragraph 1, where a claim is made under Article 10.19 (1):
  - (a) an award of restitution of property shall provide that restitution be made to the enterprise; or
  - (b) an award of monetary damages and any applicable interest shall provide that the sum be paid to the enterprise.
3. The award shall provide that it is made without prejudice to any right that any person may have in the relief under applicable domestic law.
4. The tribunal is not authorized to award punitive damages.

## **Article 10.38. Finality and Enforcement of an Award**

1. An award made by a Tribunal established under this Section shall have no binding force except between the disputing parties and in respect of the particular case.
2. Subject to paragraph 3 and the applicable review procedure for an award, a disputing party shall abide by and comply with an award without delay.
3. A disputing party may not seek enforcement of a final award until:
  - (a) in the case of a final award made under the ICSID Convention:
    - (i) one hundred and twenty (120) days have elapsed from the date the award was rendered and no disputing party has requested explanation, revision or annulment of the award; or
    - (ii) explanation, revision or annulment proceedings have been completed; and
  - (b) in the case of a final award under the ICSID Additional Facility Rules, the UNCITRAL Arbitration Rules, or the ICC Arbitration Rules:
    - (i) ninety (90) days have elapsed from the date the award was rendered and no disputing party, has used pertinent legal remedies; or
    - (ii) a court has dismissed or allow the application of pertinent legal remedies against the award and there is no further appeal.
4. Each Party shall provide for the enforcement of an award in its territory.
5. If a disputing Party fails to abide by or comply with a final award, the Commission, on delivery of a request by a Party whose investor was a party to the arbitration, shall establish a panel under Article 15.07 (Establishment of an Arbitral Panel). The requesting Party may seek in such proceedings:
  - (a) a determination that the failure to abide by or comply with the final award is inconsistent with the obligations of this Agreement; and
  - (b) a recommendation that the Party abide by or comply with the final award.
6. A disputing investor may seek enforcement of an arbitration award under the New York Convention, or the ICSID Convention, regardless of whether proceedings have been taken under paragraph 5.
7. A claim that is submitted to arbitration under this Section shall be considered to arise out of a commercial relationship or transaction for purposes of Article 1 of the New York Convention.

## Article 10.39. General Provisions

### *Time when a Claim is Submitted to Arbitration*

1. A claim is submitted to arbitration under this Section when:
  - (a) the request for arbitration under paragraph (1) of Article 36 of the ICSID Convention has been received by the Secretary-General;
  - (b) the notice of arbitration under Article 2 of Schedule C of the ICSID Additional Facility Rules has been received by the Secretary-General;
  - (c) the notice of arbitration given under the UNCITRAL Arbitration Rules is received by the disputing Party; or
  - (d) the request for arbitration under Article 4 of the ICC Arbitration Rules has been received by the Secretariat. *Delivery of Notifications and Other Documents*

2. Delivery of notifications and other documents to a Party shall be made to the place named for that Party in Annex 10 C. *Receipts under Insurance or Guarantee Contracts*

3. In an arbitration under this Section, a Party shall not assert, as a defense, counterclaim, right of setoff or otherwise, that the disputing investor has received or will receive, pursuant to an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages. Publication of an Award 4. The awards shall be published only if there is an agreement in writing by the disputing parties.

## Chapter 11. Cross-border Trade In Services

### Article 11.01. Definitions

For purposes of this Chapter, the following terms shall be understood as: cross-border trade in services or cross-border service: the provision of a service:

- (a) from the territory of a Party into the territory of the other Party;
- (b) in the territory of a Party, by a person of that Party to the services consumer of the other Party; or
- (c) by a service provider of a Party, through presence of nationals of a Party in the territory of the other Party; but does not include the provision of a service in the territory of a Party by an investment, as defined in Article 10.01 (Definitions), in that territory;

enterprise: an "enterprise" as defined in Chapter 2 (General Definitions), and a branch of an enterprise; enterprise of a Party: an enterprise constituted or organized under the law of a Party, and a branch located in the territory of a Party and carrying out business activities there;

services provided in the performing of government functions: any cross-border service provided by a public institution in non-commercial conditions and without competing with one or more service providers;

service provider of a Party: a person of a Party that provides or seeks to provide a cross-border service; and

specialty air services: any non-transportation air services, such as aerial firefighting, sightseeing, spraying, surveying, mapping, photography, parachute jumping, glider towing, and helicopter-lift for logging and construction, and other airborne agricultural, industrial, and inspection services.

## **Article 11.02. Scope of Application**

1. This Chapter applies to measures adopted or maintained by a Party relating to cross-border trade in services by service providers of the other Party, including measures respecting:

- (a) the production, distribution, marketing, sale, and delivery of a cross-border service;
- (b) the purchase or use of, or payment for, a cross-border service;
- (c) the access to and use of distribution and transportation systems in connection with the provision of a cross-border service;
- (d) the presence in its territory of a cross-border service provider of the other Party; and
- (e) the provision of a bond or other form of financial security as a condition for the provision of a cross-border service.

2. For purposes of this Chapter, it shall be understood that the measures adopted or maintained by a Party include the measures adopted or maintained by nongovernmental institutions or bodies in the performance of regulatory, administrative or other functions of a governmental nature delegated to them by the Party.

3. This Chapter does not apply to:

- (a) subsidies or grants provided by a Party or a state enterprise, including government-supported loans, guarantees, and insurance;
- (b) air services, including domestic and international air transportation services, whether scheduled or non-scheduled, and related services in support of air services, other than:
  - (i) aircraft repair and maintenance services during which an aircraft is withdrawn from service;
  - (ii) specialty air services;
  - (iii) the selling and marketing of air transport services; and
  - (iv) computer reservation system (CRS) services;
- (c) government services or functions such as law enforcement, correctional services, income security or insurance, or social security or insurance, social welfare, water supply, public education, public training, health, and child care;
- (d) cross-border financial services;
- (e) cross-border telecommunications services; and
- (f) government procurement done by a Party or state enterprise (1).

(1) For purposes of this Chapter, the term "government procurement" will be understood as it is defined in the national legislation of each Party.

4. Nothing in this Chapter shall be construed to impose any obligation on a Party with respect to a national of the other Party seeking access to its employment market, or employed on a permanent basis in its territory, or to confer any right on that national with respect to that access or employment.

## **Article 11.03. National Treatment**

1. Each Party shall accord to cross-border services and service providers of the other Party treatment no less favorable than that it accords, in like circumstances, to its own services and service providers.

2. Specific commitments assumed under this Article shall not be construed to require any Party to compensate for any inherent competitive disadvantages which result from the foreign character of the relevant services or service suppliers.

## **Article 11.04. Most-favored-nation Treatment**

Each Party shall accord to cross-border services and service providers of the other Party treatment no less favorable than that it accords, in like circumstances, to services and service providers of any non-Party.

## **Article 11.05. Local Presence**

No Party may require a service provider of the other Party to establish or maintain a representative office or any form of enterprise, or to be resident, in its territory as a condition for the cross-border provision of a service.

## **Article 11.06. Market Access**

No Party may adopt or maintain measures that:

(a) impose limitations on:

(i) the number of service suppliers whether in the form of numerical quotas, monopolies, exclusive service suppliers, or the requirement of an economic needs test;

(ii) the total value of service transactions or assets in form of numerical quotas or the requirement of an economic needs test;

(iii) the total number of service operations or on the total quantity of services output expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test; (3) or

(iv) the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ and who are necessary for, and directly related to, the supply of a specific service in the form of numerical quotas or the requirement of an economic needs test; or

(b) restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service.

(3) For greater certainty, no Party may have recourse to dispute settlement under this Agreement for any matter arising under this Article.

## **Article 11.07. Permission, Authorization, Licensing, and Certification**

With a view to ensuring that any measure adopted or maintained by a Party relating to the permission, authorization, licensing or certification of nationals of the other Party does not constitute an unnecessary barrier to cross-border trade, each Party shall endeavor to ensure that any such measure:

(a) is based on objective and transparent criteria, such as competence and the ability to provide a cross-border service;

(b) is not more burdensome than necessary to ensure the quality of a cross border service; and

(c) does not constitute a disguised restriction on the cross-border provision of a service.

## **Article 11.08. Non-conforming Measures**

1. Articles 11.03, 11.04, 11.05, and 11.06 do not apply to:

(a) any existing non-conforming measure that is maintained by:

(i) a Party at the national level, as set out in its Schedule to Annex I; or

(ii) a local or municipal level of government;

(b) the continuation or prompt renewal of any non-conforming measure referred to in subparagraph (a); or

(c) an amendment to any non-conforming measure referred to in subparagraph (a) to the extent that the amendment does not decrease the conformity of the measure, as it existed immediately before the amendment, with Articles 11.03, 11.04, 11.05, and 11.06.

2. Articles 11.03, 11.04, 11.05, and 11.06 do not apply to any measure that a Party adopts or maintains with respect to sectors, sub-sectors or activities, as set out in its Schedule to Annex II. 3. Article 11.04 does not apply to the treatment granted by a Party in accordance with any international treaty or agreement, or with regards to the sectors, subsectors, and activities as set out in its Schedule to Annex III.

## **Article 11.09. Denial of Benefits**

Subject to prior notification and consultation in accordance with Articles 13.04 (Provision of Information) and 15.05 (Consultations), a Party may deny the benefits of this Chapter to a service provider of the other Party where the Party decides, according to its effective law that the service is being provided by an enterprise that is owned or controlled by persons of a non-Party having no substantial business activities in the territory of the other Party.

## **Article 11.10. Future Liberalization**

The Parties, through future negotiations to be convened by the Commission, shall deepen the liberalization reached in different service sectors, with the aim of eliminating the remaining restrictions listed under Article 11.08 (1) and (2).

## **Article 11.11. Procedures**

The Parties shall establish procedures for:

(a) a Party to notify and include in its relevant Schedule the amendments of measures referred to in Article 11.07 (1), (2), and (3); and

(b) consultations on reservations for further liberalization.

## **Article 11.12. Disclosure of Confidential Information**

No provision in this Chapter may be construed as imposing on the Parties the obligation to provide confidential information of which the disclosure may be an obstacle to the observance of laws or otherwise be damaging to the public interest, or that may injure legitimate trade interests of state and private enterprises.

## **Article 11.13. Transfers and Payments**

1. Each Party shall permit all transfers and payments relating to the cross-border supply of services to be made freely and without delay into and out of its territory.
2. Each Party shall permit such transfers and payments relating to the cross-border supply of services to be made in a freely usable currency at the market rate of exchange prevailing at the time of transfer.
3. Notwithstanding paragraphs 1 and 2, a Party may prevent a transfer or payment through the equitable, non-discriminatory, and good faith application of its laws relating to:
  - (a) bankruptcy, insolvency, or the protection of the rights of creditors;
  - (b) issuing, trading, or dealing in securities, futures, options, or derivatives;
  - (c) financial reporting or record keeping of transfers when necessary to assist law enforcement or financial regulatory authorities;
  - (d) criminal or penal offenses; or
  - (e) ensuring compliance with orders or judgments in judicial or administrative proceedings.

## **Article 11.14. Committee on Investment and Cross-border Trade In Services**

1. The Parties hereby establish the Committee on Investment and Cross-border Trade in Services, as set out in Annex 11.14.
2. The Committee shall hear matters relating to this Chapter and Chapter 10 (Investment) and, without prejudice to the provisions of Article 14.05 (2) (Committees), shall have the following functions:
  - (a) supervising the implementation and administration of Chapters 10 (Investment) and 11 (Cross-border Trade in Services);
  - (b) discussing matters relating to investment and cross-border trade in services presented by a Party;
  - (c) analyzing matters that are discussed in other international fora;
  - (d) facilitating the exchange of information between the Parties and cooperating in giving advice on investment and cross-border trade in services; and
  - (e) establishing working groups or convening panels of experts on matters of interest to the Parties.
3. The Committee shall meet when necessary or at any other time at the request of any Party. Representatives of other institutions may also take part in its meetings if the relevant authorities deem it appropriate.

# **Chapter 12. Temporary Entry of Business Persons**

## **Article 12.01. Definitions**

1. For purposes of this Chapter, the following terms shall be understood as:

business activities: legitimate commercial activities undertaken and operated for the purpose of obtaining profits in the market, but not including the possibility of obtaining employment, wages or remuneration from a labor source in the territory of a Party;

business person: a national of a Party who engages in trade of goods, provision of services, or management of investment activities;

labor certification: procedure applied by the competent administrative authority for the purpose of determining if a national of a Party who seeks temporary entry into the territory of the other Party displaces national workers in the same domestic industry or noticeably harms its labor conditions;

national: "national" as defined in Chapter 2 (General Definitions), but not including those permanent or definitive residents;

pattern of practice: a practice repeatedly followed by the immigration authorities of one Party during the representative period immediately before the execution of the same; and

temporary entry: entry into the territory of a Party by a business person of the other Party without the intention to establish permanent residence.
2. For purposes of Annex 12.04, the following terms shall be understood as:

executive functions: functions assigned in an organization to a person who shall have the following basic responsibilities:
  - (a) managing the administration of the organization, or of a relevant component, or function within it;
  - (b) establishing the policies and objectives of the organization, components or function; or

(c) receiving supervision or general direction only from executives in a higher level, the board of directors or the administrative council of the organization or its shareholders;

management functions: functions assigned in an organization to a person who shall have the following basic responsibilities:

(a) managing the organization or an essential function within it;

(b) supervising and controlling the work of other professional employees, supervisors, or administrators;

(c) having the authority to hire and dismiss or to recommend these actions, and to undertake other actions related to the management of the personnel directly supervised by this person, and to perform senior functions within the organizational hierarchy or functions related to his position; or

(d) performing discretionary actions related to the daily operation of the function over which this person has authority; and

management functions: functions assigned in an organization to a person who shall have the following basic

responsibilities: functions requiring specialized knowledge: functions that require special knowledge of goods, services, research, equipment, techniques, management of an organization or of its interests and their application in international markets, or an advanced level of knowledge or experience in the processes and procedures of the organization.

## **Article 12.02. General Principles**

This Chapter reflects the preferential trading relationship between the Parties, the convenience of facilitating temporary entry on a reciprocal basis and the establishment of transparent criteria and procedures for temporary entry as well as the need to guarantee the security at the borders, and to protect the domestic labor force and permanent employment in their respective territories.

## **Article 12.03. General Obligations**

1. Each Party shall apply its measures relating to the provisions of this Chapter in accordance with Article 12.02 and, in particular, shall apply them expeditiously so as to avoid undue delays or the impairment of trade in goods or services or the management of investment activities under this Agreement.

2. The Parties shall endeavor to develop and adopt common criteria, definitions, and interpretations for the implementation of this Chapter.

## **Article 12.04. Granting of Temporary Entry**

1. Each Party shall grant temporary entry to business persons who are otherwise qualified for entry under applicable measures relating to public health and safety and national security, in accordance with this Chapter, including the provisions of Annex 12.04 and 12.04 (1).

2. A Party may deny temporary entry to a business person when the temporary entry of that person might adversely affect:

(a) the settlement of a labor dispute underway at the place or intended place of employment; or

(b) the employment of any person who is involved in such dispute. 3. Each Party shall limit any fees for processing applications for temporary entry of business persons to the approximate cost of the services rendered. 4. An authorization of temporary entry under this Chapter does not supersede the requirements demanded by the exercise of a profession or activity according to the specific rules in force in the territory of the Party authorizing the temporary entry.

## **Article 12.05. Provision of Information**

1. In addition to Article 13.03 (Publication), each Party shall:

(a) provide to the other Party such materials as will enable it to become acquainted with its measures relating to this Chapter; and

(b) no later than one (1) year after the date of entry into force of this Agreement, prepare, publish, and make available in its own territory, and in the territory of the other Party, explanatory material in a consolidated document regarding the requirements for temporary entry under this Chapter in such a manner that it enables business persons of the other Party to become acquainted with them.

2. Each Party shall collect, maintain, and make available to the other Party the information regarding the granting of temporary entry under this Chapter to business persons of the other Party who have been issued immigration documentation, including specific data for each authorized category.

## **Article 12.06. Dispute Settlement**

A Party may not initiate proceedings under Article 15.05 (Consultations), regarding a denial to grant temporary entry under

this Chapter or a particular case arising under Article 12.03, unless:

(a) the matter involves a pattern of practice; and

(b) the affected business person has exhausted the available administrative proceedings regarding that particular matter, in accordance with the domestic law and regulations of that Party.

## **Article 12.07. Relationship to other Chapters and Articles**

Except as provided in this Chapter, in Chapters 1 (Initial Provisions), 2 (General Definitions), 14 (Administration of the Agreement), 18 (Final Provisions) and in Articles 13.02 (Information Center), 13.03 (Publication), 13.04 (Provision of Information), 13.05 (Guarantees of Hearing, Legality, and Due Process), and 13.06 (Administrative Proceedings for Adopting Measures of General Applications), no provision in this Agreement shall impose an obligation on a Party regarding its immigration measures.

## **Chapter 13. Transparency**

### **Article 13.01. Definitions**

For purposes of this Chapter, administrative ruling of general application means an administrative ruling or interpretation that applies to all persons and fact situations that fall generally within its scope and that establishes a norm of conduct but does not include:

(a) a determination made in an administrative proceeding that applies to a particular person, good, or service of another Party in a specific case; or

(b) a judicial ruling that adjudicates with respect to a particular act or practice.

### **Article 13.02. Information Center**

1. Each Party shall designate within sixty (60) days after the entry in force of this Agreement an office to serve as an information center to facilitate communications among the Parties, on any matter covered by this Agreement.

2. On request of another Party, the information center shall identify the office or official responsible for the matter and assist, as necessary, in facilitating communication with the requesting Party.

### **Article 13.03. Publication**

Each Party shall ensure that its laws, regulations, procedures, and administrative rulings of general application respecting any matter covered by this Agreement are promptly published or otherwise made available in such a manner as to enable interested persons and Parties to become acquainted with them.

### **Article 13.04. Provision of Information**

1. To the maximum extent possible, each Party shall notify the other Party of any proposed or actual measure that the Party considers might affect substantially the other Party's interest under this Agreement.

2. On request of another Party, a Party shall promptly provide information and respond to questions pertaining to any actual or proposed measure.

3. Any notification or information provided on actual or proposed measures under this Article shall be without prejudice as to whether the measure is consistent with this Agreement.

### **Article 13.05. Guarantees of Hearing, Legality, and Due Process**

Each Party shall ensure that in legal and administrative proceedings related to the application of any measure referred to in Article 13.03, the guarantees of hearing, legality and due process established in their own laws are respected in the sense of Articles 13.06 and 13.07.

### **Article 13.06. Administrative Proceedings for the Adoption of Measures of General Application**

With a view to administering in a consistent, impartial, and reasonable manner all measures of general application affecting matters covered in this Agreement, each Party shall, in its administrative proceedings applying measures referred to in Article 13.03 to particular persons, goods, or services of another Party in specific cases, ensure that:

- (a) wherever possible, persons of the other Party that are directly affected by a proceeding are provided reasonable notice, in accordance with domestic procedures, when a proceeding is initiated, including a description of the nature of the proceeding, a statement of the legal authority under which the proceeding is initiated and a general description of any issues in controversy;
- (b) such persons are afforded a reasonable opportunity to present facts and arguments in support of their positions prior to any final administrative action, when the time, the nature of the proceeding, and the public interest permit; and
- (c) its procedures are in accordance with domestic law.

## **Article 13.07. Review and Appeal**

1. Each Party shall maintain judicial or administrative tribunals or procedures for the purpose of the prompt review and, where warranted, correction of final administrative actions regarding matters covered by this Agreement. Such tribunals shall be impartial and independent of the office or authority entrusted with administrative enforcement and shall not have any substantial interest in the outcome of the matter.
2. Each Party shall ensure that, in any such tribunals or procedures, the parties to the proceedings are provided with the right to:
  - (a) a reasonable opportunity to support or defend their respective positions; and
  - (b) a decision based on the evidence and submissions compiled by the administrative authority.
3. Each Party shall ensure, subject to appeal or further review as provided in its domestic law, that such decisions shall be implemented by, and shall govern the practice of, the competent authority with respect to the administrative action at issue.

## **Article 13.08. Communications and Notifications**

Except as agreed otherwise, it shall be understood that a communication or notification to a Party has been completed, as of its receipt by the Information Center of that Party.

## **Article 13.09. Language**

Unless the Parties otherwise agree:

- (a) notifications, communications, and information supply that a Party provides to the other Party, in accordance with this Agreement, shall be:
  - in the case of the Republic of China (Taiwan), in its official language, along with a corresponding English translation or in English; and in the case of the Republic of El Salvador and the Republic of Honduras, in their official language, along with a corresponding English translation; and
- (b) the writings, allegations, notifications, communications, hearings, and proceedings that the Parties submit, in any procedure described in Chapter 15 (Dispute Settlement) shall be: in the case of the Republic of China (Taiwan), in its official language, along with a corresponding English translation or in English; and in the case of the Republic of El Salvador and the Republic of Honduras, in their official language, along with a corresponding English translation.

# **Chapter 14. Administration of the Agreement**

## **Article 14.01. Administrative Commission of the Agreement**

1. The Parties hereby establish the Administrative Commission of the Agreement, which is composed of the officials referred to in Annex 14.01, or of the persons designated by them.
2. The Commission shall:
  - (a) supervise the implementation and the correct application of the provisions of this Agreement;
  - (b) evaluate the results in the application of this Agreement;
  - (c) monitor the development of the Agreement and recommend to the Parties any modifications which it deems necessary;
  - (d) resolve any disputes that may arise regarding the interpretation or application of this Agreement, as stipulated in Chapter 15 (Dispute Settlement);
  - (e) supervise the work of all committees established or created under this Agreement, as indicated in Article 14.05 (3); and
  - (f) consider any matter that may affect the operation of this Agreement, or any other to be entrusted by the Parties.
3. The Commission may:
  - (a) establish and delegate responsibilities to committees and working groups of experts;
  - (b) modify, in fulfillment of the Agreement's objectives:
    - (i) the schedules attached to Annex 3.04 (Tariff Reduction Schedule) with the objective of incorporating goods excluded from the tariff elimination;

- (ii) the period referred to in Annex 3.04 (Tariff Reduction Schedule) to speed the process;
  - (iii) the rules of origin established in Annex 4.03 (Specific Rules of Origin);
  - (iv) the Uniform Regulations;
  - (v) the Annexes I, II and III of Chapter 10 (Investment); and
  - (vi) the Annexes I, II and III of Chapter 11 (Cross-border Trade in Services);
- (c) seek the advice of non-governmental persons or groups;
  - (d) develop any regulations needed for the implementation of this Agreement; and
  - (e) take any other actions as are necessary in the exercise of its functions if the Parties so decide.
4. Each Party shall implement, in accordance with its applicable legal procedures, any modification referred to in subparagraph 3 (b).
5. The Commission shall establish its rules and procedures. All decisions of the Commission shall be taken by consensus. 6. The Commission shall convene at least once a year in regular session, and if requested by one of the Parties, in extraordinary session. Regular sessions of the Commission shall be chaired successively by each Party.

## **Article 14.02. Administrative Sub-commission of the Agreement**

1. The Parties hereby establish the Administrative Sub-commission of the Agreement, which is composed of the officials as set out in Annex 14.02 or persons designated by them.
2. The Administrative Sub-commission shall:
  - (a) prepare and revise technical documents for decision-making under this Agreement;
  - (b) follow-up on the decisions taken by the Commission;
  - (c) supervise the committees and the working groups of experts established under this Agreement as described in Article 14.05 (3), and in accordance with Article 14.01 (2); and
  - (d) consider any other matter that may affect the operation of this Agreement, assigned by the Commission.
3. The Commission shall establish its rules and procedures to ensure the operation of the Administrative Sub-commission of the Agreement.

## **Article 14.03. Secretariat**

1. Each Party shall:
  - (a) designate a permanent office or official responsible for acting on behalf of the National Section of the Secretariat of such Party and shall notify the Commission of the address, phone number and any other relevant information where its National Section is located;
  - (b) be responsible for:
    - (i) the operation and costs of the National Section; and
    - (ii) the remuneration and expenses to be paid to panelists, their assistants and experts appointed as stipulated in this Agreement, in Annex 14.03; and
  - (c) designate a Secretary of its National Section, who shall be the civil employee responsible for its administration.
2. The Secretariat shall:
  - (a) assist the Commission and the Sub-commission;
  - (b) support the arbitrating groups created pursuant to Chapter 15 (Dispute Settlement) and the procedures established in Article 15.11 (Model Rules of Procedure);
  - (c) support the work of the committees and working groups of experts established under the Agreement, as instructed by the Commission; and
  - (d) conduct any other matters instructed by the Commission.

## **Article 14.04. General Provisions**

1. The provisions in this Section shall apply to all the committees and working groups of experts established under the framework of this Agreement.
2. Each committee and working group of experts shall be composed of representatives of the Parties. All decisions shall be taken by consensus.

## **Article 14.05. Committees**

1. The Commission may create committees other than the ones established in Annex 14.05.
2. Each committee shall:
  - (a) supervise the implementation of the Chapters of this Agreement under its competence;
  - (b) consider any proposed or actual measures submitted by a Party, that may affect the effective implementation of the

Agreement;

(c) request technical reports by the competent authorities, and take necessary actions to resolve the issue;

(d) evaluate and recommend to the Commission any proposal for modifications, amendments or any other additional provisions to the Chapters of this Agreement under its competence; and

(e) carry out the matters instructed by the Commission as established under this Agreement and any other mechanisms derived from it.

3. The Commission and the Sub-commission shall supervise the work of all committees established under this Agreement.

4. Each committee may establish its own rules and procedures, and shall meet upon request of any of the Parties or the Commission.

## **Article 14.06. Working Groups of Experts**

1. Notwithstanding Article 14.01 (3) (a), a committee may create ad hoc groups of experts, for completing the technical studies it deems necessary to carry out its mandate, whose work shall be supervised. The working group of experts shall strictly complete the mandate entrusted to it, within the terms and timeframes established and shall report to its corresponding committee.

2. The rules and procedures of a working group of experts may be established by the corresponding committee.

# **Chapter 15. Dispute Settlement**

## **Article 15.01. General Provisions**

1. The Parties shall at all times endeavor to agree on the interpretation and application of this Agreement, and shall make every attempt through cooperation and consultations to arrive at a mutually satisfactory resolution of any matter that might affect its operation.

2. All solutions to matters formally raised under the provisions of this Chapter, shall be consistent with this Agreement and shall not nullify or impair benefits accruing to any Party under this Agreement, nor impede the attainment of any objective of this Agreement.

3. Mutually agreed solutions to matters formally raised under the consultations of this Chapter made by the Parties of the matters related with this Agreement shall be notified to the Commission within a thirty (30) day period after a solution is reached.

4. For the purpose of this Chapter, "disputing Parties" means the complaining Party and the Party complained against.

## **Article 15.02. Scope of Application**

Except as otherwise provided in this Agreement, the dispute settlement provisions of this Chapter shall apply:

(a) with respect to the prevention or settlement of all disputes between the Parties regarding the interpretation or application of this Agreement;

(b) wherever a Party considers that an actual or proposed measure of the other Party is or would be inconsistent with the obligations of this Agreement or that the other Party has otherwise failed to carry out its obligations under this Agreement; or

(c) wherever a Party considers that an actual or proposed measure of the other Party causes or would cause nullification or impairment in the sense of Annex 15.02.

## **Article 15.03. Choice of Forum**

1. The disputes arising in connection with the provisions of this Agreement and the WTO Agreement or agreements negotiated in accordance with the WTO Agreement may be settled in one of those fora, as the complaining Party chooses.

2. Where a Party has requested the establishment of the arbitral panel under Article 15.07, or has requested the establishment of a panel under Article 6 of the Understanding on Rules and Procedures Governing the Settlement of Disputes of the WTO Agreement, the forum chosen shall be used to the exclusion of the other.

## **Article 15.04. Perishable Goods**

1. On disputes regarding perishable goods<sup>1</sup>, the Parties and the panel referred to in Article 15.07 may expedite the procedure. For this purpose, the Parties shall, by mutual agreement, shorten the timeframes established in this Chapter.

2. In cases of urgency, including issues regarding perishable goods, the consultations shall begin within fifteen (15) days upon receipt of the request.

## **Article 15.05. Consultations**

1. A Party may request in writing consultations with the other Party with respect to any actual or proposed measure or any other matter that it considers might affect the operation of this Agreement, as referred to in Article 15.02.
2. The Party shall deliver the request to the other Party, and shall set out the reasons for the request, including an identification of the actual or proposed measure or other matter at issue, and the legal basis for the complaint.
3. The consulting Parties shall make every attempt to arrive at a mutually satisfactory resolution of any matter through consultations under this Article. For this purpose, the Parties shall:
  - (a) provide information to enable a full examination of how the actual or proposed measure or other matter might affect the operation and application of this Agreement; and
  - (b) treat any confidential information exchanged in the course of consultations on the same basis as the Party providing the information.

## **Article 15.06. Commission – Good Offices, Conciliation, and Mediation**

1. Any consulting Party may (2) request in writing a meeting of the Commission, if the Parties fail to resolve a matter pursuant to Article 15.04 or 15.05 within:
  - (a) sixty (60) days of delivery of a request for consultations;
  - (b) fifteen (15) days of delivery of a request for consultations in matters regarding perishable goods; or (c) such other terms as they may agree.
2. The requesting Party shall deliver the request to the other Party and shall set out the reasons for the request, including an identification of the measure or other matter at issue, and the legal basis for the complaint.
3. Unless it decides otherwise, the Commission shall convene within ten (10) days of delivery of the request and shall endeavour to resolve the dispute promptly. The Commission may:
  - (a) call on technical advisers or create working groups or expert groups as it deems necessary;
  - (b) resort to good offices, conciliation, mediation or other dispute resolution procedures; or
  - (c) make recommendations, in order to assist the consulting Parties in reaching a mutually satisfactory resolution of the dispute.
4. Unless otherwise decided, pursuant to this Article, the Commission shall consolidate two or more proceedings presented for its consideration, relating to the same measure. The Commission may consolidate two or more proceedings presented for its consideration, relating to other matters whenever it deems appropriate to consider these proceedings jointly.

(2) This shall not be understood as a preliminary step needed to request the establishment of an arbitral panel, pursuant to Article 15.07.

## **Article 15.07. Establishment of an Arbitral Panel**

1. If the Parties fail to resolve the matter within:
  - (a) thirty (30) days after the Commission has convened pursuant to Article 15.06;
  - (b) thirty (30) days after the Commission has convened in respect of the matter most recently referred to it, where proceedings have been consolidated pursuant to Article 15.06 (4);
  - (c) fifteen (15) days after a Party has delivered a request for consultations under Article 15.05 in a matter regarding perishable goods, if the Commission has not convened pursuant to Article 15.06 (1);
  - (d) sixty (60) days after a Party has delivered a request for consultations under Article 15.05, if the Commission has not convened pursuant to Article 15.06 (3); or
  - (e) such other terms as the consulting Parties may agree; any Party that requested a meeting of the Commission in accordance with Article 15.05 may request in writing the establishment of an arbitral panel to consider the matter, and shall set out the reasons for the request, including an identification of the actual measure or other matter at issue, and the legal basis for the complaint.
2. The complaining Party shall deliver the request to the other Party, and shall set out the reasons for the request, including an identification of the measure or other matter at issue and the legal basis for the complaint.
3. The disputing Parties may consolidate two (2) or more proceedings regarding other issues whenever they deem it appropriate to consider these proceedings jointly.
4. Arbitral panel procedures shall be considered invoked when the Party complained against receives the request to establish a panel. The disputing Parties shall adopt all necessary measures pursuant to Article 15.10 for the establishment of the panel.
5. Unless otherwise decided by the disputing Parties, the panel shall be established and shall carry out its functions in consistency with the provisions of this Chapter.
6. Notwithstanding paragraph 1, an arbitral panel may not be established to review a proposed measure.

## **Article 15.08. Roster**

1. Within six (6) months of the date of entry into force of this Agreement, the Parties shall establish and maintain a roster of up to thirty (30) individuals with the required qualification to serve as panelists. Said roster shall be composed of the "Roster of Panelists of the Parties" and the "Roster of Panelists of Non-Party Countries". Each Party may designate five (5) national panelists to form the "Roster of Panelists of the Parties", and five (5) panelists of Non-Party countries to form the "Roster of Panelists of Non-Party Countries".
2. The roster of panelists may be modified every three (3) years. Notwithstanding, the Commission may revise, by request of a Party, the roster of panelists before the expiration of this period.
3. The members of the roster of panelists shall meet the qualifications set forth in Article 15.09.

## **Article 15.09. Qualifications of the Panelists**

1. The panelists shall meet the following qualifications:
  - (a) have expertise or experience in law, international trade, other matters covered by this Agreement, or the resolution of disputes arising under international trade agreements;
  - (b) be chosen strictly on the basis of objectivity, reliability, and sound judgment; and
  - (c) be independent of, and not be affiliated with or take instructions from, any Party.
2. The panelists shall comply with a Code of Conduct to be established by the Commission.
3. Individuals may not serve as panelists for a dispute in which they have participated pursuant to Article 15.06.

## **Article 15.10. Panel Selection**

1. The disputing Parties shall apply the following procedures in selecting a panel:
  - (a) the arbitral panel shall be composed of three (3) members;
  - (b) the disputing Parties shall endeavour to agree on the designation of the chair of the arbitral panel within fifteen (15) days of receipt of the request for the establishment of the arbitral panel;
  - (c) if the disputing Parties do not reach an agreement within the above-mentioned timeframe, the chair shall be chosen by drawing lot from the "Roster of Panelists of Non-Party Countries";
  - (d) within fifteen (15) days after the designation of the chair, each Party shall select a panelist from the "Roster of Panelists of the Parties"; and
  - (e) if a disputing Party does not select a panelist, the panelist shall be chosen by drawing from the "Roster of Panelists of the Parties" and shall be of that Party's nationality.
2. Where a disputing Party considers that a panelist has violated the Code of Conduct, the disputing Parties shall hold consultations and decide whether to remove that panelist and select a new one pursuant to the provisions of this Article.

## **Article 15.11. Model Rules of Procedure**

1. Upon the entry into force of this Agreement, the Commission shall establish the Model Rules of Procedure in accordance with the following principles:
  - (a) the procedures shall ensure the right to at least one hearing before the arbitral panel and an opportunity for each disputing Party to provide initial and rebuttal written submissions; and
  - (b) the hearing before the arbitral panel, the deliberations and the preliminary report, as well as all the writings and communications presented in it shall be confidential.
2. Unless the disputing Parties otherwise agree, the arbitral panel shall conduct its proceedings in accordance with the Model Rules of Procedure.
3. Unless the disputing Parties otherwise agree, within twenty (20) days of receipt of the request for the establishment of the arbitral panel, the terms of reference shall be: "To examine, in the light of the provisions of this Agreement, the matters submitted for its consideration and to make findings, decisions, and recommendations as provided in Articles 15.13 (2) and 15.14".
4. If a complaining Party claims that a matter causes nullification or impairment of benefits referred to in Annex 15.02, the terms of reference shall so indicate.
5. When a disputing Party requests that the arbitral panel makes findings on the extent of the adverse trade effects brought upon by the measure adopted by the other disputing Party and it is considered by the disputing Party as inconsistent with the Agreement, or that the measure has caused nullification or impairment in the sense of Annex 15.02, the terms of reference shall so indicate.

## **Article 15.12. Role of Experts**

Upon request of a disputing Party, or ex officio, the arbitral panel may seek information and technical advice from any persons or institutions that it deems appropriate under the Model Rules of Procedure.

### **Article 15.13. Preliminary Report**

1. Unless the disputing Parties otherwise agree, the arbitral panel shall base its preliminary report on the communications and arguments presented by the disputing Parties, as well as the relevant provisions of this Agreement and any information received, pursuant to Article 15.12.
2. Unless the disputing Parties otherwise agree, within ninety (90) days after the arbitral panel has notified its acceptance to the Secretariat and a period of eight (8) days has passed from the day on which the Secretariat notifies the establishment to the disputing Parties, the arbitral panel shall present to the disputing Parties a preliminary report containing:
  - (a) findings of fact, including any findings pursuant to a request under Article 15.11 (5);
  - (b) a decision about whether the measure in question is inconsistent with the obligations arising from this Agreement, or is a cause of nullification or impairment in the sense of Annex 15.02 or any other decision requested in the terms of reference; and
  - (c) its recommendations, if any, to settle the dispute.
3. Panelists may furnish separate opinion in writing on matters in which consensus has not been reached.
4. Either disputing Party may submit written comments to the arbitral panel on its preliminary report within fourteen (14) days of presentation of the report. After considering any written comments on the preliminary report, the arbitral panel upon request of a disputing Party, or ex officio, may:
  - (a) reconsider its report; and
  - (b) take any steps deemed appropriate.

### **Article 15.14. Final Report**

1. Within thirty (30) days of the presentation of the preliminary report, unless the disputing Parties otherwise agree, the arbitral panel shall notify the disputing Parties of its final report reached by majority of votes, including any separate opinions, in writing, on matters in which there is no consensus.
2. No arbitral panel may, in either its preliminary report or its final report, disclose the identity of the panelists that voted with the majority or the minority.
3. Unless the disputing Parties otherwise agree, the disputing Parties shall release the final report to the public within fifteen (15) days of its notification to the disputing Parties.

### **Article 15.15. Implementation of the Final Report**

1. The final report of the arbitral panel shall be compulsory for the disputing Parties to implement under the terms and conditions specified in it. The term of implementation shall not exceed six (6) months from the date on which the final report was notified to the disputing Parties, unless the disputing Parties otherwise agree.
2. When the final report of the arbitral panel determines that a measure has not conformed to a disputing Party's obligations under this Agreement, the Party complained against shall be prevented from implementing the measure or shall eliminate the non-conformity.
3. When the final report of the arbitral panel determines that a measure is causing nullification or impairment in the sense of Annex 15.02, it shall indicate the level of nullification or impairment and may suggest mutually satisfactory adjustments for the disputing Parties.

### **Article 15.16. Suspension of Benefits**

1. Unless the disputing Parties notify the Commission of their agreement on the final report, within fifteen (15) days after the expiration of the timeframe determined by the arbitral panel, the panel shall determine if the Party complained against has conformed to the report.
2. The complaining Party may suspend the Party complained against from the benefits arising from this Agreement that have an effect equivalent to the benefits not received, if the arbitral panel decides that:
  - (a) a measure is inconsistent with the obligations of this Agreement, and the Party complained against has not implemented the final report within the term established by the panel; or
  - (b) a measure is the cause of nullification or impairment in the sense of Annex 15.02, and the disputing Parties do not reach a mutually satisfactory agreement of the dispute within the term established by the panel.
3. The suspension of benefits shall last until the Party complained against implements the final report or until the disputing Parties reach a mutually satisfactory agreement of the dispute.
4. In considering what benefits to be suspended pursuant to this Article:

(a) the complaining Party should first seek to suspend benefits in the same sector or sectors that are affected by the measure, or other matter that the panel has found to be inconsistent with the obligations of this Agreement or to have caused nullification or impairment in the sense of Annex 15.02; and

(b) if the complaining Party considers not feasible or effective to suspend benefits in the same sector or sectors, it may suspend benefits in other sectors.

5. Once benefits have been suspended, the disputing Parties, upon written request of a disputing Party, shall establish an arbitral panel for determining if the final report has been enforced, or if the level of benefits suspended by the complaining Party is excessive to the Party complained against, in accordance with this Article. When possible, the panel shall be composed of the same panelists who resolved the dispute.

6. When the arbitral panel established in paragraph 5 is composed of the same panelists who resolved the dispute, it shall submit a final report within thirty (30) days as of the request mentioned in paragraph 5. When the arbitral panel established in paragraph 5 is not composed of the same panelists, the panel shall submit a final report within sixty (60) days of the meeting in which it was established, or when the disputing Parties so decide.

7. When the Party complained against cannot comply with the final report, within thirty (30) days after the arbitral panel submits the final report, the Party complained against may request consultations with the complaining Party to reach an agreement on alternative measures to compensate the complaining Party.

8. If an agreement on alternative measures is not reached, the complaining Party may suspend the benefits, notwithstanding the provisions established in paragraphs 2 and 4, to the extent necessary to persuade the Party complained against to comply with the final report. In the application of this provision, the difference in the development levels of the disputing Parties will be taken into consideration.

## **Article 15.17. Interpretation of the Agreement Before Judicial and Administrative Proceedings**

1. If an issue of interpretation or application of this Agreement arises in any domestic judicial or administrative proceedings of a Party that the other Party considers as meriting its intervention, or if a court or administrative body solicits the views of a Party, that Party shall notify the other Party. The Commission shall endeavor to agree on an appropriate response as expeditiously as possible.

2. The Party in whose territory the court or administrative body is located shall submit any agreed interpretation of the Commission to the court or administrative body in accordance with the rules of that forum.

3. If the Commission does not agree upon an interpretation or response, a Party may submit its own views to the judicial or administrative proceeding in accordance with the rules of that forum.

## **Article 15.18. Private Rights**

No Party may provide for a right of action under its domestic law against the other Party on the grounds that a measure of the other Party is inconsistent with this Agreement.

## **Article 15.19. Alternative Dispute Resolution**

1. Each Party shall, to the maximum extent possible, encourage and facilitate the use of arbitration and other means of alternative dispute resolution for the settlement of international commercial disputes between private parties in the free trade area established by this Agreement.

2. For this purpose, each Party shall provide appropriate procedures to ensure observance of agreements to arbitrate and for the recognition and enforcement of arbitral awards in such disputes.

3. The Commission may establish an Advisory Committee on Private Commercial Disputes comprising persons with expertise or experience in the resolution of private international commercial disputes. The Committee shall report and provide recommendations to the Commission on general issues referred to it by the Commission respecting the availability, use, and effectiveness of arbitration and other procedures for the resolution of such disputes in the free trade area established by this Agreement.

# **Chapter 16. Exceptions**

## **Article 16.01. Definitions**

For purposes of this Chapter, the following terms shall be understood as:

Fund: the International Monetary Fund; international capital transactions: "international capital transactions", as defined in the Articles of Agreement of the International Monetary Fund;

payments for current international transactions: "payments for current international transactions", as defined in the Articles of Agreement of the International Monetary Fund;

tax convention: a convention for the avoidance of double taxation or other international taxation agreements or arrangements; and

transfers: international transactions and related international transfers and payments.

## **Article 16.02. General Exceptions**

1. Article XX of GATT 1994 and its interpretative notes are incorporated into and made an integral part of this Agreement, for purposes of:
  - (a) Part Two (Trade in Goods), except to the extent that any of its provisions apply to services and investment; and
  - (b) Part Three (Trade Barriers), except to the extent that any of its provisions apply to services and investment.
2. Subparagraphs (a), (b) and (c) of Article XIV of the GATS, are incorporated into and made an integral part of this Agreement, for purposes of:
  - (a) Part Two (Trade in Goods), to the extent that any of its provisions apply to services;
  - (b) Part Three (Trade Barriers), to the extent that any of its provisions apply to services; and
  - (c) Part Four (Investment, Services and Related Matters).

## **Article 16.03. National Security**

Nothing in this Agreement shall be construed:

- (a) to require a Party to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests;
- (b) to prevent a Party from taking any actions that it considers necessary for the protection of its essential security interests:
  - (i) relating to the traffic in arms, ammunitions and implements of war and to such traffic and transactions in other goods, materials, services and technology undertaking directly or indirectly for the purposes of supplying a military or other security establishment;
  - (ii) taken in time of war or other emergency in international relations; or
  - (iii) relating to the implementation of national policies or international agreements respecting the non-proliferation of nuclear weapons or other nuclear explosive devices; or
- (c) to prevent a Party from taking action in pursuance of its obligations under the United Nations Charter for the Maintenance of International Peace and Security.

## **Article 16.04. Balance of Payments**

1. No provision in this Agreement shall be interpreted to prevent a Party from adopting or maintaining measures that restrict transfers when the Party faces serious difficulties in or threats to its balance of payments, provided that the restrictions are compatible with this Article.
2. The Party shall notify the other Party within thirty (30) days after the adoption of a measure in accordance with paragraph 1. In the event that all Parties become party to the Articles of Agreement of the International Monetary Fund, the procedure of paragraph 3 should be followed.
3. As soon as it is feasible, after a Party applies a measure according to this Article and its international obligations, the Party shall:
  - (a) submit all restrictions to current account transactions for review by the Fund according to Article VIII of the Articles of the Agreement of the International Monetary Fund;
  - (b) initiate consultations with the Fund with respect to the measures of economic adjustment geared to address the fundamental economic problems causing the difficulties; and (c) adopt or maintain economic policies according to such consultations.
4. The measures adopted or maintained under this Article shall:
  - (a) avoid unnecessary damage to the commercial, economic, and financial interests of the other Party;
  - (b) not be more burdensome than necessary to deal with the balance of payments difficulties, or threat thereof;
  - (c) be temporary and be phased out progressively as the balance of payments situation improves;
  - (d) be consistent with those of paragraph 3 (c), as well as with the Articles of Agreement of the International Monetary Fund; and (e) be applied on a national treatment or most-favored-nation treatment basis, whichever is better.
5. A Party may adopt or maintain a measure under this Article that gives priority to services that are essential to its economic program, provided that a Party may not impose a measure for the purposes of protecting a specific industry or sector, unless the measure is consistent with paragraph 3 (c), and with Article VIII (3) of the Articles of Agreement of the International Monetary Fund.
6. The restrictions imposed on transfers must: (a) be consistent with Article VIII (3) of the Articles of Agreement of the

International Monetary Fund, when they are applied to payments for current international transactions; and (b) be consistent with Article VI of the Articles of Agreement of the International Monetary Fund and be applied only in conjunction with measures on payments for current international transactions under paragraph 3 (a).

## **Article 16.05. Disclosure of Information**

Nothing in this Agreement shall be construed to require a Party to furnish or allow access to information the disclosure of which would impede law enforcement, or would be contrary to the Party's law protecting personal privacy or the financial affairs and accounts of individual customers of financial institutions.

## **Article 16.06. Taxation**

1. Except as set out in this Article, nothing in this Agreement shall apply to taxation measures.
2. Nothing in this Agreement shall affect the rights and obligations of any Party under any tax convention. In the event of any inconsistency between this Agreement and any such convention, that convention shall prevail to the extent of the inconsistency.
3. Notwithstanding paragraph 2:
  - (a) Article 3.03 (National Treatment) and such other provisions of this Agreement as are necessary to give effect to that Article shall apply to taxation measures to the same extent as does Article III of the GATT 1994; and
  - (b) Article 3.12 (Export Taxes) shall apply to taxation measures.
4. For purposes of this Article, taxation measures do not include:
  - (a) a customs duty as defined in Chapter 2 (General Definitions); nor
  - (b) the measures listed in exceptions (b), (c), and (d) to that definition.
5. Subject to paragraph 2:
  - (a) Articles 10.03 (National Treatment) and 11.03 (National Treatment) shall apply to the taxation measures on income, capital gains or on the taxable capital of enterprises that relate to the purchase or consumption of particular services; and
  - (b) Articles 10.03 (National Treatment) and 10.04 (Most Favored Nation Treatment); 11.03 (National Treatment) and 11.04 (Most Favored Nation Treatment); shall apply to all taxation measures, other than those on income, capital gains or on the taxable capital of enterprises, taxes on estates, inheritances, and donations, except that nothing in those Articles shall apply:
    - (i) to any most-favored-nation obligation with respect to an advantage accorded by a Party pursuant to any tax convention;
    - (ii) to any existing taxation measure which provides different tax treatment between residents and non-residents;
    - (iii) to a non-conforming provision of any existing taxation measure;
    - (iv) to the continuation or prompt renewal of a non-conforming provision of any existing taxation measure;
    - (v) to an amendment to a non-conforming provision of any existing taxation measure to the extent that the amendment does not decrease its conformity, at the time of the amendment, with any of those articles; or
    - (vi) to the adoption or enforcement of any new taxation measure aimed at ensuring the equitable or effective imposition or collection of taxes and does not arbitrarily discriminate among persons, goods or services of the Parties, or arbitrarily nullify or impair advantages granted by those articles, in the sense of Annex 15.02 (Nullification or Impairment).

## **Chapter 17. Cooperation**

### **Article 17.01. Purpose**

1. The main purpose of this Chapter is to establish guidelines in which the Government of the Republic of China (Taiwan) shall strengthen its cooperation relations with the Governments of the Republic of El Salvador and the Republic of Honduras, reaffirming its importance in the economic, financial and technical areas, as an instrument to contribute to the accomplishment of the objectives and the principles derived from this Agreement.
2. In every cooperation measure initiated under this Agreement, the Parties must take into account the need to protect, preserve, and improve their environment and natural resources.

### **Article 17.02. Specific Purposes**

The specific purposes of this Chapter are the following:

- (a) strengthen and diversify the cooperation activities between the Parties;
- (b) strengthen the cooperation in order to develop, improve, intensify and diversify commercial relationships;
- (c) strengthen and diversify financing sorts for development;
- (d) promote a propitious environment for the development of micro, small, and medium enterprises, and for the development of exportable offer;
- (e) improve the capacity of public and private sectors to profit from the opportunities provided by this Agreement; and

(f) contribute to the creation of trade, financial and technological flows and investment between the Parties.

### **Article 17.03. Dispute Settlement**

None of the provisions under this Chapter shall apply to the dispute settlement mechanism established in Chapter 15 (Dispute Settlement).

### **Article 17.04. Cooperation Activities**

1. The Parties may initiate and carry out various types of cooperation activities, including the participation of experts, national and international institutions, as considered appropriate, to promote the accomplishment of the purposes and to fulfill the obligations under this Agreement.
2. Nothing under this Chapter, shall preclude the Parties from establishing bilateral cooperation relations and cooperation linkages in other areas.
3. The cooperation activities shall be carried out taking into account:
  - (a) the economic, financial, environmental, geographical, social, technological, cultural, and legal differences between the Parties;
  - (b) national priorities agreed upon by the Parties;
  - (c) the advisability to prevent duplication of existing cooperation activities; and
  - (d) the intention of the Parties to develop and implement cooperation activities through different initiatives.

### **Article 17.05. Commercial and Industrial Cooperation**

1. The Parties shall support and encourage measures to develop and strengthen actions aiming to institute a dynamic and integrated management of the commercial and industrial cooperation in order to create favorable conditions for economic development while acknowledging the mutual interests of the Parties.
2. Such cooperation shall focus particularly on the following:
  - (a) promote trade flows and investments among companies of the Parties;
  - (b) promote cooperation projects in areas of market information and market research; technological information, creation of technological and competitiveness databases in the fields of quality and technology; production, administration, and commercialization of exporting companies and companies with exporting potential; as well as the promotion of technology transfer;
  - (c) support the education and training of human resources on international trade, quality, productivity, innovation, and technological development; and free trade zones management; and
  - (d) strengthen contacts among economic agents of the Parties, to detect commercial and technical opportunities, with the purpose of identifying and exploring areas of mutual commercial interest to increase trade, investment, industrial cooperation, and projects of technology transfer and the improvement of quality and productivity.

### **Article 17.06. Cooperation In the Micro, Small-and-medium Enterprises Sector**

1. The Parties will promote a propitious environment for the development of the micro, small-and-medium enterprises.
2. This cooperation will focus on the following:
  - (a) promote business partnership and the creation of information networks to enable the development of the micro, small-and-medium enterprises;
  - (b) support research and studies that extend, promote, and facilitate the financing and operating of programs and projects for the development of competitiveness of the micro, small-and-medium enterprises, with the purpose of increasing the commercial trade;
  - (c) support the improvement of business environment, especially related to aspects of policies and norms that aim for the competitive development of the micro, small-and-medium enterprises; and (d) promote the adoption of new technologies in micro, small-and-medium enterprises to update their company management, extend their markets, and facilitate the fulfillment of their obligations.

### **Article 17.07. Cooperation In the Matter of Exportable Offer**

1. The Parties will create a cooperation program, aiming to carry out studies on exportable offer and on inactive production capabilities, as well as identifying potential investment areas, joint investments, and strategic alliances that shall enable and diversify the trade flows between the Parties and towards other markets.
2. The Parties will also create cooperation programs in exportable offer and on potential export capabilities, taking into

account:

- (a) support to diversify, reconvert, and strengthen productive sectors, exporters and sectors with potential export capabilities for technology transfer;
- (b) support projects and/or programs to strengthen innovation, competitiveness, and development of the productive sectors, exporters, and those with potential export capabilities; and
- (c) the cooperation for the execution of strategies, programs, and projects that contribute to increasing, diversifying, and improvement of product quality and harmlessness of products, through technical training, consulting services, and technology transfers.

### **Article 17.08. Cooperation In the Matter of Tourism**

1. The main objective for the cooperation between the Parties in the matter of tourism is to improve the exchange of information, in order to adjust practices in this topic to achieve a balanced and sustainable development of tourism.
2. For the purposes of this Article, the Parties will focus particularly on the following:
  - (a) respecting the integrity and interests of the local communities;
  - (b) promoting investment and joint investments that may allow the expansion of tourism;
  - (c) exchanging of information regarding tourism development;
  - (d) providing support in the fields of statistics and information technology, as well as for the creation of business databases;
  - (e) education and training;
  - (f) organization of activities and events and the participation in tourism trade fairs;
  - (g) cooperation on feasibility studies; and
  - (h) support for the commercial promotion agreed by the Parties for the micro, small-and-medium enterprises in the tourism sector.

### **Article 17.09. Cooperation In the Matter of Energy**

1. The objective of the cooperation between the Parties will be the development of their corresponding energy sectors, focusing on the promotion of technology transfer and sectorial regulation.
2. The cooperation in this field will be carried out, mainly, by means of exchanges of information, training of human resources, technology transfers, and joint projects for technological development and infrastructure projects agreed upon by the Parties; as well as the design of more efficient energy generation processes, the rational use of energy, support for the use of alternative and renewable energies that protect the environment, and the promotion of recycling projects and waste treatment for energy use.
3. Grant cooperation to the institutions in charge of energy issues and formulation of energy policies.

### **Article 17.10. Cooperation In the Matter of Transportation, Logistics, and Distribution**

1. The cooperation between Parties regarding transportation matters will seek to:
  - (a) support the improvement and update of the systems of transportation, logistics, and distribution, according to the ability of the Parties;
  - (b) promote management norms; and
  - (c) promote operational norms.
2. For the purposes of this Article, the Parties will give priority to:
  - (a) the exchange of information between experts regarding the respective transportation, logistics, and distribution policies and other topics of common interest;
  - (b) cooperation to support the improvement and update of any type of transportation system; and
  - (c) technology transfers as essential support for the update and improvement of the transportation system.
3. The Parties will study all aspects regarding the exchanges of information on registries and the different types of international services of maritime transportation, logistics, and distribution, in order to prevent them from becoming barriers to mutual trade expansion.

### **Article 17.11. Cooperation In the Matter of Agriculture, Forestry, Aquaculture, and Fishing**

1. The objective of the cooperation in this field is to support and promote strategies, actions, and policy measures in the areas of agriculture, forestry, aquaculture, and fishing and animal and plant health inspection, that allow the consolidation of the efforts of the Parties in the achievement of extensive rural development.
2. Each Party could facilitate the other Parties, in providing counseling, information and technical cooperation, in terms and conditions mutually agreed, to strengthen the communication of the application, administration and regulation of the

sanitary and phytosanitary measures, as well as the procedures and systems on these matters.

3. For the purposes of this Article, the Parties will make efforts in the following areas, but not limited thereto:

- (a) diversification, adjustment, and improvement of the competitiveness of the agricultural, aquaculture, forestry, and fishing subsectors;
- (b) mutual information exchanges, including reference to the development of policies in farming, forestry, animal and plant health inspection;
- (c) cooperation to support the process of technological innovation, subsectorial competitiveness, productivity, and the exchange of alternative agricultural technologies;
- (d) technical and scientific experiments;
- (e) measures intended to increase the quality of farming and agricultural products, and to support trade promotion; (f) cooperation to strengthen the application, administration, and regulation of the standards related to sanitary, phytosanitary and food safety; and
- (g) cooperation to support development activities in human and technical resources in institutions.

## **Article 17.12. Cooperation In the Matter of Quality, Productivity, Innovation, and Technological Development**

Each Party shall promote the cooperation to improve the institutional capacities and the competitiveness of the micro, small-and-medium enterprises in the fields of quality, productivity, innovation, and technological development, considering, but not limited to, the following topics:

- (a) technological strengthening for testing laboratories and industrial metrology;
- (b) assistance for updating academic curricula of technical careers (middle level education, technical education, and higher education);
- (c) support with internships related to the fields of quality and productivity, technological innovation, and development, for private enterprises, academic and public sector employees; and
- (d) strengthen the capacities of human resources of the public sector, in fields related to quality, productivity, innovation, and technological development.

## **Article 17.13. Ministerial Committee for Economic and Commercial Cooperation**

1. The Parties hereby establish the Ministerial Committee for Economic and Commercial Cooperation ("the Committee"), comprising the Minister of Foreign Affairs and the Minister of Economic Affairs or their designees for the Republic of China (Taiwan); the Ministro de Economía or its designee in the case of the Republic of El Salvador; and the Secretario de Estado en los Despachos de Industria y Comercio or its designee in the case of the Republic of Honduras.

2. The Committee shall have the following functions:

- (a) promote activities that foster cooperation;
- (b) review in a timely and expeditious manner, any matter of mutual interest that the Parties decide to consider;
- (c) follow up the cooperation programs included in this Chapter; and
- (d) create, in addition to what has been established in this Chapter, the instruments and technical mechanisms to support its implementation and solve the differences that might arise in its prosecution.

3. The Parties agree that in the meetings of the Committee, the representatives of their corresponding private sectors may participate, prior to consultations among them on this matter and by mutual agreement.

4. The Committee will meet within the first year following the entry into force of this Agreement and, unless otherwise agreed, annually, thereafter alternatively in the Republic of China (Taiwan) or in the Republics of El Salvador or Honduras, in order to review the implementation of this Chapter and its progress, as well as to consider the status of the cooperation activities developed under this Chapter. Upon request by one of the Parties, extraordinary meetings of the Committee may be convened.

5. The chairmanship of the Committee shall be alternated annually among the Parties, and all the decisions will be adopted by consensus.

## **Article 17.14. Points of Contact**

1. The Parties shall designate points of contact in order to implement the decisions adopted by the Committee, as well as for following up the cooperation programs agreed upon by the Committee for the purpose of fulfilling the objectives of this Chapter. The points of contact will be able to make publicly available the cooperation activities carried out according to this Chapter.

2. The designation of these points of contact must be notified between the Parties within three (3) months after this Agreement enters into force.

## **Article 17.15. Work Plan**

The Parties shall develop a work plan that reflects the national priorities regarding cooperation activities to be agreed by the Committee. The work plan may include short, medium, and long term activities. The Committee shall also be in charge of supervising the effective implementation of this work plan.

## **Chapter 18. Final Provisions**

### **Article 18.01. Modifications**

1. Any modification to this Agreement shall require the agreement of all Parties.
2. When so agreed, and approved in accordance with the applicable legal procedures of each Party, a modification or addition shall constitute an integral part of this Agreement.

### **Article 18.02. Reservations**

No Party may enter a reservation in respect of any provision of this Agreement without the written consent of the other Parties.

### **Article 18.03. Entry Into Force**

This Agreement shall have indefinite duration and shall enter into force between the Republic of China (Taiwan), the Republic of El Salvador and the Republic of Honduras on the thirtieth (30th) day after they have respectively exchanged their corresponding instruments of ratification certifying that the procedures and legal formalities have been concluded, unless the Parties agree otherwise.

### **Article 18.04. Annexes, Appendices and Footnotes**

The annexes, appendices and footnotes to this Agreement constitute an integral part of this Agreement.

### **Article 18.05. Withdrawal**

1. Any Party may withdraw from this Agreement. This Agreement shall remain in force for the other Parties, provided that the Republic of China (Taiwan) is not the withdrawing Party.
2. A withdrawal shall become effective one hundred eighty (180) days after the Party provides written notice to the other Party, unless the Parties agree on a different period.

### **Article 18.06. Authentic Texts**

The English, Spanish and Chinese texts of this Agreement are equally authentic. In case of discrepancies in the interpretation of the text, the English version shall be used as reference.

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

DONE at San Salvador, Republic of El Salvador, in triplicate in the Chinese, English and Spanish languages, on this seventh day of May of the year two thousand and seven. For the Government of the Republic of China (Taiwan): Steve Ruey-Long Chen Minister of Economic Affairs For the Government of the Republic of El Salvador: Yolanda Mayora de Gavidia Ministra de Economía For the Government of the Republic of Honduras: Miriam Elizabeth Azcona Bocock Secretaria de Estado en los Despachos de Industria y Comercio As witnesses of honor: Elías Antonio Saca Gonzalez José Manuel Zelaya Rosales President of the Republic of El Salvador President of the Republic of Honduras